

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

‘Brexit’ vote spawns pessimism about six-month outlook, but longer term prospects are more balanced

- UK individuals have grown more downbeat on average about the UK’s short-term prospects in the light of the EU referendum
- Scots most downbeat on economic prospects
- Older generations more upbeat about long-term prospects for the economy than younger generations
- Those working in media, culture & entertainment the most downbeat, energy, utilities & transport workers the most positive
- Poorest perceive greatest benefit of Leave vote

Data collected July 14-18th 2016.

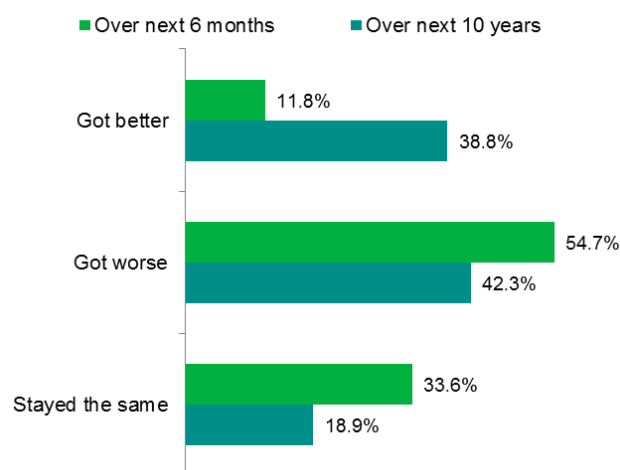
UK individuals have grown more downbeat on average about the UK’s short-term prospects in the light of the EU referendum, but views on the longer-term outlook are far more nuanced, although still negative on balance.

Of those expressing a view¹, some 55% of survey participants see the UK’s economic prospects as having deteriorated following the referendum decision to leave the EU, outnumbering the 12% that see prospects as having improved by almost five-to-one (a resulting ‘net balance’ of those seeing prospects having got better minus those thinking prospects have got worse of -42.9%).

However, just 42% of individuals see prospects as having deteriorated over a ten-year horizon, only slightly more than the 39% who perceive the outlook as having improved as a result of the ‘Brexit’ vote (a resulting ‘net balance’ of just -3.5%).

¹ 12% of respondents did not give an opinion on whether the six-month outlook has changed, choosing to say “don’t know”, while 18% did not give a view on the 10-year outlook.

As a result of the EU Referendum vote to leave the EU, do you think the UK’s economic prospects have got better, got worse, or have stayed the same?



Source: IHS Markit

The survey results therefore indicate that, on balance, respondents expect the UK economy to be adversely affected by the decision to leave the EU in the short run, but for the damage to lessen considerably in future years.

Negative sentiment rises with wealth, but falls with age. The poorest and the oldest are therefore the most upbeat about post-Brexit prospects for the UK economy. Very mixed results are meanwhile seen by region and by sector of employment.

Scots most downbeat on economic prospects

All regions are downbeat about near-term prospects for the economy, with the North West the least pessimistic. However, sentiment is considerably more varied for the ten-year outlook. Four regions see UK economic prospects as having

improved over the longer term horizon as a result of the EU referendum, led by the South East (excluding London). The North East and Yorkshire & The Humber also saw positive sentiment about the ten-year horizon, as did the South West, albeit to a lesser extent.

The Scots are the most negative about how economic prospects have changed since the referendum, both in terms of the six-month and ten-year outlook. Some 55% of Scottish respondents see the longer term outlook as having deteriorated, double the 27% that perceive an improvement.

Older generations most upbeat about long-term benefits of leaving the EU

By age, older generations are the least negative about the six-month outlook and the most positive about longer term prospects. The most upbeat is the oldest² (55-64) age bracket, where 49% see the UK economy benefitting from voting to leave the EU in 10 years' time compared to 38% seeing a negative impact. The most negative is the 25-34 age group, where the 30% of respondents feeling more positive about the ten-year outlook are considerably overshadowed by the 49% which sees prospects as having worsened.

There is also a gender divide, with females more pessimistic about both short- and long-term prospects than males.

Prospects vary by industry sector

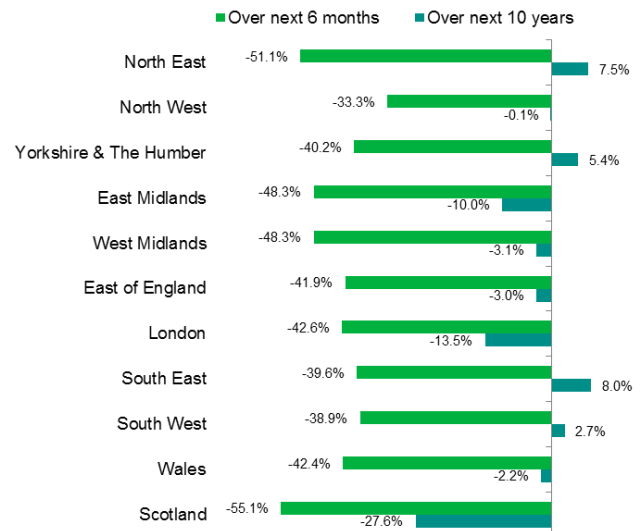
Workers across all sectors of the economy are negative about how economic prospects have changed for the UK over the next six months, with those working in media, culture & entertainment the most downbeat.

Views are far more varied for the longer term, with those working in utilities, energy & transport the most positive about how prospects have changed, followed by construction sector workers. The retail sector also saw a slightly positive longer term outlook, with manufacturing also seeing a marginal net positive picture.

Media, culture & entertainment and education, health & social services employees are the most negative about longer term economic prospects.

By region

As a result of the EU Referendum vote to leave the EU, do you think the UK's economic prospects have got better, got worse, or have stayed the same?



By age & gender

As a result of the EU Referendum vote to leave the EU, do you think the UK's economic prospects have got better, got worse, or have stayed the same?

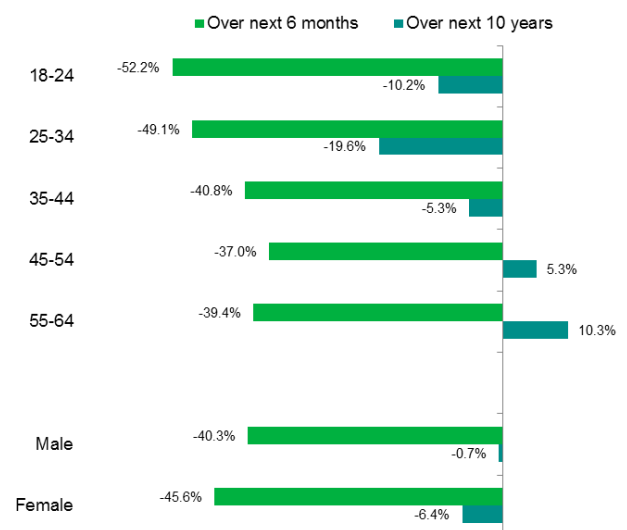


Chart shows net balance of those seeing prospects having got better minus those thinking prospects have got worse.

Source: IHS Markit

Continued...

² The online survey excludes over 65's due to low web representation.

Poorest perceive greatest benefit of Leave vote

By income, there is a clear correlation whereby negative sentiment about UK prospects rises with wealth. The only income group that perceives any net benefit from the UK's Leave vote is the poorest, earning £15,000 or less per annum.

Comment:

Chris Williamson, chief economist at Markit, which compiles the survey, said:

“Households are clearly expecting some short term pain for the economy following the vote to leave the EU, though the good news is that the longer term picture is far less gloomy. The survey results suggest that there’s confidence in the ability of the UK to successfully adapt to life after ‘Brexit’, albeit to be slightly less well off – from an economic perspective – than would otherwise have been the case.

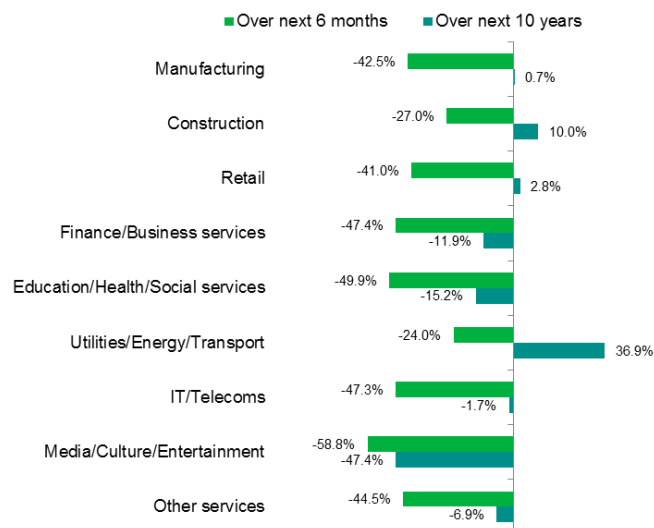
“By no means all are convinced, however, with the Scottish especially gloomy about prospects for the UK outside of the EU.

“Pessimism about future prospects rises with wealth, though this is perhaps also a sign that the less well-off perceive ‘Brexit’ as an opportunity to prosper.”

-Ends-

By industry sector

As a result of the EU Referendum vote to leave the EU, do you think the UK’s economic prospects have got better, got worse, or have stayed the same?



By income

As a result of the EU Referendum vote to leave the EU, do you think the UK’s economic prospects have got better, got worse, or have stayed the same?

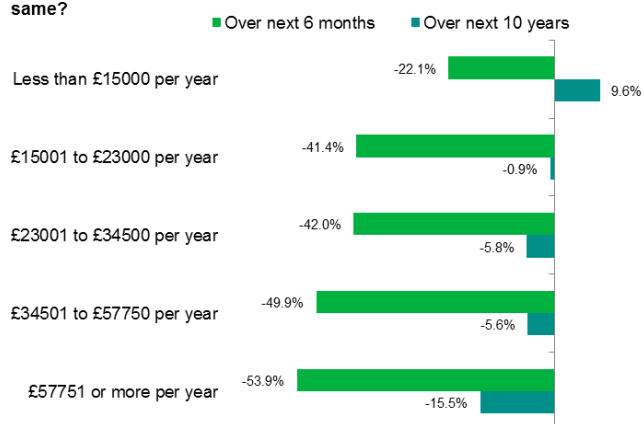


Chart shows net balance of those seeing prospects having got better minus those thinking prospects have got worse.

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 (July survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between July 14th – 18th 2016. 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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