

Growth, Marketing & Sales Practice

European consumers increasingly react to the stress of rising prices

The latest Consumer Pulse Survey shows that, across Europe, people are continuing to adopt new behaviors in response to new stressors.

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As Europeans slowly emerge from the pandemic, consumer pessimism remains high, with economic confidence continuing to tumble. Rising prices have outpaced the invasion of Ukraine as the primary worry, greatly eclipsing COVID-19. Across the continent, consumers hold a negative view of the state of the economy and prospects for recovery.

In response, household budgets are continuing to evolve, with basic needs like food, transport, and energy accounting for a higher share. In ongoing trends, spending on discretionary items has been cut, as has money put toward savings. Consumers are buying smaller quantities or delaying purchases. Many are trading down: turning to private labels, discounters, or more affordable brands.

These results confirm and consolidate the shifts observed in our April survey: concern about inflation has only intensified since then; consumer sentiment and confidence remain low, although they have not worsened in most places; and downdrading behavior has intensified. New data on splurging behavior reveals that most European consumers have no immediate plans to treat themselves.

While there are small differences, these trends hold true across France, Germany, Italy, Spain, and the United Kingdom. They are highlighted in the following charts from our latest European Consumer Pulse Survey, carried out on June 8–12, 2022. This survey tapped the views of 1,000 respondents in each of the named countries.

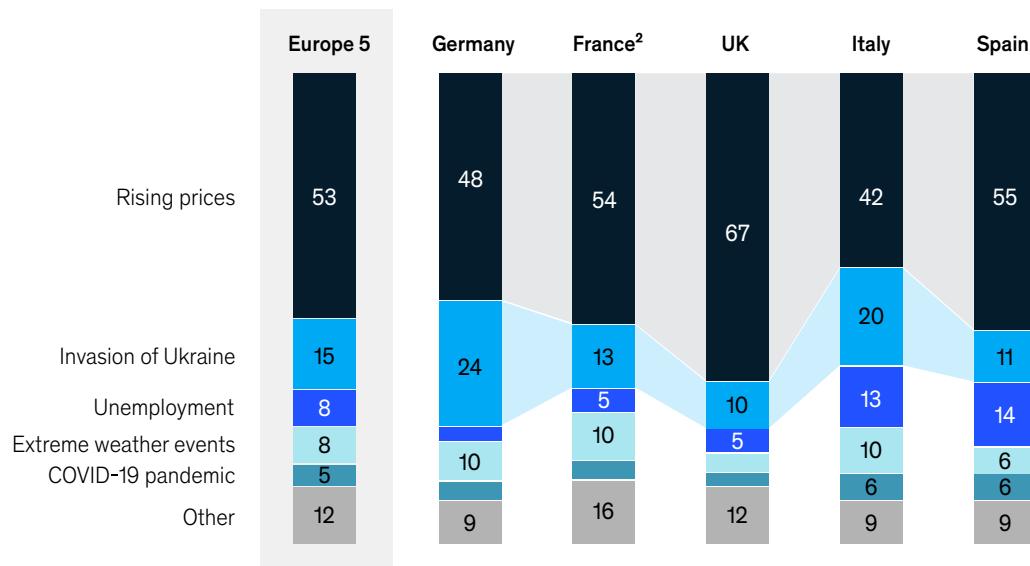
Rising prices increasingly dominate concerns

While COVID-19 still lingers in Europe, its significance has been greatly overtaken by other anxieties in the public mind—in particular, rising prices. When asked to identify their number-one concern, 53 percent of European consumers cite price increases (up from 44 percent in April). Worry about the conflict in Ukraine, while still the second most frequently cited concern, has subsided somewhat: this is now named by only 15 percent of respondents, down from 24 percent in April (Exhibit 1)

Exhibit 1

Rising prices and the invasion of Ukraine are the top concerns of European consumers, far ahead of COVID-19.

Top source of concern,¹ % of respondents



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

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

Source: McKinsey & Company Europe Consumer Pulse Survey, 06/08–06/12/2022, n = 5,076 (France, Germany, Italy, Spain, UK), sampled to match European general population 18+ years

The pandemic, which has dominated public life for the past two years, now ranks only fifth on the list of major worries. This may yet re-emerge as a concern, however, given the COVID-19 virus's apparent seasonality and the likely arrival of further variants.

This pattern is consistent across the continent. UK consumers display the greatest focus on inflation, with more than two-thirds naming this as their biggest worry (up from 60 percent in April). In every country, the proportion of those claiming price rises as their chief concern has risen by seven to ten percentage points since April, and increased relative to concern about the invasion of Ukraine.

Overall, rising prices are particularly worrying for low-income consumers and millennials, while high-income consumers and baby boomers are most likely to identify the invasion of Ukraine as their primary concern.

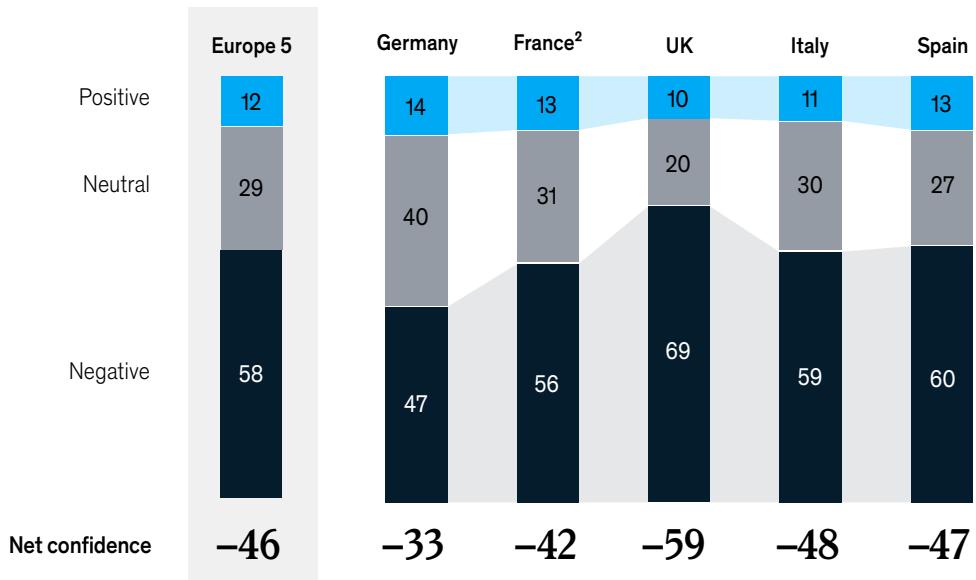
Consumer confidence stays low, though mostly not worsening

In general, European consumers' views of the current economy tend to be negative; 58 percent say their own country is in a bad economic state, slightly improved from 61 percent in April (Exhibit 2). In the United Kingdom, seven in ten people do so, and this has worsened from 61 percent two months before. In the remaining countries, the outlook has slightly improved, with consumer pessimism declining by between two and eight percent since April, but it remains poor. Only in Germany do fewer than half of consumers feel pessimistic (55 percent in April), and in no country surveyed do more than 14 percent of respondents report positive sentiments.

Exhibit 2

Almost two out of three consumers feel negative about their own country's economic status.

Confidence in own country's current economic state¹, % 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." Figures may not sum to 100%, because of rounding.

² Calculated by subtracting all "negative" answers from all "positive" answers.

Source: McKinsey & Company Europe Consumer Pulse Survey, 06/08–06/12/2022, n = 5,076 (France, Germany, Italy, Spain, UK), sampled to match European general population 18+ years

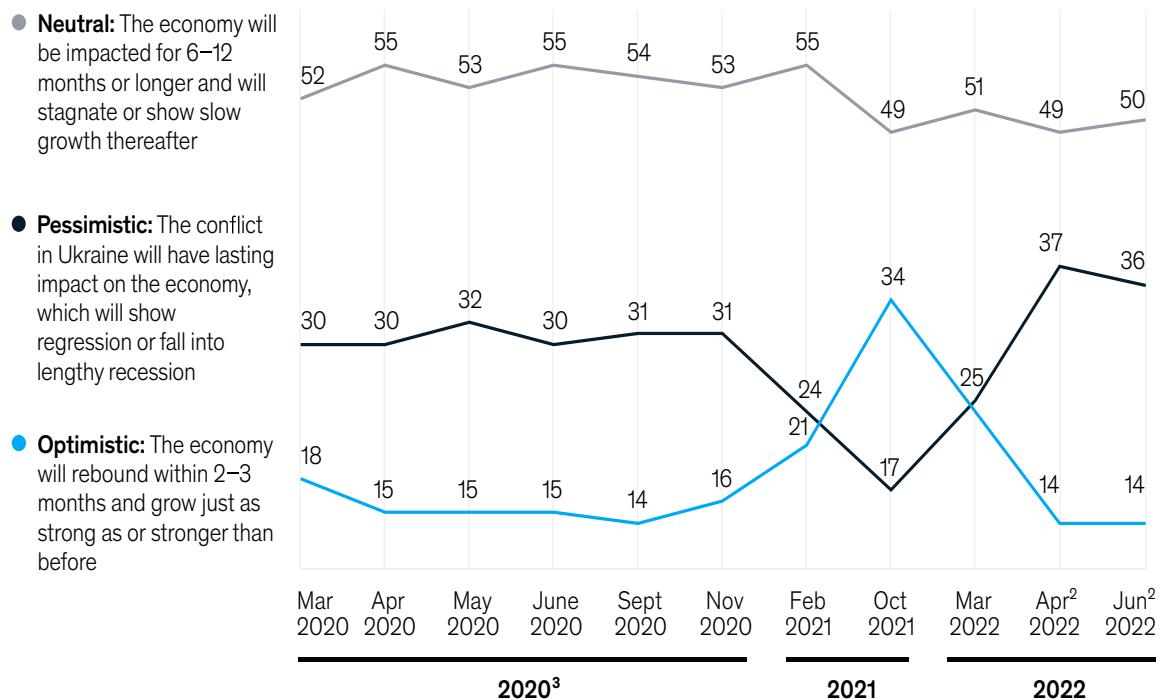
This pessimism extends to the months to come: 36 percent of respondents express doubt about a successful economic recovery—almost unchanged since April. This exceeds even the level of pessimism reported during COVID-19 lockdowns and is more than double that reported in October 2021 (Exhibit 3). A brief surge of modest optimism toward the end of 2021 ended sharply with the invasion of Ukraine, a shift already reflected in data gathered in March 2022, when a quarter of European respondents anticipated lasting negative impacts.

Exhibit 3

Pessimism about recovery has risen in recent months, reaching higher levels than during COVID-19.

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

April 2022: Survey questions were reframed to reflect confidence level related to the invasion of Ukraine²



¹Q: What is your overall confidence level surrounding economic conditions after the coronavirus (COVID-19) crisis subsides (ie, once there is herd immunity)?
Rated from 1 "very optimistic" to 6 "very pessimistic." Top, middle, and bottom 2 boxes of scale aggregated to "Optimistic," "Mixed," and "Pessimistic." Figures may not sum to 100%, because of rounding.

²Question in Apr and June 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 Feb 2022?

³Average of biweekly pulse surveys shown for Mar–May 2020.

Source: McKinsey & Company Europe Consumer Pulse Survey, 06/8–06/12/2022, n = 5,076 (France, Germany, Italy, Spain, UK); 4/12–4/18/2022, n = 5,075 (France, Germany, Italy, Spain, UK); 3/22–3/29/2022, n = 5,028 (France, Germany, Italy, Spain, UK); 10/15–10/22/2021, n = 5,081 (France, Germany, Italy, Spain, UK); 2/23–2/27/2021, n = 5,139 (France, Germany, Italy, Spain, UK); 11/9–11/16/2020, n = 5,232; 9/24–9/27/2020, n = 5,338 (France, Germany, Italy, Spain, UK); 6/18–6/21/2020, n = 5,645; 5/21–5/24/2020, n = 5,641; 4/30–5/03/2020, n = 5,631; 4/16–4/19/2020, n = 5,623; 4/2–4/5/2020, n = 5,645; 3/26–3/29/2020, n = 5,614; 3/20–3/23/2020, n = 5,035 (Italy, France, Germany, Spain, UK, Portugal), sampled to match European general population 18+ years

Supply-related risks (gasoline and other goods) are the greatest worry for "pessimistic" consumers, while low-income and older consumers have the lowest confidence in their own country's economic recovery.

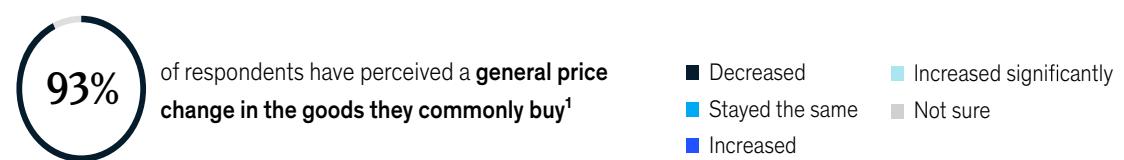
Observing higher prices, consumers continue to cut back on non-essentials

A vast majority—93 percent—of respondents say they have observed price increases recently for the goods they often buy (up slightly from 91 percent in April). This is most obvious in the categories of groceries and food for the home, gasoline, and energy (Exhibit 4). Substantial majorities of consumers surveyed describe the increases in these categories as significant, especially gasoline (83 percent). For 67 percent, these increases are concerning (63 percent in April), and 68 percent expect them to increase further over the next 12 months (from 65 percent).

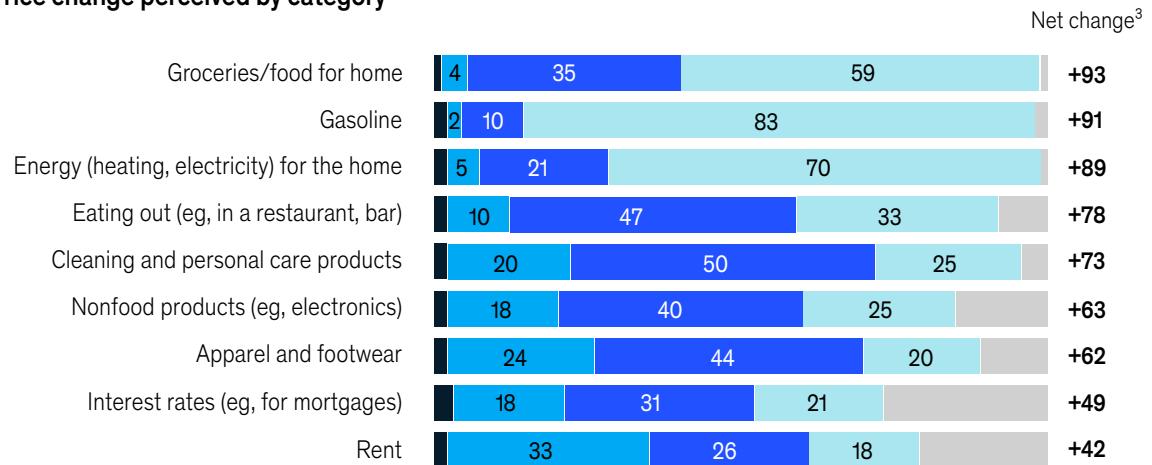
Exhibit 4

Groceries and food for home are perceived to have the greatest price increases.

Price changes perceived in last 4–6 weeks, % of respondents



Price change perceived by category²



¹ Q: In the last 4–6 weeks, have you seen a general increase in the prices of any goods you commonly buy?

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

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

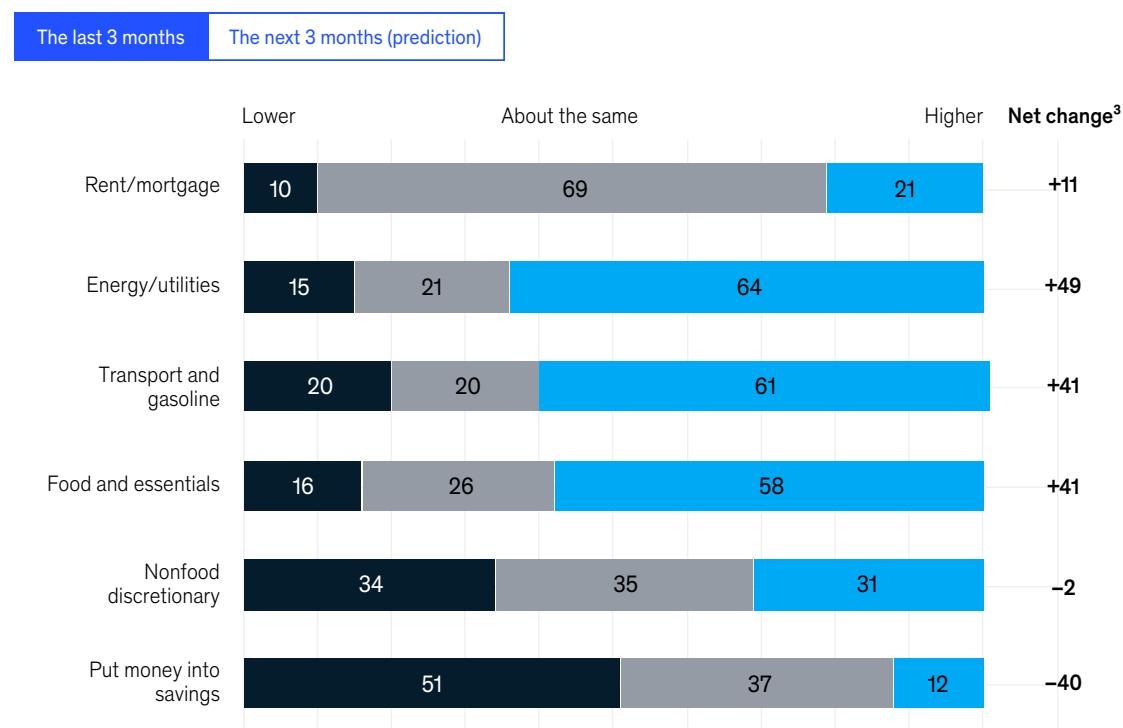
Source: McKinsey & Company Europe Consumer Pulse Survey, 06/08–06/12/2022, n = 5,076 (France, Germany, Italy, Spain, UK), sampled to match European general population 18+ years

The structure of household budgets has changed in response. Basic needs are occupying a higher share, with around 60 percent of respondents reporting greater spend in each of the categories of energy and utilities, transport and gasoline, and food and essentials—in each case, up two or three percentage points from April (Exhibit 5). Correspondingly, consumers have started to cut back elsewhere: more than a third of respondents report a decrease in spend on nonfood discretionary items. Only 39 percent expect this to continue, however, an improvement on April's outlook (44 percent).

Exhibit 5 A

As essential spending rises, spend on nonfood discretionary items and savings sinks.

Change of spend in general categories,^{1,2} % of respondents



¹Q: 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.” “Last 4–6 weeks” refers to the change in behavior vs before the invasion of Ukraine.

²Q: 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.” “Next 4–6 weeks” refers to the plan consumers make today, so this change is incremental to past change.

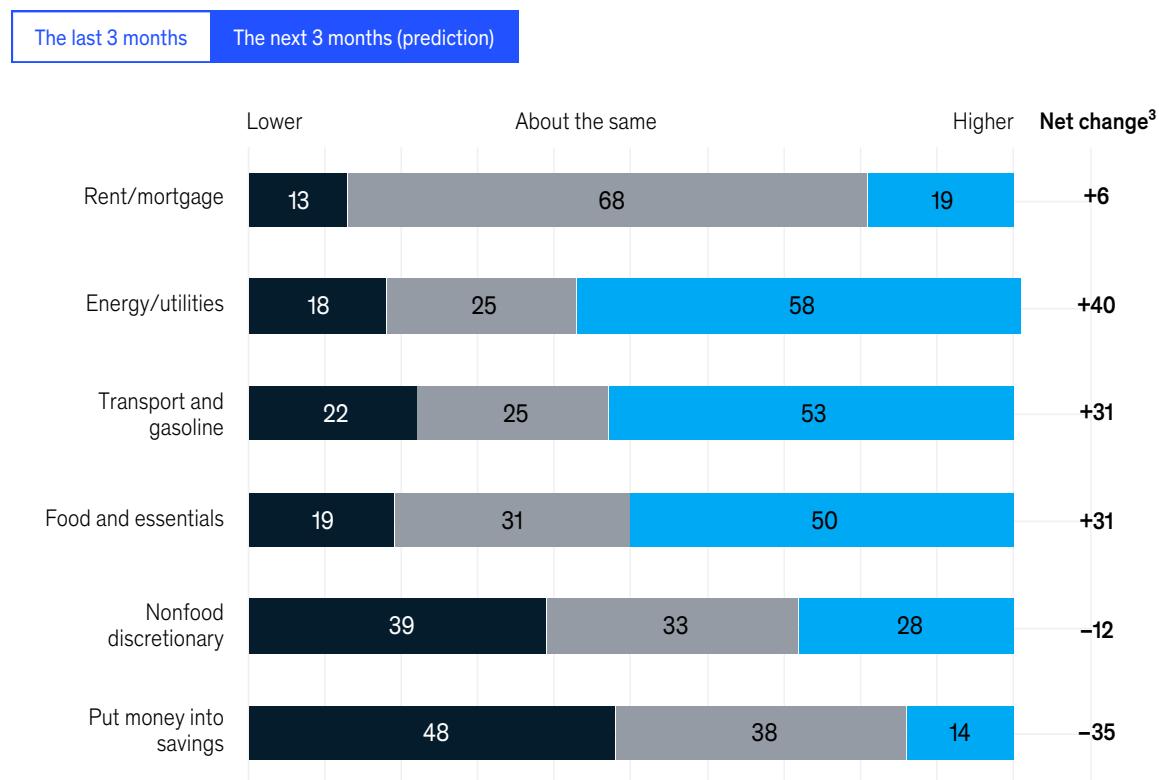
³Calculated by subtracting all “lower” answers from all “higher” answer in each column/time frame.

Source: McKinsey & Company Europe Consumer Pulse Survey, 6/8–6/12/2022, n = 5,076 (France, Germany, Italy, Spain, UK), sampled to match European general population 18+ years

Exhibit 5 B

When observing price increases, more than 60 percent of consumers change behavior.

Change of spend in general categories,^{1,2} % of respondents



¹Q: 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.” “Last 4–6 weeks” refers to the change in behavior vs before the invasion of Ukraine.

²Q: 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.” “Next 4–6 weeks” refers to the plan consumers make today, so this change is incremental to past change.

³Calculated by subtracting all “lower” answers from all “higher” answer in each column/time frame.

Source: McKinsey & Company Europe Consumer Pulse Survey, , 6/8–6/12/2022, n = 5,076 (France, Germany, Italy, Spain, UK), sampled to match European general population 18+ years

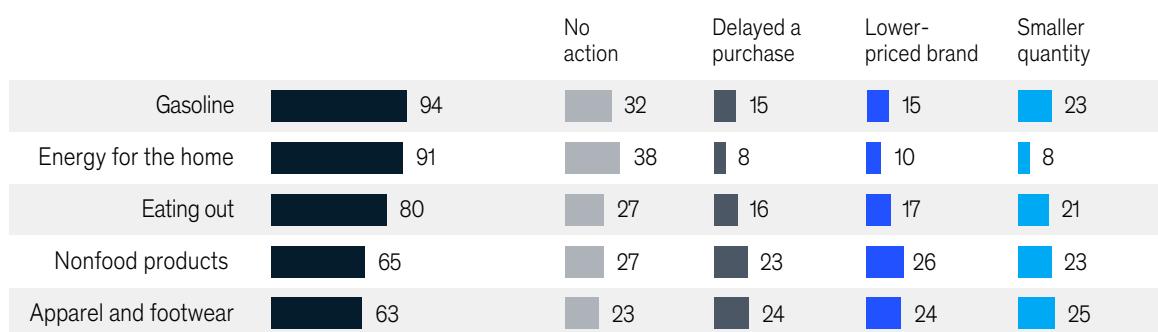
As in April, around half have reduced the money they put into savings. Other mitigating actions include buying smaller quantities and delaying purchases, with small variations across retail categories (Exhibit 6).

Exhibit 6

When observing price increases, more than 60 percent of consumers change behavior.

Consumer-observed price increases by category,¹ % of respondents rating price change 4 or 5 on 5-point scale

Changed behavior by category when price increase perceived,² % of respondents reacting to perceived price increase



¹Q: In the last 3 months, how have you observed prices changing across the following categories? Rated from 1 "Prices decreased significantly" to 5 "Prices increased significantly."

²Q: In the last 3 months, have you done any of the following when purchasing [product]? Respondents who answered they switched to a different or lower-cost brand, delayed their purchase, switched to a different store or website, purchased a smaller quantity. Less frequently mentioned answering options were "switched to a different brand," "switched to a higher cost brand," "purchased a larger size/quantity," and "switched to a different store/website."

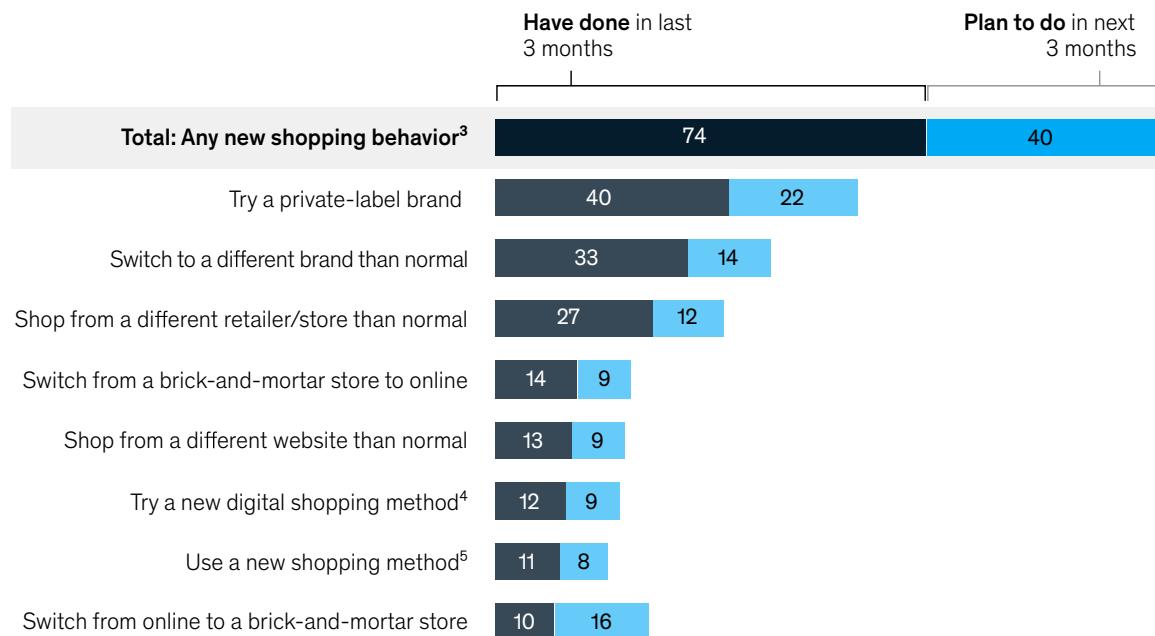
Source: McKinsey & Company Europe Consumer Pulse Survey, 06/08–06/12/2022, n = 5,076 (France, Germany, Italy, Spain, UK), sampled to match European general population 18+ years

Downtrading is intensifying as more turn to discounters—and few plan to splurge

The number of consumers who say they've changed their shopping behavior continues to grow, from 68 percent of respondents in April to almost three-quarters in June. Downtrading—seeking out more affordable brands and retailers—is a prominent aspect of this changed behavior. Notably, a third have switched to a different (not private-label) brand, while slightly lower numbers have investigated new retailers or stores (Exhibit 7). Consumers anticipate similar, if less extreme, shifts in financial behavior in the weeks ahead. Fewer than half of consumers have returned to routine pre-COVID-19 out-of-home activities.

Exhibit 7

Three-quarters of consumers changed shopping behavior; a plurality of them have tried or plan to try private label.



¹Q: In the last 3 months, which of the following have you done when purchasing groceries and other essentials (eg, toiletries, cleaning products)?

²How likely are you to change your shopping behavior in the next 4–6 weeks when purchasing groceries and other essentials (eg, toiletries, cleaning products)?

Rated from 1 "Not likely at all" to 6 "Extremely likely." Here, the answers "Extremely likely" and "Likely" are shown in an aggregated view.

³Any new shopping behavior applies if a respondent has chosen at least 1 of the other categories mentioned.

⁴Eg, ordered groceries via app.

⁵Eg, pickup and food delivery subscription.

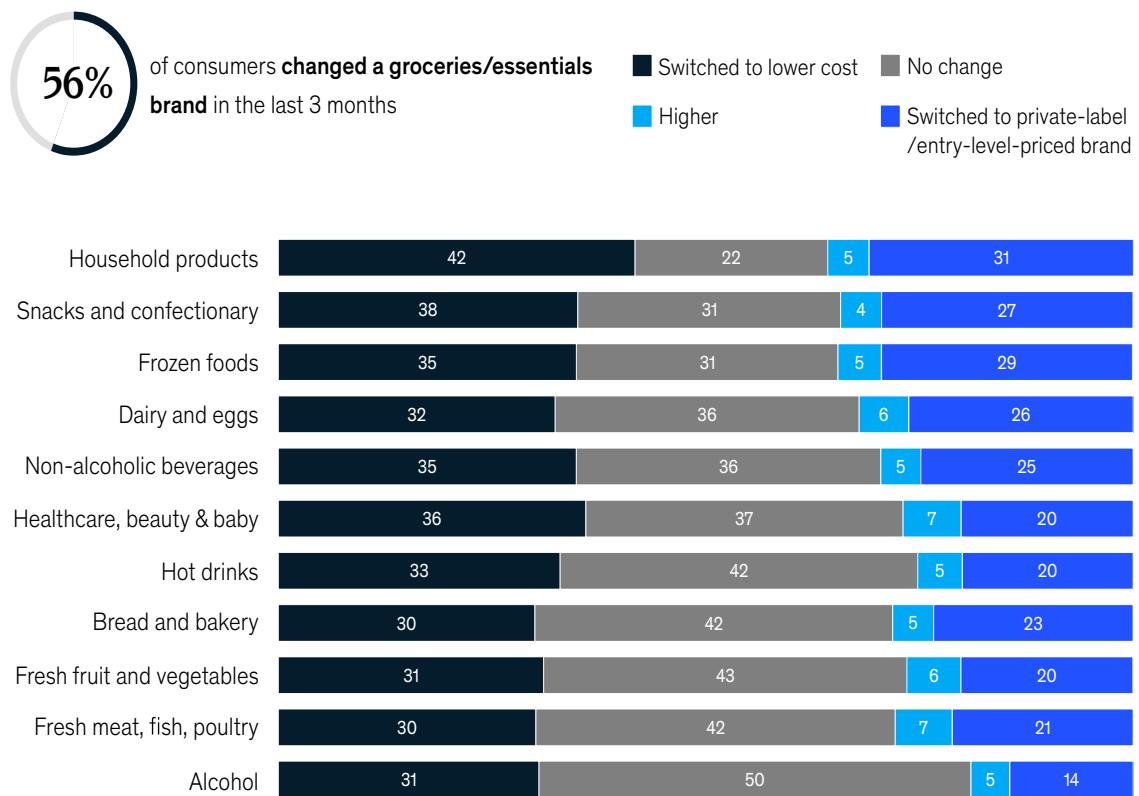
Source: McKinsey & Company Europe Consumer Pulse Survey, 06/08–06/12/2022, n = 5,076 (France, Germany, Italy, Spain, UK), sampled to match European general population 18+ years

Major reasons for trying a new brand are better prices and availability. Among the more than half of consumers who recently switched brands of groceries and other essentials, a clear majority chose lower-cost options—a trend that has intensified in recent months. When choosing household goods, for example, 69 percent of shoppers chose a lower-cost or private-label brand in April; this figure has now risen to 73 percent. The shift is most evident in the areas of household products, snacks and confectionary, and frozen foods (Exhibit 8). Spanish and UK consumers are downtrading more than other countries in the categories of healthcare, beauty and baby, and bread and bakery.

Exhibit 8

Switching to lower-cost brands is particularly evident in household products, snacks and confectionary, and frozen foods.

% of respondents who switched to a different brand of groceries or essentials in last 4–6 weeks



¹Q: You mentioned that in the last 3 months you tried a different brand than you normally would when purchasing groceries and other essentials. Which of the following best describes how/where you switched brands?

²Calculated by subtracting the answers for "switched to higher-priced brand" and "no change" from "switched to lower-priced or private-label brand."

Source: McKinsey & Company Europe Consumer Pulse Survey, 06/08–06/12/2022, n = 5,076 (France, Germany, Italy, Spain, UK), sampled to match European general population 18+ years

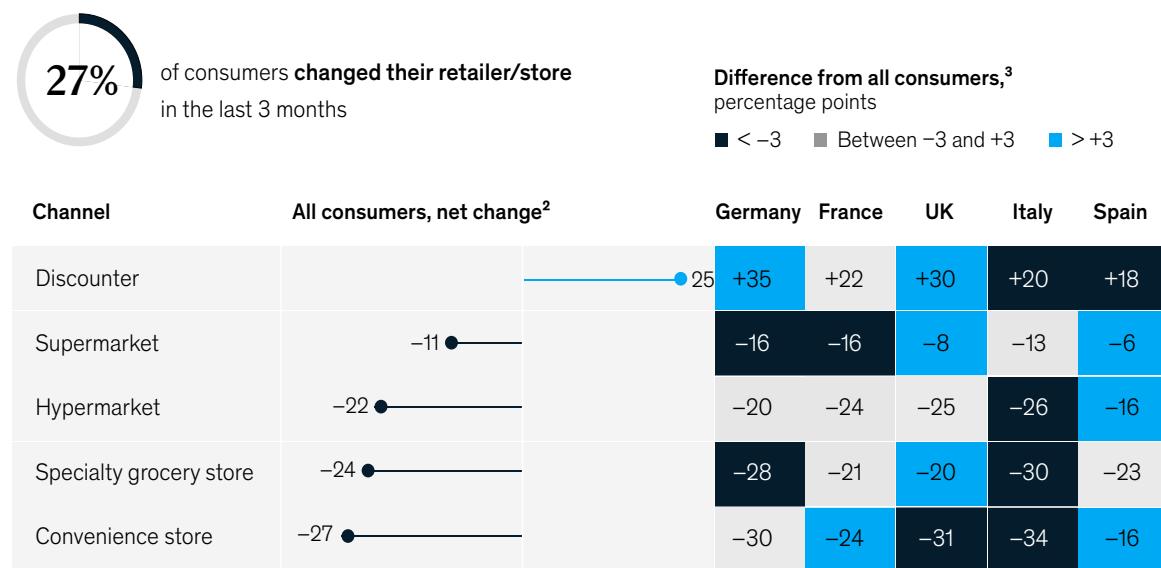
Discounters are increasingly benefiting from this trend. Of the consumers who decided to shop at a different retailer in the past three months, most turned to discounters. The share of consumers who say they shopped more at these stores has increased by 25 percentage points over the last three months, up from a 19-point difference reported in April (Exhibit 9).

Exhibit 9

European consumers have shifted heavily to discounter, especially in Germany.

New retailer formats chosen in past 3 months¹

% of respondents who shopped at a different retailer/store than normal in past 3 months



¹Q: You mentioned that in the last 3 months you started shopping from a different retailer or store than you normally would when purchasing groceries and other essentials. How has your shopping at the following types of retailers/stores changed?

²Calculated by subtracting all "shopped less" answers from all "shopped more" answers.

³Calculated by subtracting the answers of all consumers from those in a subgroup, here split per country.

Source: McKinsey & Company Europe Consumer Pulse Survey, 06/08–06/12/2022, n = 5,076 (France, Germany, Italy, Spain, UK), sampled to match European general population 18+ years

Consumers reported lower use of all other retail formats, especially hypermarkets, specialty grocery stores, and convenience stores, which tend to be higher priced. (The three-month net decreases in these categories remain the same as reported in April.) Supermarkets, too, have seen a decrease, with three-month usage down 11 percentage points, changed from eight in April. This trend is strongest in Germany, while Spanish consumers show the lowest level of switching behavior, being more likely to continue their use of hypermarkets and convenience stores, and less likely to start shopping at discounters.

Prices, promotions, and value for money are major drivers for these shifts, particularly for older generations and in the United Kingdom and Italy. Gen Z and millennials are more likely than older consumers to explore new shopping behaviors.

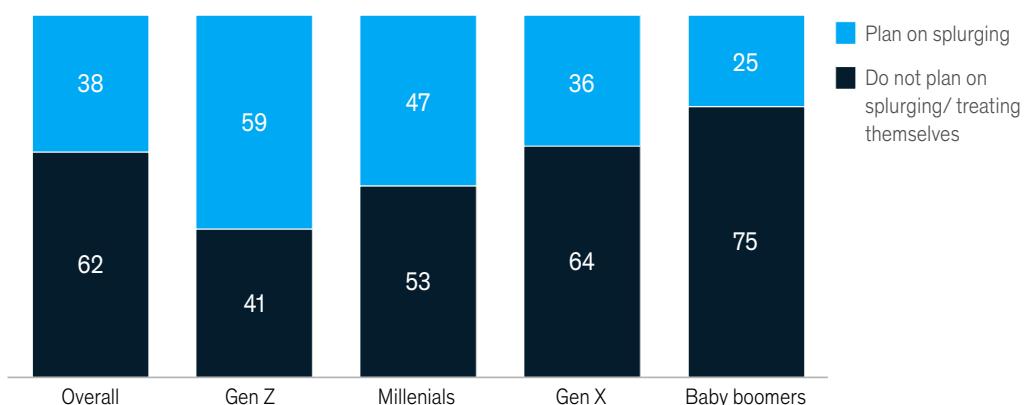
Most European consumers have no plans to treat themselves with special purchases in the next six months, with only 38 percent of respondents overall anticipating a “splurge” (Exhibit 10). This represents a decline in every retail category since October 2021.

Exhibit 10

Majority of millennials, Gen X, and baby boomers do not plan to splurge or treat themselves in 2022.

Respondents who plan/do not plan to splurge/treat themselves in 2022¹ % of respondents

Generational cut, June 2022



¹ Q: With regard to products and services you will spend money on, do you plan to splurge/treat yourself in the next 6 months? For example, are there categories of products or services you spent less on over the last year and a half that you feel you will spend more on now?

² Baby boomers includes silent generation.

Source: McKinsey & Company Europe Consumer Pulse Survey, 6/8–6/12/2022, n = 5,076 (France, Germany, Italy, Spain, UK), sampled to match European general population 18+ years

Of all generational groups, Gen Z is the only one where the majority of consumers plan on treating themselves, with apparel purchases and eating out being popular choices. Baby boomers are the most cautious in this regard, with only a quarter making plans to splurge.

Russia's invasion of Ukraine in February 2022 is having deep human, social, and economic impact across countries and sectors. The implications of the invasion are rapidly evolving and are inherently uncertain. As a result, this document, and the data and analysis it sets out, should be treated as a best-efforts perspective at a specific point in 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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