

## Germany: Consumer confidence weakens

Increased uncertainty and new restrictions have dented consumer confidence, increasing the risk of a double dip.



German consumer confidence is falling. According to the GfK institute, German consumer confidence weakened and will come in at -3.1 in November, from -1.7 in October. This is the weakest level since July this year. At the start of the year, consumer confidence still stood at +10. The drop in consumer confidence was mainly driven by lower expectations about the economic and income outlooks. The willingness to spend remained almost stable but is at the lowest level since June this year.

Private consumption will have been an important driver of the expected surge in German economic activity in the third quarter. In fact, retail sales is one of the few sectors which has actually risen above pre-crisis levels. However, not everything is rosy. Latest data for example shows that the German tourist sector, despite staycations, was still almost 25% below its February level.

Looking ahead, new uncertainty and new restrictions as well as local lockdowns have already started to dampen consumer confidence and the prospects for private consumption. Even if the current measures in Germany can still be labelled as 'smart lockdowns', the fact that they will mainly affect sectors which have already been hit the most by the crisis (culture, restaurants, hotels, leisure) is already weighing on consumers. Given that it very much looks as things will first

get worse before they get better, both in terms of infections and restrictions, the risk of a double dip in Germany is also increasing.

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