

## Press release

The next GfK Consumer Climate report will be published on  
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**Rolf Bürkl**  
Phone: +49 911 395 3056  
[rolf.buerkl@gfk.com](mailto:rolf.buerkl@gfk.com)

**Stefan Gerhardt**  
Tel: +49 911 395 4143  
[public.relations@gfk.com](mailto:public.relations@gfk.com)

### **German consumer climate: High Spirits Continue Findings of the GfK Consumer Climate Study for December 2017**

**Nuremberg, December 22, 2017 – Consumers in Germany still appear to be in high spirits at the end of 2017. Both economic and income expectations are on the rise, whilst propensity to buy has taken a slight hit. GfK forecasts an increase in consumer climate for January 2018 of 0.1 points in comparison to the previous month to 10.8 points.**

Consumers currently see the German economy as displaying a strong upward trend. Economic expectations confirm this very good trend as they are displaying slight growth. Income expectations are in fact rising considerably and seem to have overcome their dip. Propensity to buy, on the other hand, has had to take a slight hit but is still maintaining its excellent level. The failed attempts to form a "Jamaica" coalition do not seem to have had any lasting damage on consumer moods.

#### **Economic expectation climbs to three-and-a-half year high**

Economic expectations of consumers are continuing to improve. After gaining 0.9 points, the indicator has now reached 45.2 points. This is its highest level since July 2014 when it stood at 45.9 points. It is now nearly 28 points higher in comparison with the same period in the previous year.

Consumers are currently convinced that the continued strong upward trend will also carry over to the new year. The excellent health of the German job market is the reason behind this great optimism. Increasing levels of employment and decreasing levels of unemployment, as well as a record number of open vacancies, has indicated to consumers that they can count on an economy burning on all cylinders in the coming months.

Even economic experts have recently positively revised their economic forecasts for 2018. The Deutsche Institut für Wirtschaftsforschung (German

GfK SE  
Nordwestring 101  
90419 Nuremberg  
Germany

Tel. +49 911 395 0

Management Board:  
Peter Feld (CEO)  
Christian Bigatá Joseph (CFO)

Chairman of the  
Supervisory Board:  
Ralf Klein-Bölting

Commercial Register:  
Nuremberg HRB 25014

Institute for Economic Research - DIW), for example, is currently predicting that the economy will grow by 2.2 percent both this year and the next.

### **Income expectations show noticeable increase**

Income expectations seem to have overcome their brief dip in December. After three losses in a row, the indicator has increased visibly. The gain in December was 6.4 points. Income expectations are therefore sitting at 54.3 points.

The high number of vacancies demonstrates the outstanding health of the job market. Workers' salaries are also increasing noticeably. Retirees, whose income follows developments in wages with a one-year delay, are also benefiting from the positive trends in salaries.

This positive development of the income indicator has also benefited from the moderate price climate. For example, inflation expectations of German consumers fell in December. More moderate prices strengthen purchasing power and therefore support income forecasts.

### **Propensity to buy still in top shape**

The propensity to buy is overall stable and at an excellent level at the end of 2017. Though the indicator dropped 1.4 points, spending mood is still a winner at 57.1 points. The indicator was even up by 9 points on the same time in the previous year.

Stable employment conditions ensure that the majority of workers don't have to worry about their jobs. Trust in one's professional future ensures planning security when it comes to larger purchases or expenditure. This planning security is vital, above all when loans are required for purchases. The currently low interest rate is also increasing people's willingness to take out loans.

The positive buying mood is currently also reflected in a wide range of retail sectors. This is demonstrated by the figures currently available from the official statistics. According to statistics from the Statistisches Bundesamt (German National Office for Statistics), retail revenues rose from January to October 2017 by a nominal amount of 4.3 percent (+2.4 percent in real terms). Therefore, we can already predict a successful year for the retail industry.

### **Consumer climate: slight gains**

Following on from 10.7 points in December, GfK is predicting 10.8 points for January 2018. This means that the consumer climate can increase once more and will have a successful start in 2018.

These are excellent conditions for an overall successful consumer year in 2018. Domestic economic activity will continue to be an important pillar of overall financial development. The current trend also indicates that the failed attempts to form a "Jamaica" coalition in November did not have a negative effect on consumer mood.

Nevertheless, there are still risks for the German consumer climate, above all from abroad. The slow progress of Brexit negotiations, the future nature of US trade policy with possible protectionist tendencies, as well as tensions with North Korea could have a negative effect on consumer climate in the future.

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

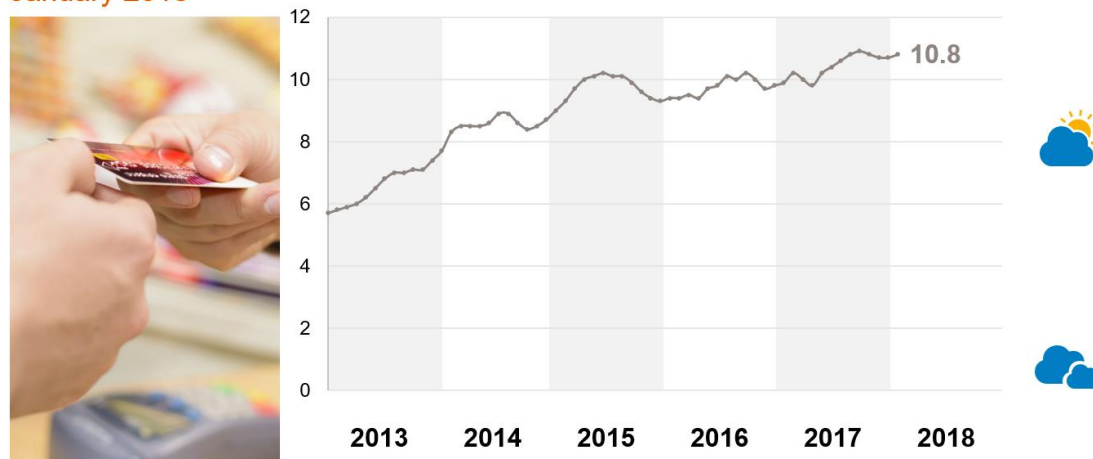
	December 2017	November 2017	December 2016
<b>Economic Expectations</b>	45.2	44.3	16.4
<b>Income Expectations</b>	54.3	47.9	55.6
<b>Propensity to Buy</b>	57.1	58.5	48.0
<b>Consumer Climate</b>	10.7	10.7	9.8

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

### GfK Consumer Climate Index

German consumer climate: successful start in 2018

January 2018



Source: GfK survey on behalf of the European Commission | 11/17

### Provisional publication dates for 2018

Thursday, January 25, 2018, 8:00 am	Thursday, July 26, 2018, 8:00 am
Wednesday, February 28, 2018, 8:00 am	Wednesday, August 29, 2018, 8:00 am
Wednesday, March 28, 2018, 8:00 am	Thursday, September 27, 2018, 8:00 am
Thursday, April 26, 2018, 8:00 am	Thursday, October 25, 2018, 8:00 am
Thursday, May 24, 2018, 8:00 am	Wednesday, November 28, 2018, 8:00 am
Thursday, June 28, 2018, 8:00 am	Friday, December 21, 2018, 8:00 am

### 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.

For more information: Rolf Bürkl, tel. +49 911 395-3056,  
[konsumklima@gfk.com](mailto:konsumklima@gfk.com) and at <http://consumer-climate.gfk.com/login/>

### **About GfK**

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