



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



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

**January 2010**

**\*\*\*STRICTLY EMBARGOED UNTIL 00.01 AM WEDNESDAY 3 FEBRUARY 2010\*\*\***

### "Confidence increases in January"

#### CONFIDENCE RISES IN JANUARY

- Consumer confidence recorded a three point increase in January to 73 – almost double the level of confidence recorded during the same period last year (39%).
- The Present Situation Index rose by three points to 23 in January, following a one point fall in December.
- The Spending Index fell sharply from 108 in December to 96 in January.

#### THE PRESENT SITUATION IMPROVES

- Nearly a quarter (22%) of those questioned believe there are many or some jobs available, compared to 19% in December.
- 69% believe the current economic situation to be bad, compared to 73% in December and 82% at the same time last year.

#### SPENDING CONFIDENCE FALLS

- The percentage of those believing now is a good time to make a major purchase fell from 35% in December to 32% in January.
- While consumers continue to show a willingness to spend on household goods, they don't appear to be as confident as they have been when compared to this time of year historically.

#### MARTIN GAHBAUER, NATIONWIDE'S CHIEF ECONOMIST, SAID:

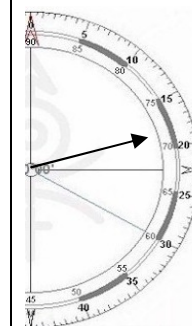
"The dip in confidence last month was a timely reminder that consumers remain cautious about the speed at which the UK will recover from what has been a longer and deeper recession than many expected. Positive signs from the manufacturing sector and labour market may have helped boost confidence during January, but confidence is likely to remain fragile for some months to come. Heavy discounting on the high street and government driven incentives such as lower VAT, the car scrappage scheme and the stamp duty holiday combined to keep the Spending Index buoyant throughout much of 2009. The removal of these initiatives may now be causing consumers to reconsider parting with their cash at a time of year when we would normally expect to see high levels of spending confidence."

#### NATIONWIDE MPC FORECAST PROBABILITY OF BASE RATE CHANGE

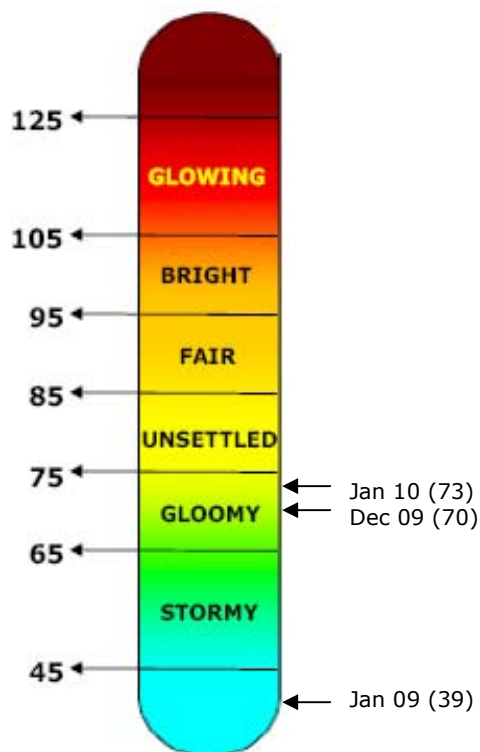
No change	95%
0.25% up	5%

#### JANUARY CONSUMER CONFIDENCE

"Consumer confidence rose by three points in January"



#### NATIONWIDE CONFIDENCE BAROMETER





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## **Fall in spending confidence dents rosy start to 2010**

### **Confidence starts the New Year on the rise**

Despite a downward stutter last month, the Nationwide Consumer Confidence Index recorded a three point increase in January to 73, almost double the level of confidence recorded during the same period last year (39%). While the Present Situation and Expectations indices both ticked up to 23 and 107 respectively, confidence in spending fell away sharply during the month and dropped to 96 in January from 108 in December.

	January 2010	December 2009
Nationwide Consumer Confidence Index	73	70
- Present Situation Index	23	20
- Expectations Index	107	103
- Spending Index	96	108

Note: seasonally adjusted

Expectations about house prices rose slightly in January, with consumers expecting the value of their home to increase by 1.1% over the next six months, compared to 1.0% in December.

### **Martin Gahbauer, Nationwide’s chief economist, said:**

“The dip in confidence last month was a timely reminder that consumers remain cautious about the speed at which the UK will recover from what has been a longer and deeper recession than many expected. Positive signs from the manufacturing sector and labour market may have helped boost confidence during January, but confidence is likely to remain fragile for some months to come. Heavy discounting on the high street and government driven incentives such as lower VAT, the car scrappage scheme and the stamp duty holiday combined to keep the Spending Index buoyant throughout much of 2009. The removal of these initiatives may now be causing consumers to reconsider parting with their cash at a time of year when we would normally expect to see high levels of spending confidence.”

### **Confidence in the present situation gradually improves**

After a turbulent 12 months for the Present Situation Index, consumers are once again starting to feel more confident about the current economic and employment situation. Nearly a quarter (22%) of those questioned believe there are many or some jobs available and 69% believe the current economic situation to be bad, compared to 73% in December and 82% in January last year.

### **Positive sentiment towards the future**

Views about the future economic and employment situation were largely upbeat during January with 36% believing the economic situation would be better in six months time, compared to 34% last month and just 17% in January 2009. The number of those believing there will be more jobs in the future increased by four percentage points in January to 29% – the highest percentage since June 2008. Half of those questioned (50%) believe there will be few jobs available in six months time – the figure appears to be large, but when compared to 53% in December and 67% during the same period last year, it shows that sentiment is gradually improving.

### **Spending confidence not as robust as in previous years**

The figures this month appear to show that movements in spending confidence were relatively small, with the percentage of those believing now is a good time to make a major purchase falling from 35% in December to 32% in January. Confidence towards purchasing household goods even ticked up, with 45% believing now is a good time to buy compared to 42% in the previous month.

The twelve point drop in the Spending Index is largely due to seasonal adjustment, which identifies and accounts for how yearly and seasonal trends can affect consumer confidence. In previous years we have typically seen spending confidence in January increase significantly. So, while consumers continue to show a willingness to spend, they do not appear to be as confident as they have been when compared to this time of year historically. The removal of various government stimulus measures including lower VAT may have had an impact, but we may also be seeing consumers preferring to pay off debt rather than make large purchases following the festive period.



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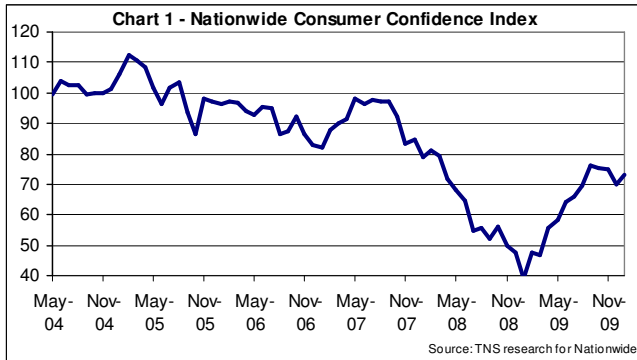
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## Nationwide Consumer Confidence Index

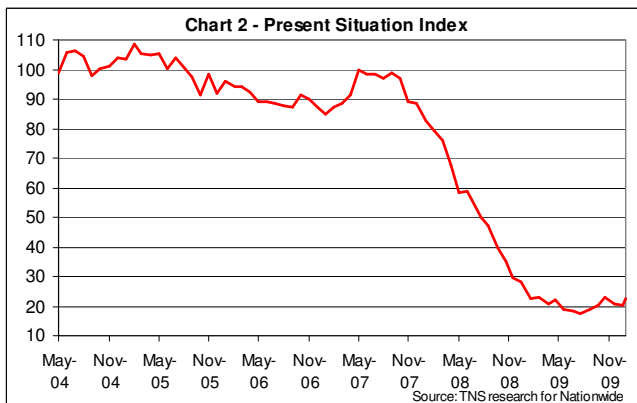
The Nationwide Consumer Confidence Index increased by three points in January from 70 to 73 (research took place from 21 December 2009 to 17 January 2010).



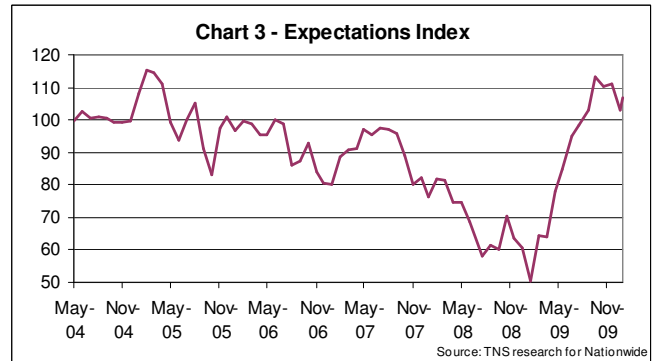
## Sub-Indices

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

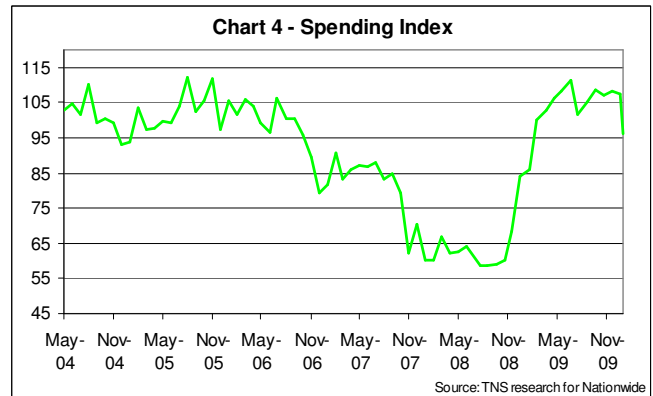
**Present Situation Index** (Chart 2): reflects sentiment about the current economic and employment situation. This Index increased by three points in January to 23. The proportion of consumers that believe the current economic situation is bad decreased by four percentage points on the previous month to 69%. The percentage of consumers who believe there are now not many or few jobs available fell from 70% in December to 67% in January.



**Expectations Index** (Chart 3): reflects sentiment about the economy, labour market and household income over the next six months. This index rose by four points to 107 in January. Over a third (36%) of people believe the economic situation will be better in six months' time, an increase of two percentage points from December. The percentage of people who believe there will be many or some jobs available in six months' time, increased from 25% in December to 29% in January.



**Spending Index** (Chart 4): reflects sentiment about spending on household goods and major purchases. The Spending Index fell by 12 points in January. The number of consumers that believe now is a good time to make a major purchase fell by three percentage points in January to 32%. The number of consumers who believe now is a good time to purchase household goods increased by three points to 45% in January.



## 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 January, the TNS-RI research for Nationwide took place from 21 December 2009 to 17 January 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.

**Next monthly Nationwide Consumer Confidence Index scheduled for release at: 00.01hrs on 3 March 2010.**

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 May	2009 Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	2010 Jan
<b>Nationwide Consumer Confidence Index</b>	99	39	48	47	56	58	64	66	69	76	75	75	70	73
<b>Present Situation Index</b>	99	23	23	21	22	19	18	17	19	20	23	21	20	23
<b>Expectations Index</b>	99	50	64	64	78	85	95	98	103	113	110	111	103	107
<b>Spending Index</b>	103	86	100	103	106	108	111	102	105	109	107	108	108	96

### Consumer responses (non-seasonally adjusted)\*

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

##### UK Economic Situation - Current

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

##### UK Employment Situation - Current

- Many/Some jobs available	66%	23%	23%	21%	20%	20%	19%	16%	18%	23%	22%	22%	19%	22%
- Neither many nor few available	10%	12%	10%	11%	8%	8%	8%	8%	9%	8%	9%	8%	9%	8%
- Not many/few jobs available	20%	61%	64%	66%	68%	68%	68%	74%	71%	66%	66%	67%	70%	67%
- Don't know	5%	4%	3%	3%	3%	4%	4%	3%	2%	3%	3%	3%	3%	2%

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

##### UK Economic Situation - 6 months' time

- Better than today	15%	17%	19%	19%	26%	28%	33%	33%	34%	39%	42%	41%	34%	36%
- Same	50%	29%	34%	39%	41%	42%	42%	44%	45%	42%	41%	43%	44%	45%
- Worse than today	30%	53%	43%	41%	32%	28%	23%	21%	21%	18%	15%	14%	19%	17%
- Don't know	5%	2%	3%	1%	2%	2%	3%	3%	1%	1%	2%	2%	3%	2%

##### UK Employment Situation - 6 months' time

- Many/Some jobs available	57%	15%	18%	19%	19%	22%	22%	20%	23%	27%	28%	27%	25%	29%
- Neither many or few available	17%	15%	16%	14%	16%	18%	21%	18%	20%	21%	17%	18%	19%	20%
- Not many/few jobs available	21%	67%	65%	65%	62%	57%	54%	60%	56%	50%	52%	52%	53%	50%
- Don't know	4%	3%	2%	1%	3%	3%	2%	2%	1%	2%	3%	3%	2%	2%

##### Household income - 6 months' time

- Higher	26%	14%	17%	14%	14%	14%	13%	16%	14%	18%	17%	15%	17%	17%
- Same	65%	66%	65%	67%	70%	70%	71%	68%	72%	70%	71%	73%	69%	69%
- Lower	9%	18%	17%	18%	15%	15%	15%	14%	13%	10%	11%	11%	13%	13%
- Don't know	1%	2%	1%	2%	2%	1%	1%	2%	2%	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%	33%	38%	38%	42%	39%	40%	35%	33%	39%	36%	37%	35%	32%
- Neither good nor bad	27%	15%	18%	16%	19%	20%	21%	19%	23%	22%	25%	26%	25%	28%
- Bad time to buy	45%	51%	41%	44%	38%	38%	38%	43%	40%	37%	37%	34%	38%	38%
- Don't know	1%	2%	2%	2%	2%	3%	2%	2%	5%	1%	2%	2%	2%	2%

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

- Good time to buy	58%	50%	46%	43%	42%	41%	42%	40%	39%	42%	39%	39%	42%	45%
- Neither good nor bad	33%	32%	36%	39%	40%	39%	43%	41%	44%	42%	44%	44%	42%	41%
- Bad time to buy	7%	16%	16%	16%	15%	17%	13%	16%	13%	14%	15%	15%	13%	12%
- Don't know	1%	2%	1%	2%	2%	3%	2%	3%	3%	2%	3%	3%	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 May	2009 Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	2010 Jan
<b>Nationwide Consumer Confidence Index</b>	100	41	45	45	54	59	63	65	66	78	81	78	70	75
<b>Present Situation Index</b>	100	24	20	19	19	20	18	17	17	23	25	23	20	24
<b>Expectations Index</b>	100	52	61	61	78	85	93	96	98	114	118	115	104	109
<b>Spending Index</b>	100	94	104	103	109	106	110	99	100	109	105	109	105	104

**Note to editors:**

Nationwide's Consumer Confidence Index is based on a monthly survey representative of the UK population. For January, the TNS-RI research for Nationwide took place from 21 December 2009 to 17 January 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.

