

Frankfurt banks on good times' return

By Paul Henley
BBC News, Frankfurt

Try telling Juergen Ferdinand the recession in his native Germany is over.

He set up a company in his own name 18 years ago which originally consisted of just him in his garage.

It now employs nearly 100 people in two countries and has an annual turnover of 1.5m euros (£1.3m).

His precision instruments and metal machine housings, manufactured mainly for the airline industry, end up in Poland, France, the UK, the US and Canada.

But business is grim.

On the wall of his office in the northern outskirts of Frankfurt, the graph of Ferdinand's earnings shows a steady upward progression - until 2008, when they started to fall.

And they're still falling, to the extent that much of his workforce is now on enforced half-time.

Time for optimism

"We're dependent on our customers and when they do badly, so do we," Mr Ferdinand said.

"The situation for us, now, is that we are running at 50% the capacity of this time last year. I can't give you a longer prognosis; it's like trying to peer through a thick fog.

"At the moment we're just looking from month to month, taking stock of what the orders are and trying to work with what we've got. In nearly 20 years of business, I can't remember a time when it's been worse."

When he reads in the newspapers that Germany is out of recession with a modest 0.3% growth in Gross Domestic Product in the second quarter of this year, Mr Ferdinand said he cannot square the figures with his reality.



Consumer confidence is high in Frankfurt, Germany's 'city of bankers'



“ There are difficult times ahead, despite what papers say ”

Juergen Ferdinand
Company owner

"I know a bit of life has been injected into the economy by two investment programmes, but I still don't see that we're out of the valley," he said.

"It's always time for optimism - or we'd have given up long ago. But I know there are difficult times ahead, despite what papers say. Surviving - that's the priority now, getting through it."

City of bankers

In Frankfurt's affluent-looking city centre, the well-heeled customers who pack pavement cafes surrounding the stock exchange building look decidedly recession-proof.

Germans call this the "city of bankers".

And the heaving shopping streets of this city certainly seem to confirm reports that consumer confidence is unexpectedly high.

A suited man having coffee with his daughter and baby granddaughter sounded cynical about the new economic optimism, pointing to the fact that general elections are only a month away and saying it serves many politicians' purposes to have voters believe the bad times are over, even if they are not.



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Volker Selle
Advertising manager

But a random sample of voters suggests that optimism is there.

"I think the time for recovery is now," said one woman. "Things have been bad for too long."

Waiting phase

Some service industries are even experiencing a mini-boom.

Volker Selle, manager of the Frankfurt branch of Publicis, one of the world's biggest advertising agencies, said the recession would be much worse if there were not more positive signs coming from the consumer.

"We, as advertisers, have benefited from the car scrap bonus from the government which meant that the car manufacturers didn't cut their advertising spending; in fact, they increased it," he said.

"Whether the health of advertising is a good gauge of the state of the economy depends on the clients you have. But I think everybody was a bit surprised at the good export figures. People are in a waiting phase.

"But while people are waiting, they are spending a lot and that is not



really typical German behaviour. Hopefully, the optimism and the spending will keep on running."

Germany did not suffer the same real-estate crash as other countries

Tobias Just, an economist and head of the real estate research team at Deutsche Bank in Frankfurt, is not surprised industrial bosses are holding back the celebrations.

"You have to take into account that industrial orders came down by huge levels, as much as 50% in mechanical engineering, for instance," he said.

"So if production then rises by 3% or 5% again, okay, that's nice news, but it doesn't make them very happy, because they still have to discuss cut-backs and lay-offs of staff."

Reap rewards

Mr Just spelt out what he sees as good reasons why Germany is among those leading Europe out of recession.

Because the country saw 10 years of relatively stable house prices, it did not experience a real-estate bubble, he said, so it was not suffering from the problems that follow such a bubble.

Being in the eurozone had also led to lower transaction costs, he added.

"You don't have to hedge against different currencies because 60% of German exports remain in the eurozone so this is definitely a benefit, even if it should not be exaggerated.

"But it makes us German economists sleep a little easier in our beds at night to know that we have the euro and don't have to depend on volatile exchange rates."

“ **Germans do stand to reap the rewards of being prudent** ”

Tobias Just
Deutsche Bank economist

"Also, we had a very intense discussion over the last four or five years about how we must save more for financing our pension system in the future. Germans have perhaps always been careful, but recently our savings rate was going up, when in many Anglo-Saxon countries it was going down.

"So, in some senses, Germans do stand to reap the rewards of being prudent."

Other European countries not yet out of the economic woods might be looking on in envy.