

Press release

The next GfK Consumer Climate Study will be published on
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Rolf Bürkl
GfK Consumer Expert
Tel: +49 911 395 3058
rolf.buerkl@gfk.com

Julia Richter
Public Relations
Tel: +49 911 395 4440
public.relations@gfk.com

German consumer climate stagnates

Nuremberg, February 20, 2020 – German consumer sentiment shows a mixed picture with little change in February. While economic expectations gained slightly, income expectations and propensity to buy suffered moderate losses. As a result, GfK has forecast a figure of 9.8 points for March 2020, 0.1 points lower than February's level (9.9 points). These are the results of the GfK consumer climate study in Germany for February 2020.

Moderate losses for income expectations and propensity to buy have resulted in a slight decline for the German consumer climate.

"The consumer climate has been unable to continue the previous month's positive trend. The spread of the coronavirus has undoubtedly contributed to uncertainty among consumers," **explains Rolf Bürkl, consumer expert at GfK.** "A decline or halt in production in companies in China triggered by the virus could affect production in Germany as well, or even cause it to come to a complete standstill. This could result in reduced working hours and possibly reductions in staff. And this would not be of benefit to consumer confidence."

GfK confirmed its forecast from the previous month, according to which private consumption will increase in real terms by about one percent this year.

Second consecutive increase for economic expectations

Economic expectations appear to be making a slow recovery. In February, the indicator increased for the second time in succession, leaving behind the low level seen in the fall of last year. The indicator gained 4.9 points this month and currently stands at 1.2 points, just slightly higher than its long-term average of around 0 points. This is a decrease of only 0.2 points compared to the previous year. In the face of weak periods of economic activity caused by the trade conflict between the US and China and the

GfK SE
Nordwestring 101
90419 Nuremberg
Germany

Tel: +49 911 395 0

Management Board:
Peter Feld (CEO)
Lars Nordmark (CFO)

Chairman of the
Supervisory Board:
Ralf Klein-Bölting

Commercial Register:
Nuremberg HRB 25014

coronavirus, the signals from the German labor market remain encouraging. Employment remains largely stable, though the momentum seen in recent years is a thing of the past.

Moderate decline in income expectations

Income expectations failed to make gains on the back of improved economic outlook in February. The indicator dropped by 3.4 points to 41.2. However, the income indicator remains at a high level, even though it is down by 16.5 points compared to the previous year. The largely stable employment situation means that employees will enjoy an increase in earnings this year as well, albeit not quite as high as in previous years. Pensioners can also hope for a substantial rise in their income. How the coronavirus will impact the German economy remains to be seen, however. If production in China is halted for an extended period of time and the supply of intermediate products to German industry is interrupted as a result, there is a risk that concerns about unemployment could increase. This would undoubtedly affect income expectations as well.

Propensity to consume maintains excellent level

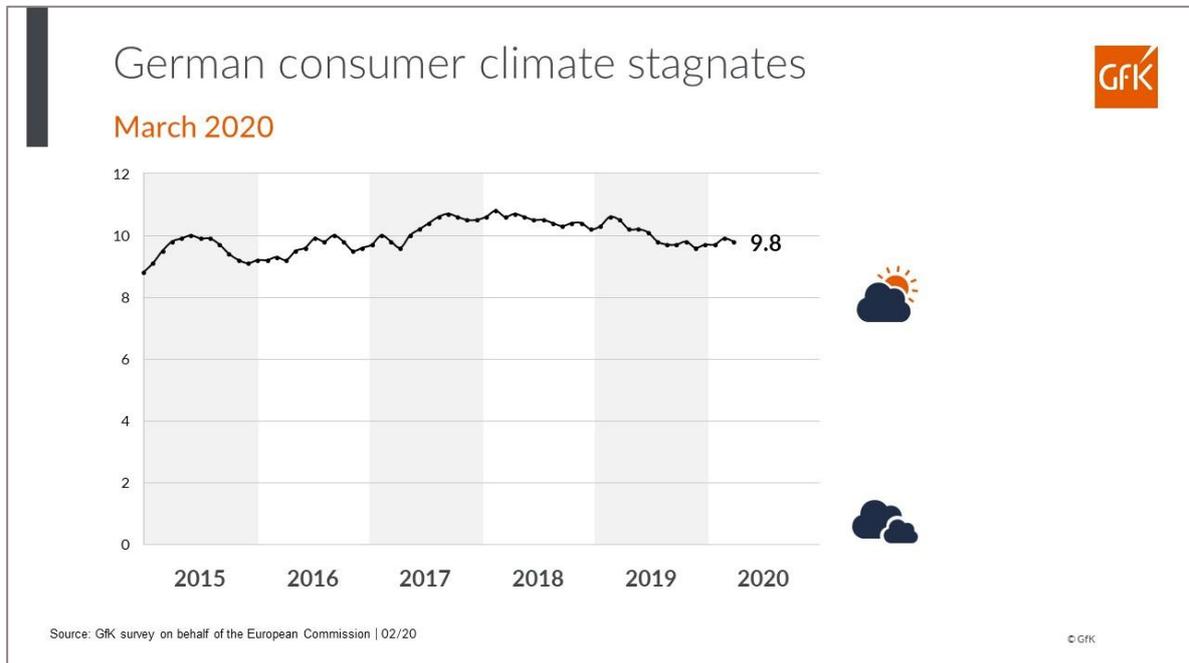
Notwithstanding minor losses, propensity to buy has maintained a very high level in February 2020. While the indicator dropped by 1.9 points, consumer confidence remains strong at 53.6. This is also demonstrated by the fact that the indicator even shows a small gain of 1.7 points compared to the previous year.

Consumer confidence has so far remained unaffected by weaker economic conditions, trade conflicts and the coronavirus. Any further escalation in these problem areas does, however, threaten to bring this soaring consumer confidence to an end. For this reason, the focus should be on diffusing these crises, from the consumers' point of view as well. The European Central Bank's low interest rate policy continues to reinforce propensity to buy, while propensity to save remains at low levels in February. Currently, saving as an alternative to spending is and remains an unattractive option.

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

	February 2020	January 2020	February 2019
Economic expectations	1.2	-3.7	1.4
Income expectations	41.2	44.6	57.7
Propensity to buy	53.6	55.5	51.9
Consumer climate	9.9	9.7	10.6

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



Provisional publication dates for Q1/Q2 2020:

- Thursday, March 26, 2020, 8:00 a.m.
- Thursday, Apr 23, 2020 (8am CET)
- Tuesday, May 26, 2020 (8am CET)
- Thursday, Jun 25, 2020 (8am CET)

About the study

The survey period for the current analysis was January 29 to February 10, 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 2020 is an increase in private consumption of one 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.

GfK – extracting the signals from the noise

In a world of data overflow, disruption and misuse, picking up the right “signal from noise” is key to win. We at GfK are the trusted partner with more than 85 years of experience in combining data and science to help you make the right business decisions. Together with our attention to detail and advanced Augmented Intelligence, we provide you with world-class analytics that delivers not just descriptive data but actionable recommendations always-on at your fingertips. As a result, you can make key business decisions with confidence which help you drive sales, organizational and marketing effectiveness. That’s why we promise to you “Growth from Knowledge”. For more information, please visit www.gfk.com or follow GfK on Twitter www.twitter.com/GfK.