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Hope for full global economic recovery in 2010 diminishes

NEW YORK, US: After an upbeat start to the year with two consecutive quarters of increases in optimism, global consumer confidence fell three points in September to an Index of 90 as consumers' hopes for a full economic recovery this year fades in most parts of the world, according to the latest edition of the Nielsen *Global Consumer Confidence Index*.

Consumer Confidence Index levels above and below a baseline of 100 indicate degrees of optimism and pessimism. The 90 Index mark reflects the reality that consumers around the world remain largely pessimistic about job prospects, personal finances and their ability to buy the things they want and need over the next year.

While positive sentiment drove confidence levels up in the first half of this year, consumer confidence declined in 20 of 53 global markets in the third quarter. "There simply hasn't been enough consistent and positive news to sustain the positive outlook and momentum that consumers showed at the start of this year", said Dr. Venkatesh Bala, chief economist at The Cambridge Group, a part of The Nielsen Company. "The reversal of global consumer confidence in the third quarter highlights the fragility and uncertainty of the current global economy, its ongoing vulnerability to macroeconomic shocks, and finally, the divergence in the pace of recovery among international markets and regions."

For many consumers, spending on non-essential goods has become more restrained this year compared to the height of the global recession two years ago. Discretionary income reached an all time low for many consumers in the third quarter, with 27% of Americans, 19% of Europeans, 17% of Middle Easterners/Africans and 16% of Latin Americans left with no spare cash after paying essential living expenses.

Nielsen's *Global Consumer Confidence Index* tracks consumer confidence, major concerns and spending intentions among more than 26 000 Internet users in 53 countries. In the latest round of the survey conducted between 3 and 21 September 2010, consumer confidence in most markets showed continued spending restraint. More than half (56%) of global consumers believe they are currently in recession and 48% do not believe they will be out of a recession in the next 12 months. "While slipping back into a full blown global recession is unlikely, in the last few months consumers accepted that there are no quick fixes to the persistent economic issues of unemployment and government budgetary woes that continue to dampen and constrain economic revival," continued Dr. Bala.

Consumers and retailers adjust expectations

Stagnant unemployment figures in the United States and increasing jobless numbers in some European markets had a major effect on confidence levels in the third quarter. Sixty-four% of North Americans and 70% of Europeans describe their job prospects in the next 12 months as not so good or bad.

In the US, *Consumer Confidence Index* levels over the past two and a half years have averaged a score of 83 - a considerable drop compared to the 104 Index average achieved between 2005 and 2007. "The latest consumer confidence results confirm that US consumers are clearly restrained by a lack of confidence. With a stubbornly weak labour market, consumers are concerned about the jobless recovery and managing their personal finances", said James Russo, vice president, Global Consumer Insights at The Nielsen Company. "As a result, consumers are closely planning spending and they continue to reduce shopping trips while placing more emphasis on value. Fewer shopping trips are making every retail interaction critical for retailers."

US consumers are still very much in a holding pattern. "The latest annual dollar sales trend across key retail departments shows no improvement in the most recent quarter within the latest 52-week period," said Todd Hale, senior vice president, Consumer & Shopper Insights, The Nielsen Company. "The US economy is driving consumers to make trade-offs and buy less - and food matters most. Non-edible departments are leading the decline in unit sales, while unit sales for all edible departments are growing over the latest year. Consumers continue to seek out value, but innovation is still a huge driver for brands and retailers."

Europe demonstrated the most divergent recovery patterns in the last quarter. Economic recovery was back on track in North Western Europe, while in Southern Europe, the recessionary mindset lives on. "Recession-battered markets of Greece, Italy, Spain and Portugal have continued to decline," said Christophe Cambournac, president Nielsen Europe. "Hopes of recovery are becoming increasingly dim as consumers brace themselves for a new era of austerity measures."

Italy plummeted to an all time low Index of 64 in the third quarter. "Weak consumer spending, the highest unemployment figures since 2003, a slowdown in exports, political uncertainty and continued tight credit conditions have plunged consumer confidence to a new low," said Stefano Galli, managing director, Nielsen Italy. "Fast-moving consumer goods sales, like the rest of the economy remained flat in the third quarter. There's hardly any growth coming from any sector of the economy and Italians have resigned themselves to the reality that recovery, when it comes, will be a very slow ride."

"In contrast, countries in North Western Europe are delivering the strongest and steadiest return to economic growth," continued Cambournac. "Consumer confidence in Germany (87) hit its highest level since Q3 2005, Austria's consumer confidence (94) rebounded to the same level in Q3 2006 and Belgium (92) continued its upward climb started in Q3 2009. While France (67) and Estonia's (70) Index levels are still well below average, both have reported a slow upward climb since the end of 2009."

Rising concerns

In addition to economic issues, many consumers in Asia and Europe are grappling with additional concerns such as rising food and utility prices, which are squeezing already constrained family budgets. In Europe, increasing utility bills replaced the economy as the number one concern over the next six months and in Asia Pacific, one in five consumers are most concerned about rising food prices - an increase of 13 points compared to the second quarter.

The economy remains the number one concern for more than one in four North American's (27%) and worries about health jumped 5 percentage points as the number one concern among 10% of respondents in this region. Among Latin American consumers, consumers ranked work/life balance, job security, debt, crime and children's education ahead of the economy as the number one concern.

Returning to normal

Consumer confidence in Latin America continues to report steady levels, which are normalising after hitting a low point at the beginning of 2009.

"Brazilian consumers continued to advance fast-moving consumer goods market growth, rising to 6% during the first half of 2010. Positive economic conditions together with new product introductions that focused on value and improved price fuelled the sustained growth, which will surely continue throughout the rest of the year," said Eduardo Ragasol, managing director, Nielsen Brazil.

"In Mexico, recovery continues on the path to growth, with volume and value trends moving forward, 3.1% and 5.9%, respectively during the rolling year ended in July 2010 compared to the previous year", said German Gutierrez, managing director, Nielsen Mexico. "On the other hand, variable price continues its downward trend, which is being absorbed by manufacturers and retailers in their efforts to boost consumption. This aggressive price dynamic is triggering growth in the basket volume."

Resilient and optimistic

Regionally, Asia Pacific was the world's most confident region reporting an Index of 98, followed closely by Middle East/Africa at 97 points. Nine of the top 10 most confident nations hailed from Asia Pacific countries: India (129 Index points), Thailand (117) and Australia and Indonesia (115), Philippines (114), Singapore (113), China (104) and Malaysia and Hong Kong (103).

"The latest quarter's Chinese consumer confidence experienced a "soft landing", which is expected as the China government has largely engineered a controlled deceleration of growth and prices without having the bottom fall out to make sure the economy is heading in a healthy direction," said Mitch Barns, president, Nielsen Greater China. "With the newly launched housing policies to cool down the real estate market and the discussion of the new policies to accelerate income and urbanisation, consumers are in the "watch" mood for big item purchases. While the government is taking effective steps to ensure domestic demand weighs more heavily in the GDP balance, the rise of China's Middle Class and the potential of the lower tier cities in China deserve more attention for those who want to win in China."

Thailand posted the biggest quarterly confidence jump to an Index of 117 in the third quarter. "Thailand's significant rebound is testament to the country's resilience to return to normalcy after the political unrest that mired the nation in the second quarter. A separate Nielsen online study conducted in June indicated that 70% of Thais expected life to return to normal immediately or within one month following the May political unrest," said Aaron Cross, managing director, Nielsen Thailand. "Economic and business confidence increased as soon as the immediate political situation was brought under control. Strengthening of the Thai Baht and significant gains in the Thailand Stock Exchange has also helped to boost optimism."

About the Nielsen *Global Consumer Confidence Survey*

The Nielsen *Global Consumer Confidence Survey* was conducted between 3 and 21 September 2010 and polled over 26 000 consumers in 53 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 ±0.6%.

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