



Nationwide Consumer Confidence Index in partnership with TNS-RI



www.nationwide.co.uk/consumer_confidence

December 2009

*****STRICTLY EMBARGOED UNTIL 00.01 AM WEDNESDAY 6 JANUARY 2010*****

"Confidence falls in December"

CONFIDENCE FALLS BACK IN DECEMBER

- Consumer confidence recorded a five point decrease in December to 69 – its biggest fall since November 2008.
- The Expectations Index dropped eight points to 101 in December.
- The Present Situation Index remained unchanged in December while the Spending Index fell by one point.

CONSUMERS REIGN IN EXPECTATIONS

- The proportion of consumers who think the economic situation will be better in six months' time now stands at 34%, compared to 41% in November.
- The proportion of people who think there will be many or some jobs available in six months' time dropped from 27% to 25% in December, but ended the year 10 percentage points higher than in January.

MIXED CONFIDENCE TOWARDS SPENDING

- Over a third of consumers believe now to be a good time to make a major purchase, while 38% believe it to be a bad time – up four percentage points in December.

MARTIN GAHBAUER, NATIONWIDE'S CHIEF ECONOMIST, SAID:

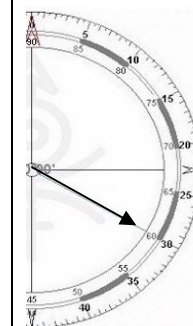
"The five point fall in confidence in December suggests that an element of caution may have begun to creep back into the minds of consumers over the Christmas period. This comes at the end of a positive year for the index, which gained some upwards momentum in 2009 to help claw its way up from the record low seen in January. The main driver behind this revival is likely to have been a renewed hope for the future economic situation and a belief that the worst of the recession is over. However, the looming VAT hike and other tax changes announced in the Pre-Budget Report may have impacted on confidence in December, forcing people to review their expectations for the future. Although it is still early days, these lower expectations may foreshadow a more sluggish consumer outlook in 2010 as stimulus measures are withdrawn."

NATIONWIDE MPC FORECAST PROBABILITY OF BASE RATE CHANGE

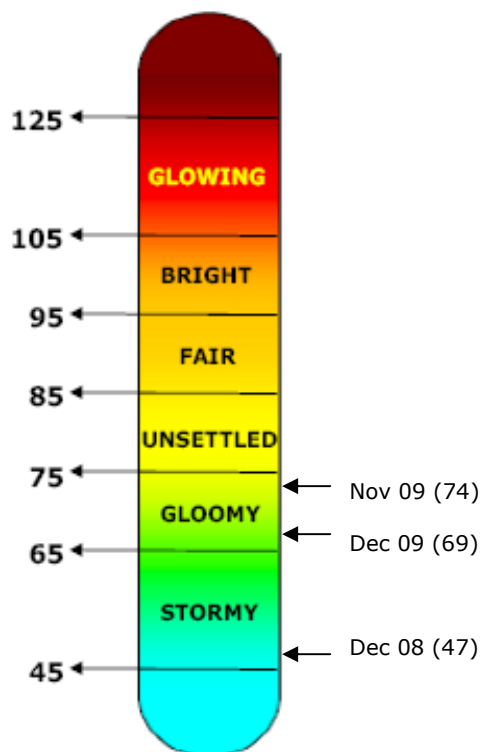
No change	95%
0.25% up	5%

DECEMBER CONSUMER CONFIDENCE

"Consumer confidence fell by five points in December"



NATIONWIDE CONFIDENCE BAROMETER





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Confidence falls back in December

Consumer confidence falls

The Nationwide Consumer Confidence Index recorded a five point decrease in December to 69 – its biggest fall since November 2008. While the Present Situation Index remained unchanged on 20 points, the Expectations Index saw a significant drop, decreasing eight points to 101 in December. However, this index still remains high when compared to historical figures following a strong rally in 2009. The Spending Index recorded a one point fall during the month and has remained broadly stable now since September.

	December 2009	November 2009
Nationwide Consumer Confidence Index	69	74
- Present Situation Index	20	20
- Expectations Index	101	109
- Spending Index	106	107

Note: seasonally adjusted

Expectations about house prices remained constant in December, with consumers expecting the value of their home to increase by 1% over the next six months.

Martin Gahbauer, Nationwide’s chief economist, said:

“The five point fall in confidence in December suggests that an element of caution may have begun to creep back into the minds of consumers over the Christmas period. This comes at the end of a positive year for the index, which gained some upwards momentum in 2009 to help claw its way up from the record low seen in January. The main driver behind this revival is likely to have been a renewed hope for the future economic situation and a belief that the worst of the recession is over. However, the looming VAT hike and other tax changes announced in the Pre-Budget Report may have impacted on confidence in December, forcing people to review their expectations for the future. Although it is still early days, these lower expectations may foreshadow a more sluggish consumer outlook in 2010 as stimulus measures are withdrawn.”

Consumer expectations reigned in during December following a strong rally in 2009

The Expectations Index fell back by a noticeable eight points in December but finished the year 43 points higher than where it started in January, showing a strong recovery in this area. Expectations for the future economic situation played a large role in this recovery – and in the recovery of the Consumer Confidence Index as a whole in 2009 – however, sentiment in this area fell back in December. The proportion of consumers who think the economic situation will be better in six months’ time now stands at 34%, compared to 41% in November. Nonetheless, this is a vast improvement on the start of the year when this measure stood at just 17% and over half thought the economic situation would get worse (compared to 19% for December).

The proportion of people who think there will be many or some jobs available in six months’ time dropped from 27% to 25% in December, but ended the year 10 percentage points higher than January. This highlights some improvement to sentiment in this area, although progress has been muted as a result of continued pessimism surrounding the UK’s unemployment situation.

Consumers show mixed attitudes towards spending over the festive period

Attitudes towards spending have been upbeat in 2009, and although the Spending Index fell by one point in December, it remained above the 100 point level for an eleventh consecutive month. Such optimism can perhaps in part be credited to measures introduced by the Government in the second half of 2008 to stimulate consumer spending, which may have led to confidence returning in this sector in the months that followed. Confidence may have also been restored somewhat by consumers seeing prolonged sales on the high street through 2009 as retailers cut prices to survive the economic downturn.

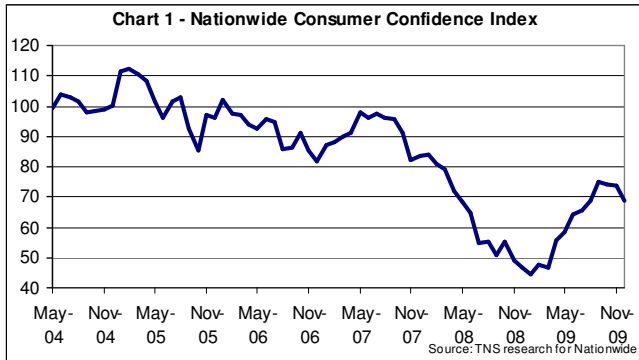
While over a third (35%) of consumers believe now to be a good time to make a major purchase, the percentage of consumers who believe it is a bad time increased by four percentage points to 38% in December – perhaps reflecting concerns over the end of the stamp duty holiday and the VAT rate increase in January 2010. By contrast, the proportion of consumers that believe now to be a bad time to buy household goods fell by two percentage points to 13% in December.



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Nationwide Consumer Confidence Index

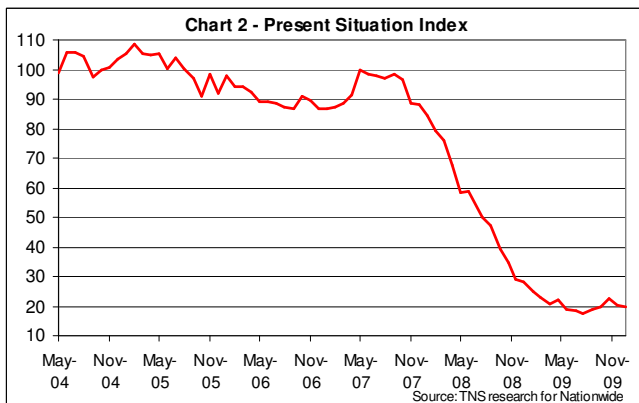
The Nationwide Consumer Confidence Index decreased by five points in December from 74 to 69 (research took place from 23 November 2009 to 20 December 2009).



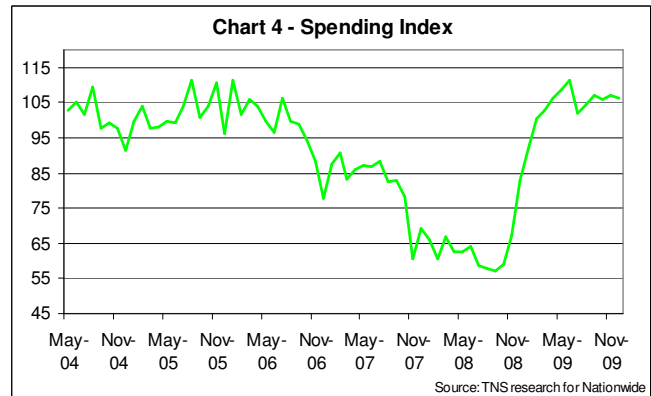
Sub-Indices

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 remained unchanged on 20 points in December. The proportion of consumers that believe the current economic situation is bad increased by three percentage points on the previous month to 73%. The percentage of consumers who believe there are now not many or few jobs available increased from 67% in November to 70% in December.



Spending Index (Chart 4): reflects sentiment about spending on household goods and major purchases. The Spending Index fell by one point in December. The number of consumers that believe now is a bad time to make a major purchase increased by 4% from November to 38%. The number of consumers who believe now is a good time to purchase household goods increased by 3% to 42% in December.



Expectations Index (Chart 3): reflects sentiment about the economy, labour market and household income over the next six months. This index fell by eight points to 101 in December. Just over a third (34%) of people believe the economic situation will be better in six months time, a decrease of seven percentage points from November. The percentage of people who believe there will be many or some jobs available in six months time, fell from 27% in November to 25% in December.

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 December, the TNS-RI research for Nationwide took place from 23 November 2009 to 20 December 2009 with 1,014 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 3 February 2010.

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



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Nationwide Consumer Confidence Index (seasonally adjusted). May 2004 = 99.

	2004 May	2008 Dec	2009 Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Nationwide Consumer Confidence Index	99	47	45	48	47	56	58	64	66	69	75	74	74	69
Present Situation Index	99	28	25	23	21	22	19	18	17	19	20	23	20	20
Expectations Index	99	59	58	64	64	78	85	95	98	102	111	109	109	101
Spending Index	103	83	92	100	103	106	109	111	102	104	107	106	107	106

Consumer responses (non-seasonally adjusted)**

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

UK Economic Situation - Current

- Good	45%	9%	8%	2%	5%	5%	6%	4%	6%	5%	7%	10%	7%	6%
- Neither good nor bad	31%	15%	11%	11%	12%	15%	15%	18%	17%	22%	23%	21%	21%	20%
- Bad	20%	75%	82%	86%	83%	80%	77%	76%	75%	72%	69%	68%	70%	73%
- Don't know	4%	1%	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%

UK Employment Situation - Current

- Many/Some jobs available	66%	26%	23%	23%	21%	20%	20%	19%	16%	18%	23%	22%	22%	19%
- Neither many nor few available	10%	12%	12%	10%	11%	8%	8%	8%	8%	9%	8%	9%	8%	9%
- Not many/few jobs available	20%	57%	61%	64%	66%	68%	68%	68%	74%	71%	66%	66%	67%	70%
- Don't know	5%	5%	4%	3%	3%	3%	4%	4%	3%	2%	3%	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%	21%	17%	19%	19%	26%	28%	33%	33%	34%	39%	42%	41%	34%
- Same	50%	27%	29%	34%	39%	41%	42%	42%	44%	45%	42%	41%	43%	44%
- Worse than today	30%	49%	53%	43%	41%	32%	28%	23%	21%	21%	18%	15%	14%	19%
- Don't know	5%	3%	2%	3%	1%	2%	2%	3%	3%	1%	1%	2%	2%	3%

UK Employment Situation - 6 months time

- Many/Some jobs available	57%	21%	15%	18%	19%	19%	22%	22%	20%	23%	27%	28%	27%	25%
- Neither many or few available	17%	14%	15%	16%	14%	16%	18%	21%	18%	20%	21%	17%	18%	19%
- Not many/few jobs available	21%	63%	67%	65%	65%	62%	57%	54%	60%	56%	50%	52%	52%	53%
- Don't know	4%	3%	3%	2%	1%	3%	3%	2%	2%	1%	2%	3%	3%	2%

Household income - 6 months time

- Higher	26%	15%	14%	17%	14%	14%	14%	13%	16%	14%	18%	17%	15%	17%
- Same	65%	65%	66%	65%	67%	70%	70%	71%	68%	72%	70%	71%	73%	69%
- Lower	9%	19%	18%	17%	18%	15%	15%	15%	14%	13%	10%	11%	11%	13%
- Don't know	1%	2%	2%	1%	2%	2%	1%	1%	2%	2%	1%	1%	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%	27%	33%	38%	38%	42%	39%	40%	35%	33%	39%	36%	37%	35%
- Neither good nor bad	27%	19%	15%	18%	16%	19%	20%	21%	19%	23%	22%	25%	26%	25%
- Bad time to buy	45%	51%	51%	41%	44%	38%	38%	38%	43%	40%	37%	37%	34%	38%
- Don't know	1%	3%	2%	2%	2%	2%	3%	2%	2%	5%	1%	2%	2%	2%

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

- Good time to buy	58%	41%	50%	46%	43%	42%	41%	42%	40%	39%	42%	39%	39%	42%
- Neither good nor bad	33%	33%	32%	36%	39%	40%	39%	43%	41%	44%	42%	44%	44%	42%
- Bad time to buy	7%	23%	16%	16%	16%	15%	17%	13%	16%	13%	14%	15%	15%	13%
- Don't know	1%	3%	2%	1%	2%	2%	3%	2%	3%	3%	2%	3%	3%	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 May	2008 Dec	2009 Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Nationwide Consumer Confidence Index	100	48	41	45	45	54	59	63	65	66	78	81	78	70
Present Situation Index	100	28	24	20	19	19	20	18	17	17	23	25	23	20
Expectations Index	100	61	52	61	61	78	85	93	96	98	114	118	115	104
Spending Index	100	82	94	104	103	109	106	110	99	100	109	105	109	105

Note to editors:

Nationwide's Consumer Confidence Index is based on a monthly survey representative of the UK population. For December, the TNS-RI research for Nationwide took place from 23 November 2009 to 20 December 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.

