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CONSUMERS PREDICT FURTHER RATE RISE

Consumer barometer for May shows:

- *Most consumers expect rates to go up again in 2007*
- *May's rate rise impacts job security*
- *Consumers' price expectations ease slightly but remain high*

UK consumers are gearing up for a further rate rise this year, according to the latest **Consumer Barometer from Lloyds TSB Corporate Markets.**

Despite the base rate rise at the beginning of the month, 77 per cent of consumers surveyed in May said that they thought interest rates would be higher still in 12 months' time. Even after May's rise, the balance - the percentage of consumers expecting higher interest rates minus the percentage expecting lower interest rates - dropped just 6 points to 70 per cent from April's balance of 76 per cent.

Consumers' expectations of higher interest rates began to have a negative impact on their own job security with an increasing number of consumers feeling less secure in their jobs in May. The balance of respondents reporting that their job security was worse compared to the same time last year fell to -2 per cent in May from +1 per cent high in April. At the same time, perceptions of employment prospects as a whole fell slightly in May with the balance at -22 per cent.

After a seven-month high in April, consumers' views on prices also began to ease in May. The balance of respondents that felt prices had risen rather than fallen in the last 12 months fell by 3 per cent to 60 per cent while the equivalent balance looking at prices over the next twelve months was 74 per cent, a fall from 1 per cent in April.

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Trevor Williams, chief economist, Lloyds TSB Corporate Markets, said: “Last month’s interest rate rise did little to convince consumers that rates had reached a peak. In line with the prevailing opinion of the financial markets, consumers believe rates will increase further this year.

“We’re just beginning to see the impact of May’s rate rise on consumers with sentiment on job security and prices starting to cool. Even so, there is still some way to go before the Bank of England will be reassured; they have emphasised that for inflation to stay low, inflation expectations must be anchored at low levels.”

Full national survey response (May 2007)

During the last 12 months, do you think prices in general are:	Up	Same	Down	Balance
Percentage balance (%)	63	31	3	+60

During the next 12 months, do you expect prices in general to be:	Up	Same	Down	Balance
Percentage balance (%)	77	17	3	+74

Do you feel your job is more secure or less secure than it was 12 months ago:	More	Same	Less	Balance
Percentage balance (%)	20	55	22	-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 (%)	14	44	36	-22

Do you think interest rates will be higher or lower in 12 months’ time than they are now?	Higher	Same	Lower	Balance
Percentage balance (%)	77	13	7	+70

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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