



## European Uncertainty: Lower Volume Growth Rates Confirm Slow Healing of Consumer Confidence

### Nielsen European Growth Reporter Q2 2010

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**SUMMARY:** Drawing on Nielsen's unique data assets and geographic 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, second quarter 2010 data show that consumer confidence is lackluster due to a number of technical and substantive factors.

#### Executive Summary

Following the positive trends exhibited in the first quarter of 2010, the second quarter was a disappointment. Contributing to the poor results was a technicality: this year, the traditionally busy Easter weekend was part of the first quarter whereas last year it was part of the second. As a result, Q2 growth rates suffered. But beyond this simple calendar issue, economic fundamentals were weak as the Euro debt/Greek crisis dominated the news and reminded shoppers of the need for cautiousness.

This quarter marked the first time that value growth has fallen short of +1% since Nielsen debuted the European Growth Reporter in 2007. Volume growth rates were lower in Q2 than in Q1 in 15 of the 21 markets we monitor, with Hungary, the Czech Republic and Switzerland being the key exceptions.

Despite having the highest consumer confidence in Europe, Norway saw a sharp decline on a quarter-by-quarter basis (from +8.7% nominal value growth in Q1 to -0.9 in Q2). Germany and Italy also played roles in holding down the overall European number, with Germany falling from +1.7% in Q1 to -2.1% in Q2 and Italy dropping from +1.0% to -1.7%.

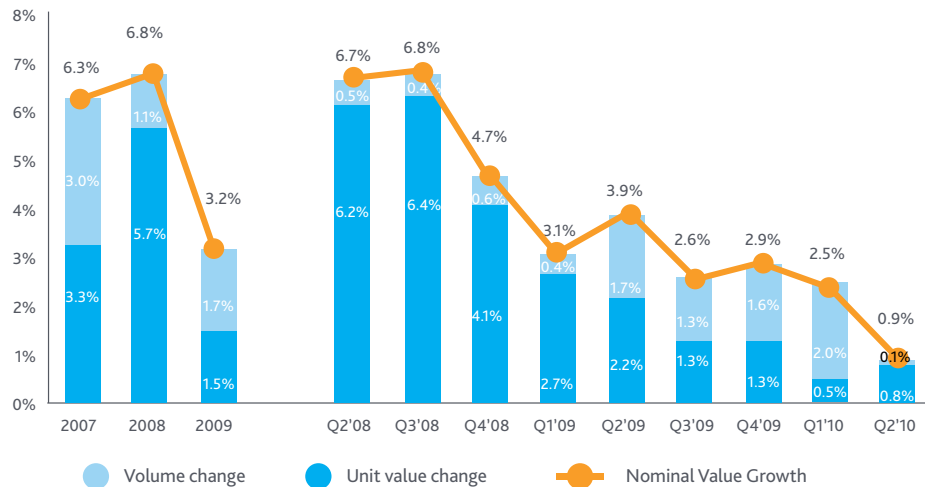
The East-West divide we saw in Q1 remained in place in Q2. Western Europe, while still posting disappointing results, was fundamentally stronger than Eastern Europe. Rampant inflation persisted in Albania, Bosnia and Ukraine, while volumes continued to decline in Bulgaria, the Baltics, Romania and Russia.

Improvements in the economy have prompted some consumers to make the "large item" purchases such as buying a house or renovating an existing home or buying a car that they may have delayed during the depths of the economic crisis. While they may be slowly opening their wallets for these purchases, they remain skittish about spending on grocery items, continuing to seek out promotions, private label goods and other strategies that increase value for money. We expect this trend to continue until the European consumer is convinced that recovery has firmly taken hold.

## Total European View - Q2 2010

### Europe Overview

Fast Moving Consumer Goods market dynamics



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

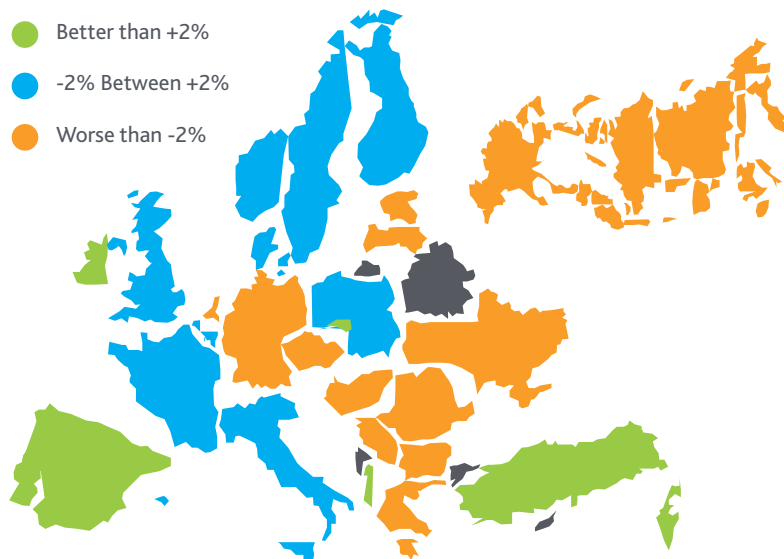
Source: The Nielsen Company

### Negative Growth Trends

Nominal value growth dropped sharply, decreasing to 0.9% in the second quarter of 2010, a 1.6 percentage point fall from the first quarter of 2010 and a decline of three percentage points from the same period in 2009. Overall, unit value increased 0.8% while volume growth came to a standstill, up 0.1%.

### Latest Volume Trend Overview – Q1 2010

- Better than +2%
- -2% Between +2%
- Worse than -2%

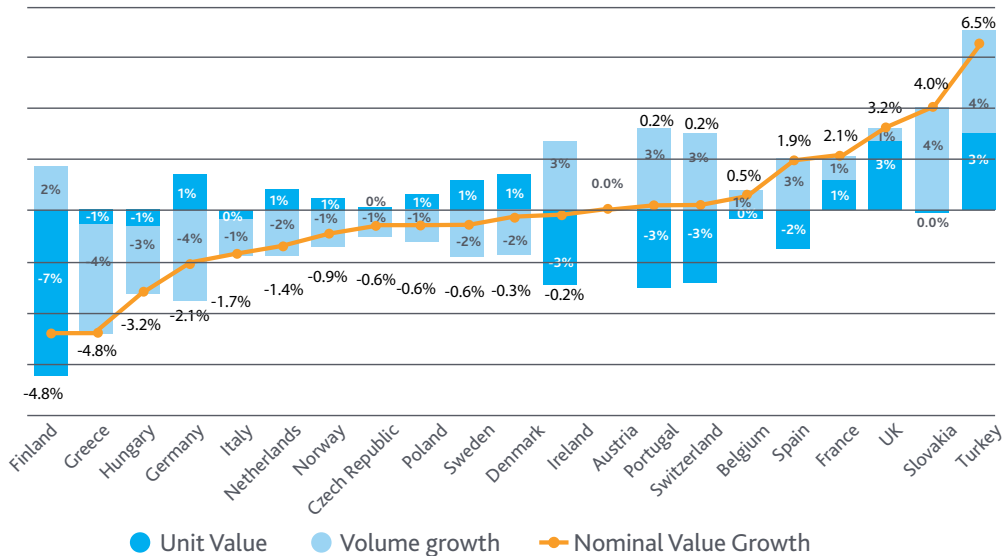


Source: The Nielsen Company

# Country Analysis – A Europe United by Skittishness

## Q2 2010 Growth Rates Per Country

(versus Q2 2009)



Source: The Nielsen Company

Turkey continued to show the most significant growth in unit value, increasing 3% since last year and volume grew by 4% here. Slovakia saw solid growth in volume (+4%) although unit value showed no increase whatsoever. Finland showed 2% volume growth, although the country posted the largest unit value decline as a result of significant deflation (a factor that also affected unit values in Ireland, Portugal and Switzerland). Unsurprisingly, Greece showed declines in unit value (-1%) and volume (-4%) as the country's shaky finances hurt consumer confidence.

While the overall results were poor, there were a few notable standouts. France saw nominal value growth rise by 2.1% compared to the same period last year, with very modest gains in unit value and volume growth (+1% each). The UK posted nominal value growth of 3.2% with gains in unit value (+3%) being seen as modest inflation creeps back into the food sector once again. Volume growth here was (+1%).

## Snapshot: The Big Five

### Europe Big 5 summary

	Germany	France	UK	Italy	Spain
Nielsen Market Index Volume*	-	+	0	-	+
Nielsen Market Index Value**	-	+	+	-	+
Are consumers shopping more frequently?	-	0	0	0	+
Are consumers spending more per trip?	0	+	0	0	0
Are shoppers shifting to value channels?	-	-	+	+	+
Nielsen Global Consumer Confidence index	81 ↑ 7	63 ↓ 5	78 ↓ 2	71 ↓ 4	69 ↓ 10

- Growth: between +1 and +4%    + Negative: between -1 and -4%    0 Neutral: between -1% and +1%

\*Nielsen Market Index Volume defined as unit change vs. YAGO  
 \*\*Nielsen Market Index Value defined as €, £ change vs. YAGO

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 15 of 2010 through to week 27 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.

For more information, please visit [www.nielsen.com](http://www.nielsen.com)

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