Consumer Confidence Survey: Economy again top global concern

NEW YORK, US: Global online consumer confidence fell for the seventh consecutive quarter as confidence in 31 of 56 global markets measured declined, according to from Nielsen, a leading global provider of insights and analytics into what consumers watch and buy.

Key findings:

- Global online consumer confidence drops one point to 88
- USA consumer confidence declines one point to 77
- France and Denmark report double-digit confidence declines
- Brazil, Saudi Arabia, and the Baltics show improvement.

"Third quarter was volatile and challenging for global economies and financial markets amid stagnant US unemployment figures and a worsening euro zone debt crisis," said Dr. Venkatesh Bala, chief economist at The Cambridge Group, a part of Nielsen. "A recessionary mindset is growing among consumers as more than half say they are currently in a recession - up 4 percentage points from last quarter and 7 points from the start of the year. The result is continued spending restraint for discretionary expenses, which is expected to continue into the next year."

The Nielsen *Global Online Consumer Confidence Survey*, established in 2005, tracks consumer confidence, major concerns and spending intentions among more than 28 000 Internet consumers in 56 countries. Consumer confidence levels above and below a baseline of 100 indicate degrees of optimism and pessimism.

In the latest round of the survey, conducted between August 30 and September 16, 2011, the majority of respondents (64%) agree that now is not a good time to buy the things they want and need, with one-in-five Europeans and one-in-three North Americans reporting they have no spare cash. The outlook for consumers in these regions is more pessimistic now than it was at the height of the 2009 recession. Among North American and European respondents who believe they are in a recession, roughly 60% believe it will continue into the next year - up from 54% in Q1 2009.

Economy concerns mount

The economy re-emerged as the top concern among 18% of online consumers across the globe. The economy last topped concerns in Q4 2010, before it was replaced by worries over increasing food prices in the first half of this year. Job security follows close behind for 14% of consumers, rising 5 percentage points from 3 months ago. Managing a work/life balance, increasing food prices and concerns about health round out the top five most stressful issues for respondents.

"Driven by a stalled job market and uncertainty about the future course of the global economy, concerns over job security and other economic risks rise to new heights in the third quarter in many parts of the world," said Dr. Bala. In North America, one-in-three are concerned about the economy - up seven points from second quarter and more than one-in-10 (12%) are worried about job security - an increase of five points from three months ago.

In Latin America, concerns over job security (15%) and crime (12%) took a slight edge over the economy (11%). In Middle East/Africa, while job security retained the top spot in this region, the quarter-on-quarter increase is noteworthy - jumping nine points to 20% and up from 11% in the second quarter. In Asia Pacific, the economy (18%) and job security (15%) rose eight and seven points, respectively.

Future spending intentions

For the first time, Nielsen asked global respondents how they allocate their monthly budget and where they would increase or decrease spending if their budget expanded or contracted by 10%. "The results are very revealing," said Dr. Bala. "Overwhelmingly, there is a sense of weariness and pent-up desire for a respite; when households contemplate a 10% increase in budget, we see a desire to expand allocation to indulgent categories like 'pleasure travel/vacations' (+29%) and 'recreation and entertainment' (+20%). There is also a sense of economic uncertainty and a need for a safety net, so consumers also add to their 'savings/investments' (+25%)."

On the flip side, when budgets are reduced by 10%, discretionary spend - especially in the areas of 'apparel' (-21%) and dining out' (-18%) - are reduced. Consumers also indicated a spending cut back on 'electronics and appliances' (-14%). "If the global economic climate worsens, these three sectors appear to be particularly vulnerable," continued Dr. Bala.

In the event of having to make do with a smaller budget, respondents also indicated a reduction in savings/investment by 10%. "The asymmetry with expansion suggests that while respondents would like to preserve or add to their savings and investments, they also recognise that they may be bumping up against harder economic realities," said Dr. Bala.

Region review

US consumer confidence dropped one point to an index of 77. Consumer confidence also fell by one point last quarter in China from 105 to 104 and one point in Germany, Europe's largest economy. "With high gas prices, food inflation, bad weather, distressed housing market, troubling government debt, weakening financial markets, and little improvement in the job market, US consumer confidence dropped in the second and third quarters of 2011," said Todd Hale, SVP Consumer & Shopper Insights, Nielsen US "Unlike some other countries around the globe, US consumer confidence has not shown improvement. This pattern of continued low confidence paints a picture of a slow and moderate economic recovery."

Asia Pacific continues to dominate the list of most optimistic countries with seven of the top 10 highest consumer confidence scores hailing from this region. India, despite a decline of five points, retains the top spot with an index of 121, followed by Saudi Arabia (120), Indonesia (114), Brazil (112), Philippines (112), Thailand (109), United Arab Emirates (105), China (104), Hong Kong (104) and Malaysia (101). Hungary (37) was the most pessimistic country in third quarter, together with Portugal (40), South Korea, Romania and Croatia (49).

Asia Pacific and Latin America were the most optimistic regions last quarter at 97 points, while Asia Pacific posted a one point regional decline from 98 points in Q2. Middle East/Africa followed closely at 96 index points with a 2 point quarterly gain. North America declined two points to 79 and Europe remained the most pessimistic region, remaining flat at 74 points.

Europe's struggling West / improving East

European nations remain among the most pessimistic. "Across the euro zone, the looming debt crisis and extreme volatility of financial markets is driving consumer confidence levels down, particularly in Portugal (40), Ireland (64), Greece (51) and Spain (56), each reporting consumer confidence index scores well below the European average of 74," continued Dr. Bala. Several markets posted double-digit confidence declines last quarter with the largest decrease from France, dropping 13 index points to 56.

"During the summer, the European debt crisis caused a strong uncertainty among consumers, especially in France where the budget deficit is close to 5.8% of the GDP and the unemployment rate is close to 10%," said Philippe Guerrieri, country manager, Nielsen France.

The Nordic region also reported a drop in confidence, with Denmark, Finland and Sweden declining in third quarter. Denmark saw the biggest decline, dropping 12 points - straying from a 97 average index performance registered since the 2009 recession. "A major factor in this latest decline is largely attributed to an uncertain economic future due to a heated national election, whereby duelling party positions resulted in one of the closest races in more than 10 years," said Peter Schelde, MD, Nielsen Denmark. "With increasing unemployment, Danes are worried for the future and are reticent to spend money."

While Western Europe experienced a challenging quarter, several Eastern European nations defied the downward trend and nine of 10 markets tracked by Nielsen enjoyed confidence rebounds. Russia, the largest economy and economic engine of Eastern Europe, posted a healthy seven point increase to an index score of 89. "Since 2008, Russian consumers have put their spending on hold and have accepted a 'here and now' strategy towards their global economic woes," said Paul Walker, Group Managing Director, Nielsen Russia and North Eastern Europe. "In the third quarter, Russian respondents have strengthened confidence in the state of their personal finances, although purchasing power has not yet been fully restored and Russians remain cautious in their expectations about the future."

While still below the European consumer confidence average, the Baltic States of Latvia (69), Lithuania (71) and Estonia (72) registered the biggest increases in the region, rising 12, 11 and six points, respectively. "The increase in consumer confidence is due to improving macro-economic indicators. GDP growth rates across Europe are best for the Baltic States where unemployment is gradually decreasing," said Martti Muna, consumer research manager, Nielsen Baltics. "However, as food inflation is around 9%, shopping basket volume growth is marginal compared to last year and consumers continue to be very cautious and are opting to save rather than spend."

Poland also rebounded from the previous two quarters of declining confidence scores and increased eight points in the third quarter to an index of 74. "Poland was the only European country that did not experience a recession in 2009, but was recently hit by economic uncertainty," said Kyriakos Kyriakou, regional managing director, Nielsen Eastern Europe. "People feared for the worst because of growing unemployment and rising petrol, food and utility prices, but now they realise that fears may have been exaggerated and they are becoming more optimistic."

Mixed results in Latin America

Latin America's largest economy, Brazil, continues to lead the region with a reported consumer confidence index score of 112 in the third quarter. "With consistently above average consumer confidence index scores, Brazilian consumers maintain an optimistic viewpoint despite recent reports of a potential economic slowdown amid a slide in economic activity," said Eduardo Ragasol, GM, Nielsen Brazil. "Consumers are confident due to the overall positive employment conditions. However, consumers are indebted and cautious to further expand current leverage levels. Durables, cars and goods heavily dependent upon credit may suffer a contraction versus the previous year."

Venezuela (75), Chile (85) and Argentina (88) reported a decline in consumer confidence in the third quarter, while Colombia (90) and Mexico (83) increased one and three points, respectively. Peru held steady with an index score of 99 for two straight quarters. "In Venezuela, a decline in optimism is the result of reduced consumption caused by the

restriction of imported goods and the expropriation of companies, factories and lands," said Martha Giraldo, client service director, Nielsen Venezuela. "Additionally, currency restrictions by the government have reduced an external investment in the country."

Asia Pacific savers and investors

Asia Pacific continues to deliver solid consumer confidence results despite a one point index decline regionally in third quarter to a score of 97. The region boasts the largest percentage of savers, with 61% indicating that they plan to put spare cash into savings compared to the global average of 46%. One-in-three Asia Pacific online consumers also plan to invest in stocks/mutual funds, which is considerably higher than anywhere else in the world - almost double the global average of 18%.

India has reported the highest consumer confidence index score for seven straight quarters. Prior to that, only Indonesia or Norway had occasionally taken the number one spot from India. Following close behind, confidence in Saudi Arabia rose 13 points in third quarter to an index of 120. "In Saudi Arabia, state spending, bolstered by high oil prices and a boost in crude oil output remains a central driver of economic activity," said Arslan Ashraf, MD, Nielsen Saudi Arabia. "The surge in Saudi consumer optimism comes as the impacts of the massive budget allocations and increases in public spending announced earlier this year by the government begin to trickle down, reaching the average citizen. The aggressive job nationalisation program announced at the end of the second quarter combined with generous handouts, salary increases, housing loans, and welfare programs has translated to improved personal finances and promising job prospects for Saudi consumers."

Despite the overall positive economic conditions in Asia Pacific, 10 of the 14 countries measured reported declines from three months ago. Singapore and Malaysia saw the biggest confidence declines of nine points each. "Singaporean consumers turned into a more pessimistic group over the third quarter due to a confluence of factors," said Joan Koh, MD, Nielsen Singapore. "These include the prospect of a more pronounced global macroeconomic malaise, continuing inflationary pressures and the subtle shift in local politics. Consumers have also witnessed the higher volatility in asset prices, which contributed to a higher level of uncertainty about how to protect their wealth."

"In Malaysia, the drop in consumer optimism echoes the discouraging economic data released during the quarter," said Kow Kuan Hua, MD, Nielsen Malaysia. "The majority of fast-moving consumer goods categories tracked by Nielsen also showed a month-on-month decline in sales value in September, reflecting consumers' 'wait-and-see' attitude. Fourth quarter results will show if this is a one-time slowdown or otherwise. For now, consumers are deferring plans to purchase discretionary items such as major durable goods and are starting to become more concerned about job prospects and the unabating inflationary pressures."

About the Nielsen *Global Online Survey*

The Nielsen Global Online Survey was conducted between 30 August 16 September 2011 and polled more than 28 000 consumers in 56 countries throughout Asia Pacific, Europe, Latin America, the Middle East, Africa and North America. The sample has quotas based on age and sex for each country based on their Internet users, and is weighted to be representative of Internet consumers and has a maximum margin of error of ±0.6%. This Nielsen survey is based on the behaviour of respondents with online access only. Internet penetration rates vary by country. Nielsen uses a minimum reporting standard of 60% Internet penetration or 10M online population for survey inclusion. The Nielsen *Global Online Survey*, which includes the *Global Online Consumer Confidence Survey*, was established in 2005.

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