



Nationwide Consumer Confidence Index in partnership with TNS-RI



www.nationwide.co.uk/consumer_confidence

February 2010

*****STRICTLY EMBARGOED UNTIL 00.01 AM WEDNESDAY 3 MARCH 2010*****

"Confidence defies January blues"

CONFIDENCE RISES IN FEBRUARY

- Consumer confidence increased by six points to 80 during February and now stands at its highest level since January 2008.
- The Expectations Index reached its highest level since records began, climbing six points in February to 115.
- The Present Situation Index rose four points to 27 in February, while the Spending Index fell back by four points to 93.

EXPECTATIONS REACH A NEW HIGH

- 39% of those questioned believe the economic situation will be better in six months' time, compared to 36% in January.
- 43% of consumers believe there will be not many or few jobs available in six months' time – the first time this figure has dropped below 50% since September 2008.

SPENDING CONFIDENCE FALLS AGAIN

- After a significant drop in January, spending confidence continued to decline in February.
- The proportion of consumers who think now to be a good time to buy household goods fell six points to 39% during the month.

MARTIN GAHBAUER, NATIONWIDE'S CHIEF ECONOMIST, SAID:

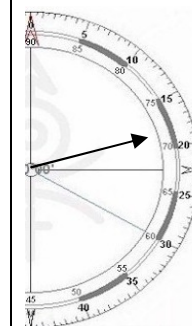
"Following a small dip at the end of 2009, consumers have started this year in a more optimistic fashion with February's figures showing a surge in confidence in the present and future situation. A strong influencing factor behind this uplift is likely to be the news that the UK has come out of its longest recession on record following six consecutive quarters of contraction beginning in 2008. By comparison, it would seem that consumers are perhaps feeling the pinch in their spending power as confidence declines in this area, and we may now be seeing the effects of the withdrawal of government driven incentives, such as the stamp duty holiday and lower VAT, impact on the index. Consumer confidence is crucial to a strong and sustainable recovery and, while confidence is likely to remain fragile for some months to come, the early signs do look positive."

NATIONWIDE MPC FORECAST PROBABILITY OF BASE RATE CHANGE

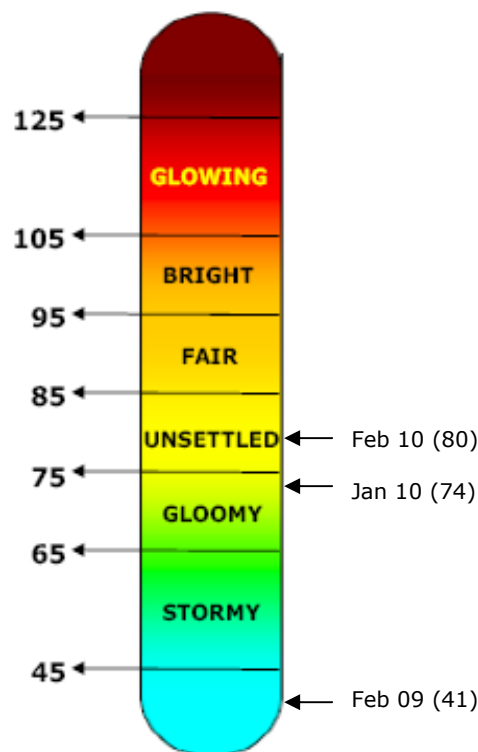
No change	95%
0.25% up	5%

FEBRUARY CONSUMER CONFIDENCE

"Consumer confidence rises by six points in February"



NATIONWIDE CONFIDENCE BAROMETER





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Confidence defies January blues

Confidence rises to highest level for two years

The Consumer Confidence Index has risen for the second consecutive month, increasing by six points to 80 in February. This increase means that the Index now stands at its highest level since January 2008, and almost double the level recorded during the same period last year (41). The Present Situation and Expectations indices have also experienced some upward momentum at the start of 2010, with the indices rising to 27 and 115 points respectively. However, confidence in spending continued to fall away during the month and dropped four points to 93 in February.

	February 2010	January 2010
Nationwide Consumer Confidence Index	80	74
- Present Situation Index	27	23
- Expectations Index	115	109
- Spending Index	93	97

Note: seasonally adjusted

Expectations about house prices rose slightly in February, with consumers expecting the value of their home to increase by 1.5% over the next six months, compared to 1.1% in January.

Martin Gahbauer, Nationwide's chief economist, said:

"Following a small dip at the end of 2009, consumers have started this year in a more optimistic fashion with February's figures showing a surge in confidence in both the present and future situation. A strong influencing factor behind this uplift is likely to be the news that the UK has come out of its longest recession on record following six consecutive quarters of contraction beginning in 2008. By comparison, it would seem that consumers are perhaps feeling the pinch in their spending power as confidence declines in this area, and we may now be seeing the effects of the withdrawal of government driven incentives, such as the stamp duty holiday and lower VAT, impact on the index. Consumer confidence is crucial to a strong and sustainable recovery and, while confidence is likely to remain fragile for some months to come, the early signs do look positive."

Confidence in the future situation reaches a new high...

At 115, the Expectations Index reached its highest level since records began* during February, and is now more than double the level it was this time last year (56). Consumer expectations towards the future economic and employment situation both improved during the month, with 39% believing the economic situation will be better in six months' time (compared to 36% in January), and less than half (43%) believing there will be not many or few jobs available – the first time this figure has dropped below 50% since September 2008. There is similar positive sentiment towards future household income with the number of people who think it will be the same or higher in six months' time increasing by two percentage points to 88%.

...while confidence in the present situation outstrips last year's figures

The Present Situation Index climbed to its highest level since December 2008 and this was largely due to improved sentiment around the current employment situation. A quarter of people now believe there to be many or some jobs available – up three percentage points from January – while the proportion who believe there to be not many or few jobs available fell by six percentage points to 61% during the month. The number of those believing the current economic situation to be bad fell back in February to 65%, its lowest level for 18 months.

Spending confidence continues to fall after strong rally in 2009

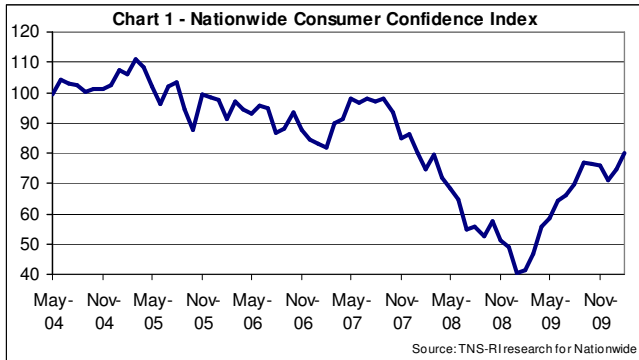
After a significant drop in January, spending confidence continued to decline in February. This can be largely credited to a fall of six percentage points to 39% during the month for the proportion of consumers who think now is a good time to buy household goods. Official figures released at the beginning of February showed retail sales in the UK to be down by 1.8% between December and January. While the continuing bad weather was a key driver behind this decline, dwindling spending confidence may have also impacted on sales at a time of the year when consumers usually show a greater propensity to spend.



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Nationwide Consumer Confidence Index

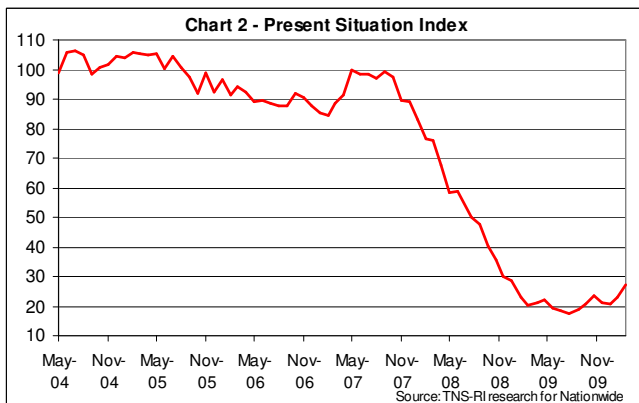
The Nationwide Consumer Confidence Index increased by six points in February from 74 to 80 (research took place from 18 January 2010 to 15 February 2010).



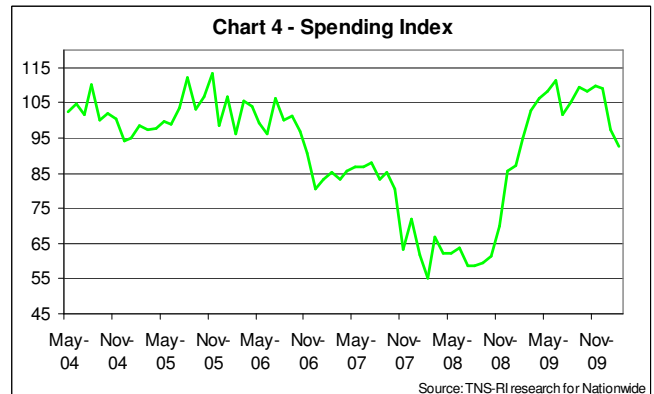
Sub-Indices

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 four points in February to 27. The proportion of consumers that believe the current economic situation is bad decreased by four percentage points on the previous month to 65%. The percentage of consumers who believe there are now many or some jobs available rose from 22% in January to 25% in February.



Spending Index (Chart 4): reflects sentiment about spending on household goods and major purchases. The Spending Index fell by four points in February. The number of consumers that believe now is a good time to make a major purchase fell by two percentage points in February to 30%. The number of consumers who believe now is a good time to purchase household goods decreased by six points from 45% in January to 39% in February.



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.

Expectations Index (Chart 3): reflects sentiment about the economy, labour market and household income over the next six months. This index rose by six points to 115 in February. The proportion of people who believe the economic situation will be better in six months' time increased by three percentage points to 39% in February. The percentage of people who believe there will be not many or few jobs available in six months' time, decreased by seven percentage points to 43% in February.

For February, the TNS-RI research for Nationwide took place from 18 January 2010 to 15 February 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.



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

	2004 May	2009 Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	2010 Jan	Feb
Nationwide Consumer Confidence Index	99	41	47	56	59	64	66	69	77	77	76	71	74	80
Present Situation Index	99	20	21	22	19	18	17	19	21	23	21	21	23	27
Expectations Index	100	56	64	78	85	95	98	103	114	112	113	105	109	115
Spending Index	103	95	103	106	108	111	102	105	109	108	110	109	97	93

Consumer responses (non-seasonally adjusted)*

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

UK Economic Situation - Current

- Good	45%	2%	5%	5%	6%	4%	6%	5%	7%	10%	7%	6%	8%	8%
- Neither good nor bad	31%	11%	12%	15%	15%	18%	17%	22%	23%	21%	21%	20%	22%	25%
- Bad	20%	86%	83%	80%	77%	76%	75%	72%	69%	68%	70%	73%	69%	65%
- Don't know	4%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%

UK Employment Situation - Current

- Many/Some jobs available	66%	23%	21%	20%	20%	19%	16%	18%	23%	22%	22%	19%	22%	25%
- Neither many nor few	10%	10%	11%	8%	8%	8%	8%	9%	8%	9%	8%	9%	8%	11%
- Not many/few jobs available	20%	64%	66%	68%	68%	68%	74%	71%	66%	66%	67%	70%	67%	61%
- Don't know	5%	3%	3%	3%	4%	4%	3%	2%	3%	3%	3%	3%	2%	3%

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

UK Economic Situation - 6 months' time

- Better than today	15%	19%	19%	26%	28%	33%	33%	34%	39%	42%	41%	34%	36%	39%
- Same	50%	34%	39%	41%	42%	42%	44%	45%	42%	41%	43%	44%	45%	44%
- Worse than today	30%	43%	41%	32%	28%	23%	21%	21%	18%	15%	14%	19%	17%	15%
- Don't know	5%	3%	1%	2%	2%	3%	3%	1%	1%	2%	2%	3%	2%	2%

UK Employment Situation - 6 months' time

- Many/Some jobs available	57%	18%	19%	19%	22%	22%	20%	23%	27%	28%	27%	25%	29%	31%
- Neither many or few	17%	16%	14%	16%	18%	21%	18%	20%	21%	17%	18%	19%	20%	23%
- Not many/few jobs available	21%	65%	65%	62%	57%	54%	60%	56%	50%	52%	52%	53%	50%	43%
- Don't know	4%	2%	1%	3%	3%	2%	2%	1%	2%	3%	3%	2%	2%	2%

Household income - 6 months' time

- Higher	26%	17%	14%	14%	14%	13%	16%	14%	18%	17%	15%	17%	17%	19%
- Same	65%	65%	67%	70%	70%	71%	68%	72%	70%	71%	73%	69%	69%	69%
- Lower	9%	17%	18%	15%	15%	15%	14%	13%	10%	11%	11%	13%	13%	10%
- Don't know	1%	1%	2%	2%	1%	1%	2%	2%	1%	1%	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%	38%	38%	42%	39%	40%	35%	33%	39%	36%	37%	35%	32%	30%
- Neither good nor bad	27%	18%	16%	19%	20%	21%	19%	23%	22%	25%	26%	25%	28%	29%
- Bad time to buy	45%	41%	44%	38%	38%	38%	43%	40%	37%	37%	34%	38%	38%	37%
- Don't know	1%	2%	2%	2%	3%	2%	2%	5%	1%	2%	2%	2%	2%	3%

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

- Good time to buy	58%	46%	43%	42%	41%	42%	40%	39%	42%	39%	39%	42%	45%	39%
- Neither good nor bad	33%	36%	39%	40%	39%	43%	41%	44%	42%	44%	44%	42%	41%	47%
- Bad time to buy	7%	16%	16%	15%	17%	13%	16%	13%	14%	15%	15%	13%	12%	13%
- Don't know	1%	1%	2%	2%	3%	2%	3%	3%	2%	3%	3%	2%	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	2009 Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	2010 Jan	Feb
Nationwide Consumer Confidence Index	100	45	45	54	59	63	65	66	78	81	78	70	75	83
Present Situation Index	100	20	19	19	20	18	17	17	23	25	23	20	24	27
Expectations Index	100	61	61	78	85	93	96	98	114	118	115	104	109	121
Spending Index	100	104	103	109	106	110	99	100	109	105	109	105	104	102

Note to editors:

Nationwide's Consumer Confidence Index is based on a monthly survey representative of the UK population. For February, the TNS-RI research for Nationwide took place from 18 January 2010 to 15 February 2010 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.

