

■ DECLINING UNEMPLOYMENT, BUT STEEP PRICE RISE

The economic upswing continues, with the manufacturing index in April up by 12 percent from the year before. This development is due to a substantial stimulus of rising exports and investment activities. In accordance with the favourable economic situation, unemployment is declining noticeably, although employment growth has slowed down. The rate of inflation jumped to 2.7 percent in June, with a half percentage point being due to the increase of consumer taxes and 1 percentage point to high energy prices.

The recovery of the Austrian economy continues at an undiminished pace. During the first four months of the year, manufacturing output exceeded the previous year's level by almost 12 percent. The production of intermediate and investment goods increased most strongly. The WIFO Business Survey as well as order books also indicate a satisfactory development.

Benefiting from favourable economic developments abroad and the weakening of the euro, exports constitute a major factor in the current upswing. During the first four months of the year, exports to EU countries increased by 12 percent, while exports to third countries even grew by 17 percent.

Private consumption is flourishing, not least due to the net income effects of the tax reform and the package of family-related measures: retail sales (excluding car sales) grew by 4 percent in real terms during the first four months; new passenger car registrations remained slightly short of the previous year's level.

The tourist industry experienced a slow start of the summer season. Although revenues exceeded the previous year's levels by about 4 percent in May and June, they did not match developments in other sectors and in the international tourist markets in real terms. The number of overnight stays by foreign tourists fell by 4.5 percent, with Carinthia suffering the steepest drop (-11.5 percent). The number of tourists from the euro zone dropped sharply, while tourism from the USA, U.K. and Switzerland picked up as a result of the low euro rate.

Currently, consumer prices are increasing faster in Austria than in the euro zone. Owing to the increase of the engine-power related insurance tax and other charges as well as rising energy prices, the rate of inflation rose to 2.7 percent in June, thus reaching its highest level since 1994. The wage increase negotiated during the most recent round of collective bargaining (+2.0 percent) is lower than the current inflation rate.

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The reduction of unemployment exceeds the growth of employment in Austria, which means that some of the previously unemployed have left the labour market. Together with the declining supply of domestic labour, this points to an increasing trend towards early retirement – particularly in view of the fact that access to early retirement is about to be made more difficult.

Compared with the spring figures, the growth of employment (+17,000 in July) has been halved. The num-

ber of Austrian citizens in employment grew by about 5,000 over the previous year's level. At the same time, the number of registered unemployed fell by 27,500. The reduction was strongest among persons aged over fifty years (-8,600). In view of the sluggish development of employment, this appears to be due, above all, to anticipation effects (early retirement) rather than a higher number of jobs for senior workers.

Cut-off date: 8 August 2000.

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