

# Press release

The next GfK Consumer Climate report will be published on  
December 20, 2019, 8:00 a.m.

November 26, 2019

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## Consumer climate improving slightly

**Nuremberg, November 26, 2019 – Consumer sentiment picked up again in November. Both economic and income expectations have seen a marked increase. Propensity to buy has remained at a very high level despite marginal losses. As a result, GfK has forecast a figure of 9.7 points for December, 0.1 index points higher than November's level (9.6 points). These are the findings of the GfK Consumer Climate Study for November 2019.**

Known risk factors such as the global economic slowdown, trade conflicts and the chaos surrounding Brexit have resulted in a slight drop in the consumer climate when compared to the same period last year. Nevertheless, the indicator's level can still be described as highly satisfactory while propensity to buy remains stable.

"The exceptionally high levels of consumer confidence among German consumers have significantly contributed to preventing a recession in Germany in the third quarter. Private consumption has thereby perfectly fulfilled its role as an important pillar of the economy," **Rolf Bürkl, consumer expert at GfK explains.** "Consumers are therefore optimistic about the upcoming holiday season, one of the busiest times of year for a number of retail industries such as consumer electronics and toys. How the year as a whole will be evaluated is determined during this period. And the retail sector can certainly look forward to this period with a healthy dose of optimism."

### Economic outlook significantly more favorable

**Consumer expectations** have seen a noticeable improvement in November, bringing an end to the downward trend – at least for the moment. The indicator gained 15.5 points compared to the previous month, climbing to 1.7 and putting it just slightly higher than its long-term average of zero points. A more significant increase in this economic indicator was

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last seen more than nine years ago in June 2010, when it rose by nearly 33 points during a recovery phase following the biggest recession in post-war history.

According to preliminary figures from the Federal Statistical Office, the German economy grew by 0.1 percent in the third quarter when compared to the previous period, defying expectations. Many experts had predicted a slight contraction – this would have been the second consecutive quarter of negative economic growth and would have meant that Germany had slid into a "technical" recession.

This decline in pessimism is most likely due to the trade war between the US and China showing tentative signs of easing during recent days. In addition, it is clear that an increasing number of Germans are hopeful that after the forthcoming elections in the UK a decision on Brexit will be made.

#### **Income expectations benefit from a decline in economic pessimism**

In the wake of a marked improvement in the economic outlook, **income expectations** also showed an increase in November. The indicator gained 6.5 points and now stands at 45.5, an increase that almost completely compensates for the losses recorded in the previous month (-7.8 points).

Consumers continue to remain highly optimistic about the development of their future financial position. This income optimism is the result of the employment situation, which remains favorable, and the positive development of labor earnings and pensions associated with this.

Income expectations have been further strengthened by price trends. According to the Federal Statistical Office, inflation dropped to 1.1 percent in October, a decline from its previous levels of 1.2 percent in September and 1.4 percent in August. Lower inflation rates strengthen the buying power of consumers.

#### **Propensity to buy remains at a very high level despite marginal losses**

Despite a weakening economy and the risk factors already mentioned above, consumer confidence among German consumers remains unaffected. Propensity to buy continues to enjoy a very high level even though the indicator suffered a minor decline in November, losing 1.7 points to reach 50.

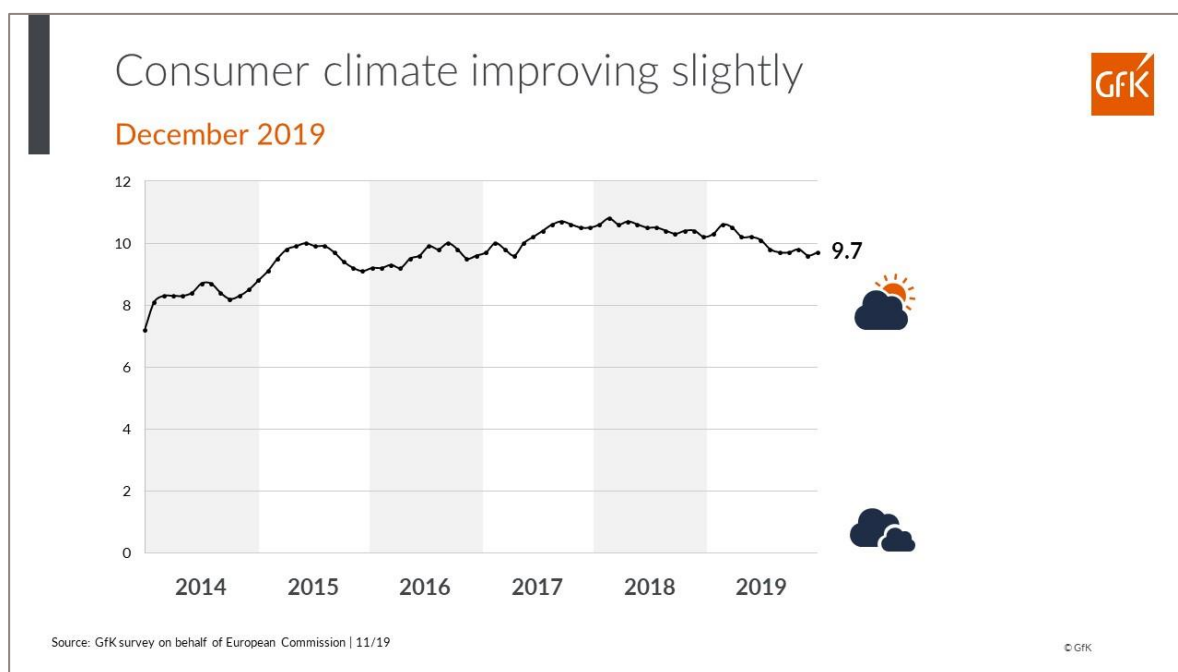
Propensity to buy will in future also be boosted by the monetary policy of the European Central Bank (ECB). As a result of the ECB's renewed extension of its low-interest-rate policy, private investors face the increasing threat of having to pay penalties when investing their money with banks or savings banks. This may be incentive enough for some who would otherwise save their money for a rainy day to spend their money or purchase more.

The following table shows the development of individual indicators in October in comparison with

the previous month and the previous year:

	November 2019	October 2019	November 2018
<b>Economic expectations</b>	1.7	-13.8	14.8
<b>Income expectations</b>	45.5	39.0	48.3
<b>Propensity to buy</b>	50.0	51.7	55.6
<b>Consumer climate</b>	9.6	9.8	10.4

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



**Provisional publication dates for December 2019/first quarter of 2020:**

- Friday, December 20, 2019, 8:00 a.m.
- Wednesday, January 29, 2020, 8:00 a.m.
- Thursday, February 20, 2020, 8:00 a.m.
- Thursday, March 26, 2020, 8:00 a.m.

## **About the study**

The survey period for the current analysis was from November 6 to November 18, 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](http://www.gfk.com) or follow GfK on Twitter: <https://twitter.com/GfK>.