



Consumer Confidence Slipped Globally, and Canada's Growth Stalled

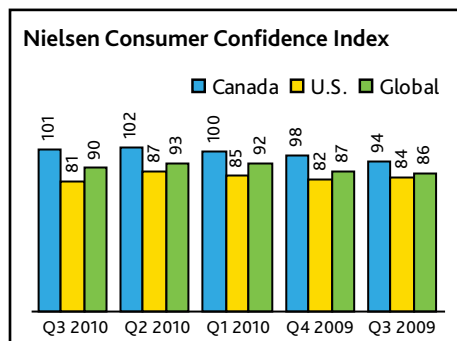
Consumer Confidence: A Canadian Perspective

The fragile nature of the worldwide economic recovery is evident in the latest Nielsen Global Consumer Confidence Index. After surveys in the first two quarters of 2010 indicated increasing optimism, confidence levels around the world slipped in the third quarter (Q3).

The Nielsen index is based on consumers' confidence in their local job market, the status of their personal finances, and their readiness to spend. Globally, the index was at 90 in Q3, a drop of three points from Q2, and the first downward trend in a year.

In the quarterly Nielsen confidence surveys, 100 equals a baseline average. Levels above and below that baseline show relative degrees of optimism and pessimism.

For Canada, the confidence level held fairly steady from Q2, down just slightly from 102 to 101, but still well above the global average. That's also seven index points higher than the confidence level in Canada at this same time last year. In the U.S., in contrast, confidence levels were down sharply from 87 in Q2 to 81 in Q3.



"Hope for a full global recovery in 2010 diminishes as cash-strapped consumers are on the rise," says Carman Allison, director of industry insights, The Nielsen Company.

Less Optimism About Jobs

One reason for the flat or falling confidence levels – a growing concern about jobs.

In the month that the Nielsen confidence survey was conducted, the unemployment rate in Canada actually edged down slightly, by 0.1 percentage points, to 8%. Statistics Canada reports that overall employment in Canada rose by 349,000

(up 2.1%) between September 2009 and September 2010.

Still, four in ten Canadians who were surveyed by Nielsen say that job prospects in the country over the next 12 months are "not good" or "bad". That's up from 35% who said the same in Q2 of this year (though still below the global average, and well below the stated job concerns in the U.S.).

How do you rate job prospects?

	Canada	U.S.	Global
Excellent	5%	4%	7%
Good	48%	22%	36%
Not good	34%	45%	37%
Bad	6%	22%	15%

Less Discretionary Spending

The job concerns in Canada are coupled with less discretionary spending. In fact, for many consumers around the world, spending on non-essential goods has become more restrained this year.

Fourteen percent of global consumers – but a much higher 22% in Canada and

28% in the U.S. – say that they're left with no spare cash after paying essential living expenses.

Four in 10 Canadians said they are using spare cash to pay off debts (versus a global average of 29%), and that's up from 34% in Q2. Also up is the percentage of Canadians who are pouring spare cash into savings – 36% in Q3 vs. 27% in Q2.

All of this repairing of household balance sheets leaves less money available for the spending that can spur the economy. Compared to global spending patterns, a lower percentage of Canadian consumers are spending on every discretionary category in the Nielsen survey.

Here's how consumers globally, in Canada and in the U.S. are spending their spare cash:

Where do you send spare cash?

	Canada	U.S.	Global
Out-of-home entertainment	18%	16%	32%
New clothes	19%	17%	34%
New technology products	9%	13%	26%
Home improvements/decorating	18%	14%	21%
Holidays/vacations	24%	19%	33%
Paying off debts/credit cards/loans	40%	33%	29%
Putting into savings	36%	36%	49%
Investing in shares of stock/mutual funds	8%	5%	21%
Retirement fund	9%	9%	11%
I have no spare cash	22%	28%	14%
Don't know/undecided	6%	7%	3%

"In Canada, despite the increase in consumer confidence over last year, Canadians remain cautious when it comes to opening their wallets," says Allison. "Consumers are still focused on value, continuing to shop at discount retailers and buying on promotion at record levels."

Will Spending Bounce Back?

In light of the purse tightening, what are the prospects for increased spending by Canadians? Some signs are encouraging.

Nielsen asked consumers if this is a good or bad time to buy the things that they need and want. 44% of Canadians said this is a "good" or "excellent" time, up from 41% in Q2 of 2010 and 37% in Q1. That's well above both the global and U.S. percentages.

Is this a good or bad time to buy?

	Canada	U.S.	Global
Excellent	2%	4%	3%
Good	42%	26%	32%
Not good	40%	41%	44%
Bad	13%	21%	17%

Canadians are also becoming slightly more optimistic about their personal finances.

Nielsen asked people to categorize the state of their personal finances over the next 12 months. Just over six in 10 Canadians (61%) said "good" or "excellent". That's up a bit from 59% in Q2, and is much higher than the 51% of people globally and 46% in the U.S. who feel positive about the state of their finances.

How do you rate your personal finances?

	Canada	U.S.	Global
Excellent	5%	6%	6%
Good	56%	40%	45%
Not good	29%	35%	35%
Bad	6%	11%	10%

Recession Worries Continue

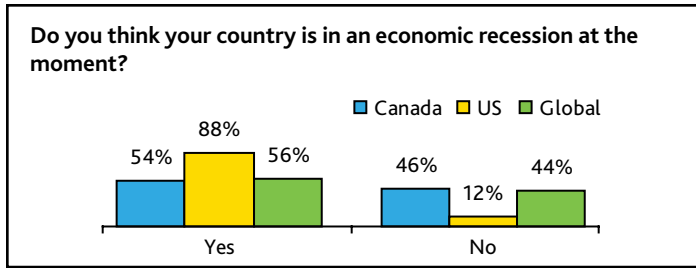
A little over half of Canadians (54%) think the country is still in recession, down slightly from those who felt so in Q2 (56%) and significantly from Q1 levels (65%).

But the concerns are deep; of those who think Canada is in recession, a full one-third (34%) feel that the country will not be out of it in 12 months.

Fifty-eight percent of respondents globally – and 88% in the U.S. – say that their country is currently in a recession.



"All of this repairing of household balance sheets leaves less money available for the spending that can spur the economy."



Health Tops Economic Concerns

Nielsen asked consumers around the world to name their biggest concerns over the next six months. Though health topped the list for Canadians, the other top five concerns all related to the economy.

Top five Canadian concerns

	#1 concern	#2 concern	Total
Health	15%	14%	29%
The economy	11%	12%	23%
Debt	13%	8%	21%
Increasing utility bills	10%	10%	20%
Increasing food prices	6%	9%	15%

Three of those same concerns are on the global top five list, headed up by the economy and rising food prices.

Top five Global concerns

	#1 concern	#2 concern	Total
The economy	13%	11%	24%
Increasing food prices	13%	11%	24%
Work-life balance	10%	9%	19%
Job security	9%	8%	17%
Health	8%	9%	17%

Canada in Upper Quarter of Rankings

Consumer confidence declined in 20 of the 53 markets surveyed by Nielsen in Q3 and rose in 24. Canada was 14th on the overall list.

There was a sharp regional contrast in confidence levels. The 10 most confident nations were dominated by the Asia Pacific, while eight of the 10 most pessimistic nations came from Europe. The 15 most confident markets in the Nielsen survey (including ties):

Market	Confidence Index
1. India	129
2. Thailand	117
3. Australia	115
3. Indonesia	115
3. Saudi Arabia	115
6. Philippines	114
7. Singapore	113
8. Denmark	106
9. China	104
10. Brazil	103
10. Hong Kong	103
10. Malaysia	103
13. Sweden	102
14. Canada	101
14. Norway	101
14. UAE	101
Global Average	90

"In the last few months, consumers have accepted that there are no quick fixes to the persistent economic issues of unemployment and government budgetary woes – both continue to dampen a full economic recovery," concludes Allison.

About the Survey

The Nielsen Global Consumer Confidence Survey was conducted from September 3-21, 2010. It polled approximately 26,000 consumers in 53 countries throughout Asia Pacific, Europe, Latin America, the Middle East and North America about their confidence levels and economic outlook. The sample has a maximum margin of error of plus or minus 0.6%.

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