

CONSUMER CREDIT INDEX

KKI I/2014

Forecast - use of new consumer credit in Germany

GfK Finanzmarktforschung (financial market research)
on behalf of Bankenfachverband e.V.

Content



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Objective



Since 2008 Bankenfachverband and GfK Finanzmarktforschung have jointly carried out a regular study on consumer and motor vehicle financing.

The study aims at ascertaining the awareness of various forms of financing, of consumer attitudes and of actual consumer behaviour in terms of the use of consumer credits over time.

In order to deepen these objectives, a Consumer Credit Index (KKI) was established in spring 2011 on the basis of current financing behaviour. The index is suitable for gauging the future financing behaviour of end customers in respect of various forms of consumer credit.

This spring index is based on household estimates made at the beginning of 2014.

Study design

Sample



Survey method

written survey, supporting study: GfK financial market panel

Target group

representative sample of German households, up to 75 years of age

Survey area

Federal Republic of Germany



Sample

n=1,907 interviews; the results were subsequently weighted according to age, vocation, income, offspring and size of village/town/city.

Survey period

31 January 2014 to 21 February 2014





1. Actual purchases in the past 12 months

- Type of purchase (new cars, used cars, furniture, ...)
- Spontaneity of purchase (planned, unplanned)
- Credit financing of purchase
- Type of credit used for the purchase
- Credit amount for used credits

2. Planned purchases for the next 12 months

- Type of planned purchase (new cars, used cars, furniture, ...)
- Credit financing of planned purchase
- Expected type of credit for the purchase
- Expected credit total

Content



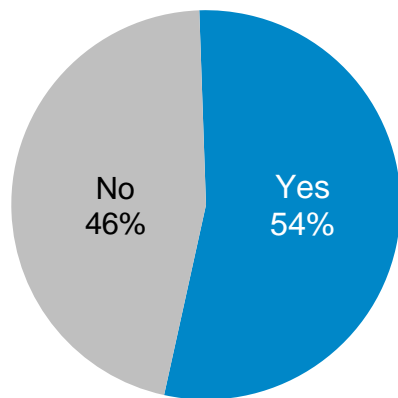
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Purchases in the past 12 months

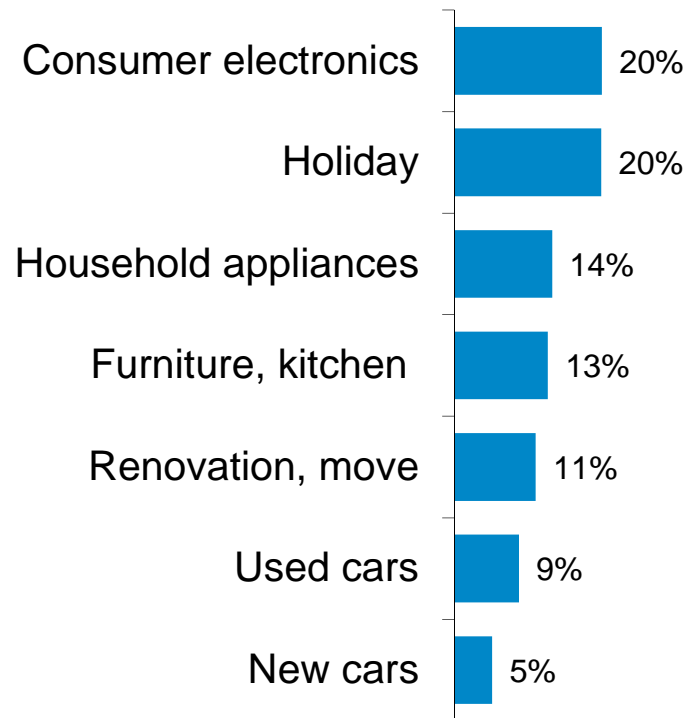
Total and for individual purchases



Purchases in the past 12 months
n = 1,907



Type of purchases in the past 12 months
n = 1,907



54% of all respondents have made major purchases in the past 12 months.

The focus was mainly on consumer electronics and major holiday trips. The purchase of new cars, at 5%, falls considerably short of this figure.



Legend: 20% of all respondents have purchased consumer electronics in the past year.

F1a: Which of the following major purchases / expenses have you made / had in the past 12 months?

Basis: 1,907 respondents, other purchases not shown.

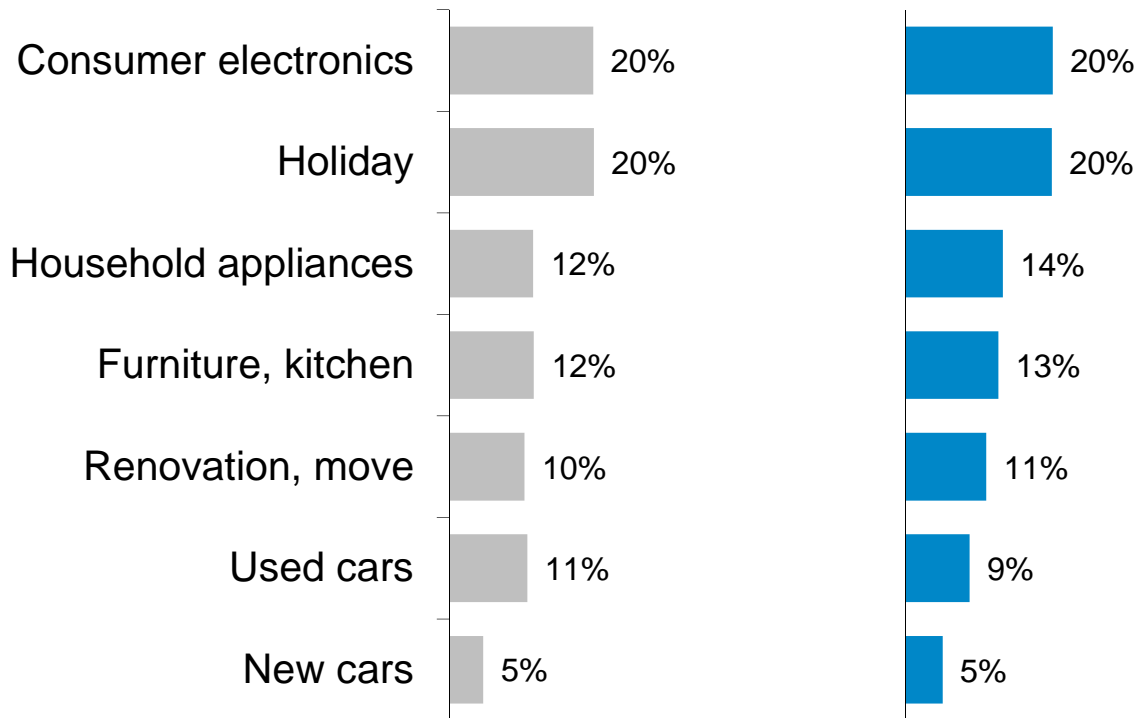
Purchases in the past 12 months

Annual comparison: spring 2014 against spring 2013



Type of purchases in the past 12 months (KKI in spring 2013)
n = 1,767

Type of purchases in the past 12 months (KKI in spring 2014)
n = 1,907



The level of purchases against that of the previous year is virtually consistent. Apart from purchases of household appliances, which have increased slightly, a comparison with the survey carried out in spring 2013 shows hardly any changes in the purchases.



Legend: 20% of all respondents have purchased consumer electronics in the past year. This figure is consistent with the figure for spring 2013.

F1a: Which of the following major purchases / expenses have you made / had in the past 12 months?

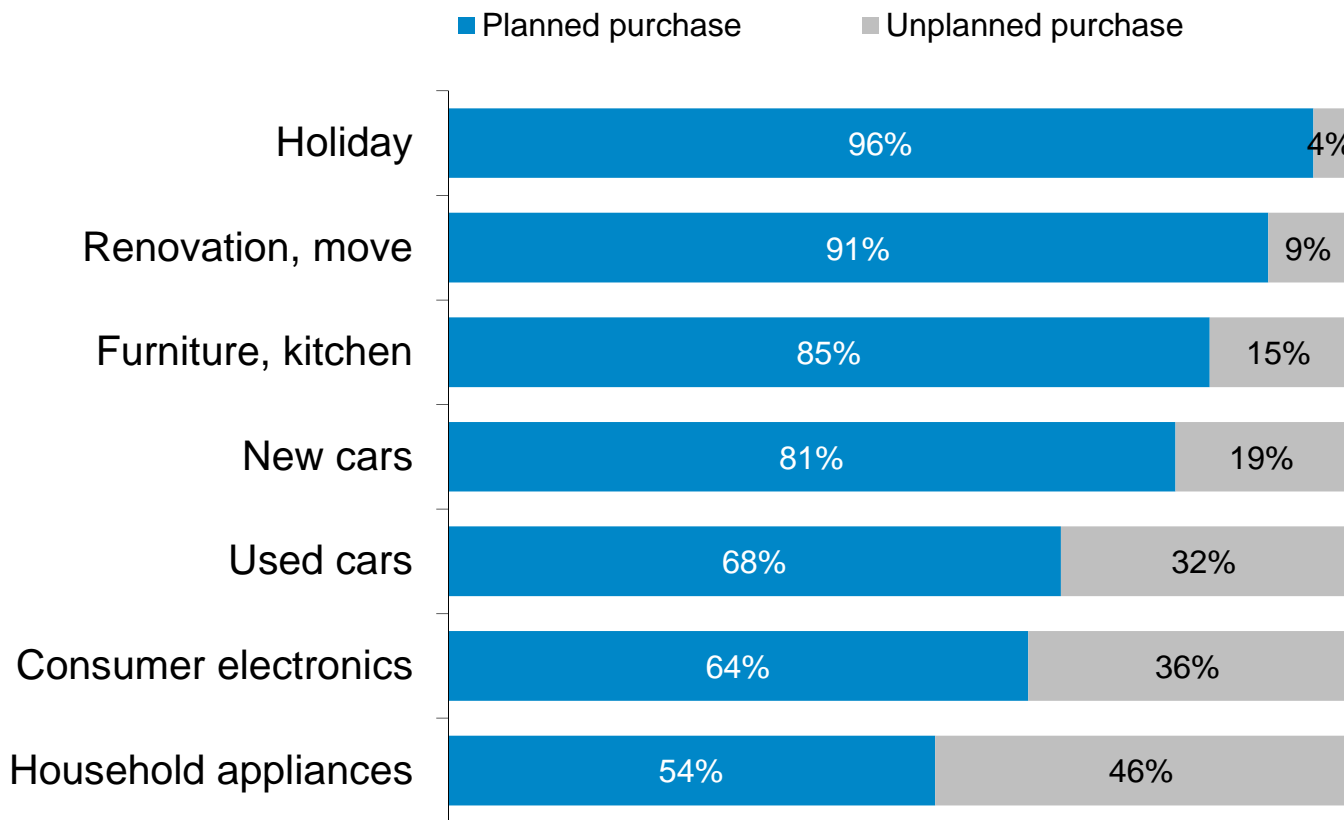
Basis: 1,907 respondents, other purchases not shown (spring 2013: 1,767 respondents)

Purchases in the past 12 months

Proportion of planned purchases



Sub-group: has purchased the product in each case



Holiday trips, renovations or the purchase of furniture or kitchens are planned.

Planned and spontaneous purchases are virtually balanced in the case of large household appliances.



Legend: 96% of all holiday trips are planned in advance, 46% of all large household appliances are purchased spontaneously.

F1a: Which of the following major purchases / expenses have you made / had in your household in the past 12 months?

F1b: Please specify for all purchases / expenditures whether they were planned. Basis: 1,907 respondents; other purchases not shown.

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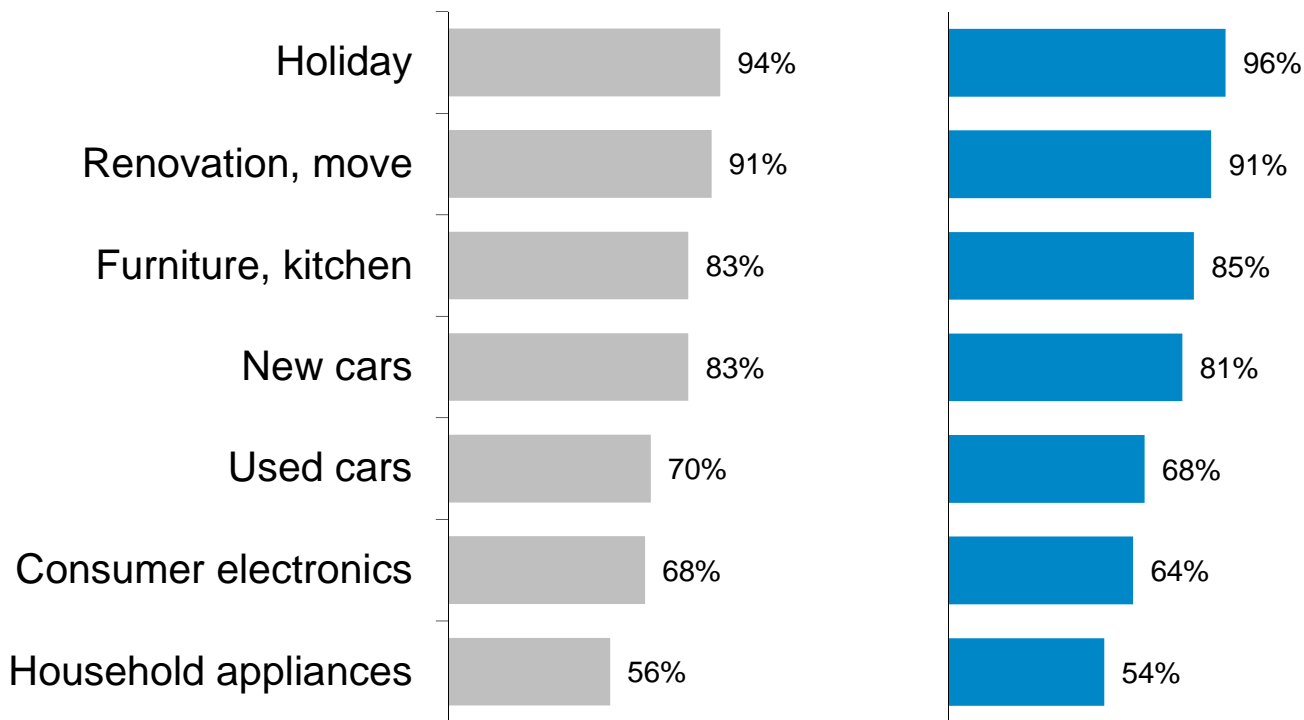
Purchases in the past 12 months

Proportion of planned purchases over time



**Proportion of planned purchases
(KKI in spring 2013)**
n = 1,767

**Proportion of planned purchases
(KKI in spring 2014)**
n = 1,907



The proportions of planned purchases generally remain at a high level. 54 % of household appliance purchases were planned in advance.



Legend: 96% of all holiday trips are planned in advance.

F1a: Which of the following major purchases / expenses have you made / had in your household in the past 12 months?

F1b: Please specify for all purchases / expenditures whether they were planned.

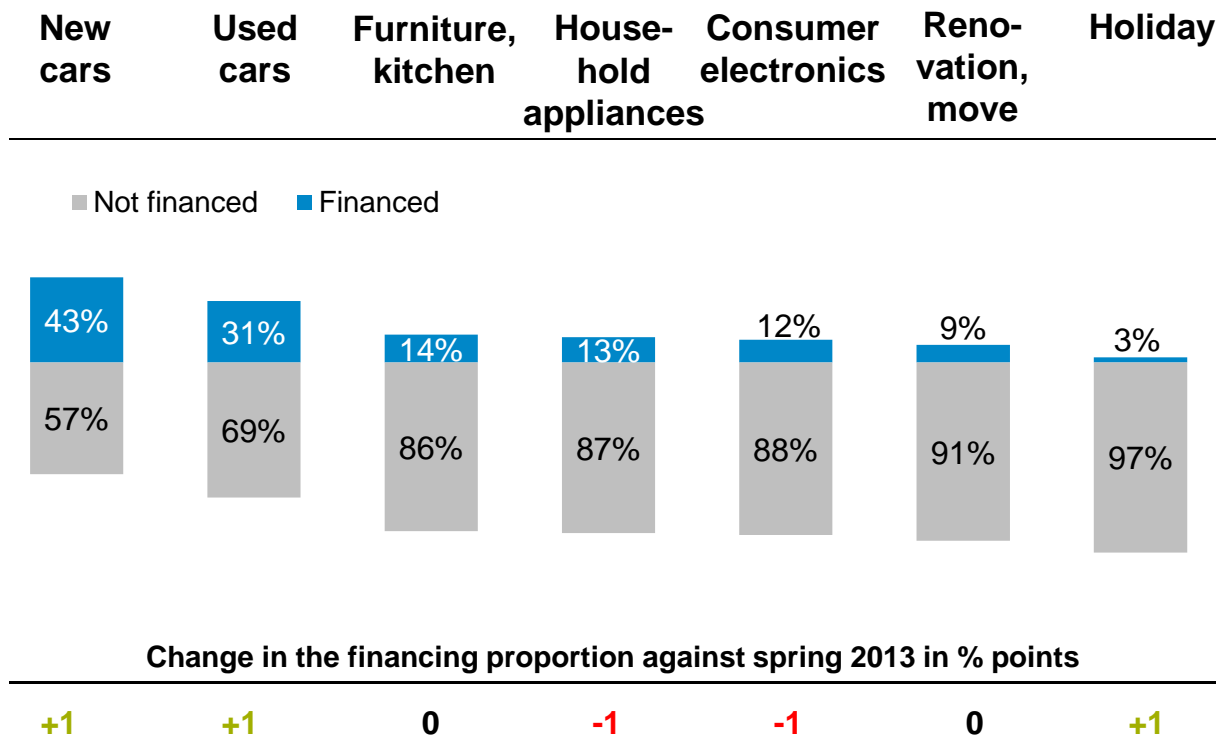
Basis: 1,907 respondents, other purchases not shown (spring 2013: 1,767 respondents)

Purchases in the past 12 months

Financing



Purchases made in the past 12 months



43% of all new cars are currently at least partly financed. The willingness to take out loans increased slightly for motor vehicles in comparison to the previous year.



Legend: 43% of all those who bought new cars have financed their vehicle.

F1a: Which of the following major purchases / expenditures have you made / had in your household in the past 12 months?

F1c: Have you taken out one of the types of loan listed below to make this purchase? Basis:

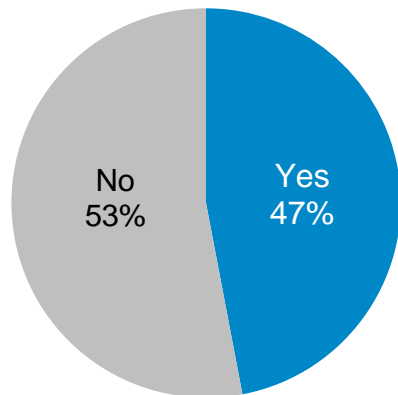
1,907 respondents, other purchases not shown (spring 2013: n=1,767 respondents)

Planned purchases in the next 12 months



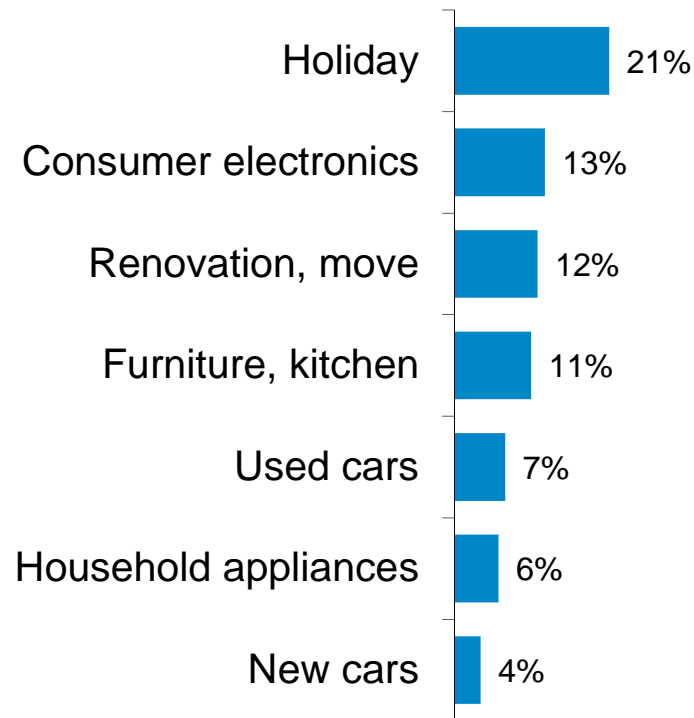
Planned purchases in the next 12 months

n = 1,907



Type of planned purchases in the next 12 months

n = 1,907



47% of all respondents are currently planning larger purchases / expenses, with the focus on holiday trips.



Legend: 12% of all respondents are planning to renovate or move in the next 12 months.

F2a: Are you planning one or more of the following purchases / expenditures in the next 12 months?

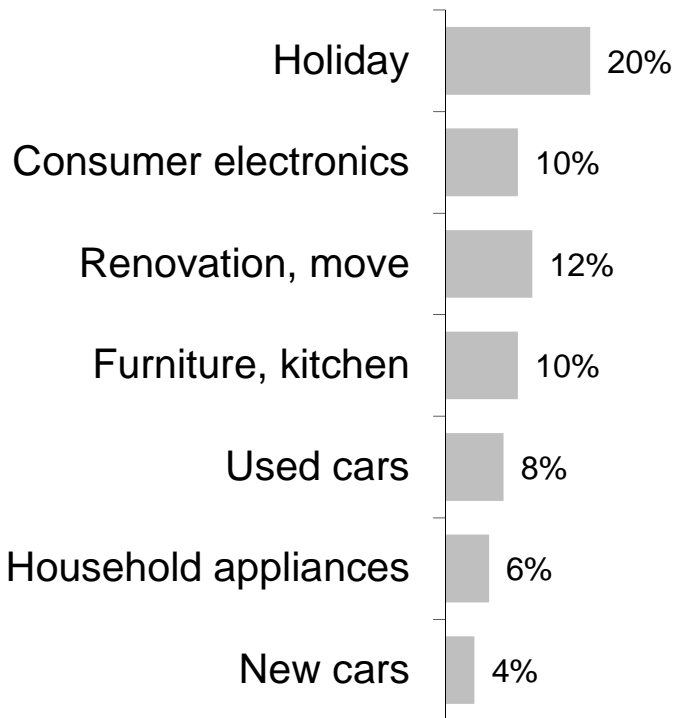
Basis: 1,907 respondents, other purchases not shown.

Planned purchases in the next 12 months

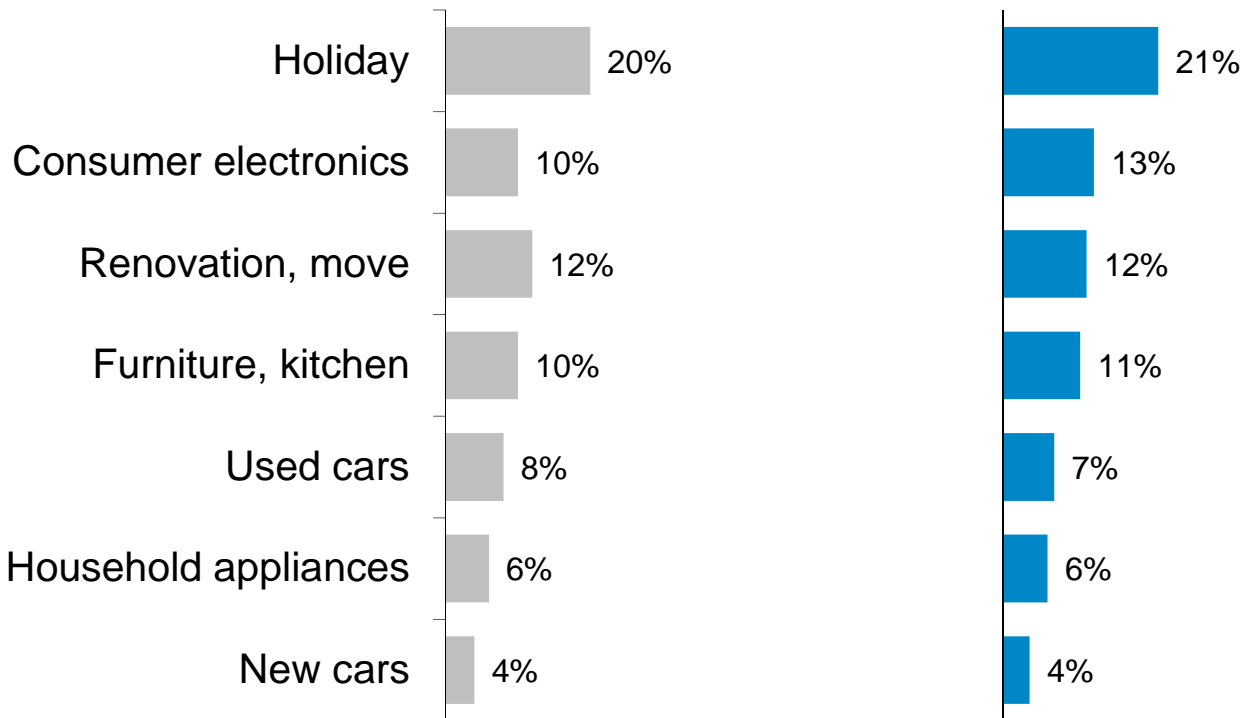
Annual comparison: spring 2014 against spring 2013



Type of planned purchases in the next 12 months (KKI in spring 2013)
n = 1,767



Type of planned purchases in the next 12 months (KKI in spring 2014)
n = 1,907



The propensity to buy remains high.

21% of all households are planning to go on major holiday trips in the next 12 months, and 13% are planning to purchase consumer electronics – a marked increase in comparison to the previous year.



Legend: 12% of all respondents are planning to renovate or move in the next 12 months.

F2a: Are you planning one or more of the following purchases / expenditures in the next 12 months?

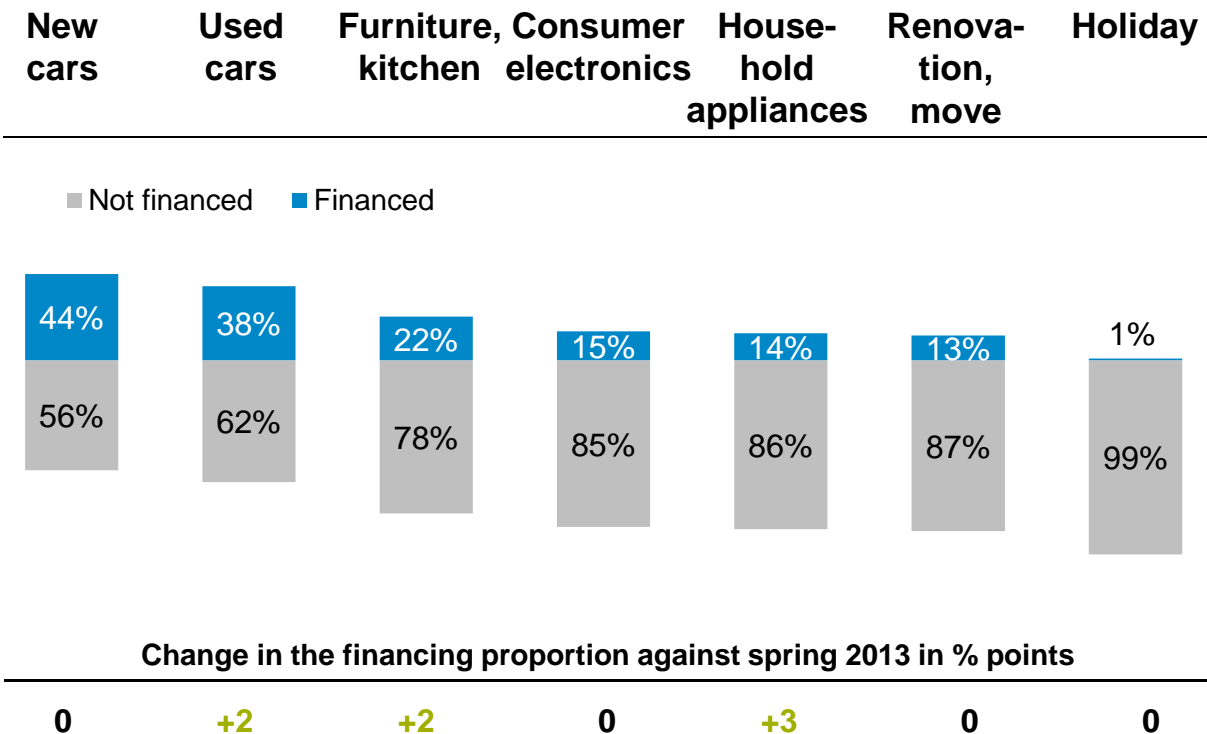
Basis: 1,907 respondents, other purchases not shown (spring 2013: 1,767 respondents)

Planned purchases in the next 12 months

Financing



Credit financing conceivable – planners of the respective purchase



The willingness to take out a loan for individual products is very high; an increase over the previous year can in particular be seen in loans for furniture and kitchens and for household appliances.



Legend: 44% of all respondents intending to buy a new car consider taking out a loan to be a possibility.

F 2a: Are you planning one or more of the following purchases / expenditures in the next 12 months?

F 2b: Can you basically imagine taking out a loan to do so?

Basis: 1,907 respondents, other purchases not shown (spring 2013: 1,767 respondents)

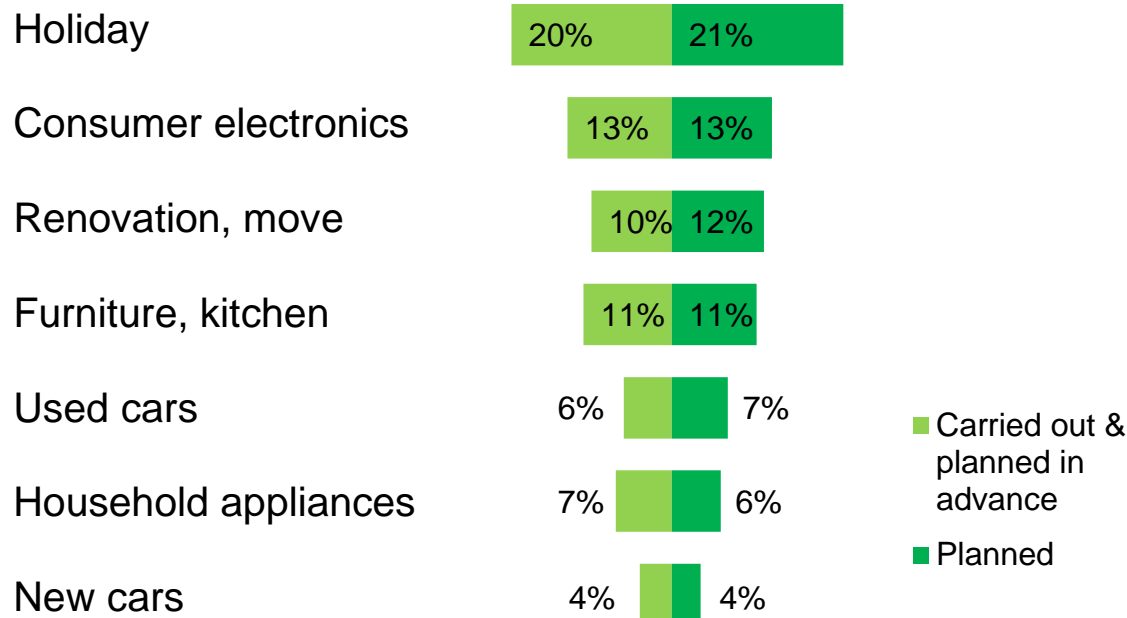
Planned purchases

In the past and in the next 12 months



**Type of planned purchase
in the past 12 months**
n = 1,057 respondents

**Type of planned purchase
in the next 12 months**
n = 1,907 respondents



21% of the respondents are planning major holiday trips; 20% have been on a planned holiday trip in the past 12 months.

F1a: Which major purchases / expenses have you made / had in your household in the past 12 months?
 F1b: Sub-group: planned the purchase
 F2a: Are you planning one or more of the following purchases / expenditures in the next 12 months?
 Basis: 1,907 respondents, of these 1,057 planning purchases; other purchases not shown

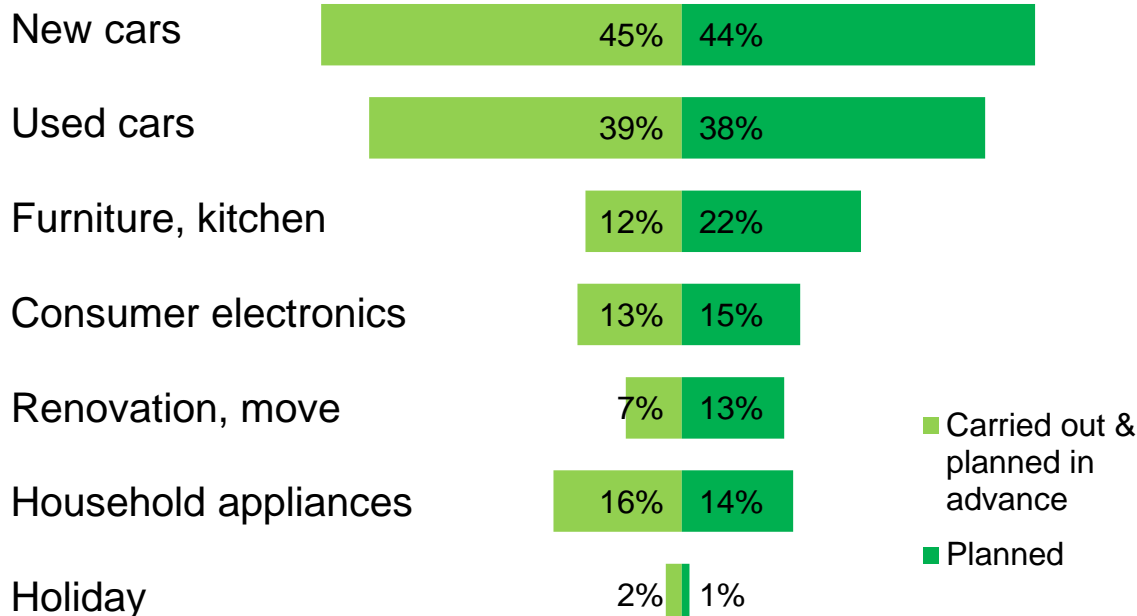


Effected and conceivable financing

Sub-group: planned purchases in the past and in the next 12 months

Credit financiers in the past 12 months
Sub-group: planners*

Expected credit financiers in the next 12 months



44% of all planned purchases of new cars and 38% of all planned used car purchases are to be financed in the next 12 months.

A big increase is noted in furniture and kitchens and in renovations and house moves.



Legend: 14% of all the planned household appliances are to be financed.

F1c: Have you taken out one of the types of loan listed below to make this purchase?

F2b: Can you in principle imagine taking out a loan to make this purchase?

Sub-group: planners *The purchase was planned.

Basis: 1,057 respondents planning purchases; other purchases not shown

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Consumer Credit Index

Fundamentals of the method



A Consumer Credit Index is based on the results of several studies:

1. KKI II/2013 – Forecast – use of new consumer credit in Germany
2. KKI I/2014 – Forecast – use of new consumer credit in Germany (current survey)

➔ The Consumer Credit Index is thus based on current actual and planned figures and on actual and planned figures from the past.

The following key figures from both studies are taken into account in the subsequent calculation in each case:

1. Effected and previously planned purchases in the past 12 months
2. Credit financing for effected and planned purchases in the past 12 months
3. Planned purchases in the next 12 months
4. Planned credit financing in the next 12 months

This has the advantage of also integrating assessments from the past which nevertheless relate to the current time horizon, in an analysis. This enhances the validity of the KKI.

Consumer Credit Index

Fundamentals of the method



The Consumer Credit Index is based on the planned activities of households in the individual financing area.

The following assumptions were made as part of the analyses:

1. The amounts financed for each purchase remain constant in the categories studied, also for the coming period (12 months).
2. The shares of planned purchases also reflect the shares of actual new business.
3. Purchases made in the past 12 months are a good indicator of future trends.
4. Assessments made in the past remain valid.

Consumer Credit Index

Fundamentals of the method



The Consumer Credit Index takes into account forms of purchase surveyed and is composed of two partial two partial values:

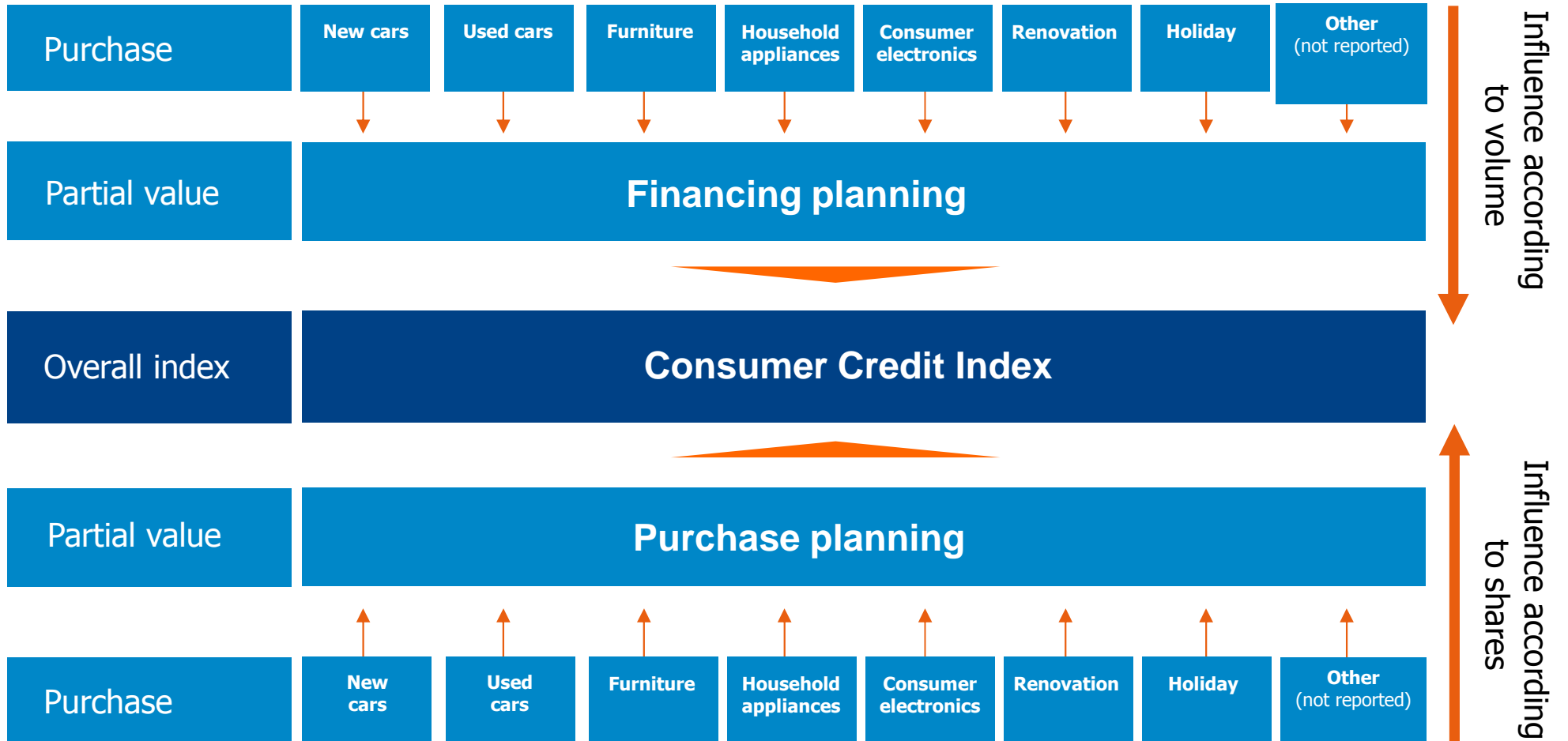
- Purchase planning
- Financing planning

The partial values and the Consumer Credit Index itself were both weighted on the basis of the individual categories and calculated according to the volume of credit and purchases made.

The index value shows which changes (in %) are to be expected on average in the individual segments. An index value of below 75 shows a reduction, an index value from 75 to 125 shows a relatively constant market level, an index value of 126-150 shows a slight rise, and an index value of more than 150 shows a significant increase.

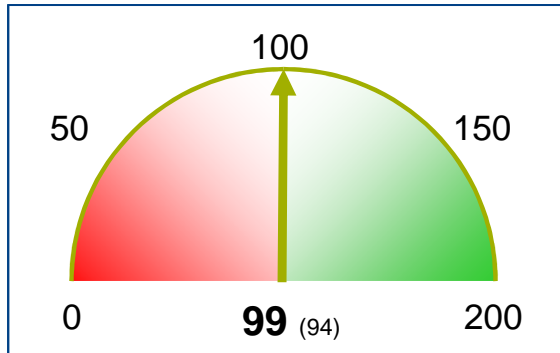
Consumer Credit Index

Schematic structure



Purchase planning

Calculation basis



Purchase planning is a measure of the future expected purchases of households.

A current figure of 99 points is an indication of a constant level of purchases in spring 2014.

The following key figures from the current and from previous studies were incorporated in the calculation of planned purchases at a ratio of 2:1.

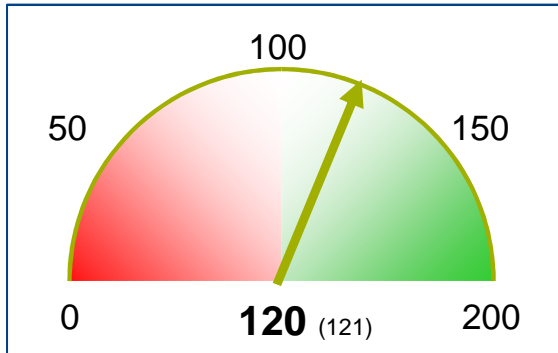
- Purchase was planned and was executed in the past 12 months = basic value
- Purchase is planned for the next 12 months = trend

Purchase planning = (trend in autumn 2013 + trend in spring 2014 x 2) / 3 / basic value
[weighted by current shares]

(in brackets: purchase planning for spring 2013)

Financing planning

Calculation basis



Financing planning is a measure of willingness to take out loans in future.

A current figure of 120 points is an indication of a positive trend.

The following key figures from the current and from previous studies were incorporated in the calculation of each planned purchase at a ratio of 2:1.

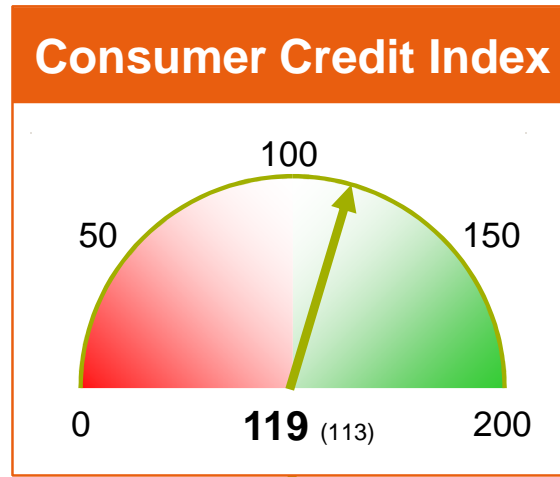
- Share of current financing in all purchases 2014 = basic value
- Share of planned financing in all planned purchases 2014 = trend

Financing planning = (trend in autumn 2013 + trend in spring 2014 x 2) / 3 / basic value
[weighted by current volume of credit]

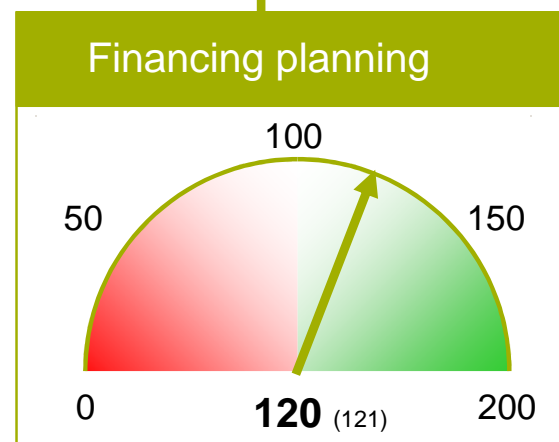
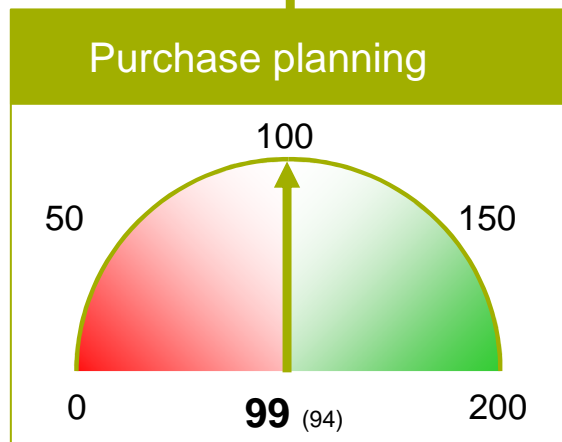
(in brackets: financing planning for spring 2013)

Consumer Credit Index

Key figures



The Consumer Credit Index currently reaches 119 points.

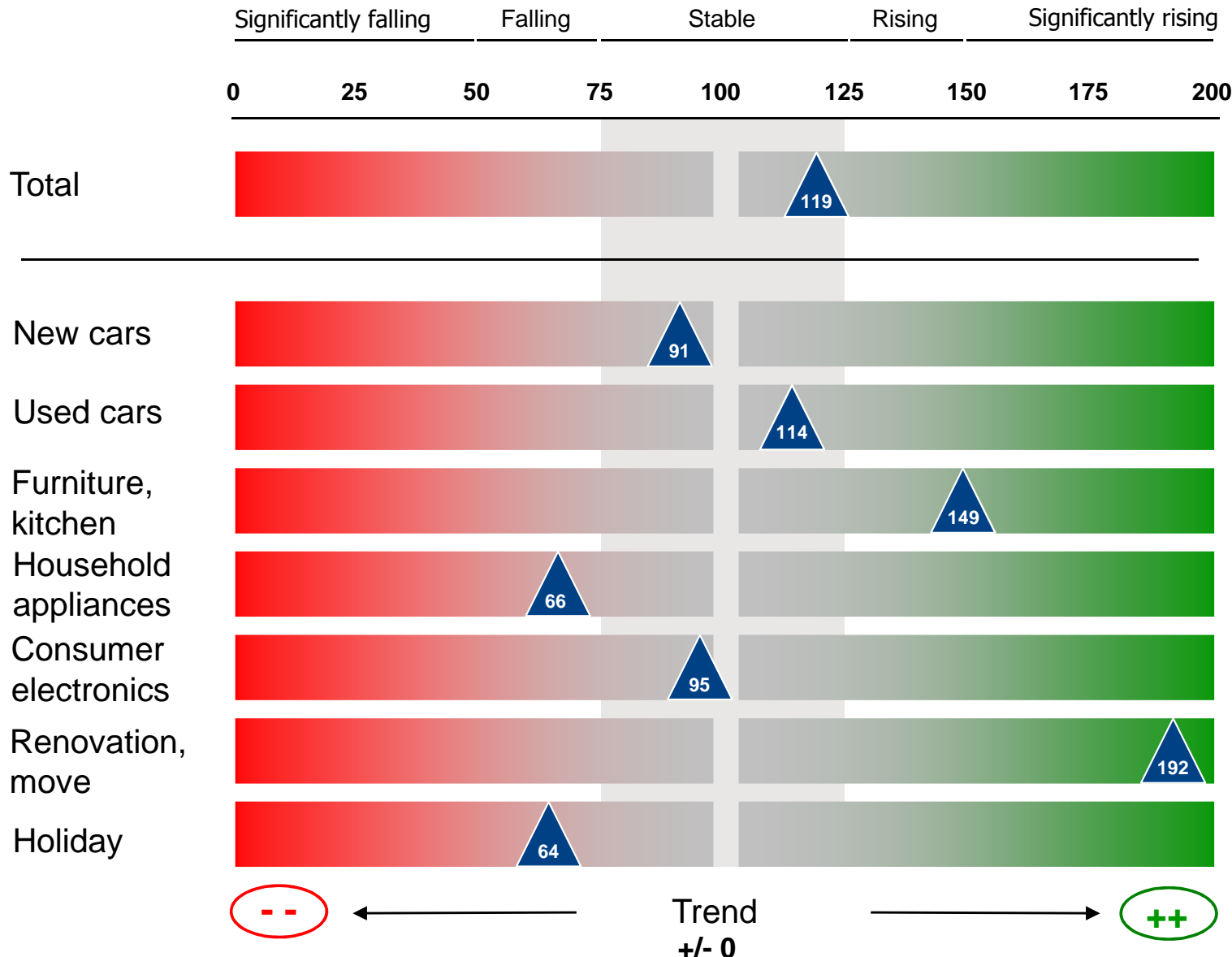


i If both partial values are positive or negative there will be a stronger deflection in the Consumer Credit Index.

In brackets: figures for spring 2013

Consumer Credit Index

In detail

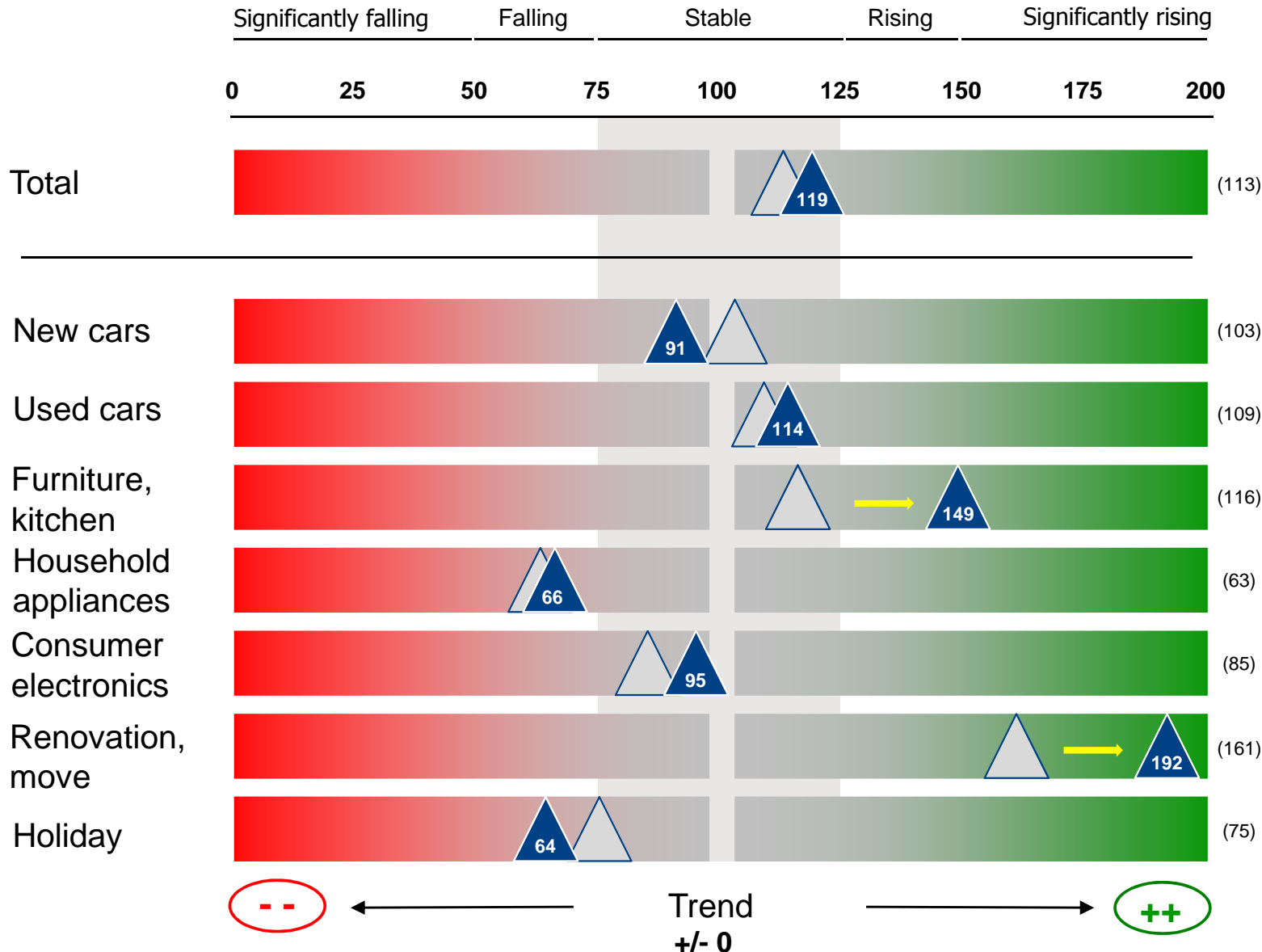


The Consumer Credit Index for 2014 shows a positive trend, at 119 points.

This figure mainly results from the willingness of consumers to take out more loans for renovations and furniture.

Consumer Credit Index

In comparison to spring 2013

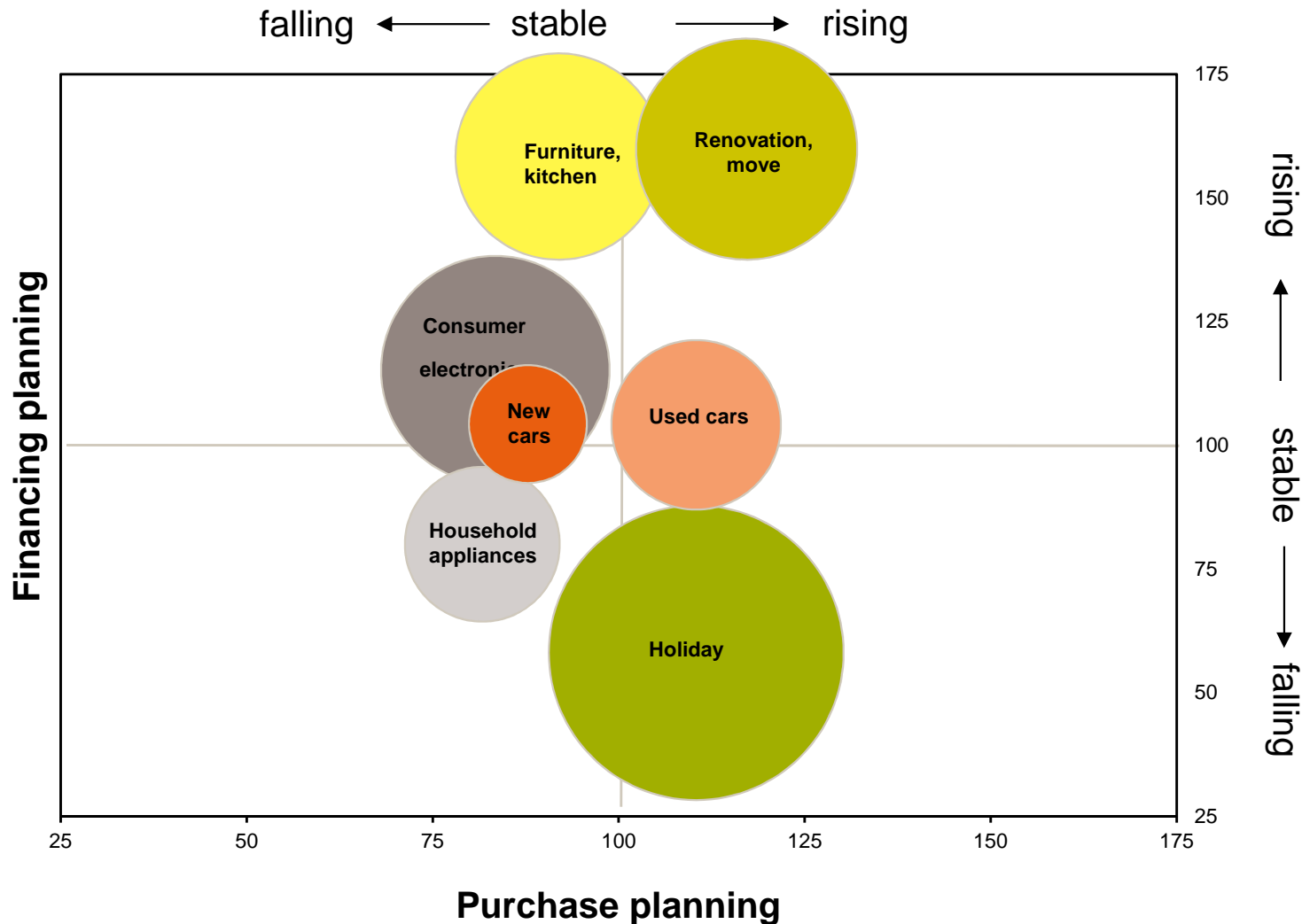


At 119 points, the Consumer Credit Index for 2014 shows a positive trend. There are however significant shifts at the individual product level.

(in brackets: figures for spring 2013)

Consumer Credit Index

An overview



Holidays and renovations are currently planned above-average, in addition to planning the purchase of a used car.

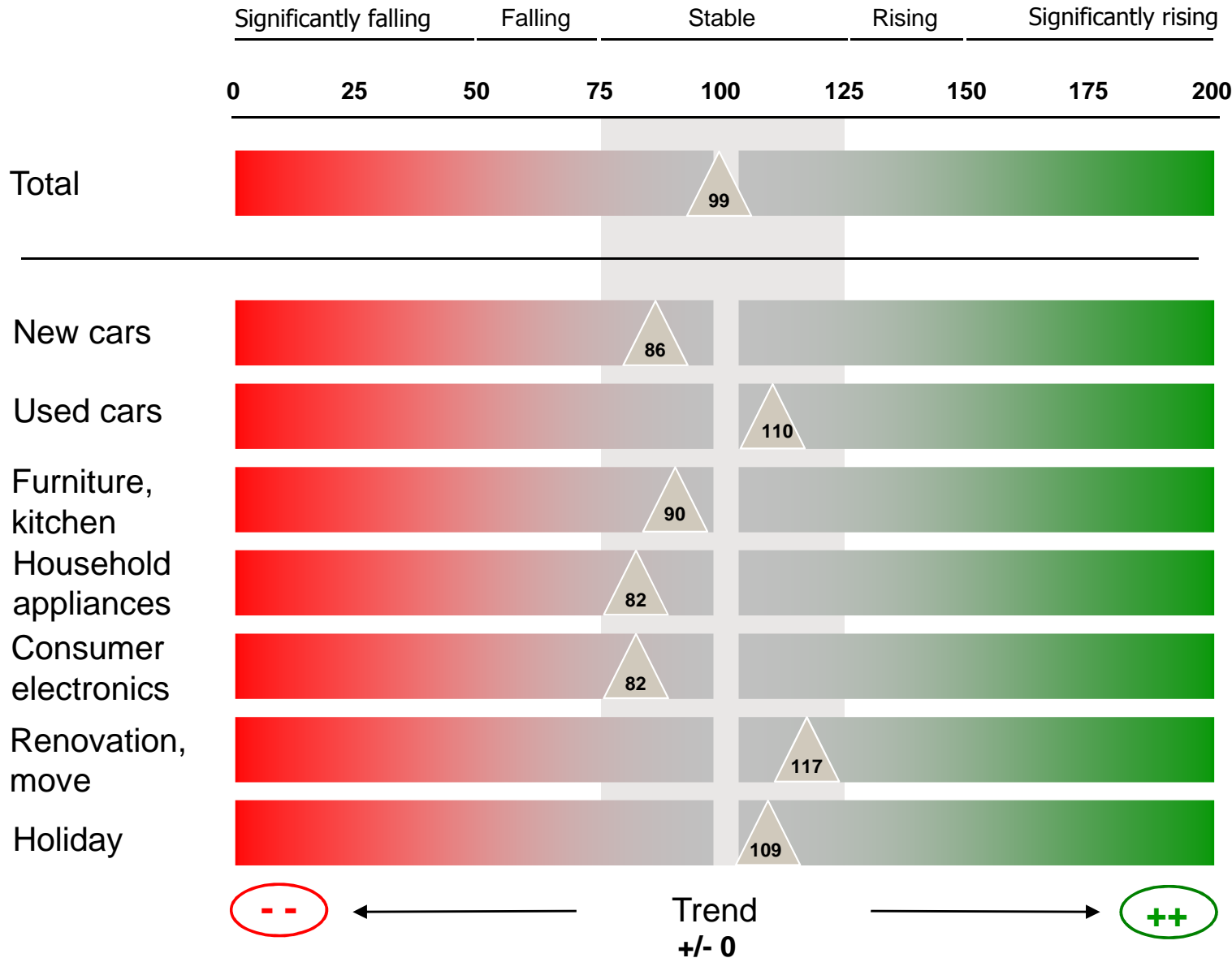
A rising intention to take out loans can be recognised for renovations and furniture.



The size of the circles reflect the dimension of the market segment

Purchase planning

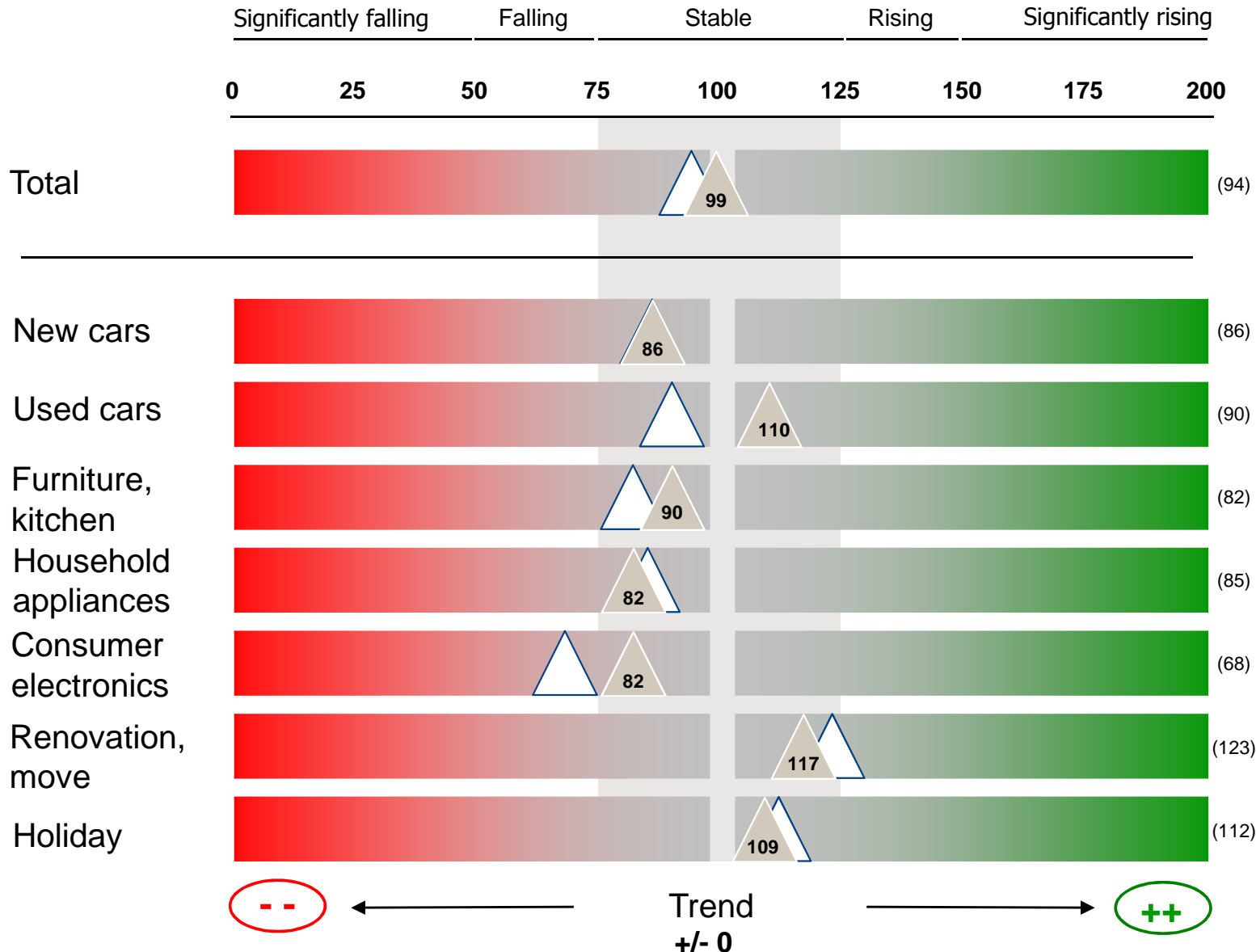
In detail





Customers are currently focusing on renovations, moves, holiday trips, and also used cars.

Purchase planning

In comparison to spring 2013

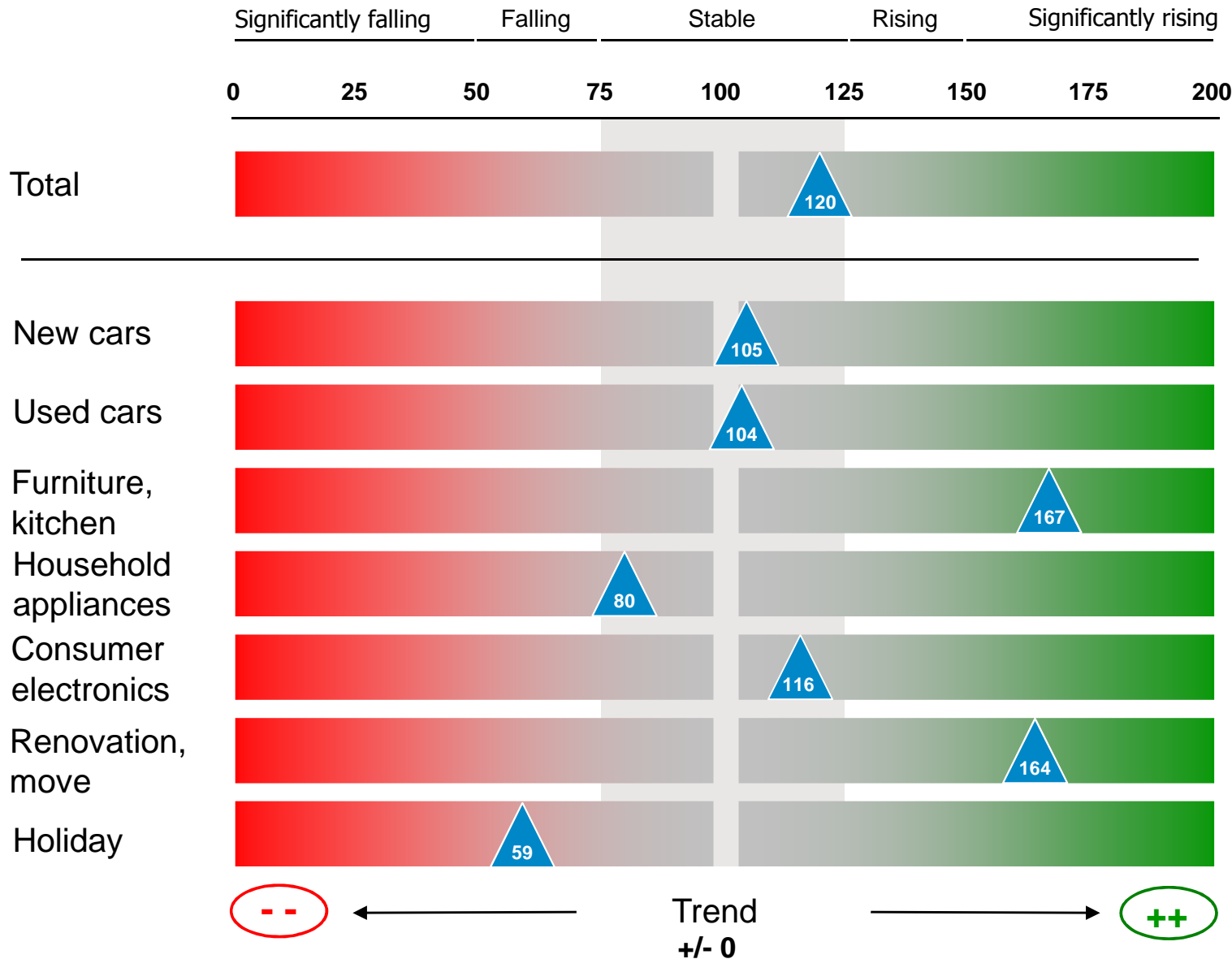


In many areas, purchase planning is at a similarly high level to those of 2013.

 Spring 2014
 Spring 2013
 (in brackets: figures for spring 2013)

Financing planning

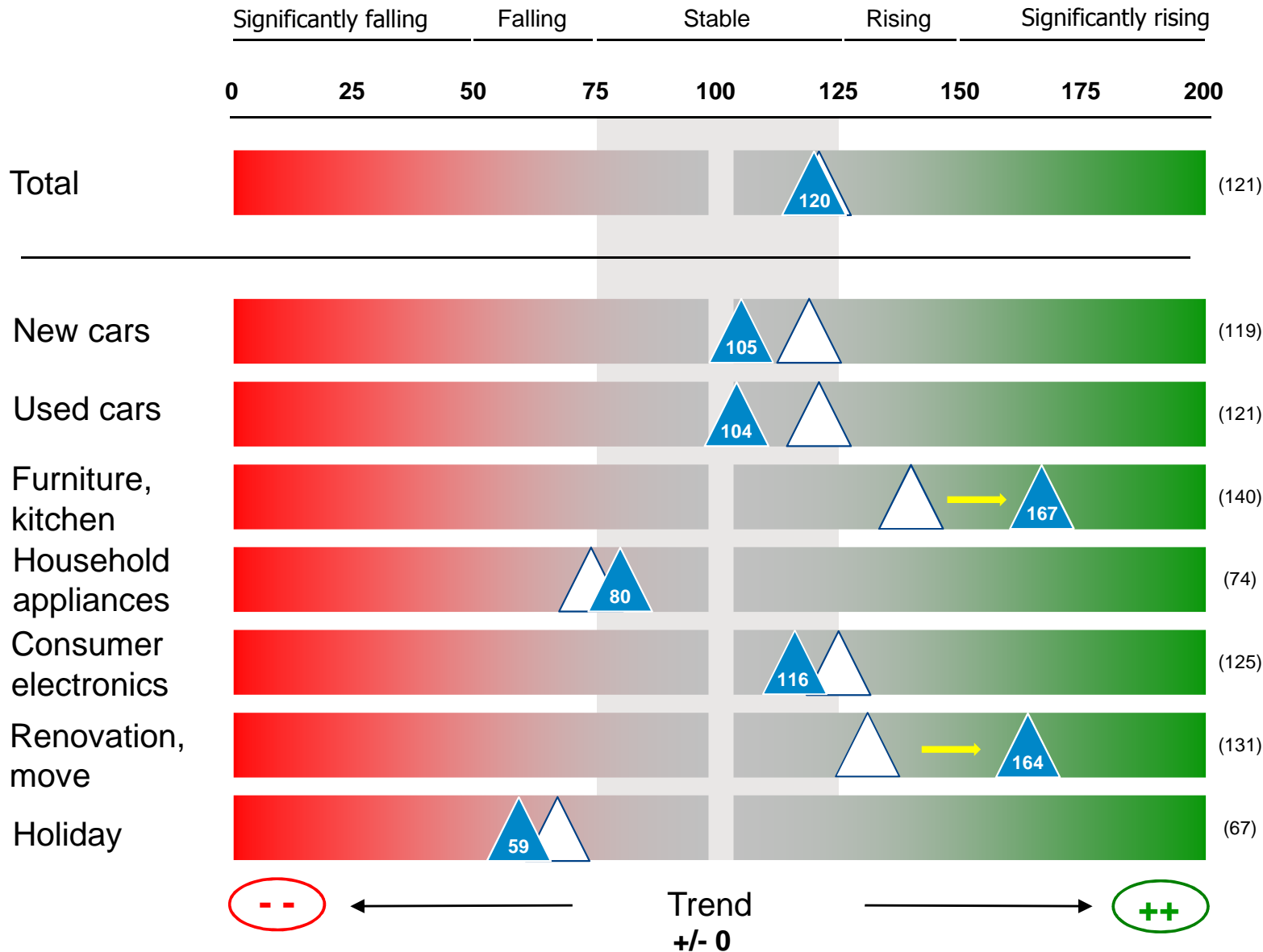
In detail



The willingness to take out loans for purchases remains considerable. The focus in this case is on furniture and kitchens, and also on renovations.

Financing planning

In comparison to spring 2013



In comparison to spring 2013, willingness to finance furniture and kitchens, and also renovations, with a loan has risen considerably.

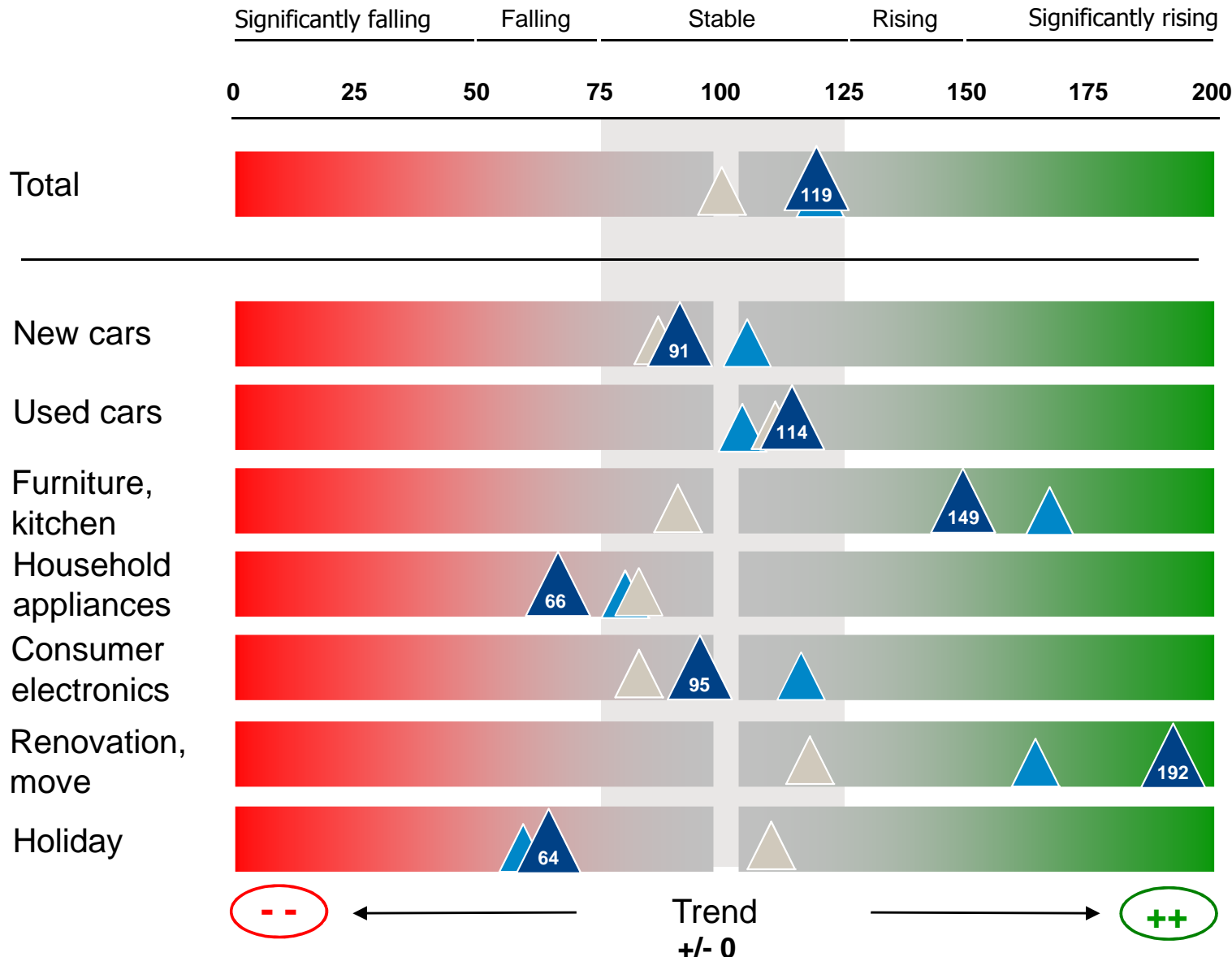
▲ Spring 2014

△ Spring 2013

(in brackets: figures for spring 2013)

Consumer Credit Index, purchase planning and financing planning

In detail



The Consumer Credit Index currently reaches 119 points.

Legend:

- Consumer Credit Index
- Purchase planning
- Financing planning



If both partial values are positive or negative there will be a stronger deflection in the Consumer Credit Index.

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Consumer Credit Index (page 25)

The Consumer Credit Index for 2014 shows a positive trend, at 119 points. This means that consumer borrowing will likely increase slightly in the next twelve months.

In the case of loans for furniture and kitchens and for personal renovations or a house move, a further (significant) increase can still be presumed. Consumers are currently more cautious when it comes to other purchases. Loans taken out for household appliances and holidays are decreasing.

Purchase planning (page 28)

The willingness of consumers to make purchases will remain stable on average for the next 12 months as well (index value: 99 points). A positive trend can be seen for extensive renovations, used cars and holiday trips. Purchase planning for furniture and kitchens, and also for consumer electronics, household appliances and new cars, tends to be cautious.

Financing planning (page 30)

In 2014, consumers, planning purchases, can also well imagine taking out loans for these purchases (index value: 120 points). The focus in this case is on potential loans for furniture, kitchens and renovations.

Do you have any questions?



Your contact:

Stephan Moll
Head of Market and PR
Bankenfachverband e. V.

Tel. +49 30 2462596 14
stephan.moll@bfach.de

Markus Schmidt
Research Manager
GfK SE

Tel. +49 911 395 3160
markus.schmidt@gfk.com