

THIS IS AUSTRIA

Facts & Figures

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Austrian Federal Economic Chamber
Economic Policy Department

AUSTRIA AT A GLANCE

The Federal Republic of Austria is a small and open economy located in the heart of both Europe and the European Union. Austria covers parts of the Eastern Alps as well as the Danube region. The sovereign territory of Austria amounts to 83,879 km² and is bordered by eight countries (Germany, the Czech Republic, the Slovak Republic, Hungary, Slovenia, Italy, Liechtenstein and Switzerland). Austria's favorable geopolitical position has made it a crossroad for the trade and travel routes between Northern and Southern as well as Western and Eastern Europe.

Austria is a democratic republic with a parliamentary democracy. It is composed of nine independent federal provinces (Burgenland, Lower Austria, Vienna, Upper Austria, Carinthia, Styria, Salzburg, Tyrol and Vorarlberg). At the beginning of 2018, Austria had around 8.82 million inhabitants, equivalent to a population density of just above 100 inhabitants per km². Vienna is the capital and home to a population of around 1.9 million people.

Austria: THE International Hub in Europe

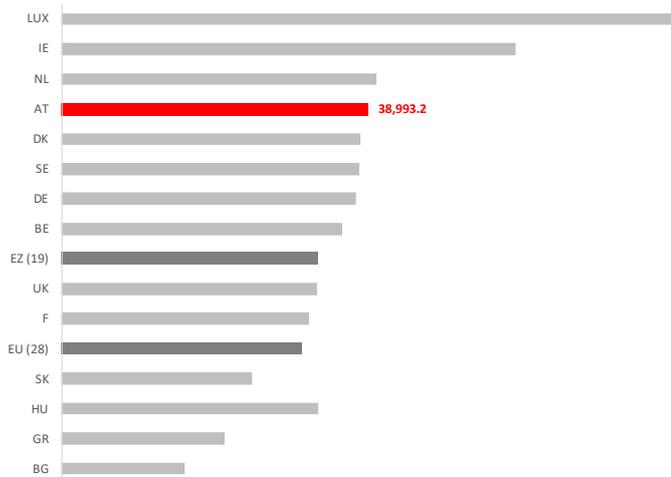
Given the country's history, geographical setting and neutrality (mandated by the federal constitution), Austria (and in particular Vienna) is considered to be an integral part of global diplomacy. The nation's capital is home to over more than 40 international organizations, including one of the four United Nations' (UN) headquarters, the Organization for Security and Cooperation in Europe (OSCE) and the Organization of the Petroleum Exporting Countries (OPEC), as well as frequently hosting chief diplomats from around the globe for bilateral or multilateral negotiations.

The country is not only home to numerous international organizations, but also around 380 international businesses use Austria either as their international hub or as their regional headquarters. Aside from well-known Austrian businesses, foreign companies, in particular banks and oil companies (traditionally these are companies from Russia or the CEE region), use Austria as their gateway to the West.

Austria can be very easily reached from any corner of Europe, as almost all European capitals are within a 2-hour flight radius (the airport in Vienna offers daily connections to all important European and overseas hubs and countries).



Austria: An Economic Success Story in Europe



Out of all EU member states, Austria has the fourth highest GDP per capita (in PPS), only being outpaced by Luxembourg, Ireland and the Netherlands. Economic data shows that there is a high correlation between wealth and so-called “soft factors”, such as social peace and security as well as low income inequality or regional disparity of incomes.

GDP per capita in selected EU countries, in PPS

Source: Eurostat

Highly productive industries and a dynamic service sector are the major forces driving the Austrian economy. Accounting for 70.7 % of total gross value added, the service sector is responsible for the largest portion of added value (these are mainly business-related services, financial services and other services). The secondary sector in Austria (manufacturing and construction industries) currently accounts for 28.1 % of total gross value added, and is therefore still highly important to the Austrian economy. In comparison to the other EU countries, this number is also quite high. Production is concentrated in machinery, steel, the chemical sector, electronics technology and the automotive sector (especially engines and transmissions).

Austria: EU Membership Driving Wealth and Growth

Joining the EU in the year 1995 undoubtedly contributed to Austria’s positive economic development. Its EU membership has helped the country to increase wealth, living standards and led to above-average economic growth. Economic studies by the Austrian Institute of Economic Research (WIFO) show that Austria’s EU membership has increased economic growth by almost 1 % every year and reduced unemployment by 0.1 % every year. Current estimates forecast growth to be somewhere between 3.2 % and 2.2 % in 2018 and 2019.

Austria has greatly benefited from the liberalization of trade and the opportunities presented in a more and more globalized world. As a small and open economy, Austria takes great advantage of the internal market within the EU (a market of more than 510 million potential customers). Businesses and citizens benefit from free trade, the



elimination of customs controls and from the fact that they can operate in an extremely large economic market with a large variety of consumption opportunities. The introduction of the euro, despite recent problems, resembled a further boost with additional positive effects on both economic and trade growth, but also on price stability and the labor market. As a small and independent country on its own, Austria would and could most certainly not have performed any better.

Austria: A Sound Labor Market with Employment at a Record High

The Austrian labor market is very dynamic. Employment is at a historical high with around 3.7 million Austrians being employed - not accounting for the around 470,000 self-employed. The ambitious but realistic aim of the federal government is to create a further 200,000 jobs by the year 2020. Sound export growth, the internationalization of the Austrian economy and higher consumption spending will most likely be favorable to this development. The employment rate is currently at over 72 % (around 68 % in Europe) and part-time employment continues to evolve (over 28 %). With over 2.5 million employees, Austrian businesses are at the forefront of creating and securing jobs in Austria.

Austria is also among the top-performers in Europe with respect to the unemployment rate and youth unemployment. Unemployment is currently around 5.5 % (vs. an EU-28 average of 7.3 % or the Eurozone average of 8.5 %). The following table illustrates the unemployment rates of a selected number of EU members (as in 2018).

Germany	Netherlands	Austria	Sweden	Slovakia	Italy	EU-28	EZ-19
3.5	4.0	5.5	6.4	7.4	10.9	7.3	8.5

Source: Eurostat

Likewise, youth unemployment is amongst the lowest in Europe (11.2 % in Austria vs. 18.7 % EU-28 average or 20.9 % Eurozone average).

Austria: A European Role Model with Respect to Dual Education

The dual education system in Austria serves as a role model for other European countries. Austrian businesses employ and train around 106,000 apprentices per year and prepare them to become valuable high-skilled workers. The Austrian dual education system is considered to be one of the “best practice” models in Europe and has been rightfully copied by states. Austria’s performance in competitions such as the “EuroSkills 2016” or the “WorldSkills 2017” illustrate the strength of such a system. Austria was ranked as the



best country at the “EuroSkills 2016” competition, and it was the sixth best country (and best performing European country) at the “WorldSkills 2017” competition.

Austria: Consistently at the top of Education and Innovation

Austrian universities attract a high number of both domestic and international students, most likely attributable to the fact that the level of teaching at Austrian universities is world-renowned. The Austrian economy (and society) benefits from this, as a large number of highly qualified workers enter the labor market every year.

Out of the around 380,000 students currently enrolled at Austrian universities, about a quarter is attending a STEM (Science, Technology, Engineering and Mathematics) program. Looking at the latest OECD statistics, it becomes clear that Austria doesn't lack engineers (around a quarter of graduates vs. around 20 % in the OECD-average), but scientists, mathematicians or computer science graduates are in comparison not as abundant.

Another piece of evidence suggesting Austria's superb tertiary education system is the long-standing tradition of bringing forward excellent researchers and scientists. When looking at the number of Nobel laureates by country, Austria ranks in 10th place out of the 75 countries, which have so far been able to bring forward Nobel Prize winners.

When looking at the “2018 Global Innovation Index” (an index aiming at capturing the multi-dimensional facets of innovation; co-published by Cornell University, INSEAD, and the World Intellectual Property Organization), Austria finds itself in 21th place (126 countries were evaluated). In the European Union's “Digital Economy & Society Index” (DESI), Austria obtained 11th place in 2018 (compared to 13th place in 2015). The country did relatively well in the categories “Human Capital” and “Digital Public Services”.

Research & Development (R&D) is also an integral part of Austria's economy in order to stay competitive in a globalized world. Given the size of the Austrian economy, it cannot compete in nominal terms with R&D powerhouses like the United States or Korea. But in relative terms, the situation is as following: According to most recent OECD statistics, Austria is spending about 3.1 % of its GDP on R&D and employs approximately 10 researchers per 1000 employees, ranking it amongst the top 10 R&D countries.



Austria: Open to the World

With exports amounting to approximately EUR 149 billion and imports amounting to EUR 156 billion in 2017, it is fairly evident that Austria is a highly-active trading nation.

Given its location at the center of Europe and its membership within the European Union, Austria exports approximately 80 % of its trade within the European borders. Asia ranks second, accounting for approximately 9 % of exports. North America is ranked third, receiving about 8 % of Austria's exports.

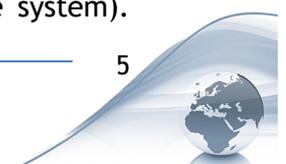
Austria: Lucrative FDI Opportunity

As previously stated, Austria offers foreign companies and investors top-notch knowledge and quality, well-educated workers, high-value technology, up-to-date infrastructure as well as proximity to the CEE region. In addition, political and social stability are high, and at the same time, investors can expect legal certainty, which is crucial to their business. In terms of foreign direct investments (FDI), Austria has become one of the TOP investors in the CEE countries. In Slovenia, Croatia, Bosnia and Herzegovina, Austria is the TOP investor; in Serbia, Romania, Bulgaria, Macedonia and the Slovak as well as the Czech Republic, Austria comes in second; Austria is third in Belarus and Hungary; fourth in Ukraine and Turkey, and number five in Kosovo.

Austria: High Quality of Life, a Well-Functioning Social System and Social Peace

Several international studies, rankings and comparisons repeatedly stress the high living standards and the high quality of life in Austria. Reasons being, among other things, excellent health and environmental standards, easy access to health services, sustainable environmental policies, a high degree of renewable energy sources (in energy production or consumption), low pollution, a strong focus on environmental technologies, the availability and quality of public transport, high employment, low income inequality, a comprehensive system of social security and a low crime rate, just to name a few factors. These factors also contribute to the fact that Austria is one of the favorite tourist and congress destinations in the world, both in summer and winter times.

The Austrian welfare system embraces both the insurance principle (all employed persons and most of their dependents receive an income when absent from work due to illness, accident, maternity, unemployment or retirement) and transfer payments (transfers for those citizens whose status or situation is not covered by the social insurance system).



Employer and employee contributions jointly finance this system. Austria has received international praise for its reforms towards a more sustainable social security and pension system, and further reforms are still on the way. The compulsory medical insurance ensures that practically the entire population has access to excellent and nation-wide medical care.

Austria: The “Social Partnership” as a Particular and Unique Strength

The “Austrian Socio-Economic Model” is characterized by the well-functioning coexistence of a market economy with a high degree of social peace. Free market economics are blended with solidarity, tolerance and social compromise. This combination forms the sustainable and reliable basis of Austria’s internationally revered social peace. The “Social Partnership” - a unique Austrian Trademark, is one of the main reasons for this social (and labor) peace. The Austrian “Social Partnership”, a (voluntary) aggregation of efforts by representatives of the employer associations (Austrian Federal Economic Chamber and Austrian Agricultural Chamber) and employee associations (Chamber of Labor and the Austrian Federation of Trade Unions), has no formal legal basis. The social partnership is a traditional relationship built on trust and common understanding and goals. The resulting economic stability is reflected in high employment rates, moderate wage policies, extremely low strike statistics and an excellent dual education system.



THE AUSTRIAN FEDERAL ECONOMIC CHAMBER

The Austrian Federal Economic Chamber represents the interests of Austrian member companies. As the voice of businesses, the Chamber is committed to forward-looking policies, which benefit the economy, e.g. tax relief, cutting red tape, subsidies and many more. The Chamber boosts the economy through a wide range of comprehensive services, expert advice on foreign markets or trade opportunities, topics from labor laws to customs information and much more. The Austrian Federal Economic Chamber supports Austrian businesses with its expert knowledge, e.g. through its educational facilities and thus contributes to improving the competitive ability of Austrian businesses. As part of the strategic business goal “representation of interests”, the Chamber is committed to constantly optimizing the framework for companies and making sure that it conforms to changes in the political and economic setting. The key achievements of the Austrian Federal Economic Chamber can be found here (in German language): www.wko.at/erfolge

FUTURE | BUSINESS - Business Location Austria 2015 - 2020

“FUTURE | BUSINESS - Business Location Austria 2015 - 2020” is the Chamber’s Economic Policy Agenda for the years to come, identifying policy measures to increase business location attractiveness and competitiveness. The Austrian Federal Economic Chamber regularly urges the government to do more for businesses, which are the backbone of the Austrian economy. It can be found here (in German language): www.wko.at/zukunftswirtschaft

Austrian Business Survey

The “Austrian Business Survey” (*Wirtschaftsbarometer Austria*) is a survey carried out twice a year among the Austrian Federal Economic Chamber’s members on the economic climate in Austria, companies’ expectations and economic policy issues. The Austrian Economic Survey is a critical instrument for the Austrian Federal Economic Chamber’s policy setting activities. The results can be found here (in German language): www.wirtschaftsbarometer.at

The Monitoring Report

The Monitoring Report analyses the strengths and weaknesses of Austria as a business location, using information from a variety of international rankings and indicators. The report shows Austria’s position and development in an international comparison and over time. The results of the latest Monitoring Report can be found here (in German language): www.wko.at/monitoringreport

