EWALD WALTERSKIRCHEN

CYCLICAL RECOVERY MAKING SLOW PROGRESS

Responses by firms in the regular WIFO business survey have signalled an upturn in Austrian industrial activity for almost half a year. In April and May, judgements on current business conditions have not improved further. Nevertheless, prospects for the next few months remain positive.

The international recession has been overcome. An upturn is under way, although its strength is yet uncertain. In the USA, real GDP picked up markedly both in the fourth quarter 2001 and in the first quarter 2002, supported by a decidedly pro-active policy stance. In western Europe, early expectations were somewhat disappointed, as the EU economy stagnated in the first quarter. While last year's downturn in the EU was highly synchronised with that in the USA, the indications for a rebound this year are less clear. Still, all leading indicators point to a recovery.

In Austria too, confidence in the business sector has been growing for months. In particular, production expectations and other forward-looking indicators are rated much more positive, although the overall sentiment has improved no further in April and May.

According to provisional calculations, manufacturing output in the first quarter matched the year-earlier level, while construction activity fell sharply in the winter season. The steeper the cyclical downturn in a sector, the more marked is also the negative seasonal profile. In the first four months of the year, some 7,000 jobs (–3¼ percent) were lost in the construction sector from the previous year.

Retail (excluding motor cars) and wholesale trade both edged up by ½ percent in volume in the first quarter, but the slump in car sales (–5 percent in real terms) dragged the sector's value added down below the year-earlier level. Passenger car purchases react rather strongly to short-term variations in incomes and costs (oil prices). Even stronger, however, are cyclical fluctuations in business investment. The latter remained sluggish in the first quarter, leading to a nominal decline by 11 percent year-on-year in imports of machinery and transportation equipment in January and February combined. Tourism, on the other hand, continued its positive trend in the winter season, with earnings rising by 4½ percent at current prices.

Inflation is abating gradually. In April, the rate edged down to 1.8 percent, mainly due to an easing of prices for vegetables, price cuts for mobile tele-

All staff members of the Austrian Institute of Economic Research contribute to the Business Cycle Report.

phones and of lower energy costs compared with last year. In an international comparison, Austria claims a high rank in terms of price stability: on the Harmonised Consumer Price Index, prices went up by 1.6 percent, compared with 2.4 on average for the euro area. While in some countries the changeover to euro cash money may have added to inflation, that has not been the case in Austria.

As could be expected, no turnaround is as yet visible on the labour market. Official statistics give a total of 3,155,600 dependent employees for May, 5,500 more than one year ago. However, this figure is less relevant for the cyclical analysis, as it includes non-working recipients of child-care benefits whose job contracts have not been terminated. The adjusted figure of jobholders (excluding child-care benefit receivers and people in military service) went down by 11,600 year-on-year in May. The decline has been somewhat stronger than on average in the first four months of the year. Job losses in manufacturing (–13,000 in April) and construction led to an increase in unemployment benefit payments, whereas those in transportation (postal service, telecom, railways) and the public sector were accommodated mainly by transition into retirement.

Cut-off date: 7 June 2002.

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GUDRUN BIFFL
(KOORDINATION)

ARBEITSMARKTRELEVANTE EFFEKTE DER AUSLÄNDER-INTEGRATION IN ÖSTERREICH

Mit Beiträgen von Gudrun Biffl, Julia Bock-Schappelwein, Peter Huber (WIFO), Gerald Hammer, Josef Kytir (Statistik Austria), Harald Waldrauch (Europäisches Zentrum für Wohlfahrtspolitik und Sozialforschung), Helga Matuschek (Universität Wien), Marc Bittner, Franz Kohl (PLG) • Datenbankaufbau: Marianne Schöberl

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