

AUSTRIAN BUSINESS CIRCLE

TWIN CITIES WIEN - BRATISLAVA, 12 September 2018

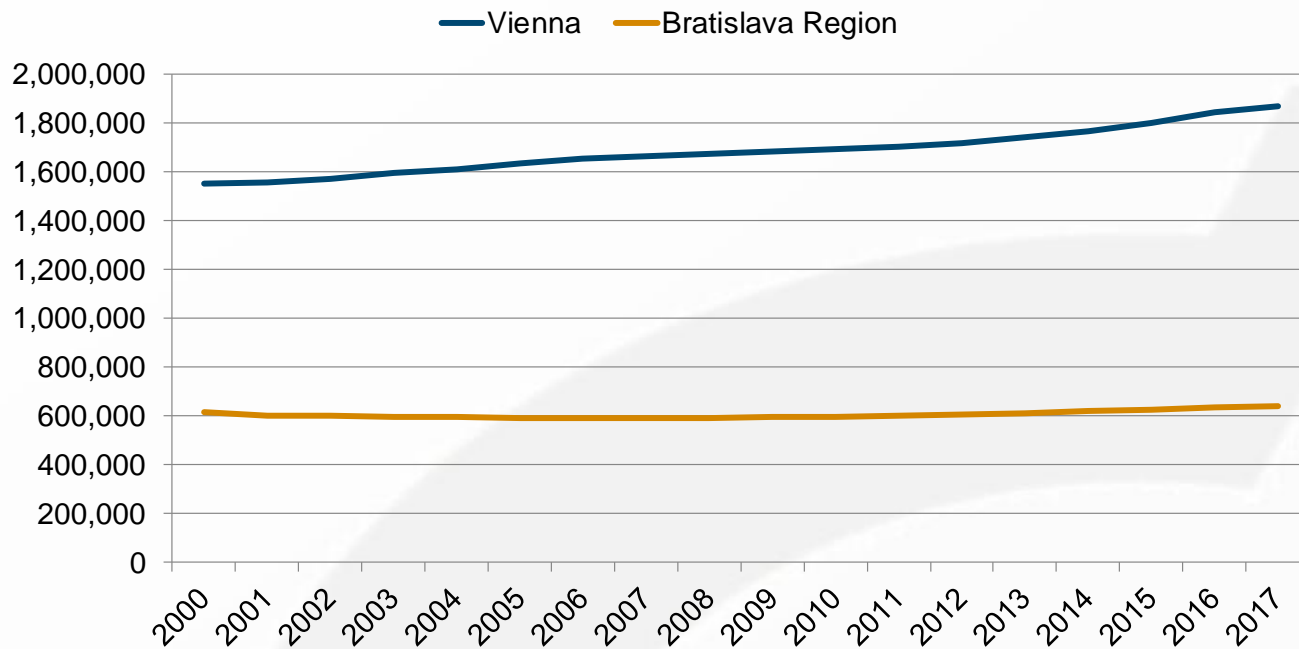
BRATISLAVA and VIENNA: Twin Cities with big Potentials

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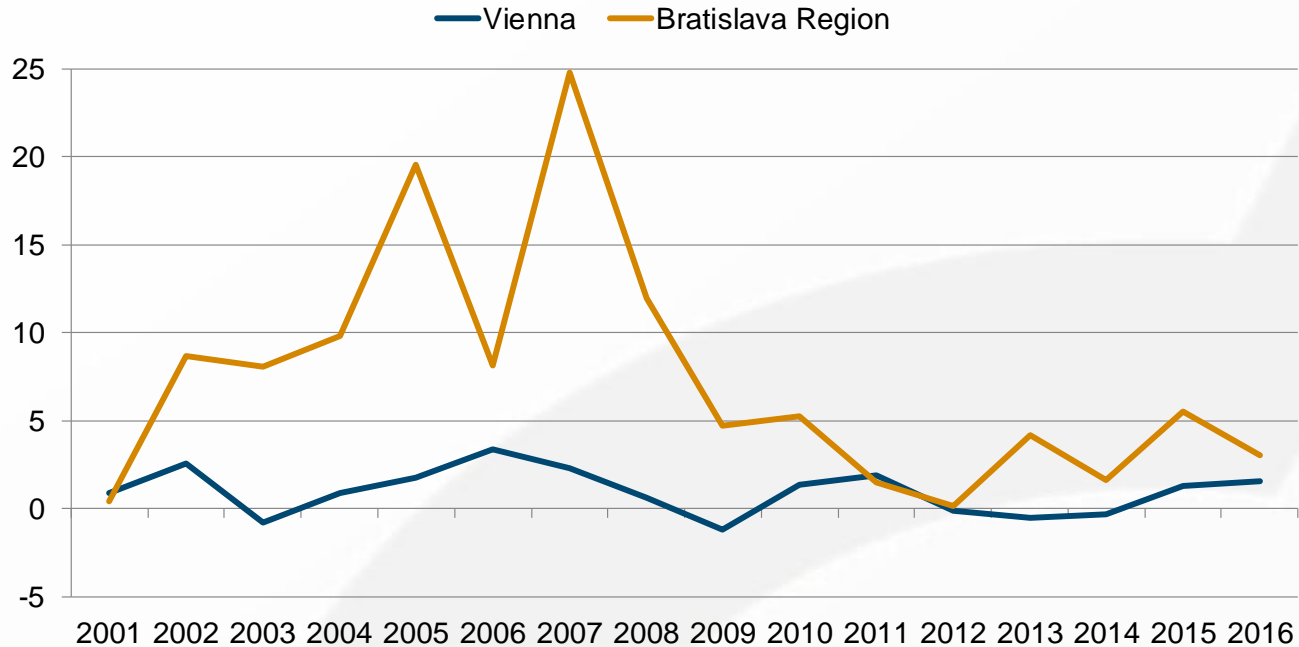
Vienna attracted more persons over the last decades and population grew strongly (while it stagnated in Bratislava)

Population on 1 January, number



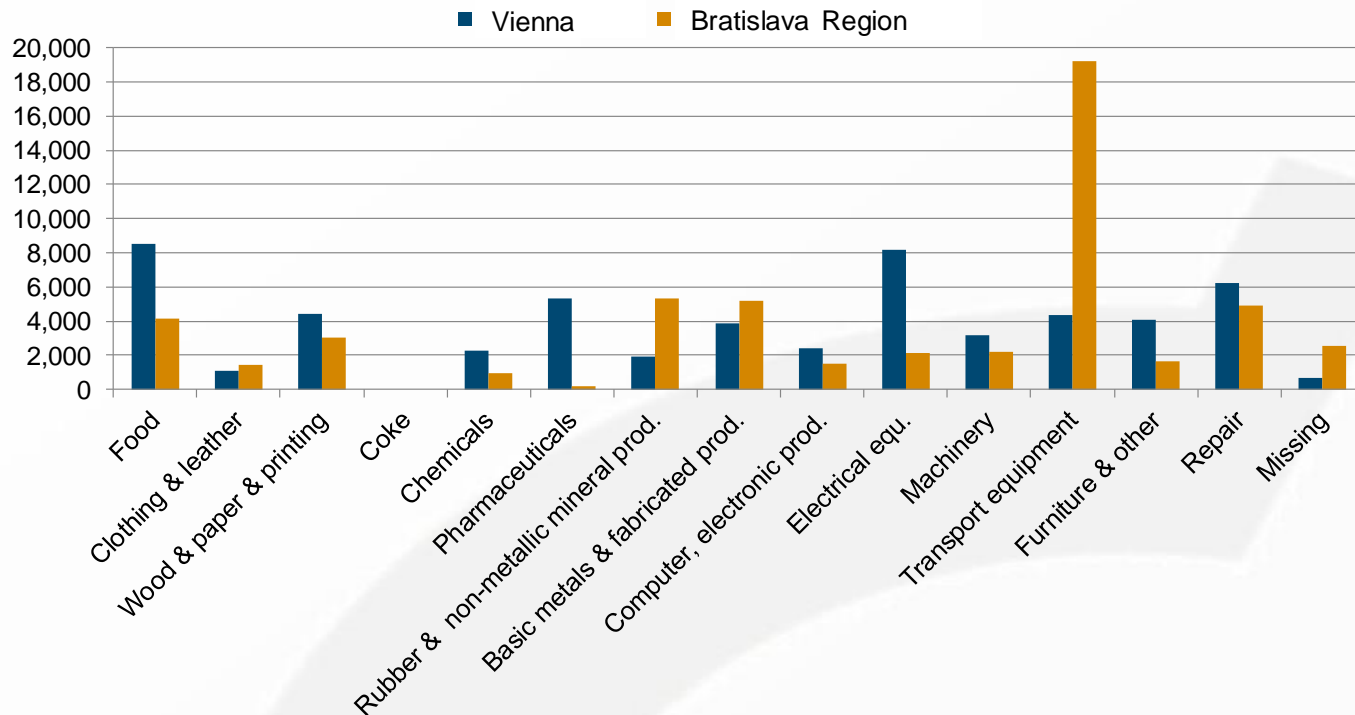
Bratislava experienced strong FDI driven catch-up, high income and full employment (vs Vienna's youth unemployment)

GDP, annual change in %, real



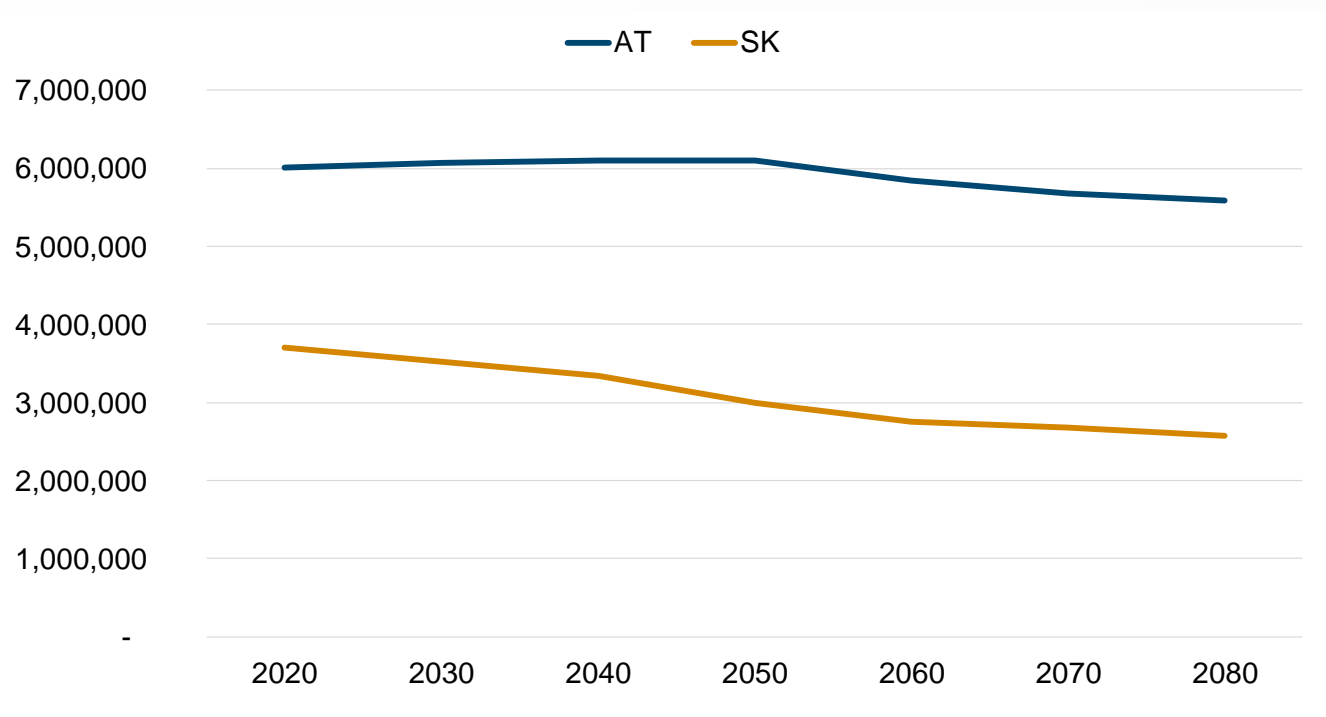
Vienna specialised in services, Bratislava in (automotive) industry

Number of persons employed in manufacturing, 2016



Demographic challenge: Immigration vs ageing society

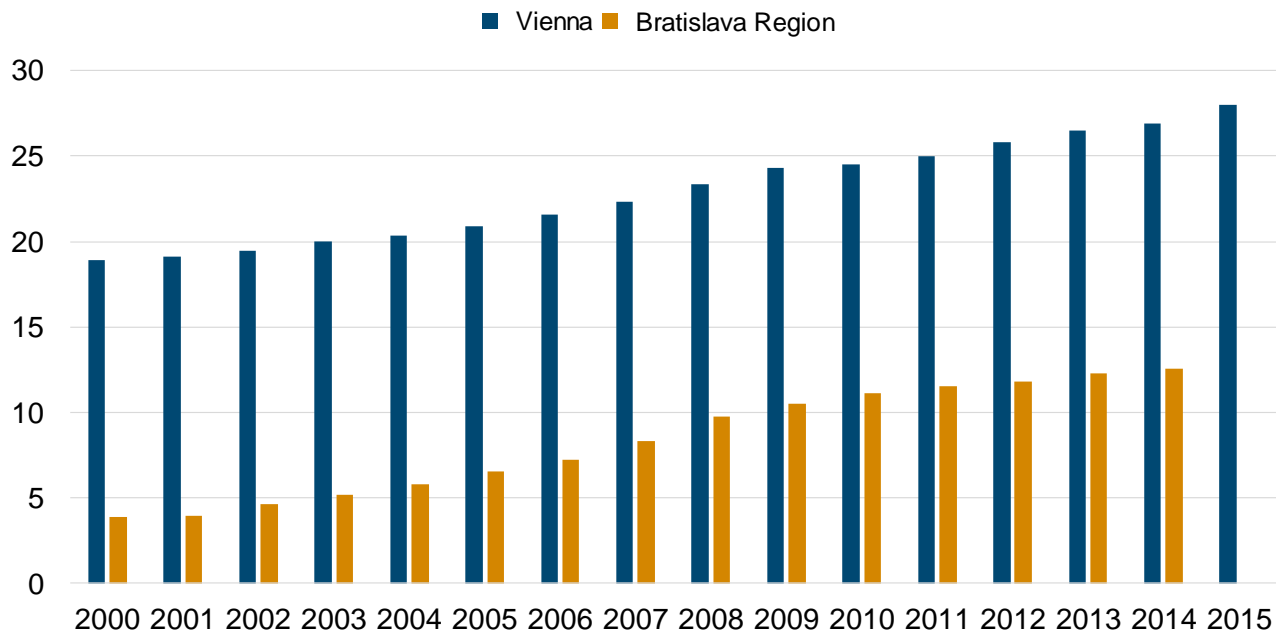
Baseline working age population (aged 15-64) projections, 2020-2080



Source: Eurostat.

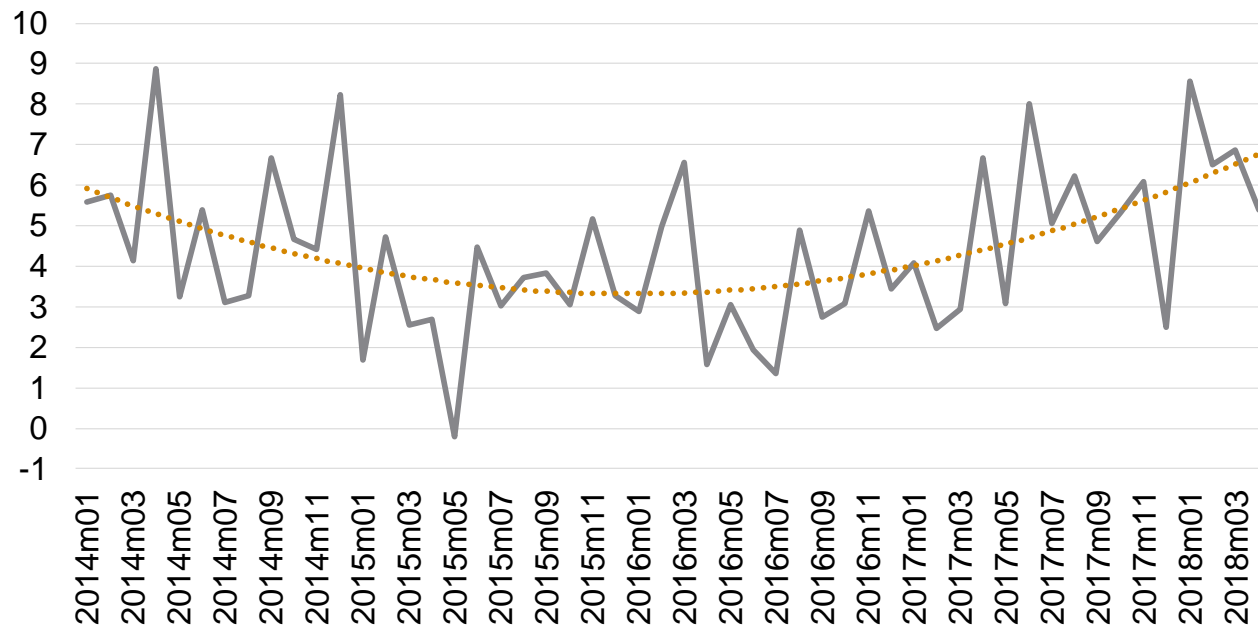
Regional wage convergence proceeding quickly (although at slower pace since outbreak of global financial crisis)

Compensation of employees in EUR per hour worked, 2000-2015



Most recently Slovak wage growth has again picked up – approaching full employment

Average monthly gross wages in Slovak industry, year-on-year % change

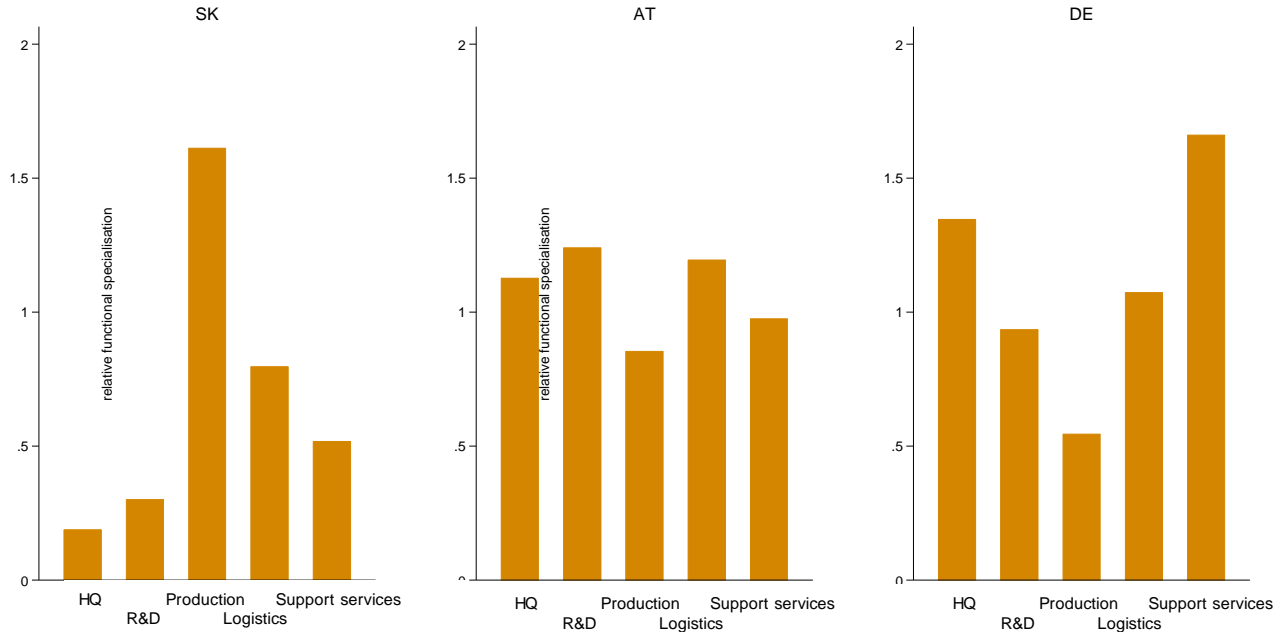


Notes: Dotted line represents the polynomial trend.

Source: wiiw Monthly Database.

Robotisation challenge: headquarters vs factory economy effects?

Complementarities in relative functional specialisation within the Central European Manufacturing Core (average for the period 2003-2015)

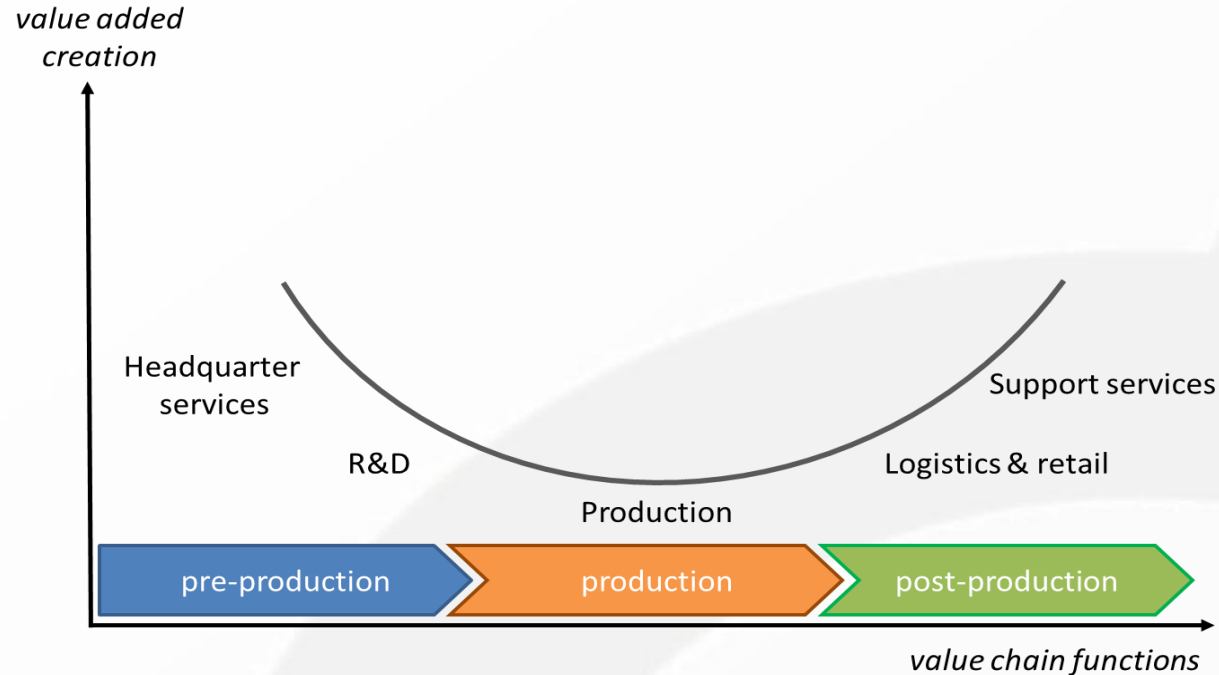


Notes: A relative functional specialisation of above 1 in any value chain function indicates that that particular country is more often used as the location for that value chain function than the world average.

Source: fDi markets database, wiiw calculations.

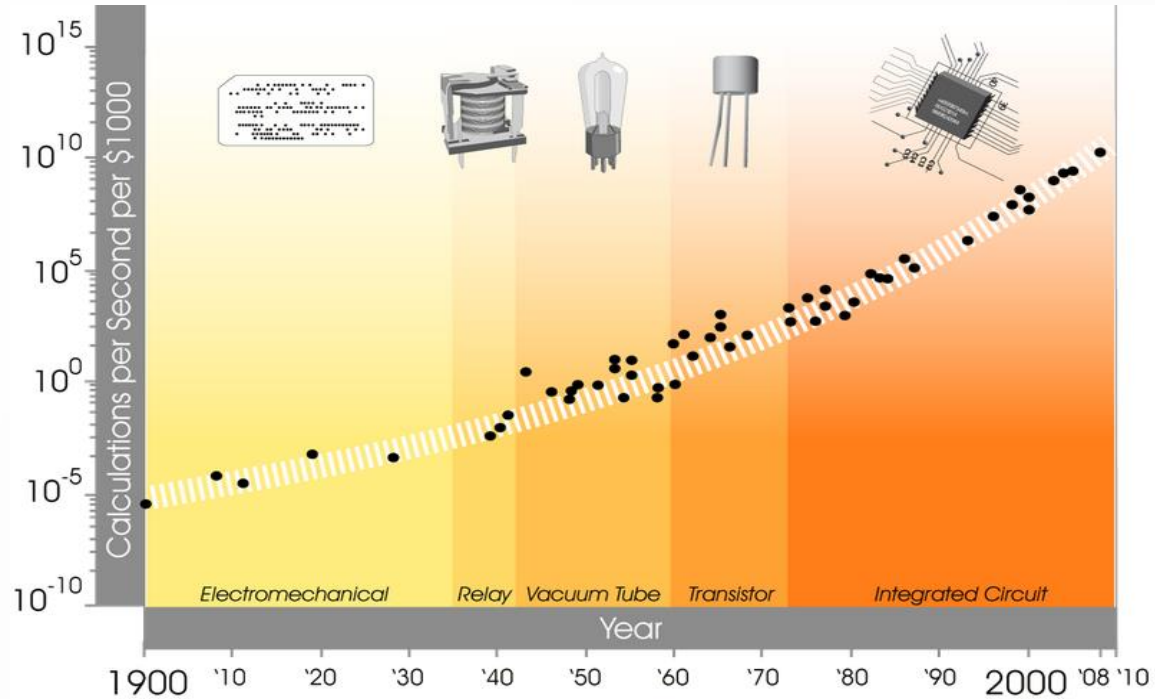
Production activities have lower potential for value creation and might be replaced by robots

The smile curve – value added creation along the value chain



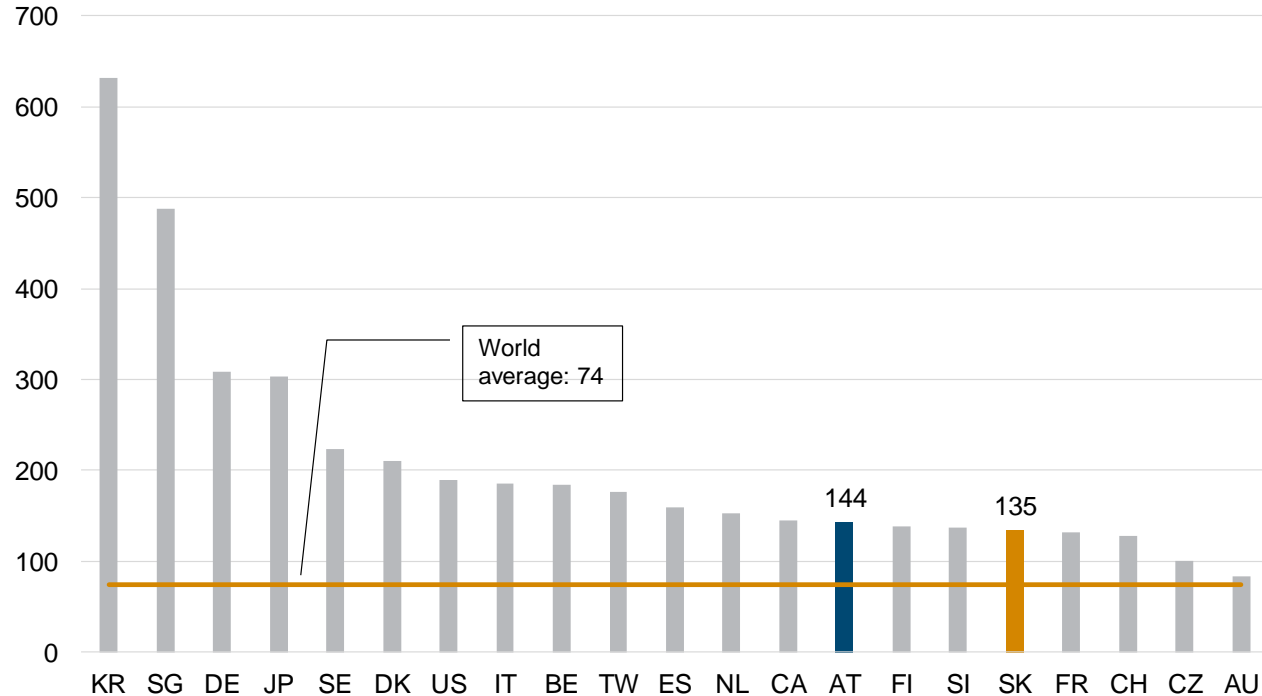
A gradual 3rd and 4th Industrial Revolution?

Exponential growth of computing, calculations per second per 1000 USD, logarithmic plot, 1990-2010



Process of robotisation ongoing, better be part of it!

Number of installed industrial robots per 10,000 employees in the manufacturing industry, 2016





- Medium-term policies to exploit win-win situation of close production & population boom-cities by creating common labour market:
 - Substantial improvement of **inter-city commuter transport**
 - Common **education** planning (language & technical skills)
 - Commuter **allowances** during EUR wage-equalisation-transition
- Long-term policies to cope with digitalisation & robotisation:
 - Projects of **innovation** cooperation (joint research, model factory)
 - Coordination of innovation oriented **public procurement** in cities
 - Improvement of region's **transport infrastructure with the world** to reap potential future gains from increased economies of scale

Thank you for your attention!

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