



A Hesitant Consumer: Stagnating recovery with pockets of inflation and consumers feeling the pinch

Nielsen European Growth Reporter Q3 2010

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SUMMARY: Drawing on Nielsen's unique data assets and geographical footprint, this report compares overall market dynamics (value and unit growth) in the fast moving consumer goods sector across Europe.

Based on the widest possible basket of product categories continuously tracked by Nielsen, third quarter 2010 data shows a divided Europe. Turkey and Slovakia continue to demonstrate a strong recovery, followed by the UK, though growths here are predominantly driven by inflation. Of little surprise to anyone, however, is that Ireland and Greece remain the weakest markets in Europe.

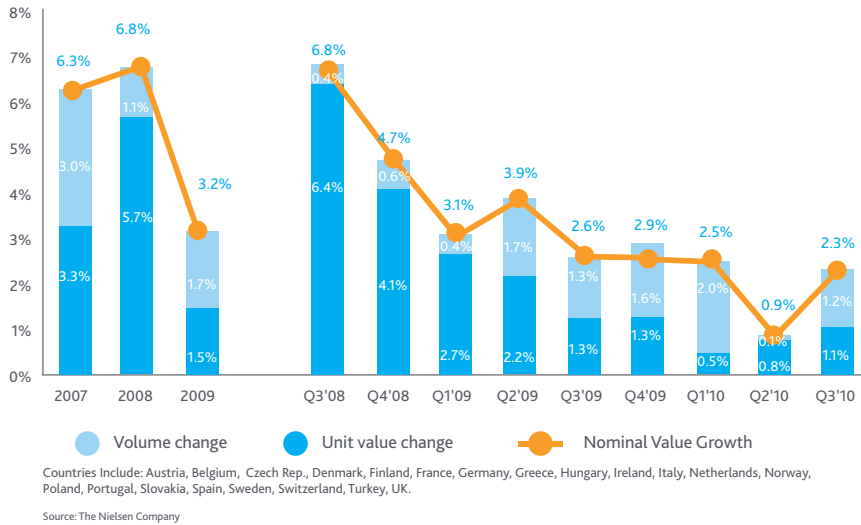
Executive Summary

Third quarter 2010 value growth rose 2.3% across Europe, an encouraging sign after a dismal second quarter, which was negatively affected by the calendar: Easter came early this year, and the sales boost traditionally associated with the holiday were reflected in the first quarter. Overall, however, Q3 2010 results were consistent with recent trends (Q3 2009 showed growth of 2.6%). Volume remained relatively unchanged in most markets. Turkey showed the strongest volume growth at 6% and, combined with 4% value growth, was the only market in Europe showing double digit nominal growth. Ireland, meanwhile, recorded losses in both value and volume, resulting in -3.3% nominal value growth.

The results were in line with Nielsen's consumer confidence survey for Q3 which found that consumers continue to be extremely cautious about the state of the economy. Concerns about job security and the state of personal finances remain top of mind for many, and until people are convinced of recovery, they are likely to watch their spending, continue to seek value for money and save whatever spare pounds, Euros or Kroners they may have which more people now say they don't have. (See chart 3)

Europe Overview (*)

Fast Moving Consumer Goods market dynamics



Country Analysis

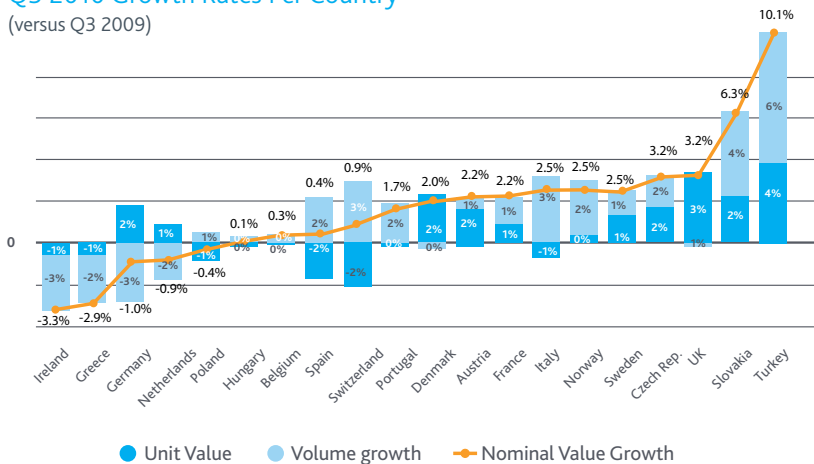
Fifteen of the twenty nations Nielsen tracks posted some sort of nominal growth, from an anaemic 0.1% in Hungary, to 10.1% in Turkey. Slovakia's recovery seems to be on track as the nation posted the second-highest nominal growth rate at 6.3% and encouragingly the majority of its growth stems from volume. The laggards were Ireland (-3.3%), Greece (-2.9%), Germany (-1.0%) and the Netherlands (-0.9%), the latter two somewhat surprisingly producing their second straight quarter of negative volume growth. Indeed Ireland's lacklustre performance has been the focus of much media attention of late, as the government has reluctantly admitted their banking system needs financial support from European neighbours and shoppers will be increasingly cautious as they await the impact of imminent austerity measures.

The German economy is continuing to grow, consumers are feeling more positive about job prospects and consumer confidence has consequently been rising (+6 basis points). However the FMCG market which has benefited from competitive pricing through the discount channel for many years is struggling with declining nominal growth, in part due to shoppers feeling that they will have little spare cash as wages continue to be squeezed.

Aggressive price competition and resulting deflation in Spain and Switzerland are benefiting shoppers as they see their money go further. Volume growths of 2% and 3% respectively are proving sufficient to counter deflation and marginally push nominal growth into the positive.

Q3 2010 Growth Rates Per Country

(versus Q3 2009)

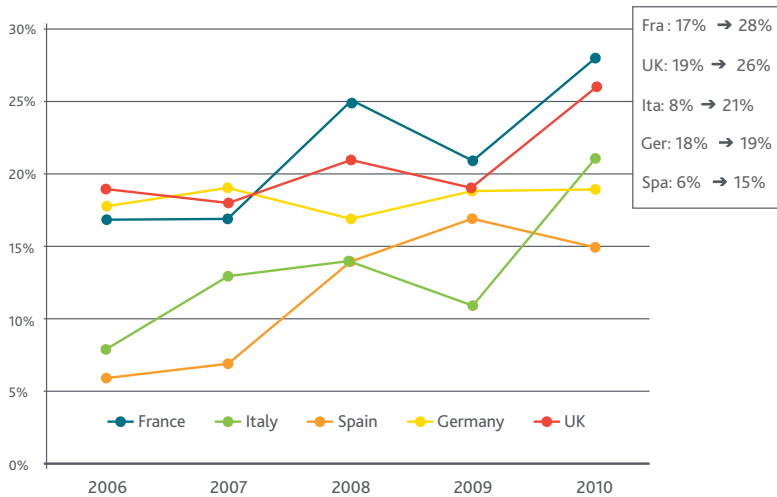


Looking at the fourteen nations that make up our extended report, the Baltic countries seem to have turned the tide after several quarters of sharp decline. Romania however continued to plummet, with nominal growth of -16.4% as austerity measures combined with VAT hikes reduce disposable income and spending. On a more positive note Russia continued its upward tack with a nominal growth rate of 4.6% though driven purely by inflation.

Something no retailer wants to hear: "I have no spare cash!"

One trend on the rise throughout parts of Europe is the number of people who indicated that they had no money to spend once essential living expenses were covered. Particularly worrying for retailers, consumers said they were shopping less frequently to make the money they do have go further. The number of consumers who indicated a lack of extra money was up in each of the top five countries, with the number of Italians up from 8% in 2009 to 21% this year and almost 28% of French (up from 17% last year).

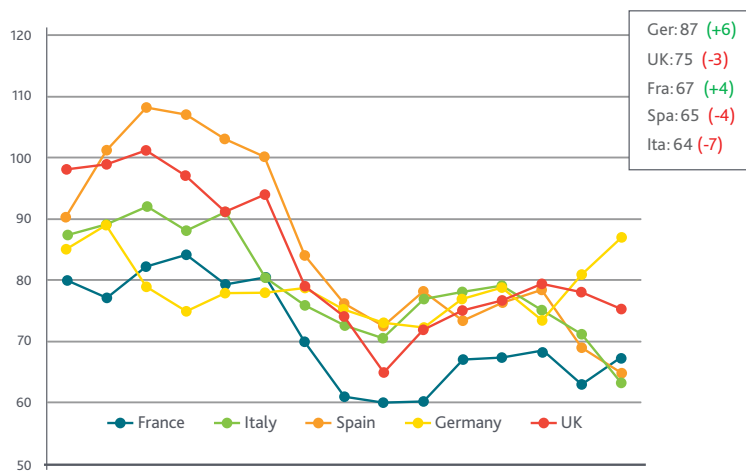
"I have no spare cash!"



Source: The Nielsen Company

Snapshot: The Big Five

Consumer Confidence Index



Source: The Nielsen Company



About the Nielsen European Growth Reporter

This report compares overall market dynamics (value and unit growth) in the fast moving consumer goods sector across Europe. It is based on the sales tracking Nielsen performs in every European market, and covers sales in grocery, hypermarket, supermarket, discount and convenience channels.

The report is based on the widest possible basket of product categories that are continuously tracked by Nielsen in each of these countries and channels, and this edition reports on week 28 of 2010 through to week 40 of 2010.

Glossary

Nominal value growth: Percentage change in value sales (expenditures) as measured by the total basket of reported product categories i.e., overall value growth.

Unit value growth (price change): Percentage change in the average retail price per unit in the total basket of reported product categories i.e., price inflation/ deflation.

The unit of volume in the basket varies by category (e.g., litres, kilograms, tons etc).

The change in average price per unit may result from:

- Price changes of individual products
- Change in the mix of purchased products; more or less expensive products, more or less promotions, etc.
- Channel switching; more or less purchases in discount stores, or hypermarkets, or convenience outlets, etc.
- Product or channel mix changes may be induced by price change or may just be the result of market dynamics

The unit value growth reflects how consumers experience 'cost of living' in their actual grocery shopping behaviour. The volume growth is the percentage change in purchased volume (quantity) of products.

About The Nielsen Company

The Nielsen Company is a global information and media company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence, mobile measurement, trade shows and business publications. The privately held company is active in approximately 100 countries, with headquarters in New York, USA.

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