

Press release

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

Consumer mood remains positive – GfK consumer forecast for 2016 proved accurate

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

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Nuremberg, January 26, 2017 – Consumer confidence is starting 2017 on an extremely positive note. Both economic and income expectations as well as propensity to buy have improved. The overall consumer climate indicator is forecasting 10.2 points for February 2017, following 9.9 points in January.

At the beginning of 2017, consumer mood, which was already at a good level, improved even further. For example, economic expectation climbed for the fourth time in a row to their highest point in one and a half years. As a result of better income prospects, propensity to buy grew significantly in January. As such, the start of 2017 was, in the view of consumers, a resounding success.

Economic expectation: fourth rise in a row

The increasing economic optimism that has been observed since fall of last year is continuing into the new year. After gaining 5.2 points, the economic indicator has now reached 21.6 points. This is already its fourth rise in a row, and it is now at its highest point since June 2015, when it stood at 24.9 points. It is now over 17 points higher in comparison with the same period in the previous year.

Consumers believe that the German economy's solid growth trend is set to continue. This assessment is supported by the German Federal Statistical Office's first gross domestic product (GDP) calculations, which were recently published. According to these calculations, GDP rose by 1.9 percent in real terms in 2016. This is the strongest growth that has been measured since 2011, when an increase of 3.7 percent was recorded.

It is therefore apparent that consumers are continuing to brave the storm triggered by the insecurity regarding the future actions of the new US President and the outcome of Brexit. In addition, it is clear that the terrorist attack in Berlin just before Christmas did not impair economic optimism in the long term. Consumers see the stable labor market conditions, increased rates of employment, and the resulting favorable income growth as significantly more important.

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Income expectation consolidates its upward trend

After the significant growth recorded at the end of 2016, income expectation experienced further moderate growth at the start of 2017. The indicator rose by 2.7 points and now stands at 58.3 points. The slight upward trend has therefore continued. In comparison with the previous year, income sentiment is higher by a good 11 points.

The reasons behind the strong optimism regarding income are clearly apparent. Thanks to the strong employment trend, there is considerable scope for employees to experience income growth, and since the rate of employment will continue to grow this year, employees can expect to benefit from this as well. Their expectations are therefore correspondingly high.

However, due to the recent increase in inflation in Germany, there is a greater risk of income suffering in real terms. As a result of higher energy and food prices, inflation jumped to 1.7 percent in December 2016.

Propensity to buy enjoys a distinct improvement

After propensity to buy underwent a moderate decline in December of last year, it showed notable growth at the beginning of this year. The indicator rose by 9.6 points to reach 57.6 points, improving on its already very high level.

GfK's forecast for private consumption in 2016 was accurate

Consumer mood remained strong after Christmas and is presenting itself in its best light. This high propensity to buy is also evident in reality. For example, actual private consumer spending rose by 2 percent last year according to the first provisional data issued by the German Federal Statistical Office. This precisely matches the forecast made by GfK at the beginning of 2016.

High employment, clearly growing income, and low interest rates were the primary contributors to German consumer confidence.

Consumer climate consolidates its upward trend

The overall index is forecasting 10.2 points for February 2017, following 9.9 points in January. With its third rise in a row, the consumer climate is continuing its moderate upward trend. As such, good initial circumstances have been established for consumption in 2017.

Even if domestic conditions such as high employment, rising income, and low interest rates remain favorable, there are still various risks to a good consumer mood. In addition to the insecurity regarding the future actions of the new US administration and elections in important European countries such as France, Germany, and (probably) Italy, rising inflation, and the start of the Brexit negotiations could undermine consumer confidence.

Provisional publication dates for 2017

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 each indicator in January in comparison with the previous month and previous year:

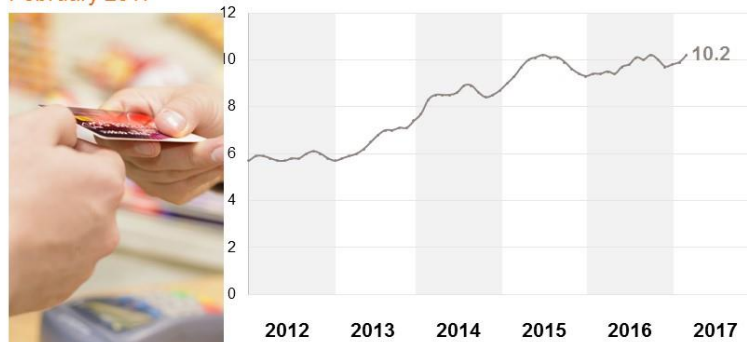
	January 2017	December 2016	January 2016
Economic expectation	21.6	16.4	4.2
Income expectation	58.3	55.6	47.2
Propensity to buy	57.6	48.0	52.7
Consumer climate	9.9	9.8	9.4

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

GfK Consumer Climate Index

Consumer climate consolidates its upward trend

February 2017



Source: GfK survey on behalf of the European Commission | 1/17



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 forecast an increase of 2.0 percent in private consumption for 2016. This prediction has now been proved accurate. 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

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.

For more information, please visit www.gfk.com or follow GfK on Twitter: <https://twitter.com/GfK>

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