

# News Release

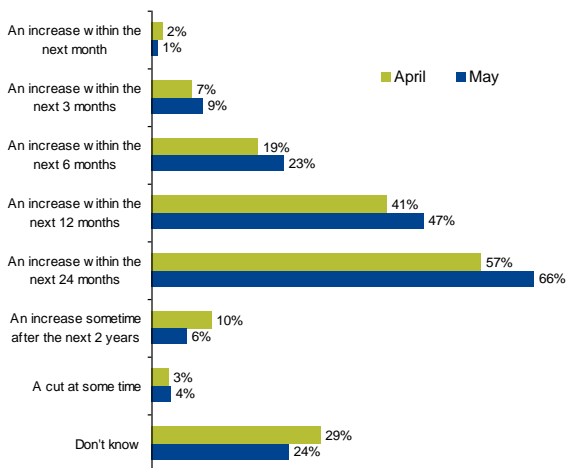
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## UK economy

### Nearly one-in-four households expect interest rates to start rising within the next six months

- Proportion of households expecting the Bank of England to start raising interest rates within the next six months rises to 23%
- Proportion expecting a hike in the next year hits new high of 47%

#### Households' views on next move in Bank of England base rate



The data were collected between 15<sup>th</sup> and 20<sup>th</sup> May. The survey results are available for regions, household ownership and demographic categories on request.

British households have brought forward their expectations of when they consider it most likely the Bank of England will start to raise interest rates.

Survey data collected from 1,500 households by Ipsos MORI on behalf of Markit found that the number of households expecting rates to start rising within the next six months moved up from 19% in April to 23% in May. Almost one-in-ten (9%) now expect the first rate rise to occur in the next three months.

The proportion expecting a rate hike within the next 12 months rose to 47%, the highest seen since data were first collected last July. Two-thirds of all households expect to see rates rise in the next two years; which was also a new high for the survey.

Just 6% expect it to be at least two years until we will see the first rate hike, and 4% see the next move in rates as being a cut.

Some 24% of households were not able to express a view as to when rates would next rise. If these respondents are excluded, the proportion expecting a rate hike in the next rises to 62%, with 30% expecting a rise within the next six months.

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

“The May data paint a more ‘hawkish’ picture compared to April, when rate hike expectations had fallen in reaction to the Bank of England’s revised forward guidance and reassurances that interest rates will not need to rise until the spring of next year at the earliest. However, the latest survey suggests that the recent upbeat news-flow on the economy, including signs of ongoing strong economic growth in the first quarter, record employment growth and surging house prices, means an increasing number of people think it inevitable that policymakers will be forced into an earlier rate hike than previously envisaged.

“Despite the pulling forward of rate hike expectations, the overall results a more or less in line with how the Bank wishes households to see the trajectory of interest rates. The survey therefore suggests forward guidance is having some success in containing rate hike worries.”

#### For further information, please contact:

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– Ends–

## Data:

*“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.”*

|   | Feb-14             |                | Mar-14             |                | Apr-14             |                | May-14             |                |
|---|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|
|   | Including<br>knows | don't<br>knows | Including<br>knows | don't<br>knows | Including<br>knows | don't<br>knows | Including<br>knows | don't<br>knows |
| An increase within the next month           | 2%                 | 3%             | 3%                 | 3%             | 2%                 | 3%             | 1%                 | 2%             |
| An increase in 2-3 months                   | 8%                 | 10%            | 7%                 | 9%             | 5%                 | 7%             | 8%                 | 10%            |
| An increase in 4-6 months                   | 14%                | 19%            | 13%                | 17%            | 11%                | 16%            | 14%                | 19%            |
| An increase in 7-12 months                  | 21%                | 28%            | 23%                | 30%            | 22%                | 32%            | 24%                | 32%            |
| An increase in 13-24 months                 | 19%                | 25%            | 19%                | 25%            | 16%                | 23%            | 19%                | 25%            |
| An increase sometime after the next 2 years | 9%                 | 11%            | 9%                 | 12%            | 10%                | 15%            | 6%                 | 8%             |
| A cut within the next month                 | 0%                 | 0%             | 0%                 | 1%             | 0%                 | 1%             | 0%                 | 0%             |
| A cut in 2-3 months                         | 1%                 | 1%             | 0%                 | 0%             | 1%                 | 1%             | 0%                 | 1%             |
| A cut in 4-6 months                         | 1%                 | 1%             | 1%                 | 1%             | 0%                 | 0%             | 1%                 | 2%             |
| A cut in 7-12 months                        | 1%                 | 1%             | 1%                 | 1%             | 1%                 | 1%             | 1%                 | 1%             |
| A cut in 13-24 months                       | 0%                 | 0%             | 0%                 | 0%             | 0%                 | 0%             | 0%                 | 1%             |
| A cut sometime after the next 2 years       | 0%                 | 1%             | 1%                 | 1%             | 1%                 | 1%             | 1%                 | 1%             |
| Don't know                                  | 23%                |                | 23%                |                | 29%                |                | 24%                |                |

## 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 15<sup>th</sup> – 20<sup>th</sup> 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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