

**CONSUMER BAROMETER FOR MAY SHOWS:**

- *Job security hits lowest level since the survey began in November 2004*
- *With expectations about jobs growth weak, consumer fears of price inflation moderates*
- *Fewer consumers than last month expect higher interest rates in the coming year*

Consumers feel less secure about their own employment prospects, and are more sceptical about the UK jobs market, than they were last month, according to the latest **Consumer Barometer** from **Lloyds TSB Financial Markets**.

**Employment**

A third (34 per cent) of consumers believe UK employment prospects are currently in worse shape than they were 12 months ago. This is an improvement from 40 per cent last month but still worse than the 28 per cent in March who thought employment would worsen. Whilst two in five people (40 per cent) also believe that the employment outlook for the UK as a whole is no worse than it was 12 months ago, this is up from the 33 per cent who felt that way in April.

Trevor Williams, chief economist at Lloyds TSB Financial Markets, comments: “We saw a sharp rise in the number of people who felt that the job market had worsened between the March and April surveys, probably due to uncertainty before the general election, but the bounce-back this month was actually weaker than expected.”

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## **UK CONSUMER BAROMETER FOR MAY.../2**

Trevor Williams continues: “This may be due to continued uncertainty in the housing market which, along with the slowdown in retail sales and consumer borrowing, seems to have had a negative effect on how consumers feel about the economy as a whole.”

When concentrating on the prospects for their own jobs, just over one in five consumers (22 per cent) feel that their job is more secure than it was 12 months ago, compared to a quarter (25 per cent) in April’s survey. Echoing this bleak view, the number of people who felt that their own job prospects are worse than they were 12 months ago rose from 24 per cent in April to 26 per cent in May.

Trevor Williams comments: “This uncertainty over employment has contributed to the first negative reading in the overall Consumer Barometer job security balance since the survey began in November 2004. The percentage balance<sup>1</sup> of respondents who feel their jobs are more secure than they were 12 months ago compared to those who feel they are less secure fell from +1 in April to -4 in May.”

### **Interest rates and prices**

The results for interest rates and prices are both more subdued, reflecting the increased risk of slower economic growth if unemployment does worsen. The percentage balance of consumers expecting higher interest rates in the coming year against those expecting rates to be lower dropped sharply, by a survey record of 10 per cent, from 62 per cent in April to 52 per cent in May. This was the result of the number of respondents who believe that interest rates will fall in the next year rising from 8 per cent in April to 13 per cent in May combining with a fall from 72 per cent to 68 per cent in those who think that rates still have further to climb.

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## **UK CONSUMER BAROMETER FOR MAY.../3**

For the last two months, almost a quarter (72 per cent) of consumers reported that they expected to see higher prices on the High St in the next 12 months, but this fell back slightly to 68 per cent this month, the lowest figure since January's survey.

Trevor Williams comments: "As a result of continued uncertainty about economic conditions, as suggested by this survey, it is not surprising that financial markets are currently pricing-in a cut in interest rates before the end of the year. The outlook for consumer spending growth remains one of the key uncertainties facing the Bank of England as it aims to meet its two per cent inflation target."

"Although this survey shows price pressures have reduced slightly, they do remain significant and suggest that official consumer price inflation will remain close to the Bank of England's target two per cent in the coming months."

This is the seventh edition of a monthly consumer confidence barometer from Lloyds TSB's Financial Markets Division and represents the responses of 2,015 consumers in Britain. It maps their expectations for job security and employment prospects, price inflation and interest rate expectations.

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### **Notes to Editors:**

- <sup>1</sup> Percentage balance is the percentage expecting an increase minus those expecting a decrease.
- Trevor Williams is available for interview.
- Barometer generally based on responses from over 2,000 consumers aged 16+ in GB.
- Regional breakdown available.
- Survey conducted for Lloyds TSB Financial Markets by BMRB.

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## UK CONSUMER BAROMETER FOR MAY.../4

**Table 1: Headline survey responses – May 2005**

No	Question	Balance (%)	
		May	chg.*
1.	<i>During the last 12 months, do you think prices in general are higher</i>	+44	-5
2.	<i>During the next 12 months, do you expect prices in general to be higher</i>	+61	-6
3.	<i>Do you feel your job is more secure or less secure than it was 12 months ago?</i>	-4	-5
4.	<i>Do you think employment prospects in the UK in general are better or worse than 12 months ago?</i>	-13	+5
5.	<i>Do you think interest rates will be higher or lower in 12 months' time than they are now?</i>	+52	-10

\* Represents the difference in balance from the previous month's survey

**Table 2: Full national survey response**

During the last 12 months, do you think prices in general are:	Up	Same	Down	Balance
Percentage balance (%)	50	41	6	+44
During the next 12 months, do you expect prices in general to be:	Up	Same	Down	Balance
Percentage balance (%)	68	23	7	+61
Do you feel your job is more secure or less secure than it was 12 months ago:	More	Same	Less	Balance
Percentage balance (%)	22	50	26	-4
Do you think employment prospects in the UK in general are better or worse than 12 months ago	Better	Same	Worse	Balance
Percentage balance (%)	21	40	34	-13
Do you think interest rates will be higher or lower in 12 months' time than they are now?	Higher	Same	Lower	Balance
Percentage balance (%)	65	18	13	+52

**Further information contacts:**

Vicky Taylor  
 Lloyds TSB Press Office  
 Tel: 020 7356 2021  
[www.mediacentre.lloydstsb.com](http://www.mediacentre.lloydstsb.com)

Trevor Williams  
 Lloyds TSB Financial Markets  
 Tel: 020 7696 4597  
 Mobile: 07710 986691  
[www.lloydstsbfinancialmarkets.com](http://www.lloydstsbfinancialmarkets.com)