

## Press release

The next GfK Consumer Climate Study will be published on  
November 28, 2017, 1:00 pm

October 26, 2017

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### Consumer climate falls slightly in Germany

#### Findings of the GfK Consumer Climate Study for October 2017

**Nuremberg, October 26, 2017 – Consumer mood in the first survey since the German federal elections is not sending clear signals. Both economic expectations and propensity to buy are on the rise in Germany. In contrast, income expectations fell for the second time in a row. GfK forecasts a slight decrease in consumer climate for November of 0.1 points in comparison to the previous month to 10.7 points.**

Even in late fall, consumers estimate that the German economy is clearly continuing to grow. Economic expectations are rising sharply in October, with August's setback a distant memory. Additionally, propensity to buy more than makes up for last month's struggles. However, income expectations fell for the second time in a row but are still at a very good level.

#### Economic expectations back on track

Economic expectations have moved on impressively from the weak phase in August. The indicator in October has increased by 10.1 points, climbing to 43.5 points and this, along with the previous month's slight gains, have almost completely made up for August's losses. There has now been a gain of more than 30 points from last year.

These optimistic economic expectations for Germany are now shared by almost all economic experts. This is demonstrated by the fact that growth forecasts for gross domestic product must be widely revised sharply upwards. For example, the German Federal Government's current fall outlook forecasts that the German economy will grow by two percent this year, after still forecasting a figure of 1.5 percent in April. The International Monetary Fund's recently published forecast for Germany also predicts that Germany will experience economic growth of two percent this year. The forecast was 1.8 percent as recently as July and just 1.6 percent in April.

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These positive outlooks are primarily based on the fact that the upturn in Germany is based on solid and, above all, broad foundations. For example, the excellent labor market ensures solid development of private consumption. The sustained revival of the world economy is stimulating exports and thereby further encouraging investment in Germany.

### **Income expectations currently weakening slightly**

Even though economic expectations have already moved on from their weak phase, it seems as if income expectations remain in the middle of a weak phase. The indicator fell for the second time in a row. It lost 4 points in October, sliding to 48.7 points. However, its level is still very good, as demonstrated by an increase of almost 4 points on last year's level.

Despite the decrease, German consumers continue to assume that their incomes will still grow appreciably in future. Low unemployment figures ensure that pay increases will also be considerable in the future. Pensioners will also profit from this because their income is linked to wage trends.

However, the topic of inflation seems to be currently of greater concern to consumers. The September rate of inflation of 1.8 percent is currently at a level that does not yet give any cause for concern and has not yet given the ECB any reason to intervene. However, in some consumer-sensitive areas, such as food and fuel, much higher figures are currently being recorded. For example, food prices increased during the year by 3.6 percent, with dairy products, in particular, rising in price by 15 percent. Fuel, such as gas and diesel, increased in price by 4.5 percent in comparison with last year.

### **Unabated willingness-to-buy**

Despite slightly muted income prospects, German consumer confidence continued to be high in fall of 2017. Willingness-to-buy increased by 2.2 points to 59.2 points. In comparison to last year, there is a 9-point increase.

High job and planning security as well as noticeably rising income ensure that consumers tend to be willing to open their wallets and spend generously. This good consumer confidence is also currently being experienced in large parts of the retail trade. For example, retail revenues increased in August by 4.7 percent in comparison with the previous year (in real terms: 2.8 percent) according to figures from the German Federal Office of Statistics. From January to August this year, the growth even amounted to 4.8 percent (in real terms: 3.0 percent). This means, trade is currently much more positive than private consumer spending overall.

### Consumer climate: second decline in a row

Following on from 10.8 points in October, GfK is predicting a slight decrease to 10.7 points for November. The indicator has therefore fallen slightly for the second time in a row. Nonetheless, consumer sentiment is still good. The domestic economy will therefore continue to provide a significant indication of overall economic development in Germany.

GfK confirms its forecast made at the start of the year, whereby real private consumption will increase by at least 1.5 percent this year.

Even if the consumption situation in Germany has so far been largely untroubled, there are however certain risks, which mainly arise from the international environment. These are the faltering Brexit negotiations, tensions in North Korea and future US trade policy. It also remains to be seen how coalition negotiations will develop after the German federal elections. If there were to be a protracted deadlock situation, this would probably unsettle some consumers. This would also jeopardize consumer demand, which has been strong so far.

### Provisional publication dates for 2017

Tuesday, November 28, 2017, 1:00 pm	Friday, December 22, 2017, 8:00 am
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The following table shows the change in certain indicators in October in comparison with the previous month and previous year:

	October 2017	September 2017	October 2016
<b>Economic Expectations</b>	43.5	33.4	13.0
<b>Income Expectations</b>	48.7	52.7	44.8
<b>Propensity to Buy</b>	59.2	57.0	49.9
<b>Consumer Climate</b>	10.8	10.9	10.0

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

### GfK Consumer Climate Index

#### Consumer climate falls slightly in Germany



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Source: GfK study on behalf of the European Commission | 10/17

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#### 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**

GfK is the trusted source of relevant market and consumer information that enables its clients to make smarter decisions. More than 13,000 market research experts combine their passion with GfK's long-standing data science experience. This allows GfK to deliver vital global insights matched with local market intelligence from 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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