



Consumer
Confidence:
A Canadian
Perspective
Q3 2011

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Two Steps Forward, One Step Back

As we near the end of 2011, Canadians are expressing more and more doubt about job prospects, the state of their personal finances, and whether this is a good time to spend. All of that adds up to a dip in overall consumer confidence according to the latest results of the Nielsen Global Consumer Confidence Index.

On the index, based on quarterly online surveys of consumers, a score of 100 is neutral; levels above and below that show degrees of optimism and pessimism. For the third quarter of 2011, the Canadian confidence level was 96, down from 101 in Q2. Canada has company, as consumer confidence fell in 31 of the 56 markets Nielsen measures. Globally, the index dropped from 89 to 88, down for the seventh consecutive quarter.

Canadians may be feeling more optimistic than the global average, amidst some positive economic trends in this country over the past year. Yet a combination of recent factors - from rising prices of goods, to stock market turbulence, to bad economic news from the U.S. and Europe - are affecting consumer confidence, says Carman Allison, director of consumer insights, Nielsen.

In the previous six quarters, confidence levels in Canada had ranged between 99 and 102, always about 10 points above the global average. With this drop in Q3, Canada now stands exactly where we were three years ago, the third quarter of 2008, just when the recession was heating up.

"We've been on a roller coaster ride, with a lot of ups and downs and screaming along the way - and the ride's not over yet. We're about to hit another turn," says Allison.

Nielsen Consumer Confidence Index	Global	Canada
Q3 2011 (current)	88	96
Q2 2011	89	101
Q1 2011	92	102

Employment is Up for the Year – Yet So is Pessimism About Jobs

The intermittent pace of the recovery seems to have taken a toll on consumer confidence. We see that in the attitude towards job prospects.

Employment reports have been somewhat of a yo-yo in Canada. In September 2011 – the month in which Nielsen conducted the latest confidence survey - Statistics Canada said that

employment rose by 61,000, all in full time. That pushed the unemployment rate down to 7.1%, the lowest rate in Canada since December 2008. Yet Statistics Canada's very next labour report showed that the Canadian economy unexpectedly lost 54,000 jobs in October 2011 - the most since 2009. The unemployment rate inched up.

Looking past the recent fluctuations, 2011 has actually seen relatively steady hiring overall. For the year (October 2010 to October 2011), the economy has seen a net increase of 237,000 jobs.

"We have lower unemployment than last year despite the recent job losses," says Allison. Yet what matters when it comes to confidence is how Canadians perceive the job market; 54% rate job prospects as good or excellent, better than the global average (42%), but down from 58% in Q2 of 2011.

How do you rate job prospects?

	Q2 2011	Q3 2011
Excellent	5%	5%
Good	53%	49%
Not good	32%	36%
Bad	4%	4%

Pocketbook Pessimism

We're seeing increasingly negative feelings too in how Canadians view their personal finances.

Globally, 51% of respondents in the Nielsen survey felt good or excellent about the state of their finances over the next 12 months. That's up a modest 1% from the Q2 survey. Yet Canada is trending in the opposite direction, with 54% of Canadian respondents rating their finances as good or excellent, down from 61% just three months earlier.

How do you rate your personal finances?

	Q2 2011	Q3 2011
Excellent	7%	4%
Good	54%	50%
Not good	31%	33%
Bad	5%	7%

Time to Buy? Not Now, Say Two-Thirds

Given their skittishness about economic prospects, it's no surprise that Canadians are reluctant to open their wallets. Is the time right for people to buy the things they need and want? Only one-third of Canadians say yes, down from 39% last quarter, 40% at the beginning of the year, and 42% at the end of 2010.

Is this a good or bad time to buy?

	Q2 2011	Q3 2011
Excellent	3%	2%
Good	36%	31%
Not good	40%	50%
Bad	16%	15%

Discretionary Spending Stays Flat

Have the gloomier attitudes of Canadians affected their spending behaviour? Nielsen asked people what they are doing with their spare cash. Discretionary spending hasn't moved much during the year, up slightly in some areas, down a little in others. What we do see from Canadians is an ongoing focus on taking care of their personal balance sheet. 37% of Canadians surveyed direct spare cash to paying off debts, and 30% pour it into savings. "Households are showing some fiscal responsibility," says Allison.

Spending is also hampered by this reality — almost one-quarter of consumers (23%), continue to report that no spending money remains after they've paid for the essentials.

Once you've covered essential living expenses, what do you do with spare cash?

	Q1 2011	Q2 2011	Q3 2011
Paying off debts/credit cards/loans	37%	36%	37%
Putting into savings	33%	31%	30%
I have no spare cash	26%	23%	23%
New clothes	21%	21%	23%
Holidays/vacations	22%	24%	22%
Out-of-home entertainment	18%	20%	19%
Home improvements/decorating	16%	20%	18%
New technology products	10%	10%	12%
Retirement fund	9%	11%	10%
Investing in shares of stock/mutual funds	7%	9%	8%

More Canadians Have Changed Spending Habits

If consumers are spending more at all, it's often because of rising prices, says Allison, not because of increased demand. Almost two-thirds of Canadians, 64%, now say they have changed their spending to save on household expenses. That's up from the 55% who said so in the previous Nielsen survey.

How are Canadians trying to save? Here are 15 strategies, in order of popularity. In 11 of these cases, the percentage of Canadians who are cutting back has increased since Nielsen's last quarterly survey. Spending less on clothes tops the list, but close behind are ways to save on food.

With the rise in these trends and the continued growth of discount retailing, Allison says we're witnessing the rise of the "cautious consumer".

How are you saving on household expenses?

	Q2 2011	Q3 2011
Spend less on new clothes	55%	59%
Cut down on take-away meals	57%	55%
Switch to cheaper grocery brands	48%	53%
Try to save on gas and electricity	46%	53%
Cut down on out-of-home entertainment	61%	52%
Use my car less often	32%	38%
Delay upgrading technology, e.g. PC, mobile, etc.	30%	33%
Cut down on holidays/short breaks	25%	33%
Cut down on telephone expenses	21%	29%
Cut down on at-home entertainment	28%	28%
Delay the replacement of major household items	28%	25%
Cut out annual vacation	19%	23%
Look for better deals on loans, insurance, credit cards, etc.	15%	21%
Cut down on or buy cheaper brands of alcohol	15%	18%
Cut down on smoking	9%	15%

Economic Issues Top List of Concerns in "Age of Volatility"

What's keeping Canadians up at night? Two answers - dollars and cents. "Canadians are being asked to spend more to heat their home, fill their car, and buy groceries," says Allison.

Economic issues dominate the top 10 list in Canada, as they do around the world.

What is your biggest concern over the next 6 months?

	#1 Concern	#2 Concern	Total
The economy	14%	11%	25%
Debt	14%	9%	23%
Health	10%	12%	22%
Job security	13%	7%	20%
Increasing food prices	8%	12%	20%
Increasing utility bills (electricity, gas, heating)	9%	9%	18%
Increasing fuel prices	6%	10%	16%
Work/life balance	6%	8%	14%
Children's education and/or welfare	5%	6%	11%
Crime	2%	2%	4%

One positive note from the Nielsen survey - the feeling that we're in a recession is much weaker in Canada than it is globally. From the start of 2011, the percentage of people saying "yes, we're in a recession" has dropped from 51% to 44% in Canada; globally, that number has risen from 55% to 62%.

Do you think your country is in an economic recession at the moment? (% answering yes)

	Global	Canada
Q3 2011	62%	44%
Q2 2011	58%	43%
Q1 2011	55%	51%

In contrast, 92% of American survey respondents say their country is in a recession, and of those 61% say they'll still be in a recession next year. The Consumer Confidence Index stands at just 77 in the U.S.

That has great significance for Canada's economy: "We're still very dependent on a U.S. recovery," says Allison. "When that happens," he says, "we're already poised to benefit."

For now, Allison says that Canadian consumers are dealing with a loss of purchasing power, a recovery that has yet to yield benefits for many, and a barrage of mixed economic news. All of that has hampered consumer confidence. "Welcome," says Allison, "to the age of volatility."



About the Survey

The Nielsen Global Online Survey was conducted between August 30 and September 16, 2011 and polled more than 28,000 consumers in 56 countries throughout Asia Pacific, Europe, Latin America, the Middle East, Africa and North America. 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 ±0.6%. This Nielsen survey is based on the behavior of respondents with online access only. Internet penetration rates vary by country. Nielsen uses a minimum reporting standard of 60 percent Internet penetration or 10M online population for survey inclusion. The Nielsen Global Online Survey, which includes the Global Online Consumer Confidence Survey, was established in 2005.

About Nielsen

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