

Press release

The next GfK Consumer Climate report will be published on
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Mild slowdown of consumer euphoria in Germany

Findings of the GfK Consumer Climate Study for February 2018

Nuremberg, February 28, 2018 – After an illustrious start to the year in the previous month, the consumer climate in Germany is facing initial headwinds. Both economic and income expectations, as well as propensity to buy suffer losses. GfK forecasts a decrease in consumer climate for March this year of 0.2 points in comparison to the previous month to 10.8 points.

The political turbulence surrounding the formation of a stable, viable government in Berlin may have unsettled consumers, resulting in the atmosphere in February losing the gains it made in the previous month. This places economic and income expectations, as well as propensity to buy, in the same position they were in at the end of 2017. Despite this setback, consumer optimism among German citizens remains high.

Economic expectations lose gains from previous month

The strong upwards curve of economic expectations suffered a setback in February. The indicator fell by 8.8 points to 45.6 points. This loss equates to almost the entirety of the gains made in January. In comparison to the previous year, though, it shows a significant increase of almost 36 points.

Despite losses in this month, consumers continue to view economic prospects with optimism. Germany's economy is currently running at high capacity and consumers expect this to continue in the coming months. The excellent condition of the labor market, a reduction in unemployment figures and the high number of job vacancies all support this expectation.

These high levels of economic optimism are supported by the official statistics. According to figures from the German Federal Statistical Office, the German economy grew by 2.2 percent in the previous year, the eighth year in a row. Experts predict similarly positive growth this year.

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Moderate decline in income expectations

Having increased for two successive months, income expectations also took a small hit. The decrease of three points was, however, relatively moderate. The indicator is currently at 53.8 points. This is an increase of almost six points in comparison to the previous year. The income indicator remains at a distinctly high level.

Against a backdrop of excellent employment levels, consumers also remain distinctly positive about their income prospects. The first collective agreements to be made are in the metal and electrical industries. These are usually a good indicator of developments throughout the economy. They show that the vast majority of employees can once again expect a rise in real incomes in 2018. Pensioners also stand to benefit since increases in pension payments are based on salary and income growth.

Minimal reduction in propensity to buy

Propensity to buy, too, loses the gains made in January. The indicator fell by 4.1 points to 56.3 points. However, this is still a particularly high score; in comparison to the previous year, tendency to consume is still up by almost five points.

This indicator is influenced by the decreases in economic and income expectations. Despite this, consumer sentiment remains positive. This means retailers can hope for further positive growth in revenue, building on the distinctly positive results of 2017. According to statistics from the German Federal Statistical Office, retail revenues rose by a nominal 4.2 percent (+2.3 percent in real terms) in the previous year.

Mild deterioration in consumer climate

Following on from 11.0 points in February, GfK is predicting a value of 10.8 points for March 2018. That will bring us back to exactly the same position we were in at the beginning of the year. Despite this modest downturn, prospects for consumption remain positive this year. As published in a recent forecast, GfK therefore expects real private consumption to grow by approximately two percent in 2018, which is more or less consistent with the level of the previous year (2017: 2.1 percent). Further highly positive developments in the labor market form an important part of the foundation for an excellent year for consumption in 2018.

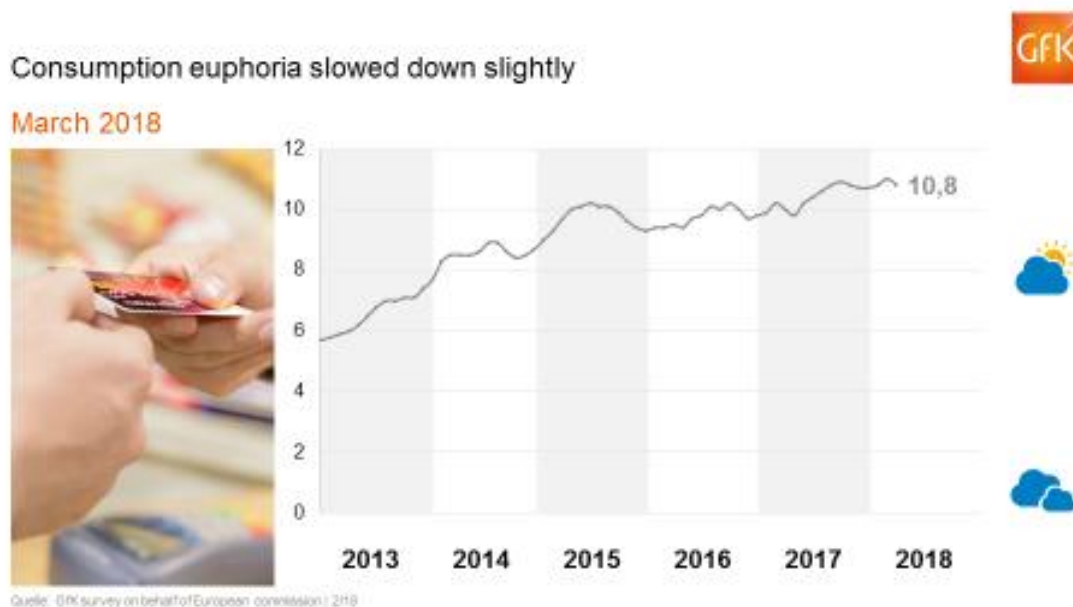
There are, however, still risks which could hamper the consumer climate. Primarily, these are linked to a US trade policy which shows strong tendencies towards protectionism and to the slow progress of the Brexit negotiations. In addition, the formation of a stable German government would further foster the consumer climate.

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

	February 2018	January 2018	February 2017
Economic Expectations	45.6	54.4	9.7
Income Expectations	53.8	56.8	48.1
Propensity to Buy	56.3	60.4	51.6
Consumer Climate	11.0	10.8	10.2

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

GfK Consumer Climate Index



Provisional publication dates for 2018

Wednesday, March 28, 2018, 8:00 am	Wednesday, August 29, 2018, 8:00 am
Thursday, April 26, 2018, 8:00 am	Thursday, September 27, 2018, 8:00 am
Thursday, May 24, 2018, 8:00 am	Thursday, October 25, 2018, 8:00 am
Thursday, June 28, 2018, 8:00 am	Wednesday, November 28, 2018, 1:00 pm
Thursday, July 26, 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 forecasted for 2017 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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