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Press Release

Consumer climate recovers losses from previous month

July 27, 2023

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Nuremberg, Germany, July 27, 2023 – Following the slight decline in the previous month, consumer sentiment stabilized again in July. Income expectations increased slightly, while economic expectations and the propensity to buy remained virtually unchanged from June. GfK is forecasting -24.4 points in consumer sentiment for August, up 0.8 points from July of this year (revised -25.2 points). These are the findings of the GfK Consumer Sentiment Study for July 2023.

With this slight increase, the consumer climate fully compensates for the losses it suffered in the previous month, although the propensity to buy and the propensity to save remain virtually unchanged compared with the previous month. “Currently, only income expectations are contributing to the improvement in consumer sentiment. The main reason for the decrease in pessimism is the hope of declining inflation rates,” **explains GfK consumer expert Rolf Bürkl**. “This has somewhat improved the chances of consumer sentiment resuming its recovery course. However, the level will still remain low in the coming months, and private consumption will therefore not be able to make a positive contribution to overall economic development.”

Income expectations at highest level since February 2022

Private households are currently more optimistic about their income expectations, probably because prices are rising less sharply. The indicator gained 5.5 points, climbing to a total of -5.1 points. This is the best value since the outbreak of the war in Ukraine. The measurement in February 2022 was 3.9 points.

This actually represents an increase of 40.6 points compared to the same period of the previous year. Nevertheless, the income indicator will remain affected in the coming months by the inflation-related loss of household purchasing power.

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Propensity to buy continues its stable development at a low level

Unlike income expectations, the propensity to buy can hardly increase. The indicator has gained a marginal 0.3 points, climbing to -14.3 points. It is thus almost at the same level as in the previous year (July 2022: -14.5 points).

The stagnation of consumer buying at a low level is attributable to the continuing high level of uncertainty among consumers. High food and energy prices, the ongoing war in Ukraine, and concerns about rising costs due to real estate renovation measures as a result of the heating law are currently causing consumers to be more cautious with their planned purchases.

Economic optimism remains unchanged

The weakening of economic sentiment seen in the previous two months has been halted – at least for now. The indicator remained virtually unchanged in July compared with the previous month. Economic expectations continue to remain at 3.7 points. This represents an increase of almost 22 points compared to the previous year.

Stable employment continues to be a key pillar of the German economy. However, the monetary policy of the European Central Bank (ECB) is causing uncertainty among consumers. On the one hand, it is certainly necessary to bring inflation back to an acceptable level through a more restrictive monetary policy. On the other hand, there is a risk that an overly restrictive monetary policy will lead the already struggling economy further into recession. The coming months will show to what extent the ECB's chosen path has produced the desired result.

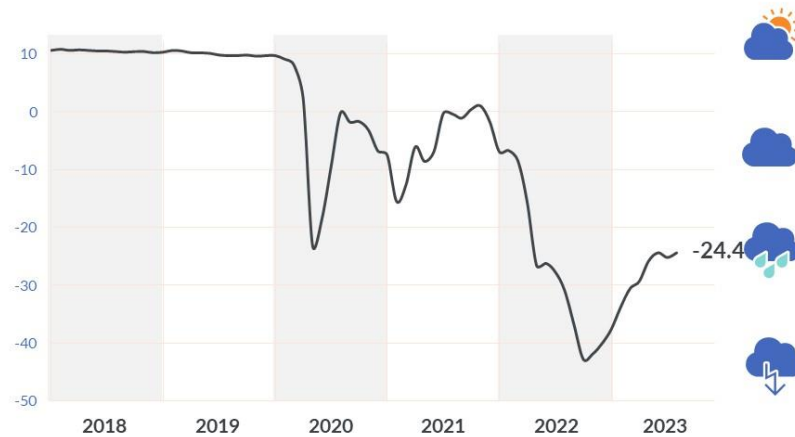
The table below shows the values of the individual indicators in July compared to the previous month and the previous year:

	July 2023	June 2023	July 2022
Economic expectations	3.7	3.7	-18.2
Income expectations	-5.1	-10.6	-45.7
Propensity to buy	-14.3	-14.6	-14.5
Consumer sentiment	-25.2	-24.4	-27.7

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

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August 2023



07/27/2023

Source: GfK study co-funded from European Commission | 07/23

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Planned 2023 publication dates:

- Tuesday, August 29, 2023, 8:00 a.m.
- Wednesday, September 27, 2023, 8:00 a.m.
- Tuesday, October 24, 2023, 8:00 a.m.
- Tuesday, November 28, 2023, 8:00 a.m.
- Wednesday, December 20, 2023, 8:00 a.m.

About our method

The survey period for the current analysis was July 6 to July 17, 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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GfK. Growth from Knowledge.

For over 89 years, we have earned the trust of our clients around the world by solving critical questions in their decision-making process. We fuel their growth by providing a complete understanding of their consumers' buying behavior, and the dynamics impacting their markets, brands and media trends. In 2023, GfK combined with NIQ, bringing together two industry leaders with unparalleled global reach. With a holistic retail read and the most comprehensive consumer insights - delivered with advanced analytics through state-of-the-art platforms - GfK drives "Growth from Knowledge".

For more information, visit [GfK.com](https://www.gfk.com).