

COUNTRY PROFILE:Republic of Austria**DATED:**January 2012**CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

<i>Export Department Comment/Opinion</i>	Austria: 1A. Cover considered on an open basis. Fair exposure and a fair amount of commitments. Not a claims free market (Euler Hermes: A/A; Altradius: 2; Coface: A2/A1) Sanctions: None
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Recent Political Highlights

- The President of Austria is Heinz Fischer and he has been in this position since the 8th of July 2004. Austria has both a chancellor and a vice chancellor – Werner Faymann and Michael Spindelegger respectively.
- The current government comprises of a coalition which was formed in 2008 between the Social Democratic party and the center-right Austrian People’s Party. Decision making within the country is a bureaucratic process which involves a significant number of stakeholders.

Recent Economic Highlights

- Austria is one of the richest countries in the world and has a population of approximately 8,217,280. Standard & Poor’s (S&P) stated in a recent report that Austria’s economy is “wealthy, diversified and highly competitive”; this is reflected in its stable economic policies. The country’s unemployment rate is 4%, the lowest in the European Union. Austria is an export-oriented economy with above average economic performance. Industrial exports to Germany form a large share of Austrian exports.
- An OECD report on Austria last year stated that the strength of the economy lies in three areas: the successful export orientation coupled with entrepreneurs who understand the business environment, a low unemployment rate and a skilled labour force, and social partners who are able to work together with the government to implement successful labour reforms.
- The current focus of economic policy is to reduce the fiscal deficit to less than 3% and bring the debt burden down to less than 60% of total GDP. The Central Bank of Austria predicts that growth for 2012 will average 2.3% and inflation is expected to stand at 2.1%. Although the Central Bank has predicted growth of 2.3%, other financial institutions have cut their growth forecasts for the country; Ernst & Young has estimated 1% growth for 2012.
- Exports are losing ground as a result of a decrease in external demand, especially from eurozone countries. It is expected that export growth will be half of what it was in 2011 settling at approximately 2.8% this year. Core inflation was 3.2% in December and it will remain high in 2012.
- Financing costs have not been affected by the European sovereign debt crisis and the Central Bank stated that companies and households have enjoyed lower loan costs as a result of low interest rates. But the volatile financial markets have impacted on Austrian bank profitability. Austrian banks are collectively the biggest lenders in Eastern Europe. Some major banks have made provisions for the loss on loans while domestic performance is not strong as it should be. Austria’s second largest bank, a subsidiary of an Italian bank potentially faces the risk of being affected by negative developments in Italy; the country’s exposure to Italian banks is approximately 5.9% of total GDP. Banks in eastern Europe face more stringent liquidity requirements and by the end of June they must have core capital reserves of 9%. Austria has asked its 3 largest banks to limit their lending in eastern Europe to a multiple of 1.1 of the total funding that they can raise locally; this may cause a scarcity of credit within the region.
- S&P has warned that Europe is struggling to fight the debt crisis; as a result the agency lowered Austria’s long term sovereign credit rating on the 13th of January this year. There is a possibility that S&P could lower Austria’s rating again in the next two years if the country’s bank balance sheets weaken or if the growth outlook worsens.

Latest Trade Developments

- Major exports from Austria: machinery and equipment, motor vehicles and parts, paper and paperboard, metal goods, chemicals, iron and steel, textiles, foodstuffs
- Major imports to Austria: machinery and equipment, motor vehicles, chemicals, metal goods, oil and oil products; foodstuffs
- Main trading partners of Austria: Germany, Italy, Switzerland, France, Netherlands, Czech Republic
- SA’s exports to Austria in 2009 totaled R802.9m; in 2010 they were R724.7m and R982m year to November 2011.
- SA’s import from Austria in 2009 totaled R4.47bn; in 2010 they were R4.42bn and R4.54bn year to November 2011.