

Press release

The next GfK Consumer Climate report will be published on
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German consumer optimism is returning

Nuremberg, January 29, 2020 - Consumer sentiment in Germany shows signs of recovery with slightly increased optimism at the start of the year. Propensity to buy as well as economic and income expectations are improving. GfK has forecast a figure of 9.9 points for February 2020, 0.2 points higher than in January of this year (revised 9.7 points). For 2020 as a whole, GfK has forecast real growth of one percent for private consumer spending in Germany. These are the results of the GfK consumer climate study Germany for January 2020.

Above all, the rise in income expectations and propensity to buy at the beginning of this year will allow the consumer climate to pick up.

"Initial agreements in the trade dispute between the United States and China will also ease the situation in Germany. As an export nation, the country relies on the free and unrestricted exchange of goods," **explains Rolf Bürkl, GfK consumer expert.** "The positive start for the consumer climate in 2020 confirms our assessment that private consumption will continue to be an important pillar of the German economy this year. For the year as a whole, GfK forecasts real growth in private consumer spending in Germany of one percent."

Economic expectations set to increase slightly

Following a setback in the previous month, the economic outlook stabilized again in January. The indicator gained 0.7 points and is now at -3.7 points. While it seems to have recovered from the low point reached in autumn 2019, the indicator is still a good twelve points below its level in the previous year.

The initial agreements reached between the United States and China in the trade dispute have certainly prevented the economic indicator from falling further. There are also increasing signs that there will be no recession and

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that the German economy will stabilize. However, the growth rate of gross domestic product this year will be moderate at around one percent, somewhat higher than last year. Economic growth is estimated at 0.6 percent for 2019. Yet de-escalation in the trade dispute is essential for sustainable recovery. Furthermore, crises such as the tension between the United States and Iran following an attack on a high-ranking Iranian general must not worsen.

Income optimism increases noticeably

With the prospect of a more stable economic outlook, consumer income expectations are also increasing significantly. The indicator has almost completely recovered from its losses in the previous month with an increase of 9.6 points. It currently stands at 44.6 points, just under 13 points lower than in the previous year.

The income indicator continues to benefit from the extremely good employment situation in Germany. Its momentum has however noticeably weakened recently. The automotive industry and its suppliers are facing difficult times due to the switchover to electromobility. This involves personnel adjustments. The extent to which income expectations will be affected also depends on the period over which these adjustments will be made.

Propensity to consume climbs to a 12-month high

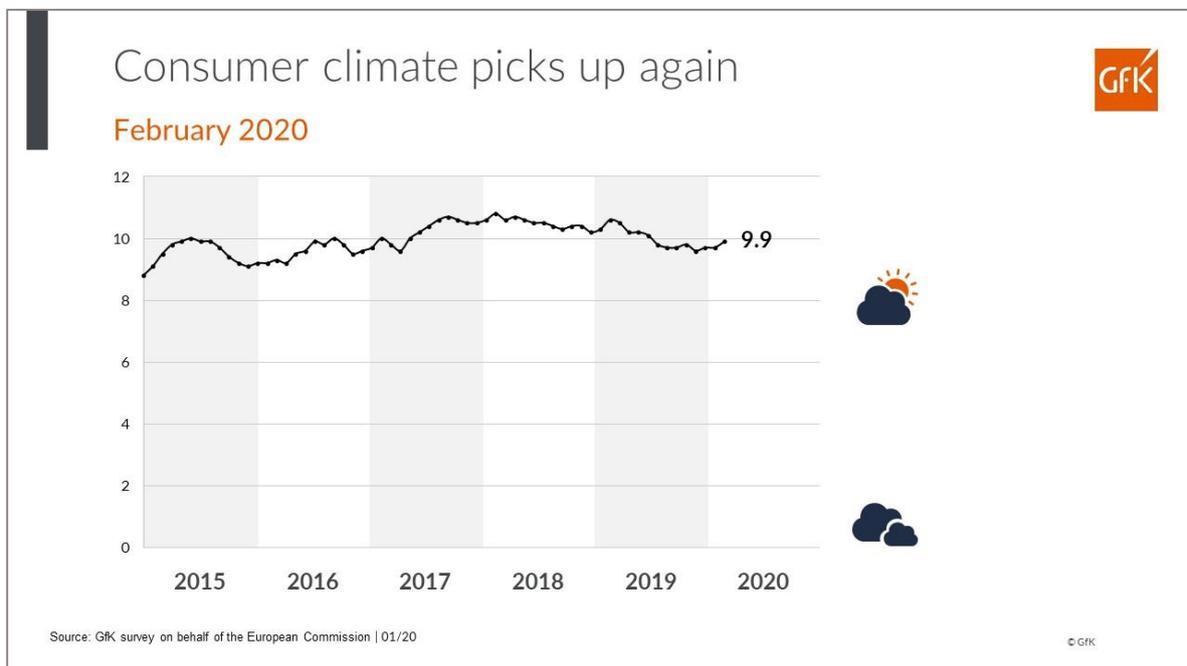
The propensity to buy has also benefited from increasing economic and income optimism. The indicator has climbed by 3.3 points to 55.5 points, its highest level in a year. In January 2019 the indicator stood at 57.5 points – this year's figure showing only a small drop of 1.6 points in comparison.

The mood among German consumers remained unchanged at the beginning of 2020. Ongoing stable employment and real income growth are the key pillars for the indicator. Propensity to consume was further stimulated by the European Central Bank's low-interest-rate policy. Despite an increase in January, propensity to save remains at a low level. As a result, saving as an alternative to consumption is still not an attractive option. An increasing number of banks are also demanding punitive interest rates from private investors, which should give additional impetus to the mood for consumption.

The following table shows the change in each indicator in January in comparison with the previous month and previous year:

	January 2020	December 2019	January 2019
Economic expectations	-3.7	-4.4	8.6
Income expectations	44.6	35.0	57.5
Propensity to buy	55.5	52.2	57.1
Consumer climate	9.7	9.7	10.3

The following graph tracks the Consumer Climate Index over recent years:



Provisional publication dates for the first quarter of 2020:

- Thursday, February 20, 2020, 8:00 a.m.
- Thursday, March 26, 2020, 8:00 a.m.

About the study

The survey period for the current analysis was January 8 to January 20, 2020. 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 brief comments on the indicators. 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 2019 is an increase in private consumption of 1.5 percent. 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.

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