

Household Finance Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:30 (London / UTC) February 15th 2017

Markit Household Finance Index™ (HFI™) – United Kingdom

Limited evidence of households buying ahead of expected price rises

- Although 10% of households have pulled-forward purchases of goods or services due to expected price rises in 2017, 8% have delayed buying in the hope prices will fall
- Older generations more inclined to buy ahead of expected price rises
- Data support view that current consumer spending not linked to future inflation worries

Data collected February 8-13th 2017.

Survey data reveal that the widely-held threat of higher prices in 2017 appears to have done little to alter UK household spending patterns.

With inflation expected to rise markedly in 2017, it is important to ascertain how consumer behaviour is reacting to potential price changes. In particular, the recent resilient strength of consumer spending, which once again acted as a major driver of UK economic growth in the fourth quarter of 2016, may be a symptom of households bringing forward their expenditure on items for which they expect the price to rise. If so, consumption could weaken in 2017.

However, the findings from a representative cross-section of the British population that participate in the regular monthly **Markit Household Finance Index™ (HFI™)**, which is compiled by Markit using survey data collected by Ipsos MORI, shows little evidence of price expectations affecting consumption on an aggregate level.

While one-in-ten (9.6%) households reported that they had brought forward the purchase of higher value goods and services (e.g. cars, holidays, washing machines etc.) for which they expected the price to rise in 2017, a similar proportion (7.8%) reported that they had *delayed* such purchases on the grounds that they expected prices to *fall* in 2017.

Thinking about the purchase of higher value goods and services (e.g. cars, holidays, washing machines etc.), how, if at all, have potential price changes in 2017 affected your recent purchase decisions?

		Brought forward a purchase as I expect the price to increase in 2017	Delayed a purchase as I expect the price to fall in 2017	Neither	Net balance*
All households		9.6%	7.8%	82.5%	1.8%
Gender	Male	9.9%	8.1%	82.0%	1.8%
	Female	9.4%	7.6%	83.0%	1.7%
Age	18-24	10.2%	12.1%	77.7%	-1.9%
	25-34	13.3%	12.8%	73.9%	0.6%
	35-44	9.9%	8.3%	81.8%	1.6%
	45-54	7.6%	5.3%	87.1%	2.3%
	55-64	7.5%	2.7%	89.8%	4.8%
Household Income	Less than £15000 pa	7.3%	5.1%	87.5%	2.2%
	£15001 to £23000 pa	13.8%	8.8%	77.4%	4.9%
	£23001 to £34500 pa	9.5%	12.7%	77.8%	-3.2%
	£34501 to £57750 pa	11.6%	8.3%	80.2%	3.3%
	£57751 or more pa	7.2%	5.2%	87.6%	2.0%
Type of Employment	Private Sector	11.2%	8.2%	80.6%	3.0%
	Government/Public Sector	8.4%	7.0%	84.6%	1.3%
	Non-earning	7.9%	6.8%	85.4%	1.1%
Industry Sector	Manufacturing	1.4%	8.8%	89.8%	-7.4%
	Construction	19.8%	5.2%	75.0%	14.6%
	Retail	8.9%	8.9%	82.2%	0.1%
	Finance/Business services	12.1%	7.3%	80.6%	4.8%
	Education/Health/Social services	11.3%	8.1%	80.6%	3.1%
	Utilities/Energy/Transport	7.3%	7.1%	85.6%	0.2%
	IT/Telecoms	12.3%	7.0%	80.7%	5.3%
	Media/Culture/Entertainment	12.6%	11.3%	76.0%	1.3%
	Other services	10.2%	8.5%	81.3%	1.8%
Home ownership	Own	11.0%	2.7%	86.2%	8.3%
	Mortgage	9.2%	7.2%	83.6%	2.0%
	Others	9.2%	11.7%	79.0%	-2.5%
Region	North East	6.0%	11.0%	83.1%	-5.0%
	North West	6.0%	8.3%	85.7%	-2.3%
	Yorkshire & The Humber	9.6%	3.9%	86.4%	5.7%
	East Midlands	8.1%	10.3%	81.6%	-2.2%
	West Midlands	15.2%	9.4%	75.4%	5.7%
	East of England	9.1%	5.1%	85.7%	4.0%
	London	10.3%	12.6%	77.1%	-2.2%
	South East	10.0%	6.1%	83.9%	3.9%
	South West	11.9%	5.9%	82.2%	6.0%
	Wales	4.1%	5.7%	90.2%	-1.6%
	Scotland	10.5%	7.1%	82.4%	3.5%

* % having brought forward purchases minus % delaying, excluding don't know responses. Source: IHS Markit 'HFI Survey'.

Older people have been more inclined to bring forward purchases than younger generations. The trend of delaying purchases in the belief that prices will fall is meanwhile especially prominent in the youngest age brackets.

Those working in construction, followed by IT & telecoms and financial services, have been the most inclined to bring forward purchases.

Comment:

Chris Williamson, chief business economist at IHS Markit, which compiles the survey, said:

“The survey findings are an encouraging sign of the UK economy’s resilience as it enters a potentially challenging year. The data cast doubt on speculation that recent robust household spending is being temporarily buoyed as families bring forward purchases before prices rise in 2017. Had this been

the case, there would be a stronger likelihood of the pace of economic growth slowing sharply, given the key role that consumers have played in driving the economy.

“Instead, and somewhat surprisingly, there’s almost equal evidence here to suggest that families are deferring spending amid a belief that prices could fall.

“It will be important to see the extent to which inflation rises this year, and the impact that has on consumer spending, but for now it seems that household spending is being fueled by robust fundamentals of rising wages and low unemployment, as well of course as record low interest rates.”

-Ends-

For further information, please contact:**IHS Markit**

Chris Williamson,
Chief Business Economist
Telephone +44 207 260 2329
Email chris.williamson@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44 207 260 2234
E-mail joanna.vickers@ihsmarkit.com

Note to Editors:**Ipsos MORI technical details (February survey)**

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between February 8th – 13th 2017. A representative sample of adults was interviewed with quota controls set by gender, age and region and the resultant survey data weighted to the known GB profile of this audience by gender, age, region and household income. Ipsos MORI was responsible for the fieldwork and data collection only and not responsible for the analysis, reporting or interpretation of the survey results.

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