

JOB MARKET OPTIMISM COULD FEND OFF SLOWDOWN

Consumer barometer for March shows:

- *Employment optimism strengthened for second consecutive month*
- *Inflation expectations rose slightly*
- *Consumers become increasingly pessimistic over interest rate outlook*

Consumers are feeling more optimistic about the UK's job market, suggesting that household spending will rebound in the first quarter of 2008 and support economic growth, according to the latest **Consumer Barometer** from **Lloyds TSB Corporate Markets**.

The survey of 2,000 consumers found, for the second month in a row, that respondents are increasingly optimistic about overall employment prospects for the UK. In March, the balance of consumers who reported that employment prospects were generally better now than 12 months ago, rose two per cent to -27 per cent. This reflected official labour market data released in March, which showed that unemployment continued to fall and employment was at a record high.

Consumers continued to feel the pressure of high prices in March and predicted that inflation will be higher in twelve months' time than the latest office CPI estimate of 2.5 per cent. Consumers estimated CPI to be 3.3 per cent next year, up from 3.2 per cent in February's survey. The result matched the recent Bank of England Inflation Attitude survey.

The survey found that 84 per cent of respondents expected prices to rise rather than fall in 12 months' time, and 80 per cent reported that prices are higher now than a year ago.

In light of their inflation fears, consumers were increasingly pessimistic over the prospect of further interest rate cuts. The balance of consumers in March who predicted that interest rates would be higher rather than lower in 12 months' time rose for the third consecutive month to 40 per cent, up 9 per cent from February.

Trevor Williams, chief economist, Lloyds TSB Corporate Markets, said: "The labour market has so far defied expectations, with official data showing falling unemployment and employment at a record high. Our survey shows that consumers are beginning to acknowledge this and, when people feel the job market is good, they continue to spend even though prices remain high. This can only be good news for the outlook of the economy.

"The latest official retail sales figures show that spending is strong and, if this pattern continues, the impact of the slowdown may not be quite as marked as expected."

Full national survey response (March 2008)

During the last 12 months, do you think prices in general are:	Up	Same	Down	Balance
Percentage balance (%)	80	15	2	+78
During the next 12 months, do you expect prices in general to be:	Up	Same	Down	Balance
Percentage balance (%)	84	11	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 (%)	16	62	20	-4
Do you think employment prospects in the UK in general are better or worse than 12 months ago	Better	Same	Worse	Balance
Percentage balance (%)	13	43	40	-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 (%)	58	19	18	+40

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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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