

GERMAN CATERING INDUSTRY IS IN CRISIS



Between 2020 and 2023, approximately 48,000 restaurants in Germany closed, and 6,100 companies declared bankruptcy. In 2023 alone, around one in ten catering businesses had to close.

According to Patrik-Ludwig Hantzsch, head of Creditreform economic research, the German catering industry has been severely impacted by the crises of recent years, resulting in increased costs due to inflation. Unfortunately, there are limited options available for the industry to mitigate these challenges. **Additionally, the necessary price hikes are leading to a decrease in customers.**

The German hospitality industry is still struggling to recover from the costs of the COVID-19 pandemic and is now facing the additional challenge of inflation. When adjusted for inflation, sales and earnings in the industry are still below their 2019 levels.

Insolvencies in the German catering industry rose by 27% between 2022 and 2023, higher than the overall economic average. When we look at the industry breakdown, we can see that the sub-sector "caterers, food service providers" had an even higher increase in insolvencies at 67%, and the number of insolvencies in this segment is now higher than in 2019. "Restaurants, pubs, and snack bars" also increased by 32%, but the volume remained below pre-COVID levels. Finally, insolvencies in the "discotheques, bars, other beverage outlets" category showed a less sharp increase at 13%.

Bankruptcies in the German catering industry are mostly concentrated in young companies that are five years old or younger (49% of all cases). The number of cases in these young catering companies also increased significantly by 30% in 2023. Moreover, small companies with fewer than ten employees are often affected (88% of cases).

According to experts, the number of bankruptcies in the German catering industry rose by 27% last year, more than the increase in the economy as a whole. Caterers and food service providers were particularly hard hit, with a 67% increase. 88% of all insolvencies are due to small companies with up to ten employees. 49% of these were young companies, five years old or less.

The assessments indicate that the insolvency trend in the hospitality industry will persist. As per Hantzsch, the wave has just begun, and he expects bankruptcies in the sector to continue to increase. The number of insolvencies may surpass the pre-COVID level as early as 2024. Due to their small size and creditor structure, most cases result in "quiet returns" without complex insolvency proceedings. The overall economic conditions are currently unfavorable for the hospitality industry. The hike in sales tax for food at the start of the year has yet to help. The catering industry in Germany is still thinning out. Government aid played a significant role in the survival of the lockdown and initially prevented closures.

Ingrid Hartges, the general manager of the German Hotel and Restaurant Association (Dehoga), expressed her disappointment about the current situation, calling it "bitter." The industry has been in lockdown for nine months out of the three years of the pandemic, and during this period, they

faced numerous challenges until spring 2022. As a result, this led to significant sales losses. **The industry also grapples with higher personnel costs, food prices, staff shortages, and VAT increases.** These issues have caused many problems for companies in the industry. Despite the challenges, most guests remain loyal.

During the COVID-19 pandemic, the German government temporarily lowered the tax rate on restaurant meals from 19% to 7% in mid-2020 to help alleviate the effects of the energy crisis and very high inflation. However, the old tax rates were reinstated in January 2021. As per the Federal Statistical Office, the price-adjusted sales of catering establishments in 2023 were almost 13% lower than in 2019.

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