



Press Release

The next GfK consumer climate will be published on May 27, 2008

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Germany: consumers regain confidence

Findings of the GfK consumer climate study for April 2008

Nuremberg, April 28, 2008 – The mood among German consumers markedly improved in April. The economic outlook indicator, income expectations and the propensity to buy all climbed significantly. As a result, the consumer climate indicator for May is forecasting a value of 5.9 points after a revised 4.8 points in April.

It is striking that all three indicators have gained significantly this month. Despite the persistent turmoil on the international financial markets and the high food and energy prices, German consumers appear to have regained their confidence once more. The upswing on the job market and recent wage agreements both contribute to expectations relating to the economy in general and personal financial situations being assessed more positively. This shows that conditions have improved so that the economic recovery originally forecast to take place at the beginning of the year, although delayed, is now imminent.

Economic expectations: marked growth

After the minimal growth recorded last month, the economic expectations of German consumers are now increasing dramatically, with the indicator rising 8.3 points to stand at 23.3 points.

Consequently, a further fall in the economic mood is not on the cards, at least for the time being. Consumers assume that the German economy is not in recession, but is likely to show signs of slowing down. They believe that the impact of the US subprime crisis and its associated repercussions will not leave German banks totally unscathed. Up to now, however, the banks seem to be very resilient and able to counter these dangers. The many positive reports on the job market testify to the generally good state in which the German economy finds itself.

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Income expectations: remaining optimistic

Income expectations in April rose again for the third consecutive time. Up by 9 points, the current increase was even greater than the two previous months together. However, compared with the same period last year, the figure was down by a good 19 points.

Above all, the good wage agreements in the public sector are rightly giving public sector employees the hope that, unlike in previous years, they will finally be given greater purchasing power once again. Evidently, these expectations have been able to allay any fears of inflation, provoked by rising food and energy prices. On top of this, the positive trend on the job market continued to reduce fears of unemployment, which in turn, also sustained income expectations.

Propensity to buy: still on course for recovery

Buying propensity also continued to recover unabated in April. The indicator rose markedly for the second time consecutively, up by 5.5 points this month. This represents propensity to buy of -4.7 points, which is still below its long-term average of 0 points.

The more optimistic income expectations, in particular, seem to have encouraged growth in the propensity to buy. However, the fact that it remains at a level which is below average also reflects the remaining element of uncertainty and shows that Germans will think twice before abandoning consumer reticence.

Consumer climate: increasing possibility of a trend reversal

The consistently positive development of consumer mood in April has led to a marked rise in the consumer climate for the first time since July 2007. The general indicator is forecasting a value of 5.9 points for May after a revised 4.8 points for April.

Consequently, conditions have improved so that consumption should continue to recover throughout the rest of the year. Generally favorable conditions, such as the positive developments on the job market and income growth in real terms, seem to be increasingly well-established. However, the consumer climate recovery should kick in somewhat later than was predicted last year. For the consumer climate to develop positively in the long run, the pressure of inflation would need to drop back again over the coming months.



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

	April 2008	March 2008	April 2007
Economic expectations	23.3	15.0	61.0
Income expectations	10.5	1.5	29.6
Consumption and buying propensity	-4.7	-10.2	-6.5
Consumer climate	4.8	4.6	4.5

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 May 27, 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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