

Press release

The next GfK Consumer Climate Study will be published on
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German consumer climate defies economic downturn

Findings of the GfK Consumer Climate Study for August 2019

Nuremberg, August 28, 2019 – German consumer confidence paints a mixed picture for August. While there has been an increase in propensity to buy, income expectations have dropped slightly. By contrast, the economic outlook suffered a significant decline. GfK forecasts that the consumer climate in September will remain unchanged from the previous month at 9.7 points.

The global economic downturn, trade wars and the ongoing discussions surrounding Brexit are all putting increasing pressure on the economic outlook of consumers. This has resulted in the economic indicator for August dropping to its lowest level in more than six and a half years. So far, the propensity to buy has stood firm, even increasing for August. By contrast, income expectations suffered a small decline after last month's recovery.

Economic outlook continues to decline

Consumers are heading into an economic maelstrom. The **economic expectation** indicator lost 8.3 points in August, falling to -12. The last time a lower value was recorded was more than six and a half years ago in January 2013, when it fell to -12.5 points. This means that the figure is now 30 points lower when compared to the same period last year.

Trade conflicts with the United States and the threat of tariffs for German exports as well as ongoing Brexit negotiations and the prospect of a no-deal Brexit mean that consumers are seeing an increased risk of recession in Germany. Initially this will primarily affect the export-driven sectors as well as the suppliers to these industries, but over time this could spread to other areas of the economy as well.

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And the present economic slowdown is also reflected in the current decrease in gross domestic product (GDP). Based on preliminary figures from the Federal Statistical Office, economic output in Germany declined by 0.1 percent in the second quarter when compared to the previous period. For the first quarter of 2019, the economy was still showing growth of 0.4 percent over the previous quarter. Economic growth was strained by the developments in foreign trade in particular, while private consumer spending contributed positively, propping up the economy.

Slight decline in income expectations

Following the growth of the previous months, **income expectations** declined again slightly in August. The indicator dropped by 0.7 points to 50.1. The performance of this indicator as well as its high level both provide evidence of its high degree of stability. This is also demonstrated by the fact that a small loss of just a single point has been recorded when compared to the same period last year.

Whether the income indicator can maintain this high level in the future will be largely dependent on labour market conditions. Should these conditions significantly worsen, this will certainly have an impact on the outlook with regards to the future financial position of private households. In those industries that are heavily dependent on exports, such as the automotive industry and its suppliers, the employment situation will certainly become more difficult. This has already been demonstrated by the fact that some companies have announced reduced working hours. On the other hand, there is still high demand for labour, particularly in the service industry.

Propensity to buy improves again

After its significant losses of the previous month, the **propensity to buy** has once again recovered in August. The indicator rose by 2.5 points to 48.8 points. Even though this is a drop of just under six points when compared to the same period last year, this level can still be viewed as highly satisfactory.

Thus, both propensity to buy and income expectations are defying the current economic downturn. The increasing fear of job losses in particular could pose a risk for consumer sentiment. It is therefore important that the labour market remain stable in order to ensure that domestic demand does as well.

Consumer climate remains stable

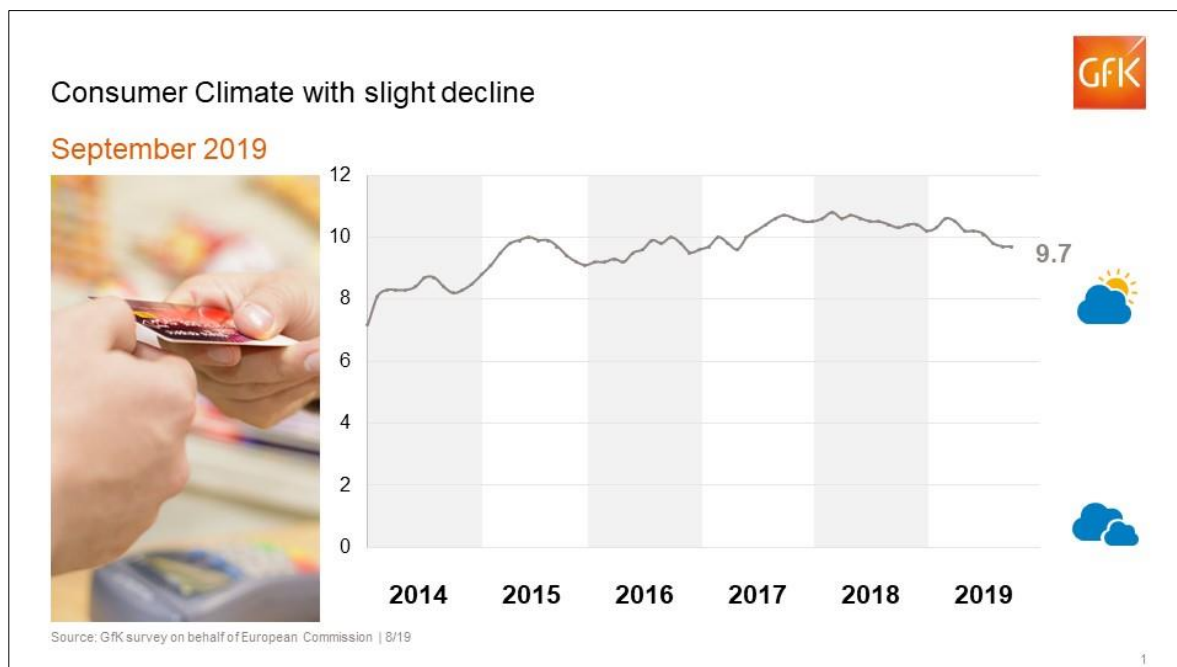
The **consumer climate** in September remains unchanged at 9.7 points. Despite a strong economic headwind, the consumer climate has remained stable, holding steady at a strong level. Thus, the conditions are in place for domestic demand to fulfil its already previously stated function of serving as an important pillar for the already sluggish economy in the coming months. However, if in the

future the labour market should become less stable and the threat of a significant increase in unemployment loom, the consumer economy would also suffer a significant setback.

The following table shows the change in the individual indicators in August in comparison with the previous month and previous year:

	August 2019	July 2019	August 2018
Economic expectations	-12.0	-3.7	18.6
Income expectations	50.1	50.8	51.5
Propensity to buy	48.8	46.3	54.5
Consumer climate	9.7	9.8	10.4

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



Provisional publication dates for the third and fourth quarters of 2019

- Thursday, September 26, 2019, 8:00 a.m.
- Friday, October 25, 2019, 08:00 a.m.
- Tuesday, November 26, 2019, 8:00 a.m.
- Friday, December 20, 2019, 8:00 a.m.

About the study

The survey period for the current analysis was from August 7 to 19, 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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