

## Press release

The next GfK Consumer Climate Study will be published on  
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### **Slight decline in consumer climate in Germany**

#### **Findings of the GfK Consumer Climate Study for May 2018**

**Nuremberg, May 24, 2018 – By and large, German consumers are still taking a relaxed view of the escalation of the geopolitical situation. This confidence continued essentially unabated in May. Economic expectations remained the same and income expectations increased slightly. In contrast, propensity to buy suffered a downturn. GfK forecasts a decrease in consumer climate for June compared to the previous month of 0.1 points, taking it to 10.7 points.**

The termination of the nuclear agreement with Iran by the American President did not have a particularly negative effect on the mood of consumers. Economic and income expectations remained stable at a good level in May, although the propensity to buy was slightly less euphoric. As a consequence, the consumer climate suffered minimal losses.

#### **Economic expectations maintain their good level**

Following last month's fall, the economic expectations of consumers remained stable in May of this year. The indicator did not show any change at all, thereby confirming its April value of 37.4 points. Compared to last year this is still a slight plus of 2.6 points.

The further intensification of the international situation caused by the unilateral termination of the Iran nuclear deal by the USA has not made consumers any more uncertain with regard to the economic expectations in Germany. This is proven by the high stability of the economic indicator.

However, the way the indicator has developed since the beginning of the year shows that consumers expect to see a slight slowdown of Germany's economic dynamism. Reality is proving them right in this respect. According to the initial assessments of the German Federal Statistical Office, GDP (gross domestic product) rose by 0.3 percent in the first quarter of this year compared to the last quarter of 2017. The primary drivers came from the

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domestic market in the form of rising investments and consumer spending. In both the previous periods, economic growth rose almost twice as sharply, at 0.7 percent (3rd quarter of 2017) and 0.6 percent (4th quarter of 2017).

### **Income expectation stabilizes at a very high level**

The income expectation indicator was able to maintain its excellent level. It gained 0.7 points, which went halfway toward compensating for the losses in April. In May the indicator reached 54.2 points. Compared to last year, this represents a slight drop of around four points.

Stable economic and labor market prospects are the main pillars of the income indicator. They ensure good income growth, both for employed people and pensioners, as pension rises are linked to general wage developments. Since inflation is also expected to remain moderate over the coming months, consumers will experience a real boost to their wallets.

### **Setbacks in propensity to buy**

In contrast to the economic and income expectations, the propensity to buy suffered losses this month. The indicator fell by 4.1 points to 55.9 points. Despite this fall, the propensity to buy is still at a very high level and almost exactly the same level as last year.

The excellent employment situation, a lack of fear about job losses and rising incomes ensured that German citizens were once more willing to open their wallets for consumer spending. This was also supported by the ongoing stable price climate, even if the price of crude oil has risen slightly recently as a result of the geopolitical uncertainty.

### **Consumer climate shows slight losses**

Following on from 10.8 points in May, GfK is predicting a value of 10.7 points for June 2018. This means that the consumer climate will fall slightly for the second time in a row. However, the indicators are still at a good level. GfK therefore confirms its forecast made at the start of the year, whereby real private consumption will increase by about two percent this year.

This is mainly due to the generally good domestic conditions, such as increasing employment, rising incomes and moderate inflation.

Possible risks to the consumer climate are posed first and foremost by the geopolitical situation. The confrontation with Russia in the Syrian conflict, the recent termination of the Iran nuclear deal by the American President and the threat of trade sanctions could raise tensions still further. More than anything, a negative impact on trade as a result of US sanctions would have a long-term effect on Germany as an export nation. In this case the good consumer climate experienced to date could be put at risk and the good consumer forecasts would likely become obsolete.

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

	May 2018	April 2018	May 2017
<b>Economic expectations</b>	37.4	37.4	34.8
<b>Income expectations</b>	54.2	53.5	58.5
<b>Propensity to buy</b>	55.9	60.0	55.7
<b>Consumer climate</b>	10.8	10.9	9.8

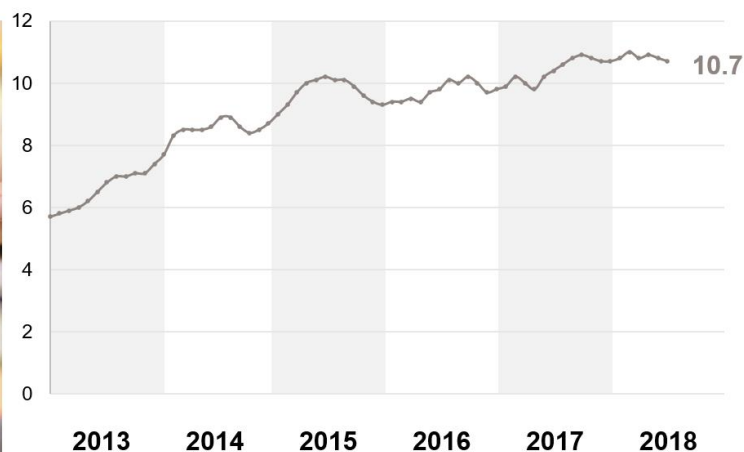
The following graph shows how the Consumer Climate Index has developed over recent years:

### GfK Consumer Climate Index Germany

Consumer climate declines for the second time in a row



June 2018



Source: GfK survey on behalf of European Commission | 5/18

### Provisional publication dates for 2018

Thursday, June 28, 2018, 08:00	Thursday, October 25, 2018, 08:00
Thursday, July 26, 2018, 08:00	Wednesday, November 28, 2018, 08:00
Wednesday, August 29, 2018, 08:00	Friday, December 21, 2018, 08:00
Thursday, September 27, 2018, 08:00	

### About the study

The survey period for the current analysis was from April 27, 2018 to May 14, 2018. 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 was 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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