

■ FOREIGN TRADE BENEFITS FROM INTERNATIONAL UPSWING AND WEAK EURO

The persistent weakness of the euro and the excellent performance of the world economy have resulted in an export boom in Austria and the euro zone. However, given the low exchange rate and the high crude oil prices, the value of Austrian imports increased even more strongly, which contributed towards a significant deterioration of the balance on current account in the first half of 2000. The domestic economy is growing vigorously, but enterprise surveys do not suggest a further acceleration of growth in the near future. Despite the satisfactory level of economic activity, the seasonally adjusted number of employees did not further increase in August. The seasonally adjusted unemployment rate, however, continued to decline slightly.

Between January and May 2000, manufacturing output in Austria grew by 12.5 percent in real terms over the previous year's level. The main beneficiaries of this development were manufacturers of intermediate goods, automotive subcontractors and investment goods. Manufacturers report order books and capacity utilisation well above the average of recent years. According to WIFO Business Survey in July, the business community expects the situation to stabilise at a high level, although a continuation of the upward trend is considered unlikely.

The persistently favourable climate in the export-oriented sectors of the economy is based, above all, on the low effective exchange rate due to the strength of the dollar and the satisfactory development of the world economy. Over the first five months of 2000, Austrian exports of goods to non-EU countries increased by 22.4 percent. Vigorous domestic European Union demand also contributes to the growth of exports, with Austrian exports to other EU member states up by 15 percent over the same period of 1999.

As expected, private household consumption has also taken a positive development. Retail sales, excluding passenger cars, exceeded the previous year's level by 4.4 percent in real terms.

Developments in the field of summer tourism have been less satisfactory: while the number of overnight stays of Austrian tourists increased slightly (+2 percent)

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from May to July 2000 over the previous year's level, overnight stays of foreign tourists fell by 1.4 percent. Overall, a decline by 0.3 percent was reported. The downward trend was strongest among tourists from France, Belgium and Italy during the first three months of the summer season. Nevertheless, total tourist revenues grew by 5.5 percent in nominal terms.

The inflation rate was 2.8 percent in July, i.e., almost unchanged from the month before (2.7 percent). The clear increase of the general price level from the previous year is due to substantial fuel price increases, higher public fees, and a strong upward trend of seasonal goods. Except for these special effects, the rate of infla-

tion would have been about half its actual value. If crude oil prices remain at their current high level, this will have a negative impact on the annual inflation rate as well as real disposable income.

According to the Labour Market Service, the rate of unemployment was 4.6 percent in August 2000, which is well below the previous year's level. Corrected by WIFO for seasonal effects, the unemployment rate continued to decline (July 5.8 percent, August 5.7 percent), although employment, seasonally adjusted, did not continue to grow.

Cut-off date: 11 September 2000.