

## **EMPLOYMENT CONFIDENCE HITS RECORD LOW**

### *Consumer barometer for June shows:*

- *Job security and employment confidence plummet to survey low*
- *Consumer inflation expectations hit 4.8 per cent*
- *Consumers scale back hopes for interest rate cuts*

Consumers became increasingly concerned about the labour market in June as job security and employment confidence both hit a record low, according to the latest **Consumer Barometer** from **Lloyds TSB Corporate Markets**.

The survey of 2,000 consumers in June, recorded a sharp change in sentiment with job security and confidence in the outlook for UK employment dropping significantly. The balance of consumers feeling more, rather than less, secure in their own jobs fell for the fourth consecutive month to -14 per cent, down from -9 per cent in May. The balance of consumers that said UK employment prospects were better, rather than worse, fell 6 per cent to -45 per cent. Both figures were record lows since the survey began in November 2004.

Soaring petrol, food and energy prices triggered a sharp turnaround in consumer interest rate expectations in June. For the first time since October, before the Bank of England began cutting rates from their 5.75 per cent peak, the balance of consumers expecting interest rates to be higher, rather than lower, next year rose above 50 per cent in June to 51 per cent. This represents an increase of almost 20 per cent since April when the balance was 32 per cent.

Unsurprisingly, consumer inflation expectations also jumped in June. When asked what the official rate of inflation would be in year's time, consumers estimated a record 4.8 per cent, up from 3.7 per cent in May.

Trevor Williams, chief economist, Lloyds TSB Corporate Markets, said: “Although there are signs of weakness in official unemployment data, employment so far remains resilient to the worsening economic climate. But this sharp drop in employment sentiment suggests that consumer confidence became even more fragile in June, and this in turn does not bode well for spending.

“With the cost of living becoming ever more expensive, it is not surprising that consumer inflation expectations are so high. Official eyes will be on the trend of inflation expectation figures in coming months, as they will prove crucial to the Bank of England’s decision on the direction of interest rates this year.”

**Full national survey response (June 2008)**

During the last 12 months, do you think prices in general are:	Up	Same	Down	Balance
Percentage balance (%)	91	6	1	+90

During the next 12 months, do you expect prices in general to be:	Up	Same	Down	Balance
Percentage balance (%)	88	8	2	+86

Do you feel your job is more secure or less secure than it was 12 months ago:	More	Same	Less	Balance
Percentage balance (%)	12	60	26	-14

Do you think employment prospects in the UK in general are better or worse than 12 months ago	Better	Same	Worse	Balance
Percentage balance (%)	7	37	52	-45

Do you think interest rates will be higher or lower in 12 months’ time than they are now?	Higher	Same	Lower	Balance
Percentage balance (%)	63	20	12	+51

**-ends-**

**Notes to editors:**

\* The balance is the difference between the number of consumers expecting an increase and the number of consumers expecting a decrease.

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

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