CONSUMER CONFIDENCE, CONCERNS AND SPENDING INTENTIONS IN IRELAND

QUARTER 3, 2013
IRELAND

Consumer confidence down 1 point at an index of 69 in Q3 2013
Recessionary mind-set still evident at 93% (-2 versus Q2)
17% are optimistic about future job prospects (+1 versus Q2)
Only 29% are optimistic about their Finances (-5 versus Q2)
While only 24% are ready to spend (-2 versus Q2)

CONCERNS AND SPENDING INTENTIONS THIS QUARTER VS. LAST

Biggest Concerns are Job Security (-1), the Economy (+1) and increasing Utility Bills moves from fourth to joint second position (+5)
81% say they have changed household spending in order to save (+3)
Those with ‘no spare cash’ remains unchanged at 26%, while those paying off debt increases (+1) to 28%. Those saving remains high at 31%
An increase to 77% (+8) for those ‘Switching to Cheaper Grocery Brands’
CONSUMER CONFIDENCE SHOWED SIGNIFICANT IMPROVEMENT IN THE UNITED STATES AND WESTERN EUROPE

Global consumer confidence indexed at 94 in the third quarter, no change from Q2 2013, and a two-point increase from the same period last year (Q3 2012), according to consumer confidence findings from Nielsen, a leading global provider of information and insights into what consumers watch and buy. In the latest round of the survey, conducted between August 14 and September 6 2013, consumer confidence increased in all regions except Asia-Pacific.

Consumer confidence in Europe increased three index points to 74, the biggest quarter-on-quarter increase since Q1 2010 and an improvement from three consecutive quarters fixed at 71. Confidence in North America increased two index points to 98, the third consecutive quarter of increases and hit its highest level since Q3 2007. Marginal consumer confidence increases were reported in Latin America and Middle East/Africa, increasing one index point each to 94 and 92, respectively, compared to Q2. Confidence in Asia-Pacific declined one index point to 104, the first regional quarter-on-quarter decline since Q2 2012.

GIVEN THE SIZE AND SCALE OF THESE ECONOMIES, IT IS ENCOURAGING TO SEE SIGNIFICANT GAINS IN CONSUMER CONFIDENCE WITHIN THE UNITED STATES AND WESTERN EUROPE AS WE CONSIDER WHERE WE WERE LAST YEAR AND LOOK AHEAD TO 2014. AT THE SAME TIME, WE HAVE TO KEEP MODEST DEVELOPING MARKET DECLINES IN PERSPECTIVE. WHILE INDIA IS SIGNIFICANTLY OFF PEAK OPTIMISM OF 131 MEASURED THREE YEARS AGO IN 2010, IT IS STILL ONE OF THE LARGEST AND MOST CONFIDENT COUNTRIES IN THE WORLD, AND THAT HAS AN IMPACT ON THE ENTIRE REGION.

DR. VENKATESH BALA, CHIEF ECONOMIST AT THE CAMBRIDGE GROUP, A PART OF NIELSEN
GLOBAL CONSUMER CONFIDENCE SURVEY

60 COUNTRIES – 3-MONTH TREND
Q3-2013 NIELSEN CONSUMER CONFIDENCE INDEX

INDEXES ABOVE 100 INDICATE OPTIMISM
INDEXES BELOW 100 INDICATE PESSIMISM

GLOBAL AVERAGE

(0 change from Q2-2013)

*Survey is based on respondents with Internet access. China survey results reflect a mixed methodology. Index levels above and below 100 indicate degrees of optimism/pessimism.
RECESSION - BATTERED EUROPE SHOWED SIGNS OF RECOVERY

Seventy percent of European markets reported consumer confidence increases in the third quarter as improvements across all confidence indicators showed positive, albeit marginal, regional momentum. Positive perceptions about local job prospects (26%), personal finances (36%) and a good time to buy (29%) increased 2, 1 and 2 percentage points, respectively, compared to the second quarter.

Good news was reported among Europe’s most troubled economies, with consumer confidence increases in Portugal, Italy, Greece and Spain. In addition to Portugal’s double-digit confidence boost of 22 index points, other hard-hit austerity markets showed increased optimism. Spain’s index increased eight points to 56, Italy rose six points to 47, and Greece inched up one point to 48. Despite a one-point quarterly confidence decline in Ireland, an index score of 69 was a two-point improvement from one year ago.
Consumer confidence index scores were highest in Denmark (103), Switzerland (98), Norway (96) and Germany (92), and most improved in Portugal (55), Belgium (81), Spain (56), France (61), the United Kingdom (87) and Italy (47), compared to Q2.


INGO SHIER, MANAGING DIRECTOR, NIelsen Germany
SLIGHT FALL IN IRELAND’S CONSUMER CONFIDENCE MAY INDICATE A ‘WAIT AND SEE’ APPROACH...

Ireland’s consumer sentiment dipped to 69 this quarter (-1pt versus Q2 2013, +2pts on Q3 2012). While people do feel job prospects have improved, they are more negative this quarter in relation to their personal finances and their readiness to spend, reflecting a cautious approach with a seventh austerity budget around the corner on 15th October.

Pieces of positive news around improving general economic conditions in Ireland continue to seep out; unemployment is down (13.3%, Sept 2013, CSO), house prices are rising and inflation is low. Business activity also brightened this quarter as the latest KBC Bank / Chartered Accountants Business Sentiment Study* revealed. It found that a significant number of firms were reporting increased activity levels and among a much broader range of companies. The Nielsen Consumer Confidence survey found that there was also an improved view on general business conditions as 44% of respondents rated them as good/normal, up 5pts on Q2 2013.
SLIGHTLY LESS PESSIMISM ON IRELAND’S RECESSIONARY STATUS...

While still significantly higher than the European average of 72%, 93% of respondents say Ireland is still in an economic recession, that’s down -2pts on the previous quarter. Those that feel Ireland will be out of recession in the next twelve months has increased this quarter from 10% to 13%.

PERCENT GLOBALLY SAYING THE COUNTRY IS IN A RECESSION

93% SAY WE ARE STILL IN RECESSION

Source: Nielsen Global Online Survey - Q3 2013
BIGGEST CONCERNS AND SENTIMENTS

Job Security continues to be the primary concern this quarter (-1). Increasing Utility Bills takes a jump on the list (+5) and moves into joint second position with the economy (+1). Our overall second biggest concern this quarter remains unchanged with Increasing Utility Bills at 18%.

As unemployment rates fall to their lowest levels in three years, the percentage of people who think job prospects are good or excellent increases to 17% this quarter (16% in Q2 2013), with European and Global scores also showing an improvement. However, there is slightly less optimism around personal finances. Those who feel their personal finances over the next twelve months are good or excellent falls from 34% in Q2 2013 to 29%. Furthermore, only 24% feel it is a good time to buy the things they need or want, compared to 26% last quarter.

PERSONAL FINANCES AND READINESS TO SPEND

‘STATE OF PERSONAL FINANCES / READINESS TO SPEND?’ Q3 2013 IRELAND

Source: Nielsen Global Online Survey - Q3 2013
Irish consumers have not stopped changing their spending habits in order to save money. This score rose again this quarter with 81% of respondents saying that compared to this time last year they had changed their spending to save on household expenses (+3pts on Q2 2013). This is the highest score of all European countries (joint highest position with Italy) and 21pts higher than the European average of 60% illustrating the strong reaction Irish consumers are continuing to have to their changed economic circumstances.

**HAVE WE CHANGED SPENDING HABITS**

‘**COMPARED TO THIS TIME LAST YEAR, HAVE YOU CHANGED YOUR SPENDING TO SAVE ON HOUSEHOLD EXPENSES?**’ Q3 2013

**IRELAND**

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<th>Q3 2013</th>
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<td>81%</td>
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Source: Nielsen Global Online Survey - Q3 2013
Those saying they ‘have no spare cash’ remains unchanged at 26% this quarter, although still high compared to the European average of 21%. Once essential living expenses are covered; over one third of Irish respondents (31%) are putting spare cash they do have into savings, while 28% are paying off debts.

Spending on new clothes is only spending area to increase on the last quarter with 20% choosing to spend their spare cash here (+1pt). Spending on home improvements/decorating (21%), out of home entertainment (15%) and retirement fund (4%) are all unchanged on Q2 2013. Spending on holidays saw the largest decline with 22% choosing to spend their spare cash here (-4pts).

WHERE DO WE SPEND OUR SPARE CASH?

“Q - ONCE YOU HAVE COVERED YOUR ESSENTIAL LIVING EXPENSES, WHICH OF THE FOLLOWING STATEMENTS BEST DESCRIBES WHAT YOU DO WITH YOUR SPARE CASH...?” Q3 2013 IRELAND

Source: Nielsen Global Online Survey - Ireland Results Q3 2013
No sign of Irish consumers loosening the purse strings yet as respondents cutting spend to save has increased again in many areas this quarter. There has been a significant increase in the percentage saying they have switched to cheaper grocery brands at 77% (+8pts), this is the highest level of all European countries and 24pts higher than the European average of 53%. While saving on gas and electricity has decreased this quarter at 63% (-9pts).

In terms of lifestyle choices respondents say they will spend less on new clothes (73%, +4pts) and use their car less often (42%, +5pts) while those choosing to cut down or buy cheaper brands of alcohol has also increased at 32% (+2pts).

Furthermore there is no end in sight as many respondents feel they will continue to use these saving strategies once economic conditions improve.

Source: Nielsen Global Online Survey - Ireland Results Q3 2013
SWITCHING TO CHEAPER GROCERY BRANDS

‘COMPARED TO THIS TIME LAST YEAR, HAVE YOU CHANGED YOUR SPENDING TO SAVE ON HOUSEHOLD EXPENSES?’ Q3 2013

SWITCHING TO CHEAPER GROCERY BRANDS IN LAST YEAR / WILL CONTINUE TO DO SO POST RECESSION

SWITCHING TO CHEAPER GROCERY BRANDS POST RECESSION

Source: Nielsen Global Online Survey - Q3 2013
SUMMARY: ONE SMALL STEP BACK BUT SOME POSITIVE INDICATORS TOO

While the drop in consumer confidence is not significant this quarter, it does reflect the volatile sentiment which still exists among Irish consumers, even in the face of positive economic news for the country. However there is some good news to be taken from the latest data release, with more respondents feeling that job prospects and general business conditions are good, as reflected in falling unemployment rates and increasing business activity.

With the October budget figures released and at the lower end of the scale (an adjustment of €2.5bn. as opposed to €3.1bn.) it is hoped that the final quarter of 2013 will see certainty return for consumers as we head into the important Christmas shopping period. While consumers are expected to continue their cautious spending approach, it is hoped that with time the level of fear over job security and the future in general will decrease, allowing some savings to be released into the economy.

“It is disappointing to see a small decrease in consumer sentiment this quarter, just as Ireland was on an upward trend, however taking into account the uncertainty surrounding the October budget and the end of the good weather it is not surprising that people feel a little gloomy. More significant is that as time goes on saving strategies are growing in use and becoming more entrenched in consumers’ minds and these pose a huge challenge for retailers and manufacturers.”

SHANE DALY, NIELSEN IRELAND

Sources:
*Source: KBC Bank / Chartered Accountants Business Sentiment Study, published 10 October 2013
http://www.kbc.ie/media/BusinessSentimentQ3132.pdf
ABOUT THE NIELSEN GLOBAL SURVEY

The Nielsen Global Survey of Consumer Confidence and Spending Intentions was conducted between August 14 and September 6, 2013 and polled more than 30,000 online consumers in 60 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 behavior of respondents with online access only. Internet penetration rates vary by country. Nielsen uses a minimum reporting standard of 60 percent Internet penetration or 10M online population for survey inclusion. The China Consumer Confidence Index is compiled from a separate mixed methodology survey among 3,500 respondents in China. The Nielsen Global Survey, which includes the Global Consumer Confidence Index, was established in 2005.

ABOUT NIELSEN

Nielsen Holdings N.V. (NYSE: NLSN) is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence and mobile measurement. Nielsen has a presence in approximately 100 countries, with headquarters in New York, USA and Diemen, the Netherlands.

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