

News Release

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UK economy

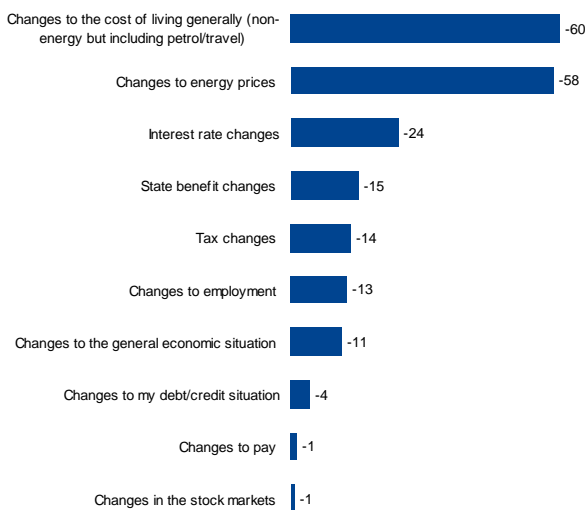
Cost of living, energy bills & interest rates top household financial concerns

- Rising energy bills and the higher cost of living are seen as by far the most significant drags on household finances in the coming year
- 17% of mortgage holders also see higher interest rates as having “very negative” impact on household finances over next 12 months

Households’ views on what will cause their finances to deteriorate

“Thinking about the financial situation of your household, please indicate the impact you think each of the following will have on your overall standard of living over the coming year.”

Chart shows % net balance of respondents expecting a positive impact minus those expecting a negative impact.



The data were collected between 15th and 20th May. From respondents aged 18-64. The survey results are available for regions, household ownership and demographic categories on request.

Rising prices, and notably energy bills, are the biggest concern among British households when asked about their future finances, followed by worries about rising interest rates.

Survey data collected from 1,500 households by Ipsos MORI on behalf of Markit found that some 74% of households expect changes to the cost of living to have a negative impact on their household financial situation over the coming year, and some 72% expect a negative impact from energy prices.

One-in-five respondents expect rising energy prices and the increased cost of living excluding energy to exert a “very negative” impact on their finances.

In contrast, only 14% of households see improvements in the cost of living or energy prices changes as having a positive financial impact.

The third most widely cited negative factor is rising interest rates, which 44% of households anticipate as having a negative impact on their finances over the coming year. Of these, 13% expect the impact to be “very significant” (rising to 17% when looking only at mortgage holders).

Households have also pulled forward their expectation of when the Bank of England will start to raise interest rates, with almost one-in-four expecting the first rate hike to occur within the next six months*.

Tax changes and changes to state benefits were also seen as having a negative impact on household finances over the coming year on average, as were possible changes to the employment situation.

The economy in general is also expected to have a net negative impact on households’ finances over the coming year, especially at the lower end of the salary scale. Those earning in excess of £58,000 expect their finances to be buoyed by an improvement in the general economy.

When considering the net position, i.e. deducting those that expect a deterioration in their finances from those that expect an improvement, the factors least likely to have a detrimental impact on household finances are wages and salaries and the stock market. Those earning in excess of £35,000 per year in fact see pay levels, the stock market and changes to their debt/credit situation as all having a positive impact on their finances over the coming year.

* Survey results [available online here](#).

Commenting on the survey, Chris Williamson, Chief Economist at Markit, noted that:

“The rising cost of living, and the price of energy in particular, remain at the top of households’ concerns in relation to their finances over the coming year. However, the spectre of higher interest rates is also a widespread concern, and a worry that is evident across all income brackets. Almost one-in-six (17%) mortgage holders anticipate rising interests rates to have a “very negative” impact on their finances over the coming year, with another 41% anticipating either a modest or marginal negative impact.

“It’s worrying that, at this stage of the economic recovery, all factors monitored by the survey, even the job market, share prices and the general economy, are perceived as likely to have an adverse effect on family finances to varying degrees, when measured across all households. Only when we start to look at wealthier households, we start to see factors such as pay, stock markets and the economy as being positive influences on finances.”

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Data:

“Thinking about the financial situation of your household, please indicate the impact you think each of the following will have on your overall standard of living over the coming year.”

% of all respondents	A positive impact			No impact	A negative impact			Not applicable
	Very	Modest	Marginal		Very	Modest	Marginal	
Changes to energy prices	5%	4%	5%	13%	28%	24%	21%	1%
Changes to the cost of living generally (non-energy but including petrol/travel)	4%	5%	5%	11%	27%	27%	20%	1%
Changes to employment	7%	6%	9%	35%	9%	9%	16%	9%
Changes to pay	6%	8%	17%	29%	10%	9%	13%	9%
Interest rate changes	3%	5%	12%	30%	19%	13%	13%	5%
Tax changes	3%	5%	17%	33%	17%	11%	11%	5%
State benefit changes	2%	2%	7%	46%	9%	8%	10%	17%
Changes to the general economic situation	3%	7%	19%	28%	18%	12%	10%	3%
Changes in the stock markets	2%	5%	11%	44%	9%	5%	6%	18%
Changes to my debt/credit situation	4%	6%	12%	41%	11%	7%	8%	11%

Note to Editors:

About the survey

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.

Ipsos MORI technical details (February survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 15th – 20th May 2014. 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.

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