

Press Release

The next GfK Consumer Climate Report will be published on
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Income Prospects are Improving

Findings of the GfK Consumer Climate Study for Germany for February 2016

Nuremberg, February 25, 2016 – Overall, consumer confidence improved slightly in February. For March, the overall indicator is forecasting 9.5 points in comparison to 9.4 points in February. There is a noticeable rise in income expectations but hardly any change in the economic outlook. The propensity to buy remains stable.

The February findings of the survey indicate that the intensive discussions to achieve a permanent solution to the refugee issue are still not having any impact on German citizens. It is clear that even the continued acute terror threat has done little to sway consumer confidence.

Economic Outlook Virtually Unchanged

After slight growth in January, there is no major change in the economic outlook at present. The indicator has lost only 0.8 points and is now at 3.4 points. It may therefore remain in a positive range, i.e. above its long-term average of 0 points. It is, however, almost 24 points below the corresponding figure for last year.

Despite the latent terror threat, heated discussions about limiting the influx of refugees and increasing tension on the world's stock markets, consumer behavior is such that this year, the German economy can again be expected to experience solid growth of almost 2 percent.

A major reason for this optimistic outlook is the continued excellent state of the German labor market. Although there was a seasonal rise in unemployment in January, when adjusted for seasonal factors, it actually fell further. Demand for new employees also continued to rise based on figures from the Federal Employment Agency at the start of 2016. Thus, consumers' cautious optimism about the economy is not unfounded.

Significant Improvements in Income Expectation

After moderate losses last month, income expectation rose noticeably again in February. It clearly performed the best out of all the sentiment indicators. The increase is obvious with a rise of 9.5 points. The indicator is currently at 56.7 points. The last time a higher figure was recorded was in July 2015 at 58.6 points.

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Rising employment and companies' increasing demand for workers are raising expectations for the forthcoming round of wage negotiations. This means the demands of unions will probably be in the range of 5 percent, although the actual increase achieved in wage negotiations will probably be less.

In nominal terms, disposable household income is expected to increase by around 3 percent this year according to current forecasts. Inflation, which was 0.3 percent in 2015, will also remain low this year. Consequently, in real terms, German citizens will have noticeably more money to spend.

Propensity to Buy Remains at a High Level

German consumer confidence continues unabated. The propensity to buy indicator in February is exactly the same as last month at 52.7 points. This confirms its very high level.

The reason for this high appetite for consumption continued to be present, namely, an extremely stable job situation, so that employees do not need to fear for their jobs. This makes them feel secure enough to make plans and is a particularly important factor when it comes to making major purchases or spending large amounts of money. People who assume that their job, and consequently their income, is safe for the foreseeable future are more likely to take a financial risk in the form of spending more money.

Slight Rise in Consumer Climate

For March 2016, the overall indicator is forecasting 9.5 points in comparison to 9.4 points in February. Therefore, the consumer climate may increase slightly again.

The pleasing start to the consumer climate this year has paved the way for 2016 to also be a good year for consumption. In its recently published forecast, GfK assumes that actual private consumer spending will rise by 2 percent this year. Growth for 2015 was also around 2 percent according to initial reports from the Federal Statistical Office.

The forecast growth for this year should be considered a conservative estimate, as GfK sees some risks for 2016, but these are mainly from outside:

The as yet unsolved refugee crisis with some countries possibly being blocked off and closing their borders would particularly affect Germany as an export nation and would reduce economic prospects. In addition, there is the acute terror threat, which could sway consumer confidence and have a negative impact on consumption.

Another issue is falling energy prices, which have so far supported the economy. In the medium and long term, however, this could affect the propensity to invest in affected industries, thus impacting the labor market negatively and even causing employees who are not directly affected to fear for their jobs. This would also have a negative impact on the propensi-

ty to consume.

Ultimately, the ongoing economic downturn in the emerging economies such as Brazil, Russia, and particularly China could cause lasting damage to export prospects and consequently economic prospects in general.

Estimated Publication Dates for 2016

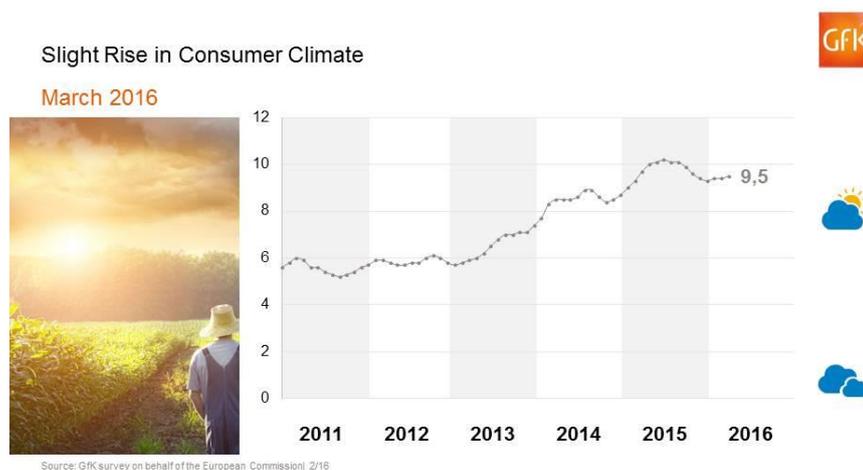
Thursday, March 24, 2016, 8 am	
Wednesday, April 27, 2016, 8 am	Wednesday, May 25, 2016, 8 am
Wednesday, June 29, 2016, 8 am	Wednesday, July 27, 2016, 8 am
Friday, August 26 2016, 8 am	Wednesday, September 28, 2016, 8 am
Wednesday, October 26, 2016, 8 am	Thursday, November 24. 2016, 1 pm
Friday, December 23, 8 am	

The following table shows how each indicator has developed in comparison to the previous month and previous year:

	February 2016	January 2016	February 2015
Economic Outlook	3.4	4.2	27.2
Income Expectation	56.7	47.2	50.6
Propensity to Buy	52.7	52.7	59.1
Consumer Climate	9.4	9.4	9.3

The following graph shows how the consumer climate indicator has developed in the course of recent years:

GfK Consumer Climate Indicator (as of: February 2016)



About the Study

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 EU 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, the 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 2015 was a rise in consumption of at least 1.5 percent. According to initial estimates from the Federal Statistical Office, private consumption rose by 1.9 percent in 2015 in real terms. 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 (e.g. 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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The following table provides an overview of the individual indicators:

Economic Outlook	This indicator is based on the following question posed to consumers: "How do you think the general economic situation will develop in the next twelve months?" (improve – remain the same – deteriorate)
Income Expectations	This indicator is based on the following question posed to consumers: "How do you think your household's financial situation will develop in the next twelve months?" (improve – remain the same – deteriorate)
Propensity to Consume and to Buy	This indicator is based on the following question posed to consumers: "Do you think it is advisable to make larger purchases at the present time?" (The present time is good – neither good nor bad – bad)
Consumer Climate	This indicator is intended to explain trends in private consumption. The key factors influencing this indicator are income expectations, propensity to buy, and propensity to save. The economic outlook tends to have an indirect effect on consumer climate via income expectation.

About GfK

GfK is a market research company that provides reliable and relevant information about markets and consumers. Using this information, it helps its customers to make the right decisions. GfK has many years of experience in the collection and analysis of data. It has approximately 13,000 experts who combine their knowledge of the international context with analyses of local markets in over 100 countries. Using innovative technologies and scientific processes, GfK can derive intelligent information from large volumes of data. This enables GfK's customers to increase their competitiveness and enrich the lives of consumers.

For more information, go to www.gfk.com/de. Follow us on Twitter: www.twitter.com/gfk_de

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