

# Embargo: 28 October 2015, 8 a.m. CET



## Press release

The next GfK Consumer Climate report will be published on  
November 27, 2015, 1.00pm, CET

### German consumer optimism declines

#### Findings of the GfK Consumer Climate study for Germany for October 2015

**Nuremberg, October 28, 2015 – Consumer sentiment in Germany has once again dropped this month with the consumer climate falling slightly for the third time in a row. Following a value of 9.6 points in October, the overall indicator is forecasting 9.4 points for November. While the income expectations indicator remains unchanged from the previous month, economic expectations and willingness to buy have both suffered losses.**

The consumer confidence witnessed in Germany in recent months is gradually waning. Meanwhile, like last month, economic expectations are decreasing significantly, seemingly as a result of the feelings created by the ongoing refugee crisis in particular. In contrast, willingness to buy has only experienced a slight downturn, while income expectations have stayed the same as the previous month.

#### Economic expectations decline for the fifth time in a row

The economic concerns of German citizens grew in October with the indicator dropping for the fifth consecutive time. Although the decline of 9.3 points is slightly less pronounced than in September (-10.2 points), at -2.9 points consumer expectations have slid to below zero for the first time since May 2013. This means that they have dwindled to beneath their long-term average.

The downward trend in the economic outlook goes hand in hand with the concern felt by many German citizens that the situation in the labor market will worsen in the coming months. For example, while in October around 44 percent of respondents stated that they believe unemployment will rise or rise significantly over the next few months, in July this figure stood at just 22 percent. In contrast, only 10 percent expect unemployment to fall (July 2015: 25 percent).

GfK decided to more closely investigate the reasons behind this recent rise in anxiety about greater unemployment. The results were unequivocally clear, as 70 percent of respondents who believe that unemployment will increase over the next few months cited the refugee crisis, in other words the persistently large and sometimes uncontrolled influx of asylum seekers, as the primary cause for their concerns. This figure can, of course, also be attributed to the widespread media coverage of the topic. The difference in

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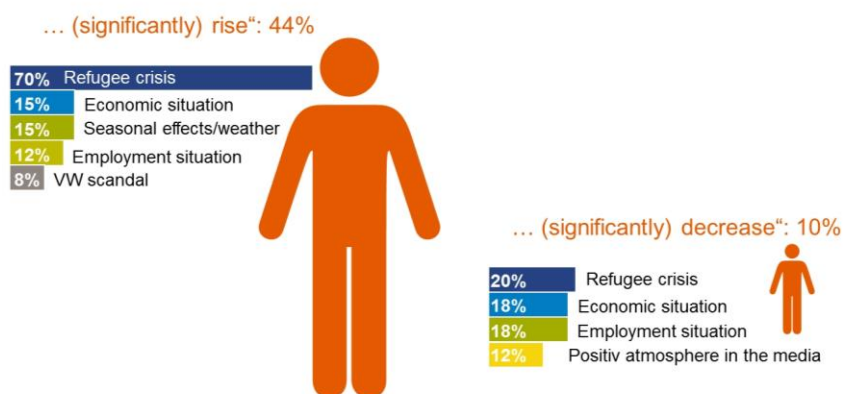
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sentiments between the east and west of the country is negligible, as 67 percent of Germans living in the east and 71 percent of Germans living in the west cited the number of refugees as the reason for their more pessimistic view of employment figures. In contrast, the worsening economic situation and seasonal effects, such as weather, which regularly affects outdoor work in winter in particular, were each mentioned by just 15 percent of respondents and thus play a rather minor role. Meanwhile, German consumers do not feel that the scandal surrounding Volkswagen's manipulation of emissions data for its diesel vehicles currently presents much of a risk for the labor market. Only eight percent view this as a reason for the gloomy employment outlook.



Reasons for increasing risks in the labor market

„In the next months, the unemployment will ...



Basis: n=1.001 people; multiple response possible; source: GfK, EU-Commission

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## Income expectations remain stable despite growing economic worries

Income expectations continue to resist being affected by the ever increasing economic worries. After two successive drops, the indicator stayed at 47.7 points in October, which is exactly the same figure as in the previous month.

When evaluating their own financial situations, consumers especially seem to base their assessments on the significant rises in real income. By hovering around zero, the inflation rate is currently increasing the purchasing power of consumers, which in turn explains why the indicator is at an extremely high level. Another reason for this are reports that pension providers believe that the statutory pension could rise by up to 5 percent over the next year as a result of the current excellent growth in wages and salaries.

### **Willingness to buy decreases slightly for the fifth time in a row**

Willingness to buy underwent a decline in October in the wake of a less favorable economic outlook. Nevertheless, the loss of 4.5 points is relatively low and overall the indicator remains very high at 45.9 points, which is a mere 0.3 points greater than at the same time last year.

Despite this recent downturn, the propensity to consume is still very pronounced. The main reasons for this are stable employment relationships and noticeable increases in income. This positive consumer sentiment is also reflected in reality, as according to initial preliminary figures from the Federal Statistical Office on the development of retail sales in August, real and nominal sales have each risen by 2.5 percent in comparison to August 2014. During the first eight months of this year, a real increase of 2.8 percent in comparison to the previous year was recorded (nominal 2.6 percent). However, only around a third of consumers' disposal income actually reaches retailers, with the rest being spent on leisure activities, holidays, insurance and services.

### **Consumer climate declines**

For November 2015, the overall indicator is forecasting 9.4 points in comparison to 9.6 points in October. Although this is the third consecutive drop in the consumer climate and the lowest level since February, the indicator is still very satisfactory. The excellent development of the retail sector is currently an important pillar of the consumer climate.

Future consumer sentiment will predominantly depend on whether the uncertainties currently surrounding the progression of the labor market continue to intensify. If this is the case and if employees are increasingly worried about their jobs, the propensity to consume will suffer a major setback. Concerns about unemployment are reducing the certainty with which consumers can plan for the future. In turn, this is having a particularly negative effect on the decision to make larger purchases.

### **Provisional publication dates for 2015**

**PLEASE NOTE: The date of publication in November has changed.**

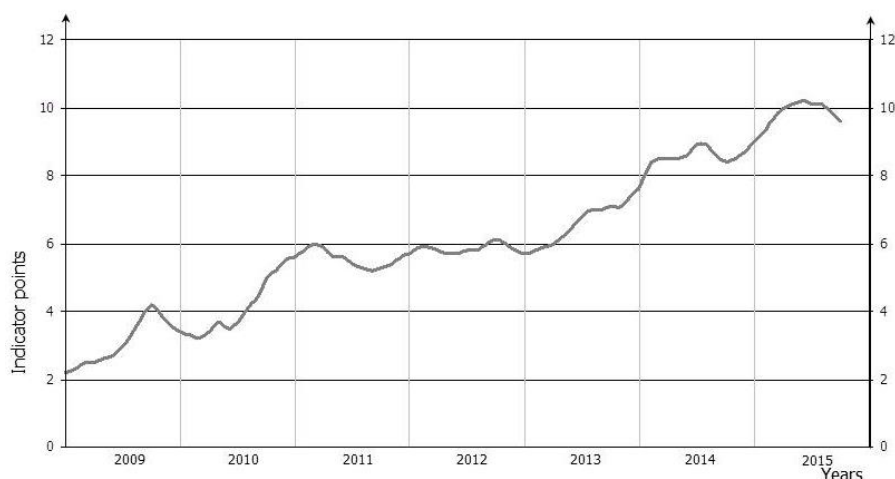
<b><i>Friday, November 27, 2015, 1pm</i></b>	<b>Tuesday, December 22, 2015, 8am</b>
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The following table shows the development of the individual indicators in October in comparison with the previous month and prior year:

	October 2015	September 2015	October 2014
<b>Economic Expectations</b>	-2.9	6.4	4.3
<b>Income Expectations</b>	47.7	47.7	46.9
<b>Willingness to Buy</b>	45.9	50.4	45.6
<b>Consumer Climate</b>	9.6	9.9	8.4

The following graph shows the development of the consumer climate indicator over the past few years:

**GfK Consumer Climate indicator (as of: October 2015)**



### About the study

These findings are extracts from the “GfK Consumer Climate MAXX survey,” which is based on approximately 2000 consumer interviews conducted each month on behalf of the European Commission. The report contains charts, forecasts, and a detailed commentary regarding the indicators. In addition, the report includes information on proposed consumer spending in 20 different areas of the durable consumer goods, non-durable consumer goods, and services markets. The GfK Consumer Climate survey has been conducted since 1980.

The consumer climate explicitly refers to all private consumer spending. However, depending on the definition, only 30 percent of private consumer spending is attributable to retail. The remainder is attributable to services, travel, rent, health services, and the entire personal care segment.

GfK is predicting a rise in private consumption of 1.5 percent for 2015. Again, this does not only concern retail sales, but rather all consumer

spending. Last year, GfK also forecast that private spending would increase by 1.5 percent. According to figures from the Federal Statistical Office, private spending grew by 1.2 percent in 2014.

Willingness to buy – like all the other indicators – is an indicator of sentiment. It examines whether consumers think it is currently advisable to make major purchases. Even if they answer “yes,” two further requirements need to be fulfilled for a purchase to be made: Consumers must have the money that is required for such a major purchase and they must also view this acquisition as necessary. In addition, it only concerns durable consumer goods, which also require a larger budget.

The findings of the consumer climate survey are based on approximately 2,000 interviews conducted each month on a representative sample of the German population. This survey tool is subject to continuous quality controls, particularly with respect to its representativity. The fact that the results are used and recognized in the field of empirical legal research (for example, with respect to the likelihood of confusion between products) is a testament to the exceptionally high quality of this survey. This means that the results are quality approved by experts and must stand up in court.

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The table below provides an overview of the individual indicators:

Economic expectations	This index is based on the following question to consumers: “How do you think the general economic situation will develop in the next 12 months?” (improve – remain the same – deteriorate)
Income expectations	This index is based on the following question to consumers: “How do you think the financial situation of your household will develop in the next 12 months?” (improve – remain the same – deteriorate)
Propensity to consume and willingness to buy	This index is based on the following question to consumers: “Do you think it is advisable to make major purchases at the moment?” (good time – neither good nor bad time – bad time)
Consumer climate	This index is used to describe personal consumption. Key factors are income expectations, willingness to buy, and savings trends. The economic outlook has a more indirect effect on the consumer climate as a result of income expectations.

## 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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