



Press Release

Sharp increase in propensity to save severely impacts consumer sentiment

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Eva Böhm
Public Relations
T +49 911 395 4440
public.relations@gfk.com

Nuremberg, Germany, August 26, 2022 – Most consumer confidence indicators appear to be stabilizing at low levels this month. While the propensity to buy has only suffered a slight decline, both economic and income expectations show minimal gains. However, this is being overshadowed by the sharp increase in the propensity to save, as a result of which the consumer sentiment overall is continuing its steep overall descent. GfK is forecasting -36.5 points in consumer sentiment for September 2022, down 5.6 points from August of this year (revised from -30.9 points). These are the findings of the GfK Consumer Sentiment Study for August 2022.

The Germans' propensity to save increased by a whopping 17.6 points in August, climbing to 3.5 points. This is the highest value in more than eleven years. The measurement in July 2011 was 7.1 points.

"The sharp increase in the propensity to save this month means that the consumer sentiment is continuing its steep descent. It has once again hit a new record low," **explains Rolf Bürkl, GfK consumer expert.** "The fear of significantly higher energy costs in the coming months is forcing many households to take precautions and put money aside for future energy bills. This is further dampening the consumer sentiment, as in return there are fewer financial resources available for consumption elsewhere."

The situation could become even worse in the coming weeks and months if the supply of fuel, in particular gas, is insufficient during the cold season. This would further increase prices and drive up heating bills.

For a sustainable recovery of the consumer sentiment, inflation must be combatted, for which the European Central Bank (ECB) in particular is required to adopt a less expansive monetary policy. On the other hand, steps must be taken to find a solution to one of the main causes of the high prices, namely the war in Ukraine.

GfK SE
Sophie-Germain-Strasse 3 – 5
90433 Nuremberg
Germany

T +49 911 395 0

Executive Board:
Lars Nordmark (interim CEO)
Joshua Hubbert

Chair of the Supervisory Board:
Thomas Ebeling

Commercial Register:
Nuremberg CRB 25014

Risk of recession remains high

After two declines in a row, economic expectations are stabilizing this month – at least for the moment. The indicator gains 0.6 points, showing -17.6 points. Compared with the corresponding period of the previous year, the decrease now amounts to over 58 points.

Despite the slight improvement this month, the risk of a recession remains high from the perspective of German consumers. Many companies are currently very concerned about the development of energy prices, which have recently exploded. In addition to the high costs, companies are also unsure as to whether there will be enough energy available for the coming winter months. Along with the ongoing delivery bottlenecks due to interrupted supply chains, they see the risk of restrictions to production. This would make a recession even more likely.

No further decline in income expectations imminent

After income expectations reached a record low in the previous month, they increased slightly in August of this year. The indicator gained 0.4 points and now stands at -45.3 points. In comparison with August 2021, this now shows a decrease of almost 76 points.

Persistently high inflation rates are currently weighing heavily on the income indicator. Mainly due to the scarce supply of natural gas, there is concern that energy prices will continue to rise in the coming months. Rising prices are nibbling away at the purchasing power of private households, which will prevent the pessimism surrounding incomes from decreasing by any significant extent. Especially since the end of the discount on fuel and public transport 9-euro-ticket initiatives at the end of August will also continue to fuel the price inflation.

Propensity to buy remains on the downward trend

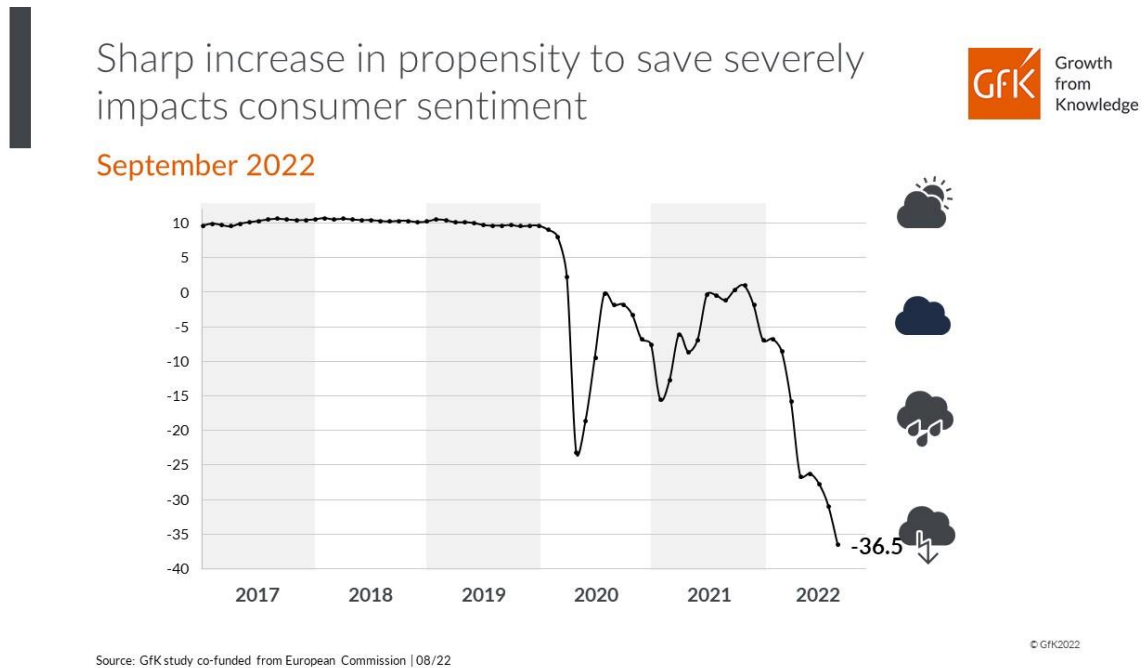
This month, the propensity to buy is not benefiting from the slight gains in economic and income expectations. The propensity to buy indicator has fallen 1.2 points to -15.7 points. This is the seventh consecutive decline and the lowest reading since the October 2008 financial and economic crisis, when -20.1 points were recorded.

If households have to pay significantly more for energy and food, they lack the financial means for other purchases. As a result, consumer restraint must remain high here. In addition, against the background of significantly higher heating bills, a number of households are beginning to build up reserves in order to be able to pay for them. For this reason, many households will forgo one purchase or another or will have to postpone it for the time being.

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

	August 2022	July 2022	August 2021
Economic expectations	-17.6	-18.2	40.8
Income expectations	-45.3	-45.7	30.5
Propensity to buy	-15.7	-14.5	10.3
Consumer sentiment	-30.9	-27.7	-0.4

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



Planned 2022 publication dates:

- 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 August 4 to August 15, 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.

Media Contact: Eva Böhm, T +49 911 395 4440, public.relations@gfk.com

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