



Press Release

Consumer sentiment defies inflation

27. October 2021

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Nuremberg, 27. October 2021 – Consumer sentiment in October painted an inconsistent picture. The propensity to buy again increased, while economic and income expectations decreased. As the propensity to save has noticeably fallen, GfK is forecasting a value of 0.9 points in consumer sentiment for November, up 0.5 points from October of this year (revised from 0.4 points). These are the findings of the GfK Consumer Climate Study for October 2021.

The consumer sentiment is rising again. Above all, this is due to the increasing propensity to consume and the declining propensity to save. The latter lost 13 points in October in contrast to the previous month and now stands at -45.2 points. A higher value for consumer sentiment was last measured in April 2020, at 2.3 points.

"This second decrease to consumer sentiment in a row defies increasing inflation. German citizens are clearly expecting further price increases. That is why they consider to make purchases, in order to avoid even higher prices", **explains Rolf Bürkl, GfK consumer expert.** "If the surge in prices continues, it would put a strain on consumer sentiment and a fundamental recovery would likely be further delayed."

Economic sentiment stagnating at a high level

Following the rise in the previous month, economic expectations must accept a small setback. The indicator drops 1.9 points. It is however still at a very high level, currently standing at 46.6 points. This represents an increase of almost 40 points compared to the previous year.

The good level indicates that consumers remain confident about the recovery of the German economy. However, the economic picture is somewhat clouded by the fact that some companies, e.g. in the automotive industry, have to cut back on their production due to a lack of supplier parts.

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Concerns about inflation dampen income expectations

The income expectations must accept a noticeable setback after a positive previous month. The indicator drops 14.1 points to 23.3 points. This is actually an increase of 13.5 points compared to the same period of the previous year.

This indicator currently appears to be suffering the most from mounting inflation costs. Higher prices reduce the purchasing powers of incomes. In addition, the employed fear loss of earnings from short-time work, because companies are having to cut back their production due to interrupted supply chains.

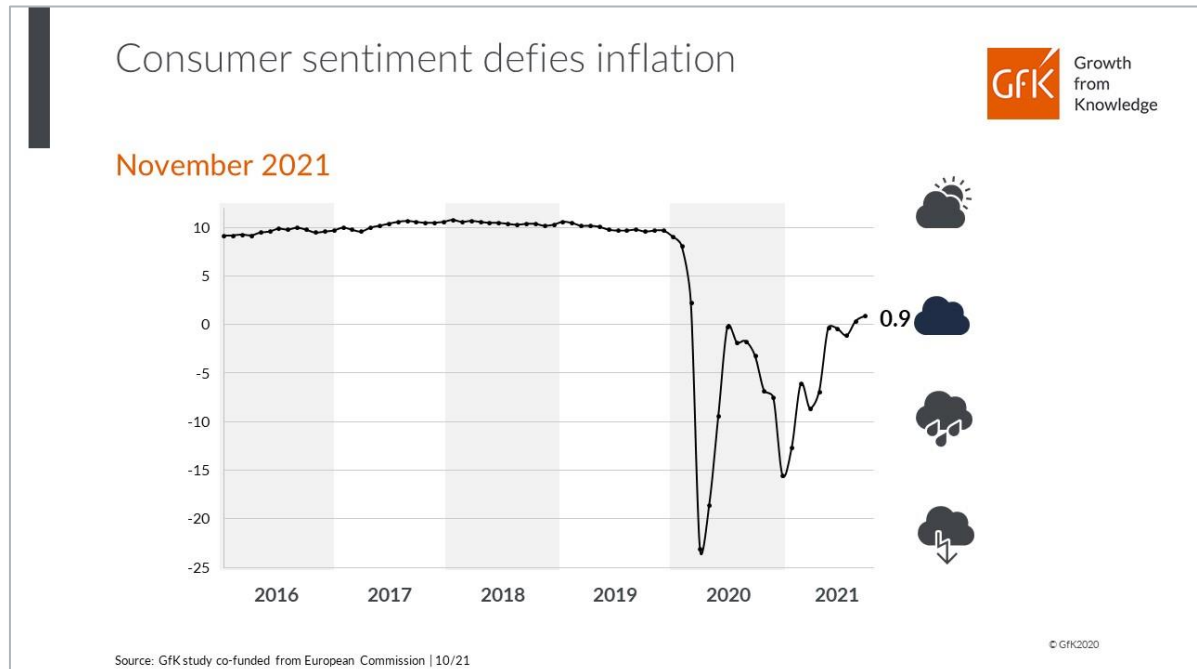
Propensity to buy rises for the second time in a row

Despite falling economic and income expectations, in October the propensity to buy increased for the second time in a row. After an increase of 6 points, the indicator currently stands at 19.4 points. This is the best value in ten months. The measurement in December 2020 was 36.6 points. Comparison with the previous year shows a decrease of 17.6 points.

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

	October 2021	September 2021	October 2020
Economic expectations	46.6	48.5	7.1
Income expectations	23.3	37.4	9.8
Propensity to buy	19.4	13.4	37.0
Consumer sentiment	0.4	-1.1	-1.7

The diagram below shows how the consumer sentiment indicator has developed over recent years:



Planned publication dates Q4 2021:

- Thursday, 11/25/2021, 8:00 a.m.
- Tuesday, 12/21/2021, 8:00 a.m.

About our methods

The survey period for the current analysis was September 30 to October 11, 2021. The results are extracted from the "GfK Consumer Sentiment 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 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 retailer 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 durable consumer goods that also require a larger budget



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