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Confidence In Job Market Bounces Back Following Slump

Consumer barometer for October shows:

- *Marked improvement in perception of job market*
- *Consumers' confidence in own job security hits 10-month high*
- *But inflation fears remain elevated*

Confidence in the UK job market has bounced back sharply after slumping to a record low in September, according to the latest **Consumer Barometer** from **Lloyds TSB Corporate Markets**.

Thirty-eight per cent of consumers currently believe that employment prospects in the UK are worse than 12 months ago – down from 44 per cent in September – while 15 per cent think they have improved. Although the -23 per cent balance¹ remains strongly negative, it represents a sharp improvement on September, when it stood at a survey-low -30 per cent².

As a result of their increased optimism about the job market, consumers are slightly more confident about their own job security compared to the same time last year. Twenty-two per cent of respondents believe their job is more secure than it was 12 months ago while the same number believe it to be less secure. The 0 per cent balance, while low on a historical basis, is a slight improvement on September's -1 per cent level and represents the fifth time in six months that the balance has risen.

Although consumers are more confident about jobs, they are far from optimistic about prices and interest rates. Inflation fears remain particularly elevated - 77 per cent of consumers are expecting higher prices while only 4 per cent expect lower prices – which has helped keep interest rate expectations high.

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¹ The percentage of consumers believing there has been an improvement minus those believing there has been a deterioration

² The 7 per cent improvement was also the highest monthly gain since the survey began

Seventy-four per cent of consumers believe rates will be higher in 12 months' time while just 5 per cent expect them to be lower. At 69 per cent, the balance has eased slightly from September, when it stood at 71 per cent, although it remains high, possibly reflecting widespread expectations that interest rates could rise again early next year.

Trevor Williams, chief economist, Lloyds TSB Corporate Markets, says: "After four quarters of faster economic growth consumers are finally starting to regain their confidence in the job market.

"The improved sentiment will help to support economic growth at an above-trend pace in 2007, and bodes well for the housing market as people are more likely to move. Far from the market slowing, we believe house price growth will easily reach double digits early next year, whether rates rise again or not. This may make it difficult for people to get on the housing ladder and so we expect slower house price inflation later in 2007."

Full national survey response (October 2006)

During the last 12 months, do you think prices in general are:	Up	Same	Down	Balance
Percentage balance (%)	60	32	4	+56
During the next 12 months, do you expect prices in general to be:	Up	Same	Down	Balance
Percentage balance (%)	77	17	4	+73
Do you feel your job is more secure or less secure than it was 12 months ago:	More	Same	Less	Balance
Percentage balance (%)	22	54	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 (%)	15	38	38	-23
Do you think interest rates will be higher or lower in 12 months' time than they are now?	Higher	Same	Lower	Balance
Percentage balance (%)	74	17	5	+69

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Notes to Editors:

- Trevor Williams is available for interview.
- Barometer based on responses from over 2,000 consumers.

- Regional breakdown available.
- Survey conducted for Lloyds TSB Corporate Markets by BMRB.

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