



## Press Release

The next GfK Consumer Climate report will be published on September 27, 2011

Date  
August 25, 2011

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### Germany: Consumer climate only recording moderate decline

#### Findings of the GfK Consumer Climate study for August 2011

**Nuremberg, August 25, 2011 – A varied picture emerges in the development of consumer sentiment in Germany this August. While willingness to buy once again improved from an already high level, the declines in economic expectations and income expectations have been significant and moderate respectively. The overall indicator is forecasting a value of 5.2 points for September, following a revised value of 5.3 points in August.**

Despite the current crisis on the financial markets, Germans' willingness to buy is surprisingly robust and increased further in August from an already high level. However, the worsening of the international debt crisis and rising fears of a return to recession for the global economy have clearly left their mark on the economic optimism of Germans. In contrast, economic expectations virtually collapsed in August, and in light of this, there has also been a moderate drop in Germans' income expectations.

#### Economic expectations: major slump

Economic expectations fell for the second consecutive time. While the decline in the prior month was comparatively moderate, the indicator dropped 31.2 points in August. The current indicator value of 13.4 points is the lowest that has been recorded since June 2010.

The worsening debt crisis, rigorous debate on raising the debt limit in the USA and mounting fears of a return to recession for the global economy have resulted in stock markets worldwide buckling. These events have also adversely affected the economic optimism of Germans, and sent the indicator into a tailspin. The population fear that the period of weakness at global level may be transmitted to the domestic economy if export prospects significantly collapse. Consequently, the dynamic development of the German economy would also lessen.

This outlook of consumers is confirmed by the Ifo business climate index, which fell considerably in August. Although companies still assess current

business development positively, they have significantly reduced their expectations for the coming half year.

The first signs were already evident in figures recently published by the Federal Statistical Office of Germany, which showed that the German economy only registered weak growth in the second quarter and, according to the preliminary figures, the gross domestic product was a meager 0.1% higher than in the first quarter of the year.

### **Income expectations: moderate drop**

In the wake of the sharp fall in economic expectations, income expectations also dropped in August, albeit more moderately with minus 7 points. The indicator currently stands at 27.6 points and therefore clearly remains in the positive.

Apart from declining economic optimism, Germans are worried that the recent solutions to the debt crisis will result in them having to pay even more and they anticipate an increase in the financial burden. In addition, the high and to some extent still rising energy prices continue to place a strain on the population.

Despite its recent losses, the indicator still remains at an extremely satisfactory level. Germans continue to expect positive development in income on account of the very good employment situation.

### **Willingness to buy: resisting the crisis**

In contrast to the downward trend in income and economic expectations, Germans' willingness to buy appears to have been untouched by the crisis in August and once again rose slightly from an already high level. The indicator improved by 2.8 points and now stands at 36.9 points, which is a 9-point increase in comparison with the same period of the prior year.

The extremely pleasing signals from the labor market in conjunction with anticipated rises in income are currently the main drivers of the German consumers' mood to buy. Falling employment figures have reduced the fear of redundancies and have consequently contributed towards a higher confidence in planning for the future, which is above all a key criterion for consumers when they consider making major purchases.

In addition, willingness to buy will be boosted by the present extensive discussions for a solution to the debt crisis in the eurozone. Many Germans fear for the stability of their currency and are therefore more likely to spend their money on high-value purchases than to save for a rainy day. This is verified by the sharp decline in saving propensity in August.

### **Consumer climate: decline only moderate**

The overall indicator is forecasting a value of 5.2 points for September, following a revised value of 5.3 points in August. The worsening debt crisis and

the fact that global stock markets are plummeting downwards are currently only having a minor impact on the consumer climate in Germany. However, extremely positive general conditions in Germany, such as falling unemployment and increasing income, are influencing the mood of the population.

The outlook for the German domestic economy will remain favorable this year if the eurozone community is finally successful in developing a coherent policy for tackling high government debt and ensures that it is rigorously implemented. However, if this is not achieved, then a more severe negative impact on the consumer client in Germany can also not be ruled out. The most important factor for consumers is that reliable government policy gives them confidence in planning for the future. Only when Germans regard the future without trepidation will their disposition to consume be sustained.

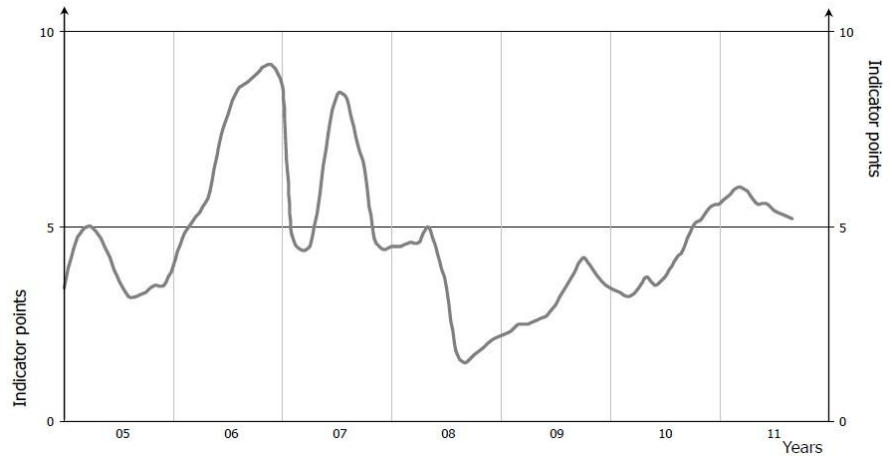
In light of the global economic decline, which could also become a problem for German exports, a stable domestic economy is an even more important pillar for positive overall economic development in Germany.

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

	<b>August 2011</b>	<b>July 2011</b>	<b>August 2010</b>
<b>Economic expectations</b>	13.4	44.6	46.6
<b>Income expectations</b>	27.6	34.6	36.0
<b>Willingness to buy</b>	36.9	34.1	27.9
<b>Consumer climate</b>	5.3	5.4	3.7

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

**GfK Consumer Climate indicator (as at: August 2011)**



**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 September 27, 2011.

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You can find information on the development of the indicators in the second quarter in ten further European countries in **GfK Consumer Climate Europe** at [http://www.gfk.com/consumer\\_climate\\_europe/index.en.html](http://www.gfk.com/consumer_climate_europe/index.en.html)

The table below provides an overview of the individual indicators:

Economic expectations	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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