



# Press Release

## Pandemic and inflation weaken consumer sentiment

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**Nuremberg, December 21, 2021 – Consumer confidence in Germany decreased noticeably in December. Both economic and income expectations have fallen significantly, along with the propensity to buy. Since the propensity to save has also increased again, GfK is forecasting a decrease in consumer sentiment of -6.8 points for January 2022, down five points from December of this year (revised from -1.8 points). These are the findings of the GfK Consumer Sentiment Study for December 2021.**

This is the second time in a row that consumer sentiment has fallen significantly. A lower value was last measured in June of this year, at -6.9 points.

“Consumer sentiment continues to be under a lot of pressure from two sides as the year draws to a close. High case numbers due to the fourth wave of the Corona pandemic with further restrictions, as well as significantly increased prices, are putting more and more pressure on consumer sentiment. Above all, the 2G rule, requiring customers to be either fully vaccinated or have recovered, which applies to large parts of the retail sector deals a heavy blow to the holiday business,” **explains Rolf Bürkl, GfK consumer expert.** “The outlook for the beginning of next year is also muted against the backdrop of the rapid spread of the Omicron variant.”

The outlook for consumer economy in the coming year depends primarily on the development of the pandemic. If the pandemic response is fast and successful, restrictions will be relaxed on a larger scale and consumption will recover rapidly. However, if case numbers increase again as the year progresses, recovery will be further delayed.

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### Economic sentiment continues to plummet

The economic outlook of consumers clouded over noticeably at the end of the year, with the indicator dropping 13.9 points to 17.1. This is the third

decrease in a row. A lower value for economic sentiment was last measured eight months ago in April, at 7.3 points.

Interrupted supply chains, in particular, are causing serious problems for many companies. The lack of primary products, such as semiconductors, leads to a slowdown or even a complete standstill of production, the consequences of which also affect employees in the form of short-time working.

### **Income expectations decline for the third time in a row**

For the third time in a row, income expectations have suffered noticeable losses. The indicator drops by six points in December, falling to 6.9 points. Income sentiment has thus lost more than 30 points in the last three months. This actually still represents an increase of around three points compared to the same period of the previous year.

Rising prices for energy and food are weakening the purchasing power of consumers' incomes. In addition, there is a risk that a so-called wage-price spiral will be set in motion in the medium and long term. Due to significantly rising prices, the unions are demanding noticeable wage increases to compensate for inflation, which companies then pass on to consumers in the form of higher prices for their products and services.

### **Propensity to buy drops again**

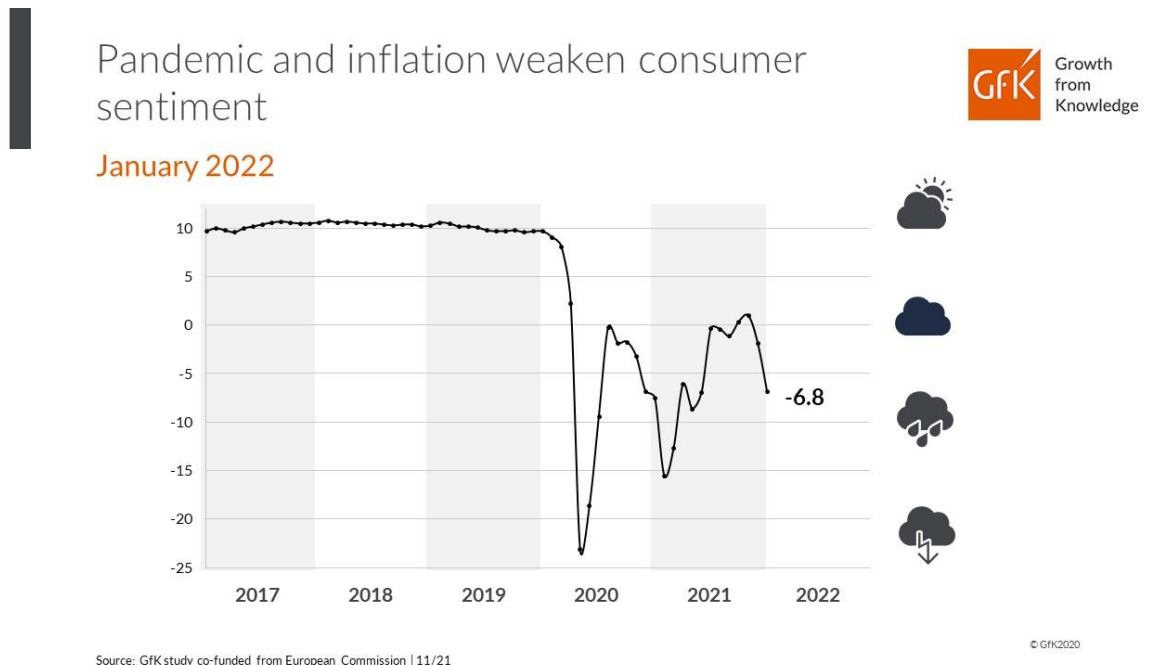
The propensity to buy is also affected by the general downturn. Consumer sentiment loses 8.9 points, dropping to 0.8 points. This is the lowest value since January 2021, when it was at zero. Compared with the previous year, the decline has increased to just under 36 points.

In addition to inflation, consumer sentiment has been impacted particularly by the pandemic-related restrictions. On the one hand, the 2G regulations for large parts of the brick-and-mortar retail reduces the desire to go shopping; on the other hand, consumers who are neither vaccinated nor recovered break away completely.

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

	December 2021	November 2021	December 2020
<b>Economic expectations</b>	17,1	31,0	4,4
<b>Income expectations</b>	6,9	12,9	3,6
<b>Propensity to buy</b>	0,8	9,7	36,6
<b>Consumer sentiment</b>	-1,8	1,0	-6,8

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





### **Planned publication dates 2022:**

- Thursday, 1/27/2022, 8:00 a.m.
- Wednesday, 2/23/2022, 8:00 a.m.
- Tuesday, 3/29/2022, 8:00 a.m.
  
- Wednesday, 4/27/2022, 8:00 a.m.
- Wednesday, 5/25/2022, 8:00 a.m.
- Tuesday, 6/28/2022, 8:00 a.m.
  
- Wednesday, 7/27/2022, 8:00 a.m.
- Friday, 8/26/2022, 8:00 a.m.
- Wednesday, 9/28/2022, 8:00 a.m.
  
- Thursday, 10/27/2022, 8:00 a.m.
- Friday, 11/25/2022, 8:00 a.m.
- Wednesday, 12/21/2022, 8:00 a.m.

### **About our methods**

The survey period for the current analysis was December 2 to 13, 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, housing costs, healthcare 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 both money required for such a large purchase and must also see a need to make this purchase. Furthermore, this only concerns durable consumer goods that also require a larger budget.

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