

# Consumers remain cautious in January

Contributed by TNS  
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- Â Small uplift in confidence, but overall picture still subdued
- Â Big rebound in spending confidence in January
- Â Consumers less confident about current economic and employment conditions

### Â Consumer confidence remains gloomy despite modest uplift

The Nationwide Consumer Confidence Index picked up slightly in January to 84 but this made little difference to the long term trend after the 15 point collapse in confidence between October and December. Overall confidence levels continue to be downbeat with the main index still below its three month average. All indices are compiled in partnership with TNS.Â

### Interest rate hike puts a dampener on views about the current economic picture

January's surprise rate rise seems to have had more impact on how people are feeling about the present situation than the future.Â Confidence about the current economic and employment situation fell 1 point in January – the only index to fall in January.Â As a result, the Present Situation Index currently stands at 86 – just below its 3 month average of 88.Â Consumers are concerned about the current economic situation with the number of people who are positive about it falling to a new low (36%) and the number of people feeling negative about it rising to its highest level (24%) since the index began in May 2004.Â

### Hope for the future and household income in particular

Looking forward, consumers appear marginally more upbeat.Â The Expectations Index increased by 1 point from last month but this still leaves it 17 points lower than this time last year.Â However, people seem remarkably comfortable with their finances.Â Expectations of household income in six months saw a strong improvement in January with 31% of people believing that their income will be higher in six months time, up from 25% last month and compared to only 28% this time last year.Â This upbeat view about future income may reflect the more positive feeling about the availability of jobs in the future.Â 39% of people expect there to be many jobs available in six months time, the highest proportion since July 2006.Â This may partly reflect the recent falls in the official unemployment data.Â Â

### Spending confidence improves following the low seen in December

Spending confidence bounced back sharply in January following the slump seen in December 2006.Â The Nationwide Spending Index rose 13 points to 90.Â Although confidence is lower than last year the same seasonal effect is there.Â Over half of consumers (55%) think that now is a good time to buy household goods such as fridges and washing machines compared with 60% in January 2006.Â Fewer consumers are very confident about making major purchases than this time last year with only 22% thinking that it is as good a time to buy a house or car in January compared with 31% this time last year.Â

### Fionnuala Earley, Nationwide's Chief Economist, said:

“The unexpected Base Rate increase last month doesn't on its own appear to have had much impact on consumers' confidence, unlike the dramatic slumps seen following the rate rises in 2006; however, looking longer term, the Base Rate hikes have kept consumer confidence subdued over the last six months.Â A very small upturn in confidence in January may suggest that consumers are feeling a little happier about the future, but the strong possibility of a further rate rise in the coming months is likely to mean that they remain cautious.”

### House price expectations

Consumers' expectations of future house price growth rose in January to 3.5%, up from 3.2% in December.Â The movement of house price growth into double digits in December is likely to have had some impact on their view, but we still expect that rate of growth will now moderate in the face of higher interest rates.