

Press release

The next GfK Consumer Climate Study will be published on
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Business confidence continues to fall

Findings of the GfK Consumer Climate Study for July 2019

Nuremberg, July 30, 2019 – The consumer mood is generally less optimistic in July. Income expectations have partially offset the heavy losses of the previous month, but economic expectations and propensity to buy have suffered a decline. For August, GfK is predicting a consumer climate value of 9.7 points, following a figure of 9.8 points in July.

It is apparent that the global economic slowdown, trade conflict and Brexit discussions are having an ever increasing impact on consumer confidence. Thus, economic expectations continue to decline and the propensity to buy has dropped off slightly as well. By contrast, income expectations were able to record gains again after the sharp drop in the previous month.

Economic expectations continue downward trend

Hopes that **economic expectations** would stabilize, fueled by the small rise seen the previous month, were dashed again in July. The indicator dropped by 6.1 points to reach -3.7 points, falling below its long-standing average of zero points for the first time since March 2016. A lower value was last measured in November 2015 at -6.5 points.

The trade war with the US, ongoing Brexit discussions and the global economic slowdown continue to drive fears of a recession. Employees in export-driven sectors in particular, such as the automotive industry and its suppliers, are most immediately affected by this. In addition, reports of downsizing add to employees' fears of losing their jobs.

A number of experts have responded to these developments, some lowering their current growth forecast for the year substantially. Economic growth of about a half a percent or slightly higher is currently still expected.

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Income expectations recover after setback

Income expectations recovered slightly in July after the previous month's severe setback. The indicator rose by 5.3 points and now stands at 50.8 points. This is only a partial recovery of the substantial losses suffered last month. It now stands a good four points lower when compared to the same period last year.

This current level suggests that consumers are expecting to continue to see a significant increase in income in the coming months, in spite of the employment boom of the past few years slowly coming to an end, employment only rising slightly and unemployment barely decreasing. This includes pensioners' income, which increased by three percent on July 1.

Propensity to buy falls to its lowest level since October 2015

In contrast to income expectations, the **propensity to buy** has suffered losses this month. After losing 7.4 points, the indicator has fallen to 46.3 points. A lower value was last measured in October 2015 at 44.7 points. The propensity to buy continues to demonstrate an excellent level. Consumer confidence remains intact despite this dampener.

The propensity to consume thus defies the recent sharp rise in economic pessimism. The primary threat to consumer confidence is the persistently increasing fear of job losses. Should this trend continue, consumer demand, which is currently strong, would be at risk. This would mean that the consumer forecast of 1.5 percent would also need to be revised downwards.

Consumer climate down slightly

For August, the **consumer climate** is exhibiting a value of 9.7 points, 0.1 points lower than July. This is already the third decline in succession and the lowest value since April 2017, when it measured 9.6 points. Nevertheless, domestic demand remains an important pillar of the German economy this year. To ensure that this remains the case, this trend will need to be stopped in the coming months. If this is not possible, the current consumer forecast of 1.5 percent would certainly not be tenable and would need to be corrected downwards.

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

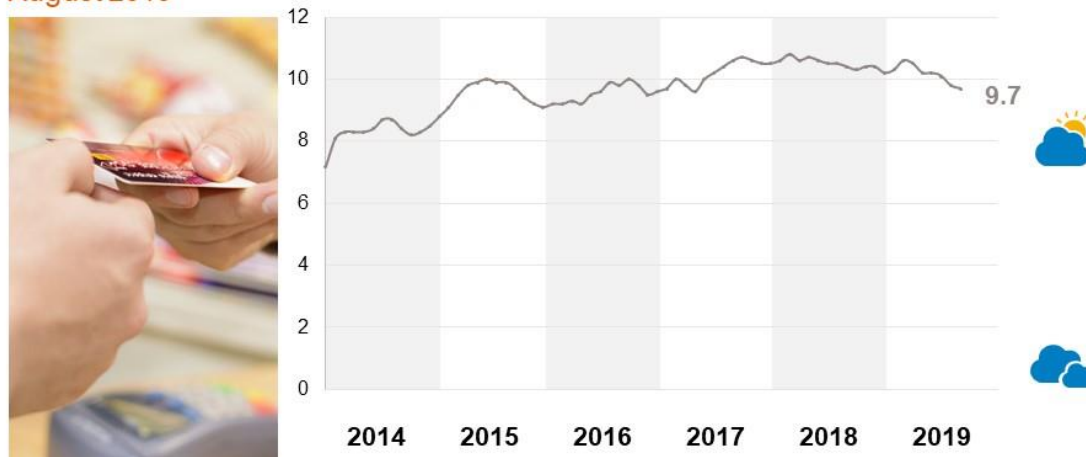
	July 2019	June 2019	July 2018
Economic expectations	-3.7	2.4	12.9
Income expectations	50.8	45.5	55.2
Propensity to buy	46.3	53.7	55.0
Consumer climate	9.8	10.1	10.5

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

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August 2019



Source: GfK survey on behalf of European Commission | 7/19

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Predicted dates of publication for third quarter 2019:

- Wednesday, August 28, 2019, 8:00 a.m.
- Thursday, September 27, 2019, 8:00 a.m.

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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