

# News Release

FOR IMMEDIATE RELEASE

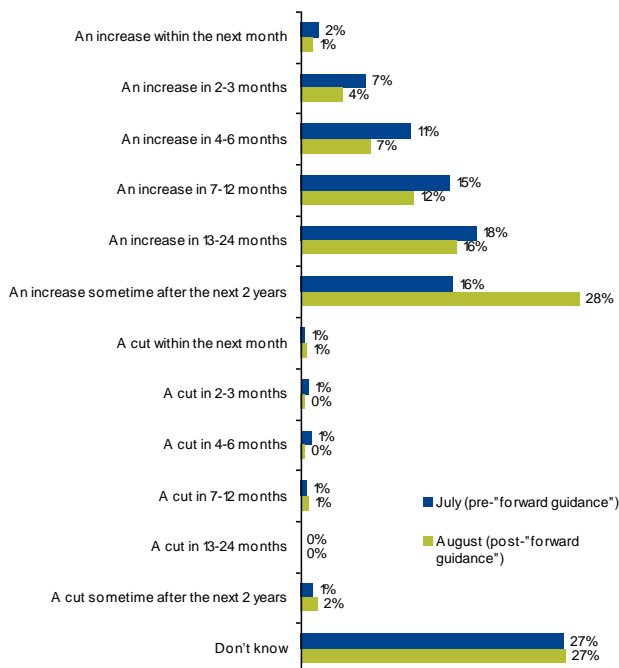
## UK economy

### Households take stock of Bank of England “forward guidance”

- Survey finds households have pushed back their expectations of when interest rates will start to rise following central bank policy guidance
- The number of households expecting the Bank of England to raise interest rates within the next two years fell to 40% compared with 53% in July
- 24% expect a rate rise within the next year, down from 35% in July

#### 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:



The number of households thinking the Bank of England will start to raise interest rates within the next two years has fallen after the Bank unveiled its “forward guidance” on policy, according to survey data collected by Ipsos MORI on behalf of Markit.

The survey data were collected from 1,500 households between 7 – 12 August, after the Bank of England announced on 7 August that interest rates

would not start to rise at least until unemployment falls below 7%, something it did not expect to happen for three years. Comparable data are available for July, prior to the formal change to the Bank’s policy.

The proportion of households expecting the Bank of England to raise interest rates within the next two years has fallen from 53% in July to 40%. The proportion expecting an increase in the next 12 months has dropped from 35% to 24%.

The proportion expecting a hike within the next six months has likewise fallen, down from 20% in July to 13% following the announcement of the Bank’s new policy framework.

The number of households expecting the Bank of England to hold off raising interest rates for at least two years meanwhile rose from 16% in July to 28% in the August survey.

The number considering it most likely that the Bank will need to cut rates again, to stimulate the economy, fell slightly from 5% to 4% between July and August.

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, in unveiling its new approach to policy, the Bank of England has successfully convinced an increasing number of households that interest rates are set to remain low for longer.

“The number of households expecting rates to rise within the next two years had fallen markedly in August compared with July. This has occurred despite an improvement in the economic news flow in recent weeks, which would normally cause people to bring forward their expectations of a rate rise.

“Lower interest rate expectations should provide a valuable boost to the country’s recovery prospects by

reducing borrowing costs, though savers are facing an extended period of low returns on their savings.

“It is notable, however, that the majority of households still believe that interest rates will rise sooner than envisaged by the Bank of England. This is likely due to people considering unemployment will fall below the 7% threshold sooner than the Bank's forecast of 2016, or perhaps because the Bank will be required to hike rates because of the threat of higher inflation or financial instability. Some one-in-four respondents consider it most likely that the Bank will need to start raising rates again within the next year, while one-in-eight consider it most likely that rates will rise within the next six months.”

- Ends -

**Markit's Household Finance Index (HFI) survey will be released at 00:01 (UK Time) on 19 August 2013.**

**For further information, please contact:**

#### **Markit**

Chris Williamson, Chief Economist  
Telephone +44 20 7260 2329  
Email: [chris.williamson@markit.com](mailto:chris.williamson@markit.com)

Caroline Lumley, Corporate Communications  
Telephone +44-20-7260-2047  
Email [caroline.lumley@markit.com](mailto:caroline.lumley@markit.com)

#### **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 (August survey)**

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 7 – 12 August 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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