



## Press Release

The next GfK consumer climate report will be published on  
July 27, 2009

Date  
June 23, 2009

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### **Consumer climate – despite the economic crisis, consumers are in the mood to buy**

#### **Findings of the GfK consumer climate study for June 2009**

**Nuremberg, June 23, 2009 – After several months of stagnation, the mood of consumers in Germany is once again showing a slight upwards trend, with economic and income expectations on the increase and the propensity to buy also improving slightly. The overall indicator is forecasting a value of 2.9 points for July 2009, following a revised value of 2.6 points in June, and is therefore climbing slightly following a period of stability. However, the consumer climate remains at a low level overall.**

Following the recent growing number of signs that the economic downturn may be coming to an end, consumer hopes of economic stabilization are intensifying and accordingly, economic expectations are increasing moderately. The fact that the employment market has remained fairly robust is likely to be one reason for this. Reports that the inflation rate stood at 0% in May are having a positive effect on income expectations and the propensity to buy. Although both indicators have recorded increases, income expectations have seen considerably more improvement. The consumer climate is therefore indicating positive development for July. However, the real test is yet to come, given the likelihood of rising unemployment in the months ahead.

#### **Economic expectations: third increase in a row**

Economic expectations have increased in June this year, for the third month in a row. The increase of 5.7 points is even more pronounced than in the two preceding months. The indicator currently stands at -22.6 points, which shows that the recovery is continuing into mid-2009 – albeit still at a very low level.

Economic pessimism is declining somewhat and consumers seem to be expecting that the steep economic decline can gradually be halted. Certainly, this increase in the indicator has been supported by the fact that the expected slump on the unemployment market has so far not materialized, and has been deferred by improved short-time working regulations. How-

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ever, the indicator is still far too low to warrant talk of an incipient recovery from the perspective of consumers.

The increased optimism of financial analysts shows that German citizens are by no means alone in their diminishing pessimism. The medium-term economic expectations of the Zentrum für Europäische Wirtschaftsforschung (Centre for European Economic Research, ZEW) have improved noticeably in June, and the ifo business climate has also brightened slightly for the third month in a row. Both institutes therefore perceive a stabilization of the German economy as being possible.

### **Income expectations: highest value since April 2008**

Following slight losses in the previous month, income expectations have once again recorded increases in June this year. The indicator has climbed 6 points to stand at -3.3, which is the highest value since April last year. The decrease in inflation and the prospects for pensioners of a significant boost to their received pension payments as of July 1, 2009 are certainly the important factors buoying up income expectations at present. These factors are counteracting creeping redundancy fears and have held at bay the negative effects on the indicator up to now. However, it is to be expected that the forecasted deterioration on the jobs market will increase these unemployment fears, and will place a great amount of strain on income expectations.

### **Propensity to buy: slight increases**

The propensity to buy not only retained its current good level in June this year, but even improved slightly. Following an increase of 2 points this month, the indicator now stands at 14.5 points, which means that there has even been a considerable improvement of 38 points in comparison with the prior year. In particular, the large decrease in inflation is currently stimulating the propensity to consume. Falling prices, for example as a result of the scrappage bonus, act as incentives to buy. Other industries are also implementing this type of price reduction, in order to encourage consumers to make further purchases.

The fact that consumers have not yet completely regained their trust in the financial markets is also having a positive effect on the propensity to buy. Rather than saving, consumers are currently tending to invest their disposable income in consumer goods.

### **Consumer climate: improvement, but at a low level**

The overall indicator is forecasting a value of 2.9 points for July 2009, following a revised value of 2.6 points in June. The consumer climate is therefore improving slightly, although the level of the indicator remains comparatively low.



It is unclear whether this marks the beginning of a sustained recovery in consumer mood. The development of the employment market over the coming weeks will be decisive.

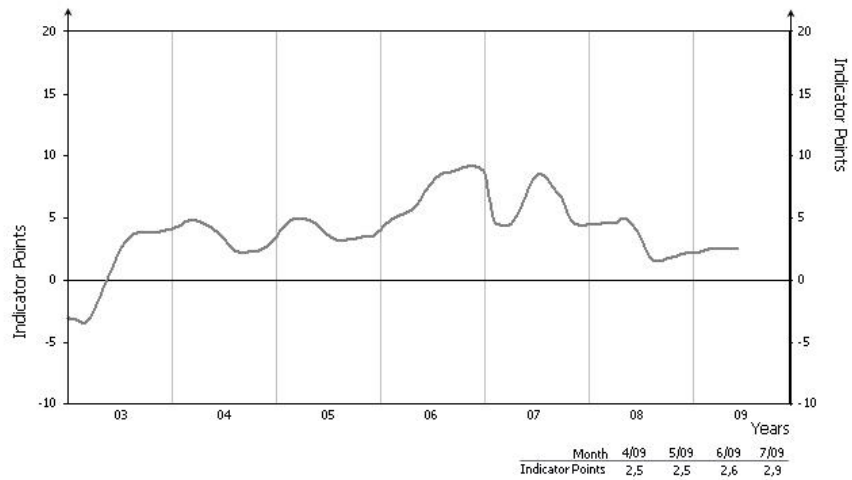
The following table shows the development of the individual indicators in June in comparison with the previous year and the previous month:

|                            | June 2009 | May 2009 | June 2008 |
|----------------------------|-----------|----------|-----------|
| <b>Economic outlook</b>    | -22.6     | -28.3    | 7.5       |
| <b>Income expectations</b> | -3.3      | -9.3     | -7.2      |
| <b>Buying propensity</b>   | 14.5      | 12.5     | -23.7     |
| <b>Consumer climate</b>    | 2.6       | 2.5      | 4.3       |

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

### GfK consumer climate indicator (as at June 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 July 27, 2009.



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The table below provides an overview of the individual indicators:

|  |   |
|--|---|
| <b>Economic outlook</b>                  | 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)  |
| <b>Income expectations</b>               | 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)   |
| <b>Consumption and buying propensity</b> | 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)  |
| <b>Consumer climate</b>                  | 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:

|                            |                              |
|----------------------------|------------------------------|
| Monday, July 27, 2009      | Monday, October 26, 2009     |
| Thursday, August 27, 2009  | Wednesday, November 25, 2009 |
| Monday, September 28, 2009 | Tuesday, December 22, 2009   |

### The GfK Group

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