

# News Release

11 December 2013

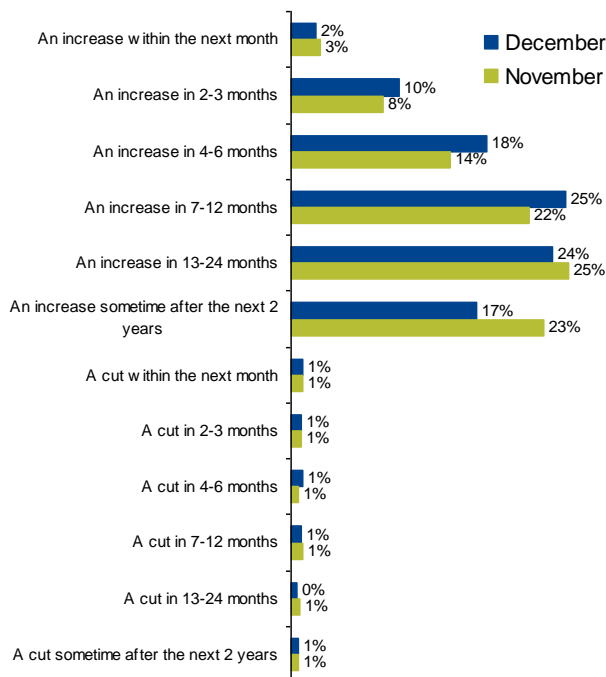
## UK economy

### Households pull forward their expectations of first rise in interest rates

- 78% of households expect the Bank of England to start raising interest rates within the next two years, of which 55% expect a rise in the next year
- Almost one-in-three expect a hike in the next six months

#### Households' views on interest rates

The interest rate set by the Bank of England is currently 0.5%. Please let us know when and how you think the Bank will next change interest rates by choosing one of the options below\*:



\* excludes those households not expressing a view.

British households have again brought forward their expectations of when the Bank of England will start to raise interest rates, according to survey data collected by Ipsos MORI on behalf of Markit.

Of those households that expressed a view in the December poll, some 30% expected the Bank to start raising interest rates within the next six months, up from 25% in November and just 17% back in August.

The proportion expecting the Bank of England to raise interest rates within the year also rose markedly in December, up from 47% in November to 55%. The

proportion expecting an increase in the next two years meanwhile rose from 72% in November to 78%.

Just 17% expect it to be at least two years until the first hike in interest rates takes place, although an additional 5% expect the next move to be a cut in rates.

In July, the Bank of England changed its monetary policy stance, issuing 'forward guidance' on interest rates. This guidance stated that, barring certain factors such as a sharp rise in inflation or financial instability, rates would not start rising before the unemployment rate fell below 7.0%, something it did not expect to happen until late-2016.

The forward guidance initially led households to push-back their expectations of when interest rates would start rising, albeit not to the extent envisaged by the Bank of England. The proportion expecting rates to rise within the next two years fell from 73% in July to 55% in August, while the percentage expecting a hike in the next 12 months fell from 48% to 33%. With these proportions having risen to 78% and 55% respectively in December, recent months have therefore seen households pull forward their expectations of tighter policy considerably compared to just after the announcement of forward guidance.

The latest data were collected from 1,500 households between 4<sup>th</sup> – 10<sup>th</sup> December.

The survey results are available for regions, household ownership and demographic categories on request.

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

"Households are clearly expecting interest rates to rise sooner than what the Bank is currently signalling. A third of households expect to see rates start rising by mid-2014 and more than half expect the first hike to have been instigated by the end of next year. Some one-in-eight even expect to see rates being raised within the next three months.

“There was a major shift in perceptions between November and December of when rates will start rising, which most likely reflects the growing welter of upbeat economic news. Headlines about rising house prices in particular will have no doubt made many wonder how long the Bank can hold off raising rates to cool the market, and a surprise drop in unemployment to 7.6% – closer to the Bank’s stated 7.0% threshold – has added to the sense that the economy is improving much faster than policymakers had envisaged back in the summer.

“The Bank’s recent communications that they will use tools other than interest rates to manage the economy appear to be falling largely on deaf ears, suggesting that the Bank needs to shout louder and more convincingly.

“However, it will also be important to see how households are responding to the prospect of higher interest rates. If consumer spending holds up in the face of the potential tightening, policymakers may become less nervous of the impact of higher interest rates.”

– Ends–

“The interest rate set by the Bank of England is currently 0.5%. 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.”

	Jul-13		Aug-13		Oct-13		Nov-13		Dec-13	
	Including don't knows	Excluding don't knows	Including don't knows	Excluding don't knows	Including don't knows	Excluding don't knows	Including don't knows	Excluding don't knows	Including don't knows	Excluding don't knows
An increase in interest rates within the next month	2%	3%	1%	2%	2%	3%	2%	3%	2%	2%
An increase in interest rates in 2-3 months	7%	9%	4%	6%	5%	7%	6%	8%	7%	10%
An increase in interest rates in 4-6 months	11%	15%	7%	10%	9%	12%	10%	14%	13%	18%
An increase in interest rates in 7-12 months	15%	21%	12%	16%	16%	22%	15%	22%	19%	25%
An increase in interest rates in 13-24 months	18%	25%	16%	22%	18%	25%	17%	25%	18%	24%
An increase in interest rates sometime after the next 2 years	16%	21%	28%	39%	17%	24%	16%	23%	13%	17%
A cut in interest rates within the next month	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
A cut in interest rates in 2-3 months	1%	1%	0%	1%	1%	1%	1%	1%	1%	1%
A cut in interest rates in 4-6 months	1%	2%	0%	1%	1%	1%	1%	1%	1%	1%
A cut in interest rates in 7-12 months	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
A cut in interest rates in 13-24 months	0%	0%	0%	0%	1%	1%	1%	1%	0%	0%
A cut in interest rates sometime after the next 2 years	1%	2%	2%	2%	1%	1%	0%	1%	1%	1%
Don't know	27%		27%		29%		30%		24%	
Total expecting an increase within the next 6 months	20%	27%	13%	17%	16%	22%	18%	25%	23%	30%
Total expecting an increase within the next 12 months	35%	48%	24%	33%	31%	44%	33%	47%	41%	55%
Total expecting an increase within the next 24 months	53%	73%	40%	55%	49%	69%	50%	72%	59%	78%

**For further information, please contact:**

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## 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 (December survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 4<sup>th</sup> – 10<sup>th</sup> December 2013. 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 Markit

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