

Press release

European consumers fear economic slowdown

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Findings of the GfK Consumer Climate Europe study for the first quarter of 2016

Leuven, April 20, 2016 – During the first quarter of 2016, the Syrian war as an ongoing cause of the refugee crisis, the terrorist threat in Europe, Great Britain's possible exit from the EU and the continued recession in major developing countries weakened the consumer climate and, in particular, the economic and income expectations of European consumers. Between December 2015 and March 2016, the consumer climate for the EU28 fell by 3.2 points to 9 points.

During the first quarter of the year, a number of wide-ranging topics dominated discussions in the media and among the general public. Although the Islamic State lost some of the territory it had captured, the Syrian war is far from over, meaning that the cause of the huge influx of refugees remains. Initially, people were flocking unimpeded towards Central and Western Europe until the Visegrad countries decided to close their borders and consequently the Balkan route at the start of March. Although this put a stop to the flood of refugees migrating through Europe, people in need of help are now being placed in reception centers in Greece – predominantly in Idomeni on the Macedonian border, where conditions have since become unbearable. In France, the government ordered soldiers to clear the illegal refugee camp in Calais known as "The Jungle", where people hoping to travel to Great Britain had been camping. Meanwhile, political discussions continued into how Europe can accommodate the huge quantity of refugees, and distribute them fairly across the member states.

As reflected in the attacks in Brussels in mid-March, the terror threat continued to be extremely high in Europe during the first three months of the year. However, since the explosions in Belgium did not occur until after March's consumer climate survey was complete, the event did not feed into the results.

In Great Britain especially, the referendum due to take place in June on the country's possible exit from the European Union is casting a shadow of doubt on the future. Numerous economic experts as well as many British consumers are predicting strong negative economic consequences should a so-called Brexit come to pass.

Moreover, in the first quarter of 2016, it became clear that major developing countries such as China, Brazil and Russia continue to find themselves in a period of economic weakness. This is diminishing the export prospects of

European businesses, and may be having a negative effect on the economy.

This variety of issues caused considerable uncertainty among European consumers in the first quarter of the year. In particular, economic expectations have declined significantly since December in almost all the countries considered. In Greece, for example, they reverted to the same level as was recorded during the most difficult periods of the debt crisis. The drop in economic expectations additionally affected people's income expectations, which also suffered very considerable losses in the majority of countries. The GfK consumer climate for the EU 28 also fell significantly during the first quarter – from 12.2 points in December to 9 points in March.

Consumer optimism is dampened in Belgium

The cautious optimism which gradually became more widespread among Belgian consumers at the end of last year was dampened during the first quarter of 2016. Despite the economy growing by a reasonable rate over the last few months, economic expectations fell to -0.5 points in March, dropping below their long-term average of 0 points. By way of comparison, the indicator stood at 15.6 points in December.

The Belgians also still do not expect their wages and salaries to increase. This is evident from the income expectations indicator, which stood at -22.9 points at the end of the first quarter, representing a drop of 6.7 points in comparison with December of last year.

Considering the results recorded for these two indicators, it is astonishing that consumers presently seem highly prepared to spend money on expensive products and services. This could partly be attributed to the fact that saving is currently not a viable alternative due to the ECB's zero interest rate policy. In March, propensity to buy stood at 23.5 points, its highest value since November 2010. The indicator is currently 9.7 points higher than in December and a staggering 15.5 points higher than in March 2015.

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About the study

The findings of the GfK Consumer Climate Europe study are from a consumer survey conducted on behalf of the European Commission in all the countries of the European Union. Around 40,000 people a month are surveyed in the 28 countries. These are representative of the adult population in the EU.

GfK indicators for the consumer climate in Europe are based on monthly interviews regarding consumer mood. The purpose is to determine both the general economic situation of the individual countries and the situation of

the households themselves.

GfK Consumer Climate Europe interviews are conducted monthly, predominantly as part of an omnibus, which is a multi-topic survey conducted either by telephone or face to face.

From the monthly survey program, which consists of 12 questions, 5 questions are selected for the GfK Consumer Climate Europe study, as they play a decisive role in the consumer climate.

Calculating the five selected indicators: economic, price and income expectations; propensity to buy and to save

Indicators are determined on the basis of so-called bottom lines. The proportion of consumers who answered negatively (for example, the household's financial situation will deteriorate (significantly)) is subtracted from the proportion of consumers who answered positively (for example, the household's financial situation will improve (significantly)).

In a further step, this bottom line is standardized using common statistical procedures and transformed so that the long-term average of the indicator is 0 points and has a theoretical value range from +100 to -100 points. Empirically, however, values have predominantly ranged between +60 and -60 points since 1980.

If an indicator shows a positive value, this factor is assessed by the consumer to be above average over the long term. Accordingly, the opposite applies to negative values. Standardization makes it possible to compare indicators from different countries more effectively, since mindset-related differences in levels of response behavior can be evened out without altering the basic course of the indicator.

About GfK

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. Approximately 13,000 experts combine their global knowledge with analyses of local markets in over 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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