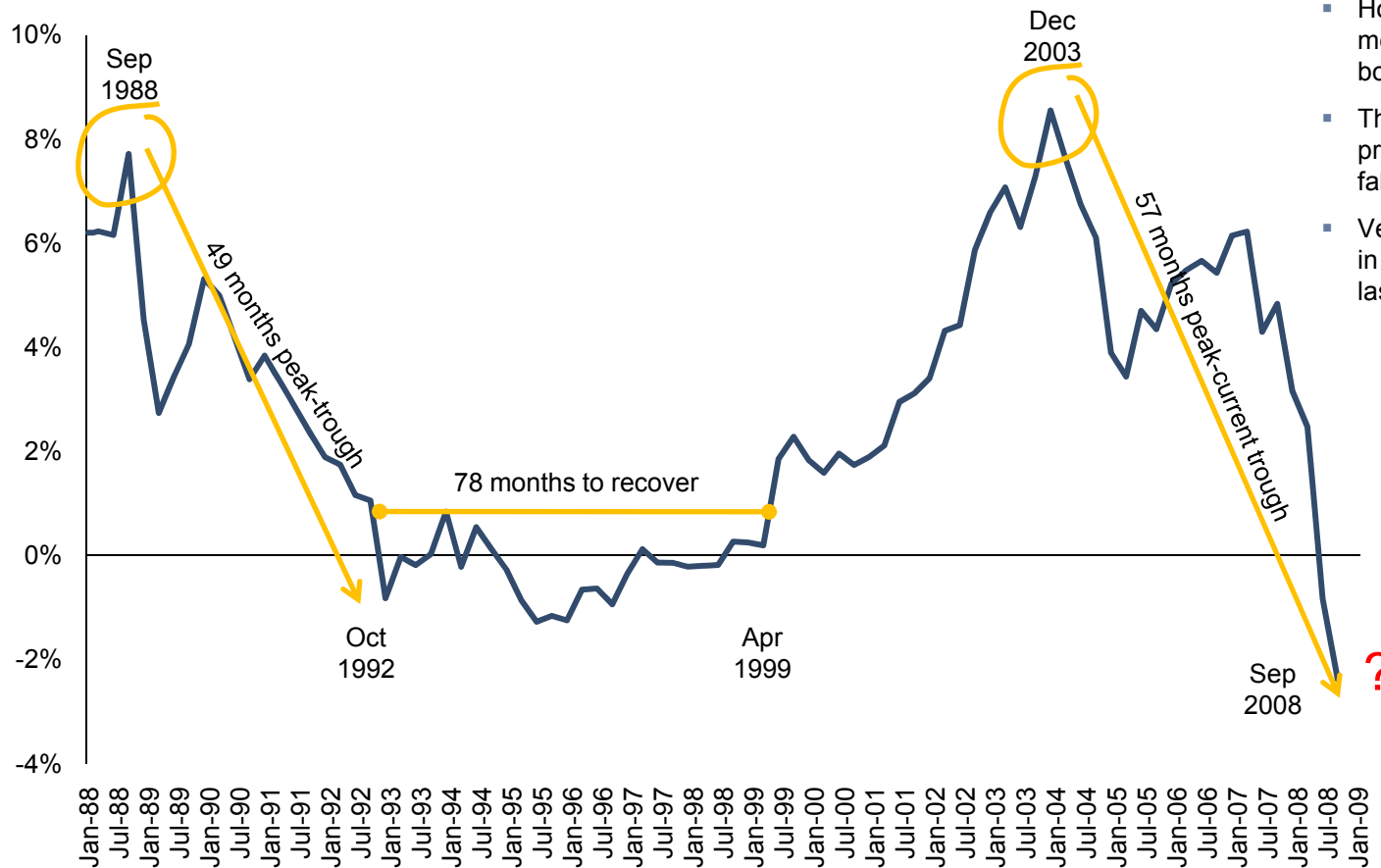


## HOUSING EQUITY WITHDRAWAL

Housing Equity Withdrawal has been one of the key facilitators of recent consumer spending trends and acts as a barometer for consumers' ability and desire to borrow. The dramatic recent fall in HEW as a proportion of post-tax income outstrips the equivalent fall during the recession of the early 1990s.

**Housing Equity Withdrawal as a percentage of post-tax income, UK, Jan 1988 – Sep 2008**



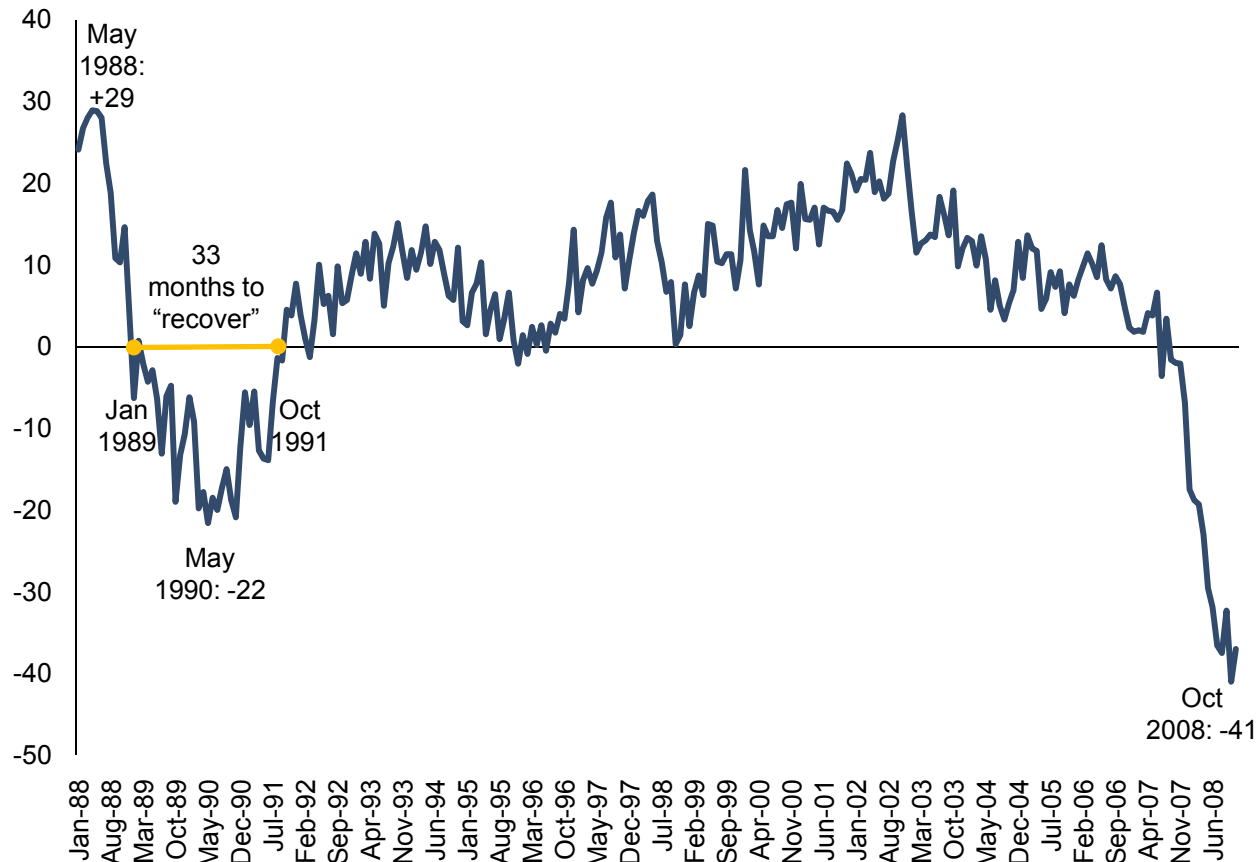
- Housing Equity Withdrawal can be considered a measure of consumers' ability and desire to borrow.
- The early 1980s saw a peak in HEW as a proportion of post-tax income, which preceded a fall from which it took 78 months to recover.
- Versus the early 1990s recession, however, the fall in HEW has been much more dramatic over the last year:
  - The speed of the fall has been very similar but more sustained: 57 months peak-trough versus 49 months in the 1990s;
  - The quantum of the fall has been sharper: 8.6% to (2.4%) in 2008 compared to 7.7% to (1%) in the 1990s.

Source: Bank of England; CIL analysis.

## CONSUMER CONFIDENCE FOR MAJOR PURCHASES

The recent dramatic shift in consumer confidence for major purchases mirrors that which heralded the early 1990s recession. No such significant change has been seen in the interim. In the early 1990s it took nearly three years for the balance of opinion to shift back to being positive.

**Current consumer confidence for major purchases,  
UK, Jan 1988 – Nov 2008**



- Europa's consumer confidence barometer measures the balance of public opinion.
  - A positive score means that most people feel that it a good time to make a major purchase;
  - A negative score means that most people feel it is a bad time to make a major purchase.
  
- The recent fall in consumer confidence for major purchases mirrors the drop in the late 1980s and early 1990s prior to a recession. Such a dramatic drop has not been seen since the early 1990s.
  
- Whilst in May 1990 confidence reached a low of -22, in October 2008 it hit -41: more people feel that it is a bad time to make a major purchase in 2008 than in 1990.
  
- It took 33 months for sentiment to "recover" in the early 1990s: this was the time for the balance of opinion moving back to being positive.

Notes: 1) n = 2,000.  
 2) The overall score reflects the balance of the views of all respondents.  
 3) Changes in the score denote that, on balance, sentiment has shifted. The level of shift is demonstrated by the change in score.

Source: Europa; CIL analysis.