



Press release

Consumer climate fatiguing due to fear of second lockdown

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Nuremberg, October 22, 2020 – The optimism of German consumers is fading noticeably in October. Around three quarters of consumers currently assume that COVID-19 poses a major or very major threat, and about half are concerned or very concerned about their personal future. Both economic and income expectations as well as propensity to buy have had to take losses. GfK is thus forecasting a figure of -3.1 points for November 2020, 1.4 points lower than in October of this year (revised -1.7 points). These are the findings of the GfK Consumer Climate Study for October 2020.

"The rapid increase in infection rates is leading to a tightening of restrictions brought on by the pandemic. Fear of a second lockdown, should infections get out of control in the coming winter months, is also increasing," explains Rolf Bürkl, GfK Consumer Expert. "As a result, the in parts significant recovery we saw in consumer sentiment at the start of the summer has come to a standstill and is causing the consumer climate to plummet once more. An increase in propensity to save in October has also contributed to this."

This is also reflected in the results of a recent GfK eBUS® survey. According to this, around three quarters of consumers in Germany (74 percent) feel that COVID-19 poses a major or very major threat. 17 percent see the risk as somewhat more relaxed and six percent do not feel threatened at all. When it comes to their personal future - keeping the potential economic effects of the crisis in mind - half (51 percent) are concerned or very concerned. Some 34 percent say they are less concerned and 11 percent are not worried at all. What is interesting about these results is that they have never been as negative as they are now since the weekly measurement began back in April 2020.

Whether the consumer climate can again stabilize in the coming months will depend above all on how infection rates progress.

Economic outlook receding significantly

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Economic expectations among Germans is the biggest loser among sentiment indicators in October. After five increases in a row, the economic mood has now lost seventeen points, falling to 7.1 points. The good news is that this is still a positive of nearly 21 points compared to the same period last year.

Consumers are apparently assuming that the quick recovery of the economy that had been hoped for previously is slowing due to the increased and rapid spread of infections in Germany. In the latest edition of "Joint Economic Forecast Fall 2020" (Gemeinschaftsdiagnose Herbst 2020), economic experts too are assuming that recovery will be slowed by the pandemic and only manage to reach its pre-crisis level in the first quarter of next year. They have therefore downgraded their predictions for this year and the next.

In addition to this, some of our most important trading partners, such as France, Spain or the UK, are having to deal with higher infection rates. Important drivers for the development of our exports will therefore fail to be engaged in the coming months.

Income prospects falling

Fading economic optimism has not left the income prospects of consumers in October untouched either. The **income expectation indicator** loses 6.3 points, falling to 9.8. It is therefore a good 29 points behind its value the same time last year.

For example, increasing infection rates are pushing back the opening up of the economy in the hospitality and tourism industries even further. Workers from these sectors will be spending a lot longer on the furlough scheme than previously hoped. A number of companies from these and other areas of the services industry are also threatening to become insolvent in the coming weeks and months. This would lead to increasing unemployment and would put a strain on the growth of private household income. The German government is attempting to combat this trend with a comprehensive financial package for companies and households.

Mild losses in propensity to buy

Propensity to buy underwent a decline in the wake of a fall in economic outlook. However, with a reduction of 1.4 points these losses are significantly less. Currently, the indicator remains at a very satisfactory level at 37.0 points. It is therefore just 15 points behind the same period last year.

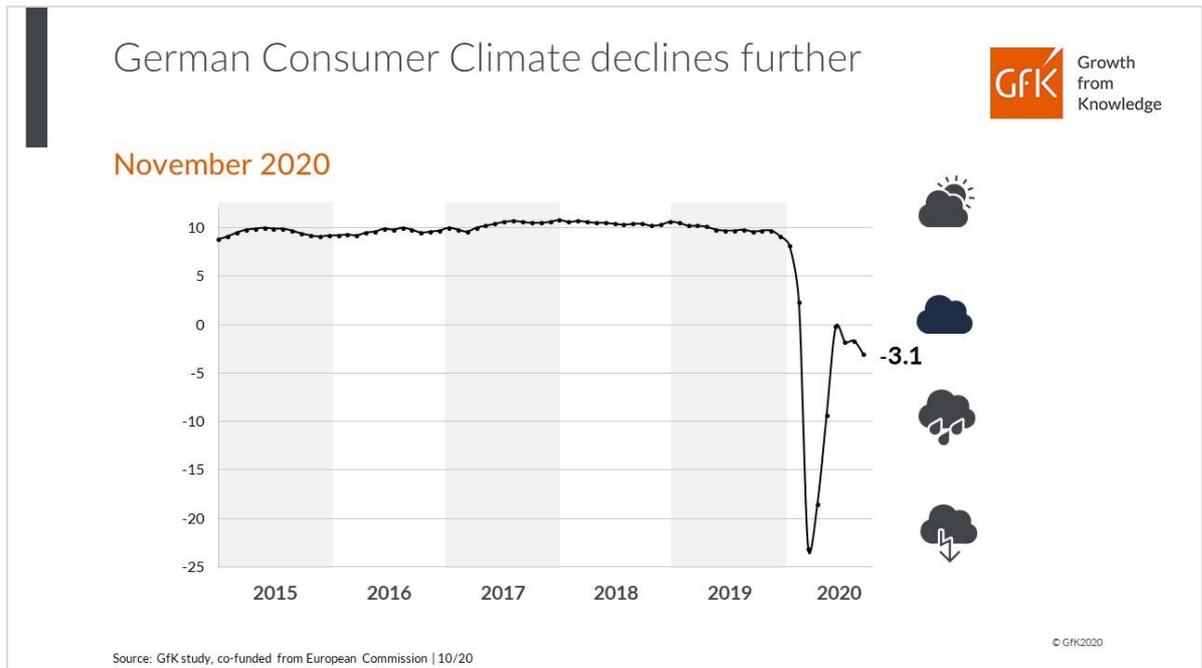
If concerns over job losses increase in the future as a result of the pandemic, consumers will be more careful when it comes to their purchases, which will put a strain on the consumer climate.

The following table shows the development of individual indicators in October in comparison with the previous month and the previous year:

	October 2020	September 2020	October 2019

Economic expectations	7.1	24.1	-13.8
Income expectations	9.8	16.1	39.0
Propensity to buy	37.0	38.4	51.7
Consumer climate	-1.7	-1.8	9.8

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



Provisional publication dates for 2020:

- 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 from September 30 to October 13, 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.

GfK eBUS® is a population-representative online survey in which 1,000 people aged 18-74 are interviewed each week. The editorial deadline is always Tuesdays, within a week representative, valid results are available. The questions on the fears regarding Corona have been collected almost weekly since mid-April. The survey period for the results in this press release: October 15 to 18.

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