

PRESS RELEASE

January 26, 2024

Consumer Climate: Severe decline at the start of the year

Nuremberg, January 26, 2024 - The year 2024 starts off very disappointingly for consumer sentiment in Germany: both economic and income expectations as well as the willingness to buy are showing noticeable declines. Consumer sentiment drops sharply after rising in the previous month. In the forecast for February 2024, the Consumer Climate falls to -29.7 points – a decline of 4.3 points compared to the previous month (revised to -25.4 points). These are the results of the GfK Consumer Climate *powered by NIM* for January 2024, which has been published jointly by GfK and the Nuremberg Institute for Market Decisions (NIM), founder of GfK, since October 2023.

The reason for the significant decline in consumer sentiment also lies in the noticeable increase in willingness to save at the beginning of the year. A worse value of the Consumer Climate was last measured in March 2023 at -30.6 points. "The improvement in consumer sentiment last month was apparently just a brief flare-up before Christmas. If there were any hopes of a sustained recovery in sentiment, these were destroyed again in January. The Consumer Climate suffered a severe setback at the beginning of the year," **explains Rolf Bürkl, consumer expert at NIM.** "In addition to the decline in income expectations and the willingness to buy, this is also due to consumers' willingness to save, which is currently still on the rise. It rose 6.7 points to 14 points in January 2024, the highest value since August 2008."

These results indicate that hopes for a sustained recovery in consumer sentiment have to be postponed further into the future. Crises and wars, as well as persistently high inflation make consumers feel insecure and thus prevent a rise improvement in consumer sentiment.

Income expectations continue to fall

After rising noticeably in the previous month, income expectations fell sharply in January: with a decline of 13.1 points, the indicator has fallen dramatically to -20 points. This is the lowest value since March 2023, when -24.3 points were measured. Income expectations are thus continuing their downward trend.

One reason for the income pessimism is probably the fact that inflation has risen again slightly. According to the Federal Statistical Office of Germany, inflation rose to 3.7 percent in December. In November, the figure was 3.2 percent. And the return to the regular VAT rate of 19 percent in the gastronomy industry at the beginning of 2024 and the increase in the CO2 tax for energy will probably boost prices and further weaken income expectations.

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Willingness to buy falls in line with income expectations

The significant drop in income expectations also reduced consumers' willingness to buy again in January: the indicator lost 6 points, falling from -8.8 to -14.8 points and is thus almost at the level of November 2023 (-15.0).

Inflation also plays a very important role in the willingness to buy. Concerns about persistently high food and energy prices reduce the planning security that is particularly necessary for larger purchases. And when more money has to be spent on everyday goods, many people lack the financial resources for other purchases, such as furniture or electronic devices.

The influence of high prices on the weak willingness to buy is also confirmed by a recent in-depth analysis conducted by NIM: consumers were asked why they do not think it is a good time to make major purchases at the moment. In the open survey, around 60 percent responded that high and rising prices are the reasons for their negative judgment. This puts the issue of inflation well ahead of all other reasons mentioned, such as political and economic uncertainty and their own bad financial situation.

Economic expectations are rated more pessimistic

Economic expectations for the next 12 months started the year on a similarly pessimistic note. The economic expectations indicator lost 6.2 points, falling to -6.6 points. A lower value was last measured in December 2022 at -10.3 points.

The German economy closed 2023 with a small decline in economic growth. According to first calculations by the Federal Statistical Office, real gross domestic product (GDP) was 0.3 percent lower than in 2022. High prices in almost all sectors and rising interest rates had a dampening effect on the economy last year. Growth prospects for this year are also rather low. The German Economic Institute (IW), for example, expects a slight recession in its economic forecast for 2024 (GDP: -0.5 percent).

The following **table** shows the values of the individual indicators in January 2024 compared to the previous month and previous year:

The Consumer Climate is calculated based on these three indicators

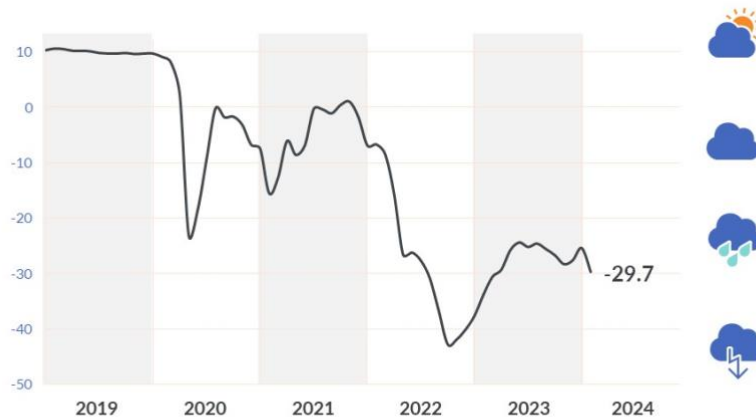
	January 2024	December 2023	January 2023
Economic expectations	-6,6	-0,4	-0,6
Income expectations	-20,0	-6,9	-32,2
Willingness to buy	-14,8	-8,8	-18,7
Willingness to save	14,0	7,3	0,3
Consumer Climate	-25,4	-27,6	-37,6

Source: GfK Consumer Climate powered by NIM | co-funded by the European Commission | 1/24

The following **diagram** shows how the Consumer Climate indicator has developed over recent years:

Consumer climate: Severe decline at the start of the year

February 2024



01/26/2024

Source: GfK Consumer Climate powered by NIM | co-funded by the European Commission | 1/24

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Planned publication dates 2024 (CET):

- Tuesday, February 27, 2024, 8 a.m.
- Tuesday, March 26, 2024, 8 a.m.
- Thursday, April 25, 2024, 8 a.m.
- Wednesday, May 29, 2024, 8 a.m.
- Wednesday, June 26, 2024, 8 a.m.
- Wednesday, July 24, 2024, 8 a.m.
- Wednesday, August 28, 2024, 8 a.m.
- Thursday, September 26, 2024, 8 a.m.
- Tuesday, October 29, 2024, 8 a.m.
- Wednesday, November 27, 2024, 8 a.m.
- Thursday, December 19, 2024, 8 a.m.

About our method

The survey period for the current analysis was January 4 to January 15, 2024. The results are extracted from the “GfK Consumer Climate *powered by NIM*” study and are based on around 2,000 consumer interviews per month conducted on behalf of the European Commission. The 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, willingness 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.

GfK Consumer Climate *powered by NIM*

The GfK Consumer Climate survey, which is being conducted regularly since 1974 and monthly since 1980, is regarded as an important indicator of German consumer behavior and a guiding light for Germany's economic development. Since October 2023, the Consumer Climate data collected by GfK has been analyzed and published jointly with the Nuremberg Institute for Market Decisions (NIM), the founder of GfK. By joining forces, it will be possible to invest further in the analysis and development of the Consumer Climate study to gain an even better understanding of the background to changes in consumer confidence.

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GfK. Growth from Knowledge.

For over 89 years, clients around the world have trusted us to provide data-driven answers to key questions for their decision-making processes. We support their growth through our comprehensive understanding of buying behavior and the dynamics that influence markets, brands, and media trends. In 2023, industry leaders GfK and NIQ have merged to offer their clients unparalleled global reach. With a holistic view of retail and the most comprehensive consumer insights, provided by forward-looking analytics on state-of-the-art platforms, GfK is driving "Growth from Knowledge."

More information is available at www.gfk.com.

Nuremberg Institute for Market Decisions

The Nuremberg Institute for Market Decisions (NIM) is a non-profit research institute at the interface of academia and practice. NIM examines how consumer decisions change due to new technology, societal trends or the application of behavioral science, and what the resulting micro- and macroeconomic impacts are for the market and for society as a whole. A better understanding of consumer decisions and their impacts helps society, businesses, politics, and consumers make better decisions with regard to "prosperity for all" in the sense of the social-ecological market system.

The Nuremberg Institute for Market Decisions is the founder of GfK.

Further information is available at <https://www.nim.org> and [LinkedIn](#).

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