Press release

The next GfK Consumer Climate Study will be published on
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Consumer climate remains stable

Findings of the GfK Consumer Climate Study for June 2018

Nuremberg, June 28, 2018 – The trade conflict between the EU and the USA is intensifying and leaves a clear mark on the consumer mood in Germany in June. Economic optimism clearly declines, while both income expectations and propensity to buy manage to hold their ground with slight upward growth. GfK forecasts that the level will remain unchanged in July in comparison to the previous month at 10.7 points.

The route taken by the US President in terms of the trade policy towards the EU is causing concern, especially where economic expectations are concerned. These suffered clear losses. In contrast, the income expectations and propensity to buy are managing to hold up, even making slight gains in June. The consumer climate remains stable as a result.

Trade conflict causes economic expectations to slide further

Following the stable development in the previous month, economic expectations saw a notable decline in June. The indicator dropped 14.1 points to 23.3 points. The last time it showed such a low value was over a year ago, in March 2017, when it stood at 18.1 points. This represents a drop of 18 points compared with last year.

The American President's protectionist trade policy, which affects both Germany and other export-oriented countries such as China, casts further gloom over the economic forecast. As a consequence of this weakening, economic experts are currently predicting that the economic dynamics of the global economy will decline. This will naturally also affect Germany as an export nation. Both the German Institute for Economic Research (DIW) and the ifo Institute assume that the German economy will drop down a gear this year. They have therefore revised down their GDP (Gross Domestic Product) forecast for this year by around half a percent. They now forecast a growth this year of 1.9 and 1.8 percent respectively.

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Income expectations stay strong in a more unsettled economic environment

Despite the worsening economic prospects, income expectations were able to hold their ground in June and even exceeded once again what was already an excellent level. Following an increase of 3.4 points, the indicator currently stands at 57.6 points. The last time the level rose higher than this was in August 2017, when it reached 61.4 points.

The ongoing excellent employment prospects are apparently outweighing the current negative global economic influences on the indicator. In addition, both workers and pensioners can hope to see respectable income gains this year. Even the recent rise in inflation rates does not seem to have made much of an impression on consumers so far.

Propensity to buy in the wake of stable income expectations

Consumers' propensity to buy has also profited this month from the very stable trend in income expectations. At 56.3 points, the indicator has maintained a very good level. Compared to the previous month it even achieved a slight increase of 0.4 points. The trend currently shows a sideways movement.

The propensity to buy is still benefiting from an employment market that is in good shape. Employment is up and there has been another slight fall in unemployment. Furthermore, there is also little fear of job losses among employees. This leads to planning security, especially where bigger purchases or spending is concerned.

The jump in the inflation rate in May this year to 2.2 percent, which was mainly due to a significant rise in energy prices, has apparently not yet had any effect on propensity to consume.

Consumer climate unchanged

For July 2018, GfK forecasts that the level will remain unchanged at 10.7 points. This means that the consumer climate is stabilizing after two slight declines in a row.

In contrast to the excellent domestic conditions, such as employment and income development, the domestic economy looks likely to suffer from the escalating trade conflict with the USA coupled with the higher inflation rates, which rose to 2.2 percent in May. Even if this may just be a temporary rise, it can be assumed that it could have negative effects on the real development of private consumer spending. Since the global economy is also slightly less dynamic at present, GfK is revising its consumer forecast issued at the beginning of this year from 2 to 1.5 percent.

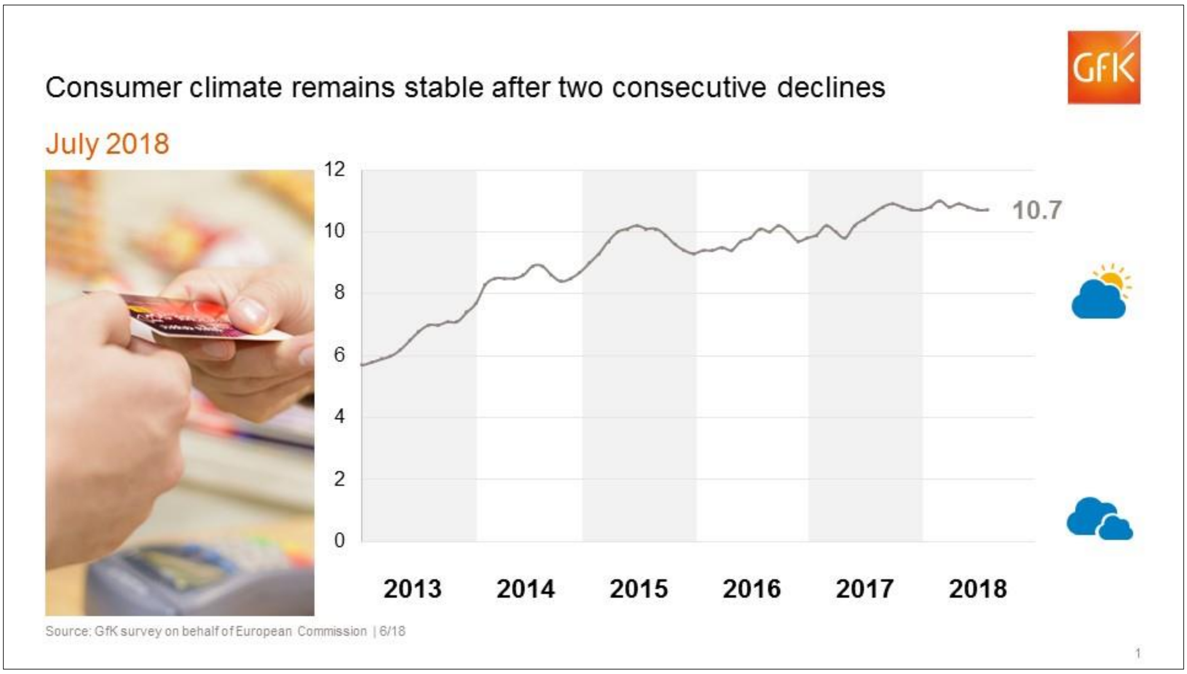
However, the consumer economy in Germany remains intact, even if it is slightly less dynamic. This will also depend on whether the new government in Italy fans the flames of the Euro crisis once more and whether the conflict about refugee policy in Europe can be settled.

The following table shows the change in certain indicators in June in comparison with the previous month and previous year:

	June 2018	May 2018	June 2017
Economic expectations	23.3	37.4	41.3
Income expectations	57.6	54.2	60.2
Propensity to buy	56.3	55.9	57.9
Consumer climate	10.7	10.8	10.4

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

GfK Consumer Climate Index Germany



Provisional publication dates for 2018

Thursday, July 26, 2018, 08:00 am	Thursday, October 25, 2018, 08:00 am
Wednesday, August 29, 2018, 08:00 am	Wednesday, November 28, 2018, 08:00 am
Thursday, September 27, 2018, 08:00 am	Friday, December 21, 2018, 8:00 am

About the study

The survey period for the current analysis was from June 1, 2018 to June 15, 2018. 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 was an increase in consumption of at least 1.5 percent. According to data from the German Federal Statistical Office, private consumption rose by around 1.9 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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