

Nationwide SAVINGS INDEX*



A comprehensive monthly insight into the behaviours of individual savers across the UK.

www.nationwide.co.uk/savingsindex

16 September 2009

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Savings opinions remain unsettled

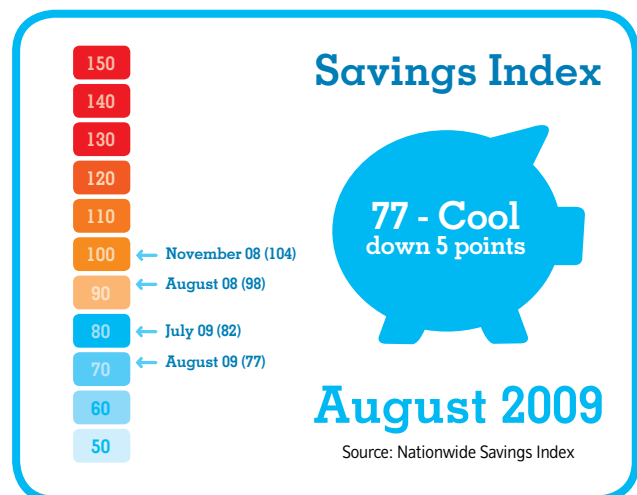
Savings Index drops following earlier optimism

Falls in all four of the Nationwide Savings indices show that the savings market is yet to stabilise.

| | August 2009 |
|-----------------------------|-------------|
| Savings Index | 77 (-5) |
| Importance of Savings Index | 86 (-12) |
| Savings Environment Index | 66 (-5) |
| Future Savings Index | 105 (-1) |

- The **Savings Index** decreased five points to 77.
- The **Importance of Savings Index** decreased 12 points to 86.
 - Fewer people (59%, a decrease of 1% from July) believe saving in general is important.
 - Fewer people (55%, a decrease of 4% from July) believe it is important for them to personally save.
- The **Savings Environment Index** decreased five points to 66.
 - Fewer people (16%, a decrease of 4% from July) believe now is a good time to save given the current economic situation.
 - More people (52%, an increase of 2% from July) believe that now is a bad time to save given the current economic situation.
 - Although more people (49%, an increase of 3%) believe Government policy discourages people from saving, this is still the second lowest figure this year.

- The **Future Savings Index** remained strong and decreased by just one point to 105.
 - The gap between those who believe they will be saving more (18%) and less (20%) in six months' time than they do now is only 2%, beating last month's difference of 3%.
 - The proportion of those who believe they will save about the same as they do now in six months' time ticked up one point at 59%, compared to 48% 12 months earlier.
 - The slight fall in the Future Savings Index was due to a decrease in those who believe they will be able to save 'a lot more' in six months' time (4% to 2%).



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Andy Hutchinson, head of savings at Nationwide, says:

“It is disappointing that the Nationwide Savings Index decreased in August after the rise in the previous month. This suggests that confidence in the savings market is still volatile and yet to stabilise, despite our earlier optimism.

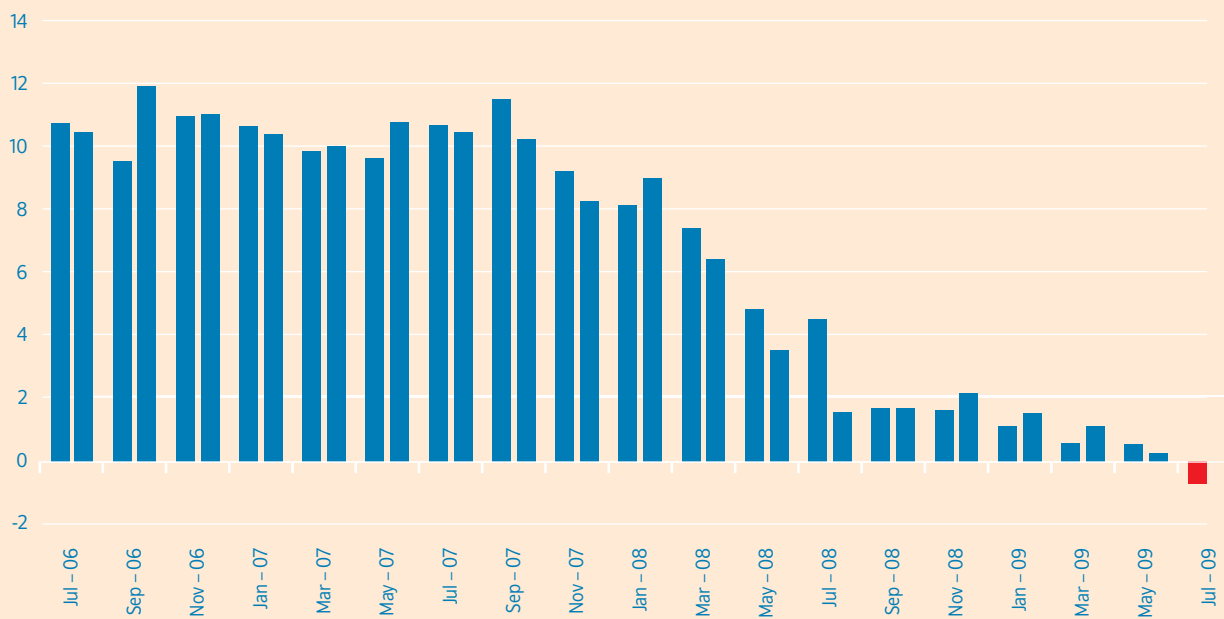
“The 12 point decrease in the Importance of Savings Index nearly wipes out the 13 point increase from the previous month. This was largely due to a reduction in the number of people who believe it is important for them to personally save. However, with the difficult economic climate continuing, it is still important for people to save where possible.

“Consumers appear to be less confident about the current savings environment, with fewer people believing now is a good time to save and more people thinking now is a bad time to save. Interestingly, although the Future Savings Index dropped slightly by one point, August is the seventh month in a row where the index is over 100 points and therefore higher than when the Index began in May 2008.

“Although it appears that people have remained confident about their ability to save in the future, this has not materialised into reality, which may be because of the continuing economic recession.

“The economic news around household savings behaviour continues to be mixed. The Bank of England reported that individuals paid back more debt than they took out in July for the first time since records began in 1993. This development reflects a trend towards consumer de-leveraging after a decade of very buoyant borrowing. Net repayments of debt are of course a form of saving. However, consumers who use spare cash to repay debt will have less money to deposit, and this could well impact negatively on sentiment around the ability to save. This may help to explain some of the weakness in the savings index this month, particularly in the savings environment and future savings indices.”

Total net borrowing by individuals (£bn)



Source: Bank of England

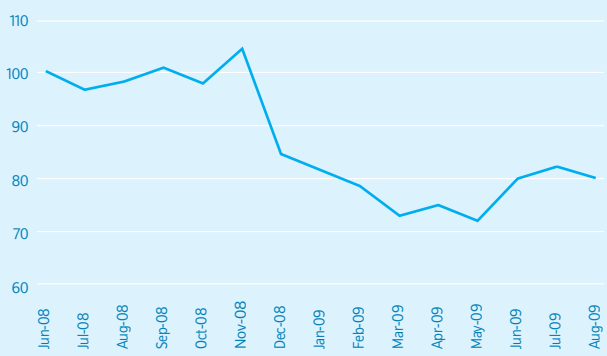
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Savings Index – last three quarters compared to the latest data

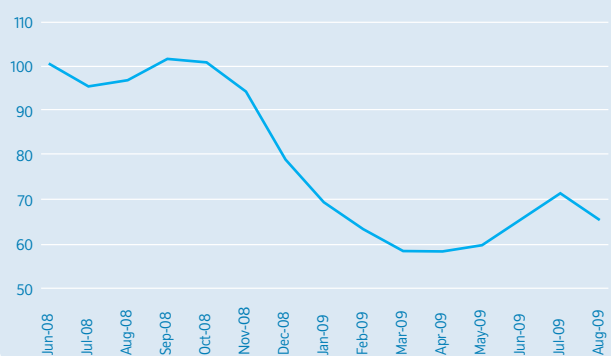
| Index name | Index measures** | Dec 2008 | March 2009 | June 2009 | August 2009 |
|---|--|----------|------------|-----------|-------------|
| The Savings Index (main index) Graph A | <ul style="list-style-type: none"> • Saving frequency • Saving levels • Right time to save • Government policy | 84 | 73 | 80 | 77 |
| Importance of Savings Index (sub-index) Graph B | <ul style="list-style-type: none"> • Importance of saving generally and personally | 94 | 76 | 85 | 86 |
| Savings Environment Index (sub-index) Graph C | <ul style="list-style-type: none"> • Time to save • Government policy | 78 | 58 | 65 | 66 |
| Future Savings Index (sub-index) Graph D | <ul style="list-style-type: none"> • Future saving levels | 96 | 104 | 101 | 105 |

Graph A. Nationwide Savings Index



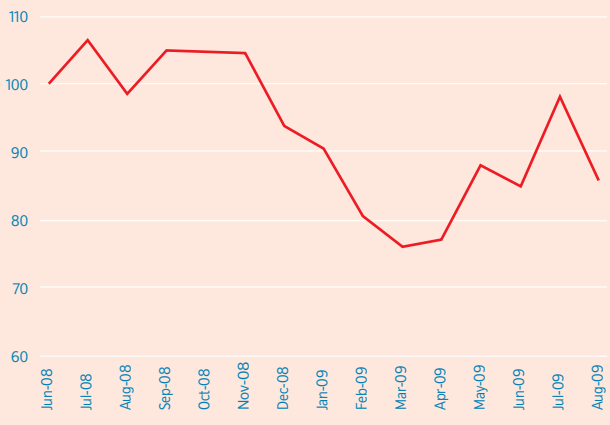
Source: TNS research for Nationwide

Graph C. Savings Environment Index



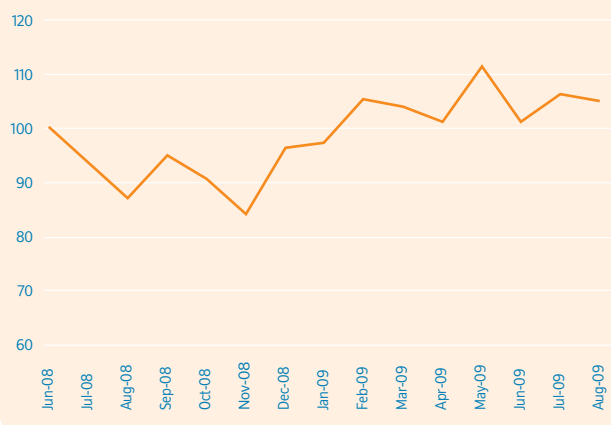
Source: TNS research for Nationwide

Graph B. Importance of Saving Index



Source: TNS research for Nationwide

Graph D. Future Savings Index



Source: TNS research for Nationwide

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| | Base | Savings Index | Importance of Savings Index | Savings Environment Index | Future Savings Index |
|--------|------|---------------|-----------------------------|---------------------------|----------------------|
| Jun-08 | 1000 | 100 | 100 | 100 | 100 |
| Jul-08 | 1000 | 97 | 106 | 95 | 94 |
| Aug-08 | 1154 | 98 | 99 | 97 | 87 |
| Sep-08 | 1000 | 101 | 105 | 101 | 95 |
| Oct-08 | 1000 | 98 | 104 | 100 | 91 |
| Nov-08 | 1000 | 104 | 105 | 94 | 84 |
| Dec-08 | 1000 | 84 | 94 | 78 | 96 |
| Jan-09 | 1000 | 81 | 90 | 71 | 97 |
| Feb-09 | 1000 | 79 | 80 | 63 | 105 |
| Mar-09 | 1000 | 73 | 76 | 58 | 104 |
| Apr-09 | 1000 | 75 | 77 | 58 | 101 |
| May-09 | 1001 | 72 | 88 | 59 | 111 |
| Jun-09 | 1000 | 80 | 85 | 65 | 101 |
| Jul-09 | 1000 | 82 | 98 | 71 | 106 |
| Aug-09 | 1000 | 77 | 86 | 66 | 105 |

Note to editors:

Nationwide's Savings Index is based on a monthly survey representative of the UK population. For August, the TNS research for Nationwide took place from 20 July 2009 to 23 August 2009 with 1000 people.

The Nationwide Savings Index began on 19 May 2008.

**The Savings Index is made up of one main index and three sub-indices. These are:

- **The Savings Index (principal index)**
Made up of consumer opinion about the frequency of saving, current feelings about their current levels of saving, whether it's a good time to save given the external environment and thoughts on Government policy.
- **The Importance of Savings Index (sub index)**
Made up of consumer opinion about the importance of saving both generally and personally.
- **The Savings Environment Index (sub index)**
Made up of consumer opinion about whether it's a good time to save given the economic environment and whether Government policy encourages people to save.
- **The Future Savings Index (sub index)**
Made up of consumer opinion about whether they think they'll be saving more, less or about the same in six months' time, than they do now.