

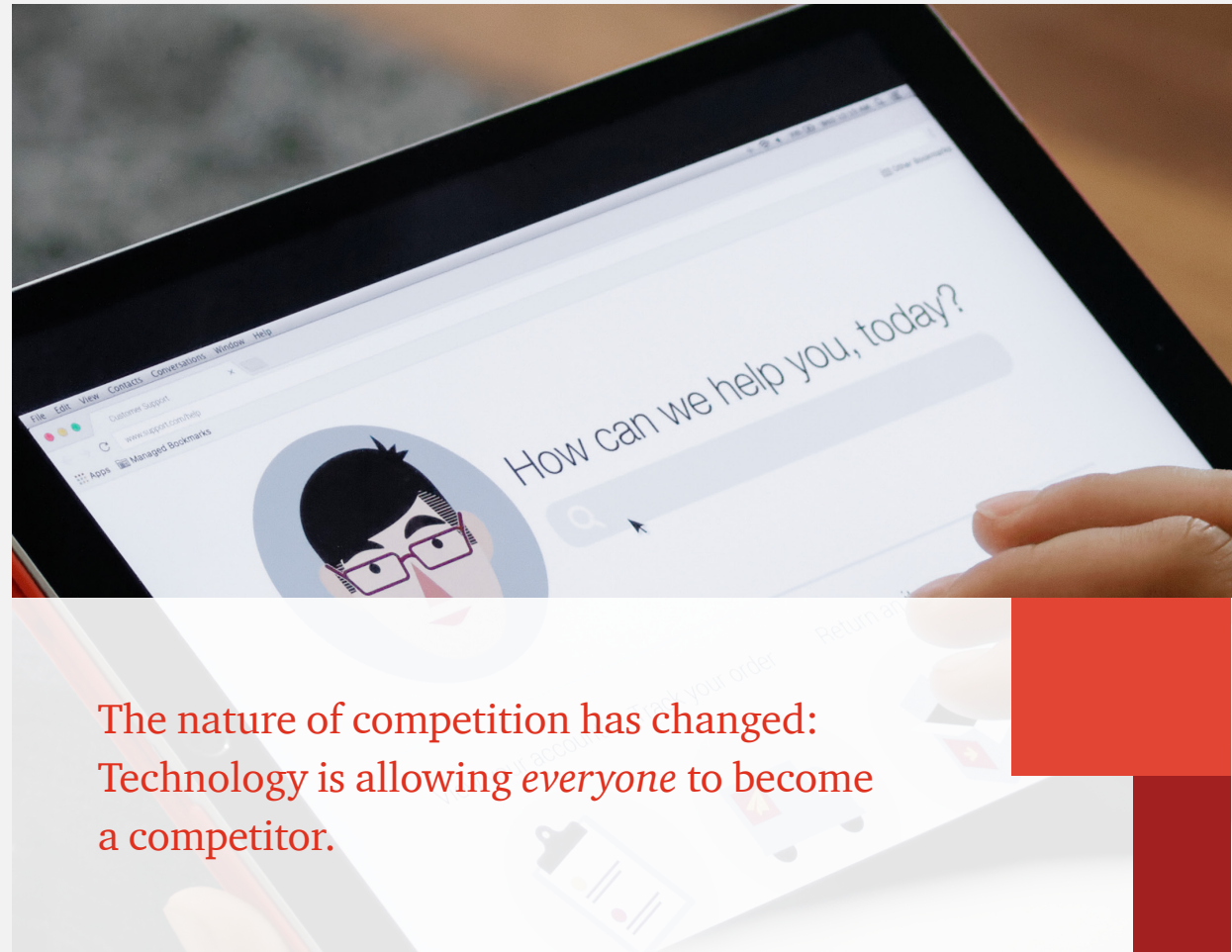
Global Consumer Insights Survey 2018

Global consumers, CEOs aligned in their optimism


pwc

Where the bywords of PwC's annual consumer research project were once terms like 'digital,' 'multichannel,' and 'online,' the label that best describes what's happening now is 'convergence.' All manner of companies that serve consumers are taking on the characteristics of leading companies in other industries. Whether it's Amazon buying Whole Foods, CVS announcing a deal to purchase the health insurer Aetna, Target buying delivery company Shipt, or retailers opening pharmacies, entire industries have been served notice that the nature of competition has changed: technology is allowing *everyone* to become a competitor. Even more sobering, these same advances are allowing competitors from left field to mimic once formidable competitive advantages.

All of which leaves consumers with more choice, more channels, and more information than ever before. In this article, we'll explore how the consumers surveyed in our research—as well as CEOs around the world—view the state of their respective national economies.



The nature of competition has changed:
Technology is allowing *everyone* to become
a competitor.

Consumers' view of the world

In the past, we have mined our tranche of consumer data to answer narrow questions around shopping behaviour. Given the growing power of the consumer and how connected the world is becoming, we devoted several questions of our 2018 survey to overall consumer confidence.

The results, coupled with PwC's 21st 2018 CEO Survey data, were startling. Despite the much publicised recession-induced 'New Normal' that has been tamping down consumer spending power and corporate investment since 2008, the data says that both consumers and CEOs are very confident about the next few years. In fact, when we ask consumers about their impression of the overall economy in their country for 2018 (see Figure 1, on the next page), one-third say that the economy will perform better than the previous year, and, further, 41% say the economy will perform the same. Just 21% believe the economy will perform worse in 2018. We also ask survey respondents to quantify their personal spend in the next 12 months, and almost three-quarters say they plan to spend more, or the same, than the previous 12 months.

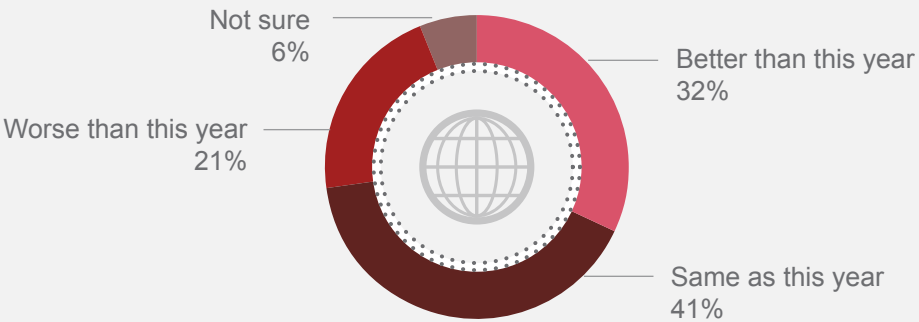
Overall, given predictions from economists about the nature of global GDP over the next few years, there is a clear difference between expert projections and the confidence that consumers on the ground, as well as CEOs, are experiencing. The International Monetary Fund's most recent World Economic Outlook, published in October 2017, projects global GDP growth as under 4% annually through 2022, the continuing of a sub-4% trend since 2012. This is in stark contrast to the pre-global recession days of global GDP growth of 4.9% in 2005, 5.5% in 2006, and 5.6% in 2007.¹ Despite the prospect of no real uptick in global GDP, then, consumers are nonetheless decidedly upbeat about their national economy, as well as their ability to thrive within it. As we'll see later, CEOs around the world are even more confident than consumers when it comes to the global economy.²

Of course, there are stark differences from country-to-country. For example, the Asian territories tended to be the most optimistic, likely because of the consistent GDP growth in China and several emerging economies in Asia. In fact, the top four countries most positive in their outlook of how their national economy will perform are all Asian: Philippines, Indonesia, China and Vietnam.

Asian territories tended to be the most optimistic, likely because of the consistent GDP growth in China and several emerging economies in Asia.

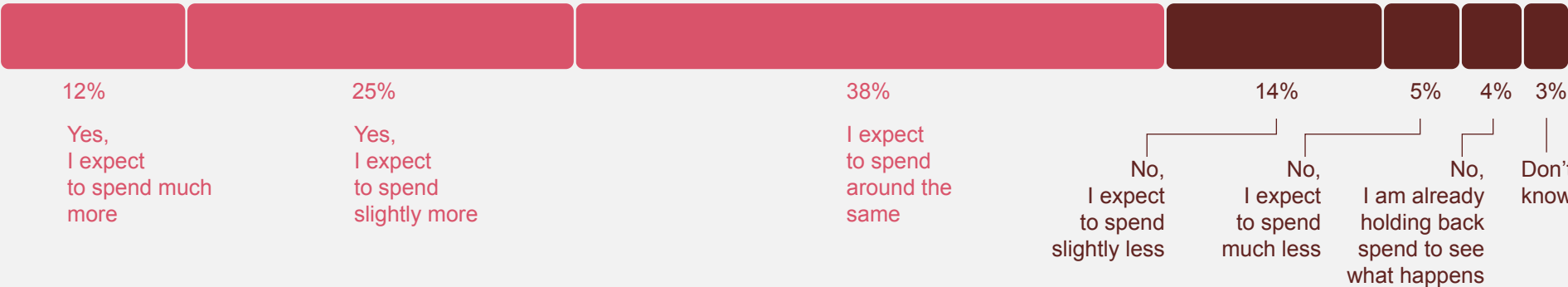


Figure 1: Globally, consumers are upbeat about the economy and their personal spend
Impression of overall economy:



Q: Not taking into account your personal circumstances, what is your impression of how the overall economy in your country will perform in 2018?

Confidence of personal financial situation:



Q: Do you feel confident about your personal financial situation in terms of your shopping spend plans for the next 12 months?

Base: 22,481

Source: PwC, Global Consumer Insights Survey, 2018.

Meanwhile, as can be seen in Figure 2, those countries most pessimistic in their outlook each hail from a different geographic area: South Africa, Malaysia, UK (Western Europe), and Hungary (Eastern Europe), implying that the concerns of these survey respondents are particular to their country. Indeed, what's not apparent in the chart, but present in the underlying data, is that each of these groups of respondents who plan to spend less in the next 12 months cited some of the following concerns: economic recession and inflation in South Africa, Brexit in the UK, inflation and economic recession in Hungary, and fuel and gas concerns in Malaysia. In other words, any weakness in confidence doesn't seem to result from contagion related to one or two big issues.

Figure 2: Asian countries are the most positive in their outlook when asked how the overall economy will perform this year

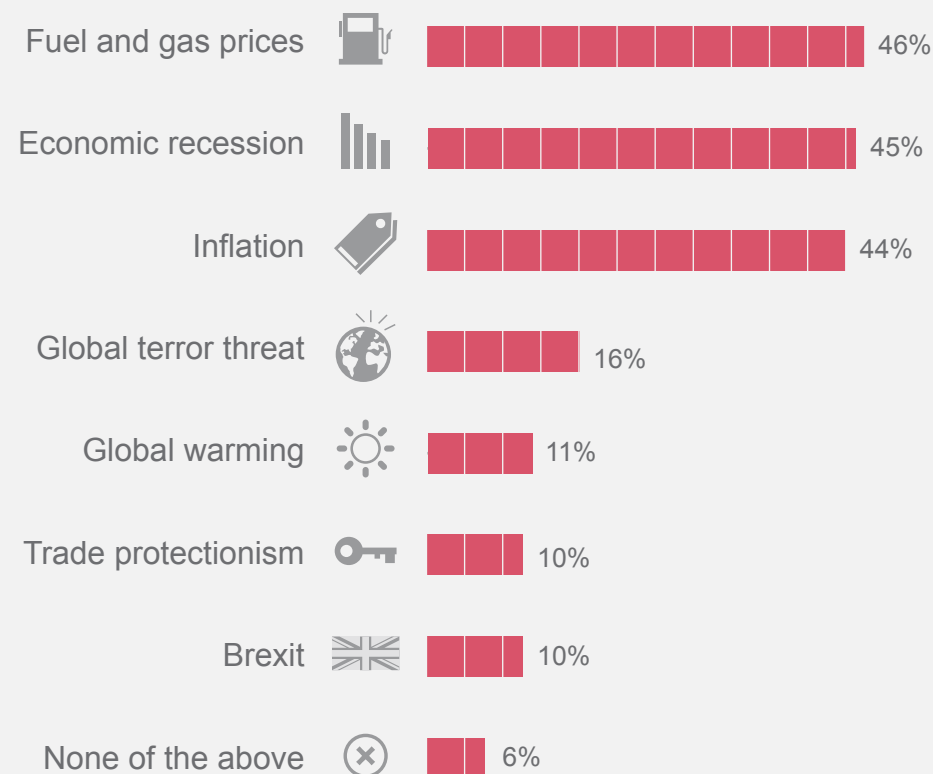


Q: Not taking into account your personal circumstances, what is your impression of how the overall economy in your country will perform in 2018?
Source: PwC, Global Consumer Insights Survey, 2018

All that said, there are particular areas of unease for consumers. Looking specifically at those survey respondents globally who expect to spend less in the next 12 months, worries around fuel prices, recession, and inflation dwarfed other concerns (see Figure 3). Interestingly, each of these three concerns clearly have a direct impact on the consumer purchasing power for our survey respondents, while some of the other factors we include as survey choices that don't register as big concerns with our survey respondents—global terrorism, global warming, trade protectionism—are, typically, perceived as having a far more indirect effect in a consumer's ability to purchase a latte or fill the cupboard with organic, high-end groceries.

In Figure 4 on the next page, we sum up the data more completely at the regional level to help provide some further insight as to why specific groups of global consumers are spending less or holding back spend. For countries in Africa and the Middle East the biggest concerns were around fuel and gas prices and economic recession (in other words, basic needs); in Eastern Europe inflation was the biggest concern; while in Western Europe, fuel and gas prices and economic recession were the biggest concerns.

Figure 3: Those with concerns about the economy have mixed reasons at a global level

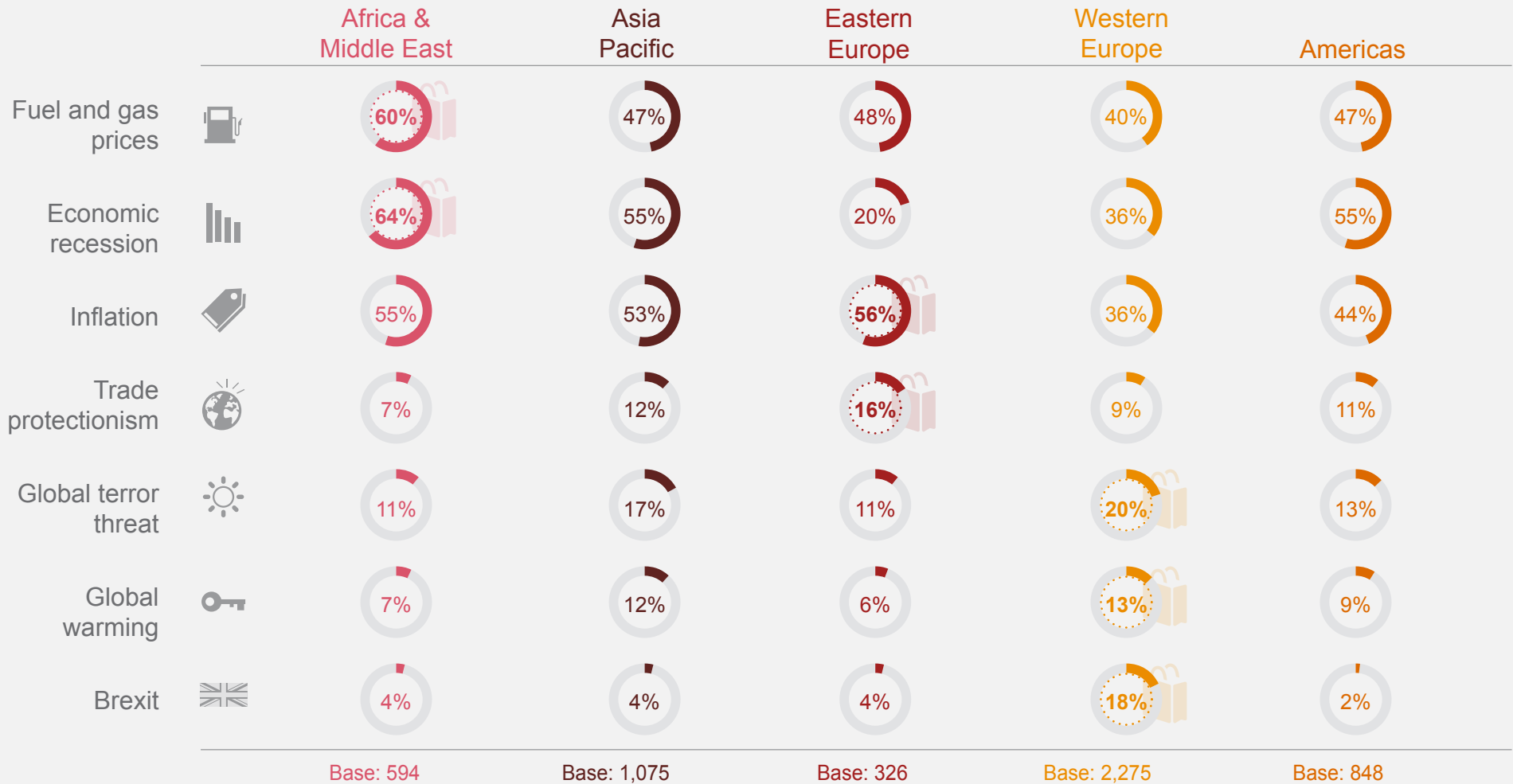


Q: Which of the following external factors do you think will most impact your spend on shopping over the next 12 months?

Base: 5,118

Source: PwC, Global Consumer Insights Survey, 2018

Figure 4: Regional differences are evident in what external factors will impact the economy



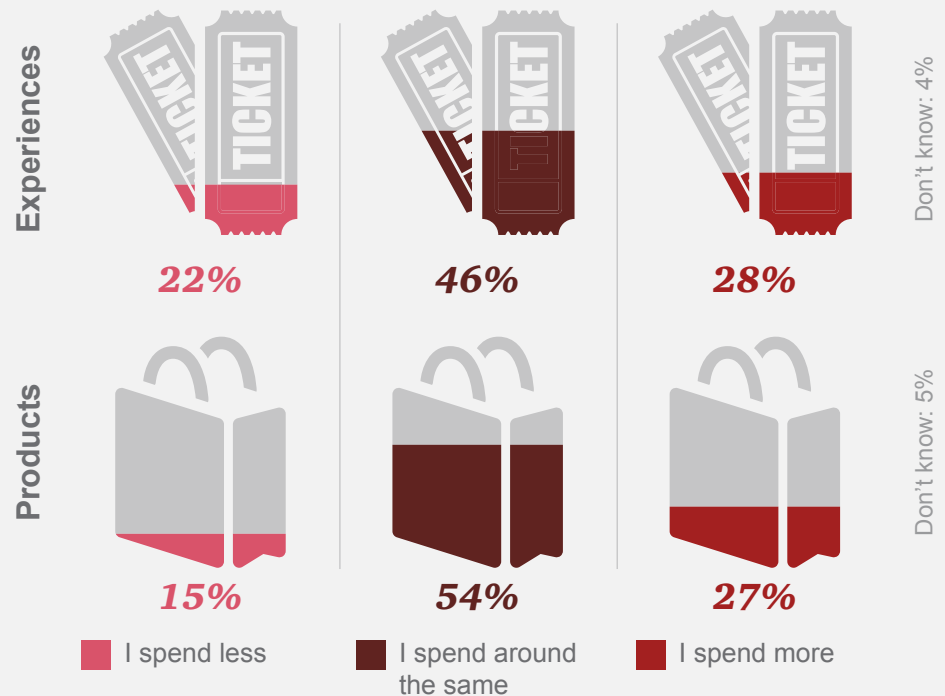
Q: Which of the following external factors do you think will most impact your spend on shopping over the next 12 months?

Source: PwC, Global Consumer Insights Survey, 2018.

Consumer confidence looked at another way

This year, we also asked consumers about how they view purchasing products versus unique experiences. While we specifically wanted to learn how consumers in different age groups behave when it comes to buying ‘stuff’ versus purchasing a valued experience that can be remembered, shared on social media, etc., these questions have shed some more light on overall consumer confidence as well. Among the questions we asked was how respondents’ disposable income spending habits had changed in these two categories over the previous 12 months. At the same time, 28% spent more on experiences, and 27% spent more on products. Forty-six percent spent the same on experiences and 54% spent the same on products (see Figure 5). This is another indication that, overwhelmingly, people are confident about their continued ability to spend on additional products and experiences.

Figure 5: Over a quarter of consumers are spending more on products and experiences



Q: Not taking into consideration price inflation, how has your disposable income spend changed, if at all, in the last 12 months in the following categories?

Base: 22,481

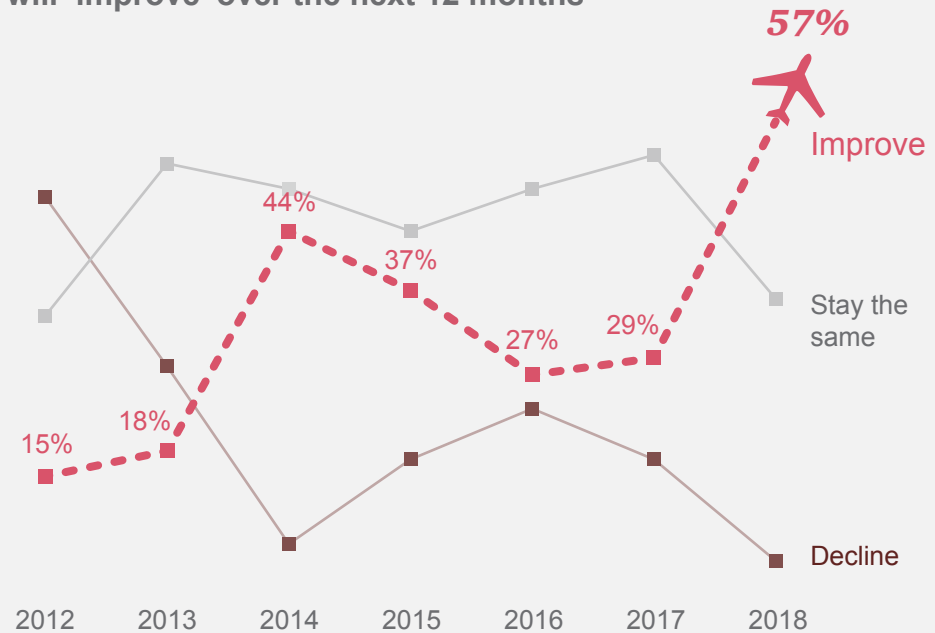
Source: PwC, Global Consumer Insights Survey, 2018

Confidence in the C-suite

PwC has been publishing our annual CEO survey for more than 20 years, but in our 2018 research we're encountering some never before seen phenomenon. In particular, as the chart below illustrates, this year saw the highest-ever jump in CEO optimism regarding global growth. When we ask whether CEOs believe that global growth will improve, stay the same, or decline over the next 12 months, 57% said they thought global growth would improve, up nearly 30 percentage points from 2017's 29% of our CEO respondents that believed global growth would improve. Moreover, as Figures 6 and 7 indicates, this optimism is fairly evenly distributed all around the world.

Lastly, while consumer confidence is firmly rooted in Asia, 46% of our respondents say the US is the top spot for investment. CEO confidence is rooted in a US market that has strong corporate profits, new tax laws that will lower the US corporate income tax, an eight-year bull market in the Dow Jones Industrial Market, and historic lows of unemployment.

Figure 6: A majority of CEOs believe global economic growth will 'improve' over the next 12 months



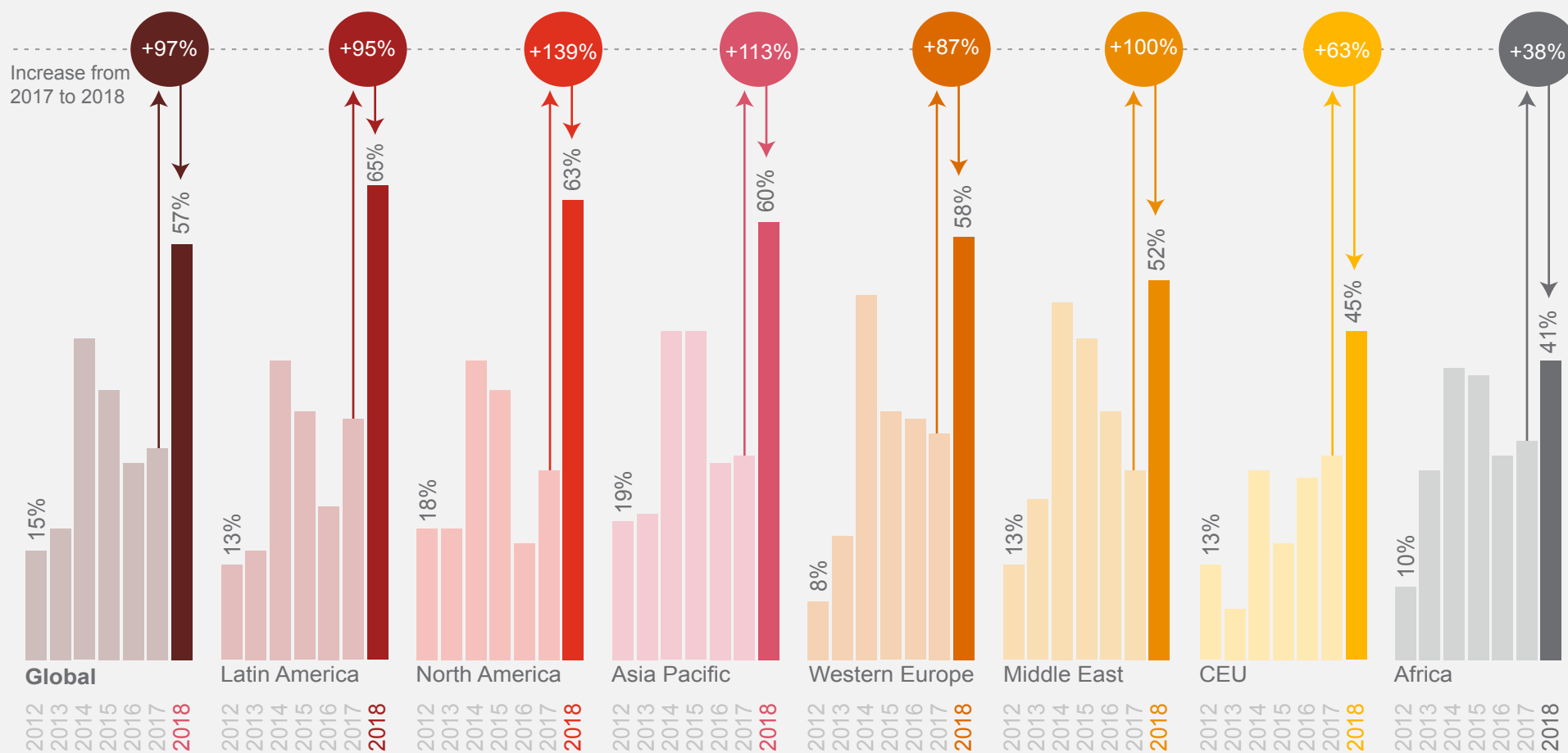
Q: Do you believe economic growth will improve, stay the same, or decline over the next 12 months?

Base: All respondents (2018=1,293; 2017=1,379; 2016=1,409; 2015=1,322; 2014=1,344; 2013=1,330; 2012=1,256)

Note: From 2012-2014 respondents were asked, "Do you believe the global economy will improve, stay the same or decline over the next 12 months?"

Source: PwC, 21st Annual Global CEO Survey

Figure 7: All regions are at record levels of optimism in 2018



Q: Do you believe global economic growth will improve, stay the same, or decline over the next 12 months? (showing only “improve”)

Base: All respondents (2018=1,293; 2017=1,379; 2016=1,409; 2015=1,322; 2014=1,344; 2013=1,330; 2012=1,256)

Note: From 2012-2014 respondents were asked, “Do you believe the global economy will improve, stay the same or decline over the next 12 months?”

Source: PwC, 21st Annual Global CEO Survey



Sources

- 1 International Monetary Fund website, 30 January 2018,
http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD
- 2 PwC, *21st CEO Survey: The Anxious optimist in the corner office*, January 2018.

Key contacts around the world

Global Consumer Markets Leader

John Maxwell
T: +1 646 471 3728
E: john.g.maxwell@pwc.com

Australia

Chris Paxton
T: +61 2 8266 2903
E: chris.paxton@pwc.com

Belgium

Filip Lozie
T: +32 3 259 3348
E: filip.lozie@pwc.com

Brazil

Ricardo Neves
T: +55 11 3574 3577
E: ricardo.neves@pwc.com

Canada

Sonia Boisvert
T: +1 514 205 5312
E: sonia.boisvert@pwc.com

China and Hong Kong

Michael Cheng
T: +825 2289 1033
E: michael.wy.cheng@hk.pwc.com

Kevin Wang
T: +86 (21) 2323 3715
E: kevin.wang@cn.pwc.com

France

Sabine Durand-Hayes
T: +33 (1) 56 57 85 29
E: sabine.durand@pwc.com

Germany

Gerd Bovensiepen
T: +49 211 981 2939
E: g.bovensiepen@pwc.com

Hungary

Peter Biczó
T: +36 (1) 461 9235
E: peter.biczó@pwc.com

Ireland

John Dillon
T: +353 (0) 1 7926415
E: john.p.dillon@ie.pwc.com

Italy

Elena Cogliati
T: +39 (2) 7785 567
E: elena.cogliati@pwc.com

Japan

Haruhiko Yahagi
T: +81 (70) 1530 6481
E: haruhiko.h.yahagi@pwc.com

Middle East

Norma Taki
T: +971 (4) 304 3571
E: norma.taki@pwc.com

Netherlands

Shana Laurie de Hernandez
T: +31 88 792 5029
E: shana.laurie@pwc.com

Poland

Krzysztof Badowski
T: +48 22 742 6716
E: krzysztof.badowski@pwc.com

Russia

Martijn Peeters
T: +7 495 967 6144
E: martijn.peeters@pwc.com

South Africa

Anton Hugo
T: +27 21 529 2008
E: anton.hugo@pwc.com

Southeast Asia

Charles KS Loh
T: +65 6236 3328
E: charles.ks.loh@sg.pwc.com

Spain

Roberto Fernandez Humada
T: +34 915 685 178
E: roberto.fernandez.humada@es.pwc.com

Alvaro Moral

T: +34 915 685 069
E: alvaro.moral@es.pwc.com

Sweden

Peter Malmgren
T: +46 (0) 723 530020
E: peter.malmgren@pwc.com

UK

Lisa Hooker
T: +44 20 721 31172
E: lisa.j.hooker@pwc.com

US

Steve Barr
T: +1 415 498 5190
E: steven.j.barr@pwc.com

About PwC's Global Consumer Insights Survey

Since 2010, PwC has annually surveyed thousands of consumers around the globe to track shopping behaviour, and then chronicled these findings in various global reports on the future of retail under the "Total Retail" banner.

This year we decided that a new umbrella term for our findings was warranted: PwC's Global Consumer Insights Survey. We want to acknowledge that the once bright lines demarking retailers, manufacturers, technology companies, logistics service providers, and healthcare organisations are becoming more and more obscured as consumers are more open than ever to non-traditional solutions.

www.pwc.com/consumerinsights

Project direction

Mike Brewster

Claire-Louise Moore,
PwC Research

Lisa An

Ciara Campbell,
PwC Research

Core research team

Denise Dahlhoff, *Research Director*
Baker Retailing Center at the Wharton
School of the University of Pennsylvania

Simon Bender

Irena Cerovina

Esther Mak

Bénédicte Mat

Owen McFeely

Krystin Weseman