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The Nationwide Consumer Confidence Index

Consumer confidence is buoyant in May, rising to its peak in 2011 so far

The NCCI gained 11 points in May to close at 55, its peak in 2011 so far. This was the second highest margin of gain in the history of the index and the largest since November 2005. However, overall confidence continues to lie below the long run average suggesting that

consumers still have some way to go before their confidence in UK economy is completely restored.

The main cause for this jump in consumer confidence has been the substantial recovery in consumer expectations of the future economy and employment situations in the UK. Improving

upon the results in April, in May, nearly 1 in 4 consumers expect the future UK economic and employment conditions to improve and we see a relative shift across the scale with less negativity on the economy.

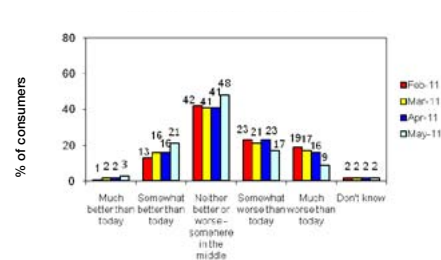
However, consumer perception of current economic conditions is still low with only 8% believing it is 'good' in May (up 3%). On the other hand opinion of the present employment situation has improved with nearly a quarter (24% - up 6%) of consumers believing it is 'good' with fewer regarding it as 'bad'.



Chart 1 – Nationwide Consumer Confidence Index



UK Economic Situation – 6 months



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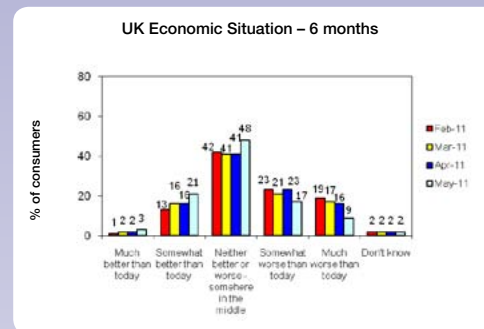
The Expectations Index

Consumer expectations about the future received a substantial boost in May

Consumer expectations about the future macroeconomic situation in the UK received a boost in May, gaining significantly by 17 points to close at 76, the highest score so far for the index in 2011. This indicates a sense of growing (if cautious) optimism about the UK economy going forward.

Currently, 24% (up 6%) of consumers believe that the economic and employment conditions of UK will either be 'much' or 'somewhat better than today' over the next 6 months. However only 13% (down 2%) of consumers feel that household income would be higher in 6 months time.

It is interesting to note that contrary to expectations, the stable (if high) rate of inflation of 4.5% for April (released while the study was still in field) had little impact on consumer confidence about the future. Food and drinks were the key sources of inflationary pressure.



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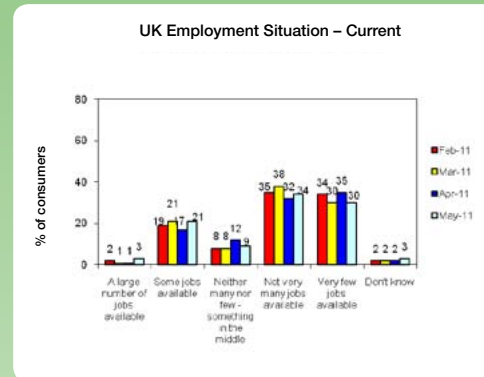
The Present Situation Index

Confidence in the current situation showed a modest improvement in in May

The Present Situation Index increased by a modest 3 points to close at 23, indicating that while consumers are feeling buoyant about the future, they don't feel as optimistic about the present.

While there has been a slight increase in consumers believing that the present economic and employment situations are good,

the majority continue to believe that it is still bad. Moreover, consumers don't feel that much has changed since the same period last year (Present Index score for May 2010 = 23).



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The Spending Index

Consumers attitude towards spending improved considerably in May

The Spending Index saw the second largest margin gain of the Indices, jumping 16 points to close at 79. This is the largest jump experienced in the history of the index. An increase in favourable consumer disposition towards both major purchases such as homes or cars as well as household purchases drove the substantial

growth in this index, although the former took a slight lead in influencing this development.

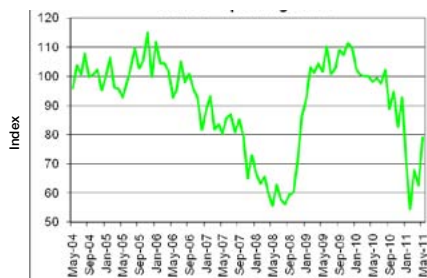
The strength of consumers who thought now is a 'very good' or 'fairly good' time for buying a house/flat or car in the UK increased to 27% (up 7%) and that for household purchases increased to 30% (up 6%). At the same time

fewer people this month thought it is 'very bad' or 'fairly bad' time for such purchases.

The increase in positive inclination to spend on homes/flats or cars may be attributed to some encouragement for consumers by lenders offering interest rate promotions and cashback rewards for such purchases, and that towards household goods could be attributed to the several promotions by white and brown goods retailers during the consecutive bank holiday weekends in April whilst also becoming acclimatised to the higher VAT rate.

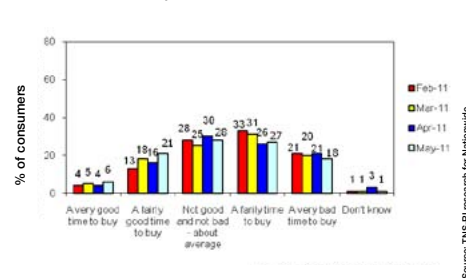


Chart 4 – Spending Index



Source: TNS-RI research for Nationwide

Major Purchase – 6 months



Source: TNS-RI research for Nationwide

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House price expectations and property value

Future house prices still expected to fall, although more gently

In May expectations for future property value remain negative as seen for the eight consecutive months, although the fall expected for May was a minor -0.2%. This is the lowest predicted decline in property value since September 2010.

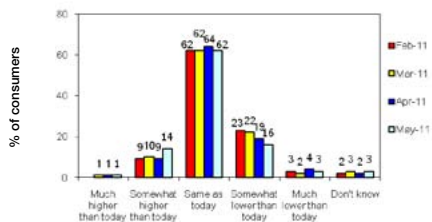
In May, 15% (up 5% on April) of consumers expect property prices to be 'much higher' or 'somewhat higher' than today. This coupled with the fact that less than 1 in 5 consumers feel that property prices will be 'somewhat' or 'much lower than today' has caused the easing

off of the negative prediction of declining property value.

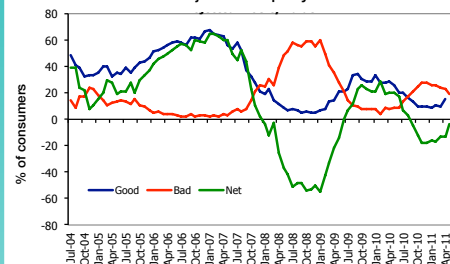
Once again however, majority of consumers continue to believe that property prices will remain unchanged over the next 6 months.



Projected Property Value



Projected Property Value



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Historic scores

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

	2004		2010							2011				
	May	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Nationwide Consumer Confidence Index	95	64	65	59	64	55	54	47	56	50	40	46	44	55
Present Situation Index	98	23	26	27	28	23	27	22	25	24	21	22	20	23
Expectations Index	93	91	92	80	88	77	73	64	76	66	53	61	59	76
Spending Index	96	98	99	98	102	89	95	83	93	72	55	68	63	79

Consumer responses (non-seasonally adjusted)

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

UK Economic Situation - Current														
Good	45%	6%	6%	6%	6%	6%	7%	7%	7%	6%	5%	5%	5%	8%
Neither good nor bad	31%	27%	22%	25%	30%	27%	28%	24%	29%	27%	20%	23%	25%	28%
Bad	20%	67%	72%	68%	62%	65%	64%	69%	63%	67%	75%	70%	69%	64%
Don't know	4%	1%	1%	1%	1%	1%	1%	1%	1%	1%	0%	1%	1%	1%

UK Employment Situation - Current														
Many/some jobs available	66%	26%	28%	28%	27%	25%	28%	22%	23%	24%	21%	22%	18%	24%
Neither many nor few	10%	11%	9%	9%	11%	12%	11%	13%	12%	11%	8%	8%	12%	9%
Not many/few jobs available	20%	59%	61%	60%	58%	60%	58%	64%	63%	63%	69%	68%	67%	64%
Don't know	5%	3%	3%	3%	3%	2%	3%	2%	3%	2%	2%	2%	2%	3%

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

UK Economic Situation - six months' time														
Good	15%	30%	27%	23%	26%	22%	23%	19%	21%	17%	14%	18%	18%	24%
Neither good nor bad	50%	45%	47%	46%	47%	46%	47%	42%	45%	44%	42%	41%	41%	48%
Bad	30%	22%	24%	28%	26%	31%	29%	38%	32%	36%	42%	38%	39%	26%
Don't know	5%	4%	2%	2%	2%	2%	2%	1%	1%	2%	2%	2%	2%	2%

UK Employment Situation - six months' time														
Many/some jobs available	57%	29%	23%	24%	23%	20%	27%	19%	20%	22%	18%	19%	21%	25%
Neither many nor few	17%	22%	21%	17%	21%	20%	18%	19%	21%	20%	17%	16%	20%	18%
Not many/few jobs available	21%	46%	53%	57%	54%	58%	55%	62%	56%	58%	63%	63%	58%	56%
Don't know	4%	3%	1%	2%	2%	2%	1%	1%	2%	2%	1%	2%	2%	1%

Household income - six months' time														
Higher	26%	14%	15%	14%	12%	17%	14%	13%	15%	13%	13%	14%	15%	13%
Same	65%	70%	68%	64%	72%	65%	67%	65%	66%	66%	66%	65%	65%	71%
Lower	9%	14%	15%	21%	15%	16%	19%	20%	17%	19%	20%	20%	19%	15%
Don't know	1%	2%	2%	1%	1%	2%	1%	2%	2%	2%	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%	30%	29%	25%	30%	25%	27%	22%	25%	22%	17%	23%	20%	27%
Neither good nor bad	27%	32%	29%	34%	31%	31%	31%	31%	28%	25%	28%	25%	30%	28%
Bad time to buy	45%	37%	40%	39%	38%	43%	40%	44%	46%	51%	54%	51%	47%	45%
Don't know	1%	2%	2%	3%	2%	2%	2%	3%	1%	2%	1%	1%	3%	1%

Spending confidence - Household goods e.g. white/brown goods														
Good time to buy	58%	38%	37%	40%	40%	35%	35%	31%	43%	35%	21%	23%	24%	30%
Neither good nor bad	33%	50%	50%	46%	46%	50%	51%	51%	41%	40%	51%	51%	52%	51%
Bad time to buy	7%	10%	11%	11%	12%	12%	13%	16%	15%	22%	26%	22%	22%	18%
Don't know	1%	2%	2%	2%	2%	2%	2%	2%	1%	2%	3%	3%	2%	1%

The Nationwide Consumer Confidence Index is compiled in partnership with Nationwide Building Society.

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.

For May, the TNS Research International research for Nationwide took place from 25th April 2011 to 22nd May 2011 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.

The NCCI Index was first published in May 2004.

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