

## News Release

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**FOR IMMEDIATE RELEASE**

### **HONG KONG CONSUMER CONFIDENCE SLIDES CONSUMERS TIGHTEN PURSE STRINGS ON ALL FRONTS**

#### **SPENDING ON NON-ESSENTIALS DOWN, CHEAPER STAPLE ITEMS PREFERRED**

Hong Kong, August 14th, 2008 – Hong Kong people have felt the combined heat of the burning global sub-prime issue and the inflationary environment in 2008. According to the latest Nielsen Consumer Confidence study, Hong Kong people’s confidence has slipped from last year and they are changing their lifestyles to cope with the tough new environment.

As the Nielsen survey reveals, Hong Kong people are far less optimistic than previously, with the Nielsen Confidence Index dipping from 118 in 2007 to 109 in 2008, the lowest in two years. (Table 1)

“Consumers around the world are struggling with the same global issues that are impacting their daily lives and Hong Kong is no exception,” said Angel Young Wai-suen, Executive Director, The Nielsen Company Hong Kong. “We are seeing a shift in Hong Kong people’s mindset where they are less confident than they have been about the state of their personal finances and are therefore likely to be more stringent in their discretionary spending choices in the next 12 months.”

Amidst a less promising outlook, Hong Kong people are not interested in spending either. The Nielsen survey shows a six percentage point decline in Hong Kong people’s confidence in the

state of their own personal finances from 76 percent to 70 percent, while those less willing to spend in the next 12 months have increased from 39 percent to 53 percent.

Hong Kong people's spending on non-essentials has also dropped – in the past three months, spending on clothing/shoes/accessories per capita was HK\$4,861, down by 26 percent from \$6,538 per capita in April, 2008. Spending on luxury items has recorded an even more significant decrease – 33 percent from \$8,258 per capita in April to \$5,567 this time round. (Table 2)

“Even though Hong Kong is not in recession and we have actually recorded some positive growth based on various domestic economic indicators, the snowball effect of the credit issue, oil price and rising inflation, coupled with the slow down in the property market and the roller-coaster stock market, have all taken their toll and officially or otherwise – people are finding very little reason to be upbeat,” said Ms Young.

Obviously Hong Kong people are more into saving for a rainy day rather than spending with two thirds choosing to put their discretionary money into saving. Intention to spend has declined across all sorts of non-necessities with intention to spend on travel drops by nine percentage points to 38 percent, followed by Clothing (29%) and Home Improvements (8%). (Table 3)

The escalating global issues have no doubt impacted people's everyday lives. Hong Kong is surely among the affected, as people struggle with the increase in the price of staple items over the past 12 to 18 months. According to Nielsen Retail Measurement which continuously tracks the sales of Fast Moving Consumer Goods (FMCG) in Hong Kong, Besides the price spikes in Fresh Meat, staple items like Edible Oil, Packaged Rice, Instant Noodles/Pasta and Salt have registered an increase in their retail price in a range of 11 to 33 percent while price increase in less-essential items like Butter/Margarine, Biscuits, Bread/Cake and Ice-cream have recorded a price increase by seven to 35 percent. (Table 4)

Accordingly, there has been a change in consumer choice for groceries. Three trends are noted by Nielsen: 1. Consumers are changing their share of stomach by giving up 'fresh' for more affordable Frozen Foods; 2. Consumers are tightening their purse strings, eschewing nice-to-have and less critical items and 3. Consumers are trading down for less expensive alternatives.



Freshness has always been an important ingredient in Chinese consumers' diets. In view of the rising prices however, Hong Kong people have no choice but adjust the proportion of Fresh Meat in their diet – in the past 12 months ending May 2008, Hong Kong people were buying less Fresh Meat but have opted for Frozen Meat and Frozen Food more frequently than before. (Table 5)

In the meantime, inflation is turning consumers away from nice-to-have and less critical items. Spending and frequency on Snacks & Confectionery, Beverages, and Household products have all taken up a smaller share of Hong Kong people's shopping baskets.

Smart Hong Kong shoppers are also flexibly trading down on various groceries. In the Edible Oil category, people are buying mixed oil rather than pure oil; in the Soy Sauce category, the value growth in Regular Soy Sauce outpaced Premium labels; and in the Laundry Detergent segment, Refill packs are now more popular than Regular Packs among consumers.

“The inflation issue has become an unwelcome household term since last year and consumers' wages and pay packets have been stretched to limits,” continued Ms Young. “In fact more people have expressed their concern about Inflation as they are stretching their grocery budgets.”

**About The Nielsen Company**

The Nielsen Company is a global information and media company with leading market positions in marketing information (ACNielsen), media information (Nielsen Media Research), online intelligence (NetRatings and BuzzMetrics), mobile measurement, trade shows and business publications (Billboard, The Hollywood Reporter, Adweek). The privately held company is active in more than 100 countries, with headquarter in New York, USA. For more information, please visit, [www.nielsen.com](http://www.nielsen.com)

Table 1:

**Hong Kong Consumer Confidence Index dropped by 9 points compared to the same time last year, a new low in recent 2 years**  
**香港消費者信心指數較去年下跌9點，也是近兩年最低**

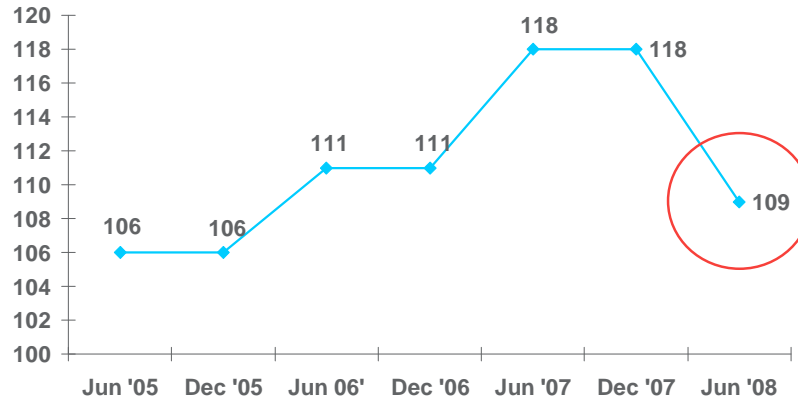


Table 2:

**Incidence of doing various Leisure Activities in the past three months has been stable, but per capita consumption were dropped**  
**過去三個月港人的各項消閑活動的比率與年初相若，但人均消費則明顯下降**

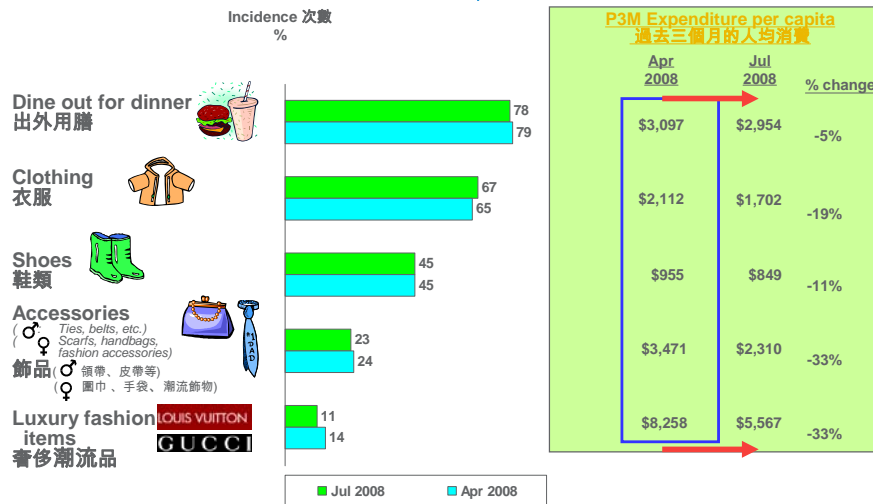


Table 3:

**Spending priorities - After Covering Essential Living Expenses 港人對各項消閒項目之消費意慾均不如前**

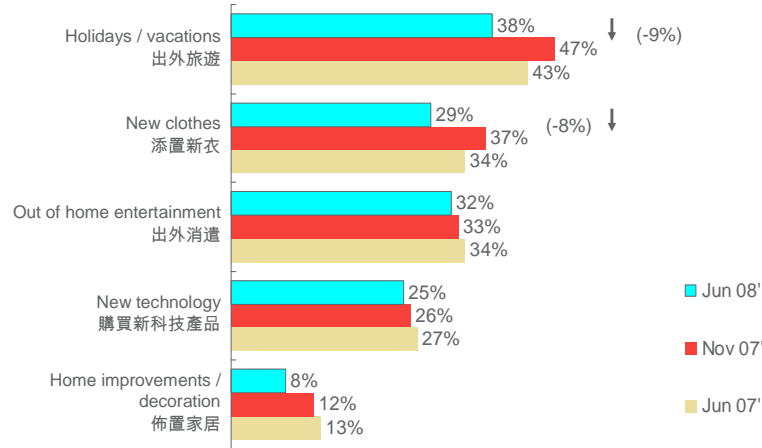
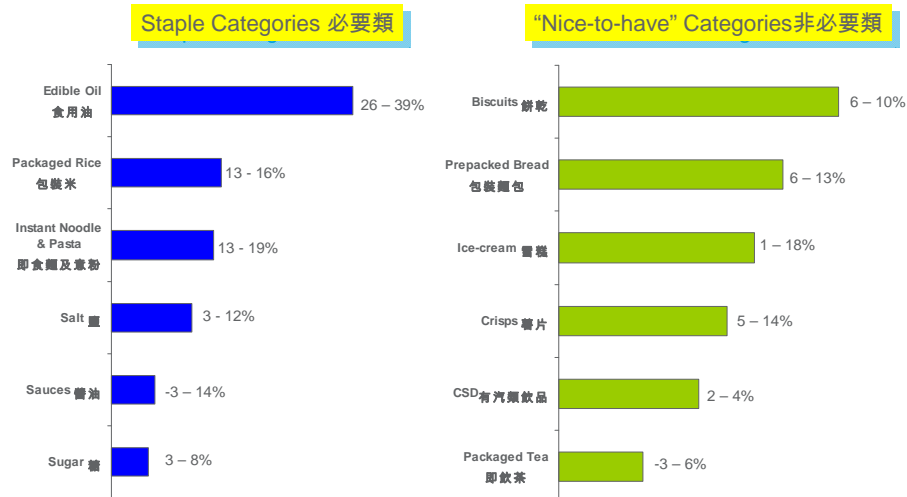


Table 4:

**In the past 12 months, a selection of staple items have recorded an increase in price 在過去十二個月，個別日常食品之價格顯著增加**



Nielsen MarketTrack Price Changes for Staples vs "Nice-to-have" categories - YTD May 08 vs 07

Table 5:

**Whilst Fresh Meat are still HK people's favorite which they spent the most grocery dollars on, they have switched to the closest alternative, Frozen Meat**

Homescan. Fresh, Frozen, Canned Meat  
 Basic Purchase Dynamics  
 Total HK. YTD May 08 vs. 07

