



# 2019 OECD ECONOMIC SURVEY OF AUSTRIA

Investing in the Future

Vienna, November, 13th 2019

<http://www.oecd.org/economy/austria-economic-snapshot/>



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# Weak external demand drags down growth

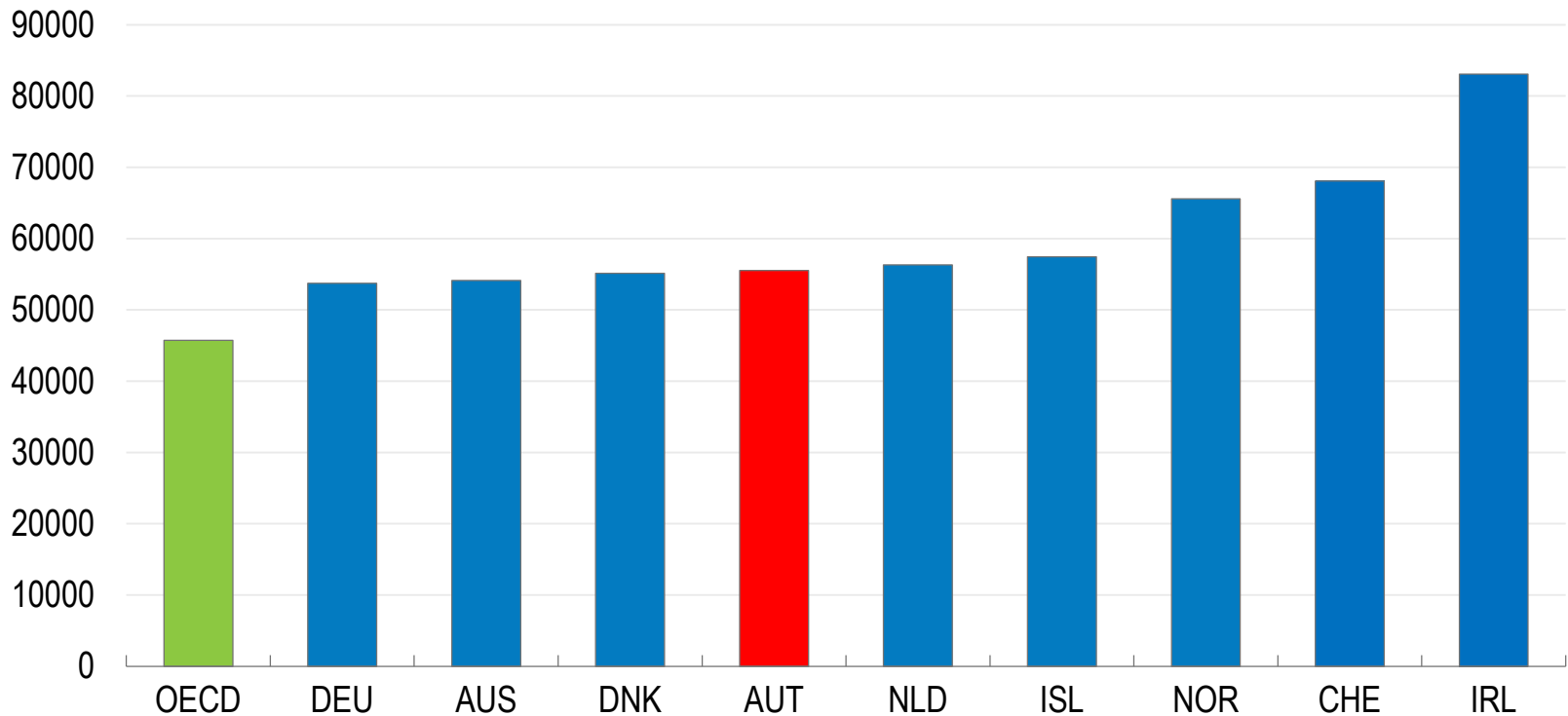
	2018	2019	2020
<b>Gross domestic product</b>	2.3	1.4	1.3
<b>Private consumption</b>	1.1	1.7	1.8
<b>Gross fixed capital formation</b>	3.9	2.9	1.5
<b>Exports</b>	5.6	2.1	0.6
<b>Imports</b>	4.4	2.2	1.2
<b>Unemployment rate (%)</b>	4.8	4.6	4.5
<b>Consumer price index</b>	2.1	1.6	1.7
<b>Fiscal balance (% GDP)</b>	0.1	0.1	0.2
<b>Public debt (Maastricht, % of GDP)</b>	73.8	72.1	70.8

*Source:* OECD Economic Outlook 2019 Issue 2 projections for Austria.



# Average incomes are high

**GDP per capita**  
USD PPP, current prices, 2018

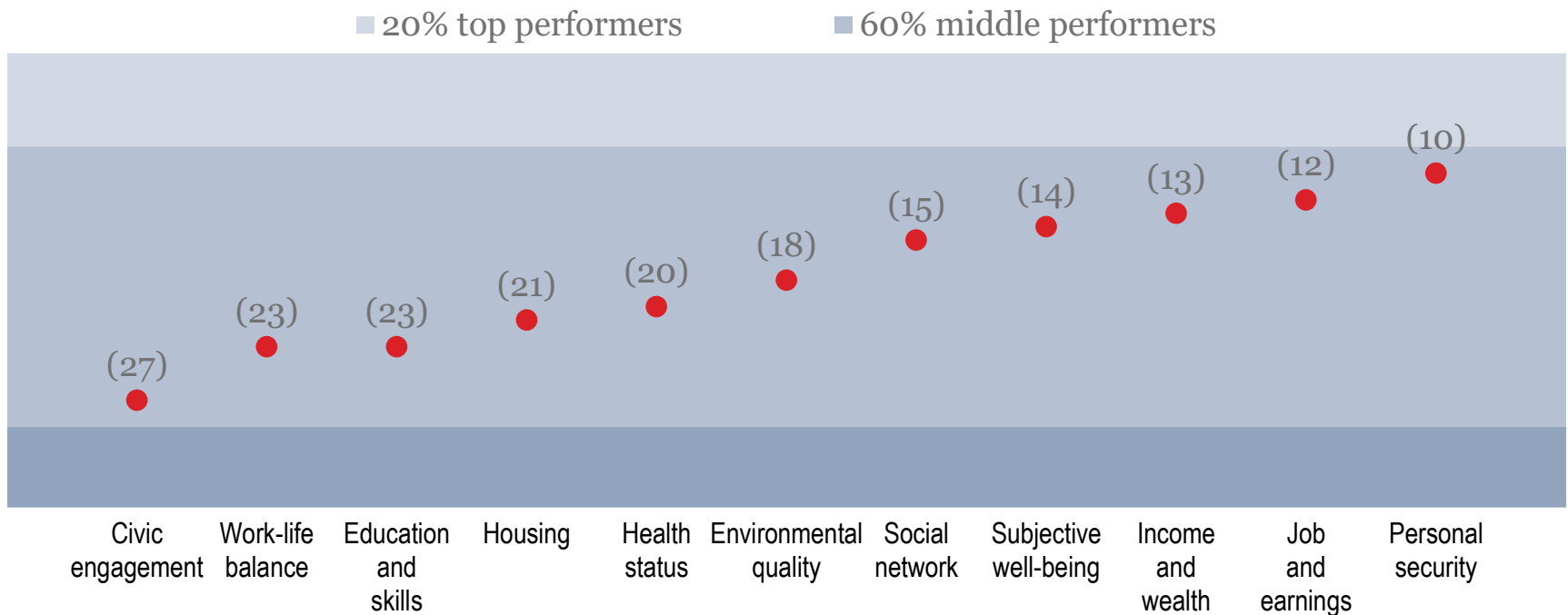


**Source:** OECD, National Accounts database.



# Well being is high

Well being country rankings  
Ranking from 1 (best) to 35, 2017

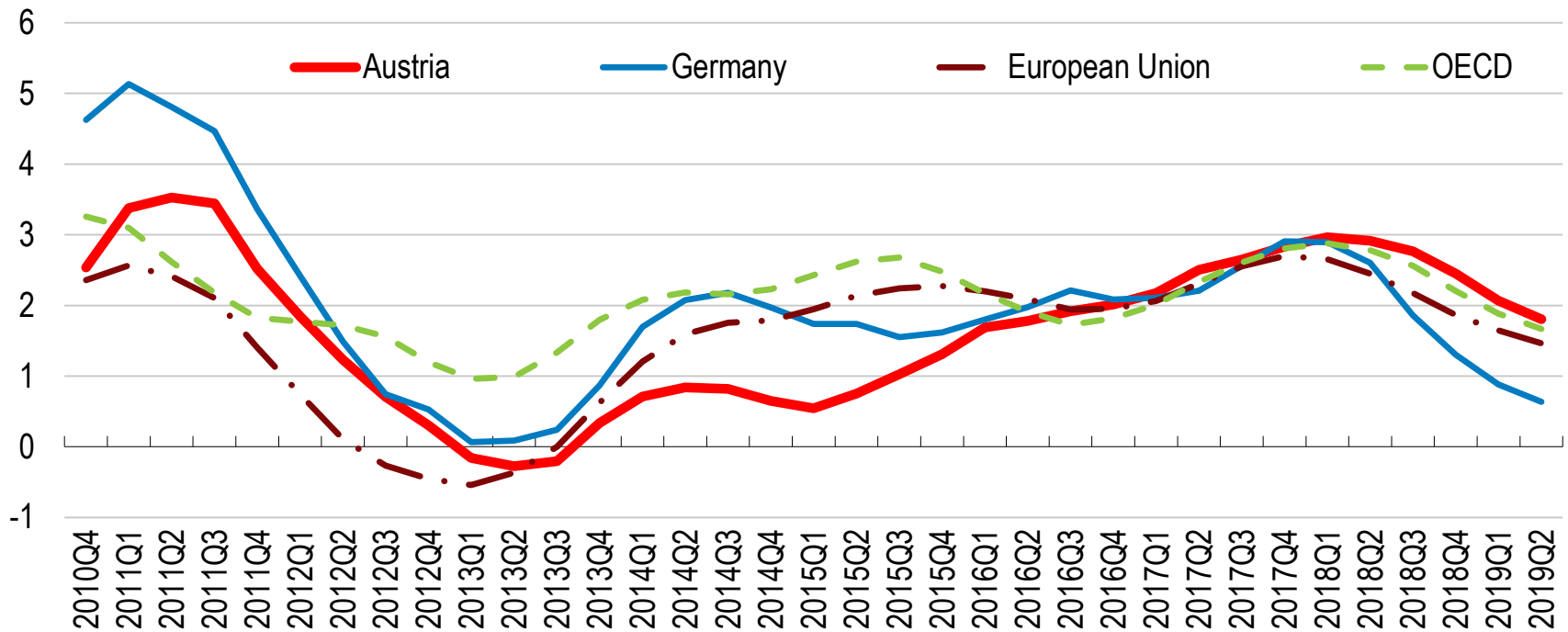


**Source:** OECD Better Life Index database.



# The strong recovery has peaked

**Real GDP**  
In %, year-on-year change

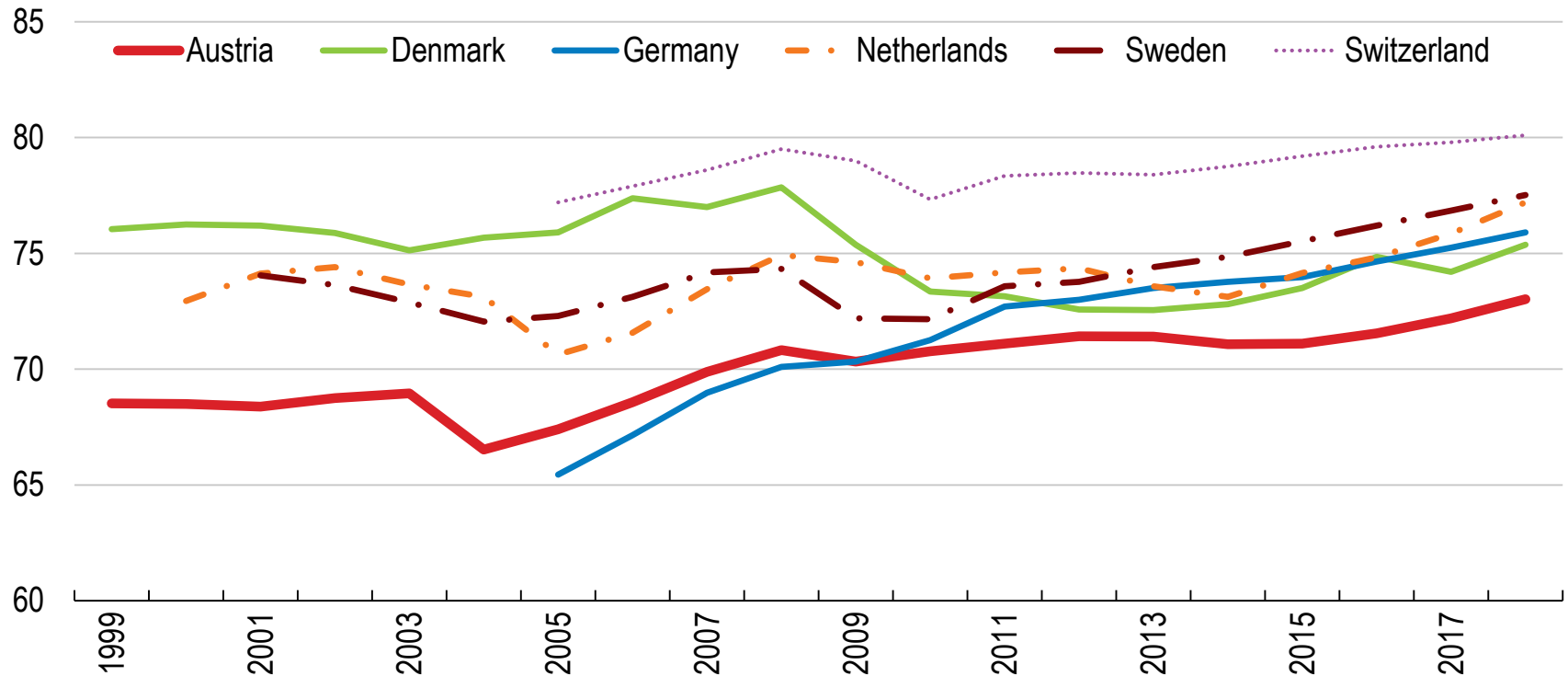


**Source:** OECD Economic Outlook: Statistics and Projections database.



# Economic growth has lifted employment

Employment rate  
In %, 15-64 year olds

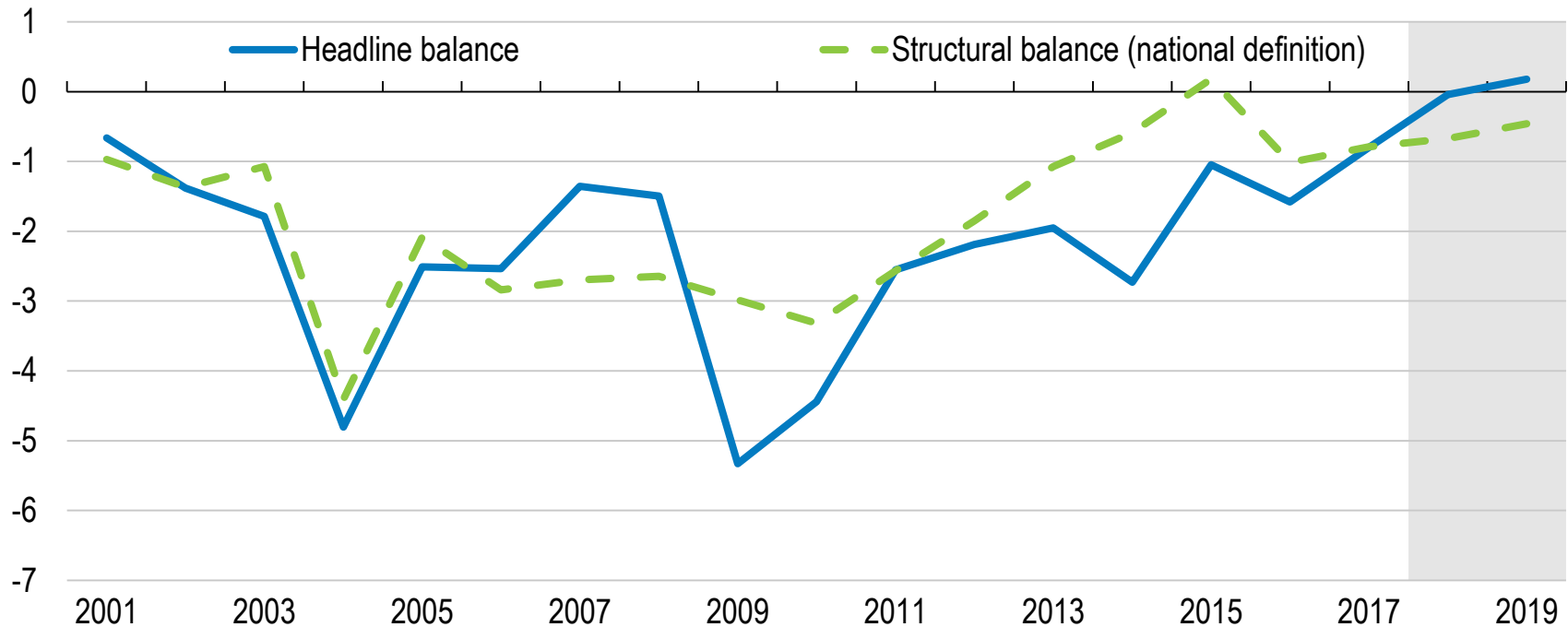


**Source:** OECD Economic Outlook: Statistics and Projections database.



# Public finances are balanced

General government balance  
% GDP

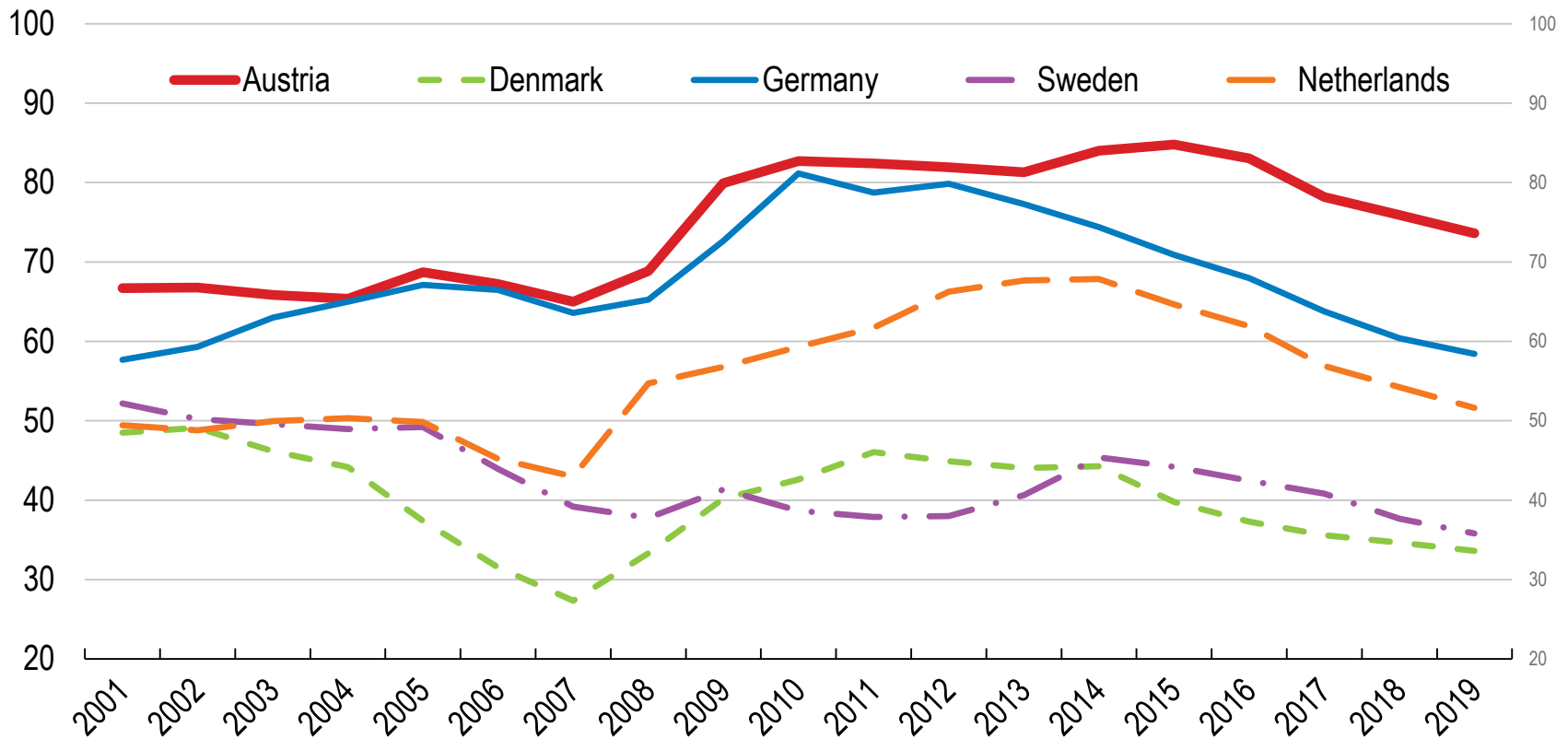


**Source:** OECD Economic Outlook: Statistics and Projections database.



# Public debt is still relatively high

Public debt  
In % of GDP, Maastricht definition

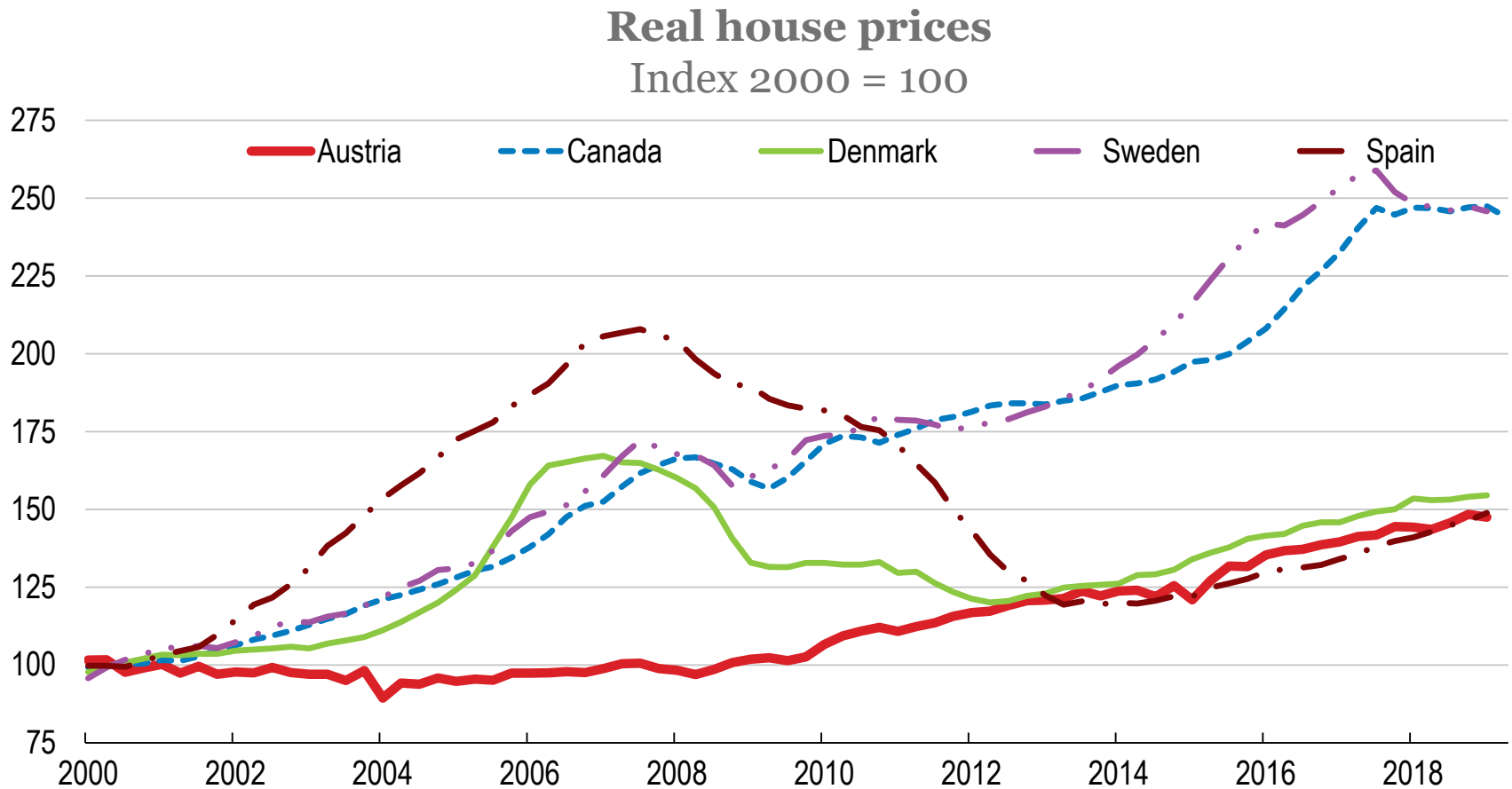


Source: OECD Economic Outlook: Statistics and Projections database.





# House prices continue to rise

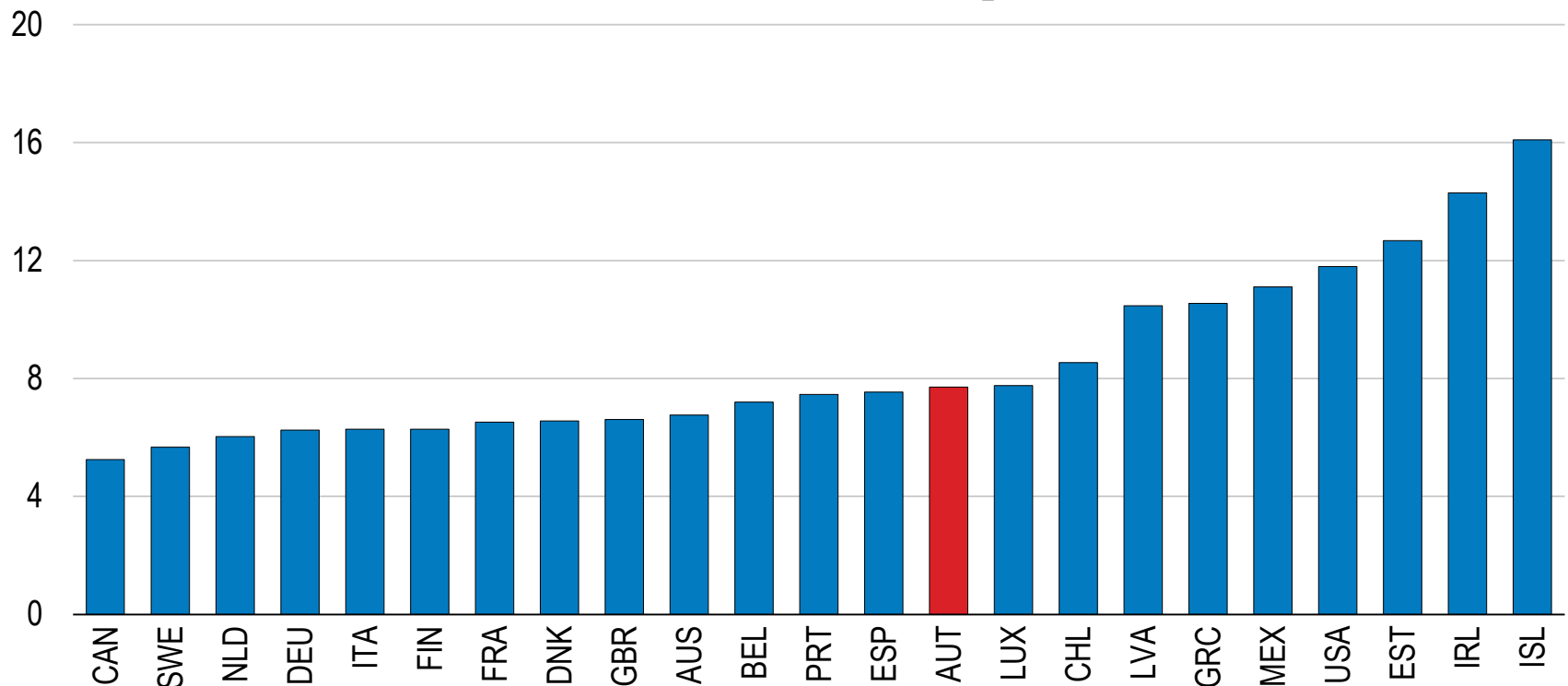


**Source:** OECD Analytical Housing Prices database.



# Bank capitalisation can be strengthened further

Capital to assets ratio of banks  
In %, 2019Q1 or latest quarter



**Source:** IMF Financial Soundness Indicators database.



# Macroeconomic and financial recommendations

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- Let automatic stabilisers operate and consider more active measures if the slowdown gets more severe
- Continue to reduce the public debt ratio
- Make the existing macro-prudential recommendations on mortgage lending compulsory
- Ensure that banks of all sizes are robustly capitalised



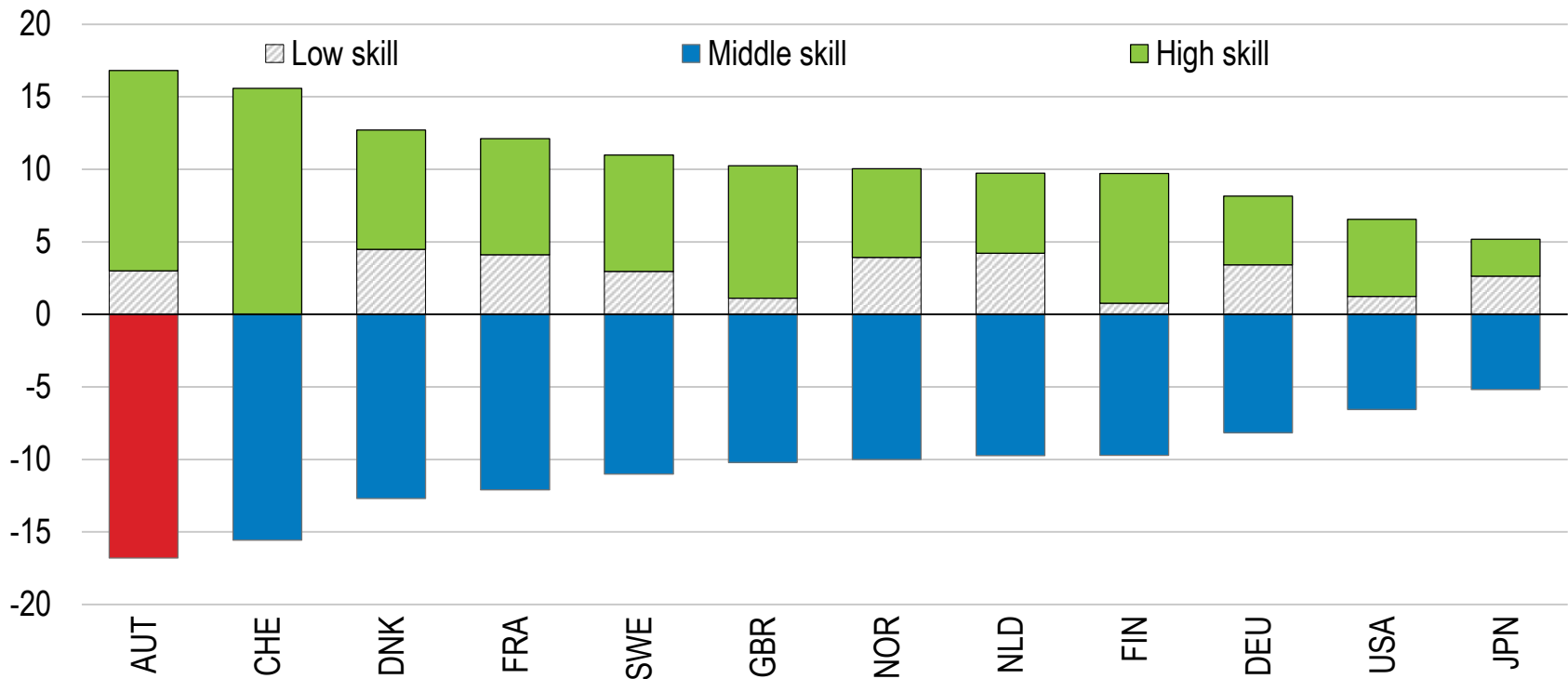
# PREPARING WORKERS FOR THE KNOWLEDGE ECONOMY





# Demand for skills are changing

**Change in share of employment**  
Percentage point change between 1995 and 2015  
2019Q1 or latest quarter



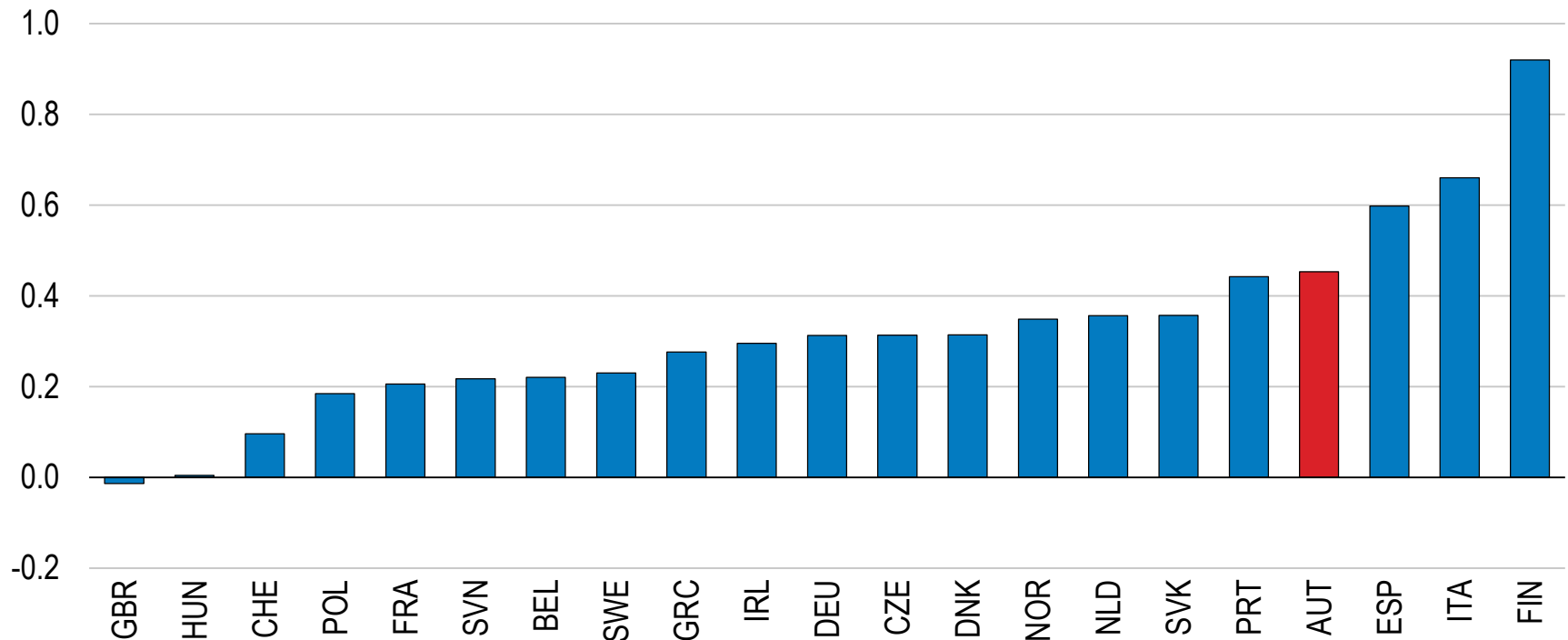
**Source:** OECD (2018), Job Creation and Local Economic Development 2018: preparing for the Future of Work.



# Digital skills shortages are sizeable

## Skill shortage in knowledge of computers and electronics

Scaled between -1 and 1 (strongest) 2015 or latest

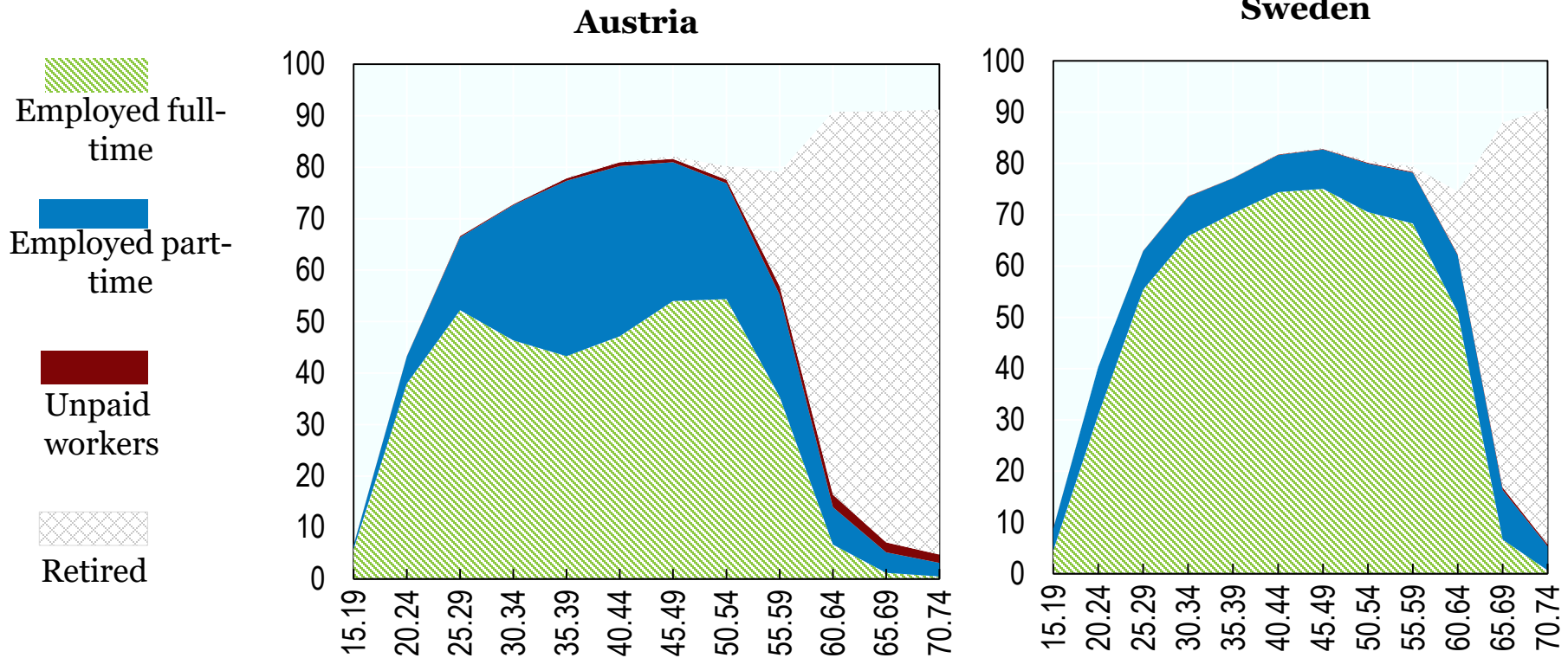


**Source:** OECD (2018), OECD Skills for Jobs Database.



# Gender imbalances prevail

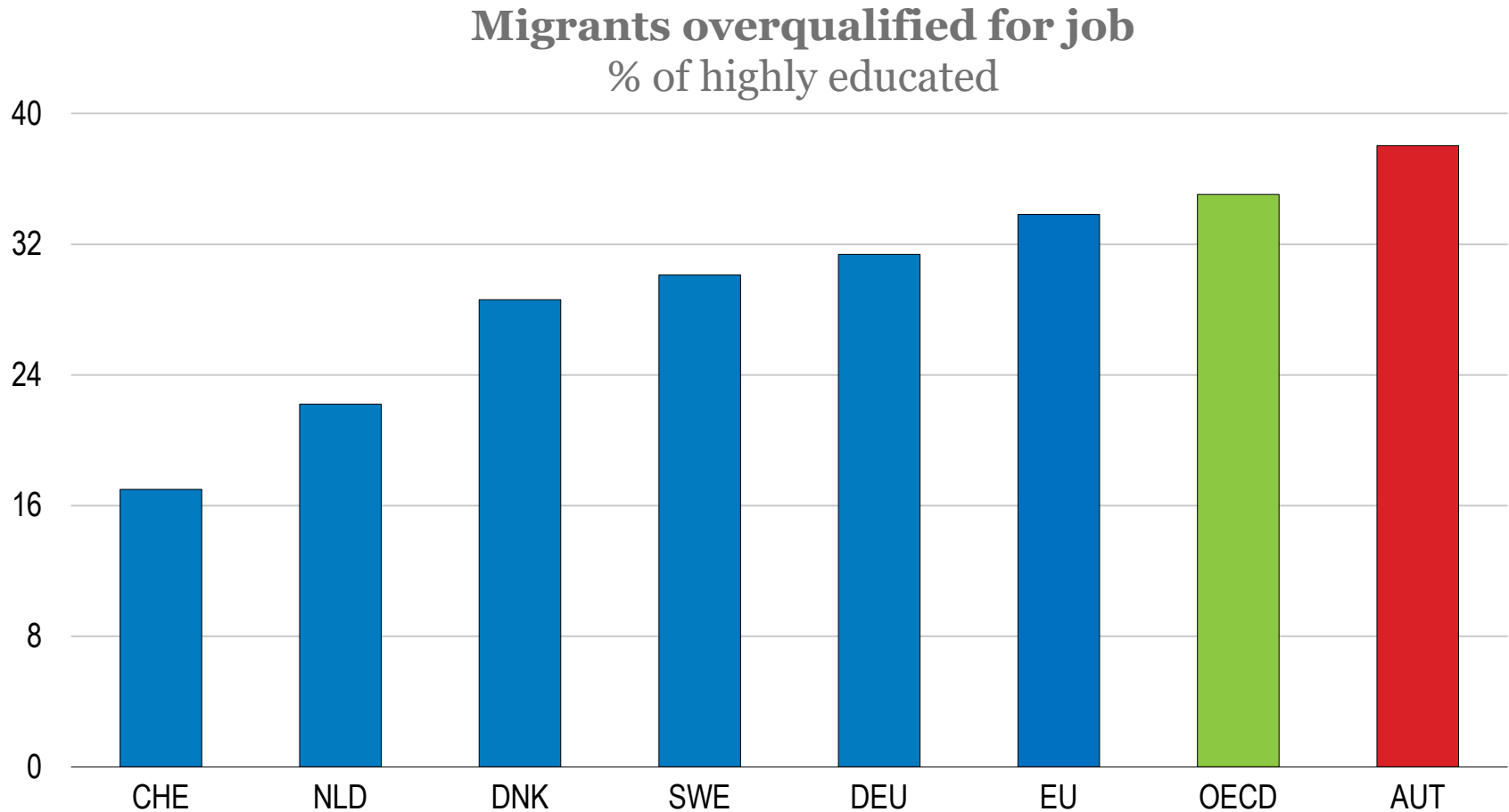
**Activity status of women**  
by age, cohort population = 100, 2015 or latest year



**Source:** OECD Employment Outlook 2018.



# Activating the skills of migrants



**Source:** OECD/EU (2018), Settling In 2018: Indicators of Immigrant Integration.





# Recommendations on jobs and skills

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- Involve employer organisations more directly in the design and administration of life-long learning programmes
- Continue to attract high-skilled foreign workers and retain more foreign graduates of Austria universities
- Make high quality child care and full-day schooling a legal entitlement in the entire country
- Strengthen the German language opportunities and the labour force participation potential of migrant families



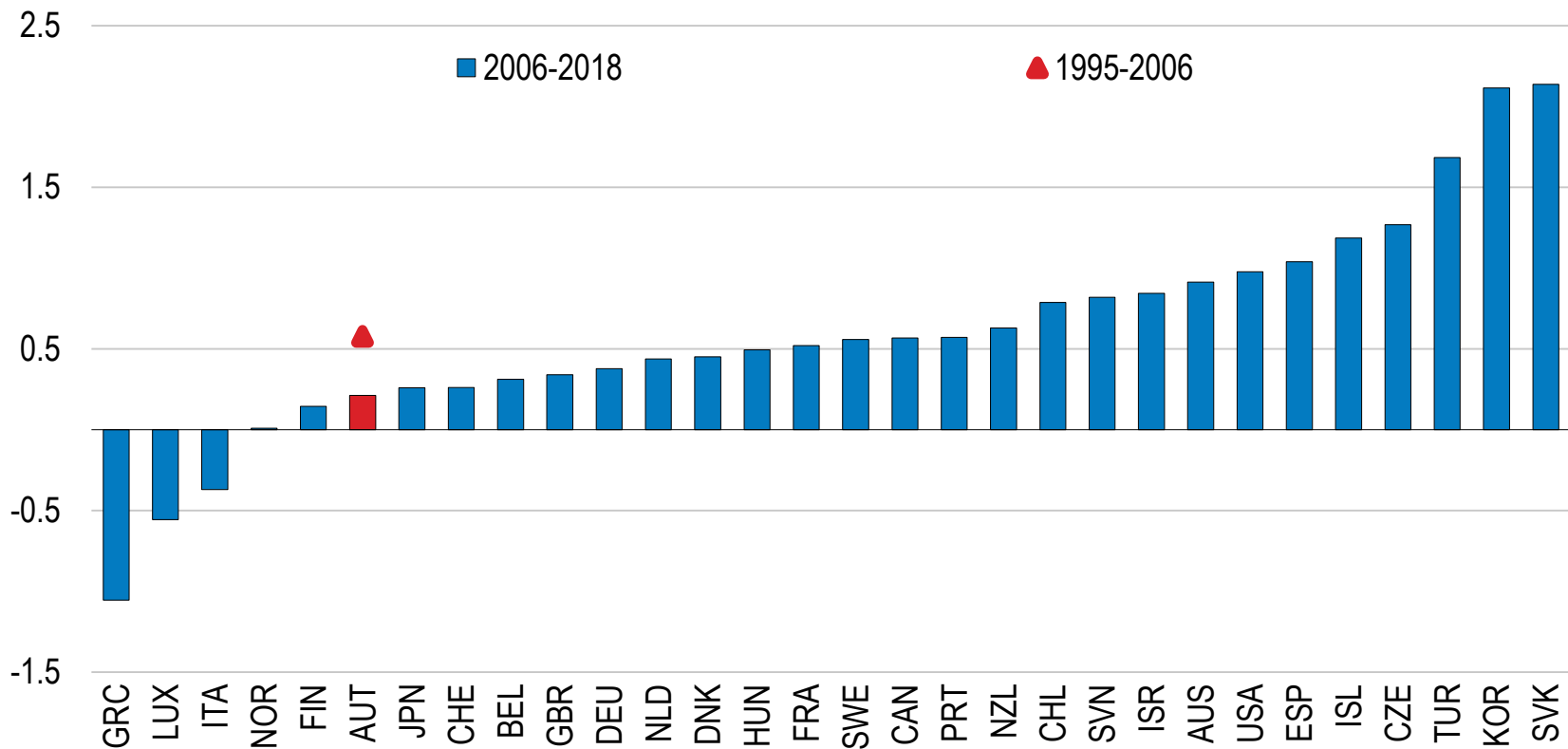
# BOOSTING PRODUCTIVITY





# Productivity growth has slowed down

Labour productivity growth  
In %, average annual rate



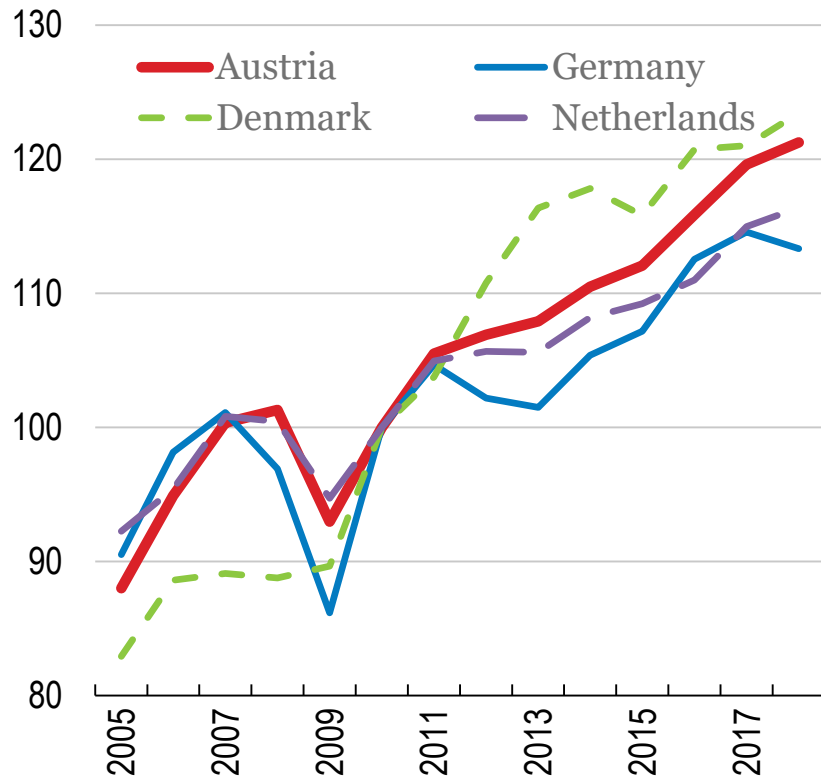
Source: OECD Statistics and Projections database.



# Service sectors lag behind

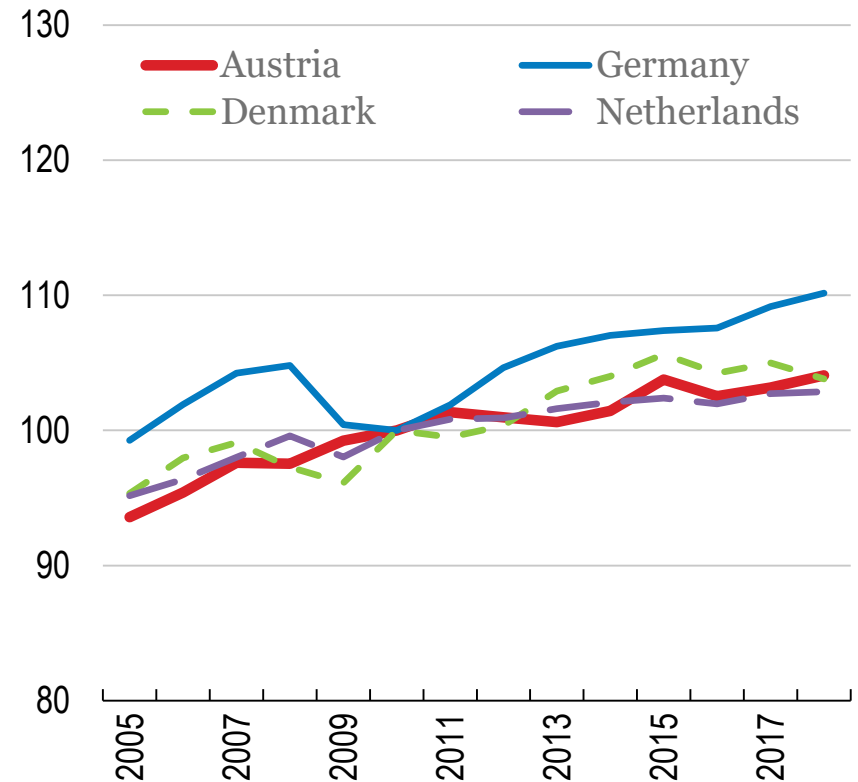
## Manufacturing sectors

Gross value added per hour worked,  
index 2010=100



## Business service sectors

Gross value added per hour worked,  
index 2010=100

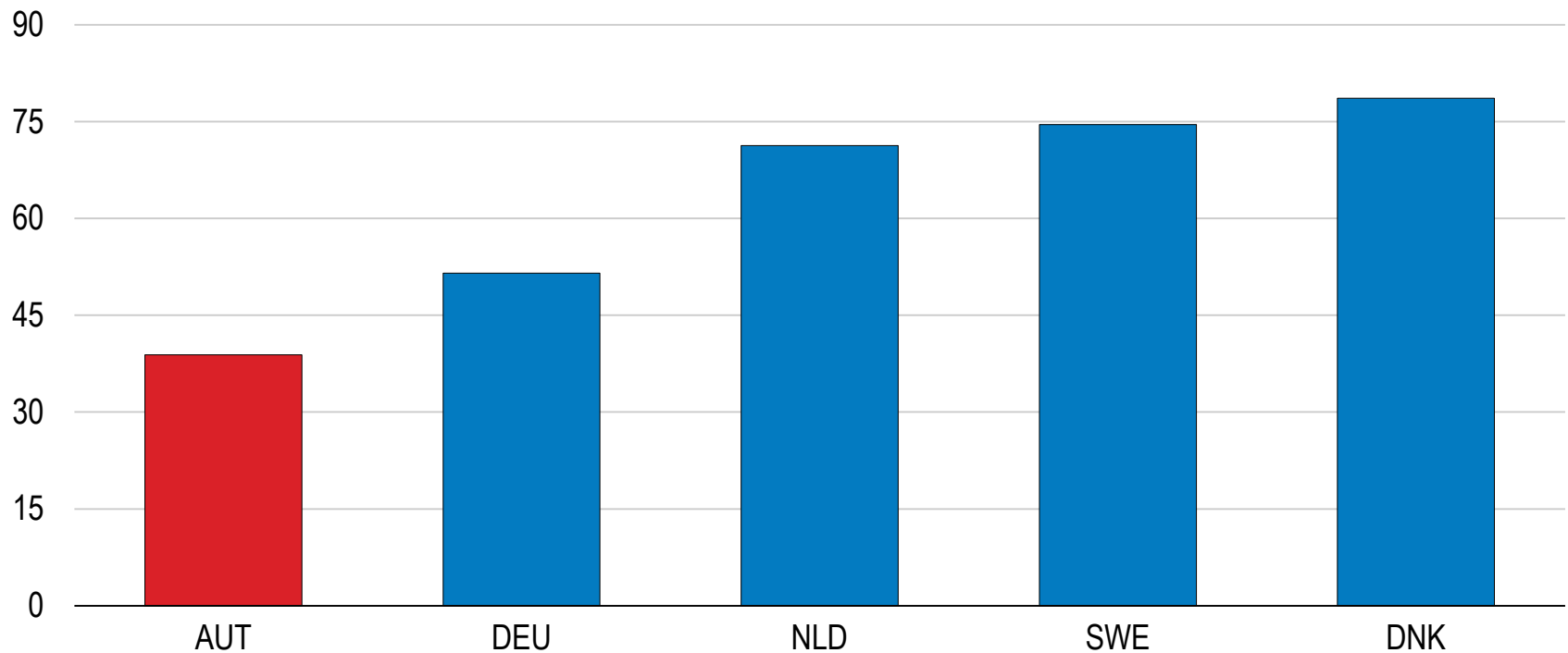


Source: OECD Productivity Statistics (database).



# Austria lags behind in digitalisation

**Access to high-speed broadband**  
In % of firms with at least 10 employees, 2017

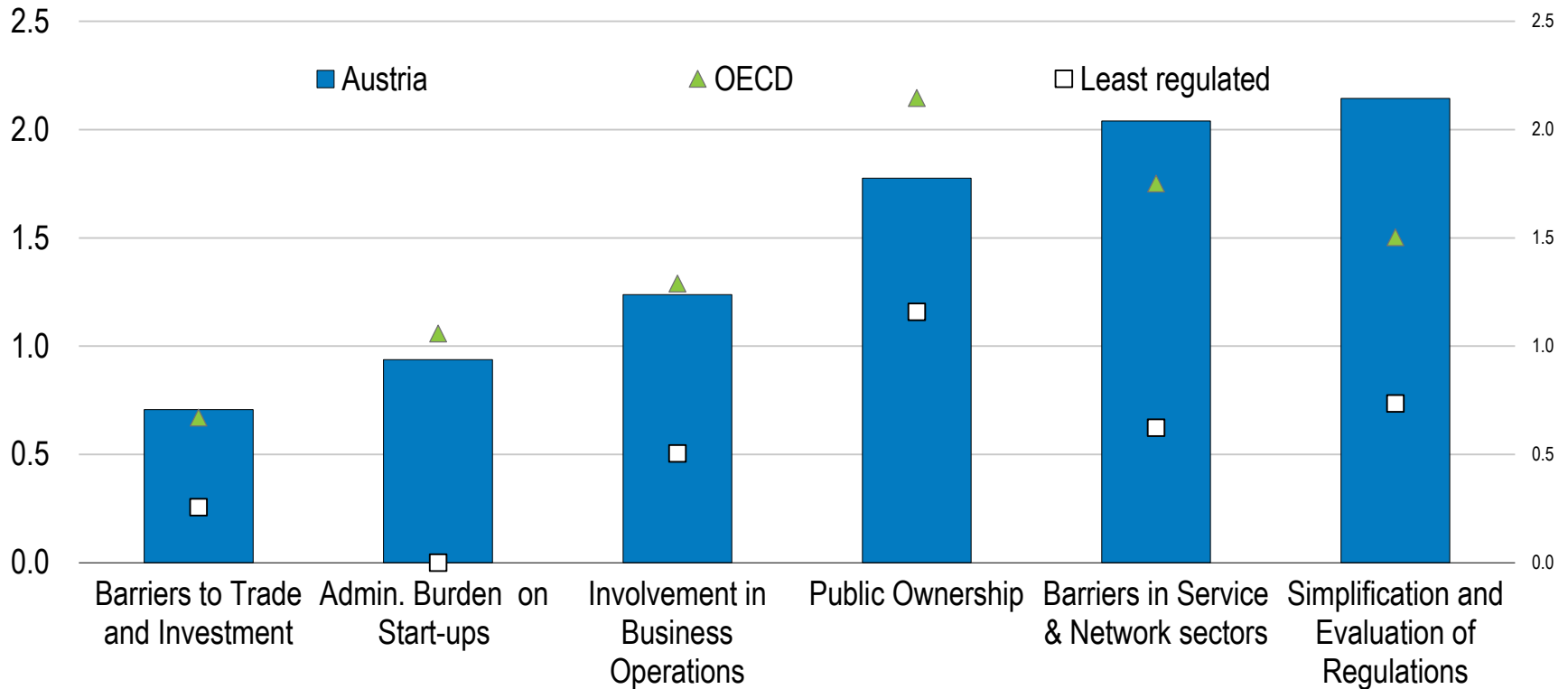


**Source:** European Commission (2019).



# Product market regulations remain too restrictive

Index of product market regulations  
Index scale from least (0) to most restrictive (6), 2018

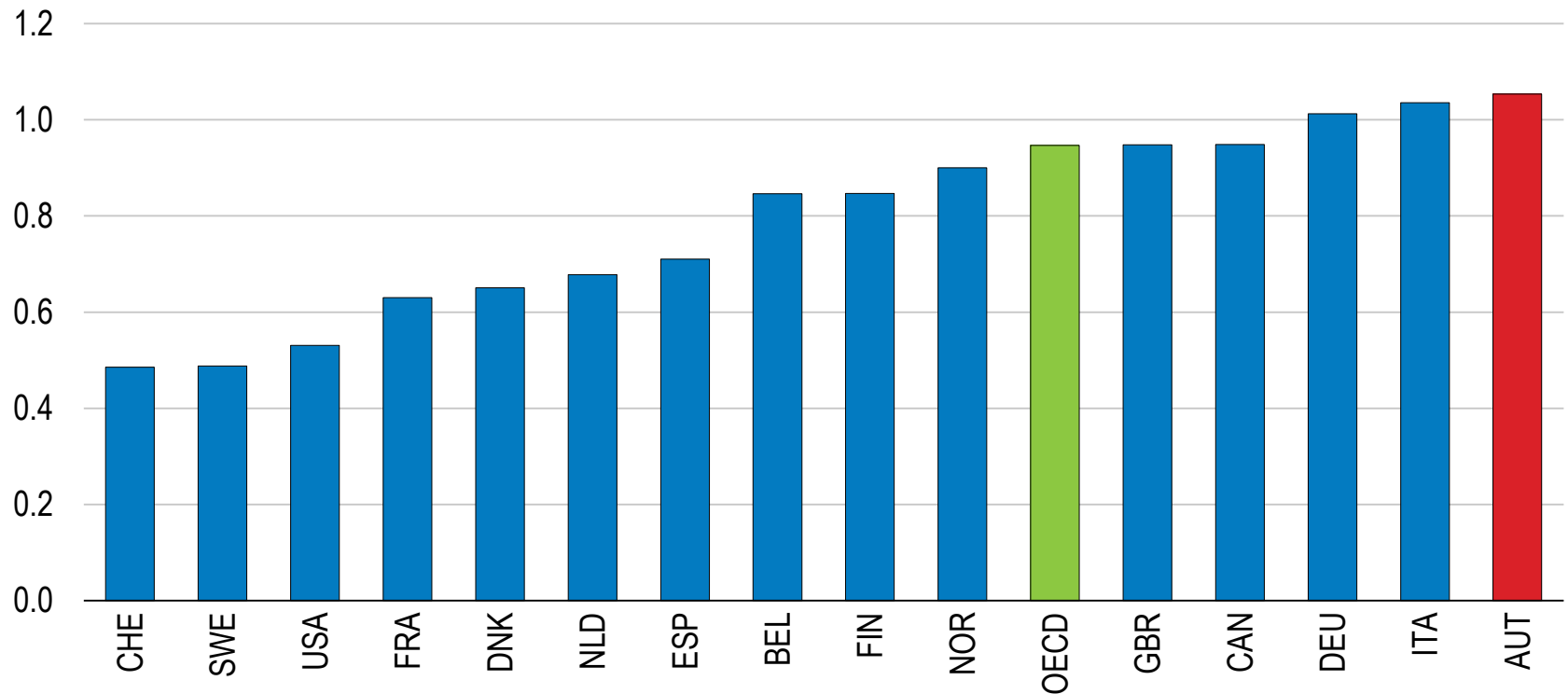


**Source:** OECD 2018 Product Market Regulation database, July.



# Corporate financing is biased towards debt

Debt-to-equity ratio  
Non-financial corporations, 2017

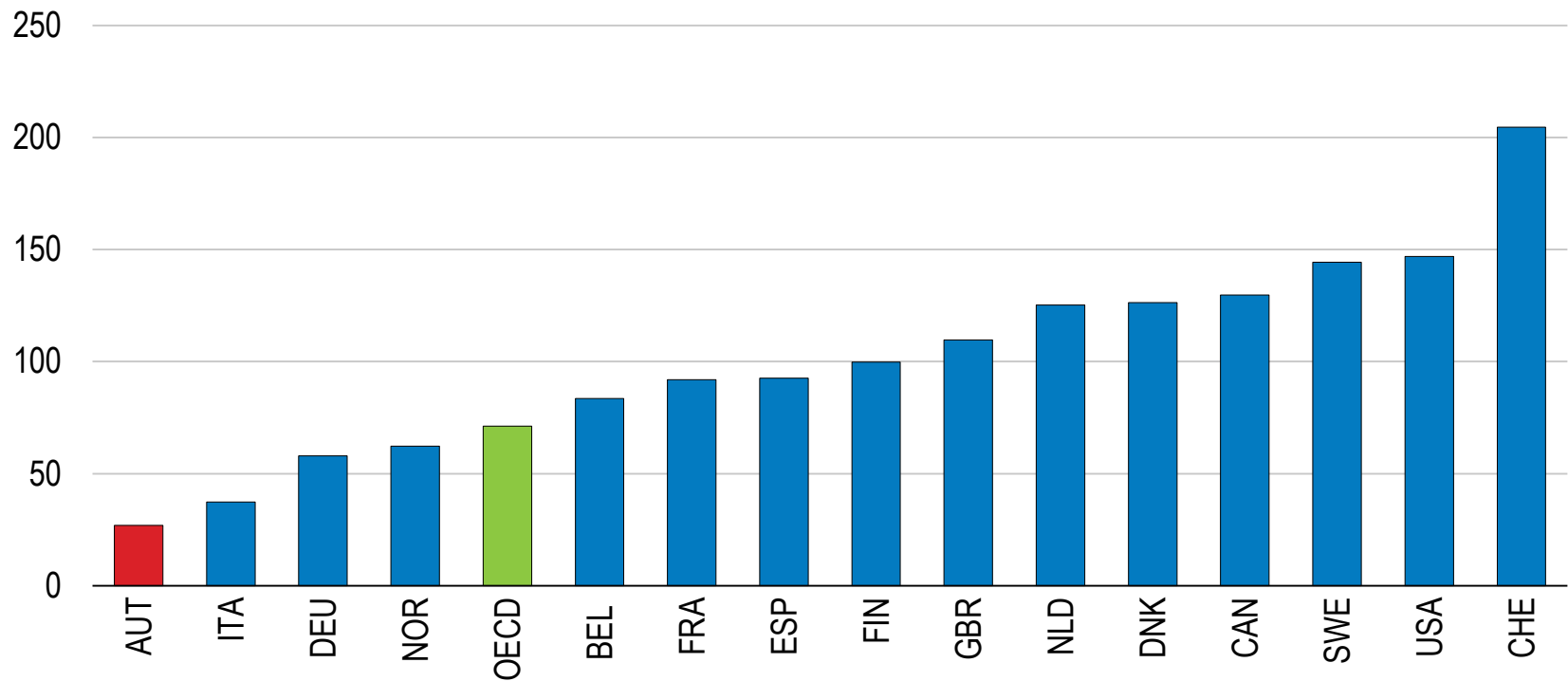


Source: OECD Financial Dashboard.



# Risk capital markets are underdeveloped

Stock market capitalisation  
% of GDP, 2017



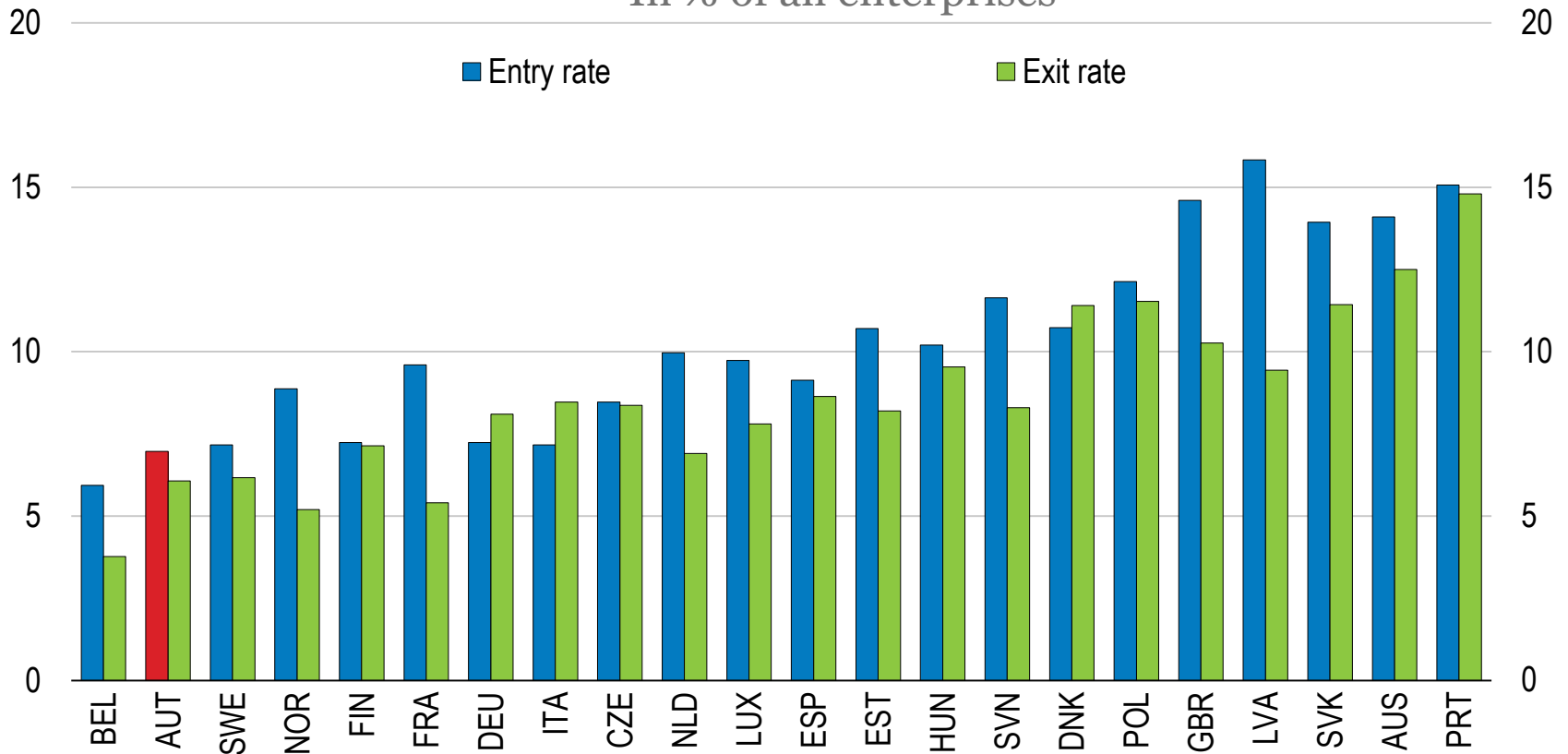
**Source:** World Bank Development Indicators.





# Business dynamism is low

All enterprises in business economy  
In % of all enterprises

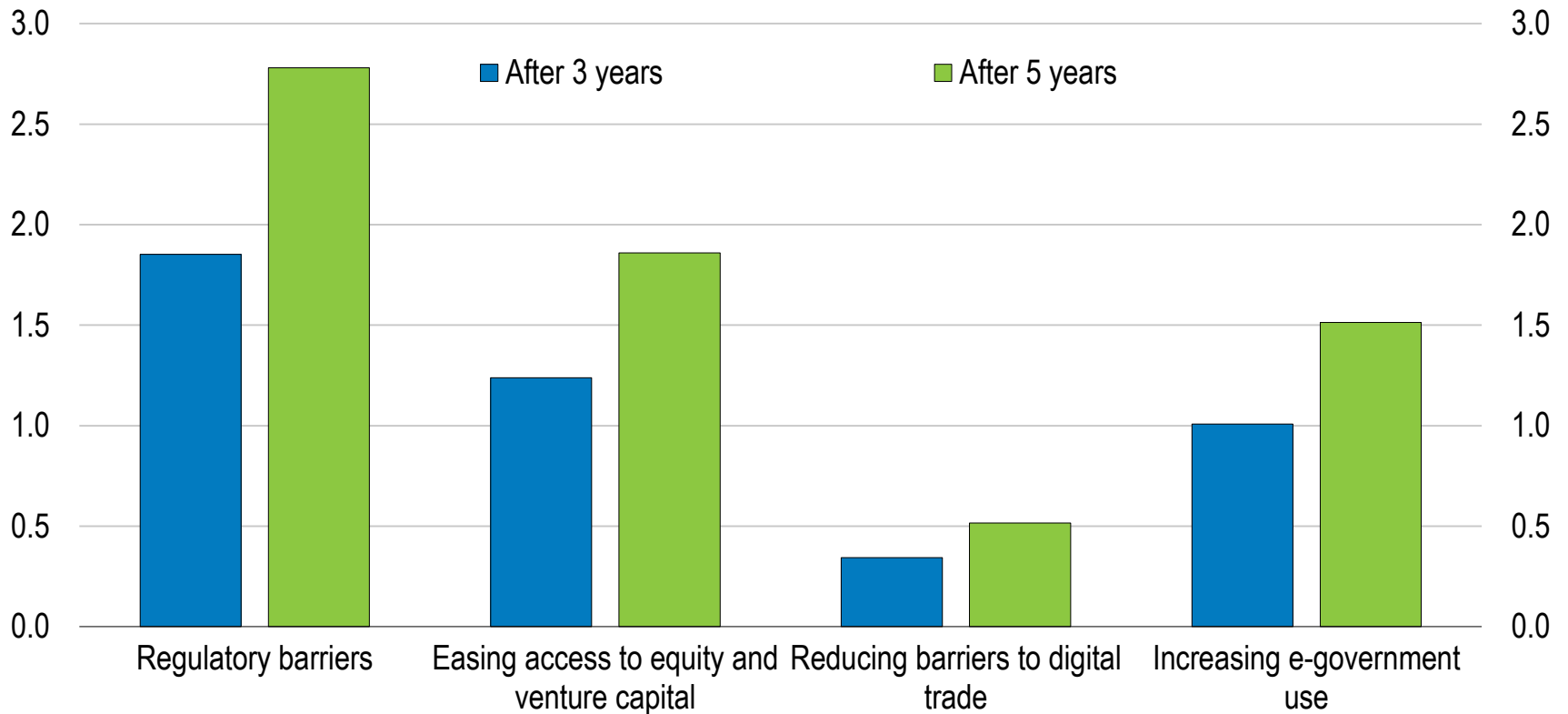


Source: OECD Structural and Demographic Business Statistics.



# Ambitious structural reforms would boost productivity

Estimated effect on average firm productivity  
In %



**Source:** OECD calculations based on Sorbe et al. (2019), “Digital Dividends: Policies to Harness the Productivity Potential of Digital Technologies”, OECD Economic Policy Papers, No. 26



# Recommendations to boost productivity

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- Make the licensing system more open to competition without undermining the quality of services and the training and skill standards of workers
- Liberalise market entry in rail transportation, road freight and the distribution of pharmaceuticals
- Modify corporate taxes to reduce disincentive effects and the debt-bias
- Identify and address the remaining shortages in the ecosystem for equity investments in forms of all sizes. Further draw on the completion of the Capital Market Union
- Take up measures planned by the previous government to facilitate business transfers
- Improve the evidence base on business transfers. Increase awareness on the importance of successful transmissions and help disseminate best practices

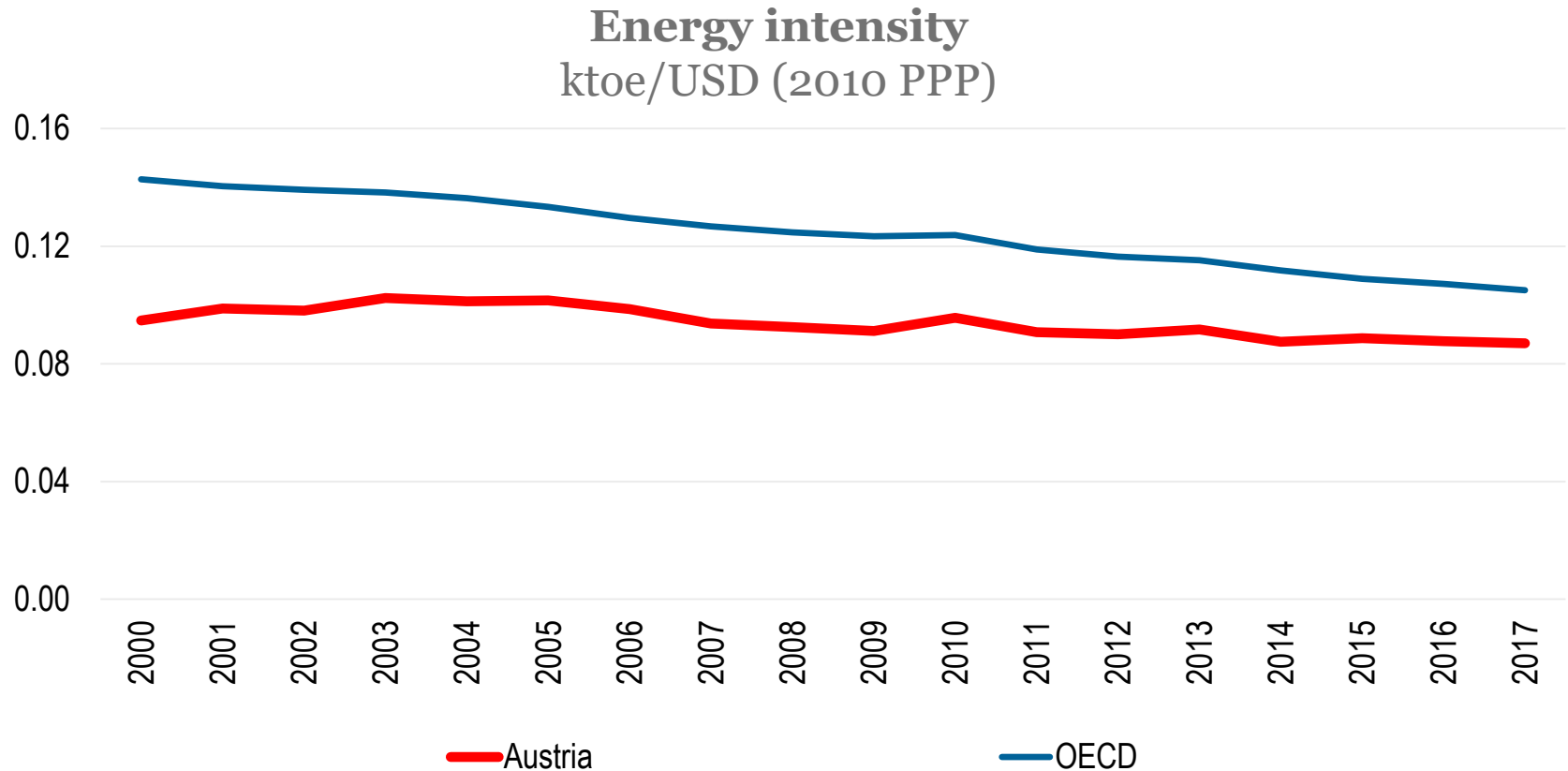


# TACKLING ENVIRONMENT CHALLENGES





# Energy intensity has not improved

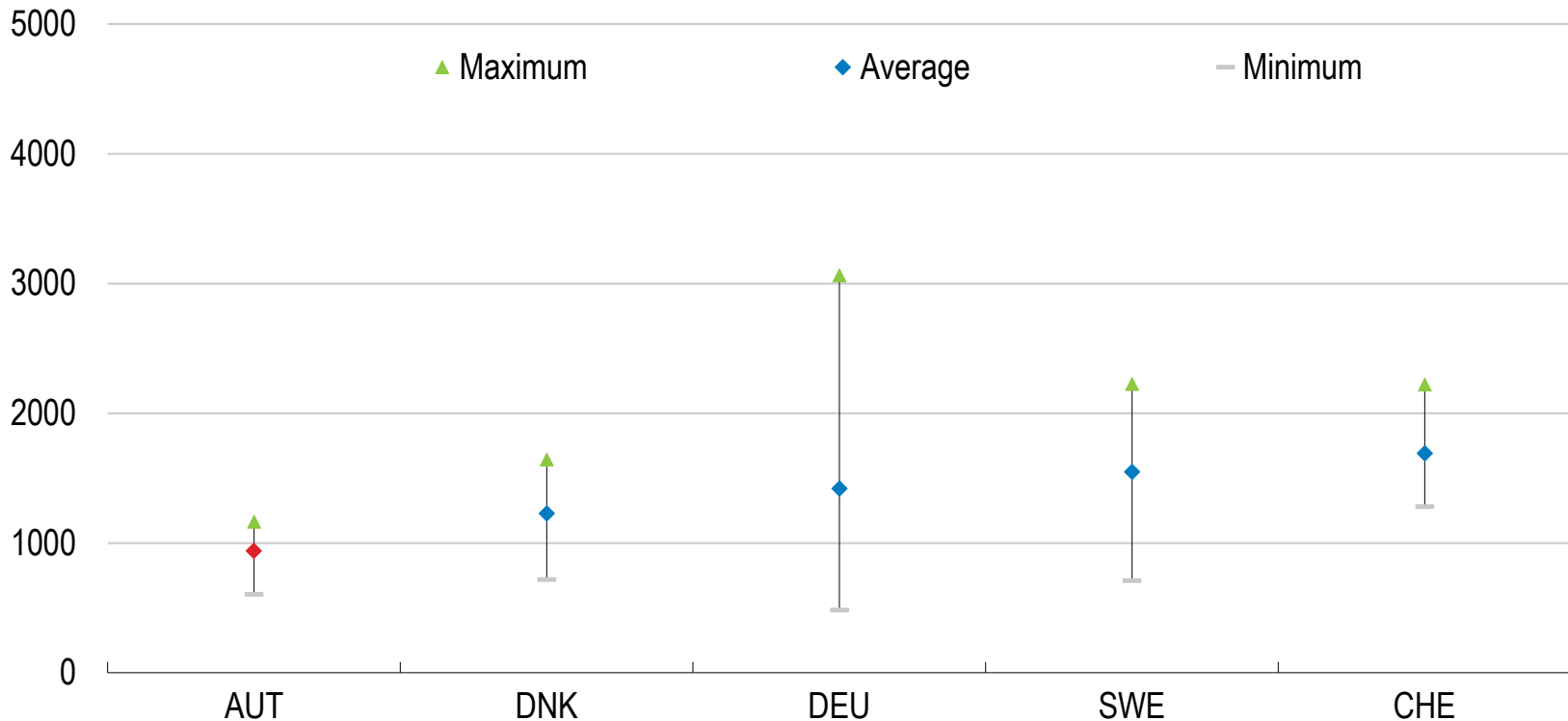


**Source:** OECD Green Growth Indicators database.



# Urban sprawl in Austria is excessive

**Average population density in urban areas**  
Number of inhabitants per km<sup>2</sup>, 2014



**Source:** OECD (2018), Rethinking Urban Sprawl: Moving Towards Sustainable Cities.



# Recommendations on the environment

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- Improve co-operation between Federal, Länder and municipal governments on joint urbanisation, housing, transportation and air quality plans.
- Phase in additional measures if emission trajectories diverge from targets.
- Raise and harmonise carbon prices across activities, along a predictable path supported by international co-operation.



**NEED TO IMPROVE  
GOVERNMENT  
EFFECTIVENESS TO  
MANAGE SPENDING  
PRESSURES AND SUPPORT  
GROWTH**

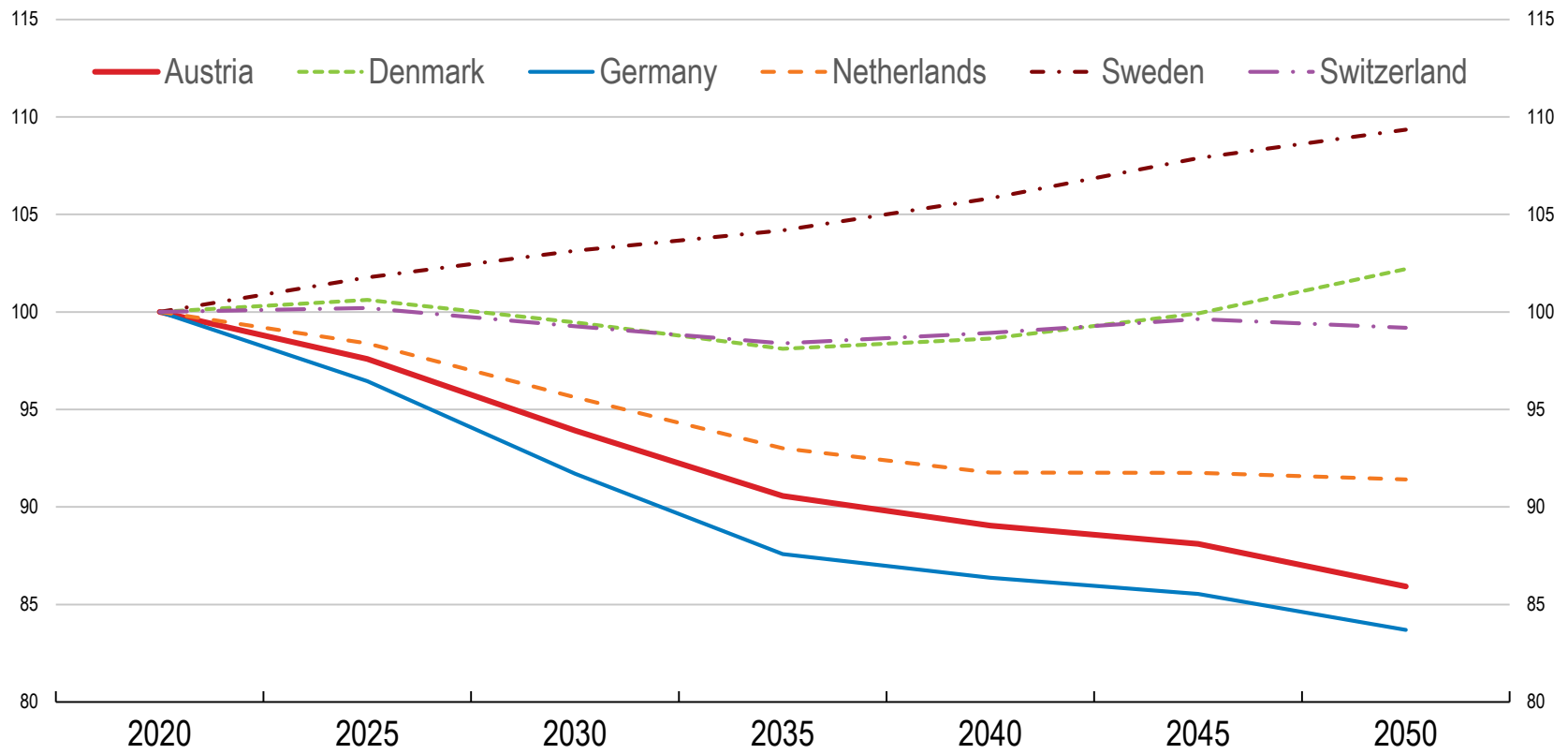






# Population ageing will intensify

Projected change in working age populations  
2020=100, 15-64 year-olds, 2020-2050

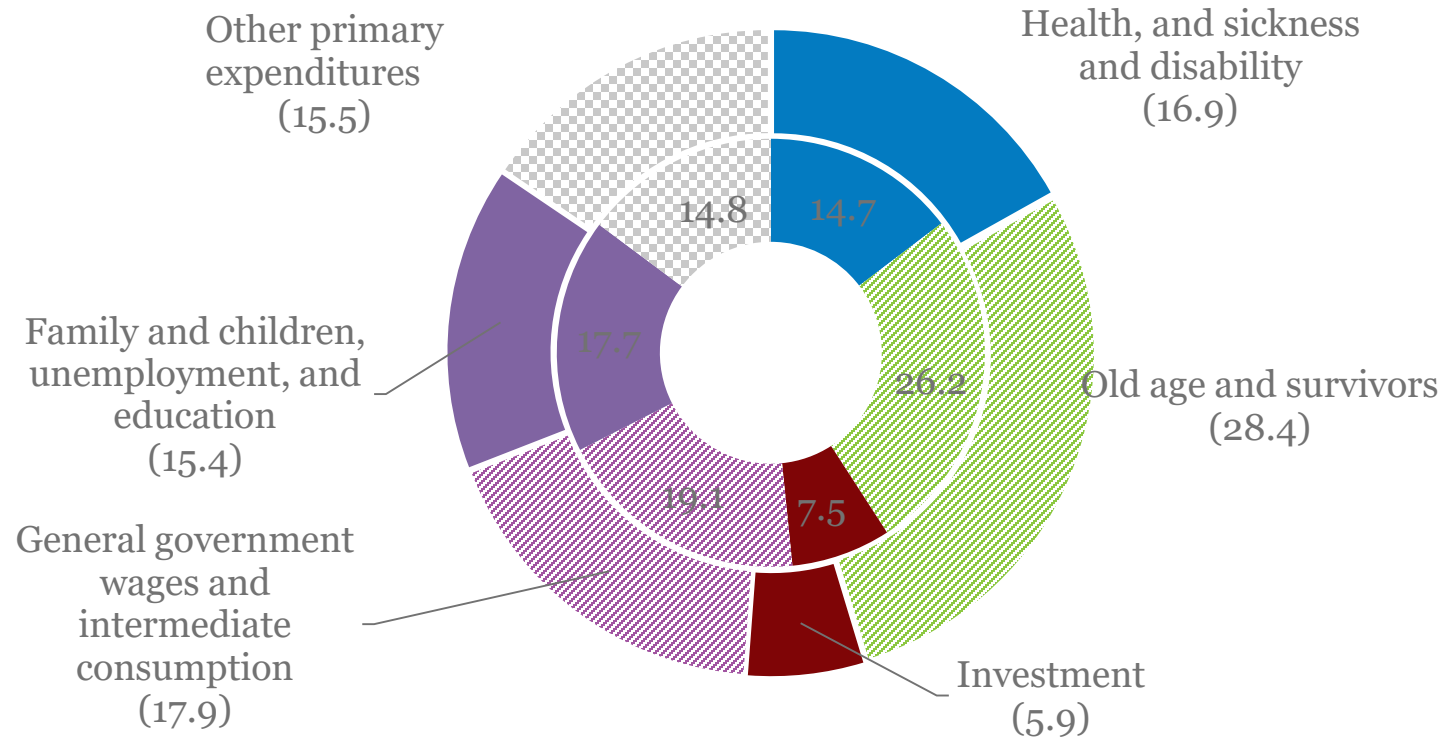


**Source:** United Nations (2018), World Population Database.



# Ageing puts pressure on government spending

**Composition of total government spending**  
In %, cyclically-adjusted, 1995 and 2014

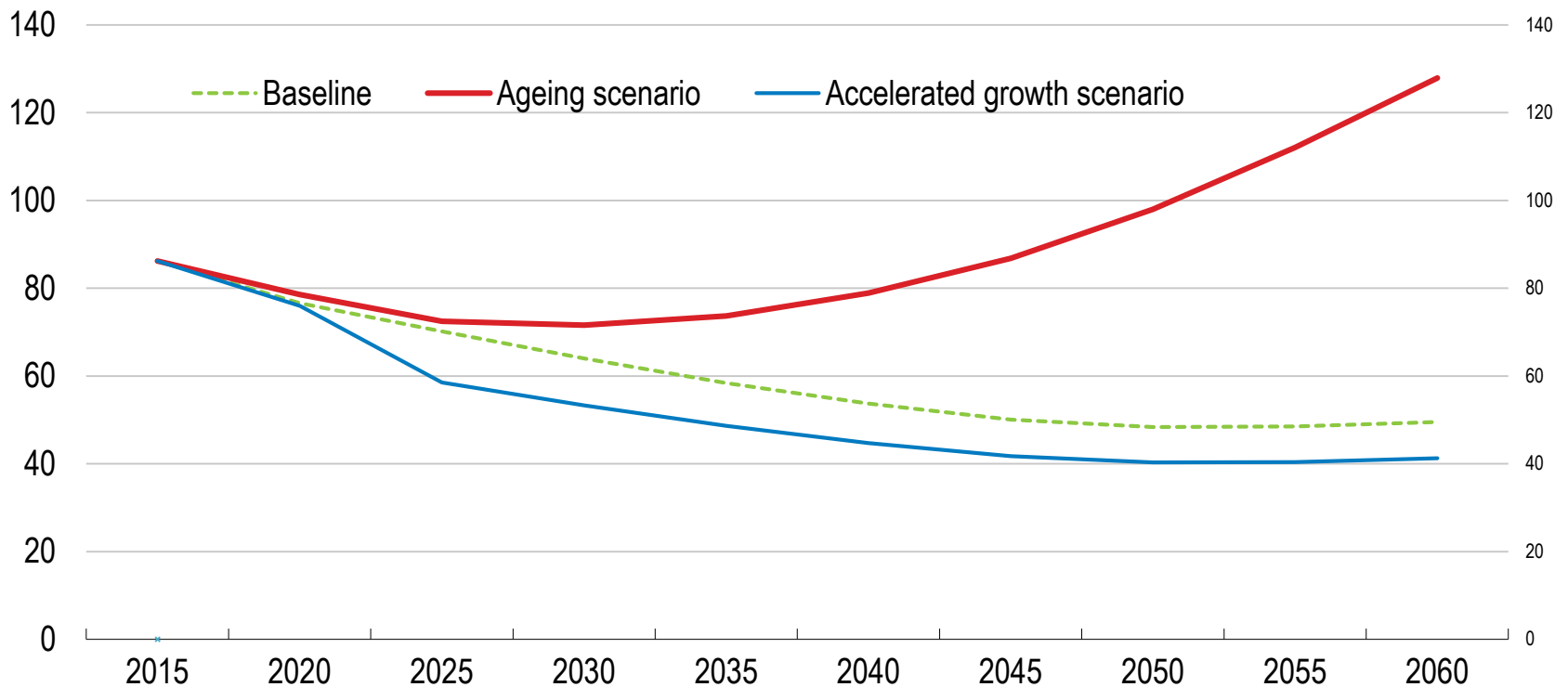


**Source:** Cournède, Fournier and Hoeller (2018), “Public finance structure and inclusive growth”, OECD Economic Policy Papers, No. 25.



# There are risks to long-term public finance

General government gross debt  
% of GDP, Maastricht definition, scenario analysis



**Source:** Calculations based on OECD (2019), OECD Economic Outlook: Statistics and Projections (database).



# Recommendations to public sector

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- Ensure the long-term sustainability of the pensions system, e.g. by linking retirement age to life expectancy.
- More closely align revenue raising and spending responsibilities of government levels.
- Seek economies of scale in municipal governance through shared services or consolidation of government.
- Implement high-quality independent government spending reviews to improve the quality and cost-efficiency of services.



# For more information

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Disclaimers:

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