Global Consumer Confidence Continues To Rise

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Consumers resume spending with confidence

Hong Kong sme's and corporates regain business optimism

It has been almost a year since we saw early signs of global economic recovery.

Hong Kong consumer confidence remains strong since its significant rebound in the third quarter of 2009.

As the global environment is becoming more positive, Hong Kong companies are also optimistic about the business outlook, as well as their financial performance in the months ahead, according to the latest Nielsen Global Consumer Confidence Survey and the Nielsen Hong Kong Commercial Finance Monitor.

According to the latest Global Consumer Confidence Survey from The Nielsen Company, global consumer confidence in the first quarter of 2010 rebounded to reach the highest level seen since the third quarter of 2007 at 92 points, providing the most definitive sign of global economic recovery.

Consumer confidence in Hong Kong also remained strong at 99.

Strong consumer confidence levels are also translating into optimism within the business community in Hong Kong, and the future outlook for businesses is looking bright. Â

According to the Commercial Finance Monitor from The Nielsen Company, Hong Kong, â€˜SMEs â€™ and â€˜Corporatesâ€™ i Kong are optimistic about the strong economic business environment ahead, with the business confidence index rebounding substantially, back to levels seen in 2007.

The confidence level of SMEs in 2010 is recorded at 54 points (vs. 40 points in 2009) while corporates are far more confident - with confidence levels increasing to 58 points (vs. 38 points in 2009), a promising sign of optimistic business prospects throughout Hong Kong.

SMEs refer to small & medium enterprises with an employee size of 100 or smaller for manufacturing sector and 50 or smaller for other sectors; Corporates refer to manufacturing sector with more than 100 employees and other industries with over 50 employees

â€œWhile the global economy is picking up gradually, SMEs are more concerned about increasing rental prices and increased competition within the industry, while Corporates have rising concern about competition among industryâ€™s and inflation in Hong Kong,â€• said Oliver Rust, Managing Director, The Nielsen Company Hong Kong.

In comparison, Corporate decision-makers are more optimistic about the business environment in 2010, with 70 percent expecting the business environment to improve (vs SMEs 48%), an increase of 67 percent from last yearsâ€™ study.

As they feel more confident about the future business environment, they are also more optimistic about their respective companiesâ€™ financial performance, with 58 percent expecting improvements (vs SMEs 39%), as a result of an improving economic and business outlook.

â€œIf we look back to 2009 where the global economy was hardest hit by the financial tsunami, companies around the globe were cutting their operational cost, â€œsaid Mr. Rust, â€œAs the economy is picking up, a respective 40 percent and 29 percen of corporate and SME decision-makers tend to re-invest in operations again, as a result of the recent rebound in the Hong Kong economy.â€•

Across all sectors surveyed, Personal Services, Restaurants and Import / Export are among the most optimistic sectors.

As with an increase in business optimism for the future, it is not surprising to see the consumer outlook for job prospects (52%) remains strong, as a result of the strong confidence in their state of personal finances (59%). Â

An interesting note from the first quarter of 2010 was to see that consumer spending intentions have accelerated, from 40 percent in quarter 4 of 2009, to 43 percent in quarter 1 of 2010. These are the first signs of underlying growth from the consumer based economy in Hong Kong.

â€œThe stabilization of the consumer confidence index in the first quarter is in part driven by the Hang Seng Index which has been holding at roughly 21,000 points throughout quarter 1, and in part, by the de-acceleration of the property market compared to the back end of last year,â€• said Mr Rust.

Consumers Resume Spending with Confidence
Although consumer confidence has picked up a considerable amount since the second half of last year, â€˜saving for a rainy dayâ€™ still remains as the utmost priority for Hong Kong consumers with almost three quarters (71%) of those surveyed said they will put their spare cash into savings.

The stabilization of the stock market has also strengthened consumersâ€™ confidence in investment, with more than half (51%) claiming that they will invest their spare cash into stocks and mutual funds. This figure has also reached the pre-economic crisis levels.

Globally, one-third of consumers said they are planning to increase spending for â€˜out-of-home entertainmentâ€™, â€˜new clot and â€˜next technologyâ€™ over the next six months. Asia Pacific consumers â€“ who were among the first to cut back drastical on discretionary spending 18 months ago â€“ are now confident enough to spend their way out of recession.

Asiaâ€™s rapid recovery and bright prospects make this booming region a high priority for resource allocation from manufacturers and retailers, including tapping into the large and growing number of middle-class consumers that are ready to spend.

While global consumersâ€™ spending habits have been reinvigorated, confident Hong Kong consumers also continued to loosen their purse strings on discretionary spending during the beginning of 2010. A respective 47 percent and 27 percent of consumers said they will spend their money on holiday /vacations and new technology gadgets.

Consumer spending on â€˜out-of-home entertainmentâ€™ (37%) and â€˜new clothesâ€™ (32%) also remains strong.

Â â€œAlthough consumers intent to spend has improved, we still need to remain cautiously optimistic about the future, especially given the high dependency on mainland tourist spend, and the fact that some frugal consumers have yet to return to their 2008 shopping behavior,â€• said Mr. Rust.

While consumers become more confident in their spending, the key to economic success in 2010 will be an understanding of the change in consumersâ€™ purchasing and consumption patterns, and identifying key selling opportunities. Innovation will be a key differentiator for businesses!

About the Nielsen Global Consumer Confidence Survey
The Nielsen Global Consumer Confidence Survey was conducted between March 8 and March 26, 2010 and polled over 30,500 consumers in Asia Pacific, Europe, Latin America, the Middle East and North America about their confidence levels and economic outlook.

The Nielsen Consumer Confidence Index is developed based on consumersâ€™ 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 Â±0.6%.

About The Nielsen Company
For more information, please visit, www.nielsen.com .

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