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CONSUMERS SAY JOB PROSPECTS WORSE THAN 12 MONTHS AGO

Consumer barometer for March shows:

- *More than a third of consumers believe prospects have worsened*
- *Only 15 per cent believe they have improved*
- *Eighty per cent think prices will be higher than target a year from now*

More than a third of UK consumers believe job prospects have worsened over the last 12 months, according to the **March Consumer Barometer from Lloyds TSB Financial Markets**.

Thirty-seven per cent of consumers believe employment prospects in the UK have deteriorated in the last year, more than double the 15 per cent who think they have improved. The minus 22 per cent balance (the difference between the two figures) is the lowest it has been since the survey began in November 2004.

In line with their gloomy overall outlook, consumers are also pessimistic about their own job security. Just 19 per cent feel more secure than they did 12 months ago, compared to 24 per cent who feel less secure. The minus 5 per cent balance represents a fall from February¹, which could reflect continuing signs of UK labour market softness, with the claimant count in February experiencing its biggest rise since 1992.

In addition to their pessimism about employment, consumers are also downbeat about the potential for prices to rise throughout the year. Eighty per cent expect prices to rise above the Bank of England's 2 per cent target during the next 12 months, with only 3 per cent expecting them to fall.

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¹ When it stood at minus 2 per cent

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The 77 per cent balance represents a slight fall from February² but demonstrates the extent to which consumers' are concerned about sharp rises in higher household energy and water prices, as well as annual rises in council taxes and transport fares.

As a result of these fears, consumers increasingly believe that interest rates will not fall in the coming 12 months. Just 9 per cent believe rates will be lower a year from now – the first time since April 2004 that this figure has slipped below 10 per cent – while 59 per cent believe they will be higher.

Trevor Williams, chief economist, Lloyds TSB Financial Markets, says: “Consumers are clearly nervous about their own job security and general employment prospects, which reflects reports showing that last year’s labour market softening has continued into 2006.

“To compound the problem consumers also expect prices – and consequently rates – to rise in the next 12 months, which supports our belief that the next rate move will be up, possibly sometime in the fourth quarter. However, in the shorter term we do not believe the MPC has any reason to act.”

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Notes to Editors:

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

Further information contacts:

Chris Duncan /Kirsty Clay
Lloyds TSB Press Office
Tel: 020 7356 2021/1517
www.lloydstsbfinancialmarkets.com

Trevor Williams
Lloyds TSB Financial Markets
Tel: 020 7696 4597
Mobile: 07710 986691

² When it stood at 79 per cent

