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S&P Global UK Household Interest Rate Expectations Index

UK households report most hawkish interest rate expectations on record, according to latest survey data

Key findings:

Record net balance (+61%) of UK households expect imminent rate hike

Two thirds (66%) of UK households expect the base rate to rise by end of 2022...

... with proportion rising to four-in-five (80%) over six-month horizon

Data were collected 1-5 September

UK Households' Interest Rate Expectations



UK households expect the Bank of England (BoE) to continue on its hawkish policy course, according to the latest representative survey of 1,500 UK households compiled by S&P Global, with expectations of a further, imminent rate hike hitting a survey record level in September.

Overall, 66% of households surveyed in September expect the UK's central bank to raise the base rate of interest within the next three months, up from 61% in August, and the highest reading since data collection began nine years ago.

At the same time, only 5% of households are expecting the next move by the BoE to be a rate cut, the lowest proportion since March 2022.

At +61% in September, the resulting net balance rose sharply from +55% in August, surpassing May's peak of +59% to signal the most hawkish expectations towards interest rates amongst UK households on record.

This signals continued expectations amongst UK households that the central bank will maintain its hawkish

policy stance and increase the base rate further to curb inflation, despite recent warning signs from business survey data that the economy has slipped into contraction, with weakening demand fundamentals exacerbated by the cost of living crisis.

Looking into 2023, 80% of UK households surveyed in September anticipate an increase in the base rate within the next 6 months, rising to 90% over the 12-month horizon, with both readings the highest on record.

With the decision from the next meeting of the Monetary Policy Committee due to be announced at midday on Thursday 15th September, the survey data point to an overwhelming view amongst UK households of further rate hikes from the central bank, which has – so far – hiked across six consecutive meetings. Households views remain aligned with financial markets, which continue to price in a minimum 25 basis point hike and further hikes through the remainder of the year.

Lewis Cooper, Economist at S&P Global Market Intelligence said:

“UK households recorded their most hawkish expectations towards interest rates on record in September, with the net balance of households expecting an imminent rise in the base rate hitting a fresh peak of +61%.

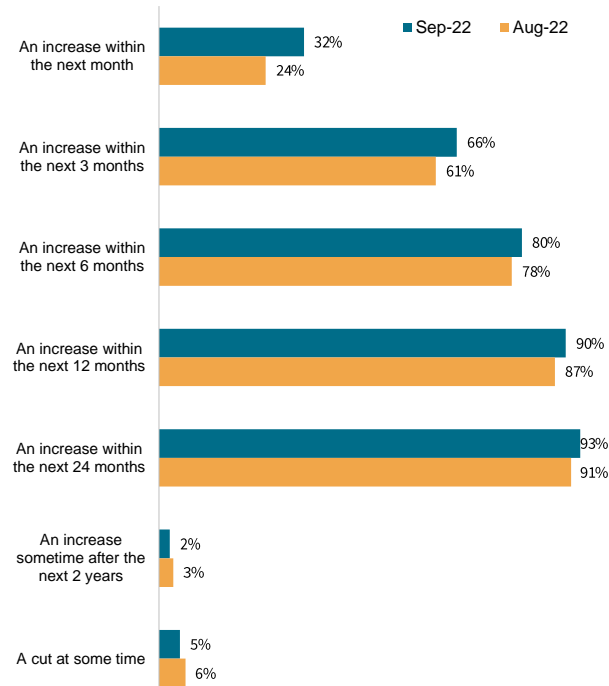
“The latest survey data clearly show that households anticipate the central bank to continue with their current policy direction to temper inflation, following rate hikes in six successive meetings, with the views of UK households remaining aligned with financial markets.

“The next MPC decision comes off the back of concerning business survey data, which showed the UK economy slipping into contraction territory in August. These data also show that, while they have peaked, inflationary pressures remain stubbornly elevated. This suggests that although higher interest rates are working to bring down the rate of inflation, it's becoming clear that the Bank of England's policy decisions are having a negative impact in terms of economic growth of an increasingly larger magnitude.”

The UK Household Interest Rate Expectations Index is released ahead of each MPC meeting. For release dates, please email economics@ihsmarkit.com.

News Release

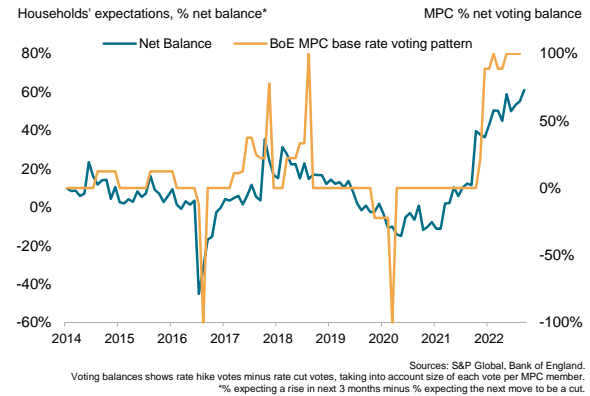
UK households' views on next change in Bank of England base rate*



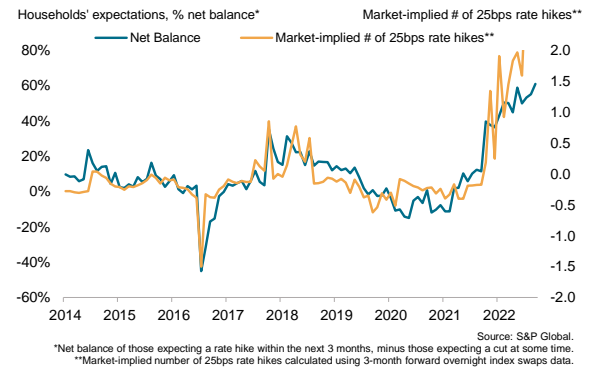
Source: S&P Global

**The interest rate set by the Bank of England is currently 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 only one answer.
*Figures are cumulative % of respondents excluding "don't know".

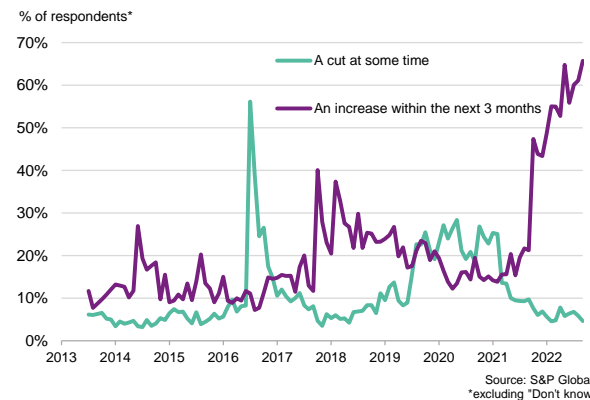
Household interest rate expectations and MPC voting history



Household versus market interest rate expectations



Households' Interest Rate Expectations – breakdown



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News Release

Note to Editors

About the Household Interest Rate Expectations Index

The S&P Global UK Household Interest Rate Expectations Index is a single figure indicator of households' interest rate expectations, designed to give a timely gauge of the extent to which the BoE has managed households' expectations.

The survey is based on monthly responses from approximately 1,500 individuals in the UK, 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.

Index numbers

The index is calculated as the percentage net balance of those expecting the next move in interest rates by the Bank of England to be a hike within three months less those anticipating a decline at some time in the future.

Ipsos MORI technical details (September survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across the United Kingdom from its online panel of respondents. Interviews were conducted online between September 1st – 5th 2022. 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 UK 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.

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