

Press release

The next GfK Consumer Climate Study will be published on
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Consumer climate despite economic headwind

Findings of the GfK Consumer Climate Study for February 2019

Nuremberg, February 26, 2019 – The mood of consumers paints a mixed picture in February 2019. While income expectations remain stable, the propensity to buy has lost ground again following the gains made last month. Economic expectations, in contrast, continue their steep downward spiral. Since the propensity to save has also dropped further, GfK predicts that the consumer climate in March will remain unchanged compared to the previous month at 10.8 points.

The gap between economic and income expectations widened again in February. While income expectations have retained their extremely good level, the economic indicator has continued its steep downward spiral unabated. The propensity to buy lost virtually all the gains it had made in the previous month. Since the decline in the propensity to save acts as a support, the overall consumer climate remains unchanged.

Economic expectations continue to fall unchecked

The steep downward spiral of economic expectations has continued. The indicator lost a further 6.5 points in February, dropping to 4.2 points as a result. This is the fifth decline in succession and the lowest value since March 2016, when it measured 0.5 points. This means that it is currently more than 41 points lower than the corresponding value recorded for the previous year.

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Consumers feel that the risk of the German economy slipping into recession again has tangibly increased in recent weeks. This is borne out by the figures on economic growth in the fourth quarter of 2018, recently published by the German Federal Office for Statistics. They suggest that what is known as a technical recession – in other words, a fall in GDP in two successive quarters – was only narrowly avoided. This is because

GDP was at the same level as the previous period in the fourth quarter. The third quarter had measured a fall of 0.2 percent. The Office for Statistics indicates economic growth of 1.4 percent for all of 2018.

External factors are primarily responsible for the lack of momentum in the German economy. The ongoing trade dispute between Europe, China and the USA is causing growing uncertainty among consumers. They worry that Germany, as a strongly export-oriented economy, would suffer negative consequences if this dispute led to trade barriers such as rising customs tariffs. Furthermore, the prospect of a no-deal Brexit is now looking more likely. How and when the exit will take place is far from certain. This makes planning more difficult for companies on all sides.

Income expectations hold steady

Despite the increasing economic headwind, income expectations have been able to hold remarkably steady. The indicator remains virtually unchanged over the previous month at 60.0 points (January 2019: 59.9 points). The continuing excellent state of the income indicator is also demonstrated by the fact that it has even managed to rise by a good six points compared to last year. The gap between economic and income expectations has therefore widened again.

One fundamental reason for the divergence of income expectations from economic expectations is the current excellent state of the labor market. Employment continues to rise and unemployment keeps showing record lows month on month. Some industries are even experiencing a skills shortage. The very high level of employment has led to rising wages and salaries – including in real terms. Pensioners are also benefiting from this trend, as their income expectations are linked to wages. Despite the harsher economic environment, consumers are apparently assuming that their income will continue to develop in a positive way in future.

Propensity to buy loses the gains of last month

The ups and downs of the propensity to buy continued again in February. After a rise in the indicator last month, these gains have currently been almost completely lost again. It is currently at 53.6 points following a drop of four points. Compared with last year, the current figure represents a small drop of just under three points. The continuing high level proves that the mood among German consumers remains upbeat.

Very stable income expectations in particular support Germans' propensity to buy. Rising incomes coupled with a very good employment situation ensure that consumers are willing to continue spending money. In addition to this, the propensity to save showed another tangible decline in February. In light of very low interest rates, saving is not an attractive option. That supports the propensity to consume.

Consumer climate braces itself against economic slowdown

Due to stable income expectations, a slightly decreasing propensity to buy and the fact that the propensity to save fell again in February, the consumer climate for March 2019 is unchanged compared to the previous month at 10.8 points. This means that the consumer climate in the first quarter of this year shows a stable trend at a good level and is so far bracing itself successfully against the tangible economic slowdown.

In order for consumption to be a reliable prop for the German economy in 2019, the current uncertainty with regard to the economy as a whole must not spill over onto labor market prospects. If employees get the impression during the course of the year that their jobs are no longer secure, this would have a direct negative effect on the consumer mood. In this case, the consumer prognosis of 1.5 percent made at the beginning of the year would no longer apply. The same thing could happen if the trade dispute with the USA were to escalate further, as this would weaken Germany's export development.

The following table shows how each indicator has developed in comparison to the previous month and previous year:

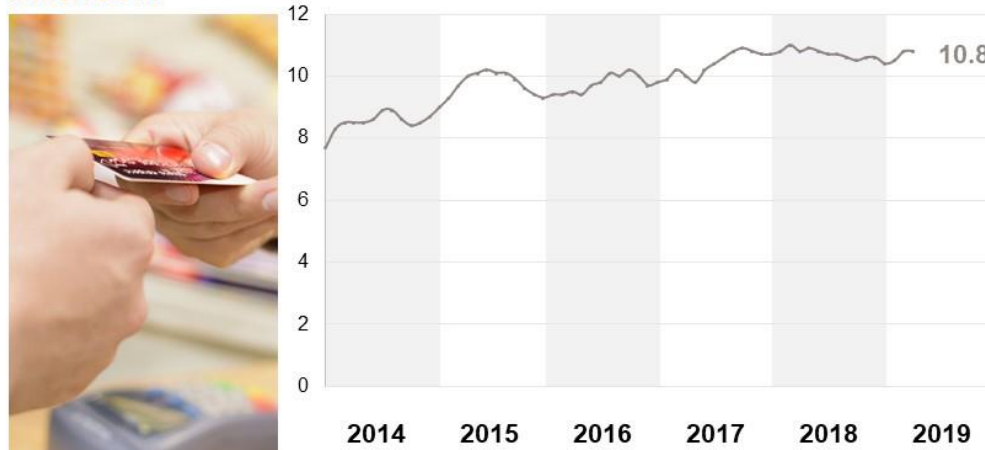
	February 2019	January 2019	February 2018
Economic expectations	4.2	10.7	54.4
Income expectations	60.0	59.9	56.8
Propensity to buy	53.6	57.6	60.4
Consumer climate	10.8	10.5	11.0

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

Consumer climate despite economic headwind



March 2019



Source: GfK survey on behalf of European Commission | 2/19



The next press release about the GfK consumer climate report is likely to be published on March 26, 2019, 8.00 am.

About the study

The survey period for the current analysis was from February 1 to 15, 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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