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# IHS Markit UK Household Finance Index™

## Financial wellbeing deteriorates drastically in April despite unprecedented government support

### Key findings

IHS Markit Household Finance Index sinks to 34.9 in April, from 42.5 in March

Job security perceptions plummet to record low

UK households signal unprecedented pace of decline in workplace activity

Incomes from employment fall sharply despite government support for working population

This release contains the April findings from the IHS Markit UK Household Finance Index™ (HFI™), which is intended to anticipate changing consumer behaviour accurately. The HFI is compiled each month by IHS Markit, using original survey data collected by Ipsos MORI. It is the first consumer survey published each month.

### Current and future finances

The headline index from the survey, the seasonally adjusted IHS Markit UK Household Finance Index (HFI) – which measures households’ overall perceptions of financial wellbeing – plummeted to 34.9 in April, its lowest since November 2011 and a sizeable drop from 42.5 in March. This signalled the largest month-to-month drop in the index since the survey's inception in 2009 and was consistent with a severe decline in the financial health of UK households.

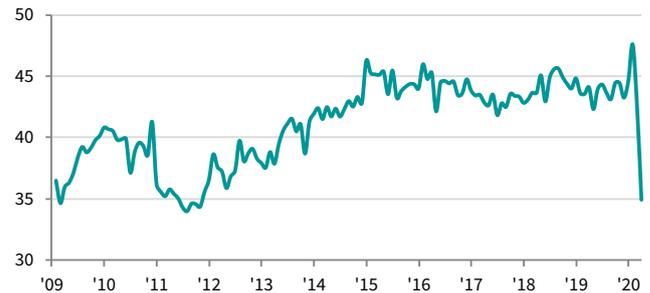
With a large degree of uncertainty surrounding the time frame to which the emergency public health measures will be maintained, financial wellbeing expectations also fell sharply. Overall, the respective index signalled the strongest level of pessimism for almost eight-and-a-half years.

### Workplace activity, income and job security

Survey respondents signalled a severe drop in workplace activity during April as a consequence of the lockdown. The respective index fell by just over 16 points, indicating an unprecedented

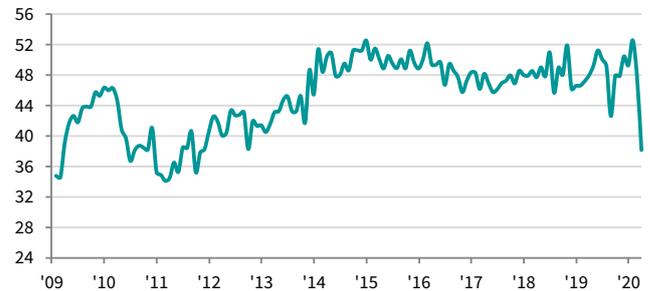
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IHS Markit UK Household Finance Index  
sa, 50 = no change in household finances since previous month



Source: IHS Markit.

Financial wellbeing expectations  
50 = no change over next 12 months



Source: IHS Markit.

Job security perceptions  
50 = no change in job security perceptions since previous month



Source: IHS Markit.

speed of decline in workplace activity. Those employed in media, culture or entertainment sectors recorded the strongest drop in activity.

For the first time since October 2017, UK households reported a decrease in earnings from employment in April. According to the latest survey data, incomes fell at a substantial rate that outpaced all previous reductions seen since the survey began in early 2009 by a wide margin.

Despite unprecedented support from the government to support businesses and their employees, job security perceptions plummeted in April, with the corresponding index pointing to a substantial degree of pessimism that was the greatest on record. Those working in education, health or social care sectors were the least downbeat, while households employed in media/culture/entertainment were the most concerned.

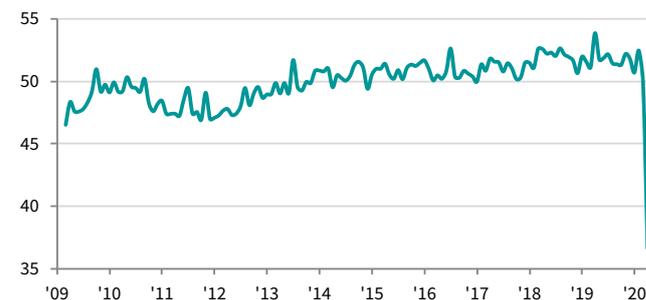
On the plus side, there were no signs of immediate stress on household balance sheets in April, despite the marked deterioration in earnings and overall financial conditions. Debt levels held broadly stable when compared to March, while unsecured lending requirements rose at a rate that was below its long-run average as households dipped into savings.

### Households' views on next move in Bank of England base rate\*

Following the Bank of England's decision to reduce the base rate to an all-time low of 0.1%, there was little change to UK households' expectations. The majority still anticipate the Bank of England's next move to be an increase, with precisely 63.5% foreseeing this within the next 24 months. The proportion of UK households expecting the next move to be a cut rose marginally to 26.4%, from 24.0% in March.

### Income from employment

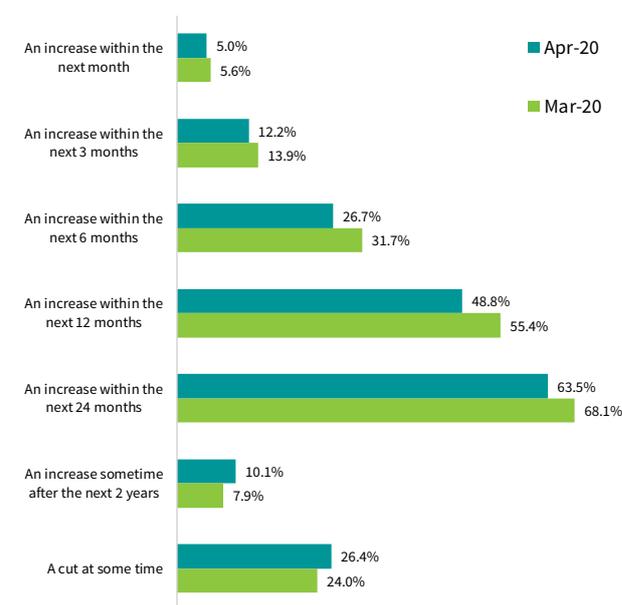
50 = no change in income from employment since previous month



Source: IHS Markit.

### UK households' views on next change in Bank of England base rate\*

% of UK households



Source: IHS Markit.

\*"The interest rate set by the Bank of England is currently 0.1%. 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."

## Comment

Joe Hayes, Economist at IHS Markit, which compiles the survey, said:

*"The UK Household Finance Index is already showing wide-reaching financial consequences of the lockdown measures implemented in late March. The latest data were compiled during the first week of April and therefore give an early indication of the severe impact on household finances from the public health emergency.*

*"Unsurprisingly, financial conditions deteriorated sharply when compared to the previous month and at a rate not seen since November 2011. This was to be expected as workers have been placed on furlough and applications for universal credit have risen substantially in recent weeks. Even with the government's scheme to backstop earnings, those in receipt of this will still be worse off as support has been pledged for 80% of their full income. Around one-in-three UK households reported a decline in income from employment during April, which was by far the largest number since the survey began in 2009.*

*"Nevertheless, we can still draw a small degree of positivity from the latest results, with overall measures of cash available to spend and household debt proving much more stable than workplace incomes. There was a slight pick-up in unsecured lending needs, while in some cases savings were depleted to meet immediate financing needs. Limiting the adverse impact on UK household balance sheets will be crucial in the coming months so that when economic activity does recover, consumers are not stuck repaying debts and instead are able to boost discretionary spending to aid a strong recovery."*

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### Methodology

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. The headline survey indices have been seasonally adjusted using the US Bureau of the Census X-12 programme. IHS Markit do not revise underlying (unadjusted) survey data after first publication.

The Household Finance Index™ (HFI™) survey was first conducted in February 2009 and is compiled each month by IHS Markit. The survey methodology has been designed by IHS Markit 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.

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.

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.

### About IHS Markit

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