



Press Release

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German consumer climate experiences only a slight decline

Findings of the GfK consumer climate study for October 2009

Nuremberg, October 26, 2009 – The consumer climate in Germany has experienced a slight decline in autumn. Both income expectations and the propensity to buy recorded losses. However, economic expectations continued their upward trend in October. The overall indicator is forecasting a value of 4.0 points for November 2009, following a revised value of 4.2 points in October.

As a result of reports over the past few weeks that the economy in Germany could recover more quickly than previously forecast, the economic outlook is being assessed more optimistically. However, not unexpectedly, Germans are viewing their own economic situation with slightly less confidence against the background of increasing problems on the labor market, although the feared slump in employment has so far failed to materialize. The propensity to buy has also decreased in the wake of falling income expectations. One reason for this is certainly the discontinuation of the scrappage bonus at the end of September.

Economic expectations: upward trend continues

The upward trend in Germans' economic expectations has continued in autumn. The indicator rose by more than 5 points in October and now stands at 8.7 points. This marks the seventh rise in a row.

Consumers are increasingly expecting that the process of economic recovery will begin slightly earlier than anticipated several months ago. In the past few weeks, growth forecasts for this year and the coming year have been adjusted upwards significantly. The autumn report produced by the leading economic institutes now anticipates that the gross domestic product will fall by 5% this year, whereas experts had previously been expecting a decrease of 6%. Next year, it is even set to grow by 1.2%; in spring this year a decline of 0.5% was still expected. With an increase of 0.6 points, the current Ifo Business Climate Index is indicating a further tentative recovery in the economy. In particular, the gradual recovery in global trade, which is also likely to stimulate German exports once again, will play an important role here. This more optimistic scenario also provides justification for the hope that the negative development on the German labor

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market will prove to be less dramatic than was forecast in earlier months: the institutes are currently assuming that the number of unemployed people will rise to 4.1 million on average in the coming year. Half a year ago, the forecast for the number of job seekers was 600,000 higher.

Income expectations: moderate decline

Following four increases in a row, income expectations recorded a slight drop in October. However, the loss (of 3.1 points) is moderate. Currently, the indicator is recording a value of 12.9 points, which represents an increase of just under 26 points in comparison with the corresponding month of the previous year.

The price of crude oil again climbed significantly in October this year, and exceeded the previous year's level in the middle of this month. It is therefore to be assumed that the energy market will not have any further dampening effects on prices in the near future. The low prices of crude oil were primarily responsible for the low inflation seen in the first half of 2009. This stimulus, which previously triggered stronger purchasing power, will therefore lose its positive impact on income expectations. On the other hand, the high level of competition in the food retail sector is continuing to result in stable prices.

Propensity to buy: at a good level in spite of losses

The propensity to buy has not been able to retain its previous level in October: the indicator recorded a decrease of around 10 points. However, it is still at a comparatively good level, standing currently at 26.1 points. This is also shown by the fact that the propensity to consume is currently more than 44 points above its corresponding level in the previous year.

The decline this month is partly attributable to moderate income expectations. Furthermore, consumer price expectations are no longer decreasing. A turning point has clearly been reached here. The rate of inflation is likely to enter positive territory once again in the coming months, predominantly as a result of energy prices. Finally, the discontinuation of the scrappage bonus means that this element of support for the propensity to buy has been lost. The very pleasing development of the indicator over the last few months was attributable to a high number subsidized car purchases, as well as to the steady price climate.

Consumer climate: only a slight decline

The overall indicator is forecasting a value of 4.0 points for November, following a revised value of 4.2 points in October. This means that the consumer climate has recorded a decline for a first time since September 2008. However, the indicator remains safely in positive figures, even if the level continues to be rather modest in a long-term comparison. The average value since reunification stands at 9 points, and is therefore considerably higher than the current position.

Despite this slight setback, private consumption remains the major source of support for the German economy this year, since investments and exports will record large decreases at the close of 2009. It remains to be seen whether private consumption can also fulfill this supportive function in the coming year. A rise in unemployment will have a negative impact on the domestic economy. However, owing to the slightly brighter economic outlook for 2010, it is to be hoped that the originally feared slump in employment will not occur, and that unemployment will climb less steeply than predicted.

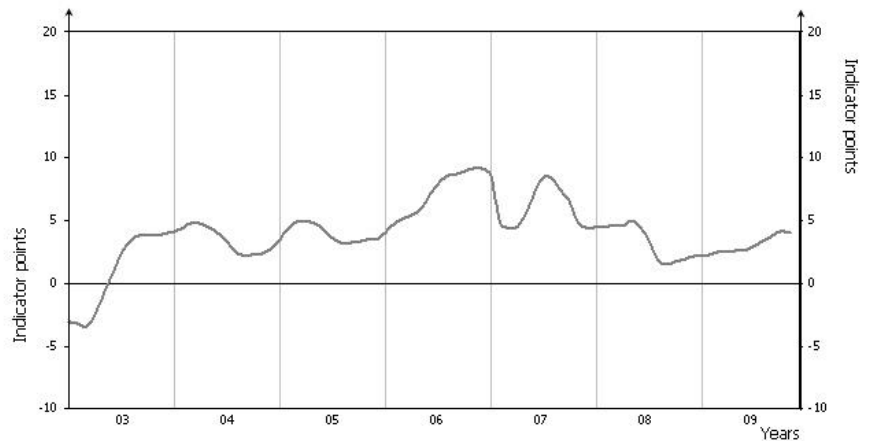
The following table shows the development of the individual indicators in October in comparison with the previous month and previous year:

	October 2009	September 2009	October 2008
Economic outlook	8.7	3.4	-27.5
Income expectations	12.9	16.0	-12.9
Buying propensity	26.1	36.5	-18.2
Consumer climate	4.2	3.8	1.5



The following chart shows the development of the consumer climate indicator over the past few years:

GfK consumer climate indicator (as at: October 2009)



The survey

These findings are extracts from the “GfK consumer climate MAXX survey”, which is based on around 2,000 consumer interviews conducted each month on behalf of the EU Commission. The report contains charts, forecasts and a detailed commentary regarding the indicators. In addition, the report includes information on proposed consumer spending in 20 different areas of the consumer goods and services markets. The GfK consumer climate survey has been conducted since 1980.

The next publication date will be on November 25, 2009.

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The table below provides an overview of the individual indicators:

Economic outlook	This index is based on the following question to consumers: "How do you think the general economic situation will develop in the next 12 months?" (improve – stagnate – deteriorate)
Income expectations	This index is based on the following question to consumers: "How do you think the financial situation of your household will develop in the next 12 months?" (improve – stagnate – deteriorate)
Consumption and buying propensity	This index is based on the following question to consumers: "Do you think it is advisable to make major purchases at the moment?" (good time – neither good nor bad time – bad time)
Consumer climate	This index is used to describe private consumption. Key factors are income expectations, buying propensity and savings trends. The economic outlook has a more indirect effect on the consumer climate, generally as a result of income expectations.

Provisional publication dates for 2009 GfK consumer climate reports:

Wednesday, November 25, 2009

Tuesday, December 22, 2009

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