

Press release

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

July 27, 2017

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German consumers still in a positive mood

Findings of the GfK Consumer Climate Study for July 2017

Nuremberg, July 27, 2017 – The very positive mood among German consumers continues into July, too. Both economic and income expectations increased again, while propensity to buy dropped somewhat from its previously excellent level. GfK predicts an increase in consumer climate of 0.2 points to 10.8 points for the month of August compared to the previous month.

Consumers are expecting that the domestic economy can even pick it up a notch over the course of the remaining year. Economic expectation continues to rise, and income expectation has surpassed its post-reunification high of last month. Consumer mood, however, suffered a few minor blows, but still remains at a high level.

Economic expectation still on the rise

Based on the estimations of German consumers, the German economy will develop positively over the further course of the remaining year. Economic outlook climbs in July for the fifth time in a row. The indicator rose by 3.3 points to reach 44.6 points. With that increase the economic outlook reaches a new three-year-high. The last time a higher value was measured, was 45.9 points in July 2014.

In the opinion of consumers, the German economy is now firing on all cylinders. Unemployment is reaching new lows month by month, and employment continues to rise. This is supported by an expansive monetary policy from the European Central Bank (ECB) and moderate oil prices.

And up to now, consumers have not been intimidated by a number of global economic risks. The start of the Brexit negotiations, the threat of trade tariffs from the American government and the increasingly difficult relationship between Germany and Turkey all represent risks to the economic climate.

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Income expectation reaches a new high for post-reunification Germany

The bright economic outlook is also having a positive effect on income expectation. The income indicator was even able to surpass its record value from the previous month just barely. The indicator increased by 0.7 points, reaching a figure of 60.9 points. No better level has been recorded since reunification.

This income euphoria is based on the excellent state of the employment market in Germany, and remains so. According to the Federal Employment Agency, the figures for employment and employment subject to social insurance contributions are continuing to increase. Thus, the number of people employed is expected to increase again this year by more than half a million. Fewer than 2.5 million people are registered as unemployed at the moment. This is the lowest value since 1991.

Minor setbacks in propensity to buy

German citizens still have superb consumer confidence. The minor setback in propensity to buy will hardly change that in July. After a fall of 3.1 points, the indicator is currently at 54.8 points. And German consumer confidence continues unabated.

The very good level of consumer mood is mostly based on the excellent employment situation in Germany. The threat of losing their jobs is very low for most employees. This assurance offers private households planning security for purchases, especially if they are associated with great financial risk.

The propensity to buy is also supported by a very weak propensity to save, which is currently still falling after a significant loss. Saving is and remains a less attractive alternative to consuming due to the low-interest policy of the ECB.

Consumer climate continues to climb

Following on from 10.6 points in July, GfK forecasts an increase to 10.8 points in August. This puts consumer mood in Germany on a continued rise.

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.

Even though the signals for consumption in Germany – such as employment, income and interest rates – are clearly green, further development is not risk-free, especially abroad. The recently started Brexit negotiations, the unclear policy of the American government in terms of trade, and the worsening crisis in the relationship between Germany and Turkey have not yet had a measurable

impact on consumer mood in Germany. If that does happen, it could put the brakes on the consumer climate.

Provisional publication dates for 2017

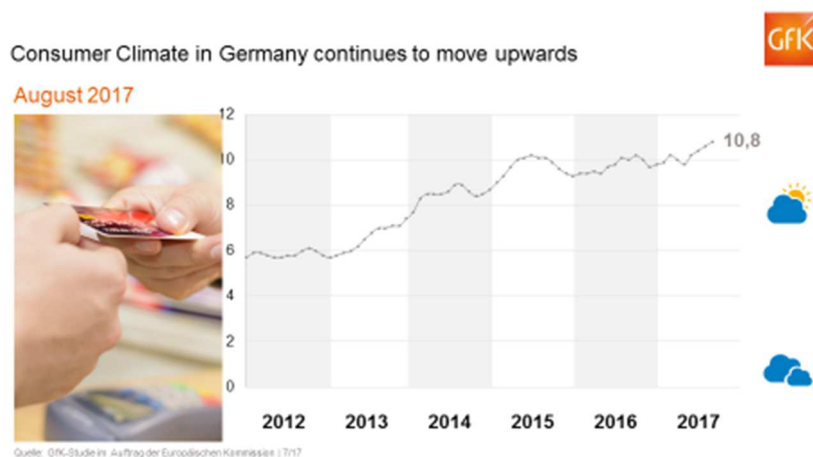
Tuesday, August 29, 2017, 8:00 a.m.	Thursday, September 28 2017, 8:00 a.m.
Thursday, October 26, 2017, 8:00 a.m.	Tuesday, November 28, 2017, 1:00 p.m.
Friday, December 22, 2017, 8:00 a.m.	

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

	July 2017	June 2017	July 2016
Economic Expectation	44.6	41.3	9.4
Income Expectation	60.9	60.2	49.7
Propensity to Buy	54.8	57.9	55.4
Consumer Climate	10.6	10.4	10.1

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

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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