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## Press Release

### Easing of the Lockdown at the beginning of March stimulates Consumer Climate in Germany

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

**Nuremberg, March 25, 2021 – The easing of the hard lockdown, which began in early March, as well as falling infection rates at the time of the survey (March 4-15) boosted consumer confidence. Both economic and income expectations have increased, along with the propensity to buy, in some cases noticeably. As a result, GfK is forecasting a decrease of 6.2 points in consumer confidence for April 2021, up 6.5 points from March this year (revised from -12.7 points). These are the findings of the GfK Consumer Climate Study for March 2021.**

This growing optimism may seem surprising at first glance. Since the survey took place during March 4 and March 15, the events surrounding the AstraZenica vaccine and the significant increase in the number of infections in the last few days have not been taken into account.

Instead, the survey period was characterized by the initial easing of the hard lockdown and stable or even slightly declining infection figures. A very similar development was also observed in the spring of 2020, when the hard lockdown was also relaxed.

With infection rates rising again and the lockdown will be tightened again, it is questionable whether the improvement in consumer confidence will continue.

**Rolf Bürkl, GfK consumer expert comments on the subject:** “The hard lockdown will severely damage consumer confidence and the current improvement will remain a flash in the pan. A sustained recovery in consumer confidence will continue to be a long time coming — which means difficult times ahead for retailers and manufacturers.”

#### **Income expectations at 12-month high**

This month, income expectations significantly contributed to the sharp rise in consumer confidence, with the indicator gaining 15.8 points, climbing to a total of 22.3 points. A higher value was measured exactly one year ago,

GfK SE  
Sophie-Germain-Straße 3 – 5  
90433 Nuremberg  
Germany

T +49 911 395 0

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

Supervisory Board Chairman:  
Thomas Ebeling

Commercial register:  
Nuremberg HRB 25014

in March 2020, at 27.8 points. With the reopening of large parts of the retail sector, there is apparently also a growing expectation among many employees in the sector that short-time working will be scaled back and that they can once again expect improved income. In addition, the fear of a job loss may have been somewhat reduced as a result.

### **Propensity to buy follows rising income prospects**

In the wake of significantly rising income expectations, the propensity to buy also increased in March. However, the gains are much more modest, with an increase of 4.9 points. The indicator currently stands at 12.3 points, a good 19 points below the previous year's level.

A fundamental and sustainable improvement in the propensity to consume is only possible with further extensive easing in the retail and services sectors. Due to rising infection rates, it is not currently expected that such easing will occur. On the contrary, it is very likely that restrictions will be tightened again. This would cause a setback in the propensity to consume. The upturn in consumption would be further delayed.

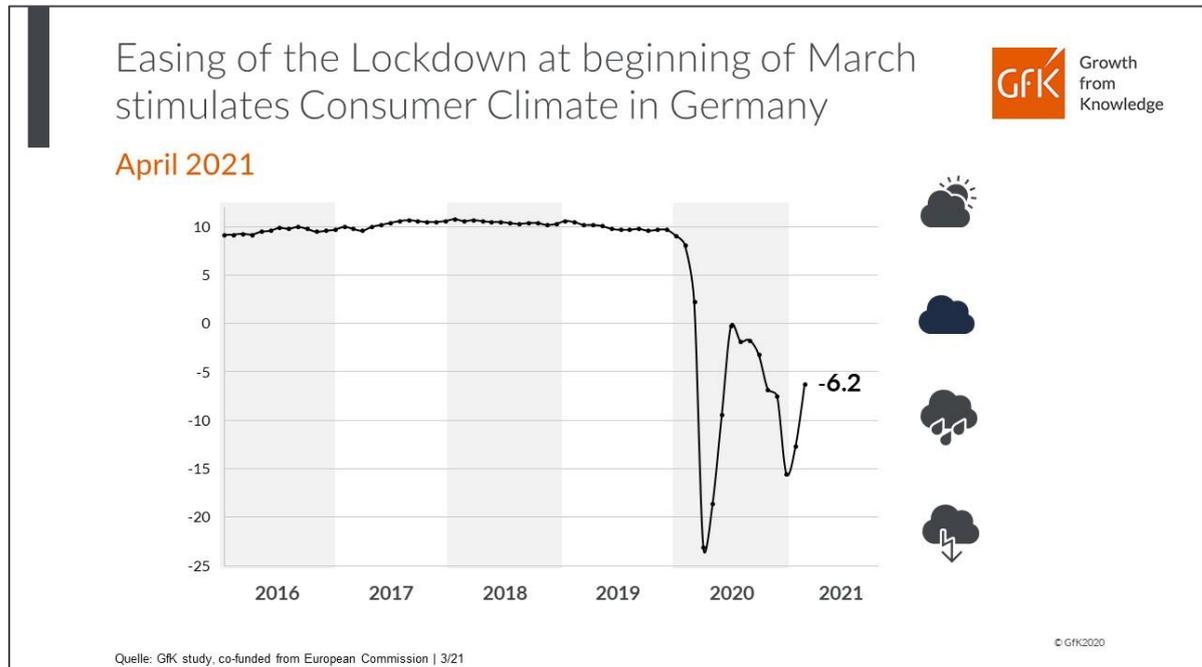
### **Economic expectations still on course for recovery**

In addition to income expectations and propensity to buy, the economic outlook is also improving. After an increase of 9.7 points, the indicator currently stands at 17.7 points. A higher value was most last measured six months ago, in September 202. At that time, the indicator stood at 24.1 points. With the first easing from the hard lockdown, consumers expect the German economy to recover further. At the time of the survey, the reopening of many stores or services, such as hairdressers, stimulated economic optimism. In addition, the outlook for German exports has also improved, as growth forecasts in both the USA and China have been revised upward, partly as a result of extensive aid programs.

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

|                              | March 2021 | February 2021 | March 2020 |
|------------------------------|------------|---------------|------------|
| <b>Economic expectations</b> | 17.7       | 8.0           | -19.2      |
| <b>Income expectations</b>   | 22.3       | 6.5           | 27.8       |
| <b>Propensity to buy</b>     | 12.3       | 7.4           | 31.4       |
| <b>Consumer confidence</b>   | -12.7      | -15.5         | 8.1        |

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



### Planned publication dates Q2 2021:

- Wednesday, 4/28/2021, 8:00 a.m.
- Thursday, 5/27/2021, 8:00 a.m.
- Friday, 6/25/2021, 8:00 a.m.

### About the study

The survey period for the current analysis was March 4 to March 15, 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 confidence 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 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 consumer goods, which also require a larger budget.



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

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