

**COUNTRY PROFILE:**

**REPUBLIC OF AUSTRIA**

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***Recent Political Highlights***

- ❑ Chief of state since July 2004 has been President Heinz Fischer. The president is elected by popular vote for a six-year term and is eligible for a second term. The next election is scheduled for April 2010.

***Recent Economic Highlights***

- ❑ Austria has a population of 8.2m that is expected to grow at a rate of 0.05% in 2009.
- ❑ Austria needs to continue restructuring, emphasising knowledge-based sectors in the economy, and encouraging greater labour flexibility and greater labour participation to offset its aging population.
- ❑ Recession, as a result of the global economic crisis, is eating deeper into Europe with Austria now also in retreat. The economy, which has a huge exposure in central and eastern Europe, entered recession in the first three months of the year when GDP contracted by 2.8% after contracting 0.4% in the last three months of 2008. The main contributor to the decline was a collapse in exports, which were down by 4.4% quarter-on-quarter, and a 4.4% drop in investments. Exports alone fell 23.8% in February compared to the previous month. Factors such as the delay in the implementation of the car scrapping bonus and seasonal factors are expected to have an additional negative effect. Household spending fell 0.1% in the first quarter of 2009, while state spending was up by 0.4%. The manufacturing sector was the hardest hit after plummeting 6.5% from the previous quarter. The first signs of the economy stabilising are beginning to emerge after companies reduced their order backlogs in April, implying that output expectations were looking more favourable, but the majority of companies were still expecting to cut back production in the coming months.
- ❑ The industry of Austria's most southern province Carinthia has felt the effects of the international financial crisis. Two thirds of the companies confirm a very bad order situation and according to industry experts, the lowest point is still to be reached. Industries like construction and food are still doing relatively well. The timber and electronics industry, as well as car and ancillary industries, are feeling the effects of the situation very strongly. According to the chief economist of the Industrialists Association, Austria has lost the production expansion of ten years in only six months.
- ❑ The head of the Austrian National Bank saw no medium term deflation or inflation risks for the country or the Eurozone. The European commission expects the Austrian economy to shrink 4% this year. The Austrian Labour Market Service claims that 258,240 people were jobless last month – an increase of 25.9% compared to April 2008.
- ❑ The Austrian food processing industry plays a major role in the economy and it represents the fifth largest industrial sector within Austria's industrial processing output. Total turnover in 2008 was \$11.1bn compared to \$7.2bn in 1995. The most important sectors of the Austrian food processing industry measured by output are the brewing sector 14%, confectionary industry 11.1%, non-alcoholic beverages 10%, and meat production 9.4%. The country's heavy dependence on the automobile industry and its exposure to markets in Central and Eastern Europe are major risks.
- ❑ Wolfgang Reithofer is responsible for transforming traditional Austrian company Wienerberger into the world's largest brick manufacturer. Wienerberger is now represented with production facilities in 26 countries, employs a workforce of around 14,000 and is not only the world's largest brick producer, but also number two for clay roof tiles in Europe. Wienerberger was founded in Vienna in 1819. Revenues in the last fiscal year amounted to €2.4 bn. Wienerberger has announced massive first quarter losses of €61m in 2009 on the back of a severe downturn in business in Eastern Europe. Turnover shrunk by 37% to €360.3m and operating earnings before interest and taxes plunged 82%. Recent restructuring in connection with the closure of nine factories cost Wienerberger €42.6m.

***Latest Trade Developments***

- ❑ Main export commodities: machinery and equipment, motor vehicles and parts, paper and paperboard, metal goods, chemicals, iron and steel, textiles and food items.
- ❑ Main import commodities: machinery and equipment, motor vehicles, chemicals, metal goods, oil and oil products and food items.
- ❑ Major trading partners: Germany (receives about one-third of Austria's exports), Italy, US, Switzerland and The Netherlands.
- ❑ In 2008, Austria's agriculture, fish and forestry imports worldwide amounted to \$15.2 bn. Imports from the US totaled \$113m in 2008. In times of world wide weakening economies, a 0.74% increase of imports from the previous year shows again that Austria belongs to one of the richest countries in the EU.
- ❑ China and Austria have met and agreed that Austria will actively transfer advanced technology to China. Both parties have agreed to expand bilateral trade and economic cooperation in the fight against the ongoing world financial crisis. China's development has provided greater room for expanding economic cooperation with Austria. China is ready to expand cooperation with Austria in areas such as energy efficiency, environment protection, water conservation, eco-agriculture, auto parts and clean energy to foster new growth spots in both economies.
- ❑ SA's exports to the Austria totaled R830m in 2007, R1.35bn in 2008 and R125m in the year to February 2009.

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