

A photograph of a man and a woman in a shoe store. The man, wearing an orange shirt, is holding a red sneaker. The woman, wearing a dark brown cardigan, is looking at the shoe with a smile. In the background, there are shelves with various shoes, including white and blue sneakers. A price tag is visible on one of the shoes.

1st Quarter, 2010  
Global Consumer  
Confidence, Concerns  
and Spending  
a global Nielsen  
consumer report  
May 2010

nielsen  
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# Global consumer confidence in the first quarter of 2010 rebounded to reach its highest level since the third quarter of 2007

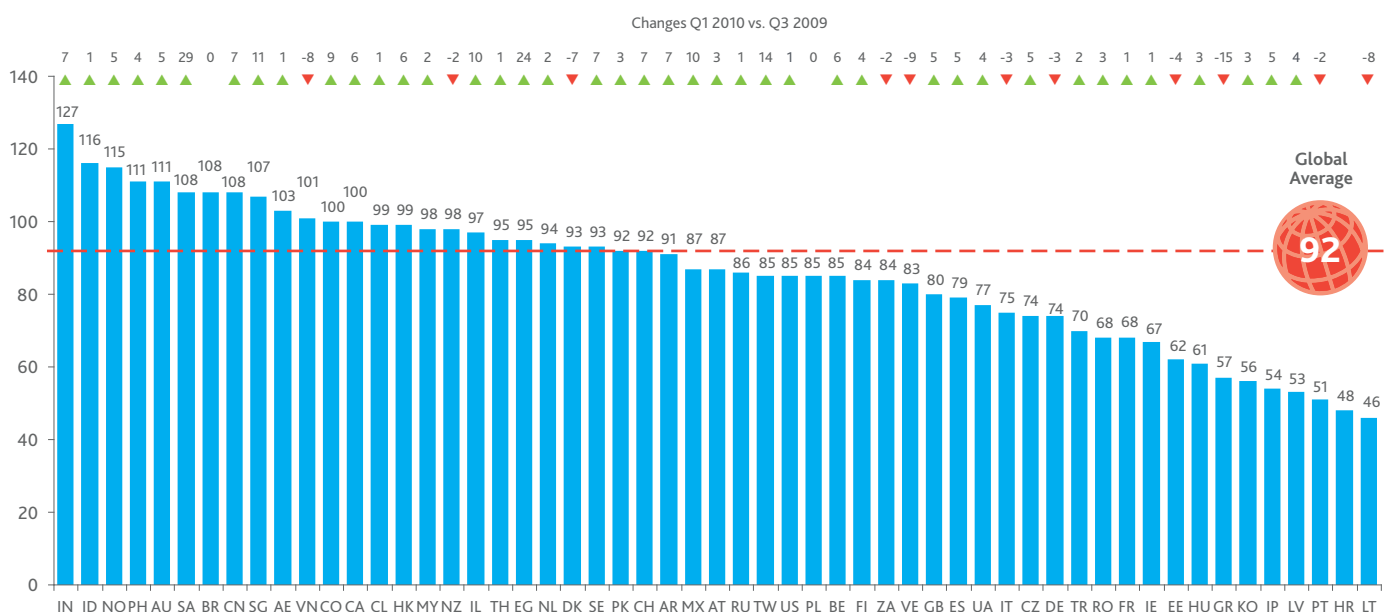
- Global consumer confidence index rose from 86 six months ago to 92
- Taiwan (+14), Singapore (+11), Israel (+10) and Colombia (+9) see strongest growth in confidence
- Consumer confidence rose in 41 of 55 countries
- 43% believe job prospects are excellent/good compared to 35% six months ago
- One in three consumers plan to increase spending for out-of-home entertainment, new clothes and new technology
- 58% of consumers globally say their country is in a recession now compared to 77% a year ago; 24% of those consumers say they'll be out of a recession within 12 months

The rise in global consumer confidence shows the most definitive sign that the world is beginning to recover from the recession, according to the latest edition of the Nielsen Global Consumer Confidence Index. As the world's consumers started to spend again, they drove the index up to 92 points (100 = average) in the first quarter. This represents a six point increase from six months ago and only two points short of the 94 point index mark in Q3 2007, just prior to the decline into world recession. Consumer confidence hit an all time low of

77 index points in early 2009, following the collapse of the international financial system, before steadily increasing again last year.

For the first time in two years, Nielsen's global consumer confidence data provides evidence that economic prospects are improving—a sign manufacturers and retailers have been eagerly waiting for that consumer spending intentions are turning into actual spending reality.

## 1st Quarter 2010 Nielsen Global Consumer Confidence Index

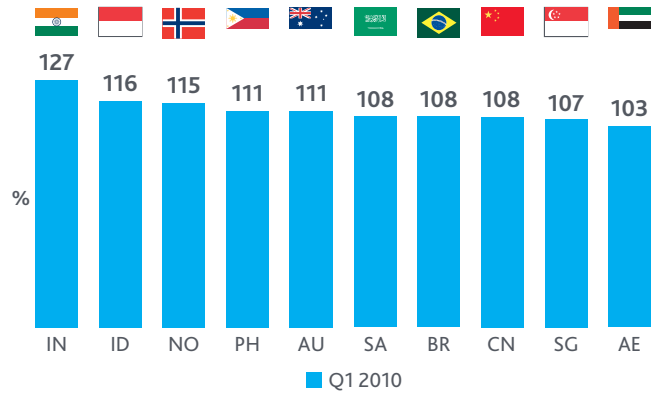


Source: The Nielsen Company

Nielsen's Global Consumer Confidence Index tracks consumer confidence, major concerns and spending intentions among more than 27,000 Internet users in 55 countries. In the latest round of the survey conducted between March 8 and March 26, 2010, consumer confidence in many markets rebounded to pre-recession levels of late 2007 and early 2008. Additionally, over the past year, the number of global consumers who believe they are currently in recession dropped 19 points to 58 percent, compared to 77 percent a year ago.

Consumer confidence rose in 41 of the 55 countries surveyed during the quarter, with India (127 Index points), Indonesia (116) and Norway (115) remaining the world's most confident nations. Meanwhile, Lithuania (46), Croatia (48), and Portugal (51) were the most pessimistic nations. Taiwan (+14 pts), Singapore (+11), Israel (+10) and Colombia (+9) were among the highest increases in consumer confidence in Q1, while Greece (-15), in the midst of a financial collapse, recorded the steepest decline.

### Nielsen Global Consumer Confidence Index Top 10 most confident countries 1st Quarter 2010

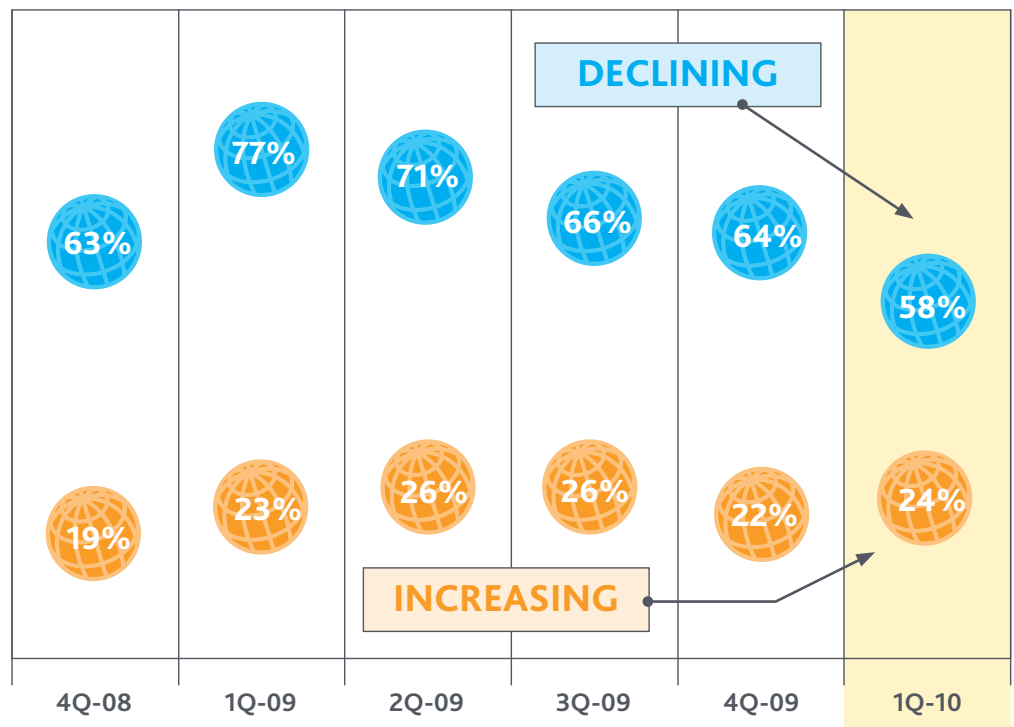


Base: All respondents n=30,765

### Steady Improvement in Near Term Recession Concerns

% of global HHs that believe they are in a recession

% of global HHs that believe they will be out of a recession in the next 12 mos



Base: All respondents n=30,765

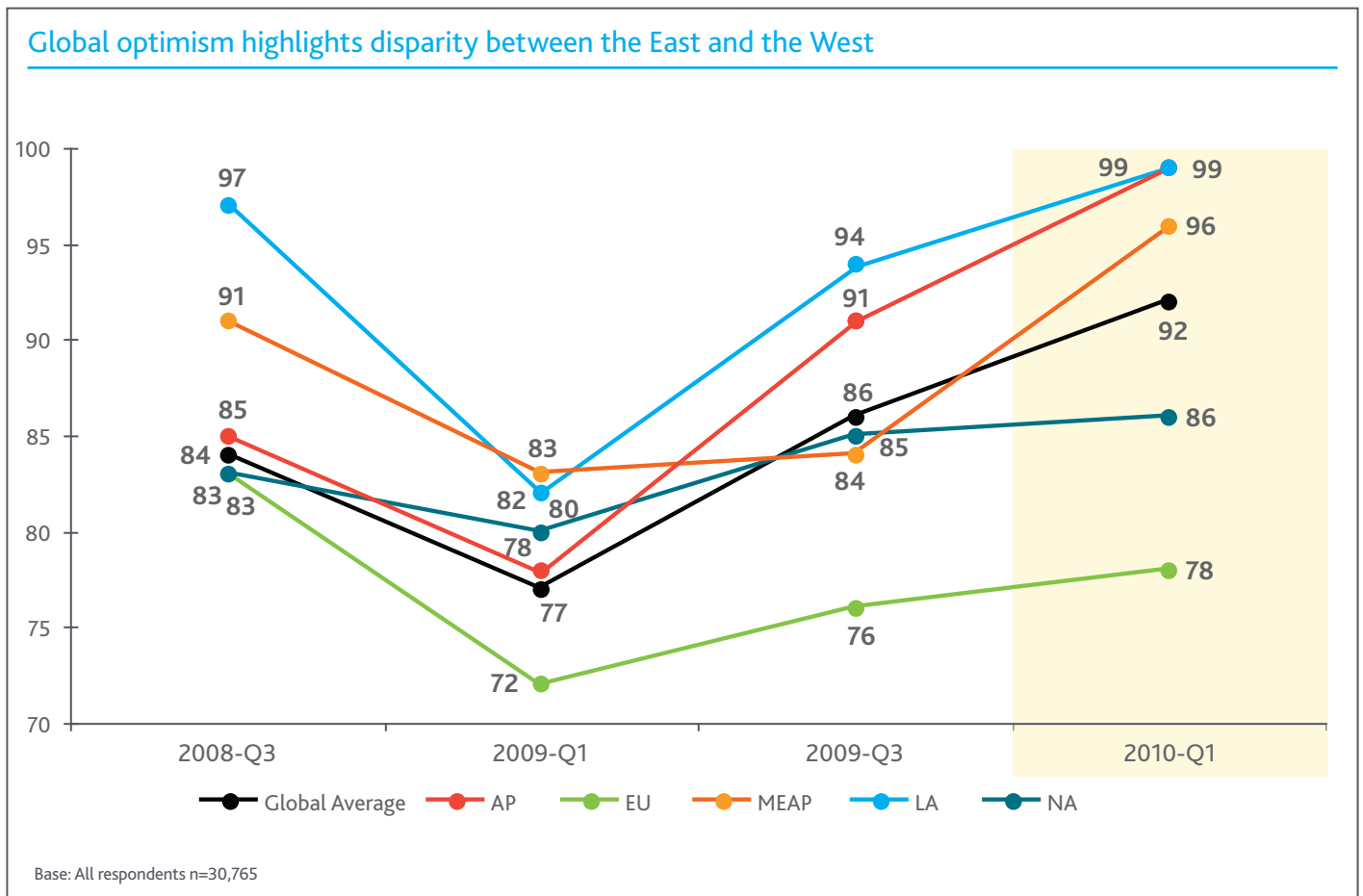
**Global optimism highlights the disparity between the East and the West**

All global regions posted positive increases in consumer confidence, but the pace and extent of economic recovery further widened between the booming Asia Pacific and Latin American countries compared to the sluggish recovery in the United States and western Europe.

Asia Pacific consumers—who were among the first to cut back drastically on discretionary spending 18 months ago—are now confident enough to spend their way into higher growth. Likewise, in Latin America, while consumers have been cutting back spending on discretionary items, the fast-moving consumer

goods (FMCG) industry has been gradually recovering as consumers increase spending on essential goods, according to Nielsen data. In addition, expected GDP growth and lower inflation has renewed optimism in most of the region's countries.

In contrast, the U.S. and Europe are likely to see a period of slow demand growth in conjunction with a largely jobless recovery in the U.S., and in the case of Europe, added uncertainty from the ongoing sovereign-debt crisis. Due to consumers' limited household spending, uncovering new areas of growth will be important for retailers. Consumer product companies will require a high degree of precision in targeting, value propositions and pricing in order to generate topline growth and profitability.



**Light at the end of the tunnel — Consumers are ready to spend**

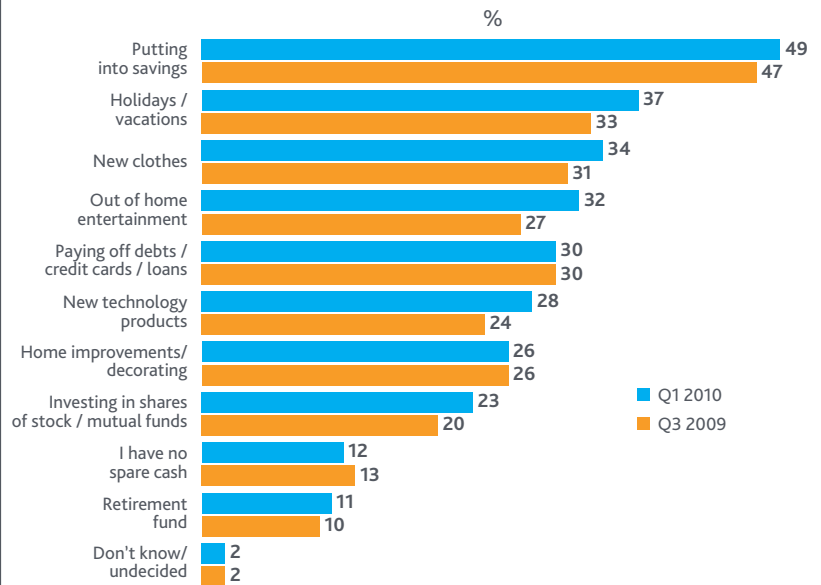
The jumps in global consumer confidence and reinvigorated spending habits have been driven by improved confidence for jobs and employment, which has steadily risen in the past six months. In Q1 2010, 43 percent of global consumers described their job prospects as excellent/good compared to 35 percent six months ago. In addition, one in three global consumers said they are planning to increase spending for out-of-home entertainment, new clothes and new technology over the next six months.

Asia's rapid recovery and bright prospects makes this booming region a high priority for resource allocation for manufacturers and retailers, including tapping into the large and growing number of middle-class consumers. Developing an appropriate portfolio of product and services and targeting them accordingly will continue to be important, both for the sake of profitability and for ensuring a vibrant brand presence and continued strength in the long run.

Among the world's cautious markets, many of the habits developed during the recession continue. Price sensitivity, private labels and promotions are still top-of-mind to the value-conscious consumer, although there are signs that they want to resume some discretionary spending.

**How to utilize spare cash after covering essential living expenses**

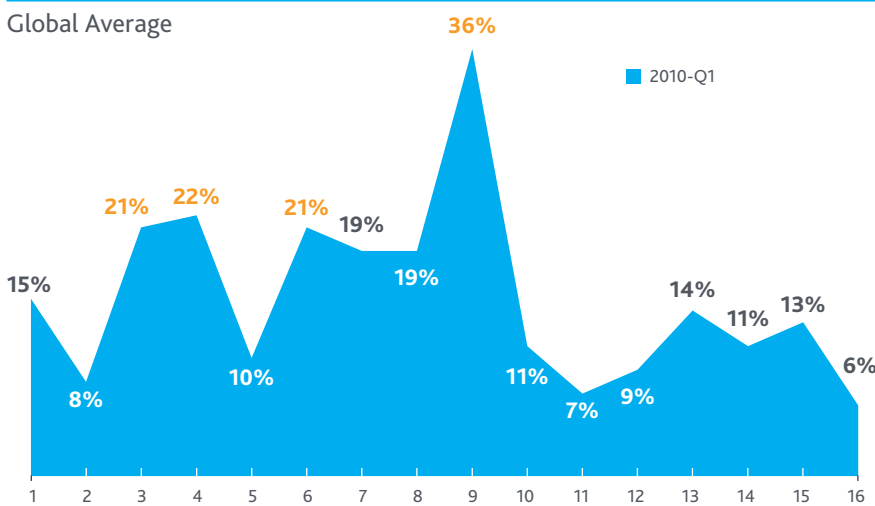
Global Average



Base: All respondents n=27,665

**When economic conditions do improve, which of these do you expect you will continue to do?**

Global Average



Base: All respondents who answered Yes Q10 n=18,627

1. Use my car less often
2. Cut down on at-home entertainment
3. Cut down on out-of-home entertainment
4. Cut down on take-away meals
5. Cut down on smoking
6. Spend less on new clothes
7. Switch to cheaper grocery brands
8. Cut down on telephone expenses
9. Try to save on gas and electricity
10. Cut down on holidays / short breaks
11. Cut out annual vacation
12. Cut down on or buy cheaper brands of alcohol
13. Look for better deals on home loans, insurance, credit cards, etc
14. Delay the replacement of major household items
15. Delay upgrading technology, e.g. PC, Mobile, etc
16. I have taken other actions not listed above

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## Confidence around the globe — Regional round-up

### Asia Pacific

Nowhere is the return to consumption and shopping habits more evident than in Asia Pacific where consumers have indicated they are ready to spend. Asian consumers cut back drastically on all aspects of discretionary spending 18 months ago, but have now indicated they plan to increase spending on out-of-home entertainment (+9 percent), new technology (+6), holidays (+6) and new clothes (+5) compared to six months ago.

Key economic indicators in **China** all point to a continued strong recovery in 2010. Industrial production, investment, consumption, exports and employment all posted positive gains in the first quarter as GDP grew 11.9 percent, according to the National Bureau of Statistics. The eastern and central parts of China, as well as in Tier 2 and Tier 5 cities, recorded particularly strong growth and consumer confidence surges. However, while perceptions of local job prospects and the state of personal finances is improving in 2010, spending intentions are less optimistic due to rapidly rising urban housing costs and a strong savings tradition.

**India** entered 2010 on a surge in growth driven by domestic demand along with a sharp lift in inflation. The next big growth driver for India is in the rural market, which comprises 72 percent of the population. FMCG sales in the rural sector last year grew 18 percent, while the urban sector increased 11 percent. With 62 percent of goods sold out of India coming from the rural sector, it is no wonder the government increased spending from 0.7 percent in 2006 to 1.5 percent last year. 'Indo-vation'—"innovation happening in India" will act as a catalyst to drive continued growth.

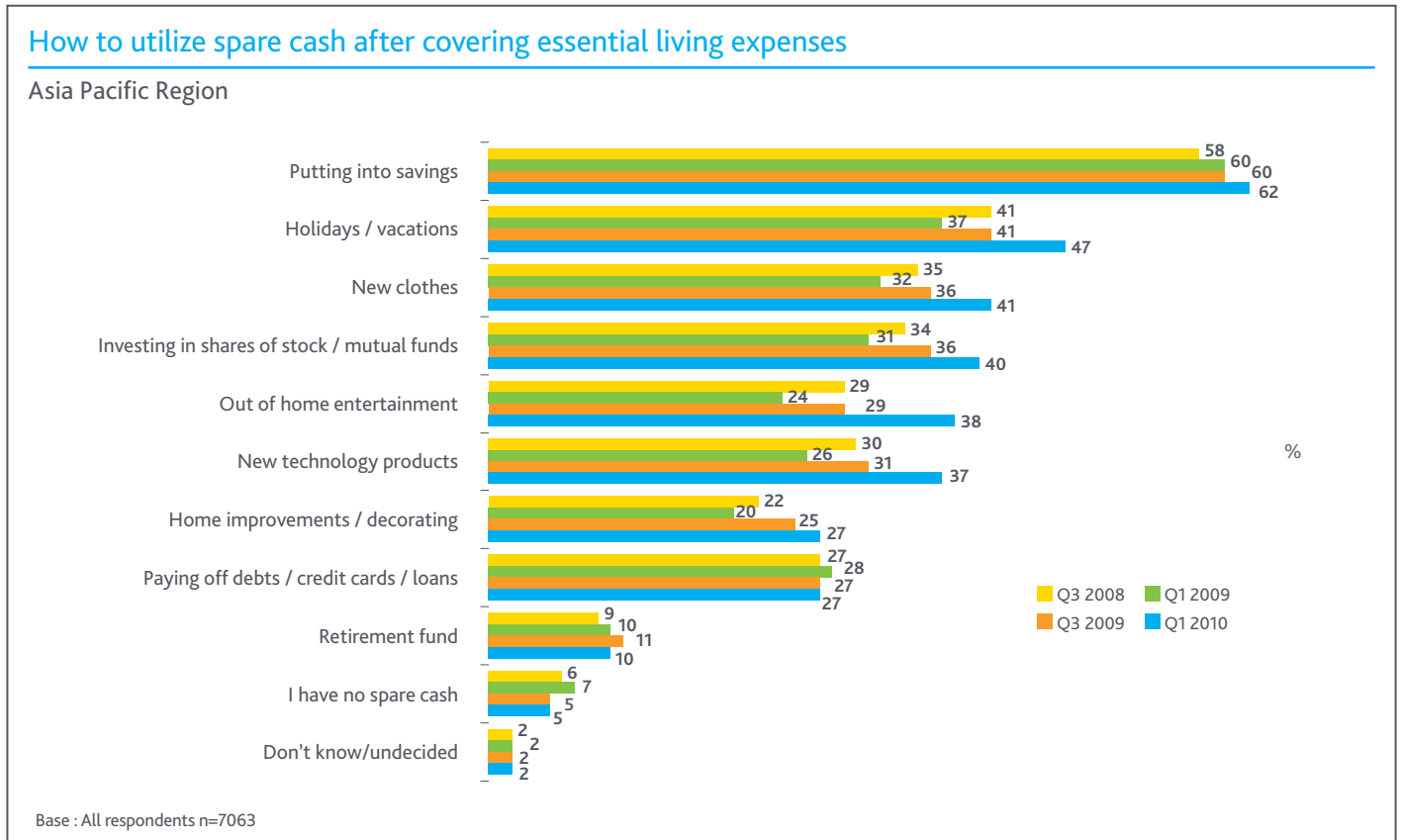
**Taiwanese** consumers have responded to the positive rebound in their industrial and manufacturing sectors by switching from a "save and scrimp" to a "spend and splurge" mindset. Consumers are spending nine percent more in grocery shopping than they did a year ago and sales of private label products are down 2.2 percent year-on-year, which shows less price sensitivity, according to Nielsen retail tracking data. Advertising spend in Taiwan for Q1 2010 grew 23 percent compared to Q1 2009 driven by increased advertising across all sectors from real estate, financial services and insurance to beauty products and automotive.

- Asia Pacific posted highest confidence increase of all regions (+8) due in part to big jumps in **Taiwan** (+14) and **Singapore** (+11).
- The world's two fastest growing emerging markets of **India** and **China** increased by seven index points respectively.
- Consumer confidence in **China** rebounded to 108 index points, reaching its highest CCI record from Q1 2005.
- **Vietnam** consumer confidence dipped eight points from six months ago, likely due to consumer price increases of 8.51% compared to Q1 2009.

**Hong Kong's** Consumer Confidence Index increased six points to 99 in Q1. Both job prospects and the state of personal finances improved and spending intent has accelerated by four percent—the first sign of an underlying economic growth of this consumer-based economy. While increasingly dependent on cash-rich mainland tourists to fuel retail growth, the local consumer intent on spending has fuelled retail sales to increase 19 percent in the first three months of the year. In addition, advertising expenditure increased 23 percent across all mediums in the first quarter of 2010, highlighting a strong correlation with purchase intent.

Despite a robust and growing **Vietnamese** economy, which has grown to 5.3 percent in the first quarter, marketers face a challenging time in 2010. As consumers' average income increases and more businesses enter the Vietnam market, competition for share of wallet will intensify and more power will shift to the consumer. To reach rural consumers—which comprise 70% of the population and 39% of FMCG sales—investing in sales and distribution networks outside the major cities is vital to success. Going forward, consumers are likely to be "cautiously optimistic" and buoyant, in line with 2009 trends.

## Asia Pacific



*Asian consumers cut back drastically on all aspects of discretionary spending 18 months ago, but have now indicated they plan to increase spending on out-of-home entertainment, new technology, holidays and new clothes.*

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## Europe

The United Kingdom experienced one of the strongest signs of recovery out of the deep recession with a 10 percent drop among consumers who say they're currently in recession. While supermarket promotions remain at an all time high to appeal to the price-sensitive and value-hunting consumer, this has positively stimulated volume growth in FMCG sales, which have increased 1.2 percent compared to a decline of 1.7 percent a year ago, according to Nielsen data.

Nielsen data showed that in Q1, households are making more frequent shopping trips and they no longer feel constrained to shop at discount retailers whose popularity peaked at the height of recession.

For **Italians**, unemployment, which is currently close to 10 percent, remains their number one concern. Increasing savings is one of the highest priorities for Italians during this prolonged period of uncertainty, however, some premium and innovative products continue to increase market share. Fast-moving consumer durables have done better than other sectors helped by discounts and promotions. Internet penetration is also growing with more than 17 million Italians currently active on social networking sites and marketers should increase their exposure to online marketing to capture this target group.

**Spain** shows a slight recovery in FMCG consumption due to the increase in prices, which went back to 2007 levels. However, part of this consumption comes from the decrease in out-of-home consumption to restaurants, bars, hotels, etc.—not an increase in consumption itself. Consumers in Spain are still very cautious.

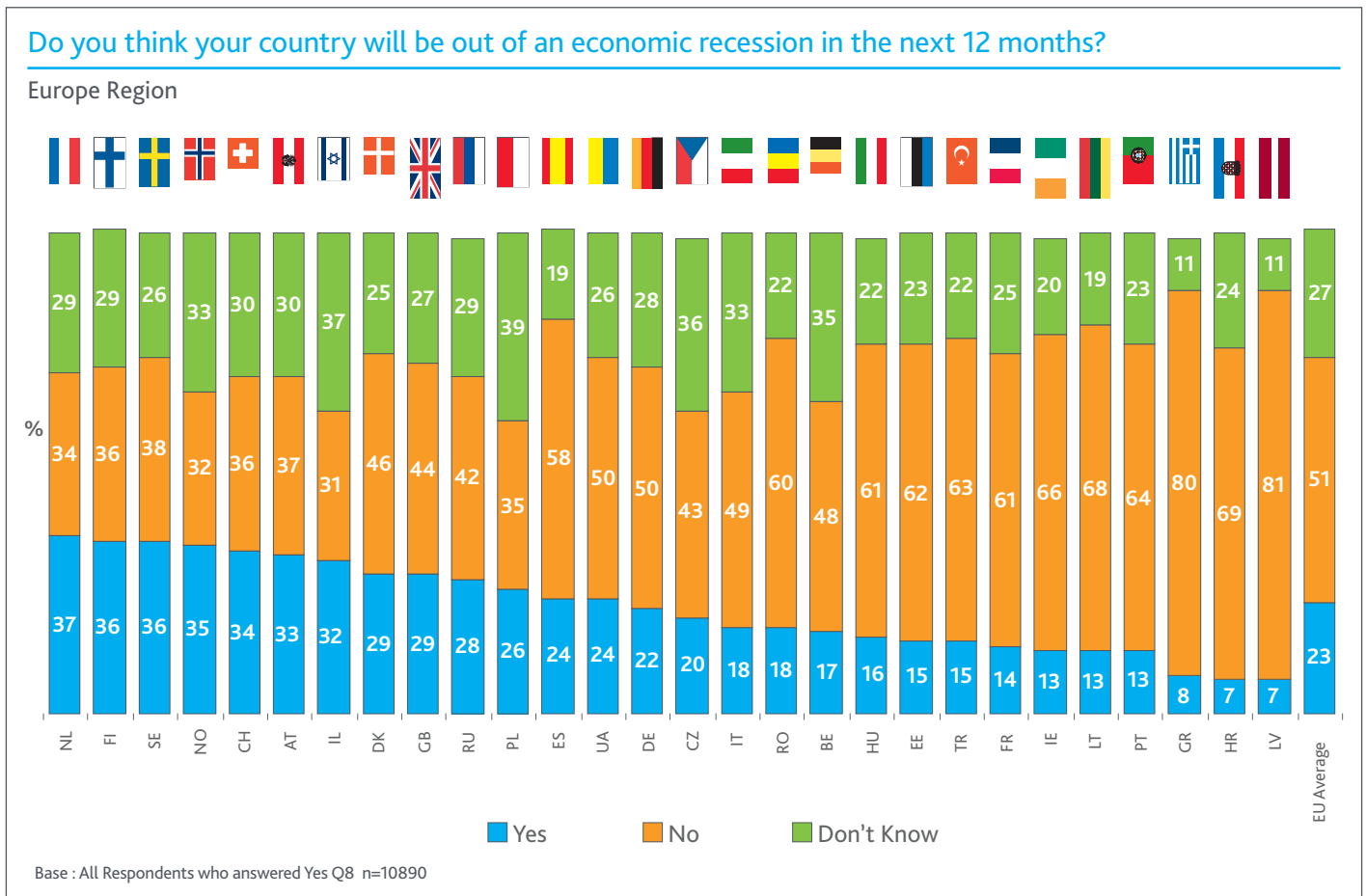
In **France**, the rising unemployment rate is a sign of the uncertain climate, but it appears consumers are adapting their behaviour. While shoppers have postponed or reduced clothing and furniture purchases, there is a significant move toward simplicity,

- Although Europe increased two points overall, seven markets out of 28 posted a decline in consumer confidence.
- Consumer confidence in Europe's key markets of **Italy** and **Germany** declined by three index points compared to six months ago in a telling sign of the region's fragile economic climate.
- In Q1, 84 percent of UK consumers said they were in recession compared to 94 percent six months ago. While the number of consumers who believe they are in recession is still high, the 10 percent drop has positively stimulated volume growth in FMCG sales, according to Nielsen data.
- **Spain** shows a slight recovery, increasing consumer confidence by five points to 79 and **France** inched forward by one point to an Index level of 68.
- **Greek** consumer confidence plummeted 15 points in response to its debt crisis, which is sending shockwaves through financial markets across Europe and Asia.

proximity and smart purchases. Mass market retailers should re-think how to appeal to younger consumers who use the web and mobile devices more frequently than making weekly trips to hypermarkets.

The **Greek** debt crisis has delivered a hard blow to Greek consumers and they're increasingly pessimistic for the future. Ongoing economic instability means spending will remain very constrained and consumers will be forced to make further cuts to their grocery and household budgets. A return to discretionary consumption is a long way off as the majority of Greeks expect things to get worse before they get better.

## Europe



*While the number of UK consumers who believe they are in recession is still high, the 10 percent drop from six months ago has positively stimulated volume growth. Twenty-nine percent believe they will be out of a recession in 12 months—a four point increase from Q3 2009.*

## Latin America

**Brazil's** solid economic fundamentals, coupled with labor improvements were the drivers behind 2009 volume consumption growth of over 4 percent, according to Nielsen data. The 40 largest FMCG companies expanded consumption by 3.5 percent in actual value last year. About 60 percent of that growth was driven by the burgeoning middle class, particularly from the east and northeast regions whose consumption levels have always been lower than in the other regions of the country.

In **Mexico**, improved sentiment is palpable as the government announced that GDP will grow between four and five percent in 2010 and inflation is contained six points compared to last year (4.4 percent vs. 3.8 percent). A main driver of recovery in the FMCG industry is that consumers have refrained their spending in durable goods and some other nonessential goods, such as clothes, cars, furniture and out-of-home entertainment in favor of spending on consumer goods that are more essential.

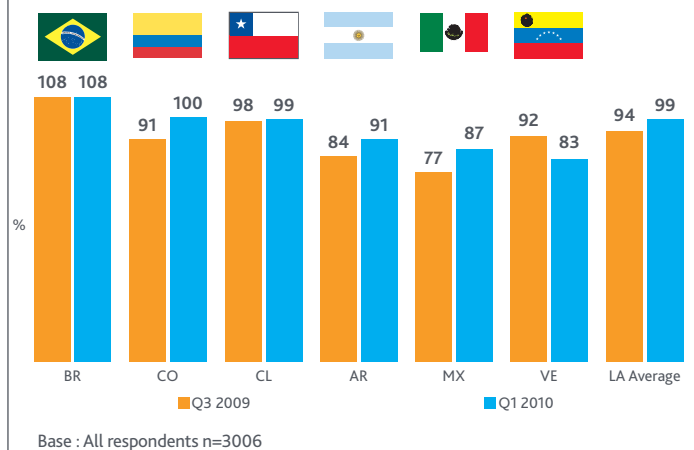
Growth in **Argentina** is principally based on an agricultural boom, an expansive fiscal policy, a high multilateral exchange rate and monetary expansion. In the first two months of this year, total shopping basket consumption growth was 4.7 percent, according to Nielsen data. Critical issues will be fiscal uncertainty in the medium- and long-term and high inflation.

In **Venezuela**, the decline is due to the difficult macro economic situation by lower oil prices, expropriations, loss of productivity in many sectors, national electrical system failures and the loss of purchasing power caused by wage increases below inflation. This complex situation is exacerbated by a devaluation of 21 percent for basic food and medical products.

- As a region, Latin America jumped five points from 94 to 99 on the Consumer Confidence Index.
- **Brazil (108), Colombia (100), Chile (99) and Argentina (92)** posted the highest consumer confidence indices for the region.
- **Mexico** increased the most, jumping 10 points from six months ago to 87. This increase is likely spurred by a 33 percent growth in exports in the first quarter of 2010 versus year ago, as well as improvements in other indicators such as inflation and GDP. Consumer confidence in Mexico has not yet rebounded to pre-recession levels.
- **Venezuela** dropped 9 points to an index of 83.

### Consumer Confidence Index

#### Latin America Region



## Middle East / Africa / Pakistan

In **Saudi Arabia**, targeting strategies should be aimed at the youth as 66 percent of the population is under 29 years and 29 percent of the population is between the ages of 15 and 19. The FMCG, finance and retail sectors look promising for 2010. Local corporations are also doing well, outperforming the large multinationals in many sectors due to a better understanding of the market. Overall, this remains a country with maximum growth potential in the region in the coming 3-5 years.

In **Pakistan**, the major momentum of the recovery is driven by recent improvements on the stock exchange, the strengthening of the local currency and strong domestic consumption demand particularly for consumer durables. Challenges faced by consumers continue to be the country's daunting inflation and the spiralling energy crisis.

In **South Africa**, general sentiment is that the worst is over, but recovery is expected to be slow. In terms of FMCG trends, consumers are responding to the financial pressure—the basket size continues to shrink as shoppers shop less frequently and make trade-offs. Consumers are making fewer, larger shopping trips and considering more private label brands in their basket, according to Nielsen data.

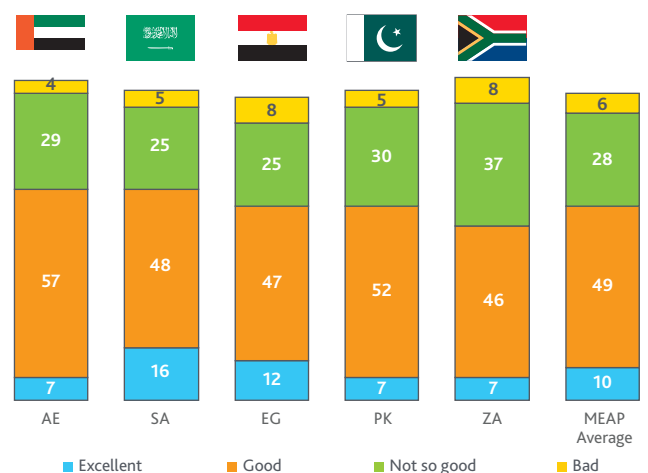
**UAE** is experiencing a slow, but steady return of consumer confidence. The growth rates in the FMCG business in the first three months of 2010 have been higher than in the same period in 2009, although the non-foods category grew faster. Consumers are still looking to economize and they are expected to continue to shift to larger pack formats and/or move to retailer store brands.

The **Egyptian** economy demonstrated remarkable resilience during the global economic down-turn despite its reliance on global trade and the tourism industry—areas most severely affected by the global recession. Value growth in total trade and modern trade increased 12 percent and 18 percent respectively (2009 vs. 2008), according to Nielsen data. A positive mix of generous economic stimulus packages provided by the government, successful economic reforms in the past half decade, and the local banking system's independence from external financing has helped Egypt's economy to stand out among its peers in emerging markets.

- Consumer confidence indices in **Saudi Arabia (108)**, **United Arab Emirates (103)**, **Egypt (95)**, and **Pakistan (92)** continue to be high, while **South Africa (84)** is below the global average.
- Saudi Arabia's oil-based economy accounts for almost half its GDP and 90% of its export earnings, which enables greater infrastructure spending and overall economic growth.
- Pakistani consumers continue to be more positive than consumers in half of the global economies.
- In South Africa, results are mixed as GDP shows a marked recovery, but is tempered by expected petrol price increases and 30 percent increases in electricity prices.

### Perceptions of state of personal finances over the NEXT 12 Months

Middle East, Africa, Pakistan Region



Base : All respondents n=2465

## North America

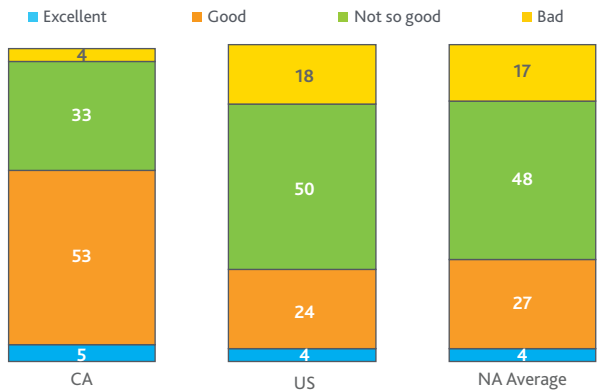
A significant divergence between Canada and the U.S. continues, which first came to light in the first half of 2009. **Canadian** consumers are much more optimistic about the state of the economy and their personal finances, due largely to a strong job market. Nearly 60 percent of Canadians see job prospects as excellent/good compared to just 31 percent of Americans. Moreover, 37 percent of Canadians believe they will be out of recession in the next 12 months while just 23 percent of Americans think the same.

**Americans** are still extremely cautious about spending given the uncertain nature of the recovery in the U.S. and the continued level of high unemployment. They remain committed to managing controllable costs such as gas and utility bills, and they continue to focus on repairing their balance sheets. That said, they are expressing a desire to spend more on discretionary items such as out-of-home entertainment, apparel and vacations—a noticeable shift in this survey. A huge opportunity exists for manufacturers, marketers and retailers who know how to reach the right consumers in the most effective way.

- Consumer confidence in the U.S. improved by one index point from 84 to 85, two points off its pre-recession consumer confidence index of 83 points in Q1 2008. The highest CCI on record for the U.S. was 108 points in Q3 2006.
- **Canadian** confidence hit 100, up six points from six months ago.

### Perceptions of local job prospects over the NEXT 12 Months

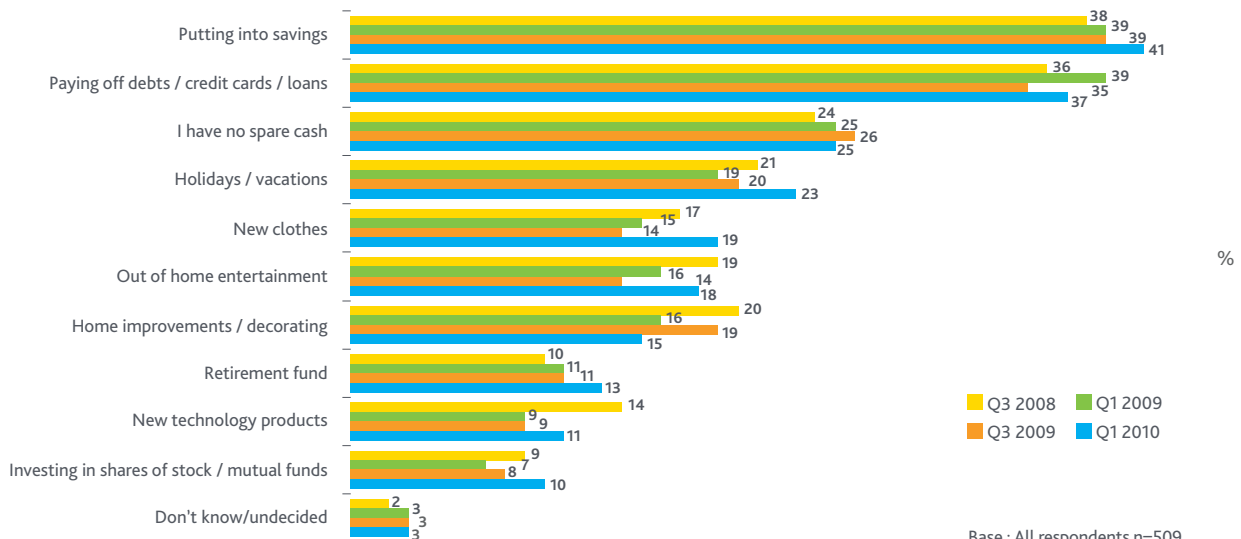
North America Region



Base : All respondents n=1009

### How to utilize spare cash after covering essential living expenses

United States



Base : All respondents n=509

## Country Abbreviations

Argentina	AR	Malaysia	MY
Australia	AU	Mexico	MX
Austria	AT	Netherlands	NL
Belgium	BE	New Zealand	NZ
Brazil	BR	Norway	NO
Canada	CA	Pakistan	PK
Chile	CL	Philippines	PH
China	CN	Poland	PL
Columbia	CO	Portugal	PT
Croatia	HR	Romania	RO
Czech Republic	CZ	Russia	RU
Denmark	DK	Saudi Arabia	SA
Egypt	EG	Singapore	SG
Estonia	EE	South Africa	ZA
Finland	FI	South Korea	KO
France	FR	Spain	ES
Germany	DE	Sweden	SE
Greece	GR	Switzerland	CH
Hong Kong	HK	Taiwan	TW
Hungary	HU	Thailand	TH
India	IN	Turkey	TR
Indonesia	ID	United Arab Emirates	AE
Ireland	IE	United Kingdom	GB
Israel	IL	Ukraine	UA
Italy	IT	United States	US
Japan	JP	Venezuela	VE
Latvia	LV	Vietnam	VN
Lithuania	LT		

## Region Abbreviations

AP	Asia Pacific
EU	Europe
LA	Latin America
MEAP	Middle East, Africa, Pakistan
NA	North America

## About the Nielsen Global Consumer Confidence Survey

The Nielsen Global Consumer Confidence Survey was conducted between March 8 and March 26, 2010 and polled over 27,000 Internet consumers in 55 countries throughout Asia Pacific, Europe, Latin America, the Middle East and North America about their confidence levels and economic outlook. 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 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  $\pm 0.6\%$ .

## About The Nielsen Company

The Nielsen Company 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 assets. The privately held company is active in approximately 100 countries, with headquarters in New York, USA. For more information, please visit, [www.nielsen.com](http://www.nielsen.com).