



The Nielsen Company
7 Handel Road
Ormonde, Johannesburg
2091
www.nielsen.com

News Release

CONTACT:

Jyothi Naidoo, 27 11 495 3000, jyothi.naidoo@nielsen.com

NIELSEN – CONSUMER CONFIDENCE IN SOUTH AFRICA DIPPED 3 POINTS IN FOURTH QUARTER OF 2010 COMPARED TO Q3'2010

Key Findings:

Paying off Debt and Saving Top of the List of Things to do with Spare Cash

Approximately 6 out of 10 are pessimistic about Job Prospects

Debt and Crime were Major Concerns

1 in 2 Optimistic about their Personal Finances

SOUTH AFRICA - January 24, 2011 – Consumer confidence in South Africa fell 3 points in Q4 quarter-on-quarter, ending the year flat at 84 index points, according to the latest edition of the Nielsen Global Consumer Confidence Index, which tracks consumer confidence, major concerns and spending intentions among *online* consumers. The index hit a high of 88 points in Q2 as the events leading up to the World Cup lifted consumer confidence. Index levels above or below the baseline of 100 points indicate degrees of pessimism or optimism respectively.

Chart 1 - Consumer Confidence Index for South Africa (2005 – 2010)

Chart 2 – Global Consumer Confidence Index (Q1 – Q4 2010)

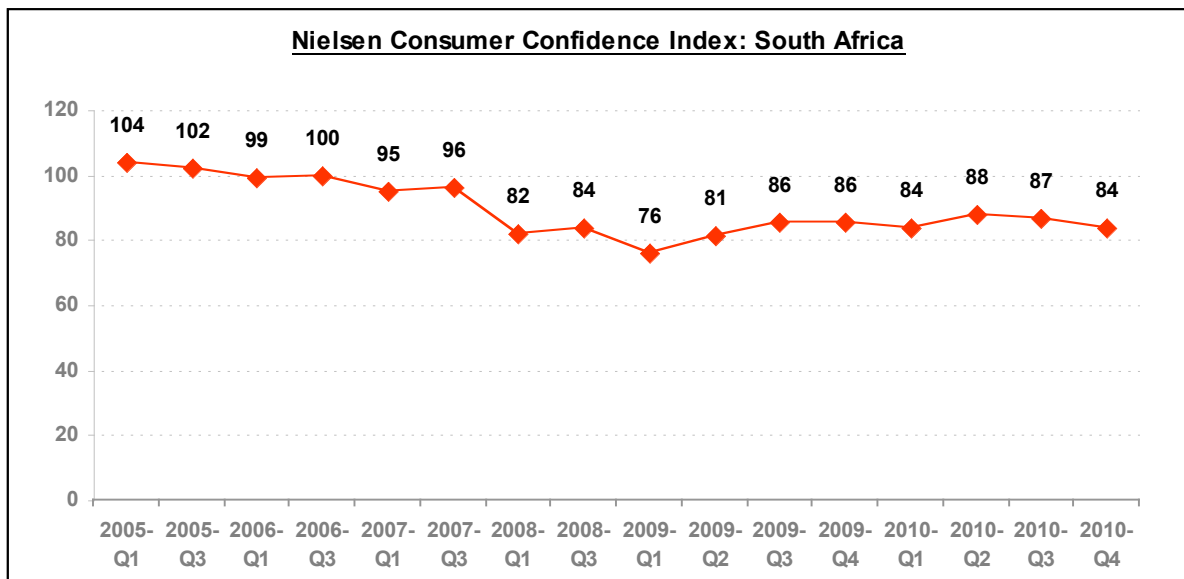


Chart 1

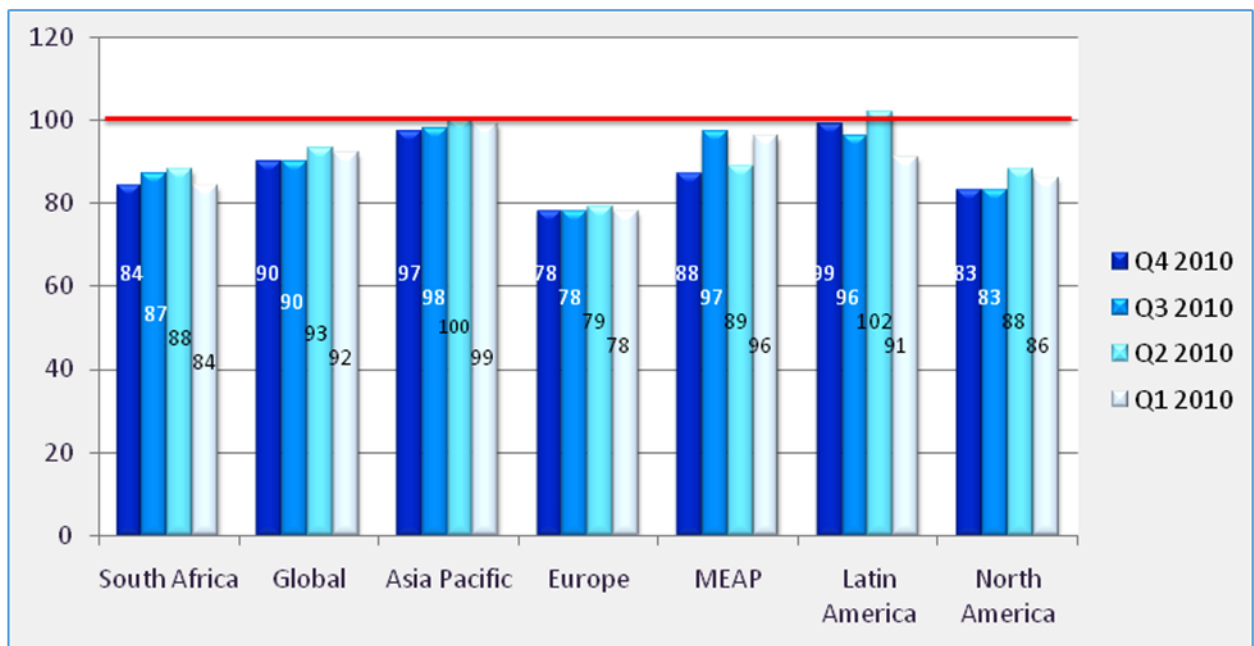


Chart 2

While positive sentiment in South Africa drove confidence levels up in Q2 and Q3'2010, consumer confidence declined 3 index points to 84 in Q4. "There simply hasn't been enough consistent and positive news to sustain the euphoria consumers felt during the World Cup, said Diane Johnstone, Managing Director Southern Africa, The Nielsen Company. "Confidence levels in most of the major economies globally, either remain unchanged or declined during the period surveyed. The reversal of global consumer confidence in the fourth quarter highlighted the fragility and uncertainty of the global economy at the time, and above all, the divergence in pace of recovery among international markets and regions".

At a global level, consumer confidence fell in 24 out of 52 countries in Q4 2010 as hopes for a global economic recovery evaporated amidst widespread concern for unemployment, job creation, rising food and utility prices.

The key highlights of Nielsen's study in South Africa in Q4 2010 are discussed below:

Paying Of Debt and Savings – Priorities for Spare Cash

48% of South African consumers are upbeat about the state of their personal finances however; this figure has dropped 2% when compared to Q3 2010. This is still encouraging as the global average is 45% and figures in the other major regions range between 40-56 percent.

Latin Americans are the most upbeat about their personal finances at 56 percent of respondents polled.

39 percent of South Africans indicated they will pay off their debt with spare cash, with 30 percent saying they will put spare cash into savings. "It is encouraging to note that South Africans are opting to pay off debt and save spare cash," said Johnstone. This seems to be the trend globally with respondents in most regions prioritizing savings.

Crime and Debt Major Concerns

The biggest and second biggest concerns for South Africans are crime and debt which ties back to respondents opting to pay off credit cards and loans. 18 Percent of South Africans surveyed rank crime as their biggest concern. Other major concerns include job security, the economy, increasing utility bills, increasing food prices as well as political stability. It is interesting to note that work/life balance is also a big concern for respondents.

"The concerns for South Africans are not unique to this country. The above trend seems to pervade globally in all the major regions surveyed with the exception of political stability which is not viewed as a cause for concern in most other regions," said Johnstone.

Recessionary Woes Live On

Although some countries are officially out of recession, many consumers are still living and expect to continue living a cautious recessionary lifestyle. The recessionary mindset continues globally: 65 percent of South Africans believe that the country is still in a recession which is much higher than the global average of 57 percent. 69 Percent of Consumers in Europe and MEAP (Middle East, Africa,

Pakistan) believe they are still in a period of recession and 49 and 41 percent in Latin America and Asia Pacific respectively are also adopting a cautious lifestyle. The most pessimistic region is North America where 84 percent of consumers believe that their countries are in a recession.

The recessionary mindset has led to much uncertainty among consumers – more than 50 percent globally believe that their countries will not be out of a recession in the next 12 months and 30 percent have stated they do not know if the recession will be over by then. In South Africa only 23 percent believe the country will be out of a recession in the next 12 months (compared to 28 percent in Q3 2010), with 38 percent responding that they do not believe so and an equal number indicated they do not know. This uncertainty in the economy does not augur well for the country as consumers tend to tighten their belts and rethink their shopping patterns and spending habits.

The cautious recessionary approach has led to 80 percent of South Africans changing their spending habits on household expenses when compared to 2009, against a global average of 71 percent. This trend can be seen globally in all the major regions with figures well over 60 percent.

Consumer spending to remain constrained

“Consumers have weathered the worst of the storm, but the pragmatic behavior prevalent in 2010 will more than likely continue into 2011 should headwinds to growth persist,” said Johnstone. “Coping strategies will represent a combination of essential and discretionary spending and consumers have indicated the continued focus, even when economic conditions do improve, will be saving on gas and utilities, reducing spend on groceries, take-away meals, clothing and entertainment expenses. For emerging countries, consumers are focused more on discretionary strategies, such as reducing phone costs and spending less on take away meals. For developed markets, basic and essential strategies like reducing grocery spend dominate.”

This further translates into the cautious spending patterns of consumers as many have cut back and adjusted spending habits to save on household expenses. South Africans have cut down on take-away meals and out-of-home entertainment, trying to save on gas and electricity, spending less on new clothes and switching to cheaper grocery brands. Cutting down on telephone expenses and delaying the upgrade of household items and technology also rank high their list of expenses to save on. This is a similar trend being experienced globally.

What will consumers do when economic conditions improve?

When prompted about what they will continue to do when economic conditions do improve, the response was unanimous globally – consumers will continue to save on gas and electricity, cut down on take-away meals and out-of-home entertainment, spend less on new clothes and buy cheaper



grocery brands. In South Africa, cutting down on take away meals ranked the highest, followed by saving on gas, electricity and telephone bills

The latest Consumer Confidence Index results confirm that South African Consumers are clearly restrained by a lack of confidence. With a weak labor market and an unemployment rate of over 25 percent , consumers are concerned about job prospects and the economy. As a result, consumers have been approaching their spending with caution.

About the Nielsen Global Consumer Confidence Survey

The Nielsen Global Consumer Confidence Survey, polled over 29,000 Internet consumers in 52 countries in November 2010 throughout Asia Pacific, Europe, Latin America, the Middle East, Africa and North America about their confidence levels and economic outlook. The Nielsen Consumer Confidence Index is developed based on consumers' confidence in the job market, status of their personal finances and readiness to spend. The sample has quotas based on age and sex for each country based on their Internet users, and is weighted to be representative of Internet consumers and has a maximum margin of error of $\pm 0.6\%$.

About The Nielsen Company

The Nielsen Company is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence, mobile measurement, trade shows and related assets. The privately held company has a presence in approximately 100 countries, with headquarters in New York, USA. For more information on Nielsen measurement products, please visit, www.nielsen.com or contact Nielsen South Africa on the details provided on Page 1.