



Growth
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Knowledge

Press Release

Consumer sentiment reaches historic low

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Nuremberg, Germany, April 27, 2022 – Consumer confidence in Germany deteriorated significantly in April for the second month in a row. Both economic and income expectations along with the propensity to buy have noticeably declined. As a result, GfK is forecasting -26.5 points for the consumer sentiment in May, a decrease of 10.8 points from April of this year (revised from -15.7 points). These are the findings of the GfK Consumer Climate Study for April 2022.

As a result, consumer sentiment plunged to a new historic low, well below the previous record low set in the spring of 2020 during the first Corona lockdown. A noticeable increase in the propensity to save in April accelerated this crash.

“The war in Ukraine and rates of high inflation have dealt a severe blow to consumer sentiment. This means that hopes of a recovery from the easing of pandemic-related restrictions have finally been dashed,” **explains Rolf Bürkl, GfK consumer expert.**

The explosion in energy prices as a result of the great uncertainty due to the war as well as the extensive sanctions against Russia have also caused consumers’ income expectations to slip. High inflation rates are melting away consumers’ purchasing power. As a result, income expectations dropped to -31.3 points in April. This is 9.2 points lower than in March and marks the lowest value for the indicator in almost twenty years. The last time a lower value was measured was in February 2003, with -32.8 points.

Bürkl continues: “There will only be a sustainable trend shift in consumer sentiment if there are successful peace negotiations on the war in Ukraine.”

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Consumers see acute risk of recession

Following the slump in the previous month, economic expectations suffered significant losses once again in April. The indicator loses 7.5

points and drops to -16.4 points. Compared with the corresponding period of the previous year, the decrease was just under 24 points.

From a consumer's point of view, the risk to the German economy has further increased, and the danger of a recession is considered to be high. The ongoing war in Ukraine, a further tightening of the sanctions against Russia and disrupted supply chains are slowing the economy and preventing the easing of pandemic-related restrictions from unleashing their positive momentum.

As a result, economic experts have recently significantly reduced their forecast for economic growth this year. In its recently published forecast, the German Council of Economic Experts (Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, so called "Wirtschaftsweise") assumes that the German economy will grow by just under two percent in 2022.

Propensity to buy declines for the third time in succession

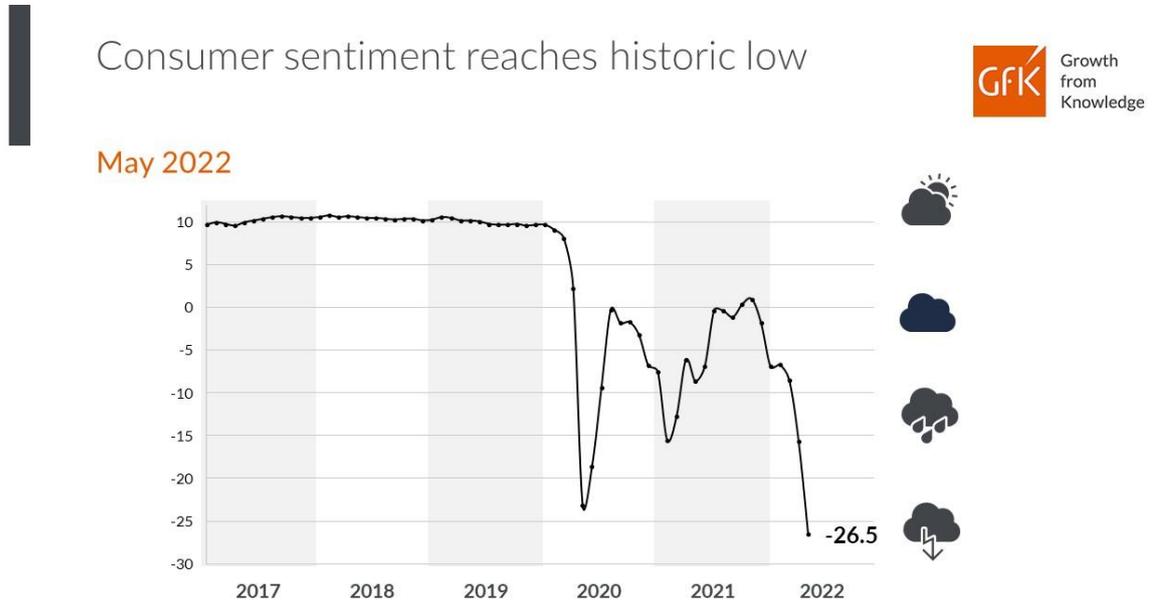
In the wake of falling economic and income expectations, the propensity to buy has also declined for the third time in a row. With a significant decrease of 8.5 points, the indicator drops to -10.6 points. This is the lowest value in over 13 years. The last time a lower value was measured was in October 2008, at the time of the global financial and economic crisis, with -20.1 points.

In addition to general uncertainty, it is mainly the sharp price increases that are dampening consumer sentiment. If significantly more must be spent on gasoline, heating oil and gas, correspondingly fewer financial resources remain for other purchases.

The following table shows the development of the individual indicators in April compared with the previous month and previous year:

	April 2022	March 2022	April 2021
Economic expectations	-16,4	-8,9	7,3
Income expectations	-31,3	-22,1	9,3
Propensity to buy	-10,6	-2,1	17,3
Consumer sentiment	-15,7	-8,5	-6,1

The following chart shows the development of the consumer sentiment indicator in recent years:



Source: GfK study co-funded from European Commission | 04/22

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Planned 2022 publication dates:

- Wednesday, May 25, 2022, 8 a.m.
- Tuesday, June 28, 2022, 8 a.m.

- Wednesday, July 27, 2022, 8 a.m.
- Friday, August 26, 2022, 8 a.m.
- Wednesday, September 28, 2022, 8 a.m.

- Thursday, October 27, 2022, 8 a.m.
- Friday, November 25, 2022, 8 a.m.
- Wednesday, December 21, 2022, 8 a.m.

About our methods

The survey period for the current analysis was March 31 to April 11, 2022. 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 the form of graphics 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 apply to retail sales, but instead to total consumer spending. Like all other indicators, propensity to buy 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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