

JOB MARKET FEARS INTENSIFY

Lloyds TSB Corporate Markets Consumer Barometer for July shows:

- *Labour market confidence suffers sharp fall*
- *Consumers expect prices to rise further over next year*
- *Increasingly consumers expect higher interest rates*

Fears about the health of the UK job market intensified further in July, as consumer confidence in employment prospects and the security of their jobs hit new lows according to the latest **Consumer Barometer** from **Lloyds TSB Corporate Markets**.

The survey of 2,000 consumers recorded the second sharp drop in their perception of the labour market, in contrast to official employment data which remains strong. This was illustrated by the balance of respondents that believed employment prospects are better now than 12 months ago, which fell 12 per cent to -57 per cent in July, a new survey low. This is 40 per cent below the most recent peak in labour market confidence in September 07 when the balance was -17 per cent.

At the same time, job security declined for a fifth consecutive month, also to a survey low. The balance of consumers who felt more rather than less secure was -17 per cent, from -14 per cent in June.

Despite the current high food and fuel prices, the survey found that consumers increasingly believe that prices will continue to rise over the next 12 months. The balance of consumers that predicted prices would be even higher in a year's time was 88 per cent, up 2 per cent from June. Similarly, consumer inflation expectations rose further in July. When asked what the official rate of inflation would be in year's time, consumers estimated a record 4.8 per cent, up from 4.7 per cent in June.

Increasingly, consumers expect that interest rates will rise, rather than fall, in coming months. The survey found that 66 per cent of respondents believed interest rates will be higher rather than lower in a year's time.

Trevor Williams, chief economist, Lloyds TSB Corporate Markets, said: "The combination of falling employment confidence and rising inflation expectations is a lethal cocktail for consumer spending. The survey results suggest that spending growth is likely to slow sharply in the months ahead. If people don't feel safe in their job and high prices are putting incomes under pressure then demand for discretionary purchases will naturally slow.

"The survey shows that consumers are bracing themselves for the worst when it comes to the squeeze on the household purse. Should the MPC be forced to increase rates over the months ahead, then at least this will come as no surprise to consumers and limit any negative reaction."

Full national survey response (July 2008)

During the last 12 months, do you think prices in general are:	Up	Same	Down	Balance
Percentage balance (%)	92	6	0	+92

During the next 12 months, do you expect prices in general to be:	Up	Same	Down	Balance
Percentage balance (%)	90	6	2	+88

Do you feel your job is more secure or less secure than it was 12 months ago:	More	Same	Less	Balance
Percentage balance (%)	10	61	27	-17

Do you think employment prospects in the UK in general are better or worse than 12 months ago	Better	Same	Worse	Balance
Percentage balance (%)	5	30	62	-57

Do you think interest rates will be higher or lower in 12 months' time than they are now?	Higher	Same	Lower	Balance
Percentage balance (%)	66	19	10	+56

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Notes to editors:

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

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

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