GfK Marktforschung

Press Release

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

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German consumers resist pessimism

Findings of the GfK consumer climate study for January 2009

Nuremberg, January 28, 2009 – The consumer climate in Germany continues to remain stable, albeit at a low level. In spite of the financial and economic crisis, the propensity to buy has, surprisingly, increased considerably in January; however, both income and economic expectations are in decline. The overall indicator is forecasting a value of 2.2 points in February, following a revised value of 2.2 points in January.

Recent sharp falls in the inflation rate are currently having a positive impact on the propensity to consume, with the result that the latter demonstrated strong growth at the start of this year. However, current announcements regarding cuts in working hours, compulsory leave and the threat of redundancies mean that unemployment is again a growing fear among the employed, and income expectations have declined for the second time in a row. Economic expectations in January have also once again fallen slightly below their record low of the previous month. Consequently, the consumer climate will also remain constant in February 2009.

Economic expectations: only minimal decline

Economic expectations worsened only slightly at the start of this year, with a decrease of 0.5 points. Currently, the economic mood indicator stands at -32.9 points, which is again slightly down from the record low reached at the end of last year.

The constant revisions in the forecasts for economic development in Germany over recent weeks have also had a negative effect on the market outlook of Germans. The collapse in export markets, cut backs in production and, in particular, a steep drop in new car registrations all mean that the German economy in 2009 is perceived as being in deep recession. In its most recent annual economic report, the German government projected a 2.25% fall in GDP. However, the fact that economic expectations have only declined slightly could be an indication that Germans now expect to have reached the lowest point in terms of prognoses.

Income expectations: decreasing again

The income expectations of consumers have declined for the second time in a row in January. The indicator is currently down by 5 points and stands at -20.5. This is its lowest position since March 2003, when it fell to -21.4 points.

Consumers feel personally increasingly affected by the continuing bad news from the economy. The rise in unemployment is creating growing fears of job losses among the employed. Consequently, Germans feel more pessimistic about their income prospects. Even the current decline in the rate of inflation, which has a positive effect on purchasing power, is not having a significant impact on this anxiety.

Propensity to buy: clear rise

In contrast to income expectations, the propensity to buy continued its uninterrupted recovery at the start of the New Year. With an increase of just under 22 points, the indicator has risen sharply in January. It currently stands at 15.5 points, which means that it is now a positive value, well above its long-standing average value of 0 points. This is the first time that the propensity to buy has been positive since August 2007.

The main reason for the noticeable improvement in the propensity to consume is the decreasing pressure on prices over recent months. After the prices of crude oil and consequently also those of petrol and heating oil passed their peaks in September 2008 and dropped sharply, there was also a pronounced fall in inflation. For example, the most recent price of crude oil was less than a third of its peak price of just under USD 150, which was recorded in July last year. Substantially lower energy costs provide relief for private household budgets and also create a more positive mood in general. They therefore have the effect of an economic stimulus program that does not create new indebtedness. According to estimates by the German Institute for Economic Research (DIW), consumers and companies are being credited with an amount in the region of EUR 25-30 billion as a result of the huge drop in energy prices. Many employees can also expect an additional windfall from commuter tax allowance payments.

Consumer climate: shows stability

The overall indicator is forecasting a value of 2.2 points for February, following the revised value of 2.2 points in January; the indicator therefore remains at a constant level. The consumer climate is currently receiving a crucial boost from the propensity to buy.

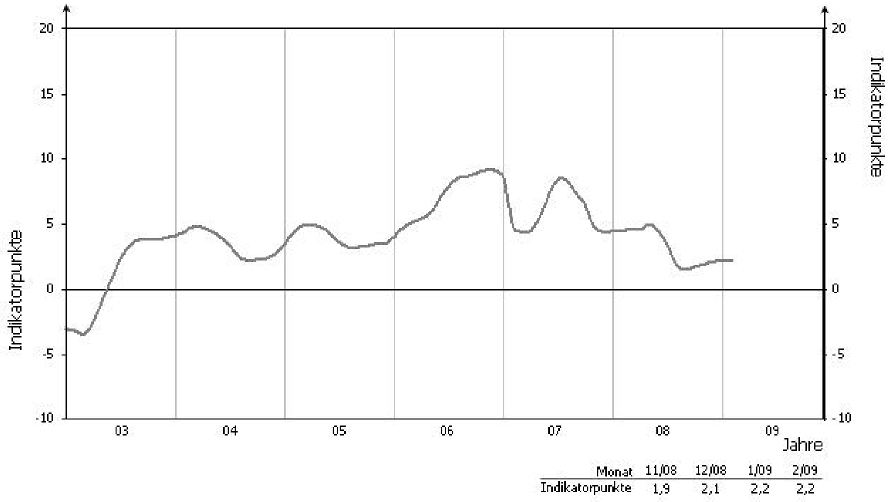
The extent to which consumption will have a positive effect on the economy in this recession year depends first and foremost on how much of a burden the crisis will place on the employment market. However, other factors can also help to limit the burden placed on consumption. The inflation rate will probably remain very low and therefore lift the purchasing power of consumers. The German government's annual economic report projects an increase in prices of 0.5% this year. The good collective wage and salary agreements from last year will probably also have an effect, particularly in the first half of 2009, and trigger a rise in real income. The recently agreed Economic Stimulus Package II will probably provide further incentives for consumer spending. Since the collapse in exports, which has been exacerbated by domestic demand, can only be partially compensated, these measures cannot completely prevent a potential economic slump but can at least take the edge off it.

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

	January 2009	December 2008	January 2008
Economic expectations	-32.9	-32.4	28.7
Income expectations	-20.5	-15.4	-4.7
Propensity to buy	15.5	-6.3	-8.8
Consumer climate	2.2	2.1	4.5

The following chart shows the development of the consumer climate indicator over previous years:

GfK consumer climate indicator (as at January 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 February 26, 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:

Thursday, February 26, 2009

Thursday, March 26, 2009

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

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