

Press release

The next GfK Consumer Climate report will be published on
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Income prospects suffer setback

Findings of the GfK Consumer Climate Study for June 2019

Nuremberg, June 26, 2019 – Consumer mood is displaying a very uneven image in June 2019. Propensity to buy is increasing again, while income expectations suffer significant setbacks. Economic expectations have ceased their downward spiral, for the time being at least. For July, GfK is predicting a consumer climate value of 9.8 points, following a June figure of 10.1 points.

The consumer climate is recording losses for the second time in a row. A key factor behind this is the noticeable decrease in the income indicator this month. Propensity to buy, on the other hand, is managing to more than make up for losses suffered last month and is displaying largely stable development. Economic expectation is currently not decreasing further.

Economic expectations stabilizing

The downward spiral that **economic expectation** began at the start of 2018 halted in June, at least for the moment. The indicator rose by 0.7 points and now stands at 2.4 points. The economic mood is therefore stabilizing at a relatively low level. The figure is now 17 points lower than the same time last year.

As before, the global economic cooling off, on-going discussions around Brexit, and the trade war with the USA are putting a strain on the economic indicator. These factors are specifically impacting the export nation of Germany. This is true in particular of the trade conflict with the USA.

Consequently, even the growth predictions for the German economy have decreased noticeable. Presently, experts are expecting growth in gross domestic product (GDP) of around half a percent.

Income expectations collapsing

After seeming stable everywhere of late, **income expectations** had a bitter pill to swallow in the form of its June losses. The indicator lost 12.2 points,

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falling to 45.5 points. This is the lowest level since March 2017 when it stood at 41.6 points. This means that it is currently almost 12 points lower than at the same time last year.

So far, the income indicator has been able to benefit from the excellent development of the job market in Germany. But now the voices heralding the end of the employment boom are growing. As a result, fears concerning job losses have increased at a number of employers, as also demonstrated by the GfK study. The proportion of consumers assuming that unemployment could rise again increased in June.

It is above all employees in the automotive industry and their suppliers who hold such fears. As well as the trade conflict with the USA and the global economic cooling off, this industry is being shaped by the transition from the combustion engine to e-mobility. Clearly more than a few people are concerned that significantly fewer workers will be required for the manufacture of electric vehicles in future.

The coming months will show whether this downturn is a one-off outlier or the start of a change in trend for this indicator.

Propensity to buy defies falling income expectations

Unlike economic prospects, **propensity to buy** recorded gains in June. This indicator rose by 3.2 points to 53.7. It has therefore more than made up for the 2.6 points lost the previous month. This is a loss of 1.4 points compared to last year.

As a result, propensity to buy is successfully fighting off losses in income expectations this month. Although a number of employees are becoming increasingly doubtful of their job security, consumer mood remains unperturbed. Whether this will remain the case depends heavily on how income prospects develop in the coming months. If the significant loss suffered by this indicator in June turns into a persistent downward trend, it will also be tough for propensity to buy to maintain its currently excellent level.

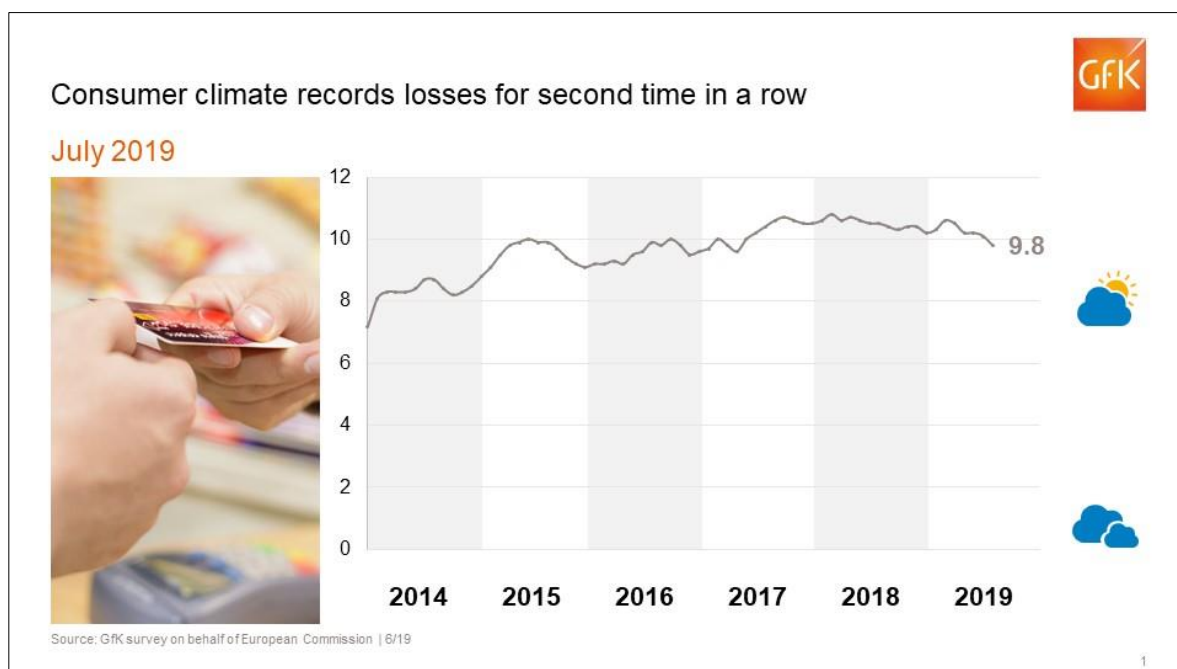
Consumer climate down for second time in a row

For July, the **consumer climate** is exhibiting a value of 9.8 points, 0.3 points lower than June. This means that the consumer climate is falling slightly for the second time in a row. Domestic demand will nevertheless remain an important pillar of the German economy. In order for this to continue to be the case, the uncertainty around job security that is increasing as a result of the trade conflict with the USA must be combated as quickly as possible. If employees feel that this has not been achieved, the consumer climate will face even greater strain. The GfK Consumer Prediction of 1.5 percent of this year would then certainly be in need of revision.

The following table shows the change in certain indicators in June in comparison with the previous month and previous year:

	June 2019	May 2019	June 2018
Economic expectations	2.4	1.7	19.4
Income expectations	45.5	57.7	57.4
Propensity to buy	53.7	50.5	55.1
Consumer climate	10.1	10.2	10.5

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



Predicted dates of publication for third quarter 2019:

- Tuesday, July 30, 2019, 8:00 am
- Wednesday, August 28, 2019, 8:00 am
- Wednesday, September 25, 2019, 8:00am

About the study

The survey period for the current analysis was from May 31 to June 14, 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 brief comments on the indicators. 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.

About GfK

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