



CHAMBER OF COMMERCE,
INDUSTRY, CRAFTS AND
AGRICULTURE OF BOLZANO

Economic portrait of South Tyrol



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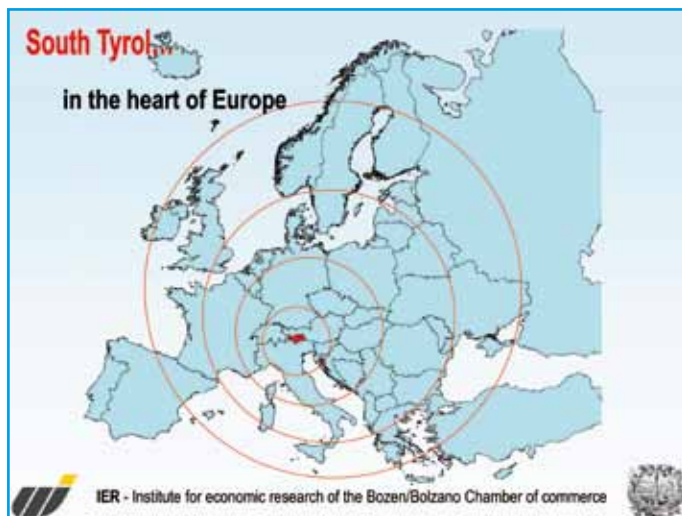
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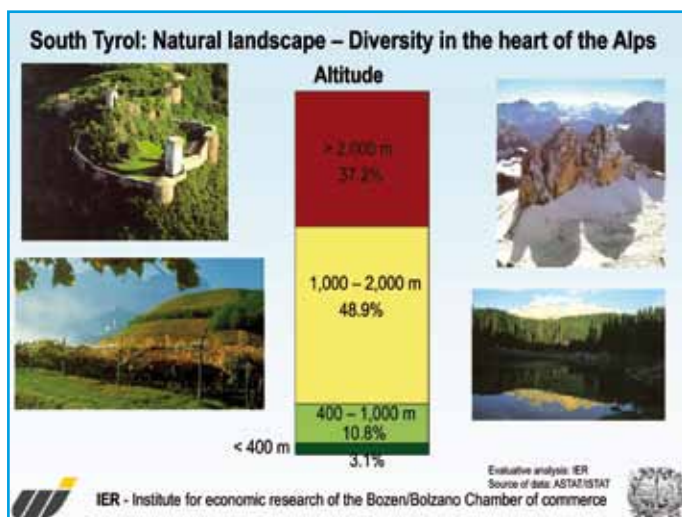
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Economic portrait of South Tyrol

1. Geographical location and economic history



South Tyrol is Italy's northernmost province and is located in the heart of the Alps. The territory is **situated in a very central position in Europe**, bordering on to Austria, Switzerland, and the Italian provinces of Sondrio, Trento and Belluno. Since antiquity it has been traversed by one of Europe's most important transalpine routes leading across the Brenner Pass and linking Northern Europe with Italy.



South Tyrol's territory comprises a total area of 7,400 km². Nevertheless the region is extremely mountainous and only a small portion supports human settlement and farming. A mere 14% lies at altitudes below 1,000 metres (3,281 ft) above sea level.



Historical and political events have strongly influenced the development of South Tyrol's economy.

The annexation of South Tyrol by Italy after the First World War (1914-1918) resulted in drastically changed circumstances for South Tyrol's economy. In the process of the Fascist government's efforts to Italianise the region a **heavy industry** works for metal-processing of an atypical kind for the region was built to the south of Bolzano/Bozen and skilled personnel were only gradually trained locally. South Tyrol's economy suffered a further blow following

the 23rd June 1939 Berlin agreement between the German Reichsführer Heinrich Himmler and the Italian ambassador, whereby the South Tyroleans were to be faced with the **option** of either emigrating into the German Reich and preserving their German identity and traditions, or staying at home with no guarantees of them being allowed to preserve their language and ethnicity. Between 1939 and the end of the "relocation" policy in 1943 around 75,000 South Tyroleans emigrated, resulting in a limited loss of manpower given that many returned after the War. South Tyrol experienced an **economic revival** after the Second World War which was accompanied by a period of transition: due to the automation of agriculture during the 1950s and '60s large numbers of South Tyroleans moved from outlying areas into the towns or emigrated. The situation was saved just in time in the 1970s by a boom in tourism. Underpinned by **prescient policies**, the status of remote areas was enhanced and a rural exodus was prevented. The population figures stabilised in the 1980s and '90s as did the region's economic prosperity. The opening years of the 21st century are characterised by **open markets and the challenge to the region's ability to stand its ground against competition by virtue of its base of mainly small businesses**.

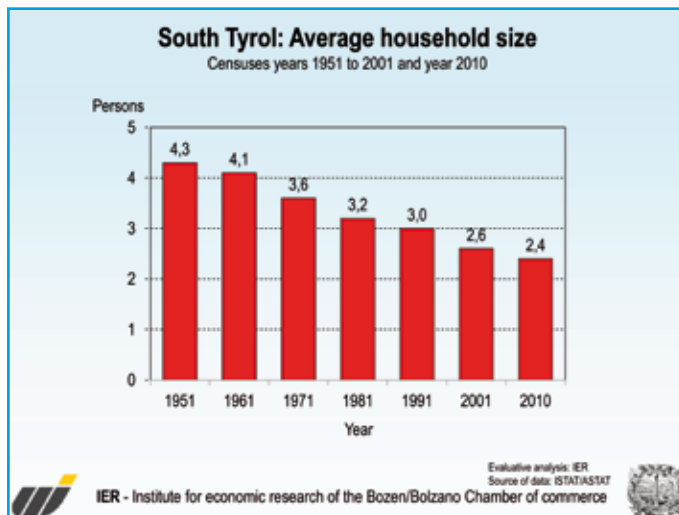
The peaceful resolution to the political conflicts has contributed positively to the region's economic development, for amity is a precondition for an efficient and smoothly functioning economy. Due to South Tyrol's integration with Italy, the region's economy is more closely linked with Italy than with its northerly neighbours. The **cultural diversity** of South Tyrol's people and their **bilingual abilities** opens the region up to additional economic advantages (i.e., wholesale trade, German and Austrian companies setting up their Italian bases in South Tyrol).

2. The people

In the economic cycle the population makes its labour and expertise available, spends money on consumption and makes its savings available for credit.

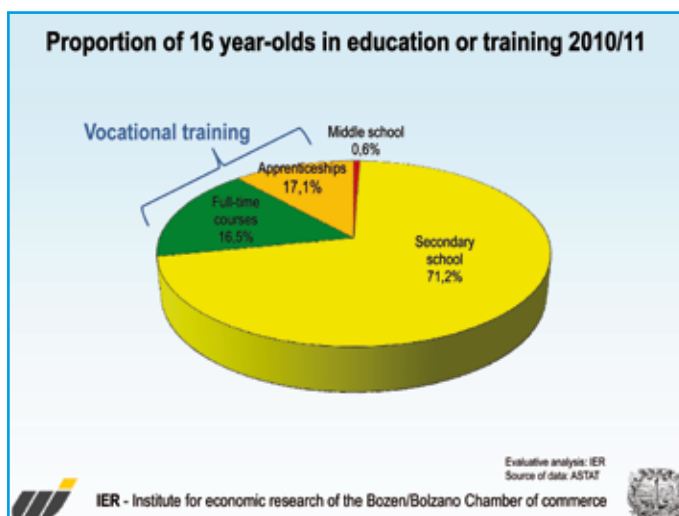
South Tyrol has 511,750 inhabitants (31.12.2011), corresponding to 0.8% of Italy's total population. Overall South Tyrol is not very densely populated, counting 69 persons per km². 41% of the population lives in towns and municipalities, the remainder is scattered among small villages and hamlets in the valleys and on the mountains.

Population ageing has become noticeable in recent years, though to a lesser extent compared with the situation in Italy in general and in other countries. The most populous age group is from 40 to 44 years.



South Tyrol's population is made up of 207,120 households, comprising on average 2.4 persons. Over recent decades household sizes have diminished considerably, from 4.3 persons in 1951 to 2.4 persons in 2010.

Education



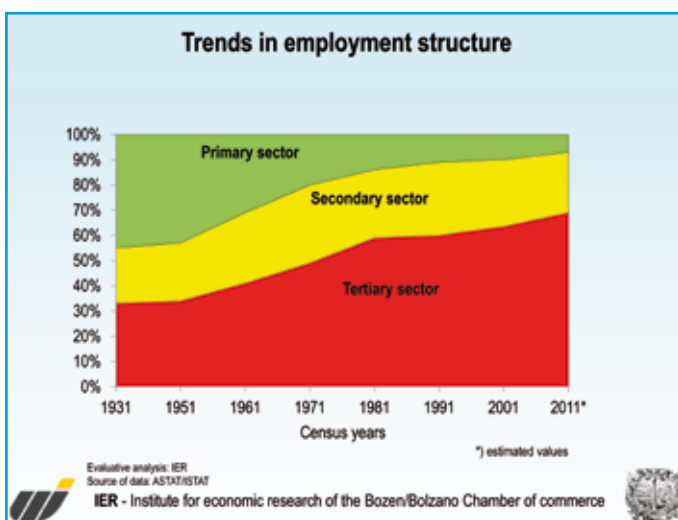
97% of South Tyroleans aged 16 are attending school or are in training: A little more than two-thirds are in secondary education/high school while the remainder attend vocational schools (either full time or as apprentices).

As the highest level of education, 23% of the inhabitants of South Tyrol (6 years and more) leave school with a qualification (secondary or vocational education), while 6% are graduates from university.

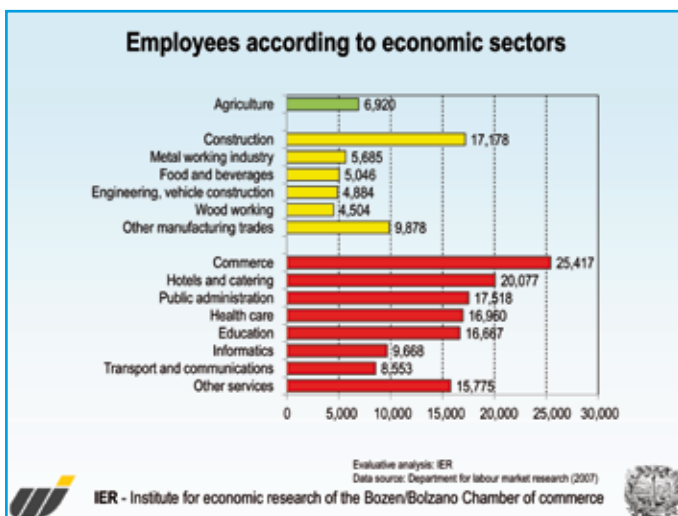
Labour Market

266,300 of South Tyrol's inhabitants are in employment. As a proportion of the whole population, 73.5% of people in the age group 15-64 are in work, compared with 62.5% in Italy in general and 71.2% in the 27 EU countries (Eurostat).

Fewer women than men are in gainful employment, given that from the age of 30 onwards they devote themselves to the socially important task of raising children and once their maternity leave is complete not all women return to work. The occupation rate of the women amounts to 65.5%, compared to the 81.3% of the men.



69% of employed persons in South Tyrol work in the tertiary sector, 23% in the secondary sector, while 8% are employed in the primary sector. The development in economic sectors in South Tyrol bears comparison to international trends: the number of persons employed in agriculture has dropped while numbers working in the services sector have increased. Nevertheless agriculture in South Tyrol enjoys a higher status compared with the European average.



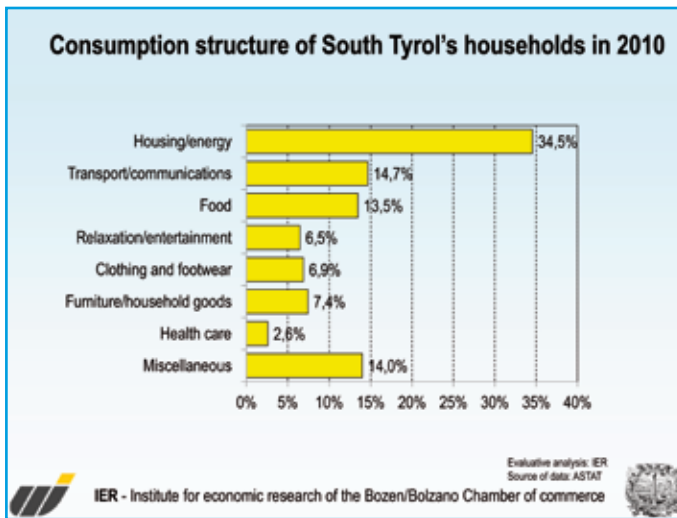
The most important job classifications in the secondary sector are the construction industry, metalworking and the production of food. In the services sector commerce, the hotel and catering and public administration feature strongly.

Unemployment (the proportion of persons seeking employment compared with the economically active) amounts to 3.3%. From an economic perspective this figure represents full employment. In Italy in general the unemployment rate is 10.1%, while in the EU 27 states the average is 10.3% (Eurostat).

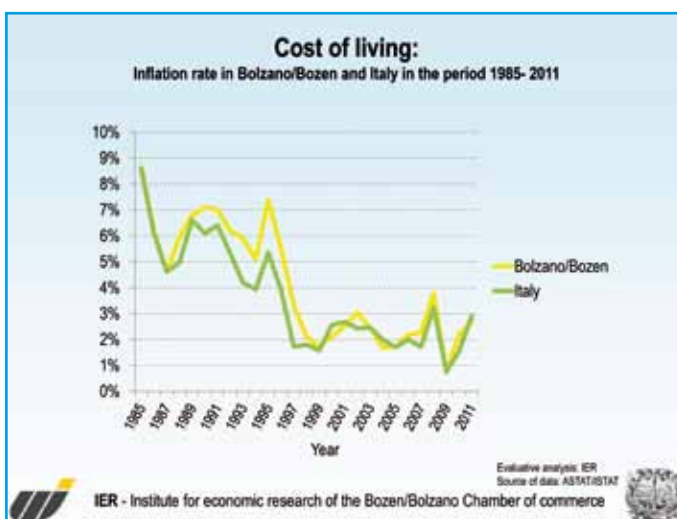
Nevertheless, the labour market in South Tyrol is subject to seasonal variations: in agriculture, hotel and catering, and in the construction industry large numbers of workers are required in certain periods, at other times very few or none at all.

Income and consumption

The average household in South Tyrol has a yearly income of 33,000 euro at its disposal. This is 15,000 euro per-capita.



As measured by the total expenditure of a household, food engages only a 13%. In proportion people spend significantly more for housing and energy (35).

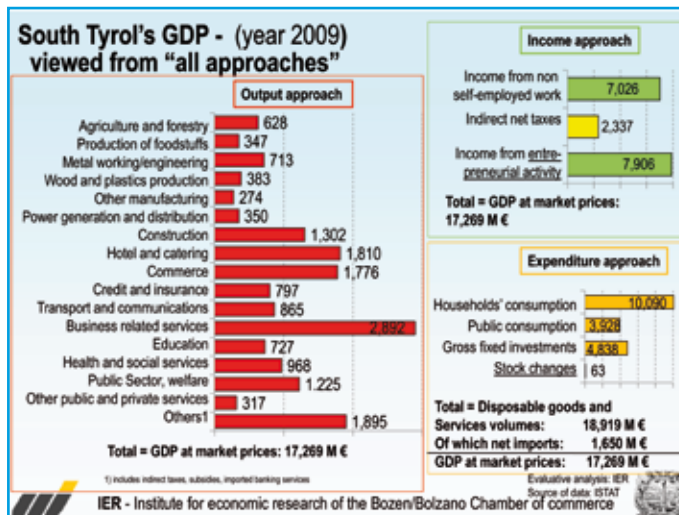


The rate of inflation (the change in consumer prices expressed as a percentage) in South Tyrol amounts to 2.3% (average of the last 10 years), making it slightly higher than the Italian average.

The inflation rate moved towards zero in the wake of the economic downturn in 2009 and then returned to its original level of 2.8%.

3. Economic performance

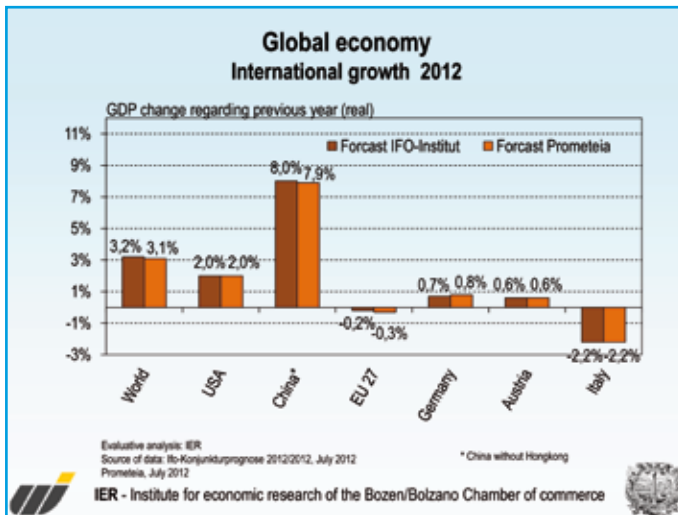
Households and companies contribute jointly to a country's total economic performance, measured on the basis of the gross domestic product (GDP).



The GDP (gross domestic product) of a national or regional economy (approx. 17.3 billion euros for South Tyrol in 2009) is defined as the total market value of goods and services produced in the course of a calendar year. A nation's or region's GDP can be calculated in three different but theoretically equivalent ways, all of which lead to the same result, namely its total economic performance expressed in a figure.

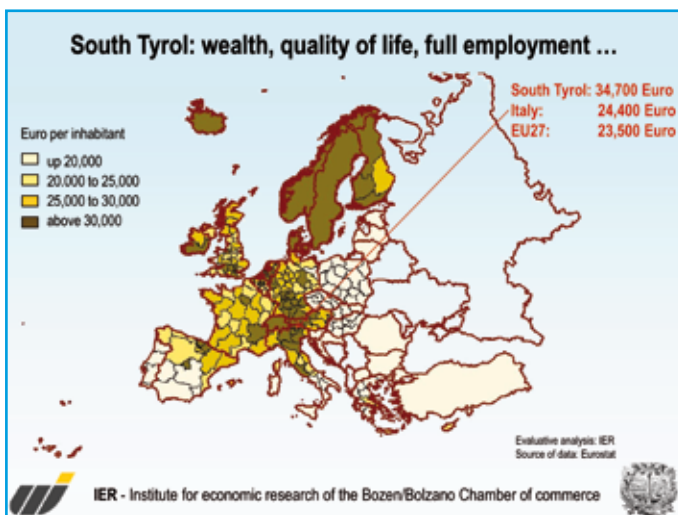
- **The output approach:** GDP is calculated by adding up the value added by all companies.
- **The income approach:** companies produce with the help of households. Household members work in the enterprises and are remunerated for their labour. The GDP in turn is the sum of all incomes earned in the production of goods and services. Income from paid employment and income from entrepreneurial activity. Incomes in South Tyrol are made up as follows: 46% of all incomes derive from paid employment; the remaining 54% of incomes derive from entrepreneurial activity.
- **The expenditure approach:** enterprises produce finished products as consumer or capital goods. The GDP, in turn, can be calculated as the sum of the output of consumer and capital goods. Another method is to consider the volume of disposable goods and services in a regional economy. In an open economy with imports and exports, the volume of disposable goods and services will differ from the GDP by the difference between imports and exports. In relation to foreign markets (and in calculating South Tyrol's regional GDP, Italy also counts as a foreign market) South Tyrol is running a current account deficit, meaning that South Tyrol imports more products than it exports. Consequently the value of all final goods and services consumed in South Tyrol exceeds the region's GDP.

Given that GDP is a money measurement, the only data which can be collected are effective payment flows. For this reason "do-it-yourself" housework or nursing carried out at home can not be taken into account. Furthermore, the significance of GDP is criticised because it measures quantitative, but not qualitative growth. A higher GDP may increase consumer choices, but in general it also increases strains on man and his environment. By the same token a higher level of economic well-being provides the prerequisites for implementing numerous important projects in the environmental and social spheres, i.e., sewage purification and improving health services.



Economic growth represents the changes in GDP in real terms, that is considering price increases from one year to the next.

After a stagnation in 2009 the economy slowly recovered in 2010 and 2011. The economic forecast for 2012 is a reduction of the business cycle slight without a dramatic drop of the economy.

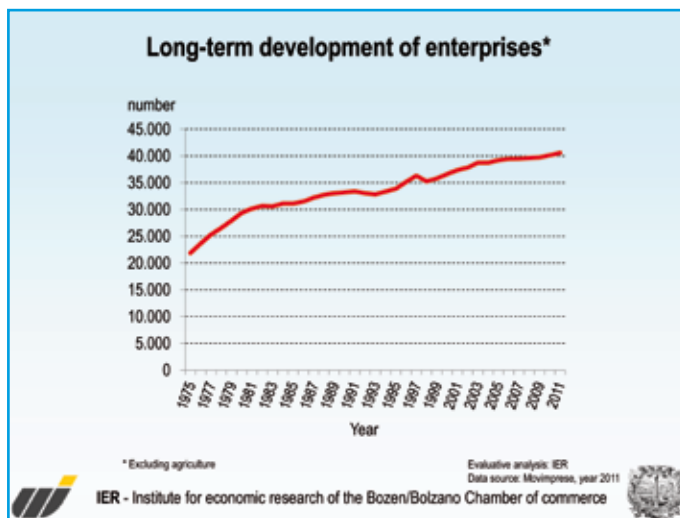


GDP is a means of measuring the total performance of a region's economy. In South Tyrol the GDP per capita amounts to 34,700 euros and thus its economic prosperity is distinctly higher than the EU average. This high figure is due above all to the region's high employment. With regard to GDP per employee or productivity, South Tyrol no longer rates quite as highly above the EU average.

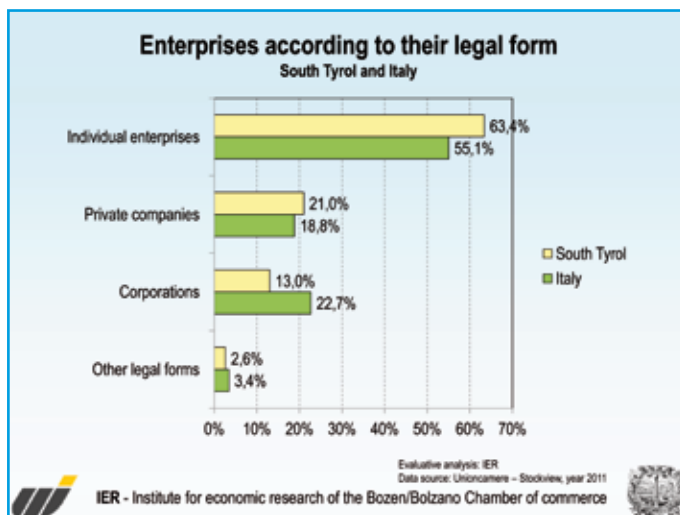
In comparing a GDP per capita it is necessary to take account of the regional cost of living: a low GDP per capita becomes relative when expenditure for housing, food, energy etc is relatively low.

4. The companies

The purpose of companies is to utilise the available labour, capital and land to put products and services on the market, thereby catering to the demands of consumers.

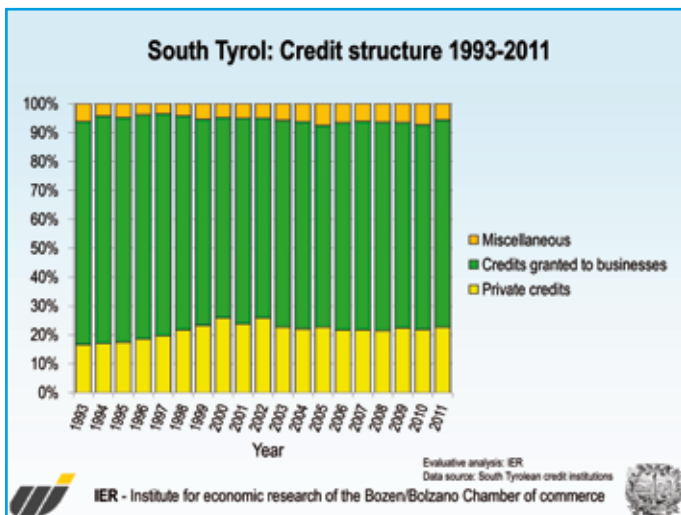


In Italy all entrepreneurial activities must be entered in the Companies Register at the Chamber of Commerce. A total of 57,712 companies are entered in the Companies Register of the Bolzano/Bozen Chamber of Commerce, of which 17,133 are in the agricultural sector. In 2011, a total of 2,635 companies were delisted from the register, against 3,029 new entries (including both start-ups and successions, Movimprese 2010). The balance depends strongly on the general economic climate. At the beginning of the 1990s the unfavourable economic conditions resulted in more deletions than new entries. However, in the longer term no significant growth in the number of new businesses is expected.

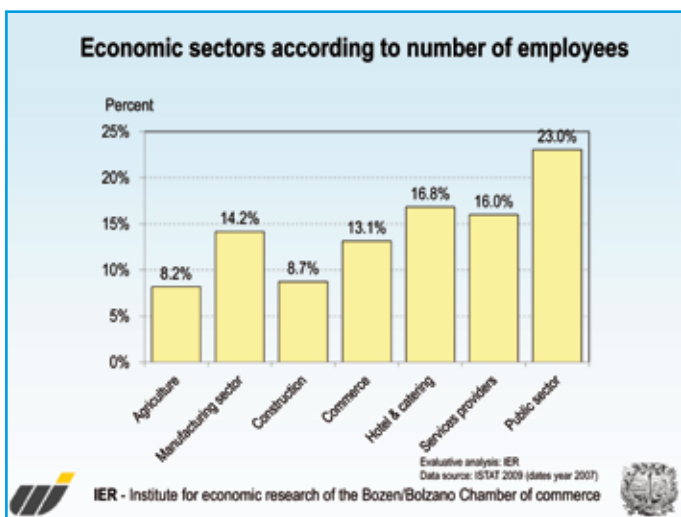


According to their legal form the majority (63%) of companies in South Tyrol are individual enterprises, 21% are private companies and 13% are corporations. This breakdown makes evident South Tyrol's small scale business structure. An average enterprise consists of four employees.

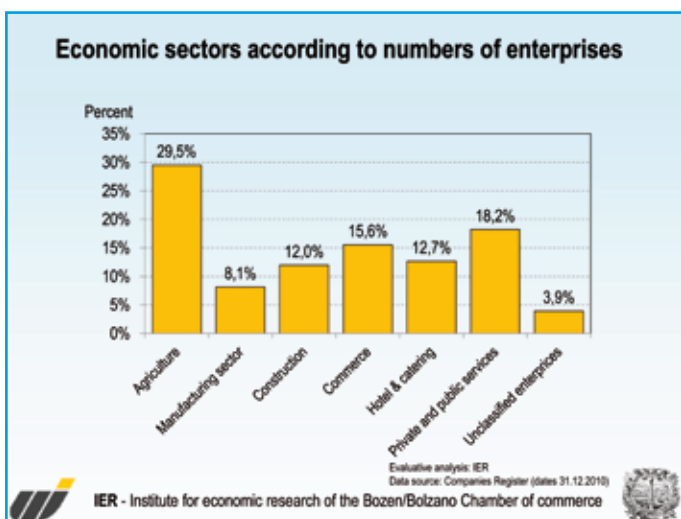
In addition to the 57,712 enterprises in South Tyrol there are professionals and self-employed persons who are not entered in the Companies Register, i.e., architects, solicitors, accountants etc.



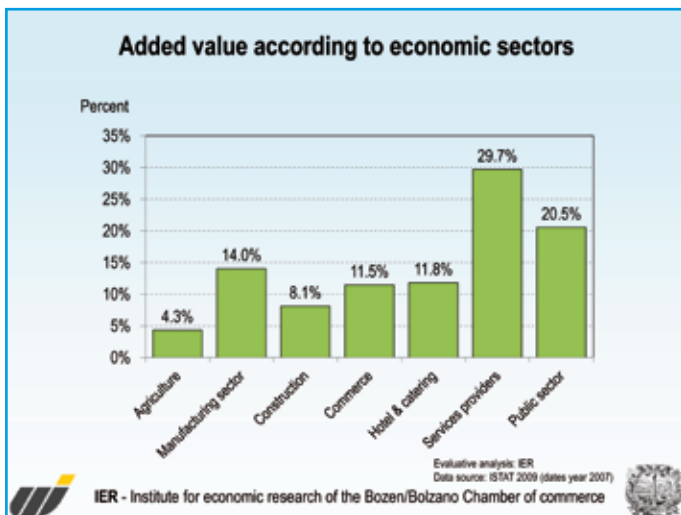
The major portion of credits are granted to companies. Personal loans in South Tyrol account for almost 23%. In 2011 the total volume of credits granted in South Tyrol was about 17.2 billion euros, with corresponds to a 1% increase to the previous year (Business Barometer, January 2012).



Measured by jobholders South Tyrol's economy is distinguished by an extremely well-balanced structure. The data relate to full-time equivalents; i.e. two part-time (50%) employed workers are counted as the equivalent of one full-time worker. Overtime also increases the number of full-time equivalents. For this reason the values for the hospitality industry are relatively high.



30% of the companies work in the sector of agriculture, 17% are service providers and 15% are operating in the field of the commerce.

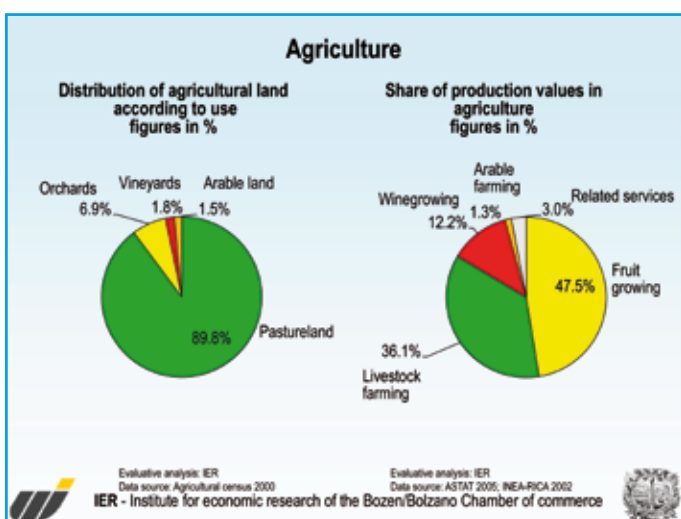


Compared with other sectors of the economy service ranks relatively highly in terms of value created. In this context agriculture rates relatively lowly measured by value added, particularly due to the fact that productivity is below average.

Agriculture

Agriculture in South Tyrol is rooted in tradition going back centuries and still enjoys a comparatively high status. Although the number of persons employed in the sector has declined over the years, latterly the importance of agriculture has stabilised, due among other things to subsidy policies. Agriculture is also important for other sectors of the economy. For example two-thirds of farmers also derive income from other sources, and are consequently economically active in other sectors of the economy. Furthermore, agriculture plays a significant role in landscape conservation. As the source of typical regional food products agriculture is also important for the tourist industry.

In total South Tyrol counts 17,133 individual farms. Farmers in the valleys are for the most part wine and fruit growers, while dairy farming is concentrated in the higher regions.



The area used for agricultural purposes in South Tyrol amounts to 267,000 hectares (660,000 acres), corresponding to 36% of South Tyrol's total area. This expanse consists for the most part of meadows, grazing land and arable land (90%), of orchards (7%) and vineyards (2%).

The greater part of income in the agricultural sector is earned by fruit growers.

Fruit growing (primarily apples) is of great importance: South Tyrol accounts for almost half of all apples produced in Italy, and 10% of the entire European apple harvest. The total annual yield is 1,064,639 tonnes. Almost half of the total volume is exported; the remainder is for the most part sold on the Italian market.

The main varieties on a quantitative basis are Golden Delicious, Gala and Red Delicious. Pears are also grown to a modest but declining extent. To a much lesser extent local farmers grow also strawberries, raspberries and apricots.

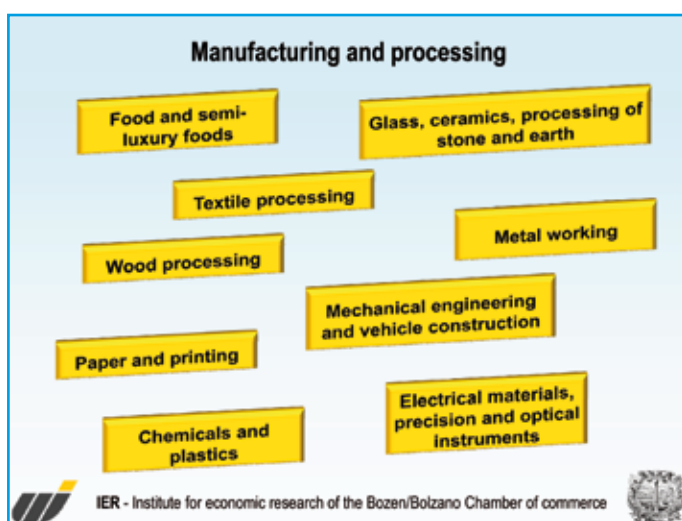
Dairy farming is the second mainstay of South Tyrol's agricultural sector. Around 136,000 cattle are kept in South Tyrol, around half of which are milk cows. Their milk is marketed almost entirely by co-operative dairies (371 million litres of milk in 2011).

South Tyrol's wine production is for the most part of top quality (94% of the vineyard area is registered for the production of DOC wines). Half of the total production is red wine and half is white wine. Almost half of the wine production is sold in South Tyrol, while 19% is marketed elsewhere in Italy. The remainder is exported, mainly to Germany, Switzerland, the USA and Austria.

Potatoes, cauliflowers and beetroots feature prominently among the vegetables cultivated.

Manufacturing and processing

The manufacturing and processing industry comprises the manufacture of material goods. This involves transforming raw materials into new products while bringing to bear energy, labour and other resources. The raw materials for the manufacture of material goods may derive from agriculture, mining, quarrying or from the processing industries. The result of this process may be a finished or semi-finished product.



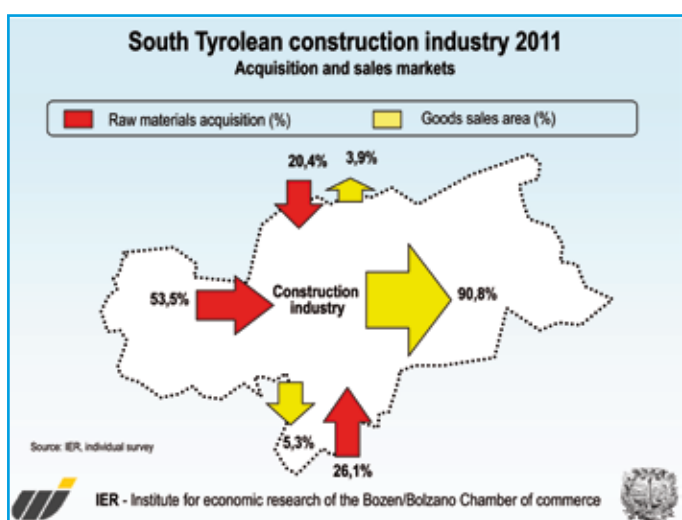
Both skilled crafts and industrially organised enterprises belong to the manufacturing and processing industry. In contrast with crafts which have a long tradition in South Tyrol, industry is very young. Until the 1960s South Tyrol's only industrial zone was located in the south of Bolzano/Bozen. Then gradually more industrial estates grew up, concentrated in valley floor sites around the towns. Industrial estates are now found along the main transit routes in Vinschgau (west of South Tyrol), the Meran area, the South of South Tyrol, in the Eisack Valley and Pustertal Valley.

Today the manufacturing and processing industries comprise 4,600 enterprises employing almost 37,000 persons.

The main challenges facing enterprises in the manufacturing and processing industry include lack of available ground, the scarcity of skilled personnel, managerial skills (personnel management, costing and accounting).

Construction industry

The construction industry comprises the planning and execution of structural and civil engineering projects. The sector also includes interior finishing work (plumbers, electricians, gas fitters, tilers etc).

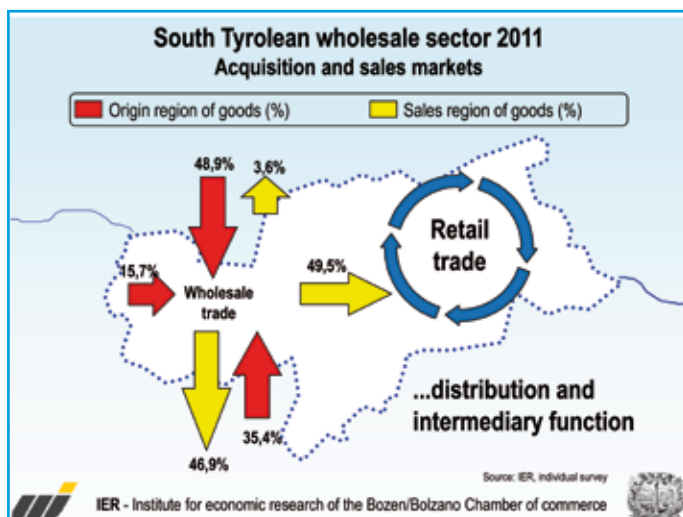


In South Tyrol 6,900 companies and 16,000 persons are engaged in this sector. The last decade has seen strong growth in the construction industry (among other reasons because of favourable legislation). Companies in the construction sector are for the most part engaged in the local market. The challenge facing this sector lies in selling their services in spite of a saturated market by diversifying (i.e. refurbishment, reconstruction, building energy-efficient or “Climate House” houses), and extending their activities beyond South Tyrol.

Commerce

Bolzano developed into a major trading centre many centuries ago by virtue of its geographical location and its position on the important Brenner transalpine route. “Annual markets” took place there as early as 1202 AD while Bolzano experienced its heyday as a venue for international fairs during the 16th and 17th centuries.

The wholesale trade continues to feature as an important element in South Tyrol’s economy. The region has long been a trading centre for goods from markets to its south and north. An important competitive factor which has been conducive to the development of South Tyrol’s status as a bridge between north and south has been a knowledge of the German, Austrian and Italian markets as well as their languages. However the intermediary role of the wholesale trade is asymmetric, meaning that the volume of goods transferred from central European markets to Italy is considerably higher than the amount of Italian products exchanged in the opposite direction. 46% of wholesale goods traded in South Tyrol are of foreign origin, 39% come from elsewhere in Italy, while only 15% are produced locally. Conversely, 43% of wholesale goods are sold on the Italian market beyond South Tyrol’s borders, 49% are sold in South Tyrol and only 8% are exported to foreign markets.



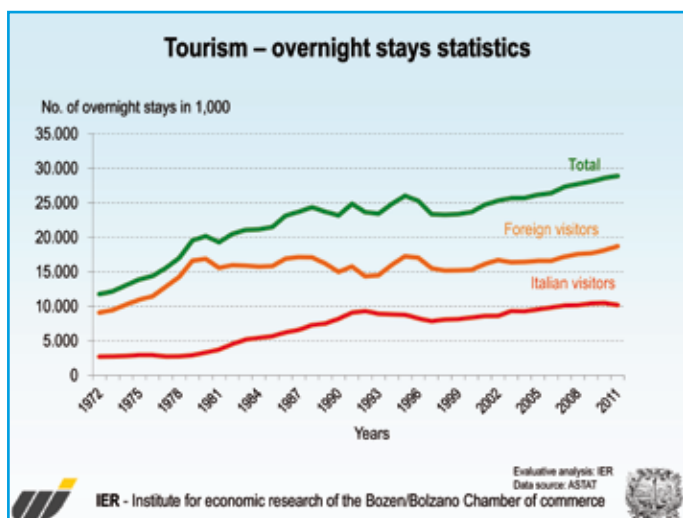
The retail trade serves a crucial distribution and supply function. This function is especially important in South Tyrol because the population, tourists and holidaymakers are geographically widely scattered. The local supply of provisions is still ensured in South Tyrol, given that each municipality boasts at least one grocery shop. In many cases these are very small shops which only survive thanks to tourism. There are more retail shops per inhabitant in South Tyrol compared with Austria or Germany, while in an Italian context South Tyrol is close to the norm.

However the trend towards concentration of ever larger retail complexes has also begun in South Tyrol, with shopping centres opening up in the larger municipalities along the main traffic routes.

Tourism

The origins of tourism in South Tyrol go back to around 1830 when the region gained popularity as a health resort. First of all Meran emerged as a health spa town, followed by Gries on the outskirts of Bolzano, Brixen and Toblach. South Tyrol later became a favourite destination among mountaineers and rock climbers. Both world wars proved harmful for tourism in South Tyrol and it took until the 1970s for the sector to recover, thrive, and bring about an increase in the region's general prosperity.

Hospitality establishments classified as hotels (incl. guesthouses, bed-and-breakfast hotels etc) in South Tyrol number 4,200 with a further 6,000 hospitality establishments (rooms in private houses, camping sites), in all totalling 219,000 beds. There is one guest bed for every two inhabitants in South Tyrol.



Each year around 28.9 million overnight stays are registered by South Tyrol's hospitality establishments. Approximately 36% of guests are Italian. The majority of foreign visitors are from Germany. The occupancy rate of beds in hotels has risen continuously over recent years and now stands at 36%.

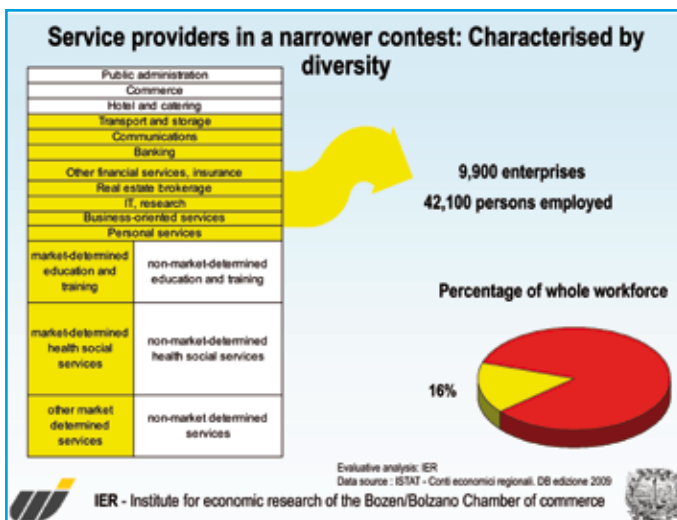
The proportion of foreign workers in this economic sector is extremely high due to the fact that many local people prefer regular working hours and would rather not work in the evenings and at weekends.

The employment market in tourism is characterised by seasonal work and short-term working relationships. Furthermore, jobs in tourism are decentralised and widely dispersed.

Farm holidays have experienced an upsurge in popularity over recent years. More and more guests enjoy spending their holidays in rural tranquillity amid unspoilt nature vacationing on a farmstead.

Measured by overnight stays, summer tourism is of relatively higher importance to the economy compared with winter tourism.

Service providers



Over the past few decades South Tyrol has developed into a services society. While 30% of the workforce worked in the services sector in 1950, today the figure is 70% (including workers employed in public administration, commerce and hotel and catering). Consequently South Tyrol follows the international trend, given that this sector has likewise increased in importance in other European countries in recent years.

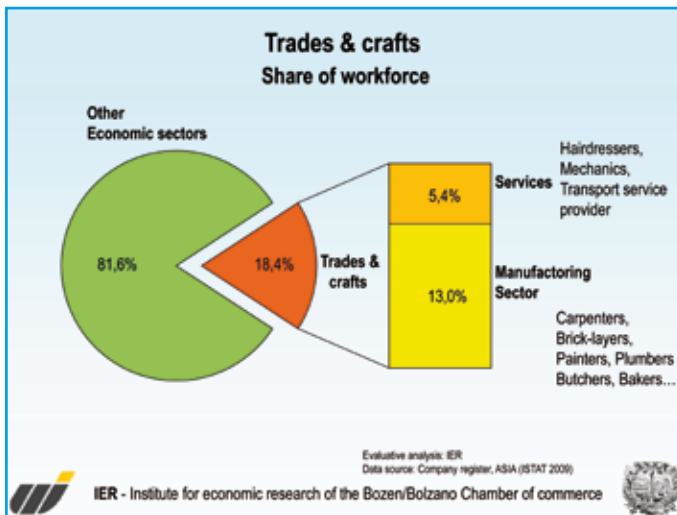
If the traditional services spheres such as commerce, hotel and catering, and public administration are excluded, a variety of activities remain. They range from freight forwarding through financial services and real estate brokerage (i.e. banks, estate agents) to personal services (i.e. beauticians, child minders) and business services (business consultants, economic advisors).

In this more restrictive category, in South Tyrol 9,900 businesses and 42,100 employees are engaged in the services sector (corresponding to 16% of the workforce). They are for the most part engaged in the local market.

Digression: Handicrafts

A handicraft enterprise is a company whose activity is listed in the register of artisan trades (see skilled trades ordinance) and which fulfils at least three of the following conditions:

- „a) for the most part the manufacturing of the goods does not take place in series and the services are not provided as standard procedures;*
 - b) there is no organisational division between a production and administrative unit and consequently no separate management of the two units and the respective staff,;*
 - c) the manufacture of goods and supply of services is not carried out for the most part using systematic division of labour;*
 - d) orders are generally not completely passed on to other enterprises;*
 - e) goods are mainly custom-made and the supply of services is for the most part carried out to order.”*
- (Source: Skilled crafts ordinance, Provincial law 25th February 2008, No. 1)



South Tyrol counts 13 075 handicraft enterprises with 43 747 employees.

The variety of handicraft activities in South Tyrol is enormous. Today, as many as 428 different craft activities are exercised, although three quarters of them comprise less than 10 enterprises and one third of the activities are exercised by one enterprise only. On the other hand many companies and employees concentrate on some few professions. Every third craftsman is either mason, hairdresser, electrician, carpenter,

painter or trucker. More than half of the employees in South Tyrol's handicraft sector are mason, carpenter, trucker, electrician, plumber, baker, painter and varnisher, hairdresser, "other civil engineer" and car mechanic.

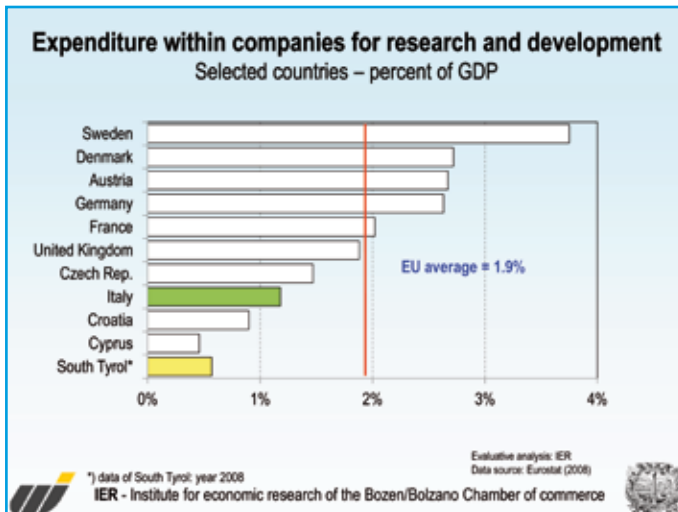
The mostly small-size natured and professionally diversified handicraft enterprises confer a great stability to South Tyrol's economy and offer many jobs, especially in the periphery. Crafts are hence one of the most important pillars of South Tyrol's economy.

Most of the 2009 turnover (82.7 %) came from South Tyrol clients. Only 2.5 % of South Tyrol's handicraft enterprises export goods on a regular basis; craft export amounts to 103.3 m Euro. Since 2004 imports and exports have been in constant growth.

5. Development factors: Innovation, internationalisation and cooperation

Innovation

A country or region's competitiveness is measured among other things by its research and innovation activities. Companies can achieve higher levels of productivity through research and innovation.

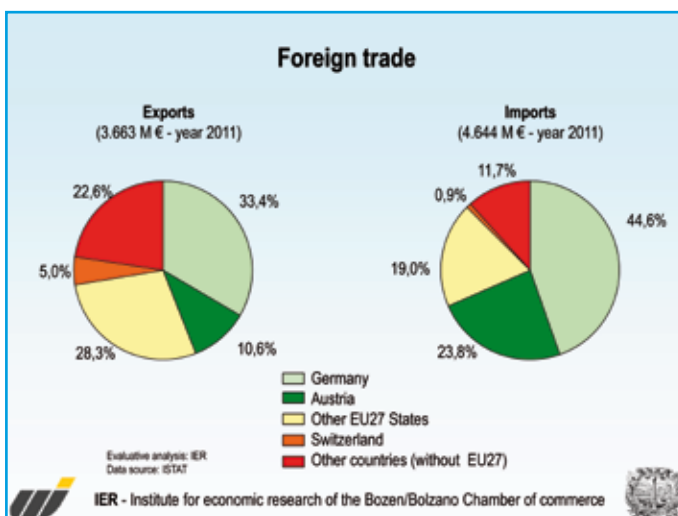


Resources available to companies in South Tyrol for research and development are lower than the norm: 0.6% of the province's GDP, while the figure for the EU as a whole is many times higher. Although larger companies in South Tyrol rate as very innovative, completely new products are only seldom developed. In many cases innovation is limited to imitation and the acquisition of know-how.

A further indicator used to measure innovative ability is the number of patents taken out. Each year there are 60 - 70 patents registered in South Tyrol. Registering a

patent is an expense factor and for this reason smaller companies in South Tyrol are often inhibited from making applications.

Internationalisation



In 2011 South Tyrol exported goods to the value of 3,663 million euros, and imported goods to the value of 4,644 million euros. Consequently the value of imports is higher than the value of exports and South Tyrol's visible trade balance is consequently negative.

South Tyrol's exports account for 20% (year 2011) of the province's GDP, which is below average compared with the values of South Tyrol's neighbouring regions. Nevertheless great efforts are being directed into increasing the export share.

South Tyrol's main export products are agricultural products, machines and motor vehicle accessories. The main trading partners for exported goods are Germany, followed by Austria. 72% of South Tyrol's exports are sold to EU countries, while almost 87% of imports are from the EU27.



The economic sectors accounting for the highest share of exports are agriculture and manufacturing. Also tourism depends on foreign purchasing power.

There are no data on the integration of South Tyrol with Italy in general from which flows can be accurately quantified. However, a survey carried out by the Economic Research Department of the Bolzano Chamber of Commerce has shown that the balance of trade with Italy is considerably more significant than that with foreign markets.

Cooperation

Above all small enterprises often reach the limits of their capabilities and are unable to efficiently take advantage of certain market opportunities. They can usually achieve their aims more quickly, effectively and with fewer risks if two or more enterprises tackle undertakings together, for example innovation projects, export initiatives or combining their resources to deal with large orders. However, in addition to horizontal teamwork (cooperation with enterprises in the same branch), enormous potential can also be realised through vertical co-operation, for example in the building sector where customers increasingly prefer complete, "turnkey" solutions (requiring cooperation between businesses in various branches).

6. Economic policy in South Tyrol

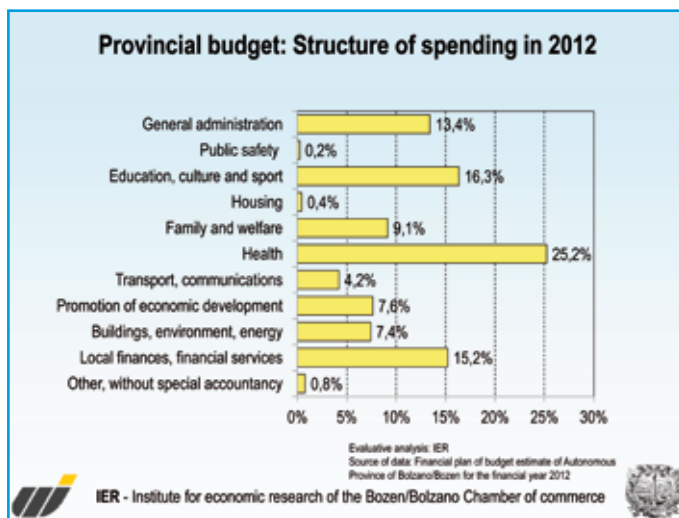
Economic policy sets the legal framework within which the economy with all its various elements can develop.

Autonomy, taxes and support of economic development

By virtue of its autonomous status and the large number of areas over which it has jurisdiction, the province of Bolzano/Bozen (South Tyrol) has a substantial budget at its disposal which it administers independently. Regions with a normal statute have reduced jurisdiction with only one third of the budget per inhabitant to administer.

In principle the following points apply: the state is responsible for introducing and administering taxes. However, the autonomy statute establishes two important basic principles with regard to collecting taxes and managing public spending:

- 1) 90% of taxes collected in South Tyrol are placed at the disposal of the provincial government. The state only retains the part which serves to cover the costs of assessment and collection.
- 2) The allocation of funds to the province must take place with periodical regularity. In this way the province administers expenditure in complete autonomy.



South Tyrol's budget amounts to over 5 billion euros. One parameter affecting the local entrepreneurship for example is the proportion of the provincial budget set aside for measures to promote economic development, which amounts to 7.6% of the total budget. The principle investments in economic development in South Tyrol are in the sectors:

- growth
- innovation
- environment
- supply of provisions locally.

Further financial incentives are provided for business start-ups, co-operation, family-friendly policies etc. - environment

Chamber of Commerce

In addition the Chamber of Commerce, Industry, Crafts and Agriculture, the Chamber of Commerce for short, it also takes concrete measures to support the positive development of South Tyrolean companies.

The Chamber of Commerce is an overarching institution established by statute and embracing all sectors of the economy. It is required by law to discharge certain responsibilities, such as keeping the companies register and the vineyard register. However, the Chamber of Commerce is first and foremost a modern services organisation with its main emphasis on the following areas:

- Economic information and economic research
- Training and further education
- Exports
- Company development
- Market regulation
- Agriculture
- Environment

Self-employed professionals are not registered at the Business register, but are organised in professional chambers.

Business organisations

The Chamber of Commerce is not the only body representing the interests of business in South Tyrol: individual sectors are also represented by their own associations.

The associations champion the interests of their individual members at a political level and also provide associated companies with services, for example personnel/wage accounting. Membership is voluntary. The following is a brief summary of business associations in South Tyrol:

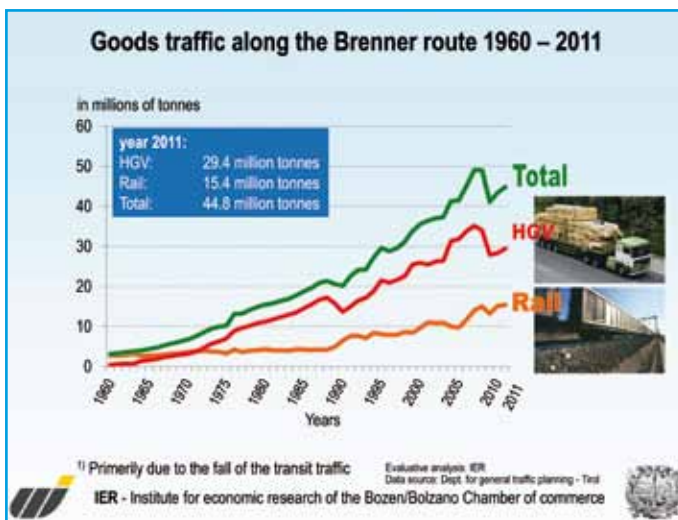
- HGV – Hoteliers and Caterers Association
- Entrepreneurs Association of South Tyrol
- LVH – Provincial Association of Craftsmen and Artisans
- South Tyrolean Farmers Association
- SHV – South Tyrolean Association of Tradesmen and Small Businesses
- Südtiroler Wirtschaftsring
- South Tyrolean Trades Association
- USEB – Association of Economic Sectors
- Association of Self-Employed Persons in South Tyrol
- Association of Professional Persons in South Tyrol

7. Sustainability

Sustainable development links economic development and the general prosperity with the enduring protection of our basic means of existence. From an economic perspective it is necessary to strive increasingly for quality growth and not simply for quantitative growth.

South Tyrol's building branch has become a pioneer in the sphere of climate houses. The waste management sector and environmental technology need also to be mentioned.

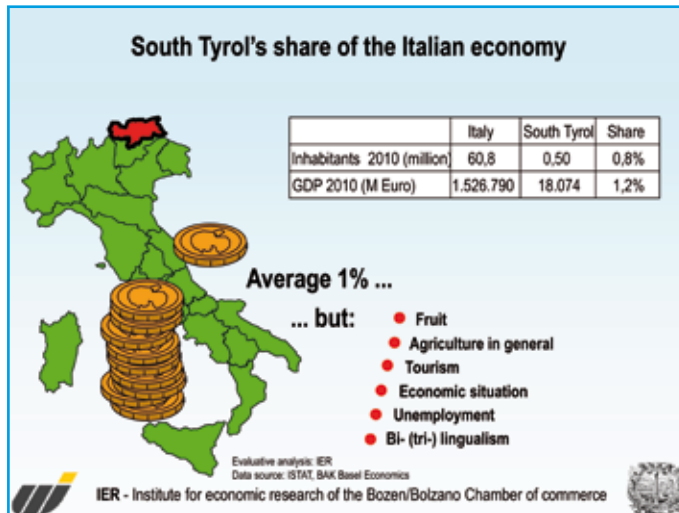
Challenges in this respect are above all:



- **Transport:** Transport is important to enable an economy based on the division of labour to function. Nevertheless the volume of traffic must be kept within limits and the negative concomitants such as noise, queues and air pollution must be controlled through innovations or, where possible, eliminated.
- **Social responsibility:** In order to enjoy long term success companies need to incorporate the family needs of their employees (combining family and work) and environmental considerations.

8. South Tyrol in comparison

South Tyrol's population accounts for 0.8% of Italy's total population. In contrast its contribution to Italy's GDP is higher than average, at 1.2%.



South Tyrol performs above the Italian average particularly in agriculture, especially apple production. Tourism is also important: South Tyrol accounts for 7% of all overnight stays registered in Italy. The unemployment rate is far lower than the Italian average and economic development more stable.

South Tyrol is a bilingual province and this represents a competitive advantage, as does the dual education system which is unique in Italy. Finally, South Tyrol boasts an extremely high quality of life: for example each year Italy's prestigious financial newspaper SOLE 24 ORE places South Tyrol at the top of its ratings among Italian provinces.

9. Challenges for the future

The objective is to stabilise the high level of economic prosperity achieved in South Tyrol. This aim requires further reinforcing its strengths and consistently working on the challenges it faces:

STRENGTHS

Favourable geographic position located between the southern German, Austrian and Italian markets on one of Europe's most important trade routes.

South Tyrol is characterised by a high quality of life and social peace.

Educated South Tyroleans are bilingual with knowledge of the German, Austrian and Italian markets.

South Tyrol's well-cared-for landscape and unspoilt environment represent an attraction for tourism and underpin the population's quality of life.

Quality is the factor distinguishing products and services provided by South Tyrol's enterprises.

Local supply of provisions and services is ensured in out-of-the-way areas.

CHALLENGES

Increasing traffic impacts negatively on both people and the economy. South Tyrol's "intermediary role" continues to provide opportunities, above all in the services sector.

In future the constructive co-operation between all social partners (economy, social affairs and environment) will become increasingly more important: economic understanding, the integration of foreign residents, the social responsibility of enterprises and the fight against illegal employment will become ever more vital.

Foreign language skills, above all in English, though also openness are preconditions for the internationalisation of local enterprises.

South Tyrol's mountainous terrain restricts the amount of space available for business development with resulting high real estate prices. In future sustainable business will be more important than quantitative growth. South Tyrol's positive image must continue to be maintained in future.

Productivity is only average due to the small size of South Tyrol's enterprises and the number engaged in traditional sectors.

A concentration tendency is noticeable in retail and especially in the food stuffs sector.

South Tyrol's economic stability rests upon a harmonious structure comprising small-scale enterprises.

A concentration tendency is noticeable in retail and especially in the food stuffs sector. South Tyrol's economy needs to do some catching up in the areas of export and innovation. The province's enterprises can overcome their small-size nature through co-operation.

The situation on the labour market in South Tyrol is good.

A low unemployment presents South Tyrol's enterprises with considerable difficulties when searching for employees. Skilled workers in the technical sphere are especially in high demand. The employment market in certain sectors is dependent on seasonal work.

The per-capita income is higher than the Italian and European averages.

Also the cost of living are above the average.

The dual education system and education in general are of high quality.

South Tyrol is also lagging in respect of further and vocational training, an area which is destined to become increasingly more important in future. Furthermore, increased co-operation between schools and the economy is necessary.

Industry, motivation and loyalty are characteristic features of an average employee in South Tyrol.

The possibility of reconciling family life and profession needs improvement.

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