

## Facts on Austria and Its Banks

### I) Austrian Banks in Central, Eastern and Southeastern Europe – A Long-Term Commitment

#### **CESEE<sup>1</sup> is a long-term growth market for bank services**

Though the countries of Central, Eastern and Southeastern Europe (CESEE) are facing huge challenges in the short and medium term, they still represent an important growth market for the banks active in the region. The degree of financial development in CESEE is far lower than that seen in Western industrialized countries; for instance, the credit-to-GDP ratio, one measure of financial intermediation, is some 60% even in the EU Member States of the region (Romania, Poland, Slovakia, Czech Republic), while reaching some 110% in Austria. Therefore, Austrian banks view the CESEE countries as a highly prospective region where they pursue a strategy of long-term commitment.

#### **CESEE has witnessed different developments and cannot be regarded as a homogeneous region**

Economic conditions vary considerably across CESEE. The individual countries have followed very heterogeneous growth paths for the past 20 years. Economic catching-up went hand in hand with the creation of imbalances in some – but by far not all – countries. Many CESEE countries boast relatively low government debt ratios, for instance. Current account deficit and GDP growth figures have varied greatly during the current downswing: some countries are predicted to see a return to positive GDP growth rates as early as in 2010. For these reasons, differentiation is vital when analyzing and assessing developments in CESEE.

#### **CESEE is the region with the best long-term growth prospects in Europe**

Many CESEE countries have gone through a remarkable economic catching-up process over the past two years, but their macroeconomic indicators have not yet reached the levels seen in most of the EU-15 countries. These differentials imply a great potential for above-average growth, not only for CESEE but also for the countries with which the region maintains close relations. Thanks to its geographical proximity and its traditionally strong ties with the region, Austria and its economy (including the banking sector) are in an excellent position to benefit particularly from this growth process. Therefore, it has been a natural choice for Austria and its banks to invest in and support the region.

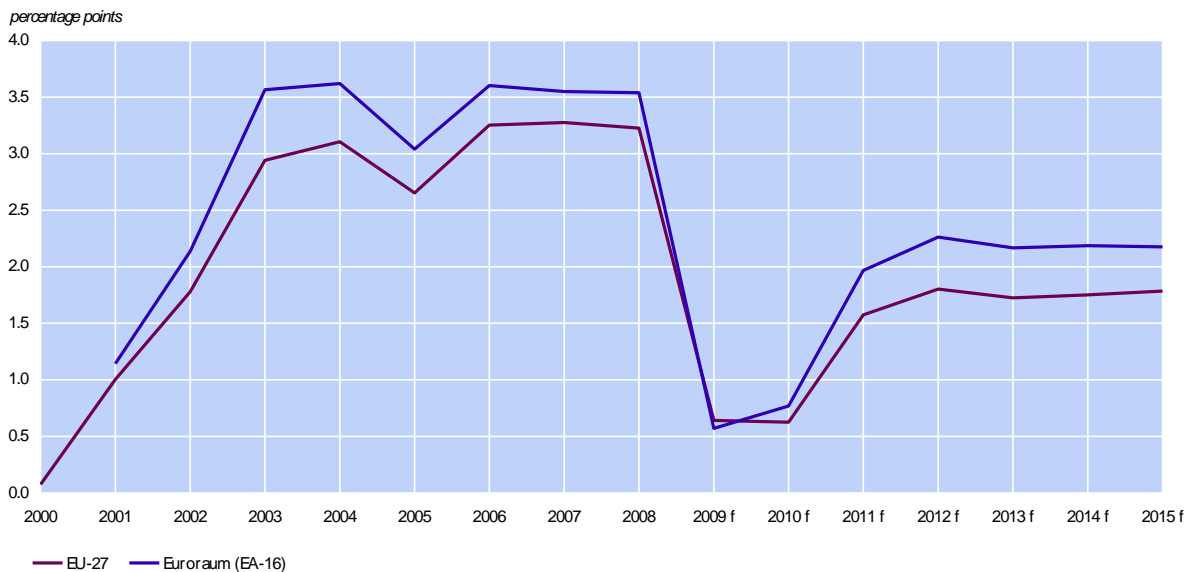
Economic convergence came to an abrupt halt in 2009, when the global financial crisis hit many CESEE countries particularly hard. Following a contraction of -3.5% in 2009, the non-euro area EU Member States in CESEE are estimated to recover to 1.3% real GDP growth in 2010 and to 3.0% growth in 2011 (OeNB forecast). Given the more subdued growth outlook

<sup>1</sup> In this document, “CESEE” refers to Central, Eastern and Southeastern European countries – specifically to the countries of this region that joined the EU in 2004 and 2007, to other Southeastern European countries outside the EU, and to the members of the Commonwealth of Independent States (CIS).

for the euro area (ranging between +0.4% and +1.2% for 2010 and between +1½% and +2½% for 2011 according to the spring 2010 forecast of ESCB experts), the catching-up process is thus projected to resume from 2010 onwards. This outlook matches IMF estimates that the CESEE EU Member States will restore their growth edge over the other EU countries from 2010 onwards (IMF World Economic Outlook of spring 2010). However, the projections also suggest that the pace of convergence might remain lower over the medium to longer term than in the boom years 2003-2008.

Chart 1

**Growth differential of CEE EU Member States vis-à-vis the EU-27 and the euro area (EA-16)**



*Note: Based on the IMF's World Economic Outlook of spring 2010. Slovakia and Slovenia are included in the CEE EU Member States aggregate.  
Source: OeNB, IMF.*

**Austrian banks' exposure to CESEE is significant, but diversified and largely locally financed**

Austrian banks' claims on CESEE countries amounted to EUR 204 billion as at end of December 2009. 71% of this exposure are claims on EU Member States and, in the case of Slovenia and Slovakia, on euro area countries. The Czech Republic, one of the region's EU Member States, accounts for the largest share (EUR 42.6 billion) of Austrian banks' total CESEE exposure. Furthermore, the lion's share – about 91% – of these loans are funded by local deposits.

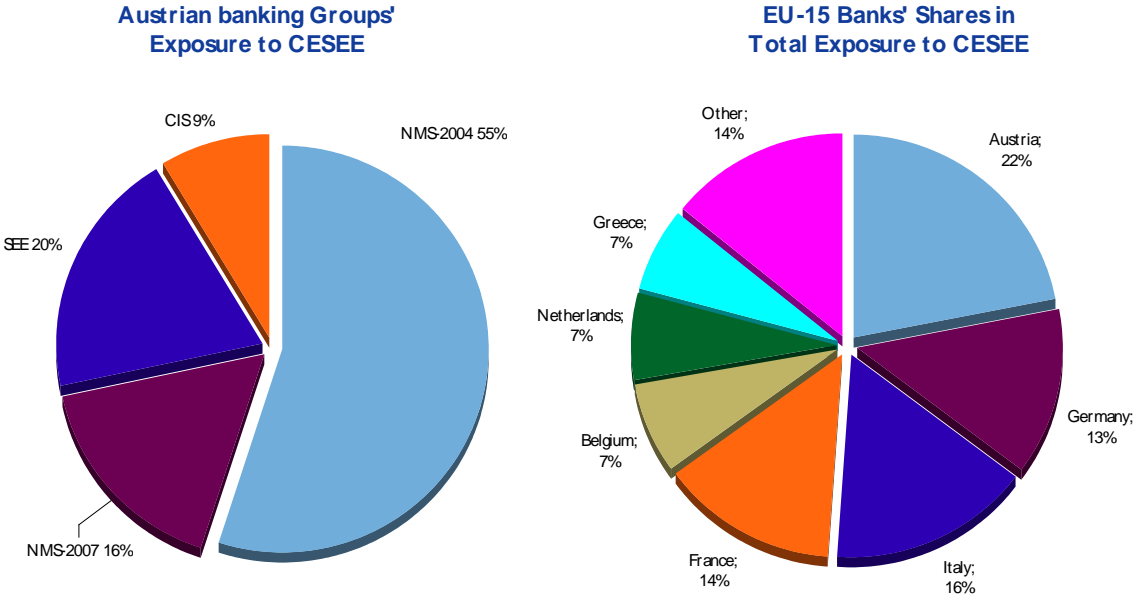
Since Austrian banks' exposure to the region is regionally well diversified, in fact better than that of most banks from other countries, the overall risk is also more diversified. Austrian banks operate 68 subsidiaries in 19 different CESEE-countries. The IMF, too, has confirmed that of all foreign banks active in CESEE, Austrian banks boast the most diversified loan portfolio across the region.

Austria's strong focus on the European growth markets resulted in domestic banks' having built up less exposure to Western markets, which have been hit severely by the current crisis. For instance, Austrian banks' claims on Ireland, Spain and Portugal total only EUR 5.9 billion (1.6% of Austrian banks' foreign claims), EUR 6.1 billion (1.6%) and 1.9 Mrd EUR (0.5%) respectively. Furthermore, Austrian banks are only marginally exposed to Greece (3.23 billion or 0.9% of Austrian banks' foreign claims).

Hence, Austrian banks are hardly exposed to toxic assets. Structured credit products accounted for no more than some 1% of Austrian banks' total assets.

In addition, robust deposit growth rates posted both by the Austrian parent institutions and their CESEE subsidiaries do not only reflect customers' confidence but also facilitate refinancing.

Chart 2



Source: CeNB, BIS, provisional data per 2009Q04.

Table 1

## Austrian banks' consolidated foreign claims (immediate borrower basis) vis-à-vis...

As at December 31, 2009

	EUR billion
<b>CESEE</b>	<b>204.22</b>
<b>Euro area</b>	<b>33.37</b>
Slovenia	11.61
Slovakia	21.76
<b>Other EU Member States</b>	<b>112.86</b>
Bulgaria	4.32
Estonia	0.11
Latvia	0.47
Lithuania	0.18
Poland	9.91
Romania	29.38
Czech Republic	42.62
Hungary	25.87
<b>Other countries</b>	<b>57.99</b>
Albania	1.74
Armenia	0.01
Azerbaijan	0.04
Bosnia and Herzegovina	5.11
Belarus	1.25
Georgia	0.00
Croatia	25.93
Kyrgyzstan	0.00
Kazakhstan	0.25
Moldova	0.22
Montenegro	0.75
Macedonia	0.23
Serbia	6.03
Russia	9.47
Tajikistan	confidential
Turkmenistan	confidential
Turkey	0.62
Ukraine	6.34
Uzbekistan	0.00

Source: OeNB

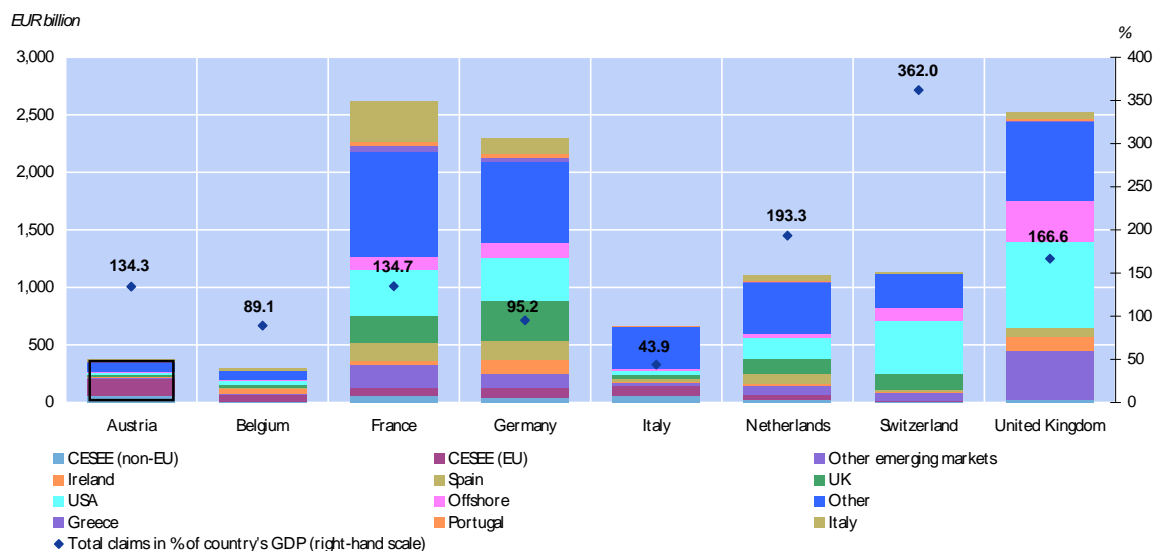
## Austrian banks' total international exposure is relatively small

Austrian banks' total international exposure (claims) amounted to EUR 372 billion or 134% of the Austrian GDP as at December 2009.<sup>2</sup> By comparison, the French banking sector's external claims were about the same (135% of the national GDP) and those of Dutch banks (193% of GDP) were about one-and-a-half times as high. The international exposure of Swiss banks equaled even 362% of the Swiss GDP.

As mentioned above, Austrian banks have strongly focused their activities on CESEE countries while, in contrast to German, French or Dutch banks, they are only marginally exposed to markets that are currently facing difficult conditions, like Ireland, Spain, the U.K., Greece or Portugal.

Chart 3

### Consolidated foreign claims of selected countries (immediate borrower basis)



Source: BIS, EUROSTAT,  
2009Q04 (provisional data)

Note: "Other" denotes other developed European countries, AU, CA, JP, NZ and international organizations.

<sup>2</sup> Source: BIS; provisional data

### **Operating earnings from CESEE business strengthen Austrian banking groups' profitability**

At the reporting date of December 31, 2009, Austrian banks' subsidiaries in CESEE posted operating profits (before risk provisions) of EUR 7.00 billion. In absolute terms, interest income followed by commission income remained the key components of operating profits. So an important buffer is provided should the need for value adjustments arise.

### **Subsidiaries' money market dependence is small**

Thanks to a broad basis of local deposits, refinancing through parent banks and the resulting small dependence on the money market, the subsidiaries' exposure to liquidity risk from maturity transformation is limited.

### **CESEE portfolio largely involves traditional banking risks**

Austrian banks in CESEE pursue the traditional originate-and-hold business model, which implies that the risks they are exposed to are basically only the typical banking risks. Accordingly, the CESEE subsidiaries' net interest income accounts for some 65% and fee-based income for another 22% of their total operating income

Credit risk, i.e. the risk that a debtor may not pay or may become insolvent, is these banks' most significant risk factor by far. Value adjustments on loans came to EUR 8.9 billion as at December 2009. A large part of these loans was issued to Austrian or other foreign firms and can therefore be considered less risky or prone to default.

### **Austrian banks live up to their responsibility towards the region and support their subsidiaries**

As the financial market turmoil unfolded, Austrian banks took their commitment to the region seriously and supported their subsidiaries in line with their long-term strategy. In other words, not only did Austrian banks stabilise their subsidiaries in a critical period of time, but they also contributed to the stabilisation of the region – the so called “Vienna Initiative”. Parent banks continued to provide liquidity to their subsidiaries especially at the height of the crisis, which increased their share in the interbank liabilities of the subsidiaries by about 13 percentage points to 79% (Q4 2009).

### **Austrian banks reported profits also in the crisis years 2008 and 2009 and have capital buffers far above the regulatory requirements**

Despite the crisis and the risk provisions and value adjustments it entailed, the consolidated profits of all Austrian banks reached EUR 0.6 billion in 2008. This is of course a sharp decline compared with the record results of 2007 but must also be put into perspective of the losses suffered by many large foreign banks. 2009, Austrian banks improved their consolidated profits to EUR 1.5 billion.

At some 9.3%, Austrian banks average tier 1 ratio is more than twice as high as the regulatory minimum requirement.

Table 2

## Aggregated profit and loss account

	2004	2005	2006	2007	2008	2009
	EUR billion					
Net interest income	12.5	13.2	14.9	18.0	19.3	19.5
Fee and commission income	4.7	5.6	6.8	8.2	8.5	7.2
Trading income	1.0	1.1	1.2	0.9	-2.1	2.6
Operating profit	6.8	7.8	9.2	11.1	7.9	15.6
Net profit	3.4	4.6	7.5	6.8	0.6	1.5

Source: OeNB

Note: A structural break in consolidated reporting occurred in 2008.

Table 3

## Capital ratios on a consolidated basis

	2004	2005	2006	2007	2008	2009
	% of risk-weighted assets					
Solvency ratio	11.8	11.3	11.3	11.6	11.0	12.8
Tier 1 ratio	7.9	7.7	7.8	8.1	7.7	9.3

Source: OeNB

### Austrian banks' profitability has stabilized

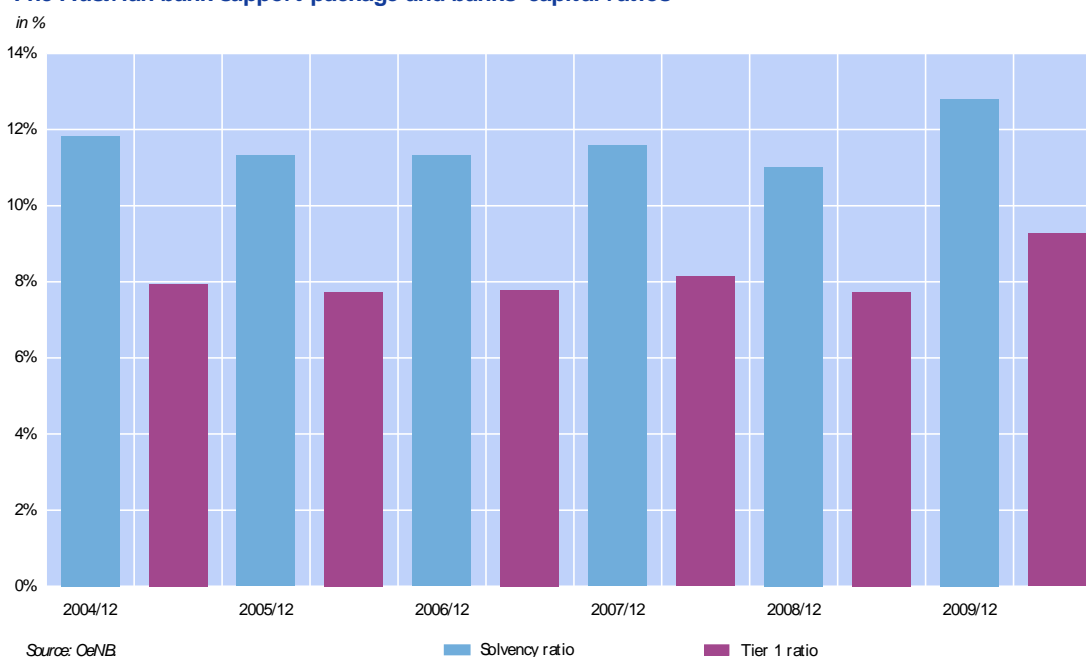
Austrian banks' (unconsolidated) operating profits rose by around 2% in 2009 compared to 2007. A comparison with 2008 figures has limited informational value, as a one-off development relating to banks' participating interests had a significant impact on profits that year. Excluding this period from the analysis of the time series, however, banks' operating business continued to post increases.

### National support package put Austrian banks in good position

By adopting a bank support package worth EUR 100 billion, Austria has responded swiftly to the financial crisis, thereby ensuring stability in the domestic financial sector. Apparently, the measures helped prevent depositors from losing confidence and enabled the government to strengthen some banks' capital base (by providing participation capital). The bank package is designed to benefit banking groups as a whole, which means that Austrian parent banks may use the funds to provide further support to their subsidiaries in CESEE.

The majority of Austrian large banks expect their nonperforming loans ratios and loan loss provisions in CESEE to rise in 2009 and 2010. These increases have been factored into the bank package, i.e. it covers writedowns in the amount of the forecasts.

### The Austrian bank support package and banks' capital ratios



### IMF and EU aid contributes to stabilization in CESEE

The massive increase (tripling) in IMF aid funds to EUR 750 billion agreed at the G20 summit in May 2009 and the support measures adopted for, among others, Hungary, Ukraine, Romania, Serbia, Bosnia and Herzegovina as well as Poland have a strengthening and stabilizing effect on these economies and, as a result, considerably reduce the risk of Austrian banks active in the region.

A further contribution to stabilization came from the EU, which doubled its balance of payments assistance to EUR 50 billion and pledged, for instance, EUR 6.5 billion in such funds to Hungary in November 2008. In addition, other international financial organizations such as the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) have taken measures to directly support and strengthen the financial sector in CESEE.

## II) Austrian Economy Healthy and Resistant to Shock

### Austria boasts higher growth and wealth than the euro area average

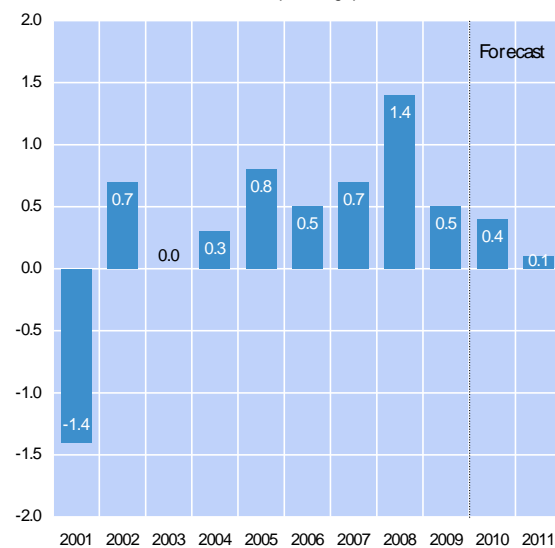
For the past five years, Austria has recorded a growth edge between 0.5 and 1.4 percentage point per year (at times the differential was even higher) over the euro area average. Given projections that domestic real GDP growth will recover to 1.2% in 2010 and to 1.6% in 2011 (OeNB December 2009 forecast), this trend is likely to continue. In 2008, the domestic level of wealth, moreover, exceeded the euro area average by 14.0% (in terms of per-capita GDP at purchasing power standards).

Chart 5

#### Growth differential between Austria and the Euro Area

##### Real GDP<sup>1)</sup>

Growth differential Austria vs. Euro area in percentage points

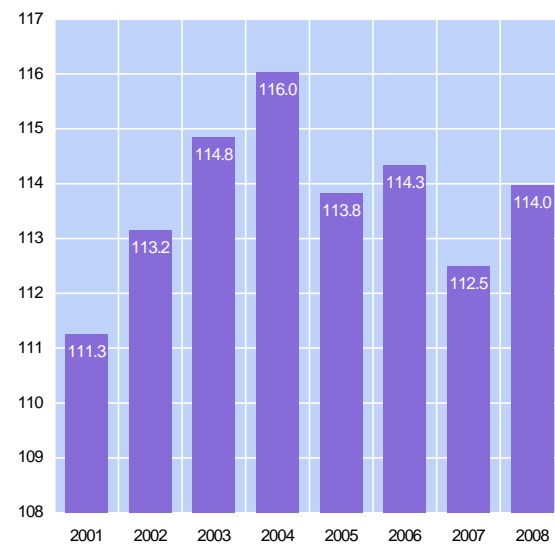


Source: Eurostat, OeNB, EU-Commission.

1) Data for 2010 and 2011: EU-Commission Forecast Spring 2010.

##### GDP per capita at purchasing power standards

Euro area = 100

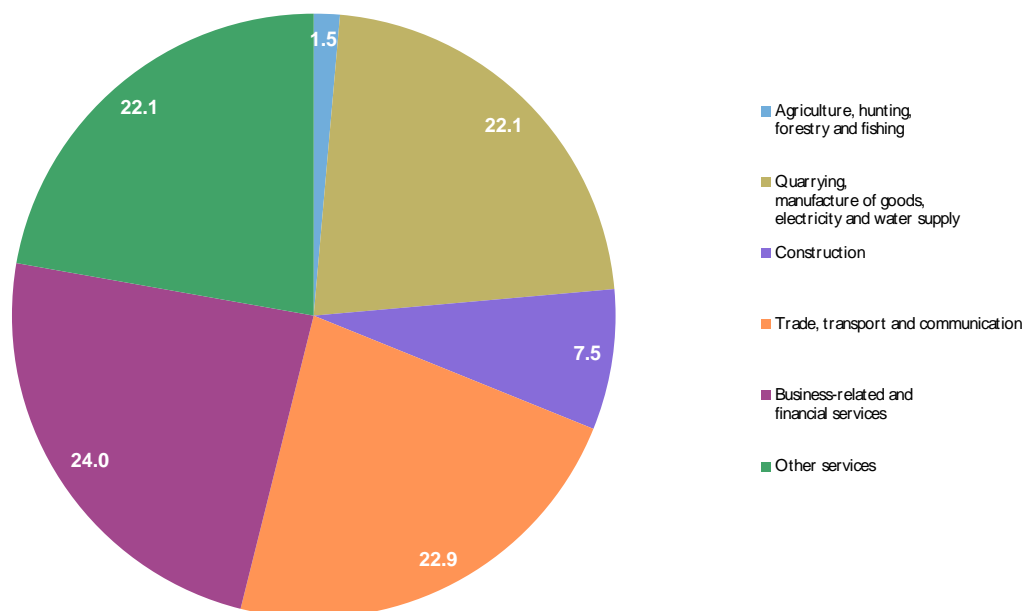


### Sectoral structure of the Austrian economy well balanced

The Austrian economy is characterized by a well-balanced sectoral structure and is therefore in a good position to master crises that hit individual sectors particularly badly. Manufacturing, business-related services including financial services, and trade, transport and communication account for about a quarter and other services for around one-fifth of gross value added. Since Austria has not experienced a real estate bubble, construction has a share of only 7.5%. Manufacturing is additionally broadly diversified in terms of industries.

### Breakdown of Austrian gross value added - 2009

in %



Source: Statistics Austria.

### Current account surpluses confirm Austria's international competitiveness

After posting current account deficits up until 2001, Austria has logged surpluses every year since 2002. In 2009 (2008), the current account surplus was 2.3% (3.3%). The current account balance of the euro area as a whole, by contrast, was slightly negative in 2008 (-0.9%) and in 2009 (-0.6% of GDP).

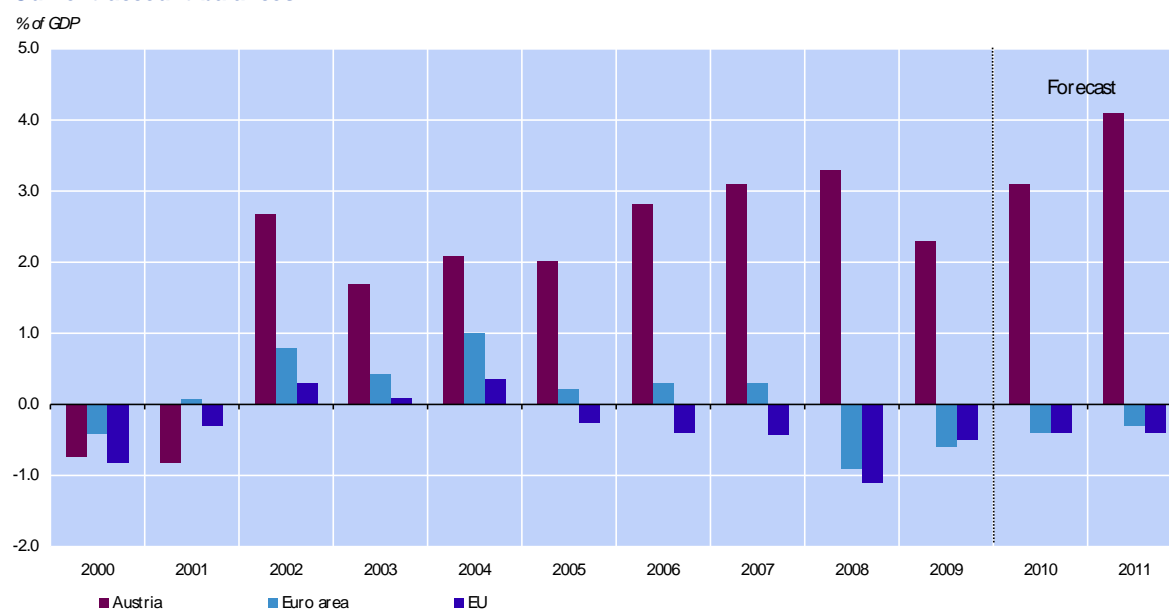
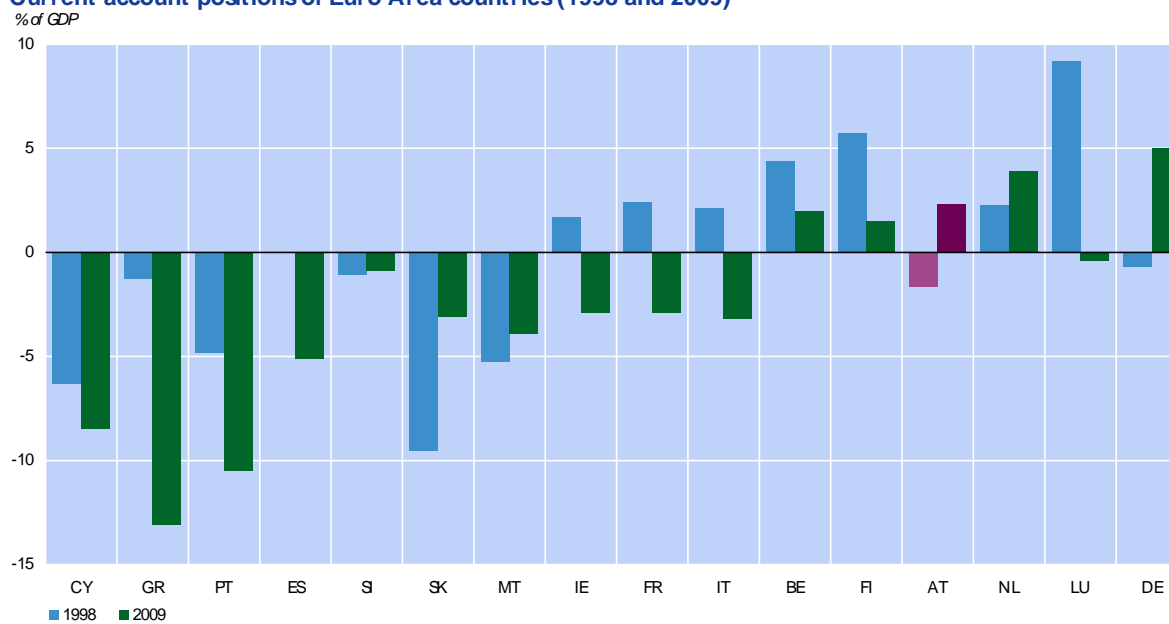
Table 4

### Comparison of current account balances<sup>1)</sup>

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	% of GDP										
Austria	-0.8	2.7	1.7	2.1	2.0	2.8	3.1	3.3	2.3	3.1	4.1
Euro area	0.1	0.8	0.4	1.0	0.2	0.3	0.3	-0.9	-0.6	-0.4	-0.3

Source: Eurostat, OeNB, EU-Commission.

1) Data for Austria: OeNB; Austria and EA 2010 and 2011: EU-Commission Forecast Spring 2010.

Current account balances<sup>1)</sup>Current account positions of Euro Area countries (1998 and 2009)<sup>1)</sup>

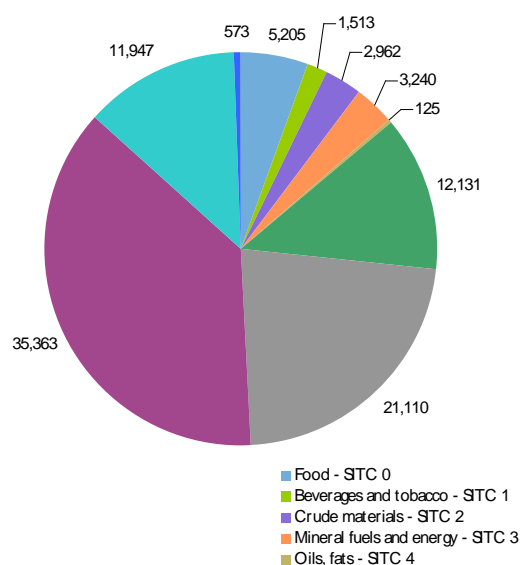
## Austria's external trade is regionally diversified and mostly not exposed to foreign exchange risk

In 2009, 71.1% of Austria's goods exports went to EU Member States. The EU-15 used to be the main target region of Austrian exports, but there has been a shift towards the Member States that joined in 2004 and 2007 for the past couple of years. While the share of the EU-15 in Austrian exports has decreased by 10 percentage points to 54.5% since Austria's EU entry in 1995, the 12 younger EU Member States' share increased from 11.3% to 16.6% in 2009. Also, the bulk of imports and exports is denominated in euro and hence not exposed to foreign exchange risk. Finally, Austria's foreign trade is highly diversified also in terms of goods groups.

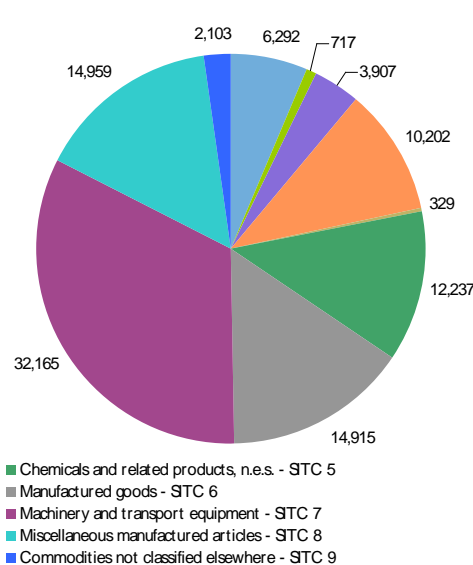
Chart 9

### Austria's foreign trade in goods - 2009

**Total exports**  
EUR million



**Total imports**  
EUR million



Source: Statistics Austria.

## Austria Is an International Net Lender

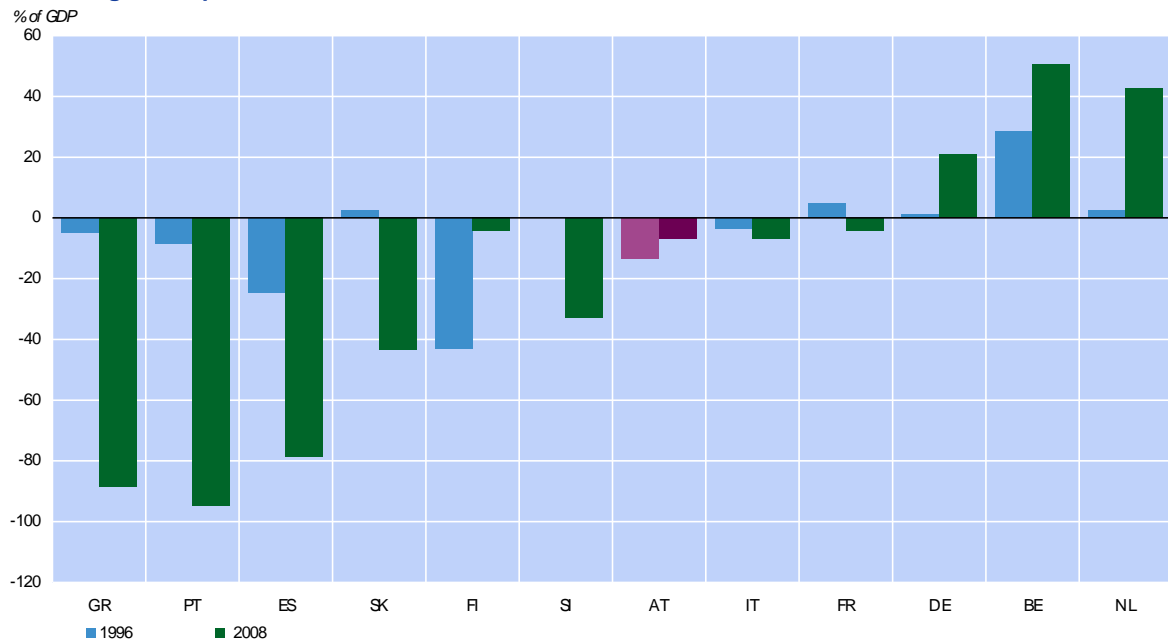
Thanks to its sustained current account surplus, Austria has become an international net lender in international capital markets and is not dependent on other countries for finance.

Net capital exports totaled EUR 4 billion in 2009, which helped reduce Austria's net foreign debt even further. Despite the global crisis, Austrian foreign direct investment (i.e. purchasing or setting up companies abroad) amounted to EUR 3 billion.

## Austria's International Investment Position Is Sound and Improving Further

The net capital exports of recent years resulting from Austria's current account surplus have improved its net international investment position, which has traditionally shown a deficit; in 2009, Austria's net debtor position amounted to EUR 27 billion or 10% of GDP (down from EUR 38 billion or 13% of GDP one year earlier) and was hence some 6 percentage points smaller than that of the euro area (16% of GDP).

**Net foreign asset positions of euro area countries - 1996 and 2008**

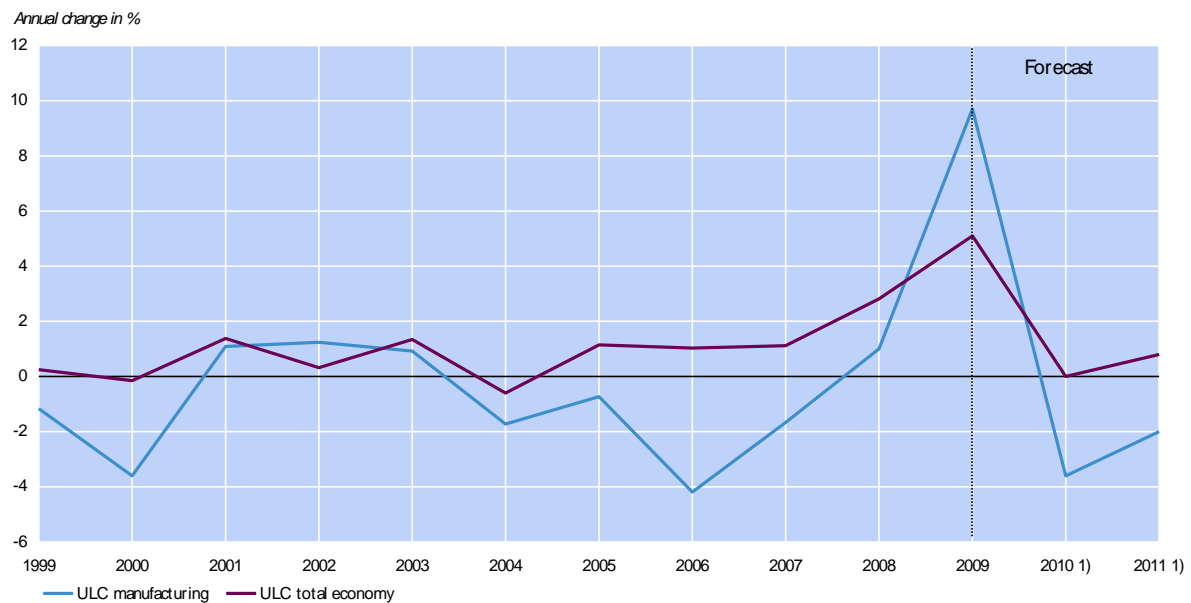


Source: European Commission.

**Moderate unit labor cost growth sustains competitiveness**

Owing to restrained wage settlements and increases in productivity, unit labor cost growth has been quite subdued over the past few years. A euro area-wide comparison carried out by the European Commission shows that nominal unit labor costs in Austria rose by an annual average 1.2% from 1999 to 2009, which marks the lowest value in the euro area after Germany. At the same time, Austria's international competitiveness improved considerably; this has also been a major factor in achieving sustained positive current account balances.

**Unit Labor Cost Growth in Austria**

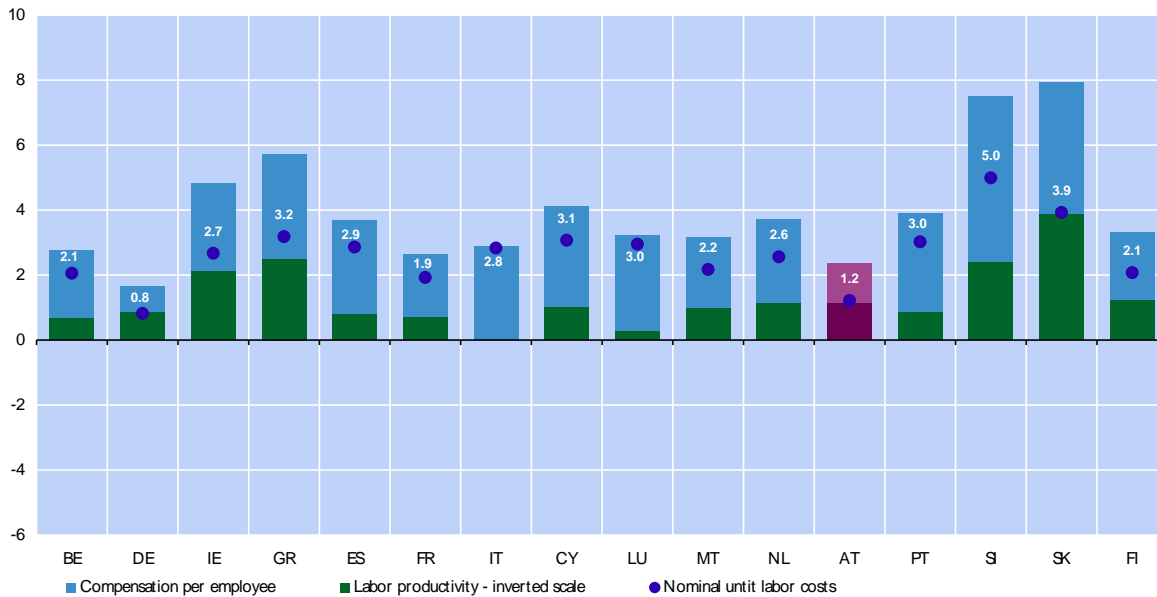


Source: WIFO.

1) WIFO forecast of March 2010.

**Compensation per employee, labor productivity and nominal unit labor costs 1999 to 2009**

Average annual changes in %



Source: European Commission, OeNB

## Low unemployment, high social stability

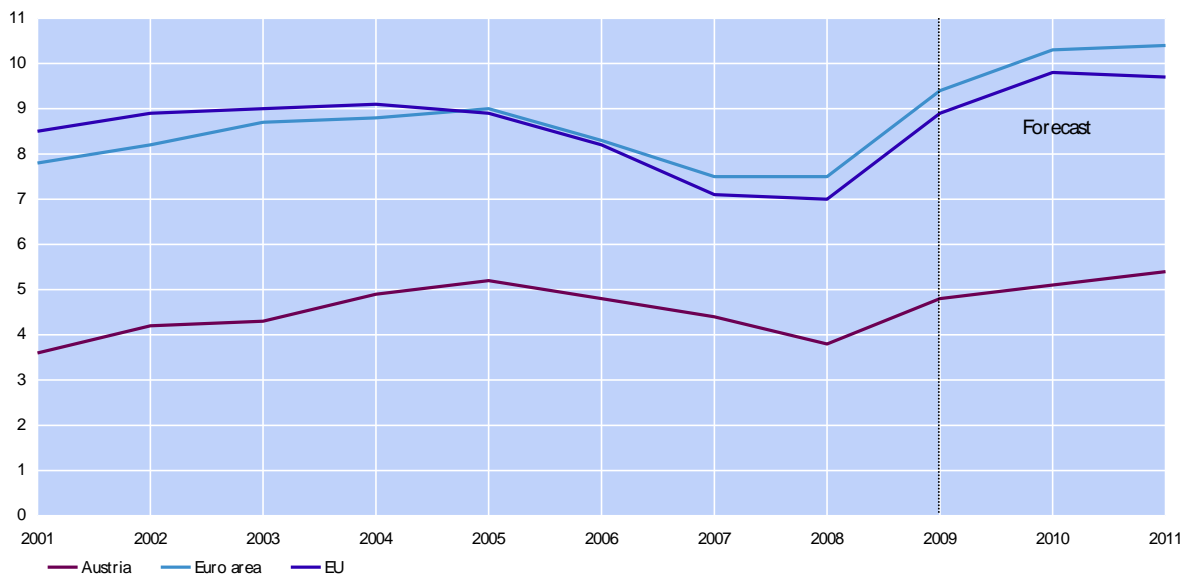
Austria boasts an unemployment rate that is the second lowest in the EU and 4.6 percentage points below the euro area average. The present economic downturn will undoubtedly lead to a growing number of people losing their jobs. However, since this year the jobless rate is rising more sharply in the euro area as a whole, the gap between the euro area average and the Austrian unemployment rate will continue to widen. Austria is also among the top-ranking countries as regards social stability (measured by, for instance, the frequency of strikes).

## Unemployment rate in Austria second lowest in EU

Chart 13

### Unemployment rates<sup>1)</sup>

% of labor force



Source: Eurostat, EU-Commission.

1) Data for 2010 and 2011: EU-Commission Forecast Spring 2010.

## Government debt at 66.5% low by international standards

From 2001 to 2007, Austria reduced its government debt by almost 8 percentage points to below 60% (2007: 59.5%). Not least due to the creation of reserves for the bank support package, the ratio came to 66.5% at end-2009. The relatively low government debt level makes it possible to increase government spending to counteract the recession and to fund stabilizing measures such as the bank support package.

## Government debt ratios<sup>1)</sup>

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
% of GDP											
Austria	67.1	66.5	65.5	64.8	63.9	62.2	59.5	62.6	66.5	70.2	72.9
Euro area	68.2	68.0	69.1	69.5	70.1	68.3	66.0	69.4	78.7	84.7	88.5

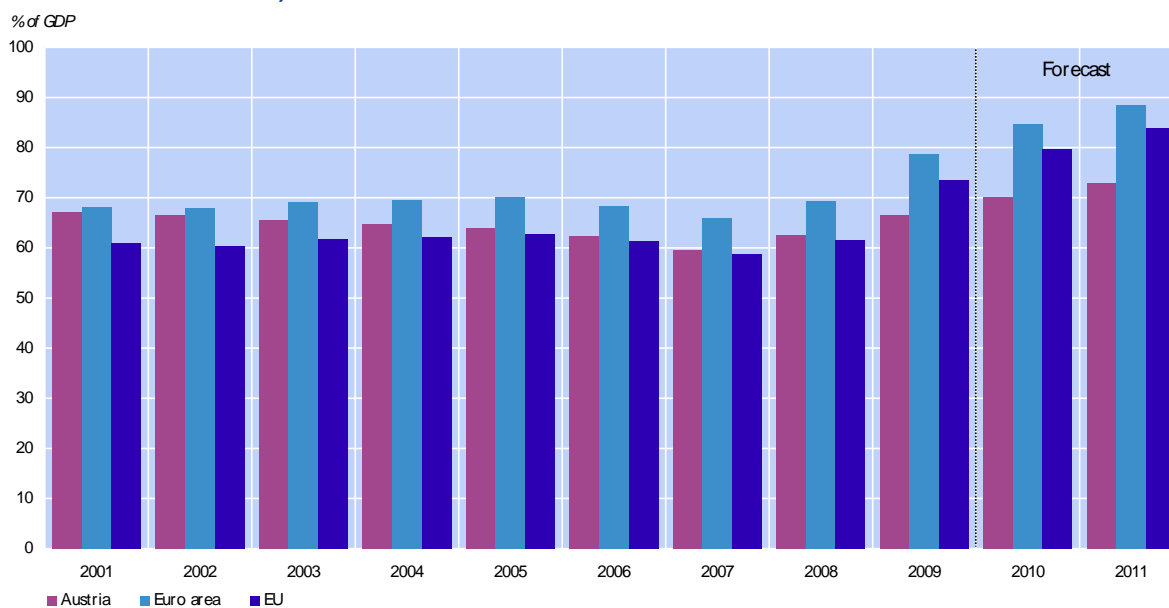
Source: Statistics Austria, Eurostat, European Commission.

1) Data for 2010 and 2011: Spring Forecast 2010, European Commission.

## Austria's government debt ratio lower than euro area average

Chart 14

### Government debt ratios<sup>1)</sup>

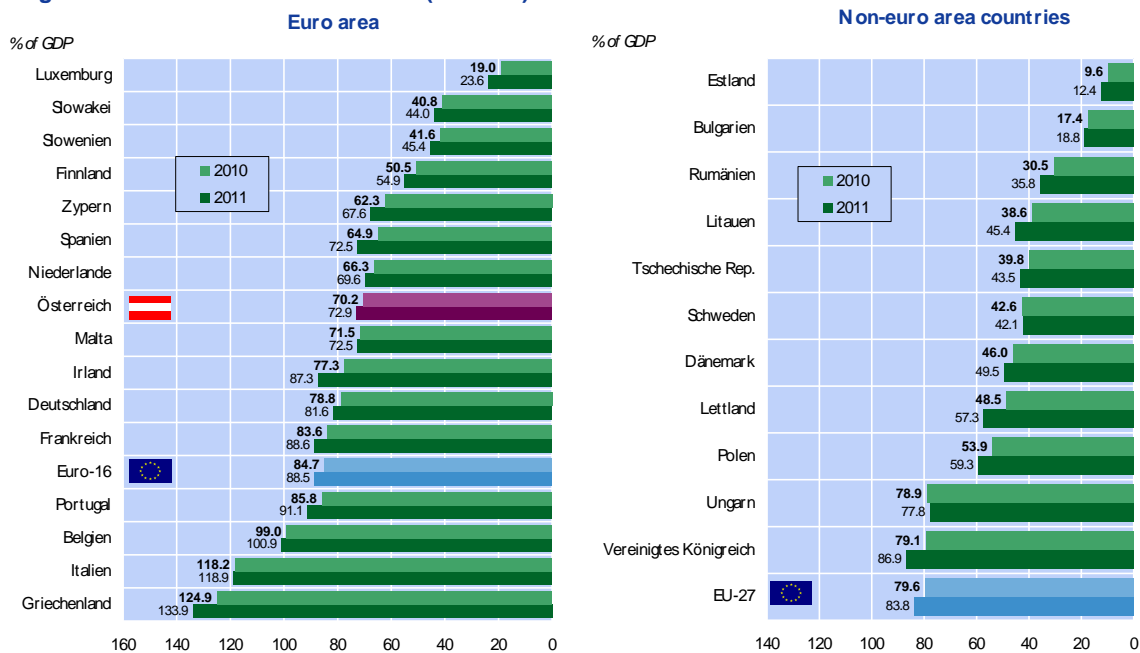


## Despite expansive fiscal policies Austrian government debt ratio set to remain below euro area and EU averages in 2010 and 2011

According to the European Commission's spring economic forecast of Mai 2010, Austria's government debt ratio will remain below the European average in 2010 and 2011. It is predicted to come to 73% in 2011, which would be 15.6 percentage points below the euro area average and more than 10 percentage points below the EU average. Germany, France, the U.K., Ireland and Belgium are expected to be among those with much higher debt ratios.

Chart 15

### EU government debt in 2010 and 2011 (forecast)



Source: Spring 2010 Economic Forecast, European Commission.

## Interest burden on government debt at 2007 level

The interest on government debt (as a percentage of GDP) had been on a constant decline until 2008 and in 2008 reached a level last seen in the early 1980s. In 2008, interest on government debt equaled 2.5% of GDP, down from 4% of GDP in 1995. In line with developments in other countries, in 2009, interest on government debt in Austria rose to a level last seen in 2007 (2.7% of GDP).

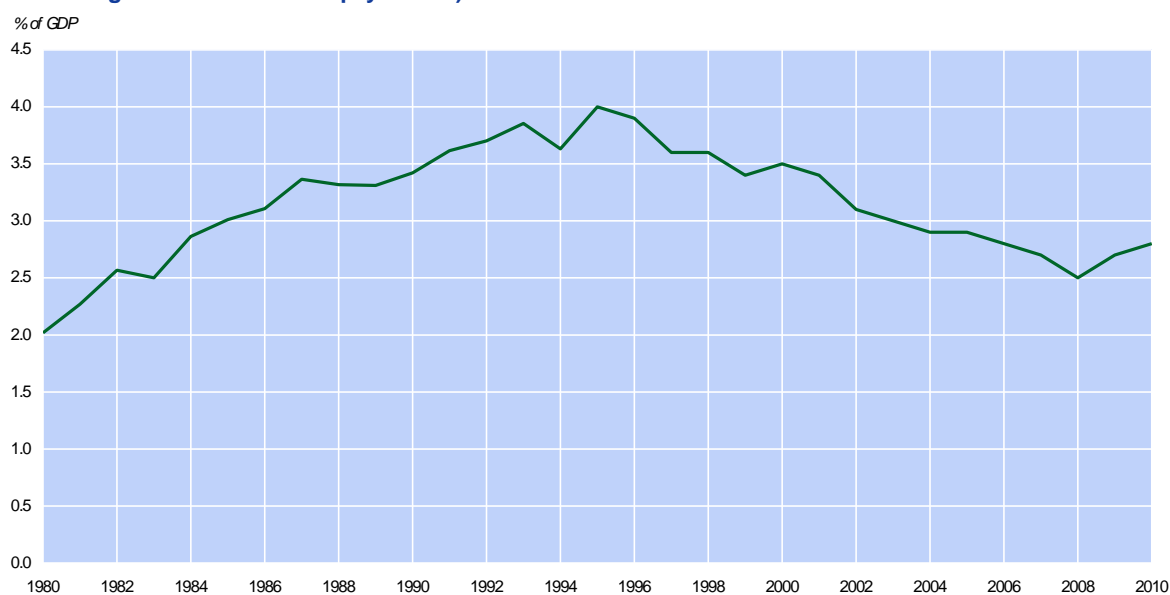
Table 6

### General government interest payments<sup>1)</sup>

% of GDP	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	3.4	3.1	3.0	2.9	2.9	2.8	2.7	2.5	2.7	2.8

Source: Statistics Austria (before and including 2009), Austrian Federal Ministry of Finance (2010).

1) According to EDP notification (Maastricht), including swap transactions.

**General government interest payments<sup>1)</sup>**

Source: Statistics Austria (before and including 2009), Austrian Federal Ministry of Finance (2010).

1) According to EDP notification (Maastricht), including sweep transactions

**Austria has high saving ratio and financial asset holdings**

2009, Austrians put aside about 11,0% of their disposable income, which makes the domestic saving ratio very high by international standards.

Austrian households' financial asset holdings total a comfortable EUR 440 billion or 160% of GDP.

**Household and corporate debt at sustained low levels**

Austrian household debt as a percentage of net income was about 88% in 2008, 10 percentage points below the euro area average. While rising steadily in the euro area, the ratio has remained stable in Austria over the past few years and above all declined in 2009.

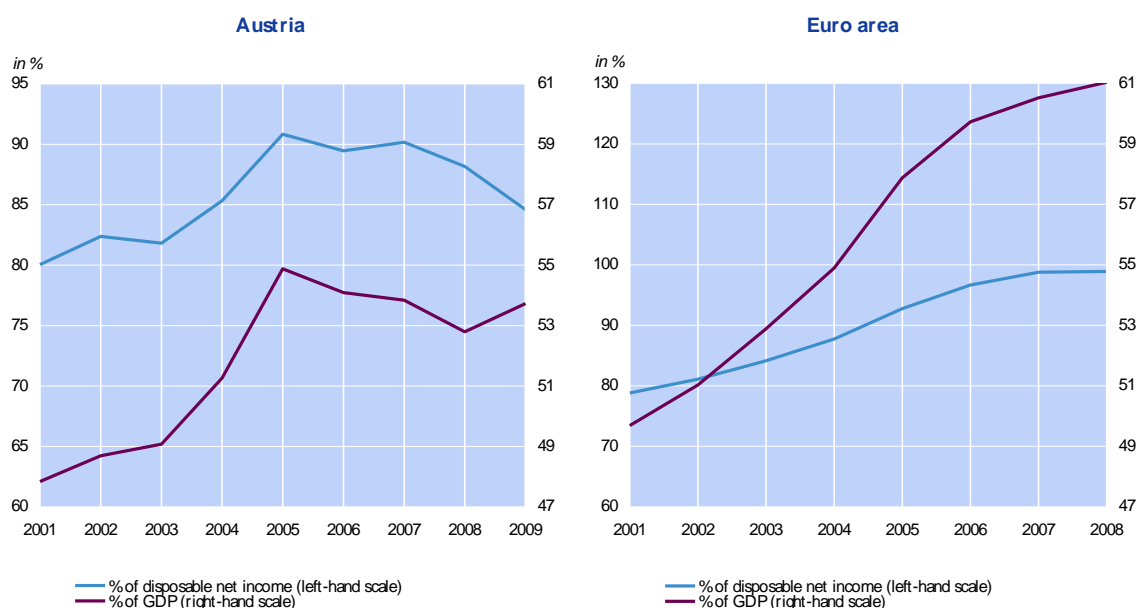
Table 7

**Household debt**

	Austria		Euro area	
	% of disposable net income	% of GDP	% of disposable net income	% of GDP
2001	80.0	47.8	78.8	49.7
2002	82.4	48.7	81.1	51.0
2003	81.8	49.1	84.1	52.9
2004	85.3	51.3	87.7	54.9
2005	90.8	54.9	92.8	57.9
2006	89.5	54.1	96.6	59.7
2007	90.2	53.8	98.8	60.5
2008	88.2	52.8	98.9	61.0
2009	84.6	53.7		

Source: ECB, OeNB

## Household debt



Source: ECB, OeNB

Likewise, at 226% of gross operating surplus or 88% of GDP, corporate debt in Austria was significantly lower than the euro area average (257% and 102%, respectively) as at the end of September 2009.

Table 8

Corporate debt <sup>1)</sup>

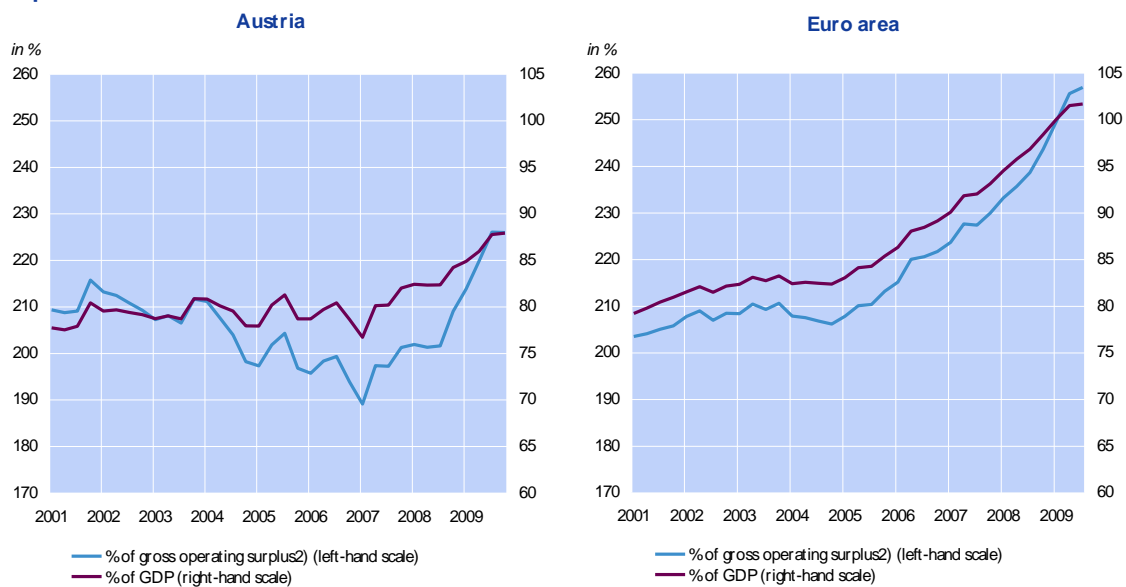
	Austria		Euro area	
	% of gross operating surplus <sup>2)</sup>	% of GDP	% of gross operating surplus <sup>2)</sup>	% of GDP
2001	215.8	80.4	205.8	81.0
2002	209.3	79.2	208.5	82.2
2003	211.7	80.9	210.6	83.2
2004	198.2	78.0	206.2	82.4
2005	196.8	78.7	213.2	85.4
2006	193.9	78.6	221.7	89.1
2007	201.3	82.0	230.0	93.1
2008	209.0	84.2	243.6	98.4
2009	226.0	87.9		

Source: ECB, OeNB

1) Short- and long-term loans, money and capital market instruments.

2) Including mixed income of the self-employed.

Corporate debt<sup>1)</sup>



Source: ECB, OeNB

1) Short- and long-term loans, money and capital market instruments

2) Including mixed income of the self-employed.

## Austrian real estate market: no bubble, no repercussions

Real estate prices have been rising at a fairly moderate pace in Austria over the past few years. Unlike in many other industrialized countries, neither has there been a real estate bubble nor the risk of a slump in real estate prices with all its potential repercussions for households, businesses and banks in Austria.

Table 9

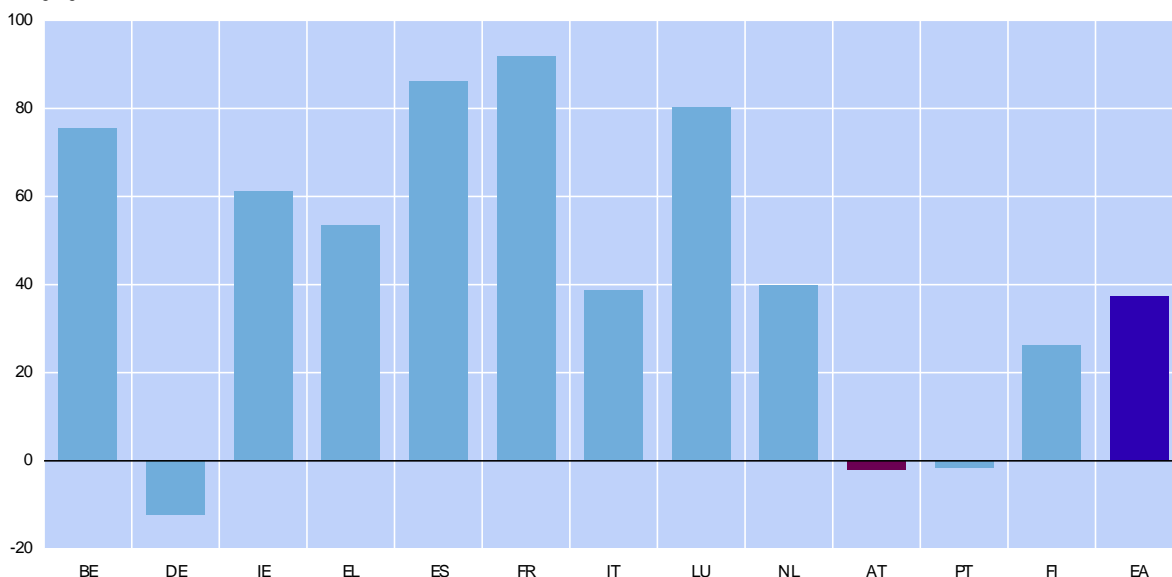
### Residential property price index

	Austria excluding Vienna		Vienna	
	2000 = 100	Annual change in %	2000 = 100	Annual change in %
2002	103.3	-0.2	98.9	2.2
2003	103.7	0.4	98.9	0.0
2004	100.8	-2.8	99.1	0.2
2005	105.7	4.9	105.3	6.3
2006	109.0	3.1	113.2	7.5
2007	113.0	3.7	119.6	5.7
2008	113.0	0.0	126.9	6.1
Q1 08	112.4	1.3	124.3	5.4
Q2 08	111.6	-1.2	125.1	3.9
Q3 08	113.5	-0.8	127.7	6.3
Q4 08	114.6	0.9	130.6	8.7
Q1 09	117.3	4.4	129.4	4.1
Q2 09	115.6	3.6	137.2	9.7
Q3 09	116.1	2.9	135.7	5.2

Source: OeNB, Austria Immobilienbörse, Vienna University of Technology, Institute for Urban and Regional Research.

### Real house prices, euro area countries (1999 to 2008)

Change against 1999 in %



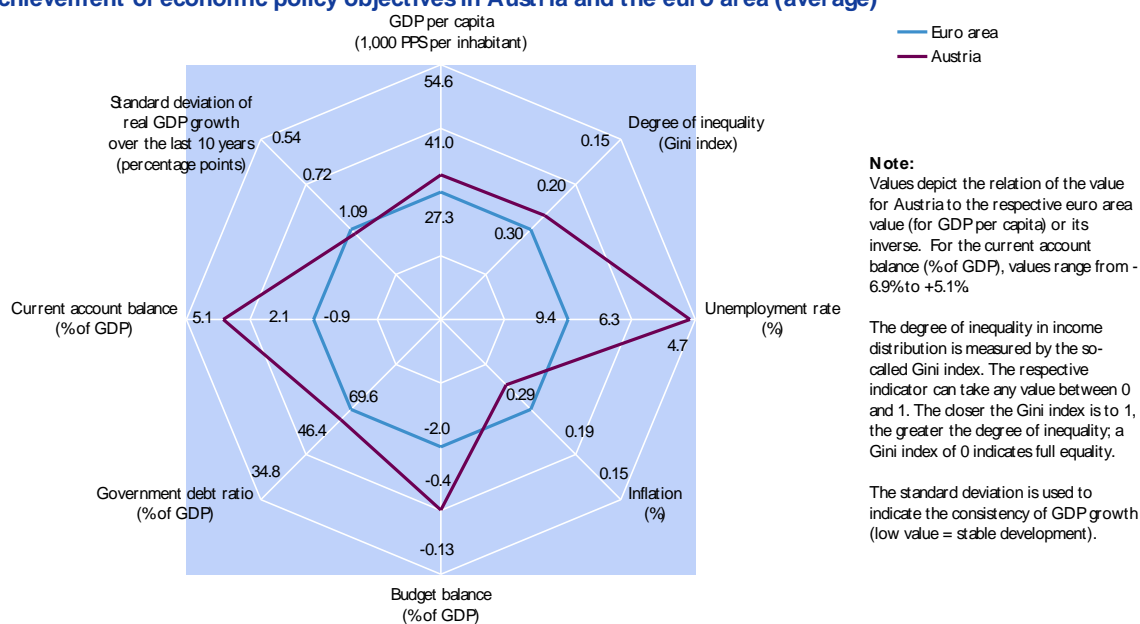
Source: ECB, European Commission.

Note: BE and LU data cover the period from 1999 to 2007; FI data cover the period from 2001 to 2008. Nominal house price data are deflated by GDP deflator.

### Austria outperforms euro area in major economic policy objectives

Austria has been doing better than the euro area in the achievement of six (of eight) economic policy objectives. The “magic polygon” in the chart below shows that Austria has significantly outperformed the euro area average in major categories such as unemployment, GDP per capita, current account balance and government debt.

### Achievement of economic policy objectives in Austria and the euro area (average)



**Note:** Values depict the relation of the value for Austria to the respective euro area value (for GDP per capita) or its inverse. For the current account balance (% of GDP), values range from -6.9% to +5.1%.

The degree of inequality in income distribution is measured by the so-called Gini index. The respective indicator can take any value between 0 and 1. The closer the Gini index is to 1, the greater the degree of inequality; a Gini index of 0 indicates full equality.

The standard deviation is used to indicate the consistency of GDP growth (low value = stable development).

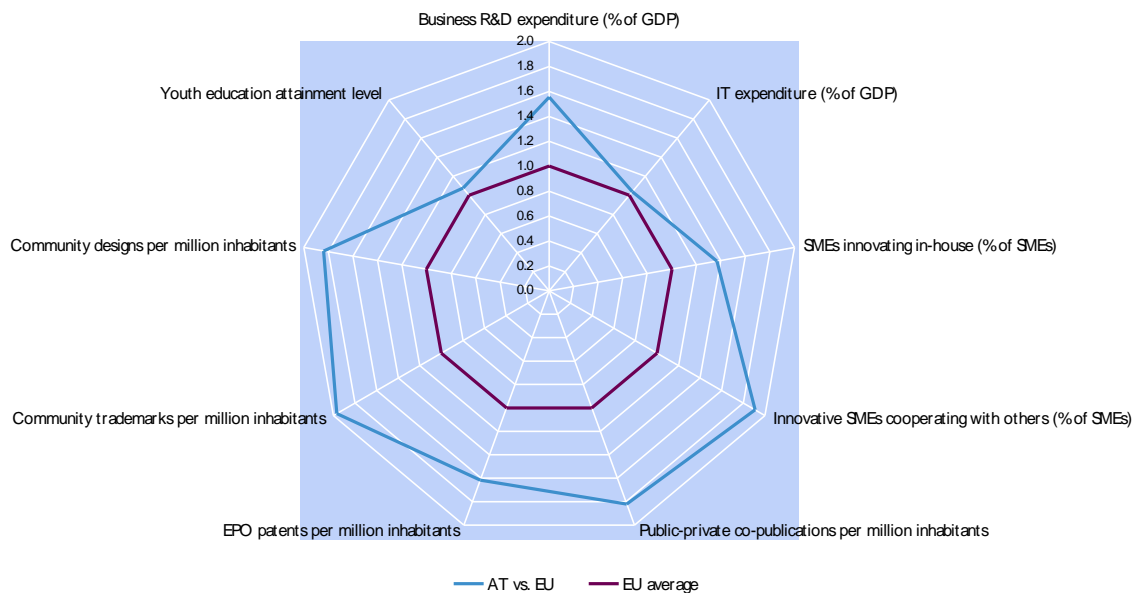
Source: Eurostat, OeNB

## Austria's innovation performance exceeds EU average

Austria's innovation performance as measured by a range of current indicators of the European Innovation Scoreboard 2008 clearly exceeds the overall performance of the EU. In a high-income country like Austria, innovation is the most important driver of growth. Since innovation feeds through to economic growth with a certain lag, the good innovation performance seen in 2008 ensures a strong economic development in the medium term. Austria's research ratio has been rising steadily for 15 years (forecast for 2009: 2.73% of GDP) and already surpasses Germany's. Finally, the structural reforms launched in Austria have borne fruit; the results of the most recent Lisbon Scorecard, a report to assess the advancement of the EU's Lisbon Strategy, confirm Austria's top ranking in this respect.

Chart 21

### Innovation performance: Austria exceeds EU by far



Source Eurostat.

### Austria's structural reform performance: A "hero", according to the Lisbon Scorecard

*"Sweden and Denmark are the heroes of this year's scorecard, but there is little to separate them from the third and fourth placed countries: the Netherlands and Austria. ... Austria is rarely bracketed together with the Nordics as one of Europe's more successful economies, but arguably it should be. ... Austria scores very well across nearly all social and labour indicators. It is one of only seven member-states to have an employment rate in excess of 70 per cent."* (The Lisbon Scorecard IX, p. 6)<sup>3</sup>

Tabelle 10

#### The Lisbon league table: Overall Lisbon performance

	Rank 2008	Rank 2007
Sweden	1	2
Denmark	2	1
The Netherlands	3	4
Austria	4	3
Finland	5	5

Source: Centre for European Reform, 2009 (only 5 out of 27 shown).

<sup>3</sup> Tilford, S. and P. Whyte (2009), *The Lisbon Scorecard IX, How to Emerge from the Wreckage*, Centre for European Reform. [http://www.cer.org.uk/pdf/rp\\_882.pdf](http://www.cer.org.uk/pdf/rp_882.pdf)

## Annex of Tables <sup>1)</sup>

Table 1

### Real GDP

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	<i>Annual change in %</i>										
Austria	0.5	1.6	0.8	2.5	2.5	3.5	3.5	2.0	-3.6	1.3	1.6
Euro area	1.9	0.9	0.8	2.2	1.7	3.0	2.8	0.6	-4.1	0.9	1.5
EU	2.0	1.2	1.3	2.5	2.0	3.2	2.9	0.7	-4.2	1.0	1.7

Table 2

### Consumer price indices

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	<i>Annual change in %</i>										
Austria	2.3	1.7	1.3	2.0	2.1	1.7	2.2	3.2	0.4	1.3	1.5
Euro area	2.3	2.2	2.1	2.1	2.2	2.2	2.1	3.3	0.3	1.5	1.7
EU	3.2	2.5	2.1	2.3	2.3	2.3	2.4	3.7	1.0	1.8	1.7

Table 3

### Unemployment rates

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	<i>% of labor force</i>										
Austria	3.6	4.2	4.3	4.9	5.2	4.8	4.4	3.8	4.8	5.1	5.4
Euro area	7.8	8.3	8.7	8.8	9.0	8.3	7.5	7.5	9.4	10.3	10.4
EU	8.5	8.9	9.0	9.1	8.9	8.2	7.1	7.0	8.9	9.8	9.7

Table 4

### Current account balances

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	<i>% of GDP</i>										
Austria	-0.8	2.7	1.7	2.1	2.0	2.8	3.1	3.3	2.3	3.1	4.1
Euro area	0.1	0.8	0.4	1.0	0.2	0.3	0.3	-0.9	-0.6	-0.4	-0.3
EU	-0.3	0.3	0.1	0.4	-0.3	-0.4	-0.4	-1.1	-0.5	-0.4	-0.4

Table 5

### Budget balances

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	<i>% of GDP</i>										
Austria	0.0	-0.7	-1.4	-4.4	-1.7	-1.5	-0.4	-0.4	-3.4	-4.7	-4.6
Euro area	-1.9	-2.6	-3.1	-2.9	-2.5	-1.3	-0.6	-2.0	-6.3	-6.6	-6.1
EU	-1.4	-2.5	-3.1	-2.9	-2.5	-1.4	-0.8	-2.3	-6.8	-7.2	-6.5

Table 6

### Government debt ratios

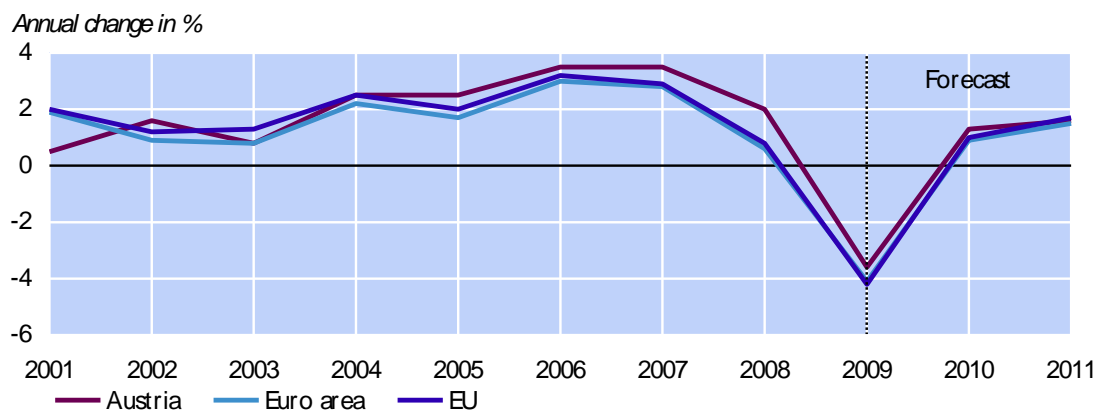
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	<i>% of GDP</i>										
Austria	67.1	66.5	65.5	64.8	63.9	62.2	59.5	62.6	66.5	70.2	72.9
Euro area	68.2	68.0	69.1	69.5	70.1	68.3	66.0	69.4	78.7	84.7	88.5
EU	61.0	60.4	61.8	62.2	62.7	61.4	58.8	61.6	73.6	79.6	83.8

Source: Eurostat, Statistics Austria, OeNB, EU-Commission.

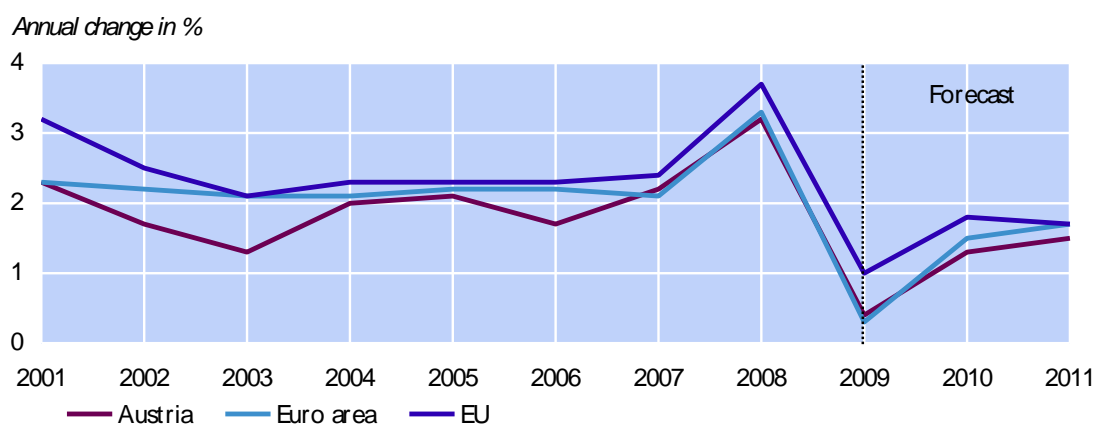
1) Data for 2010 and 2011: EU-Commission Forecast Spring 2010.

## Annex of Charts

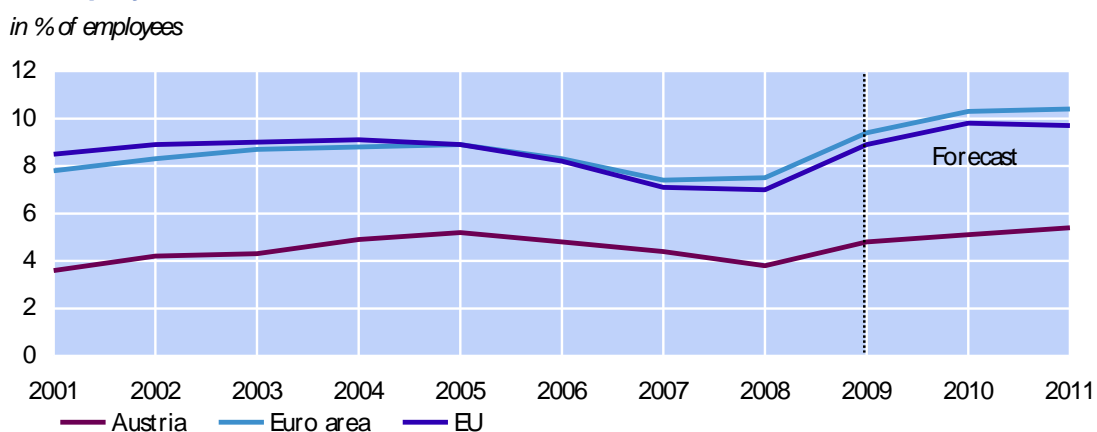
### Real GDP<sup>1)</sup>



### Consumer price indices<sup>1)</sup>



### Unemployment rates<sup>1)</sup>



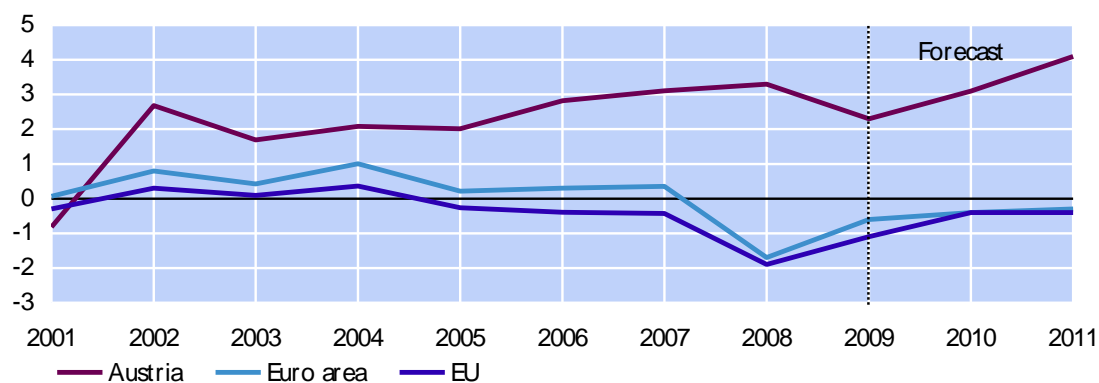
Source: Eurostat, EU-Commission.

1) Data for 2010 and 2011: IMF Forecast Spring 2010.

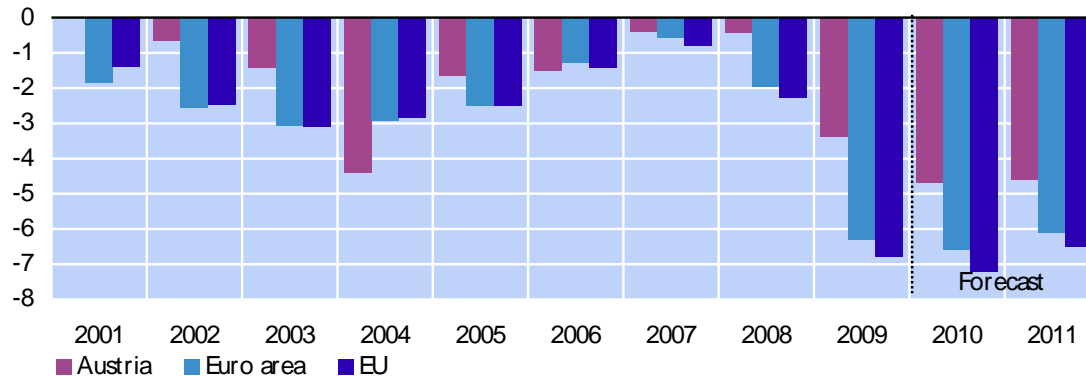
## Annex of Charts

Current account balances<sup>1)</sup>

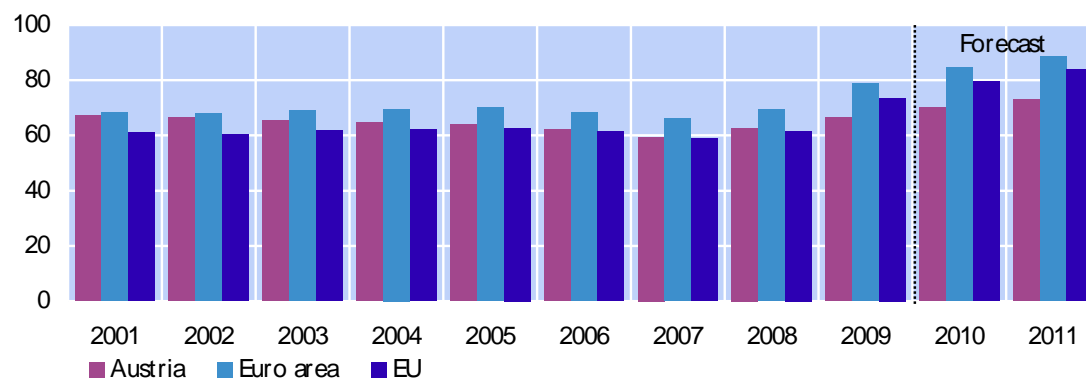
% of GDP

Budget balances<sup>1)</sup>

% of GDP

Government debt ratios<sup>1)</sup>

% of GDP



Source: Eurostat, EU-Commission.

1) Data for 2010 and 2011: Spring Forecast 2010, European Commission.