



Press Release

The next consumer climate report will be published on September 25, 2008

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Weak economic outlook still dampening German consumer climate

Findings of the GfK consumer climate study for August 2008

Nuremberg, August 26, 2008 – The consumer climate for August was depressed further by the very subdued economic outlook. Even significantly lower crude oil prices did nothing to brighten the consumer mood. As a result, the indicator reflecting propensity to buy has continued to decline. Solely income expectations recovered after the sharp downturn in July. The consumer climate for September is therefore forecasting 1.5 points after a revised value of 1.9 points in August. The indicator last scored a comparable low value in summer 2003.

Subdued economic prospects and the expectation of additional price hikes continued to depress consumer sentiment in August. While income expectations recovered slightly from the marked downturn in the prior month, economic expectations were dampened further. The propensity to buy, which in a long-term comparison has been far below average for many months, recorded a further slight reduction.

The economic climate: marked downturn

Following a reduction of 15.5 points in the prior month, economic expectations have ceded an additional 13.8 points to now stand at -20 points. The indicator last fell below this value over four years ago in July 2004.

In the second quarter of 2008, the German economy recorded negative economic growth for the first time in around four years, with consumers increasingly pessimistic about the economy. Alongside low levels of incoming orders and declining economic indicators, negative headlines regarding the still ongoing financial crisis are fuelling economic concerns.

Income expectations: slight recovery

Consumers are not interpreting the marked decrease in crude oil prices as an all clear signal when it comes to purchasing power. The indicator for income expectations amounted to -16.8 points in August. Compared with July, this

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represents a slight recovery of 3.2 points. However, the long-term comparison highlights that the indicator level has remained below average.

The latest reports on developments regarding manufacturer and wholesale prices indicate no change in the high rate of inflation in the medium term. No substantial recovery is expected in energy prices either. Although crude oil prices have decreased, consumers face a marked rise in gas prices in autumn 2008 according to recent announcements. Although nominal wage and salary rises are above average this year, they are likely to be overshadowed completely by price increases. The labor market remains robust, but has receded into the background of consumer's minds in view of the inflation trend.

Propensity to buy: dampened by inflation

The propensity to buy has continued on its downward tailspin. The indicator lost 1.7 points in August to stand at the current level of -27.9 points. GfK last recorded similarly low values in mid-2005.

Inflation is broad-based at present. High energy prices are reducing the purchasing power of consumers. With manufacturing and wholesale prices rocketing most recently, there is little hope of an easing in the price trend of other fast moving consumer goods. Based on inflation, real disposable income for consumption will therefore hardly see an increase this year, despite marked nominal rises in income. Consequently, consumers are showing little inclination towards making major purchases at the moment.

Consumer climate: subdued in view of the weak economy

The consumer climate is declining further. The overall indicator is forecasting a value of 1.5 points for September after the revised 1.9 for August.

In addition to the continued price hikes for energy and fast moving consumer goods, expectations of weaker economic development are depressing the consumer mood, in particular.

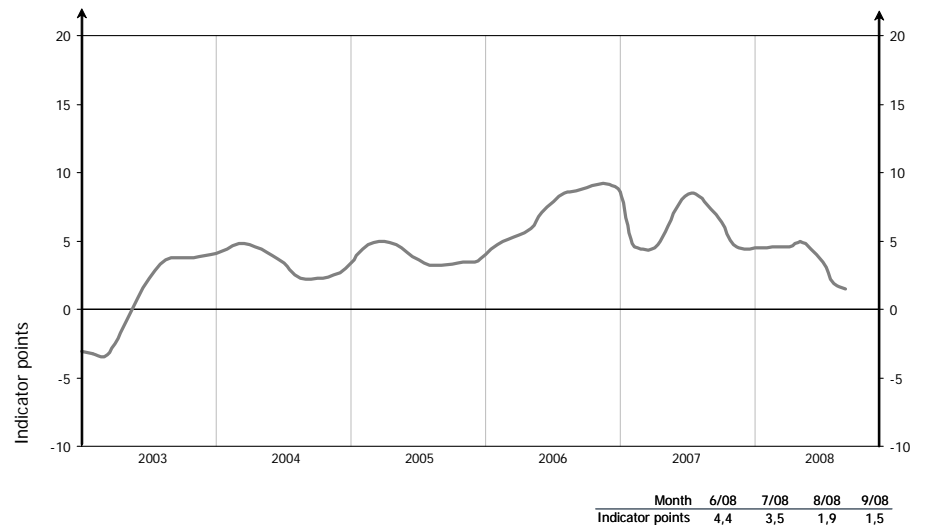
The table below provides an overview of the trend for the individual indicators:

	August 2008	July 2008	August 2007
Economic expectations	-21.8	-8.0	48.4
Income expectations	-16.8	-20.0	9.2
Consumption and buying propensity	-27.9	-26.2	6.4
Consumer climate	1.9	3.6	8.3



The chart below illustrates the trend in the consumer climate indicator over the past few years:

Consumer Climate Indicator (as of August 2008)



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 September 25, 2008.

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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.



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