

## Press Release

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# Purchasing power levels vary significantly by region within European countries

**The recently completed "GfK Purchasing Power Europe 2008/2009" study reveals the regional variations in purchasing power among the population of 41 European countries. Particularly noteworthy is that despite considerable growth in several eastern European countries, a gap between East and West remains. However, there are also large contrasts between the "wealthy" and "poor" regions within individual countries.**

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GfK GeoMarketing's study shows that European consumers have approximately eight trillion euros of disposable income available for 2008. State subsidies such as unemployment benefit, child support and pension payouts are included in these calculations.

For the 41 European countries included in the study, this amounts to an average purchasing power of approximately €12,500 per person. Significant regional variations exist, however. For example, inhabitants of Moldova have a disposable income of around €800 per person, while the population of Liechtenstein has more than fifty times as much (approx. €45,000 per person). The GfK purchasing power study does not take into account regional cost-of-living variations.

An interesting phenomenon revealed by the data is that in eastern European countries, cities usually have the highest purchasing power. By contrast, in western European countries such as Germany, municipalities that are near but outside of the major urban centers typically have the highest purchasing power.

A look at the growth rates also reveals a discernible east-west divide: Central and eastern European countries often have significantly higher growth rates than their western counterparts.

Bulgaria is a case-in-point: The 2008 purchasing power for the capital Sofia is €3,840 – a 22 percent or €700 increase from the 2007 value. Despite this high growth, the overall purchasing power still significantly lags behind that of Western Europe: Bulgarians have an average of only €2,800 per person at their disposal, an amount that equates to roughly a fifth of the European average.

However, even a minor increase in the retail growth of western European countries is economically more significant than the much faster growth in the still-developing economies of Eastern and Central Europe. For example, while a growth rate of 7.5 percent in Norway represents an increase of more than €1,700 to the absolute purchasing power per person, a growth rate of 13 percent in the Ukraine equates to less than €200.

### **Comparison of the purchasing power of selected European countries:**

#### **Sweden**

Sweden boasts 40.4 percent more purchasing power per inhabitant than the European average. Within Sweden itself, there is little regional variation between purchasing power levels. With €20,319 per person, Stockholm has the highest purchasing power among Sweden's metropolitan areas, followed by Gothenburg with €18,231 per person. At the other end of the spectrum are locations in the central northern regions, which have a purchasing power of around €15,000 per person. The purchasing power of Norbottens Län – a region situated in Sweden's extreme north – climbed an impressive 3.4 percent this year, a rate considerably higher than the 1.9 percent national average increase. With €38,872 of disposable income per person, the Stockholm suburb of Danderyd is the municipality with the country's highest purchasing power.

#### **Ukraine**

With just €1,688 of disposable income per person, the Ukraine occupies the next-to-last position in Europe with regard to purchasing power. Ukrainians can spend just nine percent of the amount that Germans have available for consumer expenditures. Purchasing power levels within the Ukraine vary significantly, with 155 index points separating the highest and lowest index values. By way of comparison, 98 index points separate the highest and lowest purchasing power levels in the neighboring country of Poland.

The purchasing power distribution varies quite starkly between rural and urban areas. The top 20 counties (with a purchasing power index over 162) are, without exception, cities. For example, those living in Ukraine's capital region are some of the most well-off with €3,110 of disposable income per person (purchasing power index: 184). Kiev's high purchasing power level is matched by several smaller cities in which some of the country's most important industrial and economic sites are located. Two of these cities actually surpass Kiev's purchasing power: Ugedar, the city with the country's highest purchasing power index (204) and the site of economically significant coal mines; second place belongs to the harbor city of Yzhnoye, an important center of trade located on the Black Sea.

#### **Hungary**

Hungarians have an average of €5,549 per year at their disposal, which puts them 55 percent below the European average. Budapest is by far Hungary's most affluent city with an average per person disposable income of €7,503, an amount around €1,000 more than the neighboring county of "Budaors", whose inhabitants have a purchasing power of €6,568. Despite Budapest's high-ranking position within Hungary, its inhabitants still only have half as much money at their disposal as Germany's poorest county. Even so, 21 of Budapest's 23 municipalities are among Hungary's 40 most affluent.

There is a significant gap between the purchasing power of Hungary's wealthiest and poorest municipalities. The most affluent municipality – "Budapest 12" – boasts a purchasing power of €8,988 per person and, as such, is not far behind the level of disposal income in Germany's poorest municipalities. By contrast, inhabitants of the Hungarian municipality of Csényete have only €2,086 available for consumer expenditures.

### **Iceland**

This year's results for Iceland are still good, although not as impressive as last year's. The financial difficulties that have emerged in recent weeks will first be reflected in the purchasing power data for 2009/2010. The distribution of purchasing power within Iceland is fairly balanced, with values ranging from 77 to 136 index points – although a slight increase in this gap is apparent compared to last year's figures. The Icelandic capital of Reykjavik – just as in the previous year – has a purchasing power that is only six percent higher than the national average. Although Iceland as a whole slips from rank 4 to rank 7, Reykjavik's purchasing power of €22,594 still places it well above the European average of €12,500. Even Iceland's poorest municipality has a purchasing power of €16,336 per person, which far exceeds the European average and is only €2,400 less than the German average.

### **Poland**

Although inhabitants of the Polish capital of Warsaw have a purchasing power of €9,051 – which is 64 index points higher than the national average, they still have around €3,500 less disposable income per person than the European average. Within Warsaw itself, purchasing power levels vary notably. Inhabitants of the city's poorest areas have €7,717 at their disposal compared to €10,033 in the wealthier areas. The wealthiest inhabitants of Warsaw have less money at their disposal than the inhabitants of Germany's poorest county. The purchasing power level has risen in every Polish county and metropolitan area over the past year. The biggest jumps have occurred in the large cities such as Warsaw (€1,315 increase) and Danzig (€1,238 increase).

### **About the study**

Purchasing power is a measure of per capita disposable income (including any received state benefits) after the deduction of taxes. The study indicates annual per person purchasing power levels in euros and as an index value. GfK purchasing power figures reflect the nominal disposable income, meaning that the values have not been adjusted for inflation. The study draws on statistics on income and tax levels, government benefits and forecasts by economic institutes. The GfK purchasing power study does not take into account regional cost-of-living variations or recurring monthly deductions from disposable income such as rent, mortgage payments and contributions to private retirement funds and insurance policies.

GfK Purchasing Power Europe is calculated every year for 41 European countries, with coverage down to the level of municipalities and postcodes. The complete 2008/2009 study is available immediately and also includes data on population and households. GfK GeoMarketing also offers Europe-wide digital maps that fit seamlessly with the GfK purchasing power data.

Internationally active companies require precise information regarding the amount of disposable income available to the population of various countries and regions. GfK Purchasing Power Europe provides this information and comprises an important component of a geomarketing approach to enhanced target group identification, sales territory optimization, financial controlling and location planning and expansion.





**Additional information on GfK Purchasing Power Europe** can be obtained at [www.gfk-geomarketing.com/purchasing\\_power](http://www.gfk-geomarketing.com/purchasing_power) or by contacting Oliver Giehse at +49 (0)7251 9295165 or [o.giehse@gfk-geomarketing.com](mailto:o.giehse@gfk-geomarketing.com).

### **Download illustrations**

Print-quality illustrations can be downloaded at [www.gfk-geomarketing.com/purchasing\\_power\\_europe2008.zip](http://www.gfk-geomarketing.com/purchasing_power_europe2008.zip)

### **About GfK GeoMarketing**

GfK GeoMarketing is one of Europe's largest providers of geomarketing solutions for customers from all branches of trade. Its services include:

-  Consultancy and reports
-  Market data
-  Digital maps
-  RegioGraph and DISTRICT geomarketing software solutions

The company is a full-fledged subsidiary of the international GfK network. Ranked among the world's top 5 market research organizations, the GfK Group consists of 115 subsidiaries and approximately 10,000 employees, with operations in more than 100 countries.