

## **JOB SECURITY BUOYS CONSUMER CONFIDENCE**

### *Consumer barometer for September shows:*

- *Job security hits two-year high*
- *Sentiment unaffected by credit market*
- *Consumers reduce their expectations of an interest rate rise*

Rising job security is helping to maintain consumer confidence, despite the ongoing credit market turmoil according to the latest **Consumer Barometer from Lloyds TSB Corporate Markets**.

The survey, conducted last weekend, found consumers feel more secure in their jobs than they have done for two years. This was demonstrated by a rise of the balance of respondents feeling more rather than less secure in their jobs to 2 per cent, a level not been seen since July 2005. At the same time, the balance of those regarding UK job prospects as better rather than worse than a year ago rose to -17 per cent which, although negative, is equal to the highest reading since December 2005. These findings were matched by a rise in September's official employment figures.

Confidence was also underpinned by an increasing consumer belief that interest rates may have peaked, on the back of the Bank of England's unanimous decision to maintain interest rates at 5.75 per cent in September. While 75 per cent of consumers still believe that interest rates will rise, the balance of those predicting higher rather than lower interest rates in a year's time fell by 2 per cent in September to 67 per cent, the lowest level since July 2006.

But despite improvements in sentiment, consumers still believe that prices will be higher in 12 months' time with the balance rising to a 17 month high of 78 per cent in September.

Trevor Williams, chief economist at Lloyds TSB Corporate Markets, said: “The recipe for consumer confidence is a secure job and ability to pay the bills and, despite the credit market turmoil, we have seen increasing optimism in both these areas in September. Strong official employment data, coupled with the rise in job security, has gone a long way in keeping confidence afloat. Meanwhile, the decision to maintain interest rates in September meant consumers will not, for the time being, see further increases to their mortgage payments and other debts.

“The outlook for the rest of the year and 2008 however is less encouraging. With signs of weakness in the housing market beginning to materialise, it is likely that we may see confidence beginning to deteriorate in coming months.”

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**Full national survey response (September 2007)**

During the last 12 months, do you think prices in general are:	Up	Same	Down	Balance
Percentage balance (%)	62	31	2	+60

During the next 12 months, do you expect prices in general to be:	Up	Same	Down	Balance
Percentage balance (%)	81	14	3	+78

Do you feel your job is more secure or less secure than it was 12 months ago:	More	Same	Less	Balance
Percentage balance (%)	20	60	18	+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 (%)	15	42	35	-17

Do you think interest rates will be higher or lower in 12 months' time than they are now?	Higher	Same	Lower	Balance
Percentage balance (%)	75	13	8	+67

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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. This month, it was conducted between 14<sup>th</sup> and 16<sup>th</sup> September. 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