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## News Release

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**FOR IMMEDIATE RELEASE**

**BUSINESS CONDITIONS DETERIORATING FOR FMCG SECTOR AS TOP AUSSIE  
MANUFACTURERS PREDICT A DOWNTURN TO COME**

- ***45% say business conditions have deteriorated in the past 12 months, but most maintaining bullish expectations for 2008 sales growth***
- ***Pricing takes over as number one FMCG manufacturer concern – inflation and petrol price concerns also escalating***

**SYDNEY, 24 June 2008:** Business confidence amongst Australian fast moving consumer goods (FMCG) manufacturers has taken a turn for the worse with 45 percent saying business conditions have deteriorated in the past 12 months, according to the latest Nielsen research.

The findings were released today by The Nielsen Company as part of its latest bi-annual Retail Barometer survey which captured responses from over 100 senior leaders from top Australian FMCG companies on business confidence and concerns.

Less than a quarter of respondents (23%) to the Retail Barometer survey said they felt business conditions had improved in the 12 months to May 2008, which was a drop of 10 percentage points compared to May 2007. The business outlook for the next few years has also started to wane according to the industry's leaders, with 39 percent predicting that business conditions in the next one to two years would deteriorate, up six points in the past six months. Around one third (34%) felt business conditions would improve, down five points in the past six months).

“As petrol prices continue to escalate and the threat of further interest rate rises looms, we’ve seen consumer confidence start to dip in recent month,” observes Kosta Conomos, Executive Director of Pacific Retailer Services, The Nielsen Company. “This in turn appears to be having a negative effect on supplier sentiment, as FMCG manufacturers know only too well that as consumers begin to tighten their belts this will inevitably impact sales passing through supermarket check-outs.”

Curiously, overall sales growth expectations for FMCG manufacturers were in contrast to the gloomy outlook for business conditions, with a slight increase in estimated sales growth. More than one in 10 manufacturers (11%) said they anticipated their sales would be up by 16 percent or greater in 2008 and a further 23 percent were expecting between eight and 15 percent growth. Just three percent said they thought their business would record negative growth.

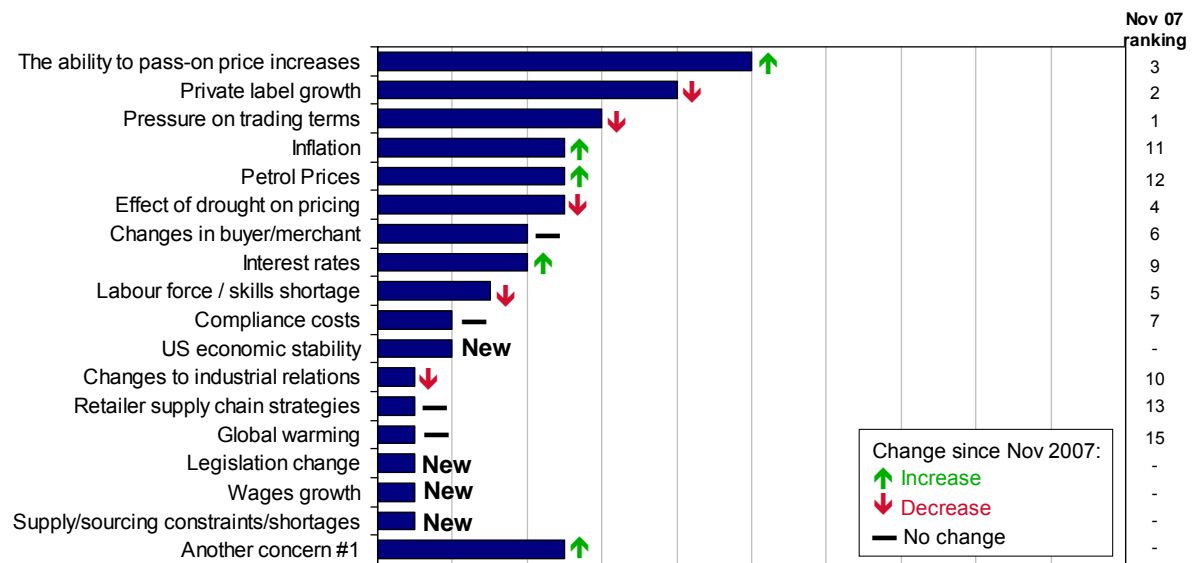
Asked what kept them awake at night, manufacturers ranked pricing as their number one concern in terms of the impact it might have on their business, a significant jump compared to the November 2007 results when pricing ranked number three. Other concerns to take large jumps in manufacturers' priorities were inflation (up from number 11 to number 4) and petrol prices (up from number 12 to number 5) (See Chart 1)

"A number of factors, particularly petrol prices, are driving up costs for Australian manufacturers," says Conomos. "But with the retailers vying to maintain competitive price offerings, suppliers are being forced to look for alternative ways to absorb their manufacturing price increases."

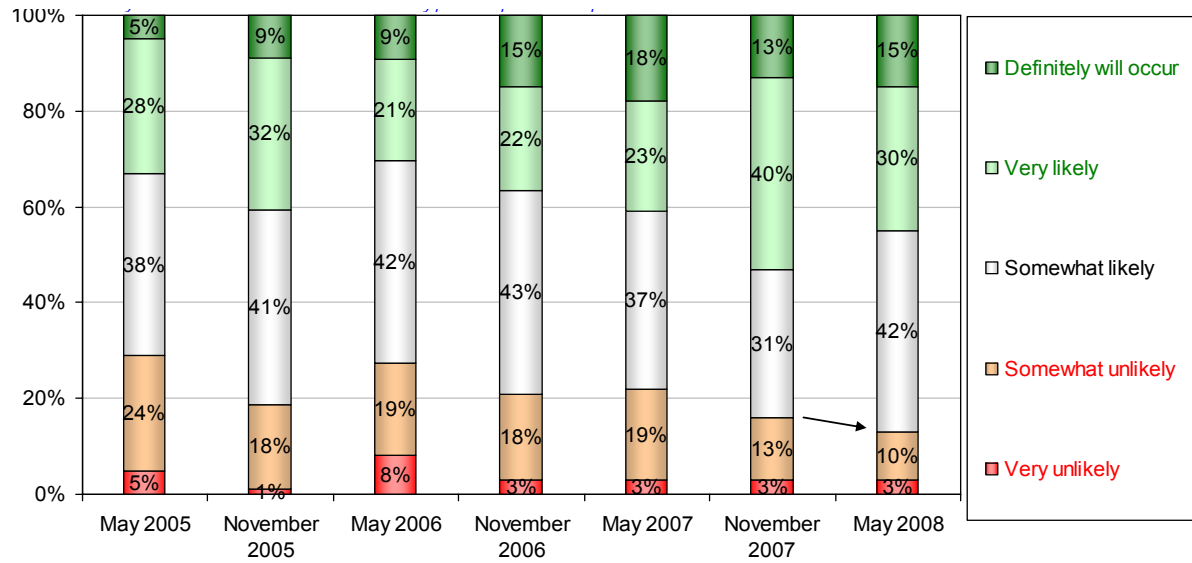
The Nielsen survey asked manufacturers to rate Australian grocery retailers on their performance across eight categories. Of the eight categories, *having clear strategies for success* was the key driver of perceived retailer performance, followed by *supply chain efficiency*, then *strength of the management team*.

On the topic of Private Label products, manufacturers were asked whether they thought Australian consumers would buy premium Private Label products. Only 13 percent of respondents felt it was unlikely that Australians would go for a premium Private Label offering, while close to half (45%) said it was very likely or definitely would occur. (See Chart 2)

**Chart 1: Manufacturer concerns around issues which impact on their businesses**



**Chart 2: Likelihood of Australian consumers purchasing premium Private Label products**



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