



## Economic structure and development

### Level of economic activities

The level of economic activities and development of the Austrian-Slovak border region is characterised by:

- pronounced regional differences in prosperity that become manifest in significant urban-rural disparities
- in the prosperity slope from the Austrian to the Slovak border region
- different speed of the economic growth (growth rates, number of jobs, structural changes)

While the gross regional product per inhabitant is between 63.1% and 172.9% of the EU average on the Austrian side of the border, in the Slovak border region it attains rates of between 51.0% and 115.4% (sources of data – Eurostat). Nevertheless, the region as a whole has reported a dynamic growth in the previous years (2000-2003) of 7.2%. Moreover, it has a unique economic potential to even increase its economic growth rate, which would bring it to the position of one of the rapidly growing regions of Europe.

Table 3: **Level of economic development (GDP (PPS)/Inhabitant)**

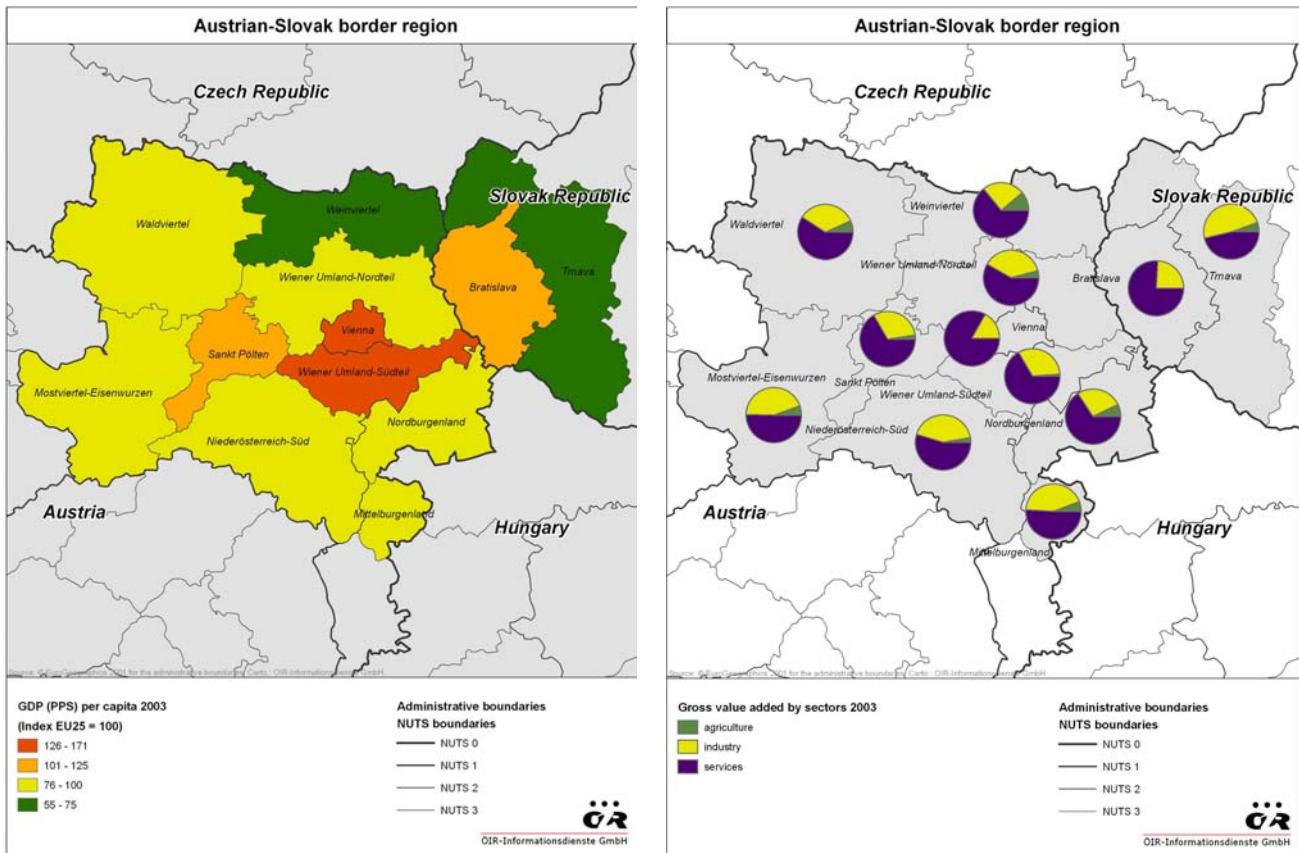
Regional unit	GDP (PPS) per capita 2003	GDP (PPS) per capita 2000-2003
Nuts III region	Index EU25= 100	In %
Austria – Border region	146.8	3.4
Slovak Republic – Border region	86.5	19.9
Border region total	127.4	7.2
Austria	120.9	4.1
Slovak Republic	52.0	18.6
<b>EU25</b>	<b>100.0</b>	<b>8.1</b>

Source: Eurostat

The economically most developed regions are the urban regions Wien (172.9%), Wiener Umland-Südteil (131.1%) and Bratislava (115.4%), which reach visibly higher values than national averages. These regions create a vital economic centres of the border region and actually feature among the economically most powerful regions both on the national and on the European level.



Map 2: GDP level 2003



## Economic structure

The heterogeneous economic structure of the Austrian-Slovak border regions is basically dominated by the urban agglomerations of Vienna and Bratislava, which constitute the centres of economic activity and employment in the entire region. The main characteristics of the region in terms of economic structures are:

- a higher dependency on the urban economies (dynamic, jobs, commuting)
- high shares of the tertiary sector with an important industrial base and a dynamic industrial development caused by foreign direct investment and new orientation
- agriculture as an important economic base in some sub-areas (e.g. Wiener Umland-Nordteil, Weinviertel, Nordburgenland, Southern part of Bratislava and Trnava region)

Being the national capitals, both cities also serve as the administrative centres of the two countries. Consequently, the share of public services is relatively high in both of these cities and consequently regions.

The **secondary sector** assumes a relatively important role in most of the areas of the border region in terms of economic activity and employment. The consumer goods industry, chemical industry, food and machine industry has been dominant in the economic centres, some parts of the surrounding regions also boast a high share of industrial and commercial activity. Moreover, the



construction industry has been playing a relatively important and increasing role in the whole region. The urban industrial structures are liable an ongoing restructuring process. With new orientations (e.g. biotech) on the one hand and a very attractive policy for new (foreign) investments the regions counteract the negative consequences of reindustrialisation.

Table 4: **Economic structure of the Austrian-Slovak border region – gross value added by sectors**

Regional unit	Total in Mio. EUR	Agri- culture	Share of gross value added in %			
			Manufacturing/Production of physical goods		Services	
Nuts III region			Total	Construction	Total	Tourism
Austria – Border region	74,315	1.1	20.4	-	78.5	-
Slovak – Border region	9,406	2.4	31.1	-	66.5	-
Border region total	83,721	1.2	21.6	-	77.1	-
Austria	204,285	1.9	30.1	7.7	68.0	4.5
Slovak Republic	26,397	4.5	35.0	6.1	60.5	1.5

Source: EUROSTAT

Although standardised activities have increasingly been relocated to peripheral regions in the past few years, production lines with a low technological content still play a predominant role in the urban economic structure. For years, this has been giving rise to structural problems and steadily declining employment. Small and medium-sized enterprises predominate in the rural areas of the Austrian border region. Industry is concentrated in a few locations.

Based on a broad production-oriented service industry, the authorities have been promoting the establishment and expansion of commercial and industrial centres, as well as innovation and technology centres in a number of locations. These initiatives aim at enhancing the region's appeal as a commercial and industrial location, and at promoting the expansion of existing enterprises as well as the establishment of new enterprises in the respective areas.

The Slovak border region exhibits a high above average concentration of industry within the Republic of Slovakia. The automotive industry, in particular, has grown markedly in this area over the past few years. In the wake of restructuring and modernisation measures, industrial employment has been decreased substantially in the Slovak border region since the beginning of the 1990s. Unlike Austria, the Slovak secondary sector is characterised by a predominance of medium-sized and large enterprises. SMEs have only just started to emerge. SMEs cope with long-lasting problems of competitiveness on the Slovak market and still represent a limited share of the industrial sector.

The industry remains an important sector of the economy of the border region. The main challenges for the industrial structure and development in the border region result from:

- the attractive location advantages (industrial tradition, high level of qualification, regional specialisation...)
- access to highly developed educational and research infrastructure
- sectoral, institutional and regional co-operation structures (e.g. cluster)
- distinct speed of industrial development, process of modernisation process and structural changes



- distinct level of income/wages and productivity
- differences in the size of enterprises

In large parts of the border region, **agriculture** still constitutes an important pillar of the regional economic structure since it provides employment for still considerable number of people. The concentration on agriculture on both sides of the border is more pronounced than the respective national averages.

The **tertiary sector** plays the predominant role in the whole border region. In the last years the expansion of the service sector had strong influence on the overall development of employment. The increasing number of jobs was the result of this structural change. The service sector is dominated by jobs for women; therefore the expansion has very positive effects on female employment.

During the last decade, the service sector has significantly improved and has played an indispensable role in the economic environment of the Slovak border region. Most types of services (private, public) have been expanded, partially also due to the involvement of SMEs. In the 2001-2004 national comparison, the employment share in the service sector has rapidly increased from 57% in 2001 to 69% in 2004.

The border region is one of the most attractive destinations of European and international importance for foreign as well as domestic tourists. The attractiveness of the region reflects the wide range of products and services accompanied with well developed tourist infrastructure.

Concerning the tourism branch in the border region distinct structural differences and can be identified:

- high regional and/or regional concentration of tourism (cities, health resorts, summer season)
- disparities in quantity and quality of the tourist supply (urban – rural, regions with high tourism intensity – less developed regions)
- missing cross border destination marketing and management

In the reporting year 2004/05, the Austrian border region recorded a total of roughly 12.3 million overnight stays. The Slovak border area in the past few years, tourism increased markedly. Apart from mass tourism, the authorities have been making an increasing effort to promote quality tourism (e.g. culture tourism, vacations on farms, etc.).

There are two visible trends in the development of tourism sector in the region that evolved over the years. The prevailing one is oriented on the tourism in the “urban” areas and reaches the level of 75% of the overall number of the overnight stays with considerable share of foreign tourists. The city of Vienna and the city of Bratislava represent the key centres. On the other hand, there are destinations with strong focus on recreation, excursion and health tourism playing a major role in the rural regions and for domestic tourism.