



# Press Release

## No further crash in consumer sentiment for now

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Nuremberg, Germany, October 27, 2022 – Following the turbulent developments in recent months, consumer sentiment stabilized in October – at least for the time being. While economic expectations suffered minimal losses, both income expectations and propensity to buy increased. GfK is forecasting -41.9 points in consumer sentiment for November 2022, up 0.9 points from October of this year (revised from -42.8 points). These are the findings of the GfK Consumer Climate Study for October 2022.

Following a prolonged phase of declines, some of which were significant, sentiment calmed somewhat again in October. Consequently, consumer sentiment is ending its downturn – at least for the time being.

“It is certainly too early to speak of a trend shift at this time. The situation remains very tense for consumer sentiment,” **explains Rolf Bürkl, GfK consumer expert.** “Inflation has recently risen to ten percent in Germany, and concerns about the security of energy supplies continue to rise. Therefore, it remains to be seen whether the current stabilization will last or whether, considering the upcoming winter, there is reason to fear a further worsening of the situation.”

The extent to which the measures adopted to cap energy prices will dampen inflation cannot yet be assessed. Consumer sentiment will not be able to recover noticeably and sustainably as long as inflation remains high and there are doubts about unrestricted energy supplies.

## No further decline in income expectations for now

After income expectations had reached a historic record low in the previous month, they increased slightly in October. However, the increase of 7.2 points only compensates for a fraction of the losses of previous months. Currently, the indicator has a value of -60.5. Compared to the corresponding period of the previous year, the current decrease is almost 84 points.

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Despite this month's increase, the all-clear certainly cannot be called. Exploding energy and food prices are reducing the purchasing power of private household and are responsible for the persistent pessimism surrounding incomes. And according to the forecasts available so far, inflation is expected to remain high in the next year.

### **Slight increase in propensity to buy**

After eight successive declines, the propensity to buy is currently gaining slightly again. After an increase of two points, the indicator has reached a value of -17.5 points. It is thus still significantly lower than during the lockdowns in the past two years. Compared with the corresponding period of the previous year, the decrease was just under 37 points.

In light of the sharply increasing energy prices, households must assume that they will have to spend considerably more money on heating in the future. This money will therefore not be disposable for other purchases, and the propensity to buy will thus remain low in the coming months.

### **Economic expectations stabilizing at very low level**

In contrast to income expectations and the propensity to buy, economic expectations did not increase in October. The indicator loses a minimal 0.3 points, dropping to -22.2 points. This represents a decrease of almost 69 points compared to the previous year.

Consumers expect German economy to slip into recession. Experts confirm this assessment and forecast that gross domestic product will decline by around half a percent in 2023.

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

	October 2022	September 2022	October 2021
<b>Economic expectations</b>	-22.2	-21.9	46.6
<b>Income expectations</b>	-60.5	-67.7	23.3

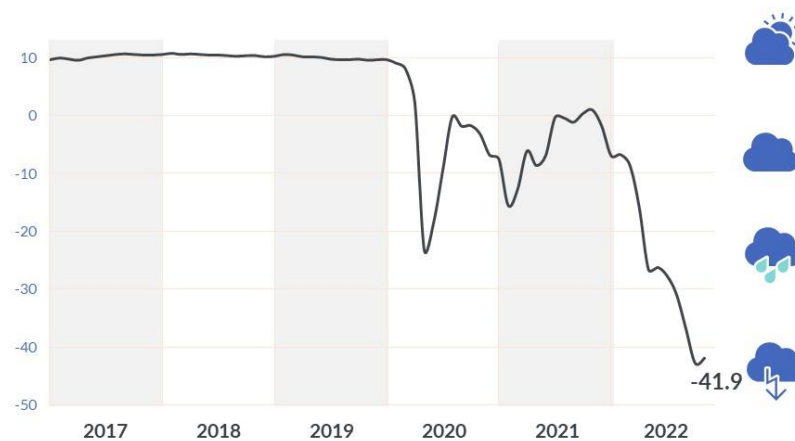
Propensity to buy	-17.5	-19.5	19.4
Consumer sentiment	-42.8	-36.8	0.4

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

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November 2022



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Source: GfK study co-funded from European Commission | 10/22

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### Planned 2022 publication dates:

- 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 October 6 to October 17, 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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