

Press release

The next GfK Consumer Climate report will be published on April 26, 2018, 8.00 a.m.

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German consumer climate improves again

Findings of the GfK Consumer Climate Study for March 2018

Nuremberg, March 28, 2018 – The consumer mood in Germany has stabilized in March after the previous month's minor setback. Both economic and income expectations, as well as propensity to buy, are on the increase again. GfK forecasts an increase in consumer climate for April of 0.1 points in comparison to the previous month to 10.9 points.

Apparently the drop in mood in February was just a small dip, even if the losses from the previous month have only partly been compensated for. The decision of SPD party members to enter into the Grand Coalition did not have any significant extra effect on the mood. This was demonstrated by separate data analyses for the periods before and after the result was made public. Overall, consumer optimism remains very high. The buying mood is as well.

Economic expectations stabilize with modest gains

The considerable fall in economic expectations that took place in February is not currently continuing. Following a small amount of growth of 0.3 points, the indicator stabilized at the end of the first quarter at 45.9 points. In addition to this high level, a plus of nearly 28 points over the same month in the previous year buoyed the continuing major economic optimism in Germany.

The German economy is currently running soundly and at full throttle. This is how consumers see it, too. They assume that this will also be the case in the upcoming months. The excellent jobs market in particular is the critical reason for their optimism. According to forecasts, this year the employment numbers should again increase by about half a million, and the number of those registered as unemployed should again drop slightly.

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As a result, experts expect that the gross domestic product shows development equally as good as in the previous year. In 2017, the German economy grew by 2.2 percent according to estimates of the Federal Statistical Office. The ifo Institute even assumes in its most recent economic forecast that growth in this year will reach 2.6 percent.

Slight increase in income expectation

A possible downward trend in income expectation has also been stopped for the time being. The indicator rose by 1.1 points and now stands at 54.9 points. Its very good position is also demonstrated by a gain of 11.5 points over the comparable time period in the previous year.

Based on a very stable job market, consumers also continue to expect strong development in income. Moderate inflation in the coming months also supports this assessment. The strong demand for workers in many parts of the economy also creates space for wage and salary raises. And the statutory pensions also benefit from positive wage development. Statutory pensions should increase by a good three percent starting in July of this year. So both workers and retirees will have noticeably more money in their pockets.

Propensity to buy makes up for most of the previous month's losses

The largest gains of the three mood indicators were in propensity to buy this month. With a plus of 2.8 points, this indicator was able to make up a good portion of its losses from February. That month had a loss of 4.1 points. It now is at 59.1 points, nearly four points higher than before the end of last year. With this gain, consumer mood continues its slight upward trend.

Stable economic and income prospects at a high level are bolstering the tendency to buy. The excellent employment situation is currently dampening fears of job losses. This increases the planning security of consumers, which is important when it comes to making major purchases or spending large amounts of money.

Consumer climate climbs again

Following on from 10.8 points in March, GfK is predicting a value of 10.9 points for April 2018. With that, the consumer climate will return to its upward track. The further prospects for domestic growth in this year thus remain very favorable. GfK reaffirms the forecast it made at the start of the year, whereby the real private consumer expenditures in 2018 will increase by about two percent, close to the growth in the previous year, which was nearly two percent as measured by the Federal Statistical Office.

This forecast presumes that Germans will be mostly spared from any escalation of possible risks. US trade policies are currently considered to be the greatest threat. For example, if protectionist

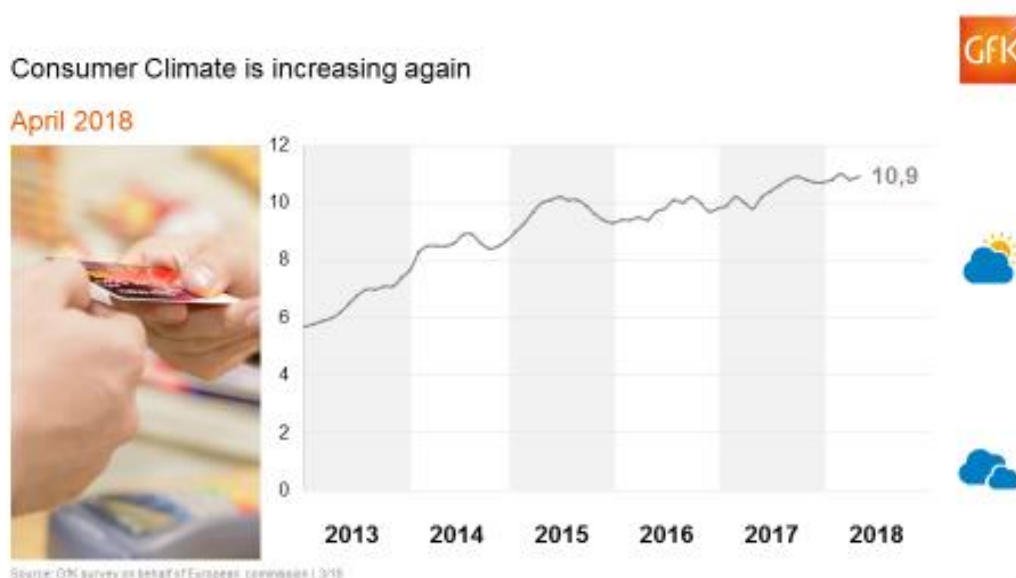
trends in the US result in a trade war, in which Germany would definitely be affected as an exporting nation, this would also noticeably influence the predicted consumer climate and the forecasted consumer growth would surely not be maintained.

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

| | March 2018 | February 2018 | March 2017 |
|------------------------------|------------|---------------|------------|
| Economic Expectations | 45,9 | 45,6 | 18,1 |
| Income Expectations | 54,9 | 53,8 | 43,4 |
| Propensity to Buy | 59,1 | 56,3 | 55,5 |
| Consumer Climate | 10,8 | 11,0 | 10,0 |

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

GfK Consumer Climate Index



Provisional publication dates for 2018

| | |
|-------------------------------------|---------------------------------------|
| 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 |
| Wednesday, August 29, 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 data from the German Federal Statistical Office, private consumption rose by 2.2 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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