



economiccurrent

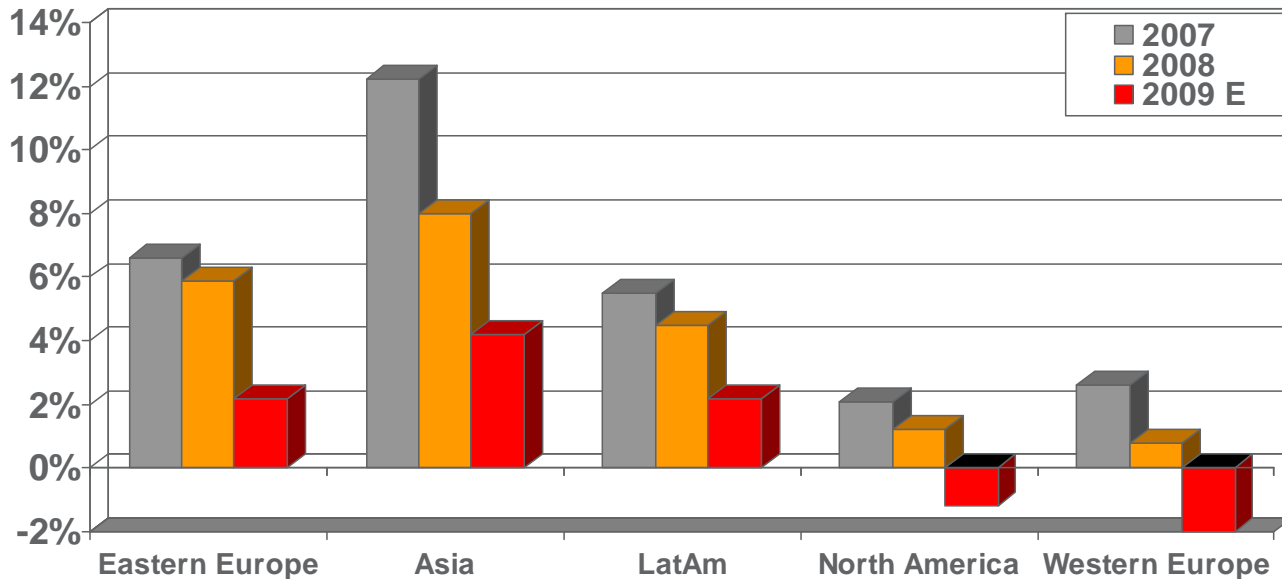
Feb 2009

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Just ask
nielsen
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Global Slowdown in GDP Forecasted, With Most Significant Drop In North America and Western Europe



- The UBS Global Economics team now expects 2009 world GDP to grow a paltry 0.4%
- Output should stabilize by mid-2009, with very modest growth returning by year-end
- Recovery will plateau at a level well below potential and a far cry from past recoveries
- Could be worse than our forecast if policy makers fail to grasp the de-leveraging process

	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09	Jul 09	Aug 09	Sept 09	Oct 09	Nov 09
Nielsen Market Index Volume*	Units Sales slowed globally as the recession intensified											
Nielsen Market Index Value**	Commodity prices drove dollar, value sales in 2008											
Are consumers moving to Store Brands?	Globally, consumers are increasingly moving to store brands											
Are shoppers shifting to value channels?	Reflecting a longer term trend, consumers have shifted to value channels											
Are retailers selling more on promotion?	To date, retailers not dialing up in-store promotions											
Are consumers shopping more frequently?	Evidence of shopper trips starting to slow further											
Are consumers spending more per trip?	While consumers demonstrating stocking up behavior, may be slowing											
Nielsen Global Consumer Confidence^	Consumer confidence at recessionary levels & projected to remain low											

- Very Strong Growth: >= +5%**
- Growth: between +1 and plus 4%**
- Neutral: between -1 and +1%**
- Negative: between -1% and -4%**
- Very Negative: <= -4%**

*Nielsen Market Index Volume defined as unit change vs. YAGO
 **Nielsen Market Index Value defined as dollar change vs. YAGO
 ^ Nielsen Global Consumer Confidence measure is from 10/08 and is benchmarked vs. the Global Confidence avg. of 84

	US	CA	FR	DE	UK	IT	ES	BR	RU	IN	CN
Nielsen Market Index Volume*	-	-	-	0	0	-	0	0	0	+	+
Nielsen Market Index Value**	+	+	+	0	+	+	+	0	+	+	+
Are consumers moving to Store Brands?	+	0	+	+	0	+	+				
Are shoppers shifting to value channels?	+	+	0	0	+	0					
Are retailers selling more on promotion?	-	-	0	0	0	+	+				
Are consumers shopping more frequently?	-	-	-	-	+	-					
Are consumers spending more per trip?	0	+	+	+	0	+					
Nielsen Global Consumer Confidence^	-	-	-	-	-	-	-	+	+	+	+

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- What You Need To Know:
 - The month of December 2008 ended with a unit sales decline for fast moving consumer goods (FMCG) sold in food, drug, and mass merchandisers (US -2% and Canada -3%).
 - Aided by declines in commodity prices and continued strength in store brands, recent dollar growth slowed to only +2% in the latest period .
 - Feature and display promotions continue on a negative trend, but shifts to value (every-day-low pricing) retail channels; pervasive trading down to store brands; declines in non-edibles and growing consumer interest in using coupons remains high.
 - Consumers continue to combine errands and trips with overall shopping trips declining by -3% in the US and -2% for Canada.
- What To Do Now:
 - Winning retailers and manufacturers must compete on more than value alone.
 - Use this time to differentiate and build loyalty to maintain competitive advantage and come out of this recession in a stronger position than how you entered.
 - Now is the time for manufacturers and retailers to collaborate on the right assortment across both value and premium offerings.

Western Europe Summary

- What You Need to know:
 - Volumes held steady as Value grew in 08. Is expected to decrease through 09 as the 08 inflation spike and lower input costs work their way through the supply chain.
 - Unemployment is running higher and set to increase through 09. As historically evident, food will be recession-resistant (though not recession-proof).
 - Private label grows, but not in every category, retailer or country.
 - Little Discounter growth:
 - UK increase a function of store openings.
 - Promotion levels largely stable.
- What To Do Now:
 - Review and optimize all expenditures, especially promotional activity.
 - Keep searching for good new product development ideas; launch only the best, not all.
 - Manufacturers: developing your brand equity will protect you from private label which may otherwise have headroom in your category.

- What You Need to know:
 - Modern trade at low levels but growing.
 - Brazil: low inflation, low volume growth (unlike RIC)
 - Consumer confidence levels high:
 - India declining off a high base
 - Brazil growing off a low base
 - India's inflation peaked at 13% in August and is now dropping quickly.
 - GDP growth forecast to slow but still 6% (09) in India and China.
- What to do now:
 - Think hard before you increase your price promotional activity.
 - Instead:
 - Plan for the long term.
 - Develop brand equity.
 - Understand consumer motivations better.
 - Target your marketing more accurately.
 - Make your advertising budgets work smarter and harder!
 - Don't be afraid to launch new products provided:
 - They meet a consumer need.
 - Deliver on their concept promise.
 - Have a long term support plan.



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Key USA Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
GDP	2.0%	1.3%	-1.2%	2.2%
Consumer Expenditure	2.8%	0.3%	-1.6%	1.9%
Inflation Rate	2.9%	3.8%	0.1%	2.3%
Unemployment Rate	4.6%	5.8%	8.0%	8.1%
Savings Rate	0.6%	1.7%	5.1%	5.2%

Rising Unemployment and Declining Consumer Expenditures Has US Economy in Worst Shape in at Least a Quarter Century

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Key Canada
Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
GDP	2.7%	0.6%	-0.4%	2.0%
Consumer Expenditure	4.5%	3.3%	1.0%	2.0%
Inflation Rate	2.1%	2.4%	0.7%	2.4%
Unemployment Rate	6.0%	6.1%	7.2%	7.6%
Savings Rate	2.7%	3.6%	4.7%	4.7%

Rising Unemployment and Lower Consumer Expenditures Should Lead to GDP Contraction in 2009 in Canada

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Key France Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
GDP	2.1%	0.8%	-1.4%	0.6%
Consumer Expenditure	2.5%	1.1%	-0.1%	0.7%
Inflation Rate	1.6%	3.2%	0.6%	1.9%
Unemployment Rate	8.0%	7.3%	8.5%	8.9%
Savings Rate	15.8%	16.2%	16.7%	16.8%

Record Savings Rates Lead to Lower Consumer Expenditures and Contracting GDP Growth in France

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Key Germany Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
GDP	2.6%	1.0%	-2.7%	0.8%
Consumer Expenditure	-0.3%	-0.3%	-0.3%	0.1%
Inflation Rate	2.3%	2.7%	0.4%	2.0%
Unemployment Rate	8.9%	7.7%	8.5%	9.5%
Savings Rate	10.9%	11.4%	12.5%	12.6%

German Unemployment Continues to Rise More than Expected, Likely to Reach 9% by Year End

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Nielsen Market Index Volume*	0	-	0	0	0	0						
Nielsen Market Index Value**	+	+	+	+	+	+						
Are consumers moving to Store Brands?						0						
Are shoppers shifting to value channels?						+						
Are retailers selling more on promotion?						0						
Are consumers shopping more frequently?	-	-	-	0	+	+						
Are consumers spending more per trip?	+	+	+	+	+	0						
Nielsen Global Consumer Confidence^				-								

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Key UK
Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
GDP	3.0%	0.7%	-3.0%	0.5%
Consumer Expenditure	3.0%	1.4%	-3.1%	-0.2%
Inflation Rate	2.3%	3.6%	1.1%	1.6%
Unemployment Rate	2.5%	3.3%	6.0%	7.4%
Savings Rate	2.2%	1.0%	5.2%	7.7%

4Q08 GDP Contracts 1.5%, UK Now Facing First Recession in 16 Years

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Nielsen Market Index Value**	+	0	+	0	+	+						
Are consumers moving to Store Brands?						+						
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Are retailers selling more on promotion?						+						
Are consumers shopping more frequently?	-	-	-	-	-	-						
Are consumers spending more per trip?	+	+	+	0	+	+						
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Key Italy Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
GDP	1.4%	-0.5%	-1.9%	0.4%
Consumer Expenditure	1.5%	-0.4%	-0.4%	0.5%
Inflation Rate	2.0%	3.5%	1.7%	2.0%
Unemployment Rate	6.2%	6.7%	7.9%	8.5%
Savings Rate	9.8%	9.2%	9.2%	9.2%

Unemployment Rate Expected to Jump in Italy During 09, Leading to Recession

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Key Spain Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
GDP	3.7%	1.0%	-2.7%	0.0%
Consumer Expenditure	3.4%	0.4%	-2.4%	0.1%
Inflation Rate	2.8%	4.1%	1.5%	2.1%
Unemployment Rate	8.3%	11.0%	14.8%	16.5%
Savings Rate	10.4%	9.2%	11.5%	11.2%

Trouble Ahead in Spain as Unemployment Rises Rapidly and More Bad News Expected from Real Estate Market

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Key Brazil Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
GDP	5.4%	5.6%	2.8%	3.7%
Consumer Expenditure	-	-	-	-
Inflation Rate	4.5%	5.9%	5.3%	4.5%
Unemployment Rate	-	-	-	-
Savings Rate	-	-	-	-

Still Forecasting Brazil GDP Growth in 2009, But Growth Rate Likely to Slow

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Key Russia
Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
GDP	8.1%	7.2%	3.5%	4.5%
Consumer Expenditure	12.8%	13.0%	6.0%	5.0%
Inflation Rate	9.0%	14.0%	10.9%	8.0%
Unemployment Rate	-	-	-	-
Savings Rate	-	-	-	-

Depreciation of the Ruble Leading to Rapid Slowdown of the Russian Economy

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Key India
Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
GDP	9.0%	6.6%	6.0%	7.4%
Consumer Expenditure	-	-	-	-
Inflation Rate	6.2%	8.1%	6.0%	6.5%
Unemployment Rate	-	-	-	-
Savings Rate	-	-	-	-

India GDP Growth Likely to Slow as Consumption and Exports Decline

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Key China
Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
GDP	13.0%	9.0%	6.5%	7.5%
Consumer Expenditure	10.6%	8.5%	7.0%	7.8%
Inflation Rate	4.8%	5.9%	0.2%	1.0%
Unemployment Rate	4.0%	4.0%	4.2%	4.5%
Savings Rate	-	-	-	-

Stimulus Policy Measures in China Could Reaccelerate Growth in 2H09