

**CONSUMER BAROMETER FOR JUNE SHOWS:**

- **Fewer consumers than ever expect interest rates to rise this year, though more expect higher prices.**
- **Job security prospects improve from lows, but still weak**

Consumers are becoming more confident about their prospects, despite mixed economic signs; leading to the conclusion that consumer spending may recover in the coming months, according to the latest **Consumer Barometer** from **Lloyds TSB Financial Markets**.

Almost half (49 per cent) of consumers believe that prices have risen during the last year, a slight drop from the 50 per cent who felt the same way last month. Over two thirds (68 per cent) still believe that price rises have not peaked and expect to have to pay more on the high street in the next twelve months.

**Trevor Williams**, chief economist, Lloyds TSB Financial Markets comments: “It is clear that for consumers price pressures remain significant and it is a worrying sign that they expect these to intensify in the coming year.

“This suggests that the Bank of England will need to be cautious in the management of its interest rate policy as annual consumer prices have been at 1.9 per cent for three months now, which is close to their 2 per cent target. What the survey results show is in contrast with the Bank of England’s view that price pressures will decline next year after peaking in the next few months. And stands in stark contrast with the markets view where inflation is not seen as a concern”

**.../more**

## **CONSUMER BAROMETER FOR JUNE/...2**

### **Employment**

Almost a quarter (24 per cent) of consumers felt more secure in their own jobs than they did a year ago, a slight increase on the 22 per cent who felt the same way last month. The number of consumers who feel less secure remained constant at 26 per cent.

Trevor Williams comments: “Although this is an improvement on last month, it is still weak compared to results we were seeing earlier in the year. It had been thought that as the uncertainty ahead of the Budget and General Election died down and disappointing employment news such as the Rover collapse faded, there would be a revival in consumer employment confidence. However, but the bounce-back is proving to be more gradual than we thought, perhaps now related to records high oil prices.”

### **Interest rates**

Consumers are starting to align their views with the financial markets when it comes to the outlook for interest rates in the next 12 months. Sixty-one per cent of respondents expect rates to be higher in a year’s time, the lowest figure since the survey in November 2004. Fourteen per cent believe that rates will be lower, which is the highest percentage of respondents who felt this way seen since February 2005 (also 14 per cent).

**.../more**

## CONSUMER BAROMETER FOR JUNE/...3

Trevor Williams concludes: “The financial markets are pricing in a quarter point cut in interest rates before the end of the year, followed by a further quarter point cut in the first quarter of 2006. Whilst the survey shows that consumers are starting to come round to the view that interest rates may be cut, the pessimistic view in the survey about the extent of any cuts may be linked to pessimistic views on inflation trends.”

-ends-

### Notes to Editors:

- Trevor Williams is available for interview.
- Barometer generally based on responses from over 2,000 consumers aged 16+ in GB.
- Regional breakdown available.
- Survey conducted for Lloyds TSB Financial Markets by BMRB.

**Table 1: Headline survey responses – June 2005**

No	Question	Balance (%)	
		May	chg.*
1.	<i>During the last 12 months, do you think prices in general are higher</i>	+43	-1
2.	<i>During the next 12 months, do you expect prices in general to be higher</i>	+63	+2
3.	<i>Do you feel your job is more secure or less secure than it was 12 months ago?</i>	-2	+2
4.	<i>Do you think employment prospects in the UK in general are better or worse than 12 months ago?</i>	-11	+2
5.	<i>Do you think interest rates will be higher or lower in 12 months' time than they are now?</i>	+47	-5

\* Represents the difference in balance from the previous month's survey

## CONSUMER BAROMETER FOR JUNE/...4

**Table 2: Full national survey response**

During the last 12 months, do you think prices in general are:	Up	Same	Down	Balance
Percentage balance (%)	49	42	6	+43
During the next 12 months, do you expect prices in general to be:	Up	Same	Down	Balance
Percentage balance (%)	68	24	5	+63
Do you feel your job is more secure or less secure than it was 12 months ago:	More	Same	Less	Balance
Percentage balance (%)	24	49	26	-2
Do you think employment prospects in the UK in general are better or worse than 12 months ago	Better	Same	Worse	Balance
Percentage balance (%)	22	40	33	-11
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	20	14	+47

**Further information contacts:**

Vicky Taylor  
 Lloyds TSB Press Office  
Tel: 020 7356 2021  
[www.mediacentre.lloydstsb.com](http://www.mediacentre.lloydstsb.com)

Trevor Williams  
 Lloyds TSB Financial Markets  
Tel: 020 7696 4597  
Mobile: 07710 986691  
[www.lloydstsbfinancialmarkets.com](http://www.lloydstsbfinancialmarkets.com)