

Press release

German Consumer climate under pressure

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Nuremberg, 25 October 2019 – The German consumer mood paints a somewhat less optimistic picture in October. Both economic and income expectations as well as propensity to buy have had to take losses. GfK is predicting a consumer climate value of 9.6 points for November, meaning 0.2 lower points than the revised value for October (9.8 points). These are the findings of the GfK Consumer Climate Study Germany for October 2019.

Besides known risk factors such as the global economic downturn, trade conflicts and Brexit chaos, there are increasing reports of job losses, such as in the automotive industry and on the financial markets, for example. "These events have dampened the mood of consumers again and optimism is dwindling. As a consequence, the consumer climate has fallen to its lowest level since November 2016 with a value of 9.6 points," **explains Rolf Bürkl, GfK consumer expert.** "Nevertheless, private consumption will remain an important pillar for the German economy this year – assuming that the current crises do not escalate further and both policy and the economy counter the rising fear of job losses."

Confidence in economy subsiding again

While the economic outlook recovered slightly in the previous month, it continued its downward trend in October. The **economic expectation** indicator lost 4.8 points, falling to -13.8 points as a result. The last time a lower value was recorded was almost seven years ago in December 2012 when it stood at -14.0 points.

According to consumer estimates, the risk that Germany could slide into a recession has increased again recently. Combined with the trade conflict, the global cooling off of the economy, which will especially impact the strongly export-oriented German economy, will not leave the German economy unscathed. Consequently, several automobile manufacturers as well as their suppliers have already announced redundancies. This loss of jobs at car manufacturers will be further intensified in future by the

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forthcoming transition to electro-mobility. Owing to the European Central Bank's (ECB) low-interest-rate policy, banks are experiencing increasing difficulties. As the example of Deutsche Bank shows, they are reacting with branch closures and redundancies.

Falling economic prospects influence income expectations

Even though the income outlook has so far remained largely unaffected by economic expectations, which have been on a downward trend since 2018, the **income expectation** indicator lost a huge 7.8 points in October. The current value of 39.0 points is the lowest value in almost six years. The indicator was at an even lower level in December 2013 at 35.6 points.

The level of income mood is still satisfactory as the current value is well above the long-term average of approximately zero points. As before, consumers assume that their financial position will also develop positively in future. The previous sense of euphoria has, however, been dampened for the first time after three consecutive decreases.

Propensity to buy suffers slight losses

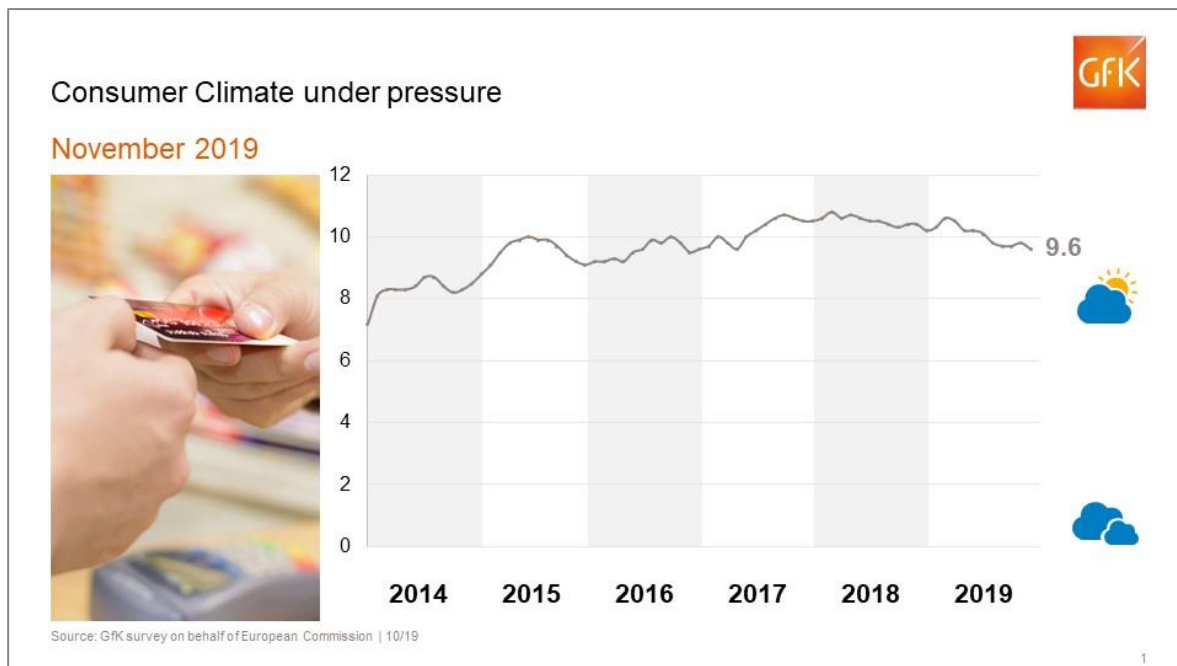
Despite small losses, **propensity to buy** maintained its excellent level in October as well. With a loss of 3.4 points, the indicator declined by slightly more than half of the 6.3 points gained in the previous month. Currently, consumer mood is at an excellent 51.7 points and as a result is just three points below the corresponding value for the previous year. Propensity to buy has successfully resisted the economic downturn so far.

On the one hand, the consumer mood seems to be profiting from the good situation on the job market and income developments, as well as from what is still a very low propensity to save. The ECB's low-interest-rate policy makes deliberate investment less attractive and thus supports the propensity to consume.

The following table shows changes in certain indicators in October in comparison with the previous month and the previous year:

	October 2019	September 2019	October 2018
Economic expectations	-13.8	-9.0	16.1
Income expectations	39.0	46.8	51.8
Propensity to buy	51.7	55.1	55.2
Consumer climate	9.8	9.7	10.4

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



Provisional publication dates GfK Consumer Climate Germany for fourth quarter 2019:

- 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 2 to 14 October 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 is focused, digital and a client-centric business. The company connects data and science and is in the unique position to leverage proprietary and third-party data to create indispensable predictive market and consumer insights as well as recommendations. Innovative analytics solutions provide answers for key business questions around consumers, markets, brands and media. As an analytics partner, GfK promises its clients all over the world “Growth from Knowledge”. For more information, please visit www.gfk.com or follow GfK on Twitter: <https://twitter.com/GfK>.