

# CONSUMERS AND THE ECONOMIC OUTLOOK – GERMANY – 2024

Germans are expecting another year of squeezed budgets. Brands that support them in improving their financial and emotional resilience (eg with insurance cover for everyday essentials, social initiatives to strengthen the sense of togetherness) will stand out.



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# Consumers And The Economic Outlook - Germany - 2024

## This report looks at the following areas:

- Changes in consumer spending and what areas of spending consumers are most keen to prioritise
- Consumers' biggest financial concerns
- Expected economic and social changes over the next year (eg cost of living, Germany's economic growth)
- Behaviours and expectations for 2024, including confidence to maintain own standard of living and expectations to have more extra money to spend on non-essentials
- Attitudes towards the economic situation

## Overview

70% of Germans expect the cost of living to deteriorate over the next year or so. Even though inflation is slowly levelling off, **consumer sentiment and financial confidence remain fragile.**

Consequently, 64% of Germans think that high inflation rates will affect their spending budget in 2024, peaking at 83% of those who are financially struggling. While **concerns about being**



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**able to cover day-to-day expenses remain high**, especially among financially worse-off consumers, affordability remains a key priority for many.

Brands are encouraged to **use the learnings from the 2022/23 income squeeze and embrace strategies that have proven to be effective**. For example, longevity claims for higher-quality products continue to provide great potential to emphasise how investing in higher quality benefits consumers (ie cost saving longer-term due to greater durability) and reduce concerns about necessary replacements.

Since consumers **have to deal with constant uncertainty** (eg long-term effects of economic instability, climate change), **brands can support them in building resilience** to withstand potential adversities to come (eg with value-added services like purchasing power insurance to cover food expenses and social initiatives that promote emotional resilience through a greater sense of togetherness).

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# Report Content



## EXECUTIVE SUMMARY

### Market context

- The German economy
- High inflation has finally started to ease, but is still affecting consumers' finances

### Mintel predicts

- The three year outlook for the German economy

### Opportunities

- Maintain affordability as a key priority in essential categories
- Embrace the potential of additional signifiers of quality
- Provide support in improving consumers' resilience

## MARKET DRIVERS

### Key economic figures

- 2024 is expected to be another challenging year for the German economy
  - Graph 1: key economic data, in real terms, 2019-25
- Private consumption remains unstable
  - Graph 2: household final consumption expenditure, seasonally and calendar adjusted, % change on the previous quarter, 2022-23
- Corporate investment in Germany remains weak
- Germany's export economy is facing a challenging environment
  - Graph 3: exports and imports, values calendar and seasonally adjusted\*, € bn, 2022-23

### Inflation and interest rates

- Germany has seen unprecedented levels of inflation
  - Graph 4: consumer price index, 1974-2023
- The inflation rate is slowly bouncing back to more conventional levels
- Price increases for essentials continue to place a heavy burden on household budgets
  - Graph 5: selected household and lifestyle issues faced in the last two months, 2022-23
- Price increases for essentials continue to place a heavy burden on household budgets
- Uptick in mortgage interest rates puts pressure on the housing market

### Wage development and labour market

- Slight wage growth in 2023 for the first time in two years

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- Graph 6: development of real and nominal earnings and consumer prices, 2020-23
- Unemployment rates remain affected by weak economy
  - Graph 7: unemployment rate, original value, 2021-23

## Household finances

- Inflation continues to affect consumers' finances
- More affluent consumers will be the first to emerge from the crisis
  - Graph 8: financial situation compared to a year ago, by financial situation, 2023
- Financial confidence has shown first signs of recovery, but remains fragile
  - Graph 9: financial confidence index, 2022-23
- Financial confidence has shown first signs of recovery, but remains fragile

## WHAT CONSUMERS WANT AND WHY

### Changes in consumer spending

- Savvy shopping habits are here to stay
  - Graph 10: expected changes in behaviour due to rising prices (top four), 2022-23
- Keep innovating in private label to resonate with German consumers
- Germans remain prepared to make extensive cutbacks on their most valuable activities
  - Graph 11: discretionary spending categories that consumers spend money on over the course of the year vs those they would prioritise if they had to make cutbacks, 2023
- Better-off consumers are more likely to spend across discretionary categories
  - Graph 12: discretionary spending categories that consumers spend money on over the course of the year (top six), by financial situation, 2023
- Be aware of differences in spending habits based on the financial situation
- Consumers continue to enjoy their regained freedoms
  - Graph 13: discretionary spending categories that consumers spend money on over the course of the year (top six), 2023 vs 2022
- Leisure sector: keep innovating to help consumers justify their spending
- Warsteiner celebrates the joy of life
- Online entertainment: embrace emerging opportunities to entice older tenants
- Holidays remain among the top priorities
- Tourism: entice better-off Germans with additional quality promises
- Reinforce support for financially vulnerable consumers to meet their savings goals
- Be aware of Germans' volatile relationship with fashion retail
- Examples of fashion brands that have recently tapped into resale programs in Germany

### Financial concerns

- Financial concerns are prevalent

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- Graph 14: biggest financial concerns, 2023
- Financially worse-off consumers have major financial concerns about the cost of living
- Reduce concerns about necessary replacements with longevity claims
- Freemyou offers insurance cover for everyday objects
- Do not lose sight of Germans' need to save energy
- Bosch promotes its Smart Home features for energy saving
- Grocery retail: take inspiration from Carrefour France and explore new value-added services
- Help homeowners to better plan their future financial burden

## Expected economic and social changes over the next year

- Germans expect times to become even more difficult in some areas
  - Graph 15: expected economic and social changes over the next year or so, 2023
- Pessimistic macro expectations dampen consumer sentiment
- Be aware of the impact of the economic development on consumer sentiment
  - Graph 16: expectations regarding own standard of living and extra money to spend on non-essentials in 2024 (% yes), by level of agreement that Germany will remain one of the top five largest economies in the world in 2024, 2023
- Capitalise on better-off consumers' more positive financial outlook
  - Graph 17: consumer expectations for changes in own household income over the next year or so (NET), by financial situation, 2023
- Gen Z is most optimistic with regard to career prospects
  - Graph 18: consumer expectations for changes in own career prospects over the next year or so (NET), by generation, 2023

## Behaviours and expectations for 2024

- Germans are expecting another year of squeezed budgets
  - Graph 19: behaviours and expectations for 2024, 2023
- Most consumers value production in Germany
- Grocery retail: cater to older consumers with in-house food production
- Count on provenance claims to resonate with Germans
- Examples of global brands with production in Germany
- Leisure sector: cater to Germans with tighter budgets with all-inclusive flats
- Keep support initiatives going to ensure customer loyalty
- Explore new ways to engage with Gen Z
  - Graph 20: consumers who expect to have more money to spend on non-essentials in 2024 compared to 2023, by generation, 2023

## Attitudes towards the economic situation

- The majority of Germans see their standard of living at risk
  - Graph 21: attitudes towards the economic situation, 2023

- Support Germans in boosting their emotional resilience
- Germans are caught between sustainability and economic prosperity

## APPENDIX

### Appendix – abbreviations, consumer research methodology and language usage

- Generations
- Abbreviations
- Consumer research methodology
- A note on language



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