



Press release

The next consumer climate report will be published on December 22, 2008

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Stable start to the new year for German consumer sentiment

Findings of the GfK consumer climate study for December 2008

Nuremberg, December 22, 2008 – The consumer climate is also likely to remain stable in the new year, albeit at a low level. In spite of the financial crisis and its impact on the economy, German consumer propensity to buy was again up slightly in December. The overall indicator is forecasting a value of 2.1 points for January 2009 after a revised value of 2.1 points for December and consequently remains stable. However, both income and economic expectations declined.

Consumer propensity to buy benefited from the reduced rate of inflation to end 2008 slightly up. With this, consumer sentiment remains constant at the start of the new year, albeit at a low level. Reduced production, cuts in working hours and announcements of potential redundancies are increasingly leading to consumers feeling themselves to be personally affected by the crisis. For the first time after four consecutive rises, December has seen a perceptible decline in income expectations.

Economic expectations: moderate decline

The downward trend in economic expectations is likely to last until the end of the year. The decline is currently running at -2.3 points down from November, signaling a further moderate decline in the indicator, which now stands at -32.4 points.

The outlook for economic growth in the German economy is hardly going to relieve the economic gloom. Reduced production, a steep fall in new car registrations and declining exports will put pressure on economic development in the coming year. As a result, the forecasts for 2009 have been significantly downgraded. In general, the experts are assuming that the German economy will shrink, but they are by no means unanimous about the degree of shrinkage. We shall have to wait and see how well the economic measures taken up to now work.

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Income expectations: the mood is gloomy

Over the past four months, consumers have seemed comparatively optimistic despite the recession, however, this changed towards the end of the year and income expectations have dropped 8.5 points to their current level of just -15.4 points. The decline in the economy is leading growing numbers of those in employment to fear for their jobs and consequently, to be more pessimistic in their assessment of their own financial position. Anxieties concerning loss of income are currently taking precedence over factors which tend to increase purchasing power, such as lower petrol and heating oil prices.

In light of the weaker job market, there is a fear that actual wages and salaries are unlikely to rise much in the coming year. According to a recent purchasing power survey carried out by GfK GeoMarketing, net per capita income will increase by just a nominal 1.1% in 2009. Assuming the German Central Bank forecast is correct, which is based on inflation running at 0.8% in 2009, any increase in private means will be absorbed virtually immediately. In real terms, purchasing power is likely to rise only moderately, and much depends on the further developments in the job market, as well as relating to the financial crisis. Whether individuals are likely to have more disposable income depends mainly on whether they will be able to benefit from net growth in wages and salaries, or whether they will be affected by short time work or even lose their jobs.

Propensity to buy: slightly up

Unlike income expectations, the propensity to buy remained stable at the end of the year. Up 0.4 points, it even rose slightly. The indicator currently stands at -6.3 points, which is still below its long term average of 0 points.

The marked decline in inflationary pressure should be responsible for the current stability in propensity to buy. Further drops in petrol and heating oil prices are also benefiting the household budget and putting consumers into a better mood. This is reflected by the current seasonal Christmas business, and the positive news from retailers is being confirmed by the stable consumer climate.

Consumer climate: the index remains constant

The overall indicator is forecasting 2.1 points for January after the revised value, also 2.1 points, for December and with this, the indicator has remained constant.

The consumer climate is presently being supported by stability in the propensity to buy and the downward trend in the propensity to save.

How the consumer climate will develop in the coming year is contingent to a great extent on the degree to which the recession impacts the job market. Positive factors will also have a stabilizing effect on the economy in 2009,

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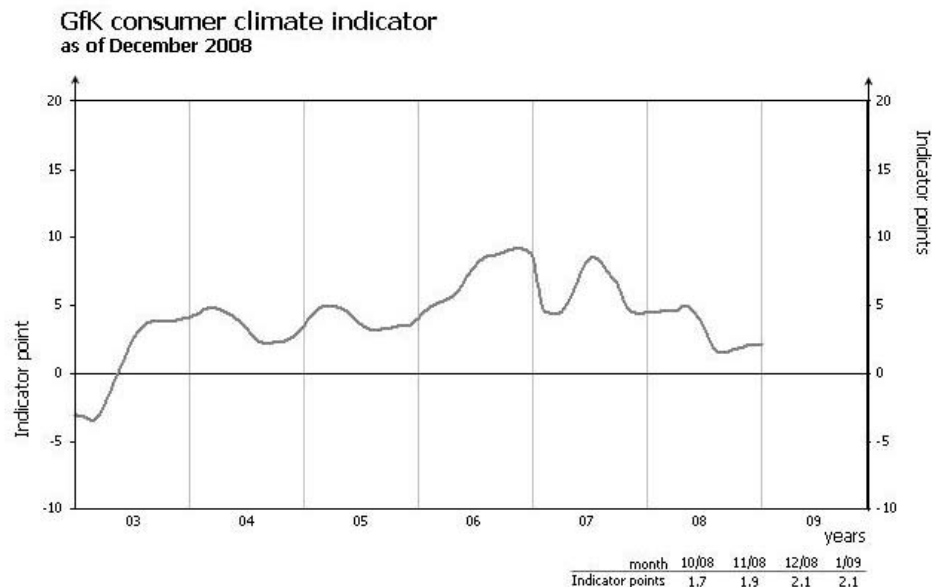
and so the rate of inflation is likely to remain low and increase German consumer purchasing power. In addition, the good collective wage and salary agreements, such as in the metal and electrical industry, will continue to spread their positive effects. As a result, a rise in consumption of up to 0.5% is conceivable for 2009.

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

	December 2008	November 2008	December 2007
Economic expectations	-32.4	-30.1	23.6
Income expectations	-15.4	-6.9	-1.7
Consumption and buying propensity	-6.3	-6.7	-10.7
Consumer climate	2.1	1.9	4.7

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

GfK Consumer Climate indicator (as at December 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 on January 28, 2009.

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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:

Wednesday, January 28, 2009	Monday, July 27, 2009
Thursday, February 26, 2009	Thursday, August 27, 2009
Thursday, March 26, 2009	Monday, September 28, 2009
Monday, April 27, 2009	Monday, October 26, 2009
Tuesday, May 26, 2009	Wednesday, November 25, 2009
Tuesday, June 23, 2009	Tuesday, December 22, 2009.

The GfK Group

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