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## News Release

### **DESPITE GREEN SHOOTS OF ECONOMIC RECOVERY, EUROPEAN CONSUMERS STILL UNCERTAIN: NIELSEN**

#### **Consumer Confidence Climbs 5 Points in Q3, But Still Lags Rest of World Level of concern for job security and economy recedes, but spending levels remain restrained**

Consumer confidence in Europe climbed five index points to 76 between April and October 2009, but still remained 10 index points below the global average of 86 points according to the latest edition of the Nielsen Global Consumer Confidence Survey. Europe recorded the lowest consumer confidence score of all global regions in the latest round of the 54 country online survey which polled over 30,500 consumers between 28th September and 16 October 2009. Consumer confidence in Europe lagged nine points behind North America (85 index points) and 19 points behind the world's most confident region of Asia Pacific.

"There's consensus that the very worst is behind us, but the path to recovery in Europe will be slow and gradual," said Jonathon Banks, Business Insights Director Europe at The Nielsen Company. "Because of this extreme caution, Europeans hold the most pessimistic view of their personal finances in the next 12 months."

Last month, 85 percent of Europeans said they were in recession, compared to a global average of 66 percent. Consumers in Ireland, Spain, UK and the Baltic nations still felt most heavily entrenched in recession.

But all was not bleak: Consumer confidence rebounded in France and Italy to their highest levels since the first half of 2008, and the UK and Germany posted their highest consumer confidence levels in the past 18 months.

Norway is Europe's most confident nation (and third most optimistic nation globally) and became the first country in Europe to raise interest rates last month.

France (+7) and Germany (+5) posted the strongest consumer confidence gains in the third quarter compared to the previous quarter. Germany's five-point consumer confidence increase last quarter was largely attributed to post-election euphoria when Angela Merkel was re-elected. "Post-election, Germans felt a renewed sense of optimism due to coalition discussions about tax decreases and increase of child allowances. However since then, Germans' concern for the economy and in particular unemployment, have been reignited. Short term labour contracts put in place by the government to stem unemployment numbers are only a temporary "quick-fix" measure and consumers are acutely aware a long term solution remains to be found," said Banks.

Spain, which has Western Europe's highest unemployment rate of 19 percent, was the only country in the region to post a decline in consumer confidence in Q3 (-2 points) while Latvia ranked the world's most pessimistic nation in the 54 country survey.

"France and Germany, the region's two largest economies, officially exited recession during the second quarter. But the mood in Europe remains uncertain and cautious," said Banks. "Fiscal stimulus policies may have enticed consumers to spend to a certain degree, but a ten-year high unemployment rate (which is expected to exceed 10 percent in 2010) and a weak credit market remain significant obstacles yet to be overcome."

“While a number of countries have technically emerged from a recession, consumers just aren’t buying into it,” said James Russo, Vice President, Global Insights at Nielsen. Despite better than expected GDP growth in the last quarter, over 90 percent of U.S. consumers and 87 percent of French consumers still believe they’re in recession, so spending is likely to be very restrained. These consumers are extremely cautious about a full economic recovery - only 18 percent of French and 24 percent of U.S. consumers see a recovery coming in the next 12 months despite what GDP numbers say. The reality remains that until the labor markets improve, the pace of recovery will be subdued and spending levels will remain moderate,” said Russo. “There’s a big difference between a country pulling out of technical recession and consumers’ leaving behind their recessionary habits and sentiment.”

The UK echoed similar sentiments. “When we saw confidence pick up between April and June we felt there was a definite and tangible change in the mood of the nation. However, we were cautious as quite often when economies rise out of recession there can be false starts and blips. This latest survey shows that the confidence of the nation continues to improve, but consumers remain very guarded. We are still a long way from the confidence levels we saw prior to the economic meltdown,” said Justin Sargent, Managing Director at Nielsen UK.

Over sixty percent of French, Greek and Irish consumers do not believe they’ll be out of recession within 12 months. Still, there are small signs of improvement that signal recovery is on the way, albeit at a slower pace than other global regions. Anxiety about the economy and job security, for example, has declined over the past six months. Concern for the economy, Europeans’ top issue, declined from 19 percent in April to 14 percent in October, while concern for job security declined from 20 percent to 12 percent last month. In October, 70 percent of Europeans described their job prospects as “not so good/bad” compared to 80 percent six months ago. Comparatively, North Americans were more pessimistic about their job outlook with 76% describing their job prospects as “not so good/bad” in the next 12 months. Among Europeans, one in three consumers said they even cut out their annual vacation this year, with 46 percent of Italians cutting out their annual vacation and 54 percent cutting down on holidays and short breaks.

“Like consumers in every part of the world, Europeans have made recessionary cut-backs in many areas of lifestyle, but cut backs on clothes spending and holidays/vacations were more pronounced in Europe than any other region in the past year,” noted Banks.

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