

THIS IS AUSTRIA

Facts & Figures

November 2016

Austrian Federal Economic Chamber
Economic Policy Department
wp@wko.at

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 lies in Southern Central Europe, covering parts of the Eastern Alps as well as the Danube region. The sovereign territory of Austria amounts to a total area of 83,871 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 crossroads for 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 2016, Austria featured 8.7 million inhabitants, equivalent to a population density of just above 100 inhabitants per km². Vienna is the nation's capital and home to a population of around 1.84 million people.

Austria: THE International Hub in Europe

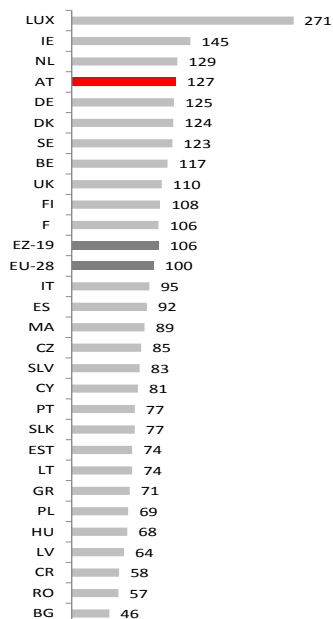
Given the country's history, geographical setting and neutrality (mandated by the constitution), Austria, and in particular Vienna, is still considered to be an integral part of global diplomacy. The nation's capital is home to over more than 40 international organizations, including one of the four 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 multilateral negotiations.

The country is not only home to numerous international organizations, but also more than 310 international businesses use Austria either as their international hub or as their regional headquarters. Aside from well-known Austrian firms, foreign companies, in particular banks and oil companies (traditionally these are firms 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 also offers daily connections to all important European and overseas hubs and countries).



Austria: An Economic Success Story in Europe



GDP per capita, in PPS

Source: Eurostat

Out of all EU member states, Austria has the fourth highest GDP per capita (in PPS, EU average = 100). 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 in Austria.

Highly productive industries and a dynamic service sector are the major forces driving the Austrian economy. Accounting for 70 % 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 % of total gross value added, and is therefore 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 significantly contributed to economic growth. Current estimates forecast economic growth to be somewhere between 1.5 % and 1.7 % in both 2016 and 2017.

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 also from the fact that they can operate in an extremely large 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 historic high of around 3.7 million persons - not accounting for the around 500,000 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. Labor force participation is currently at the very high rate of almost 78 % (EU-28 average is 75.5%) and part-time employment continues to evolve (around 28 % of total employment).

Austria is also among the top-performers in Europe with respect to the unemployment rate and youth unemployment. Unemployment is currently around 6 % (vs. Eurozone average of just above 10 %).

Unemployment rates in Europe

Germany	UK	Austria	Sweden	Poland	Ireland	EU-28	France	EZ-19	Spain
4.6	5.3	5.7	7.4	7.5	9.4	9.4	10.4	10.9	22.1

Source: Eurostat

Likewise, youth unemployment is amongst the lowest in Europe (10.6 % in Austria vs. 20.4 % EU-28 average or 22.4 % Eurozone average).

Austria: A European Role Model with Respect to Dual Education

The dual education system in Austria serves as a best practice model for Europe. Austrian businesses employ and train around 110,000 apprentices per year and prepare them to become valuable high-skilled workers. The Austrian dual education system is considered to be a “best practice” model in Europe and has been rightfully copied by many other EU member states. Austria’s performance in competitions such as the “EuroSkills 2014” or the “WorldSkills 2015” illustrate the strength of such a system. Austria was ranked as the best



country at the “EuroSkills 2014” competition, and it was the sixth best country (and best performing European country) at the “WorldSkills 2015”.

Austria: Quality is Important in Education and Innovation

Austrian universities attract a high number of both domestic and international students. 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 380,000 students currently enrolled at Austrian universities, about a quarter is attending a STEM (Science, Technology, Engineering and Mathematics) program. Looking at OECD statistics for 2015, it becomes clear that Austria doesn't lack engineers (26% of graduates vs. 18% in the OECD-average), but scientists, mathematicians or computer science graduates are in comparison not as abundant (6 % vs 11 %).

When looking at the 2016 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 20th place (128 countries were evaluated). In the European Union's Digital Economy & Society Index (DESI), Austria was able to increase its ranking to 12th place in 2016 (up from 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 good: According to most recent OECD statistics, Austria is spending about 3% 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 EUR 131.5 billion and imports amounting to EUR 133.5 billion in 2015, it is fairly evident that Austria is a highly-active trading partner given its GDP of approximately EUR 340 billion. Exports of goods therefore accounted for about 39% of GDP in the year 2015.



Given its location at the center of Europe and its membership within the European Union, Austria exports approximately 80% of its trade within European borders. Asia ranks second, accounting for approximately 13% of Austria's imports and 10% of exports. North America is ranked third, receiving about 8% of Austria's exports and making up about 4% of Austria's imports.

Austrian exports (in billion EUR)

North America	Asia	Germany	Italy	France	Remaining EU
10.52	13.15	38.08	8.24	6.27	35.60

Source: Austrian Federal Economic Chamber

Austria: Promising FDI Opportunity

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, the nation is characterized by an excellent energy-security situation, as well as political and social stability, and at the same time investors can expect the legal certainty 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 and Serbia, Austria is still the TOP investor; in Romania, Bulgaria, Macedonia and the Slovak Republic, Austria comes in second; third place is achieved in the Czech Republic and Albania; dropping to number four in Hungary, and number five in Ukraine. Merely in Poland (10th place) and Russia (11th place), Austria is not amongst the TOP-5 investors.

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, the high health and environmental standards, the easy access to health services, sustainable environmental policies, a high degree of renewable energy sources, 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 facts. This also makes Austria one of the favorite tourist and congress destinations in the world, both in summer and winter.



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 the business sector. As the voice of Austrian companies, the Chamber is committed to forward-looking policies, improve the framework conditions for entrepreneurship, e.g. tax relief, cutting red tape, subsidies and many more. The Austrian Federal Economic 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 expert knowledge, e.g. with educational facilities and thus contributes to improving the competitive ability of Austrian businesses. As part of the strategic business goal “representation of interests”, the Austrian Federal Economic Chamber is committed to contributing to better the framework conditions 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 (only available in German): 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 (only available in German): www.wko.at/zukunftwirtschaft

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 (only available in German): 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 latest Monitoring Report can be found here: www.wko.at/monitoringreport

