Press release

GfK Consumer Climate Europe: Uncertainty impacts consumer sentiment

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GfK Consumer Climate Europe results for the third quarter of 2016

Nuremberg, October 14, 2016 – The top transnational issue in the third quarter, especially at the beginning, was the British people's decision to leave the EU. It was otherwise mainly country-specific themes that dominated discussions in the individual European countries. The economic and income expectations and propensity to buy indicators have not developed uniformly across Europe. Overall, the consumer climate for the EU28 fell from 13.1 points to 12.3 points from June to September 2016.

The beginning of the third quarter was marked by the UK's decision to leave the EU at the end of June. In almost all European countries and, of course, particularly in the UK, consumer confidence and above all economic expectations fell, dramatically so in some cases. The consumer climate EU28 fell from 13.1 points in June to 10.0 points in July. By September, it had recovered to 12.3 points. Already in August, however, discussions about Brexit had become significantly more subdued across Europe. Other country-specific themes in particular prevailed. It will only be possible to forecast with certainty the implications of Brexit on the mood of European consumers once the actual negotiations have begun and the UK's exit draws closer.

In economic terms, Europe is developing positively. Almost all countries are reporting economic growth, in some cases at very impressive rates. This is also reflected by the unemployment figures. In most countries, employment is rising and unemployment rates are falling. However, these positive aspects are not leading to a fundamental increase in economic and income expectations among consumers. Propensity to buy, too, has not always been consistent with the general economic development of each country. Other country-specific issues also currently appear to be at play, as well as general psychological factors and fundamental uncertainties, such as the ongoing war in Syria, terrorist attacks in France and Germany, the rise of right-wing populist parties in elections and polls and the upcoming US presidential election.

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Germany: Income Expectations and propensity to buy continue at very high levels

The economic expectations of German consumers dropped by 11.2 points in the third quarter. In September, the indicator stood at 6.8 points. Germans are therefore anticipating slight further economic growth in the coming months.

Income expectations have also fallen since June – by 7 points – standing at 52.6 points in September. The indicator therefore continues to show a very high level, suggesting that Germans expect to see income rise markedly and employment figures continue to increase in the next few months.

Propensity to buy is at a similarly high level. This was at 53.3 points in September. This is 1.1 points less than in June and 2.9 points more than a year ago. This high level was mainly the result of the good employment situation in Germany and the extremely low interest rates. It is much more attractive to spend money than to save.

French anticipate falling incomes

In France, there was no clear trend for economic expectations in the third quarter. While the indicator stood at 3.4 points in July, it reached a low point of -2.7 points in August before increasing to 6.8 points in September. This means that the indicator has gained a total of 6.3 points since June. The French are therefore anticipating minimal economic growth in the coming months.

The country's difficult economic situation is clearly reflected in the income expectations of the French people. High unemployment rates and low prospects of recovery have led consumers to expect a further decline in their income over the next few months. The indicator has only risen by 0.9 points since June, standing at -13.9 points in September. There has therefore been a decrease of 6.8 points since September 2015.

However, propensity to buy among French people recovered slightly in the past quarter. The indicator has risen by 6.7 points since June and was recorded at 8.7 points in September. This is exactly the same value as a year ago.

United Kingdom: Economic expectations recover after Brexit crash

Following the Brexit referendum by the British in June, economic expectations initially fell: from -5.9 points in June to -28.3 in July. That was the lowest indicator value since October 2012. By September it had recovered, however, and currently stands at -1.8 points. This more than compensated for the Brexit losses.

The picture was similar for income expectations. In July, the indicator initially fell by 21.4 points to -2.2 points. The indicator has stabilized since then.

In September, it stood at 13.7 points. This means that, despite the decision to withdraw from the EU, the British are expecting a moderate increase in their income and a slight decline in unemployment over the coming months.

Unlike the other two indicators, the propensity to buy value did not fluctuate as significantly during the third quarter. While the indicator also suffered significant losses from June to July, by September it stood at almost the same value (6.7 points) as it did in June (6.0 points). The impact of the Brexit negotiations between the United Kingdom and the EU on the consumer climate and the individual indicators will only become clear next year.

Italians have little hope of economic improvement

The Italians are still not anticipating an economic boom in the next few months. The reasons for this are the consequences of the financial crisis and the high numbers of refugees. Economic expectations were at -40.6 points in September. This is the lowest value since January 2014. Overall, the figure has fallen by 9.3 points since June this year and by as many as 25.2 points since last September.

At -10.0 points in September, income expectations stood at their lowest level since January last year. The indicator has fallen by 2.9 points since June. The Italians expect lower incomes due to a persistently high, and possibly rising, level of unemployment.

While Italians were still in the mood to buy during the second quarter, their propensity to buy fell by 13.9 points in the third quarter, standing at 6.8 points in September. The high readiness to buy of recent months seems to have come to an end.

Spanish consumers expect moderate growth

Spanish consumers' strong optimism in relation to their country's economic development has declined again since the beginning of this year. While they continue to expect moderate economic growth, at 12.5 points in September, economic expectations are still far from their historical peak (51.4 points) of December last year. The indicator even fell to 11.4 points in July, the lowest value since December 2013.

Not even income expectations could prevent this fall. The indicator has fallen by 4.3 points to 8.7 points since June. This is the lowest value since December 2014.

In contrast, the propensity to buy of Spanish consumers grew slightly. This reached -4.9 points, 3.3 points higher than at the end of the second quarter.

Portugal continues to work its way out of the crisis

In Portugal, consumers expect economic growth to continue its moderate growth in the coming months. However, they believe that the momentum will slow down. Accordingly, economic expectations stood at a good level in September at 14.8 points, albeit 2.5 points fewer than in June.

Income expectations, on the other hand, rose slightly during the third quarter from 17.5 points in June to 20.1 points in September. This development is partially due to continuously falling unemployment rates. If more people have a job again, their incomes will increase automatically as a result. Portuguese consumers seem to believe that employment figures will continue to rise slightly during the winter months.

This assessment had a direct effect on their propensity to buy. At -16.6 points in September, this indicator is far lower than the long-term average of 0 points and most Portuguese people only have enough money to afford essential everyday items. However, the slight upward trend is continuing. The indicator has risen by 4.9 points since June.

Greece continues to battle the recession

Greeks are still fighting against the aftermath of the financial crisis and the large onslaught of refugees. In the third quarter, economic expectations may have increased by 7.7 points since June, but at -37.1 points this indicator still stands well below its long-term average of 0 points. The Greeks are therefore far from expecting an economic boom.

A similar picture has emerged for income expectations: This indicator has risen by 6.9 points over the past three months. However, at -37.5 points this indicator continues to stand firmly in the negative area. Consumers therefore do not believe that unemployment will fall or that salaries and wages will increase at the moment.

It is therefore no wonder that propensity to buy remains at extremely low levels. At -42.8 points in September, it was 2.2 points more than in June. However, it slumped to -49.1 points in July, the lowest level since August 2012. Due to the difficult economic situation and high levels of unemployment, many Greeks can still barely afford essential everyday items.

Economic situation better than consumers' mood in the Netherlands

The economic expectations of Dutch consumers increased by 4.7 points in June to 17.9 points in September. However, this indicator initially fell to 3.7 points in July. This shows how unsettled Dutch consumers still are, even though economic data has been developing very positively in recent quarters. The gross domestic product was an estimated 2.3 percent in the second quarter compared with the same quarter last year.

Unemployment in the Netherlands has declined steadily in recent months and was at 5.8 percent in August. Nevertheless, income expectations in September were negative at -6.5 points. However, the indicator recovered by a total of 9.4 points during the course of the third quarter.

Propensity to buy stood firmly in the positive area in September at 17.4 points. Some Dutch people are therefore of the opinion that this is currently a good time to make high-value purchases. This is certainly also due to the low interest rates.

Belgian consumers lack optimism

The economic expectations of Belgians increased by 9.2 points during the third quarter and had returned to positive territory in September at 2.5 points. Belgian consumers therefore believe that the economic situation in the coming months will be considerably worse than the assessment shown by current economic data. The Belgian gross domestic product grew between 1.3 and 1.6 percent in the last few quarters compared with the respective same quarter of the previous year.

Income expectations increased by 2.3 points from June to September. However, the indicator level is still very low at -15.3 points. Consumers are clearly expecting unemployment rates to rise in the coming months.

Despite the overwhelmingly pessimistic assessment of economic and personal financial development, some Belgians currently seem to be willing to make major purchases. This is demonstrated by the relevant indicator. In September, it stood at 14.2 points. This is 1.2 points more than in June.

Austrians anticipate rise in income

Despite passable growth rates, Austrian consumers are anticipating a somewhat weaker economic development in the coming months. Economic expectations are slowly rising again. However, the indicator was still well below the long-term average value of 0 points in September at -7.2 points and thus below the limit at which consumers expect economic growth. Since June, it has therefore increased by nearly 1 point and by 12.6 points since September last year. In August, the indicator reached -4.2 points, the highest value since July 2014.

In marked contrast to the pessimistic economic outlook, Austrians expect a significant increase in their income in the coming months. Income expectations were at 24.4 points in September, a decrease of 3.6 points since June.

Some Austrian consumers are evidently also willing to make high-value purchases. Accordingly, propensity to buy is at a satisfactory level at 17.9 points. That being said, however, the indicator has lost 5.2 points since June. The indicator is up by 6.8 points from September 2015.

Poland believes its economy is still on the up

Polish consumers are optimistic about economic development over the next few months. The corresponding indicator stood at 23.7 points in September. This is 6.9 points more than in June and 8 points more than a year ago. And there is a reason for this positive assessment: the Polish gross domestic product is growing strongly. In the second quarter, it was 3 percent higher than in the same quarter last year.

This strong economic growth is also reflected by the continuously falling unemployment rates: from 7.3 percent in September 2015 to 5.9 percent in August this year. This development has had a direct impact on consumers. As a result, they expect a significant rise in incomes in the coming months. Accordingly, income expectations were at 42.6 points in September, an increase of 35.3 points since September last year.

Propensity to buy is not yet able to keep up with this high momentum. However, it stood firmly in the positive area in September at 11.5 points. Consumers are therefore increasingly willing to spend money on high-value products and services. The indicator reached 26.7 points in August, the highest value for eight years.

Czech Republic: propensity to buy in August at the highest level in nine years

Czech consumers clearly expect their country's economic upturn to continue in the coming months. Accordingly, economic expectations have risen by 10.8 points since June, reaching 36.4 points. This represents an increase of 13 points since September 2015.

The booming economy has resulted in a very low unemployment rate. At 3.9 percent, the Czech Republic currently has the lowest rate of all EU countries. Virtually everyone in the country is employed. As a result, consumers expect a significant rise in incomes in the coming months. The relevant indicator was at 52.1 points in September. This is 8.5 points more than in June and 13.7 points more than a year ago.

This positive mood affects the willingness of Czechs to purchase valuable products and services. Propensity to buy was also at a very good level in September at 27.2 points. In August, it even reached 28.3 points, the highest value since July 2007.

Slovakia: strong economic growth boosts consumer optimism

The economy in Slovakia is growing – at last count 3.7 percent higher than in the same quarter last year. And consumers assume that nothing will change in the coming months. Accordingly, economic expectations are at a good level at 28.6 points. The indicator has increased by 5.7 points since June. In fact, the indicator is up by as many as 16.4 points since September 2015.

Economic growth is also noticeable on the labor market. Since October 2015, unemployment has fallen from 11.1 percent to 9.5 percent in August. Slovaks expect this trend to continue as more and more people are added to the payroll and incomes continue to increase as a result. At 30 points in September, the corresponding indicator was at its highest level since December 2014.

However, the good economic situation is not yet reflected in consumer spending to the same extent. At 13.6 points, propensity to buy was firmly in the positive area in September, but still slightly below its value in June (15.0 points). In a year-on-year comparison, this is an increase of 11.4 points. This shows that there are some Slovaks who can now afford high-value products. However, the majority still need their available funds to buy everyday items.

Slovenia: consumer confidence at highest level in nine years

The economy in Slovenia continues to grow at rates from 2.0 to 2.8 percent compared with the respective quarter in the previous year. Although economic expectations increased by 8.1 points in the third quarter, they were at a relatively low level in September at 6.1 points. A year ago, the indicator stood at 27.8 points. The majority of Slovenes no longer seem to think that the economy will continue to develop as positively.

Despite their skepticism, consumers anticipate rising incomes over the coming months. The corresponding indicator rose by 5.5 points in June to reach 17.9 points in September. This optimism is certainly also supported by the continuously falling unemployment rates. The unemployment rate recently stood at 7.8 percent, which is below the current EU average of 8.6 percent.

The number of Slovenian consumers who believe now is the right time to purchase high-value products or services is slowly increasing. Propensity to buy was at 8.8 points in September. This is the highest value since October 2007.

Bulgarians anticipate rise in income

The economy in Bulgaria is experiencing strong growth – according to initial estimates it has increased by 2.9 percent in the second quarter compared with the same quarter last year. However, although economic growth has been at approximately the same level for almost two years, consumers appear to remain skeptical. They still do not really believe that this growth will continue in the coming months. Economic expectations were at -0.8 points in September, just below the long-term average of 0 points. Since June, the indicator has increased by 6.5 points, however.

Strong economic growth has also decreased unemployment rates: from 8.1 percent in October 2015 to 7.7 percent in August 2016. Although they are skeptical about how the economy will develop, Bulgarians are assuming that their incomes will rise. The relevant indicator was at 12.7 points in September. It has not been this high since June 2007.

Rising incomes also mean that more and more people are able to afford high-value products. At 21.1 points in September, propensity to buy was at a good level – the highest since April 2014. The indicator has risen by 5.4 points since June, and is even up by 15.5 points from the same time last year.

Romania: economic situation better than consumer sentiment

The Romanian economy is booming. The gross domestic product grew by an estimated 6 percent in the second quarter compared with the same quarter last year. Nevertheless, consumers are skeptical about the next few months. Many would not rule out the possibility of an economic slowdown. Economic expectations have fallen by 3 points since June to 1.2 points in September. A year ago, the indicator counted an additional 18.5 points.

Strong economic growth is reducing unemployment rates and therefore increasing income. The Romanians also assume that nothing will change in the coming months. Income expectations were at 20.8 points in September, an increase of 2.3 points since June.

The upswing is gradually improving the sentiment among Romanian consumers. At 2.3 points in September, propensity to buy was only slightly higher than the long-term average value of 0 points, but it did reach 5.4 points in July, the highest value since October 2008. However, these indicator values also clearly show that the overwhelming majority of the population can still only afford to buy everyday essentials. High-value products and services still remain out of reach for most consumers.

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