



Press Release

The next report on the GfK consumer climate will appear on August 26, 2010

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Consumer Climate at summer peak

Results of the German GfK Consumer Climate Study for July 2010

Nuremberg, July 27, 2010 – The good performance of the German football team in the World Cup, the warm summer weather and the upbeat news from the employment market have generated positive sentiment among the people of Germany. Economic expectations rose sharply in July. Income expectations also gained significant ground and compensated the losses of the previous month. However, propensity to buy sustained slight losses. The overall indicator predicts 3.9 points for August following a revised 3.6 points in July.

The successful performance of Schweinsteiger and Co. in South Africa and the sunny weather with high summer temperatures put the people of Germany into a good mood. This is supplemented by the surprisingly positive employment situation. These factors are overshadowing the clear threat posed by negative factors such as the austerity package and increase in health insurance contributions.

Economic expectations: major upward surge

After a slight increase in economic expectations was already recorded in the previous month, they made significant gains in July. The indicator rose by 31.3 points to the current level of 36.8 points. This is the highest figure since October 2007. Year-on-year this is equivalent to an increase of as much as 50.8 points.

Consumers expect the recovery of the German economy not only to continue further but even to gain additional momentum. As well as psychological factors, this economic optimism is also supported by hard facts. The enthusiasm that prompted memories of the 2006 summer fairy tale to arise during the Football World Cup also held up after the end of the tournament. In addition, further positive news was recently reported from the employment market. Economic forecasters are now even expecting the number of unemployed to fall below three million this autumn. In its June forecast Deutsche Bundesbank therefore predicts growth of 1.9% of gross domestic product (GDP). The Institute of Economic Research (DIW) is even

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expecting 2.1% growth this year. Following the sharp slump in the economy last year, the German economy is clearly recovering from the financial and economic crisis more quickly than originally expected. This is also shown by the development of the ifo Business Climate Index, which in July rose more sharply than at any time since German reunification.

Income expectations: optimism returning

Following the sharp declines in the previous month, consumers have become optimistic again with regard to the further development of their income. With a sharp increase of 20.9 points, the losses from June have been more than offset. At present the indicator is showing 29.1 points. Compared with July 2009, growth of 27.3 points has been measured.

The income indicator is therefore benefiting from the sharp rise in economic optimism. The falling number of unemployed due to the economic recovery means that fewer workers are specifically worried about their jobs and hence their income situation. On top of this, reduced working hours have gone down massively in all areas of the economy over the past few weeks.

Propensity to buy: slight losses at a high level

The noticeably more optimistic economic and income expectations did not yet reach buying propensity in July. The indicator recorded a slight loss of 2.5 points. However, at 27.9 points, the current level of propensity to buy can be described as extremely good and is well above the long-term average.

Before and during the Football World Cup some sectors benefited from a special economic impulse, with investments being brought forward, in particular for consumer electronics. The slight downturn in propensity to buy in July is therefore to be seen as a normalization.

Consumer climate: significantly improved

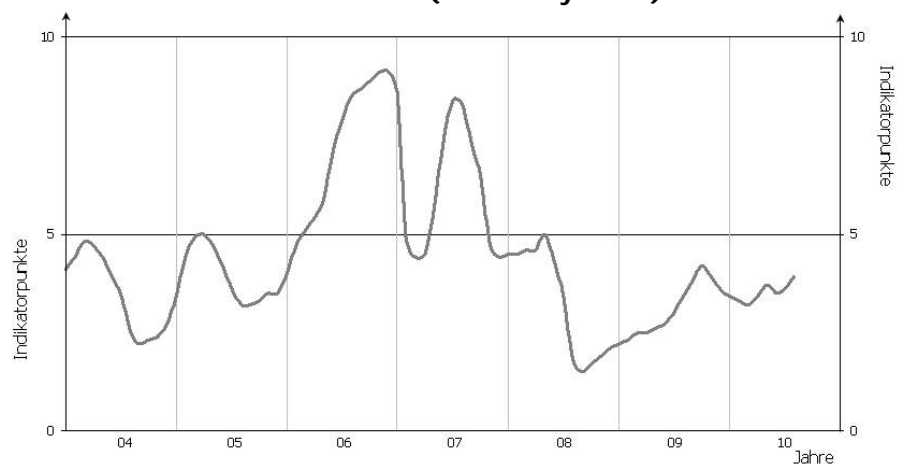
The overall figure predicts a figure of 3.9 points for August 2010, up from a revised 3.6 points in July. The consumer climate this summer is therefore set to improve again. It remains to be seen whether the upturn in sentiment also continues in the months to follow. At any rate, the underlying conditions for this are in place. The employment market will remain upbeat in the next few months and the number of unemployed is expected to fall further. Furthermore, with an expected inflation rate of around 1%, the price level in Germany is set to remain moderate this year.

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

	July 2010	June 2010	July 2009
Economic outlook	36.8	5.5	-14.0
Income expectations	29.1	8.2	1.8
Propensity to buy	27.9	30.4	25.1
Consumer climate	3.6	3.5	3.0

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

GfK consumer climate indicator (as at: July 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 August 26, 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 propensity to buy	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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