

News Release

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UK economy

Households see prospect of higher interest rates edging closer

- Proportion of households expecting the Bank of England to start raising interest rates within the next two years hits 84%
- 30% expect a hike in the next six months

The date when British households expect the Bank of England to start to raise interest rates edged closer again in January. Survey data collected from 1,500 households by Ipsos MORI on behalf of Markit found that – of those that expressed a view – some 84% expect the central bank to start raising interest rates within the next two years, up from 78% in December and the highest seen since data were first collected last July.

Some 57% expect to see a rise within the next 12 months (also a new survey high), and 30% expect rates to start rising within the next six months. The number expecting to see a hike in the next three months also hit a new high, rising to 13%. Just 2% expect a hike in the next month.

The proportion of households expecting the next move to be a cut in the Bank’s policy rate fell from 5% to 3%.

The above figures relate to the 71% of respondents that expressed a view. The 29% responding “Don’t know” was up from 24% in December.

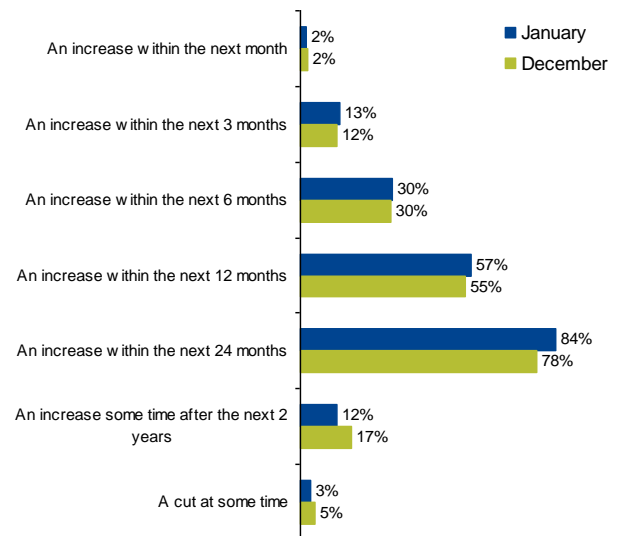
Background

In July, the Bank of England changed its monetary policy stance, issuing ‘forward guidance’ on interest rates. This guidance stated that, barring certain factors such as a sharp rise in inflation or financial 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 jobless rate stood at 7.8% at the time that forward guidance was introduced.

The forward guidance initially led households to push-back their expectations of when interest rates would start rising, albeit not to the extent envisaged

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*:



* Excludes those households not expressing a view.

The latest data were collected from 1,507 households between 13th – 17th January. 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:

“Households once again brought forward their expectations of when the Bank of England will start to raise interest rates in January.

“Although the recent slide in inflation to the Bank’s target for the first time in four years will have no doubt helped to ease worries about the need for policymakers to raise interest rates, the speed with which unemployment has fallen in recent months is clearly resulting in average expectations of the first rate hike being brought forward.

“With almost one-in-three people expecting rates to start rising in the next six months, the Bank is under pressure to modify its forward guidance, either by reducing the unemployment threshold for higher rates to be considered, or to downplay the role of the jobless rate in policy decisions.”

by the Bank of England. The proportion expecting rates to rise within the next two years fell from 73% in July to 55% in August, while the percentage expecting a hike in the next 12 months fell from 48% to 33%. With these proportions having risen to 84% and 57% respectively in January, recent months have therefore seen households pull forward their expectations of tighter policy considerably compared to just after the announcement of forward guidance.

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.”

	Jul-13		Aug-13		Oct-13		Nov-13		Dec-13			Jan-14	
	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	Including don't knows	Excluding don't knows	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%	2%	3%	2%	2%		2%	2%
An increase in interest rates in 2-3 months	7%	9%	4%	6%	5%	7%	6%	8%	7%	10%		8%	11%
An increase in interest rates in 4-6 months	11%	15%	7%	10%	9%	12%	10%	14%	13%	18%		12%	17%
An increase in interest rates in 7-12 months	15%	21%	12%	16%	16%	22%	15%	22%	19%	25%		19%	26%
An increase in interest rates in 13-24 months	18%	25%	16%	22%	18%	25%	17%	25%	18%	24%		20%	28%
An increase in interest rates sometime after the next 2 years	16%	21%	28%	39%	17%	24%	16%	23%	13%	17%		9%	12%
A cut in interest rates within the next month	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%		0%	0%
A cut in interest rates in 2-3 months	1%	1%	0%	1%	1%	1%	1%	1%	1%	1%		1%	1%
A cut in interest rates in 4-6 months	1%	2%	0%	1%	1%	1%	1%	1%	1%	1%		0%	0%
A cut in interest rates in 7-12 months	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%		0%	1%
A cut in interest rates in 13-24 months	0%	0%	0%	0%	1%	1%	1%	1%	0%	0%		0%	0%
A cut in interest rates sometime after the next 2 years	1%	2%	2%	2%	1%	1%	0%	1%	1%	1%		0%	1%
Don't know	27%		27%		29%		30%		24%			29%	

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 (January survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 13th – 17th January 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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