



Press Release

Consumer sentiment rises for the third time in a row

December 21, 2022

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Nuremberg, Germany, December 21, 2022 – Consumer confidence in Germany improves once again at the end of 2022. Both economic and income expectations as well as the propensity to buy have recorded gains. GfK is forecasting -37.8 points in consumer sentiment for January 2023, up 2.3 points from December of this year (revised from -40.1 points). These are the findings of the GfK Consumer Sentiment Study for December 2022.

The consumer sentiment is thus continuing its cautious recovery. More moderate energy prices than originally expected and the German government's relief packages to curb energy costs are responsible for the decreased pessimism.

“The third increase in a row indicates that consumer sentiment is slowly working its way out of the depression. The light at the end of the tunnel is getting a little brighter”, **explains GfK consumer expert Rolf Bürkl**. “The measures taken by the federal government to mitigate skyrocketing energy costs are apparently having an effect. However, it is still too soon to give the all-clear. The recovery of the consumer sentiment, as we are currently experiencing, is still on shaky ground. For example, if the geopolitical situation were to worsen again, leading to significantly higher energy prices, the light at the end of the tunnel would very quickly become dimmer again or even go out altogether.”

Despite the slight improvement, consumer sentiment remains low. Consequently, the lack of consumer spending will continue to weigh on the economic development in Germany next year.

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Income expectations increase once more

For the third month in a row, income expectations in December 2022 are on the rise. With an increase of 10.9 points, the indicator climbs to -43.4 points. Compared with the corresponding period of the previous year, however, the decrease still amounts to a good 50 points.

The reasons for this slight improvement are, on the one hand, that energy prices have developed somewhat more moderately in recent weeks. On the other hand, the German government's relief packages to curb energy costs are apparently having an effect. In addition, the first labor agreements for 2023 are encouraging consumers to hope that the expected loss of purchasing power will not be quite as severe as previously feared.

Propensity to buy stabilizes at a low level

After a sustained downward trend from fall 2021 to fall 2022, the propensity to buy now appears to be stabilizing. The indicator gains 2.3 points in December, climbing to a total of -16.3 points. Compared with the previous year, the decline has fallen to just under -17.1 points.

Despite the slight increase, the reluctance with regards to purchasing remains strong. Uncertainty due to multiple crises, such as the pandemic, the war in Ukraine and inflation, remains high. In particular, the expectation of significantly higher heating bills in spring 2023 is apparently causing many consumers to put money aside, which is therefore missing for consumption elsewhere. On the other hand, continued stable employment figures support the propensity to buy, as fears of unemployment are currently low.

Economic expectations only slowly climbing out of the cellar

Similar to income expectations, economic expectations are gradually increasing again. The indicator rises for the second time in a row and gained 7.6 points, climbing to a total of -10.3 points. Compared with the corresponding period of the previous year, the decrease was -27.4 points.

German consumers continue to assume that Germany will slip into recession next year. However, it is likely to be less severe than was feared a few months ago. Economic experts expect that the gross domestic product will fall by around half a percent in 2023. In this context, consumption will not be able to make a positive contribution due to the considerable loss of purchasing power among private households.

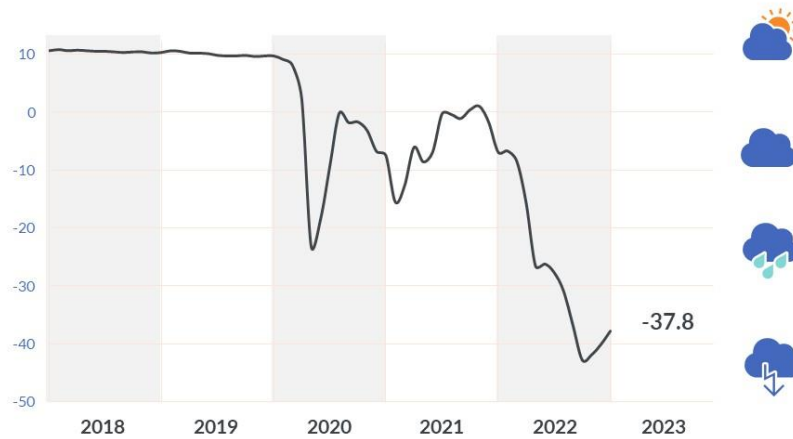
The table below shows the development of the individual indicators in December compared to the previous month and the previous year:

| | December 2022 | November 2022 | December 2021 |
|------------------------------|---------------|---------------|---------------|
| Economic expectations | -10.3 | -17.9 | 17.1 |
| Income expectations | -43.4 | -54.3 | 6.9 |
| Propensity to buy | -16.3 | -18.6 | 0.8 |
| Consumer sentiment | -40.1 | -41.9 | -1.8 |

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

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January 2023



12/21/2022

Source: GfK study co-funded from European Commission | 11/22

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Planned 2023 publication dates:

- Tuesday, January 24, 2023, 8 a.m.
- Friday, February 24, 2023, 8 a.m.
- Wednesday, March 29, 2023, 8 a.m.
- Wednesday, April 26, 2023, 8 a.m.
- Thursday, May 25, 2023, 8 a.m.
- Wednesday, June 28, 2023, 8 a.m.



- Thursday, July 27, 2023, 8 a.m.
- Tuesday, August 29, 2023, 8 a.m.
- Wednesday, September 27, 2023, 8 a.m.

- Thursday, October 26, 2023, 8 a.m.
- Tuesday, November 28, 2023, 8 a.m.
- Wednesday, December 20, 2023, 8 a.m.

About our method

The survey period for the current analysis was December 1 to December 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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