

# Global consumer confidence increases 1 point in Q4 2011

NEW YORK, US: Global consumer confidence increased one index point last quarter to 89, while Europe led confidence declines in 24 of the region's 27 measured markets, according to fourth quarter 2011 global consumer confidence findings from Nielsen, a leading global provider of information and insights into what consumers watch and buy.



In the latest round of the survey, conducted between November 23 and December 9, 2011, overall confidence levels fell in 60% of global markets measured with confidence declines in 35 out of 56 markets. Confidence rose in 12 markets and remained flat in nine.

"While Europe's challenging economic conditions in the second half of 2011 bought renewed vulnerability and fragility to consumers and financial markets globally, some of the most positive news last quarter came from the world's two largest economies - the US and China - where confidence rebounded to Q1 2011 levels," said Dr. Venkatesh Bala, chief economist at The Cambridge Group, a part of Nielsen. "Buoyant domestic consumption also maintained confidence levels in the large emerging economies of India, Indonesia and Brazil. However, slowing GDP growth within emerging economies and inflationary pressures would suggest some degree of caution for the year ahead."

The US consumer confidence index rose 6 points from 77 to 83 and China gained 4 points to 108, making it the 6th most optimistic country globally, up from 8th place in the previous quarter. Confidence in Germany, the world's fourth largest economy, remained flat at 87 index points with a 4 point year-on-year increase.

## Tracking consumer, confidence, concerns

The Nielsen Global Survey of Consumer Confidence and Spending Intentions, established in 2005, tracks consumer confidence, major concerns and spending intentions among more than 28 000 Internet consumers in 56 countries. Consumer confidence levels above and below a baseline of 100 indicate degrees of optimism and pessimism.

More than half (52%) of global online consumers described their personal finances for 2012 as excellent/good, up from 50% in Q3 2011, but 65% indicated it is not a good time to buy, up 1% from the previous quarter.

"Overall, consumer discretionary spending will remain restrained and cautious in the first half of 2012," said Dr. Bala.

"Despite consumers becoming more confident about their personal finances for the year ahead, there is still a reluctance to

spend, especially in the West; rising tensions in the Middle East and their impact on gasoline prices could further compound global consumer concerns and spending plans," he added.

Consumer concern for the economy increased as a top fear among 18% of global respondents - an increase of 6 points from last quarter, which resulted in nearly two-thirds (64%) of consumers around the world indicating they believe they are in a recession, up from 62% last quarter. A growing number of online respondents in Asia Pacific (53%), Europe (74%), Middle East/Africa (74%) and Latin America (47%) indicated they believe they are in a recession. And while 86% of North Americans feel they are in a recession, it was the only region to report an improvement from 88% in third quarter.

## Regional roundup

Boosted largely by an improved outlook in personal finances for the year ahead, North America posted the biggest regional quarterly gain among global regions (+5 points) to 84, while Asia Pacific (99) and Latin American (98) were the world's most confident regions with quarterly increases of 2 and 1 point(s), respectively. Confidence fell by 1 point in the Middle East/Africa (95), and Europe recorded its lowest regional confidence reading since Q1 2009 at 71 points, a quarterly decline of 3 points.

India remained the world's most optimistic market for the 8th consecutive quarter with a 1 point consumer confidence index increase to 122, followed by Indonesia and the Philippines at 117. Hungary was the world's most pessimistic market at 30 index points, followed by Portugal (36) and Greece (41), where quarterly confidence levels fell 7, four and 10 points, respectively. European markets accounted for nine of the 10 most depressed markets last quarter.

"The stabilisation of India's consumer confidence metric is encouraging and the retention of the top spot globally reminds us of the inherent strength of the Indian economy, the savings mindset of the Indian consumer, and the positivity of consumer sentiment which has likely been helped by the recent cooling of inflationary pressure," said Justin Sargent, managing director, Nielsen India.

"In Hungary, a perfect storm of factors is contributing to low and declining consumer confidence," said Judit SzalokyToth, managing director, Nielsen Hungary. "Rising taxes and unpredictable government regulations coupled with declining disposable income has fuelled insecurity and pessimism among consumers."

The biggest quarterly confidence gains last quarter came from Romania (+10), the United States and Australia (+6), Venezuela, Philippines and Columbia (+5) and China (+4), while the steepest quarterly declines came from Taiwan (-16), Czech Republic (-12), Greece (-10) and Belgium (-9).

## Growing concerns in Europe

"Consumer confidence fell in 24 out of 27 European markets measured by Nielsen last quarter as the impact of the region's debt crisis, currency woes and Italy's political and economic uncertainty sent shockwaves throughout the region and into international financial markets," said Dr. Bala. "With the Eurozone already slipping into recession and the introduction of new or further austerity measures due to take effect in major European economies at the start of this year, the region's outlook for job prospects and personal finances remains fragile and vulnerable for the year ahead," added Dr. Bala.

In Q4 2011, less than one in four (23%) Europeans rated job prospects as good/excellent, down from 26% in Q3, and 28% from a year ago. And while job prospects are looking more upbeat among Germans, where more than half (52%) rated employment opportunities as good/excellent (up 11% year-on-year), job prospects continue to be bleak for recession-hit Southern European markets of Italy, Greece and Spain.

"Germany's economic situation is stable on a relatively high level," said Ivar Michaelsen, group managing director, Nielsen Germany. "German consumers feel concerned regarding the economic situation in general because of the ongoing Euro crisis, but they do not expect direct effects on their personal situation for the moment. As a consequence, German consumers are at this stage relatively confident about their personal perspectives with regard to their jobs, personal

finances and buying intentions for the year ahead."

In Spain, a favourable outlook for job prospects fell to 10% in Q4 - down from 25% the prior year. In Italy, good/excellent employment sentiment fell 10 points year-on-year to 8% last quarter. And in Greece, a positive job outlook declined to 4% from 11% last year.

## **Consumer confidence rises in US and China**

Americans saw an improvement in their personal finances for the year ahead with nearly half (49%) saying their personal financial prospects looked good/excellent, up from 43% compared to the previous quarter, which spurred a 6-point consumer confidence index jump to 83 in Q4.

"While there are headwinds impacting the consumer such as weak housing, elevated commodity prices and uneven growth, recent gains in the US labour market are positively impacting sentiment, although we are still well below pre-recession highs," said James Russo, VP Global Consumer Insights. "Elevated levels of long-term unemployment along with a stubbornly high percentage of consumers reporting they have no spare cash (32%), raises a caution flag for 2012 spending. Additionally, over the past year consumers have been drawing down savings to spend in the absence of real income and wage growth, a situation which will have to change in order for them to boost or even sustain their spending."

"In China, the easing of food inflation over the past five months has significantly driven food prices down and adjustments to macro-economic policies have re-energised growth, particularly through more loans, which partly resulted in the 4-point confidence climb to an index of 108," said Yan Xuan, president, Nielsen Greater China. "Continued government and non-government investment in developing the country's western and northeastern regions plus less dependence on manufacturing export in these regions is also fuelling optimism among Chinese consumers."

## **Mixed results in Asia Pacific, Latin America, and Middle East**

Asia Pacific continues as the most optimistic region, boasting 7 of the top 10 highest index scores. Confidence rose in nearly half (6 of 14) of the Asia Pacific markets in the Nielsen survey, fell in 5 and remained flat in 3 - Malaysia, Singapore and Japan. Taiwan's decline of 16 points to an index of 71, the lowest point in 24 months and approaching levels following the 2008 global financial crisis, was most notable.

"The sharp drop in Taiwanese consumer confidence is mainly driven by a strong decline in job prospects and a rise in concern for the current economic environment," said Emilie Darolles, managing director, Nielsen Taiwan. "In the short term, we expect consumers' willingness to spend to slow down and the propensity to save to increase. The upcoming Chinese New Year Festival will likely help boost some of the domestic consumption in Q1, but Taiwanese consumers will continue to be conservative in 2012."

In Latin America, Brazil recorded the highest consumer confidence in the region with an index of 112 - the 5th highest score of 56 countries measured. Confidence rose 5 points in Colombia and Venezuela, fell in Peru (-4), Mexico (-2), and Argentina (-1) and remained flat in Chile. Latin Americans are the most confident in regards to personal finances in 2012 with 66% describing their outlook as good/excellent for the coming year.

"Brazil continues to experience gradual economic growth with a dip in unemployment, inflation control, an expansion of credit and political stability," said Eduardo Ragasol, managing director, Nielsen Brazil. "More Brazilians today have the opportunity to buy products that were previously only accessible to the higher social classes, which is contributing to the optimism in the country."

"Positive economic results are driving Colombia's increased consumer confidence," said Felipe Urdaneta, country manager, Nielsen Colombia. "Gross Domestic Product (GDP) growth is up 7.7% in third quarter - the highest in last five years, unemployment is going down for the third consecutive month and Nielsen fast-moving consumer goods unit sales increased 5% last quarter."

In the six Middle East/African markets covered by the Nielsen survey, confidence rose in Pakistan (+3), fell in Saudi Arabia (-7), Egypt (-5), Israel (-1), and remained flat in United Arab Emirates and South Africa. The top concern for 1 in 5 consumers in the Middle East/Africa is job security - 5 points higher than the global average. Worries over political stability and the economy are 2 other top concerns among 12% of respondents each.

"Political turmoil in the Middle East and doubts towards future oil demand, which is indispensable for the Saudi economy, and subsequent austerity measures has led to depressed consumer sentiments in Saudi Arabia," said Arslan Ashraf, managing director, Nielsen Saudi Arabia. "However, through hefty stimulus packages, the Saudi government is making efforts to insulate the economy from these global and regional developments."

"Egypt's turbulent political year in 2011, led to rising food prices and a slide in foreign reserves as tourism and export businesses suffered from the dramatic current events," said Ram Mohan Rao, managing Director, Nielsen Egypt. "Hopes and fears among Egyptians will prevail in 2012 as elections for a new civilian president will be in June 2012."

## **About the Nielsen Global Survey**

The Nielsen Global Survey of Consumer Confidence and Spending Intentions was conducted between November 23 and December 9, 2011 and polled more than 28 000 online consumers in 56 countries throughout Asia Pacific, Europe, Latin America, the Middle East, Africa and North America. 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  $\pm 0.6\%$ . This Nielsen survey is based on the behaviour of respondents with online access only. Internet penetration rates vary by country. Nielsen uses a minimum reporting standard of 60% Internet penetration or 10M online population for survey inclusion. The Nielsen Global Survey was established in 2005.

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