

**Household Finance Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (London) / 08:30 (UTC) May 17<sup>th</sup> 2017**

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

### UK household finances remain under greatest pressure since mid-2014

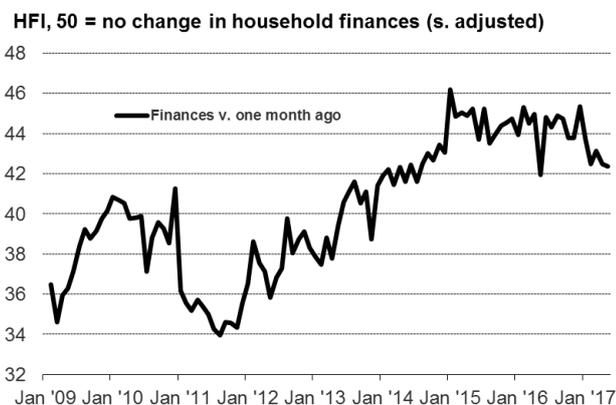
#### Key points for May 2017:

- Sharp deterioration in UK household finances continues during May
- Households report one of the fastest rises in living costs since early-2014
- Workplace activity increases at slowest pace since last November
- Households report a greater rise in unsecured borrowing needs than at any time in 2016

*Data collected May 10-14<sup>th</sup> 2017.*

This release contains the May 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



The seasonally adjusted **Household Finance Index (HFI)** signalled that the squeeze on UK consumers continued in May. Moreover, the degree of pressure on financial wellbeing was among the sharpest seen for two-and-a-half years. At 42.4, down fractionally from 42.5 in April, the index

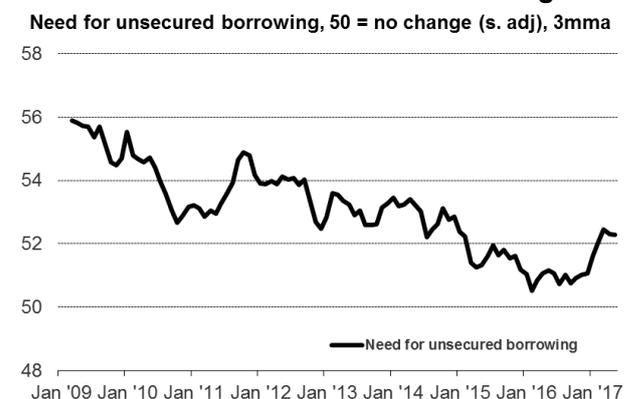
remained well below the post-crisis peak seen in January 2015 (46.2).

Looking at the average reading in the three months to May, the decline in household finances was faster than seen at any time since autumn 2014.

Worsening household finances reflected a further steep rise in **living costs** during May. Although inflation perceptions moderated to a five-month low, the index remained higher than the average since March 2014.

Higher living costs resulted in one of the sharpest falls in **cash available to spend** for two-and-a-half years in May. Survey respondents also indicated that their **need for extra unsecured borrowing** continued to rebound from the lows seen in 2016.

#### Demand for additional unsecured borrowing



#### Expectations for finances in the next 12 months

UK households remain pessimistic about their financial prospects over the next 12 months. At 47.3 in May, down from 47.8 in the previous month, the seasonally adjusted index measuring **expectations for finances in 12 months' time** has remained below the neutral 50.0 value since April 2016.

## Financial expectations

Future HFI, 50 = no change in household finances (s. adj), 3mma



Source: IHS Markit

## Workplace activity, job security and incomes

At 53.7 in May, down from 54.5 in April, the seasonally adjusted index measuring **workplace activity** signalled the slowest increase since November 2016.

Latest data indicated that job security was little-changed since April, but there were divergent trends across employment sectors. Public sector staff expressed one of the fastest falls in job security since October 2015.

Meanwhile, private sector workers were the least pessimistic about their job security for three months. This was helped by a marked rebound in sentiment across the construction and retail sectors.

## Living costs and inflation expectations

UK households continued to indicate sharp rises in their everyday living costs during May, with inflation perceptions among the highest reported since the first half of 2014. That said, the seasonally adjusted index eased to 78.0, from 81.4 in April.

May data indicated that inflation expectations moderated further from the three-year peak seen in February. At 87.4, the seasonally adjusted index measuring expected living costs dropped from 89.3 in April and the lowest recorded so far in 2017.

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

The proportion of UK households expecting a rise in the Bank of England base rate during the next 12 months was 58% in May, up slightly from 56% in April and well above the level seen following the rate cut in August 2016 (28%).

## Comment:

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

*“UK households experienced sharply rising living costs against a backdrop of subdued pay growth in May, which contributed to a sustained squeeze on financial wellbeing.*

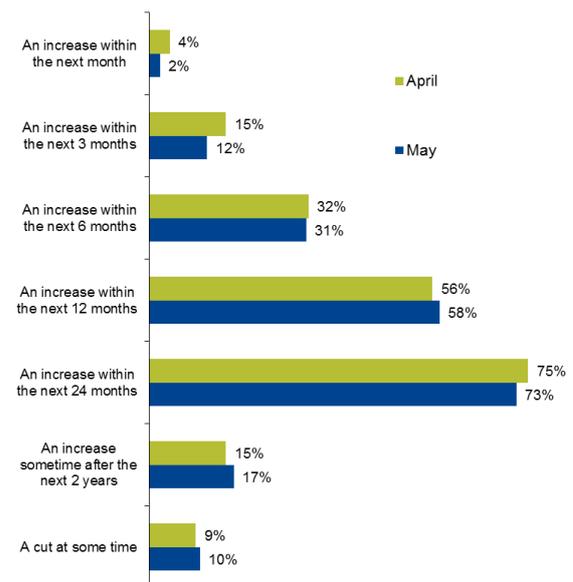
*“Recent pressures on UK consumer finances have been the sharpest for almost three years. There are also signs that some households have responded to stretched budgets by taking on extra borrowing.*

*“The survey measure which tracks people’s need to take on additional unsecured borrowing has rebounded so far this year, which marks an end to the steadily improved trend seen since late-2011.*

*“Worries about living costs meant that households’ financial expectations drifted downwards in May, with pessimism about the 12-month outlook among the most widespread since the end of 2013.”*

-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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## IHS Markit

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## Note to Editors:

### About the HFI

<sup>1</sup> 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 (May survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between May 10<sup>th</sup> – 14<sup>th</sup> 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](http://www.ihsmarkit.com))

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