

# UK household finances

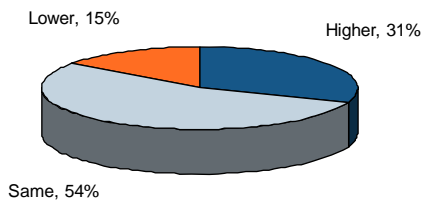
More than half of households expect income to stagnate over next 12 months

- **Muted expectations for households' future income despite elevated inflation**
- **Lowest earners set to feel greatest squeeze**

UK households report a subdued outlook for their income over the coming year. Around 55% of participants in the Markit Household Finance Index (HFI) during October anticipate no change in income, against 31% that expect an improvement and 15% that predict a decline.

## Households' expected income from employment over next 12 months

How do you think the level of income from your employment will have changed 12 months from now?

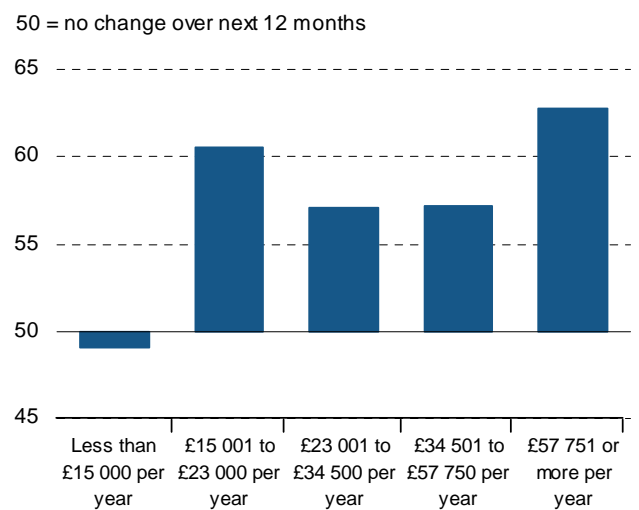


Source: Markit

Expectations for future income are weakest in the public sector, where just 27% predict a rise versus 21% anticipating a fall, with the remainder anticipating no change. In the private sector, nearly 33% forecast an increase against 13% expecting a decline.

Those households in the lowest income category (less than £15,000 per year) are facing the bleakest prospects, with the proportion of respondents expecting a drop in income (19%) outweighing those anticipating an increase (17%). All other income groups are set to see an improvement, with the strongest optimism held by households in the top income bracket (£57,750 or more).

## Expectations by income category



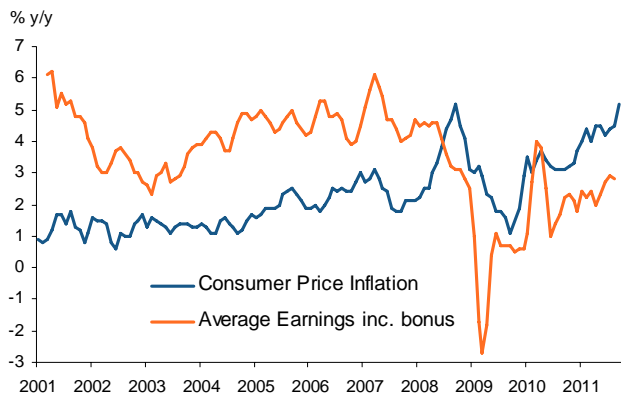
Source: Markit

With regard to households' current income from employment, October data signalled a decline for the thirteenth consecutive month. Pressure on incomes was maintained amid broadly stagnant levels of workplace activity and a further perceived deterioration in job security.

## Labour market weakness constraining pay increases

Latest official data showed that average earnings, excluding bonuses, rose just 1.8% on an annual basis in August, the weakest growth for just over a year. Including bonuses, pay growth was 2.8%. With consumer price inflation running at 5.2% in September, the squeeze on real incomes remains considerable. Although inflation is expected to ease in coming months following falls in global commodity prices and once January's VAT hike drops out of the annual comparison, pay growth looks unlikely to pick up significantly while labour market conditions remain weak (see our [note](#) of August 12).

### Inflation and average earnings



Source: ONS.

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