Press release

The next GfK Consumer Climate report will be published on December 23, 2016, 8:00 am

Consumer climate stabilizes at the end of the year

Findings of the GfK Consumer Climate Study for Germany for November 2016

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Nuremberg, November 24, 2016 – Overall, consumer mood appears to be stable in November. Economic expectations and propensity to buy have increased slightly, while income expectations have experienced a minimal decline. The overall consumer climate indicator forecasts 9.8 points for the last month of this year, after a figure of 9.7 points in November.

Overall, consumers' assessments appear to be extremely stable this month. For the second time in succession, consumers have become more optimistic about overall economic prospects. Income expectations have stabilized, falling only very marginally after two more significant declines in a row. Moreover, propensity to buy has risen back above the 50-point mark. Consequently, the consumer climate has enjoyed marginal growth.

The consumer mood survey took place primarily in the period before the US Presidential Election, so any possible effects of the vote barely had any effect on the current consumer climate.

Economic prospects: second increase in succession

Once again, economic prospects have brightened a little. The indicator has increased slightly for the second time in succession. Economic prospects have increased by 2.3 points, reaching a figure of 15.3 points. Thus, the indicator is now more than twenty points higher than its corresponding value last year.

Contrary to consumers' growing optimism, German economic growth paused for breath in the third quarter of this year. According to figures recently published by the German Federal Office of Statistics, gross domestic product (GDP) in the third quarter increased by 0.2 percent compared with the second quarter. However, in the first and second quarters of 2016, the growth rates were 0.7 percent and 0.4 percent respectively (source: www.destatis.de). Growth was slowed down primarily by a slight fall in exports, while, according to the Statistics Office, private consumption provided positive impetus.

Experts predict that the fourth quarter will show more dynamic growth in terms of GDP. Hence, it still seems realistic to expect that GDP in 2016 will

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increase by 1.9 percent overall compared with 2015. The Council of Experts assumes as much in its fall report. The experts forecast a growth figure of 1.3 percent in 2017, whereby weaker growth is primarily a consequence of calendar effects.

Barely any change in income expectations since the previous month

After two successive declines, income expectations have stabilized again in November. After a minimal fall of 0.3 points, the indicator is currently at 44.5 points. Hence, it is at almost exactly the same level as in the previous year (November 2015: 44.4 points).

Increasing inflation rates have evidently gnawed away at the purchasing power of private household incomes. The rate of increase in consumer prices reached a two-year high of 0.8 percent in October, after figures of 0.4 percent and 0.7 percent had been recorded for August and September respectively (source: www.destatis.de). One major reason for higher inflation is that energy prices are slowly increasing again. Increasing prices have had a negative impact on buying power – in other words, total net household income – and as a result, income prospects were assessed rather less optimistically.

Nevertheless, consumers are still in a buoyant mood, as proven by the level of the indicator. And there is a good chance that the mood concerning incomes will also remain optimistic in future. In particular, a stable employment situation will ensure that incomes will also increase next year.

Propensity to buy: slight gains

Improving economic prospects and the stabilization of income expectations have ensured that propensity to buy increased slightly in November. The indicator increased by 1.3 points, reaching a figure of 51.2 points. This represents a minor increase of 2.3 points compared with last year.

In addition, propensity to buy has definitely been given extra momentum this month by propensity to save. After falling to its historic low point in April, it recovered somewhat in recent months. However, it has fallen back considerably in November. It is not currently possible to foresee whether there will be a lasting change in the trend. Therefore, in the eyes of consumers, saving is still not a very attractive option, and consumers are more inclined to spend money. This should certainly make the commercial sector very happy, in light of upcoming Christmas commerce.

The little pleasures of life are very popular

The stability of consumers' economic expectations and income expectations means that they are in a buying mood at the end of the year. Propensity to buy is not the only thing to have made a slight gain. According to a recent GfK survey, significantly more than three quarters of Germans agree that this is a good time to treat themselves to the little pleasures of life (86 percent). The consumers' current circumstances have no bearing on this. Hence, there is a consistently high level of agreement with the above statement (more than 70 percent) not only among consumers living in affluent circumstances, but also among those living in middling or modest circumstances.

Consumer climate stable and at a good level

For December 2016, the overall indicator forecasts 9.8 points, after a figure of 9.7 points in November. This means that, just in time for upcoming Christmas commerce, the indicator has increased slightly again, after several successive declines.

It remains to be seen whether the outcome of the US elections, which surprised many people, will have any lasting effects on consumer mood. It will not be possible to measure any possible effects until the December survey at the earliest.

GfK confirms its forecast that real private consumer spending will increase by around 2 percent this year. This is because the employment situation is still very encouraging, and because incomes have enjoyed a positive trend.

Thus, both this year and next year, private consumption will remain a crucial cornerstone of economic development in Germany.

Provisional publication dates for 2016

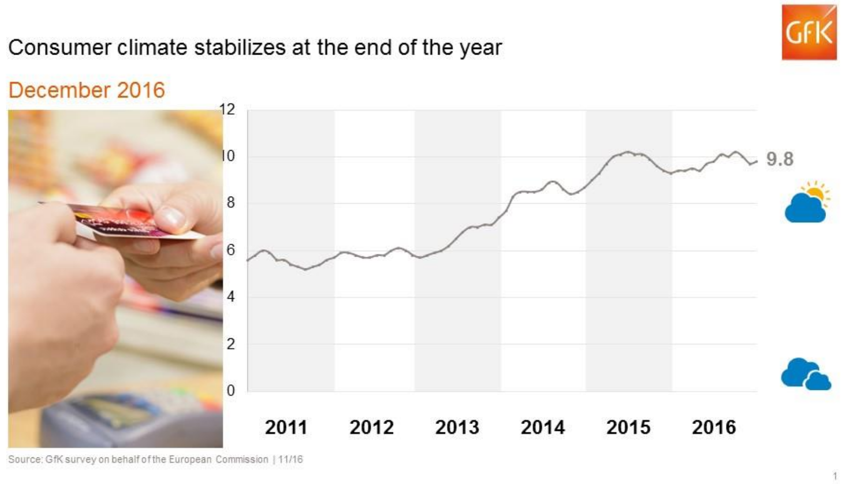
Friday, December 23, 2016, 8am

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

	November 2016	October 2016	November 2015
Economic expectations	15.3	13.0	-5.3
Income expectations	44.5	44.8	44.4
Propensity to buy	51.2	49.9	48.9
Consumer climate	9.7	10.0	9.4

The following graph shows how the Consumer Climate Index has developed over recent years:

GfK Consumer Climate Index



About the study

The results are an extract 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 predictions and detailed comments on the indicators. It also provides information on consumer spending plans for 20 areas in the consumer goods and services markets. The GfK Consumer Climate Study has been carried out since 1980.

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 entire wellness sector account for the rest.

GfK's forecast for 2015 was an increase in consumption of at least 1.5 percent. According to data from the German Federal Statistical Office, private consumption rose by 1.9 percent in real terms in 2015. 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.

The results of the consumer climate survey are obtained from monthly interviews of around 2,000 people who are representative of Germany's population. This survey tool is subject to constant quality controls, particularly in order to ensure that it is representative. The particularly high quality of this survey is also demonstrated by the fact that it is used and approved for surveys in the field of empirical legal research (for example, the danger of confusing products). This means that the results have the status of an expert report and must be recognized in court.

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About GfK

The market research company GfK is the trusted source of relevant market and consumer information that enables its clients to make smarter decisions. GfK has many years of experience in the collection and evaluation of data. Around 13,000 experts combine their global knowledge with the analysis of local markets in more than 100 countries. By using innovative technologies and data sciences, GfK turns big data into smart data, enabling its clients to improve their competitive edge and enrich consumers' experiences and choices.

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