

Nationwide

CONSUMER CONFIDENCE INDEX

in partnership with TNS-RI



Consumer Confidence

May 2010

www.nationwide.co.uk/consumer_confidence

STRICTLY EMBARGOED UNTIL 00.01 AM WEDNESDAY 16 JUNE 2010

Confidence falls by 10 points

Confidence falls across all indices except spending

- Consumer confidence fell significantly in May with the index falling by 10 points to 65
- While there was no change to the Spending Index, faith in the present situation and consumers' expectations for the future diminished during May
- The Expectations Index underwent the most substantial shift, falling back by 12 points. This index has now fallen by 26 points since February

Consumers feeling unsettled over the economy

- There has been a noticeable change in sentiment on the economy during the month and 22% of consumers now feel that the economic situation will be worse in six months' time than it is today
- That said, this is the highest this measure has been since June 2009

Martin Gahbauer, Nationwide's Chief Economist, said:

"May's figures reflect an unsettling month for consumers. The General Election and new coalition Government have clearly dominated the headlines, but other major events will have played on the minds of consumers during the month. These include the sovereign debt crisis in the Eurozone and the travel disruptions caused by the volcanic ash cloud. Bearing in mind the gravitas of these events, it is perhaps less surprising to see such a sharp fall in consumer sentiment over this period. On analysis of the figures, it is clear to see that the catalyst for the fall in overall confidence has been growing pessimism around the present and future economic situation, while sentiment toward the labour market remains relatively stable despite still high unemployment figures."

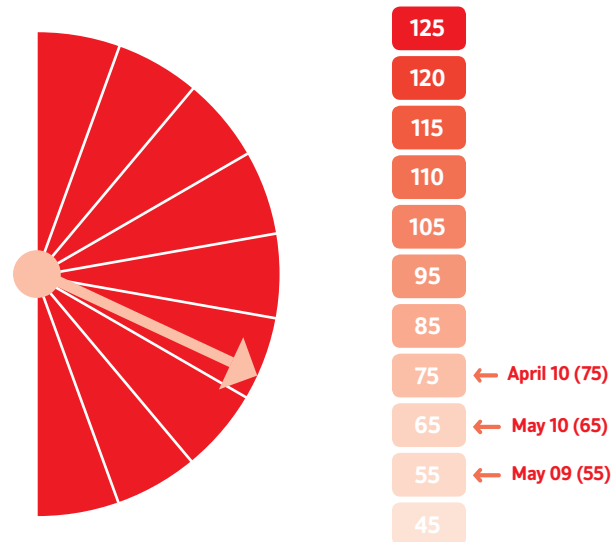
Nationwide MPC forecast probability of base rate change

No change 95%

0.25% up 5%

May Consumer Confidence

Consumer Confidence fell by 10 points during May.



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Nationwide

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May 2010

Confidence falls by 10 points in May

Consumer confidence fell significantly in May with the index falling by 10 points to 65. The index is now just 10 points higher than at the same time last year. While there was no change to the Spending Index, faith in the present situation and consumers' expectations for the future diminished during May. The Expectations Index underwent the most substantial shift, falling back by 12 points. This index has now fallen by 26 points since February.

Consumers continue to show a guarded optimism towards the housing market, with consumers expecting the value of their home to increase by 1.0% over the next six months.

	May 2010	April 2010
Nationwide Consumer Confidence Index	65	75
- Present Situation Index	23	29
- Expectations Index	93	105
- Spending Index	98	98

Note: seasonally adjusted

Martin Gahbauer, Nationwide's chief economist, said:

"May's figures reflect an unsettling month for consumers. The General Election and new coalition Government have clearly dominated the headlines, but other major events will have played on the minds of consumers during the month. These include the sovereign debt crisis in the Eurozone and the travel disruptions caused by the volcanic ash cloud. Bearing in mind the gravitas of these events, it is perhaps less surprising to see such a sharp fall in consumer sentiment over this period. On analysis of the figures, it is clear to see that the catalyst for the fall in overall confidence has been growing pessimism around the present and future economic situation, while sentiment toward the labour market remains relatively stable despite still high unemployment figures.

Election and budget uncertainty a possible factor behind May disquiet

"While it may have been expected for confidence to grow following the General Election, this has not been the case during May. However, this situation is not unique, and we can see that a similar dip was experienced following Labour's re-election in 2005. Nonetheless, the pre-election uncertainty that is suspected of creeping into the index during March and April may also have contributed to May disquiet, and any anxiety may have been heightened by the wait that occurred between the confirmation of a hung Parliament and the announcement of a coalition Government. Consumers' concerns over the state and direction of the UK economy may also have been affected by the announcement of an emergency budget in June. Until the impact of this is known, and consumers understand where the focus of spending cuts and tax increases will be, it is possible that confidence in the economic situation will continue to stutter.

Consumers feeling unsettled over the economy

"In addition to the General Election, economic headlines were dominated by the debt crisis in the Eurozone and the accompanying sharp falls in the stock market. The gloomy picture that has been painted as a result of these events could help to further explain why consumers are feeling more down-beat about the present and future economic situation. There has been a noticeable change in sentiment on the economy during the month and 22% of consumers now feel that the economic situation will be worse in six months' time than it is today – the highest this measure has been since June 2009.

Looking to the future

"There are clearly growing concerns among consumers towards the state of the economy and what the next six months hold. However, during this period retailers will be hoping that the football World Cup will have a positive impact on sales, and consumers will be looking for a clear plan as to how the coalition intend to bring the deficit under control. Therefore, the next couple of months could be critical to the future direction of the UK economy and overall confidence among consumers."

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May 2010

Nationwide Consumer Confidence Index

The Nationwide Consumer Confidence Index fell by 10 points in May from 75 to 65 (research took place from 19 April 2010 to 23 May 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 six points in May to 23. The proportion of consumers that believe the current economic situation is bad rose by five percentage points during the month to 67%. However, the percentage of consumers who believe there are not many or few jobs available fell by two percentage points to 59% in May – its lowest level since December 2008.

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 twelve points to 93 in May. The proportion of people who believe the economic situation will be worse than today in six months' time increased by seven percentage points to 22% in May. The percentage of people who believe there will be many or some jobs available in six months' time, increased by one percentage point to 29% in May.

Chart 3 - Expectations Index



Spending Index (Chart 4): reflects sentiment about spending on household goods and major purchases. The Spending Index remained on 98 points in May. The number of consumers that believe now is a bad time to make a major purchase rose by four percentage points in May to 37%. The number of consumers who believe now is a good time to purchase household goods increased by two percentage points from 36% in April to 38% in May.

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 May, the TNS-RI research for Nationwide took place from 19 April 2010 to 23 May 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

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May 2010

Nationwide Consumer Confidence Index (seasonally adjusted).

	2004		2009		2010									
	May	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Nationwide Consumer Confidence Index	96	55	64	66	69	77	77	78	74	77	83	74	75	65
Present Situation Index	97	18	19	18	19	21	24	22	22	24	29	25	29	23
Expectations Index	95	80	95	98	103	114	112	115	108	113	119	107	105	93
Spending Index	96	102	111	102	105	109	109	112	112	102	97	98	98	98

Consumer responses (non-seasonally adjusted)

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

UK Economic Situation - Current														
Good	45%	6%	4%	6%	5%	7%	10%	7%	6%	8%	8%	8%	7%	6%
Neither good nor bad	31%	15%	18%	17%	22%	23%	21%	21%	20%	22%	25%	26%	29%	27%
Bad	20%	77%	76%	75%	72%	69%	68%	70%	73%	69%	65%	64%	62%	67%
Don't know	4%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%	2%	1%
UK Employment Situation - Current														
Many/Some jobs available	66%	20%	19%	16%	18%	23%	22%	22%	19%	22%	25%	22%	28%	26%
Neither many nor few	10%	8%	8%	8%	9%	8%	9%	8%	9%	8%	11%	10%	9%	11%
Not many/few jobs available	20%	68%	68%	74%	71%	66%	66%	67%	70%	67%	61%	65%	61%	59%
Don't know	5%	4%	4%	3%	2%	3%	3%	3%	3%	2%	3%	3%	4%	3%

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

UK Economic Situation - 6 months' time														
Better than today	15%	28%	33%	33%	34%	39%	42%	41%	34%	36%	39%	33%	29%	30%
Same	50%	42%	42%	44%	45%	42%	41%	43%	44%	45%	44%	48%	52%	45%
Worse than today	30%	28%	23%	21%	21%	18%	15%	14%	19%	17%	15%	16%	15%	22%
Don't know	5%	2%	3%	3%	1%	1%	2%	2%	3%	2%	2%	3%	4%	4%
UK Employment Situation - 6 months' time														
Many/Some jobs available	57%	22%	22%	20%	23%	27%	28%	27%	25%	29%	31%	25%	28%	29%
Neither many nor few	17%	18%	21%	18%	20%	21%	17%	18%	19%	20%	23%	23%	24%	22%
Not many/few jobs available	21%	57%	54%	60%	56%	50%	52%	52%	53%	50%	43%	48%	45%	46%
Don't know	4%	3%	2%	2%	1%	2%	3%	3%	2%	2%	2%	3%	3%	3%
Household income - 6 months' time														
- Higher	26%	14%	13%	16%	14%	18%	17%	15%	17%	17%	19%	18%	17%	14%
- Same	65%	70%	71%	68%	72%	70%	71%	73%	69%	69%	69%	69%	69%	70%
- Lower	9%	15%	15%	14%	13%	10%	11%	11%	13%	13%	10%	11%	13%	14%
- Don't know	1%	1%	1%	2%	2%	1%	1%	1%	1%	1%	1%	2%	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%	39%	40%	35%	33%	39%	36%	37%	35%	32%	30%	32%	30%	30%
- Neither good nor bad	27%	20%	21%	19%	23%	22%	25%	26%	25%	28%	29%	30%	34%	32%
- Bad time to buy	45%	38%	38%	43%	40%	37%	37%	34%	38%	38%	37%	36%	33%	37%
- Don't know	1%	3%	2%	2%	5%	1%	2%	2%	2%	2%	3%	3%	2%	2%
Spending confidence - Household goods e.g. white/brown goods														
- Good time to buy	58%	41%	42%	40%	39%	42%	39%	39%	42%	45%	39%	35%	36%	38%
- Neither good nor bad	33%	39%	43%	41%	44%	42%	44%	44%	42%	41%	47%	47%	51%	50%
- Bad time to buy	7%	17%	13%	16%	13%	14%	15%	15%	13%	12%	13%	13%	11%	10%
- Don't know	1%	3%	2%	3%	3%	2%	3%	3%	2%	2%	3%	3%	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).

	2004		2009							2010				
	May	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Nationwide Consumer Confidence Index	100	59	63	65	66	78	81	78	70	75	83	75	77	69
Present Situation Index	100	20	18	17	17	23	25	23	20	24	27	24	28	25
Expectations Index	100	85	93	96	98	114	118	115	104	109	121	109	110	98
Spending Index	100	106	110	99	100	109	105	109	105	104	102	102	105	102

Note to editors:

Nationwide's Consumer Confidence Index is based on a monthly survey representative of the UK population. For May, the TNS-RI research for Nationwide took place from 19 April 2010 to 23 May 2010 with 1,000 people