GfK Marktforschung

Press Release

The next GfK consumer climate report will be published on May 26, 2009

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German consumer climate remains robust

Findings of the GfK consumer climate study for April 2009

Nuremberg, April 27, 2009 – In spite of the difficulties of the economic crisis, the German consumer climate continued to be stable this April. After a slight drop in the previous month, economic and income expectations were even slightly up. Although consumer propensity to buy declined somewhat, it nevertheless remained at a pleasing level. The overall indicator is forecasting a value of 2.5 points for May, following a revised value, also of 2.5 points, for April and with this, the consumer climate is proving to be surprisingly resilient in the face of all the gloomy predictions.

Factors which increase purchasing power, such as low inflation, lower energy prices and higher pensions, along with some isolated signs signalling a trend reversal by the end of the year, are evidently ensuring that April 2009 has seen a rise in both economic and income expectations. To-date, the propensity to buy has virtually maintained a constant good level which is above average, with only a modest decline. As a result, the consumer climate index is indicating that the consumer climate will remain stable in May. However, the gloomy forecasts in the current spring reports emanating from some of the leading financial institutes, which warn that the German economy will shrink by 6% in 2009, are likely to severely test consumer sentiment.

Economic expectations: slightly up

After dropping massively in March this year, the indicator of economic expectations once again climbed 1.6 points in April to stand at its current level of -31.2 points.

While consumers remain very pessimistic, the downward spiral of the indicator which began in the middle of 2007 and continued until the beginning of this year, does seem to be gradually coming to an end. This view is supported by the fact that isolated reports in the media are signaling that the foreseeable future will bring a halt to the downward movement of the economy and that by the end of 2009, at least some degree of economic stabilization is possible. Companies are also assuming that the worst of the economic downturn may be over, and this is substantiated by the current rise in the ifo business climate index.

Income expectations: up again

After negligible losses last month, income expectations are again up 3.4 points and now stand at -8 points. On this basis, and with the indicator recovering by 12.5 points since reaching its lowest point in January, the general rating for the year 2009 is positive where income expectations are concerned.

One of the main reasons for this development will certainly be the general price stability prevailing in Germany. In March this year, the rate of inflation was just 0.5%, which is attributable in the first instance to the reduced prices for energy and some foods, which added to consumer purchasing power. In addition, it is now clear that pensioners can definitely look forward to a pension increase. From July 1, pensioners living in eastern Germany will receive a 3.4% rise and those in western Germany will be receiving 2.4% more. This, too, will surely have a stabilizing effect on income prospects.

Propensity to buy: a good level maintained

In April this year, the propensity to buy indicator maintained its good level. Although it has dropped 1.5 points, at its current level of 12.4 points it is still a good 17 points higher than it was at the same time the previous year.

In tandem with moderate price development, the financial incentives contained in economic package II are ensuring that consumer propensity to buy remains constant. Above all, the scrappage allowance for cars, which has been further enhanced by a series of special offers from manufacturers, is keeping consumer sentiment high, particularly as this form of buying incentive is being adopted by other industries for their products. And with this, consumers can look forward to further price reductions.

Consumer climate: still stable

The overall indicator is forecasting a value of 2.5 points for May, following a revised value of 2.5 points for April. This indicates that the consumer climate remains robust overall, despite an economic environment which is generally recessive, with consumers still defying the gloomy messages concerning orders and production. However, the index remains at a very low level and is why this year, while domestic demand may provide partial relief from the heavy losses in terms of exports and investment, it will by no means be able to offset them completely.

Beyond this, the latest spring report, which was published after the survey period, is likely to stress the consumer climate in the coming months. Some of the leading financial institutes are basing their forecasts on the assumption that the German economy will shrink by 6% in 2009. This could further challenge the consumer climate.

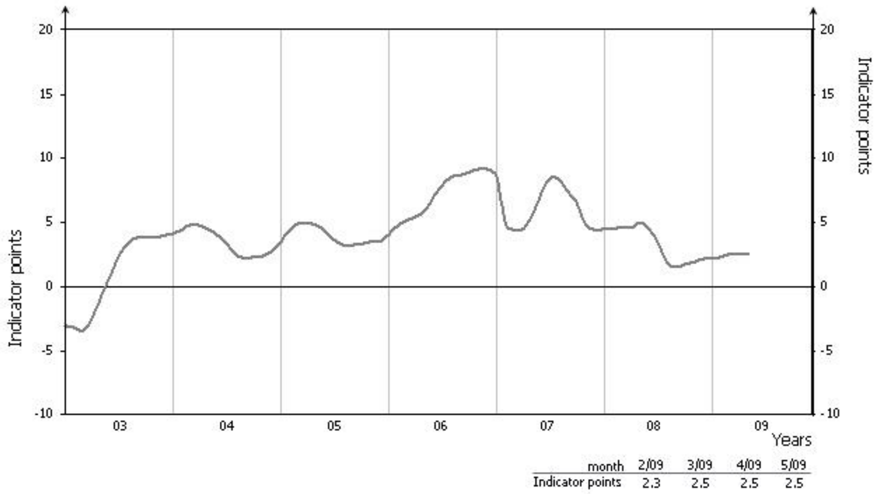
However, the greatest hazard jeopardizing further development of the consumer climate comes from the job market. If the available possibilities, such as short-time work, intended to head off redundancies, should be exhausted by companies with no economic recovery yet on the horizon, there are bound to be further redundancies and this would have a severe adverse effect on the job market and with it, the consumer climate.

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

	April 2009	**March 2009**	**April 2008**
Economic outlook	-31.2	-32.8	23.3
Income expectations	-8.0	-11.4	10.5
Buying propensity	12.4	13.9	-4.7
Consumer climate	2.5	2.5	4.6

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

GfK consumer climate indicator (as at April 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.

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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:

Monday, April 27, 2009

Tuesday, May 26, 2009

Tuesday, June 23, 2009

Monday, July 27, 2009

Thursday, August 27, 2009

Monday, September 28, 2009

Monday, October 26, 2009

Wednesday, November 25, 2009

Tuesday, December 22, 2009

The GfK Group

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