

Press release

The next GfK Consumer Climate Report will be published on
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German consumer climate continues its upward trend

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

Nuremberg, May 25, 2016 – The mood of German consumers shows a mixed picture in May. The overall consumer climate indicator is forecasting 9.8 points for June compared with 9.7 points in May. While economic expectations and the propensity to buy have both increased, income expectations have suffered losses.

Consumers still believe that the German economy will continue to grow moderately over the next few months. This has resulted in a slight increase in economic expectations this month. The already very high propensity to buy has also climbed to an even greater level. Although the income expectations indicator is the only index to experience a loss, it still remains above the 50-point mark.

Consumers are confident of moderate economic growth

Economic expectations have continued to rise in May. However, this month's increase of 2 points is rather modest in comparison to the noticeable growth seen in April. The indicator currently stands at 8.3 points, meaning it has climbed even further above the negative range.

This growth has reinforced the upward trend recorded by the income expectations indicator. Consumers are assuming that the German economy will continue to achieve positive growth, even though the rates of increase are expected to remain rather moderate.

Consumers have been encouraged by the latest data to be released by the German Federal Statistical Office, which claimed that in the first quarter of 2016 gross domestic product (GDP) rose by 0.7 percent compared with the same quarter the previous year. Economic growth has therefore picked up even more momentum. By way of comparison, in the last quarter of 2015, GDP increased by 0.3 percent compared with the same period the previous year.

Domestic growth is currently most responsible for boosting the economy. According to the German Federal Statistical Office, the dynamic economic development can be attributed to the increased amount of both private household and government spending at the beginning of the year.

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Income expectations indicator loses the majority of the gains made in April

While economic expectations have increased, income expectations have suffered losses this month. The indicator has fallen by 5.7 points to 51.8 points, losing a significant proportion of the gains it enjoyed in April. Nevertheless, income expectations remain very high above the 50-point mark.

In spite of its recent losses, the income expectations indicator is still at an outstanding level. The noticeable increases in income can be ascribed to the stable employment market, the strength of which is also evident from the wage agreements made following recent negotiations in the metal and electronics industry. These negotiations resulted in a wage rise of 2.8 percent this year, a one-off payment of 150 euros and an additional increase of 2 percent next year. Furthermore, the state pension is due to increase considerably from July 1.

Another positive factor this year is the low rate of inflation, which, according to figures from the German Federal Statistical Office, stood at minus 0.1 percent in April. This has resulted in a noticeable rise in the amount of disposable income available to both workers and pensioners.

Propensity to buy climbs to a 12-month high

In contrast to income expectations, the propensity to buy indicator has once again improved on its already very high level. Having gained 2.3 points, it has climbed to 57.7 points, which represents a 12-month high. This is the highest level to be recorded since May 2015, when the indicator stood at 62.6 points.

Consumers are still very willing to make purchases. The indicator has presumably benefited from the debate surrounding negative interest rates, which have been sparked off yet again by the monetary policy of the European Central Bank. The widespread introduction of negative interest rates would mean that instead of receiving interest for their deposits as is conventionally the case, savers would have to pay fees in order to keep their money with their bank. A number of banks already charge negative interest rates to businesses with relatively large credit balances.

The very strong labor market, a noticeable rise in real income, and stable prices are also currently boosting consumers' willingness to spend.

Consumer climate continues its upward trend

The overall indicator is forecasting 9.8 points for June 2016 compared with 9.7 points in May. The consumer climate is still experiencing an upward – albeit it slightly dampened – trend.

In light of this, private consumption will remain an important pillar of the German economy over the next few months. GfK therefore still stands by

the forecast it made at the start of the year that real private consumer spending will climb by around 2 percent in 2016. This figure stood at 1.9 percent in 2015.

Despite the excellent conditions in place for domestic demand, in terms of the labor market, income and inflation, for example, there are a number of uncertainties that should not be underestimated. One example is the threat of Great Britain leaving the European Union if the country's referendum on the matter, which is due to be held in June, leads to the so-called "Brexit." If this should come to pass, it is feared that it will also cause a sense of insecurity among German consumers about the economic future of the European Union. This would also have a negative impact on consumer sentiment.

The negotiations on Greece's debt crisis are also set to continue over the next few months. Failure to reach an agreement on further financial support for the country may also have a detrimental effect on Germany's consumer climate.

Provisional publication dates for 2016

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

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

	May 2016	April 2016	May 2015
Economic expectation	8.3	6.3	38.3
Income expectation	51.8	57.5	52.0
Propensity to buy	57.7	55.4	62.6
Consumer climate	9.7	9.4	10.1

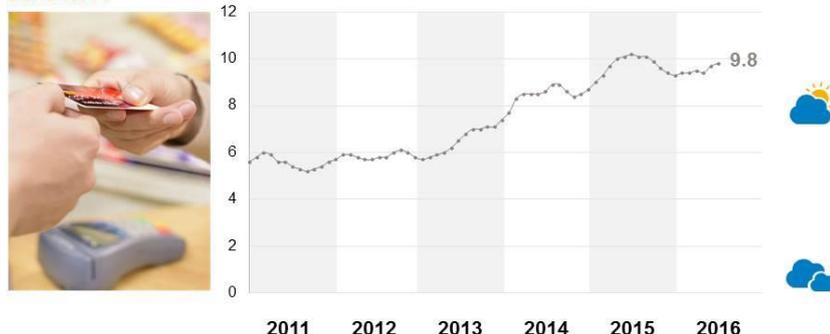
The following graph shows how the Consumer Climate Index has developed over recent years:

GfK Consumer Climate Index (current as of: May 2016)

Consumer climate continues its upward trend



June 2016



Source: GfK study on behalf of the European Commission | 5/16

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 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, 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 data from the German Federal Statistical Office, private consumption rose by 1.9 percent in real terms in 2015. 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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The following table provides an overview of the individual indicators:

Economic expectations	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 expectations.

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.

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