

Strong Rise in Consumer Confidence

Contributed by TNS

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Strong Rise in Consumer Confidence Confidence Now Close to Average Level

The Nationwide Consumer Confidence Index rose by 9 points in November to 101 Nationwide MPC Forecast, Probability of Base Rate Change Rate Increase 5% No Change 80% Rate Decrease 15% – It is highly unlikely the MPC will change interest rates this month.

The rise was the largest monthly change since the index began. At 101, the Index is close to its long term average level of 102. Consumers think that the housing market has achieved a soft landing Confidence rises by largest amount recorded In November, the Nationwide Consumer Confidence Index rose by 9 points: the largest monthly change recorded. This followed three successive monthly falls which saw the index fall to its lowest ever level in October.

The recovery in confidence brings it close to the average level, similar to the levels seen in the summer. Stuart Bernau, Nationwide's executive director, said: "After three consecutive monthly falls in confidence, consumers appear to be feeling some festive cheer as we approach Christmas. The main index recovered from the previous month's low, back to the longer term average. It appears that recent negative sentiment, caused by recent higher petrol prices, fears over house prices and other factors, has dissipated. More upbeat sentiment may stem from more positive news on a number of fronts and may also reflect greater optimism in the run up to Christmas. In addition to feeling more positive about the present, there has been an upsurge in confidence about the future indicating that consumers feel that better times lie ahead for jobs, the economy and their incomes." Confidence rebounds Having fallen for three consecutive months to October, confidence has rebounded by 9 points.

However, this surge reflects a return to more comfortable levels rather than suggesting that confidence is soaring. It appears that fears for the economy have lessened and whilst consumers are not necessarily highly optimistic, the gloom of the past few months has lifted a little. The state of the economy is likely to be responsible for this, with employment remaining strong, stable earnings growth, stable interest rates and fears over petrol prices waning. Talk of gas price hikes seems to have had little impact on confidence.

The upturn in house prices in October may also have boosted confidence slightly although this probably reflects increasing certainty that the market has achieved a soft landing. Spending index good lead indicator of sales The spending index has continued to be a good leading indicator of the official retail sales index. In 13 of the past 17 months, the Nationwide spending index has forecast the direction in which spending will move. This month's 9 point increase suggests that retailers will be reporting better high street conditions which will be reflected in the official retail sales data. Consumers believe in housing market's soft landing Consumers seem more optimistic about the housing market. Significantly fewer respondents expect house prices to fall: 9% compared to 19% at the start of the year. The Consumers' House Price Forecast (which looks at the next six months) has risen to 3.1% from 2.9% in October – up from 1.2% in January. Consumers' greater confidence is likely to reflect a belief that a soft landing has been achieved.