



Business Bulletin for the Free State of Saxony

March 2010



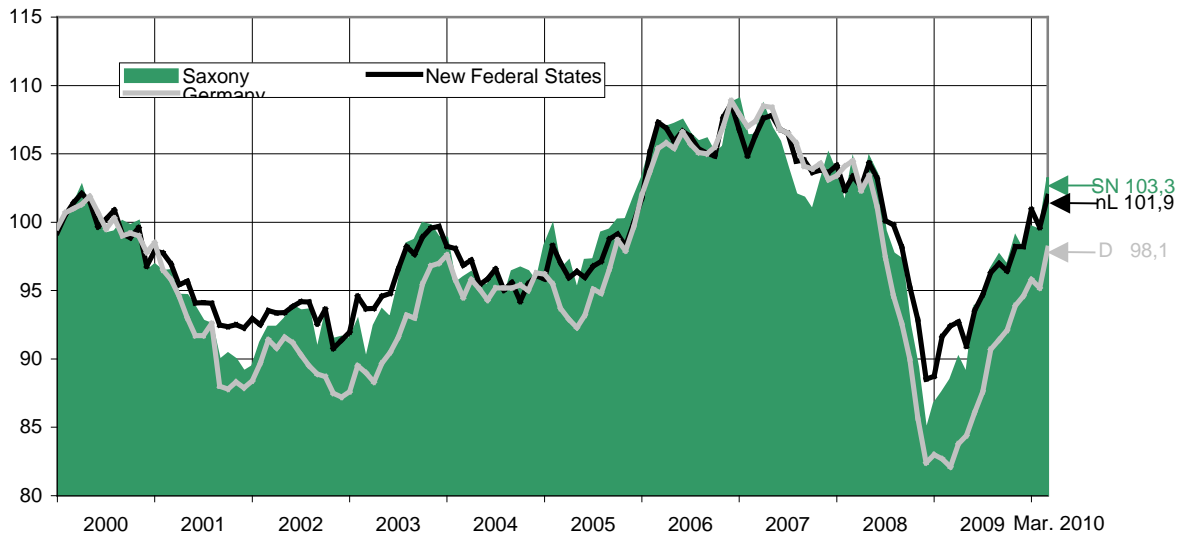
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Economic Trend

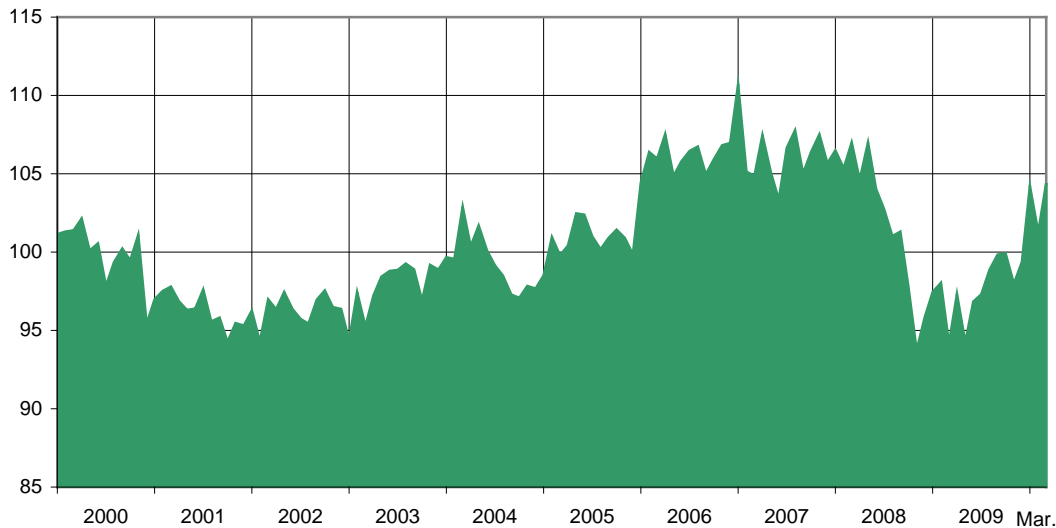
Business Climate in Saxony in a Comparison¹⁾



ifo Business Climate Index for industry and trade in Saxony, the new federal states, and Germany; index values, year 2000 = 100; seasonally adjusted. Comments: Since the commencement of the surveys in Saxony (January 1994), the ifo Business Climate Index for industry and trade in Saxony reached a minimum value of 84.6 (December 2008) and a maximum value of 108.9 (January 2007). Source: ifo Institute for Economic Research

In early spring, the mood in commercial enterprises brightened significantly. The ifo Business Climate Index for industry and trade in Germany increased from 95.2 to 98.1 index points in March. In Saxony and the new federal states as a whole, the business climate improved considerably as well. Decisive for the increase in the climate indicators were primarily the reports on the overall current situation which the surveyed companies considered to be much improved. But more confidence was also reported by the companies with regard to their overall business perspectives for the next six months.

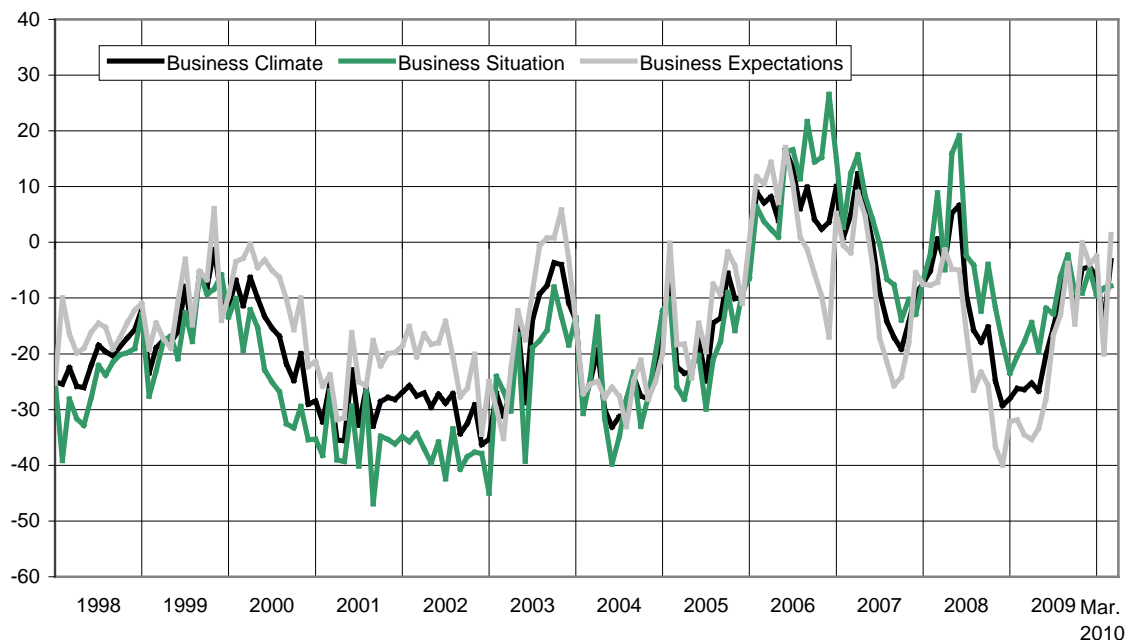
Employment Barometer for Saxony



ifo Employment Barometer for industry and trade in Saxony; index values, year 2000 = 100; seasonally adjusted
Source: ifo Institute for Economic Research

The Ifo Employment Barometer for industry and trade in Saxony increased considerably in March which more than made up the previous month's decrease. With the general recovery of the economy, the pressure on the labor market should have eased to some extent. The outlook for employment, primarily in the manufacturing industry, has brightened recently.

Business Climate in Select Sectors of the Saxon Economy Focus: Development in Saxony's Wholesale and Retail Trade



Seasonally adjusted balances
Source: Ifo Institute for Economic Research

In Saxony's wholesale and retail trade, the business climate improved slightly compared to the previous month. The decisive factors for this development were the overall perspectives which the participants of the survey assessed as being more optimistic. Concerning the reports on the current economic situation, however, virtually no changes could be ascertained in March. In retail, the overall business situation was assessed as being "bad" by almost every fifth company. According to the reports, the turnover achieved in retail trade fell below last year's value over the past few months. It had already decreased nominally by 1.6 % in 2009. In wholesale, the overall business situation has recently been assessed as being "good" by almost every tenth company. After a sales slump in the previous year (-11.9 %), the sales trend in this trade sector ought to have been stabilized by now. Most of the surveyed wholesale enterprises recently reported their warehouse stocks as being "too low." That is why generally, these companies intend to increase their overall order volume. According to the reports, these companies also anticipate greater margins for an increase in sales prices. All told, the results of the survey indicate that the actual demand in industry-related trade groups has been stimulating while the actual demand in most consumer-related sectors still seems to be weak.

Manufacturing Industry:

- In Saxony's manufacturing trade, the business situation was assessed as being "good" for the first time since October 2008 by most of the surveyed companies.
- And the overall reports on the business perspectives for the next six months also exhibited more optimism.

Main Construction Industry:

- Compared to the previous month, the surveyed construction companies considered their overall order and business situation to be slightly less disadvantageous.
- According to the reports, however, more than 80 % of the firms were still affected by adverse weather conditions impeding their construction activities.

Development of Select Business Climate Indicators in the Manufacturing Industry, Construction Industry as well as in the Wholesale and Retail Trade in Saxony^{a)}

Indicator	Saxony		In Comparison:		
	March 2010	February 2010	March 2009	New Federal States ^{c)} March 2010	Germany March 2010
Manufacturing Industry					
Actual Demand ^{b)}	18.0	16.7	-29.7	17.5	22.8
Production Plans ^{b)}	7.6	6.2	-17.2	10.4	14.9
Anticipated					
Number of Employees ^{b)}	2.2	-8.4	-34.2	-4.2	-12.3
Anticipated					
Sales Prices ^{b)}	-2.2	-8.9	-20.4	4.9	1.0
Main Construction Industry					
Volume of Orders in Months	2.3	2.4	2.3	2.2	2.5
Equipment Utilization in %	68.5	64.3	71.7	65.8	63.9
Anticipated					
Number of Employees ^{b)}	-0.8	-7.1	-7.7	-8.1	-11.4
Anticipated					
Construction Prices ^{b)}	-13.6	-12.7	-17.9	-14.6	-18.9
Wholesale					
Turnover Compared to Previous Year ^{b)}	8.0	-44.0	-54.0	-26.0	-15.0
Planned Purchase Orders ^{b)}	8.2	-5.7	-46.5	-2.4	-3.9
Anticipated					
Sales Prices ^{b)}	53.2	27.5	-2.0	31.1	15.4
Retail					
Turnover Compared to Previous Year ^{b)}	-35.0	-25.0	-47.0	-29.0	-21.0
Planned Purchase Orders ^{b)}	-15.5	-23.8	-32.4	-16.9	-16.7
Anticipated					
Sales Prices ^{b)}	12.8	2.5	3.6	12.0	-2.4

a) Seasonally adjusted values (exception: Indicated turnover compared to previous year)

b) Balance of positive and negative percentages reported by enterprises

c) New federal states including East Berlin

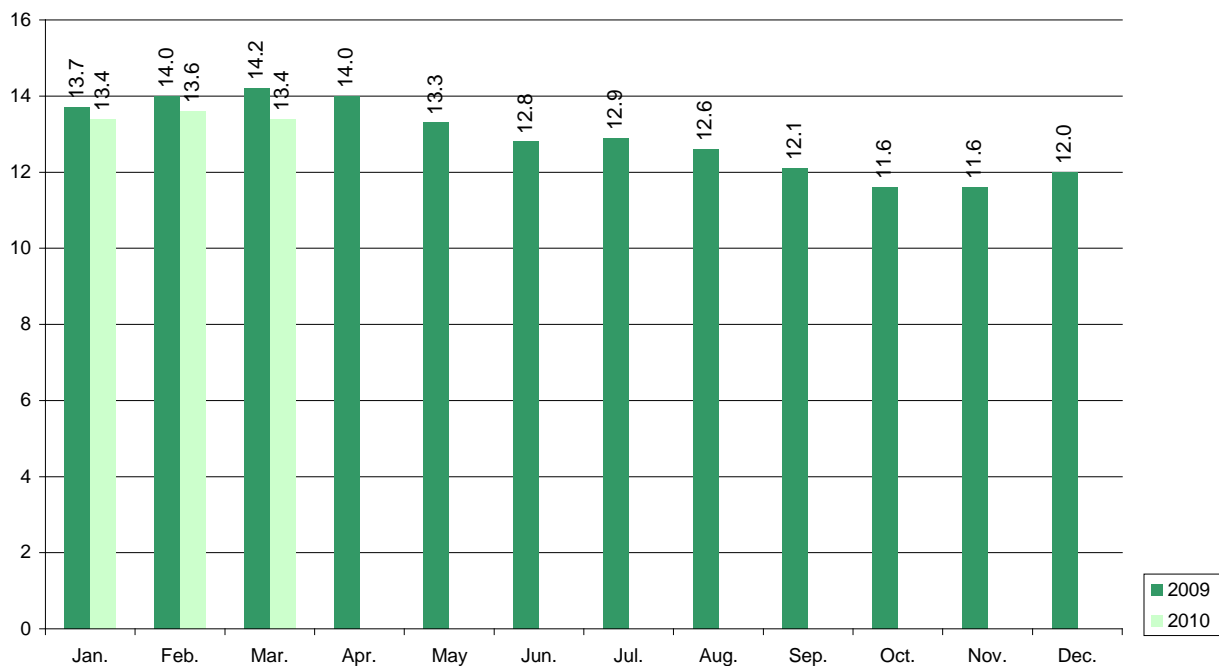
Source: ifo Institute for Economic Research

Labor Market¹⁾

- Compared to the previous month, **underemployment²⁾** in Saxony decreased by 1.1 % to **305,387 persons** in **March 2010**; that is 7.6 % lower than the value for the respective month during the previous year.
- **Underemployment rate³⁾** in Saxony at **14.2 %**; in East Germany at 14.3 %
- Compared to February, the **number of registered unemployed persons** in Saxony decreased by 1.2 %, i.e. 3,435 persons, to **288,530 persons** in March; that is a decrease of 6.1 %, i.e. 18,888 persons, compared to the respective month during the previous year.
- Compared to the previous month, the **unemployment rate⁴⁾** in Saxony was reduced by 0.2 % to **13.4 %** in March; that is a decrease of 0.8 % when compared to the same month during the previous year (14.2 %); East Germany at 13.5 %.

Unemployment Rates (in %) in the Free State of Saxony

January 2009 – March 2010



Source: Federal Employment Agency

- In March, the **number of employees supported through job creation measures (ABM) and structural adjustment measures (SAM)** as well as the **number of participants in qualification programs** amounted to 17,120. This was a reduction of 209 persons compared to the previous month and a reduction of 6,416 persons compared to March 2009.

For more detailed information on the labor market, please visit:

<http://www.smwa.sachsen.de/de/Arbeit/17465.html>

1) Data for the current month are preliminary

2) Registered unemployed persons, supported persons in job creation measures (ABM), structural adjustment measures (SAM), measures for continued professional education (FbW), unemployed persons aged 58 and older who are no longer registered as unemployed in accordance with § 428 SGB III (Code of Social Law)

3) Underemployment in percent of the dependent civilian labor force

4) Unemployed persons in percent of the entire civilian labor force

Business Registry

- In **December 2009, 2,848 businesses** were **registered** in the Free State of Saxony which included 2,289 start-ups; compared to December 2008, the number of business registrations decreased by 67.
- **3,414 businesses** were **deregistered**; 2,811 of which gave up their business; compared to the same month last year, the number of deregistrations decreased by 274.

(Please see also the table in Appendix 1)

Price Trend

- Compared to the previous month, the **consumer price index** in the Free State of Saxony increased by 0.6 % to **109.2** (basis 2005 = 100) in **March 2010**.
- The **annual inflation rate** amounted to **1.3 %** in March (previous month: 0.5 %)

(Please see also the table in Appendix 1)

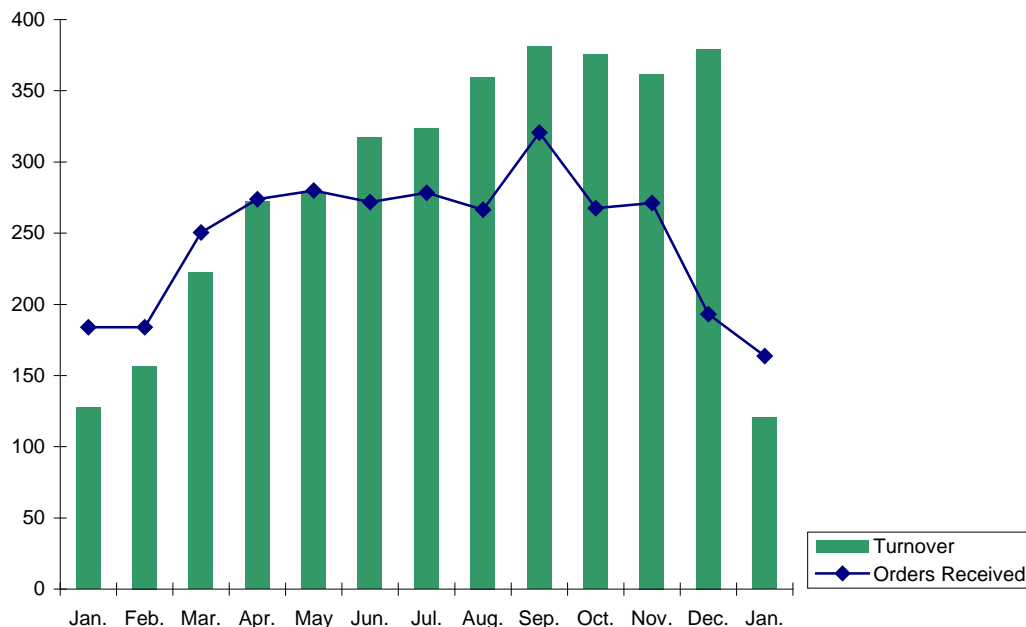
Construction Industry

The following information applies to enterprises with 20 or more employees.

- Compared to the previous month, the **turnover** in Saxony's main construction industry decreased by 68.3 % to **€120.4 million in January 2010**; compared to January 2009, the turnover decreased by 5.7 %.

Turnover and Orders Received (in Million Euros) in Saxony's Main Construction Industry

January 2009 – January 2010



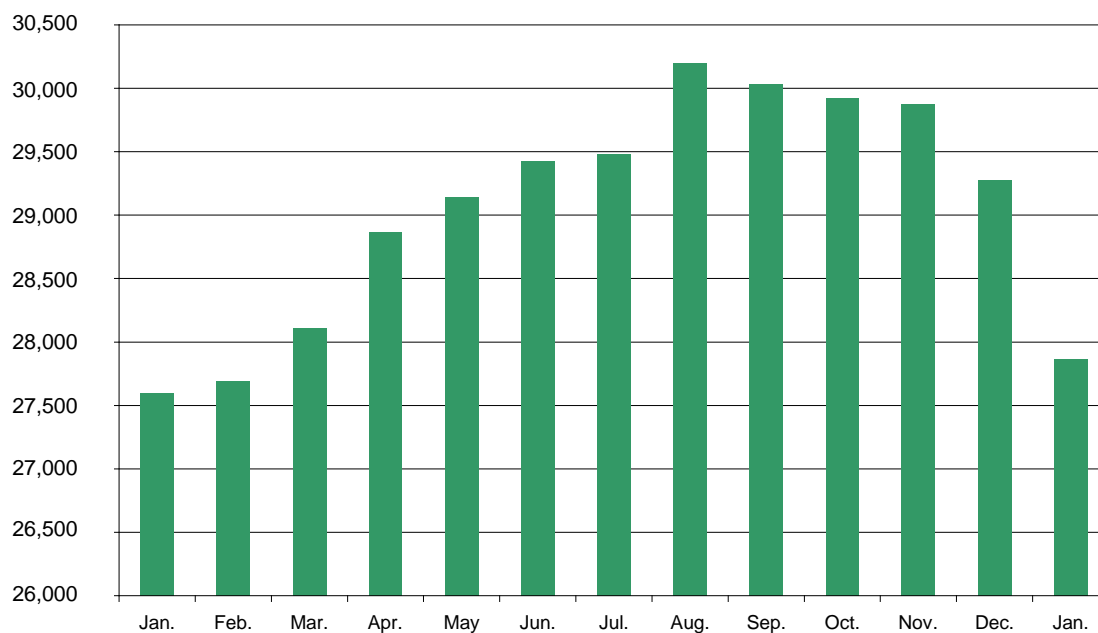
Enterprises with 20 or more employees
Source: Statistical Office of the Free State of Saxony

- Compared to December, the **value of orders received** decreased by 15.3 % to **€163.6 million** in January; this was 11.0 % lower than last year's value for the same month.

- Compared to the previous month, **employment** decreased by 4.8 % to **27,863 persons** in January; compared to January 2009, employment increased by 1.0 %, i.e. 264 persons.

Employed Persons in Saxony's Main Construction Industry

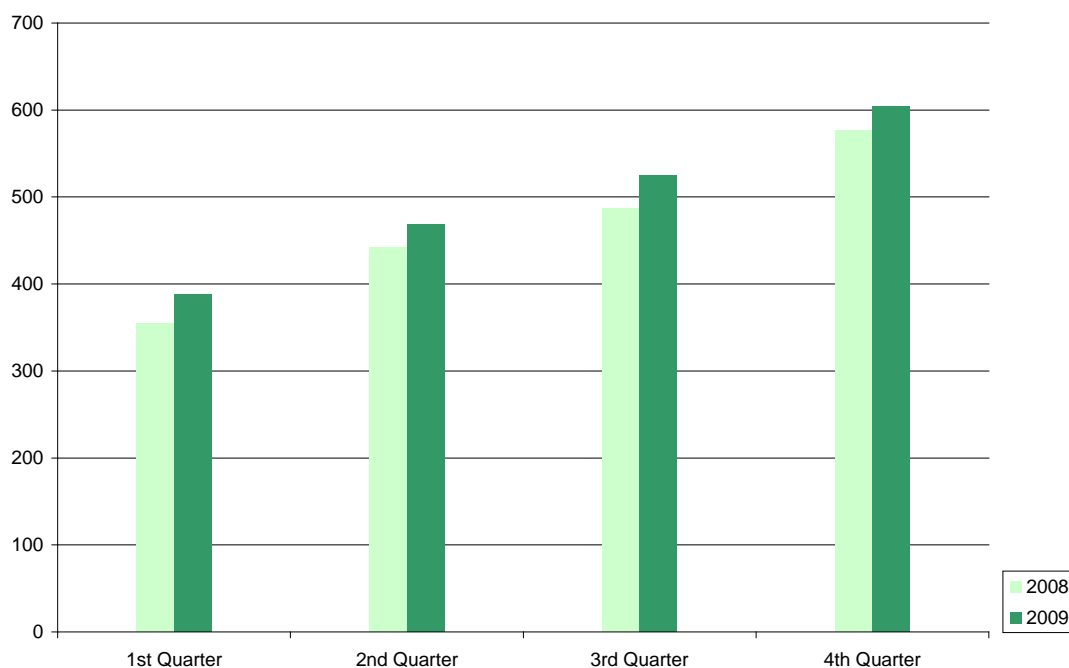
January 2009 – January 2010



Enterprises with 20 or more employees
Source: Statistical Office of the Free State of Saxony

- During the **fourth quarter of 2009**, the **turnover** of Saxony's **building installation industry** amounted to **€603.4 million** which is 15.1 % higher than during the previous quarter and 4.6 % higher than in the fourth quarter of 2008.

Turnover in Saxony's Building Installation Industry (in Million Euros)



Enterprises with 20 or more employees
Source: Statistical Office of the Free State of Saxony

- Compared to the previous quarter, **employment** in Saxony's building installation industry decreased by 1.7 % to **18,491 persons** during the **fourth quarter of 2009**; the employment level in the fourth quarter of 2008 was exceeded by 3.9 %.
- During the **entire year of 2009**, the average **employment** in Saxony's building installation industry amounted to **18,463 persons** which is 3.7 % higher than in 2008; the **turnover** increased by 6.6 % to **€1,984.1 million**.

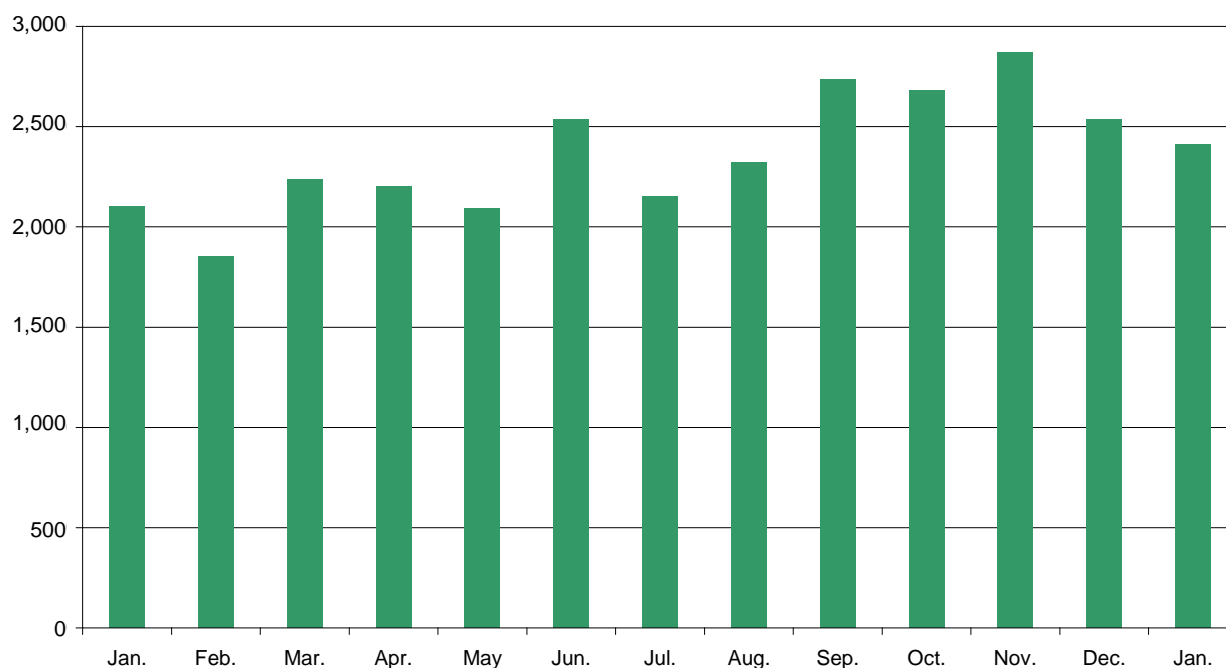
Industry (Mining and Extraction of Rocks and Stones; Manufacturing Industry)

The following information applies to enterprises with 50 or more employees.

- In **January 2010**, the **total turnover** in Saxony's industry decreased by 13.8 % to **€3,134.7 million** compared to the previous month; this was a slight decrease of 0.4 % compared to the result of the same month last year.
- Compared to December, **foreign sales** went down by 19.0 % to **€1,142.3 million** in January; compared to January 2009, this figure increased by 8.6 %.
- In January, the **export rate** (foreign sales proportion of the total turnover) in Saxony's industry decreased by 2.4 % to **36.4 %** when compared to the previous month; last year's rate of the same month (33.7 %) was exceeded by 2.7 %.
- In January, the **value of orders received** decreased by 5.6 % to **€2,410.3 million** when compared to December; compared to January 2009, this figure increased by 15.4 %.

Monthly Development of Orders Received in Saxony's Industry (in Million Euros)

January 2009 – January 2010



Enterprises with 50 or more employees
Source: Statistical Office of the Free State of Saxony

- Compared to the previous month, the **number of employees** decreased by 1.6 % to **186,306 persons** in January 2010, this was 5.2 % lower than the number of persons employed in January 2009.

This Month

Results of the Federal States in the National Accounts (VGR) for 2009

On March 30, 2010, the Work Group "National Accounts" (VGR d L) published the **first preliminary results** on economic growth in 2009 (1st update) for Germany's federal states.

For the **Free State of Saxony**, this publication reports a gross domestic product (GDP) amounting to **€92.9 billion** during 2009. Compared to the previous year, the **economic output decreased** by 3.8 % (price-adjusted). As expected, the development in the **Free State of Saxony** was, thus, better than the German average (-5.0 %), but marginally less positive than the average development in the new federal states without Berlin (-3.5 %). All of the federal states registered negative values; they ranged from -0.7 % in Berlin to -7.9 % in Saarland.

Real Growth of the Gross Domestic Product in Germany's Federal States in 2009

Federal State	Gross Domestic Product, Price-Adjusted	
	Change Compared to the Previous Year %	Chain Index 2000 = 100
Baden-Württemberg	-7.4	103.3
Bavaria	-5.0	110.2
Berlin	-0.7	101.3
Brandenburg	-2.1	104.8
Bremen	-3.4	108.1
Hamburg	-3.2	104.3
Hesse	-4.3	104.2
Mecklenburg-Western Pomerania	-2.3	106.7
Lower Saxony	-4.7	103.0
North Rhine-Westphalia	-5.8	102.2
Rhineland-Palatinate	-5.0	101.6
Saarland	-7.9	103.2
Saxony	-3.8	111.2
Saxony-Anhalt	-4.7	105.1
Schleswig-Holstein	-1.9	104.3
Thuringia	-4.3	108.8
Germany	-5.0	104.8
For information only:		
Old Federal States including Berlin	-5.2	104.4
Old Federal States excluding Berlin	-5.4	104.5
New Federal States including Berlin	-2.9	106.2
New Federal States excluding Berlin	-3.5	107.9

Source: Statistical Office of the Free State of Saxony; Work Group "National Accounts" (VGR d L)

The level of decline in the economic output in Saxony is almost equivalent to the forecast of ifo Dresden (-4.0 %).

Among Germany's new territorial states, Brandenburg (-2.1 %) and Mecklenburg-Western Pomerania (-2.3 %) exhibit a more positive development than Saxony. In Saxony-Anhalt (-4.7 %) and Thuringia (-4.3 %), however, the economic slump was more pronounced.

In Saxony's economy, the strongest decline was experienced by the manufacturing industry (-18.0 %). But increases were reported from the construction industry (+1.1 %), public and private service providers (+0.9 %) as well as agriculture, forestry, and fishery (+0.6 %).

The published data are preliminary. This has to be always kept in mind when interpreting the data. Subsequent revisions/updates may, in part, result in substantial deviations. For example, the data as of 2005 have now been updated, i.e. adjusted to the currently available database.

When it comes to **medium-term development**, Saxony outperforms the other federal states with **positive** results:

- Since 2000, the GDP of the Free State of Saxony has increased by 11.2 % which is the biggest growth among all German federal states. During the aforementioned period, the average economic growth in Germany was +4.8 % while the new federal states without Berlin increased by 7.9 %.
- When it comes to the GDP per inhabitant, Saxony has also reached the top position with a growth rate of 18.3 % since 2000.
- And when it comes to the GDP per gainfully employed person, Saxony ranks second just closely behind Thuringia (+13.9 %) with a growth rate of 13.1 % between 2000 and 2009.

News in Brief

Per Capita Income Increased in Saxony in 2009

On the basis of an initial calculation, employees in Saxony had a median gross income, i.e. after deducting income tax and social security contributions, of €22,819 in 2009 which is €122 or 0.5 % more than in the previous year. In contrast, the federal average went down by 0.4 % (median annual income €27,648 per employee). This, nonetheless, was the lowest percent increase in Saxony since 1997 due to the federal program of reduced working hours and/or overtime reductions. This applied specifically to employees in the manufacturing industry who had to accept significant reductions in their per capita income. The increase in gross wages and salaries per employee in the Saxon service sectors more than compensated this reduction, though.

The difference between the average Saxon and the median German income amounted the first time ever to less than 18 % which currently translates into €4,800 per year. The median Saxon income was €150 above the per capita income of the five new federal states. Compared to 2008, this was an increase of 0.8 % or roughly about €180 per employee. In contrast, the income of the old federal states (without Berlin) decreased by 0.6 % or €170 per employee.

www.vgrdl.de

Chamber of Industry and Commerce's Register of Experts Has a New Look

The available internet directory of the officially appointed and sworn experts in Germany has been updated and improved. The new, modern look of the user interface at www.svv.ihk.de now has a clear layout, is much easier to use, and is even available in English. Better search results and additional key words simplify the search for the right expert. The search results can also be forwarded via email as a list. The data bank has currently 275 different subject areas and about 9,000 officially appointed experts. The Chamber of Industry and Commerce's nationwide register of experts is already quite popular among entrepreneurs, courts, and consumers with 2.5 million annual visitors.

10,000 Ways to Get Smarter

Saxony's educational portal bildungsmarkt-sachsen.de is getting better all the time. More than 10,000 educational programs, ranging from internships and traineeships to studying at Saxon universities and colleges all the way to continued occupational education and training are currently online. That's 70 % more than just a year ago. But it isn't just that the available programs have increased, also the demand has increased. About 10,000 users have registered themselves already. And even the service is more convenient to use now. Just two mouse clicks allow one to request a binding price quote. Available programs for the submitted list of interests are forwarded automatically. Wish lists and comparative functions help make the selection much easier. Subsidies amounting up to 80 % are possible for small and mid-sized enterprises applying for the continued education and training measures of their employees within the scope of the "Einzelbetriebliches Förderverfahren" [subsidy program for individual enterprises]. The educational portal is an initiative of the Free State of Saxony.

www.bildungsmarkt-sachsen.de

1.2 Million for Regional Tourism Associations

The Free State of Saxony will support the marketing activities of the regional tourism associations with 1.23 million euros this year. The additional funds for the regional tourism associations will be cut elsewhere in the Ministry for Economic Affairs.

Updated EU Presentation

The presentation “The European Union: Principles – Achievements – History – Institutions” has been updated and completely revised after the Lisbon Treaty became effective. The section Institutions now includes the Office of the President of the European Council and the High Representative for the Common Foreign and Security Policy. The section Achievements was, for example, expanded by adding information on reduced roaming charges and new regulations on improved energy efficiency light bulbs. The PowerPoint presentation can be downloaded free of charge at the website of the EU Commission’s office in Germany.

http://ec.europa.eu/deutschland/service/bookshop/index_de.htm

Consultations for Stays Abroad

Stays abroad are very popular in times of economic crisis. That’s why Eurodesk Deutschland and its regional service points have provided individual counseling to more than 44,000 adolescents, parents, promoters as well as supporting organizations, informing them of the various opportunities available in mobility and funding. This translates into an increase of 24 % compared to 2008. Volunteer services, temporary jobs and employment, work camps as well as internships abroad continued to be very popular. The Eurodesk mobility portal www.rausvonzuhause.de reached a new record with more than five million hits on its website in 2009. The interactive forum, the last minute market with up to date opportunities available in mobility programs as well as general information on various types of available programs proved to be especially popular.

www.eurodesk.de

Figure of the Month

4,167,600

According to the preliminary calculations of the Statistical Office of the Free State of Saxony, approximately 4,167,600 inhabitants lived in the Free State of Saxony at the end of 2009. That’s 25,200 people or 0.6 % less than at the end of 2008. The decline in population remains, thus, unchanged when compared to the previous year.

Among the three independent cities and the 10 district counties, only the independent cities Dresden and Leipzig continue to exhibit population growth. Both profited the most from the substantial increase in new arrivals. Dresden has even been exhibiting a slight increase in the birthrate since 2006. Leipzig, on the other hand, continued to register more deaths than births.

Current Economic Data for the Free State of Saxony

- Business Registry -

Year/Month	Business Registrations	Business Deregistrations	Balance of Registrations and Deregistrations
1990	77.668	7.578	70.090
1991	91.992	30.788	61.204
1992	63.457	36.496	26.961
1993	54.209	34.038	20.171
1994	51.315	35.082	16.233
1995	51.067	38.718	12.349
1996*	45.337	36.167	9.170
1997	45.484	36.995	8.489
1998	45.582	38.819	6.763
1999	43.714	37.968	5.746
2000	39.433	36.981	2.452
2001	37.926	36.090	1.836
2002	35.681	34.931	750
2003**	41.952	32.600	9.352
2004	49.171	32.630	16.541
2005	45.386	35.776	9.610
2006	43.736	35.256	8.480
2007	39.038	34.965	4.073
2008	39.526	36.696	2.830
2009			
January	3.410	3.682	-272
February	2.881	2.718	163
March	3.730	3.423	307
April	3.074	2.622	452
May	3.226	2.660	566
June	3.356	2.845	511
July	3.119	2.661	458
August	3.288	2.589	699
September	3.494	2.938	556
October	3.062	2.607	455
November	3.142	2.935	207
December	2.848	3.414	-566
Total	980.304	683.668	296.636

* As of 1996, data collection has been put on a new legal basis (without vending machine service and travel business); a comparison with the previous years is, thus, only possible up to a limited extent.

** In 2003, amendment of the trade law; a comparison with the previous years as of 2003 is, thus, only possible up to a limited extent.

Source: Statistical Office of the Free State of Saxony

- Price Trend in the Free State of Saxony -

Year/Month	Price Index ¹⁾	Change in % Compared to	
	2005 = 100	Previous Month	Previous Year and/or Same Month of Previous Year
2005 Ø	100.0	*	1.6
2006 Ø	102.1	*	2.1
2007 Ø	104.8	*	2.6
2008 Ø	107.7	*	2.8
2009 Ø	108.1	*	0.4
2010			
January	108.2	-0.6	0.7
February	108.5	0.3	0.5
March	109.2	0.6	1.3

1) Standard of living for all private households in Saxony; Ø = annual average

Source: Statistical Office of the Free State of Saxony

Current Economic Data for the Free State of Saxony

- Manufacturing Industry¹⁾ -

	Unit	January 2009	December 2009	January 2010
Mining and Manufacturing Industry²⁾				
Employees	Persons	196,485	189,322	186,306
Total Turnover	EUR 1,000	3,123,020	3,637,371	3,134,737
Foreign Sales	EUR 1,000	1,051,739	1,409,523	1,142,298
Export Rate ³⁾	%	33.7	38.8	36.4
Orders Received	EUR 1,000	2,105,121	2,536,723	2,410,339
Main Construction Industry⁴⁾				
Employees	Persons	27,599	29,275	27,863
Total Turnover	EUR 1,000	127,650	379,436	120,434
Orders Received	EUR 1,000	183,847	193,220	163,619

1) No current data are available for the sectors services (e.g. trade, banks, government) and agriculture.

2) Enterprises with 50 or more employees

3) Foreign sales proportion of the total turnover

4) Enterprises with 20 or more employees

Source: Statistical Office of the Free State of Saxony

- Labor Market -

	Unit	March 2009	February 2010	March 2010
Unemployed Persons				
Saxony in Total	Persons	307,418	291,965	288,530
East Germany	Persons	1,206,893	1,161,608	1,140,120
Unemployment Rate¹⁾				
Saxony	%	14.2	13.6	13.4
East Germany	%	14.2	13.7	13.5
Underemployment²⁾				
Saxony	Persons	330,394	308,745	305,387
East Germany	Persons	1,300,924	1,233,349	1,212,327
Underemployment Rate³⁾				
Saxony	%	15.2	14.3	14.2
East Germany	%	15.3	14.6	14.3

Preliminary data

1) Unemployed persons in % of the entire civilian labor force (persons subject to social insurance contributions and persons in marginal employment, civil servants and self-employed persons and family workers, unemployed persons)

2) Registered unemployed persons as well as supported persons in ABM, SAM, FbW; unemployed persons aged 58 and older who are no longer registered as unemployed persons in accordance with § 428 SGB III (Code of Social Law)

3) Underemployment in % of the related civilian labor force

Updated: April 1, 2010

Source: Federal Employment Agency