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16 May 2007

CONSUMERS EXPECTED TO TAKE RATE RISE IN THEIR STRIDE

Consumer barometer for April shows:

- *Consumers predict higher interest rates this time next year*
- *Pessimism over prices near survey high*
- *Job security improves again*

UK consumers were expecting last week's interest rate rise and so are unlikely to be caught off guard by rising mortgage repayments, according to the **Consumer Barometer from Lloyds TSB Corporate Markets**.

In April, UK consumers became more pessimistic about the outlook for interest rates with the balance – the percentage of consumers positive about interest rates minus the percentage of negative consumers - leaping 7 per cent to 76 per cent, equalling the survey's high in January. Within the detail, 80 per cent of survey respondents expected higher rates this time next year, with only 4 per cent predicting lower rates.

Consumers were also pessimistic about prices with the balance believing that they had risen rather than fallen over the past 12 months increasing to 63 per cent, the highest reading for six months. And consumers expect this trend to continue with the equivalent balance looking at prices over the coming 12 months falling slightly to 75 per cent.

Despite the pessimism with interest rates and prices, optimism about job prospects was strong in April. The balance of consumers feeling more rather than less positive about their jobs rose back to February's high of 1 per cent after an unexpected downward blip in March. Consumers also felt that the job prospects generally across the UK had improved, with the balance of consumers believing prospects were better now compared to 12 months ago at -21 per cent, up 1 per cent from March.

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Trevor Williams, chief economist, Lloyds TSB Corporate Markets, said: "Pretty much everyone expected the base rate to rise last week. For consumers, forewarned is forearmed and the impact is likely to be much less than if the rise came out of the blue. With high price expectations and the recent rate rise we're likely to see some slowdown in consumer spending but with job security remaining strong, the impact won't be drastic."

Full national survey response (April 2007)

During the last 12 months, do you think prices in general are:	Up	Same	Down	Balance
Percentage balance (%)	66	28	3	+63

During the next 12 months, do you expect prices in general to be:	Up	Same	Down	Balance
Percentage balance (%)	78	16	3	+75

Do you feel your job is more secure or less secure than it was 12 months ago:	More	Same	Less	Balance
Percentage balance (%)	23	53	22	+1

Do you think employment prospects in the UK in general are better or worse than 12 months ago	Better	Same	Worse	Balance
Percentage balance (%)	15	44	36	-21

Do you think interest rates will be higher or lower in 12 months' time than they are now?	Higher	Same	Lower	Balance
Percentage balance (%)	80	13	4	+76

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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