

Nationwide CONSUMER CONFIDENCE INDEX

in partnership with TNS-RI



Consumer Confidence

December 2010

www.nationwide.co.uk/consumer_confidence

EMBARGOED UNTIL 00.01AM TUESDAY 18 JANUARY 2011

December rise marks the end of an uncertain year for consumers

Confidence remains subdued despite rise

- Consumer confidence picked up slightly in December after three consecutive months of falls
- December's uplift reversed the fall seen the previous month but, at 53 points, still leaves the Index well below its long-run average of 81
- All key measures remain at relatively low levels and below their long-run averages
- However, at 90 points, the Spending Index does display some sign of resilience in what continues to be a downbeat time for overall confidence

Sentiment improves around spending

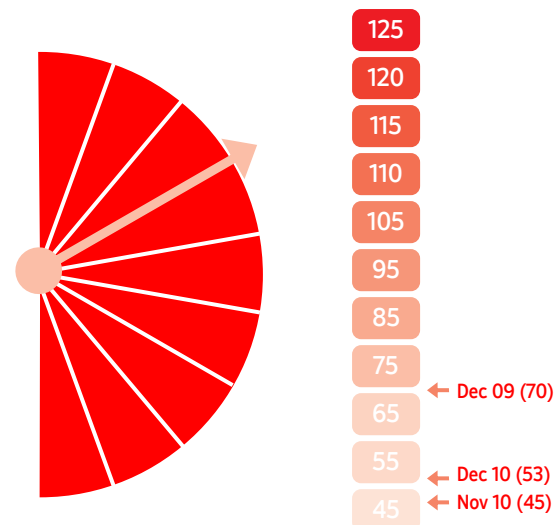
- December saw some confidence return to the Spending Index, with a significant increase in the percentage of consumers who thought it was a good time to buy household goods.
- A contributing factor to this may have been knowledge of the VAT rate rise in January, which provided an incentive for consumers to bring forward spending

Robert Gardner, Nationwide's chief economist, said:

"The December survey suggests that consumers were feeling a little more upbeat as we approached the New Year. This ended the pattern of three consecutive monthly declines that had been in place since the summer, and in the process stopped the Index reaching the trough seen during the recession. While the up-tick is encouraging, household confidence nevertheless remains subdued, reflecting ongoing uncertainty about the economic outlook. Over the course of 2010 we saw the Consumer Confidence Index fall by 24 points, driven largely by increased pessimism about the future state of the UK's economic and employment situation. Expectations continued to be a key driver in December, this time in a more favourable direction, and perhaps provide some hope that the recovery will gain momentum in 2011."

December Consumer Confidence

Consumer Confidence rose by eight points during December



Media enquiries to:

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Consumer confidence picked up slightly in December after three months of falls had forced it to a near historical low in November. December's uplift reversed the fall seen the previous month but, on 53 points, still leaves the Index substantially below its long-run average of 81. Confidence in the Expectations and Spending indices were the key drivers behind December's increase. All measures still remain at relatively low levels and below their long-run averages. However, at 90 points, the Spending Index does display some sign of resilience in what continues to be a downbeat time for overall confidence.

Consumers continued to express a degree of pessimism towards the housing market in December and now expect the value of their home to decrease by 0.9% over the next six months. This compares to a decrease of 1.4% predicted in November.

	Dec 10	Nov 10
Nationwide Consumer Confidence Index	53	45
- Present Situation Index	24	21
- Expectations Index	73	61
- Spending Index	90	80

Note: seasonally adjusted

Robert Gardner, Nationwide's chief economist, said:

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"Over the course of 2010 we saw the Consumer Confidence Index fall by 24 points, driven largely by increased pessimism about the future state of the UK's economic and employment situation. Expectations continued to be a key driver in December, this time in a more favourable direction, and perhaps provide some hope that the recovery will gain momentum in 2011.

Expectations continue to shape confidence...

"There were increases across all the main measures which feed into the Index in December. A small improvement in sentiment towards the present situation left this index at a similar level to 12 months ago, continuing a fairly static trend over the same period. However, a more noticeable change was seen in the Expectations Index. At 73 points, it reached

its highest level for three months – a shift which can be attributed more to a decrease in pessimism rather than consumers believing that the economic and employment situation will be significantly better in six months' time.

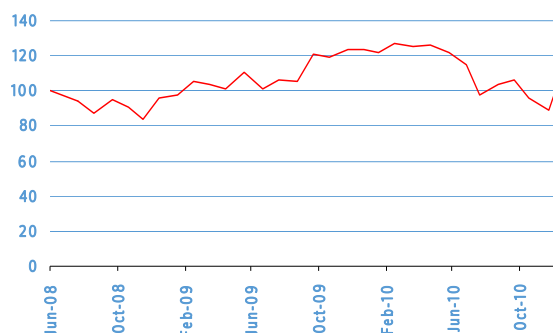
...as do spending attitudes in December

"December also saw consumers becoming slightly more confident about spending. In particular, there was a significant increase in the percentage of consumers who thought it was a good time to buy household goods. A key contributing factor may have been knowledge of the VAT rate rise, which would have been on the minds of many consumers during the survey's field dates. Some consumers may have decided to bring forward purchases, rather than risk paying more for them by waiting until the New Year. As a result, we could see a reversal of this measure in January's figures.

"Despite fears over employment, consumer attitudes towards spending remained fairly buoyant over the course of 2010. This is consistent with retail figures, which have shown consumers continuing to spend throughout much of last year.

"Over the course of the next few months it should become clearer as to what impact, if any, the increased rate of VAT has had on attitudes in this area. If consumers decide to tighten their belts, we could begin to see a noticeable shift towards people saving more. In December, some components of the Nationwide Savings Index suggested that consumers were attaching a slightly lower importance to current savings, but that they were likely to save more in future. Again, this could be related to the timing of VAT changes, and we will be closely watching how peoples' attitudes shift in the period ahead."

Nationwide Future Savings Index



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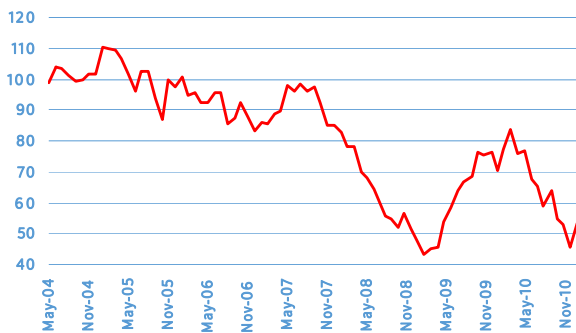
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Nationwide Consumer Confidence Index

The Nationwide Consumer Confidence Index rose by eight points in December from 45 to 53 (research took place from 22 November 2010 to 19 December 2010).

Chart 1 - Nationwide Consumer Confidence Index

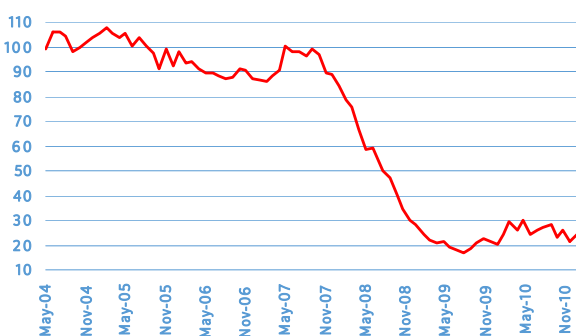


Sub-Indices

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

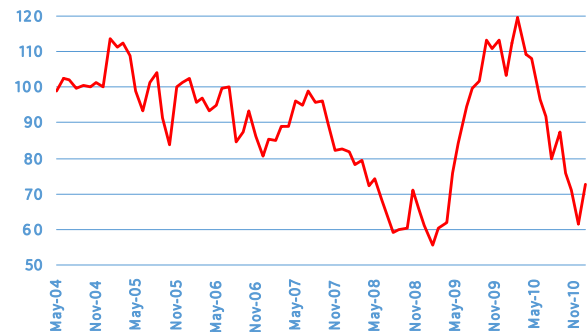
Present Situation Index (Chart 2): reflects sentiment about the current economic and employment situation. This Index rose by three points to 24 points in December. The proportion of consumers that believe the current economic situation is bad fell by six percentage points during the month to 63%. The percentage of consumers who believe there are many or some jobs available rose by one percentage point to 23% in December.

Chart 2 - Present Situation Index



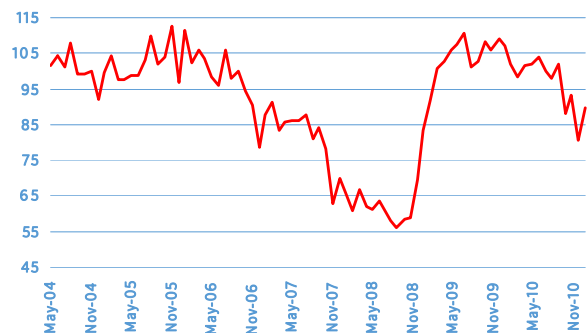
Expectations Index (Chart 3): reflects sentiment about the economy, labour market and household income over the next six months. This index increased by 12 points to 73 in December. The proportion of people who believe the economic situation will be worse than today in six months' time decreased by six percentage points to 32% in December. The percentage of people who believe there will be not many or few jobs available in six months' time fell by six percentage points to 56%.

Chart 3 - Expectations Index



Spending Index (Chart 4): reflects sentiment about spending on household goods and major purchases. The Spending Index rose by ten points in December to 90. The percentage of consumers that believe now is a good time to make a major purchase rose by three percentage points in December to 25%. The proportion of consumers who believe now is a good time to purchase household goods increased by 12 percentage points during December to 43%.

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 November, the TNS-RI research for Nationwide took place from 22 November 2010 to 19 December 2010 with 1,002 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:
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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	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Nationwide Consumer Confidence Index	100	70	75	83	75	77	69	64	57	61	56	58	47	53
Present Situation Index	100	20	24	27	24	28	25	26	27	27	26	29	23	24
Expectations Index	100	104	109	121	109	110	98	90	77	84	76	78	63	73
Spending Index	100	105	104	102	102	105	102	99	96	100	88	92	80	88

Note to editors

Nationwide's Consumer Confidence Index is based on a monthly survey representative of the UK population. For December, the TNS-RI research for Nationwide took place from 22 November 2010 to 19 December 2010 with 1,002 people.

