



## Press Release

The next consumer climate report will be published on October 28, 2008

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### **No growth in consumption for 2008 in Germany despite recent stabilization**

#### **Findings of the GfK consumer climate study for September 2008**

**Nuremberg, September 25, 2008 – Falling oil prices curbed the downward trend in consumer mood in September, at least, for the moment. Both the economic outlook and income expectations have improved slightly and the propensity to buy recovered from its lowest point in three years. Subsequently, the consumer climate has shown signs of stabilization. The indicator for October is therefore forecasting 1.8 points after a revised value of 1.6 points in September. Despite the current stabilization, in view of recent events on the financial markets, GfK does not anticipate any further growth in consumption in real terms this year and is consequently revising its forecast from 0.5% to 0%.**

In spite of growing fears of a recession and the marked economic stagnation emerging in Germany, consumers are currently a little more confident about their situation. The effect of falling energy prices, in particular, is that consumers are less worried about their purchasing power and even income expectations were up again slightly for the second time in a row. In the wake of this, the propensity to buy improved, even if it remains at a low level. Since the current survey had already been completed when the financial market crisis in the USA came to a dramatic head, these events had not yet impacted on the mood. For this reason, economic expectations, in particular, appear to have remained unscathed by a further downturn.

#### **Economic outlook: a slight increase, but still at a low level**

After two months of marked losses, the economic outlook of consumers looked a little more positive in September. The indicator was up a good 6 points to record -15.7 points. However, the value remains around 56 points below that for the same period the prior year.

Despite the slight increase, low economic expectations continue to bear witness to the existing recessionary fears. Developments on the international financial markets should again impact negatively on confidence in Germany's

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future economic development. Additional economic indicators signal a considerable weakening of the German economy, which will more than likely lead to a significant downgrading of the outlook for the coming year.

### **Income expectations: falling energy prices reduce fears of inflation**

For the second consecutive time, income expectations in Germany have improved slightly. The indicator was up by 2.7 points in September, yet remains at a low level, documented by its value of 16.4 points below that for the same period the prior year.

The principal reason for a less pessimistic assessment of income expectations is the recent marked drop in the price of oil, which has helped to allay fears of inflation. Consumers currently perceive their purchasing power as less vulnerable than in July, when the price of crude oil reached its all-time high. This is also shown by the development of the rate of inflation, which exceeded its peak level in August. Nevertheless, price development is likely to remain the primary concern of consumers and is likely to offset the positive effects from the job market, which has been extremely stable up to now.

### **Propensity to buy: more stable prices increase consumers' desire to buy**

In September, the highest growth rate was recorded in the propensity to buy. The indicator climbed by 15.1 points to stand at its current level of -12.8 points. The propensity to consume, however, remained moderate, since it is still more than 10 points behind that recorded in the same period in the prior year.

The lower price expectations, which can be mainly attributed to lower oil prices, are leaving a positive mark, also in the propensity to consume. In the hope of more moderate inflationary development, consumers are clearly once again overcoming their reticence to buy, at least in part. More stable prices could help lift the propensity to buy out of the doldrums.

### **Consumer climate: downturn halted, but still no all-clear**

The consumer climate has ceased its downward spiral, for the moment at least. The overall indicator for October is forecasting a value of 1.8 points after a revised 1.6 points in September.

The stabilization of the consumer climate is predicated exclusively on the current easing of inflationary pressure. Falling oil prices are ensuring that concerns associated with buying propensity are slowly abating.

Yet since the crisis on financial markets is not yet over and has actually intensified recently, the economic prospects remain unclear. The danger of a recession has increased significantly. Therefore, it cannot be ruled out, that this may also impact on the consumer climate in future. Consumers - and of course the consumer climate - are unlikely to escape unscathed from this.

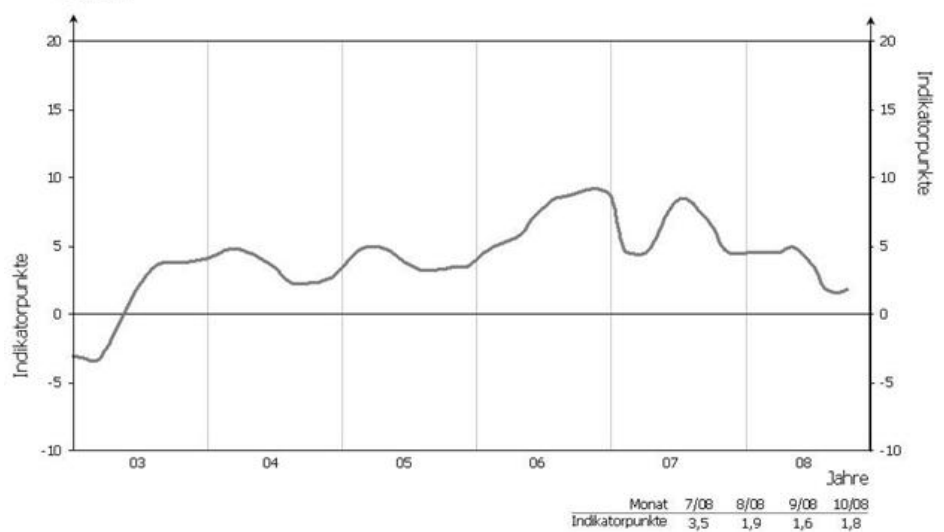
GfK has therefore revised its annual private consumption forecast for 2008 from 0.5% to 0%.

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

	September 2008	August 2008	September 2007
<b>Economic expectations</b>	-15.7	-21.8	40.7
<b>Income expectations</b>	-14.1	-16.8	2.3
<b>Consumption and buying propensity</b>	-12.8	-27.9	-2.4
<b>Consumer climate</b>	1.6	1.9	7.3

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

**GfK Consumer Climate indicator (as at September 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 October 28, 2008.



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The table below 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, buying propensity and savings trends. The economic outlook has a more indirect effect on the consumer climate, generally as a result of income expectations.

### The GfK Group

The GfK Group is the No. 4 market research organization worldwide. Its activities cover the three business sectors of Custom Research, Retail and Media. The Group has 115 companies operating in more than 100 countries. Of a total of approximately 9,457 employees (full-time staff, as at June 30, 2008), 81.6% are based outside Germany. For further information, visit our website: [www.gfk.com](http://www.gfk.com)

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