News Release

Household Finance Index™
MARKET SENSITIVE INFORMATION
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IHS Markit Household Finance Index™ (HFI™) – United Kingdom

Expectations towards a Bank of England rate hike fall alongside easing inflationary pressures

Key points for April 2018:

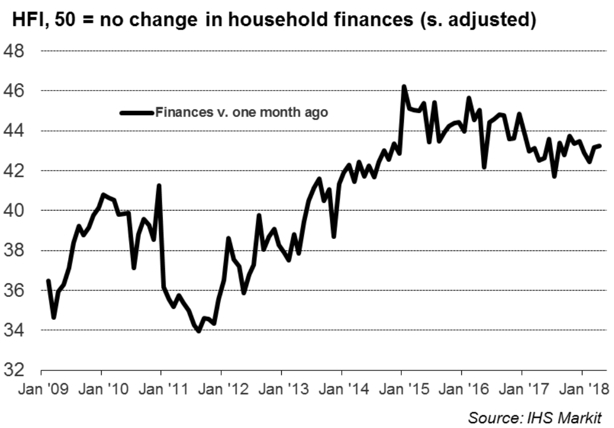
- Modest deterioration in UK household finances
- Inflation perceptions remain elevated despite easing to an 11-month low
- Expectations towards an imminent Bank of England rate rise soften in April
- Workplace activity and income increase at a solid pace
- Concerns around job security remain near record low

Data collected April 12th-16th 2018

This release contains the April 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 original survey data collected by Ipsos MORI. It is the first consumer survey published each month.

Current finances



At 43.2, unchanged since March, the seasonally adjusted Household Finance Index (HFI) remained below the 50.0 no-change threshold in April. As such, the data signalled a modest deterioration in household finances at the start of the second quarter, with the rate of decline broadly in line with that seen over the past 12 months.

Although the survey continued to indicate a squeeze on household budgets during April, signs of an improving labour market and a fall in inflationary pressures provided some welcome news to families.

April data signalled that inflation perceptions fell to an 11-month low, thereby alleviating some pressure on household budgets. Furthermore, respondents reported the strongest increase in workplace activity since the EU-referendum. The uptick in activity translated into a solid improvement in income for the second month running, although this did not prevent a further deterioration in cash availability and household spending growth, as households reined in debt growth.

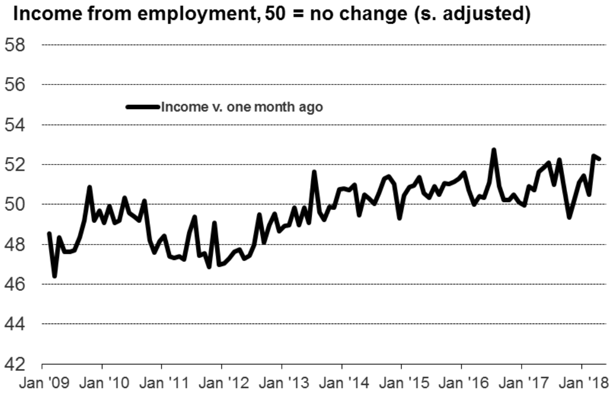
Expectations for finances in the next 12 months

Despite signs of improving income and easing inflationary pressures, UK households remained generally pessimistic towards financial conditions in the year-ahead. At 47.3 in April, the latest figure was the lowest for five months, albeit above the historical average.

Households in Scotland, the West Midlands and London were the most downbeat about the financial outlook.

Workplace activity, income and job security

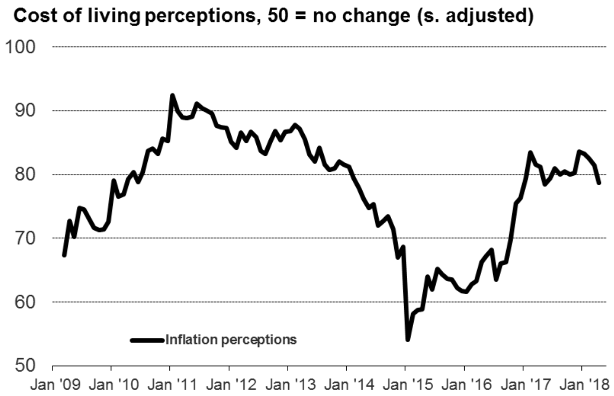
April data provided positive signs on the job front. Households reported the strongest increase in workplace activity for 22 months, whilst incomes rose at an elevated pace for the second month running. Panellists working in the construction and manufacturing sectors reported the steepest increase in incomes.



Source: IHS Markit

Although respondents remained generally downbeat towards their relative job security, the degree of concern was broadly unchanged since March's record low.

Living costs and inflation expectations



Source: IHS Markit

At 78.7 in April, the seasonally adjusted prices index registered an 11-month low, thereby signalling an easing of current inflation perceptions. That said, the figure remained above the average registered since the survey began in February 2009.

Although the majority of UK households still expect inflation over the year-ahead, future inflation expectations softened to an 11-month low in April.

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

The latest data indicated that only a small minority of UK households expect a Bank of England rate rise in the next month (7%). Furthermore, expectations towards rate hikes in 2018 softened since March amid easing inflationary pressures. Nonetheless, the majority of respondents (78%) still expect a base rate rise within the next 12 months.

Comment:

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

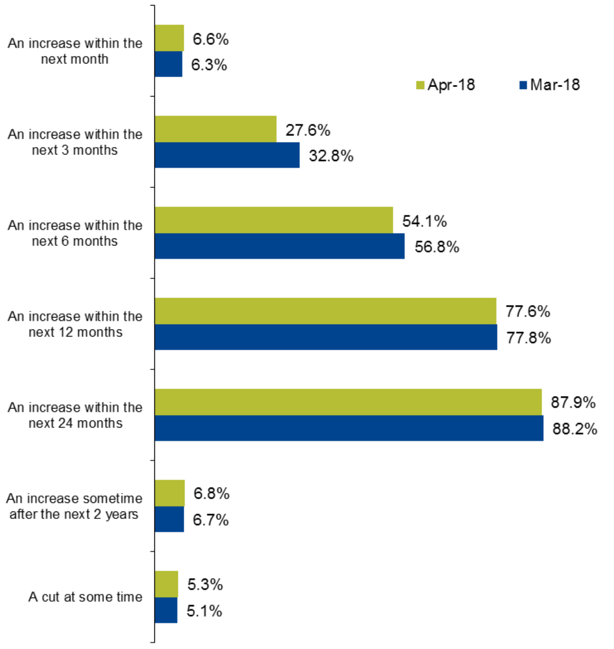
"Despite recent news that real pay is now on the rise again and unemployment is at 40-year low, April's survey data reveal that UK households remain under significant financial pressure. Spending is up, but that in part reflected widespread price hikes, which meant the average family once again had to eat into their savings or resort to credit to fund the higher spending.

"Furthermore, in spite of the welcome combination of households seeing inflation heading down while incomes are back on the rise, expectations about future finances turned increasingly negative. The average amount of cash available to spend continued to fall, likely linked to higher prices and rising interest rates, and attitudes towards making major purchases remain strongly negative.

"Partly reflecting softening inflation, the April survey revealed a drop in the number of households expecting a rate rise in the near future. Approximately 28% of respondents forecast a Bank of England rate hike over the next three months, down from 33% in March's survey, and only 7% expect a May hike. That said, the vast majority of households remain confident towards interest rates rising further in the longer term."

-Ends-

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



"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: IHS Markit

For further information, please contact:

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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 (April survey)
Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between April 12th – 16th 2018. 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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