

Press release

The next GfK Consumer Climate report will be published on
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German consumer climate stable at a good level

Findings of the GfK Consumer Climate study for November 2017

Nuremberg, November 28, 2017 – Consumer mood is at a very good level with no indication of any significant changes. Economic expectations are rising slightly, whereas income expectations and propensity to buy have fallen slightly. GfK forecasts that the consumer climate in December will remain unchanged in comparison to the previous month at 10.7 points.

Consumers are still of the opinion that the German economy is clearly continuing to grow. Economic expectations have been confirmed at a very good level and have even improved slightly. Income expectations and propensity to buy can also hold their own in November, even if they have fallen slightly. These indicators are also at an extremely high level. The failed exploratory talks about forming a so-called Jamaica coalition have not been taken into consideration in this data, because the survey had already been completed at that time.

Economic expectations stable

After clear growth in the previous month, economic expectations rose only slightly in November. The indicator increased by 0.8 points, rising to 44.3 points. The increase is 29 points in comparison to the same period last year.

Consumers are not alone in having this optimistic economic outlook. Both companies and economic experts assume that the gross domestic product (GDP) will rise by around 2 percent this year. At the beginning of this year the forecasts were only around 1.5 percent. This upturn is also expected to continue in the coming year at around the same rate.

One reason for this momentum is certainly the fact that the upturn is currently based on very broad foundations because consumption, increased

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investment and exports all contribute to good GDP growth. This is demonstrated by the recently published figures from the German Federal Office of Statistics for GDP in the third quarter. According to these figures, company investments in plant and equipment are another main reason for the real growth of 2.3 percent in comparison with last year.

Income expectations largely unchanged

Income expectations also look very positive. Even though the indicator fell slightly by 0.8 points in November, it is still currently at a high level of 47.9 points. This is an increase of 3.4 points on last year.

The basis for the distinct optimism regarding income continues to be the excellent condition of the labor market in Germany. Employment is rising steadily. For example, there were 44.5 million people in gainful employment in the third quarter. This is almost 670,000 or 1.5 percent more than one year ago and the high demand for workers – in October 2017, 780,000 jobs were registered at the Federal Employment Agency – will also ensure that wages and salaries will continue to rise considerably. Statutory old-age pensions, which are guided by wage trends, will also follow suit later. Therefore, according to initial estimates by the German Pension Fund, old-age pensions are expected to rise by a good 3 percent.

As inflation in Germany will continue to be moderate – prices rose by 1.5 percent in October – employees and pensioners will also have more in their wallets in real terms.

Propensity to buy stable at an excellent level

German citizens' propensity to buy has not fluctuated much and is at an excellent level. The indicator did lose 0.7 points in November but is still currently at a very high level of 58.5 points. In comparison to last year, the increase is currently a good 7 points.

Excellent job prospects ensure that employees in Germany have a high level of job security. The resultant planning security in combination with good income growth clearly leads to consumers being happy to spend. In any case, this is proven by the figures for retail revenue trends, according to which, retail revenues rose from January to September 2017 by a nominal amount of 4.8 percent (+3.0 percent in real terms) in comparison with the previous year according to figures from the German Federal Office of Statistics. Trade will, therefore, play a disproportionate role in the positive development of private consumption this year.

Consumer climate: stabilized after two declines in a row

Following on from 10.7 points in November, GfK is also predicting 10.7 points for December. After two slight declines in a row, consumer climate is stabilizing at the end of the year. This is good news, particularly given the upcoming Christmas trade.

It remains to be seen whether the failed exploratory talks regarding a Jamaica coalition may have an impact on consumer mood. This will also depend on the extent to which further attempts to form a stable government become deadlocked. If this happens, it may increase uncertainty among consumers as well as companies. In this case, there would be a risk to the current, good consumer mood.

There is a continued threat of further risks to consumer climate from abroad. These include the faltering Brexit negotiations, tension with North Korea and possible protectionist tendencies in US trade policy.

Provisional publication dates for 2017

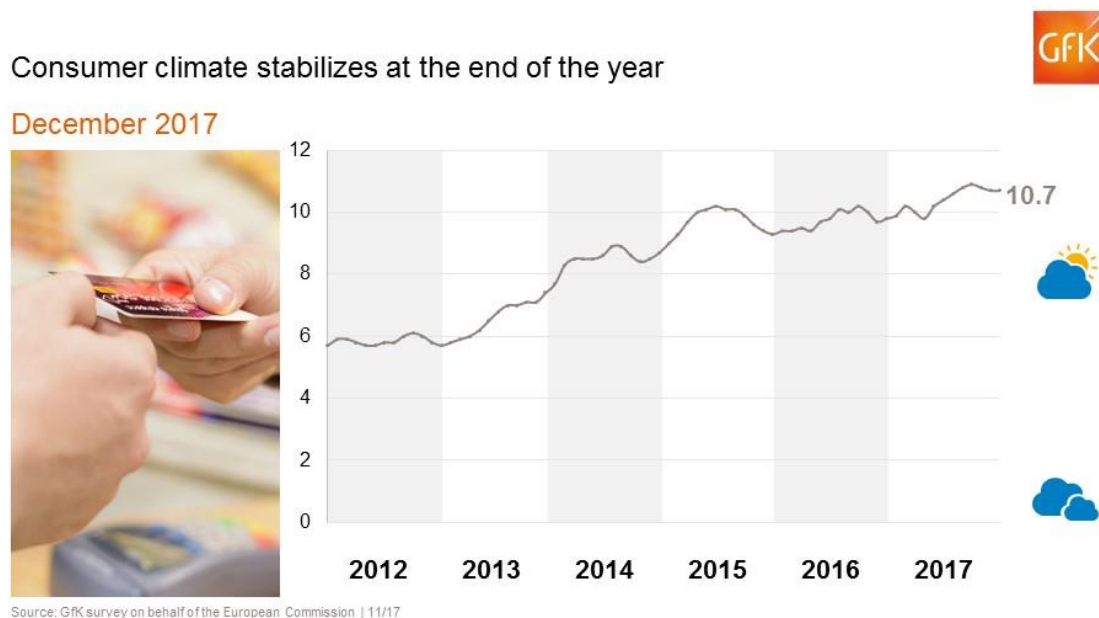
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The following table shows the change in individual indicators in November in comparison with the previous month and previous year:

	November 2017	October 2017	November 2016
Economic Expectations	44.3	43.5	15.3
Income Expectations	47.9	48.7	44.5
Propensity to Buy	58.5	59.2	51.2
Consumer Climate	10.7	10.8	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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