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UK JOB SECURITY AT SIX-MONTH HIGH

Consumer barometer for January shows:

- *personal job security at highest level for six months*
- *oil prices increased inflation fears*
- *fall in the balance of consumers expecting an interest rate rise*

UK workers are feeling more secure about their own jobs than at any time in the last six months, according to the January Consumer Barometer from Lloyds TSB Financial Markets.

Twenty-three per cent of employees reported feeling more secure about their jobs, with a further 52 per cent believing job security has remained constant. The balance of workers feeling optimistic rather than pessimistic is now at its highest levels since August 2005.

Trevor Williams, chief economist at Lloyds TSB Financial Markets, said: "This result is encouraging given the backdrop of 11 consecutive months of increasing official unemployment claims and a sharp fall in net consumer credit. It may go some way to explain the recent improvement in consumer confidence and strengthened house price and mortgage activity."

However, whilst individual job fears have abated, there was a slight deterioration in people's view about the general labour market across the UK. There has been a reversal of the improvement over the last two months, with the balance of respondents in January feeling job prospects in the UK are better rather than worse compared to last year, falling three per cent from -15 per cent to -18 per cent.

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Within these figures, the percentage viewing prospects as better rose one per cent since December, to 18 per cent. While this represents a five-month high, it is still subdued when compared to the 26 per cent 'scored' this time last year.

Inflation expectations

The Barometer also shows increased pessimism about future inflation – which is likely to have been fuelled by the increase in oil prices. The balance of consumers expecting prices to rise rather than fall this year rose to 69 per cent, from a six-month low of 64 per cent in December. The sharp increase in oil prices from \$58pb to \$65pb in January will have contributed to this sentiment, as will have higher prices for fares and fuel - particularly gas.

Interest rate forecasts

The majority of consumers still expect interest rates to rise over the next 12 months but the proportion fell back from December. The balance of consumers that believe rates will be higher rather than lower fell to 43 per cent from 50 per cent last month. However, an overwhelming 81 per cent of respondents still anticipate rates rising or staying the same – compared with just 14 per cent that believe the MPC will vote for a rate cut this year.

Trevor Williams, chief economist at Lloyds TSB Financial Markets, says: “The MPC is unlikely to cut rates in the short term with house price inflation set to rise further in the coming months. The strengthening in retail sales, services and manufacturing will also continue to discourage a cut and, crucially, inflation remains on target at two per cent.”

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Trevor Williams continued: “Couple this with the fact that economic growth is rising at 2.4 per cent per annum (based on the 0.6 per cent rise in Q4) and you can only assume that the MPC will not be keen to change things – unless, of course, something fairly dramatic happens over the coming months.”

- ends -

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.

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