

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

UK households experience strongest squeeze on finances for three years in third quarter of 2017

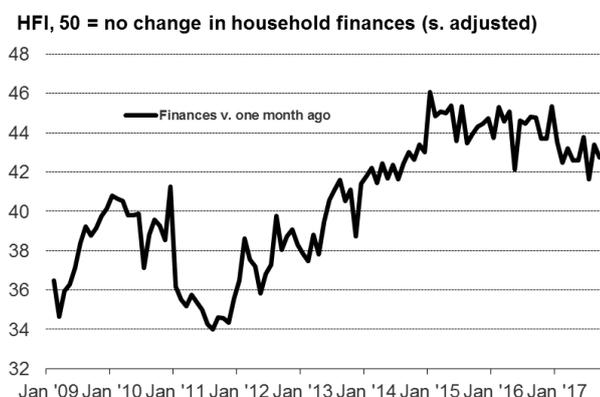
Key points for September 2017:

- September data reveals sharp deterioration in UK household finances
- Average HFI reading in Q3 2017 is the weakest for three years
- Rising living costs and subdued pay growth remain key pressures on household finances
- Cash available to spend falls sharply again
- Only 29% of UK households expect a Bank of England rate rise during the next six months

Data collected September 6-11th 2017

This release contains the September 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



Source: IHS Markit

September data confirmed that UK household finances deteriorated at the sharpest pace for three

years in the third quarter of 2017. The seasonally adjusted IHS Markit **Household Finance Index (HFI)** registered 42.8 in September, down from 43.4 in August and well below the neutral 50.0 threshold. The average index reading dropped to 42.6 in Q3, which was the lowest since the third quarter of 2014.

Intense pressures on household finances were recorded across all regions in September, driven principally by the on-going squeeze on real incomes from higher prices and low wage growth.

The amount of cash available to spend continued to fall at one of the steepest rates seen over the past three years. However, spending rose again, and at an increased rate, fuelled by a combination of modest growth of income from employment and reduced savings.

Households meanwhile indicated a continued recovery in their house price expectations from the 10-month low seen in June.

Expectations for finances in the next 12 months

September data also indicated that UK households expect a sustained deterioration in their **financial wellbeing over the next 12 months**. However, the seasonally adjusted index edged up to 47.8, from 47.3 in August, to signal the lowest degree of pessimism for seven months.

There was a wide divergence across UK regions during September, with people in Scotland, Wales and the south of England generally the most downbeat about the financial outlook.

In contrast, households across the north of England and Yorkshire & Humberside were the most upbeat about their financial prospects.

Workplace activity, job security and incomes

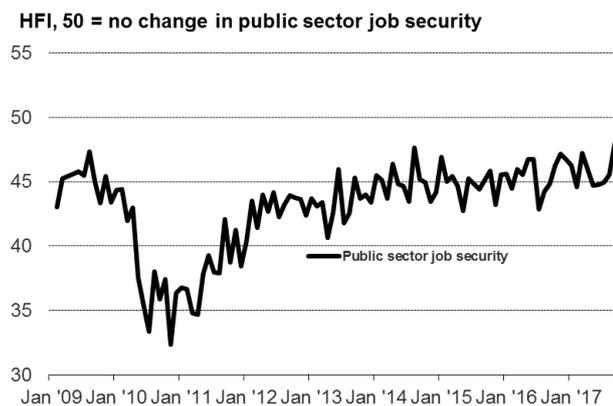
The latest survey provided signs of resilient labour market conditions and sustained growth across the

UK economy. At 53.8 in September, the seasonally adjusted index measuring **workplace activity** was comfortably above the 50.0 no-change value. The average reading for Q3 2017 (53.4) was little-changed since the previous quarter (53.5), suggesting a further steady expansion of the economy.

Income from employment (which reflects the number of hours worked as well as any changes in pay) rose for a seventh successive month, albeit only very modestly. The amount of cash available to spend continued to fall, however, with Q3 seeing a similar decline to Q2, which had been the steepest for three years.

The seasonally adjusted **job security index** eased only slightly from August's 20-month high. **Public sector job insecurity** was the least widespread since the survey began in February 2009 (index at 47.9).

Public Sector job security



Source: IHS Markit

Living costs and house price sentiment

Sharply rising **living costs** were recorded in September, with the seasonally adjusted index rising slightly to 80.0 from 79.6 in August. Future **inflation expectations** also remained elevated, albeit weaker than the three-year peak seen back in February.

Meanwhile, latest data revealed a modest rebound in **house price sentiment** from the low point seen in June. At 56.2 in September, the index was up from 54.6 in August to reach the highest for five months.

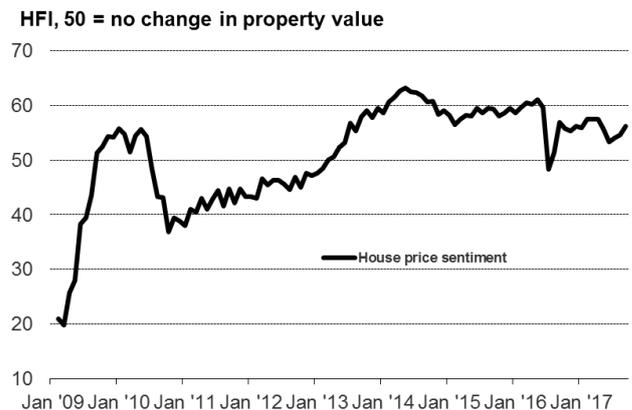
Survey respondents also anticipate a rise in **property values over the next 12 months**, although expectations of house price rises remained much less widespread than seen prior to the EU referendum. Around 41% of survey respondents anticipate an increase in their property

value over the year ahead. Only 9% expect a decline.

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

Only a small minority of UK households expect a Bank of England rate rise by the end of 2017 (12%). Around 29% of survey respondents forecast a rate rise over the next six months, a figure which is broadly in line with the trend seen since the index began in mid-2013 (31%).

House price sentiment index



Source: IHS Markit

Comment:

Tim Moore, associate director at IHS Markit, which compiles the survey, said:

"The survey highlights how recent months have seen household finances deteriorate at the steepest rate for three years, with a renewed downward lurch seen in September.

"The subdued picture looks unlikely to change any time soon. While pessimism about future finances eased somewhat in September, sentiment remained among the gloomiest seen over the past three years. Worries about future inflation also remain elevated. Incomes are only rising very modestly, and spending is being supported by people eating into their savings.

"With the Bank of England sounding increasingly eager to start hiking interest rates, the prospect of higher borrowing costs and increased mortgage payments is likely to hit households further. The survey showed that the amount of cash people have available to spend is already falling sharply – dropping in the third quarter at one of the steepest rates since 2014.

“On the other hand, an interest rate hike will of course benefit savers and have a positive impact on living costs if tighter policy helps bring future inflation down.

“The worry is that policy changes take a while to feed through to inflation, meaning in the short-term a rate hike may exacerbate the current squeeze on household finances, subduing spending further and jeopardising already lackluster economic growth.”

-Ends-

For further information, please contact:

IHS Markit

Sam Teague, Economist
Telephone +44 1491 461018
Email sam.teague@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207 260 2234
E-mail joanna.vickers@ihsmarkit.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. 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 (September survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between September 6th – 11th 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.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.

The intellectual property rights to the HFI provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Household Finance Index and HFI are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd.

###

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).