



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



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

**August 2007**

**\*\*\*STRICTLY EMBARGOED UNTIL 00.01 AM WEDNESDAY 5 SEPTEMBER 2007\*\*\***

### “Consumer Confidence falls”

#### CONSUMER CONFIDENCE FALLS

- Confidence fell in August as consumers appear to feel the impact of earlier interest rate hikes.
- All four indices fell in August with Spending confidence hit particularly hard.

#### GLOOMY OUTLOOK

- Expectations about the future have fallen in August leaving the Expectations Index four points lower at 92.

#### CONFIDENCE ABOUT SPENDING FALLS

- The Spending Index saw a seven point fall taking the index to 79 – slightly above its all time low\* of 77 seen in December 2006.
- The number of people confident about buying household and major items both fell to new lows\*.

#### HOUSE PRICE EXPECTATIONS

Consumers’ expectations of future house price growth rose to 3.8% in August – despite this increase the three month average is weakening.

### FIONNUALA EARLEY, NATIONWIDE’S CHIEF ECONOMIST, SAID:

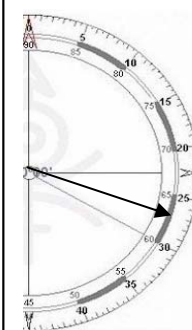
“The fall in each of the consumer confidence indices is not surprising given the five increases in interest rates in just a year. It now seems clear that consumers are taking this to heart in their spending intentions. Recent events such as the floods and the turmoil in the financial markets may also be having something of an impact on their sentiment. But one bit of good news for consumers is that the unexpectedly large fall in inflation, along with financial market unrest, means that it is now much less likely that the MPC will feel a further hike in interest rates is necessary.”

### NATIONWIDE MPC FORECAST PROBABILITY OF BASE RATE CHANGE

0.25% up	10%
No Change	90%
Down	0%

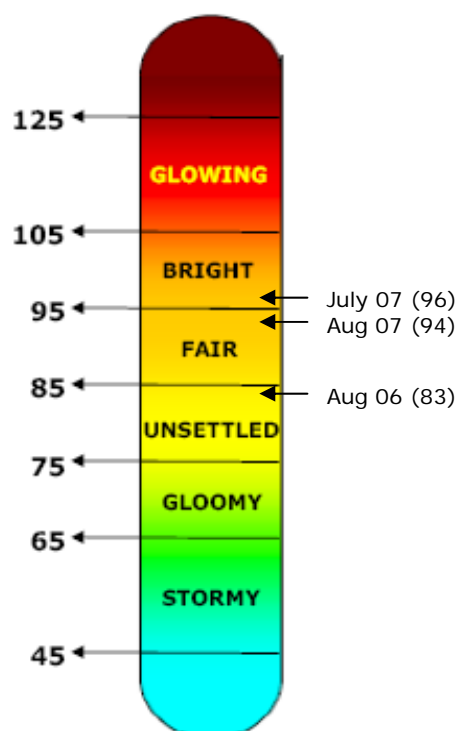
### AUGUST CONSUMER CONFIDENCE

“Consumer confidence fell two points in August to 94 but confidence is up 13% on a year ago.”



Down 2 points

### NATIONWIDE CONFIDENCE BAROMETER





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## **UK Consumer Confidence falls**

### **Consumer confidence falls two points**

As expected, the Nationwide Consumer Confidence Index fell back in August reflecting the impact of five interest rate rises over the past year. The main Index fell by two points, but it was not alone. All indices fell in August, the first time since December 2006 that all four measures of confidence showed a downturn in the same month.

	August 2007	July 2007
Nationwide Consumer Confidence Index	94	96
- Present Situation Index	96	98
- Expectations Index	92	96
- Spending Index	79	86

The Present Situation Index (how consumers feel about the current economic and employment situation) fell two points to 96, while the Expectations Index (how consumers feel about the economic and employment situation in six months time) fell four points suggesting that consumers are more downbeat about the future.

The Spending Index (consumers' willingness to spend) saw the largest drop in confidence in August with the index decreasing seven points to 79 – just two points above than the all time low of 77 seen in December 2006.

The UK Nationwide Consumer Confidence Index uses a similar methodology to that of the US Conference Board, the most highly regarded Consumer Confidence Index in the US, widely acknowledged as a key US economic indicator. Nationwide's monthly survey is compiled in partnership with TNS.

### **Fionnuala Earley, Nationwide's Chief Economist, said:**

"The fall in each of the consumer confidence indices is not surprising given the five increases in interest rates in just a year. It now seems clear that consumers are taking this to heart in their spending intentions. Recent events such as the floods and the turmoil in the financial markets may also be having something of an impact on their sentiment. But one bit of good news for consumers is that the unexpectedly large fall in inflation, along with financial market unrest, means that it is now much less likely that the MPC will feel a further hike in interest rates is necessary."

### **Looking forward, consumer confidence deteriorates**

Confidence about the future fell in August. The most significant factor behind this was a big increase in the proportion of consumers who thought there would be fewer jobs available in six months time. Almost one in three people are negative about the number of jobs available in the future (compared to 26% in July). This is consistent with an increase in the number of people who thought that the economy would be in worse shape in six months time. Interestingly, consumers were still happy about their future household income. In spite of the expectation of a worsening labour market, a smaller proportion thought their income would be lower in six months time.

### **Confidence about spending falls**

The Spending Index was the only index to see a large fall in August; falling seven points to 79 – slightly above the all time low of 77 seen in December 2006. Sentiment about buying a major purchase, such as a house or car fell most. Just 15% of consumers think now is a good time to purchase such a major item compared with 21% this time last year. But feelings about whether it's a good time to buy household items such as a fridge or washing machine also fell to a new low\*.

### **House price expectations moderate further**

Peoples' expectations of house price growth increased slightly in August, but the underlying trend is still moderating. Consumers expect house prices to rise 3.8% over the coming six months, increasing from 2.7% in July, but the three month moving average has weakened to 3.1% from 3.4% in July.

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# Nationwide Consumer Confidence Index in partnership with TNS



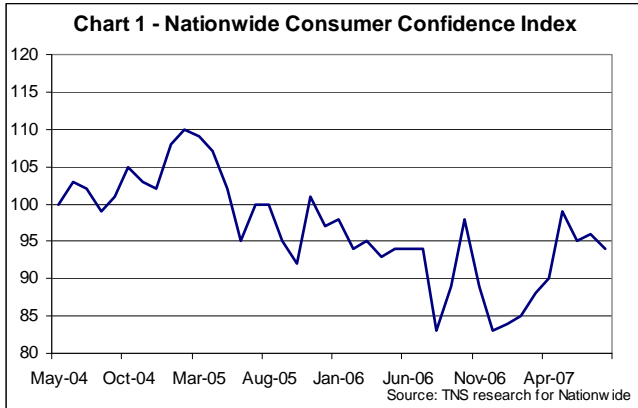
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## Nationwide Consumer Confidence Index

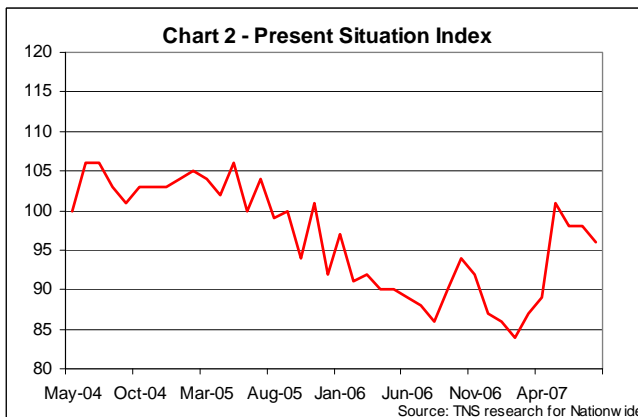
The Nationwide Consumer Confidence Index fell two points in August (research took place from 16 July to 19 August).



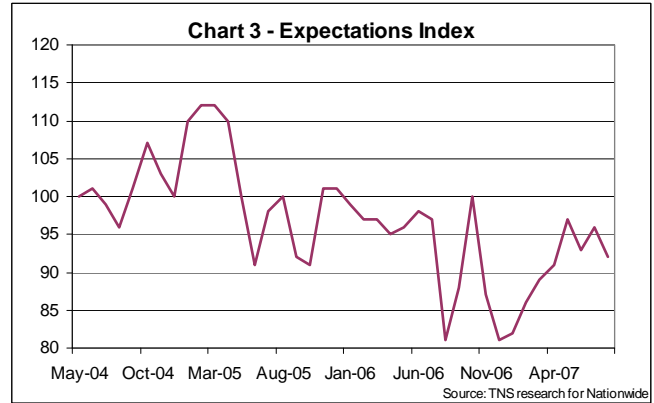
## Sub-Indices

In addition to the main Consumer Confidence Index, Nationwide Building Society compiles three other indices: Present Situation Index, Expectations Index and Spending Index.

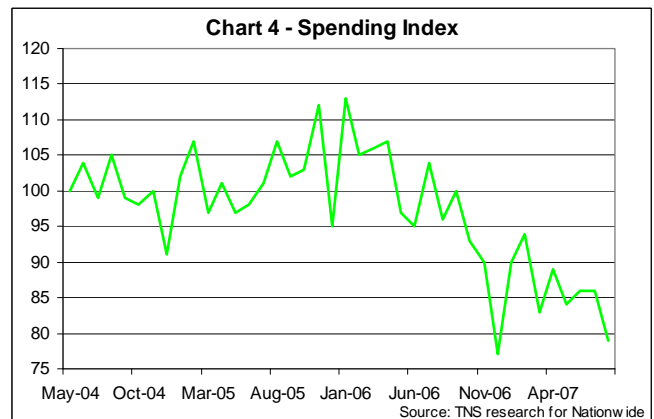
**Present Situation Index** (Chart 2): reflects sentiment about current economic and employment situations. While this Index fell two points in August to 96, fewer people are negative about the current economic situation than at any time since May 2005 (14%, down from 17% in July). The number of people who think the current economic situation is "neither good nor bad" has increased to its highest ever level\* of 45% - up from 39% in July. Only half of people (51%) are positive about the number of jobs currently available – down from 57% in July and 60% in May 2007.



**Expectations Index** (Chart 3): reflects sentiment about the economy, labour market and household income over the next six months: The index fell four points from 96 to 92 in August. After three months of no change, the number of people who are positive about the future employment situation has fallen from 46% to 41%. The number of people who feel positive about the future economic situation has tipped down slightly from 14% to 13%. There has been a small increase in the number of people who are positive about future income (up from 24% to 26%).



**Spending Index** (Chart 4): reflects sentiment about spending on household goods and major purchases: saw the largest fall of all the indices. The number of people who think that now is a good time to make a major purchase such as a house or car has fallen to a new low\* of 15% significantly down on its all time high\* of 33% seen in November 2005. The number of people who think that now is a good time to buy household goods also hit an all time low\* of 39%.



## The Nationwide Consumer Confidence Index (NCCI):

The Nationwide CCI 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, the market research group that conducts the research for the US index.

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

# For August, the TNS research for Nationwide took place from 16th July 2007 to the 19th August 2007 with 1000 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 Nationwide Consumer Confidence Index scheduled for release at: 00.01hrs on 3 October 2007**

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. May 2004 = 100.

	2004 May	2006 Aug	Sept	Oct	Nov	Dec	Jan	2007 Feb	Mar	Apr	May	June	Jul	Aug
<b>Nationwide Consumer Confidence Index</b>	100	83	89	98	89	83	84	85	88	90	99	95	96	94
<b>Present Situation Index</b>	100	86	90	94	92	87	86	84	87	89	101	98	98	96
<b>Expectations Index</b>	100	81	88	100	87	81	82	86	89	91	97	93	96	92
<b>Spending Index</b>	100	96	100	93	90	77	90	94	83	89	84	86	86	79

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

#### UK Economic Situation - Current

- Good	45%	37%	40%	37%	44%	41%	36%	35%	37%	40%	48%	48%	41%	36%
- Normal	31%	39%	36%	40%	33%	33%	36%	38%	36%	33%	33%	32%	39%	45%
- Bad	20%	20%	20%	17%	19%	23%	24%	23%	22%	23%	17%	19%	17%	14%
- Don't know	4%	5%	4%	6%	4%	5%	3%	4%	5%	4%	3%	2%	3%	4%

#### UK Employment Situation - Current

- Many/Some jobs available	66%	44%	48%	50%	50%	46%	52%	47%	47%	51%	60%	57%	57%	51%
- Neither many nor few available	10%	19%	18%	22%	16%	17%	15%	19%	20%	15%	14%	13%	16%	16%
- Not many/few jobs available	20%	29%	26%	23%	28%	28%	28%	29%	27%	25%	21%	23%	23%	25%
- Don't know	5%	8%	7%	6%	6%	7%	6%	6%	6%	7%	4%	6%	5%	8%

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

#### UK Economic Situation - 6 months time

- Better than today	15%	12%	15%	16%	14%	13%	11%	13%	14%	13%	15%	13%	14%	13%
- Same	50%	45%	42%	48%	46%	45%	48%	45%	41%	52%	53%	50%	52%	52%
- Worse than today	30%	34%	33%	23%	31%	31%	33%	33%	33%	26%	28%	29%	26%	28%
- Don't know	5%	9%	10%	12%	9%	11%	8%	10%	12%	10%	5%	7%	8%	7%

#### UK Employment Situation - 6 months time

- Many/Some jobs available	57%	37%	38%	38%	37%	35%	39%	38%	39%	39%	46%	46%	46%	41%
- Neither many or few available	17%	21%	21%	25%	25%	19%	17%	21%	18%	23%	25%	18%	21%	20%
- Not many/few jobs available	21%	33%	31%	28%	32%	36%	36%	33%	33%	28%	24%	28%	26%	32%
- Don't know	4%	10%	9%	9%	7%	10%	8%	8%	11%	9%	4%	7%	7%	8%

#### Household income - 6 months time

- Higher	26%	24%	25%	25%	28%	25%	31%	29%	29%	27%	24%	28%	24%	26%
- Same	65%	63%	60%	62%	59%	60%	56%	58%	59%	60%	66%	63%	64%	63%
- Lower	9%	9%	12%	8%	10%	12%	11%	10%	9%	11%	8%	9%	10%	8%
- Don't know	1%	3%	3%	4%	2%	3%	2%	3%	4%	3%	2%	1%	2%	2%

### 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%	21%	24%	22%	25%	18%	22%	23%	19%	21%	18%	19%	18%	15%
- Neither good nor bad	27%	36%	36%	31%	27%	28%	28%	32%	30%	32%	31%	31%	30%	35%
- Bad time to buy	45%	37%	37%	39%	44%	48%	45%	39%	45%	43%	49%	48%	48%	49%
- Don't know	1%	6%	5%	7%	5%	6%	5%	5%	7%	6%	2%	2%	3%	2%

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

- Good time to buy	58%	43%	45%	41%	42%	40%	55%	44%	40%	43%	51%	45%	41%	39%
- Neither good nor bad	33%	42%	40%	40%	38%	36%	30%	38%	39%	40%	41%	45%	46%	49%
- Bad time to buy	7%	7%	7%	8%	12%	15%	10%	9%	10%	9%	6%	6%	7%	6%
- Don't know	1%	8%	8%	11%	7%	9%	6%	8%	11%	8%	2%	4%	6%	5%

#### Note to editors

Nationwide's Consumer Confidence Index is based on a monthly survey representative of the UK population. For August, the TNS research for Nationwide took place from 16<sup>th</sup> July 2007 to the 19<sup>th</sup> August 2007 with 1000 people. NFO, now part of TNS, has worked with The US Conference Board since the inception of its consumer confidence index in 1967.

