



Press Release

Germany: Euphoria about an economic boom fading for now?

August 26, 2021

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Nuremberg, August 26, 2021 – Overall, consumer sentiment in Germany was somewhat more moderate in August. While income expectations rose slightly, both economic expectations and propensity to buy declined. As a result, GfK is forecasting a value of -1.2 points in consumer sentiment for September, down 0.8 points from August of this year (revised from -0.4 points). These are the findings of the GfK Consumer Climate Study Germany for August 2021.

In addition to the decline in propensity to buy, an increasing propensity to save in August is currently causing consumer sentiment to drop.

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

“Significant higher incidence values, a slowdown in vaccination momentum, and discussions about how to deal with unvaccinated individuals in the future have caused noticeable uncertainty among consumers in Germany. They fear that restrictions could even be tightened again. This is obviously depressing consumer sentiment right now.”

In addition, the topic of inflation is suddenly playing a role again in discussion about Germany's economic development. According to the Federal Statistical Office, cost of living increased by 3.8 percent in July of this year. The last time there was a higher rate of price increase was in December 1993, at 4.3 percent.

Bürkl adds: “Prices have been rising rapidly since the middle of this year.

This dampens consumer sentiment, as experience has shown. While these are primarily one-off effects stemming from the VAT cut in the second half of 2020, given the ongoing low-interest phase, households perceive inflation rates as even more threatening to their purchasing power.”

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Euphoria about an economic boom fading

After reaching a 10-year high in June 2021, consumer euphoria with regards to further economic development in Germany is fading. In August, economic expectations fell for the second time in succession. After losing 13.8 points, the indicator drops to 40.8 points.

Despite the losses, economic expectations remain at quite a high level. This is also evidenced by the corresponding year-on-year comparison, which is significant at a plus of 29.1 points. Consumers still see the German economy on the upswing, although they believe that the momentum is likely to somewhat slow down.

Income expectations remain solid

In contrast to economic expectations, the income expectations remain solid, with the indicator even gaining slightly (+1.5 points). Currently, income expectations stand at 30.5 points. This is just under 18 points higher than the corresponding figure for the previous year.

So far, income expectations do not seem to have been affected by increasing prices. Stable employment figures and the associated low fear of losing one's job stabilize the indicator.

Moderate losses in propensity to buy

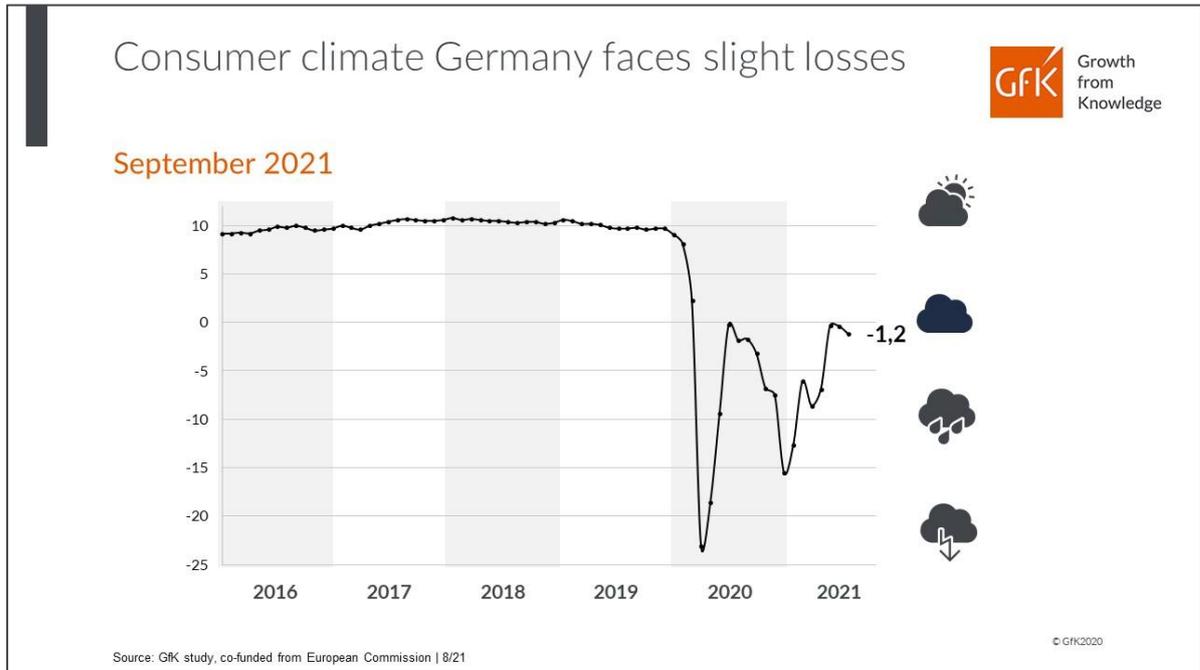
The propensity to buy is apparently unable to benefit from the slight rise in income expectations in August, with the indicator dropping 4.5 points, sliding down to 10.3. Compared to the same period last year, the propensity to consume is down by a good 33 points.

Consumer sentiment is still subdued despite healthy wallets. Carefree shopping is still not a reality in light of mandatory mask use and distance rules. In addition, the stronger rise in prices is also likely to depress the propensity to consume.

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

	August 2021	July 2021	August 2020
Economic expectations	40.8	54.6	11.7
Income expectations	30.5	29.0	12.8
Propensity to buy	10.3	14.8	43.7
Consumer sentiment	-0.4	-0.3	-0.2

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



Planned publication dates Q3 2021:

- Tuesday, 9/28/2021, 8:00 a.m.
- Wednesday, 10/27/2021, 8:00 am
- Thursday, 11/25/2021, 8:00 am
- Tuesday, 12/21/2021, 8:00am

About our methods

The survey period for the current analysis was April 5 to August 16, 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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