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Press Release

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Consumer climate in Germany defies fears of recession

Findings of the GfK Consumer Climate study for September 2011

Nuremberg, September 27, 2011 – Consumer sentiment in Germany remained inconsistent in September. Income expectations improved from an already high level, but slight declines were recorded in economic expectations and willingness to buy. Following a value of 5.2 points in September, the overall indicator is also forecasting a value of 5.2 points for October.

Despite rising fears of recession, in Germany the consumer climate should hold its own this autumn. Given the fact that labor market prospects continue to be pleasing, expectations of growth in income have again increased. In contrast, willingness to buy registered a fall in September, but remains at a very good level. As a result of the growing crisis concerns on the international financial markets, economic expectations have further dropped in value.

Economic expectations: consumers anticipate lower economic performance

Following a significant drop in August, economic expectations have declined further in September. After falling by 31.2 points in the prior month, the indicator decreased by another 8.6 points in September and currently stands at 4.8. A lower value was last recorded in May 2010, but economic expectations are still well above the long-term average of 0 points recorded over many years.

The debate on the best way to tackle the international debt crisis intensified in recent weeks, but a political solution is yet to be agreed. Meanwhile, German consumers now also fear that the effects of the crisis on the financial markets might threaten the real economy. As a strong export nation, in the long term Germany will not be fully immune to the recessionary trends in principal import countries, such as the USA. A number of economic research institutes now anticipate a weakening in the dynamic development of the German economy and recently lowered their growth forecasts for this

year and 2012. Despite this, it is still considered unlikely that Germany will suffer a recession, which should above all be prevented by the stable labor market. According to the ifo business climate index, German companies continue to rate the present state of business as good, despite their future prospects having significantly worsened again in September.

Income expectations: further increase

Despite the escalating atmosphere of crisis, income expectations improved in September. From an already high level, the indicator increased 7.5 points to a value 35.1 and therefore more than compensated for the losses of the previous month.

The good and still stable employment situation in Germany is the principal cause of the rise in income optimism. A considerable proportion of employees registered real growth in income this year. This is confirmed by figures for the second quarter published by the Federal Statistical Office of Germany, which show that real income has already increased by 1.9% on average this year. In addition, fears of redundancy and subsequent income losses have dwindled on due to the rising employment rate.

As a result of the weakening economy, price pressures for energy and raw materials in particular will presumably decline somewhat and the rate of inflation will not increase further. This has a stabilizing effect on purchasing power of incomes and boosts sentiment.

Willingness to buy: moderate declines

After registering a slight increase in the previous month, the indicator for willingness to buy fell in September, dropping 7.2 points to a value of 29.7 at present. This is more or less equivalent to the level in the same period of the prior year. Despite this decline, the indicator remains at an extremely good level, which is primarily attributable to stable developments on the labor market.

The positive effects of the debt crisis are therefore overshadowed by the development in willingness to buy. Until recently, trust in the stability of the eurozone currency had been falling and consequently many consumers tended to make more expensive purchases rather than saving money. However, trust of consumers in their government's ability has seriously suffered on account of the intense and somewhat contradictory debates on how to tackle the government debt crisis, which has not yet come to any agreed and decisive solution. This loss of trust is now clearly also having an impact on consumption and is increasing anxiety.

Consumer climate: stable development

The overall indicator is forecasting a value of 5.2 points for October, after also standing at 5.2 points in September. Consumer climate is therefore

currently untroubled by the escalation in the debt crisis and the financial market threat to the real economy in Germany.

The escalation of the debt crisis in Greece in particular and the intense and contradictory debates for a solution have not strengthened Germans' confidence that governments are capable of finding a long-term, unanimous solution. However, in order to ensure solid and stable growth of consumer sentiment, it is essential that Germans' trust in political decision-makers is strengthened again. Only if trust is improved will German consumers have confidence in planning for the future, which is a fundamental basis for increased consumption.

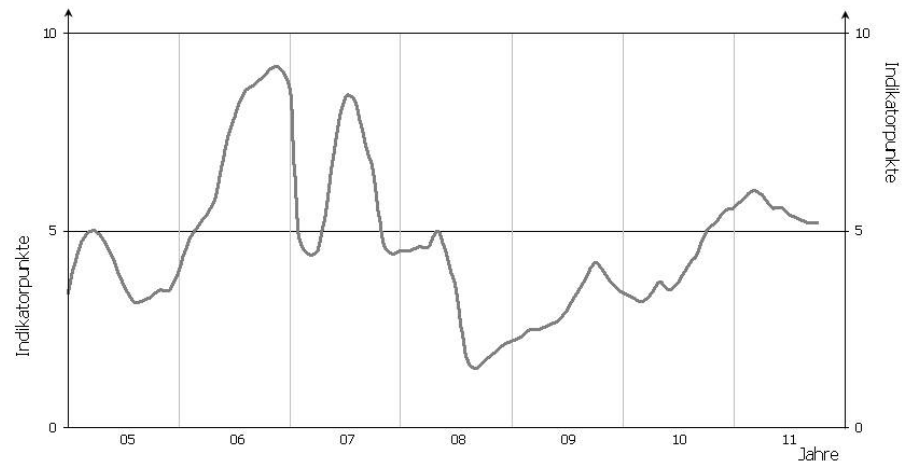
In light of the anticipated reduction in German exports, it is essential that Germany has a strong second pillar in its domestic economy in order to ensure continued economic growth.

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

	September 2011	August 2011	September 2010
Economic expectations	4.8	13.4	53.5
Income expectations	35.1	27.6	45.2
Willingness to buy	29.7	36.9	30.7
Consumer climate	5.2	5.3	4.4

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

GfK Consumer Climate indicator (as at: September 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 October 25, 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/group/press_information/press_releases/007817/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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