

CONSUMERS FEEL THE PINCH AS INFLATION FEARS GROW

Consumer barometer for November shows:

- *A record number of consumers believe prices rose in 2007*
- *Perceptions of employment prospects hit one year-low*
- *Increasingly consumers expect interest rates to fall*

Rising oil and food prices plus increased mortgage payments have hit consumer confidence with a record number of consumer believing prices rose in 2007 and are set to rise further in 2008, according to the latest **Consumer Barometer from Lloyds TSB Corporate Markets**.

The survey of 2,000 consumers in November, found that 73 per cent believe prices rose in the last 12 months while the balance of consumers believing prices are higher rather than lower hit 70 per cent, the highest result since the survey began in November 2004. The balance of consumers expecting prices to rise over the next twelve months was also a record high at 81%.

Continuing concern around the turmoil in the credit markets and growing uncertainty over the economic outlook has affected consumers' employment confidence. Although official labour market data remained robust in October, the balance of consumers believing employment conditions are better than 12 months ago, rather than worse, fell to -27% in November, the lowest rate since November 2006. These findings are supported by official data which showed retail sales fell in October for the first time in six months.

Despite concerns about prices and possibly because employment prospects have taken a knock, an increasing number of consumers believe interest rates will fall next year. The balance of respondents expecting interest rates to be higher rather than lower dropped to 43%, from 53% in October.

Trevor Williams, chief economist at Lloyds TSB Corporate Markets, said: “A record number of consumers are feeling the pressure of higher prices and this, together with worsening employment prospects, is clearly having a negative impact on consumer spending. But as consumers struggle to pay their bills, we expect demand for higher wages to increase - official data showed wage growth hit a six month high in September.

“It’s now pretty much expected - by economists and consumers alike - that the Bank of England will begin to cut interest rates in coming months. But if prices continue to rise next year, as consumers predict, this will come as little relief to many household budgets.”

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Full national survey response (November 2007)

During the last 12 months, do you think prices in general are:	Up	Same	Down	Balance
Percentage balance (%)	73	22	3	+70

During the next 12 months, do you expect prices in general to be:	Up	Same	Down	Balance
Percentage balance (%)	84	12	3	+81

Do you feel your job is more secure or less secure than it was 12 months ago:	More	Same	Less	Balance
Percentage balance (%)	20	56	21	-1

Do you think employment prospects in the UK in general are better or worse than 12 months ago	Better	Same	Worse	Balance
Percentage balance (%)	14	41	41	-27

Do you think interest rates will be higher or lower in 12 months’ time than they are now?	Higher	Same	Lower	Balance
Percentage balance (%)	61	17	18	+43

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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