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S&P Global UK Household Interest Rate Expectations Index

UK households continue to brace for higher interest rates, according to latest survey data

Key findings:

3 in 5 UK households expect rates to rise again within the next 3 months

Around 76% of households think the base rate will increase by January 2023

Expectations towards a rate cut remain heavily subdued

Data were collected 15-19 July

UK Households' Interest Rate Expectations



Hawkish expectations towards interest rates among UK households was sustained into July. Expectations of an imminent rise in the Bank of England base rate remained amongst the strongest on record, according to the latest representative survey of 1,500 UK households compiled by S&P Global.

The proportion of households expecting the UK's central bank to hike interest rates in the next 3 months ticked up from 56% in June to 60% in July. This was the second-highest reading since data collection began nine years ago, behind only the series peak registered in May.

Meanwhile, just 7% of households surveyed expect the next move by the Bank of England to be a rate cut.

The resulting net balance of +53% in July was up from June's reading and climbed close to May's recent peak of 59%. This signals continued expectations amongst UK households that the central bank will raise the base rate of interest in response to inflationary pressures, and suggests that households are likely bracing for a further increase in

borrowing costs. Latest business survey data suggested the UK economy is beginning to struggle due to weak demand conditions amid the cost of living crisis.

July survey data also showed that expectations of higher rates over longer time horizons had ticked up. Just over three quarters (76%) of households surveyed in July expect a rate hike within the next 6 months, rising to 86% in 12 months.

Overall, the data suggest that households overwhelmingly expect the Bank of England to continue its rate tightening agenda to combat inflationary pressures, with the decision from the next meeting of the Monetary Policy Committee due to be announced at midday on Thursday 4th August.

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

"The latest survey data suggest UK households expect the Bank of England to hike rates for the sixth meeting in a row. The net balance of households predicting an imminent increase in the base rate picked up to +53% in July, the second-highest reading since the survey began nine years ago.

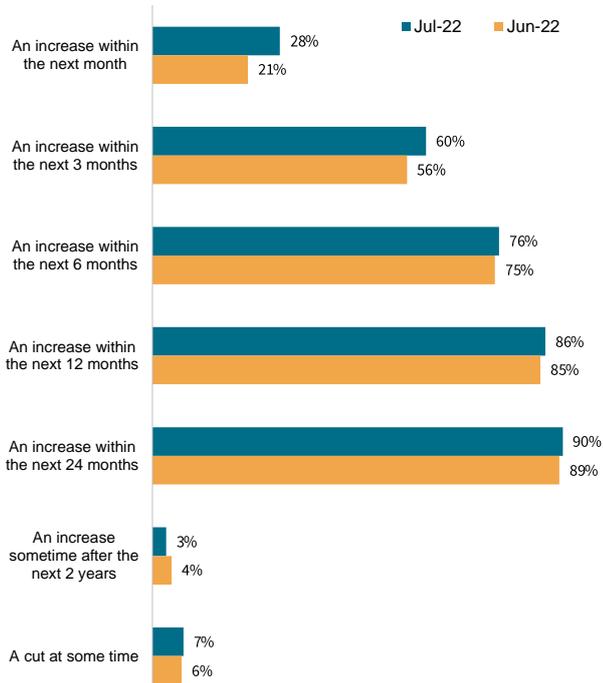
"It's clear that households are bracing for a further rise in borrowing costs and are expecting the central bank to continue their efforts to tackle inflationary pressures against the backdrop of a severe cost of living crisis.

"Households expectations again aligned with financial markets that continue to price in further base rate hikes this year. The recent aggressive tightening by the US Federal Reserve will further add to calls for the Bank of England to follow suit in their August meeting. Another rate hike would come in the context of a weakening economic picture for the UK, however, with Flash PMI business survey data for July showing the rate of growth slowing to a crawl."

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

News Release

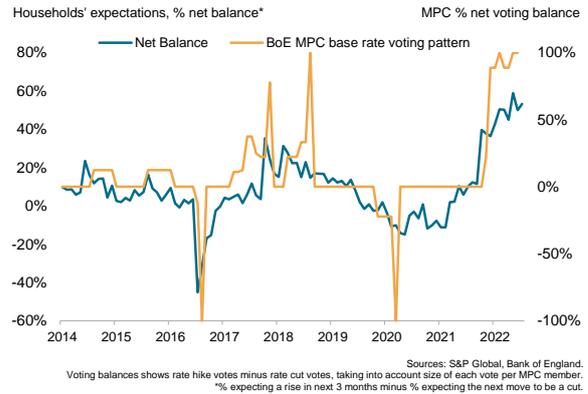
UK households' views on next change in Bank of England base rate*



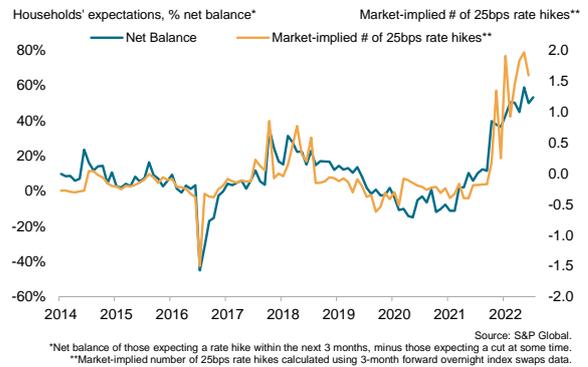
Source: S&P Global

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

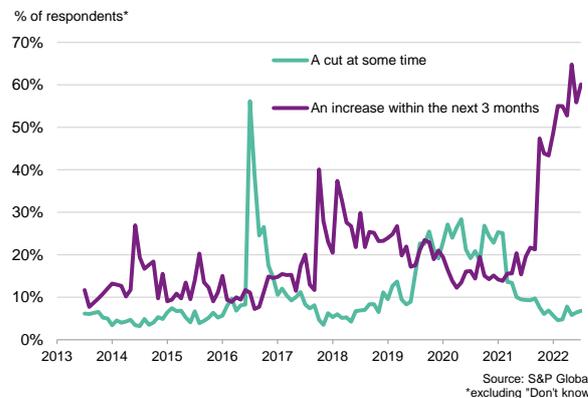
Household interest rate expectations and MPC voting history



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 (July survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across the United Kingdom from its online panel of respondents. Interviews were conducted online between July 15th – 19th 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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