Press release

The next GfK Consumer Climate report will be published on February 28, 2018, 8.00 a.m.

German consumer climate: Consumers make an optimistic start to the new year

January 25, 2018

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Findings of the GfK Consumer Climate Study for January 2018

Nuremberg, January 25, 2018 – Consumer optimism rises again at the beginning of 2018. Both economic and income expectations, as well as propensity to buy, are on the increase in January. GfK forecasts an increase in consumer climate for February 2018 of 0.2 points compared to the previous month to 11.0 points.

Consumers in Germany are making an extremely optimistic start to 2018. They see the German economy as experiencing a clear economic boom. Economic expectations have clearly risen accordingly, climbing to a new seven-year high. Income expectations and the propensity to buy are also showing moderate growth. They have improved slightly on what was already a very high level.

Economic expectations with clear growth

The economic expectations of consumers are currently only moving in one direction – upwards. In January, the indicator rose for the third time in succession and climbed to 54.4 points. This is a plus of 9.2 points compared to the previous month and represents the highest level since February 2011, when it stood at 57.1 points. In the meantime, there has been a rise of almost 33 points compared to last year.

According to consumer estimates, the German economy is currently running very soundly and at full throttle. Consumers expect this to continue through the year ahead. This euphoria can be explained primarily by the continued excellent job market situation, which is likely to get even better this year. Rising employment, falling unemployment and a generally high number of job vacancies all give cause for optimism.

However, it is possible that the introduction of exploratory talks for continuing the grand coalition has given the economic forecasts an additional boost.

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This is supported by data from the German Office of Statistics, which recently published preliminary figures on the gross domestic product for 2017. This showed that the German economy grew last year for the eighth time in succession. The increase of 2.2 percent was even higher than the 2016 figure of 1.9 percent.

Income expectations show moderate increase

Following clear increases in the previous month, income expectations grew again in January 2018. With an increase of 2.5 points, the second rise in a row was, however, relatively moderate. The indicator is currently at 56.8 points.

The strong performance of the economy is the linchpin of the current income optimism. The high demand for workers feeds the hope that there is likely to be a considerable increase in income, which will only partly be devoured by inflation. Rising wages and salaries lead, with a slight time delay, to corresponding pension increases. Potential income figures could get an additional boost from the ongoing tariff negotiations in the metal and electrical industries.

Propensity to buy is again on the rise

After two slight dips in succession, the propensity to buy has risen again at the start of this year. Compared to December 2017, there has been a rise of 3.3 points. With a current total of 60.4 points, the indicator has climbed to a level it last exceeded in May 2015. At that time, it stood at 62.6 points.

In the wake of rising economic and income expectations, consumer sentiment is also improving on its already high level. The successful start to the year could also set the trend for retailers. However, here the bar is set very high. Based on the first eleven months of 2017, the German Office of Statistics estimates that retail sales last year rose nominally by between 4.5 and 4.9 percent (a real-time increase of between 2.7 and 3.1 percent) compared to 2016.

Consumer climate is on the rise

Following on from 10.8 points in January, GfK is predicting a value of 11.0 points for February 2018. With the second rise in a row, the consumer climate confirms the good start to the year and lays an excellent foundation for a successful consumer year in 2018. The data available to date suggest that 2017 can be described as a generally good year for private consumption. The real amount of private consumer spending last year rose by two percent. This would even exceed the forecast made by GfK at the beginning of 2017 of around 1.5 percent.

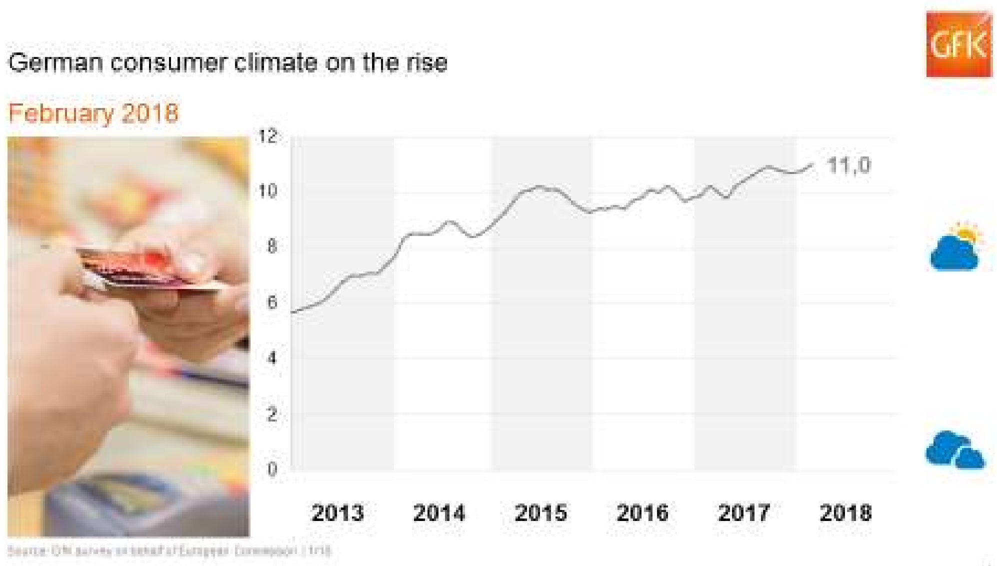
Even if the signals for consumption are currently showing green, there are still certain risks. In particular, the US trade policy with its threatened protectionist trends and the sluggish progress made in the Brexit negotiations could depress the consumer climate as the year unfolds. In addition, the negotiations to form a government in Germany need to be brought to a prompt and successful conclusion. Rising uncertainty would have a negative impact on the consumer economy.

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

	January 2018	December 2017	January 2017
Economic Expectations	54,4	45,2	21,6
Income Expectations	56,8	54,3	58,3
Propensity to Buy	60,4	57,1	57,6
Consumer Climate	10,8	10,7	9,9

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

GfK Consumer Climate Index



Provisional publication dates for 2018

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, 1:00 pm
Thursday, June 28, 2018, 8:00 am	Friday, December 21, 2018, 8:00 am
Thursday, July 26, 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 the first data from the German Federal Statistical Office, private consumption rose by 2.0 percent in real terms in 2017. 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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