



Austria



Did you know...?

History The German name for Austria is Österreich, which means Eastern Empire. This refers to the time when Austria was part of the Holy Roman Empire.

Food In 1683, the Polish King saved Vienna from a Turkish siege. When the Turks left, a large amount of coffee was found in the Turkish supplies. This find led to the first coffee house in Vienna.

Culture Austria has been famous for its music (for composers like Mozart, Haydn and Strauss) and its psychiatrists - above all, Freud!

Austria and the U.S. The famous Hollywood actor Arnold Schwarzenegger, who became the thirty-eighth Governor of California in 2003, is from Graz in Austria.

Fun Fact The "Sound of Music" and the Von Trapp family are not that well known in Austria with the exception of the millions of tourists that want to see the sights of the movie in Salzburg.

An overview of Austria's economy

Austria is a small, prosperous economy. Austria's main trading partners are beginning to strengthen and reforms after the recession are benefitting domestic demand.

Austria has a well-developed 'social market economy' with a high standard of living and is closely tied to other EU economies, especially Germany's.

It became a member of the EU in 1995 and adopted the Euro for accounting purposes in 1999. Euro coins and banknotes were introduced in 2002, in place of the Schilling. EU membership was a catalyst for positive change in Austria, leading to solid economic growth, structural changes and a significant consolidation of public finances and price stability. After joining the EU, Austria undertook reforms in taxation, pensions, health care and administrative systems.

Solid economic policies focusing on macroeconomic stability, structural reform, and an early focus on Central and Eastern Europe, especially in the banking and insurance sector, explain Austria's strong economic performance in the recent past. Wage moderation, resulting from a strong social partnership, has preserved competitiveness and supported export-led recovery, exceeding the euro area average.

Almost 72% of Austria's trade is with the other EU countries with Germany being its largest trade partner. Vienna is Austria's biggest economic centre and produces more than a quarter of the gross domestic product.

The global economic downturn in 2008/09 led to a deep recession. GDP growth slowed to 2% in 2008 before contracting by 3.6% in 2009. Real GDP recovered from below 1% growth in 2014 to 1.5% in 2016, and is projected above 2% in 2017-2019.

Reforms since the recession, specifically tax reform, have benefited domestic demand. External demand strength has caused increased exports, resulting in positive net export contributions to GDP. The strengthening domestic demand is pushing the unemployment rate further down. However, increases in immigration could dampen the drop in the unemployment rate.





Austria's Economy – Key Facts

- Austria is a small, prosperous and highly open economy in the center of Europe. It is highly integrated with other euro area economies, especially with its larger neighbor Germany but also with other Central and Eastern European countries.
- Austria is said to have a “social market economy”. The central idea of this concept is to maintain the mechanisms of the free market while simultaneously ensuring social equity.
- The World Economic Forum (WEF) Global Competitiveness Report for 2017/2018 ranked Austria 18th out of 137 countries in terms of competitiveness.
- The World Bank's Doing Business Report ranked Austria 22nd out of 190 countries for 2018. Austria has strong contract enforcement. However, starting a business and getting credit both remain difficult.
- Austria's budget deficit is expected to be around 1.0% of GDP in 2017, an improvement from 1.6% of GDP in 2016. Government debt is forecast to be 78.6% of GDP in 2017, which is above the 60% limit set by the Maastricht Treaty. Headline inflation is expected to increase to 2.0%, above the euro area average, from 1.5% in recent years.
- According to the European Commission's Autumn 2017 forecast, the Austrian economy is projected to grow by 2.6% in 2017, followed by a slight decrease to 2.4% and 2.3% in 2018 and 2019, respectively. The unemployment rate is 5.6% in 2017 with minimal change in 2018 and 2019.

References

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Living Standards Austria has a well-developed social market economy with a high standard of living. It is the 32nd richest country in terms of GDP/capita.

Trade and Industry Austria has a strong economy with machinery, metallurgical products and textiles being of particular importance. Austria's tourism sector also contributes substantially to the economy's revenues.

Aging Austria faces major challenges in relation to population aging and the employment of older workers. 18% of the population is over age 65 with forecasts placing 30% of the population above 65 by 2050.

Social System The financial sustainability of public pension and health care systems under the demographic pressure of population aging is a major policy issue. Changes of the main parameters (contribution rate, pension level, etc.) will become necessary.

Immigration While Austria is taking advantage of migration flows between the Member States of the EU, immigration from non-EU-countries has picked up during the migrant crisis.