



# Press Release

## Consumer sentiment continues to recover

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**Nuremberg, Germany, February 24, 2023 – Consumer confidence in Germany remains on the path to recovery in February, with both economic and income expectations showing a significant increase. The propensity to buy, however, continues its constant ups and downs and is currently only gaining slightly. GfK is forecasting -30.5 points in consumer sentiment for March, up 3.3 points from February of this year (revised from -33.8 points). These are the findings of the GfK Consumer Sentiment Study for February 2023.**

Consumer sentiment is thus continuing its improvement that began in fall of 2022 after the record low. This is the fifth such increase in a row.

“Despite ongoing crises, such as the war in Ukraine, a weakening global economy, and high inflation rates, consumer sentiment has once again increased noticeably. It thus remains firmly on the path to recovery, even if the level remains low. Consumer pessimism, which peaked last fall, is fading”, **explains Rolf Bürkl, GfK consumer expert**. “Recent drops in energy prices and reports that experts believe a recession in Germany this year can now be avoided mean that optimism is slowly returning.”

Despite the recent significant improvement in consumer sentiment, however, the indicator's level remains low. This indicates that private consumption will not be able to positively contribute to overall economic development in Germany this year.

## Income expectations remain on an upswing

Income expectations among German consumers are also continuing their upward trend. After an increase of 4.9 points, the indicator now stands at -27.3 points. This is the fifth such increase in a row. It is also worth noting that income sentiment has gained a good 40 points since its all-time low in September 2022.

In addition to the stable labor market, the recent slower rise in energy prices is leading to growing optimism. Nevertheless, German consumers must assume a decline in their real disposable income. The reason for this

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lies in price trends, which according to forecasts will be slightly higher this year than the increase in household income.

### **Propensity to buy remains uncertain**

The constant ups and downs in the propensity to buy that have been observed since September 2022 continue this month. Having dropped slightly the previous month, the indicator is now picking up again. With an increase of 1.4 points, the propensity to buy now stands at -17.3 points.

As a result, the propensity to buy cannot benefit from the significant recovery in income expectations. This is certainly an expression of the continuing uncertainty caused by the crises but especially by high inflation. Although the extreme pressure on energy prices has eased somewhat recently, inflation will remain high this year and will put further strain on the propensity to buy. If significantly more must be spent on energy and food, fewer financial resources remain for other purchases.

### **Economic expectations continue their upward trend**

In line with income expectations, the economic outlook is also continuing its clear upward trend this month. After an increase of 6.6 points, the indicator has climbed to 6.0 points. This is the fourth increase in a row, which takes it above its long-term average of around zero for the first time since the start of the war.

Apparently, consumers, like the vast majority of experts, are of the opinion that a recession in Germany this year can be avoided – albeit narrowly. As recently as last fall, it was still assumed that a recession could not be averted this year. However, according to the current forecasts of the federal government in its recently published annual economic report and according to the European Commission, a minimal increase in gross domestic product in Germany of 0.2 percent is now being forecast.

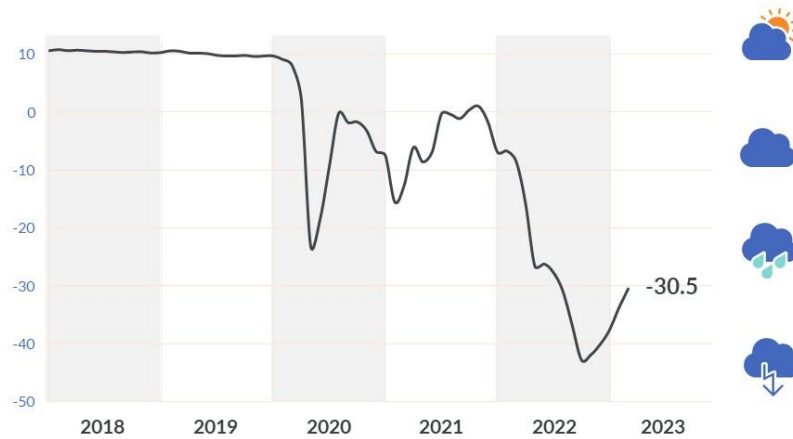
The table below shows the development of the individual indicators in February compared to the previous month and the previous year:

	February 2023	January 2023	February 2022
<b>Economic expectations</b>	6.0	-0.6	24.1
<b>Income expectations</b>	-27.3	-32.2	3.9
<b>Propensity to buy</b>	-17.3	-18.7	1.4
<b>Consumer sentiment</b>	-33.8	-37.6	-6.9

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

### Consumer sentiment continues to recover

March 2023



02/24/2023

Source: GfK study co-funded from European Commission | 02/23

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### Planned 2023 publication dates:

- 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 February 2 to February 13, 2023. 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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