



Surveying and calculation methods used in producing the GfK consumer climate indicator

Rolf Bürkl
GfK Marktforschung
Tel. +49 911 395-3056
Fax +49 911 395-4084
rolf.buerkl@gfk.com

Marion Eisenblätter
Corporate Communications
Tel. +49 911 395-2645
Fax +49 911 395-4041
marion.eisenblaetter@gfk.com

The GfK indicators on the consumer climate are based on surveys conducted on a monthly basis, investigating the mood of consumers. These surveys focus on both the overall economic situation and the circumstances of the individual households themselves.

Surveying methods

Consumers are questioned about the consumer climate on a monthly basis in the GfK CLASSIC BUS survey. This is a face-to-face omnibus survey, which is carried out across Germany.

The GfK CLASSIC BUS is conducted using CAM*QUEST® (Computer Assisted Multimedia Questioning). Interviewers use the very latest CAPI devices, with color screens and pen technology. This means that the respondent's answers are entered directly with the help of a pen. This method offers all the advantages of computer-supported questionnaires, such as:

- automatic filtering
- possibility of rotation and randomization of answer options
- automatic plausibility control (logically incorrect answers are not accepted)

The high-resolution color screen enable images, logos and pictures of products to be integrated into the survey. Even jingles and TV advertisements can be realistically reproduced.

Calculation of the five key indicators: economic expectations, price expectations, income expectations, the propensity to buy and the propensity to save

Calculation of the indicators is based on **"balances"**: the percentage of consumers who answered negatively (e.g. the financial situation of the household will [greatly] deteriorate) is subtracted from the percentage of those who answered positively (e.g. the financial situation of the household will [greatly] improve).

GfK SE
Nordwestring 101
D-90419 Nuremberg

Tel. +49 911 395-0
Fax +49 911 395-2209
public.relations@gfk.com
www.gfk.com

Management Board:
Professor Dr.
Klaus L. Wübbenhorst
(CEO)
Christian Weller von Ahlefeld
(CFO)
Petra Heinlein
Debra A. Pruent
Dr. Gérard Hermet
Wilhelm R. Wessels

Supervisory Board Chairman:
Dr. Arno Mahlert

Commercial register
Nuremberg HRB 25014



For example:

Answers to the question on the expected financial situation of the household in the coming months (= income expectation):

- Will greatly improve: 5% (++)
- Will improve: 25% (+)
- Will remain the same: 50% (0)
- Will deteriorate: 10% (-)
- Will greatly deteriorate: 5% (--)
- No answer: 5%

Balance: $5\% + 25\% - 10\% - 5\% = +15$

In a further step, this balance is standardized and transformed using established statistical procedures, so that the long-term average of the indicator is 0 points and incorporates a theoretical range of values from +100 to -100 points. However, empirical values of between +60 and -60 points have been more realistic since 1980.

If an indicator shows a positive value, this means that in a long-term comparison, the assessment of this variable by consumers is above-average. The reverse is true for negative values.

Questionnaire

The following questions form the basis for the above-listed individual indicators:

- F1 How do you think the financial situation of your household will develop in the next twelve months? It will ...
- improve considerably 1
 - improve slightly 2
 - remain more or less the same 3
 - deteriorate slightly 4
 - deteriorate considerably 5
 - don't know 9
- F2 How do you think the general economic situation in Germany will develop in the next twelve months? It will ...
- improve considerably 1
 - improve slightly 2
 - remain more or less the same 3
 - deteriorate slightly 4
 - deteriorate considerably 5
 - don't know 9
- F3 How do you think consumer prices will develop in the next twelve months in comparison with the past twelve months? They will ...
- increase more than previously 1
 - increase by around the same amount as previously 2
 - increase less than previously 3
 - remain more or less the same 4
 - fall 5
 - don't know 9
- F4 Considering the general economic situation, do you think it is advisable to make major purchases (furniture, electric/electronic appliances, etc.) at the moment?
- yes, now is a good time 1
 - now is neither a particularly good nor a particularly bad time 2



- no, now is not a good time 3
 - don't know 9
- F5 Considering the general economic situation, do you think it is advisable to save money at the moment?
- yes, definitely 1
 - yes, probably 2
 - probably not 3
 - definitely not 4
 - don't know 9

Calculation methods

There is a difference between the above-listed individual indicators, each of which are based on a question put to consumers, and the **consumer climate** indicator.

This indicator is the result of an extensive regression analysis, with the rates of change in private consumer spending as dependent variables and income expectations, the propensity to buy and propensity to save as independent variables. This means that the consumer climate is based on a regression model, which also offers the possibility of forecasting.

The consumer climate is expressed in points, which can be converted into growth rates for private consumption. By dividing the consumer climate value by 10, it is possible to obtain the growth rates for real private consumption in per cent compared with the corresponding period in the prior year.

For example:

A consumer climate value of 3.5 points in August 2009 indicates that, from the perspective of consumers, real private consumption will increase by around 0.3% to 0.4% compared with August 2008.

The GfK Group

The GfK Group offers the fundamental knowledge that industry, retailers, services companies and the media need to make market decisions. It delivers a comprehensive range of information and consultancy services in the three business sectors Custom Research, Retail and Technology and Media. The no. 4 market research organization worldwide operates in more than 100 countries and employs over 10,000 staff. In 2008, the GfK Group's sales amounted to EUR 1.2 billion. For further information, visit our website: www.gfk.com.