

Nationwide CONSUMER CONFIDENCE INDEX

in partnership with TNS-RI



January 2012

www.nationwide.co.uk/consumer_confidence

Confidence reaches its highest level for five months in January

Nationwide Building Society, the UK's third largest mortgage and second largest savings provider, in conjunction with TNS-RI, today releases its Consumer Confidence Index for January 2012.

Index up by nine points in January

- The main confidence index rose by nine points to 47 in January after falling back the previous month
- This follows the index reaching a near record low in December
- The main index stands 29 points below its long run average of 76 but just two points lower than the same time last year

Expectations at five month high

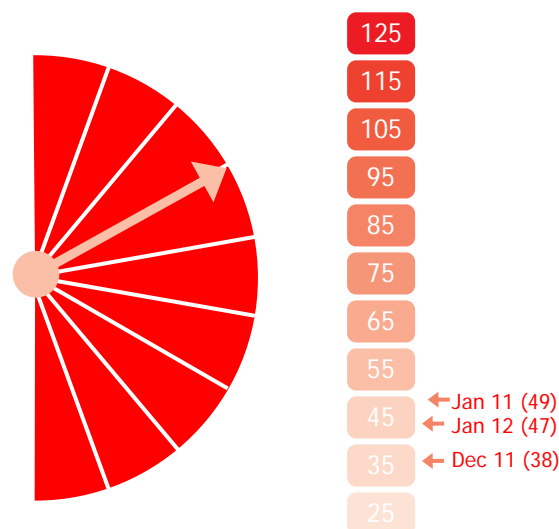
- The Expectations Index rose by 14 points in January to 64
- Consumers' assessment of the future economic situation remains the main driver behind the increase

Spending on household goods up

- Consumers expressed a greater propensity to make household purchases, such as white goods, in January, helping to push the Spending Index up slightly to 78 points
- Reservations towards making major purchases remain, and consumers expect house prices to fall by 0.9% over the next six months

	Jan 12	Dec 11
Nationwide Consumer Confidence Index	47	38
- Present Situation Index	21	19
- Expectations Index	64	50
- Spending Index	78	77

Note: seasonally adjusted



Robert Gardner, Nationwide's Chief Economist, said:

"After ending 2011 close to all time lows, consumer confidence staged a modest recovery at the start of 2012, picking up by nine points to 47. Nevertheless, sentiment remains subdued by historic standards, with the main index almost 30 points below its long-run average.

"Given the challenging economic backdrop, with the UK economy contracting in the final quarter of 2012 and the unemployment rate rising to its highest level since 1995 in recent months, the improvement may prove to be little more than a temporary bounce.

"However, a number of other economic indicators have also surprised and been more positive than expected in recent weeks, which may be an indication that underlying economic conditions are not as weak as feared. Surveys of business activity in the manufacturing and service sectors picked up unexpectedly at the start of the year. The sharp fall in

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inflation, from 5.2% in September to 3.6% in January may also be lifting consumers' spirits, easing the squeeze on strained household budgets.

"Looking forward, renewed hope that the UK will avoid a double-dip recession may support sentiment, especially since the downward trend in inflation is set to continue through 2012. But with the UK recovery likely to remain weak in the first half of the year, a significant and sustained rise in consumer confidence remains unlikely in the near term.

Expectations jump to highest level for five months

"There was a noticeable improvement in expectations in January with confidence towards future economic conditions helping to drive this measure up during the month. Historically, the Expectations Index has been the most volatile of the three core indices – indeed, a sharp deterioration in this component during the second half of 2011 helped push the main confidence index to its lowest level on record.

"Given the uncertain economic outlook, this measure is likely to remain fairly volatile. No doubt developments in the Eurozone will continue to play an important role in shaping how people view the UK's future economic prospects, given the strong economic and financial linkages with the single currency area and the UK's reliance on exports to drive its recovery at present.

Spending boost for household goods

"Consumers expressed a greater propensity to spend on household goods in January with 40% of people believing it to be a good time to buy. This is up from 31% in December and has now reached its highest point since the introduction of the 20% VAT rate twelve months ago.

"Falling inflation and price cuts announced by the UK's big energy suppliers may have left consumers feeling hopeful that the squeeze on household budgets will ease, boosting their spending power.

"Given the uncertain economic outlook there was no surprise that consumers remained cautious about making major purchases, with twice as many people judging it to be a bad time rather than a good time to make a major purchase."

Consumer expectations for UK house prices

Report month	% change over next six months
Jan-11	-1.1
Feb-11	-1.1
Mar-11	-0.9
Apr-11	-1.1
May-11	-0.2
June-11	-0.3
July-11	-0.4
Aug-11	-1.3
Sep-11	-0.8
Oct-11	-0.6
Nov-11	-1.1
Dec-11	-1.3
Jan-12	-0.9

For a full breakdown of historical data for the Nationwide Consumer Confidence Index, in conjunction with TNS-RI, since May 2004 visit:

www.nationwide.co.uk/consumer_confidence/data_download

To view the Nationwide House Price Index, including historical figures and reports, visit:

www.nationwide.co.uk/hpi

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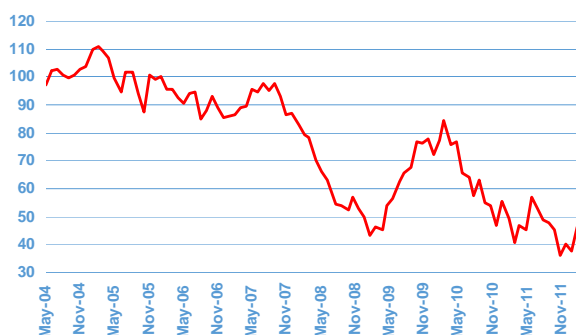
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Nationwide Consumer Confidence Index

The Nationwide Consumer Confidence Index rose by nine points in January from 38 to 47 (research took place from 26 December 2011 to 22 January 2012).

Chart 1 - Nationwide Consumer Confidence Index

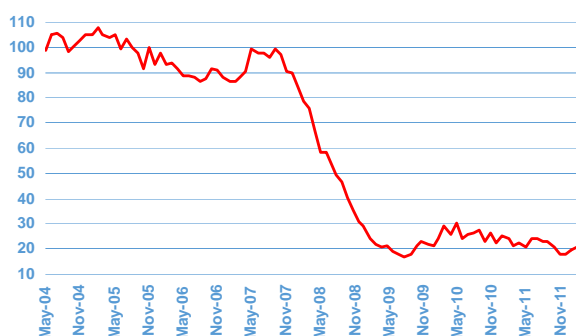


Sub-Indices

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 rose by two points to 21 in January. The proportion of consumers that believe the current economic situation is bad fell by three percentage points during the month to 71%. The percentage of consumers who believe there are not many or few jobs available decreased by three percentage points to 67%.

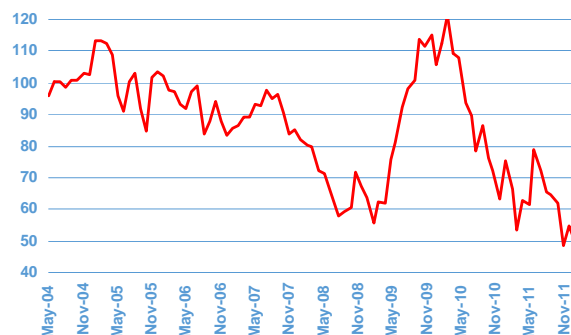
Chart 2 - Present Situation Index



Expectations Index (Chart 3): reflects sentiment about the economy, labour market and household income over the next six months. This index increased by 14 points to 64 in January. The proportion of people who believe the economic situation will be better than today in six months' time increased by five percentage points to 15% in January. The percentage of people

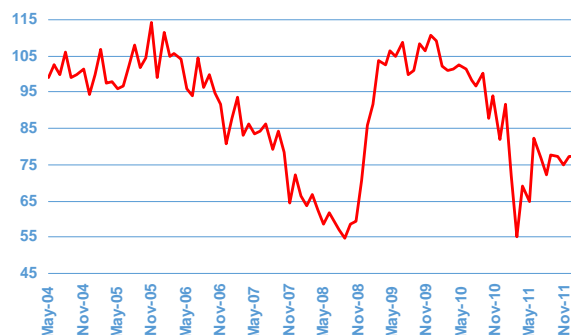
who believe their household income will be higher in six months' time rose by one percentage point to 14%.

Chart 3 - Expectations Index



Spending Index (Chart 4): reflects sentiment about spending on household goods and major purchases. The Spending Index increased by one percentage point to 78 in January. The percentage of consumers that believe now is a good time to make a major purchase rose by one percentage point in January to 23%. The proportion of consumers who believe now is a good time to purchase household goods increased by nine percentage points during the month to 40%.

Chart 4 - Spending Index



The Nationwide Consumer Confidence Index:

The Nationwide Consumer Confidence Index (NCCI) 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.

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.

For past reports and methodology see:
www.nationwide.co.uk/consumer_confidence

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Nationwide Consumer Confidence Index (seasonally adjusted). May 2004 = 97

	2004					2011								2012
	May	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan
Nationwide Consumer Confidence Index	97	49	41	47	45	57	53	49	48	45	36	40	38	47
Present Situation Index	99	24	21	22	20	24	24	23	23	21	18	18	19	21
Expectations Index	96	66	54	63	62	79	72	66	64	62	48	55	50	64
Spending Index	99	72	55	69	65	82	77	72	78	77	75	77	77	78

Consumer responses (non-seasonally adjusted)

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

UK Economic Situation - Current														
Good	45%	6%	5%	5%	5%	8%	7%	7%	5%	6%	3%	4%	3%	4%
Neither good nor bad	31%	27%	20%	23%	25%	28%	27%	23%	25%	24%	19%	25%	21%	23%
Bad	20%	67%	75%	70%	69%	64%	66%	70%	68%	71%	76%	70%	74%	71%
Don't know	4%	1%	0%	1%	1%	1%	1%	1%	2%	0%	2%	0%	1%	1%

UK Employment Situation - Current														
Many/some jobs available	66%	24%	21%	22%	18%	24%	24%	23%	24%	24%	23%	19%	21%	21%
Neither many nor few	10%	11%	8%	8%	12%	9%	9%	8%	10%	12%	10%	11%	9%	10%
Not many/few jobs available	20%	63%	69%	68%	67%	64%	65%	66%	63%	62%	65%	68%	70%	67%
Don't know	5%	2%	2%	2%	2%	3%	2%	2%	4%	2%	2%	2%	1%	2%

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

UK Economic Situation - six months' time														
Good	15%	17%	14%	18%	18%	24%	19%	16%	16%	15%	13%	13%	10%	15%
Neither good nor bad	50%	44%	42%	41%	41%	48%	50%	50%	46%	49%	47%	45%	46%	47%
Bad	30%	36%	42%	38%	39%	26%	30%	31%	36%	35%	38%	41%	43%	36%
Don't know	5%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%

UK Employment Situation - six months' time														
Many/some jobs available	57%	22%	18%	19%	21%	25%	23%	21%	21%	21%	19%	18%	18%	19%
Neither many nor few	17%	20%	17%	16%	20%	18%	19%	20%	20%	22%	19%	21%	20%	21%
Not many/few jobs available	21%	58%	63%	63%	58%	56%	56%	57%	56%	55%	60%	59%	61%	58%
Don't know	4%	2%	1%	2%	2%	1%	2%	1%	3%	2%	2%	2%	1%	2%

Household income - six months' time														
Higher	26%	13%	13%	14%	15%	13%	13%	12%	13%	12%	13%	13%	13%	14%
Same	65%	66%	66%	65%	65%	71%	69%	67%	66%	70%	67%	69%	68%	66%
Lower	9%	19%	20%	20%	19%	15%	15%	20%	19%	16%	19%	18%	17%	18%
Don't know	1%	2%	1%	1%	1%	2%	2%	2%	2%	2%	1%	1%	1%	2%

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Spending: 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%	22%	17%	23%	20%	27%	25%	23%	24%	25%	24%	25%	22%	23%
Neither good nor bad	27%	25%	28%	25%	30%	28%	27%	24%	26%	23%	25%	23%	24%	25%
Bad time to buy	45%	51%	54%	51%	47%	45%	46%	51%	47%	50%	49%	50%	50%	50%
Don't know	1%	2%	1%	1%	3%	1%	2%	2%	3%	2%	2%	2%	3%	3%

Spending confidence – Household goods e.g. white/brown goods														
Good time to buy	58%	35%	21%	23%	24%	30%	27%	28%	30%	27%	25%	30%	31%	40%
Neither good nor bad	33%	40%	51%	51%	52%	51%	51%	47%	48%	51%	50%	44%	45%	40%
Bad time to buy	7%	22%	26%	22%	22%	18%	20%	22%	19%	18%	22%	23%	21%	16%
Don't know	1%	2%	3%	3%	2%	1%	2%	3%	3%	4%	3%	3%	3%	3%

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		2011										2012	
	May	Jan	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Nationwide Consumer Confidence Index	100	47	39	46	45	60	53	48	46	46	41	40	36	44
Present Situation Index	100	24	19	21	19	25	25	23	22	23	20	19	18	20
Expectations Index	100	63	53	62	63	83	73	64	62	62	54	54	48	60
Spending Index	100	74	56	69	68	83	78	71	77	78	73	76	74	81

Note to editors

Nationwide's Consumer Confidence Index is based on a monthly survey representative of the UK population. For January, the TNS-RI research for Nationwide took place from 26 December 2011 to 22 January 2012 with 1,000 people.



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