

## Press release

The next GfK Consumer Climate report will be published on  
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Rolf Bürkl  
GfK Consumer Expert  
[rolf.buerkl@gfk.com](mailto:rolf.buerkl@gfk.com)

Julia Richter  
Public Relations  
Tel: +49 911 395 4440  
[public.relations@gfk.com](mailto:public.relations@gfk.com)

### Consumer climate in Germany recovers slightly after COVID-19 shock

**Nuremberg, May 26, 2020 – Consumers in Germany have recovered somewhat in May following the shock triggered by the COVID-19 pandemic. Both economic and income expectations, as well as propensity to buy, are on a slight increase. As a result, GfK forecasts a figure of -18.9 points for June 2020, 4.2 points higher than its level in May of this year (revised to -23.1 points). These are the results of the GfK consumer climate study Germany for May 2020.**

When data was being collected for April's GfK Consumer Climate Study, many consumers in Germany were shocked about the awful pictures coming out of Northern Italy, New York and Spain. This contributed to an unprecedented collapse in consumer sentiment. The consumer climate did not witness any further decreases in May. Nevertheless, the value of -18.9 points is the second-lowest value that has ever been recorded for the GfK Consumer Climate in Germany.

"The gradual opening of many businesses has certainly contributed to the propensity to consume not having to take any further hits, and increases even slightly at the present time," **explains Rolf Bürkl, GfK Consumer Expert.** "Nevertheless, uncertainty among consumers is high. In their opinion, the Germany economy is far from being over the hump and they are anticipating a tough recession. Anxiety over job losses remains high and has proven to be a key barrier to consumption at this time, alongside losses in income. Retailers and manufacturers must continue to adapt to this situation."

The improvement in the consumer climate is backed by a decrease in propensity to save (-9.8 points). A significant jump was recorded in April due to the high level of uncertainty.

GfK SE  
Nordwestring 101  
90419 Nuremberg  
Germany

Tel: +49 911 395 0

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

Chairman of the  
Supervisory Board:  
Ralf Klein-Bölting

Commercial Register:  
Nuremberg HRB 25014

### **Economic outlook improves slightly on low level**

After decreasing twice in a row, economic expectations increased again somewhat in May. The indicator rose by eleven points and stands now at -10.4 points. Nevertheless, this is still significantly below the longtime year average of around zero points, and below last year's value (-12.1 points).

The economy is now being brought back up to speed quicker than it was assumed some weeks ago. Politicians are making great efforts here across various sectors. As a result, consumers are also increasingly hoping that a debacle on the job market can be avoided. Both the Federal Government of Germany and state authorities are investing enormous amounts in financial resources in the form of aid, credit and, in the future, economic programs in order to stimulate domestic demand. This will be even more important since a previously hugely important pillar of the German economy, namely exports, gets very slow off the ground. A range of important buyer countries are currently suffering even more from the pandemic.

### **Income expectations up after record loss in previous month**

After taking an unprecedented, record loss in the previous month, income expectations were able to once again increase slightly in May. After an increase of 13.6 points, the indicator now stands at -5.7 points. Nevertheless, it is still a good 63 points below its value this time last year.

Reduced working hours and unemployment are leading to significant losses of income for many households. For a number of freelancers, e.g. from the culture sector, there is still no end in sight for the lockdown. This means their income remains at zero.

Conversely, the income of pensioners is not at risk of decreasing in the current situation. In fact, in July of this year, the statutory pension was increased by more than three percent.

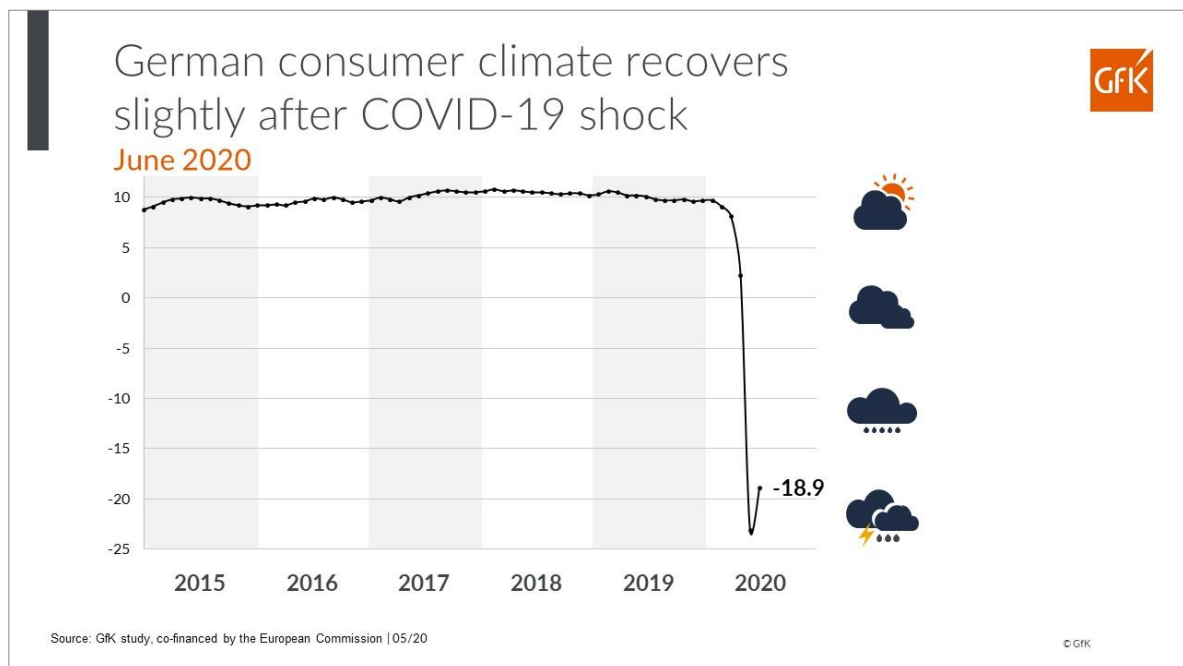
### **Propensity to buy backed by income expectations**

Propensity to buy is also able to benefit from the improved income expectations. The indicator gained 10.1 points compared to the previous month, climbing to 5.5 points. Compared with last year, however, the current figure still represents a fall of 45 points.

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

	May 2020	April 2020	May 2019
<b>Economic expectations</b>	-10.4	-21.4	1.7
<b>Income expectations</b>	-5.7	-19.3	57.7
<b>Propensity to buy</b>	5.5	-4.6	50.5
<b>Consumer climate</b>	-23.1	2.3	10.2

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



Provisional publication dates for Q2 and Q3 2020:

- Thursday, 06/25/2020, 8:00 am
- 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 May 6 to May 18, 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.

Press contact: **Julia Richter**, Tel: **+49 911 395 4440**, [public.relations@gfk.com](mailto:public.relations@gfk.com)

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### **GfK – extracting the signals from the noise**

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