

Consumer Confidence: A Canadian Perspective

About the Survey

The Nielsen Global Consumer Confidence Survey was conducted between June 15-29, and polled 14,029 consumers in Europe, Asia Pacific, North America and the Middle East about their confidence levels and economic outlook. This special 2nd quarter survey gauged how the concerns and spending habits of consumers have changed in selected countries since the spring.

Consumer Confidence Rises

Consumer confidence is up in 24 of the 28 countries surveyed by Nielsen in June 2009 – with Canadian consumers among the most confident in the world.

The Nielsen index is based on consumers' confidence in the job market, status of their personal finances, and readiness to spend. Globally, the confidence index is up five points (to 82 from a record low of 77) since Nielsen last surveyed consumers in April 2009.

In Canada, the confidence level rose even higher, up six points (from 84 to 90). Canada is one of just eight countries at 90 or higher in Nielsen's confidence index. In the U.S., in contrast, the confidence level remains flat, coming in at 80 in both the June and April surveys.

"Canadians' confidence levels are stabilizing," said Carman Allison, Canada's Marketing Director, The Nielsen Company. "After nearly two years of downward trending, we are now seeing an up tick in Canadians' mood as the notion of recovery is taking hold."

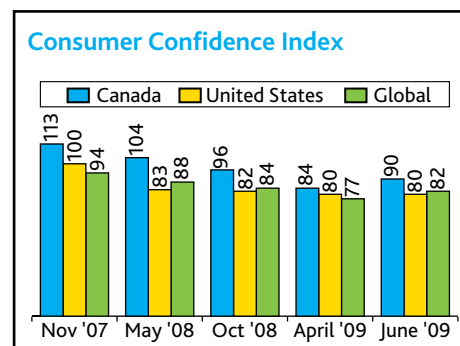
The three most bullish nations in the survey are Indonesia with an index of 113, India at 112, and the Philippines at 103 – the only three countries to score over

100 on the consumer confidence index.

The upward trend in confidence levels indicates that consumers are more hopeful about an end to the global economic downturn.

The confidence of Canadians seems well placed in light of a report from the Bank of Canada on June 23, just days before the Nielsen survey was released.

In its quarterly Monetary Policy Report, the central bank declared that the recession has ended in Canada, with a return to growth after three quarters of decline. The Bank of Canada forecast that the Canadian economy will grow this quarter (July 1 through September 30) by 1.3%, followed by a 3% gain for the final three months of 2009.



Canadians Are Optimistic

Canadian consumers are some of the most optimistic globally, ranking in the top 10 in the world in three key categories:

- 39% of Canadians say that local job prospects over the next 12 months will be "good" (37%) or "excellent" (2%), the 6th highest percentage in the world. (Indonesia is the most optimistic; South Korea and France are the most pessimistic.) In the U.S., just 20% of respondents said "good" and 3% said "excellent".
- 52% of Canadians feel that the state of their personal finances will be "good" (46%) or "excellent" (6%) in the next year, 9th in the world (Indonesia is the most optimistic; South Korea and Japan are the most pessimistic). Again, Canadians showed more confidence than Americans (42% of whom said "good" and 4% said "excellent").
- Will the next 12 months be a good or bad time for people to buy the things they want and need? 34% of Canadians say "good" and 3% say "excellent", tied for 7th in the world (Brazil is the most optimistic; South Korea is the most pessimistic). In the U.S., 28% said "good" and 4% said "excellent".

Paying Off Debt and Saving for the Future

Although 22% of Canadians said "I have no spare cash" when asked where they're spending after covering essential living expenses, an even bigger number, 30%, said they're putting money into savings.

When it comes to getting their financial house in order, Canadians are among the world's most responsible consumers.

11% of Canadians say they'll use excess cash to invest in a retirement fund. That's tied for 10th in the world (Thailand is number one). Another 40% said they use spare cash to pay off debts, credit cards and loans. That's the 6th highest percentage globally (Malaysians are number one).

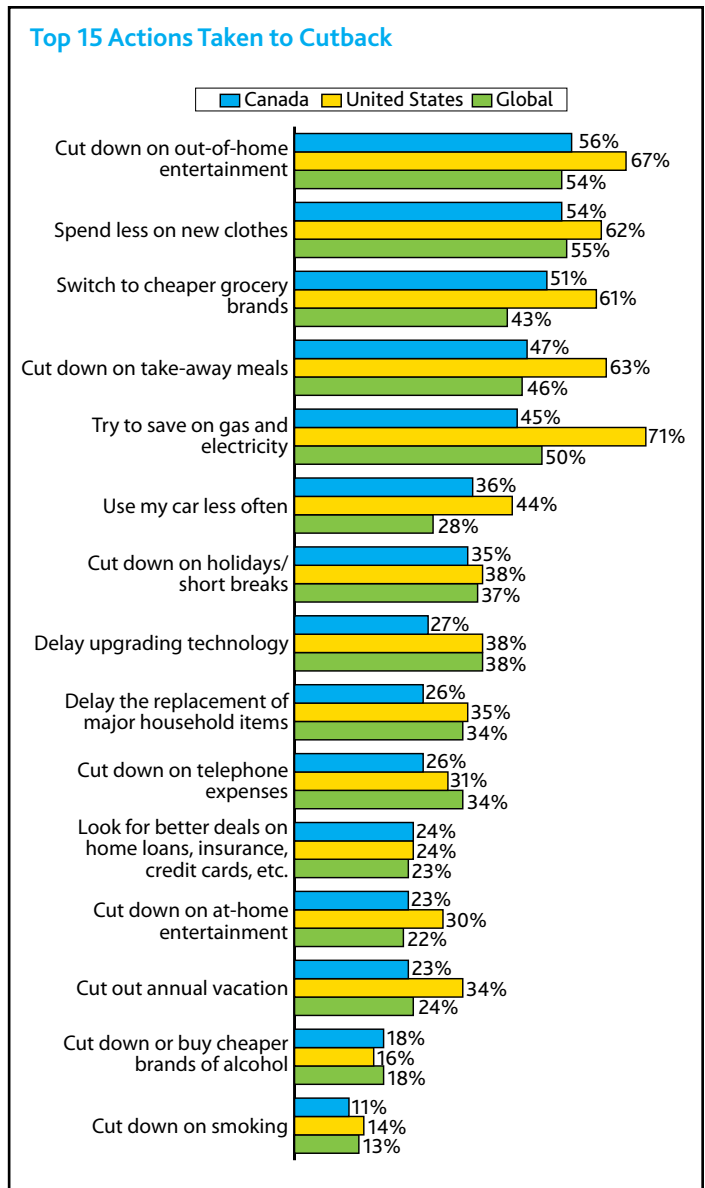
In Nielsen's March survey, 47% of Canadians were directing excess cash to make a dent in debt, so this number is down – a positive sign that spending in other areas is up.

What Are We Spending – and Saving – On?


So what are Canadians spending on? The most popular answers – after debt and savings – are:

- Out-of-home entertainment (23%).
- Holidays/vacations (23%).
- New clothes (21%).
- Home improvements/decorating (20%).
- New technology products (11%).

37% of Canadians say their spending habits haven't changed compared to a year ago; in only five countries did a higher percentage of consumers say the same. Yet that still leaves 63% of Canadians who have altered their spending. The top 15 actions that Canadians have taken, and how this compares with the U.S. (which is seeing more aggressive cutbacks in virtually every area) and globally are:



"..Canadians are among the world's most responsible consumers."



*“Some changes in
spending habits
could last”*

Will Frugal Behaviours Last?

When the economy bounces back will Canadians stop cutting back? Some changes in spending habits could last, at least in part.

For instance, 38% of Canadians say they'll continue to try to save on gas and electricity (vs. 45% now), and 25% say they'll still use their car less often (36% now).

Food is another area that could see ongoing changes in spending: 33% of Canadians say they'll stick with cheaper grocery brands (51% now), and 30% will spend less on take-away meals (47% now).

In other areas, it looks like spending will step up considerably – but not yet to previous levels. Almost one-quarter of Canadians, 24%, expect to cut down on out-of-home entertainment even after the economy improves (56% are now). And those old outfits may have to last another season or two; 21% say they will still spend less on new clothes (54% now).

Yet there's a pent-up demand in other areas, with only 6% of Canadians vs. 23% now saying they still expect to save on at-home entertainment. Although Canadians might be putting off technology upgrades (27%) or replacing major household items (26%), just 9% and 8% of Canadians, respectively, will continue those delays when the economic tide turns.

After all the economic doom and gloom, Canadians need – and will take – a break. While many Canadians have cut back on holidays/short breaks (35%) or annual vacations (23%), just 9% and 8% of Canadians, respectively, will still forego these getaways after conditions get better.

Are We Still in a Recession?

Although 85% of Canadians did say that they feel the country is in a recession at the moment, that's down from 91% who said so in March. This also compares favourably to the U.S., where 94% of Americans say they're still in a recession.

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Worldwide, 71% of respondents said their country is in a recession, down from 77% in March. The highest numbers were in Spain and Great Britain (96% of respondents say their country is in recession), with the lowest numbers seen in China (25%).

On the positive side, fully one-third of Canadians, 33%, said the country will be out of the recession in the next 12 months – prophetic considering they were asked just weeks before the Bank of Canada declared the recession technically over.

Only six other countries have more confidence about the recession ending in the next year. In contrast, just 25% of Americans predict an end to the recession in a year – but that's still far more than the mere 7% in Japan who see the recession over by this time next year.

The optimism expressed by Canadian consumers coincides with increased business confidence. The Bank of Canada's announcement in July followed the results of its Business Outlook Survey showing that 61% of respondents expected their sales to improve in the coming year. That was up sharply from 30% when the Bank of Canada conducted the same survey three months earlier.

The same day as the Bank of Canada's July announcement about the end of the recession came more encouraging news, as the Conference Board of Canada reported that its monthly consumer confidence index was up for the 5th straight month.

Biggest Concerns Remain Economy and Job Security

Despite consumers' increasing confidence, job security (20%) and the economy (19%) remain the top two concerns globally over the next six months. However, the level of concern in both categories has dropped since March, by 2% and 4% respectively.

In Canada, the top concerns are the same, with 16% saying the economy and 13% citing job security, the same percentage that also cited debt. These figures are below the levels of concern expressed in the U.S., where 26% of Americans said the economy, 16% said job security, and 15% said debt.

Survey conducted June, 2009.

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