

## Press release

### European consumer climate improves significantly at the end of the year

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#### Findings of the GfK Consumer Climate Europe study for the fourth quarter of 2015

**Nuremberg, February 3, 2016 – In the fourth quarter of 2015, several major issues preoccupied consumers and the media, with discussions centering on the refugee crisis, the Paris attacks, and especially the improving economic figures in almost all European countries, as well as the fact that energy costs were still extremely low. From September to December 2015, the consumer climate index for the European Union increased by 1.9 points to 12.2 points.**

Consumer mood in most European countries fluctuated in the fourth quarter of 2015. At first, the dominant issue was the continuous stream of refugees from crisis regions in the Middle East and North Africa. How can the refugees be distributed fairly among European countries? How can they be integrated into society as quickly as possible? Is it even possible to integrate so many refugees? Initially, these questions influenced consumers' assessments in some countries as to how the social and economic situation would develop in the following months, although this issue only affected the countries through which the refugees traveled. However, in Germany, Austria, Denmark and Sweden, all of which are particularly popular final destinations for refugees, there was increasingly skeptical debate as to whether so many refugees could actually be successfully integrated into society. In addition, in November, the Paris attacks and subsequent terror warnings in Germany left people shocked.

It was not until the end of the year that the positive economic figures throughout Europe became more significant. Economic performance improved markedly in almost all the countries considered here. Thanks to low crude oil and energy prices as well as negligible inflation, consumers had more money in their pockets to spend on other things. Moreover, unemployment fell in the past year in almost every country, meaning that more people were in work and fewer were worried about losing their jobs. Europeans' increasingly optimistic economic and income expectations reflected these positive trends. However, particularly in (former) crisis states, these positive influences were not yet sufficient to put consumers in the mood to make purchases. In fact, households in these countries still barely have enough money to cover their everyday needs.

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### **Propensity to buy remains buoyant in Germany**

In the fall, Germans' economic expectations deteriorated further. The indicator fell by 5.3 points in November, plummeting to its lowest level since February 2013. Although it had stabilized to some extent by the end of the fourth quarter, it still dropped by 3.5 points compared with the third quarter to a figure of 2.9 points. However, the actual economic situation was significantly better than the mood among German consumers. In the fourth quarter, gross domestic product increased by 1.8 percent compared with the same period the previous year, and the German economy as a whole grew by 1.7 percent in 2015, its fastest rate of growth for four years. Therefore, we must assume that German consumers' economic expectations will start to improve again.

Unlike their economic expectations, German consumers' income expectations increased by 3.1 points to 50.8 points between September and December. Within this period, the indicator fell to 44.4 points in November, its lowest point of the year. However, compared with the same time the previous year, it gained nearly 10 points.

Moreover, consumers' propensity to buy stayed at an extremely high level even in the fall. Between September and December, the indicator lost just 1.4 points, and at the end of the year it stood at 49.0 points, exactly the same as the previous year's figure.

### **Propensity to buy falls markedly in France**

French economic expectations stabilized again in the summer, and this trend continued in the fourth quarter. Hence, in November, the indicator reached 16.6 points, its highest figure since October 2007. Although it did fall again in December to 7.2 points, it was still 1.1 points higher than it had been in September. Compared with the end of 2014, French economic expectations increased by around 23 points during the year.

Moreover, French consumers' income expectations increased during the last quarter by 2.2 points overall to -4.9 points. Although the indicator fluctuated significantly in the past year, there is now a clear upward trend. In January, in comparison, the figure for income expectations was still -28.8 points. The slowly falling unemployment rate has certainly contributed to this trend. According to the European Commission, the percentage of people out of work was still 10.6 percent in August, but had fallen to 10.1 percent by November.

Nevertheless, this positive trend had no effect on French propensity to buy. Although in September the French showed a greater willingness to make relatively large purchases than at any time since December 2001, their propensity to buy declined significantly again at the end of the year. The indicator lost 13.3 points in the fourth quarter, and at the end of the year it was at -4.6 points.

### **Income expectations improve in Great Britain**

After British consumers' economic expectations had fallen to their lowest level for two years in September, the British mood fluctuated in the fourth quarter. Nevertheless, the figure was 5.6 points higher in December than it had been in September, and the relevant indicator lay at 16.6 points at the end of the year. However, in the past year, particularly after their interim high in April, economic expectations declined considerably. British consumers clearly assume that their country's economy will perform more modestly in the coming months.

In contrast, income expectations increased noticeably by 11 points in the fourth quarter. They currently amount to 22.9 points, which constitutes a gain of almost 18 points compared with the same time the previous year. Therefore, the minor fluctuations of the summer months were transformed into an upward trend. The low unemployment rate, which fell slightly to 5.2 percent, also had a positive effect on this trend.

In spite of the positive economic developments, British propensity to buy dropped slightly by 4.6 points to 10.6 points in the fourth quarter. However, the trend is still positive, as in December, the indicator was around 8 points higher than the figure for the same time the previous year.

### **Italians believe the economic situation will improve**

Italian consumers' economic expectations fluctuated wildly in the summer months, but they were clearly still in the negative range and even dropped to -31.9 points in July. Nevertheless, this downward trend was stopped in the fourth quarter, and the relevant indicator attained a figure of -1.4 points, marking an increase of 14 points compared with September's figure. Although the figure was still in the negative range, this rise in economic expectations clearly reflected increased consumer optimism. Italian consumers evidently assume that economic recovery will gather pace in the coming months. In fact, in November, the indicator reached 1.9 points, its highest figure since January 2010. A comparison with the same time the previous year demonstrates this point very clearly, as in the previous December, the economic expectations indicator was still at -35.4 points.

This optimism is also reflected by income expectations. The relevant indicator improved throughout the year, and increased by 11.8 points in the fourth quarter, attaining a figure of 6.6 points at the end of the year. This meant that it had left the negative range for the first time in six years. The unemployment rate has also fallen slightly but steadily, reaching a figure of 11.3 percent in November according to the European Commission.

Moreover, the Italian propensity-to-buy indicator stabilized in the positive range during the summer months and increased markedly again in the fourth quarter, gaining 18.3 points from September and reaching 24.4 points in December. This is its highest figure since August 2000.

### **Spanish consumers expect the upswing to continue**

The Spanish economy is booming. In both the second and the third quarter of 2015, gross domestic product increased by 3.4 percent compared with the same period the previous year. The upward economic trend also had a noticeable effect on Spanish consumers' economic expectations, which increased by 17.8 points to 51.4 points in the last quarter. Not only is this currently the highest figure of all the European countries compared, but it is also an historic high for Spain.

Because of the rapidly growing economy, the Spanish still assume that incomes will rise. This may also be due to the continuing fall in unemployment, which, according to the European Commission, decreased in 2015 from 23.3 percent in January to 21.4 percent in November. Income expectations reached 31.3 points in December, marking an increase of 11.3 points since September. This also constitutes a gain of more than 25 points in comparison with December 2014.

On the other hand, Spanish consumers' propensity to buy continued to fluctuate. Spanish consumers still generally have no money left for purchases over and above everyday necessities. At the end of the fourth quarter, the indicator fell by a further 2.6 points to -7.9 points, and it is not yet possible to detect a positive trend.

### **Portugal's economic and income expectations attain record highs**

The Portuguese are optimistic about the development of their domestic economy. Economic expectations increased in the fourth quarter by 9.7 points to 23.5 points, the highest figure for 20 years (Jan 1996: 25.3). In the same month the previous year, the indicator was at just 12.5 points.

This optimism also affected income expectations. Although Portugal still has a very high unemployment rate, a glance at the trend over the past year shows that the figure has fallen slightly according to European Commission statistics, from 13.7 percent in January 2015 to 12.4 percent in November. Portuguese income expectations soared in the fourth quarter, increasing by 17.7 points to 24.4 points. This is another 20-year high (Jan 1996: 25.2).

However, the increased economic and income expectations had no effect on Portuguese consumers' propensity to buy. Despite their optimism concerning their country's economic situation, for many Portuguese people, larger purchases and services over and above their everyday necessities are still way beyond their means. In the fourth quarter, the indicator fell by 9.6 points to -30.4 points.

### **Dutch consumers are in the mood to spend money**

The Dutch economy continued to perform positively. In the third quarter, gross domestic product increased by 1.9 percent compared with the same

period the previous year. Nevertheless, Dutch consumers' economic expectations dropped slightly in the fourth quarter by 1.3 points to 19.5 points in December. Although this is definitely a good level, there is currently a slight downward trend.

Moreover, Dutch income expectations could not quite maintain their positive trend from the third quarter to the end of the year. The indicator lost 2.6 points from September and stood at -1.9 points at the end of the year. Nevertheless, this still constitutes a gain of almost 10 points compared with the previous year's figure.

Moreover, despite their falling economic expectations, the Dutch were still noticeably willing to make purchases in the last quarter. Their propensity to buy amounted to 17.5 points at the end of the fourth quarter, an increase of 8.8 points since September and the highest figure since August 2001.

### **The Belgian economy is very much on the rise**

After a major collapse in economic expectations in the third quarter of 2015, Belgian consumers found new hope at the end of the year. The indicator increased from -3.6 points in September to 15.6 points in December, a gain of 19.2 points. Therefore, Belgian consumers expect the economy to grow continuously in the coming months.

Their optimistic assessment of the economic trend also influenced their income expectations, as this indicator climbed by 6.7 points to -16.2 points in the fourth quarter. Moreover, although it is clear that the Belgians still do not expect their incomes to increase, their income expectations gained more than 8 points compared with December 2014.

This upward trend also affected the Belgians' propensity to buy. This indicator increased from September by 11.8 points to 13.8 points, its highest figure since October 2011. One of the reasons for this is certainly the continuous fall in unemployment in recent months. According to the European Commission, the figure for April 2015 was 8.8 percent, but by November it had fallen to 7.8 percent.

### **Greece slumps back into a recession**

Greek consumers' economic expectations reflected the economic and political situation in their country, which remains difficult. In the fourth quarter, the indicator fell by a further 3.6 points to -33.6 points in December, its lowest figure for just under two years. In addition, gross domestic product fell again in the third quarter by 0.9 percent compared with the same period the previous year, having achieved respectable growth in the previous quarters.

Nevertheless, although economic expectations continued to fall, the Greek people showed greater optimism in terms of income expectations. In the fourth quarter, this indicator increased by 15.5 points to -18.0 points, leav-

ing its interim low in August far behind it for the time being. Moreover, although the unemployment rate of 24.5 percent in October was still one of the highest in Europe, it dropped consistently from January 2015 by 1.3 percent overall.

Because of Greece's difficult economic situation, consumers' propensity to buy remained the lowest of all the countries considered, at -36.1 points in December. Admittedly, the indicator recovered after its collapse between June and August, but it was only 0.9 points higher in September. Essentially, we can see that Greece is the lowest-placed European country in terms of all three indicators.

### **Austrians are not spending any money on larger purchases**

Although Austria's gross domestic product increased by 1 percent in the third quarter compared with the same period the previous year, this barely had any effect on economic expectations, which increased by just 2.8 points to -17.0 points. Hence, they were still clearly in the negative range at the end of December. Austrian consumers still do not expect the economic figures to improve noticeably, as was evident from the relevant indicator decreasing by 5.6 points compared with December 2014.

In September, income expectations attained a figure of 31.1 points, their highest level since October 1999 (32.7 points). However, this upward trend did not continue in the fourth quarter, when, instead, the indicator fell by 9.4 points to 21.7 points. At the same time, according to the European Commission, the unemployment rate increased slightly by 0.1 percent, climbing to 5.8 percent again in November.

In addition, because of their pessimistic income expectations, fewer and fewer Austrians seem to want to purchase expensive products and services. Their propensity to buy fell by 10.8 points from September, and at the end of the fourth quarter, it amounted to 0.3 points. This is only just above the long-term average figure of 0 points, and it constitutes a drop of 15.5 points compared with the same time the previous year. In fact, compared with its yearly high in March, the indicator decreased by no less than 24.2 points.

### **Income expectations in Poland reach their highest level for a long time**

Poland's ongoing economic growth had a noticeably positive effect on consumers' economic expectations, which increased by 4.8 points to 20.5 points in the fourth quarter. Gross domestic product was similarly encouraging, growing by 3.5 points in the third quarter compared with the same period the previous year.

In addition, income expectations saw a massive increase of 27.7 points in the last quarter, achieving a figure of 35.0 points. This is as high as any

figure recorded since September 2008, and it constitutes a 16-point gain compared with December 2014. Falling unemployment is certainly one of the reasons for this trend, as from January to December 2014, it decreased from 8.1 percent to 7.2 percent.

Although Polish consumers' propensity to buy fell drastically over the summer months, it improved at the end of the year, increasing by 14.9 points from September to a figure of 6.1 points in December. Nevertheless, this is still around 5 points lower than at the end of 2014 and around 16 points lower than the yearly high in April.

### **Czech income expectations reach record levels**

The Czech economy continued to perform positively, with gross domestic product increasing in the third quarter by 3.9 percent compared with the same period the previous year. This also influenced Czech economic expectations, which increased by 4 points from September to 27.4 points, the second-highest figure of all the European countries compared, surpassed only by Spain. Nevertheless, this still constituted a loss of just under 14 points compared with the same time the previous year.

In addition, because of the positive economic trend, the unemployment rate remained very low, standing at 4.6 percent in November according to the European Commission. This is why consumers still assume that their incomes will increase significantly in the coming months. In December, the income expectations indicator lay at 56.5 points. Not only is this 18.1 points higher than in September, but it is also the highest figure since the surveys began in 1995. Furthermore, no other European country currently has higher income expectations than the Czech Republic.

The mood of economic optimism also benefited the Czech propensity to buy, which increased by 13.9 points to 22.4 points in the fourth quarter. After the long economic crisis, Czechs are now evidently prepared to spend money again on expensive products and services that they do not need in their everyday lives.

### **Slovaks expect higher wages**

In the fourth quarter, because of good economic figures, Slovak consumers were optimistic about the future performance of the economy. Economic expectations amounted to 23.2 points in December, exactly 11 points higher than in September. The rapidly growing gross domestic product is certainly one of the reasons for this, as in the third quarter, it increased by 3.7 percent compared with the same period the previous year.

This upward trend also had a positive effect on Slovaks' income expectations, with the indicator increasing by 7.8 points to 27.4 points. The continuous fall in unemployment certainly also contributed to this, as from January to November 2015, the unemployment rate decreased by 1.5 percent to

a figure of 10.8 percent.

On the other hand, Slovak consumers' propensity to buy also fluctuated in the fourth quarter, before finally showing a slight upward trend. The indicator increased by 2.2 points from September to December, reaching a figure of 4.4 points. However, this was almost 26 points below the previous year's figure.

### **Bulgaria sees positive trends**

In Bulgaria, the economy continued to perform positively, with gross domestic product increasing in the third quarter by 3.0 percent compared with the same quarter the previous year. Although economic expectations were still in the negative range at -6.9 points at the end of 2015, if one looks at the trend over the past year as a whole, this still constitutes a gain of almost 18 points since December 2014.

Income expectations also showed a positive trend. At the end of the year, the relevant indicator was at 3.9 points, which constitutes an increase of 4.6 points compared with September. The positive trend is particularly striking if we compare this figure with that of December 2014, when the indicator was still at -20.8 points.

On the other hand, Bulgarians showed only a fluctuating propensity to buy. Although this increased by 1 point to 6.4 points in the fourth quarter, it still laid at 11.8 points at the end of 2014. This makes it clear that many Bulgarians' income is still only just enough for them to cover their basic everyday needs, and costly purchases are still barely affordable for most consumers.

### **Romanian economic expectations fall significantly**

Although the Romanian economy grew markedly in the past year, Romanian consumers' economic expectations declined in the fourth quarter by 7.9 points and amounted to 10.6 points in December. One year previously, the indicator was still at 17.7 points.

Falling economic expectations also had a negative effect on consumers' income expectations. This indicator fell by 6.4 points to 14.9 points compared with the previous quarter, thus returning to the same level as the previous year.

Moreover, Romanians' income is still only just enough to buy the absolute necessities for everyday life. Hence, their propensity to buy was still low in the fourth quarter, dropping by a further 1.2 points to -7.6 points in December.

**Further information:**

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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 general 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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