

Nationwide CONSUMER CONFIDENCE INDEX

in partnership with TNS-RI



Consumer Confidence

June 2010

www.nationwide.co.uk/consumer_confidence

STRICTLY EMBARGOED UNTIL 00.01 AM WEDNESDAY 14 JULY 2010

Confidence falls further in June

Confidence falls for second month

- Consumer confidence fell for the second month running in June and now stands at 63 points
- The Present Situation Index was the only index to see an increase over the month
- The Expectations and Spending Index both fell back in June reaching their lowest levels since May 2009 and January 2009 respectively

Expectations drop to lowest level in over a year

- We have now seen four months of decline bring the Expectations Index down by 32 points since its February high
- At 53%, the number of people who believe there will be not many or few jobs available in six months' time reached its highest level this year

The economy still a concern

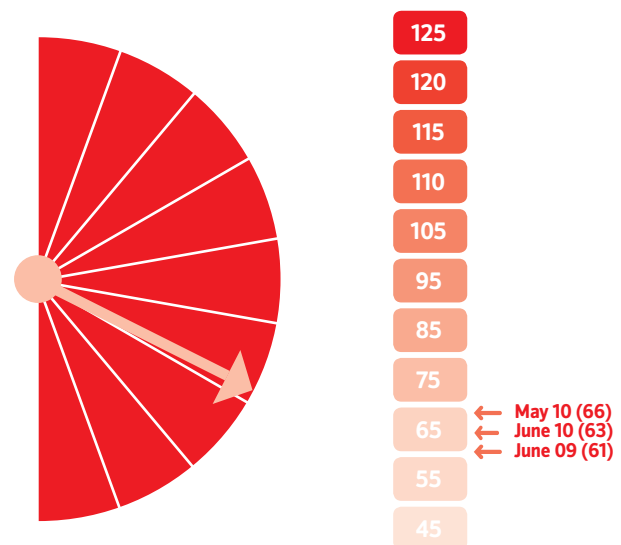
- Faith in the current economic situation remains close to its record low

Martin Gahbauer, Nationwide's Chief Economist, said:

"The downward trend that we have seen in recent months extended into June as consumers continued to express caution towards the future situation. With the emergency Budget taking place late in the month, this lack of optimism may have been a product of consumers hypothesizing over how the new Chancellor would address the UK's budget deficit. It will not be until July's results, however, that we could potentially see what impact the Chancellor's package of austerity measures has had on confidence. With the coalition government now established and greater clarity about future fiscal plans, it may be that we begin to see confidence stabilise somewhat in the coming months following a period of political uncertainty."

June Consumer Confidence

Consumer Confidence fell by three points during June.



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Proud to be different

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June 2010

Confidence falls further in June

Consumer confidence fell for the second month running in June and now stands at 63 points – a similar level to 12 months ago, and 21 points below February's interim peak. Faith in the present situation rose slightly during June, with the Present Situation Index the only one to see an increase over the month, albeit slight. The Expectations and Spending Index both fell back in June reaching their lowest levels since May 2009 and January 2009 respectively.

There was a small fall in consumers' optimism towards the housing market in June, with consumers expecting the value of their home to increase by 0.7% over the next six months. This is a decrease of three tenths of a percentage point from May's figure.

	June 2010	May 2010
Nationwide Consumer Confidence Index	63	66
- Present Situation Index	24	23
- Expectations Index	88	94
- Spending Index	95	100

Note: seasonally adjusted

Martin Gahbauer, Nationwide's chief economist, said:

"The downward trend that we have seen in recent months extended into June as consumers continued to express caution towards the future situation. With the emergency Budget taking place late in the month, this lack of optimism may have been a product of consumers hypothesizing over how the new Chancellor would address the UK's budget deficit. It will not be until July's results, however, that we could potentially see what impact the Chancellor's package of austerity measures has had on confidence. With the coalition government now established and greater clarity about future fiscal plans, it may be that we begin to see confidence stabilise somewhat in the coming months following a period of political uncertainty.

Expectations drop to their lowest level for over a year

"The Expectations Index underwent a strong rally in the second half of 2009 and during the first two months of this year, however we have now seen four months of rapid decline bring the index down by 32 points since its February high. This shift can largely be credited to renewed pessimism in the future economic situation, but there does also remain noticeable concern about the state of the job market. At 53%, the number of people who believe there will be not many or few jobs available in six months' time reached its highest level this year. This compares to 61% who believe there are currently not many or few jobs available. These concerns are perhaps unsurprising with unemployment figures remaining close to record highs and fears over public sector jobs continuing to grow.

The state of the economy is still a concern for many...

"The emergency Budget is just one of a number of news stories that will have been on the minds of consumers during June, with the BP crisis, BA Union strikes and the continuing sovereign debt crisis in the Eurozone dominating headlines. These will have done little to boost sentiment among consumers and faith in the current economic situation remains close to its record low. Just 6% of consumers believe the current economic situation to be good, while those who believe it to be bad crept up to 72% during the month.

...while spending confidence falls despite World Cup buying

"Official figures showed UK retail sales fell during June despite the onset of the World Cup, which can so often create a flurry of activity on the high street as consumers stock up on food, drink, and new televisions. However, concerns over what was to come out of the emergency Budget may well have led to a more cautious approach to spending during June. By historical levels, confidence in spending remains relatively high. With news that VAT will increase from January and that the Bank of England base rate is likely to remain unchanged over the coming months, consumers may feel encouraged to spend more over the second half of this year. Nonetheless, consumer willingness to spend remains part of a fine balancing act with the employment situation and levels of disposable income."

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June 2010

Nationwide Consumer Confidence Index

The Nationwide Consumer Confidence Index fell by three points in June from 66 to 63 (research took place from 24 May 2010 to 20 June 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.

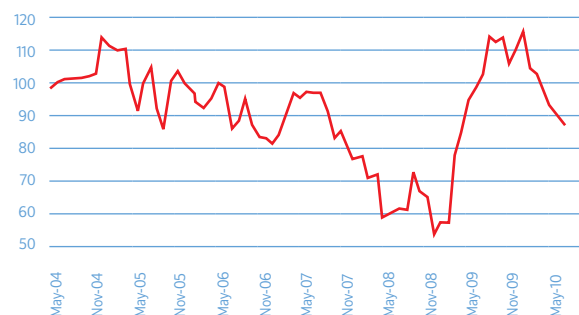
Present Situation Index (Chart 2): reflects sentiment about the current economic and employment situation. This Index increased by one point in June to 24. The proportion of consumers that believe the current economic situation is bad rose by five percentage points during the month to 72%. However, the percentage of consumers who believe there are many or some jobs available rose by two percentage points to 28% in June, reversing the fall seen in May.

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 six points to 88 in June. The proportion of people who believe the economic situation will be worse than today in six months' time increased by two percentage points to 24% in June. The percentage of people who believe there will be many or some jobs available in six months' time fell by six percentage points to 23%.

Chart 3 - Expectations Index



Spending Index (Chart 4): reflects sentiment about spending on household goods and major purchases. The Spending Index decreased by five points in June to 95. The number of consumers that believe now is a bad time to make a major purchase rose by three percentage points in June to 40%. The number of consumers who believe now is a good time to purchase household goods fell by one percentage point from 38% in May to 37% in June.

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 June, the TNS-RI research for Nationwide took place from 24 May 2010 to 20 June 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	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Nationwide Consumer Confidence Index	97	61	66	69	77	77	77	74	78	84	75	75	66	63
Present Situation Index	98	17	18	19	21	21	24	22	25	29	25	29	23	24
Expectations Index	96	91	98	103	114	114	112	108	113	120	108	106	94	88
Spending Index	97	105	102	105	109	109	109	112	102	98	100	99	100	95

Consumer responses (non-seasonally adjusted)

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

UK Economic Situation - Current														
Good	45%	4%	6%	5%	7%	10%	7%	6%	8%	8%	8%	7%	6%	6%
Neither good nor bad	31%	18%	17%	22%	23%	21%	21%	20%	22%	25%	26%	29%	27%	22%
Bad	20%	76%	75%	72%	69%	68%	70%	73%	69%	65%	64%	62%	67%	72%
Don't know	4%	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%	2%	1%	1%
UK Employment Situation - Current														
Many/Some jobs available	66%	19%	16%	18%	23%	22%	22%	19%	22%	25%	22%	28%	26%	28%
Neither many nor few	10%	8%	8%	9%	8%	9%	8%	9%	8%	11%	10%	9%	11%	9%
Not many/few jobs available	20%	68%	74%	71%	66%	66%	67%	70%	67%	61%	65%	61%	59%	61%
Don't know	5%	4%	3%	2%	3%	3%	3%	3%	2%	3%	3%	4%	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%	33%	34%	39%	42%	41%	34%	36%	39%	33%	29%	30%	27%
Same	50%	42%	44%	45%	42%	41%	43%	44%	45%	44%	48%	52%	45%	47%
Worse than today	30%	23%	21%	21%	18%	15%	14%	19%	17%	15%	16%	15%	22%	24%
Don't know	5%	3%	3%	1%	1%	2%	2%	3%	2%	2%	3%	4%	4%	2%
UK Employment Situation - 6 months' time														
Many/Some jobs available	57%	22%	20%	23%	27%	28%	27%	25%	29%	31%	25%	28%	29%	23%
Neither many nor few	17%	21%	18%	20%	21%	17%	18%	19%	20%	23%	23%	24%	22%	21%
Not many/few jobs available	21%	54%	60%	56%	50%	52%	52%	53%	50%	43%	48%	45%	46%	53%
Don't know	4%	2%	2%	1%	2%	3%	3%	2%	2%	2%	3%	3%	3%	1%
Household income - 6 months' time														
- Higher	26%	13%	16%	14%	18%	17%	15%	17%	17%	19%	18%	17%	14%	15%
- Same	65%	71%	68%	72%	70%	71%	73%	69%	69%	69%	69%	69%	70%	68%
- Lower	9%	15%	14%	13%	10%	11%	11%	13%	13%	10%	11%	13%	14%	15%
- Don't know	1%	1%	2%	2%	1%	1%	1%	1%	1%	1%	2%	1%	2%	2%

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%	40%	35%	33%	39%	36%	37%	35%	32%	30%	32%	30%	30%	29%
- Neither good nor bad	27%	21%	19%	23%	22%	25%	26%	25%	28%	29%	30%	34%	32%	29%
- Bad time to buy	45%	38%	43%	40%	37%	37%	34%	38%	38%	37%	36%	33%	37%	40%
- Don't know	1%	2%	2%	5%	1%	2%	2%	2%	2%	3%	3%	2%	2%	2%
Spending confidence - Household goods e.g. white/brown goods														
- Good time to buy	58%	42%	40%	39%	42%	39%	39%	42%	45%	39%	35%	36%	38%	37%
- Neither good nor bad	33%	43%	41%	44%	42%	44%	44%	42%	41%	47%	47%	51%	50%	50%
- Bad time to buy	7%	13%	16%	13%	14%	15%	15%	13%	12%	13%	13%	11%	10%	11%
- Don't know	1%	2%	3%	3%	2%	3%	3%	2%	2%	3%	3%	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	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Nationwide Consumer Confidence Index	100	63	65	66	78	81	78	70	75	83	75	77	69	64
Present Situation Index	100	18	17	17	23	25	23	20	24	27	24	28	25	26
Expectations Index	100	93	96	98	114	118	115	104	109	121	109	110	98	90
Spending Index	100	110	99	100	109	105	109	105	104	102	102	105	102	99

Note to editors:

Nationwide's Consumer Confidence Index is based on a monthly survey representative of the UK population. For June, the TNS-RI research for Nationwide took place from 24 May 2010 to 20 June 2010 with 1,000 people.