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European Consumer Sentiment Survey:
How current events are shaping
consumer behavior
Insights from Germany

Results from consumer survey, April 12-18, 2022

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The invasion of Ukraine in February 2022 has had deep human, as well as social and economic impact, across countries and sectors.

The implications of the invasion of Ukraine are also rapidly evolving and are inherently uncertain.

As a result, this document, and data and analysis it sets out, should be treated as a best-efforts perspective at a specific point of time, which seeks to help inform discussion and decisions taken by leaders of relevant organizations.

The document does not set out economic or geopolitical forecasts and should not be treated as doing so. It also does not provide legal analysis, including but not limited to legal advice on sanctions or export control issues.

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Four emerging consumer themes in April 2022

1



Sources of concern

Rising prices (39% Top-1 concern) and the invasion in the Ukraine (34% Top-1 concern) are by far the greatest concerns in Germany and across Europe

Besides these Top-1 concerns, COVID-pandemic (7% Top-1, 43% Top-3 concerns) and extreme weather events (7%/35%) are what worries German consumers most

2



Confidence in economy

54% of consumers have a negative view on the current status of the German economy

Uncertainty regarding energy shortages (53%) and supply chain shortages (50%) are the strongest drivers of economic pessimism

Optimism for an economic recovery is even lower than throughout the entire COVID-pandemic (33% pessimistic vs. 19% optimistic)

3



Impact of price increases on purchase intent

91% of German consumers perceived an overall price change

Groceries and petrol with highest perceived price increases along with strong increase in spend

In most other categories, spend has already been reduced and further reduction expected, especially in outer appearance, entertainment, and travel

Consumer demand changes most evident in a more conscious home energy usage (55%)

4



Emerging demand shifts

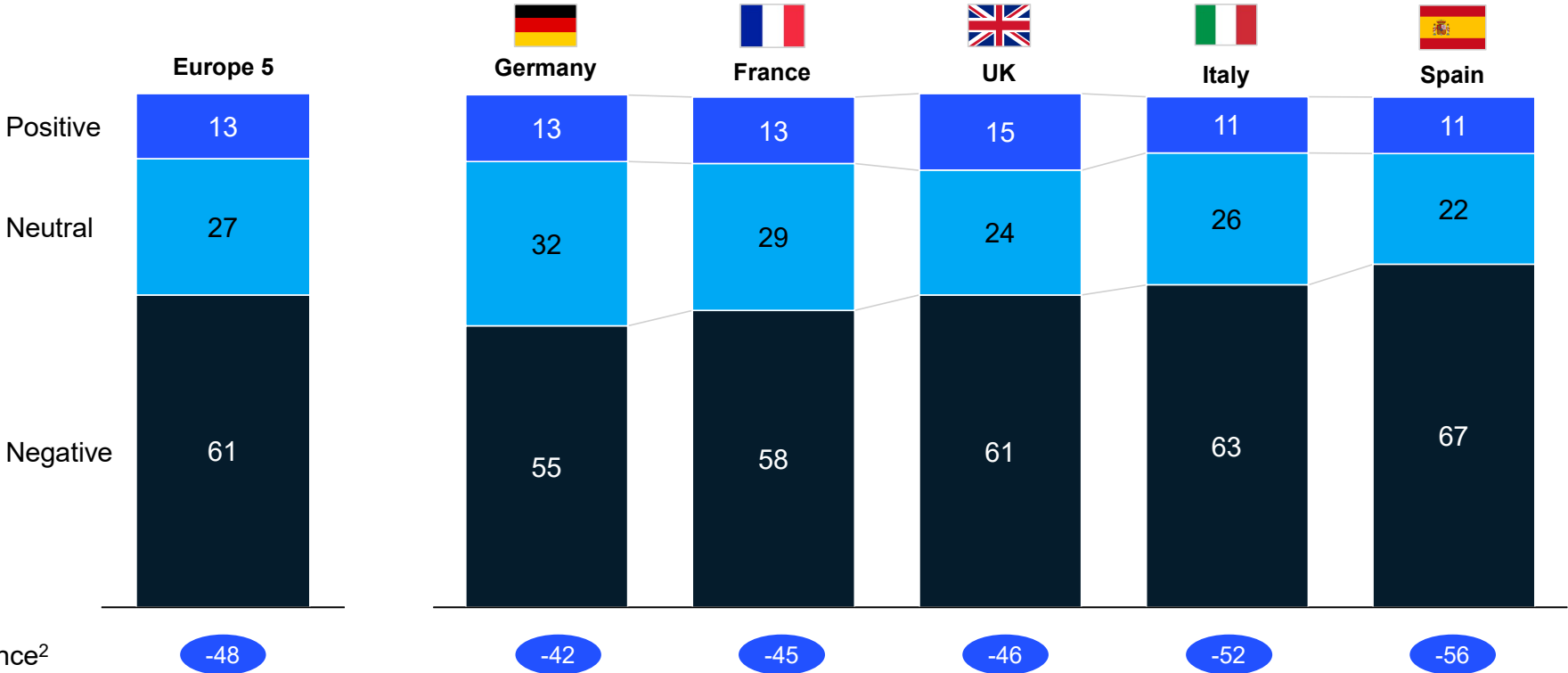
64% of consumers tried a new shopping behavior the last 4-6 weeks, especially Gen Z (86%)

Clear trade-down trend, both in choice of retailers and brands (especially food, household products and skincare)

Prices and value for money are key decision criteria, both in choice of a new retailer and a new brand, followed by availability of products

Almost two out of three consumers are negative about their own country's current state of the economy, with Spain having the highest share of negative respondents

Confidence in own country's current state of the economy¹
% of respondents



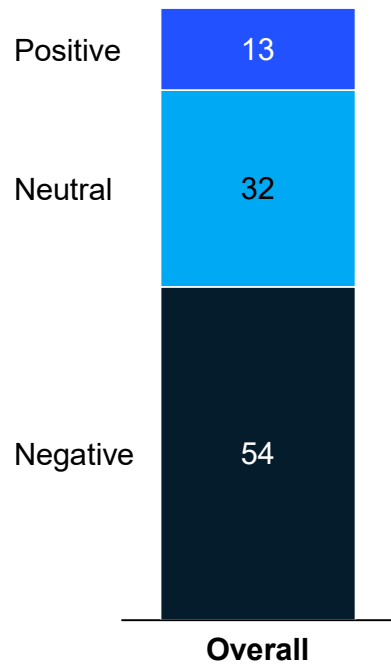
1. Q: How are you feeling about [COUNTRY]'s economy today? Rated from 1 "very positive" to 5 "very negative"; for visualization, we merged the categories "very positive" and "positive" as well as "very negative" and "negative"; Bars may not sum to 100% due to rounding
 2. Calculated by subtracting all "negative" answers from all "positive" answers.

Low income groups have a particularly negative perception of the economy, while Gen Z is relatively optimistic

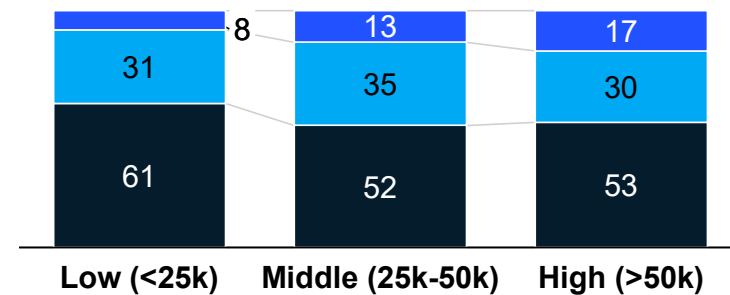


Confidence in own country's current state of the economy¹

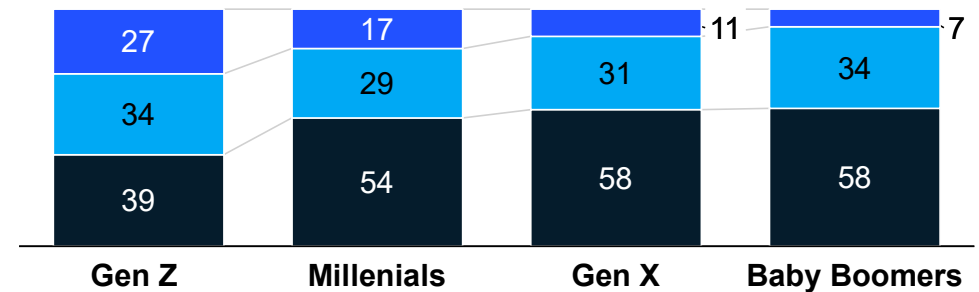
% of respondents



By income²



By generation³








1. Q: How are you feeling about [COUNTRY]'s economy today? Rated from 1 "very positive" to 5 "very negative." for visualization, we merged the categories "very positive" and "positive" as well as "very negative" and "negative"; Bars may not sum to 100% due to rounding.
2. Income brackets shown in € apply for France, Germany, Italy, Spain, for UK same brackets were used with £.
3. Baby boomers includes silent generation.

Supply-related risks are highest worries for consumers with negative outlook on current economy

Top 3 reasons for negative view on economy¹

% of respondents who perceived the current status of economy and/or the economy's outlook as negative

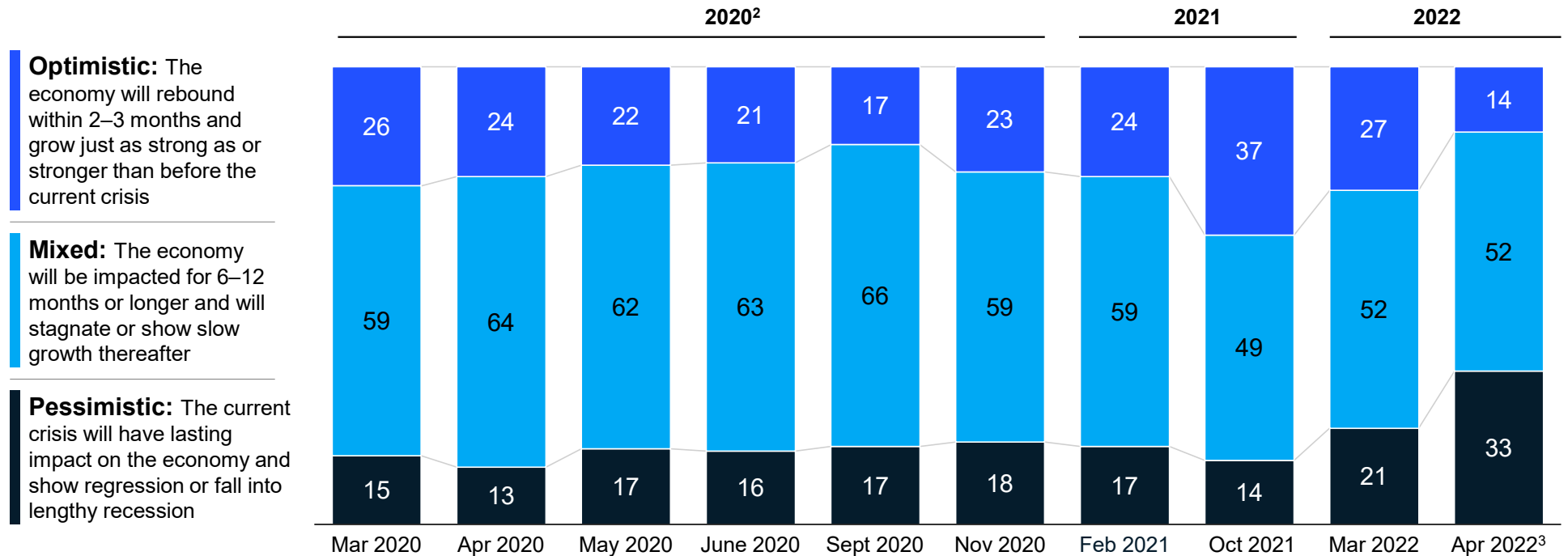
	Europe 5	 Germany	 France	 UK	 Italy	 Spain
Interruption of petrol supply	47	41	45	53	49	46
Supply chain shortages	42	50	44	40	32	44
Energy shortages	39	53	36	43	41	24
Risk of further escalation of the war	31	33	29	30	29	34
Unemployment rates/job security	27	19	22	19	37	39
Food shortages	26	22	33	31	20	24
Rising interest rates	24	14	20	33	23	28
Impact of influx of refugees	16	23	17	12	15	11
Risk of nuclear disaster	12	14	12	11	13	12
Uncertainty on the stock market	9	8	10	7	11	10
Restrictions on international travel	-3	-2	-3	-3	-3	-2
Other	0	-1	-1	0	0	0

1. Q: You mentioned that you are feeling negatively about [COUNTRY]'s economy in light of the Ukraine invasion. Which of the following topics are you most uncertain about?
Please select up to 3; Bars may not sum to 100% due to rounding; Bars only show reasons with agreement >20%

In Germany, pessimism hits an all time high - even exceeding all levels of pessimism since the start of the COVID-pandemic



Confidence in own country's economic recovery after crisis,¹ % of respondents



Optimistic: The economy will rebound within 2–3 months and grow just as strong as or stronger than before the current crisis

Mixed: The economy will be impacted for 6–12 months or longer and will stagnate or show slow growth thereafter

Pessimistic: The current crisis will have lasting impact on the economy and show regression or fall into lengthy recession

1. Q: What is your overall confidence level surrounding economic conditions after the coronavirus (COVID-19) crisis subsides (i.e., once there is herd immunity)? Rated from 1 "very optimistic" to 6 "very pessimistic." Top, middle and bottom two boxes of scale aggregated to "Optimistic", "Mixed", and "Pessimistic". Figures may not sum to 100% because of rounding.

2. Average of bi-weekly pulse surveys shown for March through May 2020.

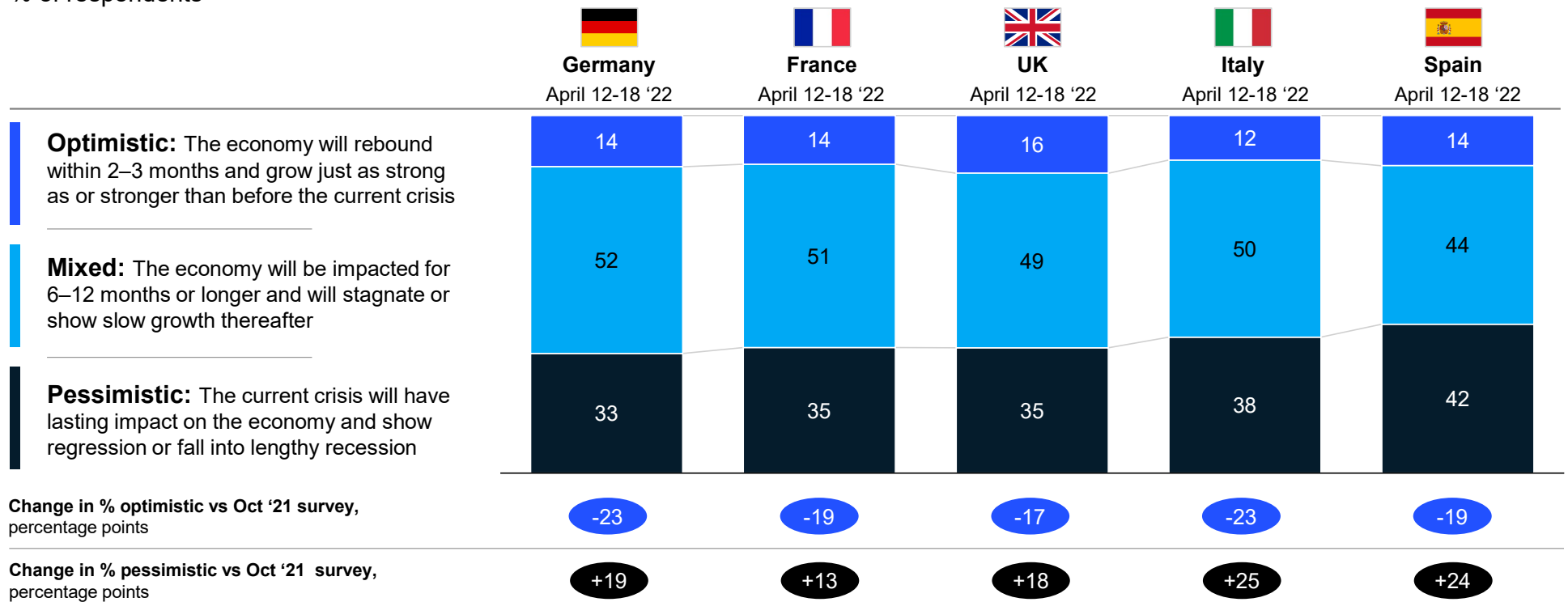
3. Question in April 2022 was not framed for coronavirus: What is your overall confidence level surrounding the potential economic impact related to the invasion of Ukraine that began in February 2022?

Source: McKinsey & Company COVID-19 Germany Consumer Pulse Survey, 4/12/2022-4/18/2022, n=1028; 3/22-3/29/2022, n = 1,005; 10/15-10/22/2021, n = 1,025; 2/23-2/27/2021, n = 1,013; 11/09-11/16/2020, n = 1,053; 9/24-9/27/2020, n = 1,053; 6/18-6/21/2020, n = 1,011; 5/21-5/24/2020, n = 1,008; 4/30-5/3/2020, n = 1,002; 4/16-4/19/2020, n = 1,005; 4/2-4/5/2020, n = 1,010; 3/26-3/29/2020, n = 1,002; 3/20-3/22/2020, n = 1,014, 04/14-04/18/2022, n = 1,028, sampled to match Germany's general population 18+ years

High pessimism about an economic recovery across all countries – more than doubled vs. October 2021

Confidence in own country's economic recovery after current crisis¹

% of respondents



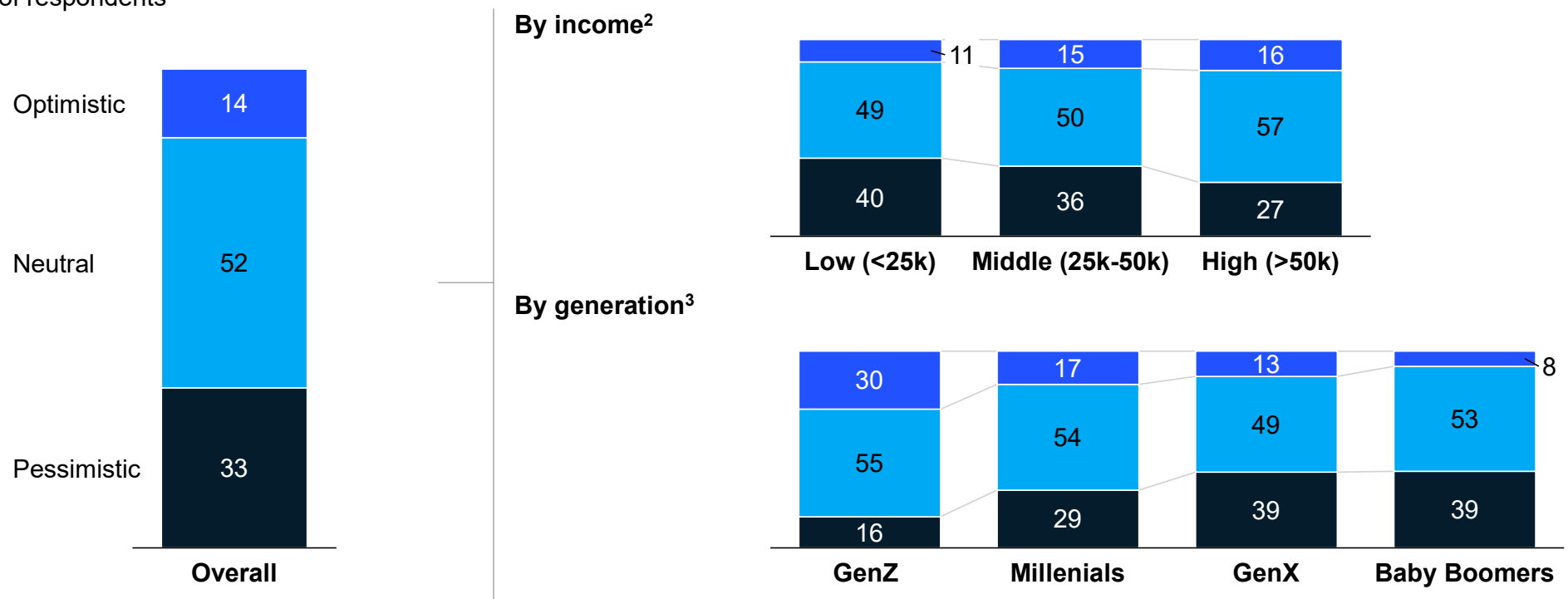
1. Q: What is your overall confidence level surrounding the potential economic impact related to the invasion of Ukraine that began in February 2022? Rated from 1 "very optimistic" to 6 "very pessimistic." Top, middle and bottom two boxes of scale aggregated to "Optimistic", "Mixed", and "Pessimistic". Bars may not sum to 100% due to rounding.

One third of German consumer have a negative view on the current state of the economy, even 40% in low income groups



Confidence in own country's expected economic recovery after current crisis¹

% of respondents

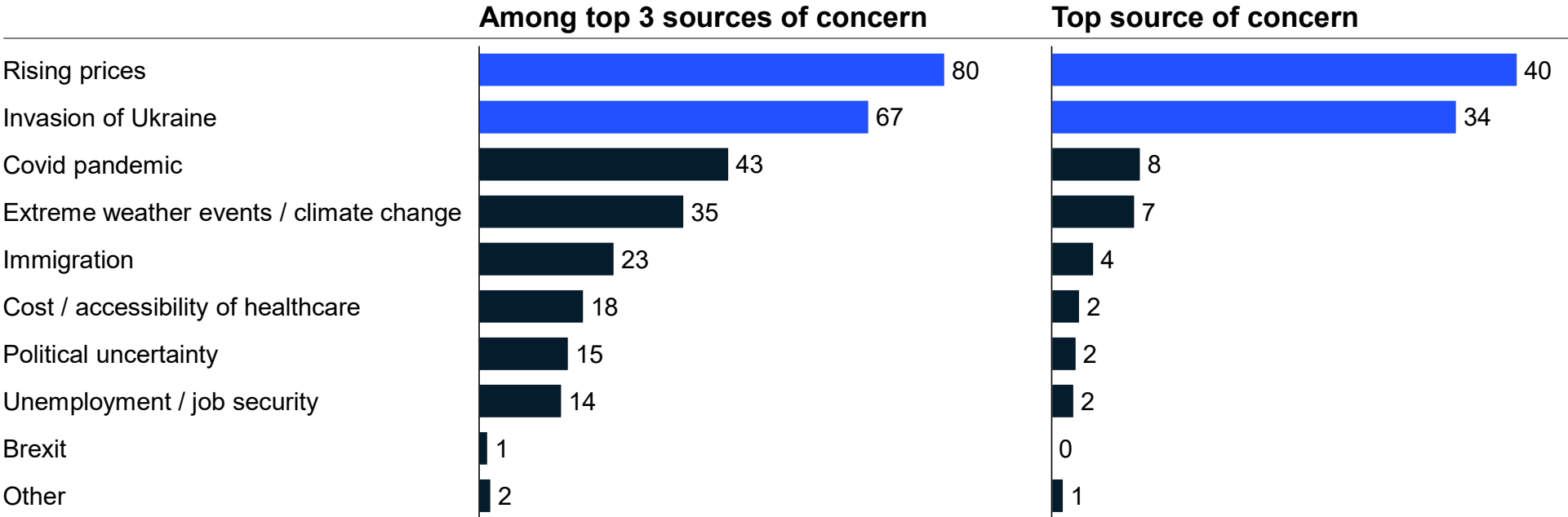


1. Q: What is your overall confidence level surrounding the potential economic impact related to the invasion of Ukraine that began in February 2022? Rated from 1 "very optimistic" to 6 "very pessimistic"; Top, middle and bottom two boxes of scale aggregated to "Optimistic", "Mixed", and "Pessimistic"; Bars may not sum to 100% due to rounding.
 2. Income brackets shown in € apply for France, Germany, Italy, Spain, for UK same brackets were used with £.
 3. Baby boomers includes silent generation.

In Germany, consumers' greatest source of concern are rising prices, followed by the invasion in the Ukraine



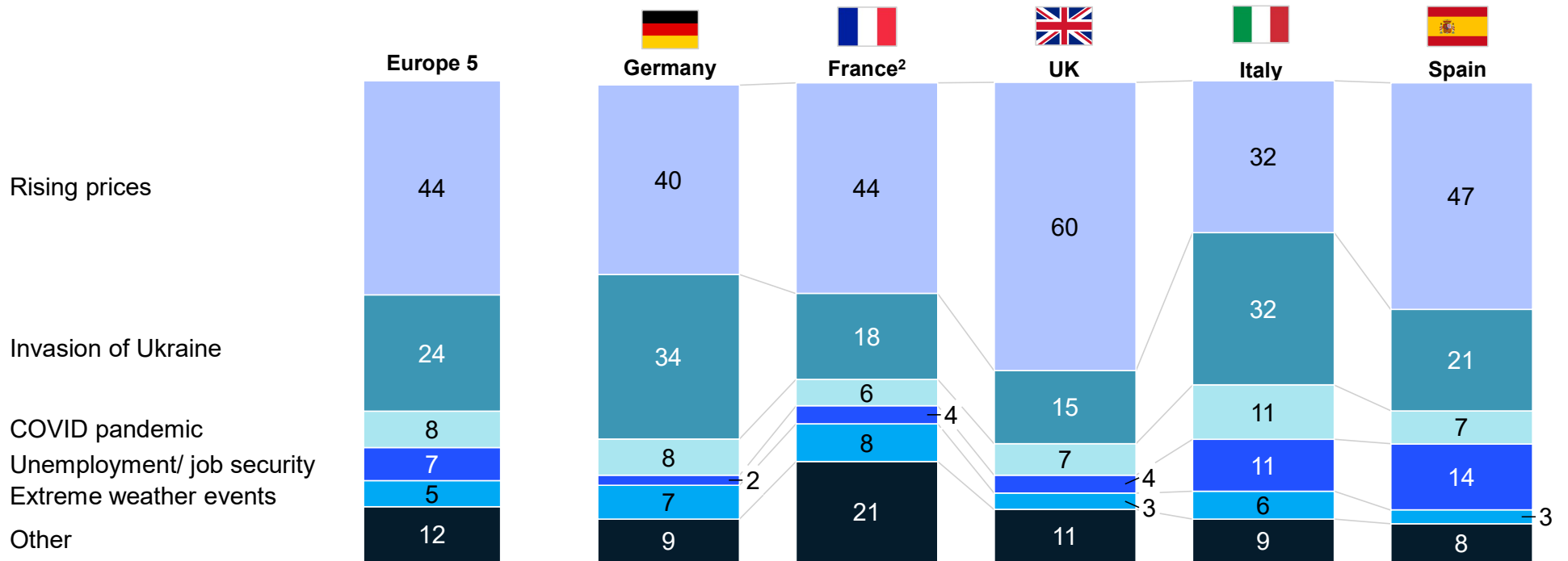
Top sources of concern today^{1,2}
 % of respondents



1.Q: What are the greatest source(s) of concern for you right now? Please select the top 3.
 2.Q: Which of the following is your top concern today?

Despite the pandemic's continuing grip on societies in Europe, rising prices and invasion of Ukraine have now by far overtaken COVID-19 as top concerns for consumers

Top 1 source of concern¹
% of respondents



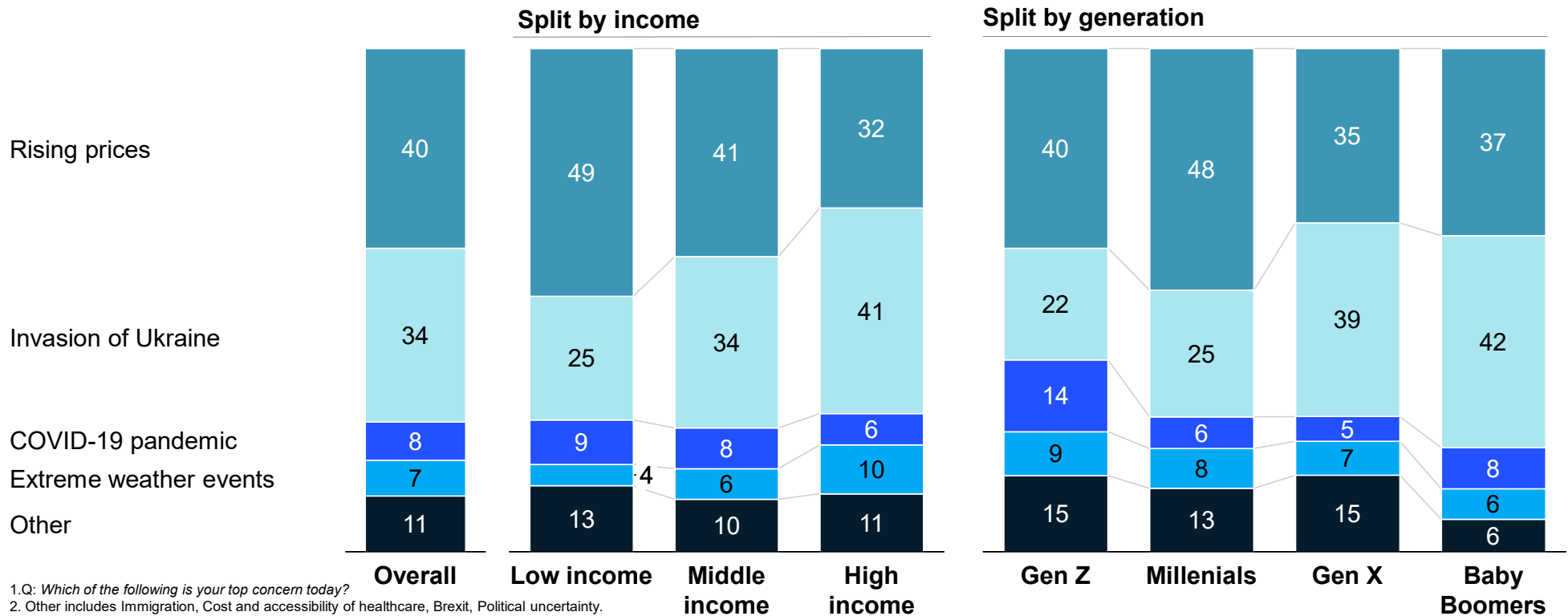
1.Q: Which of the following is your top concern today?

2. For France, political insecurity (9%) and immigration (8%) are concerns mentioned by more than 5% of consumers; Figures may not sum to 100% due to rounding.

Rising prices particularly worrying for low income and millennials, invasion of Ukraine for high income and Baby Boomers



Top 1 source of concern¹
% of respondents

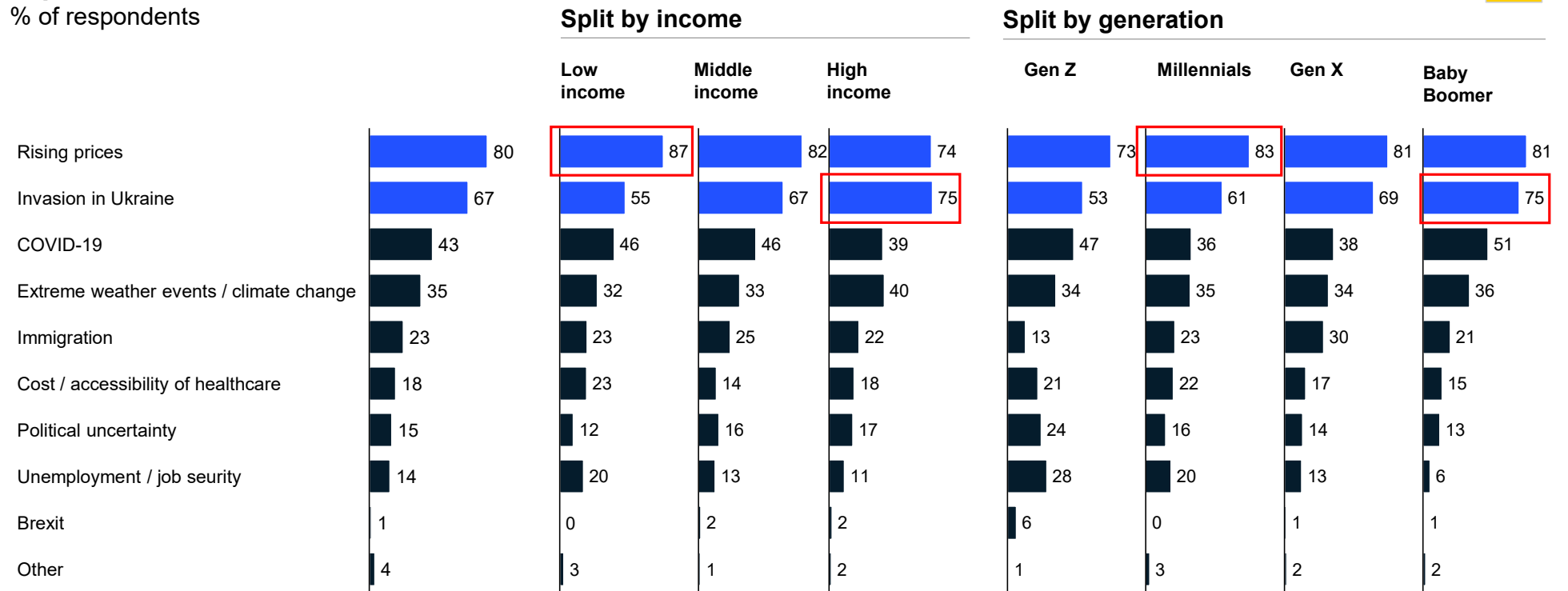


1.Q: Which of the following is your top concern today?

2. Other includes Immigration, Cost and accessibility of healthcare, Brexit, Political uncertainty.

Rising prices particularly worrying for low income and millennials, high income and Baby Boomers with strong concerns about Ukraine

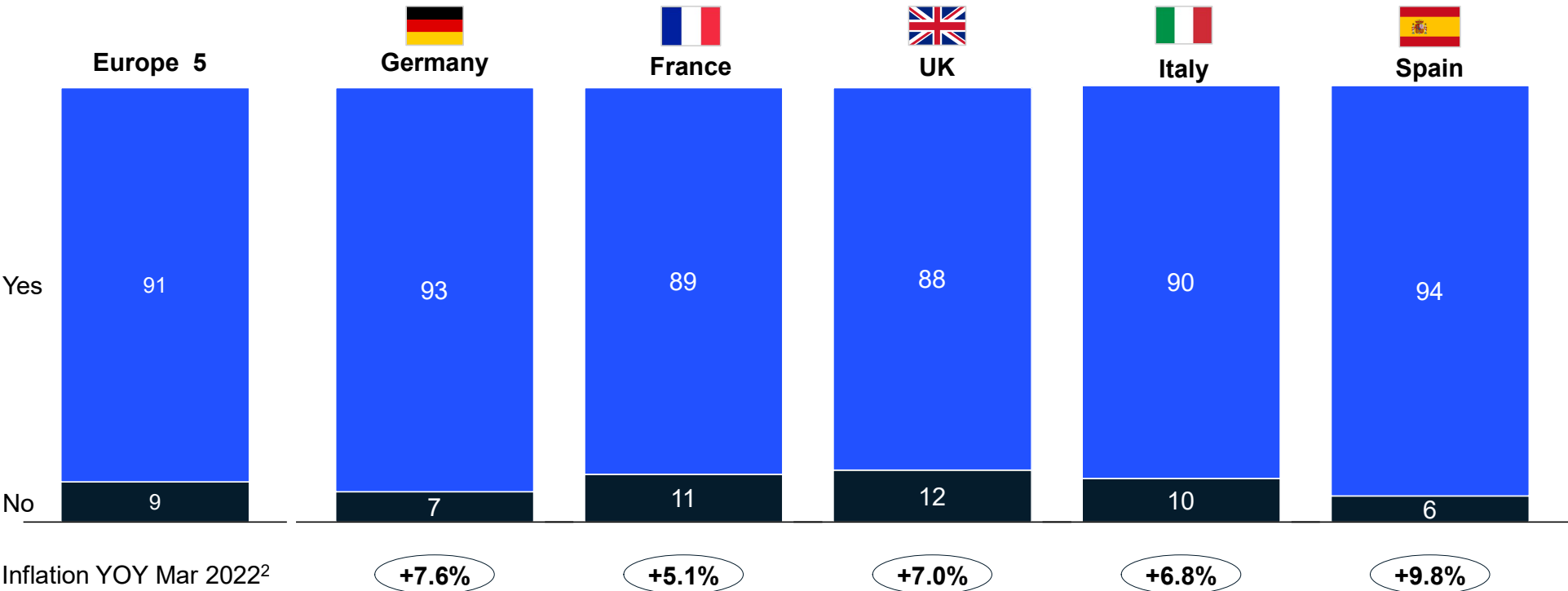
Top 3 sources of concern¹
% of respondents



1.Q: What are the greatest source(s) of concern for you right now? Please select the top 3

Vast majority of respondents observed an increase of prices across countries

Price changes perceived in last 4-6 weeks¹
% of respondents



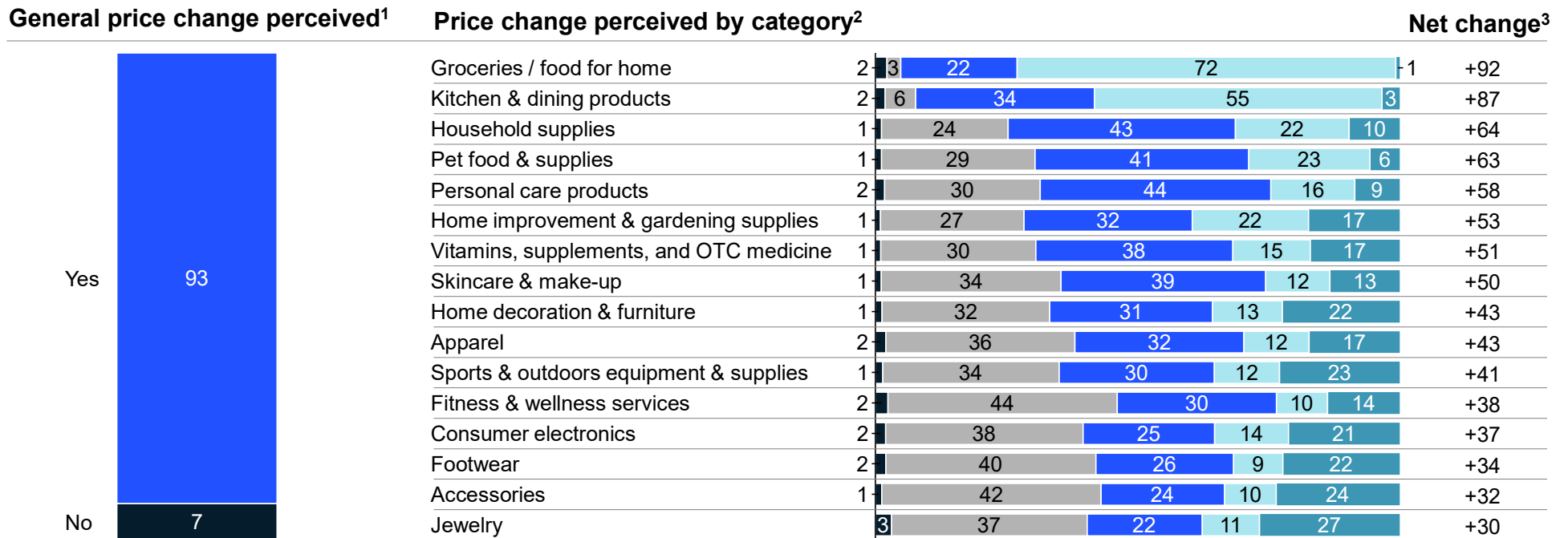
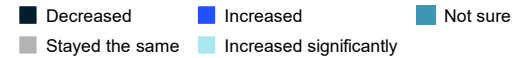
1. Q: In the last 4-6 weeks, have you seen a general increase in the prices of any goods you commonly buy? Yes/No
2. Source: OECD

Especially in groceries and kitchen & dining products, significant price increases are perceived by consumers



Price changes perceived in last 4-6 weeks^{1,2}

% of respondents / % of respondents who shopped category



1. Q: In the last 4-6 weeks, have you seen a general increase in the prices of any goods you commonly buy? Yes/No

2. Q: In the last 4-6 weeks, How have you observed prices changing across the following categories? Rated from 1 "Prices decreased significantly" to 5 "Prices increased significantly"

3. Calculated by subtracting all "decreased" answers from all "increased/significantly increased" answers

Two thirds of consumers assumed prices will continue to rise in the next 12 months, with only 48% of Gen Z believing in this



Agreement to price-related statements % of respondents rating top-2-boxes

Difference from all consumers², ■ < -3 ■ Between -3 and +3 ■ > +3
percentage points

Statements	All consumers	Generational cut			
		Gen Z	Millennials	Gen X	Baby boomers ²
I believe prices will continue to rise throughout the next 12 months	66	48	64	72	69
Concerned that the prices of everyday purchases have been increasing	62	44	62	65	65
I am planning to buy fewer products/ services in the future if prices continue to rise	44	32	48	48	41
I have had to scale back my lifestyle due to an increase in prices	29	26	33	33	24
I intend to use more buy now, pay later services in the coming months	9	11	14	10	4

1. Q: Please read the following statements and indicate your level of agreement with each: Rated from 1 "Strongly disagree" to 6 "Strongly agree"

2. Calculated by subtracting the answers of all consumers from those in a sub-group, i.e., here top source of concern

Spend on energy, transport & petrol, as well as on food, has grown considerably among respondents and is expected to rise further

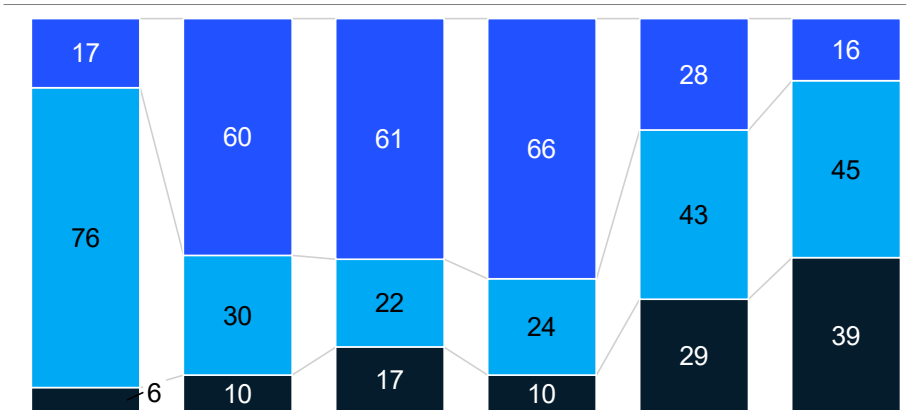


Change of spend in general categories in last 4-6 weeks/ next 4-6 weeks^{1,2}

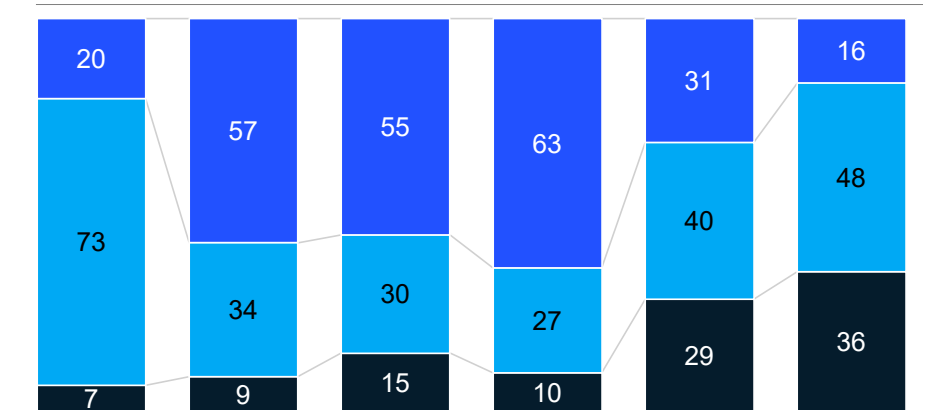
% of respondents

Higher About the same Lower

Change in spend in the last 4-6 weeks⁴



Change in spend in the next 4-6 weeks (prediction)⁴



Rent/ mortgage Energy/ utilities Transport & petrol Food and essentials Non-food discretionary Put money into savings

Rent/ mortgage Energy/ utilities Transport & petrol Food and essentials Non-food discretionary Put money into savings

Net change³



1. Q: How have your household finances been affected over the past 4-6 weeks? Rated from 1 "Reduced a lot" to 5 "Increased a lot"; for visualization, we merged "increased a lot" and "increased" as well as "reduced a lot" and "reduced"
2. Q: How do you expect your spend on the following categories to change in the next 4-6 weeks? Rated from 1 "Will spend significantly less" to 5 "Will spend significantly more"; for visualization, we merged "significantly more" and "more" as well as "significantly less" and "less"
3. Calculated by subtracting all "lower" answers from all "higher" answer in each column/time frame
4. "Last 4-6 weeks" refers to the change in behavior vs. before the invasion of Ukraine; "Next 4-6 weeks" refers to the plan consumers make today, so this change is incremental to past change

Spend on energy, transport & petrol, as well as on food, has grown considerably among respondents and is expected to rise further

Change of spend in general categories in last 4-6 weeks/ next 4-6 weeks^{1,2}
% of respondents

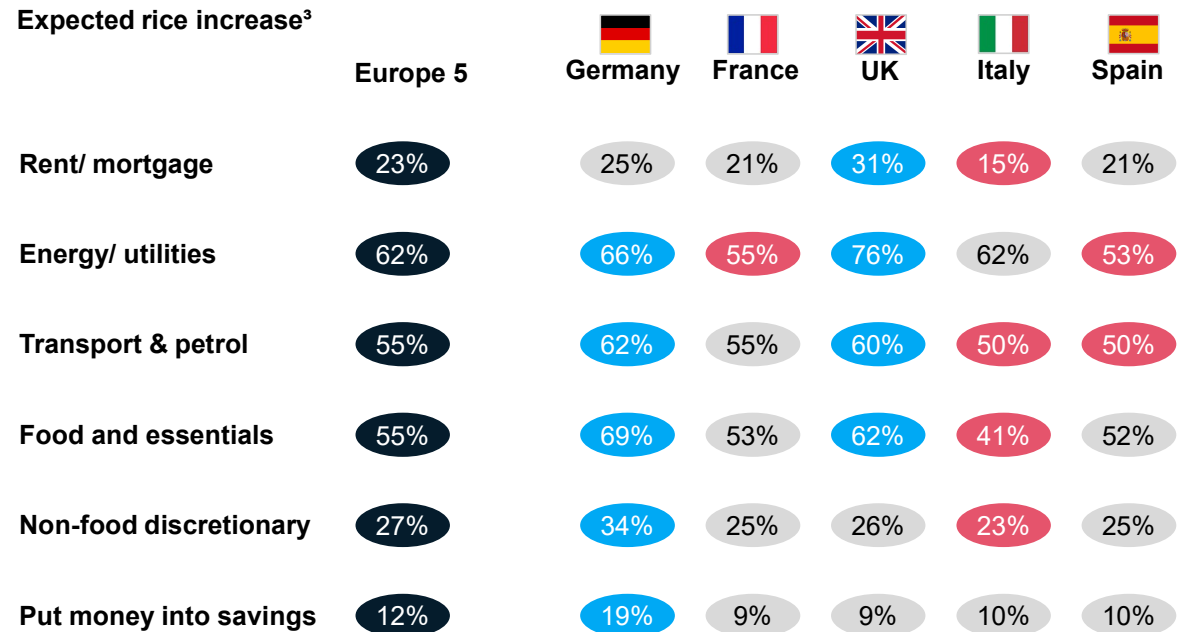
Difference from all consumers², percentage points
■ < -3 ■ Between -3 and +3 ■ > +3

Reading example:

		Change of spend in next 4-6 weeks ⁴		
		Decrease	No change	Increase
Change in spend in last 4-6 weeks ⁴	Decrease	4%	3%	1%
	No change	4%	63%	6%
	Increase	2%	7%	10%

Expected price increase³: **23%**

Expected rice increase³



1. Q: How have your household finances been affected over the past 4-6 weeks? Rated from 1 "Reduced a lot" to 5 "Increased a lot"; for visualization, we merged "increased a lot" and "increased" as well as "reduced a lot" and "reduced"
2. Q: How do you expect your spend on the following categories to change in the next 4-6 weeks? Rated from 1 "Will spend significantly less" to 5 "Will spend significantly more"; for visualization, we merged "significantly more" and "more" as well as "significantly less" and "less"
3. Calculated by adding the black highlighted cells; i.e., consumers increased past spend or will increase future spend, excluding consumers that have decreased or will decrease their spend
4. "Last 4-6 weeks" refers to the change in behavior vs. before the invasion of Ukraine; "Next 4-6 weeks" refers to the plan consumers make today, so this change is incremental to past change

Spend on groceries, petrol, and kitchen has been rising strongly and is expected to further increase; spend in many other categories cut



Change of spend in categories in last / next 4-6 weeks^{1,2}
 % of respondents who shopped category

■ Decrease ■ Stay the same ■ Increase xx Net change³ < -15 xx Net change -15 to +15 xx Net change > +15

	Change last 4-6 weeks ²	Net change last 4-6 w ³	Net change next 4-6 w ³		Change last 4-6 weeks ²	Net change last 4-6 w	Net change next 4-6 w		
Groceries	8	50	+42	+34	Pet food and supplies	9	19	+10	+7
Tobacco products	14	21	+7	+1	Vitamins and OTC medicine	19	12	-7	-10
Food takeout and delivery	32	21	-11	-20	Entertainment at home	17	10	-7	-11
Alcohol	30	13	-17	-20	Books/magazines/newspapers	28	5	-23	-21
Quick-service restaurant	38	13	-25	-26	Consumer electronics	32	11	-22	-29
Restaurant	38	21	-17	-14	Out-of-home entertainment	40	12	-28	-17
Footwear	30	8	-22	-27	Pet-care services	20	15	-5	-9
Apparel	30	11	-19	-20	Fitness and wellness	22	16	-6	-10
Jewelry	44	7	-37	-37	Personal-care services	24	17	-7	-10
Accessories	42	8	-34	-32	Petrol	13	64	+51	+37
Toys and baby	29	13	-16	-16	Vehicles	20	32	+12	+6
Household supplies	14	12	-2	-3	Short-term home rentals	34	11	-23	-18
Personal-care products	8	14	+6	+1	Travel by car	28	33	+5	+2
Skin care and makeup	20	9	-11	-10	Cruises	42	15	-27	-13
Home and furniture	36	11	-25	-29	Adventures and tours	29	18	-11	-7
Sports and outdoors	32	12	-20	-26	International flights	39	22	-17	-16
Home improvement, garden	31	14	-17	-17	Hotel/resort stays	36	19	-17	-13
Kitchen and dining	10	40	+30	+21	Domestic flights	47	19	-28	-23

1. Q: In the past 4-6 weeks, how has the amount you have spent on these categories changed? Spent less on this category, spent the same amount, spent more on this category
2. Q: Over the next 4-6 weeks, do you expect that you will spend more, about the same, or less money on these categories than usual? Will spend less on this category, will spend about the same, will spend more on this category
3. Net change is calculated by subtracting the % of respondents stating they decreased spend from the % of respondents stating they increased spend in the respective category

More than half of German consumers have become more conscious about home energy use, especially Baby Boomers



Change in purchase behavior in last 4-6 weeks¹
% of respondents

Difference from all consumers², percentage points

■ < -3 ■ Between -3 and +3 ■ > +3

	All consumers	Generational cut			
		Gen Z	Millennials	Gen X	Baby boomers ²
I have become more conscious about my home energy usage	55	39	52	51	66
I have stocked up on products (e.g., grocery or household items) that I use often in the event that there are supply chain shortages	20	15	19	17	24
I have changed my mode of transport to use less gasoline/to save money	16	17	17	17	15
I have reduced/stopped purchasing products from Russian companies	14	15	13	14	15
I have delayed/cancelled a pending trip/vacation	11	17	13	11	9
I have delayed/cancelled a planned purchase of a car/other vehicle	11	15	12	11	9
I have purchased supplies to donate to the Ukraine humanitarian effort and/or have donated money or time to volunteer	10	15	15	9	6
I have started/increased my purchase of products from companies that have taken a stance on the invasion of Ukraine	9	9	9	10	6
I have reduced/stopped purchasing products from companies that have not taken a stance on the invasion of Ukraine	7	8	7	6	6
I have delayed/cancelled a planned purchase of a new home	5	11	8	3	1
I have offered to shelter/sponsor Ukrainian refugees	5	11	5	4	2
I have sold/plan to sell my car or other vehicle	4	10	6	3	3
I have sped up my plan to purchase a new home	4	11	5	3	1
None of these	21	14	19	27	21

1. Q: In which other areas of your life, if any, have you changed your shopping behavior in the last 4-6 weeks?
2. Calculated by subtracting the answers of all consumers from those in a sub-group, i.e., here generational cut

Source: McKinsey & Company Germany Consumer Sentiment Survey, 4/12–4/18/2022, n = 1,028, sampled to match German general population 18+ years