

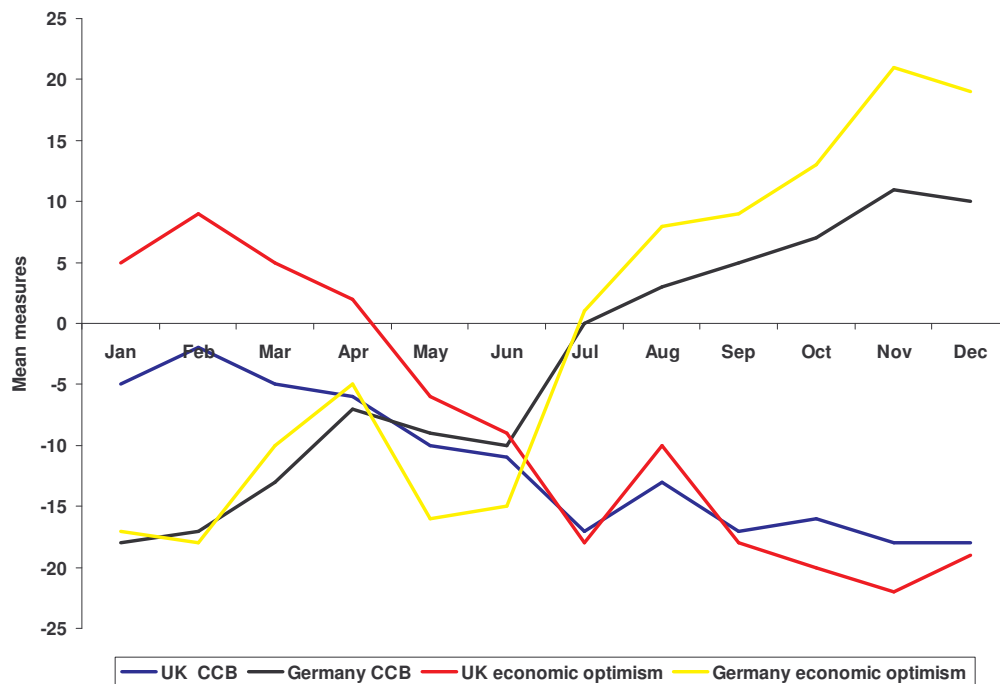
## German consumers to boost UK tourism industry?

January 23 2010

A surge in German consumer confidence over the past year points to greater German consumer spending that may result in a welcome boost to Europe's tourism industry with the UK inbound tourist industry set to benefit.

German consumer confidence surged 26 points in 2010, up from -16 to +10 in the European Commission's monthly survey, dropping one point in December from its record high in November. This compares to a 13-point drop in confidence among UK consumers, using the same measure, down from -5 to -18 and 25 points lower than its all time high.

Figure 1 UK and German consumer confidence January – December 2010



Source: European Commission / JGFR

German optimism about future economic prospects has driven the overall measure higher – up during the year by 36 points to +19, two points lower than November's record high. This compares to a slump in optimism and growing pessimism in the UK using the same measure, down 24 points from +5 to -19. The mystery remains as to why UK consumers felt so optimistic from the autumn of 2009 to the spring of 2010 – and why German consumers feel so optimistic given the problems surrounding the euro-zone.

Co-incidentally the shifts in confidence and optimism were in June when Germany and England's football teams met in the World Cup in South Africa, with Germany winning resoundingly 4-1.

Overall German economic sentiment (a measure produced by the European Commission) and covering several survey-based measures including consumer confidence rose to 117.8 from 96.1, approaching the level of 120.8 in August 1990 in the wake of the boost from reunification. Last Friday the Ifo Index of German business sentiment improved in January to its strongest level since reunification, lifted by booming exports to Asia and stronger household spending.



UK economic sentiment by contrast improved from 98.2 last January to 101.7 in December, well short of its all time high of 115.2 in December 1997.

Such a renaissance in Germany business and consumer sentiment should be welcome news for many UK businesses in the coming months – one sector benefiting are UK self-catering holiday home businesses reporting more enquiries and bookings from Germany helping to offset weaker domestic bookings.

To discuss the mood of the consumer in the UK and Europe contact John Gilbert (j.gilbert@jgfr.co.uk – 07740 027968)