



## Press Release

The next consumer climate report will be published on March 25, 2010

Date  
February 24, 2010

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### Economic expectations dampen the consumer climate slightly

#### Findings of the German GfK consumer climate study for February 2010

**Nuremberg, February 24, 2010 – The GfK consumer climate in Germany will remain virtually stable in March, with a marginal loss of 0.1 points. Economic expectations have recorded a considerable decline, and income expectations and the propensity to buy have dropped back slightly. The overall indicator is forecasting a value of 3.2 points for March 2010, following a revised value of 3.3 points in February.**

Anticipation of an increasingly difficult situation on the labor market in the coming months is overshadowing the positive effects of Germany's Economic Growth Acceleration Act, and causing the income expectations of Germans to stagnate. Public discussion of the precarious budgetary situation of Greece and some other European countries is also unsettling consumers, as they fear negative effects on Germany's economic development. Consequently, economic expectations are declining and consumers are considering their spending behavior more carefully than in previous months. The propensity to buy is therefore decreasing slightly.

#### Economic expectations: record a decline

The economic expectations of consumers have recorded losses in February, with the indicator falling 7.1 points to minus 5.6 points. Despite this drop, however, it remains considerably higher than the prior year's value of 27.9 points.

Germans have evidently come to the conclusion that the pace of economic recovery will slow again over the coming months. In this respect they do not share the perspective of companies. In mid-February, the Association of German Chambers of Industry and Commerce (DIHK) revised its growth expectations for this year upwards to 2.3%. Industry expectations are therefore significantly higher than the last forecast of the German government, which is so far predicting economic growth of 1.4% in 2010. Conversely, the financial analysts and companies whose opinions are reflected in the ZEW index and in the ifo business climate have recently

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become rather less optimistic once again, although they too are now expecting to see a recovery in the economy this year.

### **Income expectations: stagnating**

Income expectations have stagnated in February, with a decrease of 0.5 points. The indicator currently stands 12 points above the long-term average of 0 and a considerable 23 points above last year's value.

Price development has moved from widespread stagnation to a moderate upward trend. In addition, the declining economic expectations of consumers are weighing on income sentiment, because weaker economic recovery would also impact more strongly on the labor market. These factors are currently overshadowing the positive effects of government measures aimed at stimulating purchasing power, such as the increase in child allowance and the full tax deductability of health insurance contributions.

### **Propensity to buy: only marginal losses**

The decline in economic expectations and the lack of positive stimuli for income expectations have had a slightly negative impact on the propensity to buy in February. With 24.2 points, the indicator remains very robust and has only dropped back 1.2 points from the previous month. Compared with February 2009 this is a rise of 9.6 points.

Retail discount offers and the still very low level of inflation are currently not triggering an increase in the propensity to buy. As a result of the gloomy economic outlook, some consumers are evidently tightening their belts once again.

### **Consumer climate: slight decline**

The overall indicator is forecasting a value of 3.2 points for March 2010, following a revised value of 3.3 points in February this year. This represents the fifth slight decline in a row.

In particular, the generally delayed reaction of the labor market to the economic crisis and discussions about the Greek budget and the effects on the EU as a whole are currently leading to a slight clouding of consumer sentiment. This clearly shows that private consumption is facing a difficult year. GfK is anticipating that consumption will not make any substantial contribution to economic recovery in 2010.

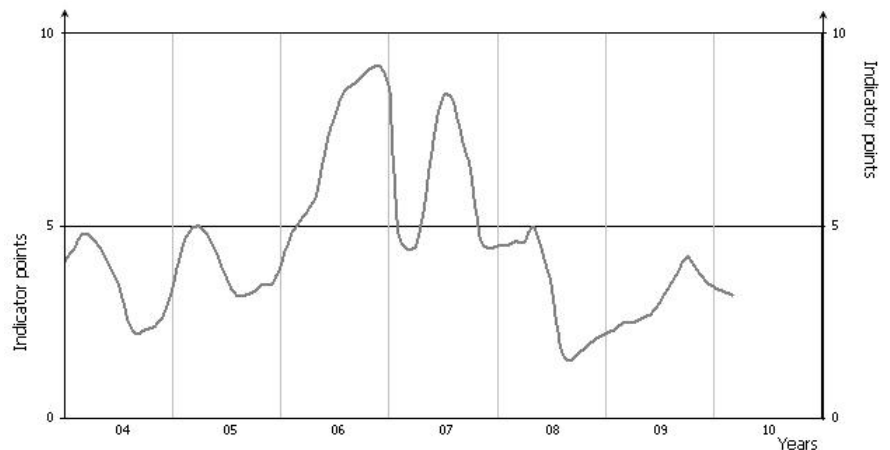


The following table shows the development of the individual indicators in February in comparison with the previous month and previous year:

	February 2010	January 2010	February 2009
<b>Economic outlook</b>	-5.6	1.5	-27.9
<b>Income expectations</b>	12.0	12.5	-11.0
<b>Buying propensity</b>	24.2	25.4	14.6
<b>Consumer climate</b>	3.3	3.4	2.3

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

**GfK consumer climate indicator (as at: February 2010)**



**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 25, 2010.

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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.

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