

Press release

The next GfK Consumer Climate report will be published on
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German consumer climate ends year with losses

Findings of the GfK Consumer Climate Study for November 2018

Nuremberg, November 28, 2018 – In November, the consumer climate in Germany has, by and large, been moderate. Whilst the propensity to buy has in fact been able to improve its already very good position, economic and income expectations have had to take slight hits. Since the propensity to save increased significantly, GfK is predicting a slight downward trend of 0.2 points in the German consumer climate for December to 10.4 points.

The weak period of economic activity has also been visible in consumer mood in November. Neither economic activity nor income prospects were able to quite maintain the level of the previous month and have decreased slightly. However, the propensity to buy does not seem to have been affected by this so far. It has in fact been able to slightly improve its nevertheless excellent level. Since the propensity to save also saw a sharp increase in November, the consumer climate is suffering losses around the end of the year.

Economic expectations decline for the second time in a row

The slightly weaker development of the German economy in the third quarter also had an impact on the economic expectations of consumers. The indicator dropped 1.6 points to 17.4 points. This marks the second decline in a row. This is a decrease of nearly 27 points in comparison to the same period last year.

Global economic turbulence, such as the trade conflict between the USA and China and the EU, or Brexit are increasingly concerning German consumers. They see weakening economic momentum and the first dark clouds on the economic horizon.

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This perception has since become visible in real figures. For example, according to preliminary calculations, gross domestic product (GDP) fell in the third quarter by 0.2 percent compared to the previous period. Compared to the same period last year, this is an increase of 1.1 percent (source: German Office for Statistics, Press Release No. 440 of November 14, 2018, www.destatis.de). According to the statistics authority, this slight decrease is above all due to a downward trend in exports.

Moreover, the trade conflict between the EU and USA has not yet been fully resolved. Higher customs duties on important exports to the USA continue to pose a threat here. Finally, the impending Brexit is also creating uncertainty since it is still not clear whether Great Britain will leave the EU with or without a deal.

Income expectations in the maelstrom of a weaker economic outlook

Lowered economic expectations also caused income expectations to decrease in November. The income indicator fell by 4.2 points to 50.2 points. This is the lowest value this year, though still two points more than in November 2017. With around 50 points, however, income expectations continue to look largely positive.

Increasing employment and therefore increasing income are the main reasons for the very good level of the indicator. However, increasing prices, above all for energy, are darkening the positive picture. Gas and heating have recently become noticeably more expensive and have fueled inflation in Germany. As a result, the price increase in October compared to the same period in the previous year was 2.5 percent, the highest value for more than ten years. This is eating away at the purchasing power of consumers. If people have to spend more money at the pumps, there's less money for other purchases.

Propensity to buy despite tough environment

Despite the generally tougher environment, the propensity to buy has held its ground in November. In fact, it has increased slightly. The indicator rose by 1.6 points to 57.5 points. This marks the second increase in a row. A higher value was last measured in April of this year at 60 points.

The propensity to consume is therefore continuing to fight against difficult global economic conditions. Trade conflicts and Brexit do not seem to have damaged the desire to buy so far. And higher inflation does not seem to have had any effect so far either. The excellent domestic conditions are clearly dominating. Increasing employment figures have allayed fears of job losses and ensured considerable increases in income. The coupling of pensions to general wage developments will also benefit people drawing their statutory old-age pensions.

Consumer climate falls

As a result of the overall moderate development in mood and the increase in propensity to save, the consumer climate will fall from 10.6 points in November to 10.4 at the year-end. The indicator will therefore fall slightly from its good level. It is above all higher inflation rates, as well as global economic uncertainty, that are currently weighing down the consumer climate. Despite the risks, GfK confirms its consumer forecast that real private consumer spending will increase by around 1.5 per cent this year. Domestic economic activity in 2018 will therefore make an important contribution to growth in Germany.

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

	November 2018	October 2018	November 2017
Economic expectations	17.4	19.0	44.3
Income expectations	50.2	54.4	47.9
Propensity to buy	57.5	55.9	58.5
Consumer climate	10.6	10.6	10.7

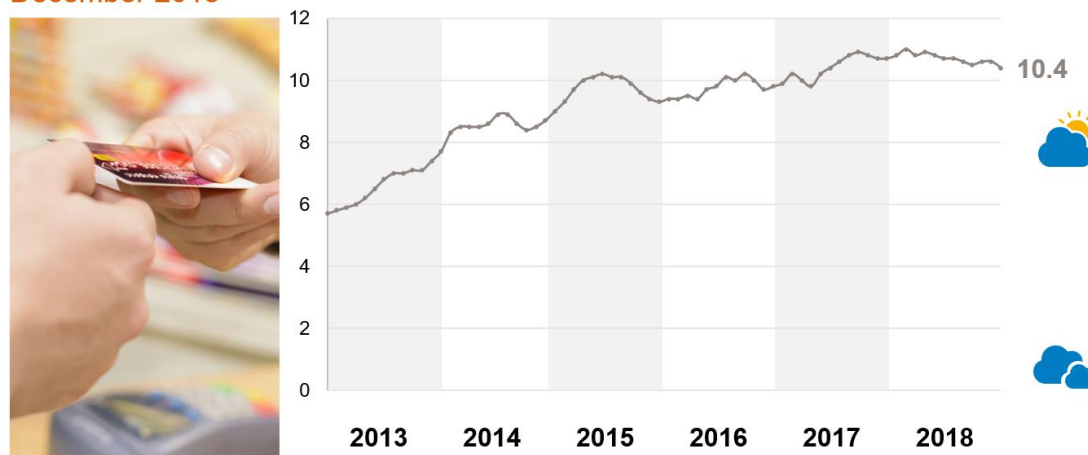
The following graph tracks the Consumer Climate Index over recent years:

GfK Consumer Climate Index

German consumer climate ends year with losses



December 2018



Source: GfK survey on behalf of European Commission | 11/18

Provisional publication dates for 2018

- Friday, December 21, 2018, 8:00 am

About the study

The survey period for the current analysis was from October 26, 2018 to November 9, 2018. The results are extracted 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 wellness sector as a whole 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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