News Release

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

UK household finance squeeze softens in October

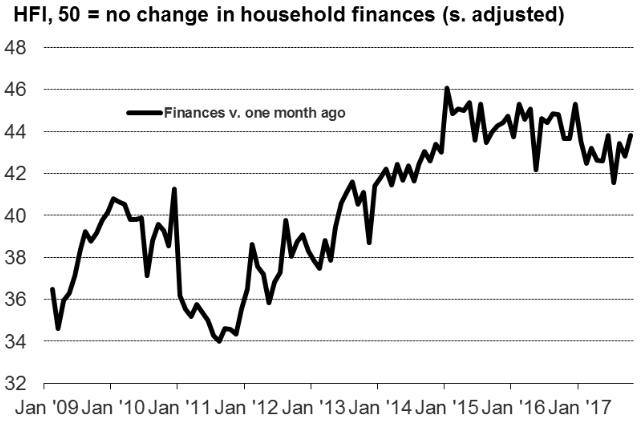
Key points for October 2017:

- Budget squeeze moderates
- Demand for unsecured credit picks up
- Inflation perceptions remain elevated
- Marked shift in Bank of England rate expectations

Data collected October 11-15th 2017

This release contains the October 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

UK households saw financial pressures ease in October, as signalled by the latest seasonally adjusted IHS Markit **Household Finance Index (HFI)** registering 43.8 in October, up from 42.8. The figure represented the weakest financial strain recorded for four months, matching that in June.

A further increase in workplace activity alongside softening inflation perceptions combined to help ease the strain on current UK household finances.

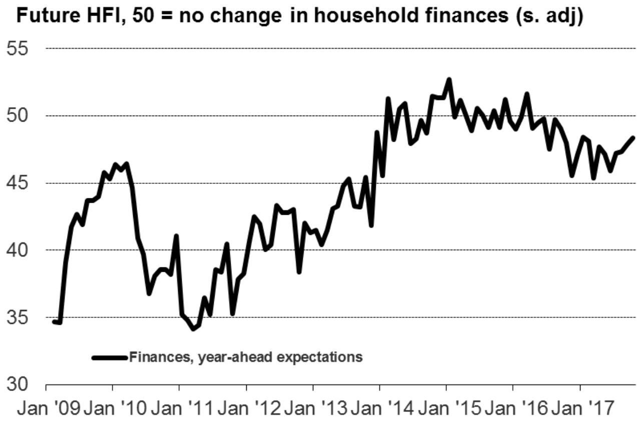
That said, households' need for unsecured credit continued to rise, which alongside a fall in income for the first time since January were the main negative developments in October.

Expectations for finances in the next 12 months

The latest data indicated easing pessimism towards finances over the next 12 months among UK households. In fact, the future household finance index rose to its highest in nine months and scored above post-financial crisis average. At the regional level, sentiment was strongest in the South West of England.

The uptick in financial confidence contributed to a slight recovery in households' appetite for spending on big ticket items (such as cars, holidays and large household appliances) from the three-year low seen in February.

Future finances



Source: IHS Markit

Workplace activity, job security and incomes

Concerns around job security reached a three-month high during the latest survey. Those over 55 years old noted the sharpest rate of decline in job security, whilst those between ages 18 and 24 reported that their job stability was improving.

That said, households did not respond to lower job security by reining in on spending habits. Growth in expenditure remained at a solid level during October, matching the preceding survey's 31-month high.

Meanwhile, income from employment fell for the first time since January, and at the fastest pace since the end of 2014. Survey data suggested that the gap between rising spending and falling income may have been bridged with increased borrowing.

The seasonally adjusted index measuring demand for unsecured credit posted above the 50.0 no-change mark for the seventeenth month running during October. Latest data also suggested easier access to unsecured debt.

Living costs and house price sentiment

October data indicated a sharp increase in living costs. Adjusted for seasonal influences, the price perception index remained well above its historical average during the most recent survey. Future inflation expectations also remained elevated and close to February's three-year peak.

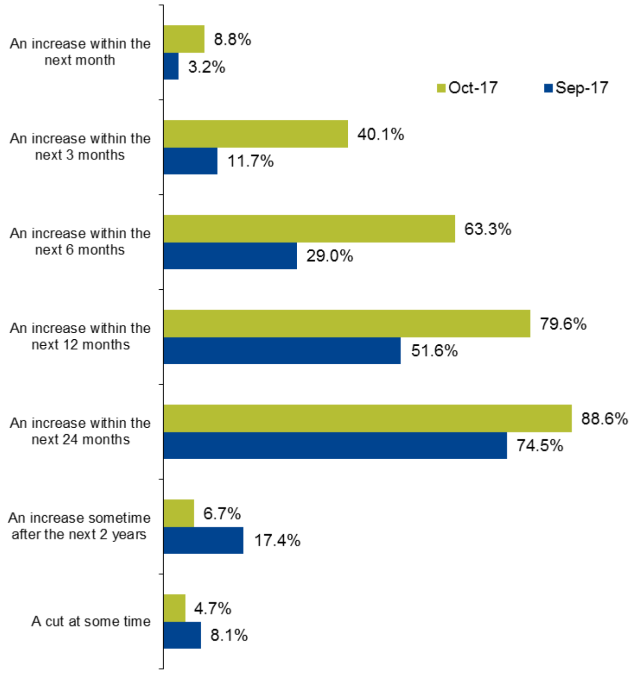
Property value sentiment rose fractionally in October. Moreover, at 56.3 during the most recent survey, the index represented the strongest confidence in current property values for six months. In addition, future house price estimations remained historically elevated, albeit at a lower level than before the EU referendum.

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

The most recent data signalled a sharp change in UK household expectations for the Bank of England's next base rate move. Over 40% of panellists reported that they expect interest rates to rise over the next 3 months, up from only 12% in September. October's findings represented the largest proportion of households predicting a rate hike in the next 3 months since the survey began in July 2013, surpassing the previous record of 27% in June 2014.

Furthermore, a clear majority of UK households forecast a rise in the next year (80%), up from 52% in September. The survey data suggests that the majority of UK households have shifted their expectations, and now predict a base rate hike in the near-term.

Households' views on the 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

Comment:

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

"October's survey signalled that the UK households' finance squeeze began to ease. That said, the improvement was partly fuelled by rising unsecured credit availability, enabling households to increase spending in the face of rising inflation.

"Higher workplace activity was reported in the survey, which many hoped would feed through to wages. In response, the degree of concern about prospects for financial wellbeing was at its lowest in nine months, and was below the post-financial crisis average. That said, job security was at its weakest since July, and placed a damper on the latest results.

"The survey revealed a dramatic shift in base rate expectations among UK households, with over 40% expecting a rate rise before 2018, up from 12% in the previous survey. October data presents the difficult scenario for the Bank of England. On one hand, low rates continue to stimulate consumer demand in a period of uncertainty and muted growth. On the other, as the public's expectations

build and inflationary pressures continue to erode household budgets, the MPC's reaction will be close to call."

-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 (October survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between October 11th – 15th 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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