

Nationwide

CONSUMER CONFIDENCE INDEX

in partnership with TNS-RI



Consumer Confidence

July 2010

www.nationwide.co.uk/consumer_confidence

STRICTLY EMBARGOED UNTIL 00.01 AM WEDNESDAY 11 AUGUST 2010

Confidence slides in July

Confidence falls for third month

- Consumer confidence continued to fall during July with the index dropping by seven points to 56.
- The Expectations Index saw the biggest fall in July – dropping by 13 points – continuing the trend seen since February 2010.
- Consumers' faith in the spending situation also deteriorated during July with the Spending Index decreasing by three points.

Consumers concerned for the future

- The Expectations Index has recorded a total drop of 44 points in the past five months, bringing it well below the long-run average of 91.2 for this measure.

Welcome news on base rate

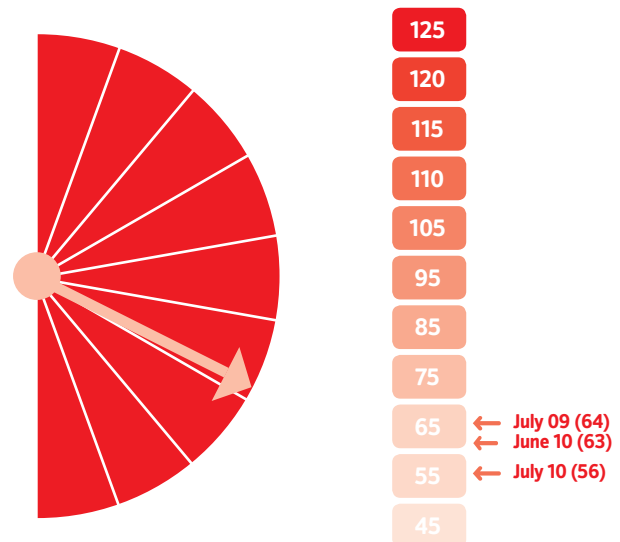
- The Bank of England's decision to hold base rate at 0.5% for the eighteenth month running will be welcome news for many consumers.
- It remains unlikely that we will see an increase to base rate before the end of this year.

Martin Gahbauer, Nationwide's Chief Economist, said:

"Consumers continued to show caution towards the strength of the economic recovery during July. The index has now seen three consecutive months of decline and this has largely been fuelled by uncertainty as to what the next six months hold. In particular, there appears to be a growing concern among consumers as to their level of disposable income in the months ahead. July will have been a time for many consumers to reassess their individual circumstances following the Chancellor's emergency Budget, and inflationary pressures, such as rising food and fuel costs, may now be leading to more negative sentiment among consumers as they start to feel the pinch on their spending power."

July Consumer Confidence

Consumer Confidence fell by seven points during July.



Media enquiries to:

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Proud to be different

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Consumer Confidence

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July 2010

Confidence slides for third consecutive month

Consumer confidence continued to fall during July with the index dropping by seven points to 56. This is the third consecutive month that the index has fallen and it now stands at a similar level to May 2009. The Expectations Index saw the biggest fall in July – dropping by 13 points – continuing the trend seen since February 2010. Consumers' faith in the spending situation also deteriorated during July with the Spending Index decreasing by three points. At 93 this index now stands only slightly above its long-run average of 91.2 points. The Present Situation Index remained unchanged during the month and continues to struggle to recover from its all-time low of 16 points seen in July 2009.

In line with recent house price figures, consumers expressed a more guarded optimism towards the housing market in July. Consumers now expect the value of their home to increase by just 0.4% over the next six months – a decrease of three tenths of a percentage point from June's figure.

	July 2010	June 2010
Nationwide Consumer Confidence Index	56	63
- Present Situation Index	25	25
- Expectations Index	76	89
- Spending Index	93	96

Note: seasonally adjusted

Martin Gahbauer, Nationwide's chief economist, said:

"Consumers continued to show caution towards the strength of the economic recovery during July. The index has now seen three consecutive months of decline and this has largely been fuelled by uncertainty as to what the next six months hold. In particular, there appears to be a growing concern among consumers as to their level of disposable income in the months ahead. July will have been a time for many consumers to reassess their individual circumstances following the Chancellor's emergency Budget, and inflationary pressures, such as rising food and fuel costs, may now be leading to more negative sentiment among consumers as they start to feel the pinch on their spending power.

Consumers concerned about what the future holds

"Over the previous few months we have seen a general downward trend in confidence that could be linked to the general election and consumer perceptions surrounding the impact of post-election policy changes. Expectations for the future have been a key driver behind the fall in overall confidence, with a lack of confidence in the future economic and employment situation forcing the index down. Since reaching a historical high of 120 points in February, the Expectations Index has now recorded a total drop of 44 points in the past five months, bringing it well below the long-run average of 92.1 for this measure.

"The number of consumers who believe their household income will be lower in six months' time has edged up since February, and in July reached its highest level since the index began in May 2004. This is perhaps largely a product of consumers taking stock of their personal situation following the emergency Budget, although fears over the state of the job market and economy as a whole are still playing a part as the UK continues on its sluggish path to recovery.

Sustained low base rate will be welcome news for many consumers

"The fall out from the emergency Budget, concerns over the direction of the housing market and concerns over the rate of inflation are still very real. However, the Bank of England's decision this month to hold base rate at 0.5% for the eighteenth month running will be welcome news for many consumers who will continue to benefit from the positive impact that low mortgage repayments are having on their disposable income. It remains unlikely that we will see an increase to base rate before the end of this year. Nonetheless, with inflation remaining above the Government's 3% upper limit, it is possible that we could see base rate start to slowly increase over the course of 2011 as the Bank of England looks to head off the risks that high inflation can have to the recovery. Any increase in interest rates would represent an additional squeeze on disposable incomes."

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July 2010

Nationwide Consumer Confidence Index

The Nationwide Consumer Confidence Index fell by seven points in July from 63 to 56 (research took place from 21 June 2010 to 18 July 2010).

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.

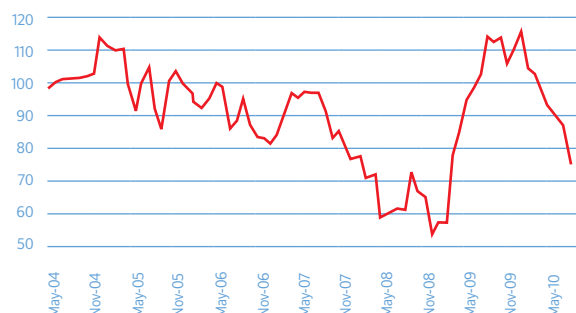
Present Situation Index (Chart 2): reflects sentiment about the current economic and employment situation. This Index stayed level on 25 points in July. The proportion of consumers that believe the current economic situation is bad fell by four percentage points during the month to 68%. The percentage of consumers who believe there are not many or few jobs available fell by one percentage point to 60% in July.

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 fell by thirteen points to 76 in July. The proportion of people who believe the economic situation will be worse than today in six months' time increased by four percentage points to 28% in July. The percentage of people who believe there will be not many or few jobs available in six months' time rose by four percentage points to 57%.

Chart 3 - Expectations Index



Spending Index (Chart 4): reflects sentiment about spending on household goods and major purchases. The Spending Index decreased by three points in July to 93. The number of consumers that believe now is a good time to make a major purchase fell by four percentage points in July to 25%. The number of consumers who believe now is a good time to purchase household goods rose by three percentage points from 37% in June to 40% in July.

Chart 4 - Spending Index



The Nationwide Consumer Confidence Index (NCCI):

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 July, the TNS-RI research for Nationwide took place from 21 June 2010 to 18 July 2010 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.

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		2009					2010						
	May	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
Nationwide Consumer Confidence Index	97	64	69	77	77	77	73	78	84	76	76	66	63	56
Present Situation Index	98	16	19	21	24	22	22	25	29	26	30	24	25	25
Expectations Index	97	96	103	114	112	115	108	113	120	109	107	95	89	76
Spending Index	99	96	105	109	109	112	112	102	99	101	100	101	96	93

Consumer responses (non-seasonally adjusted)

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

UK Economic Situation - Current														
Good	45%	6%	5%	7%	10%	7%	6%	8%	8%	8%	7%	6%	6%	6%
Neither good nor bad	31%	17%	22%	23%	21%	21%	20%	22%	25%	26%	29%	27%	22%	25%
Bad	20%	75%	72%	69%	68%	70%	73%	69%	65%	64%	62%	67%	72%	68%
Don't know	4%	1%	1%	1%	1%	1%	1%	1%	1%	2%	2%	1%	1%	1%
UK Employment Situation - Current														
Many/Some jobs available	66%	16%	18%	23%	22%	22%	19%	22%	25%	22%	28%	26%	28%	28%
Neither many nor few	10%	8%	9%	8%	9%	8%	9%	8%	11%	10%	9%	11%	9%	9%
Not many/few jobs available	20%	74%	71%	66%	66%	67%	70%	67%	61%	65%	61%	59%	61%	60%
Don't know	5%	3%	2%	3%	3%	3%	3%	2%	3%	3%	4%	3%	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%	33%	34%	39%	42%	41%	34%	36%	39%	33%	29%	30%	27%	23%
Same	50%	44%	45%	42%	41%	43%	44%	45%	44%	48%	52%	45%	47%	46%
Worse than today	30%	21%	21%	18%	15%	14%	19%	17%	15%	16%	15%	22%	24%	28%
Don't know	5%	3%	1%	1%	2%	2%	3%	2%	2%	3%	4%	4%	2%	2%
UK Employment Situation - 6 months' time														
Many/Some jobs available	57%	20%	23%	27%	28%	27%	25%	29%	31%	25%	28%	29%	23%	24%
Neither many nor few	17%	18%	20%	21%	17%	18%	19%	20%	23%	23%	24%	22%	21%	17%
Not many/few jobs available	21%	60%	56%	50%	52%	52%	53%	50%	43%	48%	45%	46%	53%	57%
Don't know	4%	2%	1%	2%	3%	3%	2%	2%	2%	3%	3%	3%	1%	2%
Household income - 6 months' time														
- Higher	26%	16%	14%	18%	17%	15%	17%	17%	19%	18%	17%	14%	15%	14%
- Same	65%	68%	72%	70%	71%	73%	69%	69%	69%	69%	69%	70%	68%	64%
- Lower	9%	14%	13%	10%	11%	11%	13%	13%	10%	11%	13%	14%	15%	21%
- Don't know	1%	2%	2%	1%	1%	1%	1%	1%	1%	1%	2%	1%	2%	1%

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%	35%	33%	39%	36%	37%	35%	32%	30%	32%	30%	30%	29%	25%
- Neither good nor bad	27%	19%	23%	22%	25%	26%	25%	28%	29%	30%	34%	32%	29%	34%
- Bad time to buy	45%	43%	40%	37%	37%	34%	38%	38%	37%	36%	33%	37%	40%	39%
- Don't know	1%	2%	5%	1%	2%	2%	2%	2%	3%	3%	2%	2%	2%	3%
Spending confidence - Household goods e.g. white/brown goods														
- Good time to buy	58%	40%	39%	42%	39%	39%	42%	45%	39%	35%	36%	38%	37%	40%
- Neither good nor bad	33%	41%	44%	42%	44%	44%	42%	41%	47%	47%	51%	50%	50%	46%
- Bad time to buy	7%	16%	13%	14%	15%	15%	13%	12%	13%	13%	11%	10%	11%	11%
- Don't know	1%	3%	3%	2%	3%	3%	2%	2%	3%	3%	2%	2%	2%	2%

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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		2009					2010						
	May	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
Nationwide Consumer Confidence Index	100	65	66	78	81	78	70	75	83	75	77	69	64	57
Present Situation Index	100	17	17	23	25	23	20	24	27	24	28	25	26	27
Expectations Index	100	96	98	114	118	115	104	109	121	109	110	98	90	77
Spending Index	100	99	100	109	105	109	105	104	102	102	105	102	99	96

Note to editors:

Nationwide's Consumer Confidence Index is based on a monthly survey representative of the UK population. For July, the TNS-RI research for Nationwide took place from 21 June 2010 to 18 July 2010 with 1,000 people.