

Christian Glocker

# Economy Stabilising after Slight Dip in Growth at the End of 2011

## Business Cycle Report of March 2012

**Austria's gross domestic product contracted at a quarter-on-quarter rate of 0.1 percent in real terms in the fourth quarter of 2011. The decline was dampened by gross investment and the persistent stability in private consumption. Industrial production declined markedly in December. Economic activity strengthened at the beginning of 2012, however, and a growing amount of evidence now points to an upward trend. Inflation continues to recede. The situation on the labour market was characterised by a weather-related increase in unemployment.**

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Following a slowdown at the end of 2011, global economic activity accelerated again moderately at the beginning of 2012. This stabilisation is being supported by the USA, but especially by the emerging economies. Global trade is strengthening, commodity prices are trending upwards. The outlook is dampened by the continued unfavourable development in the euro area. While some leading indicators do point to an easing of the situation, the uncertainty felt by private households and businesses owing to the persistently high risks in the financial sector is weighing on the growth prospects.

The US economy expanded at a surprisingly brisk pace in the fourth quarter of 2011 (real GDP +0.7 percent, compared with the previous quarter). The general picture of the leading indicators as well as the waning of financial sector risks suggests a positive development. Lending has increased, and private households have become more confident about future economic developments. This is also reflected in the most recent decline in the savings ratio. The situation in the labour market remains tense, however, in spite of yet another drop in the unemployment rate in January. Economic activity in the euro area remains subdued.

Austria's gross domestic product contracted at a quarter-on-quarter rate of 0.1 percent in real terms in the fourth quarter of 2011, notably because of lacking impetus from foreign trade (exports -0.4 percent). The decline was dampened by gross investment (1.6 percent) and the persistent stability in private consumption.

The general mood brightened already in December, notwithstanding the slight moderation in the pace of growth at year-end. In WIFO's Business Cycle Survey of February, firms in Austria's industrial sector anticipate an upward trend.

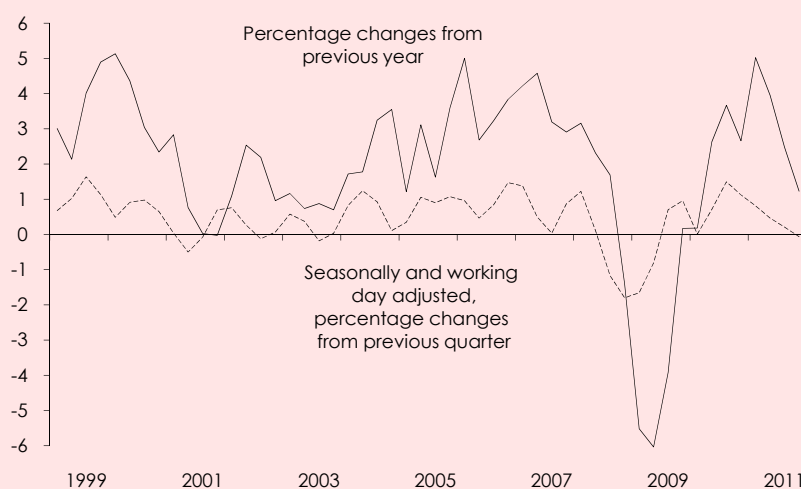
The number of persons in dependent active employment rose by 60,000 to more than 3.3 million (seasonally adjusted). In February, 380,000 persons were registered as unemployed or enrolled in training programmes in Austria, an increase by 5.2 percent from a year before. The seasonally adjusted unemployment rate rose slightly to 6.9 percent, according to the Austrian method of calculation. The Harmonised Index of Consumer Prices (HICP) was up by 2.9 percent from its year-earlier level in January, with the rate of inflation thus remaining slightly above the euro-area average (2.6 percent).

Table 1: Quarterly national accounts

			2010		2011			
			Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
			Percentage changes from previous quarter					
<i>Adjusted for seasonal and working day effects, volume</i>								
Final consumption expenditure			+ 0.4	+ 0.3	+ 0.2	+ 0.5	+ 0.3	+ 0.2
Households <sup>1</sup>			+ 0.6	+ 0.3	- 0.1	+ 0.1	+ 0.2	+ 0.3
General government			+ 0.1	+ 0.7	+ 1.0	+ 0.9	+ 0.5	+ 0.1
Cross capital formation			+ 3.7	+ 4.2	+ 3.3	+ 1.2	+ 1.2	+ 1.6
Gross fixed capital formation			+ 1.5	+ 1.8	+ 1.4	+ 1.0	+ 0.9	+ 0.7
Machinery and equipment			+ 3.9	+ 4.0	+ 2.5	+ 1.2	+ 1.4	+ 1.0
Construction			- 0.1	+ 0.2	+ 0.7	+ 0.6	+ 0.1	+ 0.3
Exports, goods and services			+ 2.6	+ 1.7	+ 2.2	+ 1.2	+ 0.3	- 0.4
Goods			+ 3.6	+ 1.3	+ 2.5	+ 1.2	+ 0.3	- 0.4
Services			+ 0.9	+ 0.8	+ 1.2	+ 1.0	+ 0.4	+ 0.2
Imports, goods and services			+ 2.9	+ 1.7	+ 1.9	+ 1.1	+ 0.3	+ 0.3
Goods			+ 3.4	+ 1.6	+ 1.4	+ 1.2	+ 1.1	+ 0.3
Services			+ 2.2	+ 1.9	+ 1.4	+ 0.7	+ 0.2	+ 0.1
Gross domestic product			+ 1.5	+ 1.1	+ 0.8	+ 0.5	+ 0.2	- 0.1
Manufacturing			+ 4.2	+ 3.8	+ 3.6	+ 0.8	- 0.2	- 1.4
	2010	2011	2010		2011			
			Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
			Percentage changes from previous year					
<i>Volume, chained prices</i>								
Final consumption expenditure	+ 1.5	+ 1.1	+ 1.4	+ 1.7	+ 0.4	+ 2.2	+ 1.4	+ 0.6
Households <sup>1</sup>	+ 2.2	+ 0.6	+ 2.6	+ 2.5	+ 0.0	+ 1.8	- 0.0	+ 0.6
General government	- 0.2	+ 2.7	- 1.9	- 0.5	+ 1.3	+ 3.5	+ 5.4	+ 0.6
Cross capital formation	+ 3.6	+ 14.0	+ 9.9	+ 6.2	+ 34.0	+ 5.5	+ 11.5	+ 11.2
Gross fixed capital formation	+ 0.1	+ 5.7	+ 0.1	+ 4.2	+ 7.7	+ 5.9	+ 5.6	+ 3.8
Machinery and equipment	+ 4.3	+ 11.3	+ 2.8	+ 15.2	+ 19.0	+ 10.5	+ 12.3	+ 5.0
Construction	- 2.9	+ 2.6	- 2.1	- 3.0	+ 1.3	+ 3.5	+ 2.2	+ 3.4
Exports, goods and services	+ 8.3	+ 6.7	+ 11.1	+ 8.8	+ 13.3	+ 6.3	+ 5.1	+ 2.5
Goods	+ 10.9	+ 7.7	+ 13.3	+ 12.2	+ 17.6	+ 6.4	+ 6.0	+ 2.2
Services	+ 2.2	+ 4.1	+ 5.8	+ 0.3	+ 4.7	+ 5.9	+ 2.7	+ 3.3
Imports, goods and services	+ 8.0	+ 7.0	+ 10.9	+ 8.8	+ 14.4	+ 5.4	+ 5.1	+ 3.9
Goods	+ 9.1	+ 7.4	+ 11.8	+ 9.7	+ 15.1	+ 5.2	+ 5.8	+ 4.4
Services	+ 3.7	+ 5.1	+ 7.4	+ 5.5	+ 11.3	+ 6.2	+ 3.3	+ 1.2
Gross domestic product	+ 2.3	+ 3.1	+ 3.7	+ 2.7	+ 5.0	+ 3.9	+ 2.5	+ 1.2
Manufacturing	+ 7.4	+ 10.4	+ 10.7	+ 9.9	+ 21.0	+ 10.9	+ 8.8	+ 2.9
Gross domestic product, value	+ 4.1	+ 5.3	+ 5.9	+ 4.5	+ 8.2	+ 6.3	+ 4.4	+ 2.7

 Source: WIFO. – <sup>1</sup> Including private non-profit institutions serving households.

Figure 1: Growth of real GDP



Source: WIFO.

The global economic outlook has brightened somewhat since the fourth quarter of 2011: growth momentum, international capital and world trade flows as well as macro-financial risks appear to be improving, according to the IMF's update to its World Economic Outlook released in January 2012. In the fourth quarter, global trade increased at a seasonally adjusted quarter-on-quarter rate of 0.3 percent in real terms, according to CPB, and industrial production picked up again moderately (+0.6 percent), notably in the emerging market economies, which are barely affected by the sovereign debt crisis in the euro countries. But at the end of 2011 the emerging economies' lead in growth on the advanced economies shrank to just under 3 percentage points (long-term average +4 percentage points; WEO Update of January 2012), as world trade growth decelerated, foreign capital flows declined and restrictive economic policy measures became effective.

Among these countries, China's economy remains the driver of growth. Although inflation picked up to 4.5 percent in January and was thus higher than expected, the Chinese Central Bank maintained its expansionary stance, and in view of the subdued growth prospects lowered the reserve requirement ratio by yet another 50 basis points at the end of February. The increase in the Purchasing Managers' Index in February shows that the economy is coping well with the most recent slowdown in global demand.

The economies of a number of other Asian and Latin American emerging markets have been performing equally well. Growth prospects for the countries of Eastern Europe remain subdued, given their strong trade and financial market linkages with Europe's advanced economies.

Positive signals for the global economy are also emanating from the improved growth prospects in the USA. The US economy expanded at a surprisingly brisk pace in the fourth quarter of 2011 (real GDP +0.7 percent compared with the previous quarter), supported by private consumption and business spending. The overall picture of the leading indicators gives further grounds for optimism: the ISM Purchasing Managers' Index continued on an upward trend also in February, and the Consumer Confidence Index also rose further after dipping in January.

The positive consumer sentiment primarily reflects the loose monetary policy adopted by the central bank. Banks in the USA are increasing their lending activity on account of the low key interest rate – the volume of consumer credit outstanding rose by \$ 19.3 billion to \$ 2,500 billion in December and is thus approaching its historical peak reached in summer 2008. Private households are again confident about future economic developments; the savings ratio has fallen of late. The positive picture of the indicator for private consumption and the recent slight improvement in labour market data signal a firming of the upswing.

The labour market shows further signs of easing. The number of first-time claims for unemployment benefits fell slightly in February, by 5,500 to 354,000, the lowest level since March 2008. In January, the number of newly created jobs rose considerably faster than expected (+243,000). The seasonally adjusted unemployment rate dropped to 8.3 percent in January, the lowest rate recorded in three years.

The banking environment has improved in general: on the one hand, the downward trend of real estate prices (according to the S&P/Case Shiller Home Price Indices) has weakened somewhat in recent months, which could suggest that the real estate sector is slowly recovering, on the other hand there has been a marked decline in macro-financial risks. The VIX Index<sup>1</sup>, for instance, is falling, and the St. Louis Fed's Financial Stress Index has been declining since October 2011.

## Global economy stabilising

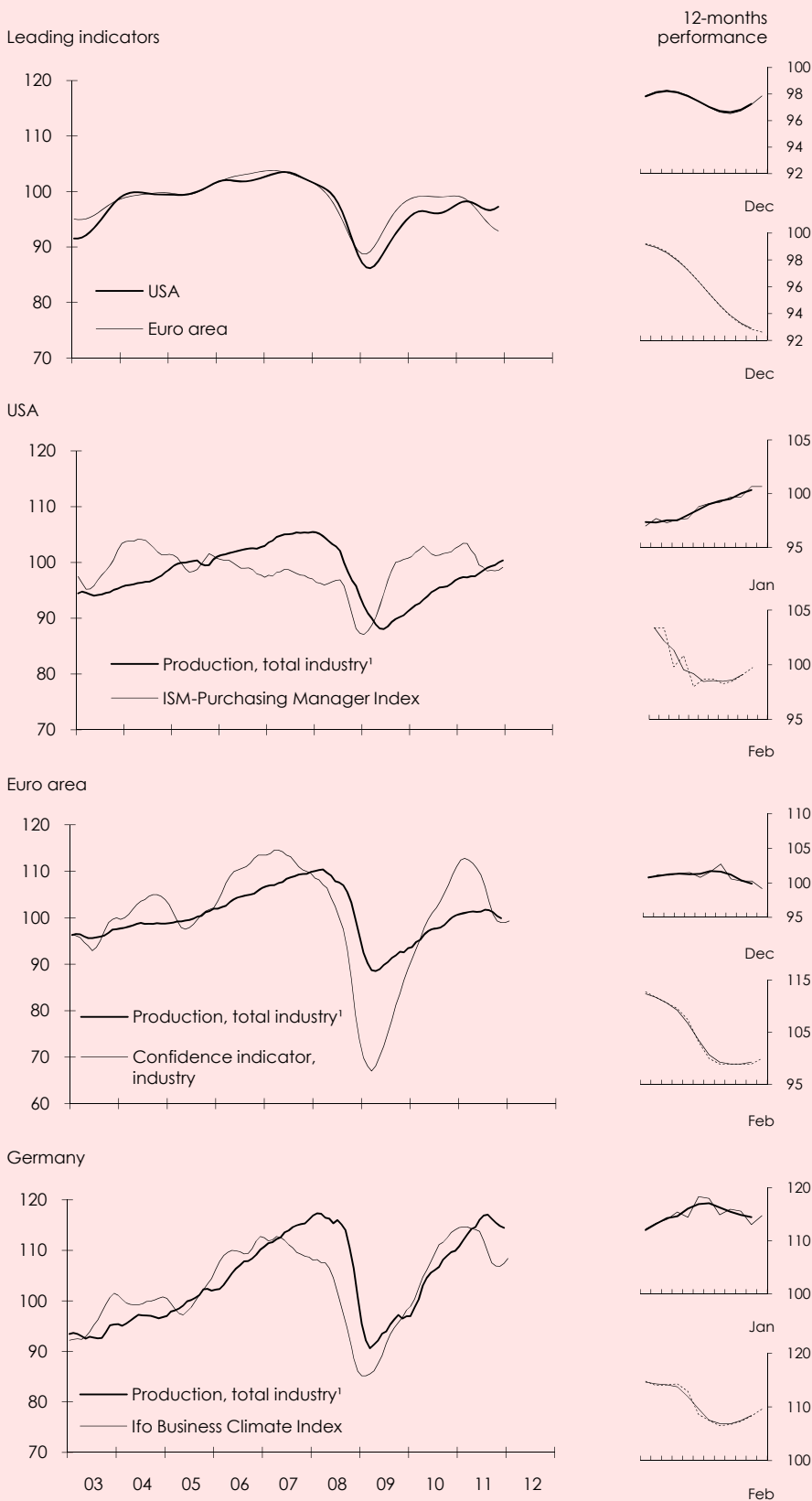
*The Asian and Latin American countries and the USA are experiencing continued economic growth. In many East European countries, however, growth prospects remain subdued.*

## Stable consumer and business spending in USA

<sup>1</sup> The Chicago Board Options Exchange Volatility Index (VIX) is a measure of the expected movement in the S&P 500 stock index. It measures the near-term implicit volatility conveyed by S&P 500 stock index option prices over a period of 30 days. The VIX Index is a leading indicator for stock market risk.

Figure 2: International business climate

Seasonally adjusted, 2005 = 100, 3-month moving average



Source: European Commission, Deutsche Bundesbank, ISM (Institute for Supply Management<sup>TM</sup>), Ifo (Institute for Economic Research, Munich), OECD. – <sup>1</sup> Excluding construction.

Japan's economy, at -0.2 percent in real terms quarter-on-quarter contracted more vigorously than expected in the fourth quarter. The decline can be attributed primarily to the global economic slack, production disruptions related to the floods in Thailand, and the strong yen notably as a result of the euro area debt crisis. The latest developments are further dampening the prospects: in 2011, Japan posted the first trade deficit in more than 30 years (2.5 trillion yen, around € 24.5 billion). This development continued in January. On the other hand, corporate capital investment increased already in the third quarter of 2011, and private consumption, which in Japan contributes roughly 60 percent to GDP, rose by 0.4 percent in real terms in the fourth quarter. Last but not least, monetary policy and fiscal policy are providing a very strong expansive impetus.

## Japan posts first trade deficit in more than 30 years

In the euro area and the entire EU, economic prospects for 2012 are on the one hand characterised by the sovereign debt crisis, considerable macro-financial risks and a crisis of confidence, and on the other hand, by a risk of recession. While fiscal consolidation in the crisis countries can barely be realised in a recession phase, it is imperative to put an end to the sovereign debt crisis if a sharp slowdown in growth is to be prevented. Against this background, the ECB has recently implemented a number of expansive measures, including a reduction of the key interest rate and the reserve requirement ratio in December 2011 and the provision of more than € 1,000 billion in low-interest loans to banks in December and February aimed at forestalling a possible tightness of credit in the euro area: Portugal (-3.5 percent), Estonia (-4.3 percent) and Ireland (-7.5 percent) had recorded a sharp year-on-year decline in the credit volume in December 2011. With this expansionary policy, the ECB at the same time attempts to dampen the steady upward pressure of secondary market yields on government bonds of those euro area countries that are caught up in a debt crisis. In February, yields with a maturity of 10 years fell significantly month-on-month, especially for Ireland (-70 basis points), Italy (-99 basis points) and Portugal (-104 basis points). The continuing high levels of uncertainty in the interbank market are visible in business banks' high deposits with the central bank. At the beginning of March they rose by more than € 340 billion to € 820 billion.

## ECB continues expansionary monetary policy

*In the euro area, developments continue to be surrounded by high levels of uncertainty. The overall picture of the leading indicators has slightly improved. Rising unemployment and difficult financing conditions dampen the prospect of a fast recovery.*

After the pace of growth had slowed already in the second and third quarters of 2011, real GDP contracted by 0.3 percent quarter-on-quarter in the euro area and on average in the European Union as a whole in the fourth quarter. In year-on-year terms, a slight increase was recorded for the euro area. The economic recovery, which came to a halt at the end of 2011, is unlikely to get off the ground again before mid-2012, according to the European Commission Business Survey.

The European Commission Business Survey again provided positive signals in January and February, following the steady downward revision of the leading indicators until the end of 2011. The picture of the indicators has improved significantly for the EU countries overall as well as for the euro area. In February, the Economic Sentiment Indicator rose for a second consecutive time (EU +1.1 index points, euro area +1.0 index point). The improvement was visible in all economic sectors except the services sector. Incoming orders have been following an upward trend since December.

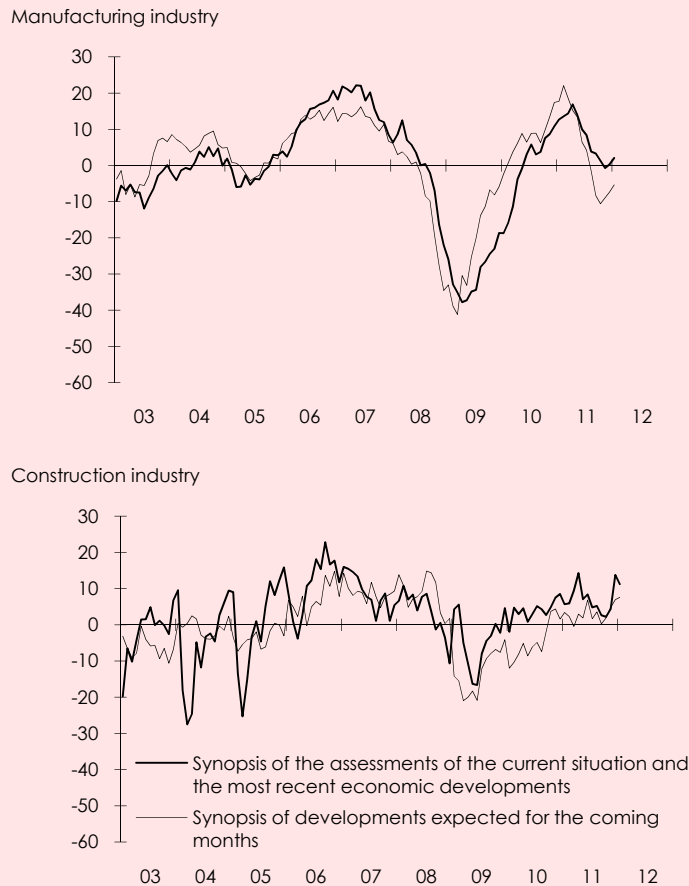
The unemployment rate was 10.7 percent (seasonally adjusted) in the euro area in January, according to Eurostat, while it averaged 10.1 percent in the EU. The highest rate was recorded in Spain (23.3 percent), the lowest in Austria (4.0 percent). There is considerable divergence in the change of the unemployment rate across EU countries: while the rate declined for instance in Romania (-0.4 percentage point) and Slovakia (-0.2 percentage point), it rose continuously from November till the end of January in Spain (+0.3 percentage point), Portugal (+0.8 percentage point) and France (+0.2 percentage point).

Inflationary pressures are easing somewhat both on average in the EU countries and in the euro area, owing to the decline in demand. In January 2012, the inflation rate stood at 2.6 percent in the euro area (December 2011: 2.7 percent), while it was 2.9 percent (December 2011: 3.0 percent) in the EU as a whole. The inflation rate is expected to have risen slightly to 2.7 percent in the euro area in February. The out-

look for price developments is subject to particularly high uncertainty. The greatest downside risks relate to a higher than expected contraction in GDP. Upside risks would arise notably from disruptions in the oil supply due to geopolitical tensions and an increase in the demand from emerging market economies. The HWWI Index of Commodity Prices excluding energy, after falling steadily since May 2011 has been picking up again since the beginning of this year (+3.1 percent, and +2.5 percent, month-on-month, expressed in dollars).

Figure 3: Results from the WIFO Business Cycle Survey

Indices of the assessment of the current economic situation and of business expectations, seasonally adjusted



Source: WIFO Business Cycle Survey. Data refer to index points (percentage points) between +100 and -100. Values above 0 imply positive expectations, values below 0 indicate negative expectations.

The German economy shrank for the first time in almost three years at the end of 2011 – GDP contracted by 0.2 percent in the fourth quarter compared with the third quarter, largely in response to the decline in consumer spending (-0.2 percent) and lacking stimulus from foreign trade. The decline was dampened by an expansion of investment, notably in the construction sector (+1.9 percent). In 2011 as a whole, exports for the first time passed the € 1,000 billion mark, but in December fell by 4.3 percent in nominal terms relative to the previous month; compared with a year before, the rate of increase was a mere 4.9 percent. The euro countries posted the highest decline in exports. Equipment investment was also weak.

Although incoming orders and industrial production continue to fare badly, signs of a stabilisation in the economy are increasing. Examples are the Ifo Business Climate Index, which rose for the fourth consecutive time in February, and the ZEW Index or the Survey by the German Association of Chambers of Industry and Commerce (DIHK), which are signalling an improvement.

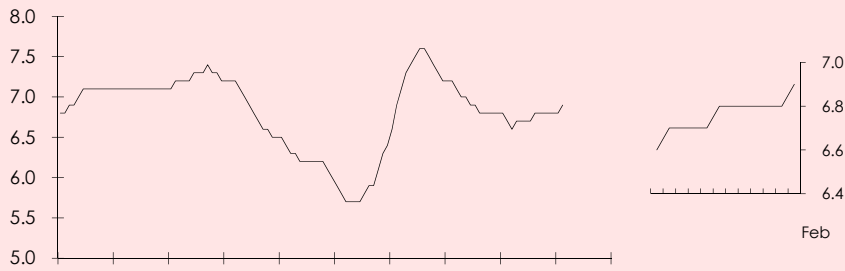
### Contraction of German economic output in the fourth quarter

Figure 4: Key economic indicators

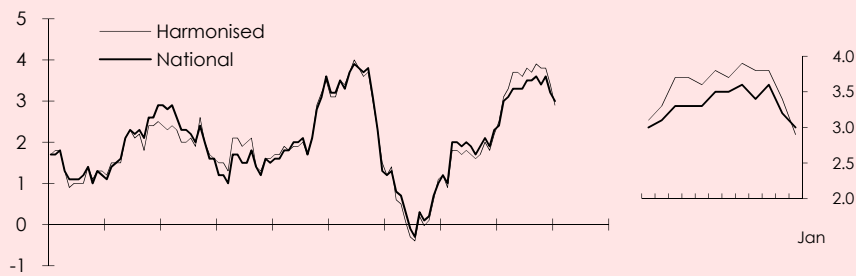
Persons in active dependent employment<sup>1</sup>, (1,000), seasonally adjusted



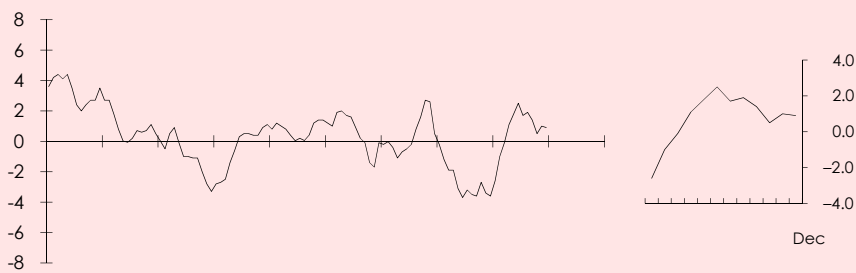
Unemployment rate, traditional Austrian method<sup>2</sup>, seasonally adjusted



Consumer prices, year-to-year percentage changes



Real effective exchange rate, year-to-year percentage changes



10-year central government bonds (benchmark), percent



Source: Public Employment Service Austria, Federation of Austrian Social Security Institutions, Oesterreichische Nationalbank, Statistics Austria, WIFO calculations. – <sup>1</sup> Excluding parental leave, military service, and unemployed persons in training. – <sup>2</sup> As a percentage of total labour force excluding self employed, according to Public Employment Service.



The Austrian economy lost considerable momentum in the latter half of 2011. After still expanding at a seasonally adjusted quarter-on-quarter rate of 0.2 percent in the third quarter, real GDP contracted marginally in the fourth quarter (–0.1 percent), in particular owing to a lack of stimulus from foreign trade (exports –0.4 percent). Austria's export sector was affected by the global economic downturn primarily through its supplier relations with the world-market-oriented German economy. The decline in GDP was dampened by the strong expansion of gross investment (+1.6 percent) and the continued stable development of private consumption (+0.3 percent). Household consumer demand has been very stable in Austria, also by international standards: While consumption declined sharply in the southern European Union member countries, but also in France over the course of 2011, it contributed positively to growth in Austria in the fourth quarter of 2011.

After manufacturing production had declined on a quarterly basis already in the third quarter (–0.2 percent), the situation deteriorated once again in the fourth quarter (–1.3 percent). Only the credit and insurance sector posted considerable gains (+1.8 percent), despite the fact that Austria and the euro area are currently facing high macro-financial risks. These risks are on the one hand visible in the substantial fall in the stock prices of Austrian banks observed since August 2011, and, on the other hand, in the most recent increase in secondary market yields on loans of Austrian financial intermediaries. In addition, another Austrian bank had to be partly nationalised at the end of February, and additional payments to already nationalised financial institutions cannot be ruled out. In December 2011, the credit volume nevertheless rose by 2.4 percent compared with the same period a year earlier. The developments in 2012 can currently be assessed only very vaguely. Negative impacts are exerted by the increased cost of bank refinancing on the capital market due to the sovereign debt crisis, from a further possible slump in demand, and from the packages of measures brought forward by the Austrian Central Bank and the Capital Market Supervisory Authority aimed at strengthening the sustainability of the Austrian financial sector, which may dampen lending at least in the short run. Lending activity is supported notably through easier access to central bank money provided by the ECB.

The general mood brightened already in December, notwithstanding the slight slowdown in growth at the end of 2011. Evidence from WIFO's February Business Cycle Survey points to an upward trend in Austria's industrial sector: manufacturers' assessment of economic conditions has improved in recent months. The seasonally adjusted index of the assessment of the current situation (it sums up the current situation and the most recent development from the viewpoint of businesses) has risen steadily from –1 point in November 2011 to +3 points. Especially the decline in export orders appears to have come to a halt. The index of production expectations has also risen noticeably from –11 points to –1 point. While this does not suggest a recovery of manufacturing activity, it rules out a deterioration, at least for the time being. Firms' assessment of order books and foreign orders has been persistently pointing upward; their appraisal of the business situation in six months' time signals a positive development. The outlook is also positive for manufacturers of capital and consumer goods. In the construction sector, the business expectations index fell significantly in February, as companies expect a much weaker seasonal rebound in spring than that experienced a year earlier. While the assessment of the economic situation is generally better than in previous years, there are no signs of a buoyant dynamism. The Bank Austria Purchasing Managers' Index (EMI) for Austria rose for a third consecutive time in February. The sub-indices also paint a thoroughly positive picture. Companies' willingness to invest in expansion is growing, given the favourable prospects and the substantially higher rate of capacity utilisation of late. As PMI sub-indices show, the pick-up in industrial activity is likely to entail a marked upward momentum in purchase prices.

### **Austria: slight dip in growth at the end of 2011**

*Slackening global demand prompted a contraction in Austria's economic output in the fourth quarter.*

### **Revival of credit and insurance activity, manufacturing sector in recession**

### **Favourable economic outlook**



## Methodological Notes and Short Glossary

### Period comparisons

Time-series comparisons with the previous period, e.g., the previous quarter, are adjusted for seasonal effects. They also include effects that result from a different number of working days in the period (e.g., Easter). In the text, reference is made to "seasonally and working day adjusted changes".

The phrase "changed compared with a year before . . .", on the other hand, describes a change compared with the same period a year before and refers to unadjusted time series.

The analysis of the seasonally and working day adjusted development provides more precise information about the actual course of economic activity and shows turning points sooner. However, the data are subject to additional revisions as seasonal adjustment is based on statistical methods.

### Average rates of change

The time given refers to the initial and the final value of the period of computation: hence the average rate 2005-2010 comprises as the first rate of change that from 2005 to 2006, and as the last that from 2009 to 2010.

### Real and nominal values

In principle, the values shown must be understood as real values, i.e., adjusted for price effects. Whenever values are shown as nominal values (e.g., foreign trade statistics), this is specifically mentioned.

### Production Sector

This term comprises the NACE-2008 sections B, C and D (Mining and Quarrying, Manufacturing, Energy Supply) and is here used in an international comparison.

### Inflation, CPI und HICP

The inflation rate measures changes in consumer prices compared with a year before. The Consumer Price Index (CPI) is a measure of national inflation. The Harmonised Index of Consumer Prices (HICP) is the basis for comparable measurement of inflation in the EU and for the evaluation of price stability in the euro area (see <http://www.statistik.at/>).

Core inflation as a monetary policy indicator is not clearly defined. WIFO follows the common practice of using the inflation rate excluding the product categories unprocessed food and energy for core inflation. Thus just under 87 percent of the goods and services contained in the consumer price index (CPI 2010) are included in the calculation of core inflation.

### WIFO Business Cycle Survey and WIFO Investment Survey

The WIFO Business Cycle Survey is a monthly survey in which around 1,100 Austrian firms are asked to assess their current and future economic situation. The WIFO Investment Survey is conducted twice a year, asking companies about their investment activity (<http://www.konjunkturtest.at/>). The indicators are balances between the positive and negative responses expressed as a percentage of the total number of firms sampled.

### Unemployment rate

Austrian national definition: The number of persons registered as job seekers with the Public Employment Service expressed as a percentage of the dependent labour force. Labour force is the sum of the unemployed and the persons in dependent employment (measured in standard employment relationships). Database: registrations with the Public Employment Service (AMS) and Association of Austrian social insurance agencies.

Definition according to ILO and EUROSTAT: Any person who is not gainfully employed and is actively seeking work is considered unemployed. Gainfully employed persons comprise all persons who during the reference week worked for at least one hour in a self-employed capacity or in paid employment. Persons receiving child-care benefit and apprentices are classified as gainfully employed, whereas persons in military service or persons carrying out alternative service are not. The unemployment rate is the number of unemployed persons expressed as a percentage of the total labour force (unemployed persons plus gainfully employed persons). Database: data from household surveys ("Mikrozensus").

### Terms used in connection with the national definition of the unemployment rate

Persons in training: Persons who at a set date are enrolled in AMS (Public Employment Service) training programmes. When calculating the unemployment rate, their number is not taken into account either in the denominator or in the numerator.

Persons in dependent active employment: "Persons in dependent employment" include persons receiving child-care benefit, as well as persons in military service or persons carrying out alternative service with a valid employment contract. By deducting their number one arrives at the number of "persons in dependent active employment".

The inflation rate according to the national Consumer Price Index was 3.0 percent in January 2012. Excluding mineral oil products (+10 percent), the inflation rate would have stood at only 2.5 percent. The rise in energy prices was also reflected in an increase in housing costs; here, the sharpest price increase was recorded for household energy (+5.7 percent on average, heating oil +16 percent, gas +11 percent, but only +0 percent for electricity). In January, food prices were up by 3.5 percent

from their year-earlier level, contributing 0.4 percentage point to the inflation rate. The HWWI price index for food, drink and tobacco (in dollar terms) confirms this trend for January and February. The world market is likely to experience further upward pressure in the months ahead, in particular as lower harvests are expected in Latin America for 2011-12.

In January, the Harmonised Index of Consumer Prices (HICP) was up 2.9 percent year-on-year. Hence the inflation differential has declined significantly vis-à-vis the euro area average (2.6 percent). Real wages did not decline considerably, in spite of rising inflationary pressures: this becomes apparent in the 2.4 percent increase of the negotiated wage index (excluding public servants, +2.9 percent) in January.

Tourism sales in the first half of the 2011-12 winter season (November 2011 until January 2012) reached a volume of € 5.75 billion, an increase by 1.9 percent compared with a year before, according to provisional calculations. The number of nights spent rose marginally (+0.6 percent) over the same period. Real sales declined by 1.5 percent in the first half of the winter season, while real expenditure per night spent – an important quality indicator – fell moderately by 0.9 percent. Real sales are expected to continue to decline over the remaining months of the 2011-12 winter season.

While the demand by foreign travellers for overnight stays stagnated in the first half of the winter season (–0.1 percent), nights spent by domestic guests surpassed the year-earlier level by 2.9 percent. In the foreign source markets of importance to Austria, positive developments were recorded particularly with respect to overnight stays by guests from Switzerland (+20.4 percent), Russia and Romania (+16.1 percent each), while partly strong gains were also achieved in France (+9.5 percent), the USA (+7.9 percent), the Czech Republic (+5.6 percent) and the UK (+1.8 percent). Nights spent by guests from Belgium (+0.5 percent), Italy (–0.4 percent), Poland (–0.5 percent) and Sweden (–0.8 percent) were roughly in line with the year-earlier result. A marked decline was registered in the demand from the Netherlands (–1.9 percent) and Hungary (–2.1 percent) as well as especially from Germany (–4.3 percent) and Denmark (–4.4 percent). Above-average tourism revenues were recorded by Vienna, Burgenland, Lower Austria, Upper Austria and Styria, while below-average revenues were registered by Tyrol and Salzburg, and in particular by Vorarlberg and Carinthia.

In the fourth quarter of 2011, labour market conditions were characterised by a weather-related increase in unemployment. In February, 380,000 persons were registered as unemployed or enrolled in training programmes in Austria, an increase by 5.2 percent compared with a year before. The seasonally adjusted unemployment rate thus increased moderately to 6.9 percent in February (according to the Austrian definition). Notwithstanding the increase in unemployment, the number of persons in dependent active employment rose by 60,000 to more than 3.3 million (seasonally adjusted) from a year before. 70,400 of the job seekers attended training programmes.