

Press release

The next GfK Consumer Climate report will be published on
October 25, 2019, 8:00 a.m.

September 26, 2019

Rolf Bürkl
Tel. +49 911 395 3056
rolf.buerkl@gfk.com

Julia Richter
Public Relations
Tel. +49 911 395 4440
public.relations@gfk.com

Decision by European Central Bank stimulates German Consumer Climate

Findings of the GfK German Consumer Climate Study for September 2019

Nuremberg, September 26, 2019 – German consumer sentiment continues to show a mixed picture for September. On the one hand, economic outlook and propensity to buy have seen gains, while on the other, income expectations have declined. For October, GfK forecasts an increase in consumer climate of 0.2 points from the previous month to 9.9 points.

In addition to the already familiar flashpoints such as a global economic slowdown, trade conflicts and Brexit discussions, the decision of European Central Bank (ECB) to further relax its monetary policy is having an impact on consumers in September. Propensity to buy has benefited as a result, showing a notable increase, while propensity to save saw a significant drop. Income expectations also saw a slight drop. In contrast, economic outlook saw a slight increase again.

Economic outlook recover slightly

After two consecutive periods of decline, the economic outlook among consumers has seen a slight recovery. The **economic outlook** indicator gained three points and now stands at -9.0 points. Consumers nevertheless continue to perceive a clear downturn in the German economy. This is also evidenced by the considerable drop of 33.6 points compared to the same period last year.

According to consumers, the risk of a recession still cannot be eliminated. The trade conflict with the US as well as the lack of clarity as to whether there will be a no-deal Brexit are above all affecting export-driven companies and their suppliers though are certainly impacting the rest of the economy as well.

GfK SE
Nordwestring 101
90419 Nuremberg
Germany

Tel. +49 911 395 0

Management Board:
Peter Feld (CEO)
Lars Nordmark (CFO)

Chairman of the
Supervisory Board:
Ralf Klein-Bölting

Commercial Register:
Nuremberg HRB 25014

Should the German economy shrink again following the decline in the second quarter, which is already seen as a possibility by many experts, this would constitute a technical recession.

Income expectations drop for the second time in a row

Following the slight drop last month, **income expectations** declined again in September. The indicator dropped by 3.3 to 46.8 points. This is down by eight points compared to the same period last year. The indicator nevertheless remains at a very good level.

Being able to maintain this good level going forward will depend primarily on future developments on the labor market which has so far remained stable. However, if the employment situation worsens considerably in the coming months and unemployment increases once more, this would put additional strain on the income indicator and the good levels currently being enjoyed would not be sustainable.

Propensity to buy benefits from ECB decision

Unlike income expectations, **propensity to buy** benefited from the recent decision by the ECB to further relax its monetary policy. The indicator gained 6.3 points compared to the previous month, climbing to 55.1 points.

The decision by the ECB to lower interest rates for short-term deposits by commercial banks from -0.4 to -0.5 percent, as well as its decision to resume the bond-buying program totaling €20 billion a month, has on the one hand resulted in an increase in propensity to buy, and on the other resulted in propensity to save reaching its lowest level since April 2016. It is evident that consumers fear that in the future commercial banks could also impose penalties on private investors.

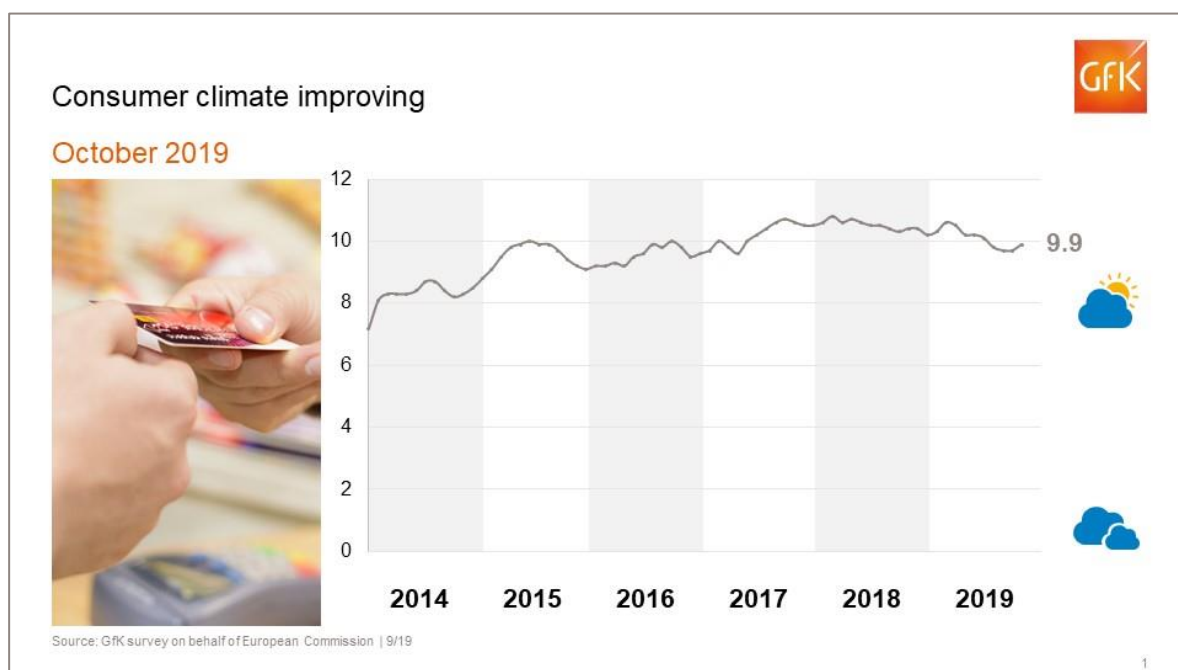
Consumer climate improving

For October, the consumer climate is indicating a value of 9.9 points, up 0.2 points from September. This will allow the consumer climate to pick up again. This positive trend is a result above all of the increase in propensity to buy created by the ECB's decision and the drop in propensity to save. Thus, the conditions that allow for domestic demand to remain an essential pillar of economic development in Germany despite the sluggish global economy, persist. Whether this is sustainable will become clear in the coming months. It will depend first and foremost on whether the labor market remains stable and whether there is a looming threat of a marked increase in unemployment. Should this be the case, it would create a significant setback for the consumer economy.

The following table shows the change in the individual indicators in August compared to the previous month and previous year:

	September 2019	August 2019	September 2018
Economic expectations	-9.0	-12.0	24.6
Income expectations	46.8	50.1	54.8
Propensity to buy	55.1	48.8	51.6
Consumer climate	9.7	9.7	10.3

The following graph shows the development of the Consumer Climate Index over recent years:



Provisional publication dates for the fourth quarter of 2019:

- Friday, October 25, 2019, 8:00 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 September 4 to September 16, 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

GfK combines data with scientific methods, using innovative solutions to answer key business questions on consumers, markets, brands, and media - now and in the future. As a research and analysis partner, GfK promises its clients "Growth from Knowledge" around the globe.

More information is available at www.gfk.com.

Follow us on Twitter: <https://twitter.com/GfK>