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Consumer Confidence,
Concerns, Spending and
Attitudes to Recession
a global Nielsen
consumer report

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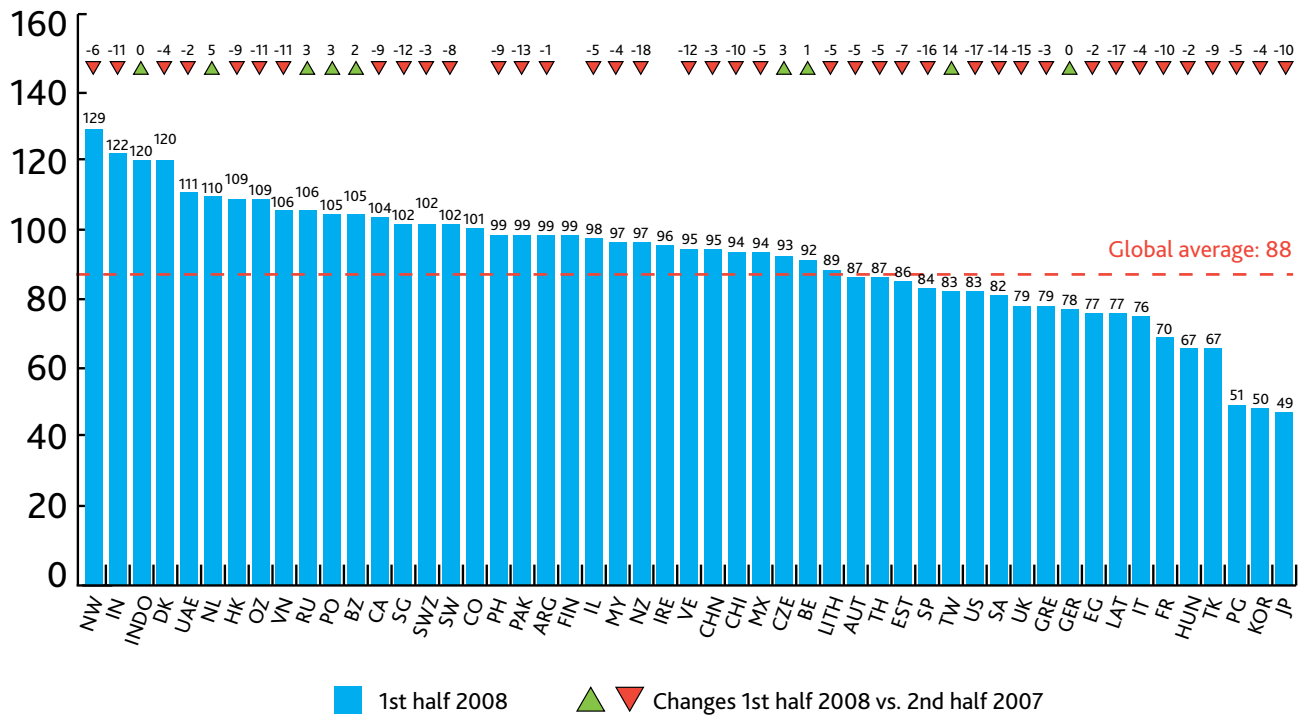
Consumer Confidence takes a tumble

After months of speculation and uncertainty around the global economy, it appears the penny has finally dropped for the world's consumers. Consumer confidence worldwide has fallen to its lowest level in several years, according to the Nielsen Global Consumer Confidence Index, the definitive gauge of consumer

sentiment around economic and social concerns across 51¹ countries. The latest Nielsen Consumer Confidence Index has plunged to 88 - down six points in the last six months – the largest single drop the Index has recorded in the last three years.

Nielsen Global Consumer Confidence Index

1st half, 2008



Base: All respondents

¹51 Markets Covered: Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Malaysia, Mexico, Netherlands, New Zealand, Norway, Pakistan, Philippines, Poland, Portugal, Russia, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, UAE, United Kingdom, US, Venezuela and Vietnam.

Consumer confidence fell in 39 out of 48 countries in the past six months, with New Zealand, USA and Latvia suffering the deepest declines. Among the 39 markets² recording a decline in consumer confidence, 15 fell by double-digits.

"The last six months have been the most turbulent period for the global economy in several decades. When the USA sneezed at the outset of the sub prime disaster nearly a year ago, the rest of the world quickly caught a cold. No region or country has been spared the domino effect of the US sub-prime and credit crisis", observed David Parma, global head of Customized Research, The Nielsen Company.

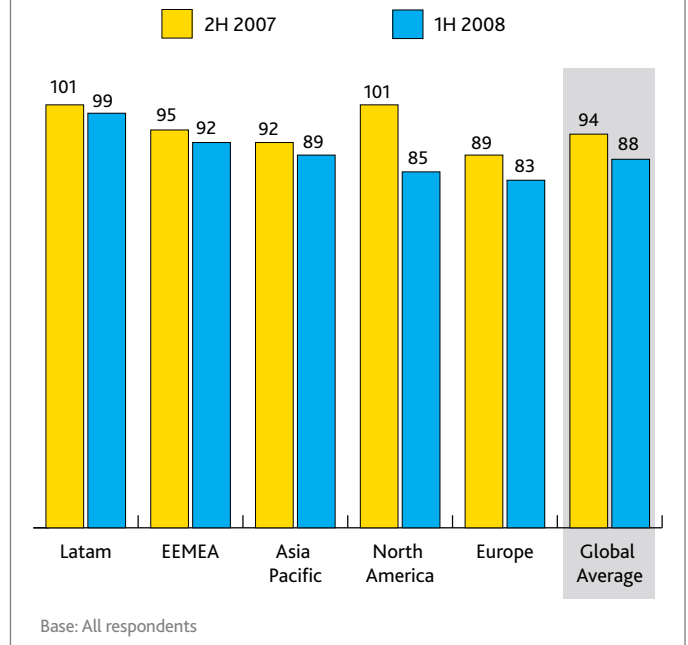
"Consumers around the world are struggling with the same global issues that are impacting their daily lives. It's an unfortunate pendulum. On the one hand we are seeing soaring global oil prices, rising commodity prices which are impacting grocery prices, rising interest rates and increasing inflation. This is happening in tandem with falling property prices, weakening labour markets, decreasing industrial output levels and growing unemployment rates which have all resulted in less spending power for the average person. Overall, it's not a good picture," commented Parma.

When the USA sneezed at the outset of the sub-prime disaster, the rest of the world quickly caught a cold.

David Parma, global head of Customized Research, The Nielsen Company

Across the regions, the US suffered the biggest fall in confidence, dropping a hefty 17 points, while in Europe, the Nielsen Consumer Confidence Index dropped six points to 83. The Index fell three points in Asia Pacific and EEMEA, and two points in Latin America.

Consumer Confidence Index



Taiwanese consumers on a roll

Only Taiwan bucked the global trend of economic gloom, posting a buoyant 14 point increase in Nielsen's Consumer Confidence Index in the past six months – up to 83 from 69 points, in the face of a landslide election win for Ma Ying-jeou in March on a platform heavily focused around economic growth.

This new-found atmosphere of buoyancy and stability has clearly had a positive effect on consumer sentiment. "Taiwan's new-found optimism is driven by a belief that the new government can inspire confidence and deliver a better future for the country," said Mitch Barns, President, Nielsen Greater China. In past Nielsen Consumer Confidence surveys, Taiwanese consumers cited *political stability* as their major area of concern. In the most recent survey, Taiwanese concern for *political stability* has slipped to sixth place, behind the economy (54%) and personal issues such as work/life balance (38%) and job security (20%). Nowadays, only one in 10 Taiwanese consumers cite political stability as a major concern.

² Three markets – Colombia, Venezuela & Israel – added in April 2008; no trend data available from previous survey.

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One market's trash is another's treasure – Norway and India ride the wave of economic slowdown

Norway, India, Indonesia and Denmark topped global rankings as the most optimistic nations in Nielsen's Consumer Confidence Index. Aside from consistently high consumer confidence, the two most optimistic nations in the world, Norway and India, share something in common: Their economies are benefiting from the by-products of economic slowdown. Norwegian consumers once again claimed top honours as the world's most confident, with a score of 129, seven points ahead of booming India. Confidence in Norway did take a six-point dive in the six months to April, but this pessimism may not last long. For oil-rich Norway, rising fuel prices, the bane of many consumers across the globe, are a golden ticket: A recent estimate released by the Norwegian government reveals that for every NOK 10 increase in the price for oil, Norway will earn an extra NOK 6.1 billion. This means Norway stands to gain an extra NOK 100 billion (approximately US\$19.3 billion) from oil exports alone³.

In India, home to the world's second-most confident consumers, employment rates will rise in inverse proportion to the developed world, thanks to India's enthusiastic adoption of workforce optimisation - the "outsourcing bug". In recent years, India has established itself as a hub for outsourcing technical and support staff; as belts in the world's leading economies tighten, we may well see India's economy – and the confidence of its consumers – soar.

Other countries posting an increase in consumer confidence were the Netherlands (+5%), Russia, Poland, Czech Republic (+3%), Brazil (+2%) and Belgium (+1%). Consumer confidence remained unchanged in Germany and Indonesia.

Hard times ahead for New Zealand, the United States and Japan

Consumers in three of the world's most developed economies – the United States, Japan and New Zealand, have taken a serious turn in the last few months. Not surprisingly, consumer confidence has fared badly. In the United States, the world's largest economy, epicentre of the sub-prime housing and credit crises. Consumer confidence in the US plummeted 17 points in the last six months, a drop second only in magnitude to New Zealand's.

"With high gas prices, falling property values, food inflation and other economic pressures, it's not a surprise that the economy is a top concern for many Americans," said Parma. "Manufacturers and retailers take note – because clearly, value for money is more important than ever."

The majority of United States consumers have a bleak view of the economy. Sixty-six percent of U.S. respondents have a pessimistic view of their local job prospects over next 12 months, with 50 percent saying they're *not so good*, and 16 percent calling them downright *bad*. Only three percent of United States consumers consider their job prospects *excellent*.

In the last 12 months, consumer confidence in Japan, the world's second-largest economy, has plunged 19 points and Japanese consumers are not expecting things to improve anytime soon. In April, as the survey was being conducted, Japan's unemployment rate hit a seven-month high, following a spate of layoffs in the construction sector, and the effect of the US sub-prime crisis on Japanese exports were beginning to trickle down to consumers' hip pockets⁴. In modern-day Japan, there also exists a general concern about the sustainability of the economy in the face of social factors. "Japan's rapidly ageing population is matched by a massive pension crisis and Japanese consumers have lost confidence in their government's ability to resolve this growing problem," Parma said.

³ "Norway oils the economy", The Norway Post, May 15 2008. 100 billion NOK is approximately US\$19.3 billion.

⁴ "Japan Economy Under Pressure" – The Financial Express, May 30 2008.

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The most remarkable drop in confidence came from New Zealand, which plunged a staggering 18 points in the last six months. Despite a reasonably buoyant economy, a strong labour market and low levels of unemployment, consumer confidence has dropped to its lowest level in a decade mainly due to interest rates, which have skyrocketed to 8.25 percent - one of the highest in the developed world. Over half (53%) of New Zealanders indicate that a rise in interest rates would be their major concern in the event of a downturn in their local economy. Inflation, too, is a factor: food prices in New Zealand have risen 1.8 percent since December 2007, and transport costs for the same period have risen 0.8 percent⁵. According to Nielsen, 13% of Kiwis say they have *no spare cash* after they have covered living expenses, topping the Asia Pacific region. And as if they didn't have enough troubles, consumers in New Zealand are also plagued by the threat of a global economic downturn – a very real threat in the eyes of 34 percent of Kiwis – as the country's reliance on trade with currently plummeting economies such as the United States and Japan makes them particularly vulnerable to a domino effect.

The pessimistic majority

Meanwhile, right across the globe, things aren't looking much brighter. Latvians are struggling to cope with runaway inflation which increased to 17.5 percent in April – the highest inflation rate among the 27 EU nations. "Electricity costs have risen nearly forty percent in Latvia in the past year and food prices are up twenty percent. Things aren't looking good for many already cash-strapped Latvians, and stagflation is a real threat", remarked Parma.

Across Asia Pacific, consumer confidence in Australia (-11), Hong Kong (-9), Vietnam (-11), Singapore (-12), and the Philippines (-9) also sank significantly. In Australia, continually rising interest rates and an impending budget announcement from a newly elected government left consumers unsteady in this usually bullish market. In other markets across Asia, particularly Vietnam, China and Singapore, escalating inflation continues to be a concern. 67 percent of consumers across Asia Pacific cited inflation as their biggest concern in the event of an economic downturn. In Singapore, trends in consumer purchasing behaviour, as revealed in Nielsen's recent ShopperTrends study, are suggestive of a downturn in confidence. "In Singapore, we are seeing significant tell-tale trends of substantial growth in Private Label

products, indicating that consumers are switching into belt-tightening mode," commented Ooi Pin Pin, Associate Director, Retailer Services, Singapore.

For many emerging countries in Eastern Europe and Asia that have enjoyed the fruits of economic growth and boom in recent years, the last six months have been a stark wake-up call as consumers find themselves struggling with double-digit inflation, rising unemployment rates and stagflation for the first time in a decade.

In Western Europe, consumer confidence took the biggest tumble in Spain (down 16 points) and the UK (down 15 points). In the last twelve months, Spain has suffered the biggest fall in consumer confidence globally, with a drop of 24 points. Consumer confidence in Italy, which suffered the biggest drop in consumer confidence in the previous survey, fell a further four points from 80 to 76 points. Nine in 10 Italians believe their nation is currently in recession.

"Consumers have many reasons to feel pessimistic right now and the stark reality is that there's not much out there to feel optimistic about. It's not surprising that three in five (56%) global consumers think their country is currently in a recession. Even if their country is not officially in recession and has not recorded two quarters of negative growth – the snowball effect of the credit crunch and rising inflation has taken its toll and officially or otherwise, they certainly feel like they're in recession," said Parma.

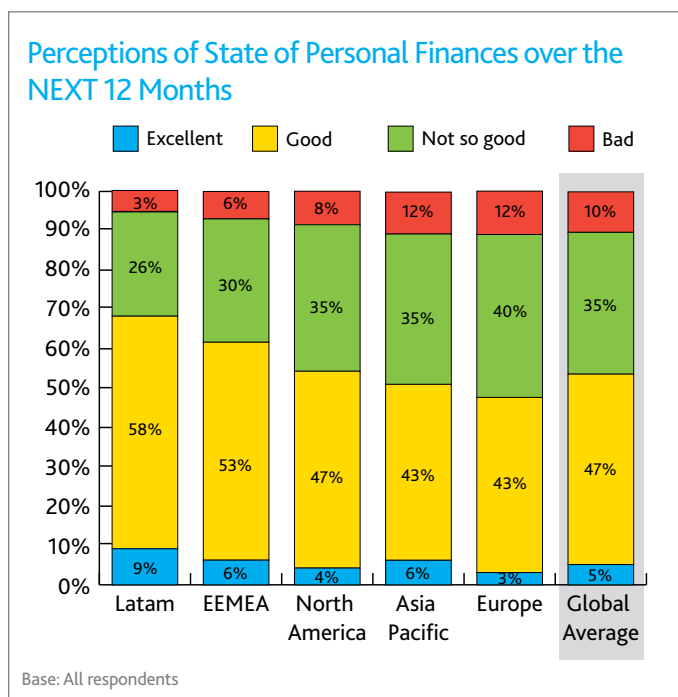
In addition to escalating global issues that have impacted everyday lives, many countries are grappling with serious domestic troubles of their own – increasing immigration concerns in UK and Italy, power shortages and rising crime in South Africa, loss of confidence in political stability and strikes in Europe, and the devastating effects of natural disasters in Asia.

⁵ Statistics New Zealand Consumers Price Index, March 2008

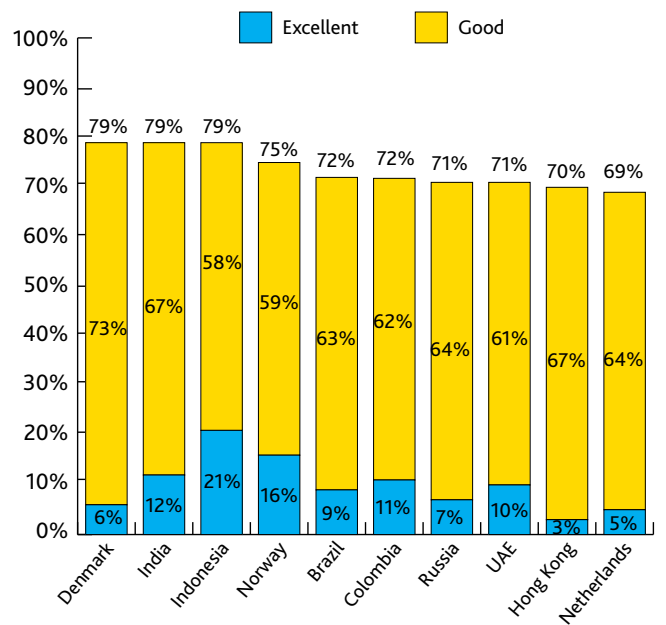
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Looking for the silver lining – personal finances and job prospects

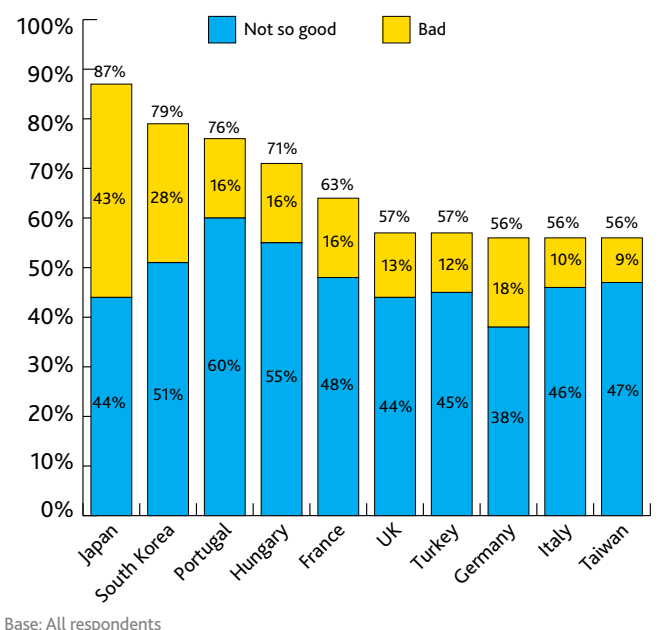
So far, consumers' negative view of the global economy does not seem to be affecting their perceptions of their own finances in many countries. Over half (52%) of consumers take an optimistic view of their personal finances, with consumers in Latin America by far the most optimistic. A whopping 67 percent of consumers in this region, and 72 percent of Brazilians and Colombians, consider the state of their personal finances to be either *good* or *excellent*. Bullish Denmark, India and Indonesia lead the charge, with four in five (79%) of consumers optimistic about the size of their wallets.



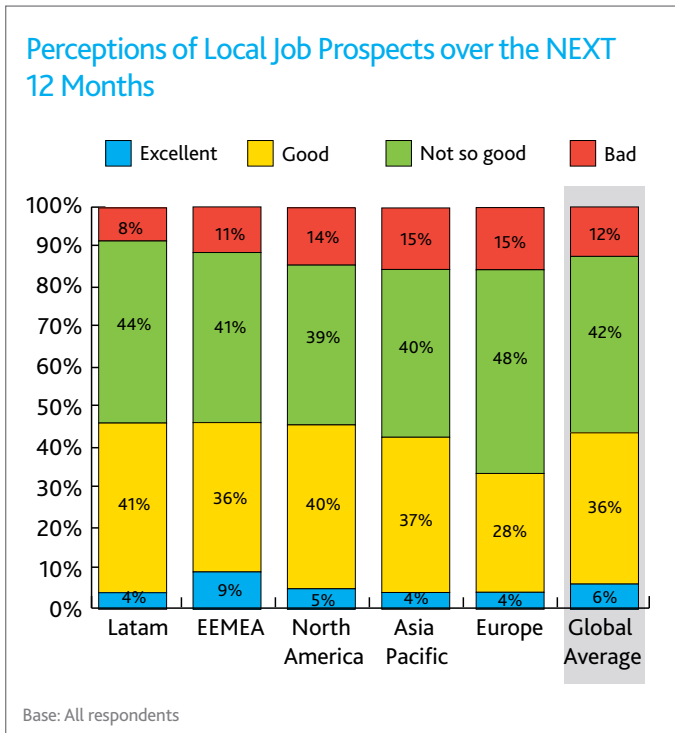
Perceptions of State of Personal Finances over the NEXT 12 Months: Top 10 Optimistic



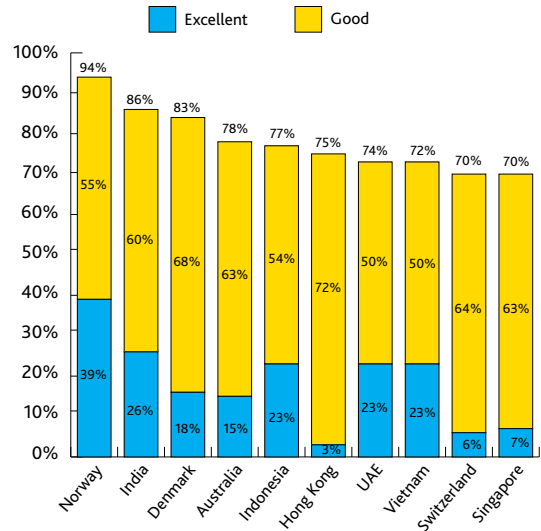
Perceptions of State of Personal Finances over the NEXT 12 Months: Top 10 Pessimistic



Global perceptions of job prospects took an eight percent nosedive in the last six months, with a mere six percent of global consumers claiming to have *excellent* job prospects over the next 12 months. A staggering 93 percent of Portuguese and 89 percent of Japanese believe their job prospects are either *not so good* or downright *bad*, mirroring their bottom league ranking in global consumer confidence. In contrast, 94 percent of Norwegians and 86 percent of Indians, the two top-ranking countries in the Consumer Confidence Index, are optimistic about their job prospects over the next year.

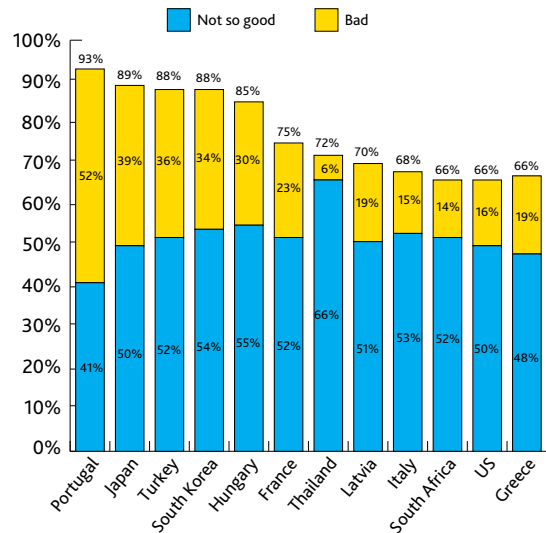


Perceptions of Local Job Prospects over the NEXT 12 Months: Top 10 *Optimistic*



Base: All respondents

Perceptions of Local Job Prospects over the NEXT 12 Months: Top 10 *Pessimistic*

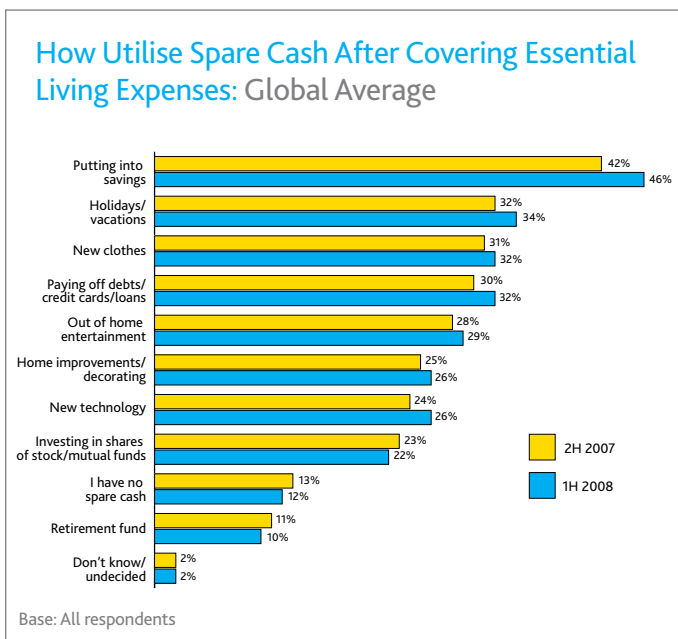


Base: All respondents

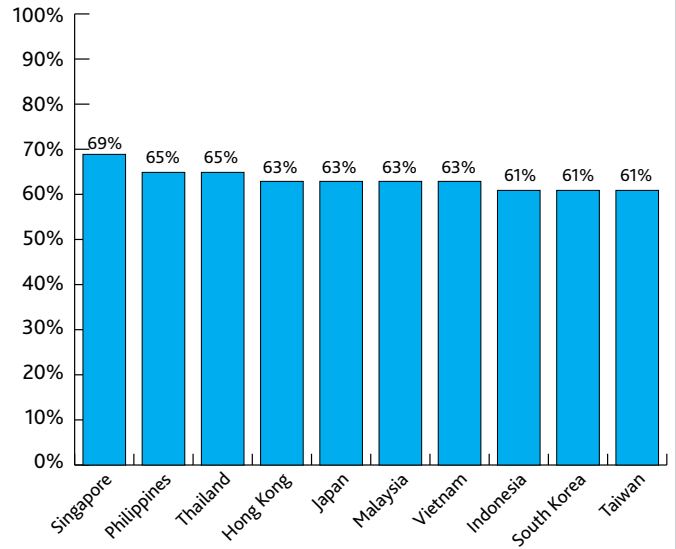
No spare cash once all the basics covered

Meanwhile for nations where the 'credit crunch' has become an unwelcome household term in the last year, consumers' wages and pay packets have been stretched to the maximum like never before. In the latest Nielsen survey, one in five (26%) Portuguese and one in four United States consumers said they have *no spare cash* after monthly essentials have been paid. One in five Belgians, Germans and French also said they have *no spare cash* along with 22 percent of UK consumers.

For those who are lucky enough to have a little left in the kitty, almost half are content to keep it there. 46 percent of global consumers claim they put their spare cash into *savings*, up 4 percent in the last six months. The world's most avid savers have always hailed from Asia Pacific, where an average of 57 percent of consumers choose to build their nest eggs. The top 10 saving countries are all from this region, with Singapore (69%), the Philippines (65%) and Thailand (65%) leading the charge. *Holidays and vacations* continue to be a popular choice, with 34 percent of consumers across the globe planning to spend on a well-earned vacation. One in three (32%) consumers choose to buy *new clothes*, up 2 percent from six months ago. The luxury and fashion-obsessed Russians are the world's biggest clothes shoppers – a massive 68 percent of Russian consumers choose to hang their money in their closet, with the Vietnamese lagging behind at 51 percent.

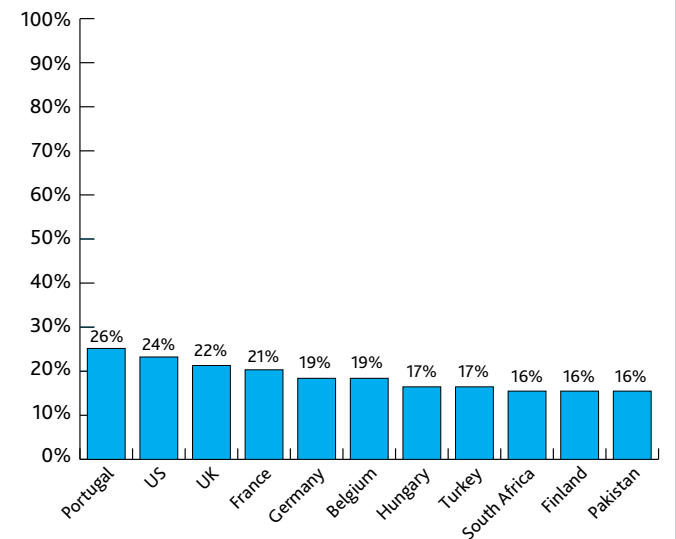


How Utilise Spare Cash After Covering Essential Living Expenses: Top 10 Putting into Savings



Base: All respondents

How Utilise Spare Cash After Covering Essential Living Expenses: Top 10 Have No Spare Cash



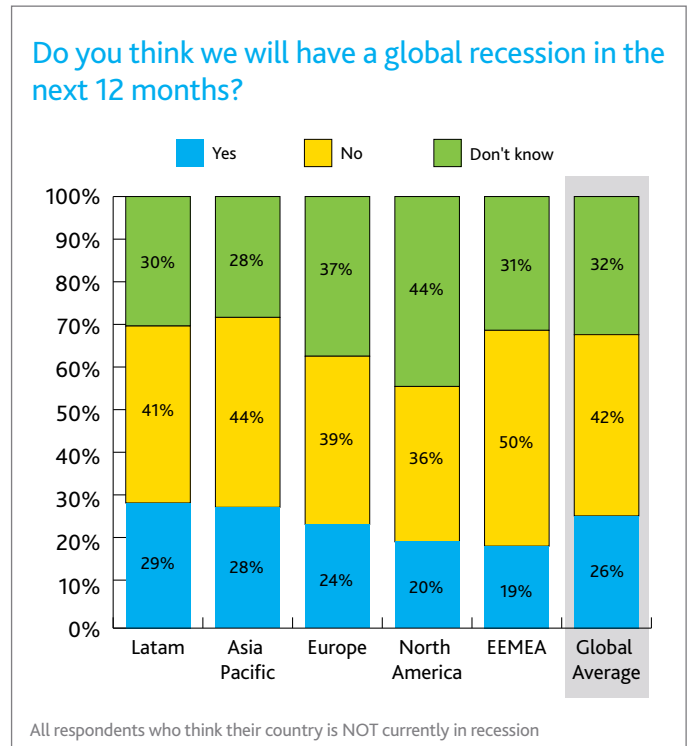
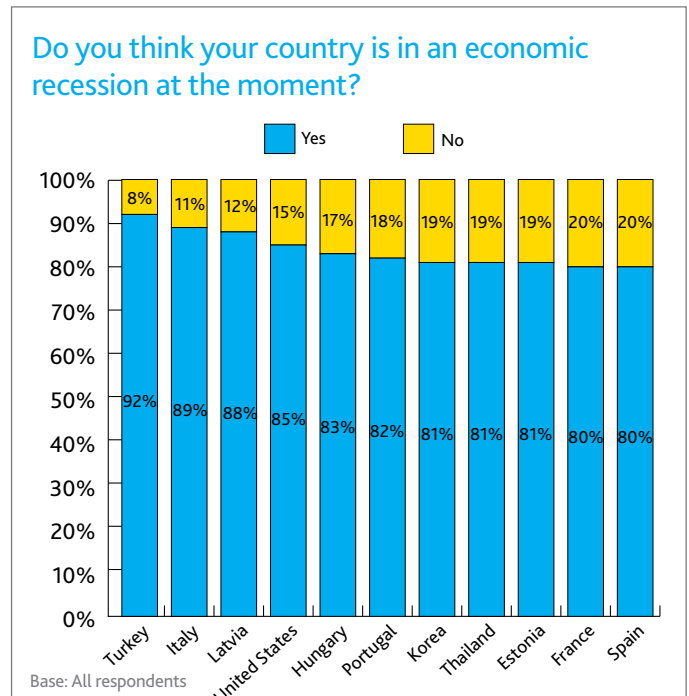
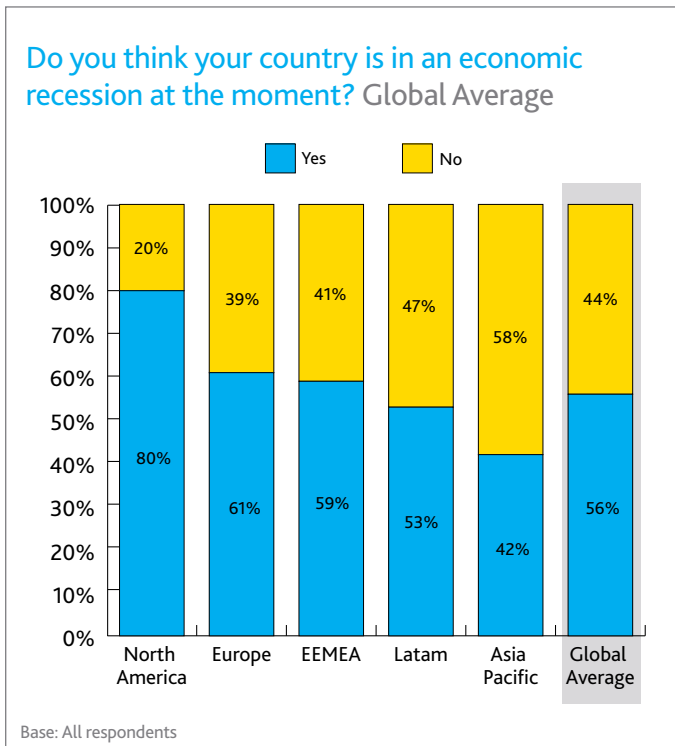
Base: All respondents

In recession now, or heading that way

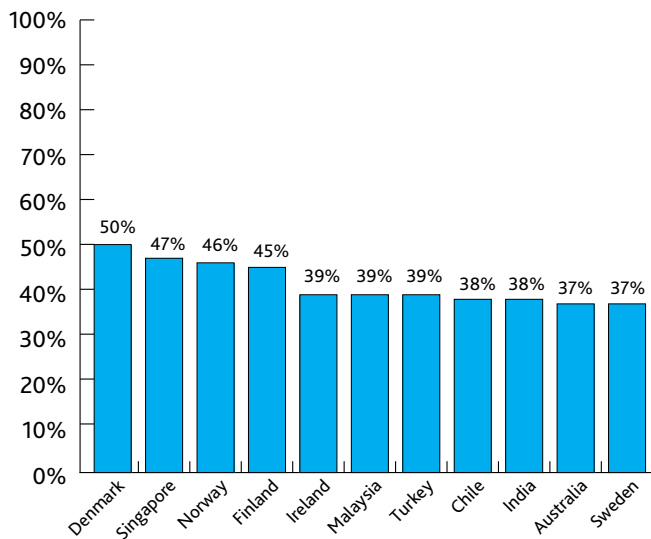
Two in five (56%) consumers across the globe believe they are currently in the midst of a recession. Of the remaining three-fifths of consumers surveyed, one in four (26%) percent believe the situation will escalate into a full-blown global recession in the next year.

Topping global rankings for *least* expecting a global recession are Russians, South Koreans and Vietnamese – about 60 percent said they do not expect a global recession in the next year.

Interestingly, the Nordic nations of Denmark (50%), Norway (46%) and Finland (45%) – countries that have always topped the Nielsen Consumer Confidence Index for their optimism – are most expectant that the world will be plunged into a global recession in the coming year. In Singapore, while 18 percent of consumers believe they are currently in a recession now, 47% believe a global recession will hit in the next 12 months, indicating a high level of future concern for global issues hitting their shores. It is interesting to note that South Korea topped regional rankings for believing their own market is currently in a recession, with a staggering 81 percent of South Koreans laying claim to economic gloom in their local market. The remaining 19 percent are overwhelmingly positive – of these South Koreans who do not perceive their market to be in the doldrums, 63 percent said they do not expect a global recession in the next year.



Do you think we will have a global recession in the next 12 months? Top 10 Yes



Base: All respondents who think their country is NOT currently in recession

During times of economic slowdown, global consumers rank *inflation* as their biggest concern (61%) followed by *unemployment* (53%), with interest rate rises lagging behind at 25 percent. Consumers in Eastern Europe, the Middle East and North Africa (69%) are most concerned about inflation, followed by Asia Pacific. In these regions, where economies are growing on an unprecedented scale, concerns about inflation are understandable. Four in five Latvians, Russians and Lithuanians (84%) are most concerned about inflation. The inflation rate in Russia is on the up-and-up: Latest figures indicate Russia's inflation rate is somewhere between 12 and 14 percent⁶ and the economy is 'overheating'. Inflation in Lithuania shot to 11.7 percent in April, the highest rate since January 1997⁷.

In Taiwan, 80 percent of newly empowered consumers cite inflation as their biggest concern in the event of a global recession. 77 percent of Chinese consumers cited inflation as their biggest economic concern – at the time the study was conducted, the inflation rate in China had soared to its highest level in over a decade, with food prices rising a staggering 23.3 percent. Since the survey was taken, the Chinese government has released the latest inflation figures, confirming consumers' fears were well-founded – In the twelve months to April 2008, inflation rose 8.5% to reach a 12-year high⁸.

⁶ "World Bank sees Russia FY inflation 12 to 14 pct, GDP seen up 8 pct", Thomson Financial News, 2 June 2008

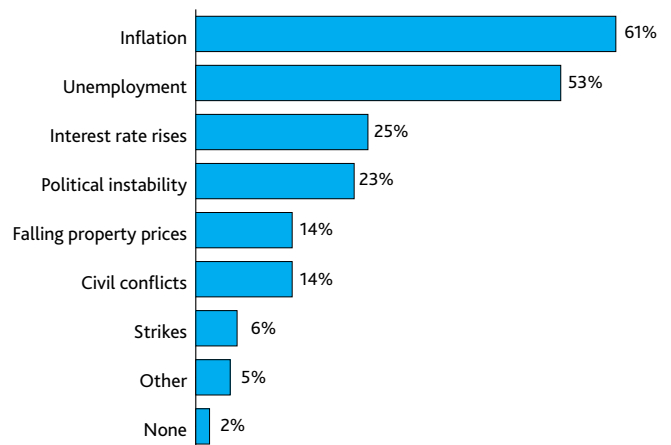
⁷ "Lithuanian inflation shoots up in April", New Europe, 19 May 2008

⁸ "China's inflation jumps to nearly 12-year high" – MSNBC, March 11, 2008

74 percent of Singaporeans and 70 percent of Filipinos cite *unemployment* as their major concern should the economy take a dive. Recently, Singapore's unemployment rate has crept to two percent, a relatively low figure in regional terms, but an issue of concern in this predominantly manufacturing and service-driven economy, where inflation hit a 25-year high in January of this year.

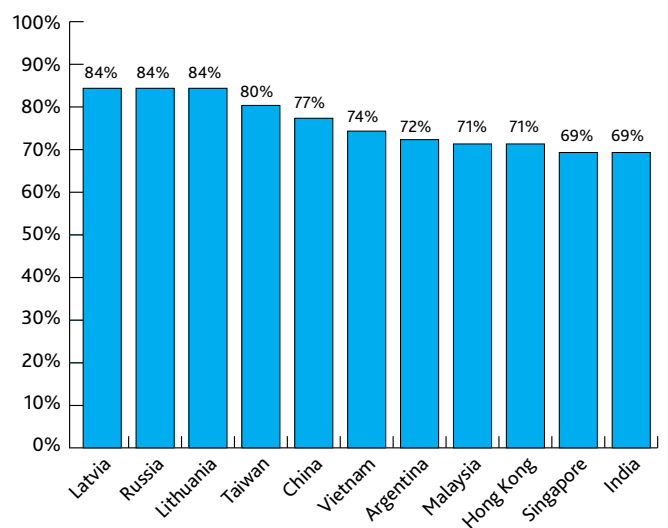
Not surprisingly, North Americans topped global rankings for concern about falling property prices (24%) while one in 10 (11%) Europeans said they would also be concerned about strikes.

What would concern you most, in the event of a downturn in your local economy? Global Average



Base: All respondents

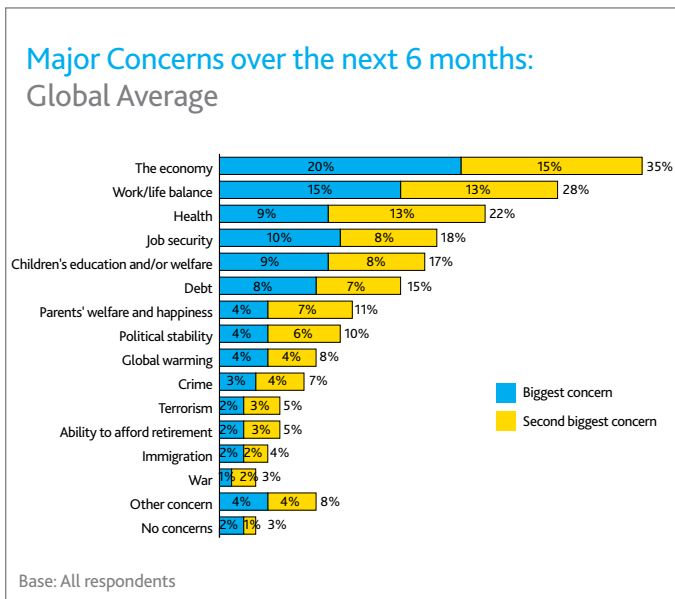
What would concern you most, in the event of a downturn in your local economy? Top 10 Inflation



Base: All respondents

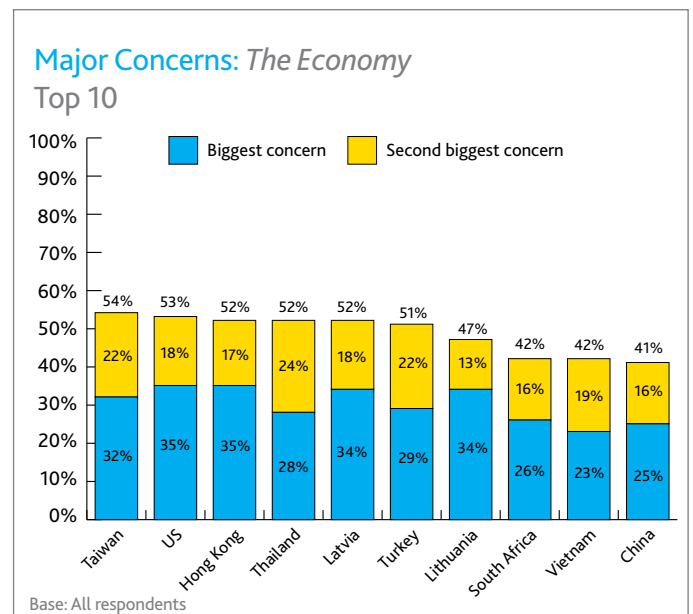
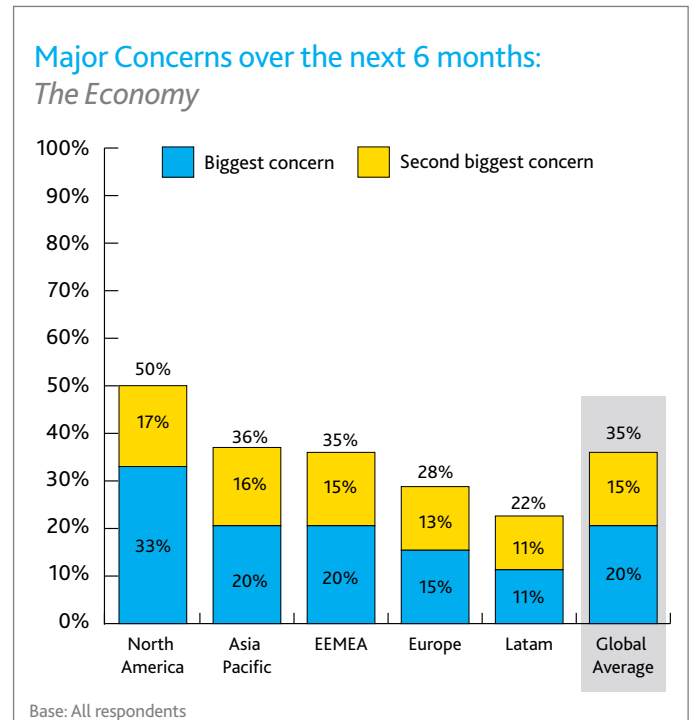
Work/life balance just as important as economic factors

In these times of economic doubt and recession, the discrepancy between working demands and quality of life is growing ever greater. Consumers in the developed world are striving harder to maintain their economic position in a rapidly opening marketplace and consumers in developing markets are poising themselves to cope with demand. A globalised marketplace and the rise of information technology have given rise to a landscape in which the boundaries between working and living have blurred to the extent that for some consumers, the two have become inseparable. "Demanding work schedules and careers have dominated the lives of many consumers in the past two decades. For many, such demanding lifestyles are starting to take their toll and there's a whole generation of consumers who are seeking to find and sustain a healthy work/life balance," said Parma. Globally, one in three (28%) consumers voted work/life balance as either their biggest or second biggest concern over the next 12 months. This figure is only seven percent behind the economy (35%), an especially low margin given the flagging consumer confidence levels.



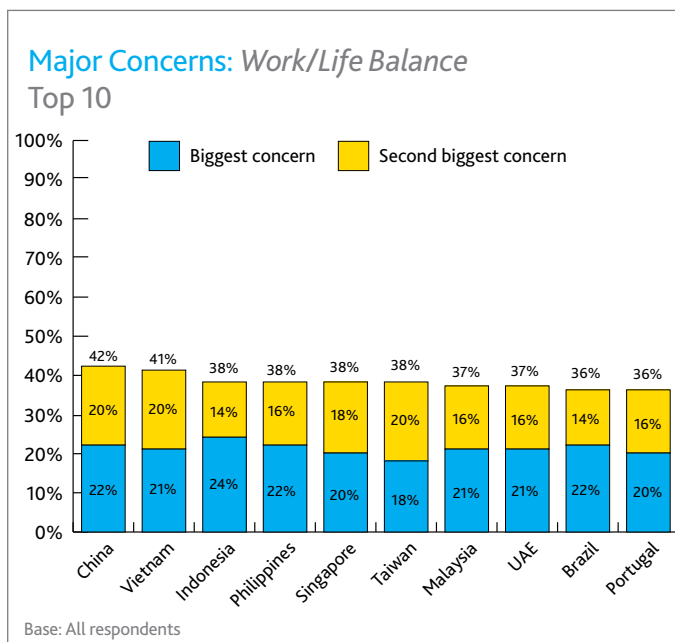
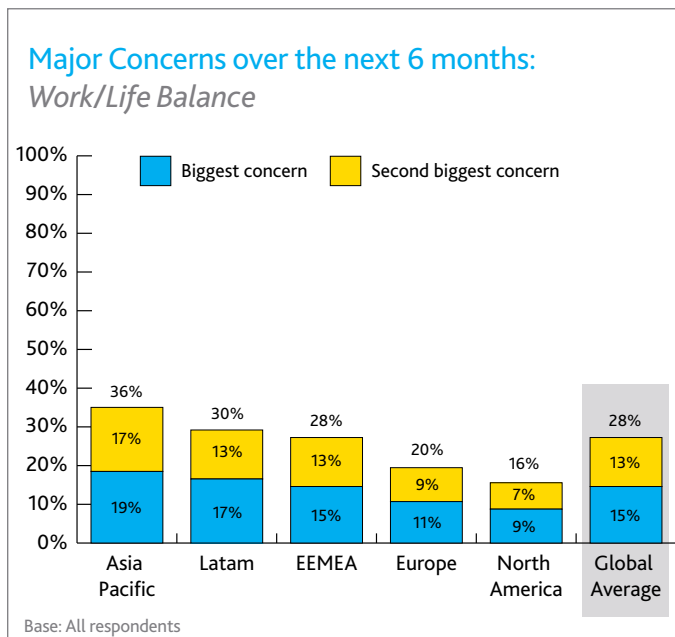
The Economy

Consumers in Taiwan, the US and Hong Kong showed the highest level of concern about the economy – over half (54%) of Taiwanese consumers rate it as either their biggest or second-biggest concern. Not surprisingly, half (53%) of United States consumers are worried about the state of the economy over the next 12 months.



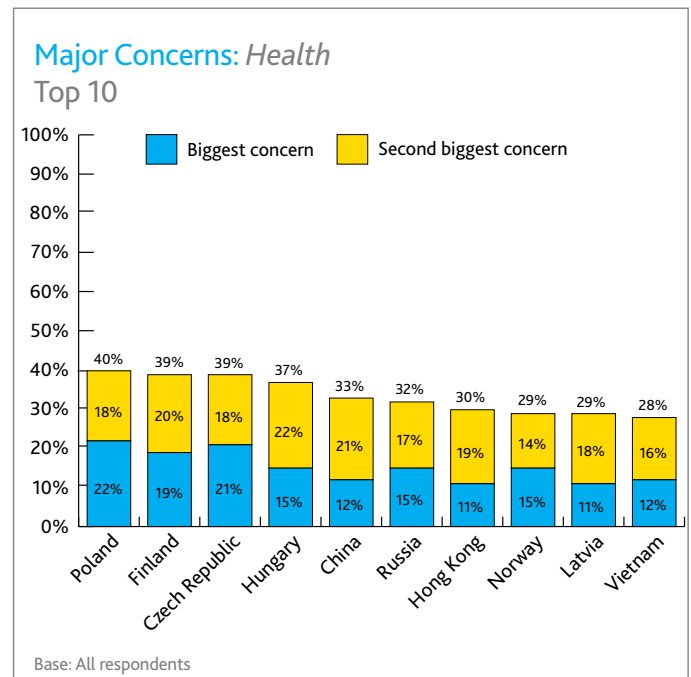
Work/life balance

Unsurprisingly, consumers in the burgeoning markets of China (42%), Vietnam (41%), Indonesia (38%) and the Philippines (38%) top the charts for concern about getting their professional and social lives in equilibrium. Nine of the top ten countries that registered a high level of concern for *work-life balance* are emerging markets – with the exception of Portugal, where consumers are increasingly trading off their deeply ingrained lifestyle habits to cope with a sagging economy.



Health

Health is a major issue of concern for almost a quarter (22%) of global consumers, with the highest average level of concern recorded in Asia Pacific (26%). The most-health conscious consumers in the world hail from Poland (40%), Finland (39%) and the Czech Republic (39%).



Other Concerns

Political, environmental and social stability continue to be issues of concern for consumers, but the highest levels of concern are generally isolated to markets that are directly affected. In environmentally-unstable Thailand, 23 percent of consumers are concerned about *global warming*. In political hotbeds Turkey and Venezuela, 34 percent and 29 percent of consumers respectively cite concern for *political stability*.

In Israel, where war and terrorism are a grim reality, 20 percent of consumers think *war* will be a major concern in the next 12 months, and 19 percent feel similarly about *terrorism*. 32 percent of South Africans and 28 percent of Venezuelans are concerned about *crime*, whilst 22 percent of Dutch and 16 percent of Danish consumers claim not to have a worry in the world.

About The Nielsen Global Online Consumer Survey

The Nielsen Global Online Consumer Survey, conducted by Nielsen Customized Research, was conducted in April 2008 among 28,153 internet users in 51 markets from Europe, Asia Pacific, the Americas and the Middle East. The largest half-yearly survey of its kind, the Nielsen Global Online Consumer Confidence and Opinion Survey provides insight into current confidence levels, spending habits/intentions and the major concerns of consumers across the globe. The Nielsen Consumer Confidence Index is developed based on consumer's confidence in the job market, status of their personal finance and their readiness to spend.

About The Nielsen Company

The Nielsen Company is a global information and media company with leading market positions in marketing information (ACNielsen), media information (Nielsen Media Research), online intelligence (NetRatings and BuzzMetrics), mobile measurement, trade shows and business publications (Billboard, The Hollywood Reporter, Adweek). The privately held company is active in more than 100 countries, with headquarters in Haarlem, the Netherlands, and New York, USA. For more information, please visit, www.nielsen.com