News Release

EMBARGOED UNTIL: 09:30 (UK Time) 20 August 2014

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

Household finances worsen in August, as stalling incomes lead to fastest reduction in cash available to spend for six months

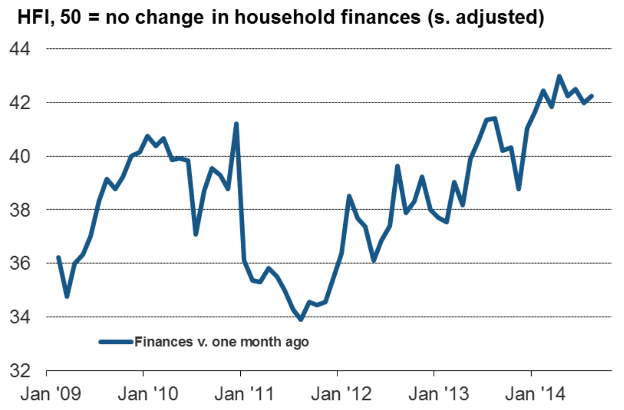
Key points for August 2014:

- Perceptions of financial wellbeing remain downbeat…
- …but squeeze on household finances remains modest in comparison with post-recession trend
- Cash availability drops at quickest rate in six months
- Job insecurities fall to lowest since the survey began in early-2009

Data collected 14-18th August.

This release contains the August findings from the **Markit Household Finance Index™** (HFI™), which is intended to anticipate changing consumer behaviour accurately. The HFI is compiled each month by Markit, a leading provider of financial information services, using data collected by Ipsos MORI.

Current finances



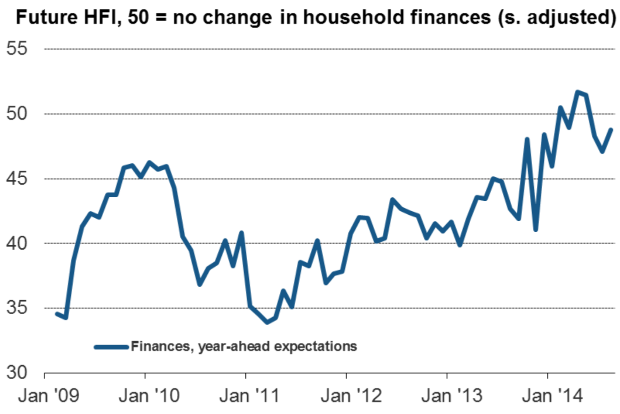
Source: Markit

Adjusted for seasonal factors, the headline **Markit Household Finance Index (HFI)** – which measures households' overall perceptions of financial wellbeing – rose fractionally to 42.2 in August, up from 42.0 in July. The latest reading remained below the neutral 50.0 value, to indicate pessimism regarding current household finances in the UK. That said, the figure was in line with the average observed so far in 2014, and the strain on finances remains muted in the context of historical data.

By region, negative sentiment was strongest among households in Yorkshire & Humber, while households in the South West were the least pessimistic over their finances. Meanwhile, construction workers signalled a slight improvement in their current financial wellbeing, in contrast to workers in the other monitored sub-sectors.

Household finances were depressed in August by weak assessments of cash availability and savings. Income from employment was unchanged in August, but rising activity at work meant that households were less downbeat regarding job security than at any time since the survey began in February 2009.

Expectations for finances in the next 12 months



Source: Markit

The latest data highlighted a third consecutive monthly deterioration in the outlook for **financial wellbeing over the next 12 months**. The index posted below the 50.0 no-change threshold at 48.8 in August, but this was up from July's six-month low of 47.1.

Workplace activity, job security and incomes

Workplace activity expanded for a twenty-seventh successive month in August, albeit at a weaker pace than in July, as the seasonally adjusted index dropped from 58.4 to 57.0. The latest survey suggested that activity growth was driven by strong expansions in finance/business services and construction, while only those working in retail reported a decline.

In spite of continued growth in business activity, **income from employment** was unchanged in August. Both public and private sector employees indicated broadly unchanged pay in the latest survey period. Pessimism over **job security** continued to diminish and was less pronounced than at any previous point in the survey's five-and-a-half year history.

Current and future inflation perceptions

Households' **current inflation perceptions** rose marginally in August, following July's 55-month low. At 73.7, the seasonally adjusted index posted well below the long-run series average (81.9).

Similarly, the index measuring expected **living costs over the year ahead** climbed to 87.4 in August, up from July's 56-month low of 85.8. As a result, **inflation expectations** were at the second-lowest level since December 2009.

Households' views on next move in Bank of England base rate

The latest survey collected from 1,500 households by Ipsos MORI on behalf of Markit also found that UK households pushed back their expectations regarding the next rise in the Bank of England base rate.

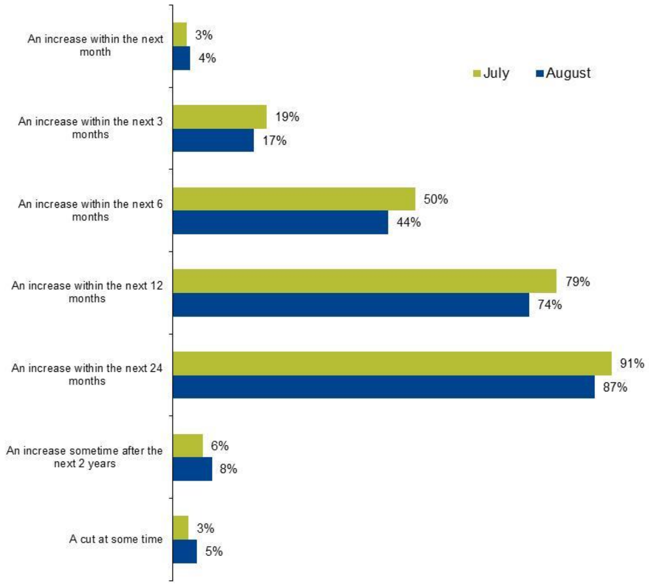
Of those that expressed a view (78% of the 1,500), 44% of UK households expect the first hike in interest rates to take place within the next six months, down from 50% in July and the lowest proportion since May.

Only 17% of households expect the Bank's Monetary Policy Committee to move on rates within the next three months (i.e. prior to mid-November). This fell further from the peak seen in June, when 27% of households expected rates to start rising within the next three months.

Just 4% expect the first rate rise to occur in the next month, little-changed from 3% in July.

The proportion expecting a rate hike within the next 12 months edged down to 74%, from 79% in July.

Households' views on next move in Bank of England base rate*



The latest data were collected between 14th and 18th August 2014.

** "The interest rate set by the Bank of England is currently 0.5%. Please let us know when and how you think the Bank will next change interest rates by choosing one of the options below: Please choose one answer."*

Source: Markit

Comment:

Tim Moore, senior economist at Markit, which compiles the survey, said:

"Subdued inflationary pressures and improving economic conditions are supporting financial wellbeing this summer, but hopes of a boost to pay rates have so far failed to materialise, according to the latest survey.

"Households reported stagnant pay levels in August, resulting in the greatest pressure on cash available to spend for six months, alongside further pessimism about the outlook for household finances over the year ahead.

"While current pay pressures appear modest, the August survey pointed to sharply improving labour market conditions, with workplace activity rising at a near-record pace and job insecurity falling to a fresh post-crisis low.

"Meanwhile, the latest survey results show the most dovish public view on interest rates since May, with less than half of all households believing that the Bank of England will raise rates before February 2015."

-Ends-

For further information, please contact:

Markit

Tim Moore, Senior Economist
Telephone +44 1491 461067
Email: tim.moore@markit.com

Joanna Vickers, Corporate Communications
Telephone +44207 260 2234
E-mail joanna.vickers@markit.com

Note to Editors:

About the HFI

[1] The HFI is a "diffusion index", which is calculated by adding together the percentage of respondents that reported an improvement plus half of the percentage that reported no change. The resulting index varies around the 50.0 "no-change" level, with readings above 50.0 signalling an improvement and readings below 50.0 a deterioration.

The headline survey indices have been seasonally adjusted using the US Bureau of the Census X-12 programme. Markit do not revise underlying (unadjusted) survey data after first publication.

The Household Finance Index™ (HFI™) survey was first conducted in February 2009 and is compiled each month by Markit. The survey methodology has been designed by Markit to complement the *Purchasing Managers' Index® (PMI®)* business surveys, which are closely watched due to their timeliness and accuracy in anticipating changing business conditions. The HFI is intended to accurately anticipate changing consumer behaviour. Like the PMI surveys, the HFI tracks objective "hard data" on actual month-on-month changes, focusing on household spending, saving and debt levels, but also includes several forward-looking opinion questions to help anticipate future trends.

In a further similarity to the PMI survey methodology, the questionnaire is designed to be quick and easy to complete, incorporating a small number of key questions, which encourages regular participation among even high-level respondents.

The survey is based on monthly responses from approximately 1,500 individuals in Great Britain, with data collected by Ipsos MORI from its panel of respondents aged 18-64. The survey sample is structured according to gender, region and age to ensure the survey results accurately reflect the true composition of the population. Results are also weighted to further improve representativeness.

Prior to September 2010, the Household Finance Index was jointly compiled by YouGov and Markit based on monthly responses from over 2,000 UK households, with data collected online by YouGov plc from its representative panel of respondents aged 18 and above. The panel was structured according to income, region and age to ensure the survey results accurately reflected the true composition of the UK population. Results were also weighted to further improve representativeness.

Index numbers

Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline. These indices vary between 0 and 100 with readings of exactly 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration.

Ipsos MORI technical details (August survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 14th – 18th August 2014. 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.

About Markit

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 10 countries. Markit shares are listed on NASDAQ under the symbol "MRKT". For more information, please see www.markit.com