



# Press Release

## Consumer sentiment suffers slight setback again

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Eva Böhm  
Public Relations  
T +49 911 395 4440  
[public.relations@gfk.com](mailto:public.relations@gfk.com)

**Nuremberg, Germany, June 28, 2023 – Consumer confidence in June was again characterized by increasing uncertainty. While the propensity to buy rose slightly, economic and income expectations have declined. GfK is forecasting -25.4 points in consumer sentiment for July, down 1 point from June of this year (revised -24.4 points). These are the findings of the GfK Consumer Sentiment Study for June 2023.**

The decline in consumer sentiment is caused by the renewed increase in the propensity to save by a good five points. "The current development in consumer sentiment indicates that consumers are once again more uncertain. This is reflected in the fact that the propensity to save increased again this month," **explains Rolf Bürkl, GfK consumer expert.** "After eight consecutive increases, the consumer sentiment must suffer a first setback. Continued high inflation rates, currently at around six percent, are noticeably eroding the purchasing power of households and preventing private consumption from making a positive contribution."

As a result, after eight increases in a row, the income expectations of consumers also fell by 2.4 points this month and currently stand at -10.6 points. Private households are assuming that, in view of persistently high inflation rates, they will have to accept real income losses this year, which will probably not be fully offset by the agreed increases to wages and salaries.

Private consumption will therefore not be able to make a positive contribution to the economic development of Germany this year and in real terms, will be lower than in 2022. One bright spot is that the trend of falling inflation rates in recent months may continue. While the loss of purchasing power remains, it will be less severe than originally feared.

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 stagnates at a low level

In contrast to income expectations, the propensity to buy is more or less remaining stable, albeit at a very low level. The indicator gained 1.5 points,

but at -14.6 it still stands well below the values during the two pandemic-related lockdown phases in spring 2020 and at the end of 2020/beginning of 2021.

Consumption remains very weak. Consumer uncertainty and the resulting reluctance to buy is currently being driven from two sides: persistently high inflation rates and the discussion centered on the heating law. If, for example, a household is having to spend significantly more on food, fewer financial resources will be available for other purchases.

In addition, property owners in particular fear that the new heating law will result in significant additional financial burdens, due to necessary energy-related renovation measures. This is also likely to slow down purchases elsewhere.

### **Economic optimism noticeably weakens**

Consumers' optimism about the state of the economy continues to weaken. After suffering slight losses in the previous month, the declines this month are noticeably larger with the indicator dropping 8.6 points to a current value of 3.7. Compared with the corresponding period of the previous year, the increase still amounts to almost 15 points.

The decreased confidence in the economy mirrors the uncertainty among consumers for further economic development. On the one hand, continued stable employment figures are an important support, on the other hand the European Central Bank's (ECB) restrictive monetary policy is causing economic concerns. Normalizing the interest rate is indeed also desirable and necessary, also against the background of high inflation. However, there is also the danger that if the key interest rate is raised too sharply in a very short period of time, the economy's propensity to invest will be weakened too much and Germany could slide into a recession. The ECB therefore has to walk a tightrope: to reduce inflation to the desired level of around 2 percent while simultaneously preventing the economy from weakening too much.

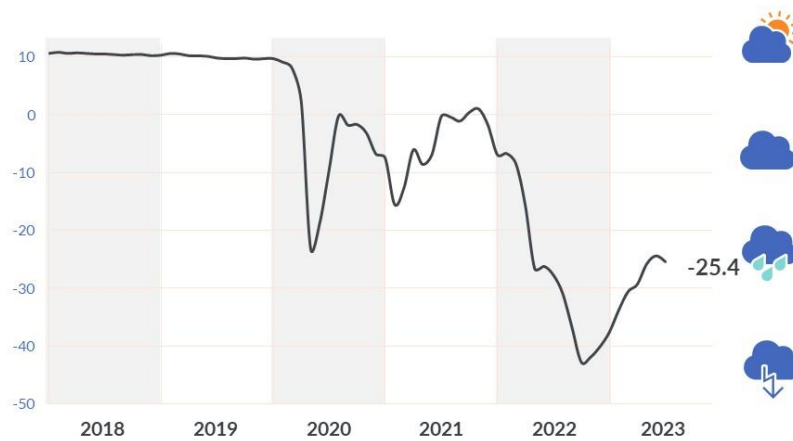
The table below shows the development of the individual indicators in June compared to the previous month and the previous year:

	June 2023	May 2023	June 2022
<b>Economic expectations</b>	3.7	12.3	-11.7
<b>Income expectations</b>	-10.6	-8.2	-33.5
<b>Propensity to buy</b>	-14.6	-16.1	-13.7
<b>Consumer sentiment</b>	-24.4	-25.8	-26.2

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

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July 2023



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Source: GfK study co-funded from European Commission | 06/23

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### Planned 2023 publication dates:

- 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 June 1 to June 12, 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](mailto:public.relations@gfk.com)

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