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

UK households report tightest squeeze on cash available to spend for over two-and-a-half years in April

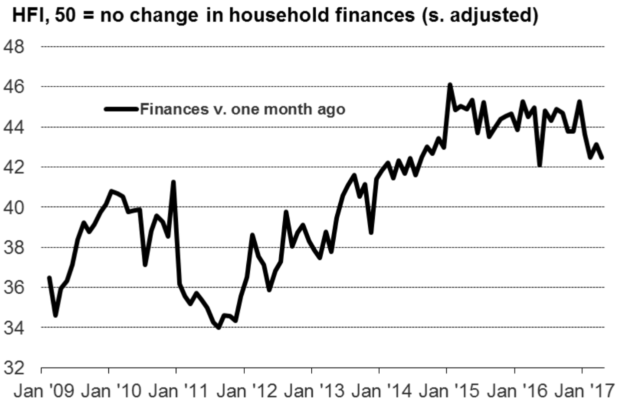
Key points for April 2017:

- Weak pay growth and rising living costs exert greater pressure on UK household finances
- April's survey data signals sharpest fall in cash available to spend since August 2014
- However, consumer demand holds up, as spending rises at fastest rate since June 2016
- Household savings decline at strongest pace for just under three years
- Robust rise in workplace activity, which suggests that the UK economic backdrop remains resilient

Data collected April 12-13th 2017.

This release contains the April 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

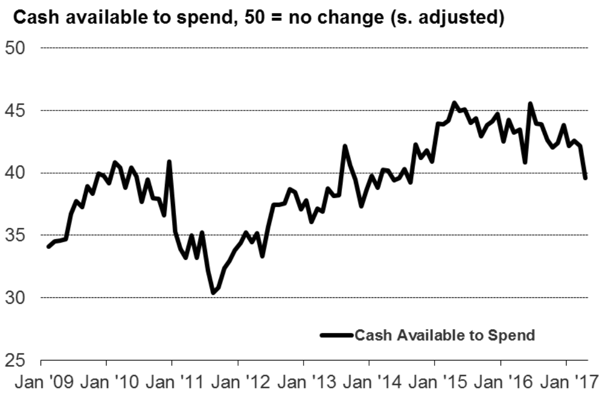


Source: IHS Markit

The squeeze on UK household finances worsened during April, as highlighted by a fall in the seasonally adjusted **Household Finance Index (HFI)** to 42.5, from 43.1 in March. This was one of the lowest readings seen since the summer of 2014.

A sharp and accelerated squeeze on financial wellbeing was largely driven by renewed pressures on **cash available to spend**, which dropped at the fastest pace since August 2014. This reflected a combination of strong rises in **living costs** and subdued **pay growth** so far in 2017.

Cash Available to Spend



Source: IHS Markit

Despite a greater squeeze on financial wellbeing, the latest survey suggested that **consumer spending** remained resilient. Households reported the fastest rise in spending since last June.

There were signs that increased household expenditure had been achieved through an erosion of **savings** and greater **demand for unsecured credit**, with the former declining at the sharpest pace since July 2014.

Expectations for finances in the next 12 months

At 47.9 in April, the seasonally adjusted index measuring **expectations for finances in 12 months' time** remained below the neutral 50.0 threshold but picked up from March's four-month low of 45.5. This was mainly driven by renewed optimism among private sector employees. The main exception to the overall trend was among the oldest age range (55-64), with sentiment regarding the financial outlook worsening in April to one of the lowest levels seen since the summer of 2014.

Workplace activity, job security and incomes

The seasonally adjusted index measuring **workplace activity** registered 54.7 in April, little-changed from 54.9 in March and broadly in line with the average seen in Q1 2017 as a whole (55.2). People employed in the manufacturing and construction sectors were most upbeat in April.

Despite the upbeat picture in terms of workplace activity, survey respondents reported an accelerated decline in **job security** during April. At 46.6, down from 47.1 in March, the latest reading signalled the fastest fall in job security since the start of 2017. Meanwhile, **income from employment** increased moderately in April (index at 51.7).

Living costs and inflation expectations

UK households reported a steep increase in their living costs during April, which continued the trend seen so far in 2017. That said, the seasonally adjusted index eased slightly to 81.9, from 82.8 in March, to suggest that pressures from rising living costs continued to moderate from February's three-and-a-half year peak (84.4).

April data also suggested that inflation expectations eased slightly. At 89.2, the seasonally adjusted index measuring expected living costs over the next 12 months was down from 90.7 in March and the lowest for four months. However, the index remained higher than at any time seen from spring 2014 to the end of 2016.

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

The majority of UK households (56%) expect that the Bank of England will raise the base rate during the next 12 months, while exactly three quarters anticipate a rate hike within two years.

April data indicated that the proportion of households expecting a rate cut has fallen to 9%, which is the lowest figure since June 2016.

Comment:

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

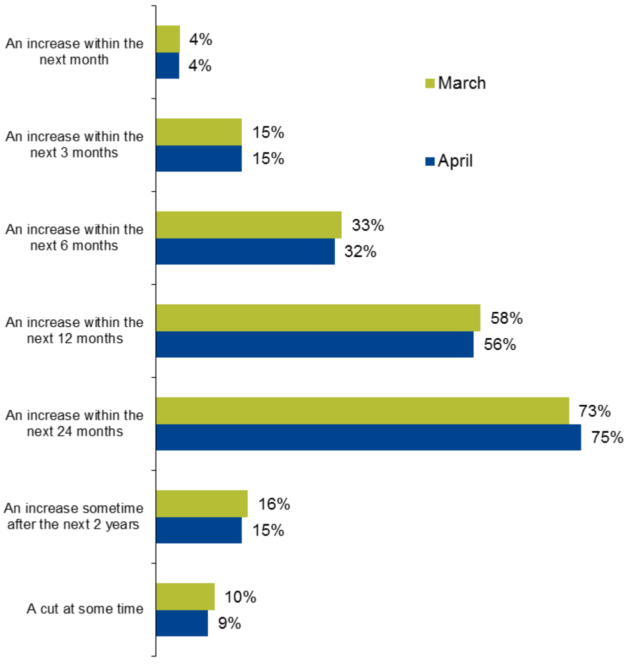
"April's survey data reveals that pressures on UK household finances have returned to levels last seen in the summer of 2014, as rising inflation and subdued pay growth have created a renewed squeeze on cash available to spend. Households are also more worried about their financial outlook than at almost any other time in past three years.

"However, there was little sign that UK households have begun to rein in day-to-day spending. Instead, survey respondents reported the largest drop in savings for just under three years, while demand for unsecured credit continued to increase during April.

"Evidence that consumers are opting to maintain spending rather than belt-tighten provides a positive signal for UK economic growth in the short-term. The latest survey also highlighted a robust increase in workplace activity in April, which was broadly spread among private sector employees. This is an early signal that the wider UK economy has carried through a healthy degree of growth momentum into the second quarter of 2017."

-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

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 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 (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 – 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.

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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