

## Press release

The next GfK Consumer Climate report will be published on  
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### German consumer climate is on the rise again

#### Findings of the GfK Consumer Climate Study for Germany for April 2016

**Nuremberg, April 27, 2016 – German consumer optimism improved distinctly in April. The overall index is forecasting 9.7 points for May, up from 9.4 points in April. Growth is being observed for both economic and income expectations as well as propensity to buy.**

Consumers are clearly assuming that the German economy will regain some momentum in the coming months. Economic expectation rose accordingly in April. Income expectation and propensity to buy have both made noticeable gains, once again improving their already very good level.

#### Consumers see a moderate upturn in the economy

After the losses of the previous month, economic expectation once again increased significantly in April. The indicator rose by 5.8 points to reach a value of 6.3. Economic sentiment has thus stabilized at a positive level, i.e. above its long-term average of 0 points.

Consumers believe that the German economy will continue to grow in the coming months. However, this upturn is expected to be moderate. Leading economic research institutes made the same predictions in their recently published joint forecast. According to this report, gross domestic product is anticipated to rise by 1.6 percent this year, down from the 1.7 percent rise of the previous year. For 2017, the institutes are currently forecasting economic growth of 1.5 percent.

In particular, geopolitical uncertainty as well as economic weakness in a number of emerging countries currently seem to be the most important obstacles to a stronger recovery by the German economy. Above all, investments by businesses are significantly lower than expected given the extremely favorable financing conditions.

#### Income expectation climbs to a nine-month high

The income expectations of German consumers have also improved significantly. After gaining 7 points, the indicator has now reached 57.5 points. The last time a higher figure was recorded was nine months ago, in July 2015, when the indicator stood at 58.6 points.

The reasons for this are most likely the revived economic outlook as well as the very good employment market. As a consequence of the consistently

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high demand for labor, the round of wage negotiations which recently began will lead to a welcome growth in income for a considerable portion of workers.

In addition, given the persistently low energy prices, inflation will remain very moderate this year, which means that people will also have significantly more money in their pockets in real terms. Lastly, pensioners, too, can look forward to a significant increase in their income this year. In accordance with the recent measure adopted by the German government, as of July 1 of this year, the statutory pension will be raised by 4.25 percent in the west and by a staggering 5.95 percent in the east.

### **Propensity to buy benefits from ECB decision**

Propensity to buy can clearly benefit from the decision of the European Central Bank in March to re-open the monetary floodgates. The indicator rose by 5.4 points in April to reach 55.4. The last time the indicator recorded a higher value was in July 2015 when it stood at exactly 56 points.

The recent decisions of the ECB to lower the key interest rate to 0 percent, to extend the bond buying program again, and to raise the penalty interest rate for banks that want to deposit money with the ECB caused propensity to save among Germans to fall to a new historic low in April. Conversely, propensity to buy increased. Saving continues, as before, to be an unattractive alternative, particularly given that, in the context of the interest rate decisions made by the ECB, there are increasing discussions about whether negative interest rates will also be applied to private accounts in the future, i.e. about whether savers must pay a fee to deposit their money with a bank. So far, some banks have only been charging this fee for large corporate accounts.

### **The consumer climate makes a distinct improvement**

The overall index is forecasting 9.7 points for May 2016, following 9.4 points in April. The consumer climate has thus improved considerably.

This development confirms GfK's forecast published at the beginning of the year that private consumption will rise by approximately 2 percent this year. The figure for the previous year was 1.9 percent. Given expected overall economic growth of around 1.6 percent, domestic demand will continue to be the essential pillar of the German economy. Underlying domestic conditions, such as rising employment, income growth and very moderate inflation, will be primarily responsible for ensuring this is the case.

### Provisional publication dates for 2016

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 the change in certain indicators in April in comparison with the previous month and previous year:

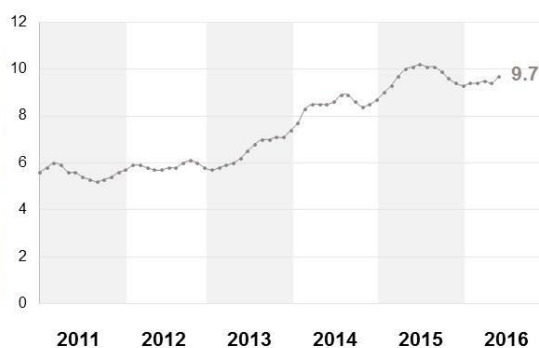
	April 2016	March 2016	April 2015
<b>Economic expectation</b>	6.3	0.5	35.3
<b>Income expectation</b>	57.5	50.5	55.1
<b>Propensity to buy</b>	55.4	50.0	58.3
<b>Consumer climate</b>	9.4	9.5	10.0

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

### GfK Consumer Climate Index (current as of: April 2016)

German consumer climate is on the rise again

May 2016



Source: GfK survey on behalf of the European Commission | 4/16

### **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, 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 (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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The following table provides an overview of the individual indicators:

Economic expectations	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 expectations	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 expectations.

### 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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