



## Press release

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

Date  
February 27, 2008

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### Consumer climate – no sign of spring yet

#### Findings of the German GfK consumer climate study for February 2008

**Nuremberg, February 27, 2008 – On the whole, the sentiment among German consumers was stable in February. The income expectations indicator rose slightly on the back of wage rises anticipated to be quite significant, while the propensity to buy and economic expectations indicators recorded renewed falls. The overall consumer climate indicator is forecasting a value of 4.5 points for March, unchanged on the first two months of the year.**

At the start of this year, consumers are still finding it difficult to identify a clear direction for general economic trends and their personal financial situation. The repercussions of the mortgage crisis in the USA are just as evident as the uncertainty prompted by unstable developments in the US economy, the current high rate of inflation and volatility in the stock markets. Nevertheless, consumers are still receiving positive signals. Development in Germany's labor market seems stable, the prospects for generous collective wage agreement settlements are good and the German economy continues to enjoy an upswing. This on the whole varied picture led to income expectations recovering again in February to make up the loss recorded in January, while economic expectations and buying propensity fell again after a slight rise in the previous month.

#### Economic expectations: mortgage crisis still an issue

The slight improvement in economic expectations apparent in January has not been sustained for long. After rising by a good 5 points at the start of the year, the indicator dropped considerably in February and fell 14.1 points to stand at 14.6. A decline of this order of magnitude has not been since the end of 2006.

Ongoing uncertainty has been fueled in particular by the mortgage crisis in the USA and its repercussions for various German banks as well as its negative effects on the US economy. As before, it is hard for consumers to see the extent to which the German economy will be affected by a possible recession in the USA. However, after the alarming losses in January,

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consumers were no longer allowing movements in the stock markets to influence their economic expectations.

### **Income expectations: stable prices important for positive trend**

After a slight dip in January, income expectations rose again this month, with the indicator climbing 4.2 points to its current level of minus 0.5 points. After two slight falls in a row, consumers' expectations regarding their own financial situation are therefore once again at the level recorded in November 2007.

Although the improvement in the form of higher wages is meanwhile making consumers more optimistic, fears that wage rises will be eaten up by high price rises remain. Since autumn last year, hopes for good collective wage agreements have largely been offset by inflation worries. The indicator has fluctuated between 2.3 and minus 4.7 points since September 2007, with no clear trend emerging. Greater stability in prices will be crucial for a marked positive trend in the future.

### **Propensity to buy: consumers unsettled**

After two consecutive rises in a row, consumer propensity to buy in Germany dropped back significantly in February and the indicator fell from minus 8.8 points in January to minus 15 points.

For the moment, the muted positive signals of the previous months are once again consigned to the past. Presumably, concerns about rising prices are the main reason causing consumers to remain reticent about making larger purchases.

### **Consumer climate: stable at moderate level**

On the whole, the consumer climate again remained unchanged as the fluctuating highs and lows in the individual indicators cancelled each other out. At 4.5 points for March, the overall indicator is forecasting the same level for consumer sentiment as in the previous two months.

Consumers are presently unable to identify any clear direction. A marked upturn in the framework parameters is required for a sustained positive trend in the consumer climate. The situation in the labor market needs to remain favorable if private consumption is to make a positive contribution to economic development this year, with prices for energy, gasoline and food also at an acceptable level for consumers.

The following table shows an overview of the development of the individual indicators:



	February 2008	January 2008	February 2007
<b>Economic outlook</b>	14.6	28.7	53.3
<b>Income expectations</b>	-0.5	-4.7	2.9
<b>Propensity to buy</b>	-15.0	-8.8	-16.0
<b>Consumer climate</b>	4.5	4.5	4.8

### 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 March 27, 2008.

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The following table 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, the propensity to buy and the propensity to save. The economic outlook has a more indirect effect on the consumer climate, generally as a result of income expectations.



### **The GfK Group**

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