

Nationwide

CONSUMER CONFIDENCE INDEX

in partnership with TNS-RI



Consumer Confidence

March 2010

www.nationwide.co.uk/consumer_confidence

STRICTLY EMBARGOED UNTIL 00.01 AM THURSDAY 15 APRIL 2010

Confidence slips as election looms

Confidence falls across a range of indicators

- The Consumer Confidence Index fell by nine points in March, the largest monthly fall since July 2008
- The Present Situation and Expectations indices also fell back during March, dropping by four and eleven points respectively

While spending confidence rises

- The Spending Index picked up during the month with a two point rise taking this index to 96 – a similar level to where it was at the same time last year

Expectations on house prices reigned in

- Expectations about house prices dropped by six tenths of a percentage point in March but still remain in positive territory
- Consumers now expect the value of their home to increase by 0.9% over the next six months, compared to 1.5% in February

Martin Gahbauer, Nationwide's Chief Economist, said:

"Following a very positive start to 2010, the Consumer Confidence Index has undergone a strong adjustment during March, reversing the growth seen since the beginning of the year. Two underlying factors that may have had some bearing on March's figures are the Chancellor's Budget and the imminent general election. With an election looming, more people will be unsure as to whether they will be better or worse off in the coming months, and recent concerns about the state of the economy and employment prospects could still be playing on the minds of consumers. Perhaps unsurprisingly, the movements during March are not dissimilar to the changes we saw in the run up to the 2005 election where consumers appeared to be uncertain about the UK economy and employment situation. However, consumer pessimism appears to be stronger this time around as the UK continues to recover from its deepest recession since the 1930s."

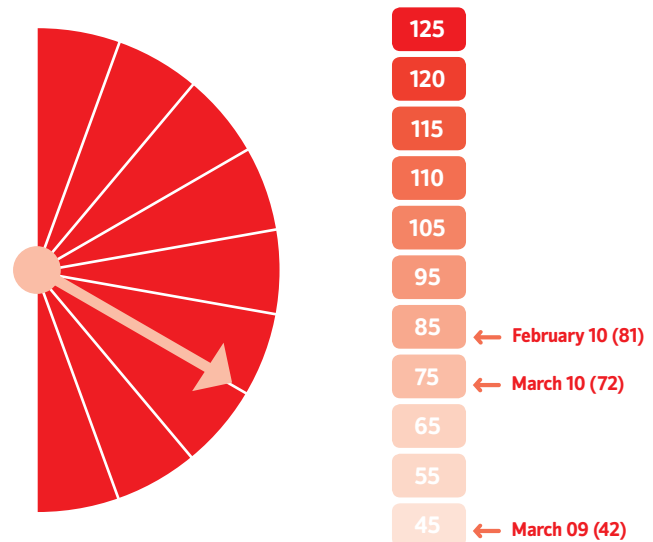
Nationwide MPC forecast probability of base rate change

No change 95%

0.25% up 5%

March consumer confidence

"Consumer confidence fell by nine points in March"



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March 2010

Confidence falls following upbeat start to the year

Consumer Confidence has fallen across a range of indicators in the run up to the election, according to Nationwide's latest monthly consumer confidence report. The Consumer Confidence Index fell by nine points in March, immediately wiping out all increases that have been seen since the start of the year. This is the largest monthly fall the Index has experienced since July 2008. Similarly, the Present Situation and Expectations indices also fell back during March with the former dropping by four points. While future expectations still remain high compared to historical figures, the 11 point drop seen in March was a sharp fall from February's figure, when the Index reached its highest level since records began*. By contrast, the Spending Index picked up during the month with a two point rise taking this index to 96 – a similar level to where it was at the same time last year.

Expectations about house prices dropped by six tenths of a percentage point in March but still remain in positive territory. Consumers now expect the value of their home to increase by 0.9% over the next six months, compared to 1.5% in February. The more conservative outlook can perhaps be credited to a monthly drop reported by various house price commentators in February causing consumers to reign in their expectations for the future.

	March 2010	February 2010
Nationwide Consumer Confidence Index	72	81
- Present Situation Index	24	28
- Expectations Index	105	116
- Spending Index	96	94

Note: seasonally adjusted

Martin Gahbauer, Nationwide's chief economist, said:

"Following a very positive start to 2010, the Consumer Confidence Index has undergone a strong adjustment during March, reversing all growth seen since the beginning of the year. Two underlying factors that may have had some bearing on March's figures are the Chancellor's Budget and the imminent general election. With an election looming, more people will be unsure as to whether they will be better or worse off in the coming months, and recent concerns about the state of the economy and employment prospects could still be playing on the minds of consumers. Perhaps unsurprisingly, the movements during March are not dissimilar to the changes we saw in the run up to the 2005 election where consumers appeared to be uncertain about the UK economy and employment situation. However, consumer pessimism appears to be stronger this time around as the UK continues to recover from its deepest recession since the 1930s."

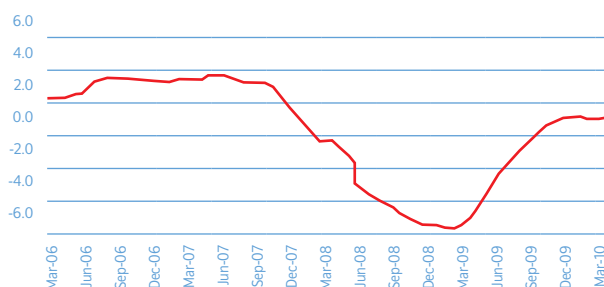
Consumers display greater uncertainty in the employment situation...

"The expectation of a closely run general election, and the inherent concerns that consumers display at Budget time, naturally generate uncertainty among consumers. The addition of industrial unrest and union activity within both the public and private sectors will have done little to allay fears around the employment situation, and the March figures show growing concerns in this area when compared to February. Surprisingly, decreased sentiment in the employment situation has happened against a backdrop of falling unemployment figures. However, while official figures show unemployment to be down, the labour market remains very fragile and consumers understandably remain cautious."

...but spending confidence begins to return

"Following three months of decline, spending confidence picked up slightly in March. Confidence in this area remains relatively high when compared to the past 24 months and the March figures echo what we have seen from other industry measures. Official figures showed a strong rebound in February retail sales from January's snow-related weakness, and survey indicators suggest that growth continued into March. However, March did see a small drop in the percentage of consumers who believe now to be a good time to buy household goods despite the positive sounds coming from the high street."

Consumer House Price Forecast



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March 2010

Nationwide Consumer Confidence Index

The Nationwide Consumer Confidence Index fell by nine points in March from 81 to 72 (research took place from 15 February 2010 to 21 March 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 decreased by four points in March to 24. The proportion of consumers that believe the current economic situation is bad fell by one percentage point during the month to 64% - its lowest level since July 2008. However, the percentage of consumers who believe there are not many or few jobs available rose by four percentage points to 65% 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 fell by eleven points to 105 in March. The proportion of people who believe the economic situation will be better in six months' time decreased by six percentage points to 33% in March. The percentage of people who believe there will be not many or few jobs available in six months' time, increased by five percentage points to 48% in March.

Chart 3 - Expectations Index



Spending Index (Chart 4): reflects sentiment about spending on household goods and major purchases. The Spending Index increased by two points in March. The number of consumers that believe now is a good time to make a major purchase rose by two percentage points in March to 32%, reversing the fall seen in February. The number of consumers who believe now is a good time to purchase household goods decreased by four points from 39% in February to 35% in March.

Chart 4 - Spending Index



The Nationwide Consumer Confidence Index (NCCI):

The Nationwide Consumer Confidence Index 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 15 March 2010 to 21 March 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.

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Nationwide CONSUMER CONFIDENCE INDEX



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Nationwide Consumer Confidence Index (seasonally adjusted).

May 2004 = 99.

	2004		2009					2010						
	May	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Nationwide Consumer Confidence Index	99	42	56	59	64	66	69	77	77	77	72	76	81	72
Present Situation Index	99	19	22	19	18	17	19	21	24	22	21	23	28	24
Expectations Index	100	57	78	85	95	98	103	114	113	114	106	110	116	105
Spending Index	103	97	106	108	111	102	105	109	109	111	110	99	94	96

Consumer responses (non-seasonally adjusted)*

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

UK Economic Situation - Current														
Good	45%	5%	5%	6%	4%	6%	5%	7%	10%	7%	6%	8%	8%	8%
Neither good nor bad	31%	12%	15%	15%	18%	17%	22%	23%	21%	21%	20%	22%	25%	26%
Bad	20%	83%	80%	77%	76%	75%	72%	69%	68%	70%	73%	69%	65%	64%
Don't know	4%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%
UK Employment Situation - Current														
Many/Some jobs available	66%	21%	20%	20%	19%	16%	18%	23%	22%	22%	19%	22%	25%	22%
Neither many nor few	10%	11%	8%	8%	8%	8%	9%	8%	9%	8%	9%	8%	11%	10%
Not many/few jobs available	20%	66%	68%	68%	68%	74%	71%	66%	66%	67%	70%	67%	61%	65%
Don't know	5%	3%	3%	4%	4%	3%	2%	3%	3%	3%	3%	2%	3%	3%

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

UK Economic Situation - 6 months' time														
Better than today	15%	19%	26%	28%	33%	33%	34%	39%	42%	41%	34%	36%	39%	33%
Same	50%	39%	41%	42%	42%	44%	45%	42%	41%	43%	44%	45%	44%	48%
Worse than today	30%	41%	32%	28%	23%	21%	21%	18%	15%	14%	19%	17%	15%	16%
Don't know	5%	1%	2%	2%	3%	3%	1%	1%	2%	2%	3%	2%	2%	3%
UK Employment Situation - 6 months' time														
Many/Some jobs available	57%	19%	19%	22%	22%	20%	23%	27%	28%	27%	25%	29%	31%	25%
Neither many nor few	17%	14%	16%	18%	21%	18%	20%	21%	17%	18%	19%	20%	23%	23%
Not many/few jobs available	21%	65%	62%	57%	54%	60%	56%	50%	52%	52%	53%	50%	43%	48%
Don't know	4%	1%	3%	3%	2%	2%	1%	2%	3%	3%	2%	2%	2%	3%
Household income - 6 months' time														
- Higher	26%	14%	14%	14%	13%	16%	14%	18%	17%	15%	17%	17%	19%	18%
- Same	65%	67%	70%	70%	71%	68%	72%	70%	71%	73%	69%	69%	69%	69%
- Lower	9%	18%	15%	15%	15%	14%	13%	10%	11%	11%	13%	13%	10%	11%
- Don't know	1%	2%	2%	1%	1%	2%	2%	1%	1%	1%	1%	1%	1%	2%

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%	38%	42%	39%	40%	35%	33%	39%	36%	37%	35%	32%	30%	32%
- Neither good nor bad	27%	16%	19%	20%	21%	19%	23%	22%	25%	26%	25%	28%	29%	30%
- Bad time to buy	45%	44%	38%	38%	38%	43%	40%	37%	37%	34%	38%	38%	37%	36%
- Don't know	1%	2%	2%	3%	2%	2%	5%	1%	2%	2%	2%	2%	3%	3%
Spending confidence - Household goods e.g. white/brown goods														
- Good time to buy	58%	43%	42%	41%	42%	40%	39%	42%	39%	39%	42%	45%	39%	35%
- Neither good nor bad	33%	39%	40%	39%	43%	41%	44%	42%	44%	44%	42%	41%	47%	47%
- Bad time to buy	7%	16%	15%	17%	13%	16%	13%	14%	15%	15%	13%	12%	13%	13%
- Don't know	1%	2%	2%	3%	2%	3%	3%	2%	3%	3%	2%	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		2009									2010		
	May	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Nationwide Consumer Confidence Index	100	45	54	59	63	65	66	78	81	78	70	75	83	75
Present Situation Index	100	19	19	20	18	17	17	23	25	23	20	24	27	24
Expectations Index	100	61	78	85	93	96	98	114	118	115	104	109	121	109
Spending Index	100	103	109	106	110	99	100	109	105	109	105	104	102	102

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 15 February 2010 to 21 March 2010 with 1,000 people.