

JOB SECURITY FEARS SPARK CONSUMER SPENDING CONCERNS

CONSUMER BAROMETER FOR AUGUST SHOWS:

- *Consumers more pessimistic about employment conditions despite the cut in interest rates*
- *Higher inflation leads to a rise in consumers' price expectations*

UK consumers are less optimistic about their employment prospects than at any time since March, according to the Lloyds TSB Financial Markets Consumer Barometer.

After rising in successive months to July, the balance¹ of consumers feeling their job is more, rather than less, secure than it was a year ago fell four points, to zero.

A quarter (22 per cent) of consumers felt their own job is more secure than it was a year ago and whilst this may seem encouraging, it is actually the lowest percentage recorded in the life of the survey. The number of consumers who felt their job is less secure than it was a year ago rose from 19 per cent in July to 22 per cent in August.

Trevor Williams, chief economist at Lloyds TSB Financial Markets, said: "This lack of confidence is disappointing for consumer spending prospects and these job security fears may also help explain the recent slowdown in consumer credit."

The picture was not much brighter when consumers were asked about the employment prospects for the UK as a whole. The number of respondents feeling that the country's prospects had improved fell from 23 per cent in July to 17 per cent in August, the lowest since the survey began in November 2004.

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What's more, almost two in five consumers (38 per cent) felt that prospects are worse, a rise from just under a third (31 per cent) who felt the same way in July.

Trevor Williams comments: "The extent of the fall in confidence is surprising, but it comes after three successive months of rises. Moreover, official data over the same period highlighted subdued employment and rising unemployment, so it may be the case that consumer sentiment is catching up with the data.

"The survey also found that higher official inflation may be leading to a worrying rise in consumers' price expectations. The percentage of consumers who expect prices in general to be higher rather than lower during the next twelve months rose from 69 per cent in July to 72 per cent in August. This shows that concerns that inflationary expectations will rise if official inflation persists above the Bank of England's two per cent target appear justified."

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Full national survey response:

During the last 12 months, do you think prices in general are:	Up	Same	Down	Balance
Percentage balance (%)	52	36	5	+45
During the next 12 months, do you expect prices in general to be:	Up	Same	Down	Balance
Percentage balance (%)	72	20	5	+67
Do you feel your job is more secure or less secure than it was 12 months ago:	More	Same	Less	Balance
Percentage balance (%)	22	53	22	0
Do you think employment prospects in the UK in general are better or worse than 12 months ago	Better	Same	Worse	Balance
Percentage balance (%)	17	40	38	-21
Do you think interest rates will be higher or lower in 12 months' time than they are now?	Higher	Same	Lower	Balance
Percentage balance (%)	51	23	21	+30

Notes to Editors:

- ¹ Percentage balance is, for example, the percentage of those expecting a rise minus the percentage of those expecting a fall.
- Trevor Williams is available for interview.
- Barometer based on responses from over 2,000 consumers.
- Regional breakdown available.
- Survey conducted for Lloyds TSB Financial Markets by BMRB.

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