

News Release

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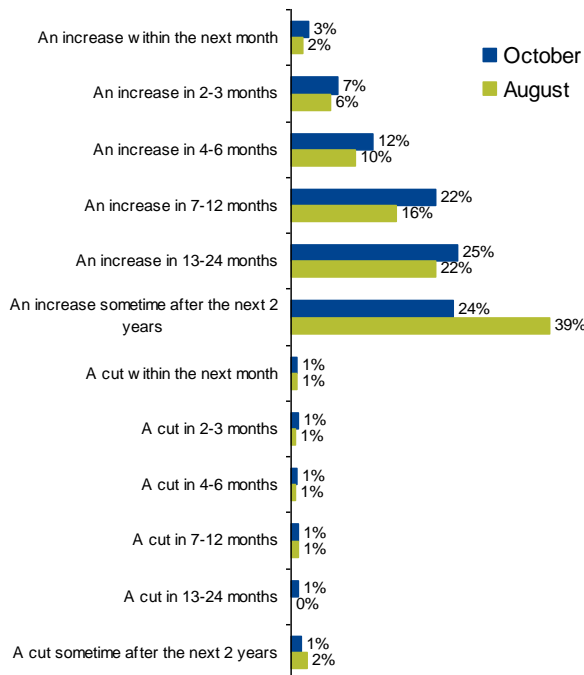
UK economy

Households bring forward their expectations of higher interest rates

- Survey finds households have brought forward their expectations of when the Bank of England will start raising interest rates
- The number of households expecting the Bank of England to hike interest rates within the next two years has risen to 69% from 55% in August
- Of these, 44% expect a rate increase within the next year, up from 33% in August

Households' views on interest rates

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*:



* excludes those households not expressing a view.

The number of British households thinking the Bank of England will start to raise interest rates within the next two years has risen markedly since August, according to survey data collected by Ipsos MORI on behalf of Markit.

The data were collected from 1,500 households between 11th – 14th October and paint a markedly different picture of interest rate expectations

compared to the previous survey, which had been conducted in August.

Of those households that expressed a view on central bank policy, the proportion expecting the Bank of England to raise interest rates within the next two years had fallen from 73% in July to 55% in August, but has since risen back up to 69% in October. Of these, the proportion expecting an increase in the next 12 months has risen to 44%, up from 33% in August, but below the 48% recorded back in July.

Similarly, the proportion of respondents expecting rates to start rising in the next six months has edged up to 22%, compared with 17% back in August and 27% in July.

The number of households expecting the Bank of England to hold off raising interest rates for at least two years meanwhile fell to 24%, down sharply from 39% in August, yet above the 21% recorded in July.

The number considering it most likely that the Bank will need to cut rates again, presumably to stimulate the economy, remained broadly unchanged and very much in the minority, inching up from 6% in both July and August to 7% in October.

The survey results are available for regions, household ownership and demographic categories on request.

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

“The survey results suggest that there is growing scepticism among households that the Bank of England will keep interest rates at the current record low of 0.5% for as long as it has stated in its ‘forward guidance’.

“Expectations of the timing of the first rise in the Bank of England’s policy base rate had fallen in August, following the Bank’s announcement of its new ‘forward guidance’. This stated that interest rates would not start to rise until at least unemployment falls below 7% – something the Bank did not expect

to happen for three years, until 2016. Since August, however, economic indicators have pointed to a strong upturn in the pace of economic growth, and there has been a particular widely-reported improvement in the housing market in the media.

“Households appear to have responded to the brightening economic picture by bringing forward their expectations of when the Bank will need to start hiking rates, with just over two thirds expecting the first increase to take place within the next two years, including 44% that think the first hike will be seen within the next year and 22% that see rates starting to rise by next April. One-in-ten respondents even see rates being hiked within the next three months.

“It will be important to see how these changes in interest rate expectations affect households’ decisions on spending, and in particular the impact on the mortgage market.

“Given current trends, the prospect of higher rates seems to have had little impact on the demand for home loans and spending. However, the worry is that higher borrowing costs will hit the recovery hard if interest rates start to rise before incomes show a sustainable upturn in real terms.”

- Ends -

“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.”

	Jul-13		Aug-13		Oct-13	
	Including don't knows	Excluding don't knows	Including don't knows	Excluding don't knows	Including don't knows	Excluding don't knows
An increase in interest rates within the next month	2%	3%	1%	2%	2%	3%
An increase in interest rates in 2-3 months	7%	9%	4%	6%	5%	7%
An increase in interest rates in 4-6 months	11%	15%	7%	10%	9%	12%
An increase in interest rates in 7-12 months	15%	21%	12%	16%	16%	22%
An increase in interest rates in 13-24 months	18%	25%	16%	22%	18%	25%
An increase in interest rates sometime after the next 2 years	16%	21%	28%	39%	17%	24%
A cut in interest rates within the next month	1%	1%	1%	1%	1%	1%
A cut in interest rates in 2-3 months	1%	1%	0%	1%	1%	1%
A cut in interest rates in 4-6 months	1%	2%	0%	1%	1%	1%
A cut in interest rates in 7-12 months	1%	1%	1%	1%	1%	1%
A cut in interest rates in 13-24 months	0%	0%	0%	0%	1%	1%
A cut in interest rates sometime after the next 2 years	1%	2%	2%	2%	1%	1%
Don't know	27%		27%		29%	

Markit’s Household Finance Index (HFI) survey will be released at 00:01 (UK Time) on 21st October 2013.

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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 (October survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 11th – 14th October 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 3000 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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