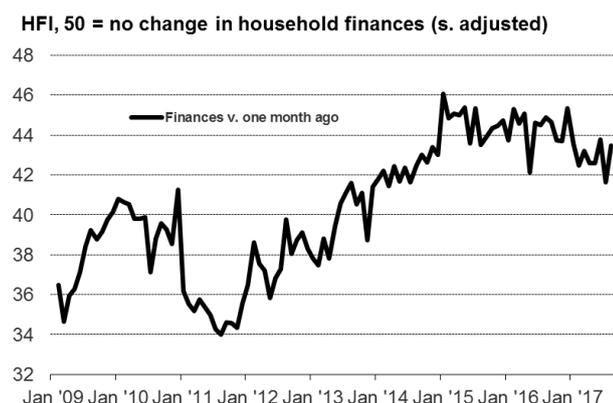


**Household Finance Index™
MARKET SENSITIVE INFORMATION**
EMBARGOED UNTIL: 01:01 (London) / 00:01 (UTC) August 21st 2017
IHS Markit Household Finance Index™ (HFI™) – United Kingdom
UK household finances remain under pressure in August
Key points for August 2017:

- UK household budgets continue to deteriorate sharply during August
- Elevated inflationary pressures contrasted with subdued pay growth
- Concerns about job security were the least widespread since the end of 2015

Data collected August 9-13th 2017

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

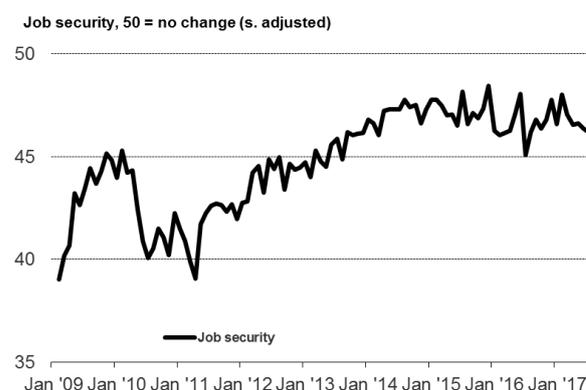
Current finances

Source: IHS Markit

The squeeze on UK household finances softened in August, according to the IHS Markit **Household Finance Index (HFI)**. At 43.5, up from the three-year low of 41.6 recorded in July, the seasonally adjusted index remained well below the 50.0 no-change mark. That said, the latest deterioration remained modest compared to the survey's historical average of 40.4.

Cost pressures faced by UK households remained a key factor behind August's fall in financial wellbeing. Survey respondents reported a steep rise in prices for goods and services. The respective prices index was at 79.5 in August, down from 80.9 in July, but well above the long-run average.

Despite a marginal uptick in income from employment during the latest survey period, sharp price inflation for everyday goods placed pressure on households to further increase unsecured borrowing in August (Index at 52.1).

Meanwhile, respondents noted the lowest degree of job insecurity since December 2015. A relative improvement in labour market conditions likely influenced households to report a slight recovery in their appetite for big-ticket items (such as cars, holidays and large household appliances). The major purchases index was at its highest level since December 2016.


Source: IHS Markit
Expectations for finances in the next 12 months

UK household expectations for future finances rose in August to a four-month high. The seasonally adjusted index ticked up to 47.2, from 47.1 in July. That said, the index remained below the 50.0 no-change threshold, indicating that households

expected a worsening in finances over the next 12 months. Furthermore, the latest survey extended the current sequence of negative sentiment to 17 months.

Workplace activity, job security and incomes

August's survey indicated an improvement in the level of workplace activity and income levels reported by UK households. The work activity index rose to a six-month high in the latest survey, and signalled a marked increase since July. Incomes rose at a faster rate than in the preceding survey, though, growth was only slight overall.

Job insecurity was the least widespread since December 2015, with the index also close to its highest level since the survey began in 2009.

Living costs and inflation expectations

UK household budgets continued to be squeezed by price pressures in August. Inflation perceptions fell marginally since the preceding survey, but, remained historically sharp overall.

The latest survey indicated that inflation expectations moderated marginally from the four-month high in July. The respective index was at 88.7 in August, down from 89.3, which still indicated that the majority of households expect rising living costs over the next year.

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

The proportion of households expecting a rise in the Bank of England base rate during the next 12 months was 33% in August, down sharply from 48% in July. The latest figure indicated the lowest proportion of survey respondents expecting a rise in interest rates on a one-year horizon since August 2016.

Comment:

Sam Teague, economist at IHS Markit, which compiles the survey, said:

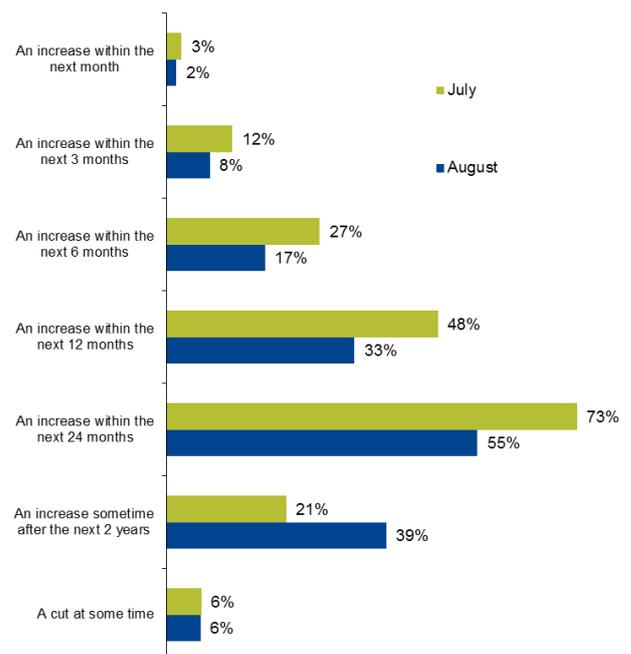
“Despite easing slightly since the three-year peak previously recorded, UK households continued to face a sharp budget squeeze in August, driven by sustained inflation and weak pay growth.

“Households continued to report a greater need for unsecured borrowing to bridge the gap between pay growth and inflation. The sharp drop in the number of people expecting a Bank of England base rate rise in the near future provides an indication that households expect lending conditions to remain accommodative.

“On the bright side, receding concerns about job security were recorded in August, suggesting that labour market conditions have continued to improve this summer.”

-Ends-

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



**The interest rate set by the Bank of England is currently 0.25%. 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: IHS Markit

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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. IHS 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 IHS Markit. The survey methodology has been designed by IHS 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 IHS 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 August 9th – 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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