

Press release

The next GfK Consumer Climate Study will be published on
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Consumer climate in Germany shows slight fall

Findings of the GfK Consumer Climate Study for July 2018

Nuremberg, July 26, 2018 – The mood of German consumers develops in mixed ways in July this year. Income expectations and propensity to buy are able to maintain their extremely good level while economic expectations continue their clear downwards trend. GfK forecasts a decrease in consumer climate for August compared to the previous month of 0.1 points, taking it to 10.6 points.

It seems that the escalating trade conflict between the EU and the United States is so far only adversely affecting German consumers' economic expectations, which are suffering renewed significant losses and continuing their downward spiral. In contrast, both income expectations and the propensity to buy have so far remained unaffected by the conflict and maintain their already excellent level in July. Since the propensity to save has risen recently, the overall consumer climate shows a slight fall.

Consumers expect a weakening of economic growth

The economic expectations of German citizens in July remain on the same downwards trend that has been in evidence since the beginning of the year. The economic expectation indicator loses another 7.6 points, falling to 15.7. The last time a lower value was recorded was almost eighteen months ago in February 2017, when it fell to 9.7 points. Compared with last year, the current figure represents a drop of almost 29 points.

Among consumers the impression is growing ever stronger that the international crisis will cause the German economy to slow down. Above all, the escalating trade conflict with the USA may have a negative impact on Germany as an export nation. Alongside Germany, other major export nations like China are also involved, so this is likely to cast a shadow over global economic prospects. As a result the growth forecasts for this year and next are currently being revised downwards. This means that the German economy will also shift down a gear in 2018.

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Income expectations fly in the face of economic downturn

In contrast to the economic expectations, the income expectations of German consumers remain stable in July this year. With a minimal drop of 0.1 points, the indicator is practically unchanged compared to the previous month. It is currently at an excellent level of 57.5 points.

The citizens of Germany have good reason to be optimistic with regard to their expected financial situation. The labor market continues to boom, the employment rate is enjoying steady growth and the number of registered unemployed is going down. Only a small minority of employees are worried about the possibility of losing their jobs. As a result they don't consider their income to be at risk. Quite the reverse – the good labor market situation continues to provide plenty of leeway for income growth, which also promises a genuine plus. The positive wage trend is also ensuring that even pensions are showing considerable growth.

Propensity to buy at the same pace as income expectations

The propensity to buy and the income expectations are currently developing at the same pace while the propensity to buy is currently only experiencing minimum losses of around 0.1 points. At 56.2 points it is showing a similar level to the income indicator. Despite the uncertain times in terms of world politics, German citizens are still keen to keep on buying.

The reasons for this positive development are similar to those affecting the trend of income expectations. The key factor is the huge stability of the labor market, which is enabling German citizens to enter into greater financial commitments and, if necessary, to accumulate debt, as the vast majority of consumers have secure jobs and therefore planning security. The low interest rate is another important factor here.

Consumer climate stagnates

GfK forecasts a slight decrease in consumer climate for August 2018 compared to the previous month of 0.1 points, taking it to 10.6 points. The recent small rise in the propensity to save has contributed to the slight decline of the indicator. The consumer climate is therefore currently stagnating at a level that is still good.

Overall, the prospects for a good consumer year in 2018 are still present. GfK confirms its prognosis that real private consumer spending will rise in Germany by around 1.5 percent this year. This is dependent on the fact that the domestic situation – above all the development of the labor market – continues to be as favorable as it has been to date. This looks likely from today's perspective. There is some uncertainty on the price front, given that the inflation rate in Germany has exceeded the two percent mark in the two previous months. If this trend takes hold, it would have a negative effect on consumption.

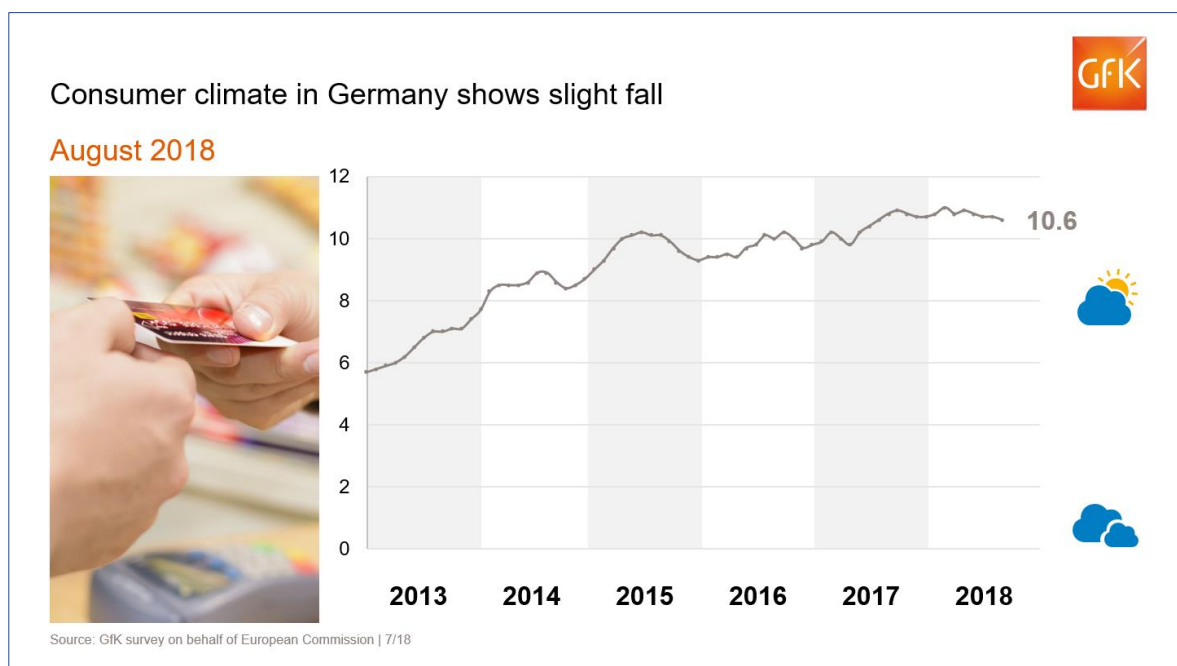
However, the biggest risk for the domestic economy continues to come from the global political situation, and in particular the strengthening trade conflict of the USA with the EU and China. If this were to have a significant adverse affect on export performance, then the fear of job losses in export-oriented industries and their suppliers would presumably rise. This would not be without its consequences for consumption in Germany.

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

| | July 2018 | June 2018 | July 2017 |
|------------------------------|-----------|-----------|-----------|
| Economic expectations | 15.7 | 23.3 | 44.6 |
| Income expectations | 57.5 | 57.6 | 60.9 |
| Propensity to buy | 56.2 | 56.3 | 54.8 |
| Consumer climate | 10.7 | 10.7 | 10.6 |

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

GfK Consumer Climate Index Germany



Provisional publication dates for 2018

| | |
|---|---|
| Wednesday, August 29, 2018, 08:00 am CET | Wednesday, November 28, 2018, 08:00 am CET |
| Thursday, September 27, 2018, 08:00 am CET | Friday, December 21, 2018, 8:00 am CET |
| Thursday, October 25, 2018, 08:00 am CET | |

About the study

The survey period for the current analysis was from June 29, 2018 to July 13, 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 consumption of at least 1.5 percent. According to data from the German Federal Statistical Office, private consumption rose by around 1.9 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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