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

DEVELOPED FOR WIBIS TIROL

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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. Even so, the number of active wage employment contracts increased in Tyrol by +1,2 %, which was mainly due to the strength of the *tourism sector* and of *non-market services*. By contrast the national average amounted to a decline of -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.

As compared to the strong growth in the last few years, the number of wage employment contracts will increase by a mere +0,3 % in 2003 and also next year will see the high level of employment being rather maintained than expanded. The beginning of 2004 should mark the starting point for a slow economic recovery – leading indicators for Tyrol currently support this view – which will, however, leave its mark on the labour market not before the second half of next year. Mainly due to weaker growth in the *tourism sector*, at +0,4 %, the projected increase will remain low in 2004. In both 2003 and 2004 Tyrol will continue to perform better than the national average, even though the gap will decrease considerably.

Economic Outlook for Tyrol: Main Results

		Annual Change [%]				
		2000	2001	2002	2003	2004
Active Wage Employment	Tyrol	1,9	1,7	1,2	0,3	0,4
	Austria	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 witness a negative growth rate (-0,8 %) in 2003 due to the depressed economic situation and will stagnate in 2004. In absolute figures, the reduction in employment contracts is mainly caused by the *construction industry*. The *tertiary sector* will more than make up for these losses, with the favourable development of the *tourism sector* and of *non-market services* responsible for this development.

In 2004 the gap in growth rates between the *secondary* and *tertiary sector* will diminish somewhat. Service industries will experience smaller growth than this year, which can above all be attributed to a flattening of the dynamics in the *tourism sector*. The producing industries are forecast to stagnate next year, resulting in a moderate increase in total Tyrolean active wage employment contracts of +0,4 % in 2004.

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