



Press Release

Germany: Economic optimism

Recovery in consumption possible in second half of the year

May 27, 2021

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

Nuremberg, May 27, 2021 – German consumer sentiment was rather bright than muted during the month of May. Economic and income expectations are on the rise. By contrast, the propensity to buy suffered moderate losses after three consecutive increases. As a result, GfK is forecasting a value of -7.0 points in consumer confidence for June 2021, up 1.6 points from May this year (revised from -8.6 points). These are the findings of the GfK Consumer Climate Study Germany for May 2021.

The good news is that German consumer confidence about the economy appears to be returning. The economic expectations indicator rises significantly in May. After rising by almost 34 points, it jumped to 41.1 points, its highest level in more than three years. The measurement in March 2018 was 42.8 points.

Rolf Bürkl, GfK consumer expert comments on the subject: “We are leaving the third wave more and more behind us, the incidence values have been decreasing significantly for several weeks. And we are also making great progress when it comes to vaccination. As a result, loosening of restrictions and a reversal of the strict lockdown are possible. This primarily fuels economic optimism and creates a mood of economic optimism at the moment.”

The sudden increase in the economic outlook also fuels hopes that – with a delay – consumer sentiment will also benefit more in the second half of the year and that private consumption can recover. At the moment, the German economy is being supported primarily by the positive export development, especially in the goods and services trade with China and the USA.

Income expectations benefit from economic euphoria

In the wake of a sharp rise in the economic outlook, income expectations also increased in May. After an increase of 10.2 points, the indicator climbs to 19.5 points. This compensates for a substantial part of the

GfK SE
Sophie-Germain-Straße 3 – 5
90433 Nürnberg
Deutschland

T +49 911 395 0

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

Chairman of the supervisory
board:
Thomas Ebeling

Commercial register:
Nürnberg HRB 25014

previous month's losses (-13 points). This actually represents an increase of currently more than 25 points compared to the same period of the previous year.

The loosening of restrictions or openings — for example in the restaurant and hotel industries — will lead a number of employees out of short-time work. This also raises hopes of a better income trend.

Propensity to buy suffered losses after three consecutive increases

In contrast to income expectations, the propensity to buy is apparently unable to benefit from the sharp rise in economic optimism. After three consecutive increases, the propensity to buy suffered moderate losses, with the indicator dropping 7.3 points to a current value of 10 points. This is still 4.5 points higher than the corresponding figure for the previous year.

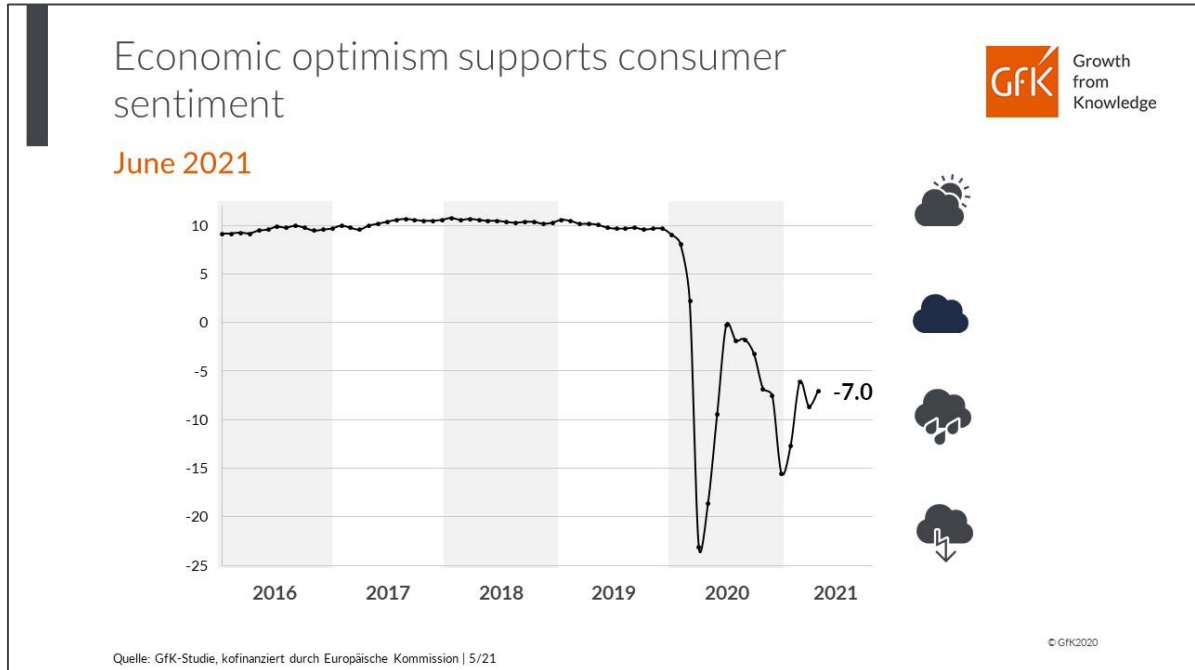
Despite the openings and relaxations that have been made or announced to date, a number of consumption options, especially in service sectors, are still not possible or only possible to a very limited extent. This is likely to slow down a noticeable recovery in propensity to buy at present.

The conditions for a significant recovery in consumer sentiment are good. As a result of the lockdowns, broad sections of private households have substantial financial reserves. This is reflected in the increased savings rate of private households, which rose to about 16 percent during the pandemic. In 2019, it was still between 10 and 11 percent. This means that considerable funds are available for possible catch-up effects.

The table below shows the development of the individual indicators in May compared to the previous month and the previous year:

	May 2021	April 2021	May 2020
Economic expectations	41,1	7,3	-10,4
Income expectations	19,5	9,3	-5,7
Propensity to buy	10,0	17,3	5,5
Consumer sentiment	-8,6	-6,1	-23,1

The diagram below shows the development of the consumer sentiment indicator in recent years:



Planned publication dates Q2 2021:

- Thursday, 5/27/2021, 8:00 a.m.
- Friday, 6/25/2021, 8:00 a.m.

About our methods

The survey period for the current analysis was May 6 to May 17, 2021. 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, accompanied by brief comments. Consumer sentiment refers explicitly to all private consumer spending. Depending on the definition used, however, retail 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 confidence 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 actually only concerns durable consumer goods that also require a larger budget.

Contact: Julia Richter, T +49 911 395 4440, public.relations@gfk.com



GfK. Growth from Knowledge.

For more than 85 years, customers worldwide have trusted us by supporting them in business-critical decision-making processes around consumers, markets, brands, and media. With our trusted data and insights, combined with advanced artificial intelligence, we have revolutionized access to real-time, actionable recommendations that increase the marketing, sales, and organizational effectiveness of our customers and partners. This is how we promise and deliver — Growth from Knowledge.