



Press Release

Recovery continues, but momentum slows

March 29, 2023

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Nuremberg, Germany, March 29, 2023 – Consumer sentiment in Germany painted a mixed picture in March. While income expectations continued their recovery, the propensity to buy showed little change. In contrast, economic expectations must accept a small setback after previously increasing four times in a row. GfK is forecasting -29.5 points in consumer sentiment for April, up 1.1 points from March of this year (revised -30.6 points). These are the findings of the GfK Consumer Sentiment Study for March 2023.

Consumer sentiment thus continues to improve for a sixth time in a row. However, the momentum has noticeably weakened compared to previous months.

The renewed rise in consumer sentiment can be primarily attributed to the positive development of the income outlook. For the sixth time in a row, the indicator recorded an increase, rising by three points to -24.3 in March. This is the best value in ten months, when it stood at -23.7 points in May 2022. Despite the positive trend, the level of income expectations remains markedly low.

“Income expectations are currently benefiting from the recent noticeable drop in energy prices, especially for gas and heating oil. Nevertheless, inflation will remain high this year, even if it will be somewhat lower than the 6.9 percent measured in 2022 according to the forecasts available so far.”, **explains GfK consumer expert Rolf Bürkl.** “The expected loss of purchasing power is preventing a sustained recovery in domestic demand. Accordingly, private consumption is unlikely to make a positive contribution to economic growth in Germany this year. This is also signaled by the still very low level of consumer sentiment.”

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Low-level propensity to buy virtually unchanged

The propensity to buy is apparently unable to benefit from the improved income expectations in March. After a meager gain of 0.3 points compared

to the previous month, the indicator shows little change. Currently standing at -17.0 points, the indicator is also 15 points lower than the previous year's value.

This stagnant development shows the uncertainty still prevalent among consumers. Stable employment conditions as a positive factor for the propensity to buy and noticeable losses in purchasing power as a burdening factor are currently ensuring a development without a clear trend.

Economic expectations lose slightly

In contrast to income expectations, economic expectations are taking a small break in March. After four consecutive increases, the indicator suffers moderate losses. After a decrease of 2.3 points, the indicator drops to 3.7 points. This means that economic sentiment remains above its long-term average, which is at zero points. Compared with the same period of the previous year, the figure is actually up by 12.6 points.

Whether a recession can be avoided in Germany has recently become more doubtful again. At the very least, a technical recession, means two consecutive quarters with a decline in gross domestic product (GDP), has become more likely again. After GDP was already in negative territory at -0.4 percent in the last quarter of 2022, a slight decline is also possible in the first quarter of 2023. However, experts currently expect the German economy to recover somewhat in the second half of the year.

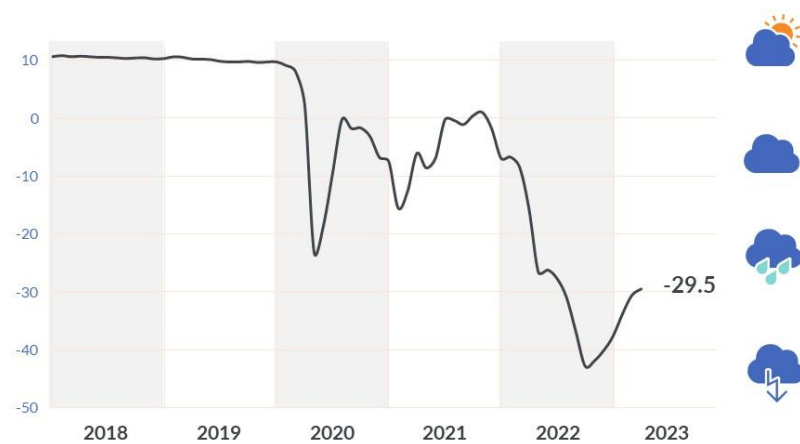
The following table shows the development of the individual indicators in March compared with the previous month and the previous year:

	March 2023	February 2023	March 2022
Economic expectations	3.7	6.0	-8.9
Income expectations	-24.3	-27.3	-22.1
Propensity to buy	-17.0	-17.3	-2.1
Consumer sentiment	-30.6	-33.8	-8.5

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

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April 2023



03/29/2023

Source: GfK study co-funded from European Commission | 03/23

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Planned 2023 publication dates:

- 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 March 2 to March 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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