

## News Release

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**AUSTRALIAN CONSUMER CONFIDENCE PLUMMETS IN Q2: NIELSEN**

- ***Nearly one-fifth of consumers have no spare cash, higher than at any point during the GFC of 2009***
- ***For the first-time since 2009, consumers are focused on reducing every aspect of household expenditure***
- ***Nearly half of all households are saving any spare cash, but this is being eroded by the onslaught of rising utility and food prices***

**SYDNEY, Australia: July 27, 2011** – According to the latest Global Online Consumer Confidence Survey results released by Nielsen, a leading global provider of insights into what consumers watch and buy, Australian consumer confidence nose-dived seven points in the second quarter of 2011, taking the country's index to 103 points, down from 110 in Q1, its lowest reading since Q2, 2009. Aussie consumer confidence has been in steady decline since the end of quarter three (September) last year.

“Australian households are being hit hard with unrelenting price increases across the board. Consumers were aware that from 1 July, households would be hit by one of the biggest rises in the cost of living in decades – utility bills - with electricity, water and gas prices all increasing,” said Chris Percy, managing director – Pacific, Nielsen Consumer Group.

“The January floods, which restricted supplies of fruit and vegetables, have had lingering effects on produce costs, causing food prices to rise. Belt-tightening is the norm for many households as price increases across multiple sectors continue to erode many family budgets.

“Economically, Australia is currently a polarised nation facing falling asset prices, high levels of government debt, growing inflation and rising interest rates, yet it is a country with low unemployment (4.9%), a booming resources sector and one of the strongest currencies in the world. It's no surprise that consumers continue to be cautious in their borrowing and spending under such opposing fiscal conditions,” said Percy.

The Nielsen Global Online Consumer Confidence Survey, established in 2005, tracks consumer confidence, major concerns and spending intentions among more than 31,000 Internet consumers in 56 countries. Consumer confidence levels above a baseline of 100 indicate degrees of optimism and below 100 indicate pessimism.

### **Dwindling Spare Cash**

Globally, more consumers are feeling cash strapped as cost of living expenses and rising food and energy inflation continue to pinch household budgets. Increasing food prices was again consumers' top global concern compared to last quarter, surpassing the economy as the top concern for the second quarter in a row. Compared to the previous quarter, just under a third (31%) of U.S. consumers said they have no spare cash for discretionary spending, which is an increase of three percentage points. For Middle East/African consumers, 25 percent said they had no spare cash (up four percentage points). It was a similar story in Europe, with just over one-fifth (22%) of Europeans having no spare cash after covering essential living expenses. The Asia Pacific region held the greatest spare cash reserves globally, with only seven percent of consumers having no spare cash. But it was a very different picture in Australia, where 17 percent of consumers said they have no spare cash after paying essential living expenses. This a rise of six percentage points on the previous quarter, and the highest percentage recorded in the Asia Pacific region after New Zealand (18%).

Thirty-four percent of Aussie consumers said they are looking to settle personal debt after putting any spare cash into savings (45%). Just over a quarter of Australian consumers (27%) believe we are in a recession, which is an increase of seven percentage points versus the previous quarter.

As disposable income continues to shrink, so do Aussie consumers' perceptions of the state of their personal finances over the next twelve months. One-third of consumers thought that their financial position was 'not in great shape', an increase of seven percentage points on the prior quarter, and comparable to GFC levels. The percentage of consumers who believed that it was a bad time to buy things they want and need over the next twelve months also increased five percentage points to 13 percent, higher than in any quarter of 2009.

### **Cost Cutting Actions**

For the first-time since 2009, and in an effort to preserve household income, consumers are actively looking at ways to reduce all fifteen forms of household expenditure, as measured by the Nielsen Global Online Consumer Confidence Survey. Saving on gas and electricity (68%), cutting down on out-of-home entertainment (67%) and spending less on new clothes (65%) were the top three actions taken by consumers in order to save on household expenditure compared to this time last year.

In terms of the actions recording the greatest percentage point increases in reducing household expenditure, cutting down on or buying cheaper brands of alcohol (33%) and cutting down on in-home entertainment (27%) registered the highest percentage point increases, each posting a nine percentage point rise. Cutting down on out-of-home entertainment (64%), switching to cheaper

grocery brands (62%) and cutting down on telephone expenses (46%) recorded eight, seven and seven percentage point increases, respectively.

"We haven't seen this level of commitment to reducing household expenditure since the GFC began in late 2008. As pressure on family budgets continues to mount, worried consumers are constantly looking at ways to save on household expenses. This quarter has seen consumers cut back on *everything*, from alcohol expenditure/consumption to telephone expenses and from in- and out-of-home entertainment to buying to cheaper grocery brands.

"Restraint on household expenditure has become the norm for many Australian households and consumers have indicated that these cost cutting actions are set to continue even when economic conditions do improve," said Percy.

#### **About the Nielsen Global Online Survey**

The Nielsen Global Online Survey was conducted between May 20 and June 7, 2011 and polled more than 31,000 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 percent Internet penetration or 10M online population for survey inclusion. The Nielsen Global Online Survey, which includes the Global Online Consumer Confidence Survey, was established in 2005.

#### **About Nielsen**

Nielsen Holdings N.V. (NYSE: NLSN) is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence, mobile measurement, trade shows and related properties. Nielsen has a presence in approximately 100 countries, with headquarters in New York, USA and Diemen, the Netherlands. For more information, visit [www.nielsen.com](http://www.nielsen.com).

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