Press release

The next GfK Consumer Climate Study will be published on May 24, 2018, 8:00 a.m.

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Insecurity causes the consumer climate in Germany to dip slightly

Findings of the GfK Consumer Climate Study for April 2018

Nuremberg, April 26, 2018 – The increasingly insecure state of geo-politics now also seems to be influencing the mood of consumers. There is a tangible drop in economic expectations in April, while income expectations fell only slightly by comparison. In contrast, propensity to buy is still at a very high level. GfK forecasts a decrease in consumer climate for May of 0.1 points in comparison to the previous month to 10.8 points.

The West’s confrontation with Russia in the Syria conflict is escalating and is clearly causing increasing anxiety among consumers in terms of Germany's future economic prospects. Economic expectations suffered a considerable setback in April. In the wake of this, income expectations also fell, but to a much smaller extent. In contrast, propensity to buy maintained its already very high level.

Insecurity is causing economic optimism to falter

After the previous month’s stable development, economic optimism suffered a setback in April. The economic expectation indicator loses 8.5 points, falling to 37.4. At this level, it is barely seven points higher than at the same time last year.

The escalation of the Syrian crisis and the protectionist trade policies of the United States are worrying consumers and could now also affect Germany’s previously excellent economic prospects. This development has also been exacerbated by major fluctuations in the stock markets, which also indicate an emerging insecurity among market participants and more turbulent times ahead.

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However, consumers are not alone in their mood of dwindling optimism. Businesses and financial analysts also appear jittery, as the development of the ifo Business Climate and the ZEW economic expectations show.

But the general conditions in the domestic market continue to be quite favorable. Employment has set new records each month, and unemployment is falling. As a result, experts have recently even increased their forecasts for growth for this year, with the majority of them assuming that last year's growth of 2.2 percent can even be topped in 2018.

Income expectations in the wake of the economic outlook

Income expectations cannot quite escape the downward trend in economic outlook in April. However, the losses are comparatively small. The income indicator fell by 1.4 points but is still at a respectable level of 53.5 points. However, compared with the previous year, a minus has been recorded for the first time since January (-4 points).

In the wake of falling economic expectations, income expectations have also decreased somewhat. Despite these minor losses, however, general optimism about income remains at the same level. Stable employment prospects are helping create good income growth for employees. Thanks to continuing moderate inflation, employees also have more left in their wallets in real terms. Pensioners will also benefit from the positive developments in wages, and their income will rise by a good three percent from this July.

Propensity to buy holds steady

Unimpeded by falling economic and income expectations, the mood of German consumers remains at a very good level. After a slight increase of 0.9 points, propensity to buy has risen to 60 points. The index has thus reached nearly the exact same level as the previous year. 60.2 points were recorded in April 2017.

Consumer mood is still very high. Consumers are still willing to open their wallets and spend. Firstly, there is little fear of job losses due to the excellent employment situation. This supports planning security, which should primarily lead to greater spending, particularly because the period of low interest rates in the euro area will continue, making saving an unattractive alternative. Moderate price development will also support consumer mood.

Insecurity hampers consumer climate

Following on from 10.9 points in April, GfK is predicting a value of 10.8 points for May 2018. This cancels out the gains from the previous month. The consumer climate is currently stagnating at a good level. GfK confirms its forecast made at the start of the year, whereby real private consumption will increase by about two percent in 2018, about as much as the previous year.

This assumes, however, that the emerging insecurity among consumers is not further aggravated. If the trade conflict with the United States is quickly settled and a political solution to the conflict in Syria is found, there is also an increased chance of less insecurity in the financial markets again and, consequently, less volatility.

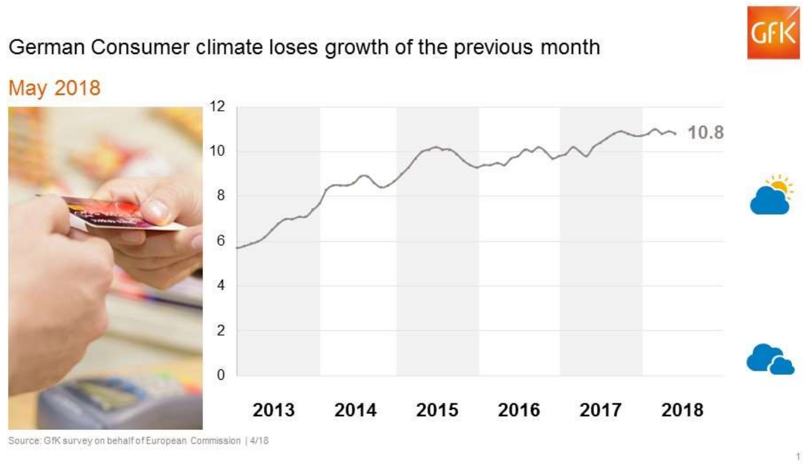
Further escalation of these conflicts would also have a long-term adverse effect on the consumer climate. Above all, increasing protectionism in international trade would hit Germany, as an export nation, resulting in employees fearing they may lose their jobs and again being more reluctant to buy. In this case, the consumer forecast would certainly be untenable.

The following table shows how each indicator has developed in April in comparison to the previous month and previous year:

	April 2018	March 2018	April 2017
Economic Expectations	37.4	45.9	30.3
Income Expectations	53.5	54.9	57.5
Propensity to Buy	60.0	59.1	60.2
Consumer Climate	10.9	10.8	9.8

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

GfK Consumer Climate Index



Provisional publication dates for 2018

Thursday, May 24, 2018, 8:00 am	Thursday, September 27, 2018, 8:00 am
Thursday, June 28, 2018, 8:00 am	Thursday, October 25, 2018, 8:00 am
Thursday, July 26, 2018, 8:00 am	Wednesday, November 28, 2018, 1:00 pm
Wednesday, August 29, 2018, 8:00 am	Friday, December 21, 2018, 8:00 am

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 2017 is an increase in private consumption of at least 1.5 percent. According to the data from the German Federal Statistical Office, private consumption rose by 2.2 percent in real terms in 2017. 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

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