

Press release

The next GfK Consumer Climate report will be published on
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German consumer climate suffering heavily as a result of coronavirus

Nuremberg, March 26, 2020 – Coronavirus (COVID-19) is having an enormous impact on consumer sentiment in Germany. Both economic and income expectations, as well as propensity to buy are expected to suffer heavy losses. As a result, GfK has forecasted a figure of 2.7 points for April 2020, 5.6 points lower than March's level (revised to 8.3 points). These are the results of the GfK German consumer climate study for March 2020.

The significant increase in the number of infections in Germany and the accompanying measures and restrictions have caused the consumer climate to collapse. At just 2.7 points, the index is at its lowest level since May 2009. At that time, during the financial and economic crisis, the consumer climate was at 2.6 points.

"In light of the current development, we are withdrawing our consumer forecast of one percent growth for 2020. Retailers, manufacturers and service providers must prepare for a recession," **explains Rolf Bürkl, GfK Consumer Expert.** "How severe this recession will be will ultimately depend on when the economy finds its way back to normality. A reliable forecast regarding consumption can only be made once we can predict how long the protective measures to combat corona will remain in place."

As well as economic and income expectations, propensity to buy is also suffering dramatic losses. Retail as a whole is facing tough times ahead. However, the coronavirus (COVID-19) provided drug and grocery stores with a jump in sales of +14 percent compared to the same month last year. This growth is primarily driven by stock-piling purchase behavior in the last week of February, which led to an increase in sales of up to 200 percent in some categories compared to the same week last year. "This trend will also persist into March and potentially the following months. The 'shut-down' of public life is not only leading to stock-piling, but also to a relocation of out of

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home consumption to people's private homes, causing an increase of sales in grocery stores compared to the previous year," **says Dr. Robert Kecskes, GfK Retail Expert.** But drug and grocery stores will also have to adjust to the financially uncertain situation of consumers in both the medium and the long-term. Kecskes adds, "We must assume that there will be an increased sense and need for local communization and assistance after the corona crisis. Lots of households will end up in precarious situations and will become reliant on social welfare. The drug and grocery stores must prepare for this as well."

Consumers fearing recession

Consumers expect very tough economic times ahead for Germany. Economic expectations fell by 20.4 points in March, slipping to -19.2. A lower figure was last recorded in August 2012 when the indicator stood at -20.0 points. This is a loss of some 27 points compared to the previous year.

As a result of the wide spread of the virus and the associated restrictions, the German economy has come to a complete halt in a very short space of time. Production has been shut down and businesses and gastronomy establishments closed, bringing economic activity to an almost complete standstill in many sectors. The threat of significantly reduced hours and an increase in unemployment figures are now hammering away at consumer sentiment. Worries over job losses have increased significantly in just a short space of time.

Income expectations in the wake of a plummeting economic outlook

A plummeting economic outlook is also leading to heavy losses for income expectations. The indicator lost 13.4 points and now stands at 27.8 – its lowest level in exactly seven years. In March 2013 the indicator stood at 27.5. Compared with last year, the current figure represents a drop of almost 28 points.

The increasing uncertainty regarding the ever more unstable employment situation, combined with an increase in unemployment figures and reduced hours, is leading to growing pessimism over income. While at just under 28 points the indicator is still significantly above its long-term average of zero, there is concern that this level will not be sustainable over the coming months.

Propensity to buy also plummeting

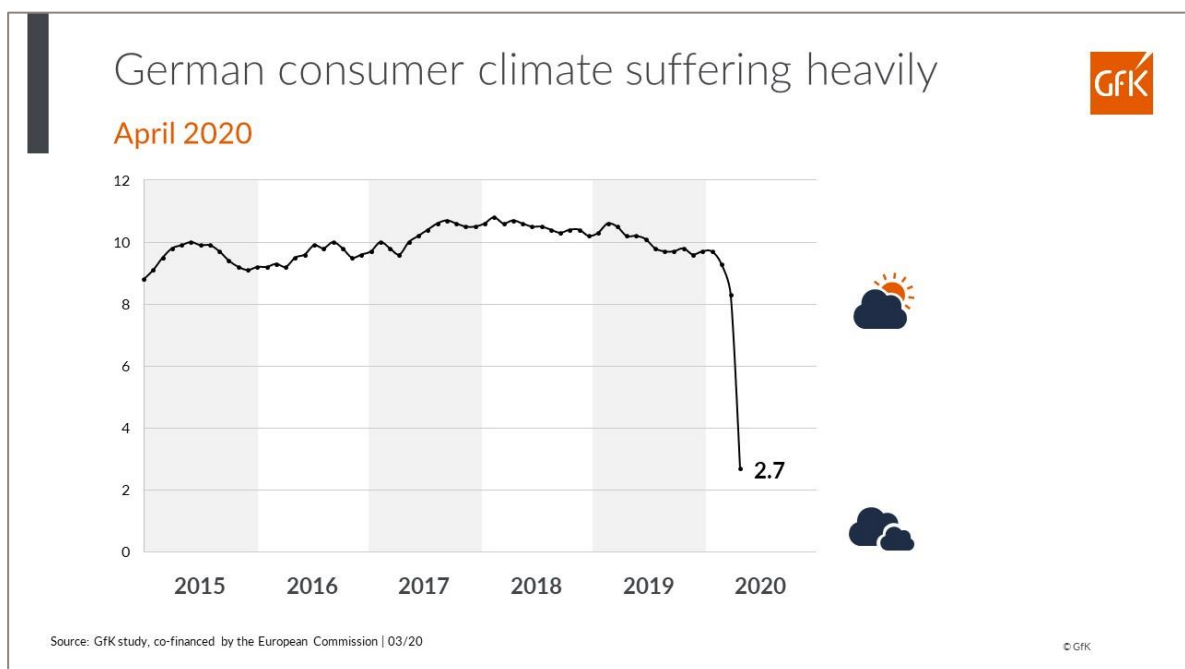
Just like economic and income expectations, propensity to buy is also seeing drastic losses. The propensity to buy indicator lost 22.2 points, falling to 31.4 points. A lower figure was last recorded in June 2013 when the indicator stood at 31.1 points. This loss of some 22 points within a single month is also a historic one. You have to go back a long way in the history of this indicator to find a comparable trend. More than 13 years ago – in January 2007 – a (significantly) high decrease (-60.5 points) was measured during the increase in sales tax.

Given the expected loss of income, a figure that is still well above the long-term average of zero points can be considered a small ray of hope in an otherwise gloomy situation. However, it should be taken into account that the survey was carried out in the period 4 to 16 March and thus a large number of respondents were not yet aware of the closures of businesses and production shutdowns. A noticeable increase in propensity to save also put a strain on the consumer climate.

The following table shows the change in each indicator in March in comparison to the previous month and previous year:

	March 2020	February 2020	March 2019
Economic expectations	-19.2	1.2	8.1
Income expectations	27.8	41.2	54.6
Propensity to buy	31.4	53.6	49.1
Consumer climate	8.3	9.3	10.5

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



Provisional publication dates for Q2 2020:

- Thursday, 04/23/2020, 8:00 am
- Tuesday, 05/26/2020, 8:00 am
- Thursday, 06/25/2020, 8:00 am

About the study

The survey period for the current analysis was March 4 to March 16, 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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