



Press Release

Crash in consumer sentiment halted

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Nuremberg, Germany, May 25, 2022 – Consumer sentiment in Germany does not slump any further in May, following the record low in the previous month. Both economic and income expectations show moderate gains, while the propensity to buy remains virtually unchanged. As a result, GfK is forecasting -26.0 points in consumer sentiment for June, up 0.6 points from May of this year (revised from -26.6 points). These are the findings of the GfK Consumer Climate Study for May 2022.

“Although this means that the consumer climate has improved slightly, consumer sentiment is still at an all-time low,” **explains Rolf Bürkl, GfK consumer expert.** “Despite further easing of pandemic-related restrictions, the war in Ukraine and especially high inflation are weighing heavily on consumer sentiment.”

A sustained turnaround in consumer sentiment continues to depend on two key factors: on the one hand, the conflict in Ukraine must end through successful peace negotiations, and on the other hand, inflation must be noticeably reduced. For the latter, it will depend primarily on the European Central Bank to guide this with an appropriate monetary policy.

Consumers continue to fear recession

After two months of noticeable losses, economic expectations picked up again slightly in May. With an increase of 7.1 points, the indicator has currently climbed to -9.3 points. However, this is still around 50 points lower compared to the same period of the previous year.

Although economic expectations did not slump further in May, consumers still fear a recession. Supply chain issues and a lack of semiconductors are currently preventing sustained recovery in large parts of the German economy. As a result, even the easing of pandemic-related restrictions will not be able to achieve their anticipated positive effect on the economy for the time being.

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No further slip in income expectations

After income expectations plummeted to their lowest level in almost twenty years in the previous month, they are currently recovering somewhat. The indicator gained 7.6 points, climbing to -23.7 points. Compared with the previous year, income expectations still show a considerable drop of more than 43 points.

Despite the improvement, the level remains incredibly low. In addition to the uncertainty caused by the war in Ukraine, the main reason for the weak income expectations is high inflation. Explosive increases in energy and food prices are dampening household purchasing power and are currently preventing a better development of the income indicator.

Low-level propensity to buy virtually unchanged

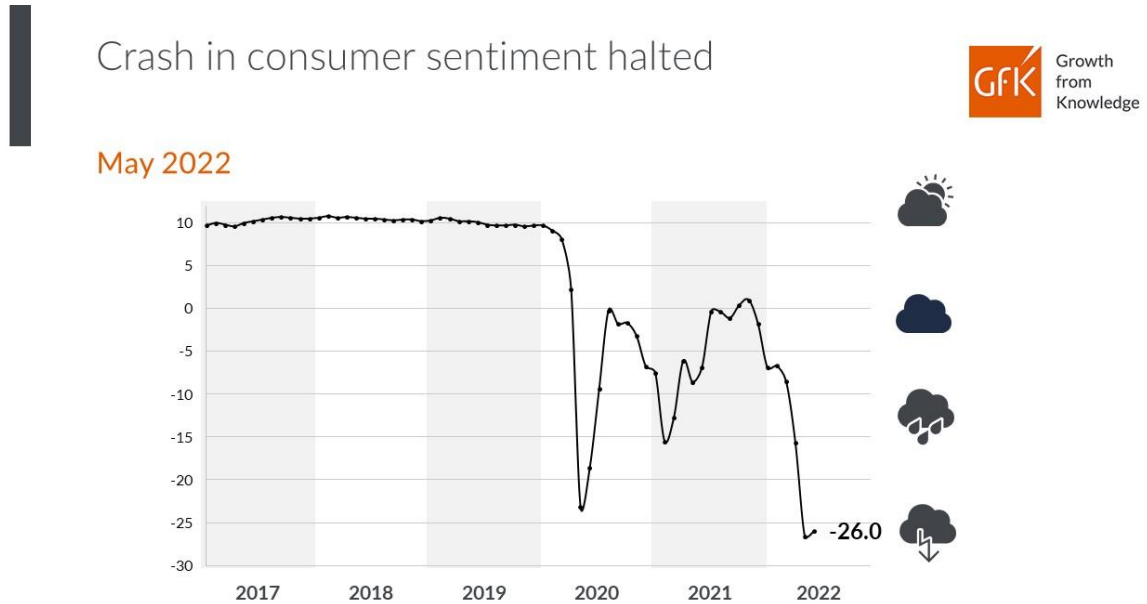
The propensity to buy remained virtually unchanged from the previous month, with the indicator dropping just 0.5 points to a current value of -11.1. This represents a decrease of a good 21 points compared to the same period of the previous year.

As a result of weak economic and income expectations, consumer spending also remains noticeably subdued. High costs for energy and food means that correspondingly less money is available for other purchases.

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

	May 2022	April 2022	May 2021
Economic expectations	-9,3	-16,4	41,1
Income expectations	-23,7	-31,3	19,5
Propensity to buy	-11,1	-10,6	10,0
Consumer sentiment	-26,6	-15,7	-8,6

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



Source: GfK study co-funded from European Commission | 05/22

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Planned 2022 publication dates:

- 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 method

The survey period for the current analysis was May 5 to May 16, 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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