Household Finance Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:30 (London / UTC) March 22nd 2017

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

UK households most pessimistic about their financial prospects since November 2013

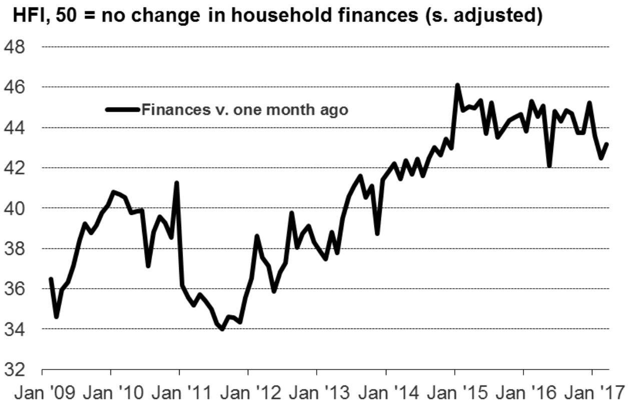
Key points for March 2017:

- Concerns about future household finances intensify amid sharp inflation squeeze in March
- Pressure on UK household budgets remains close to the strongest since late-2014
- Workplace activity continues to rise at a robust pace, but wages stagnate in March
- Majority of UK households (58%) expect Bank of England rate hike in the next 12 months

Data collected March 15-19th 2017.

This release contains the March 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, using data collected by Ipsos MORI.

Current finances



Source: IHS Markit

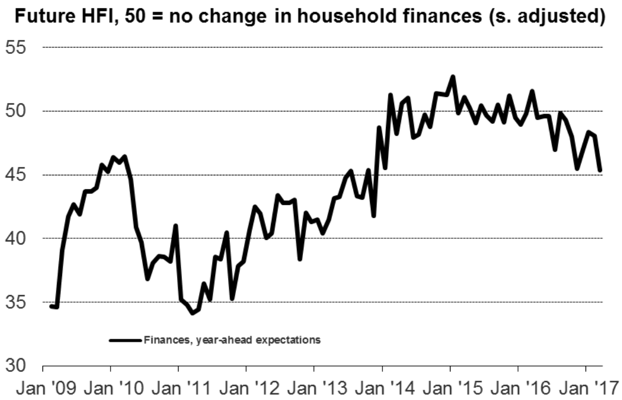
UK households signalled a sustained squeeze on their financial wellbeing in March. The degree of pressure on household budgets was little-changed since February and one of the largest seen since late-2014. This was highlighted by the seasonally adjusted **Household Finance Index (HFI)** posting 43.2 in March, well below the 50.0 no-change threshold and one of the weakest readings seen over the past two years.

However, the squeeze on household finances was still much less marked than the survey-record low in August 2011 (index at 34.0).

The latest deterioration in UK household finances reflected a combination of **subdued pay trends** (index at 50.1 in March) and the second-fastest increase in **living costs** since July 2013.

Resilient labour market conditions persisted in March, with households reporting another robust rise in **workplace activity** (index at 55.0) and only a modest degree of concern about **job security**.

Expectations for finances in the next 12 months



Source: IHS Markit

The seasonally adjusted index measuring **expectations for finances in 12 months' time** dropped sharply from 48.1 in February to 45.3 in March. This signalled the greatest degree of negative sentiment about future household finances since November 2013. People living in the East Midlands were the most downbeat about their financial outlook, followed by those in the North East and London.

Workplace activity, job security and incomes

March data pointed to resilient UK labour market conditions, with survey respondents indicating another robust increase in workplace activity and a relatively subdued degree of job insecurity. However, survey respondents signalled that income from employment was broadly unchanged in March.

Construction, IT/Telecoms and manufacturing employees reported the fastest rises in workplace activity. People working in these sectors also signalled an outright improvement in job security during March. Meanwhile, employees in the utilities/energy/transport and retail sectors recorded the greatest degree of job insecurity.

Living costs and inflation expectations

UK households reported another sharp rise in their current **living costs** during March. At 83.4, the seasonally adjusted index was little-changed from the three-and-a-half year peak recorded in February (84.7). The latest reading was well above the survey average (77.0) and much stronger than that seen at the same time in 2016 (64.4).

March data indicated that UK households expect a strong rise in their **living costs over the next 12 months**. At 90.9, the seasonally adjusted index measuring expected living costs **was** down fractionally from 91.3 in February, but this still signalled the second-highest expectations for three years.

Expectations for living costs in the next 12 months

Source: IHS Markit

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

The majority of UK households (58%) expect that the Bank of England base will raise interest rates during the next 12 months. This figure was up slightly from 56% in February and much higher than the low seen last August (28%). Meanwhile, around one-third of survey respondents (33%) anticipate a base rate rise in the next 6 months.

Comment:

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

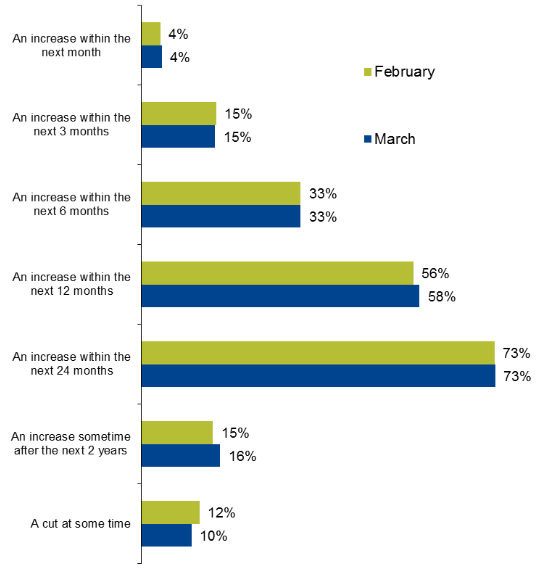
"UK households reported greater pressure on their financial wellbeing in March, as rising inflation has started to erode incomes and reduce cash available to spend. On average in the first quarter of 2017 survey respondents have reported the sharpest increase in their everyday living costs for three-and-a-half years.

"A combination of rising inflation and subdued pay trends has forced households to recalibrate their expectations for the year ahead. After holding steady last summer, UK consumers are now more downbeat about their financial outlook than at any time since late-2013.

"Resilient labour market confidence was the main positive development in March, but there is little sign that this has translated into improved pay growth. As a result, our latest survey provides an advance warning that stretched household finances will become a greater drag on consumer spending in the months ahead."

-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." Historical data available upon request.*

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 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 (March survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between March 15th – 19th 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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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