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**Country outlook**  
**Austria**





## **Austria**



**Form of Government:** Federal parliamentary republic

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**Capital:** Vienna

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**Official language:** German

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**Population:** 8 million inhabitants (2018)

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**Currency:** Euro (EUR)

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**Exchange rate:** 1 EUR = 1.14 USD (28/06/2019)

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**GDP:** \$457 billion (0.3% of world GDP)

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**GDP per capita:** \$51,509 (\$52,137 purchasing power parity)

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**Ease of doing business:** 26th in the world out of 190 according to the World Bank (*Doing Business*)

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**Religion:** Catholic: 74%

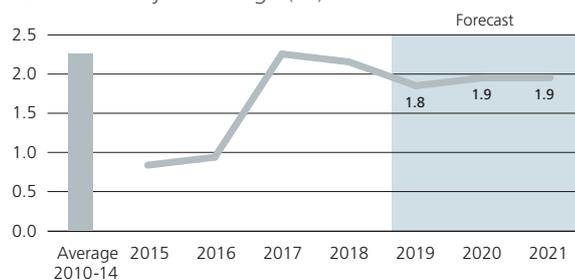
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## Economic forecast

### GDP. Year-on-year change (%)



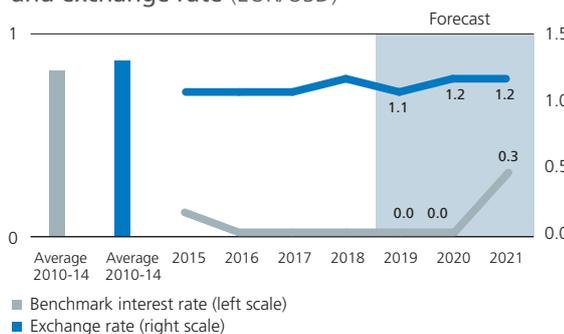
### CPI. Year-on-year change (%)



- Following a strong expansion in recent years, the Austrian economy will slow its growth pace in 2019-2021 as a result of a less favourable external environment, though it will continue to grow faster than the euro area average. Growth will be largely supported by private consumption, which will benefit from the dynamism of the labour market and tax breaks for households with children.
- Inflation will remain higher than the rest of the euro area countries, but near the ECB target. In 2019-2020, wage increases and the strength of domestic demand will continue to exert a moderate upward pressure on inflation (especially in the services sector and in industrial goods). However, the evolution of oil prices, which are expected to drop in the forecast scenario, will keep inflation at levels just below 2%.

## Economic policy

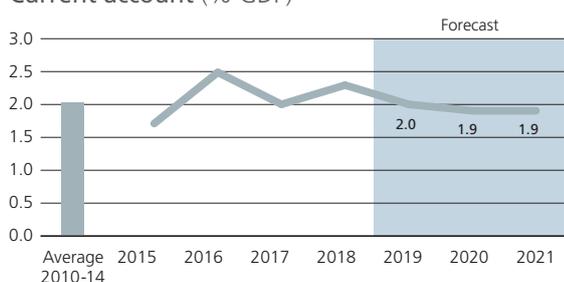
### Benchmark interest rate (%) and exchange rate (EUR/USD)



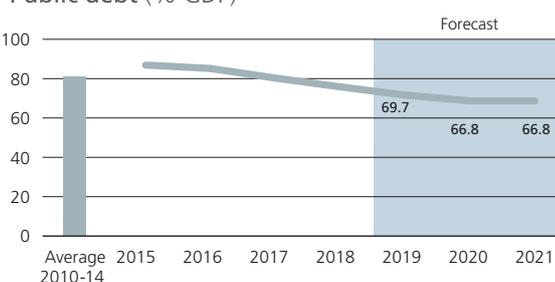
### Fiscal balance (% GDP)



### Current account (% GDP)



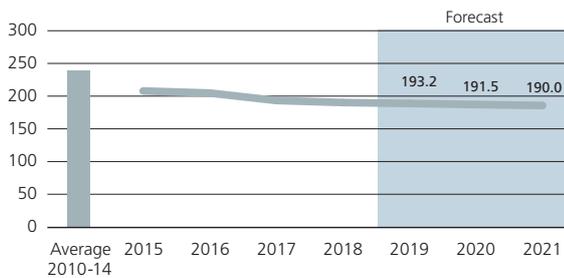
### Public debt (% GDP)



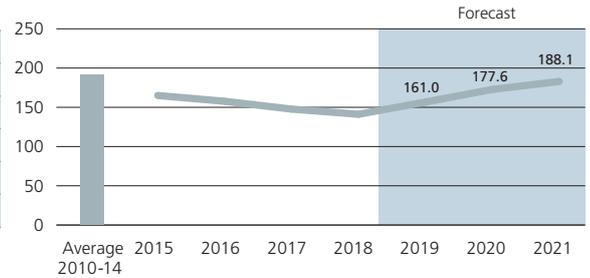
- Austria has consistently had current account surpluses since 2002. Looking ahead to 2019 and 2020, we expect this trend to continue, although the external surplus will shrink due to increased imports (given the strong push of domestic demand) and the lower dynamism of external activity. Focusing on the components of the current account, the surplus on services is notable, thanks to the dynamism of the tourism sector and exports of trade services to businesses.
- The fiscal position will remain strong in the coming years. In particular, the public surplus in 2019 will be similar to that of 2018, thanks to the strong growth in tax revenues and the lower spending on interest payments and unemployment subsidies. Looking to 2020, however, cuts to the VAT tax and social contributions will bring the budgetary surplus down slightly. Furthermore, public debt levels are relatively contained and will continue to fall, approaching the threshold of 60% of GDP in the coming years, largely thanks to lower spending on debt interest and the asset divestment process undertaken by the nationalised banks.

## Financial conditions

Private credit (% GDP)



Gross external debt (% GDP)



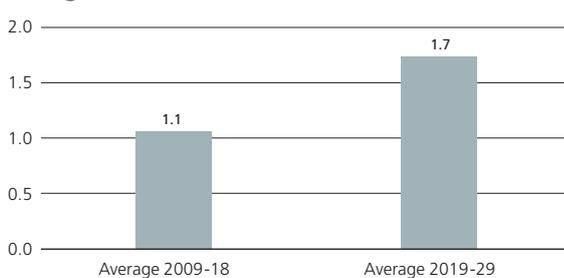
- The banking sector has undergone a profound transformation since the beginning of the financial crisis: it has shrunk in size but has become more resilient. In particular, the sector is well-capitalised (14.2% CET1 capital ratio in Q4 of 2018) and the non-performing loan ratio has fallen considerably to stand below the EU average (3.2%). Lending conditions will remain favourable, partly thanks to the ECB's monetary policy.
- Private sector indebtedness remains moderate and stable, and below the euro area average, providing a buffer against any future shocks. Particularly, the relatively low indebtedness of Austrian households (nearly 90% of income) reduces any risks that could arise from a slight over-valuation of housing prices.

## Political situation

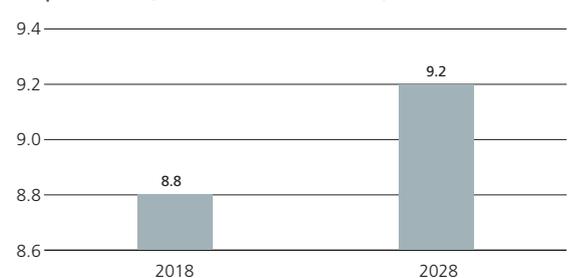
- Last May, the Austrian People's Party broke up the coalition government it had formed in late 2017 with the far-right Freedom Party after a corruption scandal involving the latter's leader came to light. The chancellor and leader of the People's Party, Sebastian Kurz, was also forced to resign after losing the vote of confidence called by the opposition parties. Early parliamentary elections have been scheduled for 27 September.
- Although Kurz's party was able to increase their electoral support in the European Parliament elections held in May, we believe that political uncertainty will linger in the country for some time. In particular, polls suggest that none of the parties would receive the support necessary to govern as a majority. Likewise, forming a coalition government has become more complicated, as it would have to include two of the three largest parties (People's Party, social democrats and the far right) and there are clear differences between them.

## Long-term outlook

GDP growth (%)



Population (millions of inhabitants)



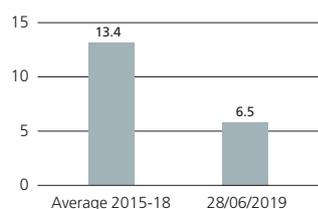
- Economic prospects in the medium term are rather positive. However, the country requires greater efforts towards implementing structural reforms to boost productivity and increase the country's potential for growth. We think it unlikely for it to move in this direction in the upcoming years, given the lack of consensus and political ambition.
- Measures must be introduced to boost participation in the workforce (and thus increase growth), intensify the liberalization of the service sector, and ensure the sustainability of public finances against the backdrop of an ageing population.

**Country risk**

	Rating	Last changed	Outlook
<b>STANDARD &amp; POOR'S</b>	<b>AA+</b>	29/01/13	Stable
<b>MOODY'S</b>	<b>Aa1</b>	24/06/16	Stable
<b>FitchRatings</b>	<b>AA+</b>	20/07/18	Positive

■ Indicates that the country has "investment grade".  
 □ Indicates that the country does not have "investment grade".

CDS\* 5 years (basis points)



\*Credit default swap: medida de riesgo país que refleja el coste de asegurar el impago del bono soberano.

**Risks**

**SHORT-TERM**

- Political uncertainty - ■■■■■+
- Slowdown of the euro area - ■■■■■+
- Slowdown of emerging economies - ■■■■■+

**LONG-TERM**

- Demographics and ageing - ■■■■■+
- Maintaining external competitiveness - ■■■■■+
- Integration of immigrants - ■■■■■+
- Political uncertainty - ■■■■■+

**Business environment**

**STRENGTHS**

- Strong macroeconomic fundamentals.
- Institutional credibility.
- Good infrastructures and human capital.

**WEAKNESSES**

- High tax burden.
- Rigid labour market.
- Ageing population.

**Main sectors**

**EXPORTERS**

- Industry: chemicals, mechanical engineering, automotive engineering, steel industry, wood and paper and electronics.

**IMPORTS**

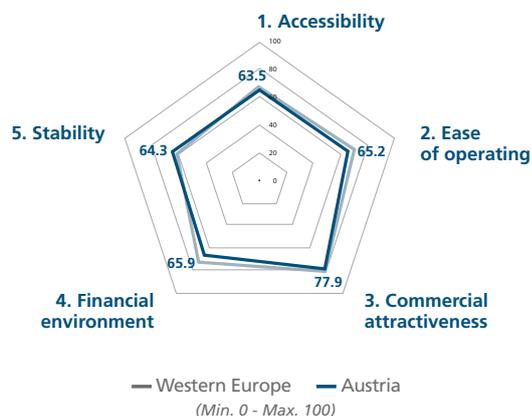
- Services: trade and tourism.

**CIBI | CaixaBank Index for Business Internationalisation**

**POSITION IN COUNTRY RANKING**



**PILLARS**



**SUBPILLARS**

**Top**  
 Purchasing Power  
 Similar tastes to Spain  
 Labour conditions

**Bottom**  
 Macroeconomic stability  
 Easiness of operating a business  
 Infrastructures

## Taxation

Taxation on companies:

- Corporate tax: general rate of 25%. There is no tax levied on trade or wealth tax.
- Taxation on groups: international enterprises and small foreign firms with subsidiaries can benefit from the advantages of transferring operations to Austria, especially when setting up their head offices. The profits or losses of group members and the losses of foreign subsidiaries are offset according to the group's tax provisions.
- Tax rebates: there are tax rebates that can reduce the effective tax burden to 22%.

Taxation on natural persons:

- The rate of tax on the income of natural persons varies between 0% and 50% depending on the income level.

Taxation on consumption paid by the end consumer:

General VAT of 20%. VAT in Austria varies depending on the product category: 10% on

food, medicine and pharmaceutical products; 20% on alcoholic beverages. In 2016, the government is planning to raise VAT from 10% to 13% for an additional category of products and some services (air transport, seeds and plants, hotels and cultural events).

Austria offers financial and tax incentives for projects in economically disadvantaged areas. The incentives for investment are aimed both at national and foreign firms and include: preferential credit, tax incentives, loan guarantees and subsidies.

Four significant factors stand out that apply to the investment projects of firms that have established commercial operations in Austria:

- Regional assistance.
- Small and medium-sized enterprises.
- Technological promotion.
- Protection of the environment.

## Investment

In Austria, foreign direct investment for 2015 was 22,264 billion dollars. Austria's main investors are Germany, Italy, the US, Russia and Switzerland. Austria has no geographical or sector-based restrictions for foreign

investment. In some cases, the government offers advantages and services to foreign investment firms, particularly in the automotive, high-tech and technology development for the environment sectors.

## Establishment

### LOCAL COMPANY

Forms of corporate enterprises: limited liability company (GmbH); joint stock company (AG); European company (SE). Non-corporate enterprises: general company (OG); limited partnership (KG); inactive company (stG); civil company (GesbR).

Limited liability companies (*Gesellschaft mit beschränkter Haftung*, GmbH) are the most widespread form of enterprise in Austria.

Requirements to set up a GmbH:

- Agreement of shareholders: public deed, appointment of a director, minimum share capital of 35,000 EUR and at least 17,500 EUR already paid up in cash (opening a bank account for the company and paying the contribution in cash; payment of capital transfer tax).
- Entry in the Company Registry.
- Notification to the Tax Authority and Employee Registry.

### BRANCH

A branch is a separate, economically and geographically independent establishment of a foreign firm with its own organisation and management. The name of a branch established in Austria must include the name of the foreign firm. All branches must be entered in the Company Registry of the central

branch's location. A foreign firm whose head office is located outside the EU/EEA must have a permanent representative resident in Austria. It is necessary to announce the appointment of the managing director to the tax authorities and the Employee Registry.

### REPRESENTATIVE OFFICE

A representative office is not the most usual form of foreign enterprises in Austria. According to Austrian law, the activities of a representative office are limited exclusively to

providing information and advertising the activities of the foreign firm. It cannot have its own legal personality.

**Alliances  
strategic****FREE TRADE ZONE**

There is no free trade or special economic zones in Austria.

**JOINT VENTURE**

Joint ventures in Austria can be set up as companies, partnerships or other legal entities. Austrian companies are receptive to licence agreements, mainly in the technology sector. Payments of licence fees or royalty can be freely transferred outside Austria.

The Austrian Business Agency is the investment organisation that offers extensive information for companies looking for joint ventures or licence agreements.

**Customs  
conditions****FREE TRADE AGREEMENTS**

As an EU Member State, Austria has ratified all free trade agreements.

Austria has also signed bilateral investment agreements with the following countries: Albania, Algeria, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Bolivia, Bosnia and Herzegovina, Bulgaria, Cabo Verde, Chile, China, Croatia, Cuba, Egypt, Estonia, Ethiopia, Georgia, Guatemala, Hong Kong, Hungary, India, Iran, Jordan, Kazakhstan, Kosovo, Kuwait, Latvia, Lebanon, Libya, Lithuania, Macedonia, Malaysia, Malta, Mexico,

Moldavia, Mongolia, Montenegro, Morocco, Namibia, Oman, Paraguay, Philippines, Poland, Romania, Saudi Arabia, Serbia, Slovenia, South Korea, South Africa, Tajikistan, Tunisia, Turkey, Ukraine, United Arab Emirates, Uzbekistan, Vietnam and Yemen. Bilateral agreements with Russia, Bahrain, Kyrgyzstan and Turkmenistan are currently being negotiated.

The Transatlantic Trade and Investment Partnership is also currently under negotiation between the EU and the US.

**FREE TRADE ZONE**

Austria does not have any free trade zones.

**GENERALISED SYSTEM OF PREFERENCES (GSP)**

Austria is one of the countries that grants tariff preferences by applying zero duty or reduced tariffs to beneficiary countries (less developed countries).

**Negotiations  
and protocol****BUSINESS CULTURE**

The language used for negotiations is German although most of the population speaks English. The polite form of address is normally used in Austria, in professional and even personal relationships. Academic titles such as

Doctor, etc. are frequently used before the name. Companies normally work Monday to Friday from 8 or 9 am to 4:30 or 5 pm. Lunchtime is typically from 12 to 1 pm.

## Top fairs

- Ferien Messe Linz.
- Austroagrar.
- Bauen Energie Wien.
- Bauen + Wohnen.

## Websites of interest

- Investing in Austria: <http://aba.gv.at>
- Customs in Austria: <https://www.bmf.gv.at/zoll/zoll.html>
- Federal Economic Chamber of Austria: <https://www.wko.at/>

## Payment and charging methods

### MEANS OF COLLECTION

SWIFT and SEPA transfers (within the EU) are considered to be the most secure and efficient method for payment in Austria.

### MEANS OF PAYMENT

In initial transactions, for part payment in advance, irrevocable letters of credit are the most common form of payment. Supplier credit is frequently used in Austria. The payment period varies between 30 and 60 days, and advance payments are at 14 days. There are prompt payment discounts of 3% to 6% according to the industry in question.

SWIFT and SEPA transfers (within the EU) are often used to pay for commercial transactions, both national and international. Transfers are considered to be a secure, efficient form of payment.

### EXCHANGE RATE INSURANCE

Austria's exchange rate system is totally liberalised. There are no limitations on cross-border payments in international trade, capital

investments or other kinds of transactions. Limitations are only applied to countries with EU or UN sanctions.

## CaixaBank in the country

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to our client companies in the following countries in Central and Eastern Europe: Austria, Hungary, Czech Republic, Slovakia, Romania, Croatia and Serbia.

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- Spanish Desks

