

News Release

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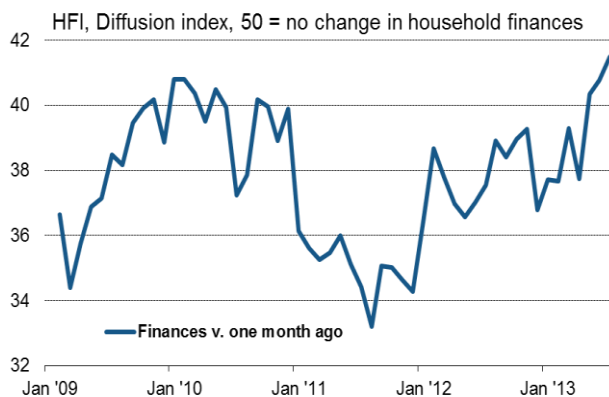
Household Finance Index™ (HFI™) – United Kingdom

Markit Household Finance Index hits survey-record high in July

Key points for July:

- Household finance sentiment is the strongest since the survey began four-and-a-half years ago
- Workplace activity increases at fastest rate since March 2010...
- ...contributing to reduced job insecurities and higher levels of income from employment
- Inflation perceptions remain lower than those recorded on average in 2011 and 2012

Household finances



This release contains the July 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 July, up from 40.8 in June, the headline **Markit Household Finance Index (HFI)** rose to its highest level since the survey began in February 2009. The increase in the index signalled a further moderation in the degree to which household budgets were squeezed during July. Although the

latest reading was still below the neutral 50.0 mark, the index has now risen in four of the past five months and is well above the average seen over the four-and-a-half year series history (37.8).

Close to 26% of survey respondents signalled that their finances deteriorated in July, while 9% indicated an improvement. The majority of households (around two-thirds) noted that their finances were unchanged from one month previously.

Of the main housing categories, people that **rent from a private landlord** were the least downbeat (a survey-record high of 44.7 in July). Meanwhile, those that **rent from a local authority / housing association** were by far the most pessimistic (33.4). The index measuring sentiment among **mortgage holders** rose fractionally to a new record high of 42.0, but those **owning their home outright** saw a slightly faster deterioration in finances than one month earlier (41.5 in July, from 43.4 in June).

Expectations for finances in the next 12 months

Households' **financial outlook for the next 12 months** continued to improve in July, with the index rising for the fifth consecutive month. At 45.3 in July, up from 44.4 in June, the index was at its highest level since March 2010. Around 37% of survey respondents expect their finances to worsen over the year ahead, compared to 27% that anticipate an improvement (around 36% forecast no change).

People working in the **private sector** signalled an optimistic outlook for their finances in July (51.2), contrasting with a downbeat assessment among **public sector** employees (42.4). Of the main job categories, Finance/Business Services employees (59.8), IT/Telecoms staff (56.1) and Manufacturing workers (52.4) are the most confident, while those with Construction jobs are still the most downbeat (33.7).

Workplace activity, job security and income

At 54.8 in July, up from 52.8 in June, the index measuring **workplace activity** was above the

neutral 50.0 value for the sixth month running. The latest reading signalled the strongest pace of expansion since March 2010. Seven of the eight categories of employment monitored by the survey posted a rise in workplace activity, with Retail the only exception.

Higher levels of workplace activity boosted households' perceptions of their job security in July. The index measuring **job security** registered 45.5, up from 45.2 in June. Utilities/Energy/Transport workers are the least pessimistic about their job security (49.3), while Manufacturing employees remain the most downbeat (43.3).

A moderation in job insecurities and stronger levels of workplace activity helped lift households' **income from employment** in July. At 51.3, up from 48.4, the index was above the 50.0 no-change value and the highest since May 2010. People working in the private sector noted the fastest rise in income from employment since the survey began (52.5), but the equivalent reading for the public sector was again below the neutral threshold (49.5).

Inflation perceptions

Households signalled that their current inflation perceptions increased from June's 35-month low. This was highlighted by a rise in the index measuring **current inflation perceptions** to 83.3 in July, from 81.3 in the previous month. Meanwhile, the index measuring expected **living costs over the 12 months ahead** rose slightly to 91.9 in July, from 91.1 in June. This was the highest reading for three months and slightly above the long-run series average (89.9).

Comment:

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

"The latest consumer sentiment survey shows that it's not just the weather that has taken a turn for the better in July, as diminishing job insecurities and rising workplace activity helped lift the household finance barometer to its highest mark since the survey began four-and-a-half years ago.

"Signs of a sustained recovery across the UK economy and a corresponding upturn in labour market conditions were key factors in alleviating strains on consumer budgets.

"While higher property values may have supported household finance sentiment among homeowners, there was evidence to suggest that this summer's brightening picture is not solely a reflection of rising prices for bricks and mortar. Increased income from employment during July, alongside a much less

downbeat assessment of financial wellbeing among people in the private rental sector, highlighted a broad change of momentum. Private sector workers reported the most marked rise in income levels since the survey began four-and-a-half years ago.

"Moreover, households indicated that growth in workplace activity was sustained during July, which provides encouragement that the financial picture will continue to brighten even after the mercury stops rising this summer."

-Ends-

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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. Due to the limited history of data, indices are not adjusted for seasonal influences.

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 10th – 15th July 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

Markit is a leading, global financial information services company with over 2,800 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

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