

Consumer Confidence Falls In UK

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Consumer Confidence Falls In UK First time in six months.

The Nationwide Consumer Confidence Index fell in June for the first time since December 2006. The fall reversed half of the dramatic rise in confidence recorded in May.

The Present Situation Index (how consumers feel about the current economic and employment situation) and Expectations Index (how consumers feel about the economic and employment situation in six months time) also fell in June. The Spending Index (consumer's propensity to spend) was the only index to increase, rising two points in the month, but remains broadly flat in comparison to the previous six months.

The Present Situation Index fell from 101 in May to 98 in June following three months of consecutive rises but remains nine points higher than this time last year. The Expectations Index fell for the first time in six months to 93, and is now well below the level at this time last year. The UK Nationwide Consumer Confidence Index uses a similar methodology to that of the US Conference Board, the most highly regarded Consumer Confidence Index in the US, widely acknowledged as a key US economic indicator. The monthly survey is compiled in partnership with TNS.

Fionnuala Earley, Nationwide's Chief Economist, said: "The fall in confidence in June reflects some weakening sentiment about the economy and jobs, both now and in the future. Higher interest rates are likely to be a major factor behind this as consumers recognise their impact on the wider economy as well as on their own pockets. Spending confidence ticked up very slightly in June but overall it is significantly lower than this time last year. It now seems likely that rates will rise in July with a significant risk of a further increase in the autumn, we expect to see consumers tightening their belts in the months to come."

Looking forward, consumers are slightly subdued Consumers' outlook for the next six months is fairly subdued and much lower than at this time last year. This is driven mainly by a less optimistic feeling about the future economic situation. More people now feel negative about the future economic situation whilst the number of people who are positive about the future economic situation fell marginally in June from 15% to 13%.

June saw a complete reversal in which indices rose and which fell. In May, the Spending Index was the only Index to fall whilst in June, it was the only Index to rise. Spending confidence has been volatile but it can be affected by the season so despite confidence during the month recovering slowly, the overall trend is down reinforcing the suggestion that the latest series of interest rate hikes is now taking its toll.

As expected, recent interest rate rises have appeared to impact on consumer's expectations of future house prices. People's expectations of house price growth have become more realistic, falling to 2.9% after reaching a high of 4.5% in May. Moving forward, we anticipate some slackening in the housing market as rising interest rates affect affordability. The Nationwide Consumer Confidence Index fell four points in June (research took place from 21 May to 17 June).

In addition to the main Nationwide Consumer Confidence Index, the Society tracks three other indices: Present Situation Index, Expectations Index and Spending Index. Present Situation Index: fell three points in June following three consecutive months of rises. The number of people who are positive about the current economic situation has remained stable at 48%, whilst the number of people who think there are many jobs currently available has fallen from 60% to 57%.

The number of people who think the current economic situation is "normal" has fallen to 32% - its lowest level since May 2006. Expectations Index: fell four points from 97 to 93. This is the first time this index has fallen since December 2006. The number of people who are positive about the future economic situation fell marginally in June from 15% to 13% whilst the number of people

who are positive about the future employment situation has remained stable at 46% in June. The number of people who feel that there will be neither many nor few jobs available in six months' time has fallen to 18% - down from 25% in May.

Spending Index: rose two points - the only index to rise in June. Despite the overall increase in this index, the number of people who think that now is a good time to make household purchases, such as white or brown goods, fell from 51% to 45% in June. In contrast, the number of people who believe that now is neither a good nor bad time to buy household goods has risen from 41% to 45% - its highest ever level*.

The Nationwide Consumer Confidence Index (CCI): The Nationwide CCI is based on a similar approach to that used by the U.S. Conference Board which produces the highly regarded U.S. Consumer Confidence Index which has run since 1967 and is widely acknowledged as being a key economic indicator. The Nationwide Consumer Confidence Index is compiled in partnership with TNS, the market research group that conducts the research for the US index. *The Nationwide Consumer Confidence Index was first published in May 2004. # For June, the TNS research for Nationwide took place from 21st May 2007 to the 17th June 2007 with 1004 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.

Nationwide's Consumer Confidence Index is based on a monthly survey representative of the UK population. For June, the TNS research for Nationwide took place from 21st May 2007 to the 17th June 2007 with 1004 people. NFO, now part of TNS, has worked with The US Conference Board since the inception of its consumer confidence index in 1967.