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*ECONOMIC OUTLOOK FOR CARINTHIA
2003 AND 2004
"FRÜHJAHRSPROGNOSE"*

DEVELOPED FOR WIBIS KÄRNTEN - SUMMARY

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Summary

In 2002 the subdued economic development continued on both the national as well as the international level. The Austrian economy expanded at around the same pace as the European Union as a whole, early estimates calculate an 1 % increase in GDP as compared to 2001. This growth rate, which is again well below the medium term average, can be seen in the light of a heterogeneous quarterly development. The beginning upswing in the first half of 2002 – which manifested itself in higher growth rates in the first and second quarter – could not be sustained throughout the year and was followed by another downswing in the second half of 2002. As a result, the number of active wage employment contracts was falling in both the nation as a whole and in Carinthia by -0,5 %.

The increase in global uncertainties can be deemed as one of the major factors causing the renewed downturn in the middle of last year. Partial reversions of this situation – caused e.g. by the end of the war in Iraq – will not prove sufficient to clear the path for economic recovery. Fundamental deficits in the global and European economic situation (e.g. the persistently low level of investment) remain and will further delay the recovery at least until the beginning of 2004. As a result, labour markets will remain depressed throughout the current year.

In 2003 only a small increase in active wage employment contracts is expected for Carinthia. The growth rate of +0,1 % will be the same as the national average. While the pace of economic growth is expected to pick up early next year, prospects for labour markets in 2004 will increase only marginally, due to their typically delayed response. Both the region and the nation are forecast to expand by a mere +0,2 %.

Economic Outlook for Carinthia: Main Results

		Annual Change [%]				
		2000	2001	2002	2003	2004
Active Wage Employment	Carinthia	1,5	0,8	-0,5	0,1	0,2
	<i>Austria</i>	1,0	0,4	-0,5	0,1	0,2

Source: JOANNEUM RESEARCH InTeReg

The sectoral decomposition of the regional development reveals that the *secondary sector* will again witness a negative growth rate (-2,0 %) in 2003 due to the depressed economic situation and will continue to do so in 2004, even though the decline will be more moderate next year. In absolute figures, the reduction in employment contracts is caused by the *manufacturing* and *construction industry*.

The *tertiary sector* will make up for these losses, with the favourable development of the *tourism sector*, *business activities* and of *non-market services* responsible for this development.

While the decline in the secondary sector will be more moderate in 2004 than in the current year as result of the economic recovery gaining pace by the end of 2003, the situation in the tertiary sector as a whole is expected to slow down slightly in the next year, although its overall growth rate should remain comfortably positive. The main reason for this can be found in now well above average growth rates in some sectors like *tourism* or *non-market services* which are unlikely to be sustainable in the future.

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