

JOB SECURITY FEARS SPUR SEASONAL GLOOM

Consumer barometer for December shows:

- *Concern over job security hits six-month high*
- *Consumers increasingly feel the pressure of high prices and expect them to rise further in 2008*
- *More consumers expect lower interest rates next year*

Consumer fears over the security of their jobs have hit a six-month high, despite recent official data demonstrating the health of the UK labour market, according to the latest **Consumer Barometer from Lloyds TSB Corporate Markets**.

The December survey found that consumers felt increasingly negative about the safety of their jobs. This was illustrated by a sharp drop in the balance* of consumers feeling more rather than less secure, to -4 per cent from -1 per cent in November; the lowest reading for six months.

On top of job fears, a record number of consumers reported feeling the pressure of higher prices, which does not bode well for Christmas spending figures. The survey found that 74 per cent of consumers felt prices were higher now than they were last year, causing the balance to rise 1 per cent to 71 per cent in December; the highest result since the survey began in November 2004. And consumers are braced for further increases in the New Year with 81 per cent predicting prices will rise in 2008.

Despite the fall in confidence over jobs and prices, consumers are increasingly optimistic about the prospect for interest rates in 2008. Even after December's 0.25% reduction in the base rate, the balance of consumers expecting rates to be higher rather than lower next year dropped to just 25 per cent in December, from 43 per cent in November and 75 per cent only six months ago in June.

Trevor Williams, chief economist, Lloyds TSB Corporate Markets, said: “The slump in confidence over job security, coupled with the pressure of rising prices does not bode well for the New Year. This combination could dampen consumer spending and have a knock-on negative impact on the housing market.

“However, the fact that official labour market data remains strong offers some hope that job fears may be short-lived. Although our survey suggests that December’s interest rate cut has so far had little impact on sentiment, a further two cuts early next year – which we expect – may offer a welcome boost to confidence.”

* The balance is the difference between the number of consumers expecting an increase and the number of consumers expecting a decrease

Full national survey response (December 2007)

During the last 12 months, do you think prices in general are:	Up	Sam e	Down	Balance
Percentage balance (%)	74	20	3	+71

During the next 12 months, do you expect prices in general to be:	Up	Sam e	Down	Balance
Percentage balance (%)	81	13	4	+77

Do you feel your job is more secure or less secure than it was 12 months ago:	Mor e	Sam e	Less	Balance
Percentage balance (%)	19	56	23	-4

Do you think employment prospects in the UK in general are better or worse than 12 months ago	Bett er	Sam e	Worse	Balance
Percentage balance (%)	15	42	39	-24

Do you think interest rates will be higher or lower in 12 months’ time than they are now?	High er	Sam e	Lower	Balance
Percentage balance (%)	51	18	26	+25

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The **Lloyds TSB Consumer Barometer** is a monthly survey of UK consumer opinion. The survey is completed around the middle of each month and should help to provide an early indicator of expectations and economic trends at the consumer level. Participants are asked a series of key questions, the answers to which are either an increase/improvement, no change or a decrease/worsening compared with the previous month. The balance between increase/improvement and decrease/worsening responses is used to provide the summary headline indicator for each question. The survey typically has a **sample size of over 2000**, however, for questions relating to employment conditions, only responses from employed survey participants are reported. As the survey builds up an historical record and its correlation with actual economic trends develops we believe the barometer will be well placed to highlight changing economic conditions in the UK