

News Release

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Household Finance Index™ (HFI™) – United Kingdom

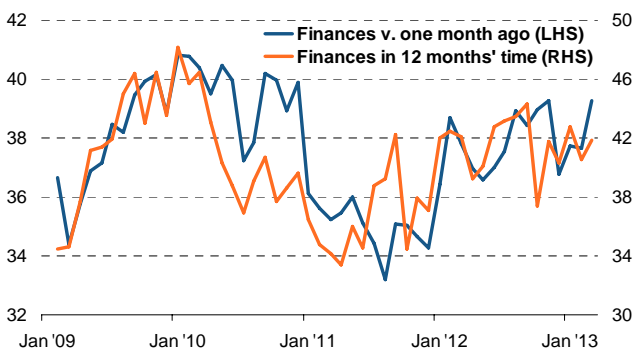
Rising private sector pay helps ease pressures on household finances

Key points for March:

- Households report first increase in income from employment for two a two-and-a-half-years in March, led by private sector
- Worries about future finances ease slightly and job worries ease
- Rise in inflation expectations

Household finances

HFI, Diffusion index, 50 = no change in household finances



This release contains the March 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

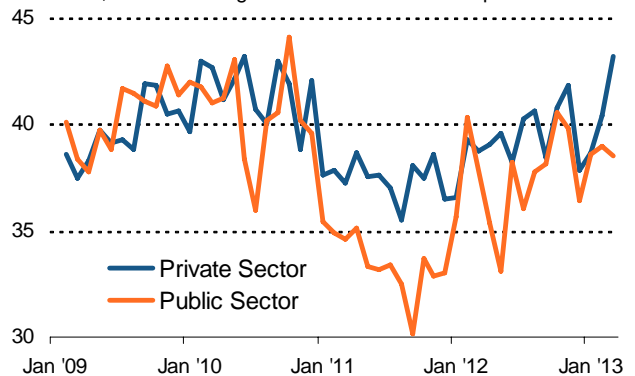
At 39.3 in March, up from 37.7 in February, the headline **Markit Household Finance Index (HFI)** matched that seen last November and therefore pointed to the joint-slowest rate of deterioration in financial sentiment since December 2010. Nonetheless, around four times as many households (29%) reported a drop in their finances during March as those that registered an improvement (7%).

March data indicated a wider household finance **divergence between private sector and private**

sector workers. The equivalent index for those in the public sector dropped to 38.5 (a three-month low), while the reading for private sector workers was 43.2 (its highest since June 2010).

Household debt trends by income group

HFI Index, 50 = no change in financial situation on prior month



Expectations for finances in the next 12 months

Households indicated that worries about finances over the year ahead eased slightly in March. Around 43% of respondents expect their finances will worsen over the next 12 months, while 26% forecast an improvement. As a result, the index measuring **households' financial outlook** rose to 41.8, up from 40.6 in February.

In line with the trend for current finances, **private sector employees** are much less downbeat (37% expected a fall) than those in the **public sector** (45% anticipate a decline).

Four of the five **income groups** expect that their finances will worsen over the year ahead, with the highest earners (£57 751+) the exception. This cohort is the most upbeat since last August.

London was the only region to record positive expectations for household finances in March, while those living in the **North East** and **Yorkshire & Humber** are the most pessimistic.

Job security, income and workplace activity

March data suggested that **job insecurities** eased to their least marked since the survey began in

February 2009. The overall trend was driven by a reduced degree of pessimism among private sector workers, while those employed in the public sector reported a similarly marked drop in job security as that seen in February.

Job security in the private sector was supported by an accelerated rise in **workplace activity**. Around 27% of private sector staff reported a rise in workplace activity in March, compared to 18% that saw a fall. At 54.4, up from 51.8 in February, the latest reading was the strongest for three years. March data from UK households suggested particularly marked rises in private sector services activity, alongside a return to growth in construction output.

Improved levels of workplace activity in March contributed to a rise in **income from employment** for the first time since September 2010, although the pace of increase was only marginal. Latest data indicated a rise in private sector income, contrasting with a slight drop in earnings among those employed in the public sector.

Inflation perceptions

At 87.5 in March, the index measuring **current inflation perceptions** was little-changed from February's 17-month high of 87.7. Around 77% of all households reported that their living costs had risen over the month. In line with the recent trend, the oldest age group reported the strongest pressures on living costs in March. Meanwhile, the index measuring **living costs over the year ahead** increased in March and was the highest since September 2011.

Comment:

Chris Williamson, Chief Economist at Markit and author of the report said:

"Households are clearly seeing no signs of a triple-dip recession. On the contrary, respondents reported the largest monthly increase in workplace activity for three years in March, recording a second successive month of growth after a slight fall in January. The increase in workplace activity therefore bodes well for the economy to have grown in the first quarter."

"Being busier at work meant job insecurities fell to the lowest seen since the 2008- financial crisis, and income from employment rose for the first time since September 2010."

"As a result, households reported that their finances deteriorated at one of the slowest rates since mid-2010. However, the improvement is only being felt in the private sector, with public sector employees reporting an increased rate of deterioration in their finances."

"Households are expecting to see little change emanating from the Budget. Finances are expected to continue to deteriorate over the coming year, albeit at a reduced rate. Any improvements from rising take home pay are likely to be offset to at least some extent by rising prices: inflation expectations hit the highest since price pressures spiked in late-2011."

-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 (March survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 6th-11th March 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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