

Press release

The next GfK Consumer Climate report will be published on
March 23, 2017, at 8.00 am

German consumer optimism declines slightly

Findings of the GfK Consumer Climate Study for Germany for February 2017

February 23, 2017

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Nuremberg, February 23, 2017 – After a splendid start into 2017, consumer confidence in Germany suffers a minor setback in February. Both economic and income expectations, as well as propensity to buy are expected to decline. The consumer climate forecast for March is at 10.0 points following a level of 10.2 in February.

The change of administration in the United States and the considerable recent increase in inflation have put a damper on the generally positive consumer mood in February. As a result, expectations for the economy and income forfeited a major part of their gains from previous months. Pulled down by the lowered income expectations, propensity to buy also dropped moderately.

Economic expectation: tangible losses

After four increases in a row, economic expectation suffers considerable losses and has fallen by 11.9 points to 9.7. With this setback, profits from the previous four months are nearly wiped out completely. Yet in a year-on-year comparison, the economic climate is still good, lying six points above the previous year's level.

Apparently, the policies of the new U.S. president are causing uncertainty and economic worry among German consumers. Donald Trump's plans to bolster protectionism are giving rise to job insecurity primarily among workers in industries that rely heavily on exports, such as the automotive and machine engineering branches, as well as the chemical industry.

However, the German economy can also look back on a quite successful 2016. According to the Federal Statistical Office of Germany, gross domestic product (GDP) rose by 1.9 percent the previous year. This represents the strongest growth in five years. In 2011, GDP grew by 3.7 percent.

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Income optimism is falling

In addition to the economic indicator, income expectation also fell this month, dropping by 10.2 points to 48.1. This puts the indicator below its level of the previous year.

Rising inflation is one of the reasons for this development. More steeply increasing prices – especially for energy – are diminishing consumer purchasing power. Higher costs for gasoline and heating oil, for example, are resulting in fewer financial means for other purposes. Real incomes are weighted down by inflation, which was most recently measured at 1.9 percent in January.

Propensity to buy suffers moderate losses

Propensity to buy underwent a decline in the wake of a less favorable economic outlook. Yet the losses were relatively modest at minus six points. The indicator is currently at 51.6. This means that it is currently just slightly lower than the corresponding period in the previous year.

However, despite this slight decline, propensity to consume remains high overall. Consumer confidence is still strong. This is mostly due to a stable job market and the resulting low fear of losing the job. Developments in the upcoming months will show whether the downward trend in propensity to buy persists.

Consumer climate: slight drop

Following a level of 10.2 points in February, GfK forecasts a slight drop in the consumer climate in March to 10.0 points. That means that this aggregate indicator will again suffer a loss after three straight gains. Despite this moderate setback, consumers remain willing to make purchases although their optimism is slightly dampened.

GfK forecast for private consumption in 2017: 1.5 percent

In its forecast published on February 9, GfK assumes that private consumer spending will rise by 1.5 percent this year. Consumption would thereby grow in relation to the overall economic development in Germany, which has been forecasted to grow similarly.

In 2017, private consumption will again significantly contribute to the economic growth in Germany. But there are a series of risks that could pose a serious hazard to the consumer climate this year. In this context, these uncertainties include the future economic course of the United States under the leadership of their new president, increasing inflation, the upcoming Brexit negotiations, and the uncertain outcome of the elections in France, the Netherlands and Germany as well as possibly in Italy.

Provisional publication dates for 2017

Thursday, March 23, 2017, 8:00am	Thursday, April 27, 2017, 8:00am
Wednesday, May 24, 2017, 8:00am	Thursday, June 29, 2017, 8:00am
Thursday, July 27, 2017, 8:00am	Tuesday, August 29, 2017, 8:00am
Thursday, September 28, 2017, 8:00am	Thursday, October 26, 2017, 8:00am
Tuesday, November 28, 2017, 1:00pm	Friday, December 22, 2017, 8:00am

The following table shows how each indicator has developed in comparison to the previous month and previous year:

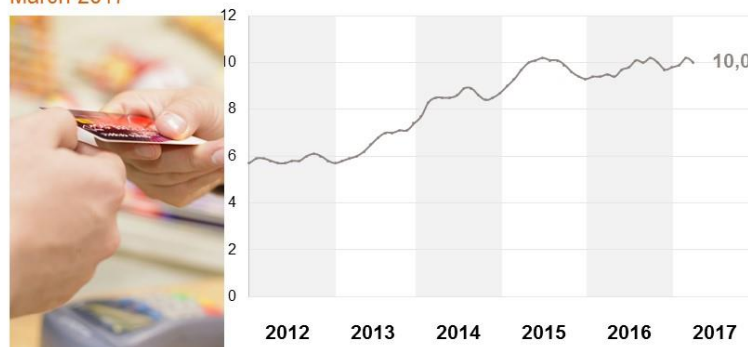
	February 2017	January 2017	February 2016
Economic expectation	9.7	21.6	3.4
Income expectation	48.1	58.3	56.7
Propensity to buy	51.6	57.6	52.7
Consumer climate	10.2	9.9	9.4

The following graph shows how the Consumer Climate Index has developed over recent years:

GfK Consumer Climate Index

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March 2017



Source: GfK survey on behalf of the European Commission | 2/17

About the study

The results are an extract from the "GfK Consumer Climate MAXX" study and are based on around 2,000 consumer interviews per month conducted on behalf of the European Commission. This report presents the indicators in graphical form and provides predictions and detailed comments on the indicators. It also provides information on consumer spending plans for 20 areas in the consumer goods and services markets. The GfK Consumer Climate Study has been carried out since 1980.

Consumer climate refers explicitly to all private consumer spending. However, retail trade, depending on the definition used, accounts for only around 30 percent of private consumer spending. Services, travel, rent, health services, and the entire wellness sector account for the rest.

GfK's forecast for 2017 is an increase in private consumption of at least 1.5 percent. According to data from the German Federal Statistical Office, private consumption rose by 2.0 percent in real terms in 2016. Again, this does not concern retail sales but instead refers to total consumer spending.

Propensity to buy, like all other indicators, is a sentiment indicator. It queries whether consumers currently consider it advisable to make larger purchases. Even if they answer "Yes" to this question, there are two further requirements for making a purchase: The consumer must have the necessary money for such a large purchase and must also see a need to make this purchase. Furthermore, this only actually concerns durable goods, which also require a larger budget.

The results of the consumer climate survey are obtained from monthly interviews of around 2,000 people who are representative of Germany's population. This survey tool is subject to constant quality controls, particularly in order to ensure that it is representative. The particularly high quality of this survey is also demonstrated by the fact that it is used and approved for surveys in the field of empirical legal research (for example, the danger of confusing products). This means that the results have the status of an expert report and must be recognized in court.

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About GfK

GfK is the trusted source of relevant market and consumer information that enables its clients to make smarter decisions. More than 13,000 market research experts combine their passion with GfK's long-standing data science experience. This allows GfK to deliver vital global insights matched with local market intelligence from more than 100 countries. By using innovative technologies and data sciences, GfK turns big data into smart data, enabling its clients to improve their competitive edge and enrich consumers' experiences and choices.

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