

UAE third most optimistic nation globally



By Dima Hamadeh on Thursday, November 13, 2008

The UAE is the third most optimistic nation in a world sinking into pessimism in the wake of the global economic slowdown, according to the Nielsen Consumer Confidence Index for the second half of 2008.

According to the index, the UAE ranked the third most optimistic nation globally, moving up from its previous fourth position six months ago, while most of the other 51 countries covered in the survey struggled with the worldwide economic crisis.

India and Denmark topped Nielsen's global consumer confidence index in the

latest round of the survey, which polled 26,202 online consumers in late September this year.

Piyush Mathur, Regional Managing Director, Middle East, North Africa and Pakistan, The Nielsen Company, who presented the ratings of the Nielsen Consumer Confidence Index, said emerging markets in general were doing much better than the rest of the world.

"Next year's global growth will be a 100 per cent induced from emerging markets. To give a better picture, the first eight months this year have seen around 600,000 job cuts in the United States, while the UAE created 600,000 additional jobs in the first four months."

"Despite being affected by the current global conditions, consumers in the UAE and other developing markets are aware that their medium-to-long-term prospects remain strong," Mathur added.

Out of 52 countries surveyed, UAE consumers ranked third most optimistic for their local job prospects and the state of their personal finances.

"Consumer confidence in the UAE remains quite stable as the economy is driven by strong domestic growth, particularly in the FMCG and retail sector," observed Mathur. According to Nielsen, the FMCG market in the UAE increased 26 per cent between August 2007 and August 2008. "This indicates high single-digit real growth even after inflation and population growth are factored in."

Consumer confidence in the UAE dropped by only one index point in the past six months and, more significantly, recorded only a two-point

decline in the last 12 months. "While UAE consumers haven't entirely escaped the affects of an economic slowdown, it's clear that they have not suffered the serious consequences the global credit crunch has inflicted on consumers in other parts of the world," said Mathur.

"There are two positive aspects to the global crisis in the UAE. One is the inflation dropping and the other is the cooling down of the overheated employee turnover. Does that mean that consumer confidence in the UAE could have increased during the month of October? Keeping in mind that the study was conducted at the end of September, we cannot say what happened in October.

"It has been a very difficult month for the whole world. A lot has happened and a lot has changed in consumer confidence. The UAE might rank number one if the same survey was conducted today, despite possibly achieving lower points. Again, the reason is that the rest of the world is decreasing more drastically," Mathur said.

Many countries experienced double-digit declines in consumer confidence, including the US, UK, Hong Kong, Japan, Singapore and Malaysia. Growth will continue in this region, in contrast to the rest of the world, according to Mathur.

"If anything, I believe growth will shift from a nine per cent rate to six or seven per cent, but it is still growth. In addition, international companies who do not have a presence in the region will be coming here soon, where the market is about growth and new products, as opposed to cost management in more established markets," Mathur said.

The 'if' scenario

Marketers will have to start looking at offering more value to consumers if the market experiences any impacts of the global financial crisis, , said Piyush Mathur of The Nielsen Company.

"If consumers go into a trend of 'downtrading' to economy brands and cutting down on consumption rates, and if they get better options at 50 per cent lesser costs, then marketers will be facing a challenge. Consumers will look for more promotions and deals, and will seek less expensive brands," he said. "Danone, for example, has come up with a six yogurt pack offer for €1 (Dh4.6), that costs less than the normal pack. It is an economy pack requiring less packaging material and thus has reduced production cost, giving the consumer better value. This is a good example of what the marketers in the region could be doing."

However, Mathur added that until the end of September, such changes have not been seen in the Middle East. If such changes happen, then a second measure will have to be taken by manufacturers and marketers. They will need to be effective on their marketing spending, to make sure they reach the precise target audience in the best way possible.

"So, I am not saying in today's world we should be telling marketers to cut down expenses. Only if sales start growing down do they need to act accordingly."

The results

The UAE scored 110 points on Neilsen's Consumer Confidence Index of the second half of 2008, ranking third, while India (114 points) and Denmark (112 points) came in first and second respectively.

The index reveals that the UAE lost only one point compared to the first half of 2008, compared to seven-point fall registered by both India and Denmark.

Of the UAE's online consumers, 60 per cent said they were not currently in a recession. Another 23 per cent of the respondents, answering a "yes", said they believed the recession would be over within 12 months. Finland topped the list of people who did not think their country was facing a recession, with 84 per cent saying they did

not.

"Consumers in developing markets are significantly more optimistic that a global recession will not last more than a year," said Mathur.

One in two Indians, 45 per cent of Vietnamese and around a third of Russians and Chinese expect the global recession to end within a year. "However, for now UAE consumers are keeping a careful eye on the economic situation and we are seeing consumers make some changes to their spending patterns and shopping behaviour," he said.

One in four UAE respondents identified increases in food prices as their number one concern in the next six months, but the economy remained the biggest concern of the consumers – 12 per cent. Other concerns included work/life balance. "Obviously, compared to the first half results, consumers seem to be less concerned about work/life balance, marking a slowdown in work pressure," said Mathur.

In addition, 17 per cent of UAE consumers said they were concerned about job security. War was almost their lowest concern.

According to the Nielsen survey on global recessionary tactics, one in two UAE consumers said they will cut back on buying new clothes and try to save on gas and electricity bills during an economic slowdown. Forty-three per cent of consumers said they would reduce spending on out-of-home entertainment and 42 per cent plan to cut their telephone expenses. Interestingly, 11 per cent would cut down on smoking while six per cent do not intend to take any steps whatsoever.