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## Press Release

The next GfK Consumer Climate report will be published on 28. November 2011

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### Germany: Consumer climate improves slightly

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

**Nuremberg, October 25, 2011 – The overall picture of consumer sentiment in Germany is still differentiated in October 2011. While income expectations and willingness to buy once again improved slightly, the downward trend in economic expectations of recent months has continued. Following a value of 5.2 points in October, the overall indicator is forecasting a value of 5.3 points for November.**

Consumers remain very optimistic when it comes to income expectations and willingness to buy. Both indicators are benefiting from the pleasing labor market situation and rising salaries this year. The slight increase in the consumer climate is primarily attributable to these factors. However, ongoing discussions relating to the government debt crisis and the threat of Greek insolvency, which will also put pressure on the banks, are still unsettling Germans. Accordingly, the economic outlook for the coming months is rather negative and the indicator's downward trend of the last two months continued.

#### Economic expectations: escalating fear over the economy

The economic expectations of Germans continued to fall relentlessly in October. Following a decline of almost 9 points in September, the indicator dropped a further 11 points to its present level of -6.2 points. A lower value was last recorded more than two years ago in August 2009. Year-on-year, the indicator has plummeted by more than 62 points overall.

In addition to the lengthy and controversial debate on a solution to the international debt crisis, the worsening international economic climate, in Europe in particular, is also causing Germans' economic optimism to dwindle. A number of European countries are currently either about to descend into or already in the midst of a recession. This, and the fact that many governments have implemented stringent cost-cutting measures in order to consolidate their budgets, will have a negative impact on growth of the German export market in future. Fears that the effects of the crisis might threaten

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the real economy in Germany have caused a significant decline in economic expectations.

Economic experts have also been taking account of these developments. In recently published autumn reports, economic research institutes predicted that, with a real increase of 0.8% in the gross national product, the growth dynamic will significantly reduce in the coming year (the value for this year was 2.9%). However, according to their estimates, Germany will be able to avoid descending into recession. The fall in the ifo business climate index in October shows that German companies also do not view the future with as much optimism as before.

### **Income expectations: slight increase**

In the face of steadily rising economic anxiety, Germans' income expectations in fact increased slightly in October. The indicator went up by 1.4 points and, at 36.5 points, is now at a similar level to the previous year.

A positive labor market and noticeable increases in income among the workforce are currently providing exceptional framework conditions for the income expectations indicator to stabilize at a high level. According to the latest forecasts in the research institutes' autumn reports, employment levels are set to continue rising in the coming year, albeit at a slightly slower rate. These prospects are lowering fears of job losses and boosting hopes for salary increases next year. In addition, it is anticipated that inflation will slow down somewhat in the coming months, which in turn will have a positive impact on income purchasing power and consequently also improves income expectations.

### **Willingness to buy: low profit**

Following a moderate decline in the previous month, willingness to buy increased again in October. The indicator improved by 1.5 points to stand at 31.2 points, which is almost 9 points higher than the equivalent level in the prior year.

The improvement in willingness to buy is not only on account of the slight rise in income expectations, but most likely also influenced by the current debt crisis. Discussions on the stability of the single currency and banks have shaken consumers' trust in the financial markets. Consequently, they are currently less inclined to save money for a rainy day, which is confirmed by the sharply declining propensity to save. When asked about their spending, Germans are evidently more inclined to make high-value purchases, such as real estate and durable consumer goods, than to invest money on the financial markets at an extremely low level of interest.

### Consumer Climate: slight improvement again

The overall indicator is forecasting a value of 5.3 points for November, following a value of 5.2 points in October. Despite the crisis and rising fears of recession, the consumer climate therefore even improved slightly.

With this development, the domestic economy verified its status as a major pillar of economic growth in Germany. Exports, which have been the most important growth drivers in the country until now, are likely to weaken markedly in the coming months. It is therefore even more important that consumption achieves its function as a stabilizing influence. In light of the pleasing labor market and income developments, this is certainly a realistic prospect.

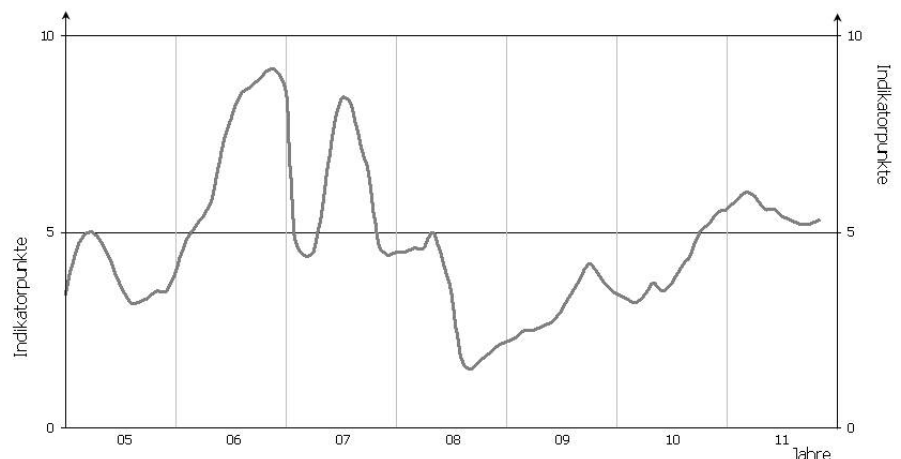
However, this would require that Germans begin to have greater trust in political decision-makers and that sustainable solutions are found for existing problems. If this is not achieved, this would undoubtedly have a negative effect on the future development of the consumer climate.

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

	October 2011	September 2011	October 2010
<b>Economic expectations</b>	-6.2	4.8	56.0
<b>Income expectations</b>	36.5	35.1	36.0
<b>Willingness to buy</b>	31.2	29.7	22.5
<b>Consumer climate</b>	5.2	5.2	5.0

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

**GfK Consumer Climate indicator (as at: October 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 28. November 2011 (1 pm, German time).

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