



## Press Release

### Sharp drop in purchasing power causes consumer sentiment to plummet further

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**Nuremberg, Germany, September 28, 2022 – After a brief respite in the previous month, consumer sentiment is continuing its downward spiral in September. Both economic expectations and the propensity to buy recorded moderate declines, while income expectations plummeted to a new record low. GfK is forecasting -42.5 points in consumer sentiment for October 2022, down 5.7 points from September of this year (revised -36.8). These are the findings of the GfK Consumer Sentiment Study for September 2022.**

The main reason for the sharp decline in consumer sentiment is the decrease in income expectations this month. The indicator has fallen 22.4 points to -67.7 points. This represents a new record low. Since the collection of data for the whole of Germany started in 1991, the current value is the lowest that has ever been measured.

“The current very high inflation rates of almost eight percent are leading to large real income losses among consumers and thus to significantly reduced purchasing power,” **explains Rolf Bürkl, GfK consumer expert.** “Many households are currently forced to spend significantly more money on energy or to set money aside for significantly higher heating bills. Accordingly, they need to cut back on other expenses, such as new purchases. This is sending consumer sentiment plummeting to a new record low.”

Since it is currently impossible to predict when inflation will noticeably improve again, the consumer sentiment will face difficult times in the coming months. Negative real consumer spending will exacerbate the recession trends for the German economy.

Consumer sentiment will only be able to recover noticeably and sustainably if inflation is reduced. On the one hand, this requires a continuation of the European Central Bank's restrictive monetary policy, which, however, also brings the risk that recessionary tendencies could be exacerbated. On the other hand, a solution to one of the main causes of the high prices, namely the war in Ukraine, must be found.

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## Propensity to buy continues downward trend

Already for the eighth time in a row, the propensity to buy has suffered losses. In the wake of a significant drop in income expectations, the indicator lost 3.8 points, falling to -19.5. The last time a worse value was measured was in October 2008, at the time of the financial and economic crisis, with -20.1 points.

The propensity to buy is currently under pressure due to higher energy prices, which require significantly more spending. These additional financial resources are not available to households for other expenditures, such as major purchases.

## A recession is becoming more likely for consumers

After a brief respite in the previous month, economic expectations are also continuing their downward trend in September. The indicator drops 4.3 points, falling to -21.9, the lowest value since the financial and economic crisis with -26 points measured in May 2009. Compared with the corresponding period of the previous year, the decrease amounts to over 70 points.

Many consumers are increasingly concerned that the German economy could slip into recession, which is also partly due to weakening consumption. Both companies and private households are concerned about the development of energy prices, which have recently exploded. Some companies that rely on high energy consumption have already scaled back their production. Further production restrictions are also threatened by ongoing supply bottlenecks due to interrupted supply chains.

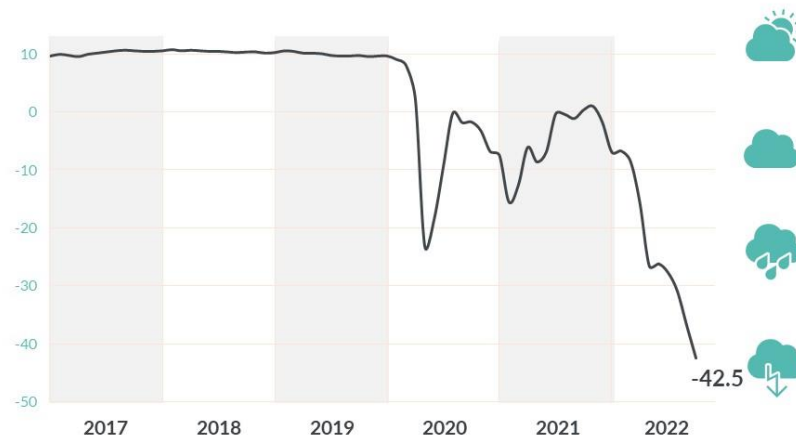
The table below shows the development of the individual indicators in September compared to the previous month and the previous year:

	September 2022	August 2022	September 2021
<b>Economic expectations</b>	-21.9	-17.6	48.5
<b>Income expectations</b>	-67.7	-45.3	37.4
<b>Propensity to buy</b>	-19.5	-15.7	13,4
<b>Consumer sentiment</b>	-36.8	-30.9	-1.1

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

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October 2022



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Source: GfK study co-funded from European Commission | 09/22

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### Planned 2022 publication dates:

- 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 September 1 to September 12, 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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