



Nationwide Consumer Confidence Index in partnership with TNS



www.nationwide.co.uk/consumer_confidence

December 2007

*****STRICTLY EMBARGOED UNTIL 00.01 AM WEDNESDAY 9 JANUARY 2008*****

“Consumer Confidence subdued ”

CONSUMER CONFIDENCE TICKS DOWN ONE POINT

- Confidence levels dropped to 85 in December – the lowest level since February 2007
- The Present Situation Index fell 3 points to 88

CONSUMERS OPTIMISTIC ABOUT THE LABOUR MARKET BUT LESS CONTENT WITH ECONOMIC OUTLOOK

- Consumers are largely optimistic about the employment situation
- But 42% believe the economic situation will be worse in six months time

LITTLE NEW YEAR CHEER FOR RETAILERS

- Few consumers willing to spend
- Over half (58%) think now is a bad time to make a major purchase

HOUSE PRICE EXPECTATIONS FALL

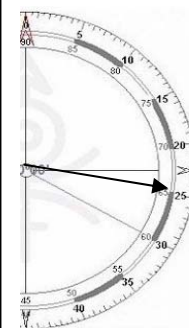
- Expectations of house price growth over the next six months fell to 0.7% in December (from 1.2% in November).

NATIONWIDE MPC FORECAST PROBABILITY OF BASE RATE CHANGE

No Change	75%
0.25% Down	25%

NOVEMBER CONSUMER CONFIDENCE

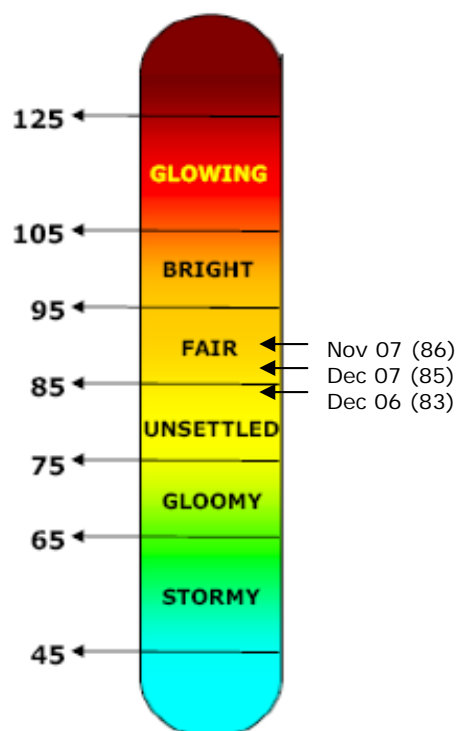
“Consumer confidence fell one point in December – the lowest level since February 2007”



FIONNUALA EARLEY, NATIONWIDE’S CHIEF ECONOMIST, SAID:

“Another weak month for consumer confidence is not surprising given current economic conditions. Continued uncertainty about the future path of the economy along with a weakening housing market was bound to affect consumer sentiment. Early signs of strong consumer presence at the seasonal sales is encouraging, but the need to persuade shoppers through heavy discounting could itself be seen as a signal of underlying caution. Further rate cuts expected in the first quarter of 2008 may help to improve matters, but it is likely to be a few months before consumer confidence recovers to levels seen in mid-2007.”

NATIONWIDE CONFIDENCE BAROMETER





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UK Consumer Confidence remains subdued in spite of rate cut

Consumer Confidence ticks down one point

The Nationwide Consumer Confidence Index dropped one point to 85 in December – the lowest level since February 2007. In spite of the quarter point cut in rates in December, ongoing economic uncertainty and the impact of higher food and petrol prices seem to be continuing to affect consumers' confidence.

	Dec 2007	Nov 2007
Nationwide Consumer Confidence Index	85	86
- Present Situation Index	88	91
- Expectations Index	83	83
- Spending Index	68	63

Consumers' feelings about the current economic and employment situation, reflected in the Present Situation Index, deteriorated in December. The index fell three points from 91 to 88 due to more negative views about the economy. The Expectations Index (how consumers feel about the economic and employment situation and income in six month's time) remained stable (83), but the underlying data shows a significant weakening in confidence in the economy and future income expectations. However, consumers still seem to feel optimistic about their jobs, both at the moment and in six months time and it is this which is supporting expectations in particular. The Spending Index (consumers' willingness to spend) picked up by a respectable five points in December, but at 68 remains well below the average for the year of 82.

The UK Nationwide Consumer Confidence Index uses a similar methodology to that of the US Conference Board, the most highly regarded Consumer Confidence Index in the US, widely acknowledged as a key US economic indicator. Nationwide's monthly survey is compiled in partnership with TNS.

Fionnuala Earley, Nationwide's chief economist, said:

"Another weak month for Consumer Confidence is not surprising given current economic conditions. Continued uncertainty about the future path of the economy along with a weakening housing market was bound to affect consumer sentiment. Early signs of strong consumer presence at the seasonal sales is encouraging, but the need to persuade shoppers through heavy discounting could itself be seen as a signal of underlying caution. Further rate cuts expected in the first quarter of 2008 may help to improve matters, but it is likely to be a few months before consumer confidence recovers to levels seen earlier this year."

Optimism in the labour market but less contentment with economic outlook

Consumers appear to be largely optimistic about the employment situation with only 24% believing that there will be fewer jobs available in six months time. This compares to 36% who felt this way this time last year. This would seem to explain the continued buoyancy in expectations of future household income – 88% believe their income will be the same or higher in six months time. Having said that, consumers are less happy about the state of the economy. 42% believe that the economic situation will be worse in six months time than it is today.

Little New Year cheer for retailers

Retailers will be disappointed to hear that, despite an overall increase in the Spending Index in December, consumers are still reluctant to splash out on major purchases. Over half (58%) of those questioned think now is a bad time to make a major purchase – 10% more than the same time last year (48%). Some of this could be seasonal as consumers wait for January sales bargains, but there does also seem to have been a shift in sentiment.

House price expectations continue to fall

Expectations of house price growth continued to fall in December. Consumers expect house prices to increase by just 0.7% over the next six months, down from 1.2% in November. This moderation in expectation is not unexpected and will partly reflect recent reports of a downturn in the housing market.



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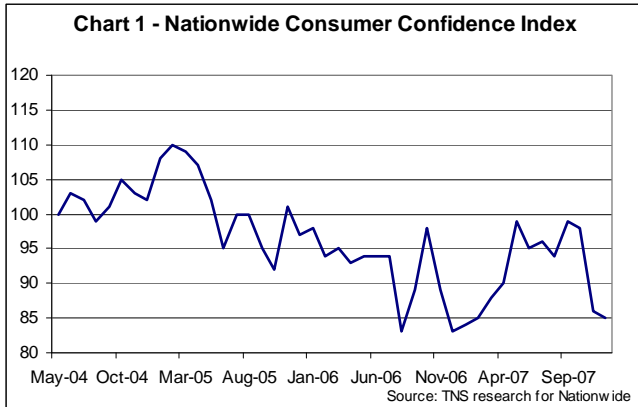
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Nationwide Consumer Confidence Index

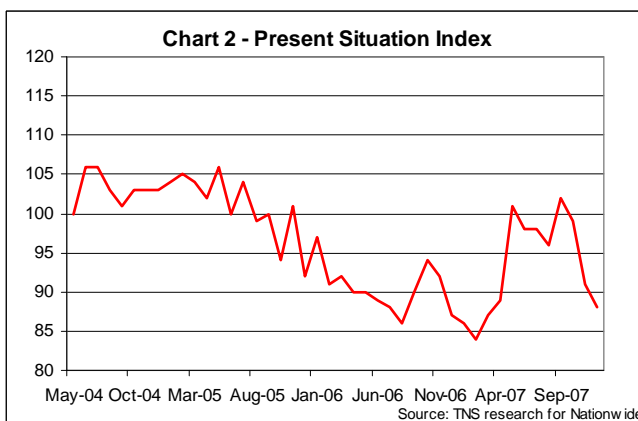
The Nationwide Consumer Confidence Index ticked down one point in December (research took place from 19 November to 16 December).



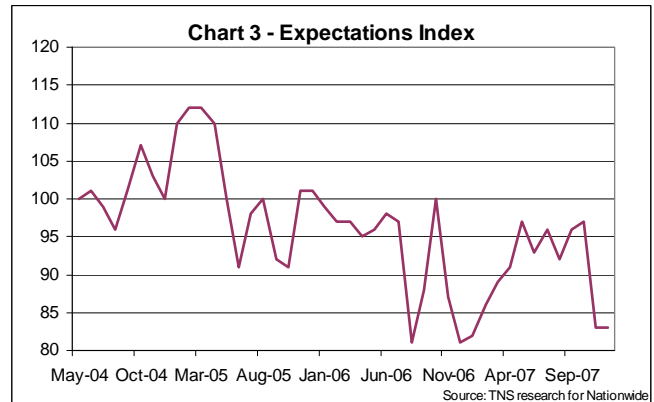
Sub-Indices

In addition to the main Consumer Confidence Index, Nationwide Building Society compiles three other indices: Present Situation Index, Expectations Index and Spending Index.

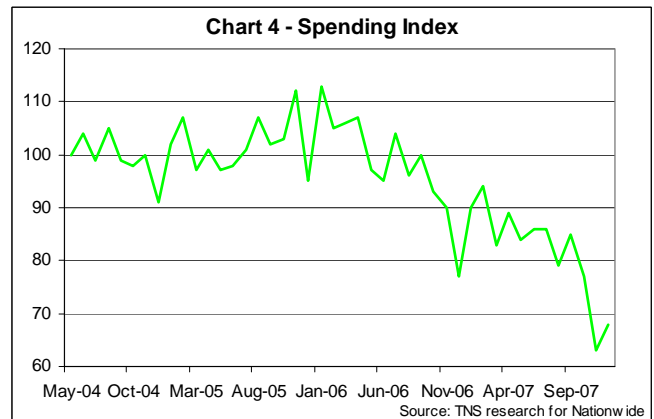
Present Situation Index (Chart 2): reflects sentiment about current economic and employment situations. This Index fell three points in December with only one third (33%) of consumers claiming to be positive about the current economic situation, slightly down from 34% in November. 21% of consumers are negative about the number of jobs currently available – a decrease of 2% compared to November.



Expectations Index (Chart 3): reflects sentiment about the economy, labour market and household income over the next six months. At 83, the index remained unchanged in December. The number of people who are positive about the future employment situation was almost 10% (44%) higher in December 2007 than in December 2006 (35%). 42% of consumers believe the economic situation will be worse in six months time than it is today.



Spending Index (Chart 4): reflects sentiment about spending on household goods and major purchases. The spending index rose five points in December to 68 (from an all time low of 63 in November*). However, more than half (58%) of those questioned believe now is a bad time to make a major purchase such as a house or car.



The Nationwide Consumer Confidence Index (NCCI):

The NCCI is based on a similar approach to that used by the U.S. Conference Board which produces the highly regarded U.S. Consumer Confidence Index which has run since 1967 and is widely acknowledged as being a key economic indicator.

The Nationwide Consumer Confidence Index is compiled in partnership with TNS, the market research group that conducts the research for the US index.

*The NCCI Index was first published in May 2004.

For December, the TNS research for Nationwide took place from 19 November to 16 December 2007 with 1000 people.

The House Price Expectations data is based on a balance of people who believe that house prices will be higher in six months time against those who think they will be lower in six months time.

Next Nationwide Consumer Confidence Index scheduled for release at: 00.01hrs on 6 February 2008

For past reports and methodology see:

www.nationwide.co.uk/consumer_confidence

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Nationwide Consumer Confidence Index. May 2004 = 100.

	2004 May	2006 Dec	2007											
			Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec
Nationwide Consumer Confidence Index	100	83	84	85	88	90	99	95	96	94	99	98	86	85
Present Situation Index	100	87	86	84	87	89	101	98	98	96	102	99	91	88
Expectations Index	100	81	82	86	89	91	97	93	96	92	96	97	83	83
Spending Index	100	77	90	94	83	89	84	86	86	79	85	77	63	68

Present Situation: consumers' view of the current economic and employment situation

UK Economic Situation - Current

- Good	45%	41%	36%	35%	37%	40%	48%	48%	41%	36%	45%	35%	34%	33%
- Normal	31%	33%	36%	38%	36%	33%	33%	32%	39%	45%	38%	46%	42%	40%
- Bad	20%	23%	24%	23%	22%	23%	17%	19%	17%	14%	16%	18%	21%	24%
- Don't know	4%	5%	3%	4%	5%	4%	3%	2%	3%	4%	2%	2%	3%	2%

UK Employment Situation - Current

- Many/Some jobs available	66%	46%	52%	47%	47%	51%	60%	57%	57%	51%	60%	61%	55%	54%
- Neither many nor few available	10%	17%	15%	19%	20%	15%	14%	13%	16%	16%	14%	18%	16%	17%
- Not many/few jobs available	20%	28%	28%	29%	27%	25%	21%	23%	23%	25%	19%	16%	23%	21%
- Don't know	5%	7%	6%	6%	6%	7%	4%	6%	5%	8%	6%	6%	7%	8%

Expectations: consumers' view of the economic and employment situation in 6 months time

UK Economic Situation - 6 months time

- Better than today	15%	13%	11%	13%	14%	13%	15%	13%	14%	13%	12%	14%	11%	12%
- Same	50%	45%	48%	45%	41%	52%	53%	50%	52%	52%	55%	50%	47%	41%
- Worse than today	30%	31%	33%	33%	33%	26%	28%	29%	26%	28%	28%	31%	36%	42%
- Don't know	5%	11%	8%	10%	12%	10%	5%	7%	8%	7%	6%	6%	6%	5%

UK Employment Situation - 6 months time

- Many/Some jobs available	57%	35%	39%	38%	39%	39%	46%	46%	46%	41%	46%	44%	42%	44%
- Neither many or few available	17%	19%	17%	21%	18%	23%	25%	18%	21%	20%	25%	30%	25%	26%
- Not many/few jobs available	21%	36%	36%	33%	33%	28%	24%	28%	26%	32%	23%	21%	27%	24%
- Don't know	4%	10%	8%	8%	11%	9%	4%	7%	7%	8%	6%	5%	6%	6%

Household income - 6 months time

- Higher	26%	25%	31%	29%	29%	27%	24%	28%	24%	26%	26%	27%	26%	28%
- Same	65%	60%	56%	58%	59%	60%	66%	63%	64%	63%	64%	62%	63%	60%
- Lower	9%	12%	11%	10%	9%	11%	8%	9%	10%	8%	7%	9%	9%	11%
- Don't know	1%	3%	2%	3%	4%	3%	2%	1%	2%	2%	3%	2%	2%	1%

Spending sentiment: consumers' view of whether this is a good time to purchase major goods, such as a house or car, or household goods

Spending confidence - Major purchase e.g. house or car

- Good time to buy	28%	18%	22%	23%	19%	21%	18%	19%	18%	15%	17%	14%	10%	16%
- Neither good nor bad	27%	28%	28%	32%	30%	32%	31%	31%	30%	35%	33%	34%	28%	24%
- Bad time to buy	45%	48%	45%	39%	45%	43%	49%	48%	48%	49%	48%	51%	57%	58%
- Don't know	1%	6%	5%	5%	7%	6%	2%	2%	3%	2%	2%	1%	4%	2%

Spending confidence - Household goods e.g. white/brown goods

- Good time to buy	58%	40%	55%	44%	40%	43%	51%	45%	41%	39%	41%	40%	35%	35%
- Neither good nor bad	33%	36%	30%	38%	39%	40%	41%	45%	46%	49%	49%	50%	49%	48%
- Bad time to buy	7%	15%	10%	9%	10%	9%	6%	6%	7%	6%	5%	6%	11%	14%
- Don't know	1%	9%	6%	8%	11%	8%	2%	4%	6%	5%	5%	3%	5%	3%

Note to editors:

Nationwide's Consumer Confidence Index is based on a monthly survey representative of the UK population. For November, the TNS research for Nationwide took place from 19 November to 16 December 2007 with 1000 people. NFO, now part of TNS, has worked with The US Conference Board since the inception of its consumer confidence index in 1967.

