

# ***Austria: Key Economic Features and EU***

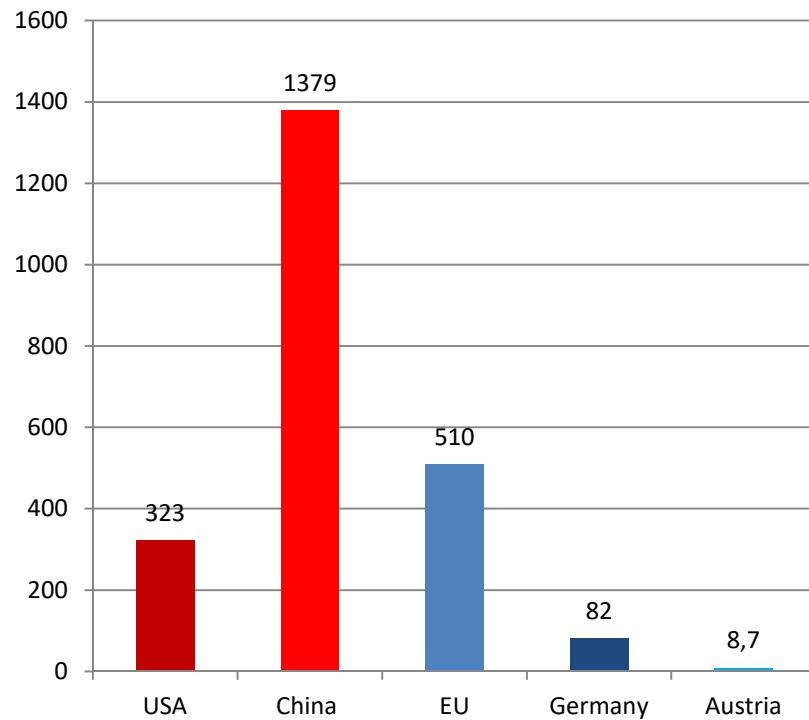
*Guanghua School of Management*

Josef Christl,  
***Macro-Consult***

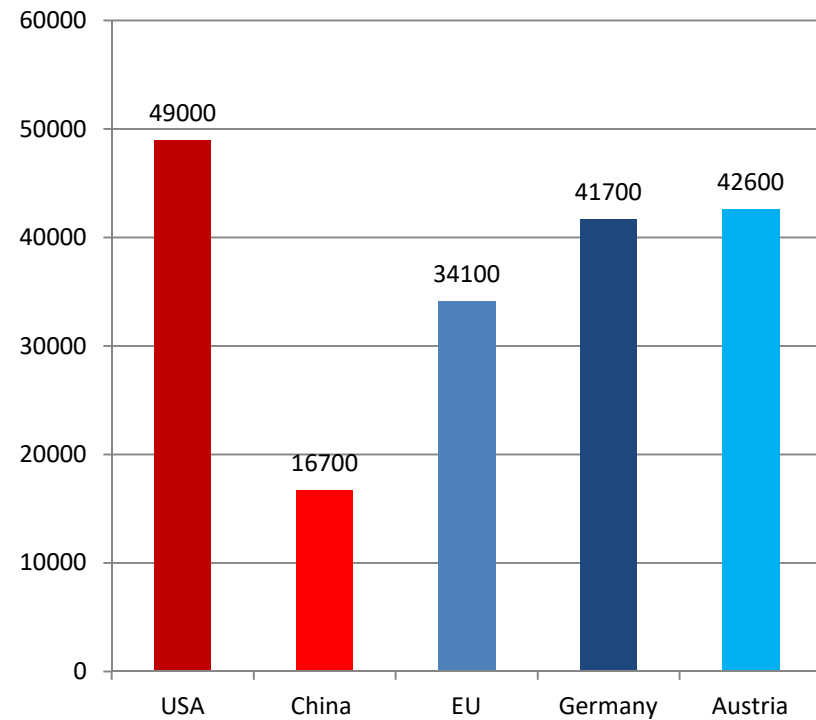
16. Oktober 2017

# Austria: a small, but rich country

## Population, mn.



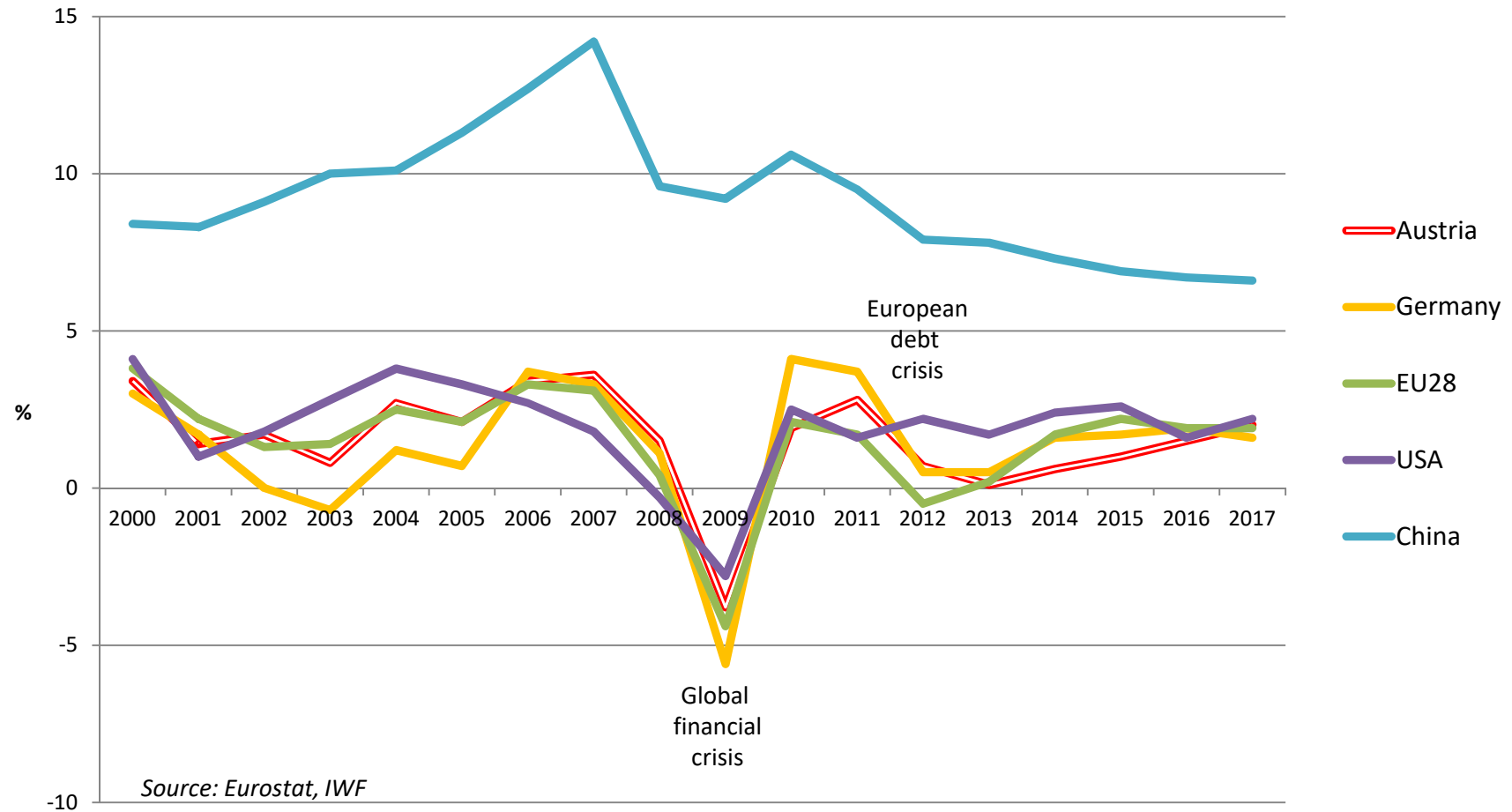
## GDP per capita PPP, USD



Source: Eurostat, IWF

# Modest economic growth over the last decade

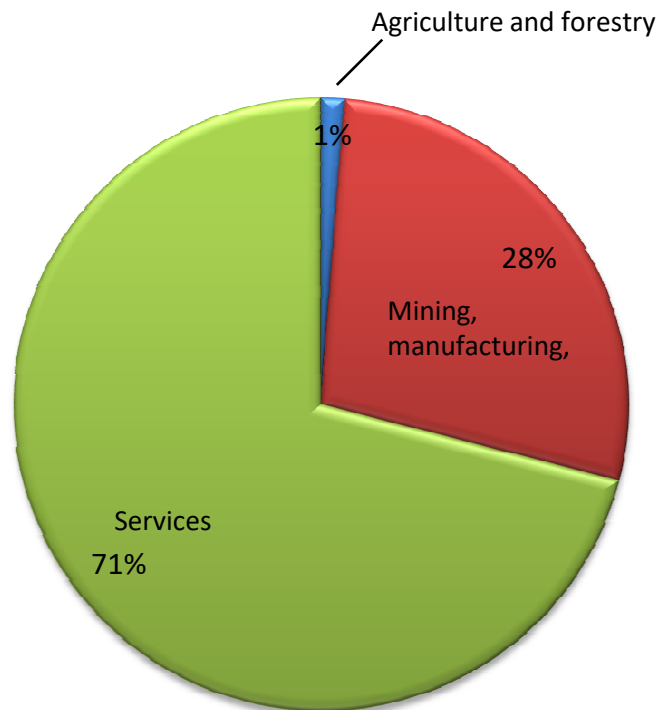
(% change in real GDP)



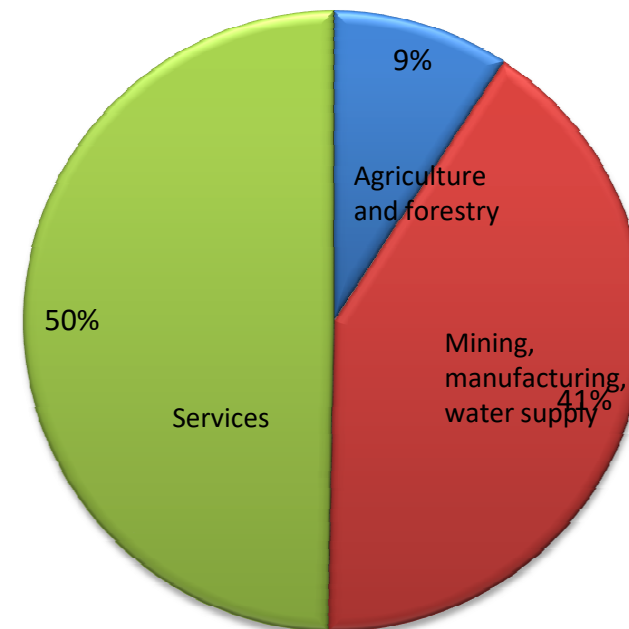
# Services dominate, but manufacturing still strong

%-share in gross domestic product

Austria (2016)



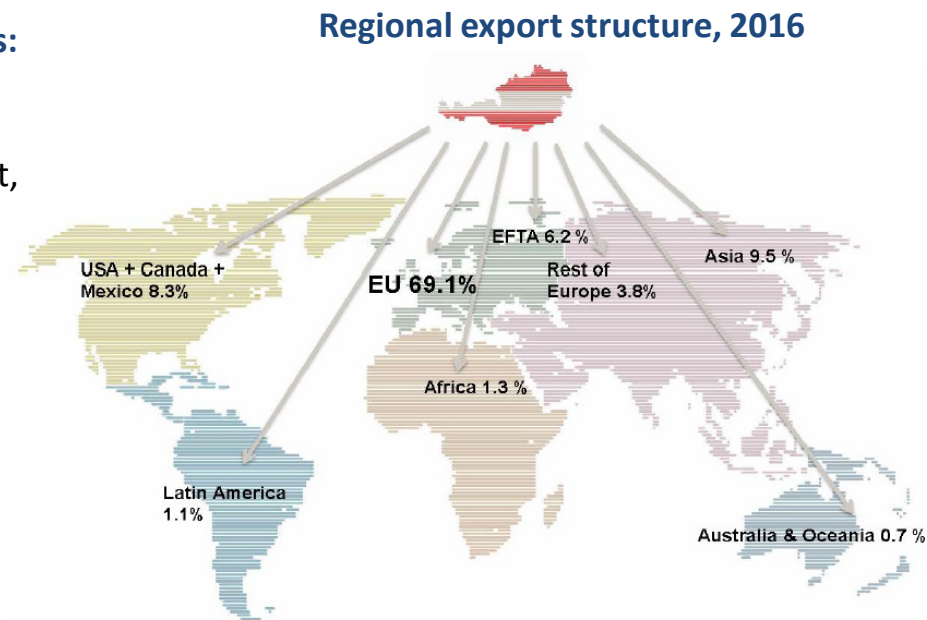
China (2015)



Source: Statistik Austria, IMF

# Austria's wealth is based on a competitive and innovative export industry

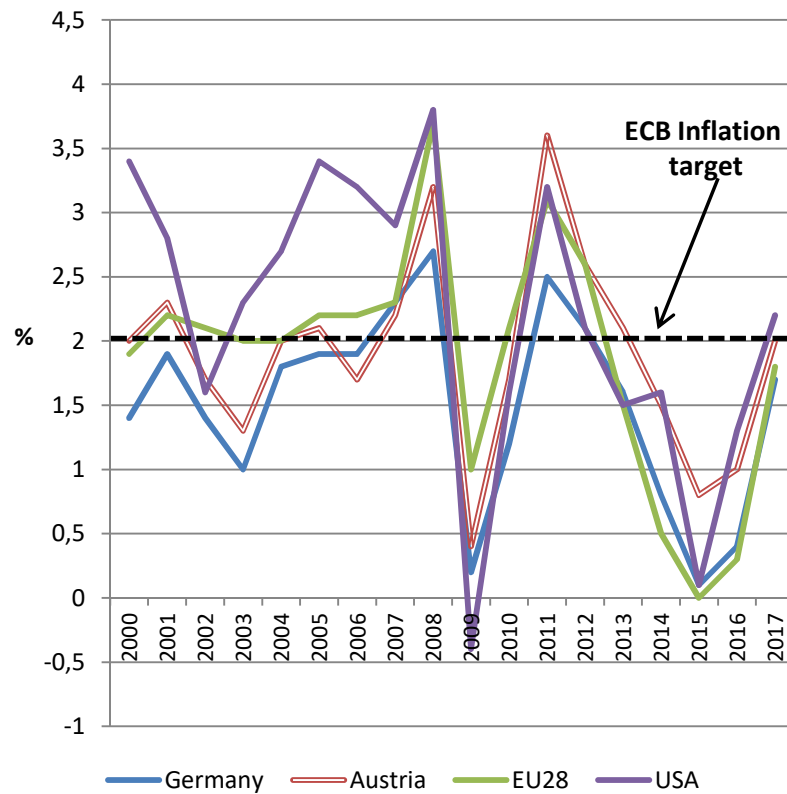
- **Exports** (goods and services) as a percentage of **GDP** increased from 37,7 % (1990) to 52,5 % (2016)  
**Main drivers for strong export growth:** Good competitive position, EU internal market, Euro, opening-up of Central and Eastern Europe
- **160 Austrian companies** are **world leader** in their field of production (in most cases „hidden champions“)
- **Important export products and industries:** machinery equipment (e.g. Andritz, Palfinger), engines and automotive products (e.g. Magna, BMW Steyr, AVL List, KTM), chemical products (e.g. Lenzing, Borealis), beverages (Red Bull), environment technology (Binder+Co, VA Tech), tourism, banking and insurance services (e.g. ERSTE, Raiffeisen Bank International), construction services (e.g. STRABAG, Porr)
- **Most important trading partners:** Germany, Switzerland, Italy, Netherlands. China ranks actually number 10, but catches up!



Source: Austrian Chamber of Commerce

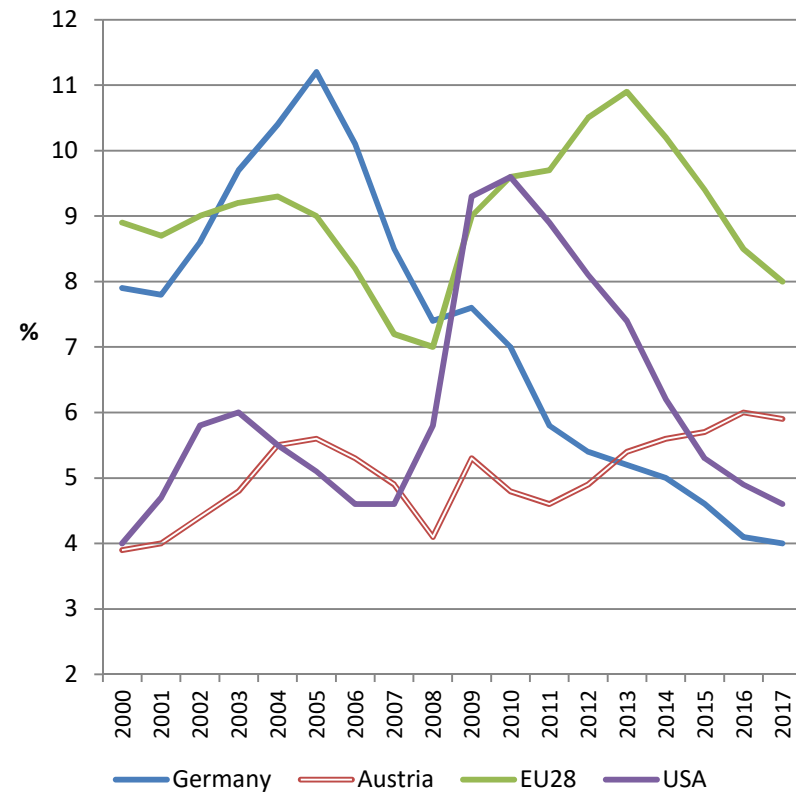
# Relatively stable prices, low unemployment

## Inflation rate close to ECB target of 2%



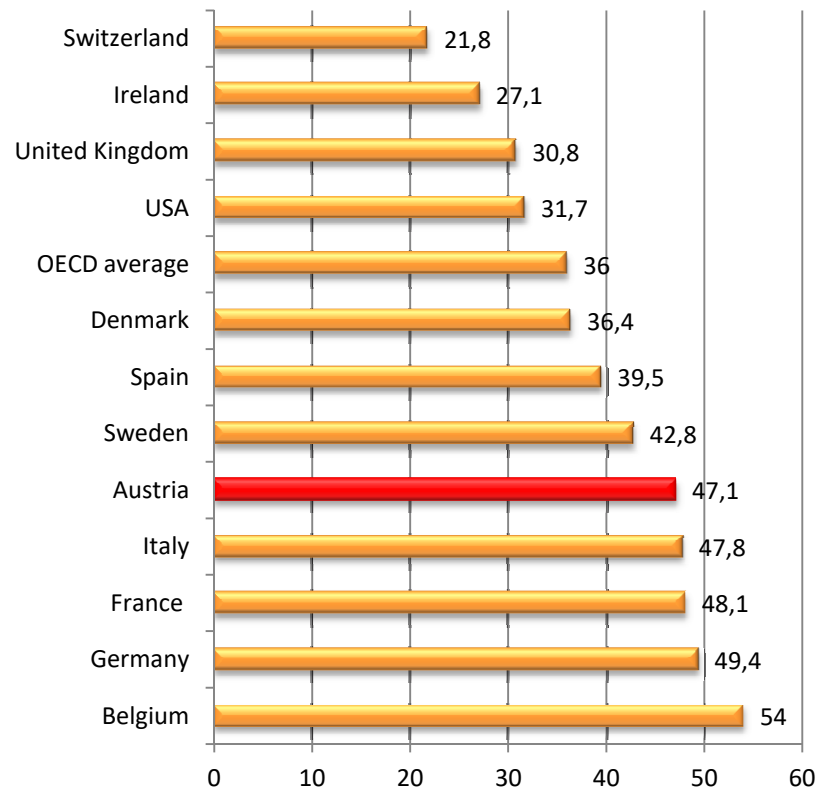
Source: Eurostat, IMF

## Unemployment rate low, but rising



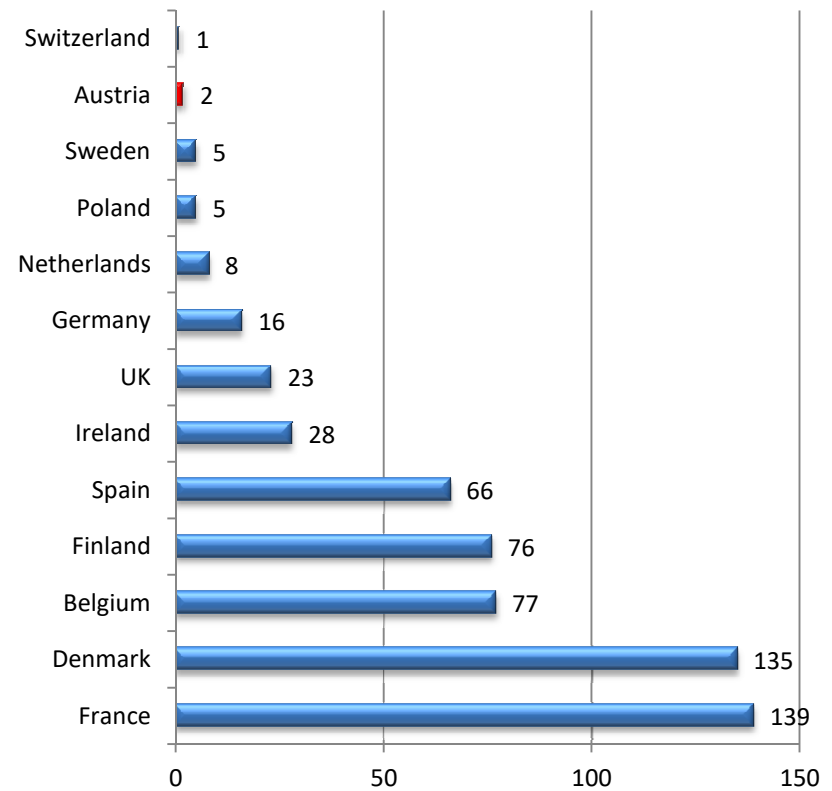
# High taxes, low strike intensity

Income tax plus social security contributions, in % of average wage, 2016



Source: OECD

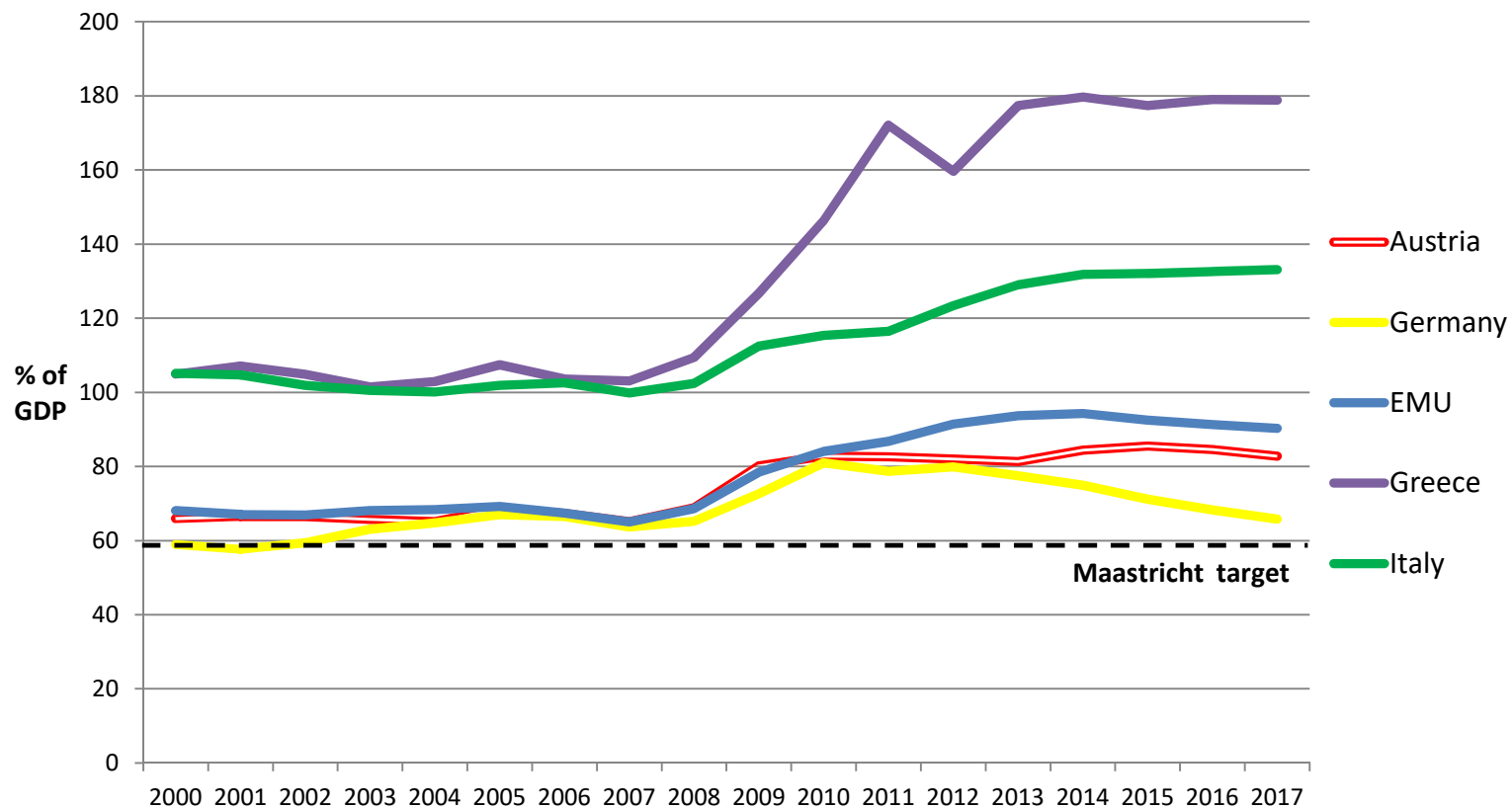
Average days not worked per 1000 employees (2005 – 2015)



Source: ILO

# Government debt above Maastricht target of 60%

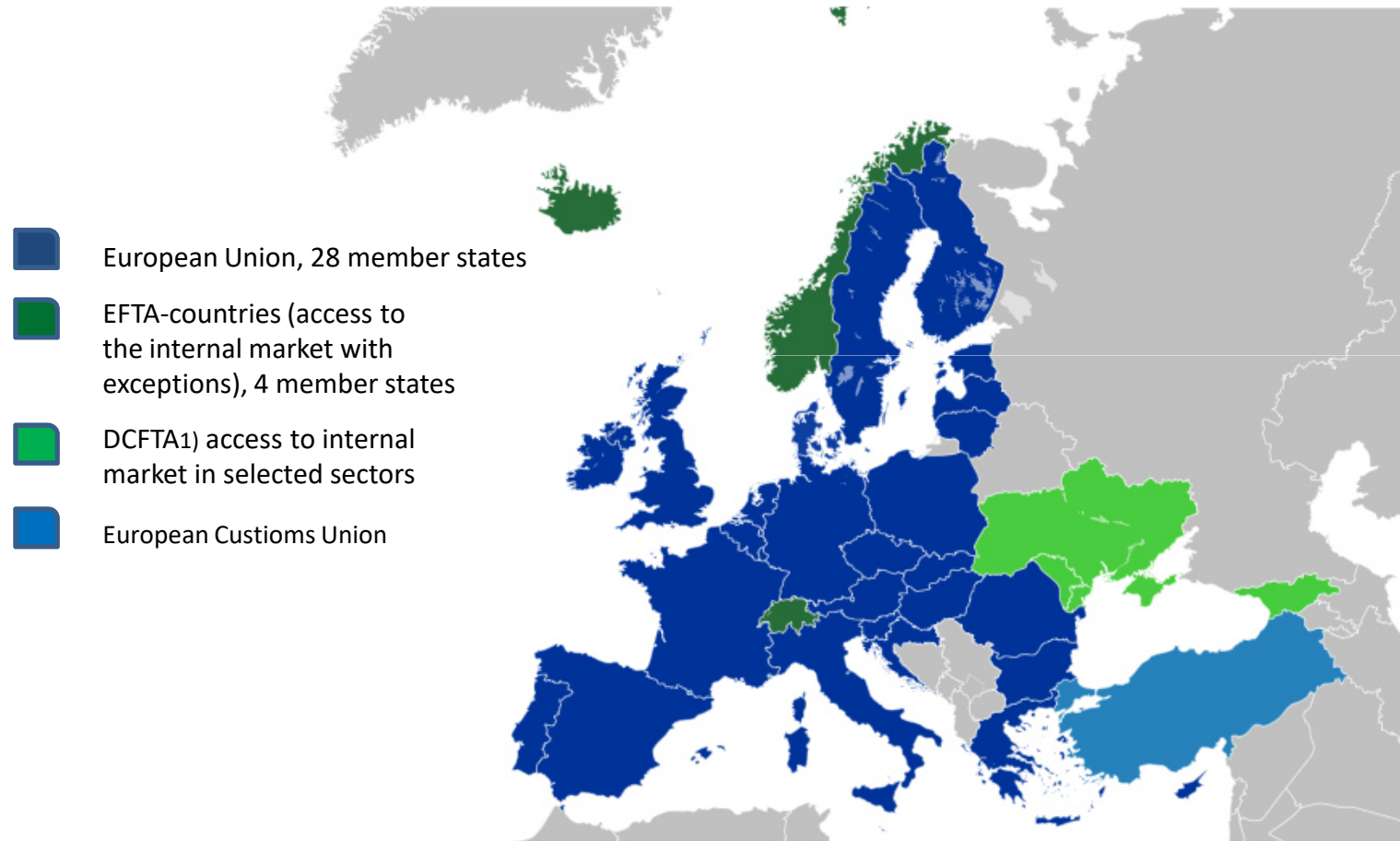
(government debt as a percentage of GDP)



Source: Eurostat, OECD



# The European Single Market



Source: European Commission

1) Deep and Comprehensive Free Trade Areas (DCFTA)

# European Single Market

starting 1993

## Four freedoms: free movement of

- goods
- services
- workers and citizens
- capital

## Goals:

- more competition
- increased specialization
- economies of scale
- reduction of transaction costs

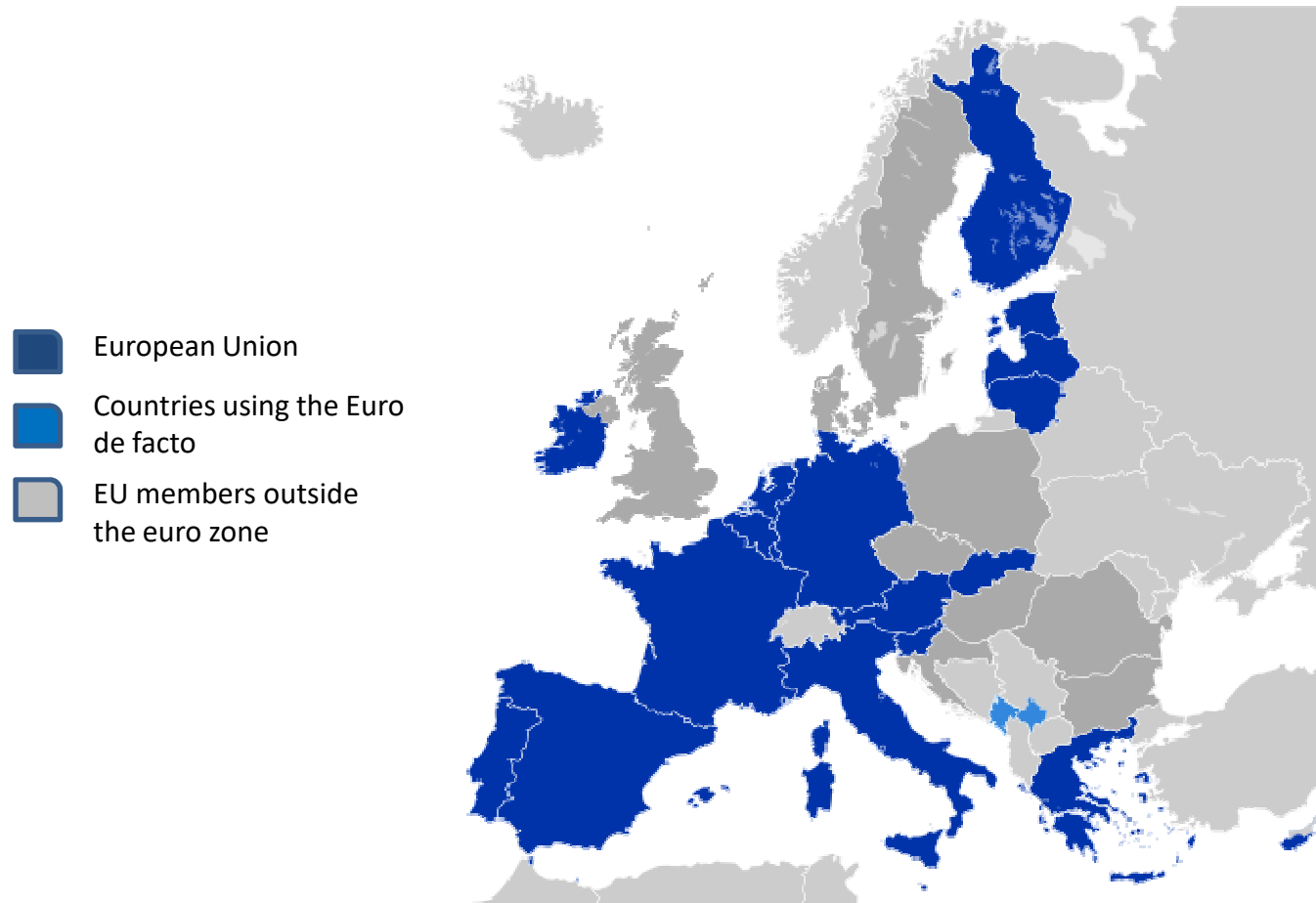
## Largest economic area of the world

with respect to GDP

Population

➤ EU	17.800 Mrd. USD	510
➤ USA	16.800 Mrd. USD	323
➤ China	9.200 Mrd. USD	1.379

# European Monetary Union (EMU)



*Source: European Commission*

# The European Monetary Union

starting in 1999, notes and coins since 2002

## Membership in EMU

based on convergence test: inflation rates, long-term interest rates, budget deficit (not higher than 3%), government debt (below 60%), exchange rate stability before test.

## Actually 19 members

Germany, France, Italy, Spain, the Netherlands, Belgium, Luxemburg, Austria, Finland, Portugal, Ireland, Greece, Malta, Cyprus, Slovakia, Slovenia, Estonia, Lithuania, Latvia.

## Eurosystem:

European Central Bank (ECB) + 19 national central banks. Located in Frankfurt, Germany

Decision making body: Governing Council of the Eurosystem. 6 ECB board members + 19 national governors. One country, one vote; but rotation.

Single Mandate: price stability. Definition of price stability: HICP-Inflation rate below, but close to 2%.

## Economic advantages of the Euro:

- stable currency,
- low inflation,
- higher price transparency, more competition
- reduction in transaction costs,
- higher integration of financial markets

# Summary & Problems

## Austria

- Austria is a rich, social stable, export-oriented country. Export and direct investment focus on Europe, but Asia catching-up.
- Austria is also a country with relatively slow readiness to change. Major problems in this respect: pension and health system need adaptation due to aging society; educational system needs adaptation to increased migration, public administration and federalism has to be slimmed down.
- Problems in maintaining competitiveness: bureaucratic procedures, not enough flexibility in labour markets (e.g. working hours), high tax country.
- Intensified immigration from Africa and near and Middle East (Syria, Iraq, Afghanistan) accompanied by major problems of integration (labour market, schooling, internal security).

## European Union

- Successful peace project for Europe after World War II.
- But: Renationalisation tendencies in several EU member countries.
- Immigration problem from Africa and Near and Middle East unsolved
- Special case: BREXIT.
- Increasing divergence (growth, unemployment, competitiveness, sovereign debt); serious problem for EMU.
- Single currency (and monetary policy), but national fiscal policies.
- Macron Initiative for „more Europe“: highly controversial!