



# economiccurrent

*March 2009*

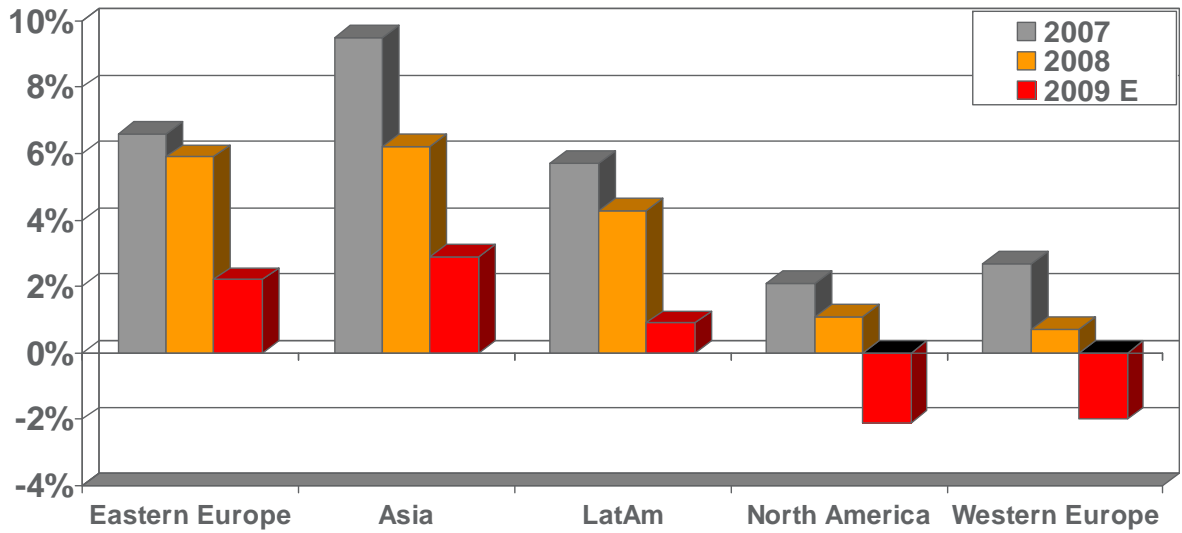
Todd Hale  
James Russo  
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*Just ask*  
**nielsen**  
.....



- Further weakening in Germany, Italy & Spain.
- Canada improved reflective of gains in dollar and units sales.

	Chg vs. Previous Month	Dec 08	Jan 09
Brazil	↔	3	3
Canada	↑	3	2
China	↔	1	1
France	↔	3	3
Germany	↓	3	4
India	↔	1	1
Italy	↓	2	3
Russia	↔	2	2
Spain	↓	2	5
United Kingdom	↔	3	3
United States	↔	4	4



- The UBS Global Economics team now expects 2009 world GDP to contract -0.4%.
- Output is expected to stabilize in the second half of 2009.
- Recovery will plateau at a level well below potential and a far cry from past recoveries.

1 Very Strong Growth: >= +5%     
 3 Neutral: between -1 and +1%     
 5 Very Negative: <= -4%  
2 Growth: between +1 and plus 4%     
 4 Negative: between -1% and -4%

	Dec '08	Jan '09	Feb '09	Mar '09	Apr '09	May '09	Jun '09	Jul '09	Aug '09	Sept '09	Oct '09	Nov ;09
Nielsen Market Index Volume*												
Nielsen Market Index Value**												
Are consumers moving to Store Brands?												
Are shoppers shifting to value channels?												
Are retailers selling more on promotion?												
Are consumers shopping more frequently?												
Are consumers spending more per trip?												
Nielsen Global Consumer Confidence^												

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\*Nielsen Market Index Volume defined as unit change vs. YAGO  
 \*\*Nielsen Market Index Value defined as dollar change vs. YAGO  
 ^ Nielsen Global Consumer Confidence measure is from 10/08 and is benchmarked vs. the Global Confidence avg. of 84

	US	CA	FR	DE	UK	IT	ES	BR	RU	IN	CN
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- **What You Need To Know:**

- January results illustrated a surprising bounce-back in both Canada and the US as consumers continued to spend more across fast moving consumer goods (FMCG) sold in food, drug, and mass merchandisers.
- Consumers continue to seek out value alternatives with both discount retailers and store brands reporting volume gains – outpacing the total market.
- In the US consumers revised a six month trend of declining trips and grew surprising by 1.5% in January 2009. However, Canadians bucked this trend by putting on the brakes and shopping 5% less than a year ago.
- Shopping baskets continue to grow in value. US consumers spent 4% more per trip whereas Canadians spent 6% more primarily fueled by rising prices.

- **What To Do Now:**

- Consumers increasingly driven by pervasive fear due to weakening economic conditions. Companies who take an active role in delivering value and creating a sense of optimism of the future will be successful.
- Use this time to differentiate and build loyalty to maintain competitive advantage and come out of this recession in a stronger position than how you entered.
- Now is the time for manufacturers and retailers to collaborate on the right assortment across both value and premium offerings.

- **What You Need to know:**

- Shopping frequency restored after visible decline during the inflation spike of 2007.
- Consumers took advantage of seasonal sales during the month.
- Manufacturers revived their promotional programs to capture the promotion seekers.
- The progress of private label is quite disparate across categories and countries. The progress is essentially in line with the baseline growth we have witnessed over the past few years.
- The steepest purchase decline was noted in Spain.

- **What To Do Now:**

- Review and optimize all expenditures, especially promotional activity.
- Keep searching for new product development ideas; launch only the best, not all.
- Manufacturers: developing your brand equity will protect you from private label which may otherwise have headroom in your category.

- **What You Need to know:**

- Modern trade at low levels but growing.
- Brazil: GDP declining sharply.
- Russia inflation is still very high (4% in first 2 months of this year; 14% for last year) with consumer confidence plummeting, down 22 points since last summer.
- Modern trade is able to capitalize on the economic issues as consumers look to discounters / hypermarkets for price.
- In India, modern trade focus shifts to right sizing, but growth plan on hypermarkets continue to be on track.
- 2009 GDP growth forecast to slow but still reach 6% in India and China.

- **What to do now:**

- Retailers to focus on consumer centric assortment and merchandising strategy.
- Think hard before you increase your price promotional activity.
- Instead:
  - Plan for the long term.
  - Develop brand equity.
  - Understand consumer motivations better.
  - Target your marketing more accurately.
  - Make your advertising budgets work smarter and harder.
  - Don't be afraid to launch new products provided:
    - They meet a consumer need.
    - Deliver on their concept promise.
    - Have a long term support plan.



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## Key USA Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
GDP	2.0%	1.1%	-2.2%	2.2%
Consumer Expenditure	2.8%	0.2%	-1.8%	2.1%
Inflation Rate	2.9%	3.8%	-0.2%	1.5%
Unemployment Rate	4.6%	5.8%	8.5%	8.6%
Savings Rate	0.6%	1.8%	4.8%	5.3%

Rising Unemployment and Declining Consumer Expenditures Has US Economy in Worst Shape in at Least a Quarter Century

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# Key Canada Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
GDP	2.7%	0.6%	-0.4%	2.0%
Consumer Expenditure	4.5%	3.3%	1.0%	2.0%
Inflation Rate	2.1%	2.4%	0.7%	2.4%
Unemployment Rate	6.0%	6.1%	7.2%	7.6%
Savings Rate	2.7%	3.6%	4.7%	4.7%

**Rising Unemployment and Lower Consumer Expenditures Should Lead to GDP Contraction in 2009 in Canada**

	Jul 08	Aug 08	Sept 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09
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# Key France Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
<b>GDP</b>	2.1%	0.8%	-1.4%	0.6%
<b>Consumer Expenditure</b>	2.5%	1.1%	-0.1%	0.7%
<b>Inflation Rate</b>	1.6%	3.2%	0.6%	1.9%
<b>Unemployment Rate</b>	8.0%	7.3%	8.5%	8.9%
<b>Savings Rate</b>	15.8%	16.2%	16.7%	16.8%

Record Savings Rates Lead to Lower Consumer Expenditures and Contracting GDP Growth in France

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# Key Germany Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
<b>GDP</b>	2.6%	1.0%	-2.7%	0.8%
<b>Consumer Expenditure</b>	-0.3%	-0.3%	-0.3%	0.1%
<b>Inflation Rate</b>	2.3%	2.7%	0.4%	2.0%
<b>Unemployment Rate</b>	8.9%	7.7%	8.5%	9.5%
<b>Savings Rate</b>	10.9%	11.4%	12.5%	12.6%

**German Unemployment Continues to Rise More than Expected, Likely to Reach 9% by Year End**

	Jul 08	Aug 08	Sept 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09
Nielsen Market Index Volume*	0	-	0	0	0	0	0					
Nielsen Market Index Value**	+	+	+	+	+	+	+					
Are consumers moving to Store Brands?						0	0					
Are shoppers shifting to value channels?						+	+					
Are retailers selling more on promotion?						0	0					
Are consumers shopping more frequently?	-	-	-	0	+	+	+					
Are consumers spending more per trip?	+	+	+	+	+	0	0					
Nielsen Global Consumer Confidence^				-								

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Key UK  
Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
<b>GDP</b>	3.0%	0.7%	-3.0%	0.5%
<b>Consumer Expenditure</b>	3.0%	1.4%	-3.1%	-0.2%
<b>Inflation Rate</b>	2.3%	3.6%	1.1%	1.6%
<b>Unemployment Rate</b>	2.5%	3.3%	6.0%	7.4%
<b>Savings Rate</b>	2.2%	1.0%	5.2%	7.7%

4Q08 GDP Contracts 1.5%, UK Now Facing First Recession in 16 Years

	Jul 08	Aug 08	Sept 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09
Nielsen Market Index Volume*	0	-	0	-	+	-	-					
Nielsen Market Index Value**	+	0	+	0	+	+	0					
Are consumers moving to Store Brands?						+	+					
Are shoppers shifting to value channels?						0	0					
Are retailers selling more on promotion?						+	0					
Are consumers shopping more frequently?	-	-	-	-	-	-						
Are consumers spending more per trip?	+	+	+	0	+	+						
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## Key Italy Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
<b>GDP</b>	1.4%	-0.5%	-1.9%	0.4%
<b>Consumer Expenditure</b>	1.5%	-0.4%	-0.4%	0.5%
<b>Inflation Rate</b>	2.0%	3.5%	1.7%	2.0%
<b>Unemployment Rate</b>	6.2%	6.7%	7.9%	8.5%
<b>Savings Rate</b>	9.8%	9.2%	9.2%	9.2%

Unemployment Rate Expected to Jump in Italy During 09, Leading to Recession

	Jul 08	Aug 08	Sept 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09
Nielsen Market Index Volume*						0	-					
Nielsen Market Index Value**						+	-					
Are consumers moving to Store Brands?						+	0					
Are shoppers shifting to value channels?							+					
Are retailers selling more on promotion?						+	0					
Are consumers shopping more frequently?							0					
Are consumers spending more per trip?							0					
Nielsen Global Consumer Confidence^				-			-					

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Key Spain  
Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
<b>GDP</b>	3.7%	1.0%	-2.7%	0.0%
<b>Consumer Expenditure</b>	3.4%	0.4%	-2.4%	0.1%
<b>Inflation Rate</b>	2.8%	4.1%	1.5%	2.1%
<b>Unemployment Rate</b>	8.3%	11.0%	14.8%	16.5%
<b>Savings Rate</b>	10.4%	9.2%	11.5%	11.2%

Trouble Ahead in Spain as Unemployment Rises Rapidly and More Bad News Expected from Real Estate Market

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## Key Brazil Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
<b>GDP</b>	5.7%	5.1%	1.2%	3.7%
<b>Consumer Expenditure</b>	-	-	-	-
<b>Inflation Rate</b>	4.5%	5.9%	4.9%	4.5%
<b>Unemployment Rate</b>	-	-	-	-
<b>Savings Rate</b>	-	-	-	-

Still Forecasting Brazil GDP Growth in 2009, But Growth Rate Likely to Slow

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Key Russia  
Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
<b>GDP</b>	8.1%	7.2%	3.5%	4.5%
<b>Consumer Expenditure</b>	12.8%	13.0%	6.0%	5.0%
<b>Inflation Rate</b>	9.0%	14.0%	10.9%	8.0%
<b>Unemployment Rate</b>	-	-	-	-
<b>Savings Rate</b>	-	-	-	-

Depreciation of the Ruble Leading to Rapid Slowdown of the Russian Economy

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Key India  
Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
<b>GDP</b>	9.0%	6.0%	5.1%	7.4%
<b>Consumer Expenditure</b>	-	-	-	-
<b>Inflation Rate</b>	6.2%	8.8%	6.0%	6.5%
<b>Unemployment Rate</b>	-	-	-	-
<b>Savings Rate</b>	-	-	-	-

India GDP Growth Likely to Slow as Consumption and Exports Decline

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Key China  
Economic Measures

	<u>2007</u>	<u>2008</u>	<u>2009E</u>	<u>2010E</u>
<b>GDP</b>	13.0%	9.0%	6.5%	7.5%
<b>Consumer Expenditure</b>	10.6%	8.5%	7.0%	7.8%
<b>Inflation Rate</b>	4.8%	5.9%	0.2%	1.0%
<b>Unemployment Rate</b>	4.0%	4.0%	4.2%	4.5%
<b>Savings Rate</b>	-	-	-	-

Stimulus Policy Measures in China Could Reaccelerate Growth in 2H09