

Press Release

The next GfK Consumer Climate report will be published on
April 27, 2016 at 8am

Global risks dampen economic outlook

March 24, 2016

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Findings of the GfK Consumer Climate Study for Germany for March 2016

Nuremberg, March 24, 2016 – The overall optimism of German consumers has lessened somewhat in March. The overall index is forecasting 9.4 points for April following 9.5 points in March. Both economic and income expectations as well as propensity to buy suffer losses.

The weak demand for German products in certain important markets will probably not leave economic growth in Germany unaffected. A signal of this is the decline in economic expectations this month. Similarly, income expectations as well as propensity-to-buy have also lost steam. However, both indicators remain at an extremely high level in contrast to economic expectations.

Economic expectations weaken slightly

After hardly any change in the previous month, economic expectations have fallen moderately in March. The indicator has lost 2.9 points and is now at 0.5 points. It is thus only just still in positive territory, i.e. above its long-term average of 0 points. It is presently 36 points lower than the corresponding value for the previous year.

It seems clear that worldwide economic risks, particularly the economic decline in Germany's important export countries such as China and the USA, have not left consumers unaffected. This is because of the impact that can be expected on both the export outlook and German companies' propensity to invest.

Most recently, sentiment has improved a bit again in the German economy. The Ifo Business Climate Index increased in March after three reductions in a row. However, the first opinions that have so far been issued by experts are forecasting that growth in Germany could weaken slightly. For example, the German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung) has recently revised its growth forecast for this year from 1.7 percent (December 2015) to 1.6 percent. However, the Hamburg Global Economic Institute (Hamburgische Weltwirtschaftsinstitut) is expecting only 1.3 percent.

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Decline in income expectations

As a result of the dampened economic outlook, in March, the income expectations indicator also lost a large part of its gains from the previous month. After climbing 9.5 points in February, the indicator has now fallen by 6.2 points to 50.5 points. Despite the losses, the level of income sentiment, at just over the 50-point mark, is still extremely high.

The high degree of optimism on the part of German consumers regarding income is primarily due to the sustained stability of the employment market. The number of people in employment is steadily growing, achieving record highs month on month. This positive development, combined with a low rate of inflation, is encouraging employees to expect tangible income growth in real terms at the forthcoming round of wage negotiations.

Mild losses in propensity-to-buy

Like the declining income expectations, propensity-to-buy also suffered mild losses in March. However, its fall of 2.7 points is substantially lower than in the case of the income indicator. The consumption indicator is at exactly 50 points. Despite the mild decline, consumer sentiment remains unbroken.

The sustained stability of the employment market and the low rate of inflation continue to be the decisive reasons for the willingness of consumers to spend. As mentioned previously over the last few months, a higher level of employment results in less fear among consumers that they will lose their jobs, which leads, in turn, to a high level of security when it comes to planning large purchases. In addition, saving, as opposed to consuming, has recently become even less attractive due to the recent decision of the European Central Bank to lower the key interest rate to 0 percent.

Mild deterioration in consumer climate

The overall index is forecasting 9.4 points for April 2016 following 9.5 points in March. This therefore indicates a mild deterioration in the consumer climate.

After a positive start to the year, the consumer climate has now taken a small hit. However, the level remains good, with consumer sentiment still intact. This is also demonstrated by the figures currently available from the official statistics, which indicate that the real amount of private consumer spending in the previous year rose by 1.9 percent. According to the German Federal Statistical Office, this is the sharpest increase since 2000, when growth of 2.1 percent was recorded.

In particular, the retail trade has been able to benefit highly from this, growing by 2.8 percent in real terms (2.9 percent in nominal terms) in 2015. In addition to the stable employment market, falling energy prices have recently also acted as important drivers for trade.

The outlook for consumption currently seems to be positive for this year as well. Given expectations that high employment will continue and energy prices will remain low, 2016 may also be a good year for consumption. As a result, GfK confirms its recently published forecast that private consumption will rise this year by approximately 2 percent in real terms.

Estimated Publication Dates for 2016

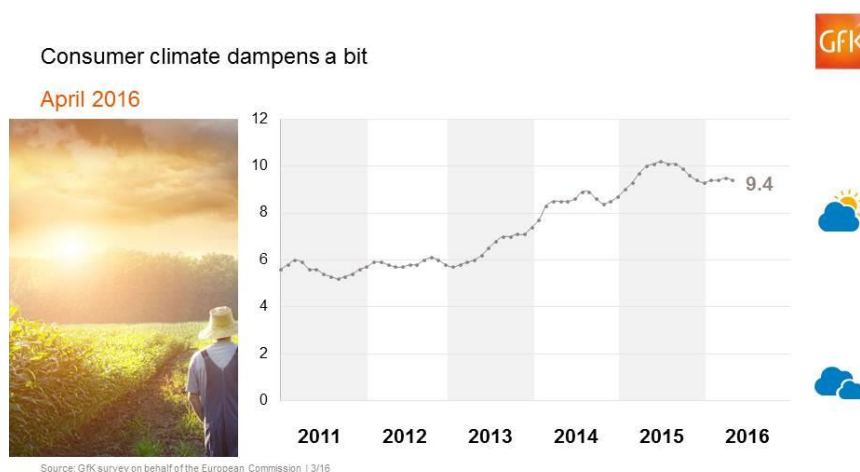
Wednesday, April 27, 2016, 8am	Wednesday, May 25, 2016, 8am
Wednesday, June 29, 2016, 8am	Wednesday, July 27, 2016, 8am
Friday, August 26, 2016, 8am	Wednesday, September 28, 2016, 8am
Wednesday, October 26, 2016, 8am	Thursday, November 24, 2016, 1pm
Friday, December 23, 2016, 8am	

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

	March 2016	February 2016	March 2015
Economic Expectation	0.5	3.4	36.8
Income Expectation	50.5	56.7	53.1
Propensity to Buy	50.0	52.7	63.0
Consumer Climate	9.5	9.4	9.7

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

GfK Consumer Climate Index (current as of: March 2016)



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 EU 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, the 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 2015 was a rise in consumption of at least 1.5 percent. According to data from the German Federal Statistical Office, private consumption rose by 1.9 percent in real terms in 2015. 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 (e.g. 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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The following table provides an overview of the individual indicators:

Economic Expectation	This indicator is based on the following question posed to consumers: "How do you think the general economic situation will develop in the next twelve months?" (improve – remain the same – deteriorate)
Income Expectation	This indicator is based on the following question posed to consumers: "How do you think your household's financial situation will develop in the next twelve months?" (improve – remain the same – deteriorate)
Propensity to Consume and to Buy	This indicator is based on the following question posed to consumers: "Do you think it is advisable to make larger purchases at the present time?" (The present time is good – neither good nor bad – bad)
Consumer Climate	This indicator is intended to explain trends in private consumption. The key factors influencing this indicator are income expectations, propensity to buy, and propensity to save. The economic outlook tends to have an indirect effect on consumer climate via income expectation.

About GfK

GfK is a market research company that provides reliable and relevant information about markets and consumers. Using this information, it helps its customers to make the right decisions. GfK has many years of experience in the collection and analysis of data. It has approximately 13,000 experts who combine their knowledge of the international context with analyses of local markets in over 100 countries. Using innovative technologies and scientific processes, GfK can derive intelligent information from large volumes of data. This enables GfK's customers to increase their competitiveness and enrich the lives of consumers.

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