

Consumer Climate Remains Virtually Stable

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Findings of the GfK consumer climate study for March 2009

In spite of a flood of negative information about economic development, the overall mood among German consumers has remained virtually unchanged.

Although, following increases in the previous month, economic and income expectations are now slightly on the decline, the propensity to buy remains at a good level this month.

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The overall indicator is forecasting a value of 2.4 points for April 2009, following a revised value of 2.5 points in March, and is consequently still robust, despite the economic situation.

Following pessimistic economic forecasts and slumps in production and exports, economic expectations have declined somewhat in March. Income expectations and propensity to buy have decreased only slightly, and the latter in particular have remained at a good level.

Consequently, the consumer climate in April is set to record only minimal losses.

Economic expectations: slight decline

After an increase in February, economic expectations in March this year have decreased by 4.9 points, a drop that is almost on a par with the gains of the previous month. The indicator currently stands at -32.8 points.

At present, consumers are still seeing little reason to abandon their pessimism as regards the economy, and fear of job losses is also coming increasingly to the fore.

For the time being, this is still overshadowing the positive effect of the Economic Stimulus Package II on the domestic economy.

Income expectations: minimal losses

After the extremely positive development in income expectations, which rose by almost 10 points in February, the indicator remains virtually stable for March. Income expectations have decreased only minimally by 0.4 points, to currently stand at -11.4 points.

The continuing low rate of inflation is having a positive effect here, and falling food prices and low energy prices are also strengthening consumer purchasing power.

Even discount retailers are currently engaged in price wars, enticing consumers with offers and sales. The pension increase agreed by legislators for summer 2009 was only made public after the survey had been completed, and therefore did not affect the results.

However, this boost for pensioners is likely to have a stabilizing effect on income expectations in the future.

Propensity to buy: plateauing at a good level

Propensity to buy is at a positive level. The indicator has almost completely maintained its very good level in March this year, recording only comparatively modest losses of 0.7 points. Currently, propensity to buy stands at 13.9 points, which is still 24 points above the level recorded at the same time in the previous year.

The low rate of inflation is still probably one of the most important reasons why the propensity to buy of German consumers is plateauing at this very good level. Financial incentives, which the government is creating with its Economic Stimulus Package II and the retail trade is supplementing with its own promotions, are also having an effect.

For example, many car manufacturers are creating buying incentives by offering further concessions to complement the government's bonus for scrapping old cars.

In addition, many retailers from the consumer electronics and household appliances sectors are copying the principle of the car scrapping bonus and applying it to their own products.

Consumer climate: a stable start to spring

The overall indicator is forecasting a value of 2.4 points for April 2009, following a revised value of 2.5 points in March. This means that the upwards trend in the consumer climate, which began in October 2008, has come to an end, at least for now.

However, the consumer climate remains stable in an economically challenging environment, albeit at a low level. Consumption will therefore help to attenuate the extremely sharp downturn in exports and investments that is expected this year, but in all likelihood will not be able to completely compensate it.

The development of the consumer climate over the coming months will depend considerably on the employment market. If unemployment rises beyond expectations as the year progresses, this would also put a considerable damper on the consumer climate.

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.

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