



Press Release

The next consumer climate report will be published on July 27, 2010

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German Consumer climate stable despite austerity package discussions

Findings of the GfK consumer climate study for June 2010

Nuremberg, June 23, 2010 – Following the slight decline in the previous month, the consumer climate in Germany will stabilize once again in July. A marked rise in consumers' propensity to buy is currently being observed. However, discussions about increasing financial strain as a result of the upcoming austerity package are increasingly unsettling consumers, and positive reports on the economic situation and labor market are doing little to change this. Correspondingly, income expectations have suffered a considerable decline in June. The overall indicator is forecasting a value of 3.5 points for July, following the same value of 3.5 points in June.

With regard to the anticipated economic recovery, positive reports from the labor market are causing consumers to again take a somewhat more optimistic view of the future compared with the previous month. In addition, the propensity to buy appears to be benefiting from a small one-off boom as a result of the Fifa World Cup, and is increasing significantly. However, discussions about the government's austerity package are unsettling consumers. They clearly fear that the politicians are once again seeking to achieve the necessary consolidation of the public finances at the expense of consumers, and this has had a clear effect on personal income expectations in June.

Economic expectations: slight improvement

Following the considerable decline in the prior month, economic expectations have stabilized once again in June. The indicator has climbed 1.6 points to stand currently at 5.5 points. In comparison to the corresponding period in the prior year, this represents an increase of over 28 points.

The continuing positive reports from the labor market are not the only factor buoying up Germans' economic expectations. The upward trend in exports is having a particularly positive effect on economic growth, and the low euro exchange rate is providing additional stimulus for German exports to coun-

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tries outside the eurozone. This is confirmed by “Challenges of Europe”, a survey conducted by the GfK Association on the greatest political challenges at the present time. Following an explosive increase last year, anxiety about economic growth has dropped back by 10 percentage points this year, with 26% of respondents currently naming this as one of their concerns.

According to the Ifo Institute, German businesses are also assessing the current situation more positively than in the previous month. However, they are no longer taking such an optimistic view of development over the next half year, although they are assuming that the economy will recover further.

Income expectations: marked decline

Germans are considerably more pessimistic as regards their personal income development. This index has recorded a significant drop for the second month in a row, and with a fall of 15.5 points the losses in June are even slightly higher than in the previous month. The income indicator currently stands at 8.2 points. However, this is still 11.5 points higher than the corresponding value for the prior year.

The continuing discussions about the consolidation of public finances and the associated austerity package are currently dominating debate in Germany, along with the suggestions to introduce per capita lump sum payments in the healthcare system. As regards both measures, consumers fear that they will predominantly have to bear the financial burden and will suffer corresponding strain on their income. In general, the issue of the financing of social security systems is high up on the list of Germans' concerns. In the “Challenges of Europe” survey, the topics of healthcare, retirement benefits and social security are ranked in fourth to sixth place in Germany.

Furthermore, as a result of the high level of national debt, Germans are anticipating rising inflation and observing a negative impact on the purchasing power of their income. According to “Challenges of Europe”, 24% of Germans see price and purchasing power development as the greatest political challenge, whereas last year only 13% took this view. This is also weighing on the indicator.

Propensity to buy: noticeable improvement

After four consecutive declines, the propensity to buy has climbed in June this year, recording an increase of 12.3 to a current 30.4 points. This is the highest value since September 2009.

The propensity to consume has defied both rising price expectations and falling income expectations in early summer 2010. This increase in buying propensity directly prior to the start of the Fifa World Cup could be an indication that the largest sporting event in the world is producing a small one-off boom in Germany, at least in some industries. For example, in the con-



sumer electronics segment, significantly more flat screen televisions have been sold over the past few weeks than in the previous year. In the last week of May alone, sales were 58% higher than in the same week of the previous year.

Consumer climate stabilizes once more

The overall indicator is forecasting a value of 3.5 points for July 2010, following the same value of 3.5 points in June. After a slight dampening of the consumer climate in the previous month, it is now stabilizing again. Development of the indicator over the coming months will primarily depend on the extent to which the impact of the currently favorable general conditions, such as the positive economic and labor market development, increases again. In addition, it is essential that the extensive discussions about the national debt and the stability of the euro are followed up with action. This would make it clear that politicians are able and willing to take the lead once more, which would send a positive signal to companies and consumers and increase the reliability of their planning.

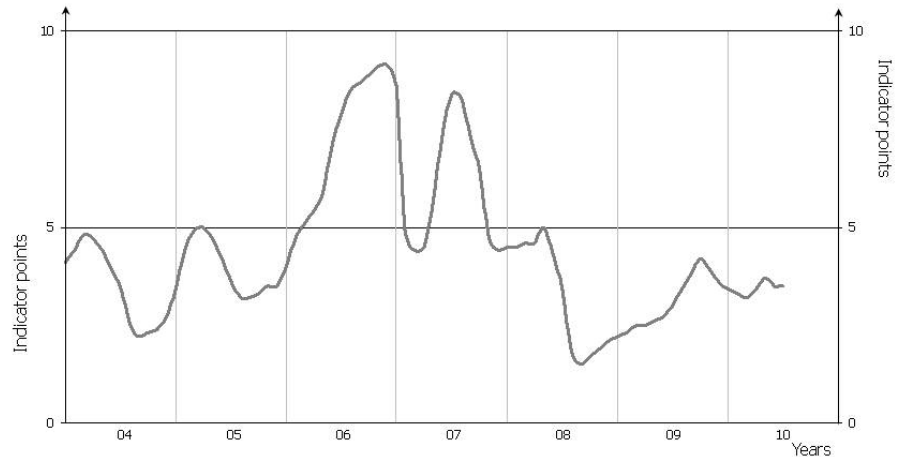
The following table shows the development of the individual indicators in June in comparison with the previous month and previous year:

	June 2010	May 2010	June 2009
Economic outlook	5.5	3.9	-22.6
Income expectations	8.2	23.7	-3.3
Buying propensity	30.4	18.1	14.5
Consumer climate	3.5	3.7	2.7



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

GfK consumer climate indicator (as at: June 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 July 27, 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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