

# Global consumer confidence falls to a record low

 By [ActivRetail](#)

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56% of global online consumers think their country is currently in recession and consumer confidence worldwide has fallen to its lowest level in several years, according to the Nielsen Global Consumer Confidence Index, which measures the confidence, major concerns and spending habits of online consumers in 51 countries. South Africa saw a big fall in its Consumer Confidence Index in the last 6 months with a 14% drop.

Local concerns about a recession are higher than the global average at 65%, although not as high as the USA, where 85% of respondents believe they are currently in a recession.

The latest global Nielsen Consumer Confidence Index dropped to 88 - down six points in the last six months - the largest single drop the Index has recorded in the last three years.

"Consumer confidence fell in 39 out of 48 countries in the past six months, with New Zealand, USA and Latvia suffering the deepest declines," said David Parma, global head of Customized Research, The Nielsen Company. Among the 39 markets recording a decline in consumer confidence, 15 fell by double-digits.

"The last six months have been the most turbulent period for the global economy in several decades. When the USA sneezed at the outset of the sub prime disaster nearly a year ago - the rest of the world quickly caught a cold. No region and no country have been spared the domino effect of the US sub-prime and credit crisis."

"Consumers around the world are struggling with the same global issues that are impacting their daily lives. It's an unfortunate pendulum. On the one hand we are seeing soaring global oil prices, rising commodity prices which are impacting grocery prices, rising interest rates and increasing inflation. This is happening in tandem with falling property prices, weakening labor markets, decreasing industrial output levels and growing unemployment rates which have all resulted in less spending power for the average person. Overall, it's not a good picture," commented Parma.

## The optimistic few

Only Taiwan bucked the global trend of economic gloom, posting a buoyant 14 point increase in Nielsen's Consumer Confidence Index in the past six months - up to 83 from 69 points. "Taiwan's new-found optimism is driven by recent election results and a belief that the new government can inspire confidence and deliver a better future for the country," said Parma.

Other countries posting an increase in consumer confidence were the Netherlands (+5%), Russia, Poland, Czech Republic

(+3%), Brazil (+2%) and Belgium (+1%). Consumer confidence remained unchanged in Germany and Indonesia.

Norway, India, Indonesia and Denmark topped global rankings as the most optimistic nations in Nielsen's Consumer Confidence Index, while Portugal, Korea and Japan languished at the bottom of rankings as the world's most pessimistic nations.

## **The pessimistic majority**

"In the last twelve months, consumer confidence in the world's second largest economy has plunged 19 points and Japanese consumers are not expecting things to improve anytime soon. Japan's rapidly aging population is matched by a massive pension crisis and Japanese consumers have lost confidence in their government's ability to resolve this growing problem," Parma said.

There are extreme levels of consumer pessimism in New Zealand, Latvia and Spain. "Despite low levels of unemployment in New Zealand, consumer confidence has dropped to its lowest level in a decade mainly due to interest rates which have skyrocketed to 8.25% - one of the highest in the developed world. Meanwhile, Latvians are struggling to cope with runaway inflation which increased to 17.5% in April - the highest inflation rate among the 27 EU nations. Electricity costs have risen nearly 40% in Latvia in the past year and food prices are up 20%," said Parma.

Consumer confidence in Italy, which suffered the biggest drop in consumer confidence in the previous survey, fell a further four points from 80 to 76 points, and nine in 10 Italians believe their nation is currently in recession.

"Consumers have many reasons to feel pessimistic right now and the stark reality is that there's not much out there to feel optimistic about. It's not surprising that three in five (56%) global consumers think their country is currently in a recession.

"Even if their country is not officially in recession and has not recorded two quarters of negative growth - the snowball effect of the credit crunch and rising inflation has taken its toll and officially or otherwise - they certainly feel like they're in recession," said Parma.

For many emerging countries in Eastern Europe and Asia that have enjoyed the fruits of economic growth and boom in recent years, the last six months have been a stark wake-up call as consumers find themselves struggling with double-digit inflation, rising unemployment rates and stagflation for the first time in a decade.

In addition to escalating global issues that have impacted everyday lives, many countries are grappling with serious domestic troubles of their own - increasing immigration concerns in UK and Italy, power shortages and rising crime in South Africa, loss of confidence in political stability and strikes in Europe, and the devastating effects of natural disasters in Asia.

## **No spare cash once all the basics covered**

And while the credit crunch became an unwelcome household term in the last year, consumers' wages and pay packets have been stretched to the maximum like never before. In the latest Nielsen survey, 15% of South Africans said that they have no spare cash at the end of the month, and 41% of those that do spend it on paying off debts and credit cards. Debt was in fact listed as either their biggest or second biggest concern by 24% of South African online respondents. Compared to the EEMEA (Eastern Europe, Middle East and Africa) averages, South Africans are spending far less left over cash on non-essentials than the rest of the region. After covering essential living expenses, only 12% of SA respondents utilise spare cash for holidays (compared to regional average of 30%), and only 18% can spend money on home improvements. The EEMEA average for using spare money to buy clothes is 47%, while in South Africa only 24% are spending spare cash on clothing purchases. 82% of South Africans thought that it was a bad time to buy things that they want or need.

## **Major concerns**

During times of economic slowdown, global consumers rank inflation as their biggest concern (61%) followed by unemployment (53%). Not surprising, North Americans topped global regions for concern about falling property prices (24%) while one in 10 (11%) Europeans said they would also be concerned about strikes.

For South Africans, unsurprisingly, their biggest overall concern is crime (58%) - this was the highest percentage out of all the countries surveyed. Our other major concerns are in line with the rest of the globe; 36% of South Africans cited the Economy as their biggest or second biggest concern, 35% said job security and 21% said political stability.

When South Africans were asked what would concern them most in the event of a downturn in the local economy, 53% said rising interest rates and 48% said inflation. Unemployment also remains a huge concern (51%), with 66% of respondents feeling pessimistic about job prospects in the next 12 months.

#### *About The Nielsen Global Online Consumer Survey*

*The Nielsen Global Online Consumer Survey, conducted by Nielsen Customized Research, was conducted in April 2008 among 28,253 internet users in 51 markets from Europe, Asia Pacific, North America and the Middle East. The largest half-yearly survey of its kind, the Nielsen Global Online Consumer Confidence and Opinion Survey provides insight into current confidence levels, spending habits/intentions and the major concerns of consumers across the globe. The Nielsen Consumer Confidence Index is developed based on consumers' confidence in the job market, status of their personal finances and readiness to spend.*

<sup>1</sup> 51 Markets Covered: Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Malaysia, Mexico, Netherlands, New Zealand, Norway, Pakistan, Philippines, Poland, Portugal, Russia, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, UAE, United Kingdom, US, Venezuela and Vietnam.

<sup>2</sup> Three markets - Colombia, Venezuela & Israel - added in April 2008; no trend data available from previous survey.

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