



Business Bulletin for the Free State of Saxony

June/July 2010



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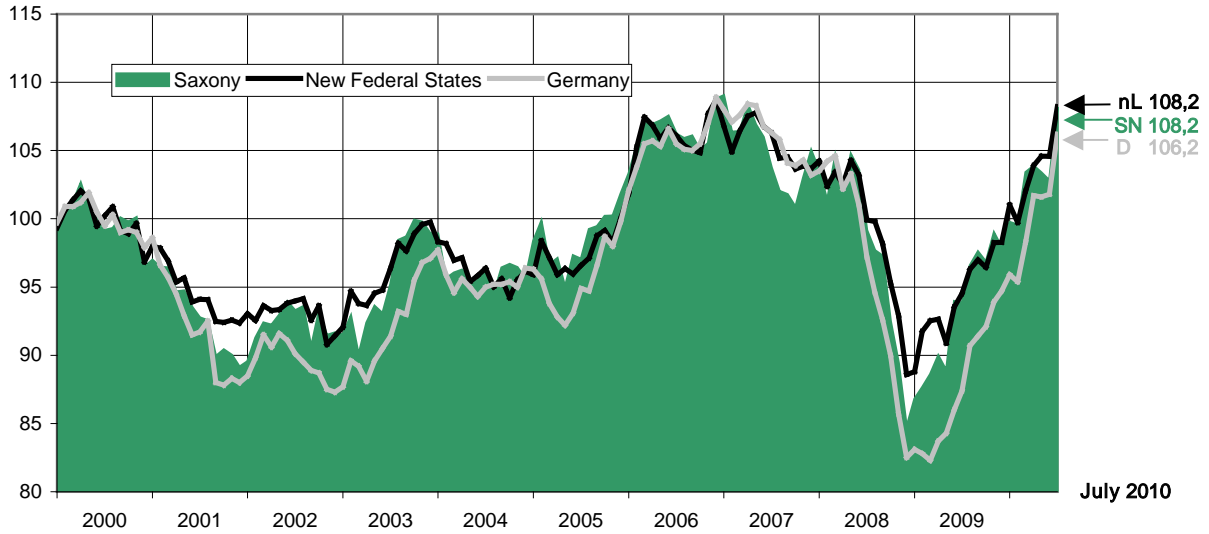
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Economic Trend

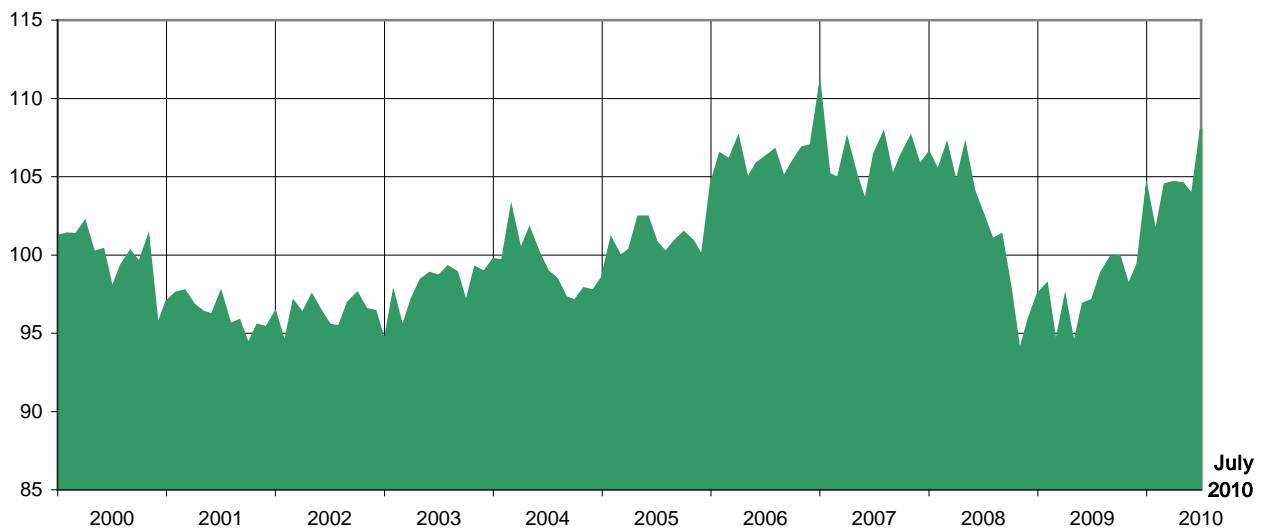
Business Climate in Saxony in a Comparison



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 84.7 (December 2008) and a maximum value of 109.1 (January 2007). Source: ifo Institute for Economic Research

In mid-2010, the business climate brightened significantly. The ifo Business Climate Index for industry and trade in Germany increased from 101.8 to 106.2 index points in July which is actually the greatest increase since German Reunification. The mood in Saxony's industry and trade brightened as well – even stronger than the federal trend. The enterprises surveyed by the ifo Institute evaluated their current business situation as being considerably better than in the previous month. And the enterprises anticipate their overall business development to be more favorable during the next six months. This clearly indicates that the economy is currently exhibiting an upswing.

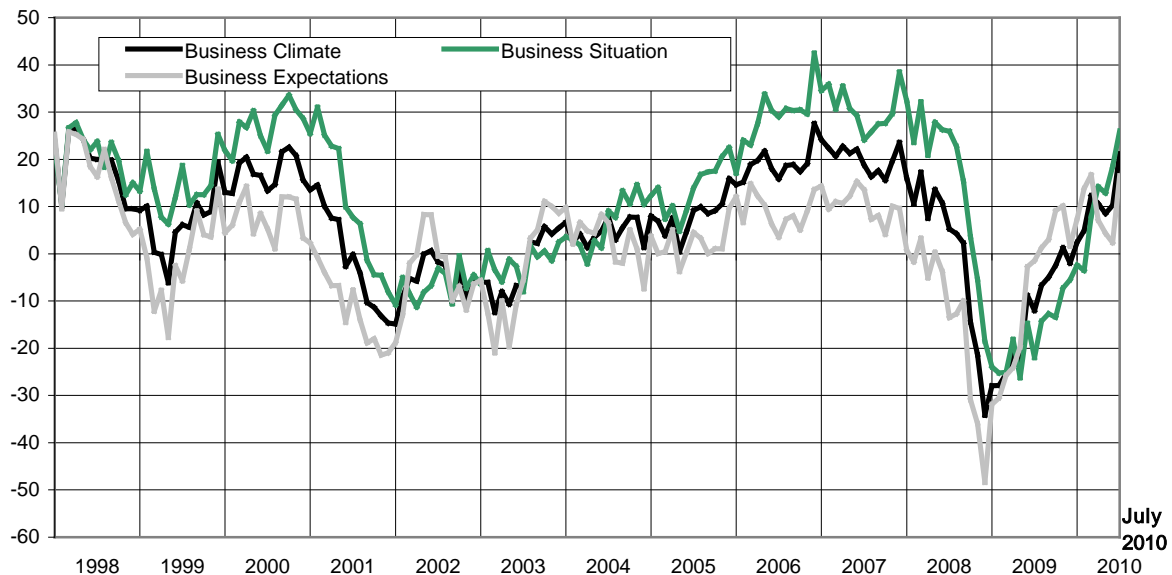
Employment Barometer for Saxony



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

In July, the ifo Employment Barometer for industry and trade in Saxony increased significantly. Most of the surveyed enterprises intend to increase their staff during the next three months. At the same time, the employment prospects brightened in all industrial and trade sectors as well. Both wholesale and retail trade exhibited a particularly strong increase in the expectations for additional employment.

Business Climate in Select Sectors of the Saxon Economy Focus: Development in Saxony's Manufacturing Industry



Seasonally adjusted balances
Source: ifo Institute for Economic Research

The ifo indicator for the business climate in Saxony's manufacturing industry has increased for the third time in a row now. This development is primarily due to statements made on the business situation. According to these statements, about every fourth company considered its overall current business situation to be "good." The average utilization of the available capacity amounted to 81.4 % and was, thus, slightly higher than in the last survey (April 2010: 80.8 %). Compared to the previous year, a considerable increase by approximately eight percent can be ascertained. In particular, producers of intermediate goods reported a significant increase. Within this main group, the level of utilization went up from 69.4 % to 81.1 % within a year. The companies reported that the demand situation has also improved. As to the scope of their export business for the next three months, the surveyed enterprises continue to anticipate an overall increase even though their overall expectations are not as optimistic as they were in the previous month. With regard to the overall business development during the next six months, the surveyed enterprises had much more confidence. Due to increased foreign demand, the ifo Institute assumes in its latest Economic Forecast that the gross value creation in Saxony's manufacturing industry, after having been adjusted for price changes, will probably expand by 12.6 % when calculated for the entire year.

Main Construction Industry:

- Since April this year, the business climate in the main construction industry has worsened for the first time again.
- The decisive factors were the estimates on the business development for the next six months which the construction firms considered to be significantly more pessimistic.

Wholesale and Retail Trade:

- After a deterioration in May and June, the business climate in Saxony's wholesale and retail trade has improved considerably just recently.
- At the moment, the majority of both trade sectors anticipates that their sales prices will increase during the next three months.

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:			
	July 2010	Saxony June 2010	Saxony July 2009	New Federal States ^{c)} July 2010	Germany July 2010
Manufacturing Industry					
Actual Demand ^{b)}	30.0	13.8	1.0	24.3	27.8
Production Plans ^{b)}	7.3	14.1	0.4	8.3	16.6
Anticipated					
Number of Employees ^{b)}	3.7	1.2	-20.2	-6.4	-1.3
Anticipated					
Sales Prices ^{b)}	10.0	3.9	-17.0	6.6	10.6
Main Construction Industry					
Volume of Orders in Months	2.1	2.1	2.1	2.1	2.4
Equipment Utilization in %	69.7	70.8	71.1	71.8	69.6
Anticipated					
Number of Employees ^{b)}	-4.7	-13.9	-15.6	-7.5	-8.9
Anticipated					
Construction Prices ^{b)}	-11.6	-12.2	-9.6	-13.1	-14.1
Wholesale					
Turnover Compared to Previous Year ^{b)}	54.0	9.0	-51.0	29.0	29.0
Planned Purchase Orders ^{b)}	21.0	2.0	-31.0	15.8	12.8
Anticipated					
Sales Prices ^{b)}	20.5	38.7	32.5	32.3	29.5
Retail					
Turnover Compared to Previous Year ^{b)}	16.0	-30.0	-21.0	10.0	17.0
Planned Purchase Orders ^{b)}	-15.4	-22.3	-28.4	-4.7	-1.1
Anticipated					
Sales Prices ^{b)}	6.4	26.1	-1.6	15.4	4.4

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

Business Registry

- In **April 2010, 3,307 businesses** were **registered** in the Free State of Saxony which included 2,837 start-ups; compared to April 2009, the number of business registrations increased by 233.
- **2,790 businesses** were **deregistered**; 2,320 of which gave up their business; compared to the same month last year, the number of deregistrations increased by 168.

(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 0.2 % to **109.5** (basis 2005 = 100) in **July 2010**.
- The **annual inflation rate** amounted to **1.2 %** in July (previous month: 1.0 %).

(Please see also the table in Appendix 1)

Guarantees and Investments

During the second quarter of 2010, the Bürgschaftsbank Sachsen GmbH (BBS) [Saxon Guarantee Bank] assumed a total of 84 guarantees with a volume of €12.8 million for projects in industry and trade. This included 22 guarantees with a volume of €3.1 million for business start-ups. The guarantees approved in 2010, which amounted to €25.0 million in total, accompanied investments of €61.5 million and helped create 2,700 new jobs.

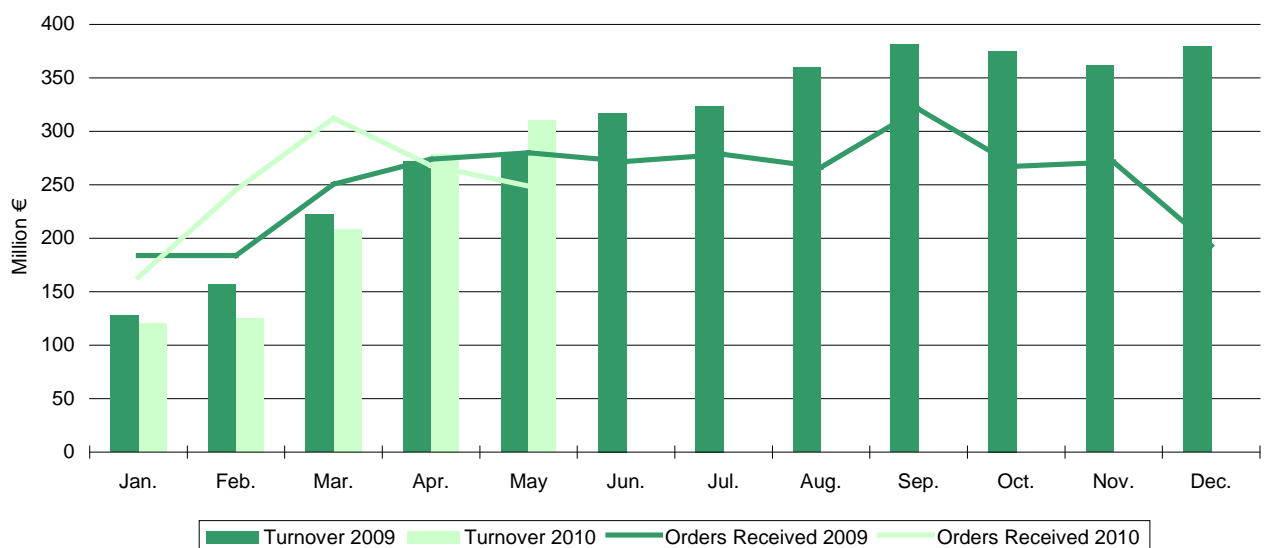
During the second quarter of 2010, the Mittelständische Beteiligungsgesellschaft Sachsen mbH (MBG) [Saxon Investment Bank for Small and Mid-sized Enterprises] approved twelve silent partnerships with a volume of €3.2 million. The 18 participatory investments approved in 2010, which amounted to €5.5 million in total, contributed towards financing investments amounting to a total of €33.3 million.

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 increased by 11.4 % to **€310.5 million in May 2010**; compared to May 2009, the turnover increased by 11.7 %.

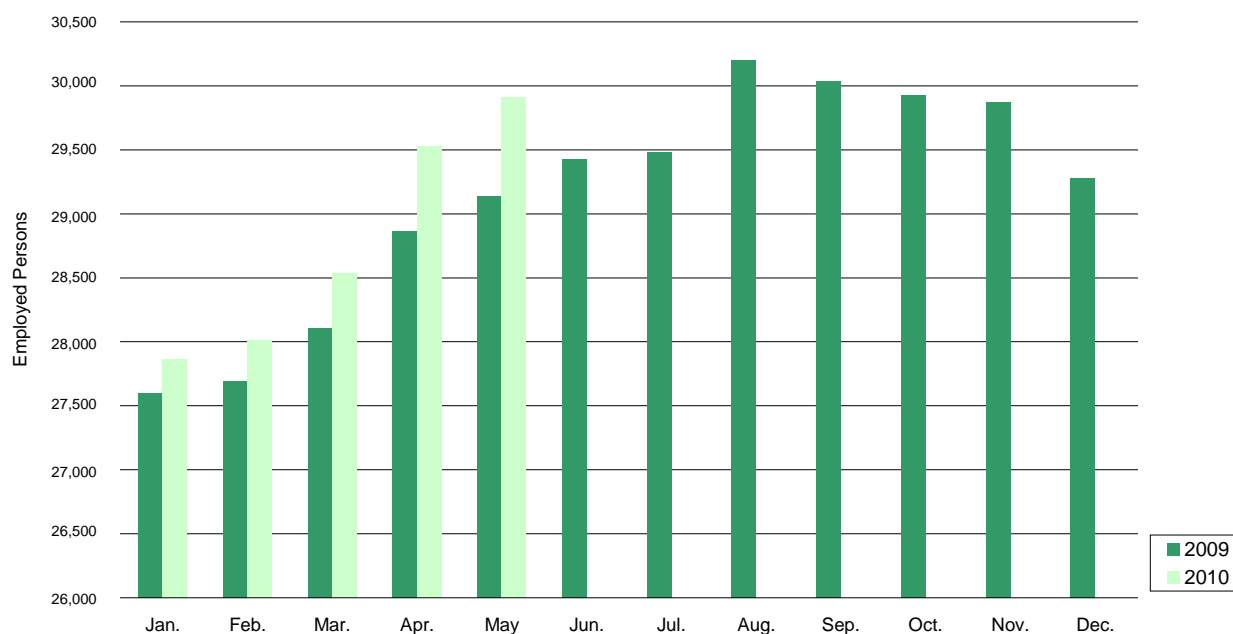
Turnover and Orders Received in Saxony's Main Construction Industry



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

- Compared to April, the **value of orders received** decreased by 7.2 % to **€248.7 million** in May; this was 11.2 % lower than last year's value for the same month.
- Compared to the previous month, **employment** increased by 1.3 % to **29,910 persons** in May; compared to May 2009, employment increased by 2.6 %, i.e. 771 persons.

Employed Persons in Saxony's Main Construction Industry



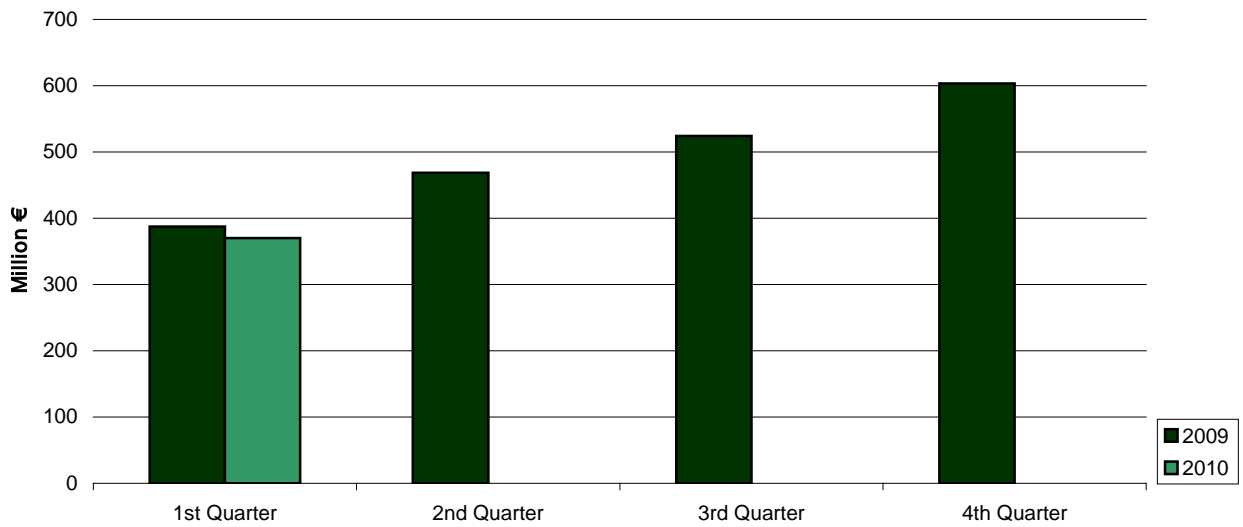
Enterprises with 20 or more employees
Source: Statistical Office of the Free State of Saxony

Compared to the same period last year, **employment** in Saxony's main construction industry (enterprises with 20 or more employees) increased by **1.8 %** while the **total turnover** decreased by **1.2 %** during the **first five months of 2010**. The value of **orders received** increased by **5.6 %** (please see the following table).

Period	Employees	Total Turnover	Orders Received
	Persons	EUR 1,000	
2009			
January-May	28,275	1,056,728	1,172,172
2010			
January-May	28,771	1,043,641	1,237,728
Change			
2010/2009 in %	1.8	-1.2	5.6

1) Average values for the months January – May
Source: Statistical Office of the Free State of Saxony

Turnover in Saxony's Building Installation Industry



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

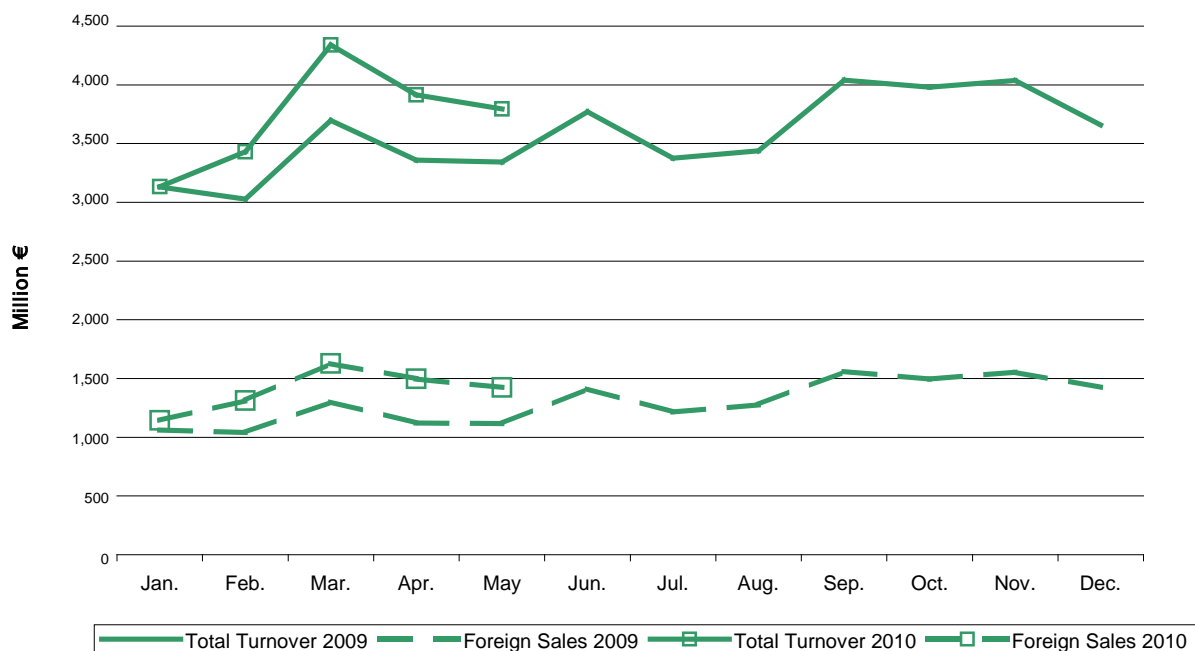
- During the **first quarter of 2010**, the **turnover** of Saxony's **building installation industry** amounted to **€370.0 million** which is 38.7 % lower than the previous quarter and 4.5 % lower than the first quarter of 2009.
- Compared to the previous quarter, **employment** in Saxony's building installation industry decreased by 1.7 % to **18,181 persons** during the **first quarter of 2010**; the employment level in the first quarter of 2009 was exceeded slightly by 0.5 %.

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

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

- In **May 2010**, the **total turnover** in Saxony's industry decreased by 3.1 % to **€3,796.2 million** compared to the previous month; this exceeded the result of the respective month last year by 13.7 %.

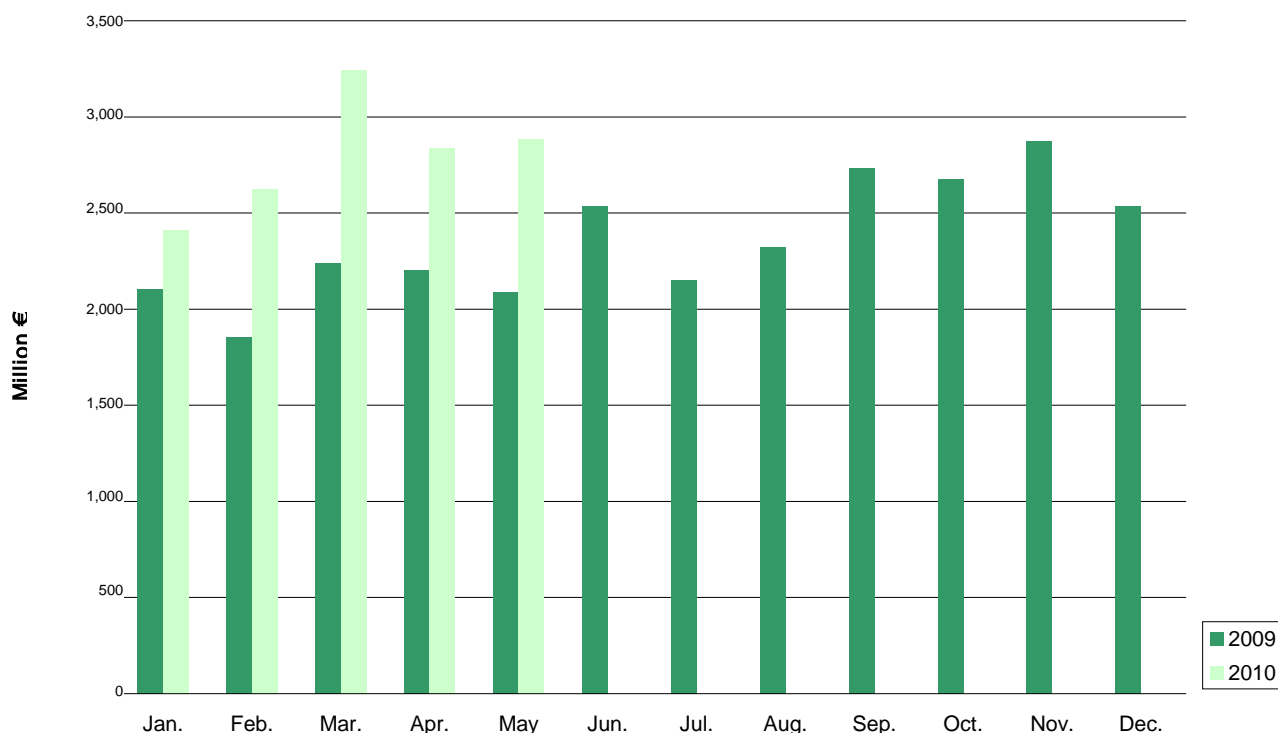
Monthly Development of Total Turnover and Foreign Sales



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

- Compared to April, **foreign sales** went down by 4.9 % to **€1,424.8 million** in May; compared to May 2009, this was an increase of 27.5 %.
- In May, the **export rate** (foreign sales proportion of the total turnover) in Saxony's industry decreased by 0.8 % to **37.5 %** when compared to the previous month; last year's rate of the same month (33.5 %) was exceeded by 4.0 %.
- In May, the **value of orders received** increased by 1.6 % to **€2,883.6 million** when compared to April; compared to May 2009, this figure increased by 38.0 %.

Monthly Development of Orders Received in Saxony's Industry



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

- Compared to the previous month, the **number of employees** increased by 0.4 % to **188,752 persons** in May 2010; this was 1.4 % lower than the number of persons employed in May 2009.

Compared to the same period last year, **employment** in Saxony's industry decreased by **3.6 %** while the **total turnover** increased by **12.4 %** and **foreign sales** went up by **24.2 %** during the **first five months of 2010**. The **export rate** (foreign sales proportion of the total turnover) increased from 34.0 % to **37.6 %** (please see the following table).

Period	Employees ¹⁾	Total Turnover	Foreign Sales	Export Rate ²⁾
	Persons	EUR 1,000		%
2009				
January-May	194,100	16,563,417	5,638,841	34.0
2010				
January-May	187,195	18,615,805	7,003,989	37.6
Change				
2010/2009 in %	-3.6	12.4	24.2	3.6 ³⁾

1) Average values for the months January – May

2) Foreign sales proportion of the total turnover

3) Percentage

Preliminary results for 2010

Source: Statistical Office of the Free State of Saxony

This Month

ifo Economic Forecast: East Germany and Saxony for 2010 and 2011

On June 28, 2010, ifo Dresden presented its Economic Forecast for East Germany and Saxony for 2010 and 2011.

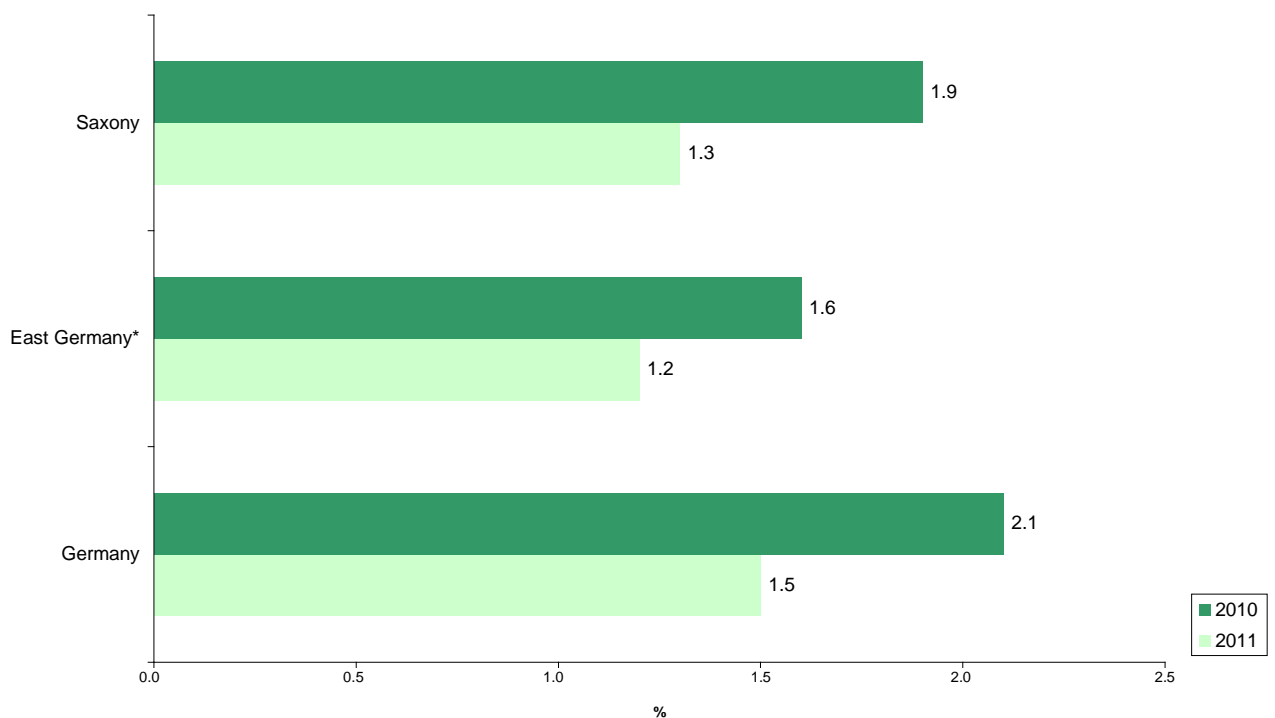
According to this forecast, **East Germany** anticipates an increase in its Gross Domestic Product (GDP) by 1.6 % in **2010** when compared to the previous year. As expected, this is lower than the 2.1 % increase anticipated for all of Germany (ifo Forecast of June 23, 2010). Compared to all of Germany, the lower increase in the GDP for East Germany is primarily due to the specific economic infrastructure (lower industrial density, lower export orientation) found in the new federal states. Gainful employment ought to remain unchanged (in comparison: Germany +0.2 %).

Even though the ifo Institute expects the economic growth in **Saxony** with a rate of +1.9 % in **2010** to be more favorable than in East Germany, it will be less favorable than in Germany as a whole. The decisive factor for this will be the development in the manufacturing industry which has already been slightly more dynamic than the East German average since spring. Gainful employment increases slightly by +0.1 %.

For **2011**, the experts anticipate the GDP in Saxony to increase by 1.3 % (in comparison: East Germany +1.2 %, Germany +1.5 %). In an East German comparison, an above average, continuously strong increase in the gross value creation of the manufacturing industry would then be contrasted by another round of weaker development in the private and public service sectors.

As to gainful employment in 2011, the ifo scientists forecast an additional increase of +0.2 % which is due to increasing utilization of general economic production capacities which ought to be slightly above the respective figure for 2010 (in comparison: East Germany +0.1 %, Germany +0.3 %).

Forecast of Economic Growth in 2010 and 2011



*New Federal States and Berlin

Source: ifo Institute for Economic Research

Key Data of the Economic Forecast for East Germany and Saxony

Changes Compared to the Previous Year in Percent ^{a)}					
East Germany (Including Berlin)			Saxony		
2009	2010	2011	2009	2010	2011
Gross Domestic Product					
-2.9	1.6	1.2	-3.8	1.9	1.3
Gross Value Creation in All Business Sectors					
-3.5	1.6	1.1	-4.4	2.1	1.3
Gross Value Creation in the Manufacturing Industry					
-13.7	8.9	5.7	-18.0	12.6	6.3
Gross Value Creation in the Construction Industry					
0.6	0.5	-1.3	1.1	0.5	-1.3
Gross Value Creation in Wholesale and Retail Trade, the Hotel and Restaurant Industry, and the Transportation Industry					
-3.9	0.9	1.1	-2.8	1.0	1.3
Gross Value Creation by Financing, Leasing & Renting, and Business Service Providers					
-1.7	0.4	0.5	-2.0	0.1	0.5
Number of Gainfully Employed Persons					
0.0	0.0	0.1	-0.8	0.1	0.2
For Information Only: Data for Germany					
Gross Domestic Product			Number of Gainfully Employed Persons		
-4.9	2.1	1.5	0.0	0.2	0.3

Sources for 2009: Federal Statistical Office, Work Group "National Accounts" (VGR d L), Work Group "National Employment Accounts" (AK ETR); 2010 and 2011: Forecast of the ifo Institute.

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	38,639	35,094	3,536
2010			
January	3,248	3,577	-329
February	3,049	3,019	30
March	3,727	2,871	856
April	3,307	2,790	517
Total	993,635	695,925	297,710

* 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⁾ 2005=100	Change in % Compared to	
		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		
2010			
January	108.2	-0.6	0.7
February	108.5	0.3	0.5
March	109.2	0.6	1.3
April	109.1	-0.1	1.1
May	109.2	0.1	1.1
June	109.3	0.1	1.0
July	109.5	0.2	1.2

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

Source: Statistical Office of the Free State of Saxony

Current Economic Data for the Free State of Saxony

- Manufacturing Industry¹⁾ -

	Unit	May 2009	April 2010	May 2010
Mining and Manufacturing Industry²⁾				
Employees	Persons	191,411	188,050	188,752
Total Turnover	€ 1,000	3,338,414	3,915,857	3,796,156
Foreign Sales	€ 1,000	1,117,559	1,497,916	1,424,818
Export Rate ³⁾	%	33.5	38.3	37.5
Orders Received	€ 1,000	2,089,794	2,839,197	2,883,563
Main Construction Industry⁴⁾				
Employees	Persons	29,139	29,530	29,910
Total Turnover	€ 1,000	277,978	278,762	310,453
Orders Received	€ 1,000		267,931	248,747

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

Updated: