

# Press release

The next GfK Consumer Climate report will be published on  
January 26, 2017, 8.00am

## Consumer climate index to enjoy a strong start to the new year

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

December 23, 2016

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**Nuremberg, December 23, 2016 – Consumer confidence is ending the year on a largely positive note. Economic expectations have increased slightly, while income expectations have seen significant growth. In contrast, propensity to buy has suffered moderate losses. The overall consumer climate index is forecasting 9.9 points for the first month of next year, after a figure of 9.8 points in December.**

Consumers are remaining optimistic as 2016 draws to a close. As suggested by the third successive increase in economic expectations, they believe that the German economy is on course for moderate growth. Although income expectations have risen noticeably in December, propensity to buy has so far not been able to capitalize on this. However, despite having recorded modest losses, it remains at a very high level.

### Economic outlook climbs for third time in a row

As the year comes to an end, consumers believe that the economy will continue to grow moderately in the coming months. Economic expectations have risen for the third successive time. However, at 1.1 points, the increase is only slight. The economic indicator currently stands at 16.4 points, which is 13.5 points above the figure recorded for the same period in the previous year.

So far, the outcome of the US presidential elections, which took many by surprise, does not seem to have had an effect on consumer sentiment. Consumers evidently do not expect the result to have any direct impact on the German economy over the next few months.

The increasing economic optimism felt by consumers is not unwarranted. The majority of experts have also anticipated that, after a slightly weaker third quarter of 2016, economic momentum would recover during the final quarter of the year. As mentioned in its latest forecast issued in December, the German Federal Bank (Deutsche Bundesbank) expects domestic demand to be the main driver of this. Overall, the German Federal Bank predicts economic growth of 1.8 percent for both this and next year (source: German Federal Bank, Bundesbank projection: German economy continues

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on upward path, press release dated December 9, 2016, [www.bundesbank.de](http://www.bundesbank.de)). The labor market is also expected to benefit from this growth, as according to this projection employment is anticipated to rise.

### **Income expectations soar**

After falling for three months in a row, income expectations have stabilized in December, rising by an impressive 11.1 points to 55.6 points. This is around 5 points higher than the previous year's value. The slight downward trend recorded over the last three months has therefore come to an end.

The continued growth in employment, which – as already mentioned – also contributes to the economic outlook, is also reviving the year-end income expectations. The excellent condition of the labor market is awakening hope that there will be sustained strong growth in wages and salaries.

This optimism is currently not being dampened by consumer prices, which are once again on the rise. Oil-producing countries have announced their intentions to reduce crude oil production at the start of 2017. This will result in energy prices climbing in Germany once again as well as in higher inflation that will put a squeeze on households' real purchasing power. Nevertheless, consumers continue to believe that wage and salary increases will be significantly greater than the inflation rate and that they will therefore continue to have more in their wallets in real terms.

### **Propensity to buy suffers slight losses**

The year-end propensity to buy has not benefited from the improved economic and income expectations. The indicator has lost 3.2 points, falling to 48.0 points. This means that it is currently just one point lower than the corresponding value recorded for the previous year.

However, despite this slight decline, propensity to consume remains extremely high and the appetite to make purchases is still strong. Retailers can probably safely assume that consumers will continue to flock to the shops in their droves and spend money in the days following Christmas. Given the stable labor market conditions and low interest rates, this high propensity to buy is hardly surprising.

### **Consumer climate index to get off to a flying start in the new year**

For January 2017, the overall indicator forecasts 9.9 points, after a figure of 9.8 points in December 2016. This means that the consumer climate index is expected to enjoy a strong start to 2017.

Consumers seem to be totally immune to a series of risk factors, such as the outcome of the US elections, Brexit, the flare-up in the financial crisis in Italy following the failed referendum and the resignation of Prime Minister Renzi, and the persistently high terror threat. It appears as if consumers generally regard labor market conditions as playing the crucial role in their

decision as to whether to make purchases. In addition to being stimulated by the low level of concern about unemployment, propensity to consume is also being positively influenced by historically low interest rates.

GfK confirms the forecast that real private consumer spending would increase by around 2 percent this year. This means that private consumption remains an important pillar of economic growth in Germany.

### Provisional publication dates for 2017

Thursday, January 26, 2017, 8.00am	Thursday, February 23, 2017, 8.00am
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 the change in individual indicators in December in comparison with the previous month and previous year:

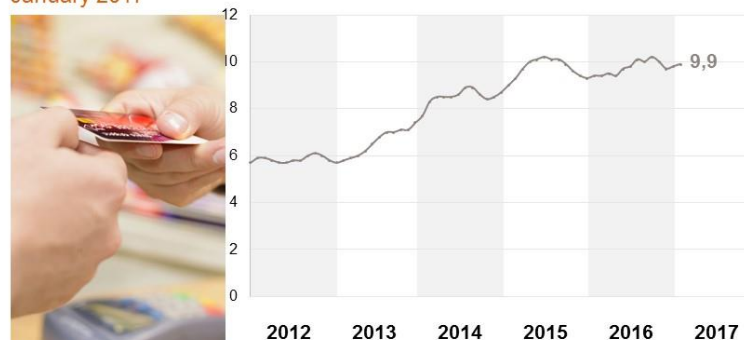
	December 2016	November 2016	December 2015
<b>Economic expectations</b>	16.4	15.3	2.9
<b>Income expectations</b>	55.6	44.5	50.8
<b>Propensity to buy</b>	48.0	51.2	49.0
<b>Consumer climate</b>	9.8	9.7	9.3

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

### GfK Consumer Climate Index

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January 2017



Source: GfK survey on behalf of the European Commission | 12/16

### **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, 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 an increase 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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## About GfK

The market research company GfK is the trusted source of relevant market and consumer information that enables its clients to make smarter decisions. GfK has many years of experience in the collection and evaluation of data. Around 13,000 experts combine their global knowledge with the analysis of local markets in 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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