



Press Release

Germany: Consumer sentiment stagnating in July

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Nuremberg, 28. July 28, 2021 – After the recent uptick in interest, consumer confidence is taking a breather in July. Both economic and income expectations show moderate losses, while the propensity to buy may again be increasing slightly. As a result, GfK forecasts a -0.3 point change in consumer sentiment in August, the same value as in July of this year. This is what the GfK Consumer Climate Study found for July 2021.

Although the economic and income outlooks are having to give up a small part of these gains after the strong increase in the previous month, the economic expectations are still showing to be at a rather extremely high level. In contrast, there was a slight increase recorded in the propensity to buy in July.

Rolf Bürkl, a GfK consumer expert commented on this observation:

"The phase where the decrease of COVID-19 incidence of infection has come to an end and those figures are again on the rise. In addition, the momentum for vaccination has recently slowed down considerably, despite there being sufficient quantities of the vaccine available. This is currently preventing any further significant increase as it pertains to consumer sentiment."

In addition, the topic of inflation is once again moving more into consumer focus. Experience shows that rising prices have a negative effect on consumer sentiment, a fact that is easily observable right now.

Bürkl adds: "Despite the current stagnation of consumer confidence, the domestic economy will make a positive contribution to overall economic development in the second half of the year. Consumers with full wallets will also ensure that this happens."

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Economic expectations are somewhat more moderate after a 10-year high

After climbing to a 10-year high in the previous month, economic expectations were somewhat more moderate in July. The indicator dropped 3.8 points and currently stands at 54.6. The level, which is still extremely high, is also evidenced by the fact that the economic outlook is 44 points higher than the corresponding figure from the previous year.

Consumers continue to view the German economy as being on the upswing, and private will contribute more and more to positive development.

Moderate drop in income expectation

Income expectations are in line with economic outlook and also show a moderate decline in July. The indicator dropped 5.1 points and now stands at 29. Here, too, the level is satisfactory, as evidenced by the increase of a good 10 points compared to the corresponding figure from the previous year.

One reason for income expectations developing more moderately is most likely due to the issue of inflation. In the eyes of consumers, once again it seems to be rising significantly. Due to higher energy prices and the introduction of CO₂ pricing, the rate of inflation has recently risen to more than two percent. In addition, inflation will continue to jump in July because the base effect of the VAT cut from July 2020 will now take effect. This is also likely affecting the outlook on income.

Slight gains in buying propensity

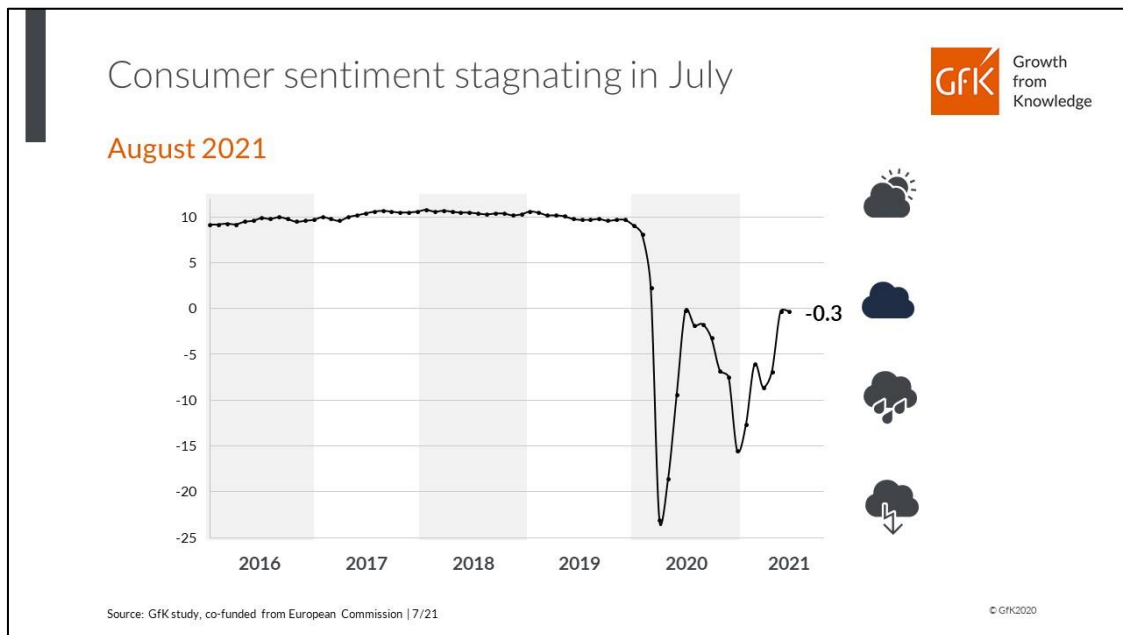
In contrast to economic and income expectations, the propensity to buy is rising slightly. After an increase of 1.4 points, the indicator has climbed to 14.8. Compared to the same period last year, consumption propensity is down by almost 28 points.

Unlike before, the joy that consumption brings has been clouded by the current situation. Although the wallets of many consumers are currently full, wearing masks and social-distancing rules have prevented them from having an unhindered shopping experience thus far.

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

	July 2021	June 2021	July 2020
Economic expectations	54.6	58.4	10.6
Income expectations	29.0	34.1	18.6
Propensity to buy	14.8	13.4	42.5
Consumer climate	-0.3	-6.9	-9.4

The diagram below shows how the consumer climate indicator has developed over recent years:



Planned publication dates Q3 2021:

- Thursday, 8/26/2021, 8:00 a.m.
- Tuesday, 9/28/2021, 8:00 a.m.



About our methods

The survey period for the current analysis was June 1 – 12, 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.

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