



Consumer Confidence:
A Canadian Perspective

Q4 2011

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Canadian Consumer Confidence Stalls as Job Fears Rise

Entering 2012, the confidence level of Canadian consumers remained steady – but concerns about job prospects are up, and fears of a lingering recession are also increasing.

The mixed results come from the latest edition of the Nielsen Global Consumer Confidence Index, for the fourth quarter of 2011. On the index, based on quarterly online surveys of consumers, a score of 100 is neutral; levels above and below that show degrees of optimism and pessimism.

For the fourth quarter of 2011, the Canadian confidence level was 96, the same as in the third quarter. Globally, the index rose from 88 to 89, reversing a trend where it had fallen for the previous seven quarters. Overall, confidence levels dropped in 35 of the 56 markets surveyed (including 24 of 27 in economically-challenged Europe), rose in 12 markets and remained flat in nine.

Nielsen Consumer Confidence Index	Canada	Global
Q4 2011 (current)	96	89
Q3 2011	96	88
Q2 2011	101	89
Q1 2011	102	92

According to Carman Allison, director, consumer insights, Nielsen, "It seems we are in a bit of a holding pattern until the global situation starts to improve."

Less Hopeful About Job Prospects

While the confidence level stayed the same, Canadians surveyed were skittish about job security.

For the year, employment in Canada was up. Statistics Canada reports that the unemployment rate was 7.5% in the last month of 2011, better than at the start of the year (7.8% in January 2011).

Over the past 12 months, employment growth totalled 1.2% (a net gain of 199,000 jobs), but with nearly all of the gains occurring in the first half of 2011. In December 2011 (the Nielsen survey was conducted in late November and early December), employment in Canada rose slightly by 18,000 jobs, following two months of declines.

Although Canada has experienced job creation, Nielsen reveals that Canadians aren't strongly hopeful about employment. Asked how they rate job prospects, the Canadians surveyed were split down the middle – 48% said good or excellent, and 48% said bad or not good. That's markedly different from the previous Nielsen survey, where the more optimistic Canadians on this question outweighed the more pessimistic by 54% to 40%.

How do you rate job prospects?

	Q3 2011	Q4 2011
Excellent	5%	6%
Good	49%	42%
Not good	36%	42%
Bad	4%	6%

As long as employment worries continue, we aren't seeing a strong kick-start to spending.

"Canadians are showing restraint in consumer packaged goods, with no increase reported in unit sales over the past year," says Allison. "The increased fear over jobs means consumers will remain cautious when it comes to discretionary spending."

Recession Worries Grow

The nervousness about jobs is mirrored by a growing feeling that Canada has not escaped the recession just yet.

The percentage of Canadians saying "yes, we're in a recession" jumped to 50% – about where it stood at the start of 2011, despite falling in between.

Do you think your country is in an economic recession at the moment?

(% answering yes)	Canada	Global
Q4 2011 (current)	50%	64%
Q3 2011	44%	62%
Q2 2011	43%	58%
Q1 2011	51%	55%

Of the half of Canadians surveyed who believe that we're still in a recession, only 16% say we'll be out of it in another year. Almost two-thirds of respondents globally, and 90% of Americans, feel that their country is in a recession.

In fact, signs are that the Canadian economy did end 2011 on a downward trend. Statistics Canada reports that the real gross domestic product edged down 0.1% in November. This followed monthly increases from June to September 2011, but no growth in October.

In January 2012, the Bank of Canada adjusted their GDP projections to 2% in 2012 (from 1.9%). The central bank said that the outlook for the global economy has deteriorated and uncertainty has increased since the fall of 2011, citing the intensified sovereign debt crisis in Europe (with a deeper and longer recession there), and tightening conditions in international financial markets.

Slight Rise in Optimism About Finances, Spending

Given the cautious views about jobs and the economy, how are Canadians feeling about their personal finances and spending? Lukewarm. Slightly more Canadians are rating their finances as good or excellent – 57% in the latest survey, compared to 54% three months earlier. Yet both numbers are down from 61% in the middle of 2011.

How do you rate your personal finances?

	Q3 2011	Q4 2011
Excellent	4%	6%
Good	50%	51%
Not good	33%	32%
Bad	7%	7%

As for spending intentions, more Canadians are also saying that they're ready to buy the things they need and want – 38% (who say it's a good or excellent time) vs. 33% in the Q3 Nielsen survey. Still, that's down from 40% at the beginning of 2011.

Is this a good or bad time to buy?

	Q3 2011	Q4 2011
Excellent	2%	4%
Good	31%	34%
Not good	50%	43%
Bad	15%	17%

These indicators are important, but spending reality, as well as intentions, are ultimately tied to job security. "Until we see this level of optimism shift over to job prospects, expect consumer spending growth to be tepid," says Allison.

Discretionary Spending Moves Slightly

The modest change in spending attitudes hasn't translated yet into a significant increase in spending.

Nielsen asked Canadians what they're doing with spare cash, and compared to the previous quarter discretionary spending is up slightly or flat in most areas. Two exceptions where we've seen 4% bumps – holidays and paying off debt.

Once you've covered essential living expenses, what do you do with spare cash?

	Q2 2011	Q3 2011	Q4 2011
Paying off debts/credit cards/loans	36%	37%	41%
Putting into savings	31%	30%	32%
Holidays/vacations	24%	22%	26%
New clothes	21%	23%	22%
Out-of-home entertainment	20%	19%	21%
I have no spare cash	26%	23%	21%
Home improvements/decorating	20%	18%	18%
Retirement fund	9%	11%	12%
New technology products	10%	12%	12%
Investing in shares of stock/mutual funds	9%	8%	9%

While many Canadians say they're committed to paying off debt, household debt in fact continues to rise. In December 2011, Statistics Canada reported that Canadians had set a new record for household debt, up to 152.98% (ratio of debt to personal disposable income). That's actually a higher ration than in the U.S. Bank of Canada Governor Mark Carney has said that "Our greatest domestic risk relates to household finances."

"Household debt continues to plague Canadians," says Allison. "They have money to spend, but are focused on getting their personal balance sheets in order."

Canadians Continue to Change Spending Habits

Economic concerns, inflation and the desire to save have all led to a range of strategies to cut back. Compared to this time last year, 61% of Canadians say they've changed their spending to save on household expenses. Nielsen tracks 15 strategies to save; compared to Q3 of 2011, five have become more popular, seven have seen less use, and three have stayed the same.

How are you saving on household expenses?

	Q3 2011	Q4 2011
Spend less on new clothes	59%	57%
Cut down on take-away meals	55%	57%
Cut down on out-of-home entertainment	52%	55%
Switch to cheaper grocery brands	53%	50%
Try to save on gas and electricity	53%	47%
Use my car less often	38%	35%
Delay upgrading technology, e.g. PC, mobile, etc.	33%	32%
Delay the replacement of major household items	25%	31%
Cut down on holidays/short breaks	33%	30%
Cut down on telephone expenses	29%	30%
Cut down on at-home entertainment	28%	28%
Cut out annual vacation	23%	23%
Look for better deals on loans, insurance, credit cards, etc.	21%	21%
Cut down on smoking	15%	18%
Cut down on or buy cheaper brands of alcohol	18%	15%

"Canadian households seem to be using a best-bang-for-the-buck strategy, which is reflected in the continued growth of discount retailers across Canada," says Allison.

Economic Issues Dominate Concerns

Economic issues – debt, the general state of the economy, jobs, and rising prices for basic expenses – dominate the list of concerns for Canadians, and aren't slipping.

What is your biggest concern over the next 6 months?

	#1 Concern	#2 Concern	Total
Debt	15%	11%	26%
The economy	15%	10%	25%
Health	11%	10%	21%
Job security	14%	6%	20%
Increasing food prices	8%	10%	18%
Increasing utility bills (electricity, gas, heating)	6%	12%	18%

While 2010 and 2011 were years of economic recovery for Canada, Allison says 2012 is shaping up to be challenging, with minimal growth projections – a "year of uncertainty", he calls it.

One bright spot might be some encouraging signs from the U.S. Even though the U.S. confidence level lags behind Canada, the recent increase in Q4 (up six points) is positive. Job creation is also on the rise in the U.S.

"All of this could result in increased consumer spending and a somewhat rebounding U.S. economy, which will benefit Canada as well," says Allison. "Only time will tell if this momentum affects the mood and spending of Canadians in 2012."

About the Survey

The Nielsen Global Online Survey was conducted between November 23 and December 9, 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 $\pm 0.6\%$. 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 Nielsen Global Online Survey, which includes the Global Online Consumer Confidence Survey, 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, mobile measurement, trade shows and related properties. Nielsen has a presence in approximately 100 countries, with headquarters in New York, USA and Diemen, the Netherlands. For more information, visit www.nielsen.com.

Countries Included:

Argentina
Australia
Austria
Belgium
Brazil
Canada
China
Chile
Colombia
Croatia
Czech Republic
Denmark
Egypt
Estonia
Finland
France
Germany
Great Britain
Greece
Hong Kong
Hungary
India
Indonesia
Ireland
Israel
Italy
Japan
Latvia
Lithuania
Malaysia
Mexico
Netherlands
New Zealand
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