

News Release

EMBARGOED UNTIL: 09:30 (UK Time) 16 July 2014

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

Household finances deteriorate at sharpest rate for six months

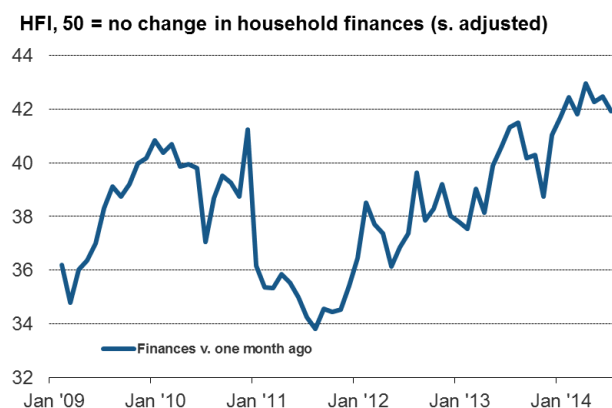
Key points for July 2014:

- Perceptions of current household finances worsen...
- ...although strain remains milder than seen throughout most of past five years
- Expectations regarding future finances also deteriorate
- Savings fall at sharpest rate in six months

Data collected 9-14 July 2014.

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 provider of financial information services, using data collected by Ipsos MORI.

Current finances



Source: Markit

Falling to 42.1 in July, from 42.6 in June, the seasonally adjusted **Markit Household Finance Index (HFI)** – which measures overall perceptions of financial wellbeing – registered its lowest reading for six months. That said, it remained higher than at any time prior to this, signalling that the squeeze on

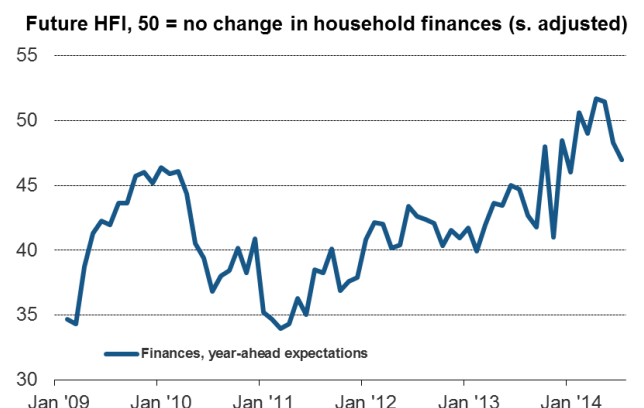
finances remains milder than in the five years since the survey started in February 2009.

Households in the lowest income bracket (less than £15,000 per annum) signalled the weakest sentiment regarding their finances. In contrast, those in the highest income category (more than £57,750 per annum) were the most upbeat, reporting the brightest assessment of their finances in the survey history.

Households indicated lower sentiment regarding savings in July, with the respective seasonally adjusted index at a six-month low. Weaker assessments about debt levels and credit availability were also indicated, while households reported that now was a worse time to make a major purchase than at any time since the turn of the year.

On the other hand, respondents indicated the strongest rise in workplace activity levels in the survey history, while measures of current and future inflation perceptions dropped to the lowest since late-2009.

Expectations for finances in the next 12 months



Source: Markit

Expectations regarding future household finances also worsened in July. The seasonally adjusted index measuring the outlook for **financial wellbeing over the next 12 months** posted 47.7,

down fractionally from 47.8 in June. That was its lowest reading since January.

Workplace activity, job security and incomes

The index measuring **workplace activity** climbed to 59.3 in July, up from 56.8 in June and its highest level in the survey history. People working in finance/business services and IT/telecoms reported the strongest growth, while the slowest increase was indicated by those in retail.

However, **income from employment** showed a marginal fall, as was the case one month previously. **Job security** was reported to have deteriorated further, with the latest drop the sharpest in four months, albeit less marked than those recorded throughout the majority of the survey's history.

Current and future inflation perceptions

Current inflation perceptions fell further in July. At 71.7, the seasonally adjusted index was down from 74.6 in June, and at its lowest level since December 2009.

Households' **inflation expectations** also dropped in the latest month. The seasonally adjusted index measuring expected **living costs over the year ahead** dropped to a 56-month low of 85.2, from 87.3 in June.

Comment:

Jack Kennedy, senior economist at Markit, which compiles the survey, said:

"UK households reported a weaker assessment of their financial situation in July. The survey's main barometer slipped to a six-month low, while the future expectations index also fell, perhaps reflecting caution regarding the possibility of an interest rate rise before the year's end.

"However, the survey continued to signal less severe financial pressures than at any time in the five years leading up to 2014. Moreover, easing inflation perceptions and strongly rising levels of workplace activity suggest that certain pressures on households may be abating, which could help offset the impact of higher mortgage costs following any action by the Bank of England to hike rates."

-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.

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 (June survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 11th – 16th June 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

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