



Press Release

Consumer sentiment on a slight upswing into the next round

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Eva Böhm
Public Relations
T +49 911 395 4440
public.relations@gfk.com

Nuremberg, Germany, May 25, 2023 – After the noticeable improvement in the previous month, consumer sentiment in May paints a rather mixed picture. While income expectations have risen for the eighth time in succession, both the propensity to buy and economic expectations have suffered slight losses. GfK is forecasting -24.2 points in consumer sentiment for June, up 1.6 points from May of this year (revised -25.8 points). These are the findings of the GfK Consumer Sentiment Study for May 2023.

The eighth increase in consumer sentiment this month is supported to a large extent by a five-point drop in the propensity to save. "Consumer sentiment is not showing a clear upward trend at present. As a result, the rise in consumer climate index has slowed again somewhat," **explains Rolf Bürkl, GfK consumer expert.** "A lower propensity to save has prevented the recovery in consumer sentiment from stagnating this month. However, it is still below the low level of spring 2020 during the first Covid-19 lockdown."

Another important support for the slight recovery in consumer confidence is income expectations. The indicator also increased in May for the eighth time in succession by 2.5 points, climbing to -8.2 points. This still represents an increase of 15.5 points on the same period for the previous year.

The more optimistic mood is mainly due to expectations of a significant growth in income due to agreed wage increases. Many employees assume that the wage and salary increases can at least partially compensate for any increases in price. Consequently, the loss of purchasing power would be less severe than originally feared.

However, the still very low level of consumer sentiment indicates that private consumption will not make any significant contribution to overall economic development in Germany this year. The expected loss of purchasing power will prevent any real growth in the domestic economy.

GfK SE
Sophie-Germain-Strasse 3 – 5
90433 Nuremberg
Germany

T +49 911 395 0

Executive Board:
Lars Nordmark
(Interim CEO + CFO)
Joshua Hubbert

Chair of the Supervisory Board:
Ralf Klein-Bölting

Commercial Register:
Nuremberg CRB 25014

Propensity to buy must accept losses

The propensity to buy is not benefiting from the improved income expectations this month. After three consecutive increases, the indicator must suffer a small setback by dropping three points to a current value of -16.1 points. Compared with the corresponding period of the previous year, the decrease was five points.

German consumers are unsettled by the high cost of living, which means that they are still extremely reluctant to make purchases. In addition, current discussions about the government's new heating law are causing concern, especially among property owners. If a heating system needs to be replaced, energy-related renovation measures such as thermal insulation would incur additional costs, which would most likely have an additional impact on the propensity to consume.

Upward trend in economic expectations interrupted

In May, economic expectations had to relinquish some of the significant gains from the previous month. After a decrease of two points, the economic sentiment indicator has fallen to 12.3 points. However, this still represents an increase of almost 22 points compared to the previous year.

Evidently, consumers are unsure of how the German economy will develop over the coming months. Although a recession will probably be avoided this year, a noticeable revival in the economy also seems a long way off. The actions of the European Central Bank will probably have a significant impact on the direction of the economy. An excessively restrictive monetary policy due to too many and/or too large interest rate hikes would greatly increase the risk of a recession. On the other hand, it must also keep one eye on its objective of stabilizing prices, which in turn requires a more restrictive monetary policy.

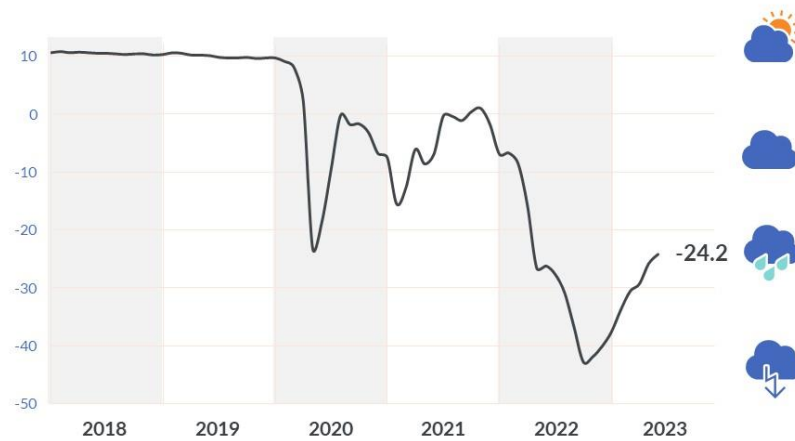
The table below shows the development of the individual indicators in May compared to the previous month and the previous year:

	May 2023	April 2023	May 2022
Economic expectations	12.3	14.3	-9.3
Income expectations	-8.2	-10.7	-23.7
Propensity to buy	-16.1	-13.1	-11.1
Consumer sentiment	-25.8	-29.3	-26.6

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

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June 2023



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Source: GfK study co-funded from European Commission | 05/23

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Planned 2023 publication dates:

- 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.



- Tuesday, October 24, 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 May 4 to May 15, 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.

Media Contact: Eva Böhm, T +49 911 395 4440, public.relations@gfk.com

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