

## Press release

The next GfK Consumer Climate Report will be published on  
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### German consumer climate: income expectations at a record high

#### Findings of the GfK Consumer Climate Study for Germany for June 2016

**Nuremberg, June 29, 2016 – Unlike the weather, the mood among German consumers in early summer 2016 is bright. The overall consumer climate indicator is forecasting 10.1 points for July compared with 9.8 points in June. Economic and income expectations are markedly on the up, while willingness to buy fell slightly.**

Consumers expect the German economy to be in good shape over the coming months. This has resulted in a considerable increase in economic expectations this month. Given this outlook, income expectations have reached their highest level since German reunification. Only willingness to buy is slightly down, but is still at a very strong level.

#### Consumers' economic outlook considerably brighter

The economic expectations of German citizens have improved considerably in June. The indicator has gained 9.7 points to reach a total of 18 points. This represents the third increase in a row, and the highest value since June 2015, when the indicator stood at 18.4 points. There is currently a clear upward trend.

Consumers clearly see a bright future for the German economy, their spirits are as of yet undampened by discussions surrounding the possible impact on the German economy of the UK leaving the EU. The British referendum on leaving the EU on June 23 has not yet affected economic mood as the survey had already been completed at this point. However, it is expected that the current uncertainty in the financial markets will also be felt by German consumers. The extent to which the decision will impact the consumer climate in the coming months also depends on how serious the financial implications will be and how discussions develop within the European Union.

For Germany, however, employment developments are the most important pillar of the economic indicator – and the number of employees is continuing to rise. According to the Federal Employment Agency, the figure stood at 43.4 million in April, the highest number since German reunification.

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### **Income expectations at their highest level since German reunification**

In light of the improved economic outlook, income expectations are also rising considerably this month. The indicator has gained 7.8 points, more than making up for the losses experienced in the previous month. With 59.6 points, it is at its highest level since German reunification. GfK has been carrying out the study across the whole of Germany since 1991. The indicator has not achieved a higher level since then.

Consumers are very optimistic about developments in their income. The good employment market is significantly boosting negotiated income in many sectors. This is shown by the wage agreements made in the public sector, metal and electrical industries and chemicals industry. Furthermore, the state pension is set to increase considerably from July 1.

And with the inflation rate also at almost 0 percent, nominal income growth is rising at a virtually identical rate to purchasing power.

### **Willingness to buy falls slightly**

In June, willingness to buy failed to match its 12-month high from the previous month. The indicator has fallen by 3.3 points to 54.4 points. Despite these losses, there is still a slight upward trend.

As such, willingness to buy continues to look bright. An excellent employment market has virtually eliminated employees' concerns about job losses. This means that they are more likely to make expensive purchases than save their money. Due to low interest rates, the alternative to consuming is not appealing.

Furthermore, the interest rate is not expected to change dramatically in the near future – quite the opposite in fact. The return on 10-year federal bonds even fell below 0 percent recently for the first time. In specific terms, this means that those who lend money to the German state would actually have to pay a fee. This should continue to boost propensity to consume.

### **Consumer climate increases considerably**

The overall indicator is forecasting 10.1 points for July 2016 compared with 9.8 points in June. Consumer climate is therefore showing a continued upward trend, underpinning consumption's position as an important pillar of Germany's economic development. GfK confirms its forecast that real, private consumer spending would rise by around 2 percent this year.

The good consumer climate is predominantly thanks to excellent domestic conditions, such as high levels of employment, excellent income development and virtually nonexistent inflation.

However, domestic demand is also subject to risks, above all on an international level. It remains to be seen how Brexit will affect the European economies, and above all the German economy. If it causes longer term uncer-

tainty in the markets as well as political uncertainty in both the EU and the individual member states, Germany in particular, this may also have a negative impact on consumer sentiment in Germany. Added to this, further international crises, particularly in the Middle East, and related to this the refugee crisis, are far from being resolved. Should these crises escalate, this would damage the consumer climate to the same extent as an ongoing weakening global economy.

### Provisional publication dates for 2016

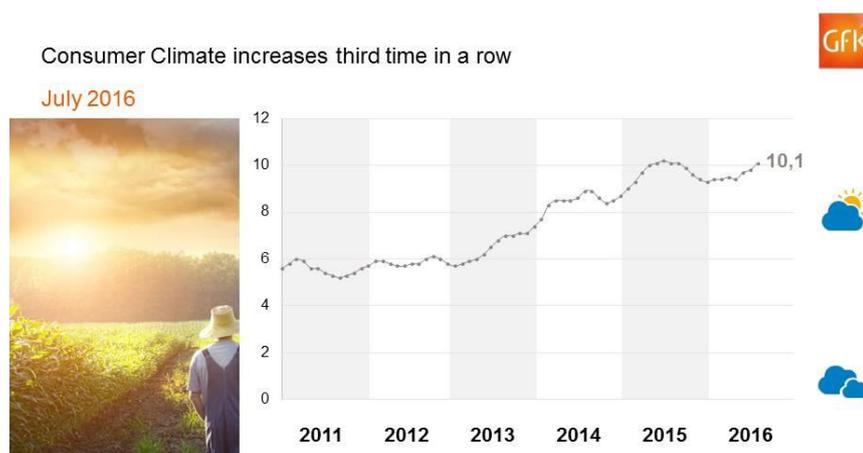
Wednesday, July 27, 2016, 8am	Friday, August 26, 2016, 8am
Wednesday, September 28, 2016, 8am	Wednesday, October 26, 2016, 8am
Thursday, November 24, 2016, 1pm	Friday, December 23, 2016, 8am

The following table shows the development of each indicator in June in comparison with the previous month and previous year:

	June 2016	May 2016	June 2015
<b>Economic expectations</b>	18.0	8.3	24.9
<b>Income expectations</b>	59.6	51.8	57.2
<b>Willingness to buy</b>	54.4	57.7	57.0
<b>Consumer climate</b>	9.8	9.7	10.2

The following graph shows the development of the consumer climate indicator over the past few years:

### GfK Consumer Climate indicator (as of: June 2016)



### **About the study**

These findings are extracts from the “GfK Consumer Climate MAXX survey,” which is based on approximately 2,000 consumer interviews conducted each month on behalf of the European Commission. The report contains charts, forecasts, and a detailed commentary regarding the indicators. In addition, the report includes information on proposed consumer spending in 20 different areas of the durable consumer goods, non-durable consumer goods, and services markets. The GfK Consumer Climate survey has been conducted since 1980.

The consumer climate explicitly refers to all private consumer spending. However, depending on the definition, only 30 percent of private consumer spending is attributable to retail. The remainder is attributable to services, travel, rent, health services, and the entire personal care segment.

GfK forecast a rise in private consumption of at least 1.5 percent for 2015. According to the Federal Statistical Office, private spending grew by 1.9 percent in 2015. Again, this does not only concern retail sales, but rather all consumer spending.

Willingness to buy – like all the other indicators – is an indicator of sentiment. It examines whether consumers think it is currently advisable to make major purchases. Even if they answer “yes,” two further requirements need to be fulfilled for a purchase to be made: Consumers must have the money that is required for such a major purchase and they must also view this acquisition as necessary. In addition, it only concerns durable consumer goods, which also require a larger budget.

The findings of the consumer climate survey are based on approximately 2,000 interviews conducted each month on a representative sample of the German population. This survey tool is subject to continuous quality controls, particularly with respect to its representativeness. The fact that the results are used and recognized in the field of empirical legal research (for example, with respect to the likelihood of confusion between products) is a testament to the exceptionally high quality of this survey. This means that the results are quality approved by experts and must stand up in court.

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The table below provides an overview of the individual indicators:

Economic expectations	This index is based on the following question to consumers: "How do you think the general economic situation will develop in the next 12 months?" (improve – remain the same – deteriorate)
Income expectations	This index is based on the following question to consumers: "How do you think the financial situation of your household will develop in the next 12 months?" (improve – remain the same – deteriorate)
Propensity to consume and willingness to buy	This index is based on the following question to consumers: "Do you think it is advisable to make major purchases at the moment?" (good time – neither good nor bad time – bad time)
Consumer climate	This index is used to describe personal consumption. Key factors are income expectations, propensity to buy and savings trends. The economic outlook has a more indirect effect on the consumer climate as a result of income expectations.

### 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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