

## Press release

The next GfK Consumer Climate report will be published on  
January 30, 2019, 8:00 am CET

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### **German Consumer Climate gets stable start to New Year**

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

**Nuremberg, December 21, 2018 - The attitudes of German consumers do not portray a uniform picture at the end of 2018. While income expectations are increasing slightly, both propensity to buy and economic expectations have had to suffer losses. Since propensity to save is also decreasing slightly, GfK is predicting an unchanged (compared to December) value of 10.4 points for January 2019.**

At the end of the year, the schism between expectations regarding overall economic development and development of personal finances continues to grow. On the one hand, the downward trend in economic prospects is continuing, but on the other, the income expectations of households is still able to improve its nevertheless high level. Since propensity to buy is also suffering losses, the consumer climate looks unchanged.

#### **Economic optimism continues to fall**

With the third decrease in a row, economic expectations are continuing their downward trend at the end of 2018. After a fall of 3.3 points, the indicator has slipped to 14.1 points. This is the lowest value since February 2017, when a score of 9.7 points was recorded. Compared to the same time last year, therefore, this score has fallen by more than 30 points.

The persistent trade conflict between the USA, China, and the EU, as well as uncertainty caused by Brexit, is causing economic optimism among consumer to increasingly disappear. German citizens see risks for their nation of exports predominantly in impending trade restrictions, such as higher customs duties. Dwindling exports are curbing growth.

In light of global economic turbulence, in particular, experts recently withdrew their economic predictions for the coming year. At present, the

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vast majority are assuming that GDP for 2019 will fall by roughly a further 1.5 percent.

### **Income expectations show slight increase**

The income prospects of Germans continue to defy falling economic expectations. The income indicator gained 3.6 points in December, climbing to 53.8 points. It is therefore back to its previous-year level.

The high level of income optimism among Germans with regard to the downward economic trend is only surprising at first glance. The primary cause of such a high level is the consistently excellent health of the job market. Employment continues to grow, while unemployment falls, currently approaching the two-million mark. This high level of employment also opens up space for income to grow, which gives both workers and pensioners real income growth - despite slightly higher inflation recently.

The prospects for the job market in 2019 should remain favorable. The high expectations regarding financial development are therefore thoroughly well-grounded as a result.

### **Losses in propensity to buy**

After two increases in a row, propensity to buy had to take further losses in December. The indicator dropped 4.4 points to 53.1. Given its consistently high level, however, consumer mood among Germans remains intact. However, there was a loss here of four points compared to the previous year.

Despite current losses, propensity to consume is very good. The excellent domestic conditions already mentioned, such as high levels of employment and increases in real income, ensure that consumers continue to spend. This is made easier by that fact that the alternative to spending - saving - continues to be an unattractive option. The European Central Bank (ECB) intends to continue its low-interest policy of previous years. The current decision to end the bond-buying program that has so far pumped around €2.6 trillion into the markets, does not change anything in this respect.

### **Consumer Climate gets stable start to New Year**

Due to the differing development of income expectations and propensity to buy, and the fact that propensity to save once more fell slightly in December, the consumer climate for 2019 is unchanged compared to the previous month. GfK confirms its prognosis that real private consumer spending will rise by around 1.5 percent this year. Prospects for 2019 remain favorable in terms of consumption.

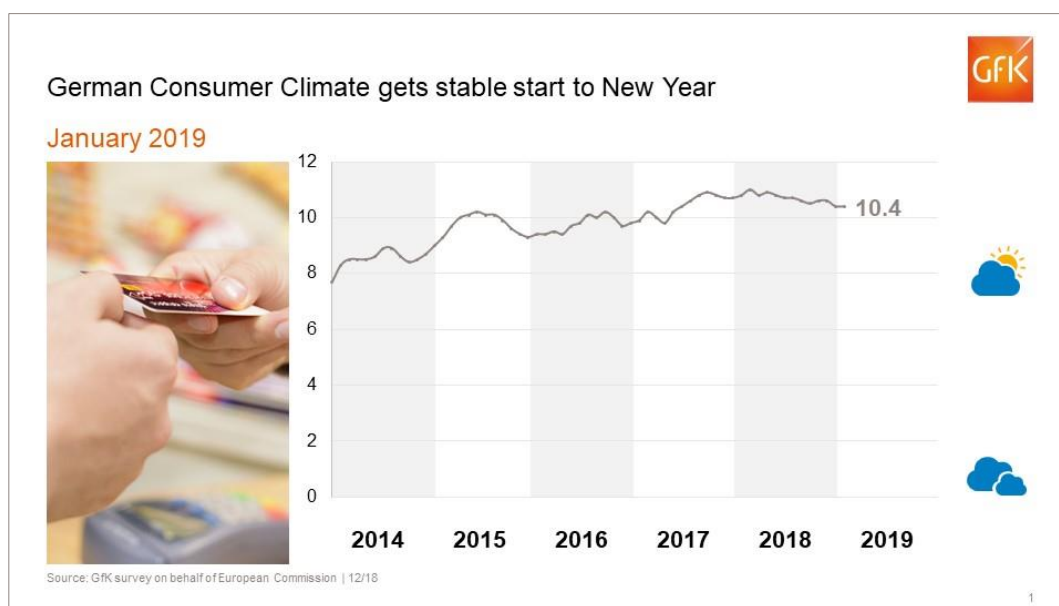
However, this requires that the job market continues its stable development in the coming year. The

current state of affairs indicates that this will be the case. However, this is not without risk: A further escalation in the trade conflict with the USA, or a no-deal exit of Britain from the EU would certainly also put a strain on the consumer climate. Moreover, the domestic policies of Italy and France are currently creating further potential areas of conflict.

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

	December 2018	November 2018	December 2017
<b>Economic expectations</b>	14.1	17.4	45.2
<b>Income expectations</b>	53.8	50.2	54.3
<b>Propensity to buy</b>	53.1	57.5	57.1
<b>Consumer climate</b>	10.4	10.6	10.7

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



### Provisional publication dates for the first quarter 2019

- Wednesday, January 30, 2019, 8:00 am
- Tuesday, February 26, 2019, 8:00 am
- Tuesday, March 26, 2019, 8:00 am

## About the study

The survey period for the current analysis was from November 30, 2018 to December 14, 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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## About GfK

GfK combines data with scientific methods, using innovative solutions to answer key business questions on consumers, markets, brands, and media - now and in the future. As a research and analysis partner, GfK promises its clients "Growth from Knowledge" around the globe.

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