

# Nationwide

# CONSUMER CONFIDENCE INDEX

in partnership with TNS-RI



Consumer Confidence

October 2010

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

EMBARGOED UNTIL 00.01AM FRIDAY 12 NOVEMBER 2010

## Confidence stabilises in October

### Confidence steadies after September's decline

- Consumer confidence remained relatively steady during October, falling by just one point to 52 over the month
- The decrease in sentiment during October was led by continued pessimism towards the future situation, with the Expectations Index falling by four points to 70
- The Spending Index recovered some of the ground lost in September with an increase of six points to 92
- Likewise, the Present Situation Index rose by three points to 25 following a five point fall in September

### Consumer expectations continue to fall

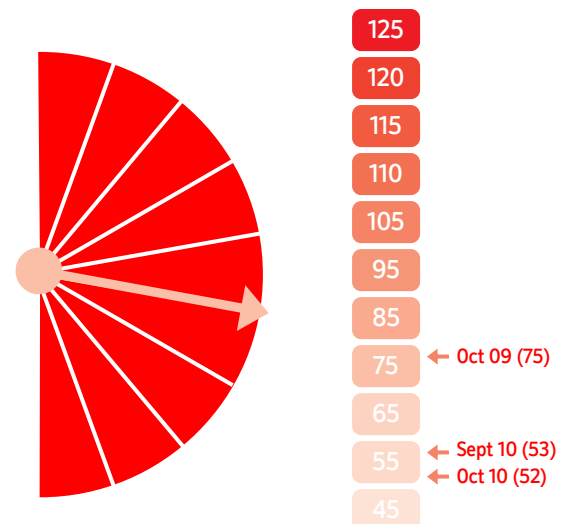
- The Expectations Index is now at its lowest level for 18 months and has dropped a total of 50 points from its historical peak of 120 in February this year
- Perhaps surprisingly, people expressed greater hope for the future employment situation during October despite an expectation that the Chancellor would announce job cuts in the public sector as part of the Spending Review
- By contrast, consumers displayed greater pessimism towards their future level of household income, helping to drive the Expectations Index down

**Martin Gahbauer, Nationwide's chief economist, said:**

"There was little change to overall confidence during October, which may have been a result of consumers waiting to see what the Government's Spending Review would bring. We saw a significant drop in confidence the previous month, and the underlying anxiety around the strength and direction of the recovery appears to remain. However, on a positive note, there are signs this month that some faith has returned in relation to the present situation and consumers' propensity to spend in the run up to Christmas. Nevertheless, this should not be overstated as levels of optimism here remain low compared to historical figures and still well below their long-run averages. Expectations continued to trend downwards during October and this may be due to consumers understanding that changes announced in the Spending Review will be implemented over several years rather than take effect straight away."

### October Consumer Confidence

Consumer Confidence fell by one point during October



#### Media enquiries to:

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- Paul Beadle, Lead External Communications Manager, 01793 655189, [paul.beadle@nationwide.co.uk](mailto:paul.beadle@nationwide.co.uk)





## Confidence remains broadly stable in October

Consumer confidence remained relatively steady during October, falling by just one point to 52 over the month. The index has now fallen in five out of the last six months and stands 32 points below its interim peak of 84 seen in February of this year. The decrease in sentiment during October was led by continued pessimism towards the future situation, with the Expectations Index falling by four points to 70 – the lowest level this measure has reached since March 2009. By contrast, faith in the present situation and spending both picked up during October. Most notably, the Spending Index recovered some of the ground lost in September with an increase of six points to 92. Likewise, the Present Situation Index rose by three points to 25 following a five point fall in September.

Consumers expressed a growing pessimism towards the housing market in October and now expect the value of their home to decrease by 0.9% over the next six months. This compares to an increase of 0.1% predicted in September.

	Oct 10	Sept 10
Nationwide Consumer Confidence Index	52	53
- Present Situation Index	25	22
- Expectations Index	70	74
- Spending Index	92	86

Note: seasonally adjusted

## Martin Gahbauer, Nationwide's chief economist, said:

“There was little change to overall confidence during October, which may have been a result of consumers waiting to see what the Government's Spending Review would bring. We saw a significant drop in confidence the previous month, and the underlying anxiety around the strength and direction of the recovery appears to remain. However, on a positive note, there are signs this month that some faith has returned in relation to the present situation and consumers' propensity to spend in the run up to Christmas. Nevertheless, this should not be overstated as levels of optimism here remain low compared to historical figures and still well below their long-run averages. Expectations continued to trend downwards during October and this may be due to consumers understanding that changes announced in the Spending Review will be implemented over several years rather than take effect straight away.

## Expectations continue to fall...

“During the field dates for the October survey there would have been heightened concern for the future among consumers in anticipation of the Government's Spending Review. In the run up to the Review there was widespread coverage and speculation over what cuts would be announced, with the focus centring on the welfare system, benefits and pensions, and public sector employment. This may have fed into the minds of consumers and go some way to explaining the four point decrease to the Expectations Index during the month. This index is now at its lowest level for 18 months and has dropped a total of 50 points from its historical peak of 120 in February this year. Perhaps surprisingly, people expressed greater hope for the future employment situation during October despite there being an expectation that the Chancellor would announce job cuts in the public sector as part of the Review. By contrast, consumers displayed greater pessimism towards their future level of household income, helping to drive the Expectations Index down.

## ...while spending confidence recovers some of the ground lost in September

“Following a 14 point fall to the Spending Index in September – its largest monthly fall since records began – this measure recovered some ground in October and rose by a modest six points. The main driver behind this rise was greater optimism towards making a major purchase such as a house or car. Improved sentiment towards spending mirrors the news that has been coming from retailers as high street sales continue to grow in the second half of this year. The onset of the Christmas period and the imminent VAT hike in the New Year are both likely to influence this measure going forward. However, any future desire to spend may well be offset by consumers' aptitude to spend as people take stock of any changes to their individual circumstances in the coming months.”

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October 2010

## Nationwide Consumer Confidence Index

The Nationwide Consumer Confidence Index fell by one point in October from 53 to 52 (research took place from 20 September 2010 to 17 October 2010).

**Chart 1 - Nationwide Consumer Confidence Index**

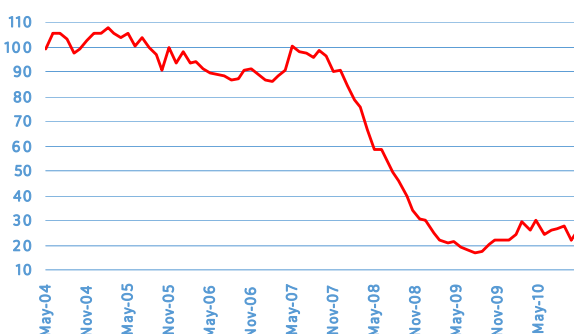


## Sub-Indices

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

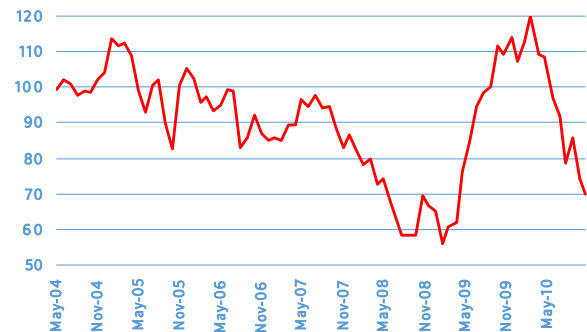
**Present Situation Index** (Chart 2): reflects sentiment about the current economic and employment situation. This Index rose by three points to 25 points in October. The proportion of consumers that believe the current economic situation is good rose by one percentage point during the month to 7%. The percentage of consumers who believe there are many or some jobs available rose by three percentage points to 28% in October.

**Chart 2 - Present Situation Index**



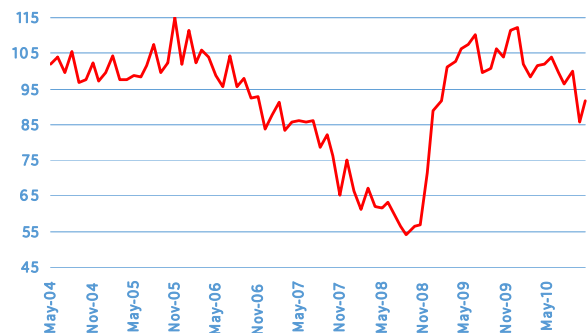
**Expectations Index** (Chart 3): reflects sentiment about the economy, labour market and household income over the next six months. This index decreased by four points to 70 in October. The proportion of people who believe the economic situation will be worse than today in six months' time decreased by two percentage points to 29% in October. The percentage of people who believe there will be many or some jobs available in six months' time rose by seven percentage points to 27%.

**Chart 3 - Expectations Index**



**Spending Index** (Chart 4): reflects sentiment about spending on household goods and major purchases. The Spending Index rose by six points in October to 92. The percentage of consumers that believe now is a good time to make a major purchase rose by two percentage points in October to 27%. The proportion of consumers who believe now is a bad time to purchase household goods increased by one percentage point during October to 13%.

**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 October, the TNS-RI research for Nationwide took place from 20 September 2010 to 17 October 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.

For past reports and methodology see:  
[www.nationwide.co.uk/consumer\\_confidence](http://www.nationwide.co.uk/consumer_confidence)

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October 2010

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

	2004	2009				2010									
	May	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	
Nationwide Consumer Confidence Index	99	75	77	73	77	84	76	77	68	65	58	62	53	52	
Present Situation Index	99	22	22	22	25	29	26	30	24	26	26	27	22	25	
Expectations Index	99	109	114	107	113	120	109	108	97	92	79	86	74	70	
Spending Index	102	104	112	112	102	99	102	102	104	100	97	100	86	92	

## Consumer responses (non-seasonally adjusted)

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

UK Economic Situation - Current														
Good	45%	10%	7%	6%	8%	8%	8%	7%	6%	6%	6%	6%	6%	7%
Neither good nor bad	31%	21%	21%	20%	22%	25%	26%	29%	27%	22%	25%	30%	27%	28%
Bad	20%	68%	70%	73%	69%	65%	64%	62%	67%	72%	68%	62%	65%	64%
Don't know	4%	1%	1%	1%	1%	1%	2%	2%	1%	1%	1%	1%	1%	1%
UK Employment Situation - Current														
Many/some jobs available	66%	22%	22%	19%	22%	25%	22%	28%	26%	28%	28%	27%	25%	28%
Neither many nor few	10%	9%	8%	9%	8%	11%	10%	9%	11%	9%	9%	11%	12%	11%
Not many/few jobs available	20%	66%	67%	70%	67%	61%	65%	61%	59%	61%	60%	58%	60%	58%
Don't know	5%	3%	3%	3%	2%	3%	3%	4%	3%	3%	3%	3%	2%	3%

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

UK Economic Situation - six months' time														
Good	15%	42%	41%	34%	36%	39%	33%	29%	30%	27%	23%	26%	22%	23%
Neither good nor bad	50%	41%	43%	44%	45%	44%	48%	52%	45%	47%	46%	47%	46%	47%
Bad	30%	15%	14%	19%	17%	15%	16%	15%	22%	24%	28%	26%	31%	29%
Don't know	5%	2%	2%	3%	2%	2%	3%	4%	4%	2%	2%	2%	2%	2%
UK Employment Situation - six months' time														
Many/some jobs available	57%	28%	27%	25%	29%	31%	25%	28%	29%	23%	24%	23%	20%	27%
Neither many nor few	17%	17%	18%	19%	20%	23%	23%	24%	22%	21%	17%	21%	20%	18%
Not many/few jobs available	21%	52%	52%	53%	50%	43%	48%	45%	46%	53%	57%	54%	58%	55%
Don't know	4%	3%	3%	2%	2%	2%	3%	3%	3%	1%	2%	2%	2%	1%
Household income - six months' time														
Higher	26%	17%	15%	17%	17%	19%	18%	17%	14%	15%	14%	12%	17%	14%
Same	65%	71%	73%	69%	69%	69%	69%	69%	70%	68%	64%	72%	65%	67%
Lower	9%	11%	11%	13%	13%	10%	11%	13%	14%	15%	21%	15%	16%	19%
Don't know	1%	1%	1%	1%	1%	1%	2%	1%	2%	2%	1%	1%	2%	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%	36%	37%	35%	32%	30%	32%	30%	30%	29%	25%	30%	25%	27%
Neither good nor bad	27%	25%	26%	25%	28%	29%	30%	34%	32%	29%	34%	31%	31%	31%
Bad time to buy	45%	37%	34%	38%	38%	37%	36%	33%	37%	40%	39%	38%	43%	40%
Don't know	1%	2%	2%	2%	2%	3%	3%	2%	2%	2%	3%	2%	2%	2%
Spending confidence - Household goods e.g. white/brown goods														
Good time to buy	58%	39%	39%	42%	45%	39%	35%	36%	38%	37%	40%	40%	35%	35%
Neither good nor bad	33%	44%	44%	42%	41%	47%	47%	51%	50%	50%	46%	46%	50%	51%
Bad time to buy	7%	15%	15%	13%	12%	13%	13%	11%	10%	11%	11%	12%	12%	13%
Don't know	1%	3%	3%	2%	2%	3%	3%	2%	2%	2%	2%	2%	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	2009	2010											
	May	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct
Nationwide Consumer Confidence Index	100	81	78	70	75	83	75	77	69	64	57	61	56	58
Present Situation Index	100	25	23	20	24	27	24	28	25	26	27	27	26	29
Expectations Index	100	118	115	104	109	121	109	110	98	90	77	84	76	78
Spending Index	100	105	109	105	104	102	102	105	102	99	96	100	88	92

### Note to editors

Nationwide's Consumer Confidence Index is based on a monthly survey representative of the UK population. For October, the TNS-RI research for Nationwide took place from 20 September 2010 to 17 October 2010 with 1,000 people.

