



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



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

**January 2009**

**\*\*\*STRICTLY EMBARGOED UNTIL 00.01 AM WEDNESDAY 4 FEBRUARY 2009\*\*\***

### "Confidence falls in January"

#### CONSUMER CONFIDENCE FALLS FURTHER...

- The Consumer Confidence Index fell to 40 in January, down from 48 in December.
- The Present Situation and Expectations indices also fell to 23 and 51 respectively in January.

#### ...BUT THE SPENDING INDEX BUCKS THE TREND

- The Spending Index has tracked upwards for the last six months to 83 this month, compared to 57 during January 2008.
- A third of people questioned in January 2009 believe that now is a good time to make a major purchase such as a house or car, compared to 13% in the same month last year.
- Half of consumers believe now is a good time to purchase white or brown goods (fridges, TVs etc) compared to 44% in January 2008.

#### FIONNUALA EARLEY, NATIONWIDE'S CHIEF ECONOMIST, SAID:

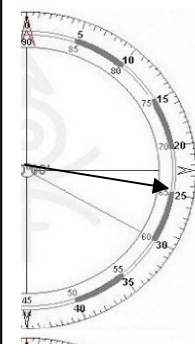
"It is no surprise that consumer confidence weakened again in January, given official figures now show the UK fell into recession at the end of 2008. Growing concerns about the economy have been added to by further reports of job losses and this is clearly affecting consumers' views of the present and future economic and employment situation. Over the coming months we expect consumers to remain cautious as they take stock of how these economic conditions will impact on them and we would not expect to see a significant improvement in confidence until there is greater certainty about economic recovery."

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

<b>More than 0.50% down</b>	<b>20%</b>
<b>0.50% down</b>	<b>60%</b>
<b>0.25% down</b>	<b>10%</b>
<b>No change</b>	<b>10%</b>

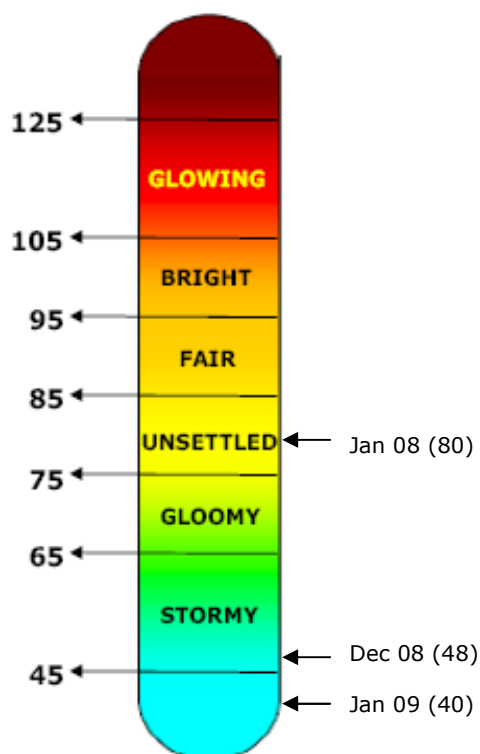
#### JANUARY CONSUMER CONFIDENCE

"Consumer confidence ticked down eight points in January"



Down eight points

#### NATIONWIDE CONFIDENCE BAROMETER





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## An icy start to the year for consumer confidence

### Consumer confidence cools further in January

The Nationwide Consumer Confidence Index recorded a further fall in January, ticking down to 40 from 48 in December. This reduction brings the Index to half the level of this time last year and is a clear reflection of consumers' growing concerns about the economic downturn.

The economic and labour market situation, both now and in the future are the major reasons for the continued fall in confidence. The Present Situation and Expectations indices also fell to 23 and 51 respectively. However, following the steep increase in December, the Spending Index remained static at 83 during the month, perhaps still supported by price reductions on the high street and the latest cut in the Bank Rate.

	January 2009	December 2008
Nationwide Consumer Confidence Index	40	48
- Present Situation Index	23	29
- Expectations Index	51	61
- Spending Index	83	83

Note: Seasonally adjusted

### Fionnuala Earley, Nationwide's chief economist, said:

"It is no surprise that consumer confidence weakened again in January, given official figures now show the UK fell into recession at the end of 2008. Growing concerns about the economy have been added to by further reports of job losses and this is clearly affecting consumers' views of the present and future economic and employment situation. Over the coming months we expect consumers to remain cautious as they take stock of how these economic conditions will impact on them and we would not expect to see a significant improvement in confidence until there is greater certainty about economic recovery."

### Weaker economy means no surprise that confidence continues to fall...

Of those questioned during January, 82% believed the current economic situation to be bad compared with just a quarter (25%) during the same month in 2008. Over two thirds (67%) now think there will be few jobs available in six months' time, double the amount of those believing this in January 2008 (32%). Whilst these figures make grim reading, they are by no means unexpected given the current economic climate. Frozen credit markets, the weakening housing market, an increase in redundancies and a number of high profile firms facing administration have all been instrumental in eroding confidence in the economic and employment situation.

### ...but sentiment could be affected by stabilisation in the markets

A turn-around in economic conditions is unlikely to happen very soon, but actions taken by the Bank of England and the Treasury could begin to restore stability and confidence to the banking sector. In addition, cuts in interest rates and falling fuel and food costs are good news for consumers and might begin to make them feel better. However, with bigger things on their minds, these are unlikely to have a significant impact on overall confidence in the short term.

### Spending Index surprisingly strong

While overall confidence has been falling, the Spending Index has bucked the trend and tracked upwards for the last six months. At 83, it is now 46% higher than this time last year. This is out of line with other data which suggests consumers would be tightening their belts. However, with the significant falls in the price of major purchases such as cars or houses, this may be reflecting their recognition that bargains are available if they are in a position to buy. A third of people questioned in January 2009 believe that now is a good time to make a major purchase such as a house or car, compared to 13% in the same month last year. Half of consumers believe now is a good time to purchase white or brown goods (fridges, TVs etc) compared to 44% in January 2008.

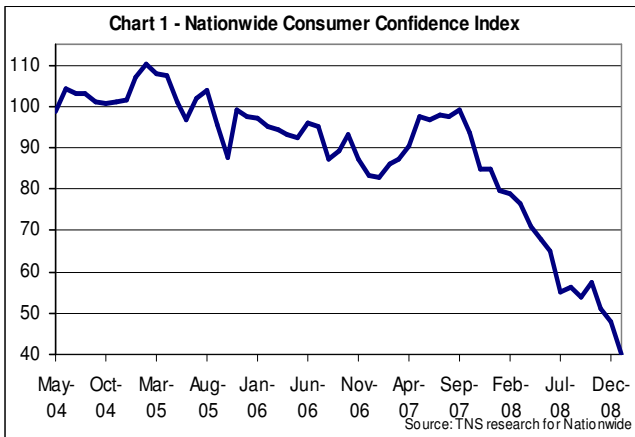
Expectations about house prices over the next six months decreased in January. Consumers now expect prices to fall by 6.2% over the next six months, compared with 4.9% in December.



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Nationwide Consumer Confidence Index

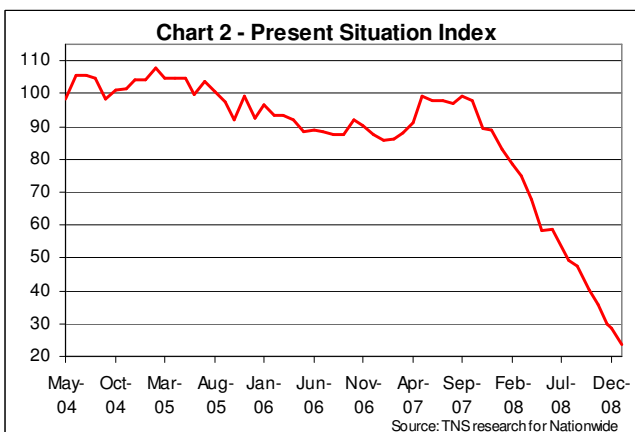
The Nationwide Consumer Confidence Index fell by eight points in January from 48 to 40 (research took place from 15 December 2008 to 18 January 2009).



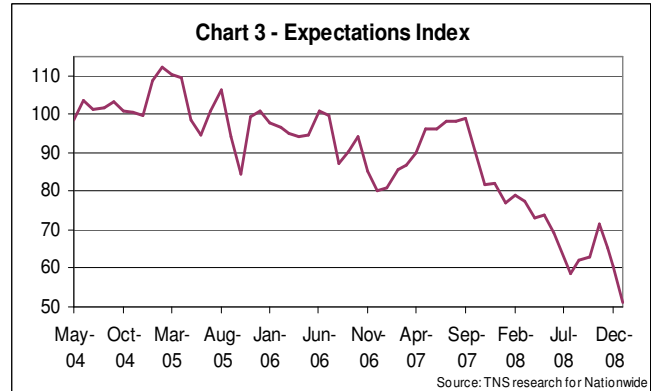
Sub-Indices

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

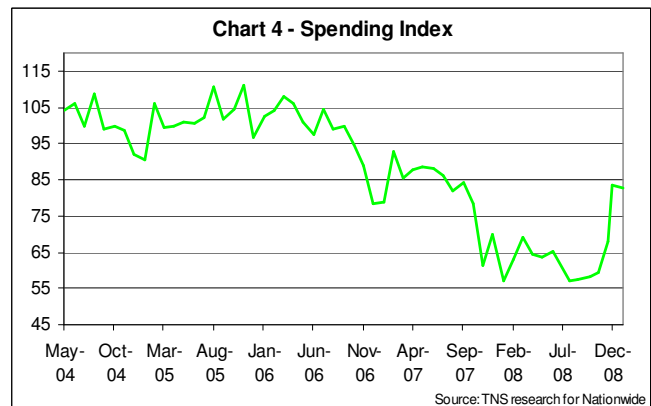
Present Situation Index (Chart 2): reflects sentiment about the current economic and employment situation. This Index dropped six points in January to 23. 82% of consumers believe that the current economic situation is bad compared to 75% last month. The number of consumers who believe there are now few jobs available rose from 57% in November to 61% in January.



Expectations Index (Chart 3): reflects sentiment about the economy, labour market and household income over the next six months. This index dropped from 61 in December to 51 in January. 53% of consumers believe that the economy will be worse in six months time compared to 49% in December. People are less confident about the future employment situation with 67% believing there will be few jobs available in six months time compared to 63% in December.



Spending Index (Chart 4): reflects sentiment about spending on household goods and major purchases. The Spending Index remained static in January at 83. The number of consumers that believe now is a bad time to buy a major purchase remained at 51% January. The number of consumers that believe it is a good time to buy household goods increased from 41% in December to 50% 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, 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 15 December 2008 to 18 January 2009 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 March.

For past reports and methodology see: www.nationwide.co.uk/consumer\_confidence





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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	2008 Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	2009 Jan
<b>Nationwide Consumer Confidence Index</b>	100	81	78	77	70	69	63	53	52	53	62	53	48	41
<b>Present Situation Index</b>	100	83	76	74	65	60	59	50	46	43	37	32	28	24
<b>Expectations Index</b>	100	79	79	79	74	75	66	56	56	60	78	67	61	52
<b>Spending Index</b>	100	68	64	67	65	60	63	56	54	59	58	69	82	94

**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 15 December 2008 to 18 January 2009 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.

