

## Press release

The next GfK Consumer Climate Study will be published on  
November 28, 2018, 08:00 am

October 26, 2018

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### **Consumer climate in Germany remains stable**

#### **Findings of the GfK Consumer Climate Study for October 2018**

**Nuremberg, October 26, 2018 – In October, the consumer mood in Germany was mixed. While the economic and income expectations suffered losses, the propensity to buy rose again. For November, GfK forecasts that the consumer climate will remain unchanged compared to the previous month at 10.6 points.**

The mood of German consumers changed in October in comparison to the previous month. Economic and income expectations, which had continued to rise in September, are now falling. In contrast, the propensity to buy, already at a very high level, is further increasing. In the previous month it had been on a downward trajectory. Since the propensity to save is currently clearly in decline, the consumer climate remains unchanged.

#### **Economic expectations take a break**

The economic expectations apparently took their first break in October. After having risen for two months in succession, they are now declining slightly. The indicator dropped 8.1 points to 19.0 points. The next few months will reveal whether this means that the recovery is at an end again or whether it is just a temporary weakness.

Nevertheless, the economic expectation is still significantly higher than its long-term average value of zero points. Consumers continue to assume that the German economy will remain on a solid growth path both this year and next.

The dynamism that was particularly prevalent in the second half of 2017 has proved impossible to maintain. This is primarily due to external factors. The trade conflict between the USA and the EU has not been fully resolved despite a period of calm, while the dispute with China has even escalated. It is also looking more and more likely that a hard Brexit is on the cards. This is highly unlikely to inspire consumer optimism.

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### **Income expectations in the wake of a weaker economic outlook**

In the wake of weaker economic expectations, the income expectations also suffered losses in October. However, the downturn, showing a fall of 3.5 points, is far less than that of the economic indicator. Income expectations are currently at 54.4 points, which still puts them at a very high level.

The excellent situation on the labor market with growing employment rates and falling unemployment continues to create a positive mood among workers with regard to the development of their earnings. And this optimism is very well-founded: Thanks to the ongoing high demand for workers, the prospects for a steady rise in wages and salaries also remain good. The coupling of the old-age pension to wage developments is also proving profitable for pensioners, who will also experience real income increases.

### **Propensity to buy is again on the rise**

After a drop in the previous month, the propensity to buy increased in October again. A rise of three points more than compensated for the earlier losses. The indicator is currently at 55.9 points, thus confirming and maintaining its excellent level. As a result, consumers remain in an exceptional spending mood.

Apparently unfazed by external risks such as trade conflicts and Brexit, consumers are prepared to splash out. After all, saving is still not an attractive alternative; the propensity to save is currently falling even further. There is little worry of job losses, leading to high planning security. This fuels consumption – in particular larger purchases.

### **Consumer climate unchanged**

As a result of this inconsistent development in mood, the consumer climate remains unchanged in November at 10.6 points. The indicator thus maintains its overall good level. Furthermore, it confirms its role as an important pillar of economic development in Germany. This is worth even more in the face of an uncertain global economic environment as German exports face certain risks given the trade dispute over tariffs with the USA. It is therefore all the more important that the domestic economy - i.e. consumption and investment - makes a contribution. GfK confirms its forecast, whereby private consumption will increase in real terms by about 1.5 percent this year.

The following table shows changes in certain indicators in October in comparison with the previous month and the previous year:

	October 2018	September 2018	October 2017
<b>Economic expectations</b>	19.0	27.1	43.5
<b>Income expectations</b>	54.4	57.9	48.7
<b>Propensity to buy</b>	55.9	52.9	59.2
<b>Consumer climate</b>	10.6	10.5	10.8

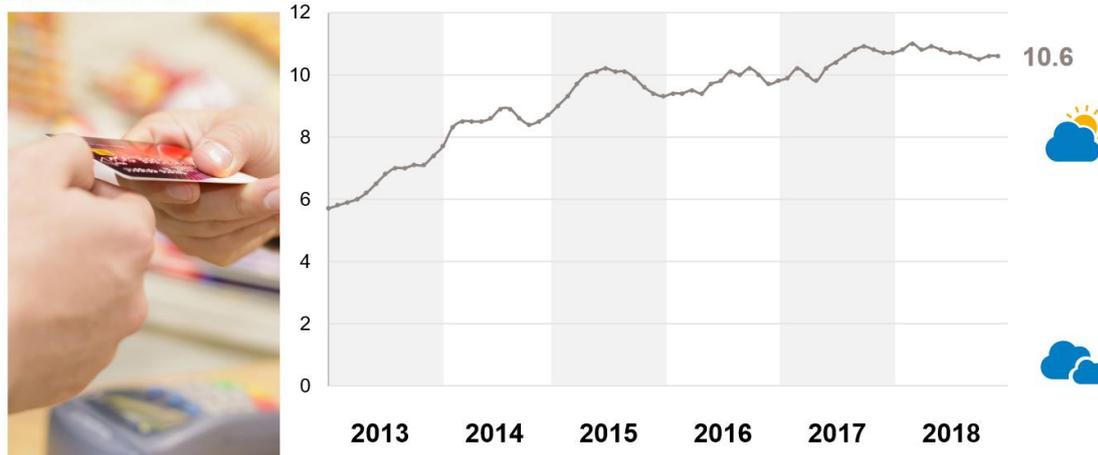
The following graph shows how the Consumer Climate Index has developed over recent years:

### GfK Consumer Climate Index

Consumer climate in Germany remains stable



November 2018



Source: GfK survey on behalf of European Commission | 10/18

### Provisional publication dates for 2018

- Wednesday, November 28, 2018, 08:00 am
- Friday, December 21, 2018, 08:00 am

### About the study

The survey period for the current analysis was from October 5, 2018 to October 19, 2018. The results are extracted 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, retail trade, depending on the definition used, accounts for only around 30 percent of private consumer spending. Services, travel, rent, health services, and the wellness sector as a whole account for the rest.

GfK's forecast for 2017 was an increase in consumption of at least 1.5 percent. According to data from the German Federal Statistical Office, private consumption rose by around 1.9 percent in real terms in 2017. 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**

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