



Nationwide Consumer Confidence Index in partnership with TNS



www.nationwide.co.uk/consumer_confidence

December 2008

*****STRICTLY EMBARGOED UNTIL 00.01 AM TUESDAY 6 JANUARY 2009*****

“Confidence falls in December”

CONSUMER CONFIDENCE REMAINS LOW

- The Consumer Confidence Index dropped by 8% in December to 47, down from 51 in November.
- In contrast, the Spending Index rose sharply during the month increasing by 24% from 66 to 82.
- The Expectations Index fell by 6% to 60 and the Present Situation Index fell by 7% to 28 in December.

SPENDING CONFIDENCE INCREASES AS HIGH STREETS START DISCOUNTING

- The number of consumers who think now is a good time to buy household goods rose from 28% to 41% in December.

REALISTIC EXPECTATIONS ON HOUSEHOLD INCOME

- The percentage of those believing their household income will be lower in six months time increased by three percentage points during December up from 16% to 19%, the largest monthly change for over a year.

CONCERN CONTINUES AROUND THE LABOUR MARKET AND ECONOMY

- Nearly half (49%) of those questioned think that the economic situation will be worse in six months time.
- Just under two thirds (63%) believe there will be few jobs available in six months time, up from 59% in November.

FIONNUALA EARLEY, NATIONWIDE'S CHIEF ECONOMIST, SAID:

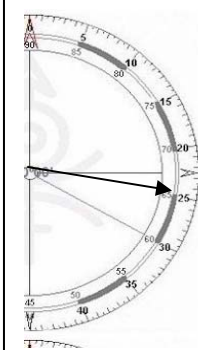
“Consumers’ confidence fell sharply in 2008, driven mainly by their sentiment about the economic and labour market situation. As the UK enters recession it is likely to be some time before we see confidence returning to levels seen in 2007. However, we are starting to see signs that consumers are preparing for the challenges they may face in 2009 and this is likely to become more evident in the coming months as people take stock of how current and future economic conditions may impact on their personal circumstances.”

NATIONWIDE MPC FORECAST PROBABILITY OF BASE RATE CHANGE

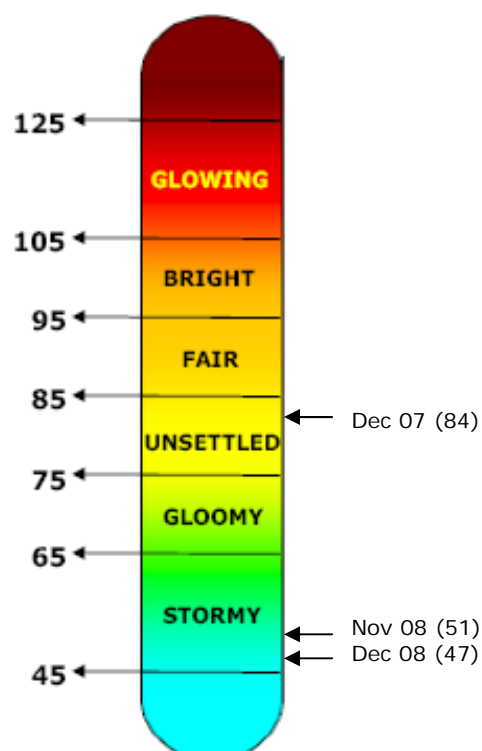
1.00% down	10%
0.75% down	60%
0.50% down	20%
0.25% down	5%
0% down	5%

DECEMBER CONSUMER CONFIDENCE

“Consumer confidence ticked down four points in December”



NATIONWIDE CONFIDENCE BAROMETER





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A bumpy ride for consumer confidence in 2008

Consumer confidence ticks down four points in December

The last consumer confidence report of 2008 shows that confidence fell further from 51 to 47 during December. Confidence in the labour market continues to dominate the overall index and news of troubled retailers and redundancies in the motor industry are likely to have affected sentiment during the month.

Despite this, the Spending Index rose sharply during December suggesting that consumers believe that now is a good time to buy household items such as white and brown goods (for example, fridges and televisions etc). A flurry of pre-Christmas discounting seems to have improved confidence. However, recognising that now is a good time to buy may not always indicate a willingness to part with hard cash.

	December 2008	November 2008
Nationwide Consumer Confidence Index	47	51
- Present Situation Index	28	30
- Expectations Index	60	64
- Spending Index	82	66

Note: Seasonally adjusted

Fionnuala Earley, Nationwide's chief economist, said:

"Consumers' confidence fell sharply in 2008, driven mainly by their sentiment about the economic and labour market situation. As the UK enters recession it is likely to be some time before we see confidence returning to levels seen in 2007. However, we are starting to see signs that consumers are preparing for the challenges they may face in 2009 and this is likely to become more evident in the coming months as people take stock of how current and future economic conditions may impact on their personal circumstances."

Spending confidence increases as high streets start discounting

During December the Spending Index rose significantly. This is puzzling given the economic situation but is likely to reflect heavy discounting on the high street. The percentage of those believing now is a good time to buy household goods increased by 13 percentage points during the month, up from 28% to 41%. Elsewhere in the Spending Index, confidence to make a major purchase such as a house or car also rose slightly. The percentage of consumers believing now is a bad time to make such a purchase fell seven percentage points to 51%, perhaps in recognition that falling house prices will help improve affordability for some.

Realistic expectations emerge on household income

Consumers finally seem to be recognising that the weakening economic situation will affect their incomes. The percentage of those believing their household income will be lower in six months time increased by three percentage points during December, up from 16% to 19%, the largest monthly change for over a year. These are the first signs that consumers are now factoring in tougher times ahead and taking a realistic approach to how the ongoing economic conditions may affect them.

Concern continues around the labour market and economy

Not surprisingly, sentiment about the economic situation remained gloomy during December. Nearly half (49%) of those questioned think that the economic situation will be worse in six months time. Views on the labour market also remained largely pessimistic with nearly two thirds (63%) believing there will be few jobs available in six months time, up from 59% in November.

Expectations about house prices over the next six months showed a marked improvement in December. Consumers now expect prices to fall by 4.9% over the next six months, compared with 5.4% in November.

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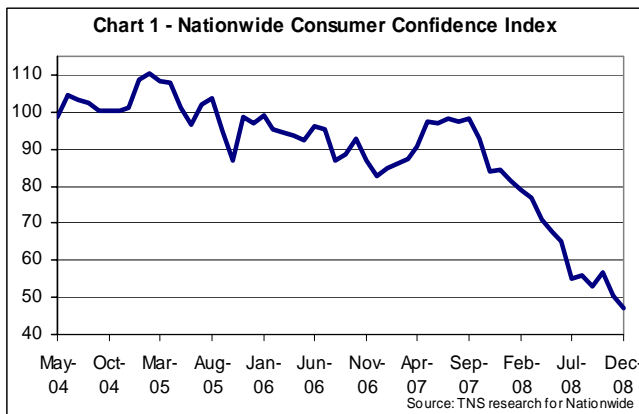
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Nationwide Consumer Confidence Index

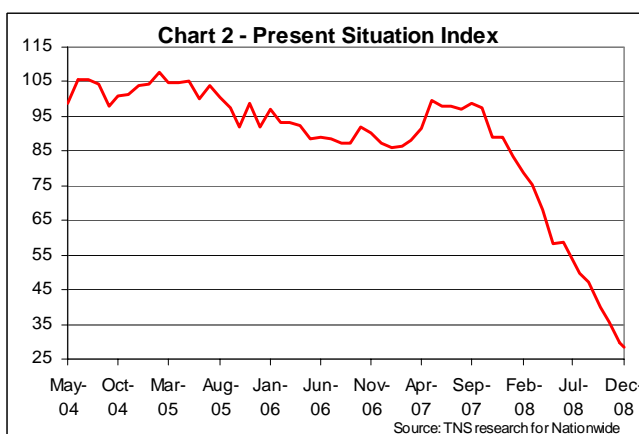
The Nationwide Consumer Confidence Index fell by four points in December from 51 to 47 (research took place from 17 November to 14 December 2008).



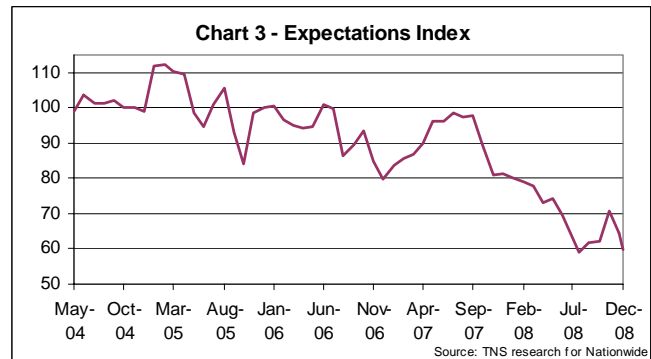
Sub-Indices

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

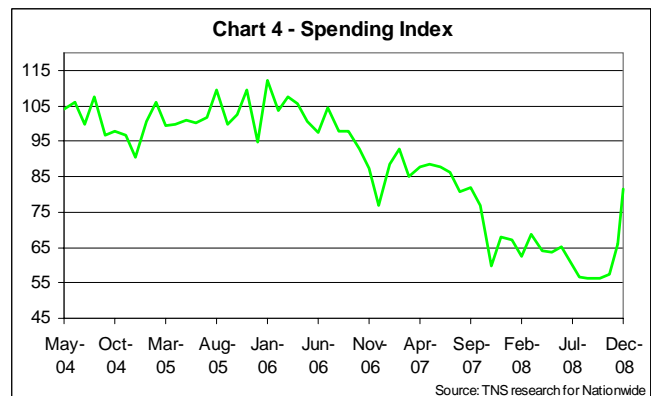
Present Situation Index (Chart 2): reflects sentiment about the current economic and employment situation. This Index dropped two points in December to 28. 75% of consumers believe that the current economic situation is bad compared to 76% last month. The number of consumers who believe there are now few jobs available rose from 49% in November to 57% in December.



Expectations Index (Chart 3): reflects sentiment about the economy, labour market and household income over the next six months. This index dropped from 64 in November to 60 in December. 49% of consumers believe that the economy will be worse in six months time compared to 45% in November. People are less confident about the future employment situation with 63% believing there will be few jobs available in six months time compared to 59% in November.



Spending Index (Chart 4): reflects sentiment about spending on household goods and major purchases. The Spending Index rose from 66 in November to 82 in December. The number of consumers that believe now is a bad time to buy a major purchase fell from 58% in November to 51% in December. The number of consumers that believe it is a good time to buy household goods increased from 28% in November to 41% in December.



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, the market research group that conducts the research for the US index.

*The NCCI Index was first published in May 2004.

For December, the TNS research for Nationwide took place from 17 November to 14 December 2008 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 4 February.

For past reports and methodology see: www.nationwide.co.uk/consumer_confidence



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Nationwide Consumer Confidence Index (seasonally adjusted).

May 2004 = 99.

	2004 May	2007 Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	2008 Dec
Nationwide Consumer Confidence Index	99	84	82	79	77	71	68	65	55	56	53	57	51	47
Present Situation Index	99	89	83	79	75	68	58	59	50	47	40	36	30	28
Expectations Index	99	81	80	79	78	73	74	69	59	62	62	71	64	60
Spending Index	104	68	67	63	69	64	64	65	57	56	56	58	66	82

Consumer responses (non-seasonally adjusted)*

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

UK Economic Situation - Current

- Good	45%	33%	31%	25%	25%	17%	14%	14%	11%	9%	10%	8%	9%	9%
- Normal	31%	40%	41%	39%	41%	42%	32%	32%	26%	25%	23%	16%	15%	15%
- Bad	20%	24%	25%	34%	32%	39%	52%	52%	61%	65%	66%	75%	76%	75%
- Don't know	4%	2%	3%	2%	3%	2%	2%	1%	1%	1%	1%	1%	1%	1%

UK Employment Situation - Current

- Many/Some jobs available	66%	54%	52%	53%	49%	47%	51%	50%	41%	39%	37%	37%	30%	26%
- Neither many nor few available	10%	17%	18%	18%	21%	23%	19%	19%	25%	22%	20%	17%	15%	12%
- Not many/few jobs available	20%	21%	24%	23%	24%	25%	24%	25%	28%	31%	35%	41%	49%	57%
- Don't know	5%	8%	5%	6%	6%	6%	7%	5%	6%	8%	7%	6%	6%	5%

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

UK Economic Situation - 6 months' time

- Better than today	15%	12%	12%	13%	14%	12%	15%	12%	11%	11%	14%	27%	22%	21%
- Same	50%	41%	39%	36%	40%	37%	33%	32%	25%	28%	30%	31%	30%	27%
- Worse than today	30%	42%	44%	46%	43%	45%	46%	53%	60%	57%	53%	38%	45%	49%
- Don't know	5%	5%	5%	5%	4%	5%	5%	3%	3%	4%	3%	4%	3%	3%

UK Employment Situation - 6 months' time

- Many/Some jobs available	57%	44%	36%	39%	38%	32%	35%	37%	28%	28%	25%	22%	21%	21%
- Neither many or few available	17%	26%	26%	25%	25%	32%	25%	26%	26%	21%	21%	18%	17%	14%
- Not many/few jobs available	21%	24%	32%	31%	31%	30%	31%	34%	42%	47%	48%	56%	59%	63%
- Don't know	4%	6%	6%	6%	6%	5%	8%	3%	4%	4%	5%	3%	3%	3%

Household income - 6 months' time

- Higher	26%	28%	27%	24%	25%	24%	21%	16%	17%	17%	16%	15%	16%	15%
- Same	65%	60%	61%	63%	61%	62%	62%	69%	65%	66%	68%	69%	65%	65%
- Lower	9%	11%	10%	11%	12%	13%	15%	14%	16%	16%	14%	14%	16%	19%
- Don't know	1%	1%	1%	1%	3%	1%	2%	1%	2%	1%	3%	2%	3%	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%	16%	13%	11%	14%	15%	14%	18%	17%	14%	18%	18%	26%	27%
- Neither good nor bad	27%	24%	27%	31%	27%	23%	19%	19%	18%	16%	16%	15%	14%	19%
- Bad time to buy	45%	58%	58%	55%	56%	60%	65%	61%	64%	68%	64%	66%	58%	51%
- Don't know	1%	2%	2%	3%	3%	2%	2%	2%	1%	2%	2%	2%	2%	3%

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

- Good time to buy	58%	35%	44%	36%	33%	27%	29%	28%	25%	28%	26%	29%	28%	41%
- Neither good nor bad	33%	48%	40%	49%	52%	56%	50%	49%	51%	46%	49%	41%	43%	33%
- Bad time to buy	7%	14%	11%	12%	11%	12%	16%	20%	21%	23%	21%	27%	26%	23%
- Don't know	1%	3%	4%	3%	3%	5%	4%	3%	3%	3%	3%	3%	3%	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	2007 Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	2008 Dec
Nationwide Consumer Confidence Index	100	85	81	78	77	70	69	63	53	52	53	62	53	48
Present Situation Index	100	88	83	76	74	65	60	59	50	46	43	37	32	28
Expectations Index	100	83	79	79	79	74	75	66	56	56	60	78	67	61
Spending Index	100	68	68	64	67	65	60	63	56	54	59	58	69	82

Note to editors:

Nationwide's Consumer Confidence Index is based on a monthly survey representative of the UK population. For December, the TNS research for Nationwide took place from 17 November to 14 December 2008 with 1,000 people. NFO, now part of TNS, has worked with The US Conference Board since the inception of its consumer confidence index in 1967.

