



December 2008

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

nielsen
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INSIDE:

Latin Americans
the most confident
consumers in 2nd half '08

Taiwanese consumers feel
uncertain about their future

Indians and Danes the most confident
Consumer Confidence in New Zealand
down to its lowest level in a decade

US consumers most likely to worry about the state
of their economy

Two thirds of consumers globally feel they are
currently in a recession

Almost half (46%) of consumers globally will be
leaving savings in the bank

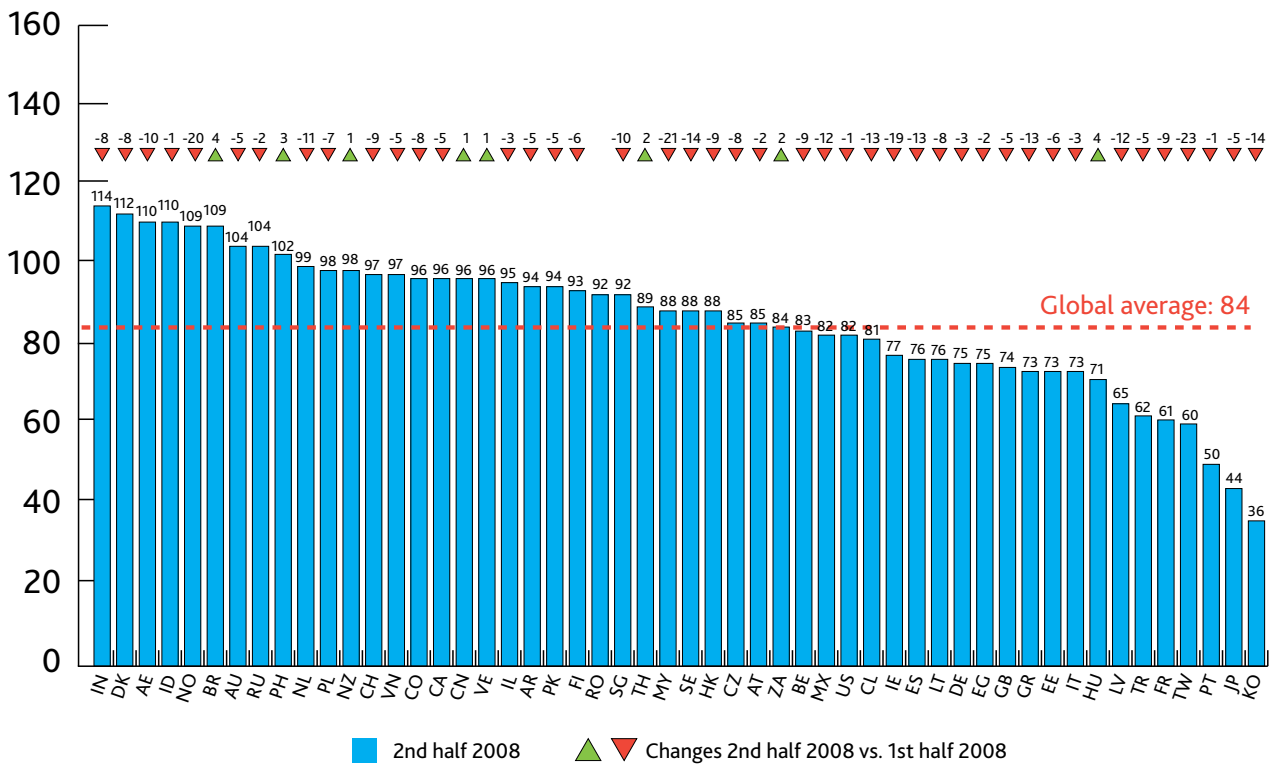
Nielsen Global Consumer Confidence Survey 2008

A new US president, climate, super power and crisis. 2008 left no emotion untouched, from exhilaration to exhaustion no one can deny it has been a year that has made consumers sit up and listen. In the latest findings from the Nielsen Global Consumer Confidence Survey covering 52¹ markets and over

26,000 online consumers, Nielsen looks to uncover how consumers globally are coping with the ups and downs and what measures they are taking to ensure their financial future is secure.

Nielsen Global Consumer Confidence Index

2nd 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.

As the sun rose on January the 1st 2008, what world did consumers wake up to? Their morning cereal was more expensive due to growing demand in global commodity markets and when they discovered they had no milk left, rising fuel prices meant the car ride to the store cost them more. They may have pondered who was going to win the up-coming US election and thought they should probably look Beijing up on the map. On their walk to the shops, they wondered if the unusual weather was due to climate change and thought maybe they should look into how they could reduce their environmental footprint. However as they scratched their heads over mounting mortgage repayments, they couldn't haven't yet predicted that the financial system would be in turmoil by September.

Food Prices Soar

Consumers' wallets were hit hard in the first quarter of 2008 as growing internal demand for commodities and oil in China and to a lesser extent India pushed prices up globally. Speculation over how sharp and long the spike in global inflation would be saw consumer confidence plummet. In May 2008 the global Nielsen Consumer Confidence Index fell a record 6 points to 88, the single largest drop in the last three years. Confidence fell in 39 out of 48² countries, of those that fell, 15 fell by double-digits. Across the regions, the US reeling from the effects of both inflation and the specter of the subprime credit crisis suffered the biggest fall in confidence dropping a weighty 17 points. The Nielsen Consumer Confidence Index dropped six points in Europe, three points in Asia Pacific and EEMEA, and two points in Latin America.

Don't get comfy just yet...

Just as markets started to ease, credit markets locked up leaving consumers reeling. As a result the Nielsen Consumer Confidence Index again took a downward turn in the second half of 2008, falling a further 3 points from its historic low in May. Across the 52 markets surveyed, 45 indicated growing uncertainty.

"With America's financial woes infecting markets globally, consumers now don't just face rising food prices but have

potentially also lost equity in their property, shares or pension funds. This coupled with the uncertainty as to the feasibility of realizing wealth gain over the next 12 months, consumers are unsurprisingly cautious" said David Parma, President of Consumer Research, The Nielsen Company.

Latin Americans were the most confident with an index of 96.8 for the second half of 2008. Emerging Markets were the second most confident consumers on 88.5 followed by Asia Pacific (85.1), North America (82.9) and Europe (77.1).

The party's over

The most dramatic change in consumer confidence was seen in Taiwan (-23 points) and Norway (-20) who in the first quarter voiced optimism about how their respective markets would perform over the next 12 months.

"As the excitement over the successful run for the presidency by Ma Ying-jeou in March of 2008 wears off, Taiwanese consumers have become more sensitive to the potential impact the financial crisis will have on the local market. Despite inflation expected to continue to fall over the next period and GDP growth to remain fairly steady if not spectacular, Taiwanese consumers clearly still feel uncertain about the future" said Parma.

The majority (94%) of online consumers in Taiwan think job prospects over the next 12 months are not so good or down-right bad. Eight out of ten feel uncertain about their financial position and subsequently that the next 12 months aren't a good time to purchase goods.

Oil rich Norway benefited from the negative supply shocks that affected a number of markets in the first half of the year, buoying consumer confidence. However, moving into the third quarter Norwegian online consumers joined the rest of the world in voicing their pessimism over their country's economic outlook, potentially due to increasing sensitivity to rising inflation and the ongoing slowdown of the OECD.

Though more pessimistic than in the first quarter, only three out of 10 online respondents in Norway thought job prospects were bad or not good compared to six in 10 globally. However,

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

though only a quarter felt uncertain about their personal finances over the next 12 months, almost half (47%) indicated they didn't feel that over the coming period it was a good time to buy the things they need.

"Even consumers in countries with a relatively stable economic outlook have become unnerved by the domino effect of the financial crisis," said Parma.

High growth buffers consumer confidence

Brazil, Russia and India all rank in the top 10 most confidence consumers globally, the top positions going to India, Denmark and United Arab Emirates. Norway slipped down to fifth position and the Netherlands just managed to stay in the top 10 after slipping four places down to 10th position.

Despite on-going signs of a weakening property market and slowing economy, Australian consumers proved resilient. With consistently strong economic growth, China is notably absent from the top 10 most confident countries.

Not out of the woods yet

There were some surprise gains in confidence coming into the second half of 2008, though as events have subsequently unfolded, these gains may have since been eroded. In Latin America's largest market, Brazilian online consumers showed a four point increase in confidence going into the second half of 2008. However with the impact of the financial crisis now expected to halve growth in 2009 and a weaker exchange rate it may have consumers rethinking their position, though above average GDP growth is still expected to allow some room for incomes to increase.

Another market that may not be as confident now as it was at the end of September is Hungary. Though showing a four point increase in consumer confidence, at the end of October the former poster child for economic reform received a bail-out package from the IMF in the face of steep falls in currency and subsequent interest rate rises.

Other markets that saw a gain in confidence were the Philippines (+3) followed by Thailand and South Africa (+2), New Zealand and China (+1).

Just plain depressed

Japan and Korea remain the least confident consumers with confidence well below the global average. And it appears a silver lining may be hard to find as the bad news keeps rolling in. In September when the Nielsen Survey was conducted, Japanese banks experienced their largest sell-off since the 1987 "Black Monday" market crash, and the government reported that it was the first time since 2001 that the Japanese economy had contracted for two consecutive quarters³.

In South Korea, exports hit a seven year low, slowing economic growth in the third quarter by 0.6 percent compared to the previous quarter. Consumer spending also slumped amid concern that the economy will sink into its first recession since the nation needed an International Monetary Fund bailout 10 years ago⁴.

Even consumers in countries with a relatively stable economic outlook have become unnerved by the domino effect of the financial crisis.



³ International Herald Tribune. Japanese Economy in Recession. Nov 17th, 2008.

⁴ Bloomberg. South Korea Confidence Dips; Won reaches 10 year low. Oct 28th, 2008 .

Confidence in personal finances not translating into spend

Overall, confidence in developing markets tended to be buoyed by perceptions that local job prospects and personal finances will be relatively secure over the next 12 months, a contrast to their counterparts in developed nations. Most markets feel this isn't the right time to buy and only the Chinese think their economy is strong at the moment and will continue to be over the next 12 months.

Since the first half of 2008, only Latin America has retained its faith in the local job market, all other markets have shown weakening confidence, with North Americans showing the greatest decline, down 18 percent. Going into the second half of 2008, 46 percent of Latin Americans feel that job prospects over the next 12 months are excellent or good, followed by online consumers in Emerging Markets (38%), Asia Pacific (37%), Europe (31%) and North American (27%).

Confidence in 'personal finance' has remained stronger relative to other indicators in the second half of the year, with consumers globally appearing fairly confident that at least their ability to earn won't be compromised. Six out of 10 Latin Americans feel their personal finances will be excellent or good over the next 12 months, again followed by Emerging Markets (55%), North America (52%), Asia Pacific (47%) and Europe (41%).

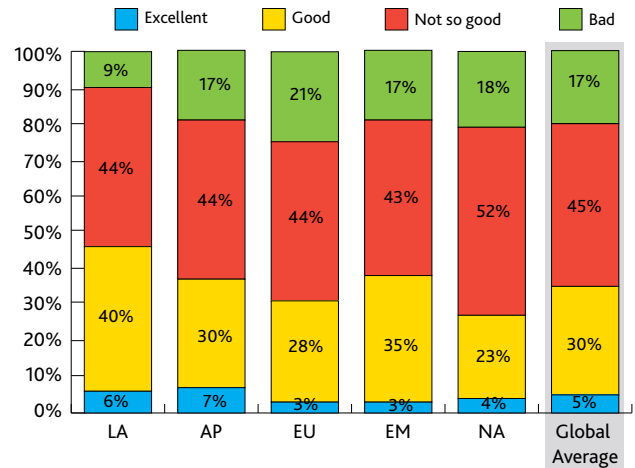
This doesn't, however, mean they'll be spending their loose change! Only four out of 10 online consumers in Latin American feel the next 12 months is a good time to buy, followed by Emerging Markets (32%), North America (31%), Asia Pacific (29%) and Europe (26%).

"Consumers globally seem pragmatic about the crisis and there appears to be no mass hysteria over personal finances. However before spending, shoppers are waiting to see how thick the fall-out of the financial crisis will be on their country," said Parma.

By market, online consumers in Denmark, India and Arab Emirates were the most likely to perceive their job prospects over the next 12 months to be excellent or good (75%, 74% and 73% respectively), potentially due to these markets being relatively less exposed to the financial crisis.

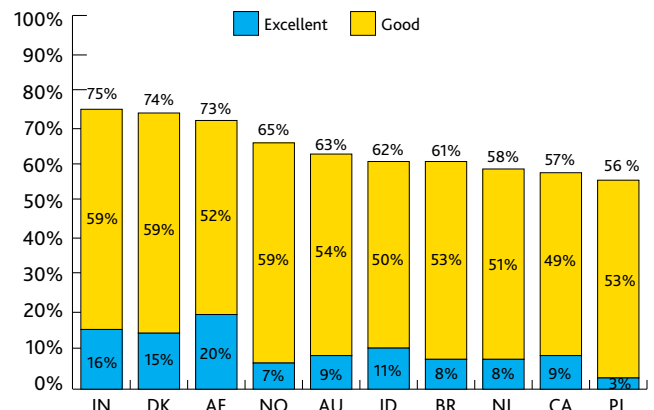
As well as feeling confident about job prospects, online consumers in India were also feeling optimistic about their personal finances (77%), followed by consumers in Indonesia (75%) and Arab Emirates (74%).

Perceptions of Local Job Prospects over the NEXT 12 Months



Base: All respondents

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

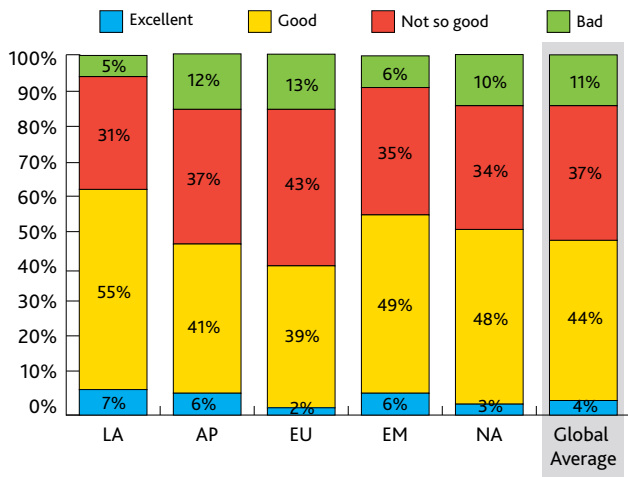


Base: All respondents

However, interestingly enough, out of the five countries showing confidence in job prospects and finances, only Denmark made it into the top five countries who perceive the next 12 months as being an excellent or good time to buy the

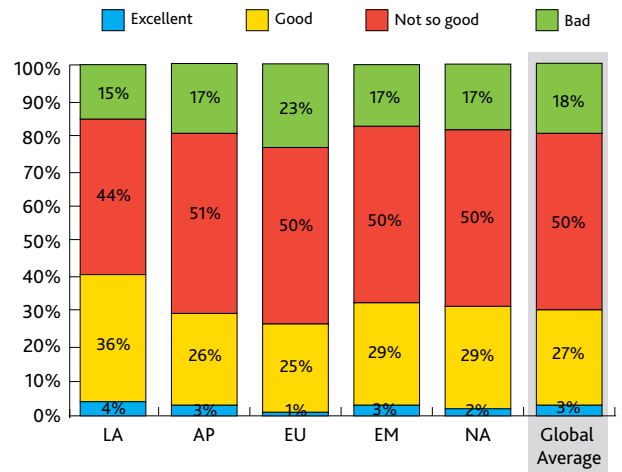
good they want and need. Online consumers in Brazil are the most likely to indicate they will be shopping up a storm over the next 12 months (52%) followed by Norway (49%), Denmark (47%), Poland (44%) and Russia (42%).

Perceptions of State of Personal Finances over the NEXT 12 Months



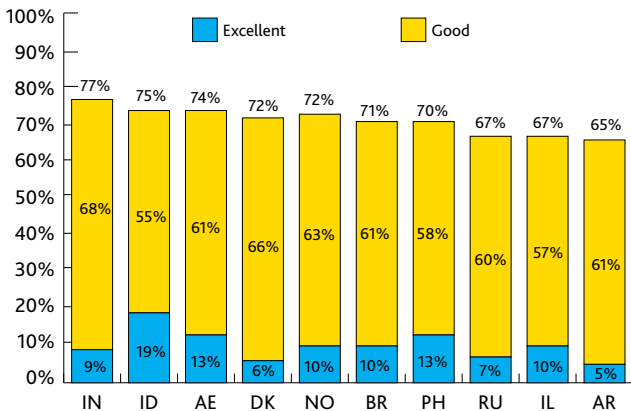
Base: All respondents

Perceptions of Good or Bad Time for people to buy the things they want and need over the NEXT 12 Months



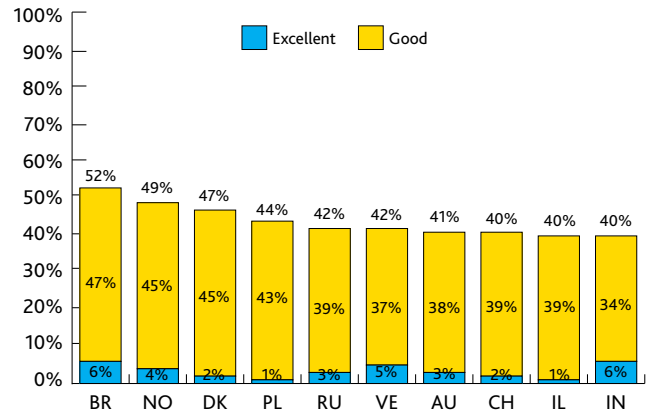
Base: All respondents

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



Base: All respondents

Perceptions of Good or Bad Time for people to buy the things they want and need over the NEXT 12 Months: Top 10 Optimistic



Base: All respondents

Extent of economic concern dependent on exposure to financial crisis

Though the state of the economy was a concern for all global consumers, the extent of this concern was dependent on how exposed consumers felt to global financial rumblings.

Unsurprisingly, online consumers in the US were the most likely to cite the economy as their major concern (52%) followed by Taiwan (50%) and Asian financial centre Hong Kong (48%).

Though Japan has been facing deflation for many years, relatively modest food increases in 2008 have clearly made online consumers in Japan uneasy with 35 percent citing 'increasing food prices' as their biggest or second biggest concern. Food prices have also been a concern for consumers in France, who in the third quarter reported the 3rd lowest nominal growth in grocery sales in Europe⁵ and New Zealand (33% and 31% respectively).

Worries over the growing cost of fuel prices appear concentrated in Asia Pacific and North America. Twenty-seven percent of online consumers in America and 24 percent of Canadians cited rising fuel prices as their biggest or second biggest concern, followed by Australia (24%) and Vietnam (20%).

In fast growing economies, consumers continue to struggle to find work-life balance. Finding a happy medium occupies the

thoughts of 37 percent of Indonesians followed by Brazil (32%), Vietnam (29%) and China (29%).

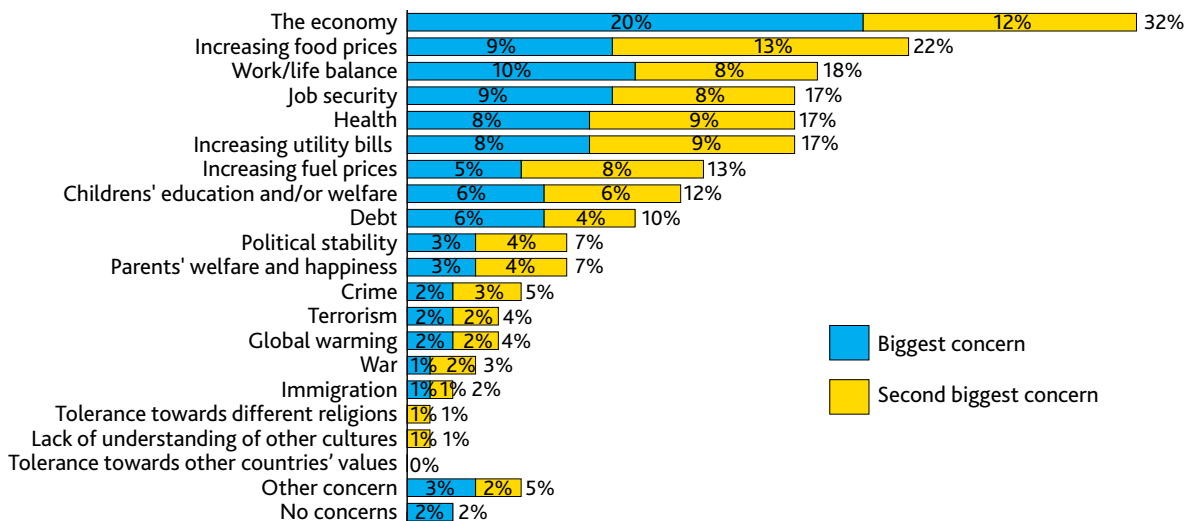
For Czechs who visit the doctor more than anyone in Europe, the rising cost of health care outraged consumers in 2008 resulting in the Minister of Health being fired. Similar concerns were mirrored across Eastern Europe as those left behind in the economic boom felt a sense of betrayal by the state that used to care for them⁶. Unsurprisingly, then, 31 percent of online consumers in Czech cited 'health' as their biggest and second biggest concern followed by Hungary (30%), Poland (29%) Romania (25%) and Latvia (24%).

Three in ten Chinese online consumers are also concerned about their health.

Outside of the economy, 'debt' is more likely to be the biggest or second biggest concern for consumers in Turkey (25%), Israel (22%), Chile and South Africa (22%).

Venezuelans and Argentineans with their high street crime are more likely to cite 'crime' as their biggest or second biggest concern (34% and 29% respectively). Colombians feeling the strain of constant clashes with rebel groups and Russians, whose consumers live in a country that has been at war for the past decade are more likely to cite 'war' as their major or second major concern.

Major Concerns over the next 6 months: Global Average



⁵ Nielsen European Growth Reporter. Quarter 3 2008. European study across 21 markets

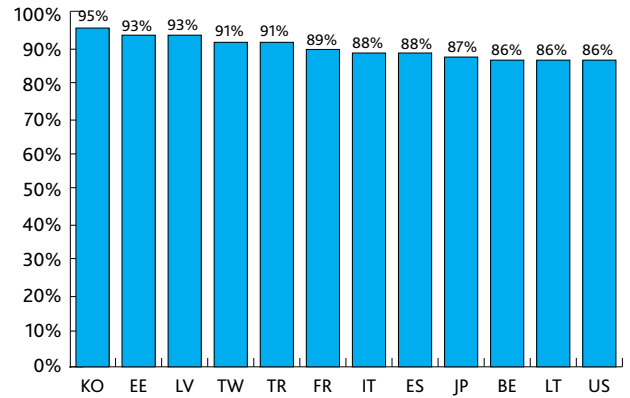
⁶ International Herald Tribune. Health Care Fees Trouble Eastern Europe. May 26th, 2008

Consumers recognize recession

With the state of the economy weighing on peoples minds, it is little wonder that two thirds of consumers globally feel they are currently in a recession. Interestingly, though the focus has firmly been on the impact of the sub prime credit crisis on US households, Korea, Estonia and Latvia topped the list for countries whose consumers think they are currently in a recession (95% and 93% respectively). With 86% of US consumers feeling they are currently in the midst of a recession they were just pessimistic enough to make it into the top 10.

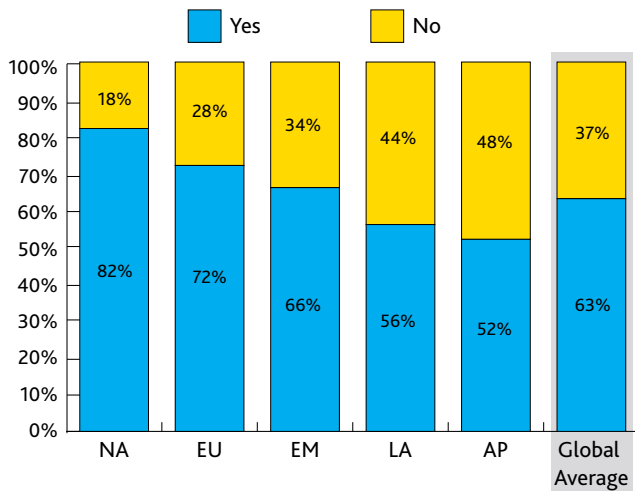
Finns and Chinese were most likely to feel that – despite economic headaches – they still weren't in a recession (84% and 72% respectively) followed by Australians (67%) who may now be having second thoughts after the Australian dollar dropped dramatically in October. Given Chinese consumers are optimistic as to their markets ability to ride out the current financial crisis, it is interesting that they don't appear more confident in their local job prospects and personal finances over the near term.

Do you think your country is in an economic recession at the moment: Top 10 Yes



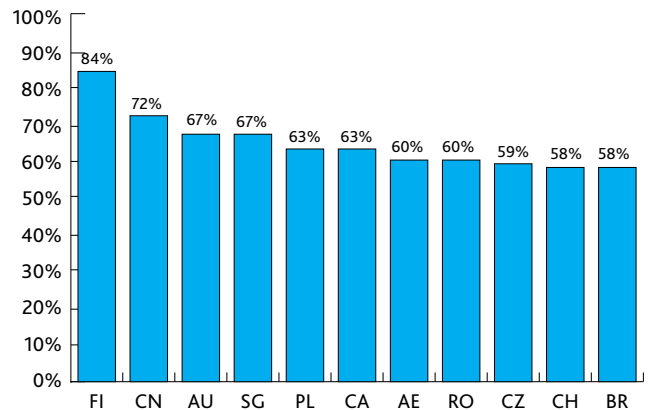
Base: All respondents

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



Base: All respondents

Do you think your country is in an economic recession at the moment: Top 10 No



Base: All respondents

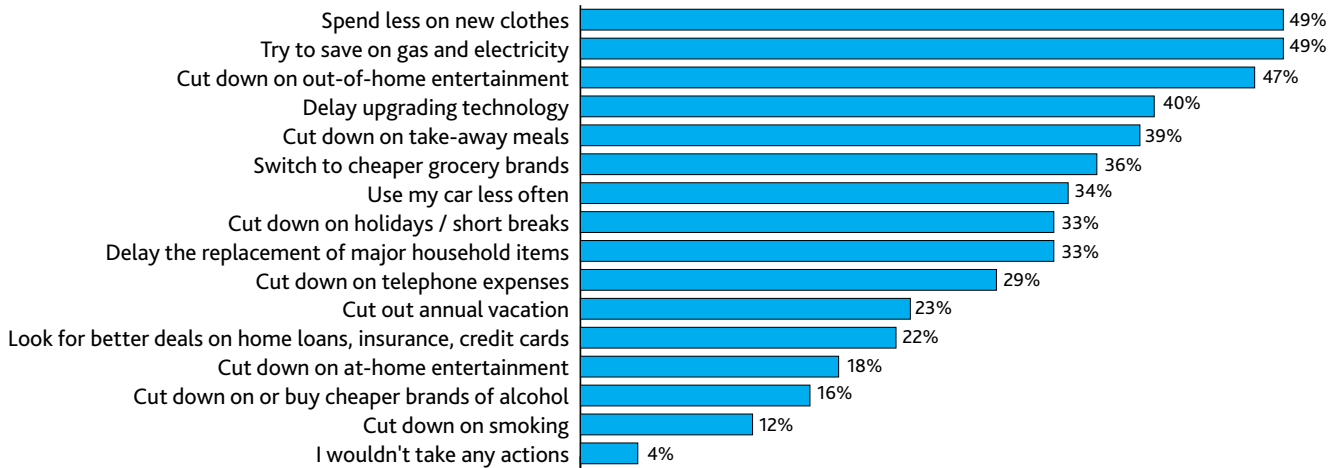
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Third of consumers globally switch to cheaper groceries

Consumers that are feeling the pinch indicate they will look to cut down spending on new clothes (49%), which may not be such a sacrifice given almost half also indicate they will cut down on out-of-home entertainment (47%). Despite the on-set of winter in the northern hemisphere, half of consumers will look to reduce their gas and electricity bills (49%), a good sign for global warming but not necessarily for cold feet!. Though around a third of consumers (36%) will look to switch to cheaper groceries, four in 10 will cut down on takeaways before opting to leave their preferred brand on shelf.



Actions taken to stay within budget in times of rising living costs: Summary



Base: All respondents

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The British, who in the second half of the year moved up into the top ten markets indicating they no longer have any spare cash after living expenses, appear the most committed to reducing expenses. Cash-strapped Brits are the most likely to indicate they will look to reduce spending on clothes, utility bills and out-of-home entertainment. They also make an appearance in the top 10 markets looking to reduce spending through switching to cheaper brands.

In fact, according to a Nielsen survey on 'Belt Tightening Strategies', seven of the top 10 markets looking to switch to cheaper products to keep their grocery bill in check come from Europe, and this nervousness is starting to trickle down into retail sales. According to Nielsen FMCG retail data, the second quarter revealed a clear reversal in consumer consumption indicated by decreasing unit volume growth across several European countries. Though nominal growth⁷ remained fairly stable at 6.6 percent versus the prior year, this growth is driven almost exclusively by pricing and more than half of the countries (11 out of 21) recorded both negative and worsening volume trends; and two of the largest economies (United Kingdom and Italy) recorded negative volume growth⁸.

New Zealanders, South Africans and Chileans were also more likely to switch to cheaper products to save costs (65%, 57% and 51% respectively).

"With more people staying in and entertaining at home, it represents a renewed opportunity for marketers to look at how their products satisfy both a social need, in so far as entertaining guests, and are economic" said Parma.

In the US, where the majority of consumers feel they are in a recession, before sacrificing their favorite brands, 67 percent indicated they will look to reduce their gas and electricity bills and 54 percent will use their car less. Nonetheless, retail figures have shown that the shadow of the downturn has potentially benefited retail chains offering low prices. Traditional mass retailers (excluding supercentres), department stores and office supply stores saw the most dramatic declines in the number of shopping

trips in the third quarter vs. a year ago dropping on average eight percent. While low price retail channels saw trips increase, online retailers benefited the most, seeing trips increase 7.5 percent potentially as people looked at alternative ways of receiving goods when trying to cut down on gas. Trips to supercentres increased 3.6 percent and dollar stores 3 percent⁹. With almost twice as many consumers in the US compared to globally citing that they have no spare cash after living expenses (24% vs. 12%), this trend looks set to continue.

Spare cash in the bank

Though consumers globally are increasingly grim over local job prospects, potentially due to personal finances being seen to hold up somewhat over the next 12 months, how they spend their spare cash has remained unchanged since the first half of the year.

With the next 12 months not seen as a great time to buy goods, almost half (46%) of consumers globally will be leaving savings in the bank. Consumers in Asia who irrespective of boom or bust consistently save a proportion of their wage, top the list of markets who will tuck some away for a rainy day.

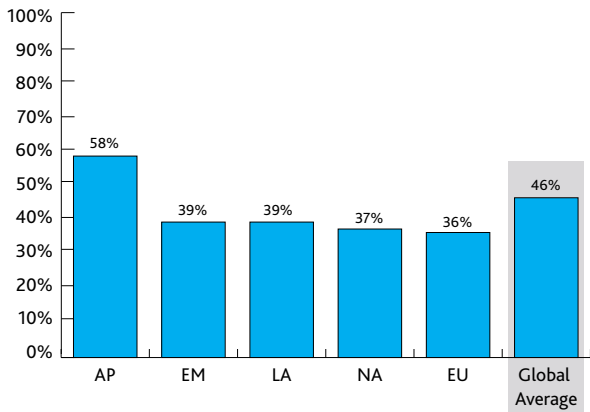
Going into the second half of 2008, 12 percent of consumers globally indicate they have no spare cash after living expenses. Though this percentage has remained unchanged since the first half of the year, the markets that feel this have changed slightly with Great Britain moving into the top 10 countries who have no money left over after expenses are covered. Portugal, France and the US top the list of out of pocket consumers (28%, 25% and 24% respectively).

⁷ Nominal growth: Percentage change in sales as measured by the total basket of reported product categories

⁸ Growth Reporter. Quarter 3. European study across 21 markets

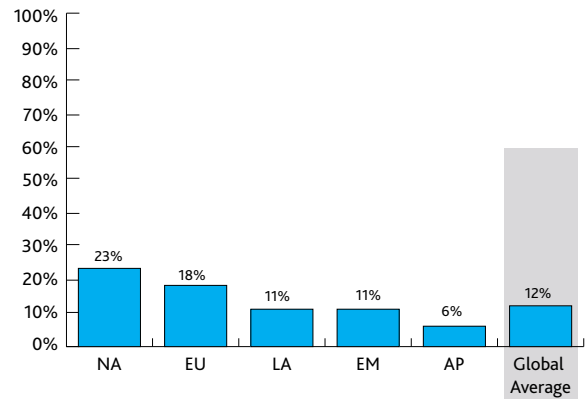
⁹ Nielsen Retail Update. Financial Turmoil Puts Pinch on U.S. Consumers. Nov. 4th 2008

How Utilise Spare Cash After Covering Essential Living Expenses % of respondents who Put into savings



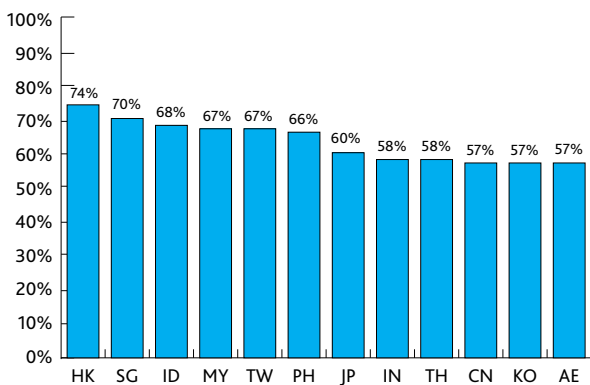
Base: All respondents

How Utilise Spare Cash After Covering Essential Living Expenses % of respondents who have no spare cash



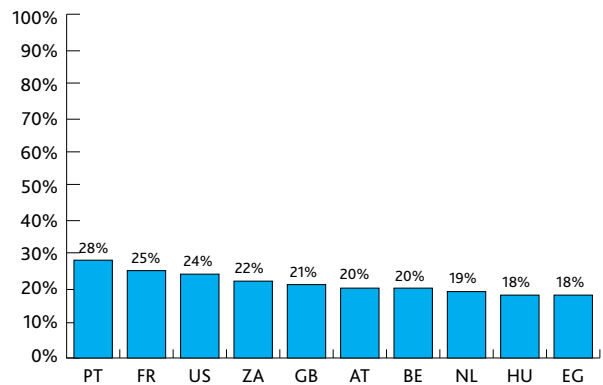
Base: All respondents

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

Conclusion

Uncertain times are ahead. As 2008 nears an end, governments globally are trying to ensure their countries have as soft a landing as possible. Consumer confidence has fallen throughout 2008 and even those countries that rallied in the first half of the year have become unsettled, even if their economies – relative to other markets – remain robust.

Globally, consumers continue to save, indicating they are putting off spending until the future looks more secure.

Nielsen retail figures in Europe and the US are already seeing the effects of this, with consumers opting to purchase in lower volumes and / or shop at lower price outlets.

As the year comes to an end, we can only hope that 2009 brings both greater financial stability and maybe, just maybe, a return of consumer confidence towards the second half of the year.

About The Nielsen Global Online Consumer Survey

The Nielsen Global Online Consumer Survey, conducted by Nielsen Consumer Research, was conducted from Sept 22 – October 6th 2008 among 26,202 internet users in 52 markets from Europe, Asia Pacific, North America 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 consumers' confidence in the job market, status of their personal finances and readiness to spend.

The Nielsen global happiness index is based on consumers' current and anticipated levels of happiness. Nielsen conducted a driver analysis between sources of happiness (mental health, access to information, relationship with spouse, etc) and overall happiness scores. Further analysis revealed which sources had a stronger relationship with overall happiness within each country and across countries.

About The Nielsen Company

The Nielsen Company is a global information and media company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence, 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 New York, USA. For more information, please visit www.nielsen.com