



World public opinion
and the economic crisis:
The disruption hits home

Vs, Us and Ws. This isn't about the alphabet...

Darrell Bricker

Chief Executive Officer, Ipsos Public Affairs

In the last edition of Global @dvisor we described the “Gathering Storm” of the economic crisis we are now living through. Our major point was that we need a new language to talk about the crisis. In our view, it’s not useful to describe the crisis as a recession or a depression. That’s because both terms are too narrow and backward-looking to accurately describe what’s happening. We argued that the term “disruption” more accurately describes what global citizens are experiencing. Why disruption? Because it implies that the change is more fundamental than a garden-variety economic slowdown. Established economic patterns and relationships have been disrupted, and we are transitioning into an environment that’s very different from the one we remember.

In their struggle to keep up with this new world, practitioners of the “dismal science” have attempted to develop a new economic alphabet to describe the disruption. Will this be a “V” recession, with its short, sharp reduction in economic activity followed by a fast and robust recovery? Or is it a “U” recession, with its more sustained trough, and its similarity to previous recessions? Or, is it a “W” recession, which is really two back-to-back V’s or U’s, depending on how you see the trough.

While this is an interesting exercise, it’s all rather misleading because the new world will look very different from the old. To us, a more useful activity is connecting with consumer citizens to understand how they are responding to the crisis, and how their behaviour will determine the nature of the recovery. A few points on this:

- Global @dvisor shows that consumer citizens are responding to the crisis like a corporation would – they are deleveraging. This is reflected in such coping behaviours as cutting personal spending, and increasing personal savings. The right question to ask is, how long will this deleveraging process last? Are we entering a new and enduring era of perceived scarcity? What signals will indicate that consumers are ready to spend again? And, what will they want once they do start to spend again? One interesting finding from Global @dvisor is that mobile phones and cable TV are becoming “essentials” for many consumers. Have other technology products crossed the threshold to be considered household necessities? And, what does this mean in terms of trade-offs with other consumer products and services that are “former” essentials?

- There's a global consensus that the most important issue facing the world today is jobs. So, regardless of whether the recovery is a U, V or W, if it doesn't produce jobs, it will not be a recovery in the eyes of citizens. There's potential here for considerable political and social disruption if governments are unable to act as swiftly to create jobs as they did to bail out financial institutions and car makers. We're already seeing the "green shoots" of unrest, especially in Europe, manifesting itself in a swing to the right. Witness the European elections. When the European parliament next meets in Strasbourg, its 736-seat legislature will be dominated by a much larger group of seats on the right, many fewer seats on the left, and a worrisome formation of the "angry." Obviously, local factors played into this (UK and Spain), but voters generally favoured both centre-right incumbents (France, Italy, Poland, Germany), and far right extremists. Get used to hearing more about the British National Party, the True Finns and the Party for Freedom (Netherlands). Recrudescence of fascism? We'd doubt it. But, still a reflection of public anger about the economy, immigration, and the concept of a Greater Europe. In the US, President Obama's high approval ratings (we're tracking him in the 60s) are unlikely to hold up if his economic stimulus plan doesn't resuscitate the moribund labour market.
- In spite of the dominant voice the US has in the world's financial media, this isn't all about the US economy. True, the spark that started the crisis was lit in the US, but the firestorm that emerged hasn't burned all nations the same. This edition of Global @dvisor shows that economic confidence dropped first and farthest in the US, but now seems to be steadying. For some emerging markets, if confidence declined at all, it has risen sharply since our last survey in late 2008, while Europe is still falling with no end in sight. So, in some countries it might be a U, in others it will be a V, in still others it won't be a letter at all.

Given these three lessons from Global @dvisor, it's clear that the world's political and economic leaders would be wise to understand that the trends of the past have been disrupted. And, that picking a letter to describe the anticipated recovery is not nearly as important as understanding the views of consumer citizens - they will determine where we go to from here.

The light at the end of the tunnel, or an oncoming train?

Gideon Skinner

Research Director, Ipsos MORI Social Research Institute

It seems we live in uncertain times. Our latest check on the pulse of world public opinion suggests the patient is stabilising, but there is still more pain to come. Only three in ten think their country's economy is in a good state, lower than at any time since the Global @dvisor series started in 2007, but at least the rate of decline has slowed over the last six months. Furthermore, there are even some signs that citizens are prepared to hope that things will get better: in half of the countries covered, people's confidence for their standard of living is beginning to pick up.

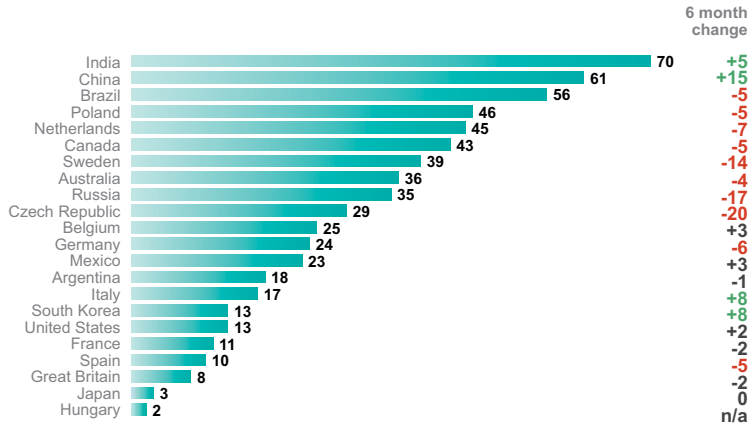
However, there is a long way to go yet. For one thing, while people may feel more confident that things will improve eventually, they are still in hunker-down mode to get through the immediate troubles. Perceptions do have an impact on people's behaviours, but at the moment it's concern over the present that's winning out over guarded optimism for the future, with three in four cutting back on their household spending. Online consumer citizens seem to be mirroring the thoughts of John Lipsky, First Deputy Managing Director of the IMF, that "it is far too early to conclude that the goal of restoring global growth has been accomplished"¹.

There's also a different pattern in different countries. Economic optimism is stabilising in the US (albeit at a low level), but still dropping in other developed economies such as Canada, Australia, and across much of Europe. The BRIC countries – some of the world's fastest growing economies in recent years – are split. Confidence is picking up in India and China, but falling in Brazil and Russia. This certainly doesn't suggest that online citizens expect a consistent, global recovery anytime soon.

1 <http://www.imf.org/external/np/sec/pr/2009/pr09219.htm>

Worldwide variation in economic confidence

% describing their country's economic situation as good



Base: 22,211 online consumer citizens, 14 April – 7 May 2009 Source: Ipsos Global @dvisor

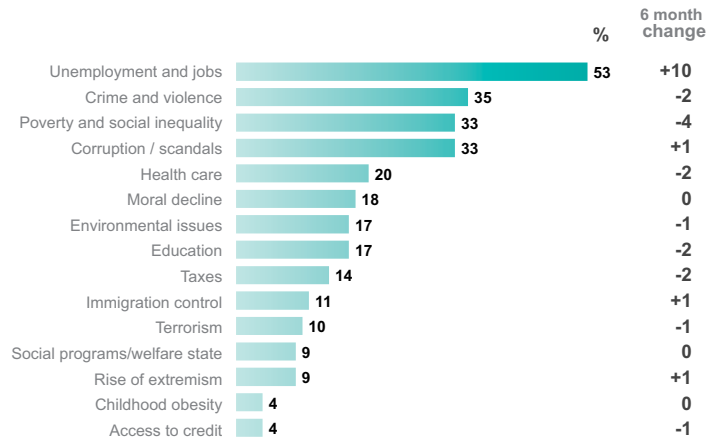
There are also signs that the recession has moved into a new phase. The immediate panic over the crisis in the financial markets may have passed, but now people's concerns have moved to its impact on the real economy – to be precise, on their jobs. Just over half say that jobs and unemployment is their biggest worry, up ten points over the last wave, and it is now the number one issue in 15 out of 22 countries, double the number six months ago. Again this demonstrates the extent to which this is a truly global crisis, and doesn't suggest we can expect an easy recovery. Nor is there any immediate comfort in the figures – the ILO recently revised its unemployment forecast upwards to between 210-239 million unemployed worldwide in 2009².

Concern about unemployment and jobs is at its highest in developed economies in North America, Europe and Australia, Japan and South Korea, but other regions have their own worries. Fear of crime and violence is highest in central and Latin America, and corruption is the number one issue in India and Russia. And then there are the specific issues that link countries in different regions: concern about terrorism in India, Turkey and Spain; poverty and social inequality in Latin America and Russia, but also France and Germany; health care in Poland, Brazil and North America; immigration in Great Britain, Australia, parts of western Europe and the US. But despite these differences, concern about unemployment is rising nearly *everywhere*.

² http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang--en/WCMS_106525/index.htm

Unemployment tops the world's agenda

Which three of the following topics do you find the most worrying in your country?



Base: 22,224 online consumer citizens, 14 April – 7 May 2009 Source: Ipsos Global @dvisor

This concern about jobs is not surprising when we see that seven in ten say they know someone who has lost their job, and by far the first indicator that people will be looking for as a sign the economy is improving will be a fall in unemployment. As we argue in the introduction, this sends a clear signal to governments around the world to show that they are treating the impact of the crisis on people's jobs as seriously as they took its impact on the financial and banking sector.

In our last Global @dvisor report, we discussed the existence of an international social pessimism gap, that in every country people feel much happier in their own lives than they do about the direction their country as a whole is taking. While this is always going to exist to some extent – we are only human after all – there is little sign that the massive action taken by governments in response to the crisis is making people any more positive about their country's direction (although there has been a boost in the United States since President Obama took office). Indeed, in most countries there is little sense that the money spent on stimulating the economy is backed up by a coherent plan, which doesn't bode well for governments hoping to get the benefit from the actions they have taken. And now there can be no excuses for not knowing what the worldwide public wants at the centre of that plan. Jobs.

The economic crisis — reputation and issues: Financial sector takes a reputational hit, but CPG is likely to pay the most

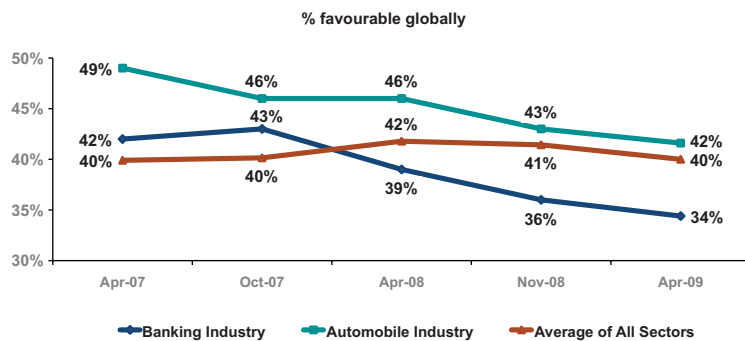
Trent Ross

Senior Vice President, Ipsos Public Affairs

The Banking Industry and the Automotive Industry continue to lose reputation as a result of the economic crisis. While the average reputation of all sectors has remained largely unchanged the reputation of the banking industry has declined eight points over the last two years. The Automotive Industry’s reputation has also declined, down seven points since April 2007.

Banking and Automobile industries have shown a global decline as other sectors have remained constant

Q Please indicate your overall opinion of the following industries and sectors...



Base: c22,000 online consumer citizens, 14 April – 7 May 2009

Source: Ipsos Global @dvisor

The Automotive Industry has taken the biggest reputation hit in North America where the Chrysler and GM bailouts and bankruptcies have clearly taken their toll. Currently more people in North America feel unfavorable (42%) than favorable (25%) toward the Automotive Industry for a net reputational loss of 25 points from April 2007. Net losses for the Automotive Industry have been much lower by comparison in LATAM (-9), Europe (-10), and APAC (-9).

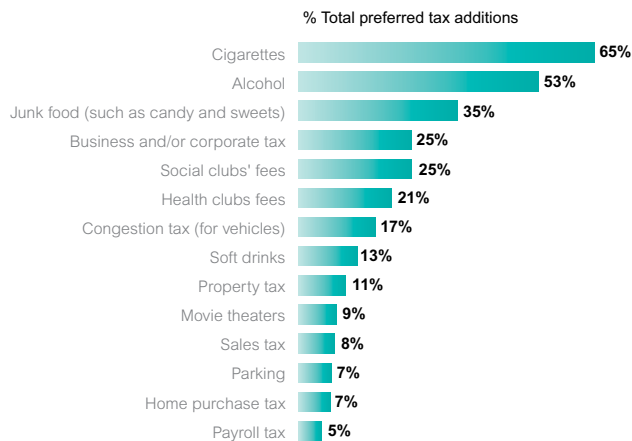
The Banking Industry has suffered the most in Europe. Attitudes toward the Banking Industry are more unfavorable (43%) than favorable (22%) in Europe and in North America (30% favorable to 38% unfavorable), with Europe having the much larger deficit. The Banking Industry has lost 37 net points of reputation in Europe since its high point in October 2007 and 36 net points in North America. By contrast, the Banking Industry has been relatively stable in Latin America (-3) and APAC (-6) since October 2007.

Despite these reputation losses the Automotive and Banking Industries are NOT the most popular target for making up the government revenue lost as a result of the economic crisis. Instead industries that have faired well overall, but that have some specific challenges, are being targeted by consumers.

First, and importantly, only 10% of consumers globally think governments should raise taxes to meet budgets while 90% prefer that governments reduce spending. However, support for “sin taxes” is very high, and spans every region of the world.

Taxing Agenda – Sin Taxes receive most support

**Q Many governments are considering adding new taxes as a way to meet their budgets.
If you had to raise taxes, in which top 3 products or services would you support a tax increase?**



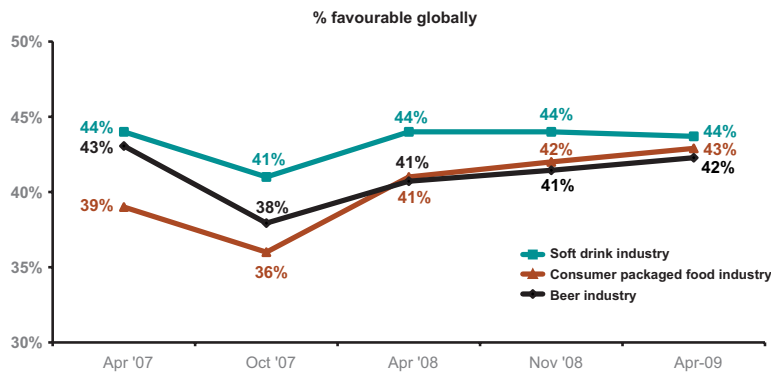
Base: 23,237 online consumer citizens, 14 April – 7 May 2009

Source: Ipsos Global @dvisor

Cigarettes remain everyone's favorite sin tax target with nearly two-thirds of consumers supporting a cigarette tax increase. This is not surprising given how the tide has turned for cigarette companies in the last ten years. However, more surprising is that over half of consumers support additional taxes on alcohol (53%) and over a third support additional taxes on junk food (35%). Another 13% of consumers support taxes on soft drinks. Each of these industries has weathered the reputational storm brought on by the financial crisis fairly well, as shown below.

Alcohol, soft drink and packaged food industries have maintained their reputation

Q Please indicate your overall opinion of the following industries and sectors...



Base: c22,000 online consumer citizens, 14 April – 7 May 2009

Source: Ipsos Global @dvisor

Nonetheless these industries are being expected by consumers to bail governments out of problems that many perceive were caused by the banking and automotive industries. Arguably the 25% support for additional business/corporate taxes could be viewed as holding banks accountable, but only 17% support a congestion tax that would have negative impacts on the automotive industry.

Companies in the alcohol, snack food, and beverage industries need to be aware that despite good overall reputations they are squarely in the bull's-eye for punitive tax increases. These companies generally know that they have underlying weaknesses in the area of health that need to be addressed. The combination of huge economic shortfalls and the perceived "easy road" of sin taxes on their products make the need to address these reputational weak points much more urgent. These companies need to act now while they still have a solid reputational base to address their weaknesses and avoid having the onus of the economic recovery shifted to their shoulders.

Global @dvisor methodology

This report contains data from the fifth wave of the Ipsos Global @dvisor, an online survey of 23,000 consumer citizens across 23 countries, twice yearly. 75% of the world's GDP is covered: US, Canada, Brazil, Mexico, Argentina, South Korea, China, Japan, Australia, Russia, India, Czech Republic, Poland, Turkey, Sweden, Netherlands, Belgium, Germany, France, Italy, Spain, Hungary and Great Britain.

In this wave, 23,237 interviews were carried out between 14 April to 7 May 2009. Internet representation is balanced by age, gender, city population, and education levels, with minor added weights applied. Approximately 1,000 interviews were carried out in each country, representing a +/- 3.1% margin of error at the 95% confidence level³.

³ This assumes the standard errors will be the same as those calculated from a probability sample with a corresponding sample design, and do not allow for a design effect, which is likely to apply, and increase the margin of error.

Further information

The Ipsos Global @dvisor is a semi-annual, online survey of 23,000 consumer citizens in 23 countries across the globe, covering 75% of the world's GDP. It produces syndicated reports and studies specifically tailored to the needs of corporations, advertising and PR agencies, and governments. For more information about Global @dvisor, please contact:

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