

Press release

The next GfK Consumer Climate report will be published on
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German consumers remain in spending mood

Nuremberg, December 20, 2019 – German consumer sentiment suffered another setback in December. Both economic and income expectations suffered losses while propensity to buy, already at a high level, gained slightly. As a result, GfK has forecast a figure of 9.6 points for January 2020, 0.1 points lower than December's level (9.7 points). These are the findings of the GfK Consumer Climate Study Germany for December 2019.

With the German economy facing a headwind and, more importantly, a drop in income expectations, consumer climate has seen a slight decline. By contrast, propensity to buy has resisted this trend, gaining slightly.

"In an increasingly turbulent economic environment, propensity to buy has shown itself solid as a rock, right through to the end of 2019. Consumers have not yet let anything spoil their mood for purchases," **explains Rolf Bürkl, consumer expert at GfK.** "Propensity to buy has been bolstered by the European Central Bank's monetary policy. The threat of having to pay penalties on investments has resulted in propensity to save falling to an all-time low and has made saving less attractive. This is certainly good news for retailers at the end of the year."

Economic outlook declines once more

Following a marked recovery in the previous month, economic outlook declined again in December. The indicator lost 6.1 points, about a third of its November gains. It currently stands at -4.4 points, slightly below its long-term average of zero points. It is likely this downward trend will continue.

It is evident that recently the impression among consumers that the German economy will weaken significantly has been reinforced. This is also reflected in the growth forecast for this year and the next. The German economy is expected to grow by around 0.5 percent in 2019, with just under one percent growth forecast for 2020.

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The trade conflicts between the US and China, on the one hand, and the US and the EU, on the other, continue to smolder, hanging like a sword of Damocles over Germany, a nation highly dependent on exports. In addition, global growth continues to slow. As a result, we are likely to see an increase in concerns over job losses in export-based industries as well as among their suppliers.

Income expectations drop to lowest level in more than six years

The economic headwinds will also begin to affect the income expectations of consumers this month. The indicator dropped by 10.5 points to 35.0. The last time a lower value was recorded was more than six years ago in October 2013, when it fell to 30.8 points. While the mood regarding income is maintaining its high level, the excitement has passed.

The high level can primarily be attributed to the positive employment situation in Germany. However, the dynamic labor market that prevailed for many years has slowed considerably. Reports of lay-offs in some industrial sectors, such as the automotive industry and their suppliers, mean that income optimism is fading.

Propensity to buy remains robust despite economic headwind

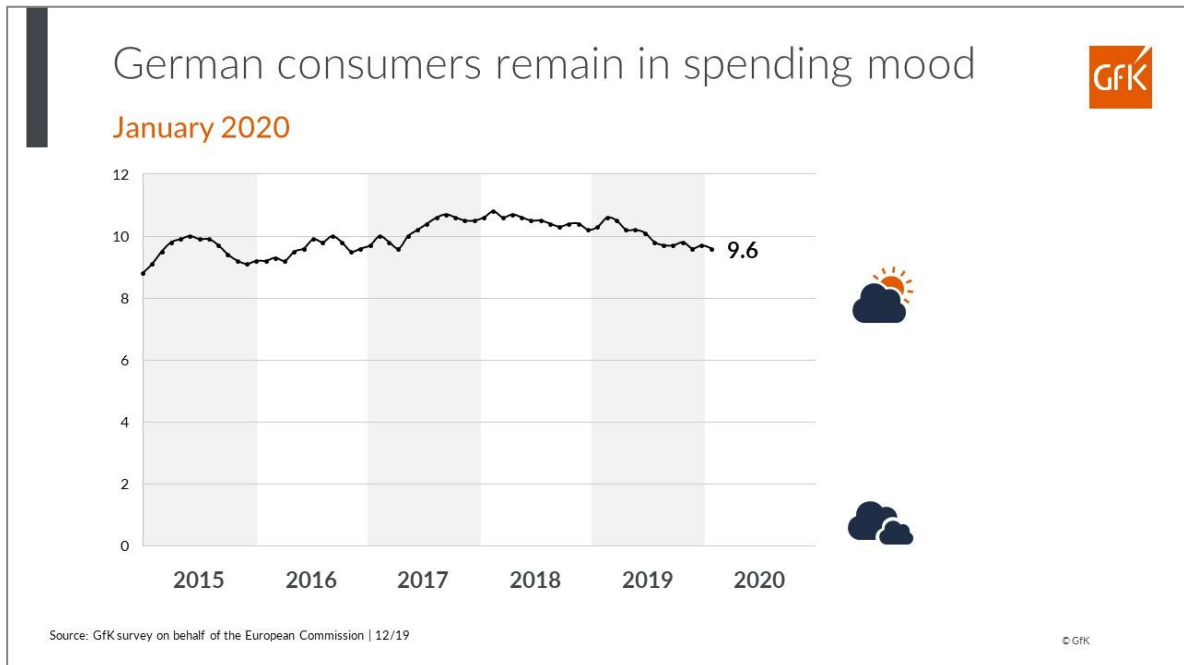
Consumer confidence among German consumers remains unaffected in the face of a weaker economic outlook and income expectations. Propensity to buy gained 2.2 points in December to reach 52.2. This puts the indicator at the same level as last year.

Consumer confidence is thus defying the economic headwind that is currently prevailing as a result of the marked drop in income expectations. By contrast, the European Central Bank's low interest-rate policy, which resulted in the propensity to save hitting an all-time low, has provided a tailwind for propensity to buy. Saving as an alternative to spending is currently not an attractive option, particularly since private investors are now facing the increasing threat of having to pay penalties for investments held with banks.

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

	December 2019	November 2019	December 2018
Economic expectations	-4.4	1.7	10.8
Income expectations	35.0	45.5	51.8
Propensity to buy	52.2	50.0	51.8
Consumer climate	9.7	9.6	10.2

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



Provisional publication dates for the first quarter of 2020:

- 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 December 4 to December 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.

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