

■ RISING UNEMPLOYMENT DESPITE VIGOROUS EMPLOYMENT GROWTH

Exports and manufacturing output continue to be the mainstay of Austria's economic upswing. Economic activity in retail trade and construction remains subdued, but not as sluggish as in Germany. Price stability persists. Despite impressive employment gains, unemployment is markedly higher than one year ago.

According to preliminary data, Austria's economy grew by 2½ percent in real terms in 1997; this growth rate is about as high as in the EU on average, but ¼ percentage point higher than in Germany. With merchandise exports expanding at double-digit rates, foreign trade continues to be the driving force of the cyclical upswing. According to the foreign trade statistics of the Central Statistical Office, shipments to countries outside of the EU expanded rapidly, with sales to Eastern and South-Eastern Europe posting the highest gains. A substantial trade surplus is being built up vis-à-vis these regions.

The vigorous export growth has boosted economic activity in the manufacturing sector; output is estimated to have expanded by 4½ percent in 1997. According to the WIFO business survey, expectations continue to be optimistic. The development of employment in this sector suggests that the steep increase in the output of intermediary and investment goods can no longer be supported by drawing on productivity reserves. While at the beginning of 1997 job losses amounted to 14,000 on a year-on-year basis, the number of persons on the manufacturing payroll in January 1998 was just slightly below the level recorded in January 1997 (-1,500).

In the first two months of 1998 dependent employment (excluding persons in military service and on parental leave) substantially exceeded the level recorded during the same period of 1997 (+23,000 and +24,000). To the cyclical relief in the demand for labor in manufacturing must be added the persistent rise in labor demand in two sectors, the producer-oriented services sector and the public sector. The employment gains have mostly benefited female workers, many of whom are employed in part-time jobs. The favorable employment trend cannot give rise to a sanguine evaluation of the labor market, however, because unemployment is still on the rise: in February the number of jobless exceeded last year's level by some 7,000. But this increase is partly due to institutional

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factors. The seasonally adjusted unemployment rate was 4.5 percent of the total labor force according to Eurostat calculations, and 7.1 percent of the dependent labor force according to the traditional Austrian method. There were 15 unemployed for each vacancy.

Price stability continues to characterize Austria's economy: at the level of consumer prices, the rate of inflation was as low as 1.2 percent in January, with rental prices posting the highest increase (3.7 percent). Various fac-

tors, such as the very moderate rise in labor costs, the restrained domestic demand, intense competitive pressures, and the drop in energy prices, contributed to this favorable performance. Austria's integration into the EU has also exerted considerable downward pressure on prices; this price effect is now spreading from manufactured goods to services.

Cut-off date: March 9, 1998.