

News Release

EMBARGOED UNTIL: 00:01 (UK Time) 27 January 2014

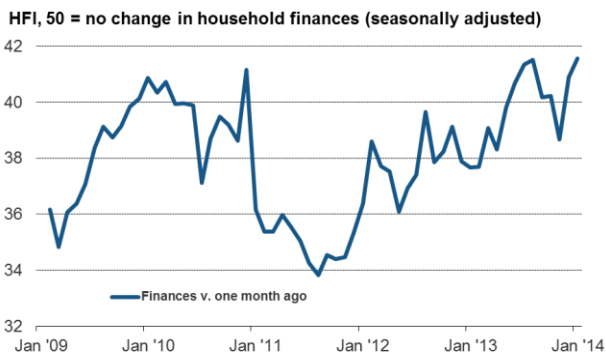
Markit Household Finance Index™ (HFI™) – United Kingdom

Gloom lifts over household finances amid lowest job concerns for at least five years and falling inflation perceptions

Key points for January 2014:

- Household Finance Index (HFI) hits joint-highest level since the survey began in February 2009
- Inflation perceptions drop to lowest level for three-and-a-half years
- Worries over job security at survey-record low
- Income from employment rises only slightly

Household finances



This release contains the January findings from the **Markit Household Finance Index™ (HFI™)**, which is intended to anticipate changing consumer behaviour accurately. The HFI is compiled each month by Markit, a leading global financial information services company, using data collected by Ipsos MORI.

Current finances

At 41.5 in January, up from 40.9 in December, the seasonally adjusted **Markit Household Finance Index (HFI)** rose to its joint-highest level in the five-year survey history. The index – which measures households' overall perceptions of financial wellbeing – matched the figure seen in August 2013. Although still below the neutral 50.0 value, the latest HFI

reading continues the gradually improving trend since pressures on household finances peaked during the summer of 2011. Lower inflation perceptions and improvements in labour market conditions appear to have been key factors supporting household finances at the start of the year. That said, overall income from employment was reported to have increased only marginally in January.

Expectations for finances in the next 12 months

At 45.5 in January, the seasonally adjusted index measuring the outlook for **financial wellbeing over the next 12 months** was down from December's record-high of 48.6. Nonetheless, latest data indicated that expectations for household finances over the year ahead are much less downbeat than seen on average since the survey began in early 2009 (41.0).

Job security, workplace activity and incomes

The seasonally adjusted index measuring **job security** picked up to 46.5 in January, from 46.4 in the previous month, to reach a new survey-record high. A reduced degree of pessimism over job security reflected further robust improvements in **workplace activity** at the start of 2014. Increased activity at work has been reported in each month since June 2012. At 55.4, the seasonally adjusted index measuring workplace activity dipped from 56.0 in December, but was still at its second-highest level since the series began in February 2009.

Despite further signs of underlying improvements in labour market conditions, households reported that **income from employment** increased only slightly in January. At 50.8, from 50.9 in December, the seasonally adjusted index posted above the neutral 50.0 value for the third time in the past four months.

Current and future inflation perceptions

Adjusted for seasonal influences, the index measuring **current inflation perceptions** dipped

from 82.6 in December to 81.0 in January. The latest reading signalled that households' current inflation perceptions have dropped to the lowest level for three-and-a-half years.

There was also a very slight reduction in inflation expectations for the year ahead. At 90.8, down fractionally from 90.9 in December, the seasonally adjusted index measuring expected **living costs over the year ahead** was the lowest since February 2012.

Comment:

Tim Moore, Senior Economist at Markit and author of the report said:

“January’s survey highlights some light at the end of the tunnel for UK households, with falling consumer price inflation and better labour market conditions helping to bring down the squeeze on finances after five years of gloom.

“Worries about job security are now their lowest for at least five years, while survey respondents indicated a further robust increase in workplace activity at the start of 2014. However, households continued to register only a marginal rise in income from employment, suggesting that lower inflation perceptions played a greater role than pay trends in reducing the overall squeeze on finances during January.”

-Ends-

For further information, please contact:

Markit

Tim Moore, Senior Economist
Telephone +44 1491 461067
Email: tim.moore@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Email caroline.lumley@markit.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. 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 (January survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 13th – 17th January 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.

About Markit

Markit is a leading, global financial information services company with over 3,000 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see www.markit.com

The intellectual property rights to the HFI provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Household Finance Index and HFI are trade marks of Markit Economics Limited. Markit and the Markit logo are registered trade marks of Markit Group Limited.