

Ifo Business Climate for Saxony

Regional results of the Ifo Business Survey for January 2012

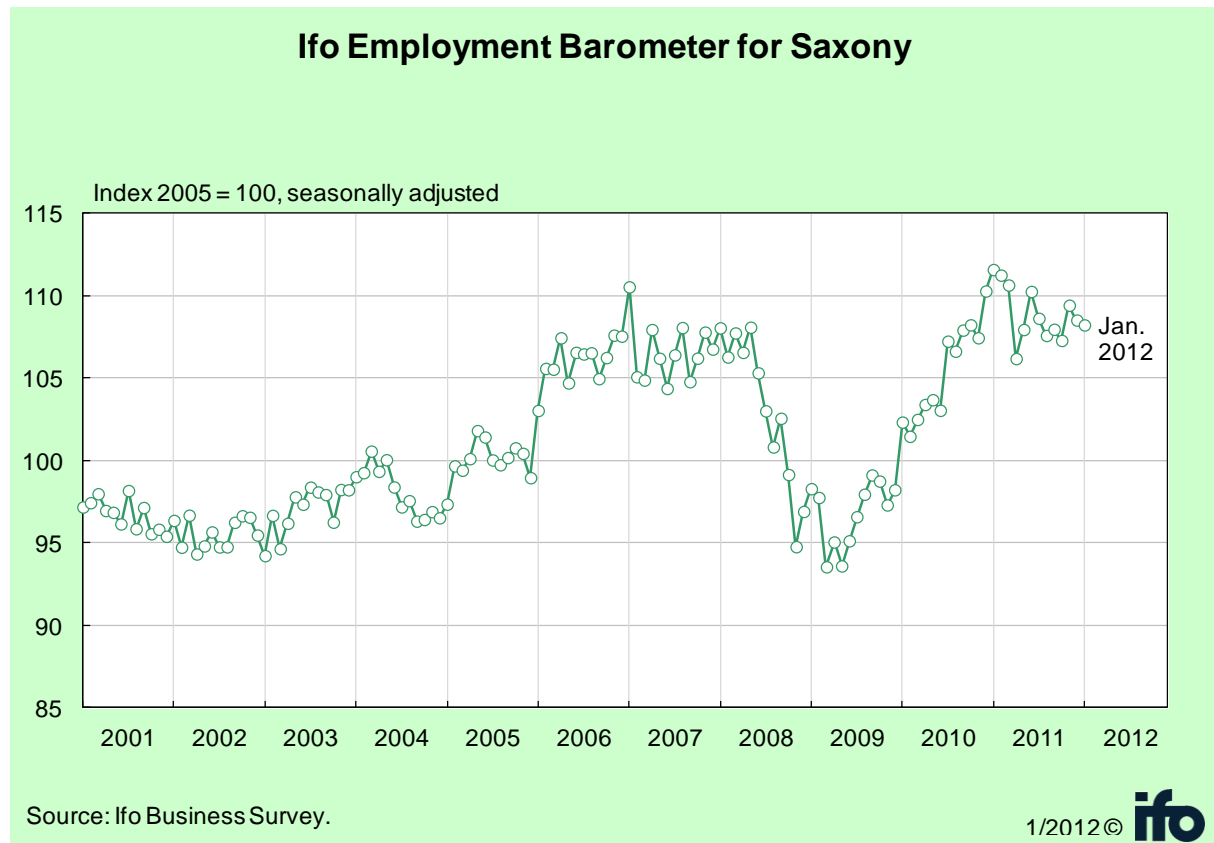
Business Climate in Saxony in January 2012: Business Climate Cools Down Considerably



The Ifo Business Climate Index for German trade and industry rose for the third time in succession in January. Departing from the overall trend in Germany, climate indicators for the Eastern German Länder collectively and for Saxony fell significantly. A decisive factor in this decrease was feedback from survey participants, which revealed far less satisfaction with the current business situation than last month. On balance, firms in Saxony were also slightly more pessimistic about their business outlook.

Employment Barometer for Saxony

The Ifo Employment Barometer for trade and industry in Saxony fell slightly again in January. While the employment expectations of Saxony's construction firms and wholesalers brightened, manufacturers and retailers in the region were less optimistic about their staffing plans than in December.



Manufacturing: average forward order book falls

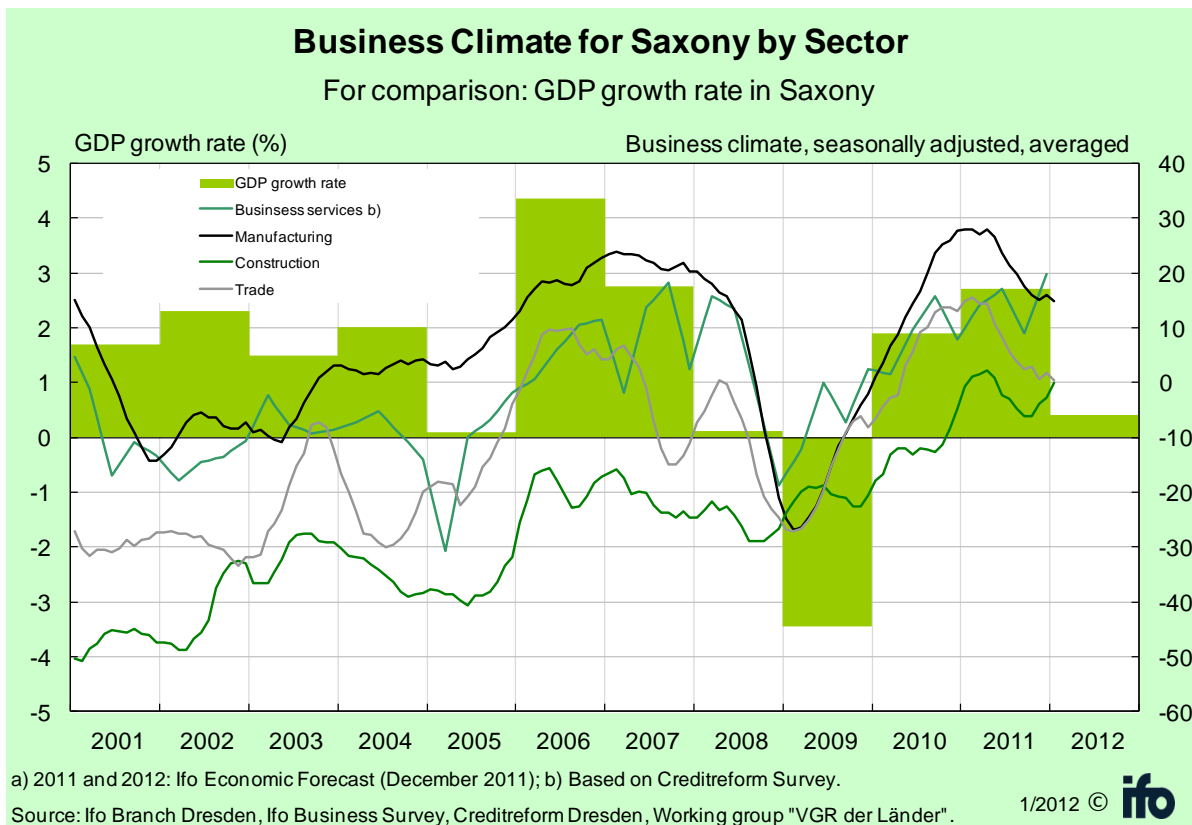
The business climate index in manufacturing in Saxony fell clearly at the beginning of the year. The current business situation of manufacturers in Saxony remains very good, despite the fact that survey participants expressed less satisfaction with their position than last month. Moreover, responses once again showed greater overall pessimism regarding the six-month business outlook. Uncertainty among manufacturers in Saxony continued to increase in January. There was no change to the autumn figures for average, seasonally-adjusted equipment utilization, which remained at around 85%. The average forward order book figure of 3.1 months, on the other hand, was lower than last month's result. Manufacturers in Saxony are planning a small increase in staff numbers in the near future.

Construction: machinery utilisation drops significantly

The business climate in Saxony's construction industry improved for the third time in succession. While construction firms reported a considerably poorer business situation, they expressed greater confidence in the future on the whole. 61% of survey participants reported constraints on their construction activity, mainly due to a lack of contracts and to weather influences. However, average machinery utilisation, reported at a seasonally-adjusted 64% in January, plunged far below last month's figure (December: 75%). The number of average forward orders reported, on the other hand, changed only slightly.

Distribution: business climate index falls steeply

The business climate deteriorated for both levels of trade in Saxony at the beginning of the year. Wholesalers and retailers assessed both the current business situation and the six-month business outlook as poorer than in December. Responses relating to sales revenues revealed diverging trends. While wholesalers in Saxony reported an increase in their revenues versus last month, retailers assessed their sales revenue situation less favourably than in December. Overall, firms in Saxony's distribution sector plan to boost their staff recruitment in the near future.



Development of selected economic activity indicators for manufacturing, construction as well as wholesaling and retailing in Saxony^a

| | Saxony | For comparison: | | | |
|--|--------|-----------------|---------|------------------------------------|---------|
| | | Saxony | | Eastern German States ^c | Germany |
| | | Jan. 12 | Dec. 11 | Jan. 11 | Jan. 12 |
| Manufacturing | | | | | |
| Demand situation ^{b)} | -3.5 | 2.1 | 20.4 | -4.2 | 2.6 |
| Production plans ^{b)} | 6.2 | 3.1 | 13.2 | 8.4 | 6.6 |
| Staff numbers – expectations ^{b)} | 0.2 | 5.4 | 6.9 | -1.8 | 2.9 |
| Selling prices – expectations ^{b)} | 5.1 | 4.2 | 13.2 | 9.3 | 7.7 |
| Construction | | | | | |
| Order stocks in months | 2.4 | 2.5 | 2.5 | 2.5 | 2.7 |
| Equipment utilisation in % | 63.6 | 75.4 | 66.7 | 70.3 | 69.9 |
| Staff numbers – expectations ^{b)} | 10.6 | 2.9 | 22.9 | 7.1 | 4.9 |
| Building prices – expectations ^{b)} | -14.9 | -3.9 | -1.0 | -12.4 | -8.7 |
| Wholesaling | | | | | |
| Turnover vis-à-vis previous year ^{b)} | 13.0 | 15.0 | 38.0 | 13.0 | 16.0 |
| Order plans ^{b)} | -0.6 | -5.8 | 10.8 | 5.7 | 3.8 |
| Selling prices – expectations ^{b)} | 31.0 | 17.0 | 43.3 | 34.5 | 30.3 |
| Retailing | | | | | |
| Turnover vis-à-vis previous year ^{b)} | -19.0 | 1.0 | -12.0 | -10.0 | 11.0 |
| Order plans ^{b)} | -9.5 | -5.8 | -7.4 | -23.4 | -5.6 |
| Selling prices – expectations ^{b)} | 31.3 | 15.2 | 22.4 | 26.4 | 30.1 |

a) Seasonally adjusted values (Exception: Information on turnover vis-à-vis previous year). – b) Balances of the percentages of positive and negative survey responses. – c) Eastern German states including east Berlin.
Source: Ifo Institute.