

## Germany



### The German market - in spite of the crisis German consumers stay cool



What originally began as the spectacular collapse of an investment bank in the USA shocking the public and the shareholders involved, has expanded into a worldwide financial crisis, which is now biting through to the real economy everywhere. In contrast to the tumultuous scenes on stock exchanges, German investors, and in particular consumers, are reacting with composure. Instead of a panic-ridden exodus from shares and funds, small German investors have remained cool. German consumers have amazed the retail trade with what is still relatively constant buying behavior.

Nevertheless, private households do realize the seriousness of the situation. Fears of recession have increased sharply and confidence in the development of the general economic situation has been dented. The fact that purchasing power has so far not suffered any dramatic collapse is attributable among other things to the easing of inflation pressure through the falling price of crude oil. In addition, consumers are taking an optimistic view of their income prospects on account of the indirect easing of taxes and the economic program planned by the federal government. For this reason, the overall indicator for consumer climate has remained stable until now. For November, the GfK is even forecasting an increase in the index, if only a marginal one. Nevertheless: as long as the danger of a dramatic downturn has not been banished, German consumers will take a closer look at their spending and postpone outgoings where necessary. There have already been indications of this in some key markets, such as for automobiles.

The German travel market could also conceivably suffer from consumer caution: the study recently published by the F.U.R (Forschungsgemeinschaft Urlaub und Reisen - Research Council for Holidays and Travel) assumes that 'growth of travel markets in 2009 is at least questionable'. However, the forecast is not linked solely to latest developments, but is based on the general, long-term development of incomes among the active sections of the travelling population. As the group enjoying medium-level income in the last 7 years has declined by 2.8 million and the number of people with low incomes has increased by 3.3 million, a weakening of market dynamics is a real danger for the coming year. But compensatory impulses could still be generated by the really affluent, whose numbers during the same period have risen by a half million.

That the Germans will again assume the mantle of "World Champion Travellers" this year, based on their spending on travel, is indisputable. However, preferences for individual holiday destinations seem to have shifted. For example Spain, the classic holiday destination, welcomed only 1.1 million German visitors during the climax to the season in July. Compared to the same period in the previous year this represented a decline of 5.1 %. Among long-haul destinations, the Dominican Republic registered 19.3 % less German tourists in the first quarter of 2008 compared to the same period in 2007. In contrast, the German travel market to Brazil (plus 38.2%) and South Africa (plus 15.6%) both showed considerable gains. Among middle-distance destinations, Tunisia saw a fall of 5.4%, while Morocco showed a gain of 25%.

Willingness to pack one's bags and the craving for a change of scenery is no longer in any way a



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question of age. 15% of all holidays sold in Germany are bought by the over 64s. They are so active and financially independent that no less than 17% of them jet to medium- and long-haul destinations. However, their favorites remain holidays within Germany and the closer destinations such as Italy, Austria and not least Spain, which is frequently (47%) visited by road in their own cars.

Families, on the other hand, have less financial scope. The increasing cost of living limits their budgets to such an extent that their travelling in the first half of the year decreased by 3.6% and in the case of families with 2 children by as much as 8.5%. In contrast, considerably more single and older people went on holiday.

Overall, looking back on the period from November 2007 to April 2008, two trends were evident in the German travel market. The market showed itself to be extremely stable and robust, with 43.9 million holidays. Individuals preferred to do without other purchases before giving up their holidays. Next year, intensity of travel could decline as a result of the general economic outlook. However, it cannot be excluded that many German holidaymakers will dig into their savings for the "best weeks of the year". After all, they do have 4.8 billion stashed away for a rainy day.

