



Press release

Consumer climate dealt a blow by second wave

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Nuremberg, November 26, 2020 – Consumer sentiment in November was significantly dampened by the partial lockdown. As was already the case in the previous month, both economic and income expectations as well as propensity to buy have declined. As a result, GfK has forecast a figure of -6.7 for December 2020, 3.5 points down from October this year (revised to -3.2 points). These are the findings of the GfK Consumer Climate Study for November 2020.

A rapid increase in infection rates has prompted a second lockdown by the German government, albeit with less stringent restrictions than faced during the lockdown earlier this year.

"Though stores will remain open, the renewed shutdown of the hotel, restaurant and events industry – as well as the already struggling tourism industry – has had a serious impact on the consumer climate," **explains Rolf Bürkl, consumer expert at GfK.** "As a result, any hope we still had in early summer of a rapid recovery is now lost. Growing uncertainty has once again led to an increase in propensity to save, another factor which has contributed to the decline in the consumer climate."

This uncertainty is also reflected in the results of a recent GfK eBUS® survey. According to the survey, three in four Germans (75 percent) believe that COVID-19 poses a significant or very significant threat to Germany. 18 percent believe the threat is not that serious and only four percent believe there is no significant threat at all. When it comes to their personal futures in relation to COVID-19, consumers are less concerned. The percentage of optimistic respondents is about equal to those with a more pessimistic view – approximately 50 percent of those surveyed are not particularly concerned or not at all concerned about the economic impact of the coronavirus crisis on their own futures. However, around 48 percent of respondents indicated that they are either very concerned or somewhat concerned.

GfK consumer expert Rolf Bürkl added: "How the infection rate develops in the coming weeks will play a decisive role in determining whether the consumer climate will be able to stabilize again. Only a significant

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decrease in the number of infections and an easing of restrictions will restore a more optimistic outlook."

Economic expectations continue downward trend

The **economic expectation** indicator fell by 7.3 points to -0.2, it's lowest figure since May of this year when it stood at -10.4 points.

Lockdown-lite, as it has been dubbed, came into effect at the start of November and with it, consumers' hopes of a sustained recovery of the German economy have faded. According to its recently published annual report, the German Council of Economic Experts (Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung) also believes that renewed pandemic-related restrictions will temporarily halt the recovery of the German economy.

Exports will also be unable to provide a significant boost to the German economy in the coming months as some of our most important trading partners, such as France, Italy, Spain and the UK have been much harder hit by COVID-19 and have introduced tougher measures to contain the virus.

Optimism about income dwindling

Income expectations have suffered another setback in November in the wake of a declining economic outlook. The indicator lost 5.2 points, falling to 4.6 – a loss of 41 points when compared to the same period last year.

The second lockdown this year has been a major blow to businesses in the hospitality, hotel and events, and tourism industries. Despite considerable financial support from the Government, a number of businesses in these industries are unlikely to survive and will be forced to file for bankruptcy. This is fueling job loss fears for many employees and ultimately placing a strain on income expectations.

Propensity to buy also declines

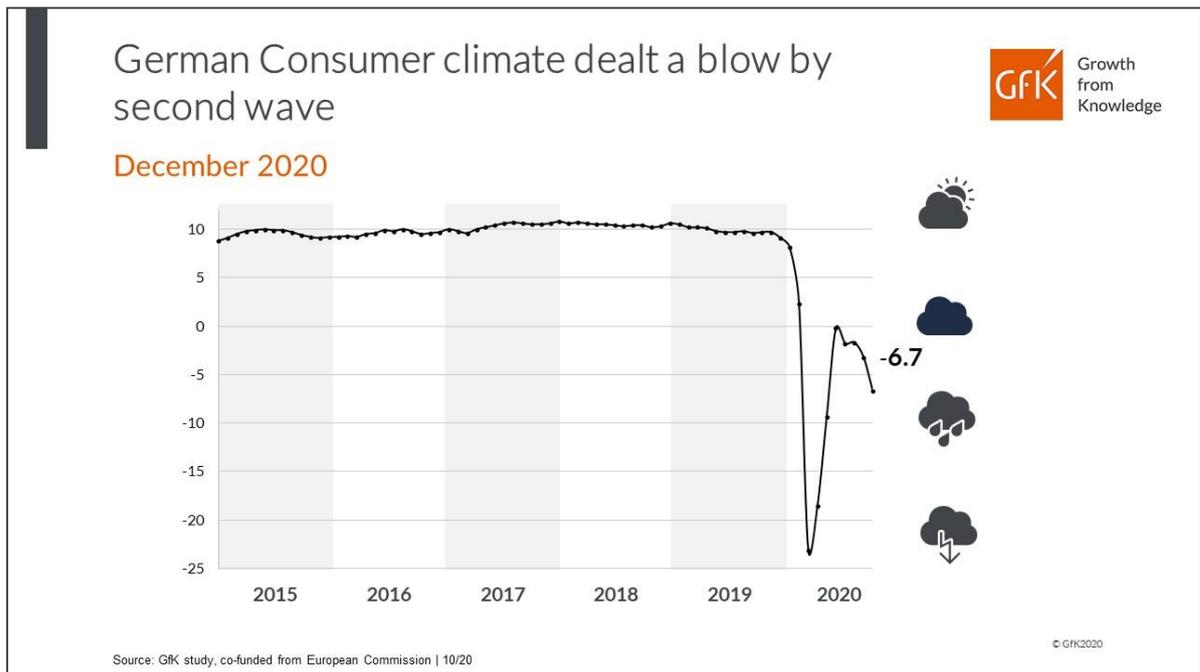
Propensity to buy has not been immune to falling economic and income expectations. The indicator dropped 6.5 points to 30.5 – a level which is still considered satisfactory when compared to the other two indicators.

In addition, concerns over job losses as a result of a possible increase in the number of bankruptcies will also impact propensity to consume.

The following table shows the changes in individual indicators in November in comparison with the previous month and previous year:

	November 2020	October 2020	November 2019
Economic expectations	-0.2	7.1	1.7
Income expectations	4.6	9.8	45.5
Propensity to buy	30.5	37.0	50.0
Consumer climate	-3.2	-1.7	9.6

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 GfK's methods

The survey period for the current analysis was November 5 to November 16, 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 representative online survey in which 1,000 people aged 18-74 are interviewed each week. The publication deadline is every Tuesday and representative, valid results are available within a week. Survey period for the results in this press release: November 12 to 16.

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