

# News Release

**FOR IMMEDIATE RELEASE**

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**AUSSIES REMAIN CAUTIOUS AS CONSUMER CONFIDENCE DROPS TWO POINTS IN Q1, 2011**

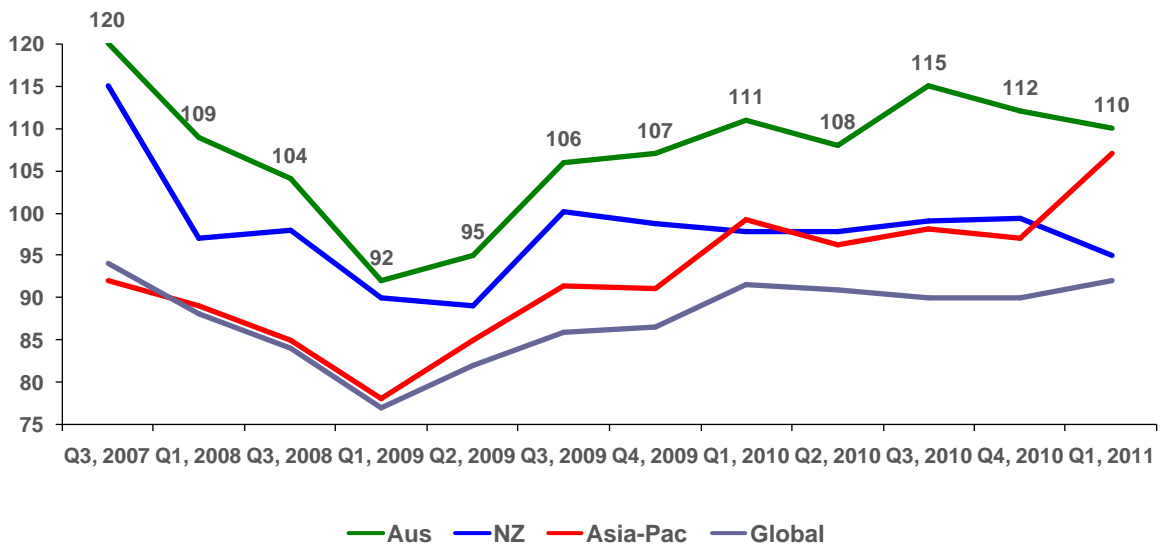
*Cost-conscious Australian consumers look to control rising household expenditure by:*

- Saving on Gas and Electricity (68%)
- Buying Less New Clothing (64%)
- Reducing Consumption of Take-away Meals (58%)
- Cutting Back on Out-of-Home Entertainment (56%)
- Switching to Cheaper Grocery Brands (55%)

**SYDNEY, Australia: 1 June 2011** – According to the latest global online consumer confidence survey results released by Nielsen, a leader global provider of insights into what consumers watch and buy, Australian consumer confidence dropped two points in the first quarter of 2011, taking the country’s index to 110 points (Chart 1). This drop in Aussie consumer confidence follows two consecutive quarters of decline since the end of quarter three (September) last year. Contrast this to the rest of the Asia Pacific\* region, where consumer confidence achieved its highest level on record, jumping 10 index points from the last quarter to reach 107.

**Chart 1: Trended Consumer Confidence Index**

Base: All respondents. Source: Nielsen Global Online Consumer Survey, Q1 (April) 2011



Consumer confidence levels above and below a baseline of 100 indicate degrees of optimism and pessimism, therefore Australia's index of 110 still signifies an optimistic outlook for Aussie consumers. Out of the 51 countries surveyed globally, Australia was the fourth most optimistic market (tied with The Philippines and Switzerland). India remained the most optimistic nation, with a consumer confidence index of 131, followed by Saudi Arabia (118) and Indonesia (116).

### **Positive Outlook on Job Prospects**

Sixty-seven percent of Australian consumers believe local job prospects over the next 12 months are positive, with this figure being almost identical to the Asia Pacific region's average of 66 percent, and 20 percentage points higher than the global average of 47 percent.

### **Aussies Tighten Their Purse Strings**

Fifty-one percent of consumers surveyed said they are putting their spare cash into savings after covering off essential living expenses, up seven percentage points from Q4, 2010. Given the continued strength of the Australian dollar, 39 percent Aussies are also channelling their spare cash into holidays (up five percentage points on Q4, 2010), evening-up their work-life balance equation. As a result, only 18 percent of consumers now see this as their top two concern over the coming six months, a drop of three percentage points compared to the previous quarter, and down six percentage points on the same period last year (Chart 2).

In addition to saving their spare cash, Australians also looked to manage their household expenditure by saving on gas and electricity. This was the number one action taken by 68 percent of consumers. Next came spending less on new clothes at 64 percent, recording a five percentage point increase on the last quarter, and also the highest percentage point increase of all cost-saving actions. Other cost-saving actions include: cutting down on takeaway meals (58%), cutting back on out-of-home entertainment (56%) and switching to cheaper grocery brands (55%).

"It's no surprise that consumers are increasingly concerned about their household budgets in response to such fluctuating economic conditions, and the cost-saving strategies currently being employed by consumers are likely to continue well into the year," said Chris Percy, Managing Director - Pacific, Nielsen Consumer Group.

Percy continued: "The consumer price index is creeping up to 3.3 percent; personal savings rates have increased to 10 percent, the highest they've been since the 1980s; there is uncertainty around interest rate rises, with some analysts forecasting a least one rate rise before the end of the year; fresh produce prices have skyrocketed, following the recent spate of natural disasters; and a 12-month flood levy tax will be imposed by the Federal government from 1 July."

## **Rising Utility, Fuel and Food Prices are Consumers' Biggest Worries**

The top concerns for Australians over the next six months are still the rising cost of utilities, at 37 percent, which has consistently been the biggest worry for online consumers since quarter three, 2009. Increasing fuel prices was the next biggest top two concern, at 21 percent, recording a staggering 17 percentage point increase on the previous quarter (Chart 2). This was followed by increasing food prices at 20 percent, penning a five percentage point rise.

Globally, rising food prices topped the list of consumers' top two concerns, at 26 percent, trumping the economy (22%) as the top global concern for respondents. Fuel prices also increased significantly as a top two concern for global consumers, escalating 10 percentage points to 17 percent.

"Rising food and fuel prices are continuing to take their toll on consumers around the world as more and more households commit a larger proportion of their limited income to these necessities. As spare cash continues to dwindle, consumers are taking action to save on household expenses that they can control by reducing expenditure on non-essential items and activities," said Dr. Venkatesh Bala, Chief Economist at The Cambridge Group, a part of Nielsen.

## **Consumer Confidence: Continents of Contrast**

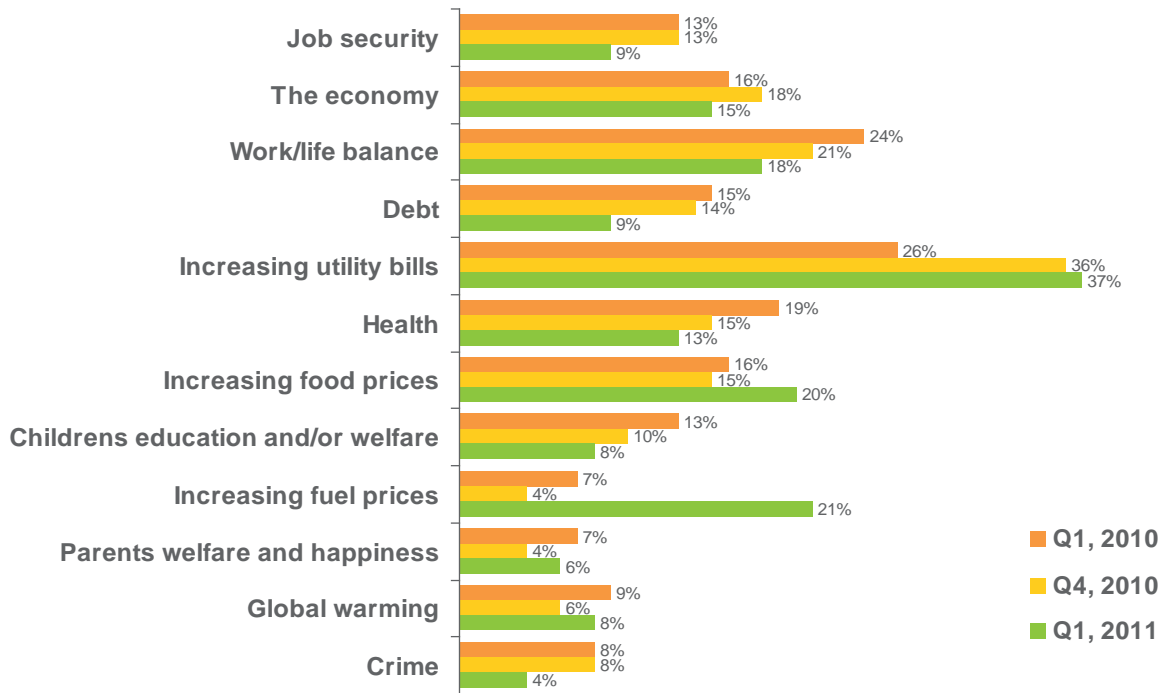
Confidence in Asia was boosted by continuing high employment, which is energising consumers to spend again. Sixty-six percent of Asia Pacific online consumers described their job prospects for the next year as good/excellent, up 11 percentage points from last quarter. "The recession is over for 63 percent of Asia Pacific online consumers and they are gearing up for a spending spree. However, lingering concerns over rising food prices may prompt many to seek value in their daily necessities," said Cheong-Tai Leung, President Nielsen Asia Pacific, Middle East & Africa. The latest Nielsen insights shows that nearly half (48%) of Asia Pacific consumers will spend discretionary funds on holidays in the next six months, as well as clothing (44%), entertainment (41%) and new technology (38%).

China, the world's second largest economy, saw its confidence index rise eight points to 108. "The good news is that income is rising faster than inflation, particularly in rural areas, and living standards continue to improve," said Karthik Rao, Managing Director, Nielsen China. "As a result, we continue to see strong growth in marketplace demand, even in discretionary categories.

Seven of the top 10 optimistic countries hailed from Asia Pacific, while European markets dominated nine out of the top 10 most pessimistic nations, with Portugal's index only reaching 39, six index points lower than the previous quarter. The U.K. and the U.S. fared better, with indexes of 67 and 83, but the U.K. saw a decline of ten points, whereas the U.S. gained two index points on the previous quarter, but this score "is still precariously close to the recession low of 80 recorded in 2009," said James Russo, Vice President for Global Insights at Nielsen.

**Chart 2: Major top two concerns over the next 6 months - Australia**

Base: All respondents



Source: Nielsen Global Online Consumer Survey, Q1 (April) 2011

\*Due to sampling restrictions caused by the March earthquake/tsunami, Japan was not included in the Q1 survey.

**About the Nielsen Global Online Survey**

The Nielsen Global Online Survey was conducted between March 23 and April 12, 2011 and polled more than 28,000 consumers in 51 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 ±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 percent Internet penetration or 10M online population for survey inclusion.

**About Nielsen**

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