

Press Release

Date
December 9, 2009

Press contact:
Cornelia Lichtner

Contact info.
Tel.: +49 (0)7251 9295270
Fax: +49 (0)7251 9295290

E-mail
c.lichtner@gfk-geomarketing.com

"GfK Purchasing Power Europe" study tracks Europeans' consumer potential in crisis-ridden 2009

The recently updated "GfK Purchasing Power Europe 2009/2010" study reveals the regional distribution of purchasing power in 41 European countries. This year's study illuminates the repercussions of the economic crisis in affected countries such as Ireland and Iceland. The purchasing power data also reveal the European regions in which sales and marketing activities promise most return on investment.

GfK GeoMarketing GmbH

www.gfk-geomarketing.com
info@gfk-geomarketing.com

Bruchsal headquarters:
Werner-von-Siemens-Str. 9
Building 6508
76646 Bruchsal
Tel.: +49 (0)7251 9295100
Fax: +49 (0)7251 9295290

Hamburg office:
Hans-Henny-Jahnn-Weg 53
22085 Hamburg
Tel.: +49 (0)40 2271120
Fax: +49 (0)40 2277282

Nuremberg office:
Nordwestring 101
90419 Nuremberg
Tel.: +49 (0)911 3952509
Fax: +49 (0)911 3954054

Management Board:
Olaf Petersen
Wolfram Scholz
Dr. Eberhard Stegner

Mannheim County Court
HRB 250872
Ust-ID: DE 143585033

Europeans have approximately 8 trillion (8 million millions) euros of income available for consumer purchases in 2009. This figure includes government pay-outs such as unemployment benefit, child benefit and pensions. This corresponds to an average purchasing power of €11,699 per inhabitant for the 41 countries under review. Purchasing power levels vary significantly according to region. For example, Norwegians enjoy a per capita income of €20,535, while Bulgarians command on average only €2,850 per person. The east-west divide remains clearly discernible: Efforts among central and eastern European countries to close the gap between themselves and Western Europe markedly decelerated in 2009 due to the economic downturn. The ranking sequence of countries in Western Europe has also changed. For example, Slovenia now outpaces Portugal with a per capita purchasing power of approximately €10,060. Despite the improvement, this figure still lies €1,600 below the European average.

Simone Baecker-Neuchl, head of Market Data & Research at GfK GeoMarketing, explains that some countries that enjoyed periods of growth prior to the financial crisis experienced significant setbacks in 2009: "Ireland is especially hard-hit by the crisis, with a purchasing power drop of 18 percent. The Baltic states are also very affected, with purchasing power decreases between 10 and 28 percent."

The European purchasing power average fell by approximately €800 compared to the previous year. The resulting decline in consumption places additional pressure on the economy and retail sector. The negative currency tendencies

of several non-euro countries are a decisive factor with regard to purchasing power development. These fluctuations affect the purchasing power statistics compiled in euros, in this case negatively. The European Central Bank predicts a devaluation of approximately 21% in Poland's currency compared to the previous year (reference date: May 5, 2009). Stark declines against the euro are also anticipated for the currencies of other western and southeastern European countries (a drop of 12% in Great Britain and Sweden, and 14% in Hungary and Belarus).

The crisis has also reshuffled the purchasing power rankings of individual countries: For example, Germany is once again among the top 10, while hard-hit Ireland and Iceland slip out of the top 10 for the first time in years. "Germany's 2009 purchasing power remains stable compared to that of other European countries," adds Baecker-Neuchl. "This is thanks to the economic stimulus program – for example, state-funded reductions in working hours (*Kurzarbeit*). This approach has thus far kept unemployment in check, bringing stability to the average purchasing power."

These rankings are, however, less telling than in previous years due to continuing currency fluctuations. "Europeans' actual wealth is closely linked to local price levels, which are not considered by the study," explains Baecker-Neuchl. "Even so, the currency-dependent purchasing power values are invaluable for international retailers who estimate their anticipated turnover in euros. For retailers planning operations within a specific region, it's also important to take regional differences into account in order to precisely locate the available potential and increase regional market share."

GfK Purchasing Power 2009/2010 offers purchasing power data for all regions of 41 European countries down to the level of municipalities and postcodes. The dataset thus shows – even amidst the crisis – Europe's most promising regions with regard to consumption potential.

Comparison of purchasing power in several European countries:

Belgium

Belgium's purchasing power fell by a small margin (approximately 2%) compared to other European countries. As a result, Belgium climbs in the rankings from 12 to 9. The regional distribution of purchasing power in Belgium reflects the country's distinct linguistic and economic areas: The district with the lowest per capita purchasing power is located in the Wallonia

region. All districts in this region (with the exception of Nivelles) have below average purchasing power levels. The Flanders region has the most inhabitants and disposable income, with a per capita purchasing power of €17,380.

While Brussels has a below average purchasing power, the surrounding municipalities make up the country's most affluent district: Halle-Vilvoorde. Antwerp, Belgium's most populated municipality, has a slightly below average purchasing power. Purchasing power levels within the city vary substantially: Inhabitants of the Borgerhout city quarter have a per capita purchasing power of €13,601, while inhabitants of the Wilrijk quarter have one-and-a-half times as much at their disposal.

Great Britain

Purchasing power in Great Britain is traditionally heavily concentrated in Greater London, with declines as one moves away from the capital. As one of world's largest financial centers, London suffered substantial setbacks from the financial crisis. Even so, it maintains its status as Great Britain's most affluent region. As the nation's financial center, London is home to the inhabitants with the highest purchasing power. Although Greater London comprises only 12 percent of the British population, it boasts 17 percent of the United Kingdom's available purchasing power.

There are significant deviations in purchasing power within London as well as in the large industrial cities of Liverpool, Birmingham and Manchester. Central areas of London are home to both very wealthy and poor residents: The former tend to be concentrated in the northwestern parts of the city, such as Kensington, Oxford Street, Blackfriars and along Fleet Street. The shiny multi-story buildings that populate the "London City" area are home to some of the country's most wealthy inhabitants, with the most affluent concentrated between Barbican and Moorgate (postcode EC2Y 8). The 3,208 residents in this area have almost three times as much available income as the average Briton.

But even within the wealthiest areas there are significant differences in purchasing power levels, as demonstrated by a small-scale postcode-level comparison of the data:

Exceedingly wealthy residents can be found in Hampstead Heath (postcode NW3 7) in the London district of Camden, which boasts a purchasing power index of 226.5 (national average = 100). However, the purchasing power index just a few housing blocks to the south in postcode NW5 4 is a "mere" 115.8.

Latvia

The global financial crisis has had a major impact on the country that just two years ago earned the distinction of Europe's most rapidly growing economy. The resulting financial instability has led to stagnating production and a threefold increase in the unemployment rate. Purchasing power has consequently dropped from €6,211 in 2008 to €4,505 in 2009.

These changes have had little impact on the regional distribution of purchasing power in Latvia. Riga, the nation's capital and center of finance and production, remains in the top position with 121.7 index points. However, a comparison with the urban district of Munich, which has the same approximate number of inhabitants (around 700,000) and plays a similarly important economic role, reveals that the typical Riga inhabitant has only a fifth of the disposable income available to the average Munich inhabitant. The districts surrounding Riga form a band of affluence thanks to their close proximity to the capital.

The country's eastern regions – particularly the rural areas – have low per capita income levels that typically amount to only 70 percent of the national average. The western and northwestern regions have more purchasing power, in some cases exceeding the average. For example, the industrial district of Valmiera has a purchasing power of 109.4.

Romania

Romania has an annual per capita purchasing power of €3,103, ranking 33 among the 41 European countries studied. Around a third of Romania's 42 districts have an above average per capita purchasing power.

The capital city of Bucharest is by far the wealthiest district, with a purchasing power of €4,383 per person, which is 40% higher than the national average and almost on par with Latvia's national average. The gap between Bucharest and the country's other districts has further widened over the course of this year. Even so, Bucharest inhabitants have only a third of the purchasing power of Germany's poorest district (Uecker-Randow).

The Vaslui district along the border with Moldova is the country's poorest, with a per capita purchasing power of only €2,296, which is 26% less than the national average. The divide between rich and poor in Romania has widened as a result of an increase in the purchasing power of the wealthiest district and a decrease in the poorest district.

Spain

A significant northeast-southwest divide characterizes the distribution of purchasing power in Spain, although the centrally located capital of Madrid forms an exception. While Spain's capital is relatively wealthy with a purchasing power index of 121.4, its inhabitants still have slightly less disposable income than those in Belgium's poorest district in the Flanders region. Also, the province of Madrid only ranks third in the nation, outpaced by the Basque provinces of Guipuzcoa (index = 125.2) and Alava (index = 124.9).

Compared to last year, municipalities and provinces in the relatively poor western and southern regions of the country have enjoyed an increase in purchasing power, while the purchasing power in northeastern and central Spain has fallen. The largest decline is in the province of Guadalajara (east of Madrid), which experienced a drop of four percentage points in 2009. The province now has a per capita purchasing power of €11,882.

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 2009/2010 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 found at www.gfk-geomarketing.com/purchasing_power or by contacting Alexandra Deutsch at +49 (0)7251 9295170 or a.deutsch@gfk-geomarketing.com.

Download illustrations

Print-quality illustrations can be found at www.gfk-geomarketing.com/pp_europe_2009.

About GfK GeoMarketing

GfK GeoMarketing is one of the largest providers of geomarketing services in Europe for customers and users from all branches of trade. Key business areas include:

-  Consultancy
-  Market data
-  Digital maps
-  Geomarketing software RegioGraph

The company is a subsidiary of the globally active GfK Group. Ranked fourth among the world's market research institutes, the GfK is represented in 100 countries with over 150 subsidiaries and 10,000 employees.