

## News Release

19 June 2009

### Household Finance Index (HFI) – United Kingdom

#### New monthly survey shows household finances worsened in June, but rate of deterioration slowed. Improved outlook for housing market.

Markit and YouGov today announced the launch of the **Markit/YouGov Household Finance Index (HFI)**, a new survey designed to provide the earliest and most accurate indication of actual changes in household finances each month. The HFI is intended to anticipate changes in consumer behaviour accurately.

The survey 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.

The Markit/YouGov HFI is the first in a series of polls and indices which will combine Markit's and YouGov's respective experience in business and consumer sector surveys.

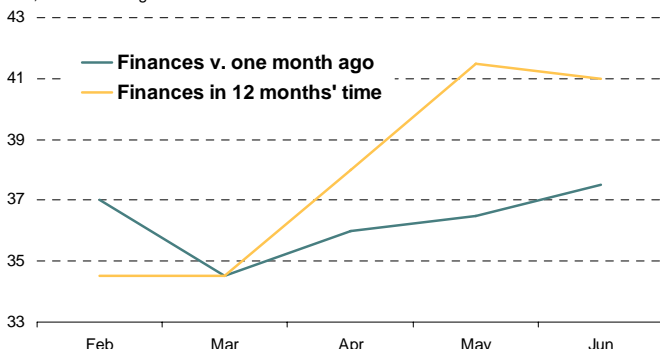
#### Markit/YouGov HFI – June 2009

##### Key points:

- Household finances deteriorate at slower rate for third month running.
- Spending falls as job insecurities remain widespread.
- House prices expected to rise over the coming year, but inflation expectations also pick up.

##### Summary:

HFI, 50 = no change in household finances



The new **Markit/YouGov Household Finance Index (HFI)**, published today for the first time,

signalled a further deterioration in finances on a month ago in June, continuing the trend that has been seen since the survey data were first collected in February. Some 32% of respondents noted a worsening of their financial situation compared to a month ago while just 6% reported an improvement. However, the resulting “net” deterioration in finances indicated by the June survey was less than recorded in any of the previous four months, with the HFI for the current month rising for the third successive month to 37.5, up from 36.5 in May<sup>1</sup>.

The HFI relating to respondents' views on their household finances in 12 months' time also remained firmly below the 50.0 “no-change” level, and in fact fell slightly to reverse some of the gains seen in the previous two months. This suggests that households grew marginally more pessimistic about their financial outlook for the year ahead.

The deterioration in the outlook for finances was attributable to an increase in **job insecurity**, which rose compared to May but remained less widespread than in the spring. Concern over jobs reflected a further fall in **business activity** at respondents' workplaces and a corresponding drop in **income from employment**, which have both fallen over the five months since the survey started. However, in both cases, rates of decline were less steep than in early spring.

The drop in current income resulted in a further fall in the amount of **cash available to spend** at households, though the decline was the smallest recorded over the past five months. Actual **household spending** fell slightly, with respondents on balance also citing that now was not a good time to **make a major purchase** and growing more **price conscious** when shopping.

**Savings** fell for the fifth month running in June, and

<sup>1</sup> 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. Due to the limited history of data, indices are not adjusted for seasonal influences.

are expected to continue to fall over the coming 12 months, although the outlook for savings has grown considerably less negative in recent months.

Households' need for **mortgages** and other secured loans has remained broadly unchanged over the past five months, whereas demand for **unsecured credit** has risen steadily. **Ease of access to credit** (both secured and unsecured) has meanwhile worsened and its cost risen.

Views on the **housing market** improved considerably. Only 32% of respondents thought that the value of the property in which they lived had fallen during the month (down from 47% in May), while 8% considered the value to have risen (against 3% in May). This was by far the most buoyant view yet recorded by the survey. **House prices in 12 months' time** were expected to be higher on average, contrasting markedly with the expectation of falling prices seen in prior surveys. Higher house prices were expected by 37% of respondents (against 22% on May) while just 22% expect prices to fall (compared to 38% in May).

Finally, household confidence in the **government's management of the economy** deteriorated significantly during the month. Just 6% reported that they had grown more confident against 59% reporting less confidence. **Perceptions of current inflation and inflation in 12 months' time** meanwhile rose in both cases, the latter to the highest yet recorded.

Commenting on the HFI survey, **Chris Williamson, Chief Economist at Markit** said:

*"The new HFI survey is designed to fill a gap in the existing data available by providing an early, accurate indication of actual changes in household finances each month. The June survey showed that finances continued to worsen, but the rate of deterioration has eased throughout the second quarter. The outlook for house prices also improved dramatically. While this adds to hope that the*

*economy may have experienced a turning point in Q2, spending is nevertheless being reined in as households have grown increasingly worried about job security, suggesting that any recovery in the economy will be subdued by weak consumer spending."*

**Tony Diamond, Consulting Director at YouGov** added:

*"YouGov is very pleased to be providing this important predictor of economic activity. The HFI will be of great value to those that need early and accurate information on household financial circumstances, including advance indications of how consumer behaviour and spending patterns are changing, and the implications of these changes for the wider economy."*

Commenting on YouGov's partnership with Markit, **Nadhim Zahawi, CEO of YouGov** said:

*"YouGov has been providing reliable, accurate information to the investment community for many years. We are excited to be working with one of the leading financial information services companies to develop innovative new products as well as bespoke research for clients in this sector."*

-Ends-

**For further information, please contact:**

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The full report and historical data for the HFI are available via subscription from Markit. The subscription service includes survey data analysed by employment status, job type, sector, region, age group and other breakdowns. For further information please contact [economics@markit.com](mailto:economics@markit.com)

#### **Note to Editors:**

##### **About the HFI**

The UK edition of the Household Finance Index (HFI) survey was first conducted in February 2009 and is jointly compiled each month by Markit Economics and YouGov.

The survey methodology has been designed by Markit and YouGov 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.

The survey is based on monthly responses from over 2,000 households, with data collected online by YouGov plc from its representative panel of respondents. The panel is structured according to income, region and age to ensure the survey results accurately reflect the true composition of the UK population. Results are also weighted to further improve representativeness.

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.

##### **About YouGov**

YouGov is a global full service market research company, primarily using online panels to provide quantitative and qualitative research across a range of specialisms. These include consumer markets, financial services, technology and telecoms, media, politics and the public sector. YouGov's full service offering spans added value consultancy, syndicated product offers, omnibus, qualitative research and field and tab services. YouGov is considered the pioneer of online market research and was the only research company named in the 2008 Deloitte Technology Fast 50. Its well-documented and published track record in predicting election outcomes demonstrates the accuracy of its survey methods and in turn the quality of its client service work.

##### **About Markit**

Markit is a financial information services company with more than 1,100 employees in Europe, North America and Asia-Pacific. Over 1,500 financial institutions use our independent services to manage risk, improve operational efficiency and meet regulatory requirements.

##### **About Markit Economics**

Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index (PMI) series, which is now available for 26 countries and key regions including the Eurozone and BRIC. The PMIs have become the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.