

Press release

Consumer climate in Europe increases significantly

July 13, 2016

Rolf Bürkl
T +49 911 395 3056
rolf.buerkl@gfk.com

Ursula Fleischmann
Corporate Communications
Tel: +49 911 395 2745
ursula.fleischmann@gfk.com

Results of the GfK Consumer Climate Europe survey for the second quarter of 2016

Nuremberg, July 13, 2016 – Media discussions were dominated above all by country-specific topics in the second quarter. As a result, the economic and income expectations and propensity to buy indicators in the different European countries show varying pictures. All in all, however, the consumer climate for the EU28 underwent a considerable increase from March to June 2016, rising by 4.1 points to 13.1 points.

In the second quarter, it were predominantly country-specific – and therefore very diverse – topics that dominated the headlines in the EU states. The fight against the so-called Islamic State and the resulting terrorist attacks in Europe, especially in Turkey, were also in the spotlight across Europe. Particularly in the run up to the European football championship in France, discussions held by the media, security experts and governments in Europe centered on how to put an end to terrorism.

The refugee agreement between the EU and Turkey also shaped discussions. While it is thanks to Turkey that considerably fewer refugees are now arriving in Europe, Europe is still in discussions about its dealings with Turkey and the country's compliance with fundamental democratic principles.

In June, it was the British referendum on whether to leave or stay in the EU in particular that stood at the top of the agenda. The fact that the Brits voted to leave has not yet influenced this survey, as it had already been completed by June 23, the date of the referendum. However, the current uncertainty in the financial markets is also expected to affect European consumers. The extent to which this decision will affect the consumer climate in the individual countries over the coming months also depends on how strong the financial impact is, how discussions within the European Union develop and how Brexit affects each individual country financially.

Information on a current GfK survey on Brexit conducted in the United Kingdom straight after the decision can be found [here](#).

As the different European states have been mostly dominated by country-specific topics (elections in Austria and Spain, sanctions against Russia, negotiations over new EU payments to Greece, refugee crises in Italy etc.) over the last three months, the consumer climate indicators are showing very different pictures. Overall, however, the consumer climate for the

GfK SE
Nordwestring 101
D-90419 Nuremberg
Tel. +49 911 395 0

Management Board:
Matthias Hartmann (CEO)
Christian Diedrich (CFO)
Dr. Gerhard Hausruckinger
David Krajicek
Alessandra Cama

Chairman of the
Supervisory Board:
Dr. Arno Mahler

Commercial Register
Nuremberg HRB 25014

EU28 underwent a considerable increase from March to June 2016, rising by 4.1 points to 13.1 points. This is the highest value since March 2008 (16.8 points).

Germany – consumers expect moderate growth

The economic expectations of German consumers rose considerably in the second quarter with an increase of 17.5 points, putting the indicator at 18 points in June. The Germans therefore expect a significant economic upturn in the coming months. However, the indicator is around 7 points down on the previous year's value.

In June, income expectations reached their highest value since German reunification, hitting 59.6 points. The indicator has increased by a total of 9.1 points since March. The reasons for this positive assessment are a continued rise in employment rates in Germany, high wage negotiations in some industries and a considerable pension increase as of July 1.

The Germans' propensity to buy is also at a very high level. Over the last three months, it has risen by 4.4 points to reach 54.4 points. Thanks to the excellent employment situation, employees currently have next to no concerns about losing their jobs. As a result, they are more likely to make high-value purchases than save the money. Due to the low interest rate, saving is not a tempting alternative to consuming.

France – still no improvement in sight

Economic expectations in France have experienced ups and downs over the last few months. Although the indicator stood at 16.6 points last November, by March it had fallen to -3.7 points. It managed to recover by a total of 4.2 points in the second quarter, putting it at 0.5 points in June – just above the long-term average of 0 points. It reached its year's peak in May with 12.2 points. The development of economic expectations shows clearly that the French still have no hope of a lasting economic upturn.

Without an economic upturn, however, the country's high unemployment rates cannot fall. It is therefore unsurprising that the French are not expecting a pay rise in the next few months. Although income expectations have increased by 9 points, at -13 points the indicator continues to stand firmly in the negative area.

Propensity to buy also recovered slightly in the second quarter. Since March, it has gained a total of 1.6 points to reach 2 points. In May, it even achieved its highest value since December 2001 with 14.9 points.

United Kingdom – weakened economic prospects

Economic expectations decreased further in the second quarter in the United Kingdom. The indicator stood at -5.9 points in June – 8 points fewer than in March and almost 26 points fewer than in June 2015. The mood

among consumers is therefore a direct reflection of the country's economic development. While the economy grew between 1.8 and 3.0 percent per quarter in the last year, in the first quarter of this year it only achieved an increase of 0.5 percent compared with the corresponding quarter last year.

In contrast to economic expectations, income expectations improved slightly, adding 1.5 points since March to reach 19.2 points in June. The indicator is up by 7.3 points from June 2015.

The Brits' propensity to buy, however, fluctuated considerably in the second quarter. It has lost a total of 5.1 points since March, standing at 6 points in June. A year ago, the indicator counted an additional 8.6 points.

Italy – little hope for radical improvement

The ongoing difficult financial situation in Italy, caused by the financial crisis and high refugee numbers burdening the national budget, means that Italian consumers are not expecting an economic upturn in the coming months. Economic expectations stood at -31.3 points in June, 9.9 points fewer than in March. The indicator was lower last July with -31.9 points.

Unemployment rates have declined slightly in the last few months, but at 11.5 percent are still among the highest in Europe. It is therefore unsurprising that the Italians do not believe their personal financial situations will improve in the next few months. At -7.1 points, income expectations have declined by 4.1 points since March.

Despite a difficult financial situation and high rate of unemployment, Italian consumers are currently in a shopping mood. Propensity to buy stood at 20.6 points in June – down 5.8 points from March, but almost 16 points higher than exactly one year ago. Extremely low interest rates continue to be a likely reason for this, as they make it easier to borrow money for high-quality products and services. However, it is one thing to believe now is the right time to make larger purchases. Whether consumers can actually afford these high-value products and services is another thing altogether.

Spain – consumers expect moderate growth

Spanish consumers continue to expect moderate economic growth over the coming months. They do expect economic growth to slow down, however. This caused economic expectations to drop by 5.7 points in the second quarter to 16.7 points. The indicator is down by almost 21 points from June 2015.

At 13 points, income expectations have also declined. However, with a loss of 1.5 points, it is only slightly below its March value. It also stood at a similar level last June, when the indicator was just 4.5 points higher.

To date, the Spaniards appear to have no money left over to afford larger purchases. Accordingly, propensity to buy stands at -8.2 points. This repre-

sents a marginal increase of 0.7 points from March. Exactly one year ago, the indicator was 4.2 points lower.

Portugal continues to work its way out of crisis

Portuguese consumers anticipate a further rise in gross domestic product. Economic expectations rose marginally in the second quarter (+0.8 points) to reach 17.3 points in June.

With unemployment rates slowly decreasing, many Portuguese consumers are hopeful of finding a job again. Since March, income expectations have fallen slightly by 2.5 points, but at 17.5 points in June still maintain a satisfactory level. In a year-on-year comparison, the indicator has increased by 16.6 points.

While consumers are still not in a position to afford high-value goods and services, propensity to buy is slowly rising again. Over the last three months, the indicator has increased by 2.9 points to -21.5 points. In May, it reached its highest value since June 2004 with -20.5 points.

Greece back in recession

The Greeks cannot escape the aftereffects of the financial crisis. Today, there is no sign of the fresh hope that appeared to be resurfacing last year. Since last June, economic expectations have decreased by almost 35 points. Despite the indicator increasing by 5.8 points in the second quarter, at -44.8 points things are not looking optimistic. In May, the indicator fell to its lowest value since February 2012, sinking to -51.6 points.

Income expectations paint a similar picture. They also experienced a marginal increase between March and June (+0.8 points) to reach -44.4 points. Also in May, the indicator dropped to its lowest level since August 2013 with -48.9 points. Over the course of the year, it experienced similar losses to economic expectations (-31.8 points).

As a result, propensity to buy also remained at a low. The indicator decreased by 7.4 points in the second quarter to -45 points – the lowest level since August 2012 (-51.8 points). Since June 2015, it has experienced a loss of 27.5 points. The Greeks are therefore hardly in a position to buy even everyday essentials. This means that they also cannot afford high-value purchases.

Netherlands – cautious optimism

Dutch consumers are slowly withdrawing their optimism. Economic expectations rose by 17.3 points in the second quarter, reaching 13.2 points in June. A year ago, however, the indicator stood 16.2 points higher.

In contrast, income expectations remain firmly in the negative area. The indicator showed -15.9 points in June, 1.2 points fewer than at the end of the first quarter. In May, it recorded its highest value since October 2013

with -19.5 points (-37.5 points).

Due to low levels of inflation and extremely low interest rates, however, the Dutch believe that now is the right time to invest money in high-value purchases. Propensity to buy increased marginally by 0.3 points in the first quarter to reach 13.4 points in June. The indicator is up by 6.6 points from the same month last year.

Belgium – no hope of upturn

Despite good economic growth, Belgian consumers do not seem to believe that the upturn will continue in the coming months. Economic expectations have fallen by 6.2 points since March to -6.7 points. This represents the lowest value for exactly three years. Compared with June 2015, the indicator is down by 25.4 points.

The Belgians are not especially optimistic with regard to their income. The indicator rose by 5.3 points, but at -17.6 points income expectations remained firmly in the negative area in June.

Only propensity to buy, with 13 points in June, stood significantly higher than its long-term average of 0 points. That being said, however, the indicator has lost 10.5 points since March. Although the majority of consumers think it is advisable to make high-value purchases at this moment in time, given their negative assessment of both economic and their personal financial developments, whether they actually take this advice is questionable.

Austrians anticipate sharp rise in income

Austrians are not expecting an economic upturn in the next few months, but the mood is improving slowly. In June, economic expectations increased to -8.1 points. This is an increase of 10.1 points compared with March and the highest value since August 2014.

Although consumers are not anticipating an economic upturn, they are expecting a sharp rise in their income. Despite falling by 8.5 points from March to June, at 28 points the income expectations indicator stands at a very good level. Compared with June 2015, income expectations are 10.3 points higher.

The Austrians' hope for more income also makes them more eager to purchase high-value products and services. Propensity to buy has risen by 17.1 points since March, reaching 23.2 points in June. In May, with 25.5 points, the indicator reached its highest level since November 2012 (26 points).

Poland – income expectations at a record high

Poland's confidence in high economic growth declined slightly in the second quarter. Economic expectations stood at 16.8 points in June, a good level but 6.1 points fewer than in March. However, high gross domestic

product growth rates in previous quarters suggest that the economy will continue to improve significantly over the coming months – even if not quite as sharply as in the last year.

Given the extremely good economic data, it is also unsurprising that Polish consumers are still anticipating a sharp rise in their income. The income expectations indicator has risen by 1.9 points since March to reach 35.4 points in June. The indicator is up by 19 points from the same month last year. In April, income expectations even hit as many as 44.1 points, the highest value since the survey was started in January 2002.

In contrast, propensity to buy continues to occupy a low level. It has declined by 1.4 points since March, standing at 5.9 points in June. Despite good conditions like rising income and falling unemployment rates, Polish consumers do not think now is a suitable time to make high-value purchases.

Czechs anticipate lasting upturn

Strong economic growth in the previous quarters has reinforced the belief of Czech consumers that the economy will continue to develop positively in the coming months. Economic expectations have risen slightly since March, increasing by 2.8 points to reach 25.6 points. Compared with June 2015, however, this represents a loss of 5.7 points. This optimism is hardly surprising, as Czechs currently boast the lowest unemployment rate of any country in the EU.

As a result of the positive economic developments, the Czechs continue to anticipate sharp rises in their income. Although the indicator has fallen 8.8 points since March, at 43.6 points income expectations are still at a very high level.

Despite a slight loss of 3.9 points since March, at 21.8 points in June propensity to buy is also at a good level. Czech consumers appear to believe that now is the right time to make high-value purchases. In May, with 27.6 points, the indicator reached its highest level since September 2007.

Slovaks anticipate more jobs

Slovakian consumers expect further considerable economic growth in the coming months. Economic expectations rose by 6.6 points in the second quarter to reach 22.9 points in June. Compared with the same month last year, this represents an increase of 13.2 points.

Although unemployment rates are still very high at 10 percent, they have continued to decline over the last few months, boosting the hope of Slovakian consumers for a rise in income. The income expectations indicator has risen by 4.5 points since March to reach 27.4 points in June.

In light of this, propensity to buy also experienced a slight increase of 3.1

points to 15 points in June. The indicator is currently up by 20.4 points from the same month last year. In May, the indicator hit 22.6 points, its highest value since February last year.

Bulgarians expect recession but want to consume

Despite excellent economic growth, Bulgarian consumers are not hopeful for another upturn. Instead, they are expecting a recession to hit. Economic expectations fell by 1.4 points in the second quarter to -7.3 points. This may represent an increase of 5.6 points over the course of the year, but the value still stands firmly under the long-term average of 0 points.

Income expectations, on the other hand, rose slightly by 1.3 points, hitting 5.2 points in June. The indicator is up by 11.8 points from the same month last year.

Given the continuously falling unemployment rates and very robust economy of the last few years, the Bulgarians think now is the right time to purchase high-value goods or services. Propensity to buy stood at 15.7 points in June – a significant increase of 14.7 points compared with March and the highest value for exactly two years.

Romanians expect unemployment to fall

In Romania, economic expectations rose marginally in the second quarter (+0.9 points) to reach 4.2 points in June, putting this indicator only slightly under its long-term average of 0 points. This cautiousness stands in stark contrast to the strong economic upturn in the country over the last few years.

Income expectations experienced a slight decline in the second quarter, falling by 3 points to 18.5 points, but are still at an extremely good level. The Romanians expect to benefit from the economic upturn through continuously falling unemployment rates and increases in income.

Propensity to buy, on the other hand, stood at 3.4 points (-0.1 points) in June, also just over the long-standing average. This shows that disposable income and savings are still only enough to cover everyday essentials. As before, the Romanians are still unable to afford high-value and therefore more expensive purchases. The year-on-year comparison shows an increase of almost 15 points, however. Furthermore, in April the indicator reached its highest level since August 2008 with 5 points.

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. 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.

For more information, please visit www.GfK.com or follow GfK on Twitter: <https://twitter.com/GfK>



Jan Saeger
Nordwestring 101
D-90419 Nuremberg
Tel. +49 911 395-4087
press@gfk.com