

Nationwide CONSUMER CONFIDENCE INDEX

in partnership with TNS-RI



Consumer Confidence

March 2011

www.nationwide.co.uk/consumer_confidence

Confidence picks up in March following record low

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

Confidence up over the month

- Consumer confidence rose by five points in March after the Index reached its lowest ever level in February
- Slightly more optimistic views towards the future helped to push the Index a little higher in March, but failed to reverse the significant falls seen in the preceding month
- Consumer assessments of their present situation remain subdued and the Present Situation Index rose by just one point to 21 in March

Spending confidence also improves

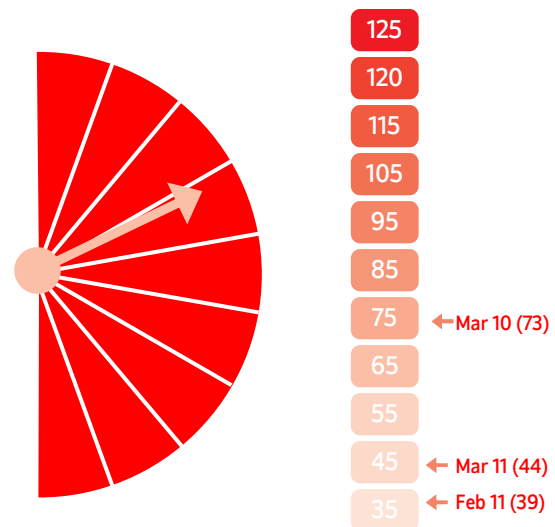
- The Spending Index, which records whether consumers judge this a good time to make household or major purchases, rose to 66 points in March – up 13 points from February's record low
- This is the first time this Index has risen since the introduction of the 20% VAT rate at the beginning of the year
- This could be an indication that consumers are starting to adjust to the impact of the higher VAT rate on their finances

Housing market expectations

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

	Mar 11	Feb 11
Nationwide Consumer Confidence Index	44	39
- Present Situation Index	21	20
- Expectations Index	60	51
- Spending Index	66	53

Note: seasonally adjusted



Robert Gardner, Nationwide's chief economist, said:

"After a fairly dismal start to the year there was some respite in March with consumer confidence picking up from the record lows seen in February. While this is a welcome change in direction, we must remember that the Index remains at a historically low level, and the up tick in March failed to reverse the fall suffered in the previous month. When we compare the Index to its long-term average of 80 points it is clear that we will need to see a succession of increases before we can say that confidence has returned anywhere close to pre-recession levels.

"With the recovery still proving sluggish, it is unlikely that we will see a significant improvement in the coming months. It is far more likely that confidence will remain subdued for several months yet until the economy gains greater momentum.

"Energy price movements and interest rate expectations are likely to play a key role in shaping confidence over the coming months. Oil prices have hit new all-time highs in sterling terms in recent weeks, which will maintain the squeeze on already hard-pressed household budgets.

Media enquiries to:

- Roy Beale, Media Relations Manager, 01793 655689, roy.beale@nationwide.co.uk
- Paul Beadle, Senior Manager, Media Relations, 01793 655189, paul.beadle@nationwide.co.uk



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“News that the Bank of England held rates at 0.5% for another month will be welcomed by many consumers who are currently benefiting from the low base rate environment. However, the Bank of England is expected to start the process of returning interest rates to more normalized levels at some point this year. This won't be bad news for everyone, however, with savers likely to benefit in a rising rate environment. The full impact of higher interest rates on confidence will depend crucially on the economic background against which they take place as well as the size and pace of any increases.

Economy drives March figures

“The improvement in confidence was driven by a slightly more upbeat assessment of consumers' own situation and their expectation for the economy in the months ahead. Nearly 60% of consumers believe conditions will be the same or better in six months' time. Nevertheless, this is still well below the 81% of consumers who felt the same at this time last year.

Pre-Budget spending sentiment up

“Consumers assessed that March was a slightly better time to be buying household goods or to make a major purchase, with the Spending Index picking up for the first time in 2011. Notably, this is the first increase in spending sentiment since the introduction of the 20% VAT rate in January – perhaps an indication that consumers are adjusting to the impact this is having on their own finances.

“The substantial 13 point increase seen in the Spending Index in March illustrates a more optimistic mood in the run up to the Budget. However, this should be viewed in context. While a significant increase, the rise was from an all-time low and failed to fully reverse the decrease seen in February.

“As the field dates for March's survey pre-date the Chancellor's Budget, it won't be until April's figures are available that we will be able to assess how confidence has responded.”

Consumer house price forecast

Report month	% change over next six months
Mar-10	0.9
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

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

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

www.nationwide.co.uk/hpi

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Nationwide Consumer Confidence Index

The Nationwide Consumer Confidence Index rose by five points in March from 39 to 44 (research took place from 21 February 2011 to 20 March 2011).

Chart 1 - Nationwide Consumer Confidence Index

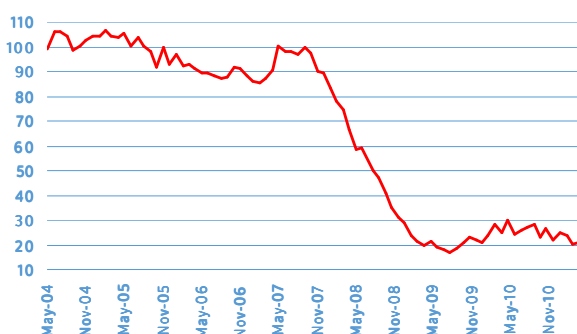


Sub-Indices

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

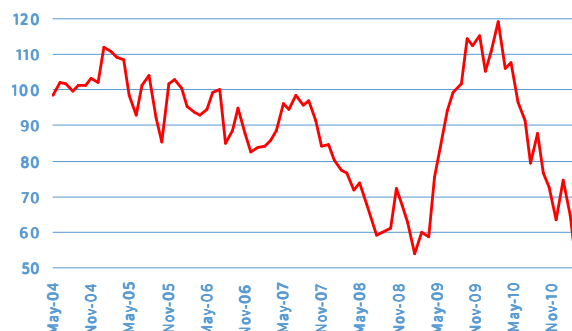
Present Situation Index (Chart 2): reflects sentiment about the current economic and employment situation. This Index rose by one point to 21 in March. The proportion of consumers that believe the current economic situation is bad fell by five percentage points during the month to 70%. The percentage of consumers who believe there are many or some jobs available rose by one percentage point to 22% in March.

Chart 2 - Present Situation Index



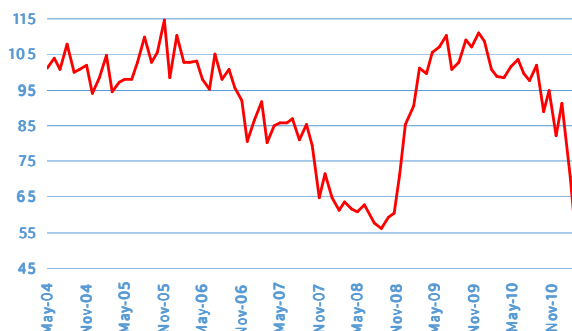
Expectations Index (Chart 3): reflects sentiment about the economy, labour market and household income over the next six months. This index increased by nine points to 60 in March. The proportion of people who believe the economic situation will be better than today in six months' time increased by four percentage points to 18% in March. The percentage of people who believe there will be many or some jobs available in six months' time rose by one percentage point to 19%.

Chart 3 - Expectations Index



Spending Index (Chart 4): reflects sentiment about spending on household goods and major purchases. The Spending Index rose by 13 points in March to 66. The percentage of consumers that believe now is a good time to make a major purchase rose by six percentage points in March to 23%. The proportion of consumers who believe now is a good time to purchase household goods increased by two percentage points during March to 23%.

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 March, the TNS-RI research for Nationwide took place from 21 February 2011 to 20 March 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

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

	2004				2010				2011					
	May	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Nationwide Consumer Confidence Index	99	73	77	68	65	59	64	55	54	47	55	48	39	44
Present Situation Index	99	25	30	24	26	27	28	23	27	22	25	24	20	21
Expectations Index	99	106	108	96	91	80	88	77	73	63	75	65	51	60
Spending Index	101	98	101	103	99	98	102	89	95	82	91	71	53	66

Consumer responses (non-seasonally adjusted)

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

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

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

UK Economic Situation - six months' time														
Good	15%	33%	29%	30%	27%	23%	26%	22%	23%	19%	21%	17%	14%	18%
Neither good nor bad	50%	48%	52%	45%	47%	46%	47%	46%	47%	42%	45%	44%	42%	41%
Bad	30%	16%	15%	22%	24%	28%	26%	31%	29%	38%	32%	36%	42%	38%
Don't know	5%	3%	4%	4%	2%	2%	2%	2%	2%	1%	1%	2%	2%	2%
UK Employment Situation - six months' time														
Many/some jobs available	57%	25%	28%	29%	23%	24%	23%	20%	27%	19%	20%	22%	18%	19%
Neither many nor few	17%	23%	24%	22%	21%	17%	21%	20%	18%	19%	21%	20%	17%	16%
Not many/few jobs available	21%	48%	45%	46%	53%	57%	54%	58%	55%	62%	56%	58%	63%	63%
Don't know	4%	3%	3%	3%	1%	2%	2%	2%	1%	1%	2%	2%	1%	2%
Household income - six months' time														
Higher	26%	18%	17%	14%	15%	14%	12%	17%	14%	13%	15%	13%	13%	14%
Same	65%	69%	69%	70%	68%	64%	72%	65%	67%	65%	66%	66%	66%	65%
Lower	9%	11%	13%	14%	15%	21%	15%	16%	19%	20%	17%	19%	20%	20%
Don't know	1%	2%	1%	2%	2%	1%	1%	2%	1%	2%	2%	2%	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%	32%	30%	30%	29%	25%	30%	25%	27%	22%	25%	22%	17%	23%
Neither good nor bad	27%	30%	34%	32%	29%	34%	31%	31%	31%	31%	28%	25%	28%	25%
Bad time to buy	45%	36%	33%	37%	40%	39%	38%	43%	40%	44%	46%	51%	54%	51%
Don't know	1%	3%	2%	2%	2%	3%	2%	2%	2%	3%	1%	2%	1%	1%
Spending confidence - Household goods e.g. white/brown goods														
Good time to buy	58%	35%	36%	38%	37%	40%	40%	35%	35%	31%	43%	35%	21%	23%
Neither good nor bad	33%	47%	51%	50%	50%	46%	46%	50%	51%	51%	41%	40%	51%	51%
Bad time to buy	7%	13%	11%	10%	11%	11%	12%	12%	13%	16%	15%	22%	26%	22%
Don't know	1%	3%	2%	2%	2%	2%	2%	2%	2%	2%	1%	2%	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		2010							2011				
	May	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Nationwide Consumer Confidence Index	100	75	77	69	64	57	61	56	58	47	53	47	39	46
Present Situation Index	100	24	28	25	26	27	27	26	29	23	24	24	19	21
Expectations Index	100	109	110	98	90	77	84	76	78	63	73	63	53	62
Spending Index	100	102	105	102	99	96	100	88	92	80	88	74	56	69

Note to editors

Nationwide's Consumer Confidence Index is based on a monthly survey representative of the UK population. For March, the TNS-RI research for Nationwide took place from 21 February 2011 to 20 March 2011 with 1,002 people.

