

The Austrian economy and EU expansion

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Economic recovery in 2004 is benefiting from the global upturn in European exports in general and of German exports in particular. To some extent, growth has become self-sustained already (private consumption and investment). The development of consumer prices (HCPI) now more closely resembles that of the Euro zone. After 1.3% in 2003, the expected rate of inflation in 2004 is 2.1%, partly due to higher energy prices. Austria remains in the group of countries with a high degree of price stability.

Dependent employment rose by 0.9% in 2003 from 3.154,000 to 3.184,000. This trend continued in 2004. The most recent figure for dependent employment was 3.228,500 (October 2004).

However, labour supply growth is more dynamic than employment. The number of job-seekers in October was 0.4 percentage points above the figure 12 months ago. Hence, we do not expect a significant reduction in the rate of unemployment before 2005. The rate of unemployment will steadily fall to 4.0% until 2008.

The standardised rate of unemployment according to EUROSTAT is currently at 4.5%. The implementation of a new statistical methodology has slightly corrected this figure upwards. Austria still exhibits one of the lowest rates of unemployment in the EU, and the positive gap with the unemployment figure of the Euro zone has been increasing for the last three years.

However, Austrian exports should not suffer too much. The new EU member states have become important markets for Austrian exports, and

for the Austrian car industry German domestic demand is still more relevant than extra-EU demand.

According to a study published by the Vienna Institute for International Economic Studies, EU expansion may account for an additional 0.7% in Austria's gross domestic product over a period of ten years (or approx. 0.07% annually), the highest in the EU. Another study implemented by the Austrian Institute of Economic Research concluded that EU enlargement will boost Austria's GDP by an additional 0.2% annually, compared to an additional average GDP growth rate in the EU of 0.13% annually. In comparison, for some EU members such as Spain, Portugal, Ireland and Denmark, the costs of an enlarged EU will outweigh the benefits.

„Austria will profit the most, because of its over-proportional presence in the CEE region when it comes to business and investment links,“ says Peter Havlik, economic expert and author of the study.“

The EU members will gain an additional income of approximately 250 billion Euro in this period. In turn, Austria is expected to benefit to the amount of 24 billion Euro or 10 percent of its current GDP, the highest percentage gain in the EU. In absolute terms, Germany will profit the most with an additional 100 billion Euro (about 5 per cent of its GDP).