

# Analyses

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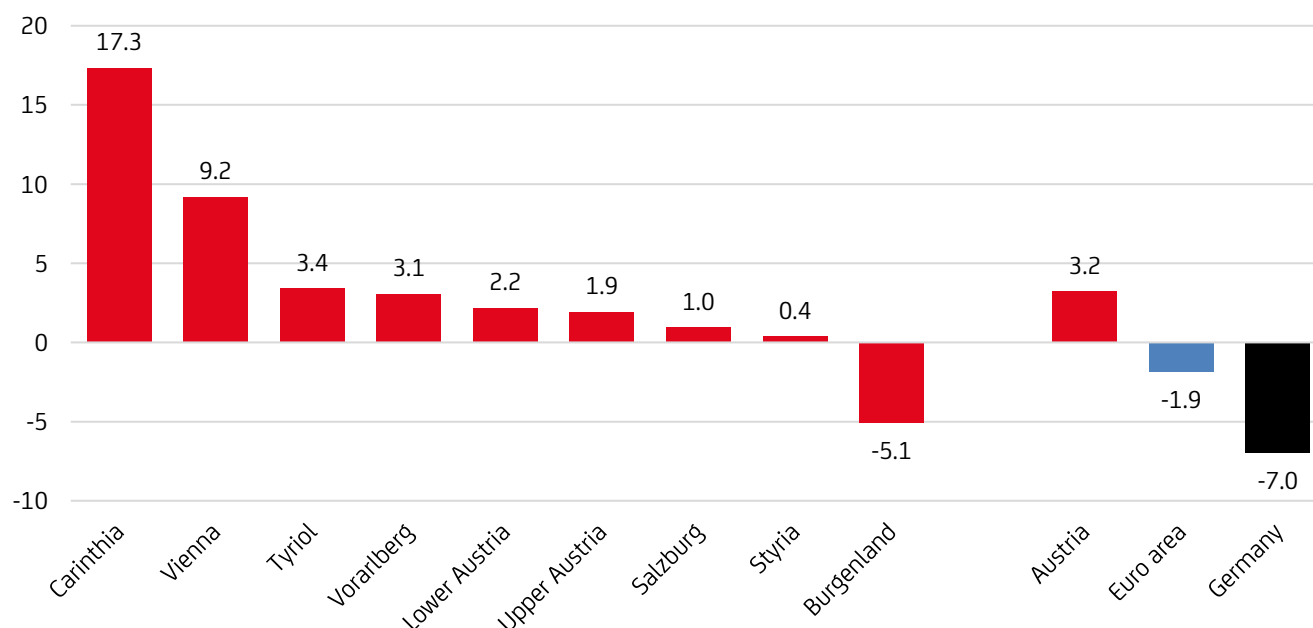
## **COMPARISON OF INDUSTRIAL UPSWING IN THE FEDERAL STATES**



## CARINTHIA AT THE TOP, BURGENLAND STILL LAGGING BEHIND

### Industrial production by mid-2021

(real, seasonally adjusted, compared to pre-crisis level )



Source: Statistik Austria, Eurostat, Refinitiv Datastream, UniCredit Research

- The global recovery of industry has affected all federal states. However, the pace varies greatly. While Burgenland's industry is the only one not yet to have reached pre-crisis levels, the upswing in Carinthia, Vienna, Tyrol and Vorarlberg is above average.
- Production output in Austrian industry is currently more than 3 percent above the pre-crisis level. However, this production output is being generated with around 1 percent fewer staff than before the outbreak of the pandemic. Supported by high levels of investment, industrial companies in almost all provinces have achieved strong productivity gains.
- The pace of recovery is strongly determined by the prevailing sector mix. However, the growth rates of individual sectors, which in some cases vary greatly from region to region, underline the fact that success in many places is also dependent on large lead companies.
- We expect the recovery to continue and forecast an average increase in industrial production in Austria of 8.5 percent in 2021. Carinthia will be at the forefront of growth, while industrial momentum for the year as a whole is likely to be weakest in Vienna.

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as of October 2021

Clear differences across the  
provinces

The Austrian industrial sector has weathered the COVID-19 crisis very well. Apart from Burgenland, all provinces had fully recovered from the pandemic-related slump in production output by the middle of 2021. We anticipate that this robust recovery will continue over the coming months and that industrial production in Austria will increase by an average of 8.5 percent in 2021, following a decline of 7.5 percent last year. Carinthia is leading the growth driver, while the industrial sector in Vienna is likely to deliver the least momentum for the year as a whole.

Industrial production fell sharply in the individual Austrian provinces in spring 2020 in the wake of measures to contain the pandemic. At its lowest point in April 2020, average production output within Austria was 25 percent lower than in 2019. Burgenland, Upper Austria, Salzburg and Styria were particularly badly affected, posting declines in excess of 30 percent.

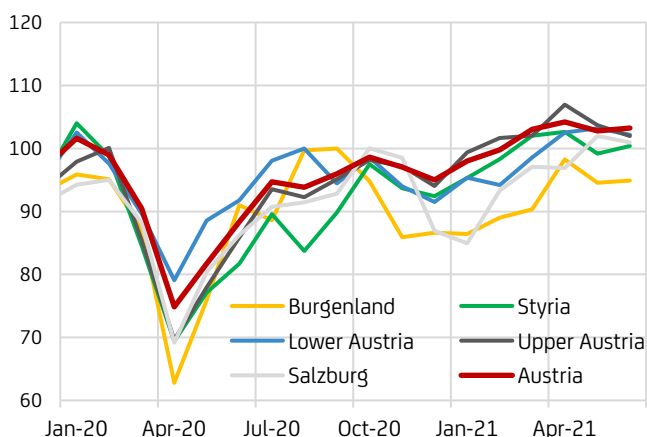
Despite the resurgence of infection rates and the economic restrictions in Austria, the recovery seen in the industrial sector since the summer of 2020 continued into the winter months, across all provinces — although the pace of recovery varies widely from state to state. While production output in the capital goods industry in Carinthia was already 17 percent higher by the middle of 2021 than it had been before the pandemic, the industrial sector in Burgenland has yet to see a return to pre-crisis level, and is the only province to be in this situation. Like Carinthia, the industrial economies of Vienna, Tyrol and Vorarlberg also exceeded the Austria-wide average of 3.2 percent above the pre-crisis level.

Across all Austrian provinces, the industrial sector has also weathered the pandemic very well by international comparison. In the eurozone, especially in Germany, production output in summer 2021 was still below the 2019 level. Even Burgenland, Austria's straggler, undershot the pre-crisis level by a lower margin (5 percent) than Germany's industrial sector (7 percent) as at the middle of 2021.

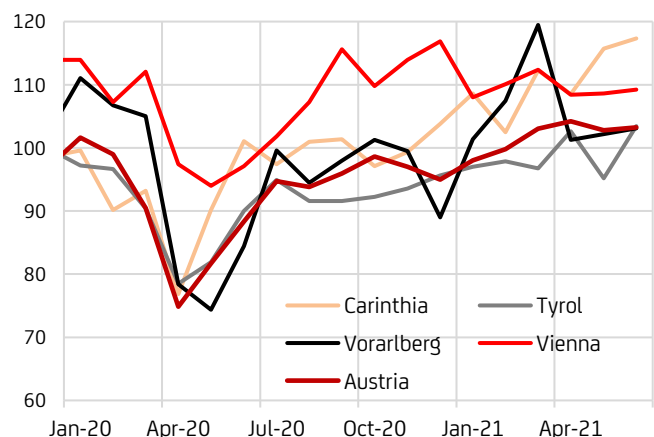
Employment rate in industrial sector above pre-crisis levels in only two provinces

The volatility that characterised performance in the industrial production area during the pandemic is reflected in a somewhat diluted way in the employment trends that can be seen in the sector — the option to register employees for short-time working and the use of temporary workers had a dampening effect on fluctuations. While an average of 629,000 people in Austria were employed in goods production during 2019, the number of employed workers fell by up to 13,000 in the spring of 2020. Since the low that followed the outbreak of the pandemic, the seasonally adjusted number of people employed in the domestic industrial sector has risen by around 7,000. Despite this increase, however, employment is still around 1 percent below the pre-crisis level. Only in Carinthia and Styria does employment in goods production already exceed the annual average for 2019. By contrast, Vienna and Salzburg have the biggest deficit, trailing the 2019 figures by more than 2 percent.

**Chart 1: Industrial production below average**  
(real, seasonally adjusted, 2019=100)



**Chart 2: Industrial production above average**  
(real, seasonally adjusted, 2019=100)



Source: Eurostat, Refinitiv Datastream, UniCredit Research

## Productivity only worse in Burgenland

By the middle of 2021, production output in the Austrian industrial sector was already more than 3 percent above the pre-crisis level, though this output is being achieved with around 1 percent fewer staff than before the outbreak of the pandemic. It is not unusual to see the pace of growth differ between production output and employment, but the gap has been widening since the pandemic.

The increase in productivity in the Austrian industrial sector has been accelerating since the pandemic. The strongest improvements can be seen in Carinthia, which currently has a production volume more than 17 percent above the pre-crisis level seen in 2019, and with only a slight increase in employment of 1 percent during the same period. This stands in contrast with performance in Burgenland, which is the only province to report a drop in productivity. Production output in Burgenland is still 5 percent below the pre-crisis level, while employment is "only" 3.5 percent below that level.

## The "right" sector mix is key

The varying industrial sector trends between the individual provinces can be attributed primarily to major differences in performance between specific fields of industry and differing focus areas. So far, the economic recovery has not been consistent across all sectors of industry.

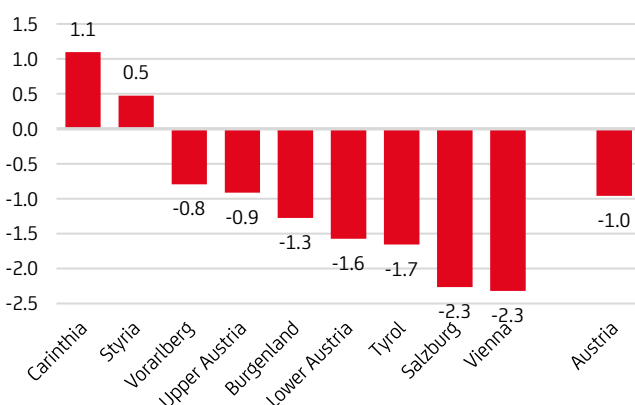
To date, the best performance looking at Austria as a whole, has come from metal production, where output is already outstripping pre-crisis levels by more than 20 percent. Wood products (15.4 percent above the 2019 average), other vehicle construction (13.5 percent), the electronics industry (12.7 percent), the chemical industry (12.3 percent) and the electrical industry (11.1 percent) also posted unusually strong performance. Conversely, there is a few sectors that have not yet been able to regain the ground lost during the pandemic. These include primarily consumer-related industries, such as the manufacturing of clothing and footwear, plus printers, petroleum processing, the beverage industry and the automotive industry.

## Major companies often make the difference

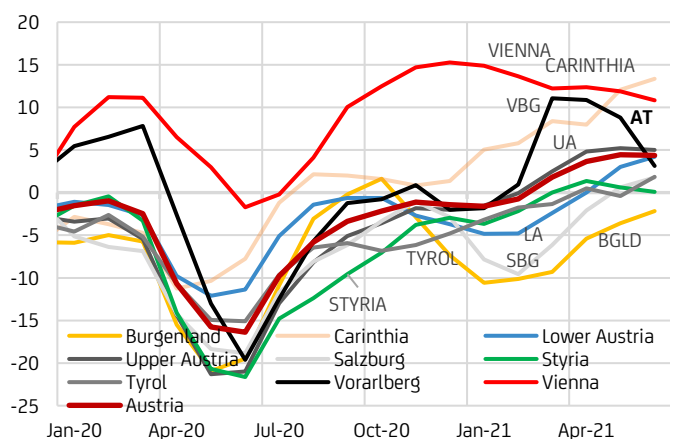
The pace of recovery in individual Austrian provinces is strongly influenced by the prevailing sector mix. However, the partially considerable regional differences in growth rates between individual sectors highlight the fact that in many locations success is dependent largely on major companies that are able to capitalise on the favourable framework conditions. The combination of a favourable sector mix and successful major companies has led to a strong upwards trend in the Carinthia industrial economy, due primarily to the considerable momentum of the electronics industry, which accounts for almost a third of production output in Carinthia and has delivered two thirds of the growth.

The healthy performance in Vienna is due, among other things, to the chemical and pharmaceutical industry, which is benefiting from pandemic-specific increases in demand. However, the 9 percent increase compared to the previous year reported for the federal capital is artificially inflated by a special circumstance. Almost half of the growth can be attributed to the production of

**Chart 3: Employment in industry mid-2021**  
(seasonally adjusted, compared to pre-crisis level in %)



**Chart 4: Production index minus employment index**  
(gap to pre-crisis level in %)



Source: Statistik Austria, UniCredit Research

of other goods; this includes, for example, minting gold coins, which saw a sharp increase in sales during the crisis.

The Tyrol and Vorarlberg industrial economies also posted above-average growth. In Tyrol, the electrical industry, mechanical engineering, wood products and metal production contributed to the positive performance. In Vorarlberg, the main contributory factor was the good momentum in the traditionally strong field of metal production.

In Burgenland, the only province in which industrial production is still below the pre-crisis level, it has been slowed by the food and beverage industry and by the automotive industry, which accounts for 15 per cent of Burgenland's production output.

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