

Press release

European retail in 2016: Slow but real-value growth

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GfK study on retail conditions in 33 European countries

Bruchsal, Germany, May, 16, 2016 – GfK has carried out a comprehensive analysis of the European retail scene in 33 European countries. The study examines purchasing power, the retail share of the population's total expenditures, inflation, sales area productivity as well as a turnover prognosis for 2016. The study is part of the new edition of ACROSS Magazine, which is being launched at the 2016 ICSC European conference in Milano, Italy. For the first time, the GfK study includes Ukraine (except for the temporarily occupied and uncontrolled territories, for which no reliable data is available).

- **Purchasing power in 2015:** The economy grew and unemployment fell in most countries in 2015. This development is reflected in the nominal purchasing power figures, which increased in the European Union by an average of 3.7 percent compared to the previous year. This gave each EU citizen an average of €15,948 for consumption, rent, savings and retirement contributions. As for Ukraine, the political crisis and a strong depreciation of the Hryvnia lead to a drop in purchasing power (-3 percent in national currency). Purchasing power decreased by 3% (in national currency). The Ukrainian average per capita purchasing power was €979 in 2015, the lowest amount among the countries covered.
- **2016 turnover prognosis:** The solid store retail business from last year will continue in 2016. For the EU-28 countries, GfK forecasts somewhat decelerated progress, with a growth of 1.1 percent (based on nominal euro values). There will be especially positive developments in Romania (+7.2 percent) as well as continued progress in the Baltic States (+3.8 percent to +4.9 percent), which are gradually catching up with the more mature markets. We expect a robust dynamic in store retail in Sweden (+4.8 percent) and Spain (+3.7 percent). Stationary retail turnover in Ukraine decreased by 24.2% in 2015 (in EUR).
- **Retail share of private consumption:** In 2015, European consumers enjoyed low energy and fuel costs as well as a good economic situation and an increase in private wealth in many European countries. Even so, the main beneficiaries of these positive conditions were areas other than retail. Consequently, the trend of retail's declining share of private consumption also continued in 2015. The average quota for all countries is 30.4 percent. While consumers have more money for purchases, they predominantly spend these funds on services, traveling and recreational

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activities rather than on retail. These expenditures translate to less money available for retail consumption. With 64 percent, consumers in the Ukraine had the highest retail share of private consumption among the countries covered by the study.

- **Inflation:** Consumer prices remained constant (+0.0 percent) in 2015. This is a rare situation for industry and retail as well as consumers. In February 2016, the European Commission forecasted a 2016 price increase of 0.5 percent, driven by a more expansive central bank policy and an economic upswing. But the inflation expectations are dampened by the low prices for crude materials. A price deflation actually occurred in many European countries in 2015. But for 2016, the European Commission forecasts declining consumer prices only in Slovenia (-0.3 percent), Romania (-0.2 percent), Lithuania (-0.1 percent) and Bulgaria (-0.1 percent). In Ukraine, inflation will slow down significantly in 2016 compared to 2015. According to the forecast of the National Bank of Ukraine, 2016 inflation will amount to 12 +/- 3 percent.
- **Sales area provision:** Sales area in the EU-28 last year climbed by 0.3 percent. With a per-capita sales area of 1.17 m², sales area provision in the EU-28 stagnated in comparison to 2014 due to the simultaneous slight increase in the number of inhabitants. Despite a difficult retail situation, Portugal increased its per-capita sales area to 0.98 m². In contrast to saturated retail markets such as Austria (1.74 m²), the Netherlands (1.62 m²) and Switzerland (1.49 m²), markets such as the Czech Republic (1.03 m²), Poland (0.93 m²) and Turkey (0.66 m²) still offer strong development potential for retail real estate. Sales area provision in the Ukraine was 0.42 m² per capita in 2015.
- **Sales area productivity:** Over the past year, sales area productivity in the EU-28 increased by 2.7 percent to just under €4,200 per m² of sales area. This is good news for stationary retail, which was able to make gains for two years in a row after years of declining performance. The online dynamic slowed in more mature markets, and store retail is gradually adjusting to the new conditions. Unprofitable shops were closed as part of retailers' digitization of their offering and pursuit of omni-channel solutions. The highest sales area productivity values are traditionally in Northern Europe, Switzerland and Luxembourg, while the lowest are in Eastern and Southeastern Europe. But the latter countries are continually gaining ground. Sales area productivity was €1.934 per m² in the Ukraine in 2015.

“Overall, 2015 was a good year for European consumers,” says Dr. Gerold Doplbauer, GfK retail expert and study lead. “The economy of the European Union grew nominally by 4.7 percent and unemployment fell in most countries. Private consumption increased significantly: The low interest rate made traditional saving less attractive, with the result that many consumers chose to spend their money, which benefited retail. But

there are large differences between the individual regions in Europe. And political and economic uncertainties exist alongside the positive developments. It remains to be seen how the willingness to invest among European companies and consumers will be impacted by Europe's refugee crisis and terror threat as well as the economic weaknesses in emerging economies."

Reinhard Winiwarter, publisher of ACROSS Magazine, which partnered with GfK on the study, comments: "The GfK study offers valuable insights into the current market climate for the retail and retail real estate sectors. We're happy that thanks to our collaboration with GfK, we're able to offer our readers greater transparency and peace of mind for their European retail endeavors."

GfK Ukraine analysts comment: "For the first time Ukraine was included to the GfK European retail study, which covers 28 EU countries as well as Turkey, Norway, Switzerland and Russia. Sharp hryvnia depreciation in 2015 led to the low Ukraine's ranking measured in euro terms compared to other countries in this study. However, the rate of decrease in Ukrainians' purchasing power was smaller than the rate of devaluation since the level of internal prices was growing slower than hryvnia was depreciating. More than a half of goods in retail trade are produced in Ukraine (57.8% according to State Statistics in 2014). Retail turnover acquires positive trend in 2016 after the fall in 2015. According to the State Statistics Service, in the first quarter of 2016 enterprises' retail turnover increased by 3.6% in real terms."

About the study

The following GfK market indicators were evaluated for a total of 33 European countries: purchasing power, retail turnover and the retail share of the population's total expenditures. GfK also offers a forecast for retail turnover in 2016 and analyses consumer price trends. The study examines sales area provision and productivity in the European countries under review and includes a four-page analysis of the Netherlands' retail market.

GfK's calculations of turnover and purchasing power were carried out in euros based on the average 2015 exchange rate for the national currencies in question (as reported by the European Commission). The deadline for the information and data was February 2016.

The study can be obtained as a PDF at www.gfk.com/european-retail and www.across-magazine.com.

Print-quality illustrations can be found [here](#).

About GfK

GfK is the trusted source of relevant market and consumer information that enables its clients to make smarter decisions. More than 13,000 market



research experts combine their passion with GfK's long-standing data science experience. This allows GfK to deliver vital global insights matched with local market intelligence from more than 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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