

Press release

The next GfK Consumer Climate report will be published on
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German consumer climate declines slightly once again

Findings of the GfK Consumer Climate Study for August 2018

Nuremberg, August 29, 2018 – In August of this year, the consumer mood in Germany did not present a uniform picture. While economic expectations improved, income expectations and the propensity to buy declined a bit. GfK forecasts a slight decrease in consumer climate for September of 0.1 points in comparison to the previous month to 10.5 points.

Despite turbulent political times throughout the world, economic expectations – at least initially – have stopped their multi-month downswing and have increased noticeably. The income outlook is dropping, however, and propensity to buy has declined somewhat. Both indicators still show an overall good level. Since the propensity to save remained almost unchanged this month, the consumer mood has regressed slightly.

Economic optimism increased again

The economic optimism, which was on a downswing with small interruptions since the beginning of 2018, did not continue its decline in August. The indicator climbed up noticeably by 6.5 to 22.2 points. Compared with last year, the current figure represents a drop of a good eight points.

It remains to be seen if this will become a trend. The indicator is currently being backed by current economic developments. According to recently published data from the German Federal Office of Statistics regarding gross domestic product (GDP) for the second quarter of 2018, the economic dynamic in Germany has finally progressed forward somewhat. GDP increased by 0.5 percent in the second quarter compared with the previous period. In the first quarter, there was a somewhat weaker increase of 0.4 percent. In comparison to the year prior, the gain adjusted for price was 2.3 percent and 2.0 percent, respectively, adjusted for price and calendar

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(source: German Federal Office of Statistics, Press Release No. 299, August 14, 2018, www.destatis.de).

Despite a trade conflict with the USA as well as increasing energy prices, the German consumer is once again showing greater economic optimism. They believe in the German economy's solid growth trend.

Decline in income expectations

In contrast to the economic outlook, the income expectations for this month declined somewhat. The indicator dropped 4.9 points to 52.6 points. A lower value was last measured in November 2017 at 47.9 points. In comparison to this month last year, that's a drop of 8.8 points. Despite the current regression, the level of the income indicator remains high.

It's difficult to tease out the exact reasons for this regression. It's possible that recent high energy prices that have fueled inflation to a current two percent, interfere with the excellent job market conditions, as well as the solid income increases. Based on the continuing low interest level, it might be obvious to some consumers that savings are increasingly losing value due to inflation.

Propensity to buy continues without significant fluctuations

The propensity to buy remained almost unchanged at an overall high level in August. The indicator dropped by one point to 55.2 in August. In comparison to the previous year, there has only been a drop of three points, which underscores the stability of the consumer tendency.

The indicator's excellent track record is due primarily to very good development in the job market. The employment numbers are continuing to increase. As a result, the fear of job loss among employees remains low as before. This ensures planning security with consumers, particularly when it involves larger expenses.

Consumer climate shows slight fall

GfK forecasts a slight decrease in consumer climate for September 2018 of 0.1 points in comparison to the previous month to 10.5 points. Despite the second decline in a row, consumers continue to assume that the good consumer economy will continue even if the dynamic could possibly drop off somewhat. Therefore, GfK expects that private consumption for this year will increase by 1.5 percent in real terms and meet the GfK forecast made at the beginning of the year.

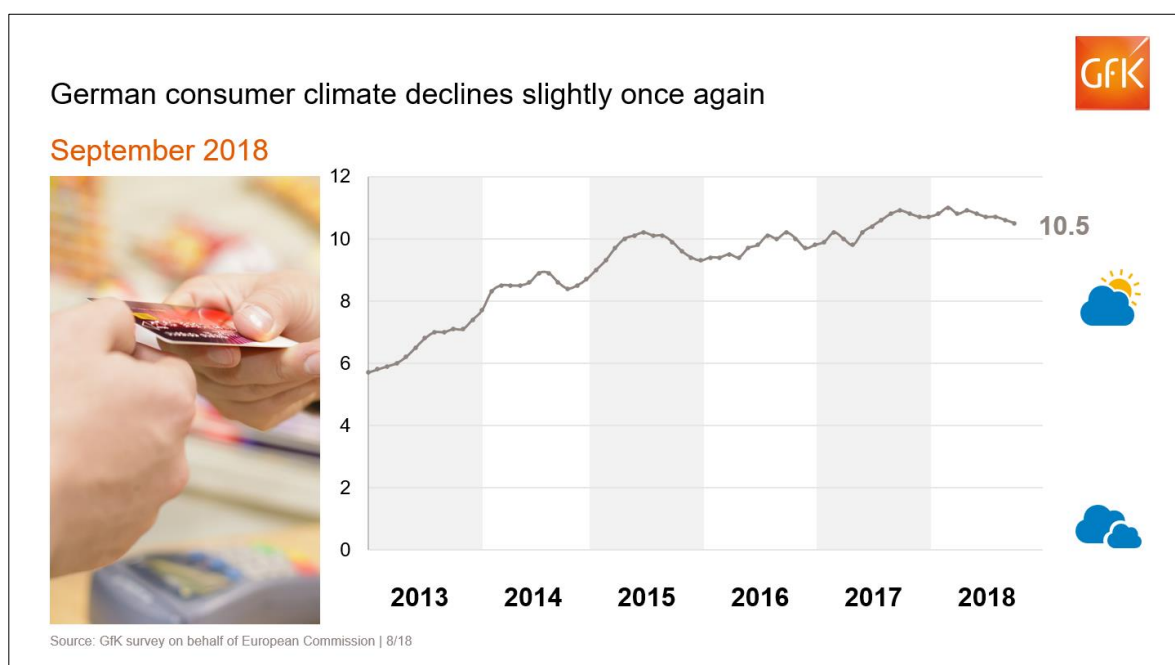
The positive outlook for the consumer economy will only continue as is if the job market remains stable, which is the current assumption, and there are no additional risks threatening from the price front. A further increase in inflation would certainly dampen the consumer climate.

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

	August 2018	July 2018	August 2017
Economic expectations	22.2	15.7	30.4
Income expectations	52.6	57.5	61.4
Propensity to buy	55.2	56.2	58.1
Consumer climate	10.6	10.7	10.8

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

GfK Consumer Climate Index



Provisional publication dates for 2018

Thursday, September 27, 2018, 08:00 am CET	Wednesday, November 28, 2018, 08:00 am CET
Thursday, October 25, 2018, 08:00 am CET	Friday, December 21, 2018, 08:00 am CET

About the study

The survey period for the current analysis was from July 27, 2018 to August 10, 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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