



Press release

Germany: Strict lockdown eroding consumer sentiment

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Nuremberg, January 27, 2021 — As 2021 begins, consumer confidence in Germany is suffering under the strict lockdown. Propensity to buy is in freefall, while both economic and income expectations have registered moderate declines. As a result, GfK is forecasting a decrease of 15.6 points in consumer sentiment for February 2021, down 8.1 points from January this year (revised to -7.5 points). These are findings of the GfK Consumer Climate Study Germany for January 2021.

In addition to the moderate decrease in income expectations, the renewed slump in consumer sentiment in Germany is due largely to the collapse of propensity to buy.

"The closure of the restaurant trade and large portions of the retail sector in mid-December 2020 has had a similarly damaging effect on consumer spending as that of the first lockdown last spring. At present, propensity to buy is at zero points. This is a decrease of 36.6 points on the previous month, which is comparable to the drop of 36 points recorded during the first lockdown in April 2020," says **Rolf Bürkl, consumer expert at GfK.**

The recent decision to extend the strict lockdown measures has also dashed hopes of a speedy recovery for consumer sentiment.

Bürkl adds: "Consumer sentiment is facing difficult challenges in the first quarter of this year. If it is to recover sustainably, infection rates will need to decrease more than they have to date so that the measures can be relaxed significantly. This means that we will need to wait a while before we see the recovery that many had been hoping for this year."

The results of a recent GfK eBUS® survey also reveal that four out of five German citizens (81 percent) view COVID-19 as a significant or very significant threat to Germany. This is the highest figure recorded since the surveys began (mid-April 2020). Just 15 percent feel that the pandemic is not a significant threat or do not view it as a threat at all. The most recent survey also saw the highest-ever number of respondents state that they

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were concerned about the economic impact of the coronavirus crisis on their own futures: 54 percent are very or quite concerned about the economic impact of the crisis on their futures, while 43 percent are either not particularly concerned or not concerned at all.

Income expectations: Fourth decrease in a row

The strict lockdown has also impacted consumer **income expectations**, with the indicator dropping 6.5 points to -2.9. The fourth such decrease in a row, it marks a decline of 47.5 points on the same period for the previous year.

The extension of the lockdown to mid-February has also made it more likely that the industries affected will be hit by a wave of bankruptcies. This is fueling fears of job losses among employees, which in turn is affecting income expectations.

Furthermore, the number of short-time workers will likely rise as a result of the strict lockdown, which will affect household incomes.

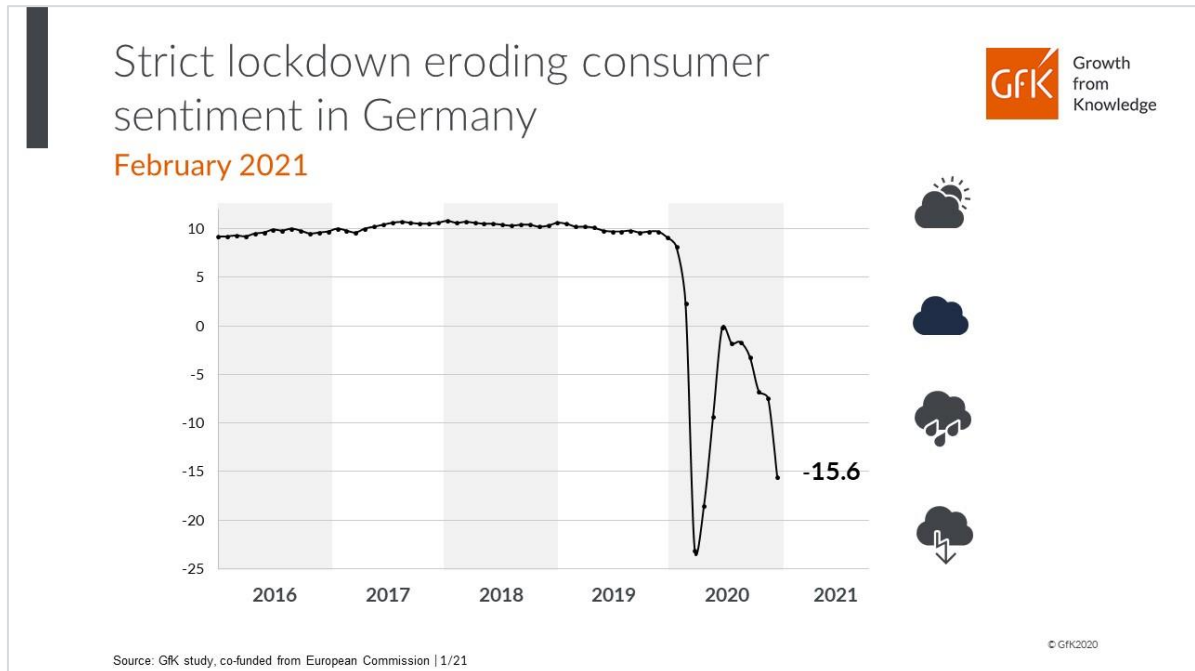
Slight decrease in economic expectations

In contrast to propensity to buy and income expectations, **economic expectations** have only suffered slight decreases this month, with the indicator dropping 3.1 points to its current score of 1.3. This actually represents an increase of five points on the same period for the previous year. The stable trend in the economic indicator is due in part to the stability of the labor market in the light of the deep recession, and also to the fact that the manufacturing sector, a substantial part of the German economy, has remained unaffected by closures, allowing the order situation within that sector to stabilize.

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

	January 2021	December 2020	January 2020
Economic expectations	1.3	4.4	-3.7
Income expectations	-2.9	3.6	44.6
Propensity to buy	0.0	36.6	55.5
Consumer climate	-7.5	-6.8	9.7

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



Planned publication dates Q1 2021:

- Thursday, 2/25/2021, 8:00 a.m.
- Thursday, 3/25/2021, 8:00 a.m.

About our methods

The survey period for the current analysis was January 7 to January 18, 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 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 relate to 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 actually only relates to 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: January 14 to 18.

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