

Press release

The next GfK Consumer Climate report will be published on
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Consumer climate in Germany continues to recover: Consumer activity reawakens after shock

Nuremberg, June 25, 2020 – Consumers in Germany are recovering from the shock of the coronavirus thanks to the rapid reopening of the German economy and society. Both economic and income expectations, as well as propensity to buy, are rising. As a result, GfK has forecast a figure of -9.6 points for July 2020, 9 points higher than its level in June of this year (revised to -18.6 points). These are the results of the GfK consumer climate study for June 2020.

Consumers are increasingly reawakening from the state of shock that led to an unprecedented fall in sentiment as recently as April. This means that the consumer climate is rising for the second time in a row. As a consequence, the indicator has gained more than 13 points since its low in April of this year. It should be noted, however, that a value of -9.6 points is the third lowest value ever recorded for the GfK Consumer Climate in Germany.

"The faint light at the end of the tunnel, which was already apparent last month, is apparently getting somewhat brighter," **explains Rolf Bürkl, GfK consumer expert.** "The extensive support provided by the economic stimulus packages, such as the announcement of a temporary reduction in value-added tax (VAT), is certainly a contributing factor. Provided that retailers and manufacturers also pass these reductions on to consumers, it can be assumed that one or two planned purchases will instead be made in the second half of 2020, thereby supporting consumption this year."

Nevertheless, the situation remains both difficult and fragile. With a record number of short-time workers and rising unemployment figures, uncertainty remains high. Moreover, Germany remains in a severe recession. Add to this the fear of job losses and income losses as barriers to consumption.

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As in the previous month, a significant drop in the propensity to save is also supporting the consumer climate in June, which is down 15.4 points.

Economic outlook is improving

For the second time in a row, consumer economic expectations increased in June. The increase is surprisingly obvious with a rise of 18.9 points. At 8.5 points, the indicator has managed to crawl back up into positive territory, i.e. above its long-term average of zero points. The last time a higher value was recorded was more than one and a half years ago in January 2019, when it was recorded at 8.9 points.

Thanks in no small part to the comprehensive economic package, consumers expect the German economy to recover more quickly than previously feared. From Germany's perspective as an export nation, any recovery would also require the economies in its most important sales markets, such as the USA, France, Italy and Spain, to also recover rapidly. However, these countries were hit even harder by the pandemic.

Income pessimism continues to fade

Also for the second time in a row, income expectations rose in June. The indicator rose by 12.3 points to 6.6 points. Nevertheless, it is still close to 39 points below its value this time last year.

Short-time work and unemployment continue to depress income sentiment. A number of households expect a drop in income. This also applies to the self-employed, for instance organizers of major events, whose activities are still subject to the lockdown. The income for such individuals is just about zero.

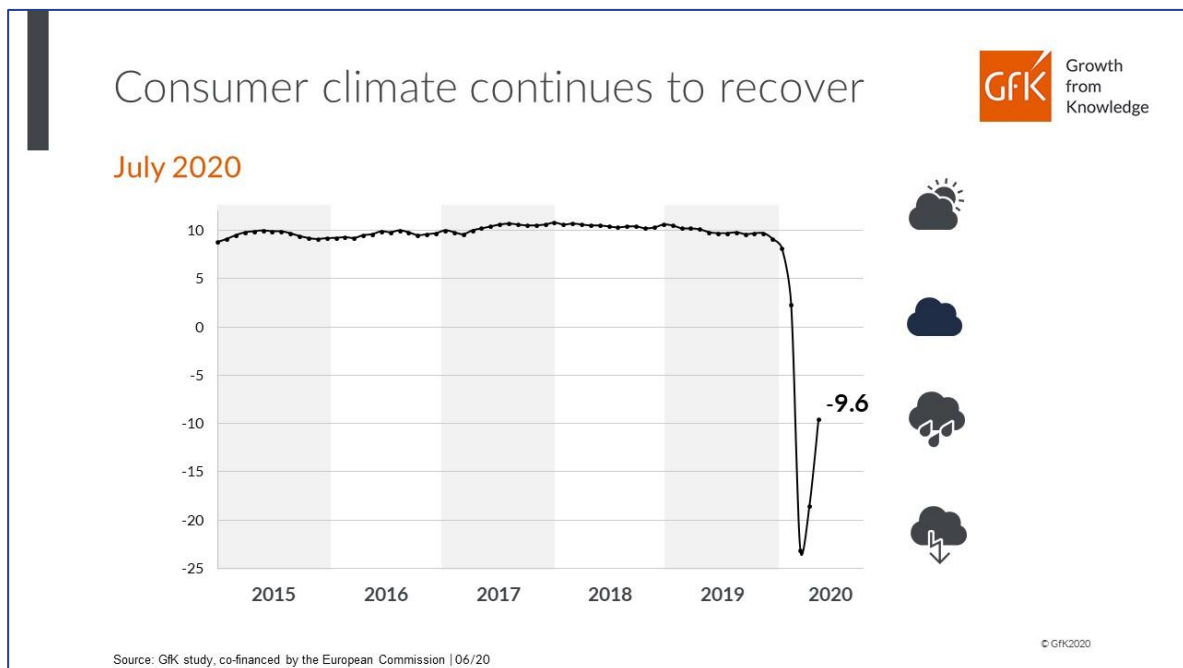
Propensity to consume follows income expectations

Rising income expectations in June are in turn causing a rise in propensity to buy. The indicator gained 13.9 points compared to the previous month, climbing to 19.4 points. Compared with last year, however, the current figure still represents a fall of more than 34 points.

The following table shows the change in certain indicators in April in comparison with the previous month and previous year:

	June 2020	May 2020	June 2019
Economic expectations	8.5	-10.4	2.4
Income expectations	6.6	-5.7	45.5
Propensity to buy	19.4	5.5	53.7
Consumer climate	-18.6	-23.1	10.1

The following graph tracks the Consumer Climate Index over recent years:



Provisional publication dates for Q2 and Q3 2020:

- Thursday, 07/23/2020, 8:00 am
- Friday, 08/28/2020, 8:00 am
- Wednesday, 09/23/2020, 8:00 am

About the study

The survey period for the current analysis was June 3-15, 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, retail trade, depending on the definition used, 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 queries 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 necessary money 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.

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GfK – extracting the signals from the noise

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