



**Nationwide Consumer Confidence Index in partnership with TNS-RI**



[www.nationwide.co.uk/consumer\\_confidence](http://www.nationwide.co.uk/consumer_confidence)

**October 2009**

**\*\*\*STRICTLY EMBARGOED UNTIL 00.01 AM WEDNESDAY 4 NOVEMBER 2009\*\*\***

### "Confidence steadies in October"

#### CONFIDENCE REMAINS UNCHANGED

- Consumer confidence remains unchanged on 72 points in October.
- Despite a two point fall to the Expectations Index, confidence in the future situation remains high when compared to historical scores.
- The Present Situation Index increases for the third month in a row to 22 points.
- No change recorded in the Spending Index during October.

#### CONSUMERS OPTIMISTIC FOR THE FUTURE OF THE ECONOMY

- The Expectations Index recorded a two point fall in October but most consumers expect the economy to be the same or better in six months' time.
- Confidence in future household incomes fell back slightly.

#### CONFIDENCE GROWS IN THE CURRENT ECONOMIC SITUATION

- 10% of consumers in October believe the current economic situation to be good, up from 7% the previous month.
- The percentage of people who believe the current economic situation to be bad falls.

#### MARTIN GAHBAUER, NATIONWIDE'S CHIEF ECONOMIST, SAID:

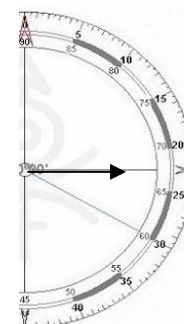
"While overall confidence among consumers remained static during October we did see some small adjustments to consumers' perceptions of current employment and economic conditions, and their expectations of where these will be in six months' time. It was largely expected that official figures released in October would show that the UK has come out of recession and this, along with further rises in house prices, may have helped to buoy positive sentiment towards the current situation during the month. Surprisingly, however, the UK's gross domestic product was reported to have contracted for the sixth consecutive quarter. Nonetheless, there does appear to be a growing belief among consumers that, while the current situation is still somewhat downbeat, the future outlook is brighter."

#### NATIONWIDE MPC FORECAST PROBABILITY OF BASE RATE CHANGE

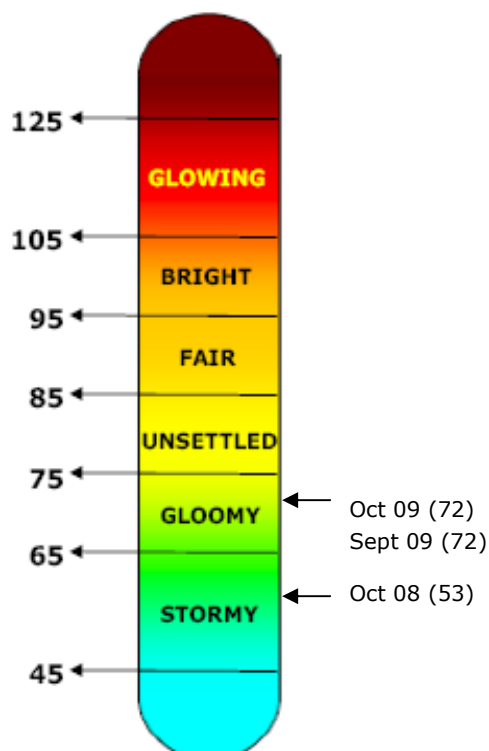
No change	95%
0.25% up	5%

#### OCTOBER CONSUMER CONFIDENCE

"Consumer confidence remained unchanged in October."



#### NATIONWIDE CONFIDENCE BAROMETER





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## Confidence stands still as clocks go back

### Consumer confidence remains steady

The Nationwide Consumer Confidence Index remained unchanged in October, staying level at 72 points. While the Expectations Index fell by two points to 106, confidence in the present situation continued to return and recorded a three point rise over the month. At 22 points, the Present Situation Index is now five points above its low of 17 points recorded in July 2009 following three consecutive months of rises. Consumers' feelings about spending continue to be resilient and remained at 103 points for the month of October. The Spending Index is now 49 points higher than its all-time low seen in September 2008 (54).

	October 2009	September 2009
Nationwide Consumer Confidence Index	72	72
- Present Situation Index	22	19
- Expectations Index	106	108
- Spending Index	103	103

Note: seasonally adjusted

In line with recent reports citing UK house price rises, consumers now expect the value of their home to increase by 1.5% over the next six months, compared with 1.2% in September – the highest level it has reached since the Nationwide House Price Index reported a peak in prices in October 2007.

### Martin Gahbauer, Nationwide's Chief Economist, said:

“While overall confidence among consumers remained static during October we did see some small adjustments to consumers' perceptions of current employment and economic conditions, and their expectations of where these will be in six months' time. It was largely expected that official figures released in October would show that the UK has come out of recession and this, along with further rises in house prices, may have helped to buoy positive sentiment towards the current situation during the month. Surprisingly, however, the UK's gross domestic product was reported to have contracted for the sixth consecutive quarter. Nonetheless, there does appear to be a growing belief among consumers that, while the current situation is still somewhat downbeat, the future outlook is brighter.”

### Consumers continue to be optimistic for the future of the economy

Despite a two point fall being reported in the Expectations Index, confidence in the future of the economy increased. A record 42% of consumers believe that the economic situation will be better in six months' time than it is today, and just 15% believe it will be worse – the lowest level it has reached since the Index began in May 2004. The Index saw a small increase during October in the number of people who believe there will be many or some jobs available in six months' time, increasing by one percentage point to 28%. This is now 13% higher than the low seen at the start of the year. However, the number of people who believe there will be not many or few jobs available in six months' time also increased slightly to 52%. Confidence in future household income continues to fluctuate with a 1% fall in the number of consumers who believe their income will be higher in six months' time (to 17%), and a 1% rise in those who think it will be the same (to 71%).

### Confidence in the current economic situation grows....

Of those questioned during October, 10% believe the current economic situation to be good. This is an increase of 3% on September and is the first time this figure has reached double digits since September 2008 (10%). Nonetheless, 68% of people believe the economic situation to still be bad, although this figure has now fallen for eight consecutive months since the high seen in February 2009 (86%).

### ....while consumers show some signs of caution towards spending money

Following the increases reported during September, spending confidence dropped by 3% in October for those who believe now to be a good time to either make a major purchase or buy household goods. Despite these falls, confidence remains high in this area when compared to 12 months ago.

Expectations about house price rises over the next six months improved in October. Consumers now expect the value of their home to increase by 1.5% over the next six months, compared with 1.2% in September.



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## Nationwide Consumer Confidence Index

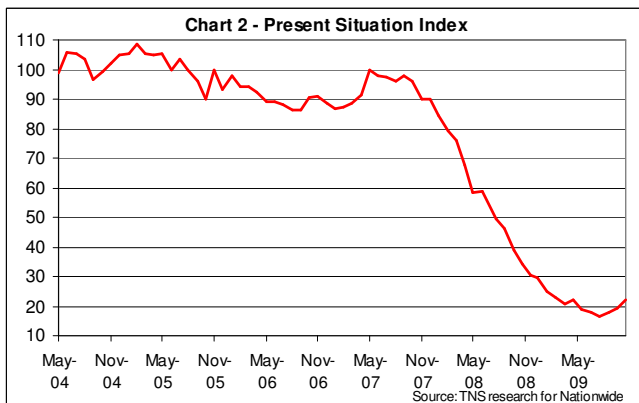
The Nationwide Consumer Confidence Index remained unchanged on 72 points in October (research took place from 21 September 2009 to 18 October 2009).



## 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.

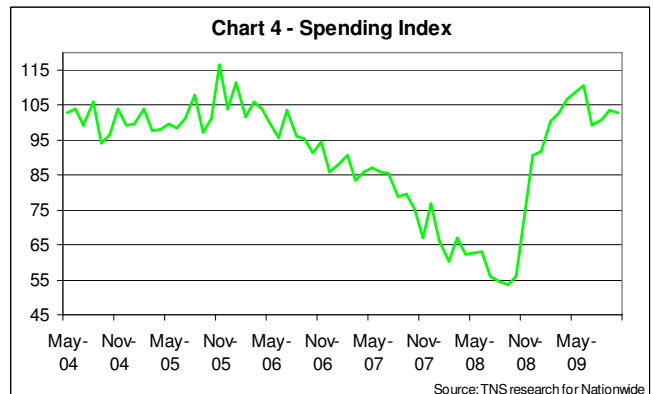
**Present Situation Index** (Chart 2): reflects sentiment about the current economic and employment situation. This Index increased by three points in October to 22. The proportion of consumers who believe the current economic situation is good increased by three percentage points on the previous month to 10%. The number of consumers who believe there are now many or some jobs available fell from 23% in September to 22% in October.



**Expectations Index** (Chart 3): reflects sentiment about the economy, labour market and household income over the next six months. This index decreased by two points to 106 in October. The number of people who believe the economic situation will be better in six months' time increased by three percentage points in October to 42%. The percentage of people who believe there will be few jobs available in six months' time increased by two percentage points, from 50% in September to 52% in October.



**Spending Index** (Chart 4): reflects sentiment about spending on household goods and major purchases. The Spending Index stayed level at 103 points in October. The number of consumers that believe now is a good time to make a major purchase decreased by 3% to 36% in October. The number of consumers who believe now is a good time to purchase household goods decreased to 39% from 42%.



## 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-RI, the market research group that conducts the research for the US index.

\*The NCCI Index was first published in May 2004.

# For October, the TNS-RI research for Nationwide took place from 21 September 2009 to 18 October 2009 with 1,000 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 monthly Nationwide Consumer Confidence Index scheduled for release at: 00.01hrs on 9 December.**

**For past reports and methodology see: [www.nationwide.co.uk/consumer\\_confidence](http://www.nationwide.co.uk/consumer_confidence)**



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### Nationwide Consumer Confidence Index (seasonally adjusted).

May 2004 = 98.

	2004 May	2008 Oct	Nov	Dec	2009 Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct
<b>Nationwide Consumer Confidence Index</b>	99	53	54	51	45	48	47	56	58	64	64	66	72	72
<b>Present Situation Index</b>	99	34	31	30	25	23	21	22	19	18	17	18	19	22
<b>Expectations Index</b>	99	66	69	66	58	64	64	78	85	94	95	98	108	106
<b>Spending Index</b>	103	56	73	91	92	100	103	106	109	111	99	101	103	103

### Consumer responses (non-seasonally adjusted)\*\*

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

##### UK Economic Situation - Current

- Good	45%	8%	9%	9%	8%	2%	5%	5%	6%	4%	6%	5%	7%	10%
- Neither good nor bad	31%	16%	15%	15%	11%	11%	12%	15%	15%	18%	17%	22%	23%	21%
- Bad	20%	75%	76%	75%	82%	86%	83%	80%	77%	76%	75%	72%	69%	68%
- Don't know	4%	1%	1%	1%	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%

##### UK Employment Situation - Current

- Many/Some jobs available	66%	37%	30%	26%	23%	23%	21%	20%	20%	19%	16%	18%	23%	22%
- Neither many nor few	10%	17%	15%	12%	12%	10%	11%	8%	8%	8%	8%	9%	8%	9%
- Not many/few jobs available	20%	41%	49%	57%	61%	64%	66%	68%	68%	68%	74%	71%	66%	66%
- Don't know	5%	6%	6%	5%	4%	3%	3%	3%	4%	4%	3%	2%	3%	3%

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

##### UK Economic Situation - 6 months' time

- Better than today	15%	27%	22%	21%	17%	19%	19%	26%	28%	33%	33%	34%	39%	42%
- Same	50%	31%	30%	27%	29%	34%	39%	41%	42%	42%	44%	45%	42%	41%
- Worse than today	30%	38%	45%	49%	53%	43%	41%	32%	28%	23%	21%	21%	18%	15%
- Don't know	5%	4%	3%	3%	2%	3%	1%	2%	2%	3%	3%	1%	1%	2%

##### UK Employment Situation - 6 months' time

- Many/Some jobs available	57%	22%	21%	21%	15%	18%	19%	19%	22%	22%	20%	23%	27%	28%
- Neither many or few	17%	18%	17%	14%	15%	16%	14%	16%	18%	21%	18%	20%	21%	17%
- Not many/few jobs available	21%	56%	59%	63%	67%	65%	65%	62%	57%	54%	60%	56%	50%	52%
- Don't know	4%	3%	3%	3%	3%	2%	1%	3%	3%	2%	2%	1%	2%	3%

##### Household income - 6 months' time

- Higher	26%	15%	16%	15%	14%	17%	14%	14%	14%	13%	16%	14%	18%	17%
- Same	65%	69%	65%	65%	66%	65%	67%	70%	70%	71%	68%	72%	70%	71%
- Lower	9%	14%	16%	19%	18%	17%	18%	15%	15%	15%	14%	13%	10%	11%
- Don't know	1%	2%	3%	2%	2%	1%	2%	2%	1%	1%	2%	2%	1%	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%	26%	27%	33%	38%	38%	42%	39%	40%	35%	33%	39%	36%
- Neither good nor bad	27%	15%	14%	19%	15%	18%	16%	19%	20%	21%	19%	23%	22%	25%
- Bad time to buy	45%	66%	58%	51%	51%	41%	44%	38%	38%	38%	43%	40%	37%	37%
- Don't know	1%	2%	2%	3%	2%	2%	2%	2%	3%	2%	2%	5%	1%	2%

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

- Good time to buy	58%	29%	28%	41%	50%	46%	43%	42%	41%	42%	40%	39%	42%	39%
- Neither good nor bad	33%	41%	43%	33%	32%	36%	39%	40%	39%	43%	41%	44%	42%	44%
- Bad time to buy	7%	27%	26%	23%	16%	16%	16%	15%	17%	13%	16%	13%	14%	15%
- Don't know	1%	3%	3%	3%	2%	1%	2%	2%	3%	2%	3%	3%	2%	3%



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**Notes:**

Indices are produced using a mix adjusted Nationwide Consumer Confidence Methodology which was introduced with effect from June 2008. Indices are seasonally adjusted using the US Bureau of the Census X12 method. Currently the calculations are based on a monthly data series starting from May 2004. Figures are recalculated each month which may result in revisions to historical data.

\*\*All data shown as percentages in this report reflect consumer responses and are, therefore, not subject to seasonal adjustment.

**Nationwide Consumer Confidence Index (non-seasonally adjusted). May 2004 = 100.**

	2004 May	2008 Oct	Nov	Dec	2009									
					Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct
<b>Nationwide Consumer Confidence Index</b>	100	62	53	48	41	45	45	54	59	63	65	66	78	81
<b>Present Situation Index</b>	100	37	32	28	24	20	19	19	20	18	17	17	23	25
<b>Expectations Index</b>	100	78	67	61	52	61	61	78	85	93	96	98	114	118
<b>Spending Index</b>	100	58	69	82	94	104	103	109	106	110	99	100	109	105

**Note to editors:**

Nationwide's Consumer Confidence Index is based on a monthly survey representative of the UK population. For October, the TNS-RI research for Nationwide took place from 21 September 2009 to 18 October 2009 with 1,000 people. NFO, now part of TNS-RI, has worked with the US Conference Board since the inception of its consumer confidence index in 1967.

