

## ■ BRIGHTER PROSPECTS FOR INDUSTRY, PERCEPTIBLY LOWER UNEMPLOYMENT

*In Austria, the dent in the business cycle, which occurred at the turn of 1998-99 in the wake of international financial and economic crises and weak demand from its main trading partners, appears at last to have been overcome. Businesses are once again optimistic in their outlook with regard to their order books and production level designs. The labour market situation continues to ease, because of brisk employment growth and intense training activities by the Labour Market Service.*

In line with WIFO's expectations in its previous forecasts, the Austrian business climate has recovered by the middle of the year. The improvement is reflected in the WIFO Business Survey of July: Industrial production expectations are markedly more optimistic than in the past – the balance of positive and negative assessments rose from +3 percentage points in January to +7.5 percentage points. In the basic sector, the sagging sales prices, which had characterised international markets in previous quarters, were at last reviving and businesses are responding by extending their production. Rallying demand for investment goods in the European Union and in Austria has visibly improved the mood in the manufacturing sector.

The findings of the WIFO Business Survey match those of the EU Commission for Europe as a whole. The industrial confidence indicator points upwards, especially in France and the U.K., although Germany and Italy still lag behind. Next to the strong demand in the internal market, stabilisation of the framework for the international economy was a decisive factor for the improvement: the situation in the global crisis regions has calmed down; the euro has lost ground to the dollar.

In March and April, the general recovery in Europe was reflected in Austrian exports, which (according to preliminary figures) expanded by 6 percent in nominal terms over the previous year. More household disposable income because of a boost in employment, higher collective wage agreements and continuing price stability, together with major investments by the industry nevertheless made for a markedly more rapid growth of imports than exports (+15 percent). The deficit in the balance of payments for goods rose by ATS 30 billion between January and May. In spite of an outstanding winter season and encouraging

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signs for the summer season enjoyed by the local tourism industry, the growing surplus of the balance of tourist travel does not suffice to compensate the goods trading deficit. According to the Austrian National Bank's cash data, the balance on current account in the first five months showed a loss of ATS 19.9 billion, ATS 5.8 billion more than in the previous year.

In June, price stability continued, the Consumer Price Index was just 0.4 percent above the previous year's level, or 0.2 percent when calculated on the basis of the EU's Harmonised Consumer Price Index concept. The perceptible increase in crude oil prices (by 76 percent since the start of the year), however, points towards slight price increases for the next months.

The labour market situation is noticeably less strained. In July, 179,100 people on average were jobless, which corresponds to a seasonally adjusted unemployment rate of

6.7 percent of the dependently employed by the traditional Austrian calculation method, or 4.3 percent of the total labour force in accordance with the EU Labour Force Survey. The decline of unemployment was the result of two factors: one was the strong increase of new jobs – in July the number of dependently employed, excluding persons on parental leave and in military service, was higher by 47,100 over the previous year (+33,300 in the first six months). The trend can be seen not just in the services industry (producer services, trade, health care, tourism, telecoms), but also in the core areas of manufacturing, primarily equipment and vehicles construction. The second factor to reduce unemployment was an increase in the number of trainees (almost 7,000 more than in 1998). The Labour Market Service reported 34,000 unfilled positions in July, or five unemployed for each vacancy.

Cut-off date: 4 August 1999.