August 2006 Nationwide Consumer Confidence Index.

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Confidence falls dramatically

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People's view of the future was particularly badly hit - falling 16 points to 81

Expectations of future house growth weakened

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Over the month, confidence about the future state of the economy and employment situation fell 16 points - the largest monthly fall ever seen - - to take the Expectations Index to 81 (its lowest ever level and significantly down on the position of 100 seen this time last year). More than 1 in 3 people (34%) think the economic situation in six months time will be worse than today compared to 26% in July 2006.Â Confidence about the current situation fell 2 points to 86 (a new low for this index).Â All indices are compiled in partnership with TNS.

Concern about jobs also a factor
Despite historically high levels of employment, more people are gloomy about the number of jobs available, both now and in the future, than at any time since the Index began.Â Only 44% of consumers believe there are currently many jobs available (down from 53% last month).Â Looking forward, just 37% of consumers (compared to 41% in July and an all time high of 59% in November 2004) think there will be many jobs available, in six months time - this is an all time low.

Stuart Bernau, Nationwide's executive director, said:
"The Bank of England's decision to increase Base Rate clearly had a dramatic impact on consumer confidence and people's reactions over the coming weeks will be crucial.Â If confidence fails to bounce back, the impact on many areas of the economy could be severe.Â Â Beside the rate
hike, a number of other events have occurred in the past month; the continued fighting in the Middle East and consequent uncertainty over energy prices, coupled with the suspected terror plot, have all put a dampener on confidence.Â The coming months will prove to be telling as they will show whether confidence can recover at a time when consumers' pockets begin to feel the real effect of the rate change.Â Speculation that Base Rate could increase for a second time before the year is out may mean that confidence remains low for some time to come."

House price expectations
Expectations of future house price rises have moderated.Â Consumers expect prices to rise only 3.5% over the coming six months.Â Last month they said they expected prices to rise 4.2% by the end of the year. With the recent increase in interest rates it is unsurprising to see expectations fall back this month as current and potential home owners evaluate their financial position before investing in bricks and mortar.