



Press release

Consumer climate Germany: recovery halted for the moment

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Nuremberg, August 28, 2020 – Expectations for a rapid recovery in the consumer climate in Germany were dealt a significant blow in August. After gaining for three consecutive periods, the indicator suffered a considerable decline. While economic expectations and propensity to buy showed marginal gains, income expectations fell sharply. As propensity to save is also currently gaining, GfK is forecasting a figure of -1.8 for September 2020, 1.6 points down from August this year (revised to -0.2). These are the results of the GfK consumer climate study Germany for August 2020.

"An increase in the number of infections and the fear that coronavirus-related restrictions will be further tightened are creating uncertainty and consequently dampening the mood. The reduction in value added tax (VAT) which came into effect in Germany on July 1st may be boosting propensity to consume but has not yet been able to provide a stronger stimulus," **explains Rolf Bürkl, consumer expert at GfK.** "Whether or not this is just a temporary slowdown will depend primarily on what infection rates look like in future and the necessary measures to be put in place by policy makers."

This uncertainty is particularly evident when it comes to **income expectations**, which, after having gained for three consecutive periods, showed a marked decline in August. The indicator fell by 5.8 points to 12.8 – a loss of around 37 points when compared to the previous year.

Another signal of the growing uncertainty was provided by **propensity to save**, which gained 5.5 points this month, further impacting the consumer climate.

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Propensity to buy only sees marginal gains

Unlike income expectations, **propensity to buy** was able to further improve on an already strong level – though its gains were marginal at just 1.2 points. The indicator is currently at 43.7, just over five points below the previous year's level.

Economic expectations gain slightly

The economic outlook of German consumers also improved in August for the fourth time in a row. But here too, the improvement was limited with the indicator gaining just 1.1 points to reach 11.7. This is already the fourth consecutive increase. The last time a higher value was recorded was in November 2018, when the indicator stood at 14.8.

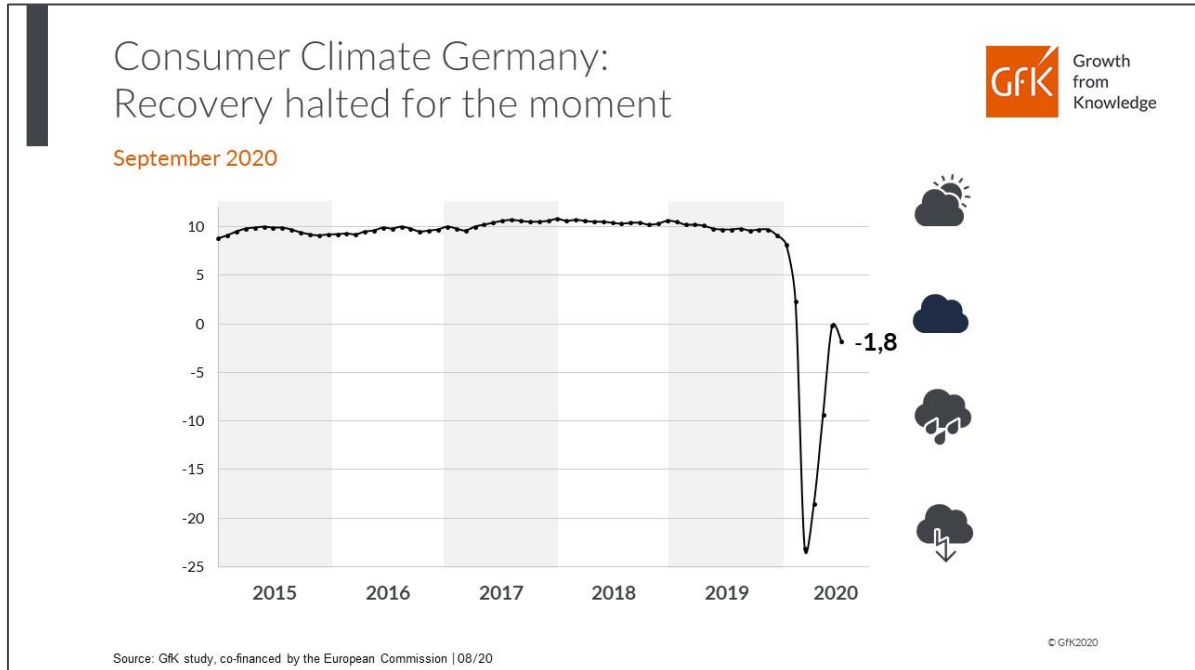
Consumers remain confident that with the help of extensive economic stimulus packages for businesses and consumers, the German economy will be able to recover from the worst recession since post-war period. This will, however, only be possible if the rise in the number of infections can be stopped and no drastic measures to contain the pandemic are necessary, including the possibility of a second lockdown.

To ensure a complete and lasting recovery of the German economy, it is also essential that the markets for German exports recover quickly.

The following table shows the change in certain indicators in August in comparison with the previous month and previous year:

	August 2020	July 2020	August 2019
Economic expectations	11.7	10.6	-12.0
Income expectations	12.8	18.6	50.1
Propensity to buy	43.7	42.5	48.8
Consumer climate	-0.2	-9.4	9.7

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



Provisional publication dates for 2020:

- Wednesday, 09/23/2020, 8:00 a.m.
- Thursday, 10/22/2020, 8:00 a.m.
- Thursday, 11/26/2020, 8:00 a.m.
- Tuesday, 12/22/2020, 8:00 a.m.

About the study

The survey period for the current analysis was August 5 to 17, 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, depending on the definition used, retail trade 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. 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 indicates 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 money required 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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GfK – extracting the signals from the noise

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