

# Press release

The next GfK Consumer Climate report will be published on  
October 26, 2016, 8am

## Consumer climate: Brexit and terror threat dampen consumer confidence

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

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**Nuremberg, September 28, 2016 – Overall, consumer sentiment in Germany weakened slightly in September. The overall consumer climate index is forecasting 10.0 points for October, following 10.2 points in September. Both economic and income expectations, as well as propensity to buy suffer losses.**

It would seem that German citizens believe that their country's economy is set to develop more weakly over the next few months. This is signaled by the third successive drop in economic expectations. Although the income expectations and propensity to buy indicators also recorded losses this month, they remain at an extremely high level.

### Economic expectations suffer third consecutive decline

It appears that consumers feel the German economy will develop somewhat more moderately in the coming months. The indicator fell by 1.8 points in September to 6.8 points. This marks the third decline in a row. Despite these losses, economic expectations remain clearly above zero, in other words, above their long-term average of 0 points.

It looks as if the Brexit decision from June has now started to have an impact. In the three months since the referendum, economic expectations have continuously fallen. The announcement that Great Britain will leave the EU has caused uncertainty to rise. This has also led to the Ifo Business Climate Index falling in July and August.

Another consequence is that the forecasts for the growth of European gross domestic product were recently somewhat downgraded. In its economic outlook for Germany, the German Federal Bank has also slightly cut its figures for economic growth for this year and the next in comparison with the forecasts issued a few months ago.

Moreover, consumers are undoubtedly feeling more unsettled due to the greater public awareness of the terror threat following the attacks in Bavaria. A general feeling of uncertainty such as this is often associated with a drop in economic expectations.

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### **Fluctuating income expectations continue**

The regular increases and decreases in income expectations continued in September. After growing last month, this month the indicator lost 5.7 points. However, this has only erased some of the noticeable gains of 8.6 points recorded in August. As a result, at 52.6 points, the income expectations indicator remains strong above the 50-point mark.

Consumers are and indeed seem set to remain very optimistic when reflecting on their future financial situation. They have good reason to feel this way. The very stable developments on the labor market coupled with a rising rate of employment are even resulting in noticeable increases in collectively agreed wages. What's more, thanks to the very low inflation rate, employees also have more in their wallets in real terms.

Since increasing wages also have a positive impact on state pensions, people in retirement are also optimistic for the future in terms of their finances.

### **Propensity to buy: at the same pace as income expectations**

Like income expectations, propensity to buy also declined slightly this month. The indicator fell by 4 points to 53.3 points. However, as is the case with income expectations, the desire to make purchases is still very high and has remained above the 50-point mark.

Here, too, we are not seeing any reversal of trend, as consumers' inclination to buy remains intact. Provided that the labor market continues to run smoothly and employees are consequently not worried about their jobs, the signals for consumption are expected to stay on green. This is made even more likely by the fact that conditions for saving – the antithesis of spending – are anticipated to remain unfavorable given the persistently low interest rates. The most recent indications from the European Central Bank suggest that interest rates will remain rock bottom in the months to come. This is also implied by the recent extension made to the ECB's bond purchase program.

### **Consumer climate is stable despite slight losses**

The overall index is forecasting 10.0 points for October 2016, following 10.2 points in September. Despite this small decline, the consumer climate remains stable at a strong level.

The current decline is, however, indicative of how consumer sentiment is not completely immune to the prevailing rise of uncertainty, which also seems to be affecting consumers. This uncertainty is first and foremost being fueled by the greater perceived terror threat in Germany as well as by the decision made by the British public to vote to leave the European Union. The consequences of this for the European and, above all, German economy are still completely unclear.

Nevertheless, GfK confirms its forecast that a rise in real private consumer spending of around two percent in 2016 appears achievable and realistic. Consumption therefore remains an important pillar of economic growth in Germany.

### Provisional publication dates for 2016

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 September in comparison with the previous month and previous year:

	September 2016	August 2016	September 2015
<b>Economic expectations</b>	6.8	8.6	6.4
<b>Income expectations</b>	52.6	58.3	47.7
<b>Propensity to buy</b>	53.3	57.3	50.4
<b>Consumer climate</b>	10.2	10.0	9.9

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

### GfK Consumer Climate Index

Consumer climate:  
Brexit and terror threat dampen consumer confidence



October 2016



Source: GfK survey on behalf of the European Commission | 9/16

## 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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## **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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