

# Nationwide CONSUMER CONFIDENCE INDEX

in partnership with TNS-RI



April 2011

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

## Little change to confidence in April despite return to growth

Nationwide Building Society, the UK's third largest mortgage and savings provider, today releases its Consumer Confidence Index for April 2011.

### Little change to the Index in April

- Consumer confidence fell back by a modest two points in April following March bounce
- Confidence still only four points above its record low seen in February 2011
- Small changes in the Index suggest some stability, but at a depressed level

### Economic fragility remains

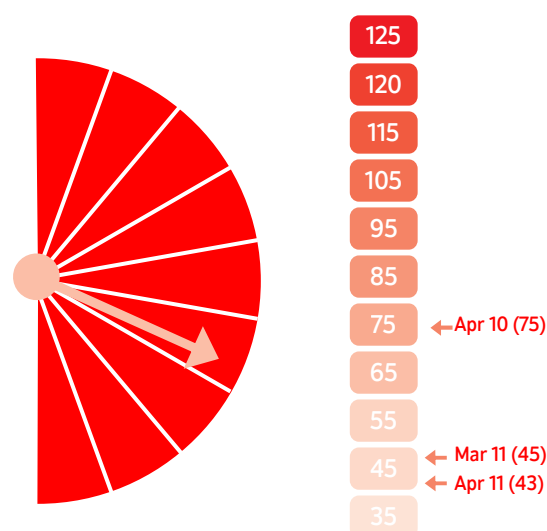
- The Budget and news on UK economic growth failed to push confidence up in April
- Continued labour market weakness and subdued wage growth suggest conditions remain difficult for consumers
- The Spending Index saw the biggest fall in April, losing five points over the month

### Housing market expectations

- Consumers continue to show caution towards the housing market
- They expect the value of their homes to fall by 1.1% over the next six months. This compares to a decrease of 0.9% they expected in March 2011

	Apr 11	Mar 11
Nationwide Consumer Confidence Index	43	45
- Present Situation Index	19	21
- Expectations Index	58	60
- Spending Index	62	67

Note: seasonally adjusted



**Robert Gardner, Nationwide's chief economist, said:**

"Consumer confidence remained subdued in April and continues to hover precariously close to the record low seen in February. At 43, the Index stands some 32 points lower than at the same stage last year, and 37 points below its long-run average. Clearly, consumers are still feeling downbeat about the current situation and there is little to suggest that they expect things to improve much over the coming months. However, the data does suggest a degree of stability, with only small movements seen across the various measures in April.

"The past 12 months have seen confidence progressively fall back towards the lows recorded during the recession. It now seems fairly safe to say that the up tick we saw in March was not the beginning of any sustained resurgence in confidence. It may be some time yet before we begin to see this emerge.

#### Media enquiries to:

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## Fears of a double-dip recession dispelled...

“Recent figures showing that the economy returned to growth in the first quarter of 2011 helped allay fears that the UK is heading back into recession. The increase was driven by stronger performance in the manufacturing and service sectors and served to reverse the fall seen in the fourth quarter of last year. While positive, the rebound in growth was muted and clearly did little to act as a positive boost to confidence in April.

“Weak growth and higher inflation has been a difficult combination for confidence over the past twelve months. At the release of the Bank of England’s Inflation Report, Mervyn King expressed familiar sentiments – namely that UK growth is likely to be weaker and inflation higher in the months ahead than had previously been expected. If this proves to be correct we may begin to see further downward pressure on the Index before the economic climate starts to brighten.

## ...but pressures remain on consumer spending

“Labour market conditions play a key role in determining consumer sentiment and behaviour, and so far developments have been mixed in 2011.

“In the quarter to April 2011 unemployment fell for the first time since last autumn. Although, this came on the back of unemployment reaching a 17 year high in the three months to January.

“At the same time, wage growth remains weak. Inflation is roughly double annual earnings growth, meaning that consumers still lack the spending power to help drive the economy forward. This is echoed in April’s data. The Spending Index fell by five points – mainly driven by lower confidence towards major purchases such as a house or car – while sentiment towards future household income remains at a relatively low level.

## Consumers remain cautious about the future of the housing market

“Consumers’ expectations towards the future of the housing market remained in negative territory for the seventh consecutive month in April. Consumers expect the value of their homes to fall by 1.1% over the next six months.

“The housing market has now remained fairly static since last summer. There is still little evidence to suggest that price declines will accelerate in the months ahead, while a strong rebound in the market remains unlikely as the recovery is still expected to remain modest by historic standards. In our view, the most likely outcome is that house prices will continue to move sideways or drift modestly lower through the remainder of 2011.”

## Consumer house price forecast

Report month	% change over next six months
Apr-10	1.0
May-10	1.0
June-10	0.7
July-10	0.4
Aug-10	-0.1
Sept-10	0.1
Oct-10	-0.9
Nov-10	-1.4
Dec-10	-0.9
Jan-11	-1.1
Feb-11	-1.1
Mar-11	-0.9
Apr-11	-1.1

For a full breakdown of historical data for the Nationwide Consumer Confidence Index since May 2004 visit:

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

To view the Nationwide House Price Index, including historical figures and reports, visit:

[www.nationwide.co.uk/hpi](http://www.nationwide.co.uk/hpi)

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## Nationwide Consumer Confidence Index

The Nationwide Consumer Confidence Index fell by two points in April from 45 to 43 (research took place from 21 March 2011 to 21 April 2011).

**Chart 1 - Nationwide Consumer Confidence Index**

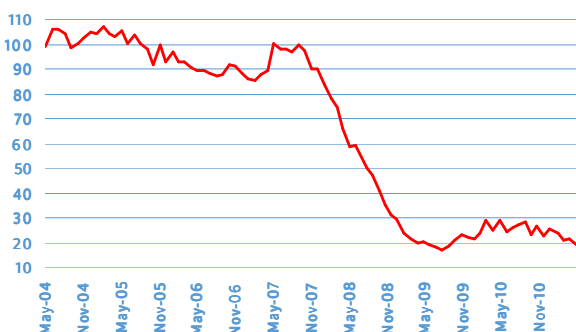


## Sub-Indices

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

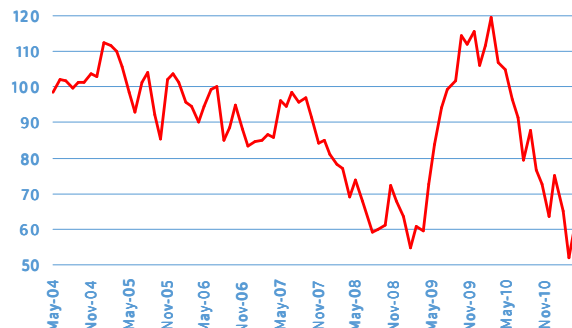
**Present Situation Index** (Chart 2): reflects sentiment about the current economic and employment situation. This Index fell by two points to 19 in April. The proportion of consumers that believe the current economic situation is bad fell by one percentage point during the month to 69%. The percentage of consumers who believe there are many or some jobs available fell by four percentage points to 18% in April.

**Chart 2 - Present Situation Index**



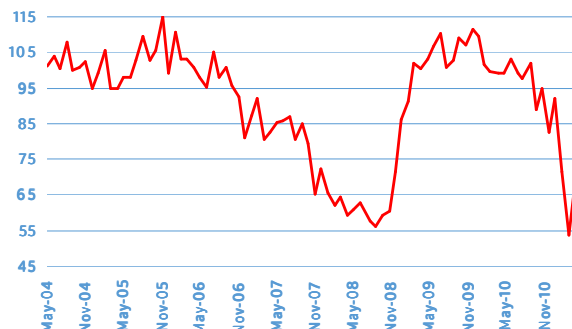
**Expectations Index** (Chart 3): reflects sentiment about the economy, labour market and household income over the next six months. This index decreased by two points to 58 in April. The proportion of people who believe the economic situation will be worse than today in six months' time increased by one percentage point to 39% in April. The percentage of people who believe there will be many or some jobs available in six months' time rose by one percentage point to 20%.

**Chart 3 - Expectations Index**



**Spending Index** (Chart 4): reflects sentiment about spending on household goods and major purchases. The Spending Index fell by five points in April to 62. The percentage of consumers that believe now is a good time to make a major purchase fell by three percentage points in April to 20%. The proportion of consumers who believe now is a good time to purchase household goods increased by one percentage point during April to 24%.

**Chart 4 - Spending Index**



## The Nationwide Consumer Confidence Index:

The Nationwide Consumer Confidence Index (NCCI) 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 April, the TNS-RI research for Nationwide took place from 21 March 2011 to 21 April 2011 with 1,002 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](http://www.nationwide.co.uk/consumer_confidence)

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

	2004		2010							2011				
	May	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Nationwide Consumer Confidence Index	99	75	68	65	58	64	55	54	47	55	49	39	45	43
Present Situation Index	99	29	24	26	27	28	23	27	22	25	24	21	21	19
Expectations Index	99	105	96	91	80	88	77	73	64	75	65	52	60	58
Spending Index	101	99	103	99	97	102	89	95	83	92	71	54	67	62

## Consumer responses (non-seasonally adjusted)

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

UK Economic Situation - Current														
Good	45%	7%	6%	6%	6%	6%	6%	7%	7%	7%	6%	5%	5%	5%
Neither good nor bad	31%	29%	27%	22%	25%	30%	27%	28%	24%	29%	27%	20%	23%	25%
Bad	20%	62%	67%	72%	68%	62%	65%	64%	69%	63%	67%	75%	70%	69%
Don't know	4%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	0%	1%	1%
UK Employment Situation - Current														
Many/some jobs available	66%	28%	26%	28%	28%	27%	25%	28%	22%	23%	24%	21%	22%	18%
Neither many nor few	10%	9%	11%	9%	9%	11%	12%	11%	13%	12%	11%	8%	8%	12%
Not many/few jobs available	20%	61%	59%	61%	60%	58%	60%	58%	64%	63%	63%	69%	68%	67%
Don't know	5%	4%	3%	3%	3%	3%	2%	3%	2%	3%	2%	2%	2%	2%

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

UK Economic Situation - six months' time														
Good	15%	29%	30%	27%	23%	26%	22%	23%	19%	21%	17%	14%	18%	18%
Neither good nor bad	50%	52%	45%	47%	46%	47%	46%	47%	42%	45%	44%	42%	41%	41%
Bad	30%	15%	22%	24%	28%	26%	31%	29%	38%	32%	36%	42%	38%	39%
Don't know	5%	4%	4%	2%	2%	2%	2%	2%	1%	1%	2%	2%	2%	2%
UK Employment Situation - six months' time														
Many/some jobs available	57%	28%	29%	23%	24%	23%	20%	27%	19%	20%	22%	18%	19%	21%
Neither many nor few	17%	24%	22%	21%	17%	21%	20%	18%	19%	21%	20%	17%	16%	20%
Not many/few jobs available	21%	45%	46%	53%	57%	54%	58%	55%	62%	56%	58%	63%	63%	58%
Don't know	4%	3%	3%	1%	2%	2%	2%	1%	1%	2%	2%	1%	2%	2%
Household income - six months' time														
Higher	26%	17%	14%	15%	14%	12%	17%	14%	13%	15%	13%	13%	14%	15%
Same	65%	69%	70%	68%	64%	72%	65%	67%	65%	66%	66%	66%	65%	65%
Lower	9%	13%	14%	15%	21%	15%	16%	19%	20%	17%	19%	20%	20%	19%
Don't know	1%	1%	2%	2%	1%	1%	2%	1%	2%	2%	2%	1%	1%	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%	30%	30%	29%	25%	30%	25%	27%	22%	25%	22%	17%	23%	20%
Neither good nor bad	27%	34%	32%	29%	34%	31%	31%	31%	31%	28%	25%	28%	25%	30%
Bad time to buy	45%	33%	37%	40%	39%	38%	43%	40%	44%	46%	51%	54%	51%	47%
Don't know	1%	2%	2%	2%	3%	2%	2%	2%	3%	1%	2%	1%	1%	3%
Spending confidence - Household goods e.g. white/brown goods														
Good time to buy	58%	36%	38%	37%	40%	40%	35%	35%	31%	43%	35%	21%	23%	24%
Neither good nor bad	33%	51%	50%	50%	46%	46%	50%	51%	51%	41%	40%	51%	51%	52%
Bad time to buy	7%	11%	10%	11%	11%	12%	12%	13%	16%	15%	22%	26%	22%	22%
Don't know	1%	2%	2%	2%	2%	2%	2%	2%	2%	1%	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		2010							2011				
	May	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
<b>Nationwide Consumer Confidence Index</b>	100	77	69	64	57	61	56	58	47	53	47	39	46	45
<b>Present Situation Index</b>	100	28	25	26	27	27	26	29	23	24	24	19	21	19
<b>Expectations Index</b>	100	110	98	90	77	84	76	78	63	73	63	53	62	63
<b>Spending Index</b>	100	105	102	99	96	100	88	92	80	88	74	56	69	68

### Note to editors

Nationwide's Consumer Confidence Index is based on a monthly survey representative of the UK population. For April, the TNS-RI research for Nationwide took place from 21 March 2011 to 21 April 2011 with 1,002 people.

