Press release

The next GfK Consumer Climate report will be published on June 29, 2017, 8:00 a.m.

Upward trend in the consumer climate continues

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

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Nuremberg, May 24, 2017 – German consumers were still highly confident in May of this year, providing reliable support to the German economy. This was reflected in heightened expectations of the economy and income. Propensity to buy fell slightly, but still remained at a high level. GfK predicts the consumer climate to reach 10.4 points in its forecast for June, which is 0.2 points higher than in May.

Germans view their domestic economy as definitively on the upswing, even in late spring of 2017. This is evidenced by the improvement in economic expectation in May, which reached a new two-year high. Income expectation also profited with a further increase on its already high level. Although propensity to buy did lose its gains from the previous month, it nevertheless achieved a historically high level in May, also reflecting the good mood among consumers.

Economic expectation climbs to a two-year record high

In the view of consumers, the engine of the German economy is running increasingly smoother. The economic expectation indicator increased for the third time in a row with a gain of 4.3 points to reach 34.8. This is the highest level in two years. In May 2015, it stood at 38.3 points.

German consumers also see their domestic economy on a path of growth in the upcoming months, despite global economic risks. Neither uncertainty over the future economic political course of the United States nor the upcoming Brexit negotiations are making any impact.

But this optimism does have a real foundation: According to the first preliminary estimates from the Federal Statistical Office, the gross domestic product (GDP) rose by 0.6 percent in the first three months of this year over the value in the last quarter of 2016, making it somewhat stronger than in both previous quarters, which registered increases of 0.2% and 0.4% respectively. These positive impulses originated both in Germany and abroad, according to the Federal Statistical Office.

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Income expectation has stabilized at a very high level

Supported by improving economic forecasts, income expectation also grew. The indicator is at 58.5 points, corresponding to an increase of 1 point compared with April. The last time a higher figure was recorded was in June of 2016 at 59.6 points.

That allowed this economic indicator to better its very good level once again. The consistently well-positioned German labor market situation is largely feeding this optimism. The number of unemployed fell to nearly 2.6 million in April. This was coupled with continued strong improvement in employment figures.

Propensity to buy forfeits its gains from the previous month

Propensity to buy was not able to benefit from the strengthening economic and income forecasts this month. The indicator dropped 4.5 points to 55.7, thereby losing nearly all of the gains made the previous month. Yet the mood of German consumers remains at a historically high level.

An economy on course for growth and bright prospects for employment has employees looking to the future with a healthy dose of optimism. Because fear of job loss remains low, planning security has remained correspondingly high. As a result, consumers also have more money available for larger purchases.

Consumer climate continues its upward trend

Following on from 10.2 points in May, GfK forecasts an increase to 10.4 points in June. This has put the consumer mood in Germany on a clear upward path.

GfK confirms its forecast made at the start of the year, whereby real private consumption will increase by about 1.5 percent this year. This will make domestic demand a crucial pillar of support for the German economy in 2017.

Risks for consumers primarily originate from possible economic political shocks from elsewhere, for example as a result of increasingly protectionist trends in the United States. Should trade barriers or higher duties hinder exports from Germany, it could lead to employees fearing more for their jobs again, especially those working at companies relying heavily on exports. The result would be greater reluctance to make purchases. This would immediately affect the consumer climate.

Provisional publication dates for 2017

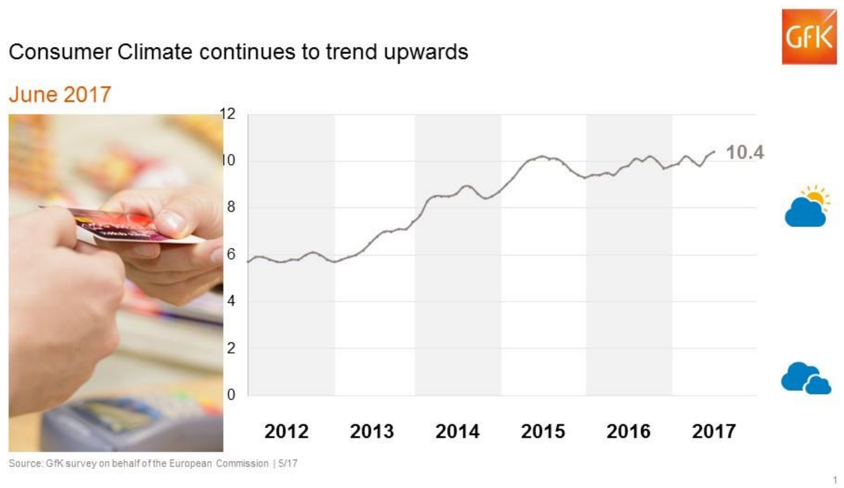
Thursday, June 29, 2017, 8:00 am	Thursday, July 27, 2017, 8:00 am
Tuesday, August 29, 2017, 8:00 am	Thursday, September 28 2017, 8:00 am
Thursday, October 26, 2017, 8:00 am	Tuesday, November 28, 2017, 1:00 pm
Friday, December 22, 2017, 8:00 am	

The following table shows the change in certain indicators in May in comparison with the previous month and previous year:

	May 2017	April 2017	May 2016
Economic Expectation	34.8	30.5	8.3
Income Expectation	58.5	57.5	51.8
Propensity to Buy	55.7	60.2	57.7
Consumer Climate	10.2	9.8	9.7

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

GfK Consumer Climate Index



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 2017 is an increase in private consumption of at least 1.5 percent. 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

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