

Press Release

The next GfK consumer confidence report will appear on November 24, 2016, 1:00 pm

Consumer confidence slides below the ten-point mark

Results of the GfK consumer confidence study for Germany for October 2016

October 26, 2016

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Nuremberg, October 26, 2016 – Consumer sentiment has not followed a uniform trend in October. While economic prospects are improving again after three successive falls, both income expectations and propensity to buy have declined. The overall consumer confidence indicator forecasts 9.7 points for November, after a figure of 10.0 points in October. Hence, the indicator has fallen below the ten-point mark for the first time since June 2016.

This month, consumer sentiment is currently rather mixed. While their view of overall economic prospects has become more positive for the first time in four months, consumers have become less optimistic in terms of both income prospects and propensity to buy. Consequently, consumer confidence has deteriorated, falling below the ten-point mark.

Economic prospects: the decline has stopped

After three successive falls, economic expectations improved again in October. The indicator gained 6.2 points, thus climbing to a figure of 13.0 points. This represents an increase of 15.9 points compared with the corresponding time last year.

For the first time, consumers seem to have digested the British people's decision to leave the European Union. After the Brexit decision, the indicator fell three times in succession.

In addition, in its fall forecast in early October, the German government assumed that the German economy would achieve marginally stronger growth this year than had been forecast earlier in the year. Despite the difficult external trade environment, the government based this assumption on the low oil price and the efforts to manage the refugee crisis, among other things. Moreover, the labor market appears to be in excellent shape, and private household income has continued to follow a very positive trend.

As a result, the German government recently increased its growth forecast for this year from 1.7 percent to 1.8 percent. For the forthcoming year, it assumes that gross domestic product will increase by 1.4 percent.

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Income expectations slide below the 50-point mark

The regular fluctuations of income expectations that could be observed from November last year finally came to a halt – at least temporarily – in October 2016. The indicator fell for the second time in succession, declining by 7.8 points to its current figure of 44.8 points, and thus sliding well below the 50-point mark. This is its lowest value since November 2015, when it was calculated as 44.4 points.

Despite the decline, there is still very marked optimism regarding income. Nevertheless, consumers assume that the price-curbing effects of low oil prices, which have kept the inflation rate near 0 percent so far, will now cease to apply. Thus, the real income gains for private households that have resulted from low energy prices will disappear.

Hence, the inflation rate in September this year increased to 0.7 percent. In July and August it was still 0.4 percent. This has probably curbed income prospects.

Propensity to buy: slight decline

In addition, the decline in income expectations is obviously one reason why propensity to buy has fallen – for the second time in succession as well. However, the loss of 3.4 points constitutes only a moderate decline. At 49.9 points, the indicator fell just under the 50-point mark, reaching its lowest value since December 2015, when it was calculated as 49.0 points.

As well as the decline in income expectations, another reason for the reduced propensity to buy is probably the fact that its opposite, propensity to save, increased noticeably.

Nevertheless, it would be misguided to consider this a deathblow for propensity to buy. An indicator figure around the 50-point mark still attests to a marked propensity to buy. In light of an extremely stable labor market and solid incomes, the chances are good that domestic demand will continue to be an important pillar of economic development in Germany in the future.

Consumer confidence sinks below the ten-point mark

The overall indicator for November 2016 forecasts 9.7 points, after a figure of 10.0 points in October. Hence, the indicator fell below the ten-point mark for the first time since June 2016. In fact, it reached its lowest value since April this year, when it was calculated as 9.4 points.

This weakening of consumer sentiment in Germany is not caused primarily by the hard facts of domestic trends, such as those relating to employment and income levels. It is more a consequence of an external trade environment that has become increasingly difficult. According to the forecast, global economic growth will remain weak.

Furthermore, the numerous international trouble spots, some of which have also increased the risk of terrorism for Germany, have probably had a somewhat negative impact on consumer sentiment. Nevertheless, one can assume that private consumption will also make a crucial contribution to economic development in Germany this year. GfK still assumes that the consumption forecast of around 2 percent for this year is attainable.

Expected publication dates for 2016

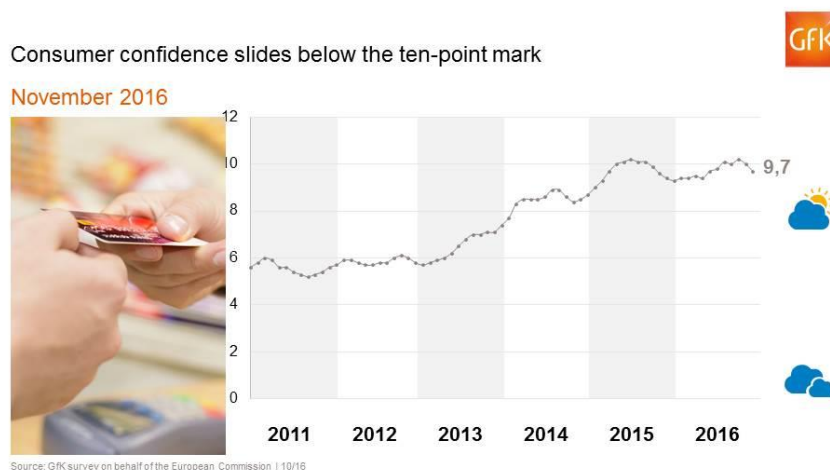
Thursday, November 24, 2016, 1:00 pm	Friday, December 23, 2016, 8:00 am
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The following table shows how each indicator developed in October in comparison with the previous month and the previous year:

	October 2016	September 2016	October 2015
Economic expectations	13.0	6.8	-2.9
Income expectations	44.8	52.6	47.7
Propensity to buy	49.9	53.3	45.9
Consumer confidence	10.0	10.2	9.9

The following graph shows how the consumer confidence indicator has developed over recent years:

GfK consumer confidence indicator



About the study

The results are an extract from the “GfK Consumer Confidence MAXX” study and are based on around 2,000 consumer interviews, which are carried out on a monthly basis on behalf of the European Commission. This report presents the indicators in graphic form, makes forecasts for them and discusses them in extensive commentary. In addition, the report also contains information on consumers’ spending intentions for 20 areas of the consumer goods, commodities and services markets. The GfK consumer confidence study has been carried out since 1980.

Consumer confidence refers explicitly to total private consumer spending. However – depending on how each distinction is made – retail accounts for only around 30 percent of private consumer spending. The rest goes on services, travel, rent and health services, as well as the whole wellness sector.

GfK predicted an increase of at least 1.5 percent in private consumption for 2015. According to the German Federal Office of Statistics, private consumption increased in real terms by 1.9 percent in 2015. Moreover, this figure applies to total consumer spending, not just to retail sales.

Like all the other indicators, propensity to buy is a consumer sentiment indicator. It asks whether consumers currently consider it advisable to make major purchases. Even if the answer is “yes”, two other preconditions for a purchase must also be fulfilled: the consumer must have the necessary funds for a major purchase of this kind, and must also consider this purchase to be necessary. Furthermore, in reality, this applies exclusively to durable consumer goods, which also require a relatively large budget.

The results of the consumer sentiment survey come from monthly face-to-face interviews with around 2,000 people who are representative of the population in Germany. This survey instrument is subjected to continuous quality controls, primarily to ensure that it is sufficiently representative. This is a very high-quality survey method, as demonstrated by the fact that it is used and acknowledged as valid for surveys in the field of empirical legal research (e.g. risk of product confusion). This means that the results meet the quality standard required by expert witnesses, and that they have to stand up in court.

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About GfK

GfK is synonymous with reliable and relevant market and consumer information. As a market research company, it uses this information to help its clients to make the right decisions. GfK has many years of experience in data collection and analysis. It has around 13,000 experts, who combine global knowledge with local market analysis in more than 100 countries. By using innovative technology and scientific methods, GfK turns large quantities of data into intelligent information, thus enabling its clients to increase their competitive edge and enrich consumers' lives.

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