

# Consumer Confidence: A Canadian Perspective

## About the Survey

The Nielsen Global Online Consumer Survey was conducted in November 2008 among 26,202 internet users in 52 markets. The largest half-yearly survey of its kind, it provides insight into current confidence levels, spending habits/intentions and the major concerns of consumers across the globe.

In the past few months, Canadian consumers have been bombarded by news of a global economic crisis. An extremely volatile stock market, fluctuating fuel prices, a drop in the housing market and a tightening of credit availability has left consumers wondering about their own financial futures. The news from the U.S. is grim although the Canadian economy remains in a more buoyant position with stability in the financial services sector offsetting the effects of the credit crisis. However, with the falling equities market stealing the headlines it is difficult for Canadian consumers to be enthusiastic about the economy. Other indicators played into consumers' growing nervousness. Real gross domestic product fell by 0.3% in August after an increase of 0.7% in July. As well, the composite leading index fell 0.2% in September, after five months of consecutive increases. Most of this dip sourced to sharp declines in the stock market and dropping U.S. consumer confidence. Confidence levels dropped in Canada as well, as illustrated by the results of this Nielsen survey and

supported by the Conference Board of Canada's report that Canadian consumer confidence fell in October to its lowest level since 1982.

### Consumer Confidence

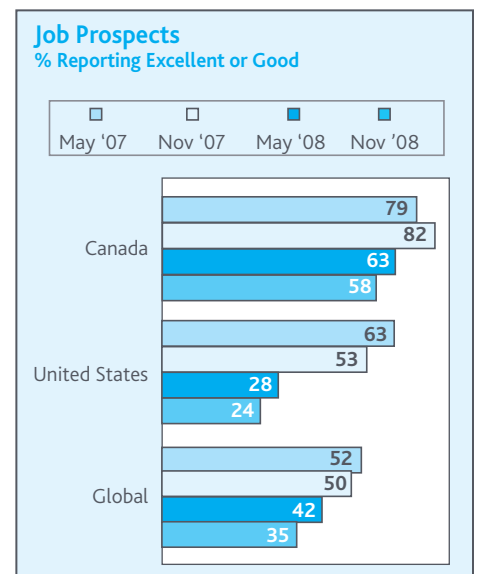
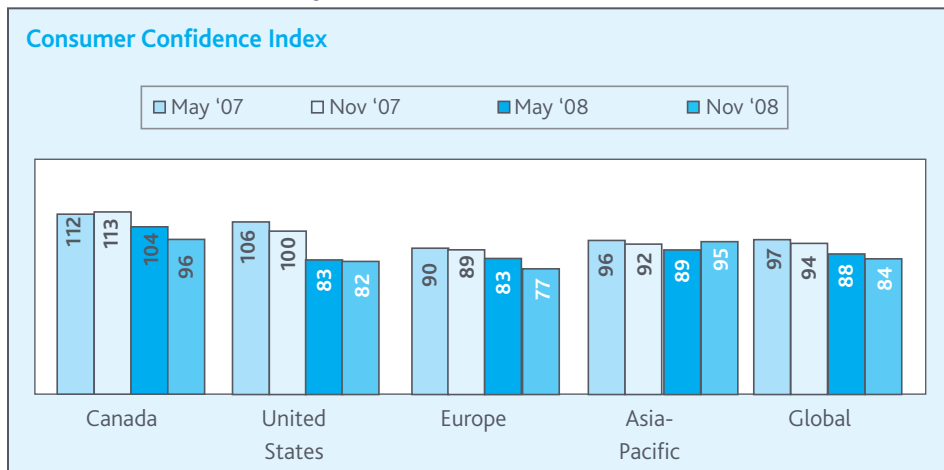
Canadian consumer confidence dropped significantly again in the November 2008 Nielsen study. However, Canadian confidence is still well above the global or U.S. averages. Canada ranked 16th in confidence levels among all 52 countries surveyed, while the U.S. ranked 34th. India, with an index of 114 had the highest ranking level of consumer confidence, highlighting a trend noted throughout this period's survey data: consumers in developing markets were generally more optimistic about the economy than their counterparts in developed markets.

### Job Prospects

While optimism over job prospects declined again in Canada over the past six months, we remain in the top 10 most employment optimistic countries. This continued to be the



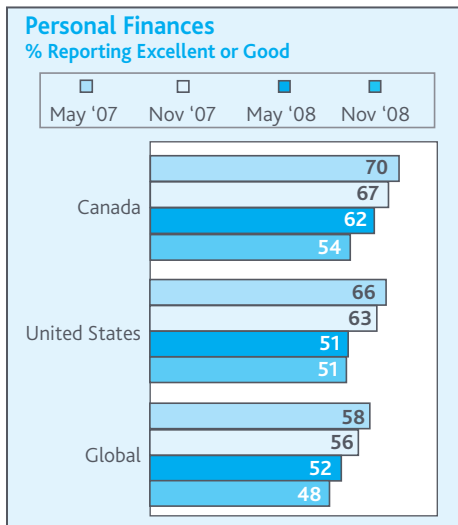
main source of our high levels of consumer confidence compared to other countries. Canadians' employment optimism is realistic. Statistics Canada reported that employment rose by 0.6% in September, the largest monthly gain since May of 2006. Employment is a key area of divergence between the U.S. and Canadian economies. Just a quarter of American consumers were optimistic about their job prospects. This growing pessimism is a reflection of the actual declining employment in the U.S. In September, the U.S. employment rate fell for the ninth straight month, while it grew 1.1% in Canada over the same timeframe.



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## Personal Finance

Canadians' level of optimism about personal finances dropped again in November. Although the Canadian banking sector is among the most stable in the world, our equity markets are not immune to the extreme volatility in the current global markets. Many Canadian consumers experienced a significant negative change in their financial reality as the TSX exchange fell by almost 17% in the month of October. The U.S. consumer rating of financial prospects remained stable over the last six months, perhaps an indication that many Americans believe the economy is almost at the bottom of the downturn.



## Major Concerns

Although a related concern, the economy surpassed debt as the major concern for Canadian consumers over the next six months. However, in the U.S., almost four in every ten respondents cited the economy as their major concern.

		Nov 07	May 08	Nov 08
<i>(Most Common Response)</i>				
Canada	Economy	24%	16% (Health)	18%
US	Economy	27%	35%	38%
Global	Economy	26%	20%	20%

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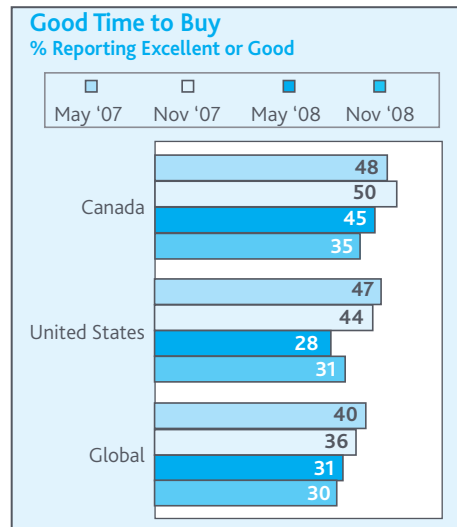
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## Good Time to Buy

Statistics Canada reports that Canadian retail sales remained unchanged in July, repeating the stability that marked the summer months. Sales in the auto sector were weak, but this was offset by higher demand for furniture and appliances. Higher prices also slowed consumption in the food and energy sectors. According to the Nielsen survey, Canadian consumers are much less convinced than six months ago that this is a good time to buy.



## Top Items We Spend Spare Cash On

The most common priority for Canadians remains paying off debts, followed by home improvements. In the U.S., savings has surpassed paying off debts as the major priority for consumers. Globally, priorities remained very consistent from the last survey, with repayment of debt remaining the most commonly cited top priority.

*(Multiple Responses Allowed)*

Country		Nov 08	Rank	May 08
Canada	Paying Off Debt/Credit Cards/Loans	48%	1	1
	Home Improvements	25%	2	3
	Savings	23%	3	2
	Out of Home Entertainment	23%	3	3
	Vacations	23%	3	2

## Recession and Economic Concerns

Although still significantly apart in their belief that the economy is in recession, the gap between Canadians and Americans is narrowing as more Canadians now believe that the economy is in a significant downturn.

### Is your country in recession at the moment?

	Yes	Pt Chg
Canada	37%	+12
United States	86%	+1
Global	63%	+7

The pessimism of all consumers is noted in the following result. Over half of global consumers do not believe that their country will be out of a recession in the next 12 months. This is a result reflected in North American consumer attitudes as well and points to the fact that consumers believe they are in this downturn for the long haul and that there is no quick fix to the economic woes.

### Do you think your country will be out of the recession in the next 12 months?

	No
Canada	48%
United States	54%
Global	53%

## Conclusion

The results of the November 2008 Nielsen Global Consumer Confidence Survey clearly highlighted the continued level of global consumer concern brought on by the credit crisis, rising fuel costs, turbulent equity market and subsequent looming threat of a world wide recession. While Canadian consumers' level of confidence remains higher than our U.S. counterparts, we are much less optimistic about our financial futures than we were six months ago. South of the border, American declines in consumer confidence appear to have stabilized somewhat, perhaps indicating that U.S. consumers believe that the downturn is at its lowest point. Regardless, consumers on both sides of the border do not perceive a quick upswing in economic conditions and are settling in for long term financial difficulties.