

Unemployment, inflation worries hit consumer confidence

NEW YORK, US: Consumer confidence fell in 25 out of 52 countries in Q4 2010 as hope for a global economic recovery evaporated at the end of last year, according to the latest edition of the Nielsen *Global Consumer Confidence Index*, which tracks consumer confidence, major concerns and spending intentions among online consumers.



Key findings: Global consumer confidence shows pessimistic end to 2010;

- USA consumer confidence reverses to first half 2009 levels;
- Switzerland and Turkey post strongest confidence rebound in 2010 - Romania, Spain, Greece and Poland record steepest declines;
- Financial squeeze in all regions - 1 in 3 USA consumers and 1 in 5 Europeans have "no spare cash".

According to the survey, which polled over 29 000 Internet consumers in 52 countries last November 2010, confidence levels fell in half of the countries surveyed as widespread concern for unemployment, job creation, rising food and utility costs eradicated any expectation of sustained economic recovery.

"Global consumers ended 2010 more pessimistic than at the start of last year. As the immediate economic and financial reality remained fragile and with the lack of positive indicators throughout 2010 consumers were given a harsh reality check that full recovery is still a long way off," said Dr. Venkatesh Bala, chief economist at The Cambridge Group, a part of The Nielsen Company. "The lingering impact of the great recession is further evidence of a new normal."

The Nielsen *Global Consumer Confidence Index* at the end of 2010 remained unchanged from the previous quarter at 90 and finished the year two index points below the start of the year. Global consumer confidence in 2010 peaked in Q2 at 93 index points. Latin America was the world's most optimistic region at 100 points (+6 points year on year), followed by Asia Pacific at 97 points (+6 points year-on-year). North America ended 2010 at 83 index points, (-2 year on year) and Europe was the world's most pessimistic region at 78 index points (+2 year-on-year).

The index provides a single indicator of consumer sentiment towards the current economic situation as well as intentions and expectations for the future. Levels above a baseline of 100 indicate degrees of optimism.

Recessionary woes live on

"Global consumers - especially in the West, are bracing themselves for another year of flat to sluggish growth in 2011," said Dr. Bala. "Job creation and employment numbers have fallen below expectation and even though many countries are officially out of recession, many consumers are still living - and expect to continue living - a cautious recessionary lifestyle which is restricting domestic spend and demand. Going forward, rising prices in several emerging markets such as China and India have the potential to dent consumer confidence and spending, especially if their respective governments decide to expand policy actions to combat higher inflation."

45% of North Americans still expect the recession to last for another year, compared with 39% of Europeans and 19% of Asia Pacific consumers. "The US jobless rate remains at the heart of the issue for Americans," said James Russo, vice president, Global Consumer Insights at The Nielsen Company. "While the jobless rate dipped a meagre 0.3 points in December to 9.4% - its lowest level in 19 months - it has topped 9% for 20 months straight, which is the longest streak on record." US consumer confidence in Q4 2010 held steady from last quarter at 81 points, just one index point away from its lowest level on record in first half of 2009.

Among the world's pessimistic countries were the so-called "PIIGS" nations (Portugal, Ireland, Italy Greece and Spain) who collectively featured among the world's 10 most pessimistic nations. "Violent protests and riots against International Monetary Fund austerity measures and bomb attacks against embassies in Athens at the end of last year added to Greece's faltering debt and economic woes - while confidence in Ireland plummeted to a 2010 low of 65 index points in the wake of the nation's IMF bailout," said Dr. Bala. Confidence levels also plummeted to new record lows in Croatia, Greece, Poland and Romania in Q4 2010.

No spare cash

In the last six months of 2010, the number of consumers with no discretionary income rose from 22% to 31% in North America, from 16% to 20% in Europe and from 10% to 15% in Latin America. "Consumers in all regions are feeling the financial squeeze more than any other time during the global recession. In addition to concern for global and national economic issues, consumers are also struggling with rising daily costs such as food, utilities, petrol and transport prices. In Q4 2010, consumers found themselves with less disposable income than at any other time and the number of cash-strapped consumers globally peaked for two consecutive quarters at 14% - the highest number on record," said Russo.

Down, but by no means out

"China was one of the first economies to emerge strongly out of the global recession 18 months ago and although consumer confidence declined during the second half of 2010, confidence levels still remain relatively high and in accordance with the country's overall economic growth and progress," said Mitch Barns, president, Greater China, The Nielsen Company. "The current concern for consumers in China is inflation and that is affecting their readiness to spend. Nevertheless, we still expect solid growth in the first half of 2011, especially in China's Tier 3 and 4 cities."

On the rise

Earning rights as the most optimistic region, Latin America continued to deliver a consistent and strong year-end performance. Brazil ended the year with a Consumer Confidence Index of 108 - the highest in the region. "The rise in Brazilian consumer confidence is a reflection of several factors, key among them is the positive performance of the Brazilian economy," said Eduardo Ragasol, managing director, Brazil, The Nielsen Company. "The country's labour market has also remained upbeat, with the lowest unemployment rate since 2002 (6.1%). The intensification of the economy directly impacts retailing trade, which continues on a high, with wide availability of credit facilities." Colombia and Argentina also ended the year on a high, with index scores of 98 and 93 respectively. In Mexico, consumer confidence rose to 86, even though it continues to be one of the lowest in the region.

Positive performance

In Q4 2010, 14 out of 52 countries ended the year positively with a consumer confidence index of 100 points or greater, nine of which hail from Asia Pacific: India (131), Philippines (120), Norway (119), Indonesia (116), Australia (112), Switzerland (110), Singapore (109), Brazil (108), Malaysia (107), Saudi Arabia (107), Vietnam (103), Sweden (103), Thailand (102) and China (100). This is an increase compared to 11 countries that hit the 100+ index mark one year ago.

"Twenty-four out of the 52 markets finished 2010 with consumer confidence highs compared to the start of 2010: Argentina, Australia, Austria, Belgium, Czech Republic, Denmark, Estonia, Germany, India, Latvia, Lithuania, Malaysia, New Zealand, Norway, Philippines, Russia, Singapore, South Korea, Sweden, Switzerland, Taiwan, Thailand, Turkey and Vietnam. These markets embarked on a steady road to recovery and consumers have gained confidence throughout the year," said Russo. Among these countries, Austria, Philippines and Switzerland exceeded their pre-recession confidence levels and posted record consumer confidence highs.

Of the biggest consumer confidence gainers in Q4 were Switzerland and Turkey which increased 10 and six points respectively compared to the previous quarter. Consumer confidence in Turkey rebounded vigorously in 2010 as the country achieved the highest annual economic growth rate in Europe and one of the highest growth rates in the world. "Turkey's economic performance surpassed expectations throughout last year with strong domestic demand and purchasing power spearheading continued growth into 2011," said Paul Walker, managing director, Turkey, The Nielsen Company.

What to watch

"Consumers have weathered the worst of the storm, but the pragmatic behaviour prevalent in 2010 will continue into 2011 as headwinds to growth persist," said Russo. "Coping strategies will represent a combination of essential and discretionary spending, where the focus will be saving on gas and utilities, reducing spend on grocery, take-out, clothing and entertainment expenses. For emerging countries, consumers are focused more on discretionary strategies, such as reducing phone costs and spending less take away meals. For developed markets, basic and essential strategies like reducing grocery spend will dominate."

About the Nielsen *Global Consumer Confidence Survey*

The Nielsen *Global Consumer Confidence Survey* was conducted between November 10 and November 28, 2010 and polled over 29 000 consumers in 52 countries throughout Asia Pacific, Europe, Latin America, the Middle East, Africa 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 $\pm 0.6\%$.

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