

News Release

Embargoed until: 09:00 (UK Time) 13 November 2013

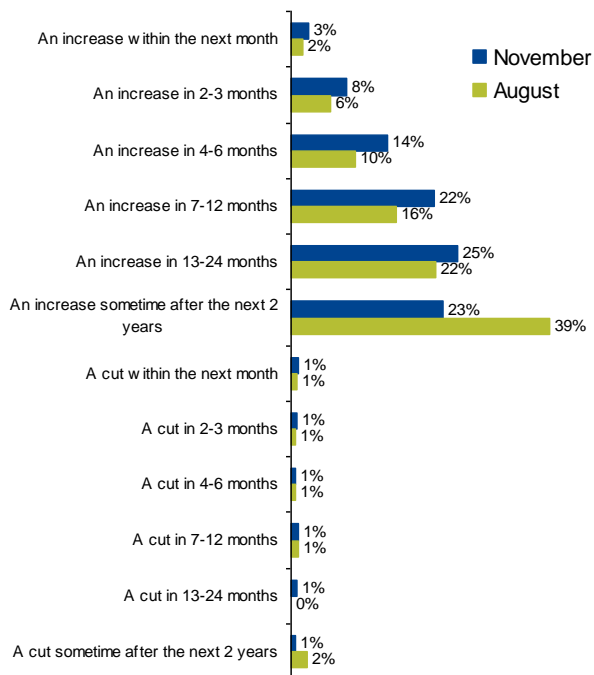
UK economy

Households pull forward their expectations of first rise in interest rates

- 72% of households expect the Bank of England to start raising interest rates within the next two years, of which 47% expect a rise in the next year
- One-in-four expect a hike in the next six months

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.

British households have pulled forward their expectations of when the Bank of England will start to raise interest rates, according to survey data collected by Ipsos MORI on behalf of Markit.

Of those households that expressed a view on central bank policy in the November poll, one-in-four (25%) expected rates to start rising within the next six months, up from 22% in October and just 17% in August. The increase takes the proportion of households expecting a rate hike in the next six months close to the 27% level seen just prior to the Bank's introduction of 'forward guidance' in July.

The latest data were collected from 1,500 households between 8th – 11th November, prior to the publication of the Bank's new *Inflation Report* forecasts.

At 47%, the proportion expecting the Bank of England to raise interest rates within the year also rose, up from 44% in October and 33% in August. The proportion expecting an increase in the next two years meanwhile rose from 69% in October to 72% in November, up sharply from the 55% seen in August.

The proportion of households expecting the Bank of England to hold off raising interest rates for at least two years was largely unchanged at 23% (compared to 24% in October), while the number considering it most likely that the Bank will need to cut rates again edged down from 7% in October to just 5%.

In August, the Bank of England changed its monetary policy stance, issuing 'forward guidance' on interest rates. This guidance stated that, barring certain factors such as significant price instability, rates would not start rising before the unemployment rate fell below 7.0%, something it did not expect to happen until late-2016.

The forward guidance initially led households to push-back their expectations of when interest rates would start rising (albeit not to the extent envisaged by the Bank of England), but recent months have seen households pull forward their expectations of tighter policy again.

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 add to the evidence to suggest that it is appropriate for the Bank of England to revise its 'forward guidance' in the light of the improved economic data, and signal the possibility of an earlier initial interest rate hike than envisaged back in August.

“Households are clearly expecting interest rates to rise sooner than the Bank had set out in its initial ‘forward guidance’. Rather than starting to hike no sooner than late-2016 at the earliest, as the Bank had envisaged, some 72% expect the first rate hike to take place before November 2015, with almost half (47%) expecting to see rates being hiked within the next 12 months. A surprisingly large number, one-in-twelve, even expect to see policy being tightened before the end of February.

“The earlier rate hike expectations most likely reflect the ongoing flow of good news on the economy that we have seen in recent weeks. Not only has the pace of economic growth exceeded all expectations, but the upturn is also generating jobs at a pace that has taken many – including the Bank of England – by surprise, which is in turn driving down the jobless claimant count at the fastest rate since 1997.”

– 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		Nov-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	Including don't knows	Excluding don't knows
An increase in interest rates within the next month	0%	3%	1%	2%	2%	3%	2%	3%
An increase in interest rates in 2-3 months	7%	9%	4%	6%	5%	7%	6%	8%
An increase in interest rates in 4-6 months	11%	15%	7%	10%	9%	12%	10%	14%
An increase in interest rates in 7-12 months	15%	21%	12%	16%	16%	22%	15%	22%
An increase in interest rates in 13-24 months	18%	25%	16%	22%	18%	25%	17%	25%
An increase in interest rates sometime after the next 2 years	16%	21%	28%	39%	17%	24%	16%	23%
A cut in interest rates within the next month	1%	1%	1%	1%	1%	1%	1%	1%
A cut in interest rates in 2-3 months	1%	1%	0%	1%	1%	1%	1%	1%
A cut in interest rates in 4-6 months	1%	2%	0%	1%	1%	1%	1%	1%
A cut in interest rates in 7-12 months	1%	1%	1%	1%	1%	1%	1%	1%
A cut in interest rates in 13-24 months	0%	0%	0%	0%	1%	1%	1%	1%
A cut in interest rates sometime after the next 2 years	1%	2%	2%	2%	1%	1%	0%	1%
Don't know	27%		27%		29%		30%	

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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 (November survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 8th – 11th November 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

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