



Dear Partners and Trade Contacts:

We are happy to report a positive mood in Germany. Recently industry forecasts see 3.5% economic growth in 2010 and another 2% in 2011. This reflects not only upon consumer confidence and spending, as outlined in our first article, but also in people being more optimistic about their jobs or finding a new job. That's also some good news for the travel industry as people are booking private holidays and corporate travellers are back in the air – even filling business class.

We hope you participate – and enjoy reading our noble insight Germany!  
Kind regards,  
marina noble

#### **Positive development on the employment market improves consumer sentiment**

The continued economic recovery accompanied by falling unemployment figures and a moderate price climate led to a tangible improvement in consumer sentiment in September. Consumer expectations for the overall economy and personal income have increased significantly, while propensity to buy is at a good level. In this context, the public clearly sees a realistic prospect of income growth, which is itself helping to stimulate the propensity to buy. The decisive factor in the strong sentiment among consumers is the extremely positive development of the employment market. The number of people registered as unemployed is approaching three million and is likely to dip below this mark before the end of the year. The use of reduced working hours has also declined significantly over recent months.

Companies also consider the prospects for the future to be positive. Retail in particular is optimistic with regard to developments over the next half-year; indeed, the current situation is considered to be better than at any time since the reunification boom. The low level of inflation – currently around 1% – is also serving to increase consumer purchasing power. The improved personal income situation among consumers is already reflected in reality: According to the German Federal Statistical Office, gross monthly income after living expenses increased by 2.3% in the second quarter of 2010. If the macro economic environment continues to develop in a similarly positive manner over the coming months and the consumer climate enjoys further stimulation, private consumption will perform better than originally forecasted, with growth of up to 0.5% rather than stagnation a realistic possibility.

#### **Travel agencies benefit from rainy summer**

While a rainy August was bad news for German tourist destinations, the country's travel agents welcomed the wet weather which helped to drive consumers to their counters. Holiday revenues soared as much as 22% in August compared to the previous year. There was a surge of last-minute bookings, with 54% of revenues generated by sales for departures in the summer season. Summer 2010 is now heading for record revenues with a cumulative 6.8% rise up to the end of last month. August revenues are now 8.7% higher year-on-year, while September and October (+14%) are also selling well. But winter holidays are also selling strongly, with a cumulative 15% rise so far. November (+24%) and December (+21%) are generating heavy demand. However, these figures compare with last year's very slow start to winter bookings, which were 22.5% lower at this time last year.

#### **German families back from "staycation"**

German families have returned to travelling in 2010, reversing a trend for "staycations" from the previous year. Current German family vacation trends: More last-minute bookings for families who did not secure early-booking offers. Families prefer safe, all-inclusive packages which allow them to calculate a vacation budget beforehand. The Mediterranean Sea continues to dominate the family vacation destinations. These regions offer good, flat sandy beaches, excellent value-for-money products, all-inclusive accommodations and short flights. Families travelling by car have rediscovered Germany as a vacation destination.

#### **Full-body scanner trial launched**

In Germany, field trials of full-body scanners have begun. Two scanners are to be tested, probably over a six-month period, at Hamburg Airport as part of the security checks. The scanners should make it possible to identify hidden weapons or explosives carried by passengers. During the trials, use of the scanners will be on a voluntary basis. Three major preconditions had to be met before the new equipment was introduced. The authorities had to be convinced that the scanners are in no way detrimental to the health of passengers, individual rights had to be respected, and there had to be a benefit in terms of increased security. The scanners do not generate any images of the individual human body. They simply show where items have been identified on a sort of "stick man", which is identical for every passenger. No data generated by the scanners is saved.

#### **German air fare tax already valid**

It remains to be seen which effects the new additional flight ticket tax, which was adopted the beginning of September by the Federal German government, will have on the positive German market trends. The tax will apply with immediate effect for all flights starting January 1st. The three tiered tax will be added to any flight originating at a German airport. Domestic flights will be taxed by Euro 8, flights to European & medium haul-destinations by Euro 25, and tickets to all long-haul destinations by Euro 45.

#### **Germans are spending less time consuming media**

Despite a continued growth of time spent on the internet, the total media use time for TV, radio, print and internet has declined by 17 minutes during the last five years. The average German above the age of 14 years spends nine hours and 43 minutes daily using various media. TV still leads the way with average daily consumption of 220 minutes. Radio is listened to 187 minutes, while internet is accessed for 83 minutes per day. Of these 83 minutes, "only" 25 minutes are used to read news or to watch videos/TV online. The remainder is spent communicating (email & social media), searching or shopping. Regarding the daily usage, television again leads the way with 86% of all Germans turning the TV on each day. 79% of Germans listen to the radio, 44% read a newspaper and 43% use the internet on a daily basis. When asked about the future: 90% of Germans surveyed expect TV to keep its predominance, while 70% foresee "one piece of hardware for all media".

#### **... save the best for last: Lufthansa crew flying in dirndls**

This year, Munich celebrated the 200th anniversary of the Oktoberfest. In October 1810, Crown Prince Ludwig and his bride Therese invited the commons to a horse race on the occasion of their wedding. Since then the grounds called Theresienwiese have been the venue of one of the world's biggest beer festivals. Reason enough for German airline Lufthansa to dress up the cabin crew in traditional Bavarian dirndls. This year, twelve female and two male crew members wore traditional Bavarian outfits on route to three Asian destinations: Singapore, Dubai and Tokio. For your next year's planning: Despite its name and history, Oktoberfest starts in September. Save-the-date: September 17 to October 3, 2011

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