

Encouraging signs of economic recovery from latest Nielsen European Growth Reporter

By Jean-Jaques Vandenheede, European Business Insight Director

CI 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 that are continuously tracked by Nielsen in each of these countries and channels the second quarter of 2009 is showing encouraging signs of growth.

Executive Summary

The second quarter of 2009 is showing encouraging signs of economic recovery, with three out of 4 European countries showing positive volume trends. Many of these volume growths are significant as consumers start to feel more confident about the future as shown in the latest Nielsen Consumer Confidence survey. The results of the June 2009 survey show that global consumer confidence has risen 5 points since the last survey back in February 2009. As stock markets rally across the world we can expect this trend to continue, though full recovery will take time as unemployments continues to be a major concern for consumers.

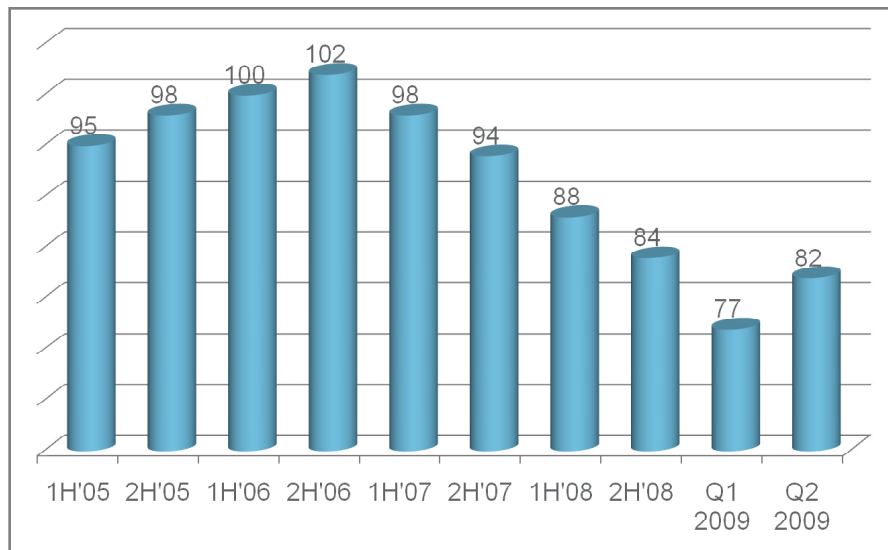
This edition of the Nielsen Growth Reporter also includes additional analysis on countries in central and eastern Europe, and therefore covers a total of 35 markets - the most extensive study of its type available.

For more information please contact Jean-Jacques Vandenheede at jean-jacques.vandenheede@nielsen.com.

Emerging optimism?

Consumer confidence sees a significant rise globally as shown in the latest Nielsen Global Consumer Confidence survey.

Nielsen Consumer Confidence Index - Global Average

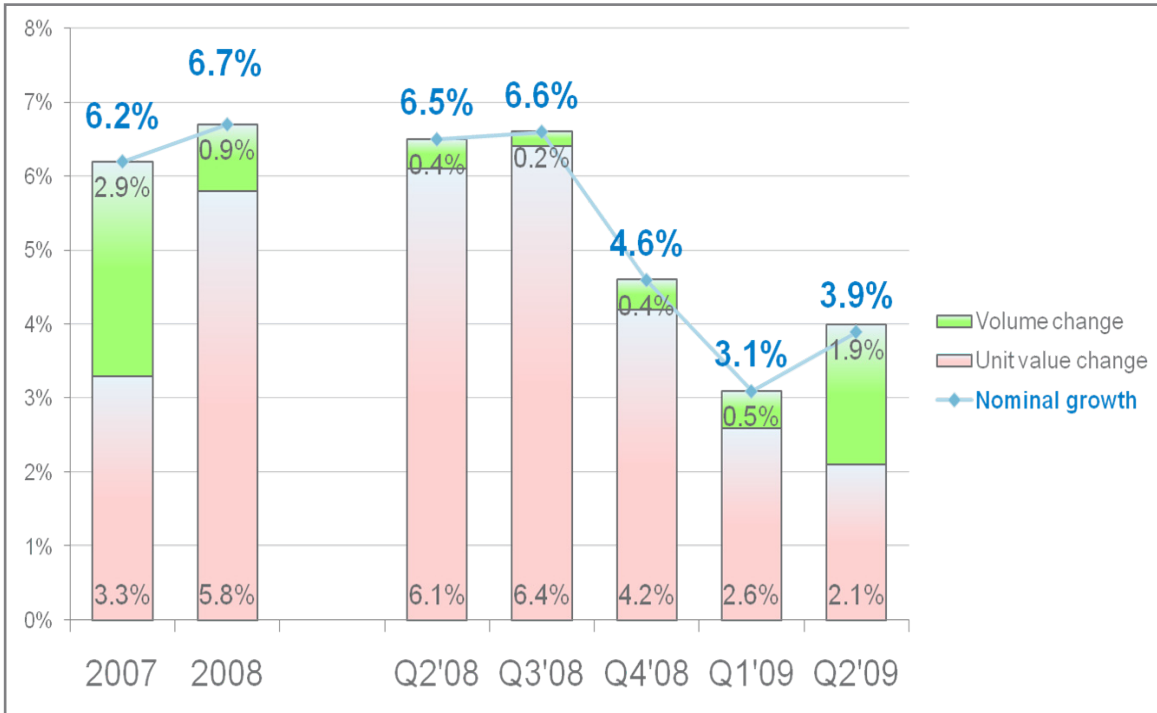


In the previous Nielsen Global Consumer Confidence survey conducted in March, we saw the first signs that as far as the world's consumers were concerned, the recession had bottomed out. Three months later, they're starting to embrace the idea of recovery – which is a major turning point.

In Nielsen's latest survey, which polled 14,029 online consumers in 28 countries late in June 2009, 71 percent of respondents thought their country was in recession – a positive reduction of six points from a high of 77 percent when the survey ran in March 2009. The BRIC and Asian markets have recorded the greatest jumps in Consumer Confidence Indices in the past three months. In Europe consumer confidence rose 7 points in Turkey, Russia, and the UK. Germany is the only country to register a decline of one Index point, however despite this there are encouraging signs - nearly one in three Germans (29%) said the recession would be over in the next 12 months, compared to only 22 percent three months ago. One in three Germans also thought "now is a good time to buy the things they want", indicating a renewed willingness to spend on discretionary items.

Total European View

Fast Moving Consumer Goods market dynamics



Volume Growth

Significantly we are starting to see a growth in volume across the majority of countries in Europe, contributing to a 0.8% increase in nominal growth versus the previous quarter as shown in the chart above. Combined with recent increases in global stock markets, consumers are more confident about spending, at least within the fmcg sector.

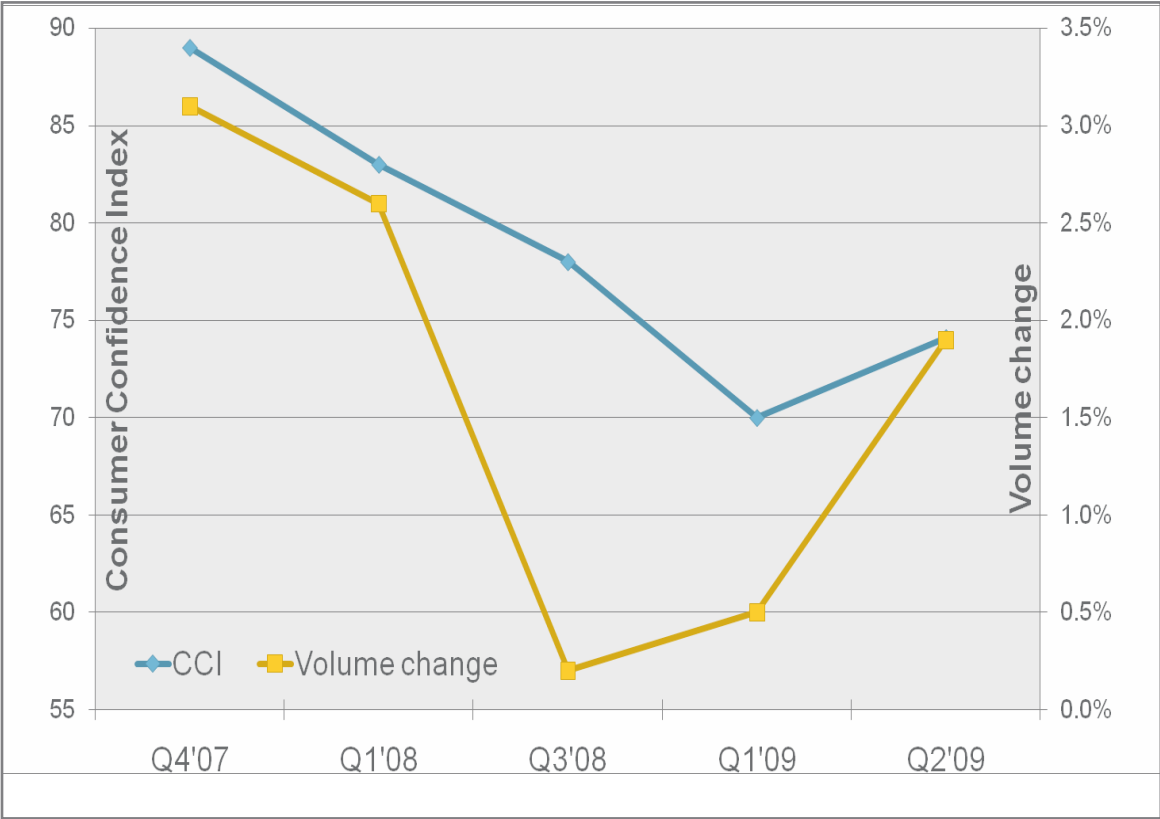
Value Growth

Nielsen are also seeing a reduction in food inflation in many markets in Europe. Unit Value change fell from 2.6% growth to 2.1% growth versus the previous quarters. This is a significant reduction compared to the highs seen in quarter 3 2008 when value growth reached 6.4% and is likely to continue as falling commodity prices are passed onto consumers in the months to come.



Higher confidence = higher volume change

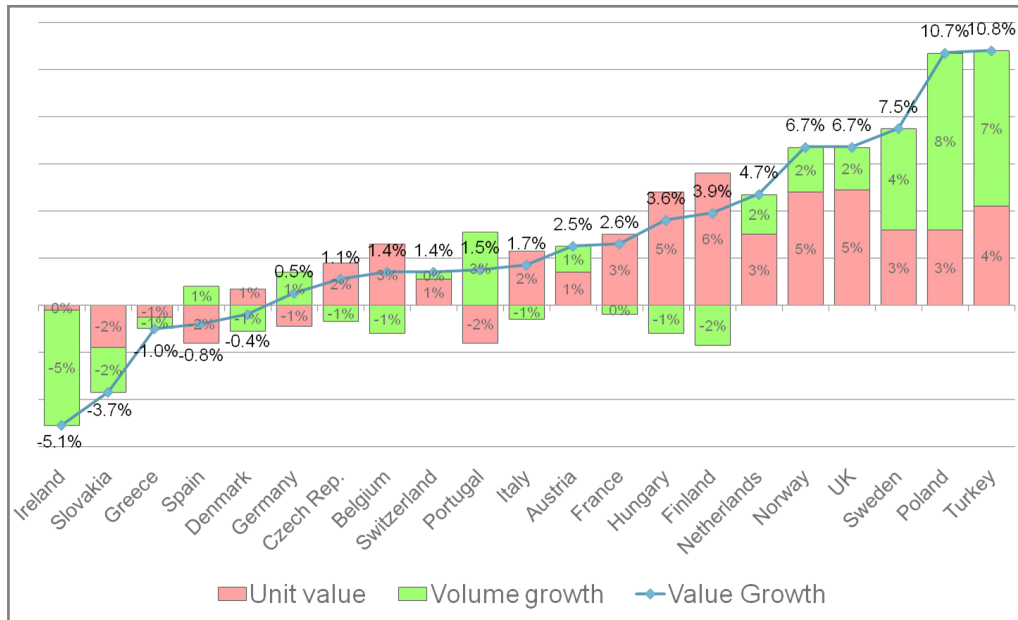
When analysing the volume growth against consumer confidence there is a clear and direct correlation, as shown in the chart below:



Country Analysis - Western Europe

The latest quarterly European Growth Reporter measuring volume and value sales in the fast moving consumer goods industry across markets in Europe is showing encouraging signs of improvement with three out of 4 countries showing positive volume trends.

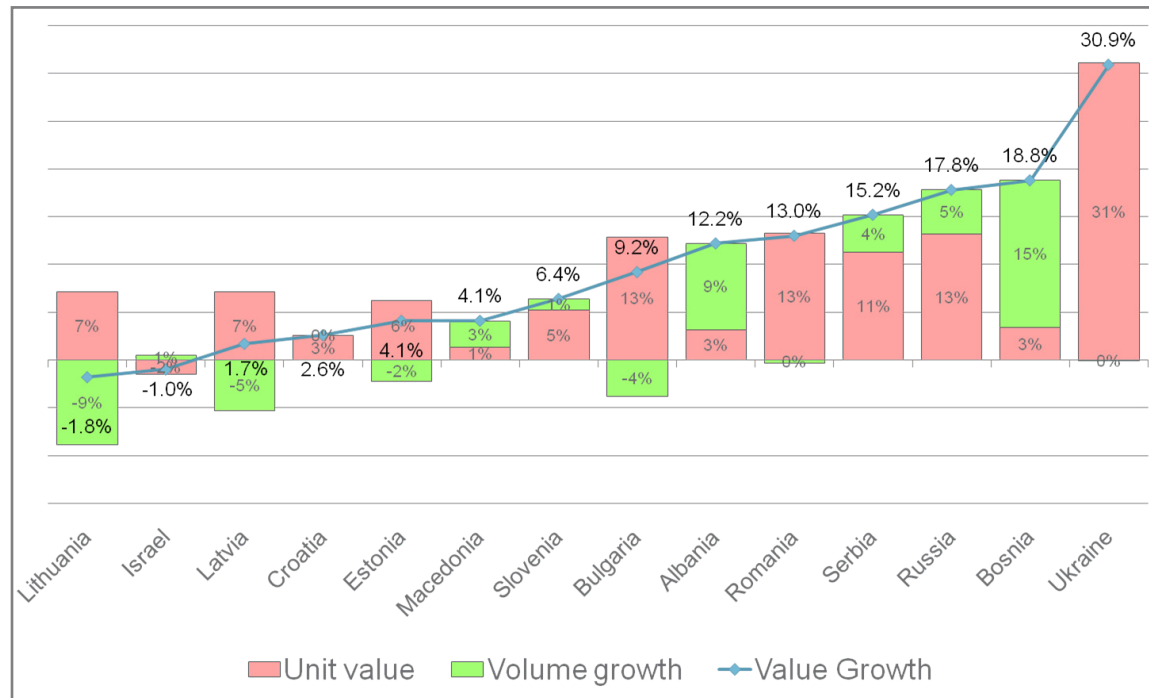
Quarter 2 2009 Growth Rates per country versus Q2 2008



As the chart above demonstrates the leading European growth countries are Poland, Turkey, Norway, the Netherlands and the UK. Poland is showing remarkable Quarter 2 recovery after a severe drop in Quarter 1. After a full year of declining volumes, Sweden records +4.3% in Quarter 2. Spain, Germany and Portugal all see negative price growth in Quarter 2. In France: volume growth remains negative, but has improved for the 4th consecutive quarter. The UK has returned to positive volume growth despite price inflation, and in Ireland we record a 5th consecutive quarter of further deterioration.

Country Analysis - Central and Eastern Europe

Latest period growth rates per country



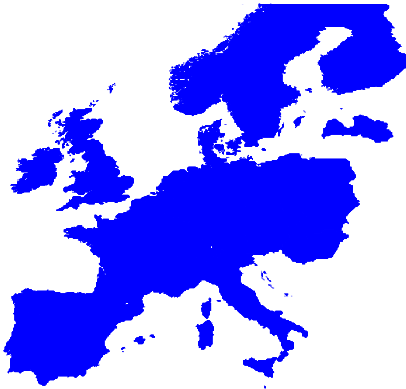
Source: Nielsen combination of census and bi-monthly retail sample

The chart above demonstrates growth rates for countries within Central and Eastern Europe. Ukraine is suffering rampant inflation as unit value growth hits 31%, and consequently there is no volume growth as consumers struggle to afford the basics. Romania is suffering along a similar vein but to a lesser extent - unit value growth of 13%. At the other end of the scale Bosnia is seeing a revival as volumes increase by 15% and value growth is a modest 3%.

Despite unit value growth reaching 13% in Russia volumes grew by 5%, as the Russian Consumer Confidence index rose from 75 to 82 points.

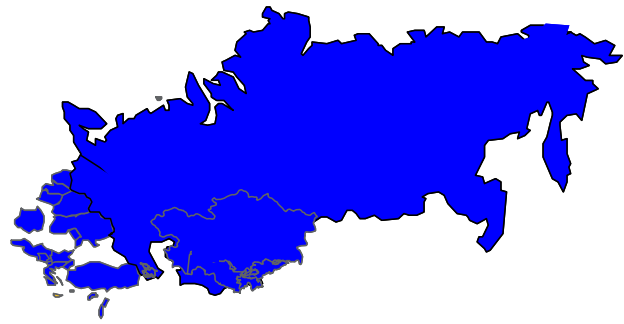
More details of country specific performance is available in a powerpoint presentation, available on request from Nielsen Account Teams or by contacting Jean-Jaques Vandenheede on the email address on page 1.

Western Europe



Austria, Belgium, Czech Rep, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, Turkey, UK

Central & Eastern Europe



Albania, Bosnia, Bulgaria, Croatia, Estonia, Israel, Latvia, Lithuania, Macedonia, Romania, Russia, Serbia, Slovenia, Ukraine

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 15 of 2009 through to week 26 of 2009

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 (\approx '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, tonnes 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.

Volume growth: Percentage change in purchased volume (quantity) of products

The three components are related:

Value Growth = Unit Value Growth * Volume Growth

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 (Billboard, The Hollywood Reporter, Adweek). The privately held company is active in more than 100 countries, with headquarters in New York, USA. For more information, please visit, www.nielsen.com.

