

Press release

The next GfK Consumer Climate Study will be published on
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Consumer climate in Germany is on the rise

Findings of the GfK Consumer Climate Study for January 2019

Nuremberg, January 30, 2019 - Consumer mood in Germany indicates positive development for consumer climate at start of year. Income expectations and propensity to buy have once more exceeded their already high level. Conversely, general prospects of economic growth were assessed less optimistically for the fourth time in a row. For February, GfK is predicting a consumer climate value of 10.8 points, following January's revised figure of 10.5 points. Based on the good start to the year, GfK is predicting an increase in private consumption in Germany of 1.5 percent for 2019.

The gap between the economic outlook and income expectations continues to grow at the start of the year. In addition, propensity to buy has also managed to fully compensate for the losses of the previous month in the wake of rising income expectations. Since propensity to save is also falling in January, the consumer climate has managed to gain 0.3 points.

Downturn in economic expectations persists

The downturn in the economic expectations continues to persist at the start of the new year. In January, the indicator fell to 10.7 points following a loss of 3.4 points. This marks the fourth decline in a row. The last time a lower value was recorded was almost two years ago in February 2017, when it stood at 9.7 points.

Consumers assume that the German economy is continuing to lose momentum. The still smoldering trade conflict between the USA, China, and the EU, as well as the Brexit deadlock are ensuring dwindling optimism with respect to continued overall economic development in Germany. This is mainly affecting export performance.

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Consumers' fears were confirmed by the gross domestic product (GDP) figures for last year recently published by the German Federal Office for Statistics. According to these figures, the German economy grew by just 1.5 percent in 2018. Growth in each of the preceding years was 2.2 percent. And the outlook for this year is similarly cautious. For example, the International Monetary Fund is assuming that GDP in Germany will grow by 1.3 percent in 2019.

Income expectations rise noticeably

Contrary to economic expectations, income expectations rose noticeably at the start of 2019. The indicator rose by 6.1 points to 59.9 points. The last time a higher value was recorded was in August 2017 at 61.4 points.

The income indicator is therefore continuing to move away from the economic outlook. This may appear surprising at first glance. However, if we take into account the consistently good situation on the labor market, this trend is easy to understand. The high and ever-increasing level of employment, coupled with the lack of skilled workers in a number of industries, is strengthening the negotiating position of workers in wage negotiations. And pensioners are also benefiting from rising wages, as their pensions are linked to wage developments. Furthermore, the positive trend on the labor market is set to continue this year, even if somewhat less aggressively.

Propensity to buy on the rise

In the wake of increasing income expectations, propensity to buy is also currently on the increase. The indicator rose by 4.5 points to 57.6 points. This fully compensates for losses from the previous month after a loss of 4.4 points in December 2018. Consumer confidence in Germany continues to be excellent.

Consumers have not yet allowed the economic slowdown to dampen their propensity to buy. The consistently good employment situation, coupled with increasing income, is ensuring that consumers are willing to continue spending money, especially as the alternative to spending, i.e. saving, continues to look unappealing. If anything, given the economic slowdown it is quite possible that the European Central Bank will once more increase the supply of money. This would increase pressure on interest rates.

Consumer climate improving

Rising income prospects and an increasing propensity to buy mean that the consumer climate is improving once more. This is further reinforced by a decrease in propensity to save in January. GfK is predicting a consumer climate indicator value of 10.8 points in February, following January's revised figure of 10.5 points. The year 2019 has started off well in terms of consumer climate.

Rolf Bürkl, GfK Consumer Expert, explains, "For the whole of 2019, GfK is predicting real growth in

private consumer spending in Germany of 1.5 percent. The key pillars for the consumer economy will above all be the expected positive trend on the labor market coupled with positive income expectations. However, this is based on there being no significant growth in German consumers' uncertainty about the economy. For example, if there were an escalation in the trade dispute, putting further strain on export prospects, this would be a bad sign for the export nation of Germany. If this were to again increase workers' fears of job losses, it would have an adverse impact on the consumer climate, jeopardizing the forecast."

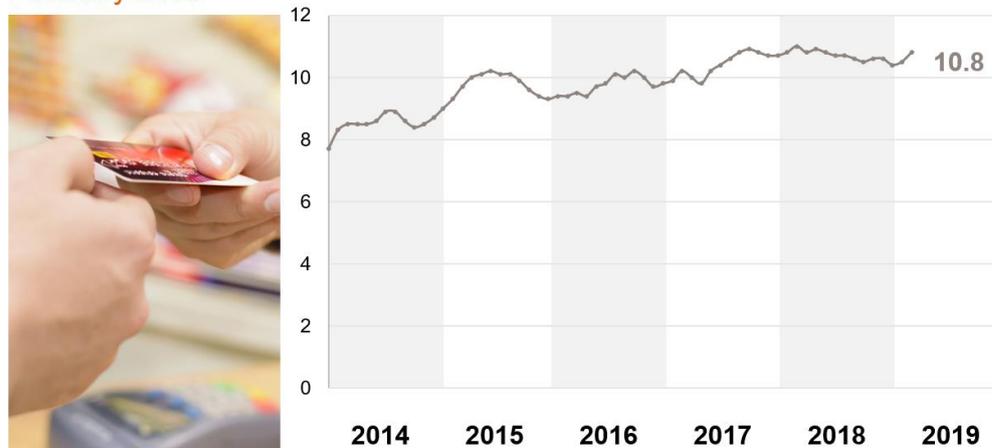
The following table shows the change in each indicator in January in comparison with the previous month and previous year:

	January 2019	December 2018	January 2018
Economic expectations	10.7	14.1	54.4
Income expectations	59.9	53.8	56.8
Propensity to buy	57.6	53.1	60.4
Consumer climate	10.5	10.4	10.8

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

Consumer climate in Germany is on the rise

February 2019



Source: GfK survey on behalf of European Commission | 1/19



Provisional publication dates for the first quarter of 2019

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

About the study

The survey period for the current analysis was from January 4 to January 18, 2019. 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 2019 is an increase in private consumption of 1.5 percent. 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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