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Boom in Asia, Slow Recovery in the EU and Austria

Business Cycle Report of June 2010

Austria's economy stagnated in the first quarter of 2010 compared with both the fourth quarter of 2009 (–0.1 percent) and the previous year (+0.2 percent). Stimulus was provided by exports to Germany, hence indirectly by buoyant economic growth in Asia and expanding world trade. Domestic consumer demand is rising at a steady, albeit moderate pace. Investments continue to decline, a self-sustaining recovery in investment has not got off the ground as yet. Labour market conditions are improving steadily. Consumer prices are rising, mainly as a result of price increases for commodities.

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Asia is experiencing vigorous growth in aggregate demand. This is due mainly to the ongoing effect of China's expansionary economic policy and a stable financial and banking system. Merchandise imports by Asia's emerging economies rose by 10 percent from the previous quarter in the first quarter of 2010, an increase by 50 percent since the trough at the end of 2008 and by already almost 15 percent from the level recorded prior to the global economic crisis. Hence Asia is the primary driver of the upturn in world trade, which picked up by 5 percent in the first quarter of 2010 but nevertheless remained somewhat below the pre-crisis level.

The industrialised countries are also benefiting appreciably from the recovery in the world economy: according to preliminary calculations, Japan's GDP exceeded the year-earlier level by 4 percent or more in the first quarter of 2010, despite deflation and weak domestic demand. In the USA, exports, coupled with strong equipment investment and – in view of the bad labour market situation – surprisingly robust consumer demand are driving economic growth (GDP first quarter +2.5 percent, year-on-year). The euro area economy is benefiting not only from strengthening global demand, but (with a lag) also from the euro's depreciation against the dollar and the Japanese Yen. In the first quarter, exports were up by 6 percent from a year earlier. However, weak domestic demand acts as a significant drag on the revival of economic activity: private household consumption expenditure is stagnating, and gross fixed capital formation continues to decline (first quarter –5 percent, year-on-year). GDP in both the euro area and the EU 27 grew by a mere 0.2 percent, quarter-on-quarter, in the first quarter (+0.6 percent and +0.5 percent, respectively, year-on-year). The crisis has not been overcome: this is indicated by the high instability in financial markets, the frailness of the banking system and the dampening effect the budget consolidation measures taken by some countries are having on demand.

Austria's export industry is also benefiting from the boom in Asia and the rebound in world trade, mainly indirectly through an increase of deliveries to the world-market oriented German economy (January to March +8 percent in nominal terms, year-on-year). Other important trading partners such as Italy and some East Central European countries have not overcome the recession, with the result that merchandise exports to these countries have been sluggish. Overall, Austrian exports edged up slightly quarter-on-quarter in the first quarter (+0.3 percent), exceeding the year-earlier level by +1.9 percent. Highly uneven economic signals have been emanating from the manufacturing sector: value added declined in the first quarter, quarter-on-quarter (–1.2 percent), and thus corresponded to its year-earlier level; the pro-

duction index was about one fifth lower than its pre-crisis reading. By contrast, evidence from the WIFO business cycle survey indicates a persistent and substantial improvement in corporate sentiment in the industrial sector. Production expectations continued to rise also in spring (balance of positive and negative responses +13 percentage points in May), export order books are pointing upward, and firms are optimistic in their assessment of business conditions in the coming six months.

Table 1: Quarterly national accounts

			2008	2009				2010
			Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter
			Percentage changes from previous quarter					
<i>Adjusted for seasonal and working day effects, volume</i>								
Final consumption expenditure			+ 0.5	- 0.2	+ 0.4	+ 0.6	+ 0.1	+ 0.3
Households ¹			+ 0.1	+ 0.2	+ 0.3	+ 0.3	+ 0.3	+ 0.3
General government			+ 1.6	- 1.6	+ 0.3	+ 1.6	+ 0.3	+ 1.1
Gross capital formation			- 3.6	- 3.0	- 2.9	- 2.7	- 1.6	- 0.4
Gross fixed capital formation			- 2.5	- 2.7	- 1.7	- 0.8	- 1.8	- 1.9
Machinery and equipment			- 2.9	- 3.1	- 3.1	- 3.0	- 2.9	- 2.4
Construction			- 1.6	- 1.7	- 1.2	- 0.8	- 1.0	- 1.1
Exports, goods and services			- 6.0	- 8.3	- 3.0	+ 1.9	+ 1.2	+ 0.3
Goods			- 7.8	- 10.7	- 3.4	+ 2.8	+ 2.1	+ 0.4
Services			- 2.3	- 2.8	- 2.5	- 1.8	- 1.4	- 0.3
Imports, goods and services			- 4.7	- 6.6	- 3.0	+ 0.5	+ 0.4	+ 0.8
Goods			- 4.7	- 7.1	- 3.3	+ 0.8	+ 1.0	+ 1.0
Services			- 3.0	- 3.2	- 2.4	- 1.6	- 1.0	- 0.2
Gross domestic product			- 1.4	- 2.1	- 0.5	+ 0.7	+ 0.3	- 0.1
Manufacturing			- 5.4	- 7.7	- 2.0	+ 2.3	+ 0.8	- 1.2
	2008	2009	2008	2009				2010
			Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter
			Percentage changes from previous year					
<i>Volume, chained prices</i>								
Final consumption expenditure	+ 1.4	+ 0.6	+ 0.8	- 0.8	+ 1.0	+ 1.0	+ 1.1	+ 2.3
Households ¹	+ 0.8	+ 0.4	+ 0.2	- 2.3	+ 1.7	+ 0.9	+ 1.3	+ 2.5
General government	+ 3.2	+ 1.2	+ 2.7	+ 3.4	- 0.6	+ 1.4	+ 0.7	+ 1.9
Gross capital formation	+ 0.3	- 11.2	- 4.9	- 5.9	- 14.9	- 10.3	- 12.5	- 6.2
Gross fixed capital formation	+ 1.0	- 8.1	- 0.7	- 10.8	- 10.1	- 5.6	- 6.2	- 9.2
Machinery and equipment	- 0.0	- 13.2	- 3.0	- 9.3	- 17.3	- 12.4	- 13.7	- 12.3
Construction	+ 1.8	- 6.0	+ 0.9	- 14.2	- 6.9	- 2.6	- 2.7	- 7.7
Exports, goods and services	+ 0.8	- 15.8	- 8.5	- 19.2	- 20.4	- 14.8	- 8.0	+ 1.9
Goods	+ 0.2	- 17.8	- 11.1	- 22.8	- 23.5	- 16.5	- 7.5	+ 3.6
Services	+ 2.3	- 10.2	- 1.3	- 10.6	- 10.3	- 10.4	- 9.4	- 1.9
Imports, goods and services	- 0.7	- 14.9	- 5.8	- 16.5	- 18.9	- 13.5	- 10.6	+ 1.9
Goods	- 0.5	- 16.1	- 5.3	- 18.0	- 20.5	- 14.8	- 10.8	+ 3.2
Services	- 1.8	- 10.1	- 7.7	- 10.2	- 12.0	- 8.6	- 9.7	- 3.2
Gross domestic product	+ 2.0	- 3.5	- 0.3	- 4.7	- 4.9	- 3.1	- 1.2	+ 0.2
Manufacturing	+ 3.9	- 11.7	- 1.4	- 14.2	- 15.9	- 11.3	- 5.0	+ 0.0
Gross domestic product, value	+ 4.1	- 1.7	+ 0.3	- 2.8	- 3.2	- 1.4	+ 0.6	+ 2.0

Source: WIFO. - ¹ Including private non-profit institutions serving households.

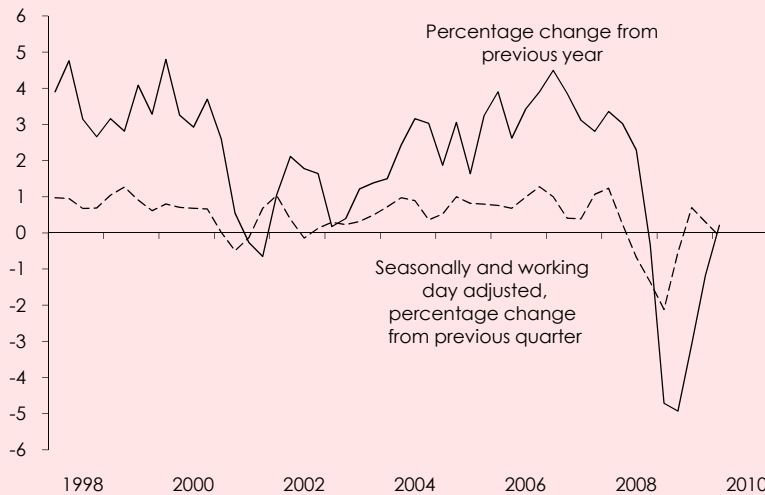
The slight rebound in exports so far has not been reflected in an expansion of investment. Investment in machinery and equipment shrank by 2.4 percent, quarter-on-quarter, in the first quarter of 2010 – the eighth decline in a row (-12.3 percent, year-on-year), attributable to the persistently low utilisation of capacities. While in the second quarter the capacity utilisation rate in the industrial sector, at 79 percent was considerably higher than the trough in spring 2009, it was nevertheless still below its long-run average and markedly lower than during the boom. Hence, a self-sustaining economic upturn has not yet got off the ground.

The steady upward trend in household consumer demand observed also during the recession is continuing: private consumption rose at a quarter-on-quarter rate of ¼ percent in the first quarter (+2.5 percent, year-on-year, due to special effects). Thus the quarterly rate of change was only about half as high as the average for the last decades, but clearly higher than the euro area average (-0.1 percent) or Germany's (-0.8 percent). The pick-up in inflation, which is primarily a result of rising

world market prices for crude oil and not a cyclical phenomenon, is increasingly depressing real disposable income. The inflation rate was 2 percent in April, half of which was attributable to price increases for mineral oil products. It was thus slightly higher than the increase in employees' contractual wages (+1.7 percent).

Figure 1: Growth of real GDP

Percentage changes from previous year (quarter)



Source: WIFO.

Labour market conditions have improved. In May, 305,000 persons were unemployed (including persons enrolled in vocational training programmes), only slightly more than a year earlier. The number of persons in dependent active employment already exceeded the year-earlier level by 26,000. The seasonally adjusted number of persons registered as unemployed (excluding persons in training programmes) in May was down by 12,000 from its peak in September 2009, but exceeded the trough recorded in March 2008 by 48,000 (moreover, 22,000 more unemployed persons were recently enrolled in training programmes than in spring 2008).

While the economy overall has indeed stabilised after its deep slump from mid-2008 to mid-2009, the recovery has not yet gained traction. Following two quarters of modest growth (third quarter 2009 +0.7 percent in real terms, quarter-on-quarter, fourth quarter +0.3 percent), GDP stagnated in the first quarter of 2010, and thus hardly exceeded the level recorded a year earlier (+0.2 percent). While leading indicators such as industrial new orders and production expectations suggest stronger growth in the second quarter, there are no signs of an upturn in investment activity.

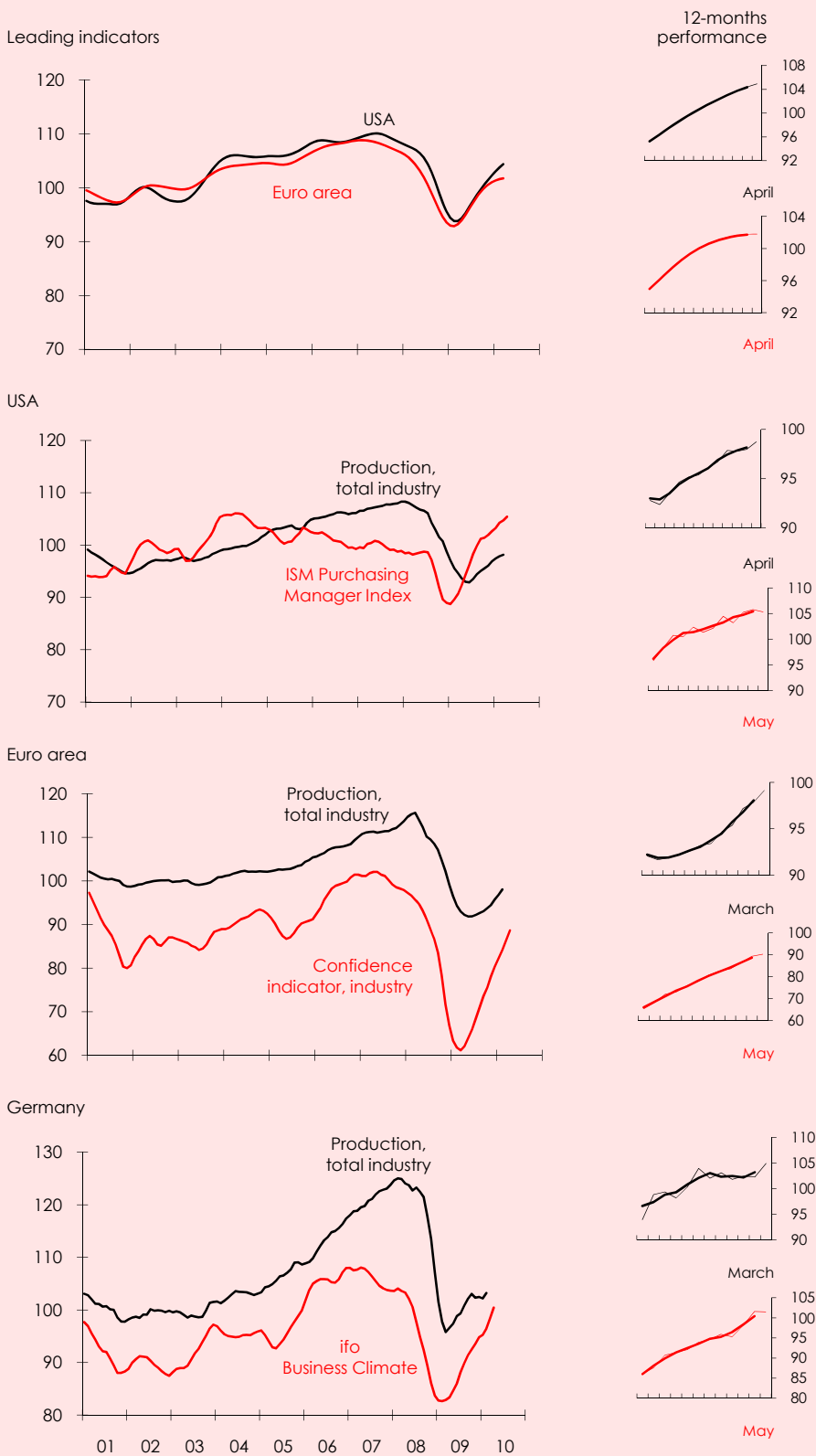
Stimulated by the highly expansionary impact of China's economic policy, and supported by a relatively stable financial and banking system, Asia's economies have recovered quickly from the crisis. Exports, consumer demand and investment are growing vigorously. Industrial production is expanding markedly and already clearly exceeds pre-crisis levels. In the first quarter, China's real GDP grew by 12 percent compared with a year before, that of India by more than 8 percent. South Korea and other industrial countries of this economic area are benefiting from buoyant demand in the region. Even Japan's economy, which remains mired in deflation, is registering a rise in GDP (first quarter +1.2 percent, quarter-on-quarter, and +4.2 percent, year-on-year), thanks to vigorous export growth (first quarter +6.9 percent, quarter-on-quarter, and +35 percent, year-on-year).

Boom in asia shaping global economic recovery

Asia's external trade, in the wake of the boom in China, already clearly exceeds pre-crisis levels again.

Figure 2: International business climate

Seasonally adjusted, 2000 = 100, 3-month moving average



Source: European Commission, Deutsche Bundesbank, ISM (Institute for Supply Management™), ifo (Institute for Economic Research, Munich), OECD.

Buoyant import demand associated with strong domestic demand makes Asia the driving force behind the global economic recovery. According to the Central

Planbureau, merchandise imports of the emerging Asian economies in the first quarter of 2010 were 10 percent above the level recorded in the previous quarter, 50 percent above the trough reached at the end of 2008 and already almost 15 percent again above the pre-crisis level. Thanks to these stimuli, world trade overall expanded at a seasonally adjusted quarter-on-quarter rate of 5 percent in the first quarter. Hence, around four fifth of the sharp drop caused by the crisis have been made up for.

The U.S. economy has also been benefiting from the global economic recovery. In the first quarter of 2010, real exports rose by 10.4 percent from a year earlier. Private investment in equipment also expanded markedly (+6.7 percent, year-on-year). Investment in business construction, by contrast, continued to contract, and residential construction declined once more after expanding in the preceding two quarters. Household consumer demand has been surprisingly resilient, considering the unfavourable situation in the labour market (recent unemployment rate 9.7 percent of the labour force): In the first quarter, it rose by 0.9 percent quarter-on-quarter and by 1.7 percent year-on-year (in real terms, seasonally adjusted). As a consequence, Gross Domestic Product advanced by 0.8 percent quarter-on-quarter in the first quarter and already exceeded the year-earlier level by 2.5 percent. The persistently expansionary economic policy, rapidly growing industrial new orders and robust business and consumer confidence point to a continuation of the expansion.

In April and May, financial markets faced renewed severe turmoil stemming from the spreading sovereign-debt crisis in the EU, on its part a consequence of the deep financial market and economic crisis. An easing of the markets for government bonds was achieved by means of international support measures for Greece, followed by the creation of a "European stabilisation mechanism". The European Central Bank intervened extensively in capital markets as well as in the money market, which once more found itself in trouble, owing to the deep mistrust between banks. This development shows that the global financial crisis has not been overcome, and that the economic situation of numerous banks must still be regarded as fragile.

The sovereign-debt crisis in Europe has also led to a marked depreciation of the euro. At the beginning of June, the exchange rate vis-à-vis the dollar was approximately \$ 1.20 per euro, more than 15 percent lower than at the beginning of the year. The euro fell to the same extent against the Yen and – despite massive intervention by the Swiss National Bank – the Swiss Franc (–5 percent).

The depreciation of the euro vis-à-vis the other world currencies clearly benefits the European export industry, but its effects are being felt only with considerable lag. The euro area profits already now from strengthening global demand. In the first quarter, exports rose by 2½ percent quarter-on-quarter, and by 6 percent year-on-year. This is also reflected in industrial activity: In March, new orders increased by 5 percent month-on-month, and were one fifth higher than a year earlier; production rose by 1.3 percent from the previous month, and by 6.9 percent from a year before. In the European Commission Business Survey, manufacturing firms were also particularly optimistic. Production growth was accompanied by an increase in capacity utilisation, albeit too small to also trigger an upturn in investment. Gross fixed capital formation declined yet again in the euro area in the first quarter (–1.1 percent, quarter-on-quarter, and –5 percent, year-on-year).

While exports and related economic sectors have been growing, consumer demand has been stagnating: Household consumption expenditure edged down slightly in the first quarter (–0.1 percent, quarter-on-quarter, ±0 percent, year-on-year); a similar decline was recorded for value added in the trade sector (–0.1 percent, both quarter-on-quarter and year-on-year). In April, retail sales fell by 1.2 percent from March and by 1.5 percent from a year before.

This is the reason why so far the euro area economy has not been able to partake sufficiently in the recovery in the world economy. Admittedly, economic activity has stabilised since mid-2009, but the economy has nearly stagnated since then: In the

Financial markets remain fragile, euro depreciates noticeably

The sovereign-debt crisis in the EU has caused renewed severe financial market turmoil.

Euro area exports strong, consumption weak

The euro area is benefiting from the revival in world trade. Persistently weak domestic demand is a significant drag on economic growth, though.

first quarter, GDP rose by just 0.2 percent from the previous quarter, and by 0.6 percent year-on-year. Only a few countries, such as Germany, France, Poland, the Czech Republic and Slovakia, already registered a substantial year-on-year increase in GDP.

The stagnating economy has led to a further rise in unemployment. In April, the euro area unemployment rate was 10.1 percent of the labour force, seasonally adjusted, around 3 percentage points above the trough reached in the first quarter of 2008. The seasonally adjusted number of unemployed persons reached close to 16 million, a rise of 4 million or more from the trough (in the EU 27, the number of unemployed persons up to now has risen from 16 million to 23 million in the course of the crisis).

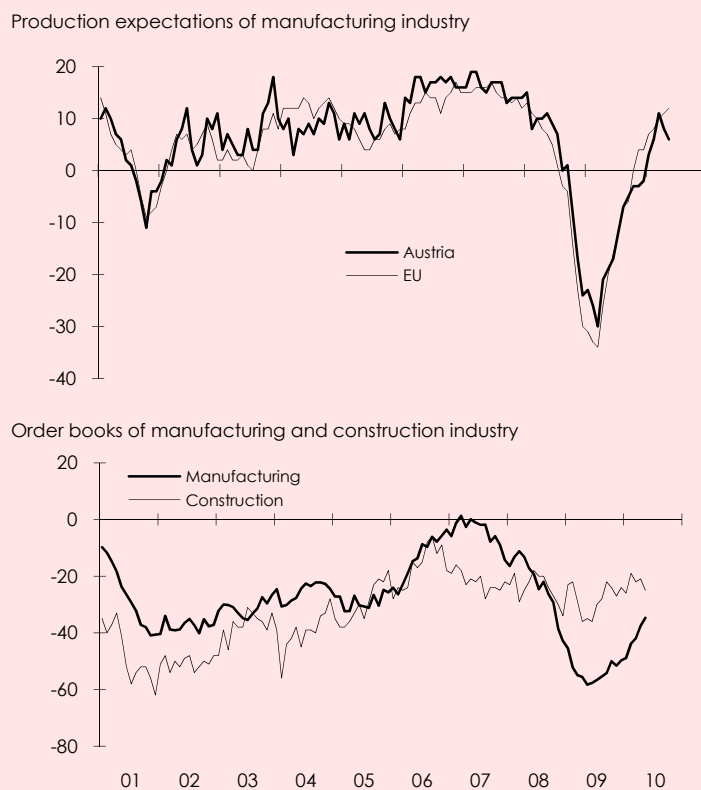
The stabilisation of the economy in Austria has primarily been a result of the upward trend in merchandise exports: Since mid-2009, seasonally adjusted merchandise exports to most trading partners have been expanding appreciably again. Orders from Germany have risen at a particularly rapid pace; from January to March 2010 they already exceeded the year-earlier level by 8 percent in nominal terms. Austria has been benefiting mostly indirectly – through supplier relations with the world-market-oriented German economy – from the strong recovery in economic activity in South East Asia and world trade. But the revival of exports has not been without set-backs: Demand from the second-most important trading partner Italy and a few new EU countries in East Central Europe has been falling constantly. In the first quarter of 2010, exports rose only marginally compared with the previous quarter (+0.3 percent); the year-on-year increase was 1.9 percent.

Uneven economic signals emanating from Austrian industry

Sentiment in Austria's export-oriented manufacturing industry has improved markedly. However, this is reflected only to a limited extent in production developments.

Figure 3: WIFO business cycle survey

Differences between the percentage shares of correspondents giving positive and negative replies, seasonally adjusted



Source: European Commission, WIFO business cycle survey. NACE rev. 2 as from May 2010.

Economic indicators for the manufacturing sector have been similarly uneven: The production index did rise by 6¼ percent from May 2009 trough to October 2009, but

has been trending down since then. In contrast to the European trend, it declined by 1.1 percent month-on-month in March (-0.1 percent, year-on-year) to a level still one eighth below that in autumn 2008. Manufacturing value added dropped by 1.2 percent, on a quarterly basis, in the first quarter, and stagnated compared with a year earlier. The WIFO business cycle survey, by contrast, shows that the upward trend in manufacturers' assessment of economic conditions has continued unabated. Order book levels have been improving constantly since spring 2009. The balance of positive and negative responses regarding production expectations increased from +5 percentage points in January to +13 percentage points in May. A particularly strong recovery has taken place in the capital goods industry. Expectations regarding the business situation in the coming six months are also very optimistic.

The still low level of industrial production is also apparent in employment figures: In April 2010, the number of persons employed in manufacturing was down by 70,000 (-11 percent), in unadjusted terms, from the peak in mid-2008.

Once an upturn in exports spreads to firms' investment activity, one generally speaks of a "self-sustaining upturn". This has not occurred up to now in the current phase of the business cycle: In the first quarter of 2010, equipment investment fell once more by 2.4 percent quarter-on-quarter. This was already the eighth quarterly decline in a row. Compared with a year before, it contracted by 12.3 percent. The ongoing weakness of investment is primarily a consequence of low capacity utilisation: While recently capacity utilisation in manufacturing, of 79 percent, was considerably higher than the year-earlier trough of 73 percent, it was nevertheless still below its long-run average of 82 percent and markedly lower than the 85 percent recorded in 2007, at the peak of the business cycle.

Construction investment remained weak at the beginning of the year – also due to the weather – (first quarter 2010 -1.1 percent, quarter-on-quarter, and -7.7 percent, year-on-year). Value added in construction has been declining for two years. In WIFO's business cycle survey, firms giving a negative assessment of the current situation slightly outnumbered those giving a positive response (balance of positive and negative responses in May 2010 -2 percentage points). Notably residential construction companies declared order book levels to be unsatisfactory. By contrast, sentiment has improved among other building construction and civil engineering firms.

Private household demand grew steadily during the recession. It also rose in the first quarter of 2010, by ¼ percent quarter-on-quarter. In year-on-year terms, the rate of increase was 2.5 percent, although this figure was elevated owing to the early timing of Easter (2010 March, 2009 April).

Real retail sales increased by close to 2 percent on average from January to April compared with a year earlier. Thus the rate of change was clearly higher than the euro area average (-0.2 percent) or the rate recorded in Germany (-1.1 percent). Motor vehicle sales also developed favourably at the beginning of the year: From January to March 2010, the year-on-year increase in new passenger car registrations still averaged 18 percent, owing to the low starting level prior to the entry into force of the car scrappage premium in April 2009; in April 2010, new passenger car registrations were down by 12 percent compared with a year before.

Consumer prices rose by 2 percent each in March and April, compared with the same months a year earlier. Around half of this price increase can be attributed to sharp price rises for mineral oil products, which were reflected in significant cost increases in the housing and transport categories. There are no signs of a cyclical pick-up in inflation amid low capacity utilisation and subdued growth in unit labour costs. In April, the Harmonised Index of Consumer Prices was up by 1.8 percent from a year earlier. Hence prices in Austria have been rising somewhat faster than on euro area average (April 1.5 percent, May 1.6 percent) or in Germany (April 1.0 percent). From January to April, inflation as measured by the consumer price index av-

Investment remains weak

An upturn in investment has not got off the ground as yet, despite rising export demand and industrial production.

Modest, but steady expansion of consumer demand

Private household demand has been rising steadily at a quarterly rate of ¼ percent – a pace slower than the long-term average, but clearly faster than that seen in most other EU countries.

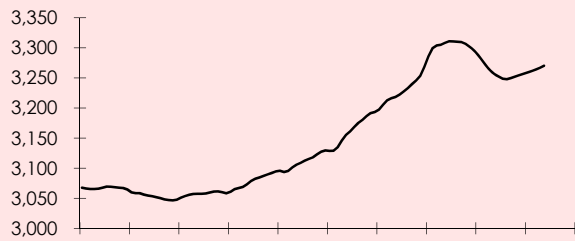
Inflationary pressures accelerating noticeably

The pick-up in inflation to 2 percent stems from the sharp rise in crude oil prices.

eraged 1.6 percent and was thus only slightly lower than the increase in gross negotiated wages (+1¼ percent).

Figure 4: Key economic indicators

Persons in active dependent employment¹, (1,000), seasonally adjusted

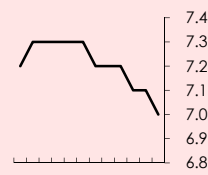
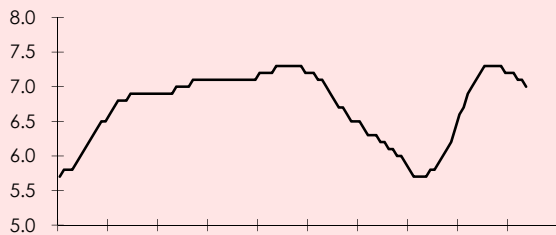


12-months performance



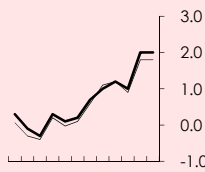
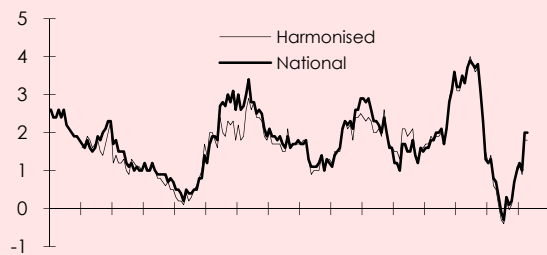
May

Unemployment rate, traditional Austrian method², seasonally adjusted



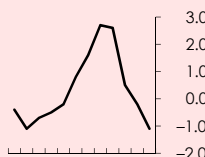
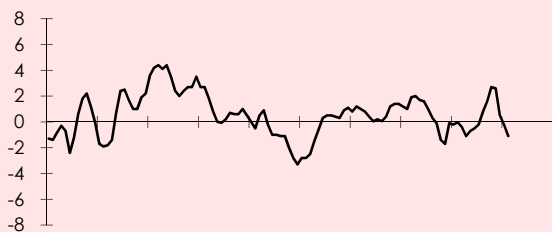
May

Consumer prices, year-to-year percentage changes



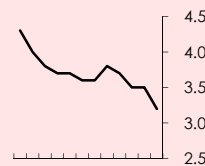
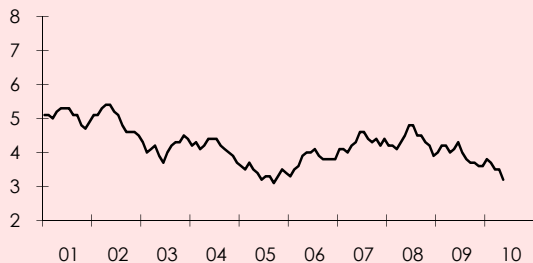
April

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



Feb

10-year central government bonds (benchmark), percent



May

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

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, this is referred to as "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.

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.

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/>).

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.itkt.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 stabilisation of the economy since mid-2009 has been reflected also in the labour market: In May, 227,000 persons were registered as unemployed, a decline by 12,700 from a year earlier; including unemployed persons in training programmes, this number rose slightly, by 1,300 to 305,300. The seasonally adjusted number of persons registered as unemployed stood at 255,000 in May; this corresponds to an unemployment rate of 7.0 percent of the persons in dependent employment, according to the traditional Austrian method of calculation. The seasonally adjusted unemployment rate according to Eurostat was 4.9 percent of the labour force in April, a decline by 11,700 from the peak in September 2009. However, in May 2010 9,700 more unemployed persons were enrolled in training programmes and were therefore not registered as unemployed. Compared with the March 2008 trough, the sea-

Labour market conditions improving steadily

Starting from a very high level, seasonally adjusted unemployment has been falling steadily since the autumn of 2009. This trend continued also in spring.

sonally adjusted number of unemployed rose by 48,300 in May 2010, whereas the number of persons enrolled in training programmes increased by 22,300.

The improvement in labour market conditions is apparent in the rising number of persons in dependent active employment: In May, it was up by already 26,100 from a year earlier. In seasonally adjusted terms, it exceeded the trough reached in August 2009 by 22,200, but remained by 41,000 below the June 2008 peak. The number of registered vacancies recently stood at 33,100, an increase by 5,300 from a year before. The ratio of job vacancies to the number of unemployed improved to 1 : 7.