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To: Members of the Executive Board
From: The Secretary
Subject: Austria - Recent Economic Developments

This subject provides background information to the staff report on the 1983 Article IV consultation discussions with Austria which will be issued shortly.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Hermann, ext. (74370) or Ms. Christensen, ext. (75663).

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INTERNATIONAL MONETARY FUND

AUSTRIA

Recent Economic Developments

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Approved by the European Department

December 6, 1983

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Basic Data

Area and population

	1982
Total area	83,850 square kilometers
Total population	7,574,100
GDP per capita	US\$8,831

	1982		1980	1981	1982	1983 1/
	In billions of schillings	In percent	(Volume changes; in percent)			
<u>Demand and supply</u>						
Private consumption	640.1	56.1	1.6	0.5	1.1	2.8
Public consumption	212.7	18.6	2.3	1.8	2.0	2.0
Gross fixed investment	263.0	23.1	3.6	-1.7	-5.4	-2.0
Construction	139.7 2/	12.2	-0.7	-1.7	-5.9	-1.0
Machinery and equipment	110.1 2/	9.6	9.5	-1.7	-4.4	-3.0
Stockbuilding 3/	-0.8	-0.1	0.6	-2.8	-0.8	0.5
Total domestic demand	1,115.0	97.7	2.8	-2.6	-1.2	2.0
Exports of goods and services	472.4	41.4	8.1	6.5	3.2	0.5
Imports of goods and services	446.3	39.1	7.3	0.2	-2.3	3.0
Foreign balance 3/	26.1	2.3	0.2	2.5	2.2	-1.0
GDP	1,141.1	100.0	3.0	-0.1	1.1	1.0
Industrial production 4/	306.0	...	3.0	-1.3	0.2	--

(Annual averages; in thousands)

Employment and unemployment

Labor force	3,326	3,345	3,342	...
Employed foreign workers	175	172	156	...
Dependent employment	2,789	2,799	2,766	2,733
Unemployed	53	69	105	133
Unemployment rate (in percent of dependent labor force)	(1.9)	(2.4)	(3.7)	(4.6)

(Changes in percent)

Prices and incomes

GDP deflator	5.4	6.3	6.6	4.3
Consumer prices	6.4	6.8	5.4	3.2
Wholesale prices	8.6	8.1	3.1	0.5
Export unit value	5.0	6.1	4.5	0.5
Import unit value	10.6	10.5	0.3	-2.0
Unit labor costs 5/	4.7	5.9	3.0	1.0
Real disposable income 6/	0.8	-1.1	3.2	3.0
Savings ratio (in percent of disposable income)	11.0	9.1	10.1	10.3

1/ Forecast by the Austrian Institute for Economic Research, September 1983.

2/ Excluding value added-tax.

3/ Changes as a percentage of previous year's GDP.

4/ Excluding mining, including small industry.

5/ Computation by the Austrian Institute for Economic Research.

6/ Corrected for changes in consumer prices.

	1980	1981	1982	1983 1/
	(Period averages; changes in percent)			
<u>Monetary data</u>				
Monetary base 2/	6.7	5.1	7.5	12.0
Money (M1)	7.4	3.7	3.1	13.5
Money plus quasi-money (M3)	9.5	11.4	11.0	...
Domestic credit	15.3	11.1	9.5	...
Call money rate (December average, in percent)	11.5	10.8	6.0	...
	(In billions of schillings)			
<u>Federal Government finances 3/</u>				
Revenue	259.0	287.8	300.9	317.0
(In percent of GDP)	(26.0)	(27.2)	(26.4)	(26.4)
Expenditure	288.3	315.3	347.6	390.0
(In percent of GDP)	(28.9)	(29.8)	(30.5)	(32.5)
Financial balance	-29.3	-27.5	-46.6	-73.0
(In percent of GDP)	(-2.9)	(-2.6)	(-4.1)	(-6.1)
<u>Central Bank 2/</u>				
Net foreign assets	85.9	94.2	97.4	99.9
Net domestic assets	28.9	27.9	29.3	31.5
Of which:				
Refinancing of banks	19.5	24.2	25.2	34.4
Open market transactions	10.9	11.1	12.3	12.1
<u>Balance of payments 4/</u>				
Trade balance	-87.5	-77.1	-62.6	-59.5
Tourism balance	42.9	46.4	49.2	46.6
Unclassified goods and services	25.1	15.7	29.9	...
Current account	-21.4	-21.4	12.2	12.6
(In percent of GDP)	(-2.2)	(-2.0)	(1.1)	(1.1)
<u>Official reserves and exchange rates 2/</u>				
Gross official reserves				
In billions of schillings	112.4	123.7	128.3	127.5
In billions of SDRs	6.4	6.7	7.0	6.5
Schillings per SDR	17.6	18.5	18.4	19.6
Schillings per U.S. dollar	13.8	15.9	16.7	18.6
Schillings per deutsche mark	7.1	7.1	7.0	7.0
Average effective rate, percentage change				
Nominal effective rate (MERM)	3.4	-8.3	2.4	2.0 5/
Real effective rate (relative normalized unit labor costs)	-3.8	-7.4	2.5	3.6 6/

1/ Forecast by the Austrian Institute for Economic Research, September, 1983.

2/ End of period unless stated otherwise; data for the Central Bank for 1983 are August figures and data for official reserves and exchange rates are September figures.

3/ The figures for 1983 are estimates; expenditures exclude debt redemption.

4/ The figures for 1983 are based on the September 1983 forecasts by the Austrian Institute for Economic Research.

5/ January-September 1983; percentage change from corresponding months of 1982.

6/ Percentage change between first half of 1983 and first half of 1982.

I. Developments in the Domestic Economy

1. Introduction

In 1982, Austria failed to emerge from the recession which had hit the economy in the second quarter of 1980. Following stagnation in 1981, the economy showed some recovery in the first quarter of 1982, with strong private consumption and exports leading to an increase in real GDP of more than 1 percent compared to a year earlier (Table 1). However, the increase in consumption weakened in the following quarter and continued to be weak during the rest of the year, despite a significant increase in real disposable incomes. Equally, exports, in particular to OECD countries, increased by much less in the second quarter of 1982 and continued to weaken in the following two quarters. Gross fixed investment was weak throughout the year despite declining interest rates and the introduction of a series of employment measures taken by the Government aimed at stimulating both private and public investment. In these circumstances, the small upturn of the economy lost momentum and real GDP grew by 1.1 percent on average, in 1982; it rose by 0.4 percent, excluding the contribution of agriculture (reflecting a record harvest) and of fisheries. This still compared favorably with a decline of 0.3 percent in GDP of all industrial countries and with a fall of 1 percent in GNP in Germany, Austria's main trading partner.

Also, with respect to inflation, Austria continued to perform better than most other industrial countries. The year-on-year increase in consumer prices slowed down from almost 7 percent in 1981 to 5 1/2 percent in 1982; this compared with an average increase of 7 1/2 percent in the industrial countries. Contributing factors included a moderate increase in import prices, falling agricultural prices owing to the record harvest and a negative wage drift reflecting a weakening in the labor market. The year 1982 marked the end of the two decade era of almost full employment in Austria: the unemployment rate averaged 3.7 percent (against 2.4 percent a year earlier) and employment fell by more than 1 percent. Still, the unemployment rate was substantially lower than the average of 6 1/2 percent in the major industrial countries.

Against the background of the recovery in the United States and some positive signs also in the economies of Austria's major trading partners, the economic climate in Austria improved at the beginning of 1983. However, economic activity remained at a low level during the first half year. In the first quarter of the year, real private consumption was spurred by improved real household incomes, partly due to lower inflation; however, some of the increase in spending went to imported goods. At the same time, real exports declined, and the contribution of the foreign balance to growth turned negative. Under these circumstances, investment declined further. In the second quarter, private consumption continued to strengthen, exports grew moderately, the decline in inventories moderated, and industrial production rebounded. Inflation continued to ease in the first half of 1983 achieving a low of 2 1/2 percent for the rise in consumer prices in both May and June but subsequently

rose to 3 1/4 percent in September. Unemployment continued to rise and reached an historic high for Austria of 5.4 percent (seasonally adjusted) in June. However, in the following months the labor market situation did not further deteriorate and the unemployment rate fell to 5.2 percent in September.

2. Aggregate demand ^{1/}

The modest strengthening of real GDP growth from stagnation in 1981 to a modest increase in 1982 was primarily the result of a moderation in the decline of total domestic demand from 2 1/2 to 1 percent (Tables 1 and 2, and Chart 1). As in 1981, the foreign balance was the single most important source of growth. However, the positive contribution was less in 1982 than in 1981. By contrast to the earlier year export growth weakened while imports declined.

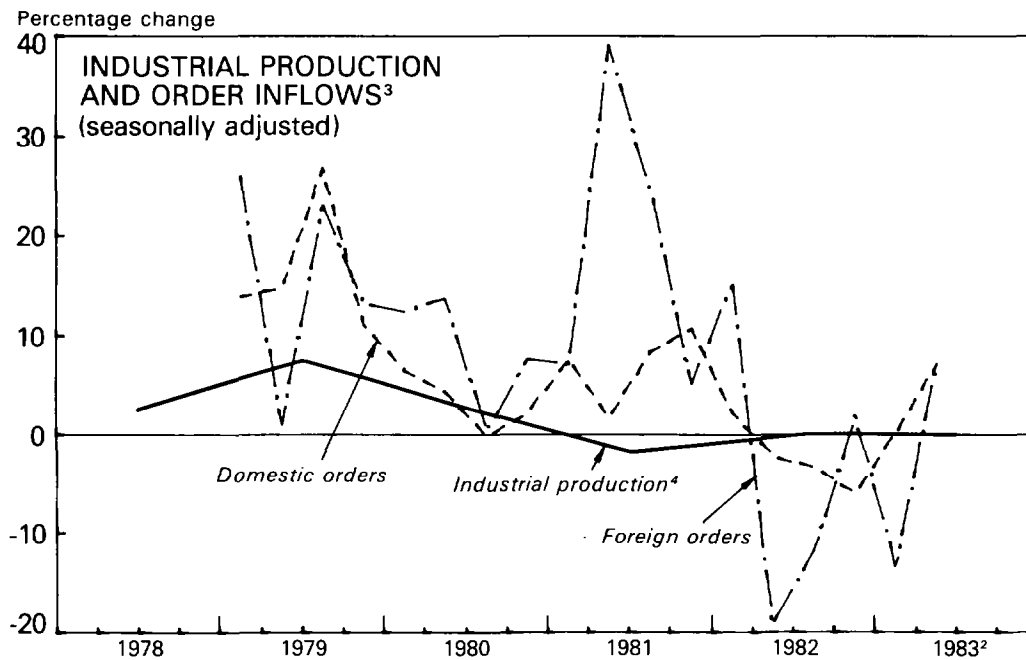
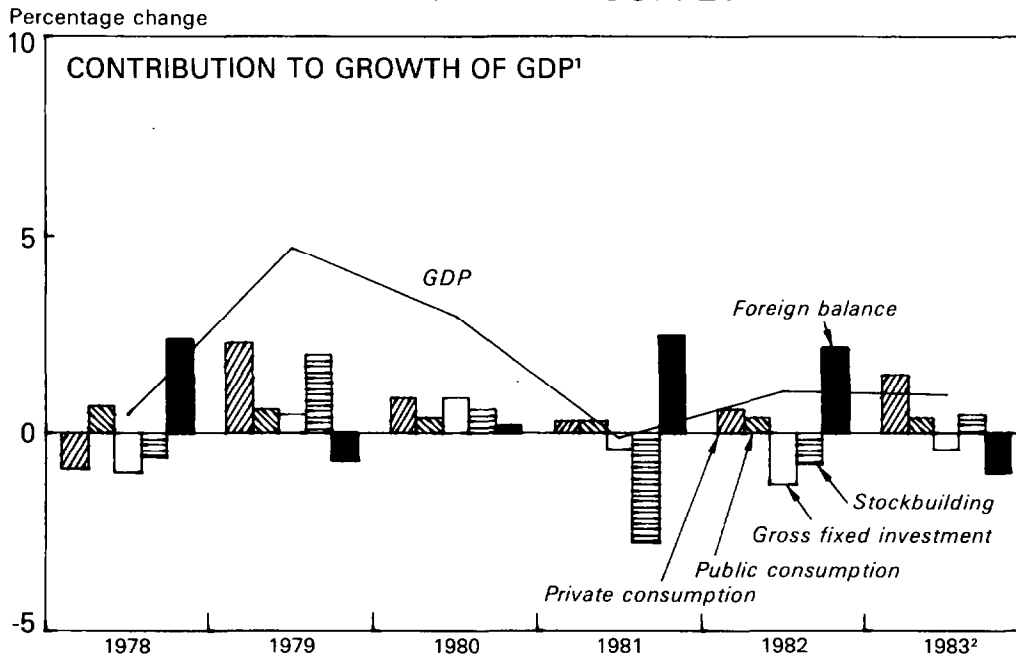
In the first half of 1983, economic activity revived somewhat with a relatively strong increase in private consumption of 3 1/2 percent. For the full year 1983, the Austrian Institute for Economic Research expects an increase in private consumption of 2 3/4 percent. Gross fixed investment in the first quarter of 1983 was 6 1/4 percent below its level a year earlier, with declines registered for both investment in machinery and equipment and for construction investment. In the second quarter of 1983 the decline in gross fixed investment decelerated to 3 1/2 percent, and assuming some further slight revival in investment activity in the second half of 1983, the Austrian Institute for Economic Research expects the decline in gross fixed investment for the full year to be arrested at 2 percent. Including some replenishment of stocks, total domestic demand increased by 2 percent in the first half of 1983; the increase for the full year is expected to remain at that level. The foreign balance contributed negatively to growth in the first quarter of 1983, as the increase in consumer demand was concentrated on imported goods and export demand remained sluggish. Thus, GDP was almost unchanged in the first quarter but increased by 1 1/2 percent in the second quarter as the negative contribution to growth of the foreign balance was considerably reduced by exports turning to moderate growth from their decline in the first quarter. Assuming a continuation in the moderate growth of exports and a relatively strong increase in imports in the second half of 1983, the Austrian Institute for Economic Research expects a negative contribution to growth of the foreign balance of 1 percent in 1983.

a. Consumption

Private consumption expenditure, accounting for about 56 percent of GDP, increased by 1 percent in 1982, compared with 1/2 percent in 1981 (Table 1 and Chart 2). This was a result of an increase in real disposable incomes by 3 percent while the savings ratio also rose.

^{1/} Unless otherwise indicated, changes in demand and output in this section refer to changes in real terms (1976 prices) and relative to the same period a year earlier.

CHART 1 AUSTRIA DEMAND AND SUPPLY



Sources: Austrian Statistical Central Office, *Statistische Nachrichten*; Austrian Institute for Economic Research, *Monatsberichte*; and International Monetary Fund, *Data Fund*.

¹Change as a percentage of previous year's GDP in constant prices.

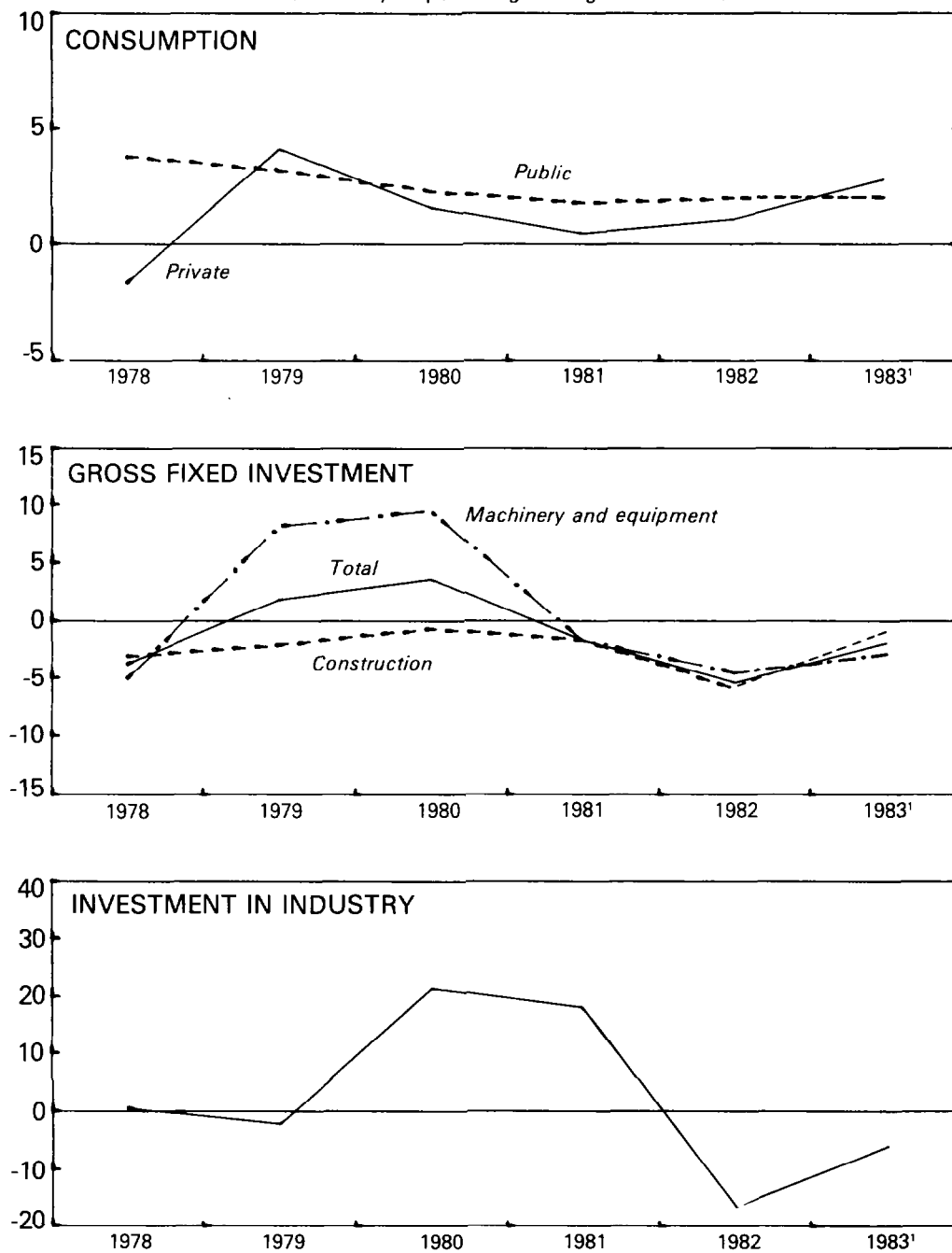
²Forecast by the Austrian Institute for Economic Research, September 1983.

³Percentage changes over corresponding period of preceding year.

⁴Including electricity and gas.

CHART 2
AUSTRIA
CONSUMPTION AND INVESTMENT

(Year-on-year percentage changes in volume)



Sources: Austrian Statistical Central Office, *Statistische Nachrichten*; and Austrian Institute for Economic Research, *Monatsberichte*.

¹Forecast by the Austrian Institute for Economic Research, September 1983.

Demand for consumer durables increased by more than the average of private consumption in 1982, reflecting some pent up demand from the preceding years. In particular, real expenditure on passenger cars, which had declined by 16 percent in 1981, increased by 5 percent in 1982. Other items profiting particularly from the increase in consumer demand were furniture and electro-technical products. The increase in expenditure on nondurable consumer goods and services, which is usually less influenced by cyclical variations than expenditure on durables, increased by 1 1/2 percent in 1982, broadly in line with the increase in overall consumer expenditure. As in the preceding years, expenditure on heat and lighting decreased by 1 percent in 1982. Expenditure on travel decreased by 2 percent for domestic travel and by 3 1/2 percent for travel abroad. The decrease in expenditure on travel abroad contributed to a reduction in the average import share of private consumption and thus to the achievement of a current account surplus in 1982. The volume of retail trade rose by less than 1 percent in 1982, in continuation of a declining trend prevalent in recent years. At an increase of about 1 percent, wholesale trade was similarly weak, though moderately stronger than in 1981.

As mentioned above, private consumption expenditure rose relatively strongly, by 3 1/2 in the first half of 1983. While the growth in private consumption was 2 3/4 percent in the first quarter compared to a year earlier, it further accelerated to 4 percent in the second quarter. Supporting factors were lower interest rates, and strengthened consumer confidence, while real disposable income rose by 1 1/2 percent in the first half of 1983. However, other factors were also at work, such as the discussion about an interest withholding tax and an increase in the value added tax. The demand for consumer durables was particularly strong in the first half of 1983, with an increase of 11 percent in real terms against the first half of 1982, while expenditures on other goods and services exceeded the pre-year level by 2 1/2 percent. As in 1982, the demand for consumer durables was again particularly concentrated on demand for passenger cars but was strong also for furniture, optical and precision-made products, and electro-technical products.

The relatively strong consumer demand contributed to a revival in trade. The volume of retail trade in the first half of 1983 was 3 1/2 percent higher than in the first half of 1982; the volume of wholesale trade exceeded its pre-year level by 9 1/2 percent. ^{1/} Retail trade turnover declined in July, but preliminary data indicate a marked recovery in August and September 1983. Wholesale trade turnover continued to be strong in July 1983.

^{1/} The increase in both retail and wholesale trade appears to be somewhat exaggerated by the official statistics. The retail statistics give undue representation to certain categories of retailers, and the wholesale trade includes also transit trade. It is estimated that, excluding such transit trade, the increase in wholesale trade was only 6 1/4 percent in the first half of 1983. (See Austrian Institute for Economic Research, Monatsberichte 9, 1983.)

Public consumption, accounting for about 18 1/2 percent of GDP, rose by 2 percent in real terms in 1982, slightly stronger than in 1981, but by considerably less than the 4 percent average over the decade to 1981. The increase in public consumption reflected an increase in public sector employment of 1.6 percent in 1982, contrasting with an overall fall in the number of wage and salary earners of 1.2 percent. In the first half of 1983, public consumption continued to grow at a year-on-year rate of 2 percent; the same growth is forecast for the average of the full year 1983.

b. Gross fixed investment

Gross fixed investment declined by 1 3/4 percent in 1981, as investment both in construction and in machinery and equipment fell; construction never fully recovered from the recession in 1975 and has been declining every year since 1977. To stem the decline in investment, the Government introduced a series of stimulatory measures in 1982. In January, it introduced an employment program, which, in addition to extending an existing program for the promotion of "innovative" investment, ^{1/} provided for additional measures to stimulate primarily construction but also investment in machinery and equipment. Construction was to be promoted by direct government expenditures and by interest rate subsidies for housing construction and renovation; investment was to be stimulated primarily by an investment premium of 6 percent on investment in machinery and equipment and of 3 percent for heavy motor vehicles deducted from the next quarterly tax payment following the initial investment. In addition to the employment program, the Government decided on supplementary expenditures of S 2.9 billion, with a substantial part benefiting the construction industry.

Despite these measures, and partly because of delays in the placement of public orders, gross fixed investment continued to fall in 1982, leading to a year-on-year decline of 5 1/2 percent. The fall in construction investment was particularly steep (Chart 2) pushing the construction industry into its deepest recession in the postwar period. Against this background and growing unemployment, the Government announced a second employment program in September 1982. This program included an increase from 6 percent to 8 percent in the investment premium introduced in January 1982. In addition, public investment was boosted in regions of high unemployment among construction workers, investment was raised in

^{1/} This program ("Top-Aktion") was introduced in July 1981 (see SM/82/227, Ch. II) to encourage industrial investments contributing to an improvement in the economic structure and in the balance of payments. The Austrian Investment Credit Corporation (Österreichische Investitionskredit AG) was to grant credits of between S 2.5 million and S 60 million for eligible projects at 1 1/2 percentage points above the current discount rate. Up to 75 percent of the total cost of an investment was eligible for financing at the preferential rate. Refinancing of the Credit Corporation was provided by the National Bank in the form of a credit line of S 1 billion. This credit line was increased in to S 1.5 billion in 1982.

road construction, power plants, transportation facilities and the telecommunications system.

Although the main effects of the Government's efforts to stimulate investment were expected in the years after 1982, the decline in construction investment decelerated in the second half of 1982. However, part of this improvement may be related to a relatively mild winter favoring construction activity. On the other hand, investment in machinery and equipment fell precipitously in the last two quarters of 1982, at year-on-year rates of 6 and more than 7 per cent increasing the decline from less than 2 percent in 1981 to 4 1/2 percent in 1982. Total gross fixed investment fell by almost 5 1/2 percent in 1982, compared with a decline of 1 3/4 percent in 1981. In relation to real GDP, gross fixed investment fell from 25 percent in 1981 to 23 percent in 1982. By comparison, after the first oil shock, gross fixed investment fell in 1975 but recovered quickly in 1976; the investment ratio was then 26 percent.

A sectoral breakdown indicates that the decline in gross fixed investment was widespread. The Austrian Institute for Economic Research estimates, on the basis of investment surveys in the spring of 1983 ^{1/} that the industry, construction, electricity, and urban transport and utility sectors altogether invested 11 1/2 percent less in real terms in 1982 than in 1981. Industrial investment, which accounted for about 15 percent of gross fixed investment in 1981, fell by an estimated 16 percent in real terms in 1982, thus ending two years of very rapid growth. In relation to industrial turnover in nominal terms it fell to 5.9 percent in 1982, the smallest ratio since 1955, when the investment ratio was first calculated. Several factors determined the decline, notwithstanding the decline in interest rates. According to the investment surveys, medium and long-run sales expectations deteriorated in the course of the year and interest rates were still too high and variable in real terms to support investment decisions. Industrial investment surveys found rationalization as the dominating motive for investment in 1982, followed by "other motives" including introduction of new products, environmental protection and energy saving. Expansion of capacity played a subordinate role as an investment motive in 1982, while industrial production declined in both 1981 and 1982, and consequently, capacity utilization was, at less than 80 percent, at its lowest level since 1955.

Only the basic materials industries increased their investment in 1982--by about 2 percent in nominal terms--above the 1981 level. The investment goods industry recorded the sharpest fall in its investment

^{1/} Austrian Institute for Economic Research, Monatsberichte 1 and 7, 1983. These investment surveys are based on direct questioning of enterprises in the sectors mentioned above. They cover about one fifth to one quarter of total gross fixed investment. The degree of representation, measured as the share of employees in the enterprises questioned in all employees of a particular sector varies between sectors; for industry it is about 75 percent.

activity since the recession of 1975 at a rate of about 18 percent in nominal terms; in the consumer goods industry, investment fell by 15 1/2 percent, the steepest fall since the end-1950s. The fall in the investment goods industry was concentrated in technical manufacturing (machine industry; electro- and vehicles industry; iron and metalworks industry), partly reflecting completion of large investment programs in the preceding years. This fall was mitigated by above average investment in the iron and steel industry and the metal industry for purposes of restructuring. Because the major part of these industries are nationalized, total investment of the nationalized industries rose by an estimated 15 percent in 1982 in nominal terms, following a decline by 18 percent in 1981, notwithstanding the difficult economic situation of the nationalized industries. ^{1/} Investment in the construction sector fell by 15 percent in nominal terms responding to substantially declining orders and decreasing capacity utilization. Investment in the electricity sector grew by more than 17 percent in 1982, in continuation of the boom in investment in conventional power plants following the referendum against the use of nuclear power plants. Investment in urban transport and utilities decreased by more than 14 percent in nominal terms due to mounting financing problems of the enterprises.

In the first quarter of 1983, investment in machinery and equipment remained weak, with the year-on-year decline remaining unchanged from its high rate of 7 1/4 percent in real terms that was recorded in the fourth quarter of 1982. While the decline in investment in machinery increased, the purchase of road vehicles recovered, partly because tax disincentives for the purchase of cars by enterprises were lifted. Investment in construction declined further in the first quarter of 1983 in spite of the Government's employment measures and exceptionally good weather conditions. The year-on-year decrease reached over 5 percent in real terms in the first quarter, caused primarily by a sharp downturn in trade ancillary to building which had stabilized construction activity in the preceding years. In the second quarter of 1983, the year-on-year rate of decline in construction investment was halved from its rate in the first quarter to 2 1/2 percent. Although construction companies recorded some increase in unfilled orders in early summer of 1983, no further substantial improvement in construction investment is expected for the second half of 1983, and an average decline of 1 percent is forecast for the full year. The decline in investment in machinery and equipment also moderated to 5 percent in the second quarter of 1983. A slight improvement in capacity utilization in the summer of the year and some pent-up or replacement investment due to the slack in investment in the last two years support the expectation of no further fall in the second half of the year. Therefore an average decline of 3 percent is forecast for the full year. Altogether, the decline in gross investment is expected to decelerate from 5 1/2 percent in 1982 to 2 percent in 1983.

^{1/} For a description of the economic situation of the nationalized industries, see Chapter III.

Investment surveys in the spring of 1983 indicate that industrial investment will be reduced by 3 percent in nominal terms or about 6 percent in real terms in 1983. This would further reduce the investment ratio to 5.7 percent. Because of the pessimistic sales expectations a small decrease is forecast for capacity utilization. Investment in the construction industry is expected to decline further by 1 percent in nominal terms or about 2 1/2 percent in real terms in 1983, despite some expected improvement in construction activity, because capacity utilization and sales expectations will remain at depressed levels. Investment in the electricity sector is expected to stagnate in nominal terms at the high levels reached in 1982.

Investment by the nationalized industries, traditionally a strong element in industrial activity, is expected to fall by about 12 percent in nominal terms in 1983 after an increase of some 10 1/2 percent in 1982. With the exception of mining, the fall is expected to take place in all sectors of the nationalized industries, particularly in the iron and steel and machinery industries reflecting their tight financial situation.

c. Stockbuilding 1/

In 1982, investment in stocks was reduced and the negative contribution to the growth of real GDP amounted to almost 1 percent against 3 percent in 1981. Energy stocks, primarily stocks of natural gas, were reduced, while there was large stockbuilding in agriculture due to the bumper crop in 1982. With interest rates and raw material prices on a downward trend, capacity utilization low, and continuously pessimistic sales expectation, industrial enterprises tried to reduce their stocks in 1982. For stocks of basic goods the attempt was relatively successful, but for semifinished and finished products it was less so because of the weakness of industrial sales. As business opinion polls 2/ indicate, entrepreneurs felt that their inventories of finished products were still too high at the end of 1982. In the first half of 1983, stockbuilding appeared to be relatively strong; however, some part of this increase may be due to the statistical error. For the full year 1983, a positive contribution of 1/2 percentage point to growth of real GDP is expected.

d. Foreign balance

Of all demand components, the foreign balance was the strongest growth factor in 1982, contributing more than 2 percentage points to real GDP growth. By contrast with the developments in 1981, when the positive contribution to growth was achieved by a strong increase in real exports of goods and services, almost one half of the contribution to growth in 1982 was due to receding imports. Real imports of goods and services

1/ Including statistical discrepancy.

2/ Surveys are conducted regularly by the Austrian Institute for Economic Research; c.f., Monatsberichte 7/1983, pp. 492-493.

decreased by more than 2 percent for the full year. Merchandise imports declined by about 1 1/2 percent with the decline (seasonally adjusted) accelerating in the course of the second half of the year. This decline was attributable to a sharp fall in the import volume of energy products of 12 percent, whereas imports of all other goods increased by almost 2 percent despite depressed domestic demand. The volume of exports of goods and services, having increased by 6 1/2 percent in 1981, rose by only half that rate in 1982. Exports of services suffered a setback of almost 2 percent for the first time in many years with receipts from travel and tourism affected particularly. The growth in merchandise exports weakened from 5 percent in 1981 to about 2 percent in 1982, as export demand from non-oil developing countries and OPEC countries weakened considerably in the course of the year and exports to the state trading countries grew by no more than 3 percent in nominal terms in 1982, reflecting these countries' growing financing difficulties. However, in the light of a decline in the volume of world trade of about 2 1/2 percent, the increase in Austria's export volume indicates considerable market gains in 1982.

A decline in real exports of goods and services of 2 1/4 percent was recorded in the first quarter of 1983 compared to a year earlier, while imports of goods and services recovered from their low level reached in the fourth quarter of 1982 to a growth of 1 1/4 percent. There was a strong increase in travel abroad; also merchandise imports exceeded the level reached in the fourth quarter of the preceding year, but remained below their level in the first quarter of 1982. In sum, the real foreign balance made a negative contribution to real GDP growth of 1 1/2 percent in the first quarter of 1983. In the second quarter of 1983, however, this negative contribution was significantly reduced by exports of goods and services recording a year-on-year growth of 1/2 percent. Real imports of goods and services, increased by 1 1/2 percent. For 1983 as a whole, exports of goods and services are estimated to increase by 1/2 percent and imports of goods and services by 3 percent with the foreign balance making a negative contribution to growth of 1/2 percent.

3. Production

Excluding growth in value added in agriculture and forestry in 1982, the average increase in real GDP would have been 0.4 percent compared to the actual rate of 1.1 percent in 1982 (Tables 3 and 4). Growth in output outside agriculture slowed down in the course of the year, from an average of more than 1 percent in the first quarter to a decline of 0.1 percent in the fourth quarter of 1982. Most importantly, industrial production stagnated in 1982 while the output of the construction industry fell by 4 percent to its real level of the mid 1970s. The other sectors of the economy recorded small increases; energy and water supply grew moderately, and value added by the tertiary sector, traditionally a less volatile source of Austrian economic growth than the other sectors, grew at a depressed rate.

Industrial value added (including mining), representing about 27 percent of GDP, increased marginally by 0.2 percent in 1982, compared with a decline of more than 1 percent in 1981. According to the index of industrial production (which excludes electricity and gas supply), industrial production declined by 1 percent compared with 1 3/4 percent in 1981 (Table 5, and Chart 1). This deceleration was accompanied by an increase in productivity per employee of 3 1/4 percent in 1982, while total industrial employment fell by 4 percent, following a decrease of 2 percent in 1981. Utilization of industrial capacity fell from 83 percent at end-1981 to 79 percent at end-1982, the lowest value ever recorded. Production of investment goods declined by 3/4 percent in 1982, having declined by 2 3/4 percent in 1981. Particularly affected was the production of building materials which declined by 8 3/4 percent in 1982. Production of consumer goods continued to be stagnant in 1982, with declines recorded for clothing (5 percent) and other consumer nondurables (1/4 percent) while the output of food and beverage products, traditionally less affected by cyclical variations, increased by 2 1/4 percent. Production of consumer durables increased by 2 3/4 percent, broadly in line with the increase in real personal disposable incomes.

Of the sectors covered by the industrial production statistics, the mining and basic goods sectors recorded, at 4 1/2 percent, the largest decline in production. The decline was particularly strong in the magnesite industry (7 1/4 percent), as its major customers, the iron and steel and the building industries, suffered from weak demand. The oil industry produced about 6 percent less in 1982, with the production of crude oil declining by 3 1/2 percent and the production of natural gas falling by almost 8 percent.

The construction industry, which accounts for 8 percent of GDP, has been one of the weakest sectors of domestic production since the recession year of 1975. Since then, only in 1977 has it made a significant contribution to economic growth. In 1982, the negative contribution was 1/4 percentage point, as value added by construction dropped sharply by 4 percent, the steepest fall ever recorded.

For the first time, construction turnover also declined in 1982, although prices were raised by 6 percent. With a decline in turnover of almost 4 percent, small-scale building enterprises were more severely affected than industrial building enterprises which experienced a decline of 1 1/2 percent. Construction supply for the public sector (-1 percent) decreased by less than supply for the private sector (-4 1/2 percent). Declines in construction turnover were recorded for industrial building (9 percent), private housing construction (8 percent), road construction (13 percent), and bridge construction (8 percent), while increases in turnover were recorded for power plant construction and for remodeling (about 30 percent each).

Agricultural output, which together with forestry account for about 4 percent of GDP, was exceptionally favored by optimal weather conditions in 1982, in contrast to 1981. Record results were achieved in the agri-

cultural harvest; in addition, animal production expanded at a rate above average. The production of forest products, on the other hand, was reduced in response to weakening demand and falling prices. Altogether, value added by agriculture and forestry increased by 15 percent in real terms in 1982, after having increased by 4 percent in 1981. However, value added in nominal terms increased by not much more than 1 percent.

Growth in value added by the tertiary sector, which had fallen from 3 1/2 percent in 1980 to less than 2 percent in 1981, fell further to 1 1/2 percent in 1982. As this sector's share is about 50 percent of GDP, this increase implied a contribution to growth of less than one percentage point in 1982. Particularly weak was the growth in value added by the transport sector, due mainly to weak demand for the transport of goods, in particular wood, iron and metals, building materials, and paper, whereas passenger transport expanded strongly. The trade sector grew at a rate below average, as receipts from tourism were receding markedly in the course of the year, while retail sales benefited from increased demand for consumer durables and wholesale trade was stimulated by trade in agricultural products. Growth in services (banking and insurance, other private and public services) also weakened against 1981 but remained above average at a rate of 2 1/4 percent.

In the first quarter of 1983, the decline in nonagricultural output that took place in the second half of 1982 was arrested, with an increase of 0.9 percent (seasonally adjusted) against the fourth quarter of 1982; real GDP including agriculture was 0.3 percent higher than in the first quarter of 1982. The modest increase in value added was due exclusively to the tertiary sector. In particular, the trade sector benefited from the strong demand for consumer durables, especially passenger cars, increasing its value added by 3 1/2 percent in the first quarter of 1983 compared to a year earlier, thereby contributing 1/2 percentage point to GDP growth. About the same contribution to growth came from services (banking and insurance, and other private services). On the other hand, value added in industry in the first quarter of 1983 was 2 1/2 percent below its level in the first quarter of 1982 with a negative contribution to growth of 3/4 percentage point. On a seasonally adjusted basis, however, industrial value added declined only slightly from the last quarter of 1982. The situation in the construction sector again deteriorated in the first quarter of 1983, despite favorable weather conditions. Total value added of the construction sector was 5 percent below its level in the same period one year earlier, due mainly to weak demand in residential construction and trades ancillary to the building industry. Value added in agriculture declined slightly in the first quarter compared with the same period a year earlier, due mainly to a fall in lumbering output, while animal production increased slightly.

In the second quarter of 1983, growth in nonagricultural output further strengthened to an increase of 1 1/4 percent (seasonally adjusted) against the first quarter of 1983. Compared with the second quarter of 1982, nonagricultural output declined slightly. The strongest contribution to growth (0.7 percentage points) came again from trade, reflecting the

relatively strong increase in private consumption. Services contributed 1/2 percentage point to economic growth.

Most remarkable, however, was the halt in the downswing in industrial production in the second quarter of 1983 with an increase of almost 1 percent compared with the second quarter of 1982. On a seasonally adjusted basis industrial production picked up of almost 5 percent (actual rate) in the second quarter of 1983 over the first quarter. Indices for industrial production show strong increases in all industrial sectors. Particularly strong was the increase in the production of investment goods industries, reaching almost 8 percent (actual rate) compared with the first quarter, with strong increases recorded for both unfinished products and finished investment goods as well as for building materials.

A revival in industrial production--though more moderate--took place in the mining and basic goods industries; in the consumer goods industries positive developments already apparent in the first quarter continued in clothing, other consumer nondurables, and particularly in consumer durables. Only production of food and beverages weakened slightly against the first quarter. Industrial orders (excluding the machine industry) increased by more than 4 percent in the second quarter compared with the second quarter of 1982. A minor improvement was registered in construction in the second quarter of 1983, with the year-on-year decline in value added halved against the first quarter. In the summer of 1983, further signs of improvement were noticeable: business confidence was rising and orders were picking up. Value added in agriculture in the second quarter of 1983 was almost 2 percent below its level in 1982, primarily due to reduced animal production and a lower wood harvest.

II. Employment, Incomes, and Prices

1. Employment

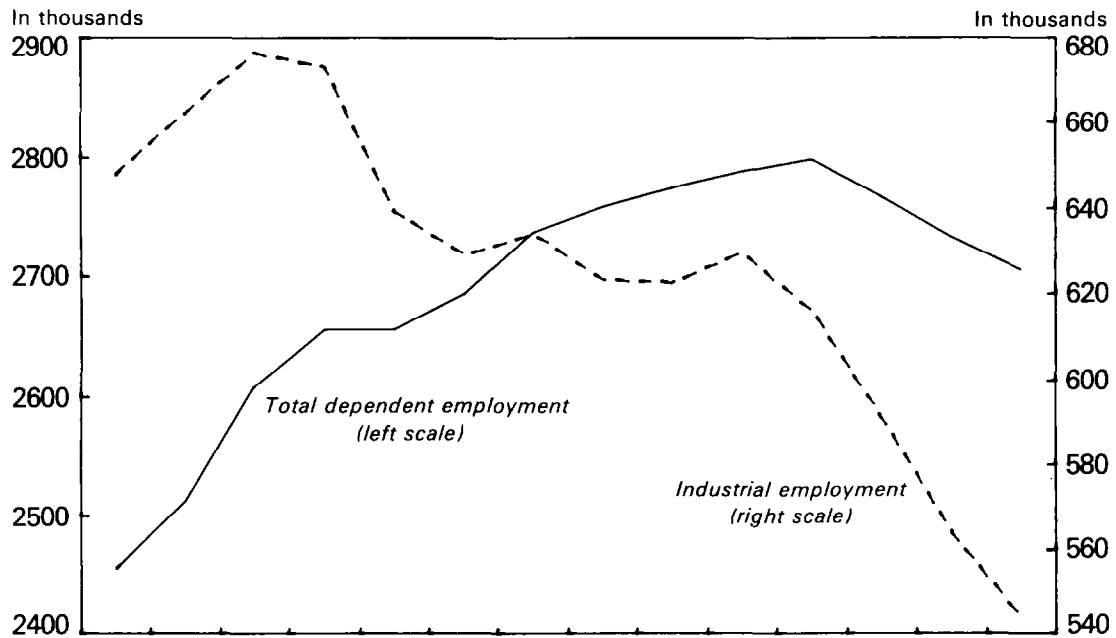
Austria is among the industrial countries with the lowest unemployment rate. During the 1975 recession, the unemployment rate rose by 1/2 percentage point to 2 percent, and it stayed around this level for the following five years, averaging 1.9 percent in 1980 (Table 6 and Chart 3). This compares with an average of 5.8 percent for the seven major industrial countries. The recession which hit the Austrian economy in the second quarter of 1980 affected the labor market situation with a relatively long time lag. Dependent employment rose by 1/2 percent in 1980 and continued to rise until August 1981 resulting in a further increase of 1/2 percent on average in 1981. Although the seasonally adjusted unemployment rate started rising in October 1981, it remained below 2 1/2 percent for the year as a whole. In 1982 unemployment rose sharply despite some decline in the labor force.

The total labor force declined by 0.1 percent in 1982, following an increase of 0.6 percent in 1981. This decline was the result of both reduced labor force participation and net migration. While the Austrian population of working age increased by about 50,000 persons (about 1.1 percent) in 1982 (1981: 0.8 percent), the domestic labor force rose by only 7,400 persons, considerably less than in 1981 (19,900), marking a fall in the labor force participation rate. One of the major factors contributing to this decline was an increase in early retirements as a consequence of the recession. In addition, school leavers and other potential jobseekers partly escape registration, either because they are not eligible for unemployment compensation, or because they are affected by labor market policies such as vocational training. Consequently, there have been increases in hidden unemployment, roughly estimated at 10,000, the equivalent of 0.3 percent of the labor force, in 1982.

The number of foreign workers in Austria fell by 11,600 persons in 1982, the strongest decline in six years. By contrast to Austrian citizens, foreign workers are not eligible for distress aid ("Notstandshilfe"). Therefore, dismissed foreign workers usually return to their home countries after having consumed their insurance claims and unemployment aid. The reflux of Austrian workers from Germany and Switzerland, on the other hand, remained comparatively low at about 1,000 persons.

The structural shift in the composition of the labor force to a larger share of dependent labor which had prevailed in preceding years, continued in 1982. The number of self-employed, mainly in agriculture, decreased by 7,000, about the same amount as in the two years before. The supply of dependent labor (i.e., of wage and salary earners and unemployed), on the other hand, continued to increase in 1982, although the increment of 3,800 persons was much lower than in 1981 (26,000 persons). Dependent employment decreased by 32,200 persons, or by 1.2 percent in 1982 with the decline concentrated in the second half of the year. In the first

CHART 3
AUSTRIA
LABOR MARKET INDICATORS



Source: Austrian Institute for Economic Research, *Monatsberichte*.
¹Forecast by the Austrian Institute for Economic Research, September 1983.

half of 1982 the attitude of firms was to bridge the economic crisis by hoarding labor and tolerating losses in productivity. As it became evident by the middle of the year that expectations of an economic recovery would not materialize firms began shedding labor. Part of the strength of dismissals in the second half of the year may also be explained by the fact that firms took advantage of a seasonal reduction in employment (in particular in construction and in tourism) to turn it into a permanent one.

The long-term process of shifting employment from the primary and the secondary sectors to the tertiary sector continued in 1982. Dependent employment in agriculture (where the fall in employment is predominantly reflected by a decrease in self-employed) declined by 1,500 persons in 1982 to 1 1/2 percent of dependent employment. In the mining industry and the manufacturing and construction sectors about 46 thousand jobs were lost in 1982, and the share of the secondary sector in total employment fell by about 1 percentage point to 42 percent. Employment in the service sector increased by 10,500 raising this sector's share in total employment by one percentage point to 56 1/2 percent in 1982. Industrial employment was reduced by 24,900 persons (4 percent). With the exception of public utilities, no industry within the industrial sector increased employment; there were relatively large declines in employment in the iron and metal industries, the casting industry, the stone and ceramics industries, and in textiles and clothing. The deep recession in the construction industry (including auxiliary building industry) caused a reduction of 12,300 jobs (or 4 3/4 percent) in 1982. Around the end of the year, the situation in construction stabilized somewhat, partly because of particularly mild weather conditions, but partly also because of positive effects of the Government's employment measures. The increase in employment in the services sector by almost 1 percent in 1982 was concentrated in the public sector, banking and insurance, lodging and gastronomy, physical culture and cleaning, and in juridical and business services.

The reduction in employment for men began far earlier and was also markedly stronger than for women, reflecting the traditional employment patterns. The number of foreigners employed decreased by 15,800 in 1982 or by 9 percent on average from one year before (Table 6). Increasing use was made of part-time work, during the course of 1982 with the average number on short-time work increasing from 860 persons in the period January to June 6,600 on average in the months of August to December.

The number of unemployed was 105,300 on average in 1982; this was 36,100 persons (or 52 percent) higher than in 1981. Correspondingly, the unemployment rate rose from 2.4 percent in 1981 to 3.7 percent in 1982. Reflecting again the sectoral distribution of the decline in labor demand, men were affected more than women by the rise in unemployment. At 3.8 percent, the unemployment rate for men was for the first time since the Second World War higher than the rate for women, averaging 3.5 percent in 1982. Youth unemployment remained relatively low in 1982, averaging 2 3/4 percent for the age category from 15 to 19 years.

As the share of young persons in prolonged unemployment is relatively small, youth unemployment usually is a phenomenon of relatively frequent but generally short periods of unemployment. However, as mentioned above, nonregistration of youth as unemployed may play a significant role.

The deterioration in the employment situation in 1982 was also reflected in the number of vacancies which, at a yearly average of 17,300, was reduced by 32 percent against 1981 and reached the lowest level in the post-war years. While in 1981 the ratio of registered unemployed to open jobs was on average less than 3, it reached an average level of more than 6 in 1982.

The labor market situation continued to deteriorate in the spring of 1983 but began stabilizing in May. In the first five months, the dependent labor force declined by an average of 7,500 persons or by 0.3 percent compared with one year earlier. As the number of foreign workers fell by about 12,900 persons in the same period, the domestic labor force increased by an average of 5,400 persons. In the first five months of 1983 dependent employment was 41,000 persons or 1.5 percent lower than in the corresponding period of 1982. The decrease in employment in industry was particularly strong; however, there were also reductions in some branches of the service sector, such as tourism and transportation. Reflecting their occupational distribution, men were more strongly affected than women by the reduction in employment. On average in January to May 1983, employment of men decreased by 29,100 persons or by 1.8 percent, compared with the corresponding period of 1982. Employment of women was reduced by 11,100 persons or by 1 percent. Almost one third of the decrease in employment in the first five months of 1983 took place at the expense of foreign workers, as their employment was reduced by 11,800 or by 7.7 percent from one year earlier. Thus, the share of foreigners in total employment continued to decrease and, with an average of 5.4 percent, was at about the same level as in 1970. The number of workers on a short-time work scheme, which was insignificant one year earlier, increased in the spring of 1983 to an average of 13,000 persons, which was 12,200 persons more than in 1982. Mirroring the reduction in employment, unemployment rose to 151,400 persons in the first five months or 32,600 persons more than one year before. This implied an acceleration in the increase in unemployment from 4.0 percent (seasonally adjusted) in the last quarter of 1982 to 5 percent in May 1983.

In the summer of 1983, the labor market situation improved somewhat but subsequently deteriorated again in August/September. The dependent labor force was 15,000 persons or 0.5 percent lower in September 1983 than a year earlier. Dependent employment decreased by 30,500 persons or by 1 percent in September compared with September 1982.

For the full year 1983, dependent employment is estimated to decrease by an average number of 33,000 persons or by 1.2 percent. The decline is especially concentrated in industry, which is projected to reduce employment by 25,000 (4.2 percent). It is estimated that about 11,000 foreign workers will return to their home countries in 1983. The domestic

labor force is estimated to remain largely unchanged; this implies that the demographic increase of some 20,000 persons will correspond to the increase in disguised unemployment. As in previous years, a substantial part of disguised unemployment will have its counterpart in early retirements which are estimated to reach a number of 15,000 persons in 1983, raising the total number of early retirees to 95,000. The costs of early retirement are borne mainly by the pension system; some contributions are also made by firms.

The unemployment rate (seasonally adjusted) rose to a peak of 5.4 percent in June, 1983, and subsequently declined slightly to 5.2 percent in September, 1983. For the average of 1983, the Austrian Institute for Economic Research estimates the unemployment rate to increase to 4.6 percent compared with 3.7 percent in 1982.

As a means of alleviating the pressure from the labor market, a reduction in working time has been under discussion for some time in Austria. A recent study by the Austrian Economic and Social Advisory Board came to the preliminary conclusion that such a reduction could produce positive employment effects amounting to 50 percent of the reduction. The degree of wage compensation was viewed as the crucial question because of its effects on costs on the one hand, and final demand on the other. The Advisory Board drew into consideration as one possibility no compensation in the first year of the reduction in working time. Only for certain branches of industry, trade unions envisage a reduction of the workweek. However, the Austrian authorities do not expect a general reduction in the near future in isolation from other countries.

2. Incomes and prices

a. Wages and unit labor costs

The general development of wages in Austria is determined by collective wage agreements for the different job categories. These agreements are negotiated and concluded in annual "wage rounds" starting usually in autumn and stretching out far into the following year. The collective wage agreements, usually concluded for one year, generally cover two wage categories, the one being minimum wage and salary rates ("Kollektivvertragslöhne"), and the other actual wage and salary rates ("Ist-Löhne"). The second category applies to wage and salary earners who are paid more than the minimum rate. The "Ist-Lohn" agreement is particularly relevant for the manufacturing sector, covering about 85-90 percent of this sector's employees.

The outcome of the 1981/82 wage round was strongly influenced by the wage agreements concluded in autumn 1981, when inflation had increased to 7 percent. The wage round was opened by the metal workers who obtained in November, 1981, an increase of the "Ist-Löhne" of 6 percent and of the minimum wages of 8.4 percent. White-collar workers of the metal industry agreed on increases in the "Ist-Löhne" also of 6 percent. At the beginning of 1982, scheduled salaries of public employees were

increased further, on average by 0.5 percent, later that year in connection with a reform of the salary structure. Also at the beginning of 1982 minimum wages in trade were raised by 6.9 percent and "Ist-Löhne" by 5 1/2 percent. Textile workers agreed on an increase in minimum wages of 7 percent and in "Ist-Löhne" of 6 percent, effective March 1982 (April in some areas) for 13 months. In April, construction workers' minimum wages were increased by 6.7 percent, and in May minimum wages for workers in the chemical industry were increased by 7 1/2 percent and "Ist-Löhne" by 5.9 percent.

Collective agreements in the 1982/83 round of wage negotiations reflected the weak labor market situation and expectations of a decline in inflation. "Ist-Löhne" of workers in the metal industry were raised by 4.4 percent, effective November and of workers in metal crafts by 5.9 percent, effective December 1982; minimum wages and bonuses were raised by 6.1 percent in the metal industry and 5.6 percent in metal crafts. For white collar workers in the industrial sector average rates for "Ist-Löhne" and 5.9 percent for minimum wages. On average, minimum wages increased by 7.2 percent in 1982, by the same rate as in 1981 (Table 7). The increase in actual earnings was, at 5.2 percent, much smaller, as special payments were reduced and short-time work was increased reversing wage drift from a positive figure of 0.7 percent 1981 to a negative wage drift of 1.9 percent. This swing in the wage drift clearly indicates the deterioration in the labor market situation. However, at an average increase in the consumer price index of 5.4 percent, the increase in actual earnings of 5.9 percent implied that a modest improvement in real wages (before taxes) was achieved in 1982. In industry, minimum wage increases were only slightly higher than for the overall economy. The increase in actual earnings, on the other hand, was 1.8 percentage point higher than for the overall economy, resulting in a more moderate swing in the wage drift for the industrial sector.

Wage policy in spring 1983 was guided by the agreements reached in autumn 1982 which provided for increases in Ist-Löhne of 4.4 percent. Salaries in the public sector were raised by an identical rate on February 1, 1983. In May, collective agreements became effective for construction workers and employees in the textiles industry, providing for an increase of 5.2 percent in construction workers' minimum wages, 4 1/2 percent in the Ist-Löhne and (with one regional exception) 5 1/2 percent in the minimum wages in the textiles industry. Reacting to further declines in the inflation rate, workers in the chemical industry agreed on an increase in their Ist-Löhne of 4.1 percent and in their minimum wages of 5.2 percent, effective May 1.

On average, minimum wages in the first quarter of 1983 exceeded their level in the same period of 1982 by 5.3 percent; with a negative wage drift of about 1 percent, the corresponding increase in actual earnings was 4.2 percent. Industrial minimum wages rose by 6 percent in the first quarter of 1983, stronger than the average. As the negative wage drift was also stronger (1.3 percent), actual earnings increased by 4.8 percent. In the second quarter of 1983 minimum wages exceeded their

pre-year level by 5.4 percent and actual earnings by 5.5 percent. Industrial minimum wages were raised by 5.9 percent and actual earnings by 5-8 percent.

Average productivity in the overall economy, after having remained unchanged in 1981, rose by 2 1/2 percent in 1982, as output increased moderately and employment was reduced. Productivity in industry grew by more than 4 percent, reflecting a reduction in hours worked accompanied by a slight moderation in the decline in output in 1982 compared with 1981. Besides smaller wage increases, this productivity growth was decisive for a significant reduction in the growth of unit labor costs from 7 percent in 1981 to 2 3/4 percent in 1982 (Table 8 and Chart 4). In these circumstances, industrial unit labor costs increased by almost 1 percentage point less than in Germany. As Fund staff calculations indicate, the increase in Austria's unit labor costs was also below the growth in unit labor costs (in local currency) averaged across Austria's main trading partners. However, the gain in cost competitiveness in local currency was more than compensated in 1982 by an effective appreciation of the schilling (Table 8).

In the first quarter of 1983, average productivity in the whole economy increased by 1 3/4 percent above the level in the same period of the preceding year as a result of both a modest increase in output and a further reduction in employment. Productivity in industry increased by 4 1/2 percent, which was exclusively the result of a further reduction in hours worked. Unit labor costs increased by 2 1/2 percent in the first quarter and 1 1/2 percent in the second quarter of 1983, which was less than Austria's major trading partners. However, Austria's competitive position deteriorated due to a further appreciation of the schilling.

b. National income and its distribution

National income increased by 8 percent in nominal terms in 1982, compared with an increase by 5 1/2 percent in 1981 (Table 9). In real terms (deflated by the GDP deflator), national income recovered from a decline of almost 1 percent in 1981 to an increase of 1 1/4 percent in 1982. At the same time, significant shifts in income distribution took place.

Gross income from dependent employment increased by 4 1/2 percent in 1982, a rate much lower than the average of about 8 percent recorded in the two preceding years. This slower increase reflected both the reduction in dependent employment by 1.2 percent in 1982 and the fall in the growth of actual earnings from 8 percent in 1981 to 5 percent in 1982 (Tables 6 and 7). As a result, the wage ratio (measured as gross income from dependent employment in percent of national income) fell to 73 percent in 1982 (Chart 5). In the years before, the wage ratio had followed a rising trend, exhibiting, however, strong and partly cyclical variations in most recent years. From its level of 64 percent in 1970, the wage ratio rose steadily to 73.3 percent in 1975, fell back by 1 percentage point in 1976 and rose again in the following two years to

75.7 percent 1978. In the following two years, it declined to 73.5 percent in 1980 but rose in 1981 to 75.4 percent. The fall of 2 1/2 percentage points in 1982 from this peak brought the wage ratio back to its level in the mid-1950s. However, these figures tend to overstate the actual shifts in income distribution because they also reflect a shift of labor from the self-employed to the dependent labor category. The wage ratio adjusted for this shift (base year 1970) rose from 64 percent in 1970 to 68 1/2 percent in 1981 and subsequently fell to 66 1/2 in 1982.

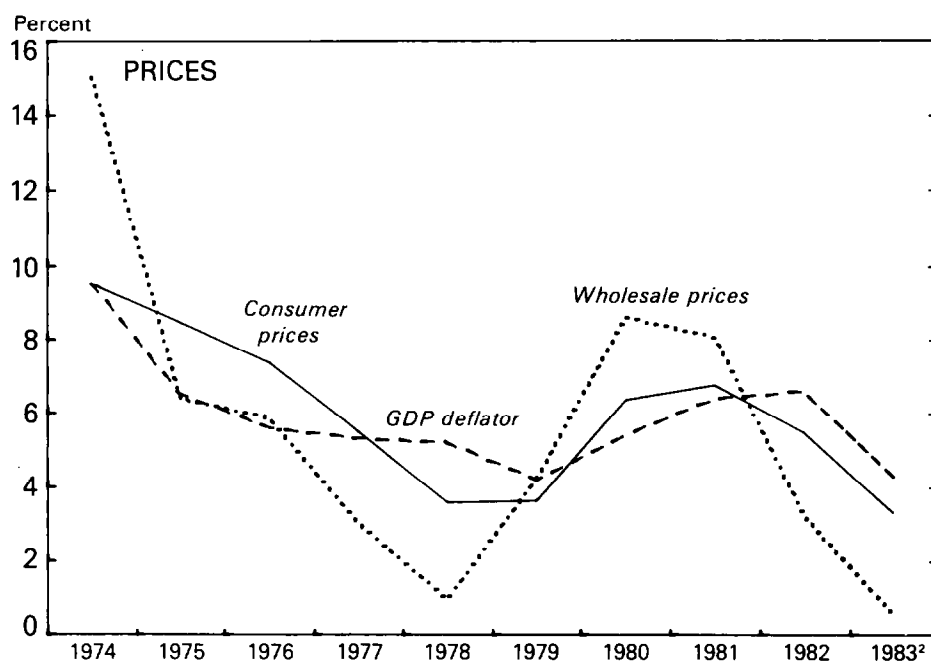
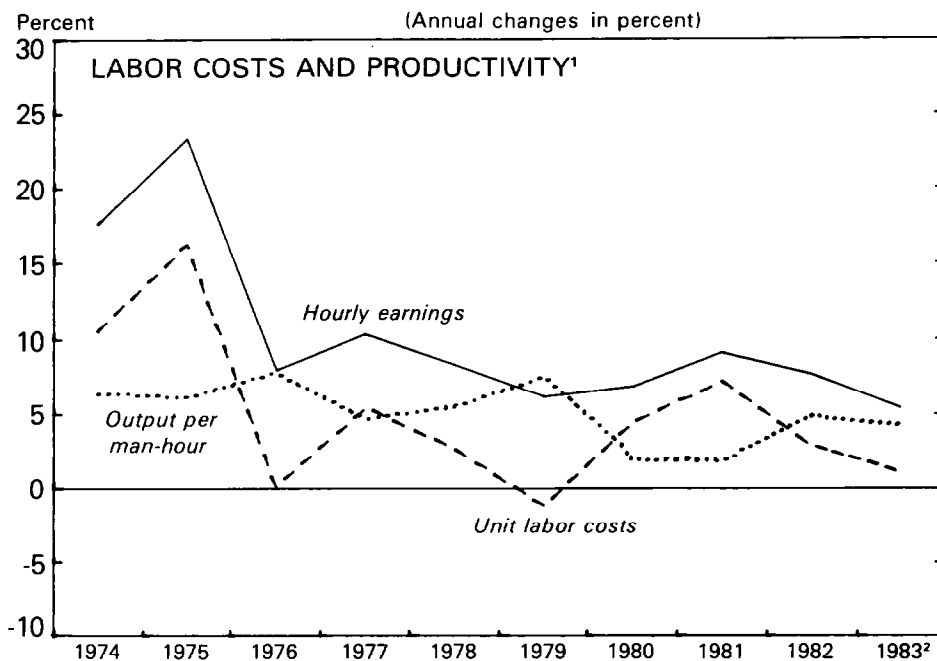
As the growth in income from dependent employment slowed considerably in 1982, the acceleration in growth of the national income in 1982 was exclusively due to stronger growth of income from property and entrepreneurship, which grew by 17 percent. The strong rise reflected primarily rising interest income and housing rent. Income from property grew by some 30 percent in 1982 and income from entrepreneurial income by 15-20 percent. However, part of this latter increase was probably also related to income on financial assets of the enterprises. Industrial profits continued declining in 1982.

Despite the slower increase in gross income from dependent employment, personal disposable income increased by 8.8 percent in 1982, compared with only 5.7 percent in 1981. The acceleration in growth from 1982 was not only due to the large increase in gross income from property and entrepreneurship. The income position of private households was also improved by transfer payments in the form of unemployment or pension benefits; in addition, direct taxes grew by much less than in 1981 as a consequence of the first round of tax reductions (see Chapter III). In real terms, deflated by the consumer price index, personal disposable income rose by 3.2 percent in 1982 compared with a decrease of 1 percent one year earlier.

Net "mass income" ("Masseneinkommen," defined as wages and salaries, plus transfers to private households, minus income tax and social security contributions) grew by less in 1982 than personal disposable income, which includes, in addition, income from property and entrepreneurship. At 5.8 percent it rose slightly more than the inflation rate in 1982; however, it did not change the real income distribution in favor of labor's share, according to calculations of the Austrian Institute for Economic Research, as the increase in real income was below the increase in labor productivity and the improvement in the terms of trade ^{1/} in 1982. In the first quarter of 1983, growth in net "mass income" slowed to 4.1 percent, primarily because of a lower increase in wages and salaries in the private sector. In the second quarter, growth in net "mass income" accelerated to 5.6 percent, due to higher transfer payments and smaller deductions. Reflecting also the slowdown in inflation, real disposable incomes of wage and salary earners grew by 1 1/2 percent in the first half of 1983.

^{1/} Austrian Institute for Economic Research, *Monatsberichte* 3/1983. The Institute called this margin "warranted real wage margin" ("Reallohnspielraum").

CHART 4
AUSTRIA
COSTS AND PRICES



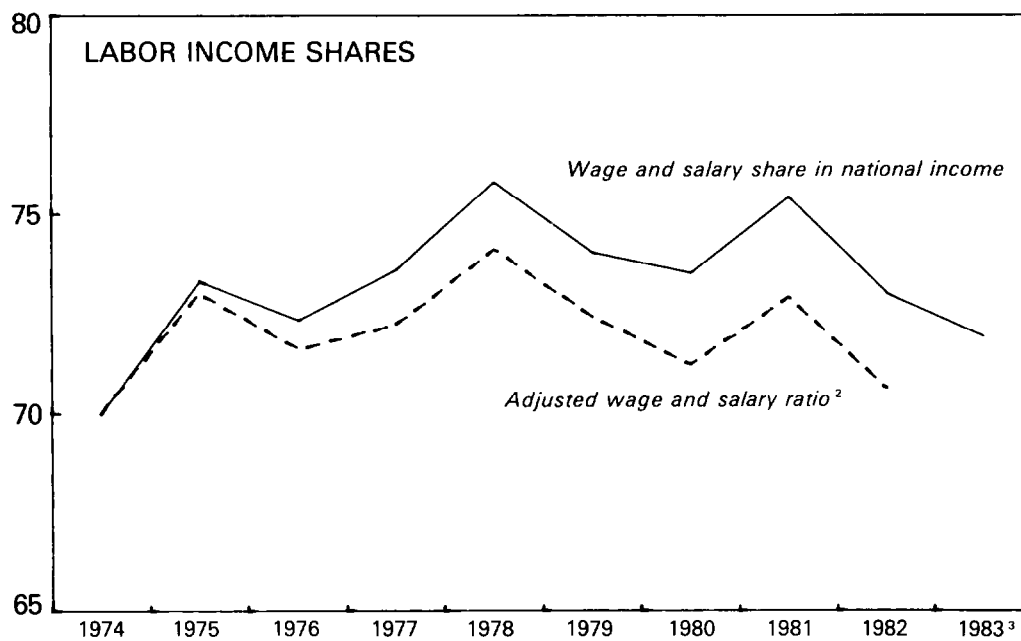
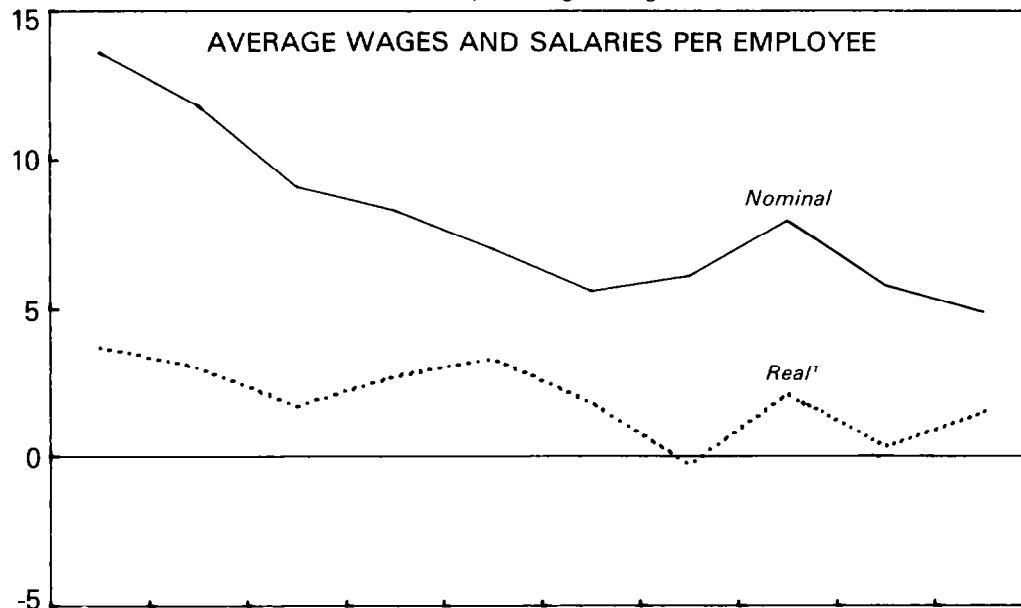
Sources: IMF, *International Financial Statistics*, and Data Fund; and forecast for 1983 by the Austrian Institute for Economic Research, September 1983.

¹Manufacturing sector.

²Based on forecast by the Austrian Institute for Economic Research, September 1983.

CHART 5 AUSTRIA WAGES AND SALARIES

(Annual percentage changes)



Source: Austrian Institute for Economic Research, *Statistische Übersichten*.

¹Deflated by the consumer price index.

²Wage and salary share in national income, adjusted for shifts in self-employment.

³Forecast by the Austrian Institute for Economic Research, September 1983.

c. Prices

Inflation in Austria fell markedly in 1982 due mainly to the falling world market prices for raw materials and energy products. In schilling terms, world market prices increased by only 1 3/4 percent on average in 1982, despite a further devaluation of the schilling of 6 1/2 percent against the U.S. dollar. By comparison, world market prices in schilling terms had risen by almost 31 percent in 1981 as a result of both rising world market prices and a devaluation of the schilling against the U.S. dollar of 19 percent. Austrian import prices for raw materials fell by 4 percent in 1982 (1981 increase of 8 1/2 percent), prices for imported fuels decreased by 2 percent (1981 rise of 35 percent), while prices of merchandise imports increased by 1 percent (1981 increase of 10 1/2 percent) (Table 10). Thus, the contribution of imports to domestic inflation was much lower in 1982 than the year before.

The slowdown in import price increases had a quick impact on wholesale prices as their increase (excluding seasonal products) fell continuously from more than 8 percent in the fourth quarter of 1981 to 1.8 percent in the fourth quarter of 1982 (Table 10 and Chart 4). On average, the increase in wholesale prices fell from 8 1/2 percent in 1981 to 3 3/4 percent in 1982. As prices for seasonal products, in particular agricultural products, fell strongly in the second half of 1982, the increase in total wholesale prices was even less in 1982, at a rate of 3 percent compared with 8 percent in 1981. On the other hand, the deceleration in inflation at the consumer level was retarded by a large jump in administered prices at the beginning of 1982 and further increases in publicly regulated prices. However, a sharp fall in prices of agricultural products, due to the record harvest in 1982, contributed to a decline in consumer prices from the second half of the year on. On average, the rise in consumer prices was 5 1/2 percent in 1982, almost 1 1/2 percentage points lower than the year before and 2 percentage points below the average for industrial countries in 1982. The strongest increases were recorded for tobacco products (13 percent) and rents (11 1/2 percent).

In the first half of 1983, inflation continued to slow down, facilitated by a fall in Austrian import prices by 1 percent in the first quarter and of 3 1/2 percent in the second quarter, compared with one year earlier, due to lower world market prices, in particular for crude oil, and low price increases in Austria's major trading partner countries. In addition, prices of seasonal products in the first half of 1982 were much below their high levels the year before. As a result, the increase in consumer prices averaged about 3 percent in the first half of 1983, at almost half the rate the year before. It reached a low of 2.5 percent in May and June and accelerated in the following months to 3.3 percent in September 1983, reflecting price increases for some basic foodstuffs, car insurance, and gasoline. Wholesale prices, which on a year-on-year basis had decreased from April to July, increased subsequently and were in September 3.1 percent higher than one year earlier.

III. Fiscal Policy 1/

1. Introduction

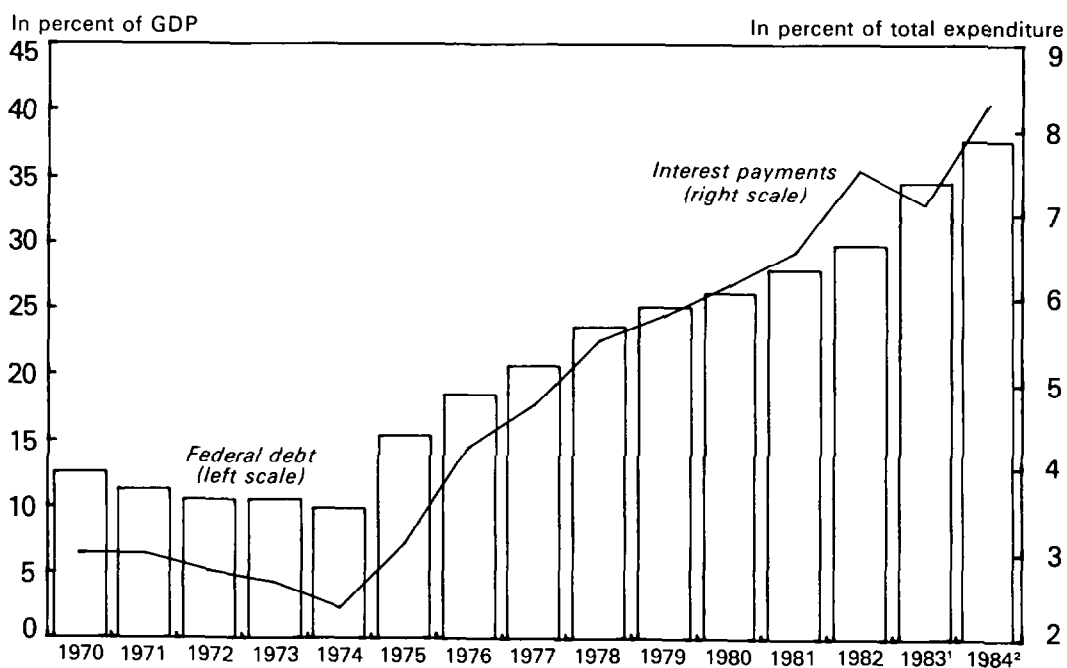
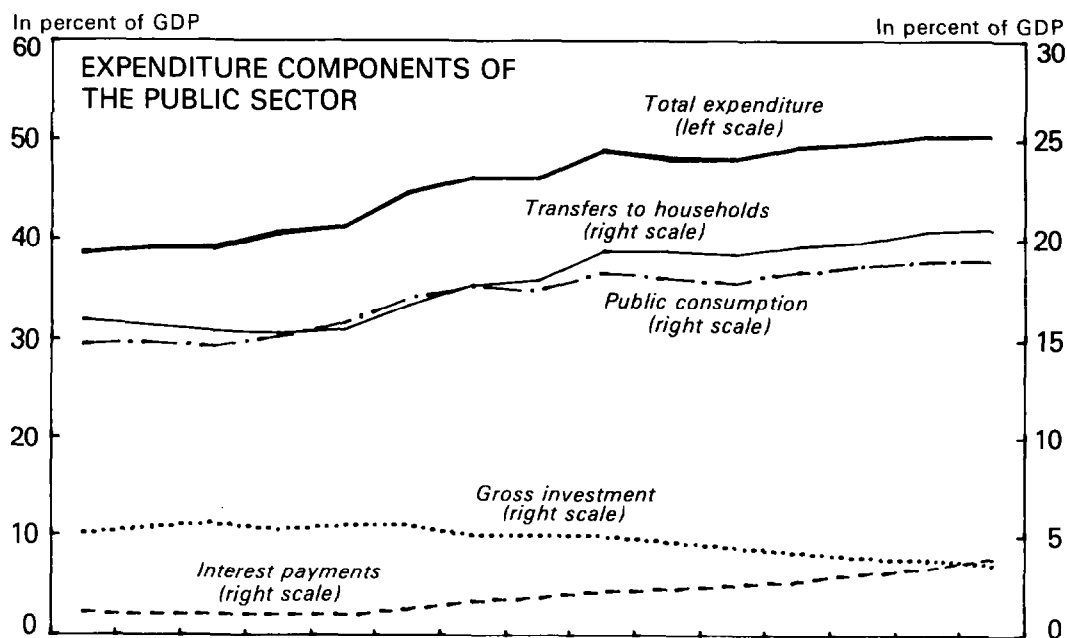
Since the beginning of the 1970s fiscal policy in Austria can be divided into four distinct periods according to cyclical developments. From 1970 to mid-1974, economic growth was vigorous and full employment prevailed; the federal deficit did not exceed 1.3 percent of GDP, and the public sector as a whole registered a surplus (Table 11 and Chart 6). The federal debt reached a temporary low of 10 percent of GDP in 1974. During the second period characterized by recession and --with the exception of a short flare-up in activity in 1977--lasting from 1974 throughout 1978, fiscal policy took a clearly expansionary stance aimed at preserving full employment. Indeed, the rate of unemployment did not exceed 2 percent in that time. The public sector grew rapidly in those years with public expenditures rising from 41 percent of GDP in 1974 to 49 percent in 1978, and the federal and public sector deficits increasing to 4.2 percent and 2.7 percent of GDP, respectively. The federal debt expanded to 23 1/2 percent of GDP with debt servicing payments taking up an increasing share of expenditure. Realizing the need for containing the budget deficit, the Austrian authorities announced in 1978 their aim to reduce the federal deficit to 2 1/2 percent of GDP in the medium term. 2/ By the end of the third period from 1978 to 1981 the federal deficit was actually reduced to 2.6 percent of GDP.

In 1982, however, fiscal policy began a fourth phase, in the wake of the protracted recession: the projected deficit amounted to 2.8 percent of GDP, while the actual outturn exceeded 4 percent. This overshoot reflected partly the workings of the automatic stabilizers, but also discretionary measures, including the effects of a reduction in income taxes and the adoption of two employment programs in January and September, 1982, which focused on the promotion of public and private investments. The budgetary effects of these programs, however, were expected to come through mainly in the years 1983-85. For 1983, the assumptions underlying the budget were rather optimistic. As it has turned out, the federal deficit seems likely to reach 6.1 percent of GDP against an initial projection of 3.9 percent. In addition to

1/ The public sector in Austria comprises the Federal Government, the local authorities (Länder and municipalities), various public entities, and the Social Security System. Federal enterprises (e.g., the Federal Railways and the Federal Post Office) are included in the Federal Government on an administrative basis, but excluded from the public sector and included in the private sector on a national accounts basis.

2/ Assuming a growth of nominal GDP of 7 percent per annum, a deficit of 2 1/2 percent of GDP would imply that redemption and interest payments would stabilize at one third of federal expenditure, which was thought sustainable.

CHART 6
AUSTRIA
SELECTED INDICATORS OF FISCAL POLICY



Source: Ministry of Finance, Bundesfinanzgesetz.

¹Estimate.

²Budget figures.

the effects of higher than foreseen unemployment, the outturn also reflects the use of the stabilization tranche of the contingency budget. 1/

In addition to stimulating the economy directly through the budget, the Federal Government has, to an increasing extent, extended guarantees for transactions of the private sector. At the end of 1982, outstanding guarantees amounted to 35 percent of GDP, which represented a doubling in nominal terms compared to five years earlier. Three fourths of the guarantees were related to Austrian exports.

Despite the pursuit of expansionary fiscal policy it has not been possible in the current recession to sustain employment, an objective traditionally given high priority in Austria and whose attainment was thought essential for preserving the social consensus. The rate of unemployment rose to 3.7 percent in 1982 and is projected to reach 4.6 percent in 1983, hence by far exceeding the level of 2 percent prevalent during previous cyclical troughs. Another distinct feature is that the current account balance has this time swung into a surplus and has not exerted a constraint on domestic policies. Although the strength of the external balance has partly reflected the rise in the terms of trade, it has also mirrored wage moderation and some structural adjustment.

The target for fiscal policy has usually been expressed in terms of the federal deficit rather than the size of the public sector. The Austrian authorities have claimed that financial crowding out of private spending has not been a significant factor in the past, but that it might take place, if the deficit keeps increasing. Various studies seem to confirm this conclusion. 2/

The extent of financial crowding out depends, among other things, on the exchange rate policy and also on the degree of integration of domestic and foreign capital markets. With the schilling having a stable relationship with the deutsche mark and with increased financial integration, the scope for an autonomous monetary policy is limited. This implies that movements in domestic interest rates are determined largely by external considerations so that a rise in the public sector deficit has only a limited effect on domestic rates and through this channel on private spending. However, the magnitude of the deficit may well affect expectations giving rise to a change in the interest rate differential that is sustainable with stable exchange rates. This could lead to some crowding out of private transactions. Further, although about 40 percent of all credits are given at preferential

1/ The contingency budget comprises two tranches, a "stabilization tranche" to be implemented to alleviate specific weaknesses that might occur in certain industries and regions, and a "reflationary tranche" to be used to generally stimulate economic activity. The contingency budget was used in 1974, 1975, and 1976.

2/ Austrian Institute for Economic Research, Monatsberichte, 4/1983.

rates, the rates in most instances, still fluctuate in line with market rates; and selective credit policies certainly exert a distributional effect on investment allocation.

The size of the public sector in Austria--as measured by expenditure on a national accounts basis in relation to GDP--is not exceptionally large compared to that of other European countries. However, this figure may understate the importance of the public sector, if one also takes into account the nationalized industries and banks (Section 2.d. below) and the many direct and indirect ways in which the Government influences private decision-taking.

1982	Austria	Belgium	France	Germany	Netherlands	Sweden
(In percent of GNP/GDP)						
General Government						
Total expenditures	49.6	64.9	47.8	50.2	60.7	68.2
Of which:						
Public						
consumption	18.6	17.6	16.2	20.7	17.8	29.8
Transfers to						
households	19.8	23.4	25.1	17.6	28.6	34.5
Interest payments	3.2	9.5	2.1	2.8	5.2	...
Investments	4.0	3.6	2.7	3.0	2.9	3.9

Sources: National sources and staff estimates.

2. The Federal Government

a. The federal budget for 1982

When the budget for 1982 was drawn up in the fall of 1981, the outlook was for some modest recovery in economic activity, but also for some continued increase in unemployment. The authorities tried to strike a balance between the aim of, on the one hand, not stifling the economic upswing and, on the other hand, not abandoning the policy of reducing the budget deficit. A budget deficit of S 31 1/2 billion (2.8 percent of GDP) was projected, which was only slightly above the level the year before (Table 12). Selected savings measures were taken reducing the deficit by S 19 1/2 billion below the level it would otherwise have been. These included a rise in the unemployment insurance contribution for both employers and employees from 2.6 percent to 3 percent, an increase in the tobacco tax, cut in subsidies, and some use of reserves within the Social Security System. Nevertheless, the deficit soared to S 46 1/2 billion (4.1 percent of GDP), representing the first increase in the ratio of the deficit to GDP since 1978 and bringing the deficit back to the level of that year.

Several factors were responsible for the higher than expected deficit, which was distributed almost equally between higher expenditure and lower revenue. First, the original budget was built on the assumption of an increase in real GDP of 2 percent (nominal GDP of 7 1/2 percent) and an unemployment rate of 2.3 percent. As it turned out, real GDP rose by only 1 percent (nominal GDP by 8 percent) and the rate of unemployment increased to 3.7 percent. The workings of the automatic stabilizers accounted for part of the S 15 billion discrepancy between the projected and actual budget, as unemployment payments and transfers to the Pension System rose by an additional S 4 billion. The wage tax yielded S 2 1/2 billion less than expected, other income and property tax S 4 1/2 billion and value added tax S 6 billion below projections. However, interest expenditure was S 2 1/2 billion lower than expected (Table 12).

Second, the elasticity of taxes with respect to nominal GDP was exceptionally low. Gross taxes (including taxes to be redistributed to the local authorities) rose by only 3 percent, while nominal GDP increased by 8 percent. Even if adjusted for the reduction in income taxes to correct for fiscal drag that took effect from the beginning of the year (see below), taxes would still have risen by only 5 percent. This corresponds to a tax elasticity of 0.6, whereas the average was 1.2 in the preceding 10-year period. However, the tax response is partly explained by the weak income from entrepreneurial activity and the number of insolvencies that have more immediate impacts on revenues than on GDP. Furthermore, the weak state of the housing market resulted in only a modest increase in the value added tax. In the preceding years, housing had provided a boost to revenue from that source.

Third, the Government resorted to discretionary fiscal measures. Next to S 1 billion for refugee relief, the Government introduced two employment programs in January and September 1982 with a total budgetary cost of S 3 1/2 billion in that year. The two programs, which are described in detail in the 1982 consultation report, ^{1/} aimed at creating 30,000-35,000 more jobs in the period 1982-85 at a total budgetary cost of S 23 billion during that period by promoting public and private construction and investment in machinery and equipment. By contrast, the Government did not activate the contingency budget of S 5 1/2 billion that was included in the regular budget and which could be used in case of need for fiscal stimulus.

Total federal expenditures increased by 10 percent (Table 12). Investment expenditures expanded by less than the average (4 percent) and declined by 1 percent in real terms. Construction outlays rose by only 2 1/2 percent in nominal terms, despite the introduction of the two employment programs. This reflected a decline in road construction of 9 1/2 percent in nominal terms and around 14 1/2 percent in real terms. Outlays for wages and salaries rose almost 8 percent, which was in accordance with the budgeted increase. With hardly any rise in

^{1/} Austria - Recent Economic Developments, SM/82/227, 12/9/82, p.18.

the number of federal employees, wages and salaries per employee increased slightly above those in the private sector. The stagnation in the number of federal employees contrasted with an average annual increase in the number of employees of 3/4 percent in the three preceding years suggesting that the Federal Government did not try to mitigate the rise in unemployment by hiring more workers.

Transfers, which account for half of total expenditure, rose as a result of the unemployment situation. Although the unemployment insurance system is, in principle, solely reliant on private contributions, the Federal Government is responsible for covering a temporary shortfall in revenue of the system, until contribution rates can be raised. In addition, the Federal Government pays unemployment relief for unemployed persons, who are not covered by regular unemployment benefits. Altogether, federal expenditures for unemployment benefits rose by S 3 billion to S 9 1/2 billion. Further, a shortfall in pension contributions of unemployed was one of the reasons for an increase of S 6 billion to S 24 1/2 billion in federal transfers to the Pension System. The Federal Government financed 26 percent of total expenditure of the Pension System.

Interest payments rose by S 4 1/2 billion to S 24 1/2 billion in 1982, ^{1/} accounting for 7 percent of total expenditure. About half of the increase in outlays was a consequence of higher interest rates with the remainder due to the higher level of outstanding debt.

In 1982, the Federal Government transferred S 2 1/2 billion to five road construction institutions, which were owned by the Federal Government. These institutions had been established in order to take up credits in their own names, to supplement certain federal revenues, especially tax proceeds from oil products earmarked for road construction. Late in 1982 the ASFINAG was created as a government-owned financing institution for road construction in order to take over the debt of these institutions and, in addition, to engage in the financing of new road projects. Repayments would be covered partly through toll revenues and partly through transfers from the federal budget. In effect, outlays and borrowing transactions of the ASFINAG correspond to federal transactions, although they formally are excluded from the budget and from the statistics on federal debt (Table 13).

The official export guarantee system burdened the federal budget by S 3/4 billion; federal expenditures to cover guarantees amounted to S 3 billion against revenues accruing from guarantee fees and recouped claims of S 2 1/4 billion. Expenditures were higher in 1982 than in the preceding three years, when they had averaged S 1 billion. Almost half of the payments were related to East European countries, which also corresponded to the share of these countries in total guarantees.

Gross taxes, which rose by 3 percent, fell short of expectations by S 14 billion, and net taxes (gross taxes minus transfers to the local authorities) by S 10 billion. The modest increase in wage taxes

^{1/} Excluding commission fees.

(3 1/2 percent) was a result of an unanticipated rise in the rate of unemployment by 1 1/2 percentage points coupled with the projected shortfall in revenue of S 5-6 billion arising from the first step of tax reductions that took place in 1982. The second step took effect in 1983 and amounted to S 3 billion. These reductions were carried out despite the Government's stated aim to reduce the budget deficit, as it had committed itself to adjust for fiscal drag, which had caused taxes on wages and salaries to soar by 14 1/2 percent in 1981. The weak economic activity was responsible for a shortfall in revenue from the federal enterprises of almost S 3 1/2 billion. Tariffs were not raised in that year.

Financial transactions with the nationalized industries are treated below in section d.

b. The federal budget for 1983

With the unexpected rise in the budget deficit in the course of 1982, the Austrian authorities faced a difficult task in formulating the budget for 1983 in the light of a still precarious employment situation and the need to contain the budget deficit. The basic assumptions underlying the budget were for growth of real GDP of 2 percent (7 percent in nominal terms), which was 1/2 percentage point more than the fall forecast of the Austrian Institute for Economic Research. The budget assumed a rate of unemployment of 3.3 percent, by contrast to 4.2 percent by the Institute. 1/ The two employment programs agreed in 1982 already burdened the federal budget by S 5 1/2 billion in 1983. In addition, as mentioned above, the second round of tax reductions amounting to S 3 billion took effect in that year. Specific deficit-reducing measures were therefore introduced for more than S 8 1/2 billion, which, however, corresponded to only half the size of similar measures in the two preceding fiscal years. 2/ These measures included shifts of funds within the Social Security System, which reduced the need for federal transfers by S 2 1/2 billion. Moreover, a tax amnesty was granted for undeclared incomes prior to 1979, in exchange for the payment of taxes in 1983 on undeclared income in the years 1979-80. This was expected to yield an additional S 4-4 1/2 billion in tax revenue, although the estimate was highly uncertain. The net deficit was budgeted at S 48 1/2 billion (3.9 percent of GDP), which was almost unchanged from the outcome of 1982. As in the previous years, a contingency budget of S 6 1/2 billion was included, consisting of a stabilization tranche and a reflationary tranche (Table 12).

1/ The budgetary effect of a 1 percent rise in employment is estimated at S 9 billion by the Ministry of Finance.

2/ The size of the savings measures could give a misleading picture of the degree of fiscal restraint, as the Ministries at the same time were asked to exert more caution in increasing expenditure in 1983 than in 1982.

Expenditures were estimated to grow by 7 1/2 percent or slightly above the assumed rise in nominal GDP. Wages and salaries were assumed to increase by 5 percent, which included a 1/2 percent addition to the number of federal employees. The budget provided for a 4 1/2 percent increase in public sector salaries, effective February 1, 1983, an increase barely matching the wage agreements concluded by the private sector. As a corollary to the two employment programs, construction expenditure was expected to rise by 10 percent. This implied a considerable increase in construction in volume terms. Interest payments were estimated to rise by S 4 billion to S 28 1/2 billion (7 1/2 percent of total expenditures).

The tax estimates assumed a substantial increase in tax receipts in relation to the rise in nominal GDP. Thus, gross taxes were estimated to pick up by 10 1/2 percent or 3 1/2 percentage points more than nominal GDP. Even excluding the effect of the tax amnesty, the rise amounted to 9 percent. Revenues from the value added tax were projected to grow by 10 1/2 percent against 4 percent in 1982. The category "other income and property tax" showed a rise of 15 1/2 percent, or 7 percent excluding the expected revenue from the tax amnesty. To be sure, the actual outcome for 1982 was not finally known, when the budget for 1983 was drafted.

Already by the fall of 1982 it had become apparent that the outlook for a recovery was bleaker than anticipated. As a consequence, the Government released the stabilization tranche of the contingency budget amounting to S 3 1/2 billion in early 1983. It was the first occasion since 1976 that the contingency budget was activated. The stimulatory measures, which had an immediate demand effect, were concentrated on outlays for construction (about half) and for the Federal Railways (about one fourth).

In October, 1983, it was estimated that the projected budget deficit would be exceeded by almost S 25 billion, rising to S 73 billion (6.1 percent of GDP). At that time, the Austrian Institute for Economic Research forecast a rise in real GDP of 1 percent (5 1/2 percent for nominal GDP) with the rate of unemployment averaging 4.6 percent for 1983 or 1.3 percentage points more than assumed in the budget.

Expenditures had increased by S 16 billion more than expected, while there had been a shortfall of revenue of S 9 billion. In addition to the release of the stabilization tranche (S 3 1/2 billion) expenditure for the agricultural sector had risen by additional S 1/2-1 billion due to a good harvest and price support payments. Expenditure for the unemployment insurance scheme had increased by S 3 billion more than planned, notwithstanding a rise in the contribution rates for employers and employees from 3 to 4 percent effective March, 1983. In addition, transfers to the Social Security System had risen by an extra S 3 billion, primarily because of pensions for early retirees. Moreover, expenditure for the Family Equalization Fund had risen by an additional S 3 billion and for labor market promotion by S 1/2 billion. On the revenue side, there had occurred

a shortfall in federal tax receipts of S 10 billion ^{1/} and in that of revenue of the federal enterprises of S 3 billion, (equally shared between the Federal Railways and the Federal Post Office). By contrast, unanticipated revenue of S 4 1/2 billion had been collected, partly as a consequence of larger transfers of profits from the Austrian National Bank (S 2 billion).

c. The federal budget for 1984

The federal budget for 1984, which was proposed to Parliament in October, 1983, assumes a reduction in the net deficit of S 11 billion to S 62 billion (4.9 percent of GDP). The gross deficit (including redemption payments) is estimated at S 95 billion, which is S 4 billion below the outcome for 1983. The budget is based on the assumption of growth of nominal GDP of 5 1/2 percent and an unemployment rate of 5.5 percent, which corresponds to the fall predictions of the Austrian Institute for Economic Research. Total expenditure is expected to grow by 3 1/2 percent and revenue by 8 percent. As in the previous years, a stabilization tranche and a reflationary tranche, each amounting to S 3 billion, are included as a contingency budget.

In order to secure the reduction in the deficit, the Government introduced a fiscal package in September, 1983, lowering the deficit by S 27 1/2 billion below the level it would otherwise have attained. The Austrian Institute for Economic Research estimates the effect of the package to be an increase in the consumer price level of 1 3/4 percentage points and a reduction in GDP growth of 1 percent in 1984 (of which 1/4 percent is due to advance purchases in 1983) and a reduction in employment by 1/2 percent. Two thirds of the package consist of revenue measures. These include an increase in the value-added tax by 2 percentage points to 20 percent for the normal rate and 10 percent for the preferential rate and 32 percent for luxury goods, effective January 1, 1984. The special VAT rate on energy products is to be raised from 13 percent to 20 percent. Moreover, a new withholding tax amounting to 7 1/2 percent will be levied on interest income on schilling-denominated assets, except some government promoted savings for housing investments. ^{2/} Private contribution rates to the Pension System and unemployment insurance will also be increased. In addition, the tariffs of the Federal Railways and the Federal Post Office will be raised. The savings measures on the expenditure side include cuts in some social benefits and in housing subsidies and a step-wise equalization of pension contributions of civil servants to that of other employees, along with cuts or elimination in special benefits for public employees.

In September 1983, the Government also announced some business promotion measures. Next to promotion of housing and the expansion of

^{1/} Including the estimated effect of the tax amnesty, which was not expected to have yielded any significant revenue in 1983.

^{2/} Presently, less than 10 percent of all interest income is declared as taxable income.

preferential credits for high-priority investments, the most important measures are reductions in the trade tax, but also the property tax for business as well as the step-wise elimination of capital tax on business. Although these measures provide some financial relief to the enterprise sector, these are estimated to be outweighed by extra cost resulting from the 1984 budget; the increase in the VAT is not expected to be fully passed on to prices while the financial position of businesses will also be adversely affected by the increased contribution rates to the Social Security System and the above-mentioned increase in tariffs.

The budget assumed that wage and salaries of public employees would increase by 3 1/2 percent in 1984 and the number of employees by 1/2 percent. Interest payments were expected to increase by nearly S 6 billion to S 33 1/2 billion (doubling since 1980) and redemption payments by S 6 1/2 billion to S 32 1/2 billion.

d. Nationalized industries 1/

The transactions of the nationalized industries in Austria are not included in the federal budget. Nevertheless, they have become increasingly important for the budget since 1981, when they began incurring serious financial problems. The nationalized industries, which account for 22 percent of industrial production and 23 percent of Austrian merchandise exports, are, inter alia, engaged in the production of iron and steel, coal, and chemical products, which are suffering from structural and cyclical problems and receive government support in many countries.

In 1982, the nationalized industries registered a combined deficit of S 5 1/2 billion. Employment declined by 4 percent, and short-time work was widely introduced. The problems were mitigated by a rise in exports of the nationalized sector by 13 1/2 percent in nominal terms, which exceeded the 4 percent growth rate which was registered for other merchandise exports in Austria. This was a result, in part, of the shift in exports of the nationalized industries toward turnkey projects. Exports to the Eastern countries, which made up 22 percent of exports of the nationalized industries, expanded by 14 percent.

The problems continued in 1983 with the protracted world-wide recession and weak domestic demand. Employment in the nationalized industries is expected to decline by another 3 1/2 percent in 1983 and the combined deficit of the industries could reach the same level as in 1982.

The Federal Government has assisted the industries in various ways. First, the Government has injected capital into the industries. This amounted to S 5 1/2 billion in 1982 by comparison to S 4 1/2 billion in the whole period 1970-80 (without other government assistance) and S 2 billion in 1981. The capital infusion in 1982 was financed through

1/ For a detailed description of the nationalized industries, see SM/82/227, Appendix II.

borrowings on the capital market in the name of the state holding company OIAG (Österreichische Industrieverwaltungs-AG). Second, the Government has guaranteed borrowings by the nationalized industries of both interest payments and principal. An increase in this limit from S 15 billion to S 32 billion in each of these categories was decided in October, 1983, which is the third increase since May 1981, when the limit was S 7.5 billion. The Government has agreed to take over redemption and interest payments for part of the guaranteed borrowings by the industries amounting to S 6 billion in 1981 and S 3 1/2 billion in 1982. In October, 1983, the Parliament additionally agreed to take over both repayments and interest obligations on borrowings amounting each to S 16.6 billion over the period 1983-86 to the extent that such debt servicing could not be paid for out of profits. S 11.6 billion was earmarked for special industries: two thirds for the iron and steel sector and the remainder primarily for the chemical and electrical industries. S 5 billion was intended as a reserve. It is expected that S 4 1/2 billion will be disbursed in 1983, S 7 billion in 1984 and the rest in 1985-86. It is the stated intention that all finished goods production lines in the nationalized sector, except iron and steel should be financially viable by the end of 1986. Capacity in iron and steel is to be scaled down.

Besides full ownership of the nationalized industries, the Federal Government holds the majority in the two largest banks in Austria. These banks, in turn, have controlling interests in firms accounting for 10 percent of the industrial labor force. As several of these firms are also in financial difficulties, the banks have asked for support for these firms. In mid-1983, one of the banks requested financial support amounting to S 1 billion from the Government to cover losses for firms within its group.

e. Financing of the federal deficit 1/

The gross financing requirement of the Federal Government amounted to S 72 billion in 1982 (Table 14). The Austrian Postal Savings Bank, which makes recommendations for the financing of the federal deficit, proposed that a larger share of the deficit be covered through domestic borrowing in 1982 than the year before. This was in line with the easing of monetary conditions in Austria during 1982, and it also corresponded to the reduced need for balanced of payments financing.

In the event, 74 percent of the borrowing requirement was financed in domestic markets by contrast to 64 percent the year before. Bond issues continued to constitute about half of the domestic borrowing with the remainder shared almost equally between Treasury certificates and loans from banks and insurance companies. The borrowing abroad was-- as in preceding years--concentrated in Swiss francs, deutsche mark, and U.S. dollars. For the first time, the Federal Government made use

1/ The statutes of the National Bank prohibit direct borrowing by the Federal Government from the National Bank and allow only discounting of short-term Treasury bills up to 5 percent of the past published tax receipts of the Federal Government.

of a swap operation by taking up a loan in U.S. dollars and swapping the proceeds into Swiss francs, which had been taken up by another borrower.

At the end of 1982, the Swiss franc accounted for 57 percent of outstanding foreign debt, the deutsche mark for 33 percent, and the remainder was almost equally divided between the U.S. dollar, the guilder, and the yen. About two thirds of the net foreign borrowing in 1982 was at variable interest rates. At the end of 1982, 22 1/2 percent of total outstanding borrowings carried variable interest rates (19 percent at the end of 1981) with the share being up 32 1/2 percent for foreign debt and 18 percent for domestic debt. There was hardly any change in the average maturity of outstanding federal debt for the domestic or the foreign share of federal debt, with five years remaining to maturity by end-1982. The level of federal and public sector debt is described in Section 3 below.

For 1983, the Austrian Postal Savings Bank recommended a further increase in the domestic share of the total borrowing requirement, as the credit demand of the private sector remained weak and no crowding out was envisaged. Moreover, foreign borrowing again was not needed for balance of payments financing. In the first three quarters of 1983 the share of domestic borrowing in total borrowing amounted to about 80 percent.

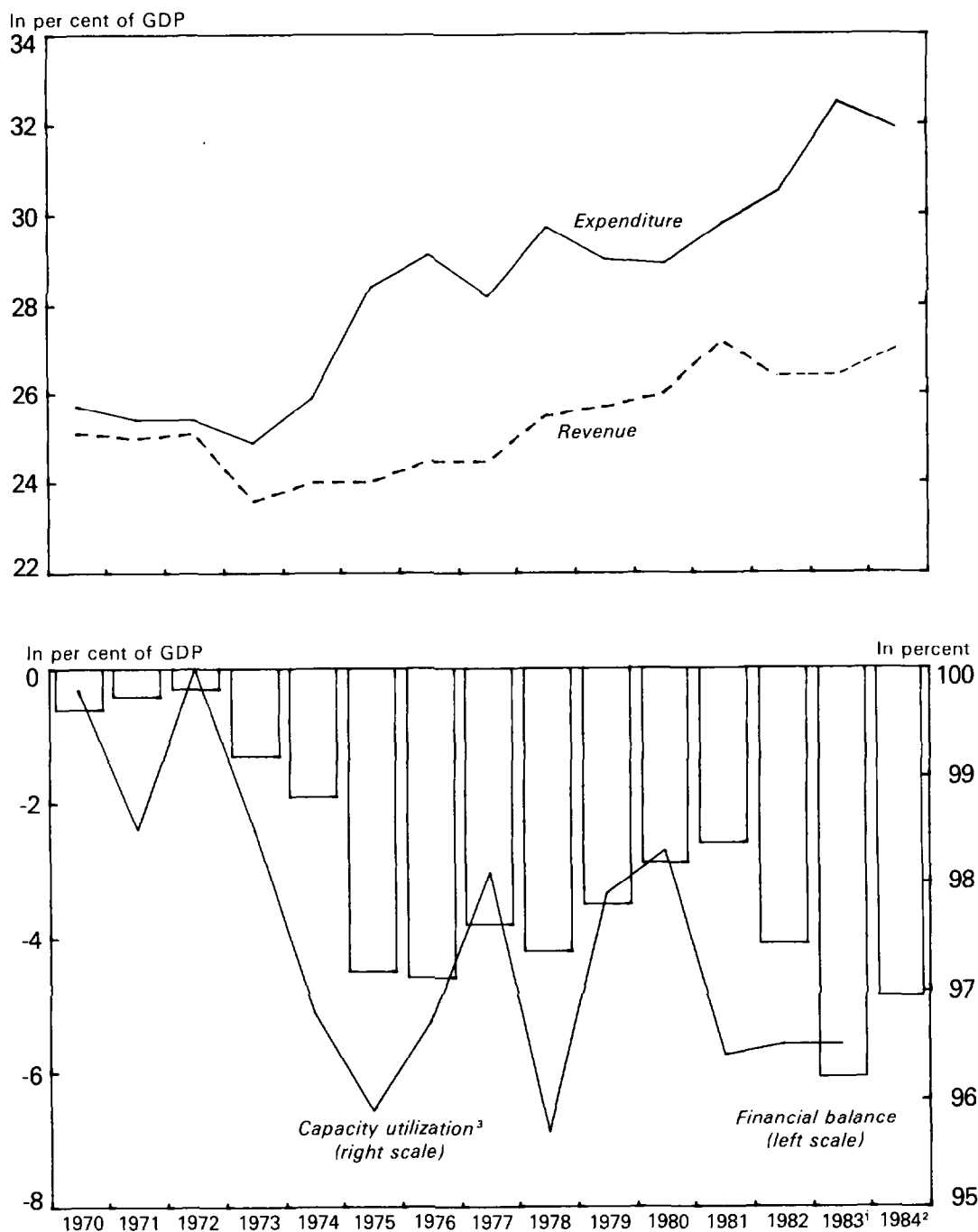
3. The public sector

The pursuit of an active fiscal policy in Austria, as in other federal states, is hampered by the limited degree of fiscal coordination between the Federal Government and the local authorities (Länder and municipalities). Indeed, the Federal Government accounts for only one third of public consumption and of public investment. Moreover, the investment behavior of the local authorities is usually sensitive to cyclical fluctuations in revenues, as they are not in the same position as the Federal Government to increase revenues by discretionary measures, but have to rely on borrowing operations.

a. Developments in 1982

Public expenditures rose by 10 percent in 1982 with the share in GDP increasing slightly (Tables 11 and 15 and Chart 7). Public investment was almost unchanged in nominal terms for the second year in a row. In volume terms, public investments have probably declined by 10 percent over this two-year period. Public consumption rose by 9 1/2 percent against 8 percent of nominal GDP. With public revenue increasing by 5 percent, the financial deficit increased by S 17 billion to S 33 billion (2.9 percent of GDP), of which the Federal Government accounted for a deficit of S 44 billion and the other public sector for a surplus of S 11 billion.

CHART 7 AUSTRIA FINANCIAL TRANSACTIONS OF THE FEDERAL GOVERNMENT



Sources: Austrian Institute for Economic Research, *Monatsberichte*; and Ministry of Finance, *Bundesfinanzgesetz*.

¹ Estimate.

² Budget figures.

³ Whole economy.

The financial balance, however, presents a misleading picture of the financial situation of the local authorities due to the accounting procedure for housing loans. 1/

Social expenditure, as defined in the EC social statistics, 2/ rose by 8 1/2 percent in 1982 against 9 1/2 percent the year before. The share of social expenditure in GDP remained almost constant at 26.8 percent. The present level and also the development during the 1970s corresponds closely to the average of the nine EC countries. Hence, in Austria the ratio rose from 21.1 percent in 1970 to 26.6 percent in 1981 against an increase from 19.3 percent to 27.1 percent in EC countries during the same period. Despite the notion of Austria as a country, where incomes policy and the preservation of full employment and social welfare has high priority, the data do not give evidence of very large social expenditures. The present recession has witnessed a smaller increase in the growth of social expenditure than previous recessions. According to the Austrian Institute for Economic Research this is partly explained by more measured increases in wages and salaries and thereby--with a lagged effect--in pensions that account for a large share of social expenditure. Moreover, the efforts of the Government to contain the budget deficit have led to fewer discretionary improvements in social benefits than in the past.

Expenditure by the Social Security System, which comprises health, accident, and pension insurance, rose by 8 percent. 3/ Expenditures of the Pension System, which account for three fourths of total expenditure increased by 9 percent. They rose particularly strongly due to a rise in the number of pensioners associated with early retirement. The number of people on early retirement amounted to 86,000 at the end of 1982, or 5 percent of all pensioners. Pensions were adjusted by 5 1/4 percent in 1982, which implied a marginal decline in real terms.

b. Developments in 1983

It is estimated that total revenue of the public sector will increase by 4 percent in 1983 with direct taxes on households and corporate direct

1/ The Länder receive about 10 percent of the revenue collected by the Federal Government from income, wage, and corporate taxes for the purpose of financing housing (1983: S 14 billion). In the national account statistics this revenue is booked under "current revenue" in the budgets of the Länder. The Länder then transfer the amounts involved in the form of subsidized housing loans and interest rate subsidies to private households. Most of these outlays are registered as lending, and they are therefore not reflected in the financial deficits of the Länder. As a result, growing surpluses of the Länder are recorded in the national account statistics. Repayments of these housing loans are used by the Länder to extend new loans.

2/ Includes social expenditures by enterprises.

3/ The unemployment insurance system is not part of the social security scheme.

taxes hardly showing any increase. Social security contributions will grow by 4 percent and indirect taxes by 7 percent, reflecting the increase in private consumption of 6 1/2 percent in nominal terms. Total expenditure is projected to rise by 6 1/2 percent, as transfers to households expand by nearly 8 percent and public consumption by 6 percent in nominal terms. By contrast, gross investments remain unchanged in nominal terms and decline by 6 percent in volume terms. The financial deficit is expected to widen by S 13 1/2 billion to S 46 1/2 billion (3.9 percent of GDP) with the federal deficit rising to S 62 1/2 billion and the surplus of the other public sector rising to S 15 1/2 billion.

While the health and accident insurance, in principle, are financed through private contributions, the Pension System receives transfers from the federal budget amounting to about one fourth of its expenditure. The demographic development indicates that continuing large transfers are necessary in coming years in the absence of a rise in contribution rates or a cut in benefits. A reform of the Pension System is under consideration and is provisioned to become effective in 1985. It is under discussion to reduce multiple pensions, change the annual adjustment of pensions, which currently is tied to wages and salaries of the last two years, and to raise the contribution rates.

c. Outstanding debt and guarantees

At the end of 1982 outstanding federal debt amounted to S 342 billion or 30 percent of GDP, which compared to 28 percent of GDP a year earlier (Table 13). About one third of this debt was foreign debt. In addition, the Federal Government owns special financing institutions that take up loans in their own names for the construction of roads and water supply systems. The debt of these institutions amounted to S 38 billion or one tenth of federal debt at the end of 1982. The Government extends guarantees for a large part of the debt (see below). The debt of the Länder and municipalities amounted to S 130 billion at the end of 1982. Altogether, on a consolidated basis, the outstanding debt of the public sector made up S 470 billion at the end of 1982 (41 percent of GDP), which compared to S 415 billion (39 percent of GDP) at the end of 1981. ^{1/} Austria ranged in the middle of the industrial countries with respect to the share of debt in GDP. However, the rise in public sector debt since 1974, when the debt reached a temporary low, has been sizeable, also by international standards.

The Federal Government has increasingly extended guarantees to the private sector. At the end of 1982, they amounted to S 401 billion or 35 percent of GDP (Table 13). Three fourths of all guarantees (S 309 billion) were related to guarantees against political or commercial risks of Austrian exporters. Electricity companies accounted for S 26 1/2 billion and the nationalized industries for S 13 1/2 billion, and other Government-owned institutions (e.g., road construction companies) for S 29 1/2 billion.

^{1/} The figures in Table 13 show the outstanding debt of the various levels of Government on a nonconsolidated basis.

The outstanding guarantees have not recently given rise to significant net outlays for the federal budget:

	1982	1983	1984
	<u>(In billions of schillings)</u>		
Expenditure	4.3	3.4	5.3
Revenue	3.6	2.6	4.5

IV. Money and Credit

1. Principal policy objectives and instruments

Article 2, Section 3, of the Statutes of the Austrian National Bank assigns to the National Bank the duty to "ensure with all means at its disposal that the value of the Austrian currency is maintained with regard both to its domestic purchasing power and to its relationship with stable foreign currencies." 1/ At the same time the National Bank is committed by Article 4 of its Statutes, to pay "due regard...to the economic policy of the Federal Government." In these circumstances, Austrian monetary policies have focused particularly on maintaining a close relationship with foreign currencies whose purchasing power is stable, thus also assuring relative domestic price stability. The precise policies in pursuit of this objective have been modified over the years, from pegging the external value of the schilling to a basket of currencies to the policy followed now of holding the schilling in a close relationship to the deutsche mark. The present policy, called the "hard currency policy," has provided a stable basis for trade with the Federal Republic of Germany (with shares of 30 percent in Austrian exports and 40 percent in imports), has stabilized exchange rate expectations and has reduced the cost of forward cover. It is thought to have contributed significantly to the containment of inflation by reducing the costs of imported energy and raw materials. The hard currency policy is seen as an integral part of the social partnership and is thought to have given rise to a substantial moderation of wage claims and price increases by indicating to the social partners that undue growth in domestic prices and costs will not be accommodated by exchange rate adjustments. At the same time, however, monetary policies in Austria are severely constrained by those followed in Germany, and longer term cost and price developments in the two countries must generally be in line. 2/

As the current account improved in 1978, efforts were made to support domestic activity through holding down interest rates. However, in 1979, while interest rates were increasing internationally, massive capital exports subsequently strained Austria's foreign exchange reserves, reducing them by about one third and forcing again a tightening of monetary policies at the end of 1979. Since then, the external implications of the interest rate have been of great importance for the formulation of Austrian monetary policy.

1/ Federal Law Redefining the Legal Status of the Austrian National Bank (National Bank Law 1955 published in Federal Law Gazette No.184 as amended by the Federal Laws contained in Federal Law Gazettes Nos. 200/1967 and 276/1969).

2/ The Austrian institutional setup in the field of wage policies is favorable in preventing such divergences from emerging: wages in Austria are negotiated in the framework of the "social partnership" which includes restraint on enterprises from increasing prices at their discretion.

Because of its focus on exchange rates, the Austrian National Bank does not set targets for the growth of monetary aggregates but does--within limits--affect the source of growth by influencing capital movements. In the past, the components of monetary growth were strongly influenced by large net borrowings abroad of the Government and by the Kontrollbank, the official export guarantee and financing agency. In 1982 and thus far in 1983, however, net foreign borrowing of both the Government and the Kontrollbank was reduced considerably, since the current account registered a surplus and enough domestic liquidity was available both for the public sector borrowing and the financing of exports by the banking system.

The main instruments of Austrian monetary policy are the refinancing facilities, open market transactions, and minimum reserve requirements. Instruments of refinancing policy include the discount and lombard facilities ^{1/} as well as the (seldom used) refinancing quotas. Short-term open market operations have been increasingly used in recent years in the form of open market operations with repurchase agreements and of deutsche mark swaps. Minimum reserve ratios have not been changed in recent years for the purposes of liquidity policy: banks are required to hold minimum reserves of, on average, 6 percent of their deposits subject to the reserve requirements (with rates differentiated between categories of deposits). ^{2/3/} Since financing of the budget by the National Bank is restricted by law, placement of federal funds in Austria is the responsibility of the Ministry of Finance; however, it is pursued in cooperation with the National Bank. In addition to the abovementioned instruments, the National Bank has at its disposal quantitative ceilings on the expansion of domestic bank credit ("Limes") but has suspended the use of such limits since 1981/82. While the "Limes" ceilings were neither legal limits nor binding in a strict sense, banks exceeding these limits did risk a curtailment or suspension of their access to refinancing at the National Bank.

Besides being responsible for maintaining the value of the Austrian currency, the National Bank is obliged by Article 2, Section 4, of its

^{1/} The lombard rate is charged on short-term lending of the National Bank against the collateral of well-specified papers held by credit institutions.

^{2/} Since October 1982, the following reserve ratios have been in effect: (i) for credit institutions with liabilities exceeding S 40 million, 8 1/2 percent on sight deposits, 6 1/2 percent on short-term time and savings deposits and 5 1/2 percent on longer term time and savings deposits and on security issues; (ii) for credit institutions with liabilities below S 40 million 4 1/2 percent on sight deposits and 4 percent on short- and longer-term time and savings deposits and on issues. The lowering of the reserve ratios by 0.5 percentage point took place for purely technical reasons (changing over to a calendar-day-average calculation).

^{3/} Banks are allowed to fulfill up to 50 percent of their minimum reserve requirements by holding interest-bearing treasury notes issued by the Government for the financing of its cash transactions.

Statutes "to ensure within the framework of its credit policy that the credits it places at the disposal of the economy are distributed with due regard to the country's economic needs." At this time the main ways of allocating credit for specific purposes are the refinancing and open market quotas for the promotion of exports and investment. At the end of September, 1983, about 50 percent of the total volume of refinancing and open market operations was for selective purposes with 57 percent of the selective financing being used for exports and 43 percent for investments. Since funds provided through selective financing cannot be withdrawn without endangering the profitability of the projects (any alternative refinancing would be possible only at higher market rates) the amount of funds earmarked for specific purposes has reached a size which increasingly limits the resources available for nonpreferential borrowing from the National Bank, particularly in phases of tight monetary policy. 1/

2. Recent monetary policy developments

a. General overview

In 1982, the Austrian National Bank remained committed to its hard currency policy and focused on containing the movement of the differential between the Austrian and German call money rates within narrow limits. 2/ Consequently, Austrian and German monetary policies followed similar courses.

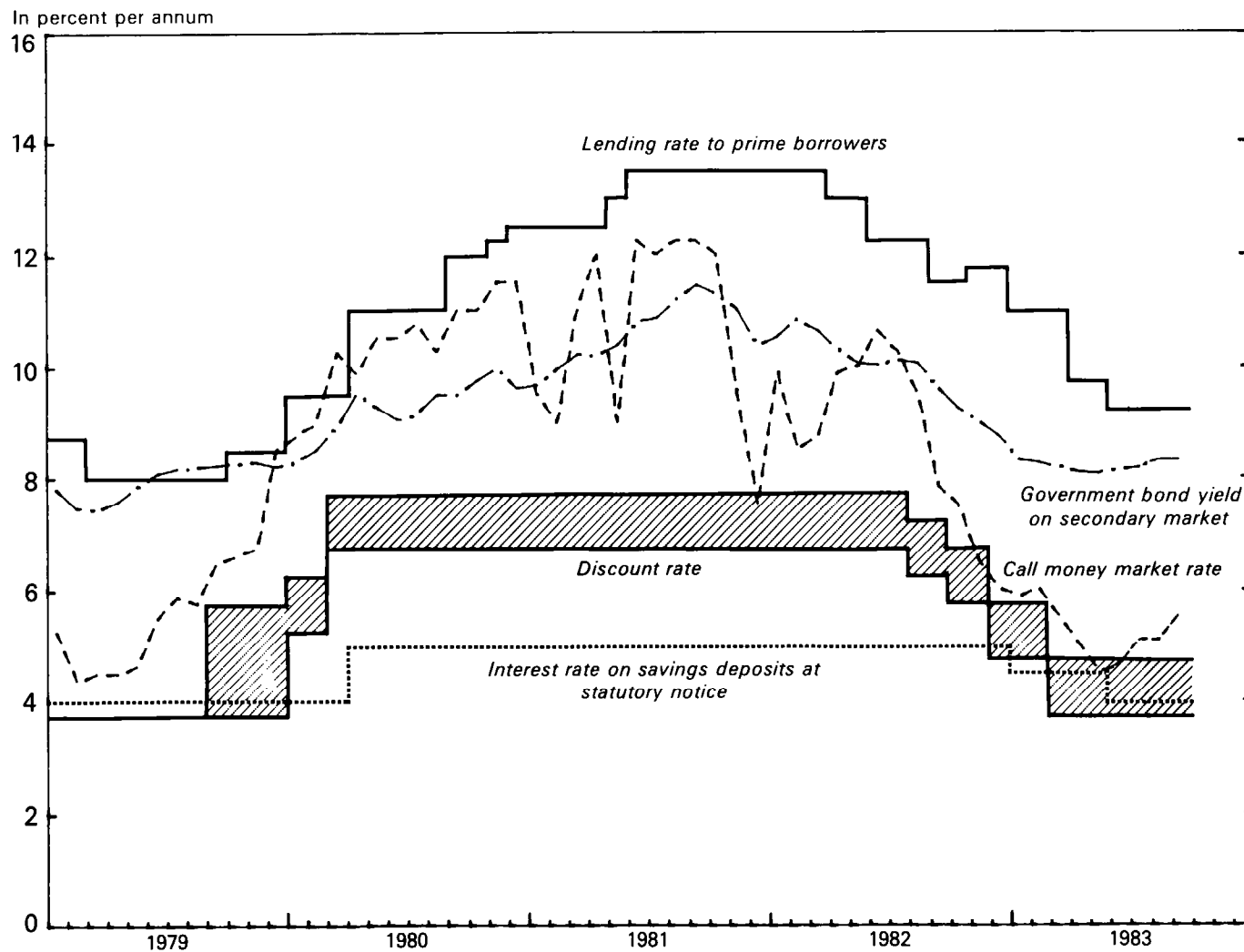
The easing of interest rates in Germany in 1982 was accompanied by an easing of monetary policy in Austria. This easing was facilitated by the marked strengthening in the Austrian current account and helped support domestic demand and private investment.

In the first half of 1982, the Austrian National Bank left its lombard rate unchanged at 7 1/4 percent, while the Bundesbank continued its policy, initiated in October 1981, of reducing its special lombard rate in small steps early in the year and then in May, reintroducing the traditional lombard facility at the rate of 9 per cent. However, as noted, the National Bank undertook measures to ease the tightness in the money markets. The fall in the Austrian call money rate surpassed the fall in German rates and induced large short-term capital outflows in the first four months of 1982 (Table 16 and Chart 8); subsequently

1/ In 1983, the National Bank used interest-bearing transferable notes ("Kassenobligationen") of the Investitionskreditbank and the Kontrollbank for the first time also for contractionary open market operations (see p. 72).

2/ The Austrian authorities view a short-term interest rate differential of about 1/4 percentage point as sustainable in the sense that it would not give rise to exchange rate pressures. This differential has declined in 1983 from about 1/2 percentage point, the main reasons being a heightened sensitivity to interest rate differentials as well as a change in the Austrian way of calculating minimum reserve requirements.

CHART 8 AUSTRIA INTEREST RATES



Sources: Austrian National Bank, *Mitteilungen*; OECD, *Financial Statistics*; and Morgan Guaranty Trust, *World Financial Markets*.
Note: Shaded area represents surcharge levied on borrowing in excess of 70 per cent of quota.

German rates continued to decline, restoring a positive interest rate differential in favor of the schilling with the result that during May and especially June these outflows were reversed. The reductions by the Bundesbank of its key lending rates in August, October, and December, 1982, by contrast, were accompanied by reductions in official rates in Austria. The Austrian discount rate was reduced from 6 3/4 percent at the beginning of 1982 to 4 3/4 percent at the end of the year, while the lombard rate was reduced from 7 1/4 to 5 1/4 percent. (A surcharge of 1 percentage point on refinancing in excess of 70 percent of the refinancing quotas was kept unchanged.) By comparison, the German discount rate was reduced from 7 1/2 percent at the beginning of 1982 to 5 percent at the end of the year, while the rate for lombard financing was reduced from 10 1/2 percent to 6 percent. Thus, by end-year, official interest rates in Austria exceeded those in Germany, reversing the position in early 1982. For the bond markets, on the other hand, an interest rate differential in favor of Austria was maintained throughout the year (Table 16). However, for call money rates a differential in favor of Germany existed in the beginning and toward the end of 1982.

In 1983, the National Bank continued to maintain a close link between Austrian interest rates and those in Germany. When the German Bundesbank increased banks' rediscount quotas in early February, 1983, the Austrian National Bank announced an increase in the banks' usable refinancing quotas from 70 to 100 percent of the calculated total, but effective one month later. In March, both central banks decreased their key lending rates simultaneously by 1 percentage point. When the deutsche mark, shortly after these measures, was revalued in the seventh realignment of EMS exchange rates, the National Bank affirmed that the deutsche mark/schilling rate would essentially remain unchanged. Thus, differentials between both countries' call market rates remained small in the first half of 1983. However, the differential in government bond yields narrowed in the first half of the year, as long term interest rates in Germany firmed from March, giving rise to large outflows of long-term capital. When the German Bundesbank raised the lombard rate in Germany by 1/2 percentage points in early September, the National Bank followed with an increase in the Austrian lombard rate of 1/2 percentage points to 4 3/4 percent.

b. Monetary policy measures in 1983 1/

At the end of September 1982, the ceiling for short-term open market operations was raised by S 12 billion to S 15.65 billion. This increase broadened the scope for "fine tuning" from domestic sources, reducing reliance on foreign currency swaps. 2/ Such open market operations are to

1/ For a comprehensive description of measures taken in 1982 up to December 3, see SM/82/227 and section 6 below. The measures taken in 1982 and described here have their major impact in 1983 and subsequent years.

2/ Although swap arrangements are easier for the National Bank to arrange than open market operations (because the Bank does not have to take the lead in fixing the interest rate), swaps have recently been used less, partly since they can be conducted only with large banks, partly since it is believed that misunderstandings could arise in the international markets if Austrian credit institutions suddenly would raise large credits abroad.

take the form of repurchase agreements and are strictly short-term. Altogether, the ceiling for expansionary open market operations was increased by this measure to S 28 billion. The National Bank also raised the ceiling for export financing at preferential rates from S 8 billion to S 9 billion in September 1982. In order to keep the domestic money market rate in line with the German rates, the National Bank concluded expansionary open market operations with banks from the middle to the end of February, 1983, at volumes varying between S 3 billion and S 10 1/2 billion. The National Bank underlined its determination to continue its expansionary course in 1983 when, following measures taken by the Bundesbank, it announced an increase in the Austrian banks' usable refinancing quotas from 70 to 100 percent of the calculated total, effective March 1, 1983. The surcharge of 1 percentage point on the part of refinancing which exceeds 70 percent of the quota was left unchanged. However, except for its signal effect, this measure had little immediate impact on the banks' refinancing behavior, as the average volume of refinancing from the National Bank reached not more than 55.3 percent of the quotas in March. The National Bank continued its policy of lowering interest rates by reducing the discount and lombard rate by both 1 percentage point to 3 3/4 and 4 1/4, respectively, effective March 18, in actions parallel with those by the Bundesbank. This measure was accompanied by informal attempts of the National Bank to get the banks to decrease their lending rates in tandem.

As money market rates in Austria reached levels of about 1/2 percentage point below the German rate in May and June 1983, the National Bank offered interest-bearing transferable notes (Kassenobligationen) of the Investitionskreditbank and the Kontrollbank to absorb excess liquidity. Consequently, the Austrian money market rates again reached the German level in June.

In line with its exchange rate objectives, the National Bank raised the lombard rate by 1/2 percentage point to 4 3/4 percent on September 9, while leaving the discount rate unchanged at 3 3/4 percent. ^{1/} Also, the surcharge on refinancing beyond 70 percent of the quota remained unchanged at 1 percent. While noting that the rise in the lombard rate was necessary in pursuit of the hard currency policy, the National Bank stressed that it did not indicate any change in the aims of monetary policy.

3. Interest rate developments

As a consequence of the hard currency policy, interest rate developments in Austria were strongly influenced by developments of German interest rates, and with them, to some extent, U.S. rates (Chart 2). Other factors influencing interest rate developments were of a structural nature such as agreements between banks on certain interest rates. These include the basic rate of interest on savings deposits at statutory notice ("Eckzinssatz") and rates for a number of other categories of deposits and

^{1/} The Bundesbank raised its lombard rate from 5 to 5 1/2 percent, effective September 9, 1983.

credits, particularly the rate of interest on credits to first class borrowers (prime rate). 1/ Changes in the "Eckzinssatz" involve the social partnership. The "Capital Market Committee" also exerts an influence on interest rate formation through its recommendations for the issuing yield of fixed-interest securities. 2/ Whereas these regulations may have important effects on the structure of interest rates, they have a limited effect on the development of the level of interest rates in the banking sector. 3/ In recent years, there has been a strong growth of credits at variable interest rates, as competition between the banks has increased and banks have made efforts to minimize their interest rate exposure. In addition, the Government has sought variable rate credits, as it has expected a further decline in interest rates. It is estimated that currently less than 5 percent of all credits are extended at fixed rates.

In the first quarter of 1982, interest rates continued to fall without specific interest rate measures being taken by the National Bank, but in response to the Bank's liquidity policy. As the fall in the call money rate was steeper than in the rate on outstanding fixed-interest securities, the yield curve, which had been inverted for most of 1981, normalized at the beginning of 1982. However, in April 1982, money market rates started increasing again, while the long-term rates continued to decline and in May the yield differential in favor of the bond market was eliminated; subsequently it became negative. Although the nominal bond rate fell continuously in the first half of 1982 it remained at a high average level of more than 4 percent in real terms, because the rate of inflation declined. This level was high in relation both to 1981, when the real rate averaged 3 1/2 percent, and by comparison with Germany, where the comparable real bond rate averaged 3 1/2 percent in the first half of 1982 (Chart 9). The situation was eased by the reduction in the lombard and the discount rates in August: the money

1/ Since July 1, 1980, after the cancellation of a general agreement on deposit rates ("Habenzinsabkommen"), only the "Eckzinssatz" is regulated by formal agreements; all other rates are, in principle, freely determined.

2/ The Capital Market Committee was created by a law concerning the issuance of fixed interest securities ("Wertpapier-Emissionsgesetz") which came into effect on March 1, 1979. The Committee is composed of 11 representatives from the Austrian credit institutions. Besides recommending the issuing yield, it advises the Minister of Finance also on other conditions under which new capital market issues are to be offered to investors, and on questions related to the absorptive capacity of the capital market. Meetings of the Committee are commonly attended by representatives of the Ministry of Finance and the National Bank.

3/ For example, in 1982/83 banks competed for borrowers by increasingly offering cash advances ("Barvorlagen"), i.e., short-term credit at fixed notice and at a fixed interest rate. This interest rate is determined by the call money rate and not by the prime rate. In 1983, the interest rate on cash advances fell to below 6 percent, while the prime rate was 9 3/4 percent.

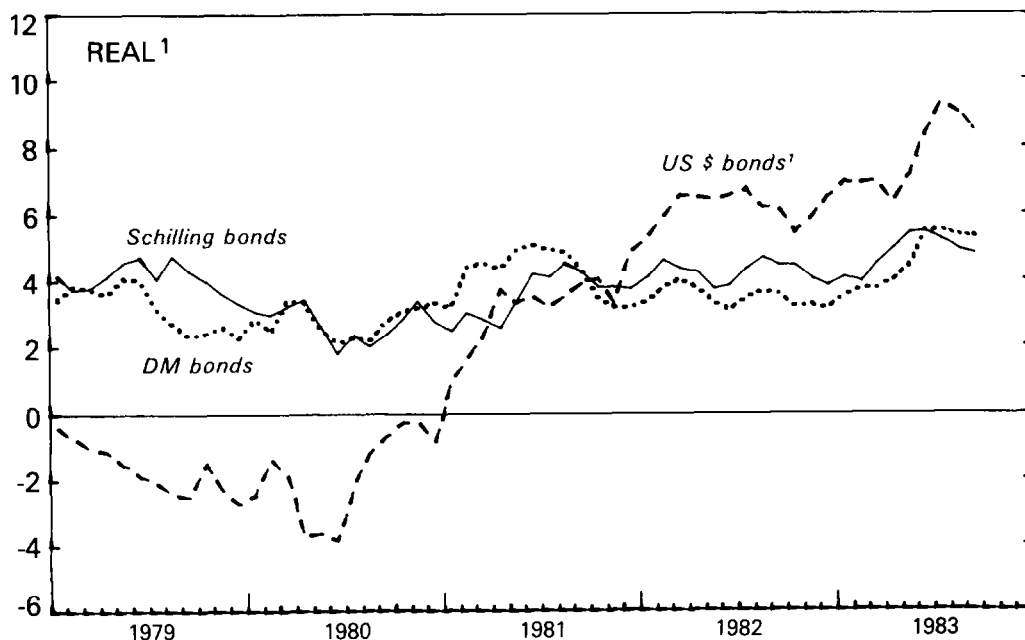
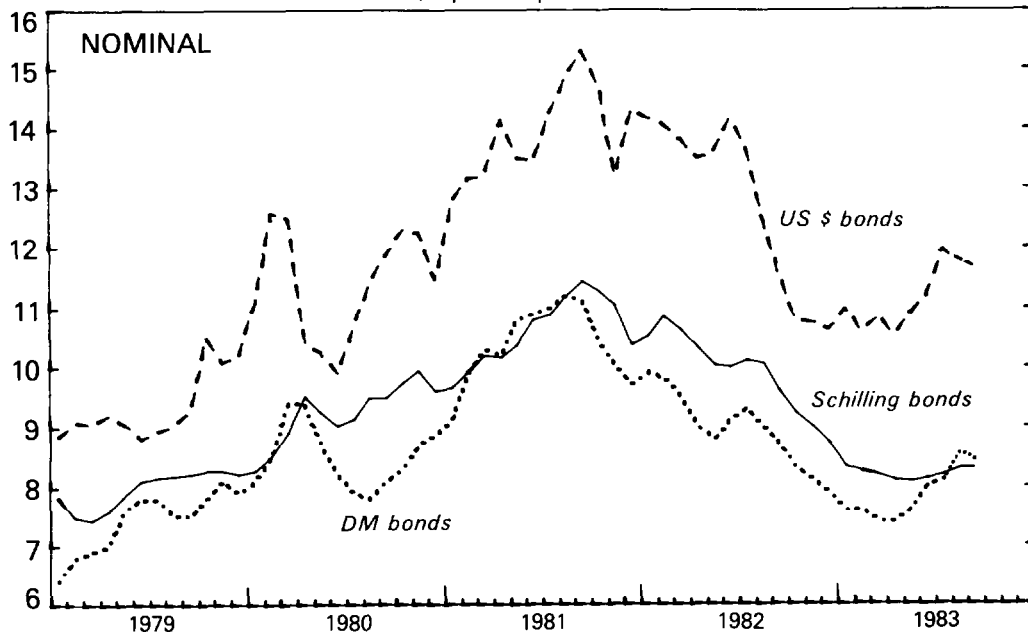
market rate fell below the bond rate, which continued to fall as interest expectations stimulated the demand for fixed-interest securities. Nevertheless, with an even stronger fall in the rate of inflation, the real bond rate reached a record high of 4 1/2 percent in the third quarter, compared with 3 1/2 percent in Germany. The further reductions in the key lending rates in October and December 1982 kept interest rates declining; in December, the call money rate had reached a level of 6 percent, compared with 10 3/4 percent in December 1981, the secondary market yield on government bonds had dropped from 10.4 percent in December 1981 to 8.8 percent in December 1982. In addition, and encouraged by the National Bank, the prime lending rate was reduced in three steps by almost 2 percentage points in 1982; deposit rates, particularly for large deposits, fell by about the same amount. However, in real terms, interest rates remained high as indicated by an Austrian real bond rate of 4 percent in December, 1982, compared with 3 percent in Germany.

At the beginning of 1983, the financial institutions reacted to the lowering of the key interest rates by the National Bank in December, 1982, with an agreement to lower their interest rates on savings deposits of three months' notice from 5 to 4 1/2 percent, effective January 1, 1983. In addition, the financial institutions agreed to lower the prime rate by 3/4 percentage point to 11 percent. These agreements were followed by a reduction in the issuing yield on the investment bond of the Federal Government by 1/2 percentage point to 8 1/2-8 1/4 percent in mid-January. Despite expansionary open market operations the call market rate rose slightly in February, contrasting with a further decline in Germany and therefore inducing banks to resume short-term capital imports (after exports in January). In the bond market, however, interest rates continued to fall faster than in Germany; in the beginning of March 1983 there was a further reduction in the issuing yield on the investment bond of the Federal Government to 8 1/4-8 percent. Following the lowering of the discount and lombard rates by 1 percentage point effective March 18, the credit institutions agreed on a reduction in deposit rates (excluding savings deposits at statutory notice) by between 1/4 and 3/4 percentage points at the beginning of April. The maximum rate on deposits was set at 7 percent and the prime rate was reduced to 9 3/4 percent; the maximum issuing yield, however, was left unchanged at 8 percent. A further round of interest rate reductions by 1/2 percentage points followed on July 1, 1983, affecting the major deposits and lending rates, including the prime rate. After this, the basic rate on savings deposits at statutory note ("Eckzinssatz") was at a level of 4 percent, while the prime rate stood at 9 1/4 percent.

The call money rate fell to 4 1/2 percent in May and June 1983, as a result of the transfer of the National Bank's profits (S 4.73 billion) to the Government at the end of April; furthermore, the Government's newly issued treasury notes were bought by the banks to fulfill part of their minimum reserve obligation, thereby releasing deposits held with the National Bank in fulfillment of this obligation. In those months, the call money rate was about 1/2 percentage point below that in Germany; however, the levels were broadly brought into line in July, as the Austrian

CHART 9
AUSTRIA
INTERNATIONAL COMPARISON OF
GOVERNMENT BOND YIELDS

(In percent per annum)



Sources: Austrian National Bank, *Mitteilungen*; Deutsche Bundesbank, *Monthly Report*; and Morgan Guaranty Trust, *World Financial Markets*.

¹Deflated by the rate of change of consumer prices.

National Bank absorbed liquidity through open market operations and short-term capital was exported. When the lombard rate was raised by 1/2 percentage point to 4 3/4 percent in September, the call money rate rose to 5 1/2 percent, the interest differential vis-à-vis the German rate remaining roughly unchanged.

The yield on government bonds reached a low of 8 percent in April/June and subsequently rose to 8 1/4 percent in September, reaching the corresponding German rate. As Austrian consumer prices rose by only 2.5 percent in June, the real rate reached 5 1/2 percent, a new record high. Mainly because of a rise in the inflation rate, it eased to 5 percent in September, compared with 5 1/4 percent in Germany. Almost half of all investments are financed at preferential rates. ^{1/} Nevertheless, since interest rates offer an important alternative to investment in real assets, the high rates may, to some extent, have depressed investment in Austria.

4. Developments of the main monetary aggregates

The developments of the main monetary aggregates in Austria during 1981-83 reflect the evolution of monetary policy as well as the depressed level of economic activity. The evolution of monetary policy is most clearly mirrored in the development of the monetary base ^{2/} and its two major source components (Table 17 and Charts 10-11). In 1981, when monetary policy was kept tight through most of the year, net domestic assets of the National Bank decreased by 28 percent from their level in 1980 (Table 18), while the increase in net foreign assets of 16 percent provided for the bulk of the increase in the monetary base. The rate of increase in the monetary base was reduced from 6 3/4 percent in 1980 to 5 percent in 1981 in line with the restrictive direction of monetary policy. Changes in the course of 1981 reflected the transition of monetary policy to a less restrictive course toward the end of the year.

In 1982, the change to an expansionary monetary policy was mirrored by an increase in the monetary base of 7 1/2 percent and by an expansion of net domestic assets of 15 3/4 percent. Net foreign assets grew by almost 10 percent, because the current account had swung into surplus. A further relaxation of monetary policy in 1983 is indicated by a strong expansion of the monetary base, which on average in the third quarter was 9 1/2 percent higher than in the same period of 1982. By far the greater part of this increase was provided through an increase in net domestic assets which, according to figures available for the first eight

^{1/} Over recent years, there has been a proliferation of schemes providing for credits at preferential rates leading to a system which the Austrian authorities view as excessively complicated and questionable as to its ability to promote a rational and efficient allocation of resources.

^{2/} Defined as coins (except gold and silver coins which are collectors' items rather than means of payment) plus currency in circulation and banks' deposits at the National Bank.

months, were on average 17 1/2 percent higher than in the same period of 1982, while net foreign assets were 4 3/4 percent higher. On the uses side, the larger part of the expansion of the monetary base took place in currency in circulation, which was 11 1/2 percent higher on average in the third quarter of 1983 than one year earlier, while bank deposits with the National Bank were 7 1/2 percent higher. The relatively strong increase in the currency component can in part be explained by a normalization in the liquidity preference, which in preceding years had strongly declined in reaction to high interest rates. However, special factors also seem to have been at work, including increased hoarding of schillings in other countries and the discussion about the tax on interest incomes. Partly in recognition of these factors, the Austrian National Bank believes that the strong monetary expansion in 1983 so far was not giving rise to an immediate additional inflationary impulse and that it was just tolerable. Further arguments in support of this view are that economic activity and inflationary pressures were weak and that the surplus on the current account tended to exert upward pressure on the external value of the schilling. Further, the growth of central bank money was not a target in Austria and therefore its rapid growth did not have the signal effect for expectations that it had in other countries with a publicized monetary target. However, potential dangers are seen for medium-term price stability and it is believed that the current rapid growth should not continue over an extended period of time.

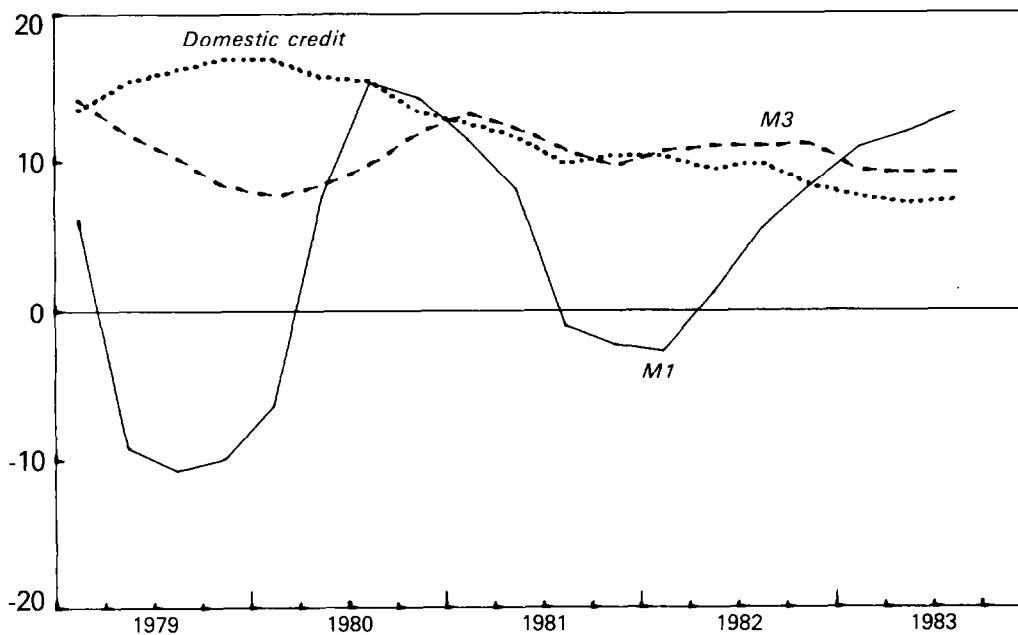
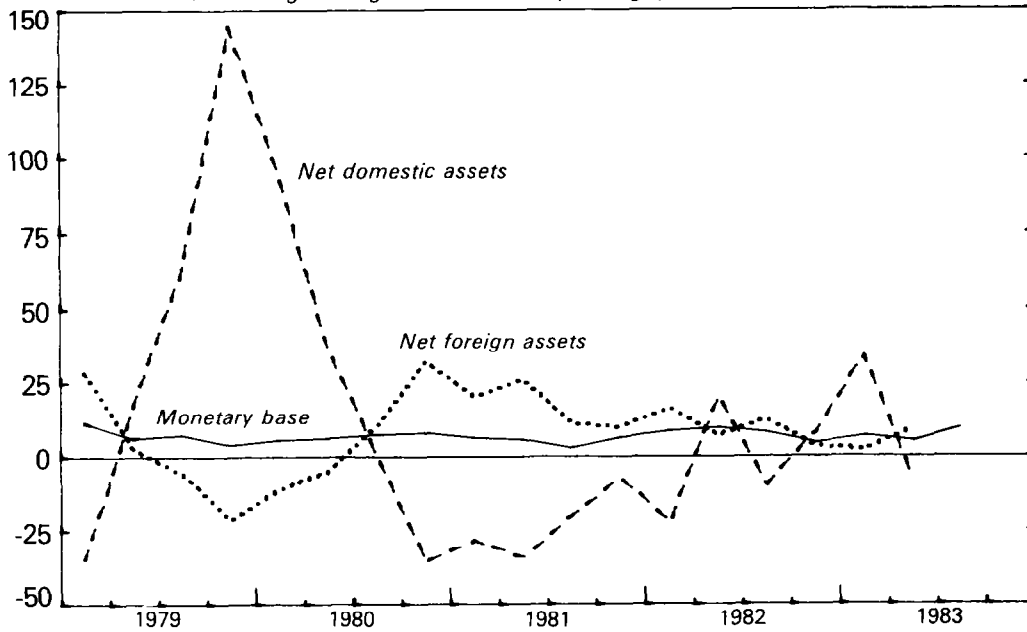
The developments in money in its narrow definition (M1) and in its broad definition (M3) reflect the evolution of monetary policy and of domestic activity. ^{1/} The tightness of monetary policies in 1981 is mirrored by a relatively low rate of growth of M1 of 3 1/2 percent, compared to 7 1/2 percent in 1980 (Table 18). Average growth in 1982 was even lower, at 3 percent. However, this low growth rate was the result of a decline in the first quarter and low growth in the second quarter only of 1982. In the following quarters up to the third quarter of 1983, M1 grew at accelerating rate, indicating a reduction in the need to economize on money holding as nominal interest rates declined. The velocity of M1 increased at a decelerating rate in the first three quarters of 1982 and actually declined in the last quarter of the year (Chart 11), compared with the situation a year earlier.

By contrast to M1, the rate of increase in M3 increased in 1981 with a stronger growth in time and savings deposits as a response to higher interest rates. Growth in M3 fell slightly in 1982, when interest rates declined from their high level in the preceding year. From the first quarter in 1982, growth (over the same period a year before) in time and savings deposits slowed steadily as interest rates fell. In addition, growth in savings deposits may also have been affected by the discussion of an interest withholding tax as well as by a relatively high propensity to consume while the growth in real incomes has decelerated.

^{1/} M1 is defined as the sum of currency outside banks plus demand deposits of private nonbanks. M3 is equal to M1 plus time and savings deposits of private nonbanks.

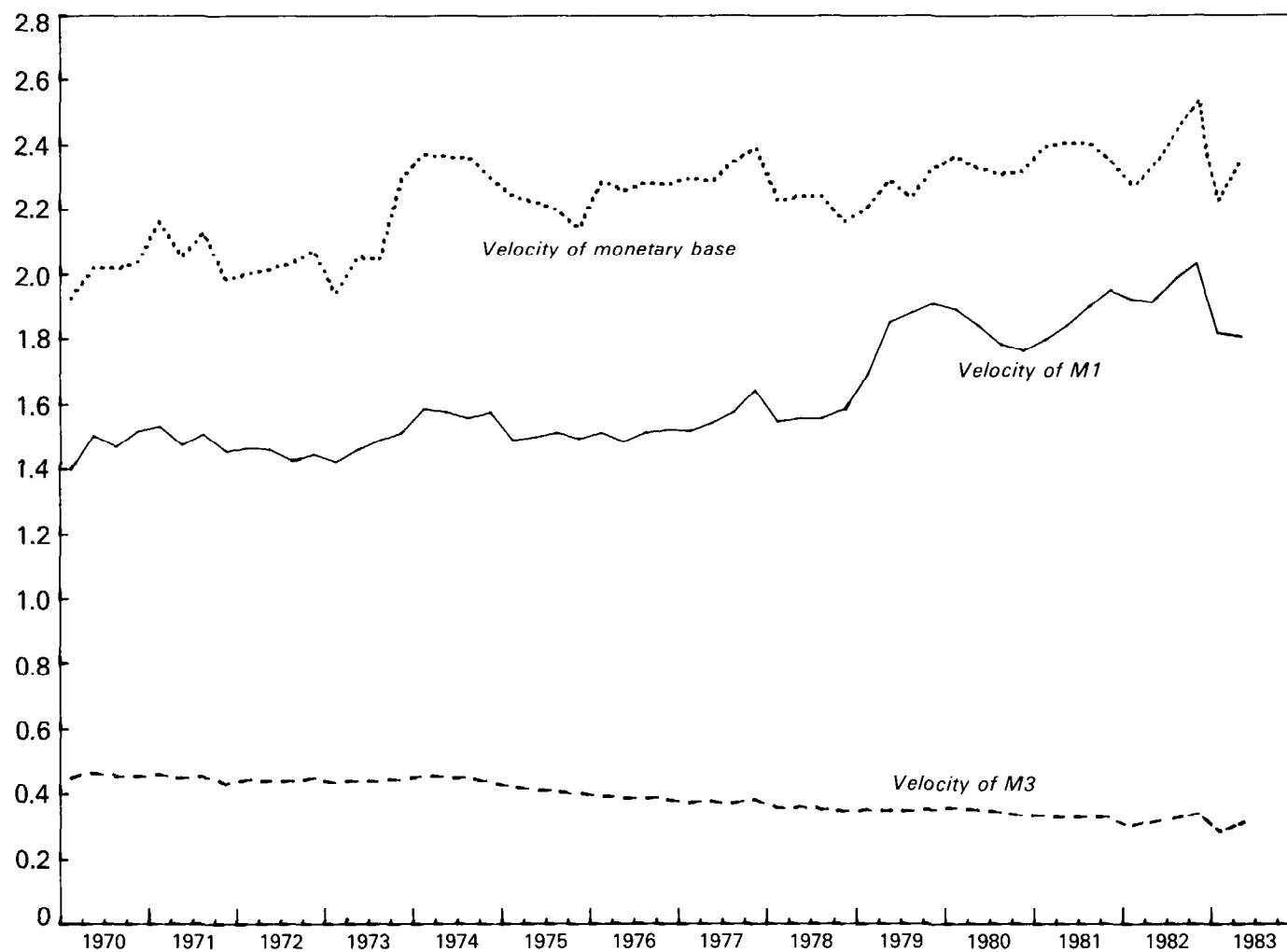
CHART 10
AUSTRIA
MONETARY AGGREGATES

(Percentage change over the corresponding quarter of previous year)



Sources: Austrian National Bank, *Mitteilungen*; and IMF, *International Financial Statistics*.

CHART 11
AUSTRIA
VELOCITY OF CIRCULATION¹



Source: International Monetary Fund, *International Financial Statistics*.

¹Calculated as the ratio of nominal GDP to monetary base, M1 and M3 (seasonally adjusted quarterly average data).

Under the impact of the restrictive policy in 1981, growth in total domestic credit fell to 11 percent; it declined steadily through 1982, growing on average by 9 1/2 percent in 1982 and by 7 1/2 percent in the first three quarters of 1983, reflecting weakening private demand for bank credit. The rate of credit expansion to the public sector has decelerated since 1981 but continues to exceed that for private sector credit. The relatively strong expansion of credit to the public sector raised this sector's share in total direct credit outstanding from 13 1/2 percent at mid-1979 to 17 1/2 percent at mid-1983 (Table 19). Within the private sector, industry has displayed the strongest rise in credit demand in recent years. Its share in total direct credits rose from 18 1/2 percent at mid-1979 to a high of 19 3/4 percent at end-1982. However, this sector's credit demand weakened from mid-1982, in line with the weakness in credit demand from all other private sectors (except households); from mid-1982 to mid-1983, industrial enterprises even used high cash flows (stemming from a relatively high level of consumption) to reduce their direct indebtedness. By contrast, credit demand of private households picked up from the end of 1981. At mid-1983, the amount of credits outstanding to this sector was almost 10 percent higher than at mid-1982.

5. Capital market developments

The securities market, which had faced two difficult years in 1980 and 1981, recovered significantly in 1982 and 1983. Gross issues of fixed-interest securities increased from S 56 billion in 1981 to S 76 1/2 billion in 1982; net sales more than doubled from S 17 billion in 1981 to S 37 1/2 billion in 1982, without, however, reaching the levels of the years before 1981 (Table 20). Most significant for the improvement in the securities market was the normalization of the yield curve from the end of 1981. In addition, despite the fall in nominal interest rates, real long-term interest rates rose above their level in 1981, as the inflation rate declined (Chart 9), thus encouraging investment in long-term financial assets. For most of 1982 and up to June 1983, demand was stimulated by expectations of further reductions in security yields, as monetary policy remained on its expansionary course. Issuing yields were reduced several times during 1982 and also in 1983 following the recommendations of the Capital Market Committee. In the event, total gross sales of single-issue bonds increased from S 25 1/2 billion in 1981 to S 41 billion or by more than 60 percent in 1982.

Public authorities continued to dominate the single-issue bonds with a share of 71 1/2 percent in gross issues, although their share was lower than in 1981 (75 percent). Banks participated in gross issues in 1982 with a share of 16 percent, the lowest share since 1976, indicating their comfortable liquidity situation. Other borrowers (electricity enterprises and industry) increased their share in 1982. The bulk of gross issues of bonds was purchased by banks; facing low demand for direct credits and being in a good liquidity position, they increased their share in total demand from 60 percent in 1981 to 65 percent in 1982.

Total gross sales of tap-issue fixed interest securities increased from S 30 1/2 billion in 1981 to S35 1/2 billion in 1982. Thus, at a rate of 16 percent, the increase was less pronounced than for single-issue bonds. Gross issues from mortgage institutions and municipalities were lower in 1982 than in 1981, while issues of the other categories grew stronger, particularly issues of "Kassenobligationen" which are used primarily for the financing of exports. 1/

In the first half of 1983, the factors contributing to the recovery of the securities market in 1982 persisted. Gross issues of fixed-interest securities rose to S 44 billion, compared with S 36 billion in the first half of 1982. Net sales were S 27 1/2 billion in the first half of 1983, compared with S 16 billion one year earlier. The sale of single-issue securities was boosted by a large increase in issues from the public authorities, in particular the Federal Government, concentrated in the second quarter of 1983. On the other hand, single issues from banks were sharply reduced in the second quarter, after a strong increase in the first quarter. Gross issues of tap-issue securities were S 11 1/2 billion in the first half of 1983. Banks were the strongest purchasers of single-issue bonds, increasing their share in total purchases from 63 percent in the first half of 1982 to 73 percent in the first half of 1983.

In the second half of 1983, demand for long-term fixed-interest securities was stimulated by the revelation of details of the interest withholding tax to be introduced effective January 1, 1984 (see Chapter III). Debentures issued by a domestic creditor after that date will be subject to this withholding tax. Apart from stocks and investment certificates, debentures denominated in foreign currency or issued by foreign issuers are exempted from the withholding tax.

The stock market 2/ was facing a difficult situation in 1982. The persistent weakness in the industrial sector and decreases in profitability coupled with pessimistic expectations led to a nearly continuous decline in stock prices. The share index of the Vienna Chamber of Stock Exchanges declined from June to November 1982 even below its base value (end-December 1967 = 100). On average, it declined from 113.3 in 1981 to 100.9 in 1982. The trading volume declined by 8 percent in 1982, after an increase of about the same magnitude in 1981. In 1983, share prices as measured by the stock index rose markedly in the spring months, up to a level of 114.5 in May, as economic expectations improved somewhat. However, the situation subsequently deteriorated and the stock index fell to 110.8 in July, while trading volume continued at a high level.

1/ In Table 20, these "Kassenobligationen" are included in "other fixed-interest securities, medium-term notes, and other bank bonds."

2/ The stock market is relatively small in Austria. In the last five years, it accounted for only 5 percent of total trade in securities. The bulk in trade was in fixed-interest securities with a share of 94 percent while trade in shares of share- and bond-based investment companies was 1 percent.

In August, the decline in share prices was arrested; the trading volume, however, declined compared with the preceding month, but was more than double the volume in August 1982.

6. Chronology of major monetary policy measures
since January 1, 1982

1982

February 1. A gentlemen's agreement took effect whereby minimum reserve requirements were extended to securities sold by banks subject to repurchase.

May 1. The existing limitation on the extension of consumer credit (Sonderlimes) were abolished, while restrictions on the advertising of consumer credit were maintained.

August 31. The discount and lombard rates were reduced by 1/2 percentage point to 6 1/4 and 6 3/4 percent, respectively. The surcharge of 1 percentage point on refinancing in excess of 70 percent of the refinancing quotas was kept unchanged.

September 1: The existing ban on the advertising of consumer credit was lifted.

October 1. The National Bank required banks to hold minimum reserves on the basis of calendar days instead of on workdays only. At the same time, it lowered the required reserve ratios by an average of 1/2 percentage point to about 6 percent, releasing S 3.5 billion. The National Bank enlarged its frame for short-term open market operations from S 3.65 billion to S 15.65 billion in order to increase its scope for "fine tuning" of liquidity and interest rates. The National Bank raised the frame for export financing at preferential rates from S 8 billion to S 9 billion. Of the increase by S 1 billion, S 200 million was to be made available to the Austrian Export Fund by way of open market purchases.

October 22. The discount and lombard rates were reduced by 1/2 percentage point to 5 3/4 and 6 1/4 percent, respectively.

December 3. The discount and lombard rates were reduced by one percentage point to 4 3/4 and 5 1/4 percent, respectively.

1983

March 1. The quotas usable for the refinancing of banks from the National Bank were raised from 70 percent of the calculated quotas to 100 percent of the calculated quotas. The interest surcharge of 1 percentage point over the official discount and lombard rates for the amount of refinancing the first 70 percent of a bank's rediscount quota was maintained.

March 18. The discount and lombard rates were decreased by 1 percentage point to $3 \frac{3}{4}$ and $4 \frac{1}{4}$ percent, respectively.

September 9. The lombard rate was increased by $\frac{1}{2}$ percentage point.

V. Exchange Rate and Balance of Payments Developments

1. Exchange rate policy and developments

Traditionally the Austrian authorities have been following the so-called "hard currency policy," setting exchange rate targets so as to reduce imported inflationary impulses and encourage moderate domestic price and labor cost developments. Being an integral part of the price and incomes policy in Austria, such an exchange rate policy is considered important for the smooth functioning of the social partnership and essential for upholding Austria's international competitiveness in the longer term. Because of both the strength of the deutsche mark and the importance of German trade with Austria, the "hard currency policy" has in practice meant a close, but somewhat flexible, link between the deutsche mark and the schilling. ^{1/}

Notwithstanding the close relationship between the schilling and the deutsche mark, their bilateral exchange rate has changed in recent years. The value of the schilling in terms of deutsche mark was thus on average 3.7 percent higher in 1982 than in 1979; in 1982 it was on average 0.2 percent higher than in 1981 (Table 21). The exchange rate between the schilling and the deutsche mark changed little during 1982; the schilling depreciated until June and appreciated thereafter, ending 0.3 percent lower in the fourth quarter compared to a year before. In the first half of 1983, the schilling again depreciated somewhat against the deutsche mark; the EMS realignment in March, 1983, left the bilateral exchange rate roughly unchanged. The development of the exchange rates between the schilling and other major currencies roughly mirrors that of the deutsche mark (Chart 12). The schilling depreciated rapidly against the dollar in 1982 and the first half of 1983, while it appreciated against the French franc and the pound sterling.

In nominal effective terms (MERM) the schilling appreciated on average by 2 1/2 percent in 1982, having depreciated by some 8 1/2 percent in 1981. In relation to the previous quarter the appreciation continued in the first quarter of 1983 by 1 1/2 percent, but in the second quarter the effective exchange rate fell by 1/2 percent and in the third quarter by 2 1/2 percent; the level in the first half of 1983 was

^{1/} While the European common margins arrangement was in force in 1973-79, particular emphasis was thus placed on the schilling/DM rate, which usually stayed in the S 7.0-7.3 range. When the European Monetary System (EMS) came into force in March, 1979, the principle of maintaining a close, but not rigid relationship between the schilling and the stronger European currencies (especially the deutsche mark) was reconfirmed. However, no formal link between the two currencies has been established.

3 percent higher than a year before. 1/ In real effective terms (relative normalized unit labor costs) the schilling also appreciated on average by 2 1/2 percent in 1982, after a depreciation of 7 1/2 percent in 1981 (Chart 13). In the first quarter of 1983 the real exchange rate appreciated by 2 1/2 percent from the previous quarter but depreciated by 1 1/2 percent in the second quarter. 2/ Exchange rate developments in 1982 tended to reduce inflation and depress the competitiveness of the open sector in Austria.

2. Current account

a. General trends

In 1982, the current account of Austria improved dramatically by S 33 1/2 billion, achieving a surplus--of S 12 billion--for the first time in more than a decade (Table 22 and Chart 14). This improvement amounted to 3 percent of GDP, the surplus in 1982 being 1 percent of GDP.

This strengthening of the current account in 1982 was the result of improvements in all major components of the account. The trade balance improved by S 14 1/2 billion, the result of a rise in the value of exports by 6 percent and a fall in the value of imports by 1/2 percent; an improvement in the terms of trade by 4 percent contributed the greater part of this strengthening. The gain in the terms of trade reflected partly an improvement in the prices of industrial goods relative to raw materials in the international markets, and partly developments specific to Austrian export prices. 3/ The travel and tourist balance improved by almost S 3 billion, while the services balance as a whole improved by almost S 5 billion in 1982. The balance on unclassified goods and services, which includes services associated with the trade in capital goods, improved by S 14 billion.

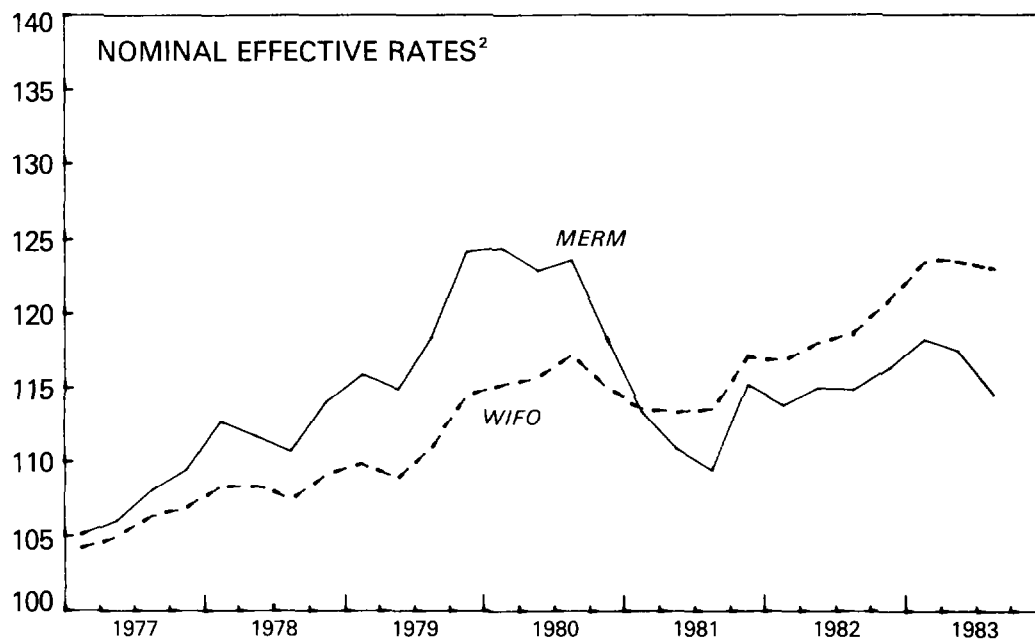
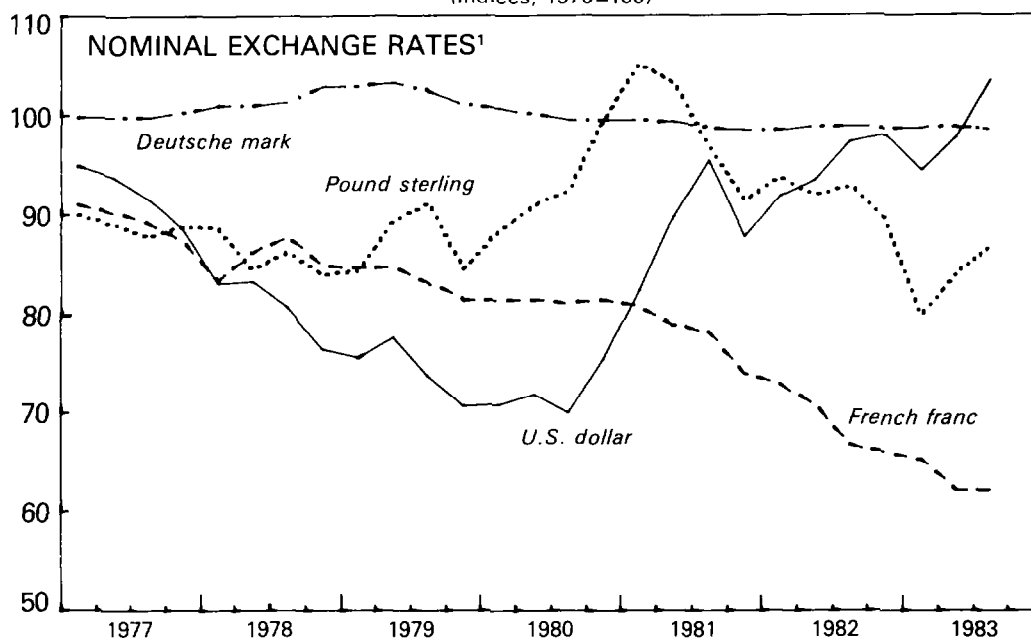
1/ According to the national WIFO index the schilling appreciated by 3 1/2 percent in 1982 against a depreciation of some 1 percent in 1981. The WIFO index is described in "Neuberechnung der WIFO-Wechselkursindizes," Austrian Institute for Economic Research, Monatsberichte, 7/82. Weights are derived from the geographic pattern of Austria's merchandise trade and tourism. Sub-indices are also published for various regional and commodity groupings. The WIFO index is based on both bilateral trade weights and third country substitution effects from the demand side, but unlike the MERM index does not explicitly include estimated third country substitution effects from the supply side or feedback effects of exchange rate-induced price changes on domestic costs and competitiveness. The WIFO index gives a smaller weight to the dollar and a larger weight to the deutsche mark than the MERM index, which accounts for some of the discrepancy between the two index figures for 1982.

2/ The WIFO index shows the real exchange rate to have depreciated by 4 1/2 percent in 1981 and appreciated by 1/2 percent in 1982; the appreciation in the first quarter of 1983 was 2 percent, followed by a depreciation of 1 1/2 percent in the second quarter.

3/ For all industrial countries, the terms of trade increased by 2 percent in 1982 (calculated on the basis of unit values in U.S. dollar terms).

CHART 12
AUSTRIA
NOMINAL EXCHANGE RATE DEVELOPMENTS

(Indices, 1976=100)



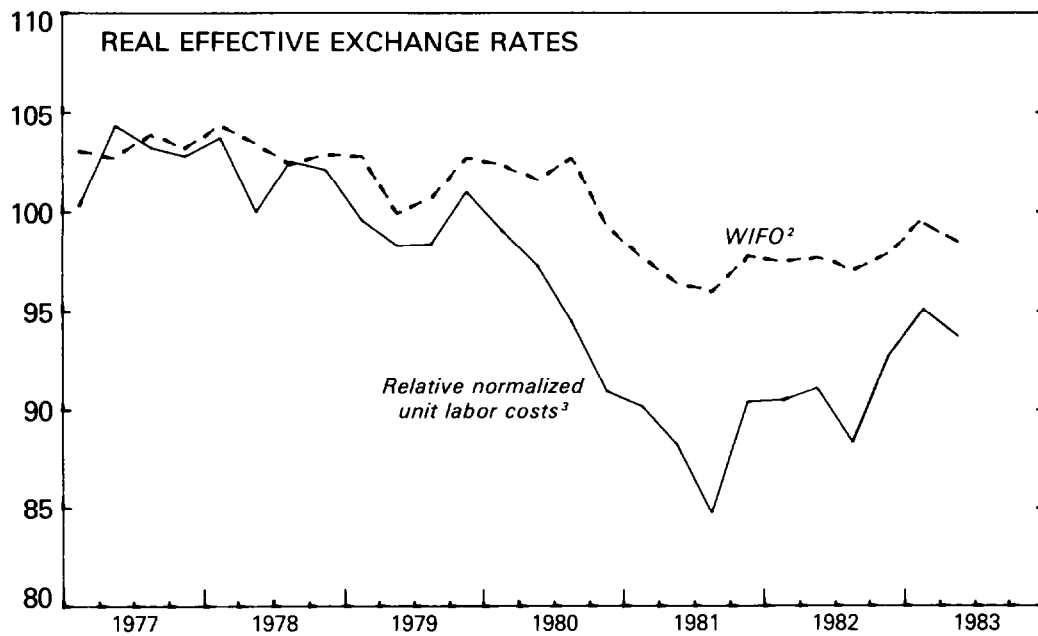
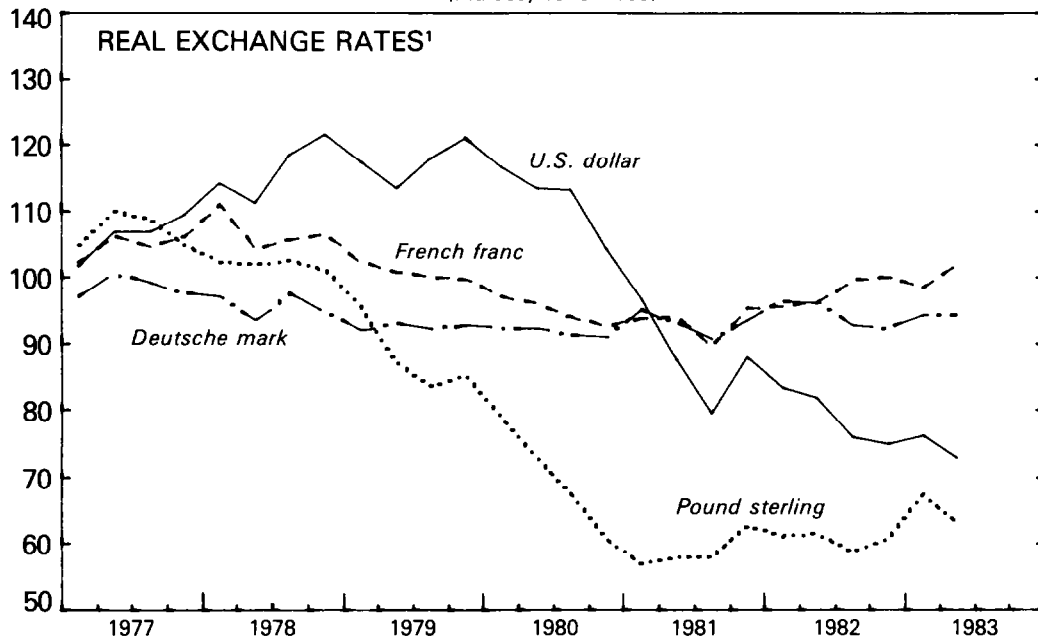
Sources: Austrian Institute for Economic Research, *Monatsberichte*, and International Monetary Fund, *International Financial Statistics*.

¹In schillings per unit of foreign currency.

²Effective rates are the export and import-weighted indices for merchandise and tourism calculated by the Austrian Institute for Economic Research (WIFO), and the index based on the IMF's multilateral exchange rate model (MERM).

CHART 13
AUSTRIA
REAL EXCHANGE RATE DEVELOPMENTS

(Indices, 1976 = 100)



Sources: Austrian Institute for Economic Research, *Monatsberichte*, and IMF, *International Financial Statistics*.

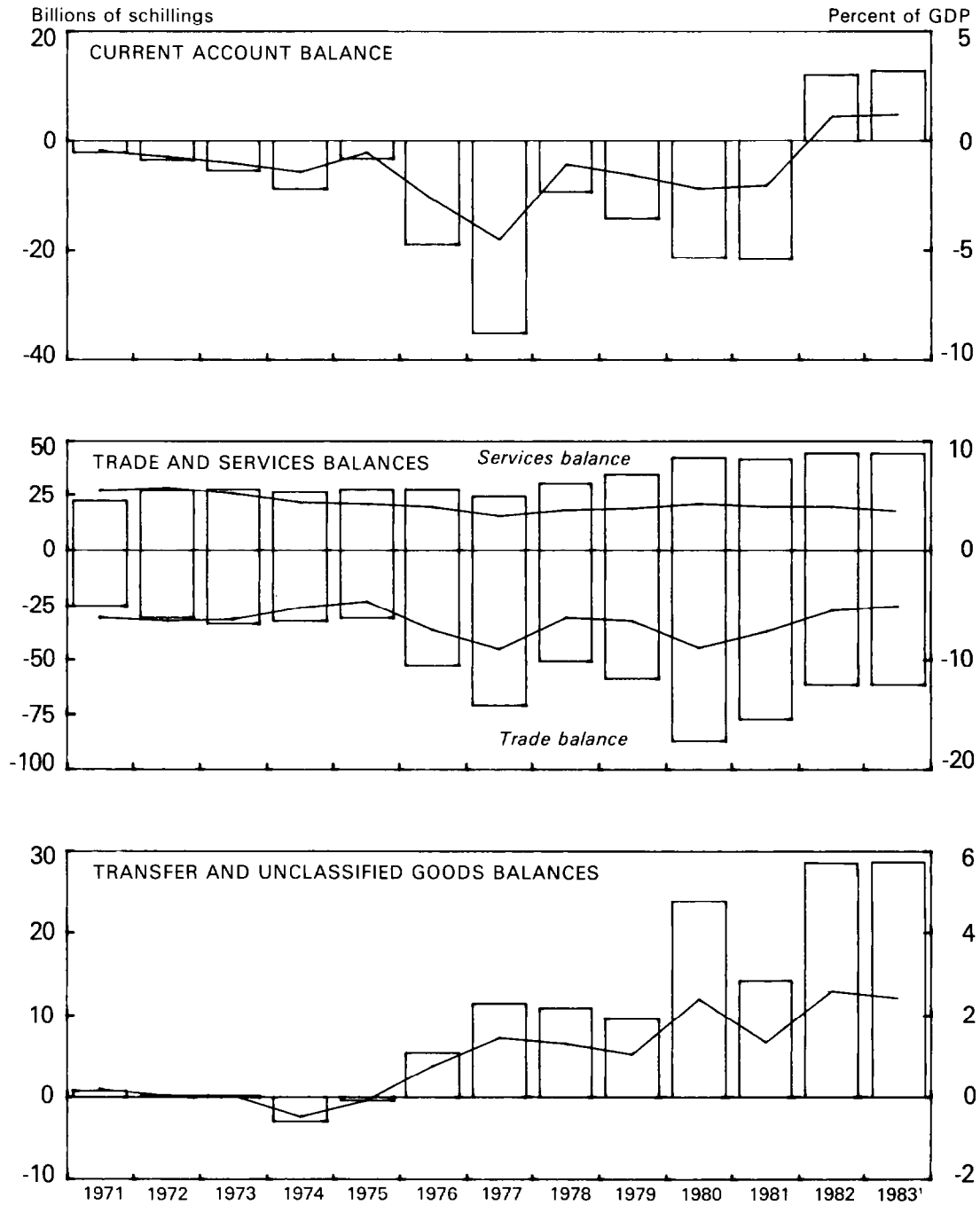
¹Bilateral exchange rate deflated by normalized unit labor cost.

²Export and import-weighted indices for merchandise and tourism, deflated by relative consumer prices, calculated by the Austrian Institute for Economic Research.

³Adjusted for exchange rate changes.

CHART 14
AUSTRIA
CURRENT ACCOUNT BALANCE

□ In billions of schillings (left scale)
— In percent of GDP (right scale)



Source: Austrian National Bank, *Mitteilungen*.

¹Forecast by the Austrian Institute for Economic Research, September 1983.

The strengthening of the trade balance was discernible for all important country groupings, the bilateral trade balance 1/ with the OPEC countries improving by over S 9 billion (to a surplus of almost S 3 billion), with the EC countries by over S 2 billion, with state trading countries by almost S 4 billion and with other European countries by some S 1 billion. The increase in the value of exports of machinery and transportation equipment was S 9 1/2 billion, while exports of other manufactures rose by almost S 6 billion. The value of imports of energy products fell by S 8 1/2 billion, mainly due a fall in import volume, and the import value of other goods rose by S 6 1/2 billion, as a result of both price and volume increases. The trade balance was strengthened by lagged responses to the sizable effective depreciation of the schilling in 1981, but at the same time was weakened by the relative cyclical position of Austria. 2/

The improvement in the services balance was spread over a number of service categories. Though income from tourism rose by 4 1/2 percent in 1982, it represented mainly price increases, and receipts fell by 1 1/2 percent in real terms. Austria's tourist industry was seriously affected by the weak economic development in neighbor countries. A shift toward higher-valued accommodations among travelers helped offset the fall (by 3 percent) in overnight stays in Austria. Since Austrian tourism expenditures abroad grew by only 2 1/2 percent, in part a lagged result of the exchange depreciation during the second half of the previous year, the tourism balance nevertheless strengthened somewhat. The marked improvement in the balance of unclassified goods and services (S 14 billion) is, in part, explained by an increase in the amount of high value-added services, e.g., know-how, management and planning services, schooling, etc., which accompanies the growing export of turn-key projects.

In the first half of 1983 Austria recorded a current account surplus of S 4 1/2 billion, an improvement of S 6 1/2 billion compared with the first half of 1982. The improvement from the previous year was especially large, (S 5 1/2 billion), in the second quarter. The trade balance improved by S 3 1/2 billion, mainly because imports were 1 1/2 percent lower than a year before. The tourist balance, on the other hand, worsened by some S 2 billion because of a disappointing winter season, the continuing recession abroad (especially in Germany and the Netherlands) and increasing expenditures of Austrian tourists abroad. The balance on unclassified goods and services, on the other hand, improved by no less than S 4 billion.

1/ On the basis of foreign trade statistics, i.e., excluding supplementary trade items.

2/ Real imports grew, on average, 2.2 times faster than real Austrian GDP and real exports 2.4 times faster than real GNP/GDP in OECD-Europe in 1967-81. The real growth rates of Austria and OECD-Europe increased by 1 and 1/2 percentage points, respectively, in 1982, suggesting that the trade balance was weakened by cyclical effects.

b. Competitiveness

Having depreciated in every year since 1977, the real exchange rate for the schilling (relative normalized unit labor costs adjusted for exchange rate changes) appreciated by 2 1/2 percent in 1982 (Table 21 and Chart 15). This was the result of a decline in relative normalized unit labor costs in local currency by 3 1/2 percent being more than offset by changes in exchange rates. Relative wholesale prices, too, rose slightly in 1982 (Table 23). Nevertheless, since relative unit labor costs as well as relative wholesale prices (corrected for exchange rate changes) had fallen for Austria since 1977, Austrian cost-competitiveness still remained at a high level. From 1977 to 1982 the real exchange rate of Austria declined by 12 1/2 percent, while the nominal effective exchange rate rose by 7 1/2 percent; the gain in competitiveness during this time was therefore achieved through very modest cost developments relative to other countries.

Austrian export unit values (special trade) increased by 4 1/2 percent in 1982, while unit labor costs in manufacturing increased by only 3 percent, indicating a slight recovery of export sector profits. ^{1/} Relative to Austria's trading partners, export unit values (in national currencies) declined by 4 percent; profit shares in Austria's export industries may therefore have recovered somewhat less than abroad, a tendency which was present also in 1980 and 1981.

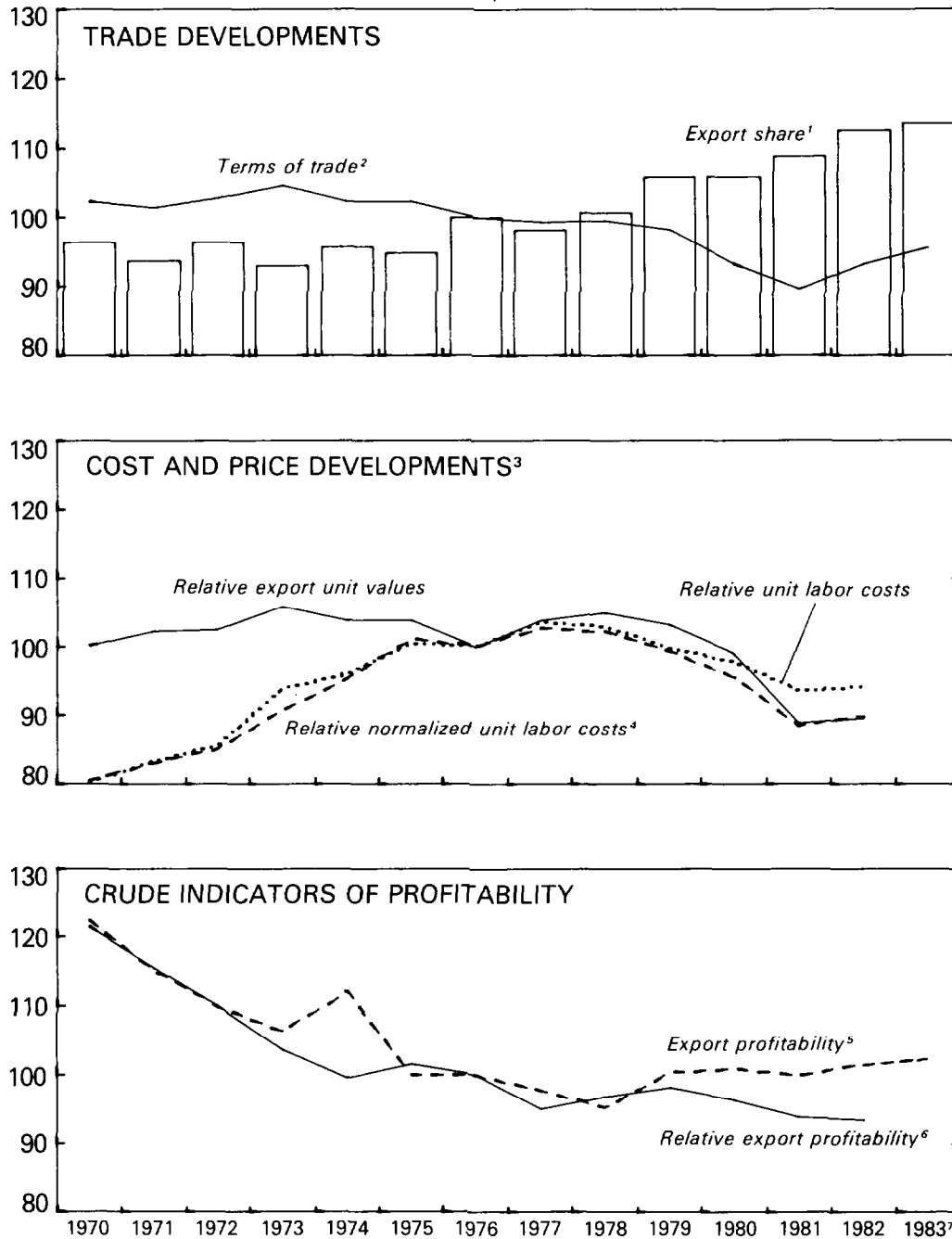
c. Merchandise exports

Both market and export shares ^{2/} of Austria have, on average, increased since 1970 (Appendix II). This increase is particularly the result of a geographical broadening of Austrian export market to industrial countries outside Europe and to countries in the Middle East. Export shares in Europe and the state trading countries have decreased, though Austrian exports have continued to do well in, for instance, Germany and France. During the 1970s increased market shares were won particularly through larger exports of manufactured goods (SITC 5-8), expanding the share of finished goods in Austrian exports; in the late 1970s and early 1980s, the establishment of production plants for foreign auto parts is estimated to have raised total exports by some 2 percent. Between 1978 and 1981 the increase in market shares was facilitated through the real depreciation of the schilling, making possible an increase of both export markets and profitability. During this time,

^{1/} Since the export unit values also are influenced by goods produced outside the manufacturing sector, the comparison is indicative only. However, since the export unit values of the most important goods categories with large unmanufactured components (SITC 0 and 2) declined in 1982, the argument nevertheless holds for manufactured products, too.

^{2/} The term market share refers here to the share of Austria's exports in industrial partner countries imports; the term export share refers to Austria's exports to a particular market in relation to other industrial countries' exports to the same market.

CHART 15
AUSTRIA
INDICATORS OF INTERNATIONAL COMPETITIVENESS
(Indices, 1976=100)



Source: Austrian Institute for Economic Research, *Monatsberichte*, IMF, *International Financial Statistics*, and IMF staff estimates.

¹Cumulative change in market share for merchandise trade, 1976=100.

²Based on unit values.

³Adjusted for exchange rate changes, relative to thirteen industrial countries.

⁴Corrected for variations in capacity utilization.

⁵Ratio of export unit values to unit labor costs in national currency.

⁶Ratio of relative export unit values to relative unit labor costs in national currencies; in comparison with thirteen industrial countries.

⁷Forecast by the Austrian Institute for Economic Research, September 1983.

Austrian export unit values declined relative to the export unit value of other industrial countries; nominal export shares therefore developed more weakly than real export shares.

In 1982, the market and export shares increased in nominal and real terms while the real exchange rate increased. The increase in real market and export shares therefore appears to have been a result of lagged responses to the depreciation of the schilling in 1981, whereas the nominal strengthening stems, in part, from the rise in export prices. The structural changes in export shares referred to above continued, on the whole, also in 1982; however, export shares in the state trading countries increased in contrast to developments in 1970-81.

The volume of Austrian merchandise exports grew by some 1 1/2 percent in 1982, having increased by 5 percent in 1981 (Table 24). The reduction in the rate of growth of exports was especially large in the second half of 1982, when real exports were some 1 percent lower than a year before; in late 1982 real exports stabilized, increasing again during the first half of 1983 by some 1/2 percent.

While the growth rate of real export demand fell off in 1982, it expanded from 2 1/2 percent in 1981 to almost 5 percent in 1982 for machinery and transport equipment; since these goods accounted for almost 30 percent of Austrian exports their growth contribution in 1982 was almost 1 1/2 percentage points. Also the export of chemical products (9 percent of Austrian exports) grew relatively fast, as did the exports of food, beverages and tobacco (4 1/2 percent of Austrian exports). Real exports of processed goods (of these primarily iron and steel, wood products, and textiles), which accounted for 35 percent of Austrian exports, declined by more than 1 percent in 1982, making a negative growth contribution of some 1/2 percentage point. Nevertheless, total exports of manufactured goods ^{1/} increased. The slowing growth of total real exports in the first half of 1983 was primarily the result of declining exports of processed goods and machinery and transport equipment; exports of chemical products, however, grew faster than in 1982.

The slowdown of growth in export values was especially significant for the OPEC countries, where exports increased by 12 1/2 percent in 1982 compared with 43 1/2 percent in 1981 and 53 percent in 1980; in the first half of 1983 exports increased by only 6 1/2 percent (Table 25). The reason for this deceleration was, of course, the general slowdown in demand growth in these countries as a result of the declining prices of and demand for oil. Also exports to non-oil developing countries grew relatively slowly, as these countries to an increasing extent were troubled by financial problems. Notwithstanding a rapid growth of exports to the U.S.S.R. (by 22 percent, partly because of a large increase in the delivery of ships), export growth to the state trading countries grew by no more than 3 percent in 1982 compared with 5 1/2 percent in 1981; one reason for this was that imports from convertible currency countries were held back due to lack of foreign exchange. In the first

^{1/} SITC categories 5-8.

half of 1983, exports picked up by 6 1/2 percent. Austrian exports have increased their market share in most of the state trading countries in 1982 and the first half of 1983, partly promoted by the availability of guaranteed financing.

d. Merchandise Imports

The volume of Austrian merchandise imports declined by about 1 percent in 1982, having already declined by 4 percent in 1981 (Table 26). Imports in 1982 were, accordingly, almost at the 1979 level. Since the average unit value rose by only 1/2 percent in 1982, the total value of merchandise imports declined by 1/2 percent. Real imports increased by almost 1 1/2 percent in the first half of 1983.

The reduction in real imports was primarily the result of further progress in energy conservation, a reduction in energy stocks (primarily of gas, of approximately S 2 billion) and falling investment demand. The import volume for energy products fell by 12 percent in 1982, having already fallen by 5 1/2 percent in 1981. At the same time the import volume of machinery and transport equipment stagnated in 1982, having fallen by 5 percent in 1981. On the other hand, the relatively rapid growth of real consumption demand contributed to an increase in the imports of food (1 percent in 1982), chemical products (5 percent), and other manufactured goods (SITC 6+7+8; some 4 percent altogether).

Imports (in value terms) from the OPEC countries declined especially sharply because both oil prices and oil import volumes declined (Table 25). Total imports from the state trading countries declined, primarily because of lower oil imports; imports of industrial finished goods continued to increase. In all, imports from European countries and from non-oil developing countries increased in 1982, while imports from most other non-European countries declined.

e. Services and transfers

The balance on services and transfers has improved fairly steadily in recent years from a surplus of S 30 1/2 billion in 1978 to a surplus of S 45 billion in 1982 (Table 27). The main reason for this improvement was a growing surplus from tourism, which increased from S 33 billion to S 49 billion between 1978 and 1982. In 1982, the surplus from tourism accounted for almost S 3 billion of the total improvement of S 5 billion in the balance on services and transfers. A growing surplus on other services than tourism (by some S 2 billion) and a slight improvement in the transfer balance accounted for the rest of the change.

The unfavorable economic situation abroad, especially in Germany and the Netherlands, caused tourism receipts to rise by only 4 1/2 percent in 1982. The number of overnight stays of foreign visitors declined by almost 3 percent or more than in Europe on average (Table 28 and Appendix III). Overnight stays by nationals of Germany declined by 5 percent and those by nationals of the Benelux by 7 1/2 percent. This was, in part, offset by very large increases in the overnight stays by nationals of the United

Kingdom (by 32 1/2 percent), the United States (by 23 percent), and, somewhat surprisingly, France (by 12 percent). Tourism receipts were, as usual in an economic downturn, supported by a shift toward more expensive lodging. In the first half of 1983 overnight stays declined by 1/2 percent while travel receipts increased by almost 1 percent. Expenditures by Austrians on tourism abroad rose by only 2 1/2 percent in 1982; in the first half of 1983 it rose by no less than 13 1/2 percent, of which part may reflect other than tourist transactions (for instance, border trade in anticipation of the VAT increase and increased holdings of Austrian currency abroad).

Net investment income showed a deficit of S 7 billion in 1982 and a reduction of some S 1/2 billion, in part because domestic banks reduced their net foreign liabilities in 1982. The net balance of other services than tourism and investment increased by S 2 billion because of higher net transport and diplomatic revenues that more than offset larger deficits for patents and commissions. Net official transfers remained almost unchanged. Workers remittances declined by S 1/2 billion net.

3. Capital account

The total value of capital transactions between Austria and the rest of the world has risen from about S 30 billion annually in the early 1970s to some S 145 billion in the early 1980s. Factors responsible for this development include the increased fluctuations of the exchange rates of important currencies, the rapid growth of international financial markets as well as the need to finance Austrian current account deficits prior to 1982. The banks' share of total capital movements has grown to about 82 1/2 percent in the early 1980s; an important reason for this has been that export credits and foreign credits to the Government, both rapidly growing financing categories prior to 1982, often have been channeled through the banking system. About one third of all capital movements are denominated in U.S. dollars, about one fourth in deutsche mark, and about one fifth (primarily export credits) in schillings. ^{1/}

The increasing integration between Austrian and international capital markets, together with stabilizing expectations about the schilling/deutsche mark rate, has meant that small changes in short-term interest differentials between Austria and Germany rapidly influence capital flows. Thus, a reduction of the interest differential between Austria and Germany led to a curtailment of short-term and private long-term capital inflows in 1981. In 1982, the long-term interest rate differential increased and remained in favor of Austria throughout the year (Chart 9). Short-term (call money) interest differentials, though on average remaining unchanged from 1981, fluctuated quite widely during 1982, being in favor of Austria during the second and third quarters (Table 16). Nevertheless, capital exports during 1982 were substantial, as especially

^{1/} WIFO, Monatsberichte, 7/1983.

banks reduced their net foreign liabilities; the growing export credits were to an increasing extent refinanced through domestic rather than foreign sources. 1/

a. Long-term capital

Having shown net imports of S 15 billion in 1981, the long-term capital balance showed net exports of S 10 billion in 1982 even though Austrian long-term interest rates on average were 1 percentage point higher than the German rates (Table 29). While the first quarter of 1982 still showed net long-term capital imports of almost S 2 1/2 billion, the following quarters all showed net outflows--the fourth quarter by as much as S 9 billion. The turnaround was mainly caused by an increase in net long-term capital exports of S 25 billion by the banks, while the decreased inflow of S 2 billion to the nonbank private sector was offset by an equally large increase in the capital imports of public authorities. The turnaround in banks' long-term net capital flows was the result of a net decline in their investment abroad (by some S 11 billion), which was more than offset by a net reduction (by roughly S 36 billion) in their inflows of foreign financing. Especially the banks' external financing of export credits, in response to easing monetary conditions in Austria, declined markedly in 1982.

In the first half of 1983, net long-term capital exports increased markedly compared with the same period a year before, partly because of the continued refinancing of export credits from domestic sources, partly because of the decreasing long-term interest rate differential between Austria and Germany, and partly because of smaller net capital imports by public authorities.

b. Short-term capital

There was a net export of short-term capital in 1982 for the first time since the beginning of the 1970s; while short-term capital imports in 1981 still were S 10 billion, capital exports of S 9 billion were registered in 1982 (Table 30). Short-term capital movements fluctuated widely during the year, showing large net outflows during the first and third quarter and large net inflows during the two remaining quarters. The greater part of this turnaround is explained by a reduction of the banks' demand for short-term foreign financing to refinance their (longer-term) export credits as domestic monetary conditions eased. Net short-term capital imports decreased also for the public authorities and private nonbanks. As seen in the table below, the relatively large short-term interest rate differentials in the first half of 1982 are associated with balances of "expected" sign. 2/ Later, however, any such simple correspondence was dominated by other factors. Short-term capital movements in the first half of 1983 were, compared with developments a year

1/ Thus, while banks total foreign assets increased by S 60 1/2 billion, assets abroad denominated in foreign currency increased by only S 35 billion.

2/ Partial-year data is not comparable with data for the whole year.

earlier, characterized by substantially higher net inflows by both public authorities and banks. Private nonbanks decreased their net capital imports modestly.

	1982				1983	
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.
Short-term capital balance (- net exports; S billions)	-10.5	7.4	-9.3	7.5	-0.2	9.2
Of which:						
Public sector	--	-4.2	3.5	1.0	--	1.1
Interest rate differential (Austrian less German call money rate; per- centage points)	-0.9	1.0	0.6	-0.2	0.1	-0.3

4. Errors and omissions

Errors and omissions contribute a significant and very variable element to the Austrian balance of payments. This is seen in the table below, which indicates errors and omissions in relation to the current and capital balance in percentage points (absolute figures):

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Current balance	13.7	3.3	33.5	7.2	13.4	21.1	87.2
Capital balance	19.9	4.2	13.2	25.8	7.1	18.0	55.7

Part of the errors and omissions reflects transit trade and transactions between foreigners, part reflects errors on the payments side, and part reflects valuation differences; the larger share of the errors and omissions can, according to studies undertaken by the Austrian National Bank, be ascribed to the current balance. From a more than ten-year low in 1979 of S 1 billion the errors and omissions increased to S 4 1/2 billion in 1981 (Table 22). The large positive entry of S 10 1/2 billion in 1982 indicates that primarily the current account surplus but to some extent perhaps also the amount of net capital imports (or both) may be understated.

In the first six months of 1983 the errors and omissions showed a negative entry of S 7 1/2 billion, compared with a positive entry of S 8 1/2 billion a year before; the figures for the first eight months were S 11 billion and S 1 billion, respectively. The reasons for the very substantial change in this item are, as yet, unclear.

5. Foreign position

a. Austrian National Bank

Notwithstanding substantial capital exports, official foreign exchange reserves increased in 1982, as had been the case in both 1980 and 1981 (Table 31). Since the turnaround in the capital accounts offset most of the improvement in the current balance, gross and net official reserves increased by only S 4 1/2 billion in 1982. At the end of the year gross reserves stood at S 128 1/2 billion and net reserves at S 128 billion, representing almost 39 percent of the value of annual merchandise imports. Reserves declined somewhat during the first two quarters of 1983, but rose again during the third quarter. At the end of the third quarter of 1983 gross reserves stood at S 127 1/2 billion.

b. Net foreign position of the Austrian economy

Given the strengthening of the current balance, the net foreign position of the Austrian economy improved in 1982 (Table 32). Total foreign assets were almost S 720 billion and total foreign liabilities exceeded S 650 billion. The banks' net foreign position improved markedly in 1982, primarily as a result of an increase in assets. Banks' foreign liabilities reached almost S 440 billion in 1982, having been less than S 200 billion in 1978. During this time the foreign liabilities as a share of banks' total assets rose from 14 percent to 18 1/2 percent. The net foreign position of the public sector deteriorated, while that of the nonbank private sector seems to have remained approximately unchanged.

6. Changes in the exchange and trade system since January 1982

1982

January 1. The National Bank modified the agreement on quantitative limits for foreign currency credits by domestic banks to nonresidents. Such credits outstanding may be no more than 15 percent higher than the corresponding credit outstanding at the end of 1981.

July 29. The National Bank decided to raise the rediscount quota for export promotion bills with Government guarantee by S 800 million to S 8.8 billion.

1983

January 1. The National Bank modified the agreement on quantitative limits for foreign currency credits by domestic banks to nonresidents. Such credits outstanding may be no more than 15 percent higher than the corresponding credit outstanding at the end of 1982.

Profitability in the Industrial Sector

1. Introduction

There are several reasons why the profitability of the industrial sector is of interest. The actual level of profitability indicates partly the ability of enterprises to finance investments and for obtaining other capital. Further, the current or historical level of profits could be one determining factor for investment behavior. Furthermore, indicators of profitability, at a disaggregate level, may point to structural weaknesses in the economy. Of particular interest is the relative profitability of the domestic and the exposed sectors but also, for instance, profitability of the nationalized industries versus other industries. In the absence of data for the average or marginal return on invested capital by sector, information is provided by cash flow studies, self-financing ratios, and indicators for the development of price and cost components.

In summary, over the period 1973-82 there has been a clear drop in both cash flow in relation to total turnover and in the self-financing ratio of industrial enterprises, although there are major differences between sectors. This could indicate a lesser availability of self-financing for investment purposes. Presently, however, investments do not seem impeded in the aggregate by a financing problem. Rather prospective profitability has not been sufficient to encourage investment in real rather than financial assets. A comparison between the development in industrial producer prices and in costs over this period indicates a compression of profits from the raw material side, but not significantly from unit labor costs or from interest costs, although the picture does vary greatly in individual years.

2. Cash flows

The balance sheets of the joint stock companies permit an examination of cash flows (Table 33). Cash flows are defined as gross income plus depreciation and changes in reserves. The ratio of cash flows to gross income shows considerable variability over time. Nonetheless, the ratio has declined from 26.3 percent in 1973 to 17.2 percent in 1983. The drop was most significant for the basic sector, where the ratio was more than halved. This sector is dominated by the nationalized industries. Also the chemical industry and the construction sector registered decreases. An exception was the high-technology industries, which experienced a rise in the ratio from 20.0 percent to 23.0 percent.

Cash flow serves as an indicator of the financial constraints on enterprises in making investments, although the relationship is by no means tight. Hence, while 78.5 percent of the cash flow was used for real investments in 1973, the share declined to 45.6 percent in 1982. To be sure, during recessions firms normally reduce the share of real investments and instead increase that of financial investments. This was also the case in the downturns 1975 and 1977-78. The cash flow figures show a clear shift--across the cycles--toward financial rather than real

investments and also increasing absorption of receipts by redemption obligations (Table 33). The nominal return on financial assets--as approximated by bond yields--has not shown any clear upward trend shift over the period concerned. Therefore, it may well be that the expected return on fixed assets has declined.

3. Self-financing ratios

Table 34 demonstrates that the self-financing ratio of Austrian industry has declined from 26.6 percent in 1973 to 18.9 percent in 1981. The self-financing ratio in a broader sense (including pension reserves and investment reserves) has shown a similar decline from 32.4 percent to 25.7 percent. The decrease is in line with developments in other industrial countries, e.g., Germany. The decline, in itself, does not prove that the present level is inappropriate, as it might reflect a too high level in the base year, structural changes in financing behavior, or a poor business outlook. Nevertheless, it is likely that a larger share of borrowed capital could make new investments more sensitive to changes in market interest rates, insofar as enterprises are capable of or willing to accepting a different return on own than on borrowed capital.

Although the decline in the self-financing ratio concerns most industrial sectors, it is especially marked for the machinery, iron and metals, and the wood industries. While the iron and metal industry is suffering from strong foreign competition and structural weaknesses, it is less clear, why the machinery industry accounting for 20 percent of industrial employment, has experienced such a large decline. Other sectors have been able to retain the self-financing ratio during the period, such as the electrical, the clothing, and the food industries.

4. Other indicators of industry profitability

Data for industry profits (after tax) in relation to turnover as computed by the Austrian National Bank show some decline from 1973 to 1981 (Table 35). An analysis of business balance sheets gives information about the relative importance of various cost components. Hence, raw material costs accounted for 51.7 percent of the value of turnover in 1981 compared to 27.9 percent for personnel costs and 2.7 percent for interest costs. Thus the ratio of raw material costs to total turnover have increased by almost 3 percentage points, and that of interest by 1 percentage point over the period 1973-81, also suggesting some pressure on profitability from the cost side.

A comparison between developments in prices and cost components also shows a compression of profits in the period 1973-82 and that the pressure on profits did not originate primarily from unit labor costs or interest rates, but from raw material prices. Hence wholesale prices, which can be used as a proxy for producer prices, rose by 70 percent from 1973 to 1982. In the same period unit labor costs in manufacturing industry increased by 58 percent, but raw material prices by 240 percent. Long-term interest rates (bond yield) fluctuated between 8.0 percent and 10.6 percent on an annual average basis.

APPENDIX I

To be sure, the development varied greatly in the individual years. Hence, unit labor costs contributed to a profit squeeze in 1973, 1975, and 1977-78, as they rose by more than wholesale prices. Raw material prices fluctuated between an increase of 71 percent in 1974 and a drop of 10 1/2 percent in 1975. In several years, the rise in the international price level for raw materials was mitigated by an appreciation of the schilling. Raw material prices contributed to a deceleration in price increases in 1981 and 1982 (Table 36).

The profit picture changes somewhat, when export prices are compared to cost factors. From 1973 to 1982 export unit values rose by 51 percent for total exports, i.e., by less than the rise in unit labor costs. Austrian exporters are normally price takers. ^{1/} This implies that a rise in domestic costs cannot necessarily be passed on to prices. Therefore, the export sector might suffer more from excessive rises in unit labor costs than the sheltered sector. If the relation between export prices for manufactured goods and unit labor costs is taken as an indicator of profitability, there was a 13 percent decline in profitability from 1974 to 1977, which was partly reversed (+6 1/2 percent) from 1978 to 1982. The results are almost the same, if the indicator for Austria is compared to a weighted average of ten partner countries (Table 36).

^{1/} Austrian Institute for Economic Research, Monatsberichte, 4/1983.

The Development of Austria's Export Shares

1. Aggregate export shares

Austria's share of the industrial countries' total exports in nominal terms has remained between 1.3 and 1.5 percent in the period 1970-82 (Table 37). The total nominal export share was at a minimum in 1971 and rose to a maximum in 1979; between 1979 and 1981 the export share declined, but rose somewhat in 1982. Since more than two thirds of Austrian exports are delivered to industrial countries, the development of exports to industrial countries dominates aggregate developments.

When Austrian exports and exports of the industrial countries to the industrial area are expressed in real terms, developments during recent years appear somewhat different. The real export share of Austria has risen fairly steadily from a low of 1.2 percent in 1973 to a high of 1.5 percent in 1982. In particular, no reduction in real export shares appears to have taken place in 1980-81, the reduction in nominal shares being explained by a slower growth of export unit values (in U.S. dollar terms) in Austria than in other industrial countries.

Austrian exports to Europe and to the state trading countries grew somewhat more slowly in nominal terms than other industrial countries' exports to those areas in the 1970s (Tables 37-38). Nevertheless, Austria's export share grew in several large European countries; these included Germany, France, and Italy.

2. Structural aspects of Austrian export growth

The development of Austria's export shares referred to above has taken place simultaneously with substantial changes in the distribution of Austrian exports according to both geographical areas and merchandise categories. Table 39 indicates the broad characteristics of these developments in the 1970s. The share of total Austrian exports going to the European OECD countries declined from 68 1/2 percent in 1970 to 62 1/2 percent in 1981, while the share of other OECD countries rose by almost 2 percentage points to 8 percent; and the share of countries in the Middle East grew from less than 2 percent in 1970 to 5 1/2 percent in 1981. At the same time the share of manufactures (SITC 5-9) increased from 83 percent of total exports in 1970 to 86 1/2 percent in 1981. Within this group the share of chemical goods (SITC 5) increased relatively rapidly for most areas; the share of machinery and transport equipment (SITC 7) increased relatively rapidly primarily for non-European OECD countries, where also the share of processed goods (SITC 6) increased (Table 40). Thus, Austrian exports of manufactures have risen faster than average, the good export performance in non-European industrial countries and in the Middle East more than compensating for the comparatively poor performance in Europe. In the fastest growing market area (the Middle East) Austrian exports grew as fast as total OECD exports. For the rest, Austrian export growth has been supported by a growth of market shares for food and beverages (SITC 0, 1).

Given the structure of Austrian exports in 1970, rough indicators of the determinants of the change in export shares can be calculated. ^{1/} The growth of Austria's nominal exports to the world (in dollar terms at an average annual rate of 17 percent between 1970 and 1981) equalled that of the industrial countries from 1970 to 1981 as indicated by the export share in Table 37. Had Austria been able to keep aggregate export shares constant in the country groupings, exports would have grown by almost 20 1/2 percent. However, the merchandise export basket of Austria of 1970 would have grown by only 16 percent. If, finally, Austrian exports in all SITC categories and areas had grown at the average rate achieved by OECD countries, exports would have grown by 19 percent. This indicates that export growth during the 1970s was held back by international competition in important commodity categories and was supported by the distribution of geographical export markets (Tables 39-40). Since Austrian export growth was lower than average in the relatively fast growing European market, and higher than average for important manufactured goods (SITC 5-7) with a relatively low average aggregate growth rate, these structural factors may have supported exports to a declining extent during the period.

In 1982, Austrian exports expanded faster than the average for the industrial countries in all main geographical areas. In Europe, Austrian exports of machinery and transport equipment grew especially rapidly. Among non-European industrial countries the United States continued to increase in importance; this was because of rapidly expanding exports of iron, steel, machinery and chemical products. Austrian exports to OPEC countries also increased faster than exports of the industrial countries as a whole, the gain in export shares being explained by increased deliveries of machinery, transport equipment, construction parts, and some foodstuffs. The higher export share in the state trading countries was supported by large deliveries of ships to the U.S.S.R. Thus, export performance during 1982 continued to be quite strong.

3. Explaining the secular growth of Austrian export share

The secular growth of Austria's total real export share ^{2/} appears to be essentially the result of nonprice factors, modified by the development of relative prices. Thus, Austria's export share was stable and ultimately even slightly increasing in 1970-77, even though profitability in the export sector was declining and relative export values were roughly stable; this indicates the presence of nonprice factors supporting Austrian export performance. Thereafter, it appears that the effect of nonprice factors was strengthened by reductions in relative prices, made possible by a depreciation of the real exchange rate of Austria.

^{1/} Such calculations are always of limited reliability, since they are influenced by the chosen level of aggregation and an arbitrary base period. The basis for the calculations here is the group of categories used in Table 38. Fuel exports were assumed to grow at the actual rate.

^{2/} The discussion here centers on Austria's performance relative to that of other industrial countries. The indicators used are defined in notes to Table 41.

The nonprice factors apparently responsible for a substantial part of Austria's export gains are well known, though their exact effect remains difficult to measure. Firstly, several new industries delivering auto parts abroad have been established (partly through determined efforts by the authorities) in Austria in the latter part of the 1970s, raising the supply of exportable goods. Secondly, the disbursement of officially supported export credits rose from some 5 percent of total exports in 1970 to 24 percent in 1981, declining to 18 percent in 1982. The share of exports supported by export guarantees rose from 20 1/2 percent in 1970 to 40 percent in 1982. Since the lender risk to an increasing extent thus is borne by the Federal Government, the net result has probably been to encourage exports. To a varying degree this has, of course, also happened in other countries. Thirdly, marketing efforts by Austrian firms abroad have increased; to the extent that this has been done through special marketing firms, the number of smaller Austrian firms gaining access to export markets has grown, increasing the supply of export goods. Fourthly, the quite export-intensive production of the state-owned enterprises 1/ has certainly been facilitated, in the short term, by government financial support. Finally, the rising export share of manufactured goods indicates that improvements in the quality and technical sophistication of such goods also have played a part. The expansion of high-technology exports, moreover, has further improved the current account of Austria through exports of connected services.

Developments in export shares, profitability indicators, relative export unit values and the real exchange rate in 1970-82 are given in Table 41. During the first period, 1970-77, the export share grew relatively slowly and unevenly, relative export values remained roughly stable, the real exchange rate appreciated and Austrian profitability in the export sector 2/ declined; it also declined relative to partner countries. This could be seen as a period when market shares were being enlarged even at the cost of rapidly falling profitability; however, the modest rise in export shares may as well represent the effect of changes in the composition of exports. During the second period, 1978-81, the schilling on the whole depreciated in real terms, the export share grew rapidly, relative export values declined somewhat and export profitability increased quite markedly. This can be interpreted as indicating that the depreciation of the schilling was utilized for simultaneously enlarging market shares through competitive pricing and raising profitability to a more acceptable level. Comparing the rapid rise in market shares with the modest decline of relative export unit values until 1981, suggests, however, that nonprice factors helped improve export performance also during the second period.

1/ Exports in relation to turnover in these enterprises was 35 percent in 1978, 33 percent in 1980 and 36 1/2 percent in 1982.

2/ Measured by the unit value of exports relative to unit labor costs in manufacturing.

In 1982, the export share of Austria continued to increase, even though the real exchange rate appreciated. Profitability in the export sector continued to improve, though at a lower rate than in partner countries. The export unit value for Austria rose relative to that for industrial countries, indicating that the rising export share in 1982 primarily can be explained by nonprice factors and the lagged effects of the rapidly declining relative export unit value in 1981.

Tourism in Austria

The tourism sector is more important for Austria than for any other OECD country. Tourism receipts account for 7 1/2 percent of GDP in Austria compared to 5 percent in Greece, 4 1/2 percent in Portugal, 4 percent in Switzerland, and 3 1/2 percent in Spain. The average for the OECD as a whole amounts to 1 percent 1/. The ratio between tourism receipts and total receipts from exports of goods and services was approximately at the same level for Austria and the three Mediterranean countries, Greece, Portugal, and Spain ranging between 16 to 20 1/2 percent. In Italy and Switzerland, the percentages were 7 1/2 and 9 1/2 percent and for all OECD countries 4 percent. 1/ Austria also represents the country with the highest ratio between outlays of Austrian tourists abroad and private consumption expenditure. It amounts to 6 1/2 percent for Austria followed by 6 percent for Norway, 4 1/2 percent for Germany and the Netherlands and Switzerland, and 1 1/2 percent for the OECD on average. 1/

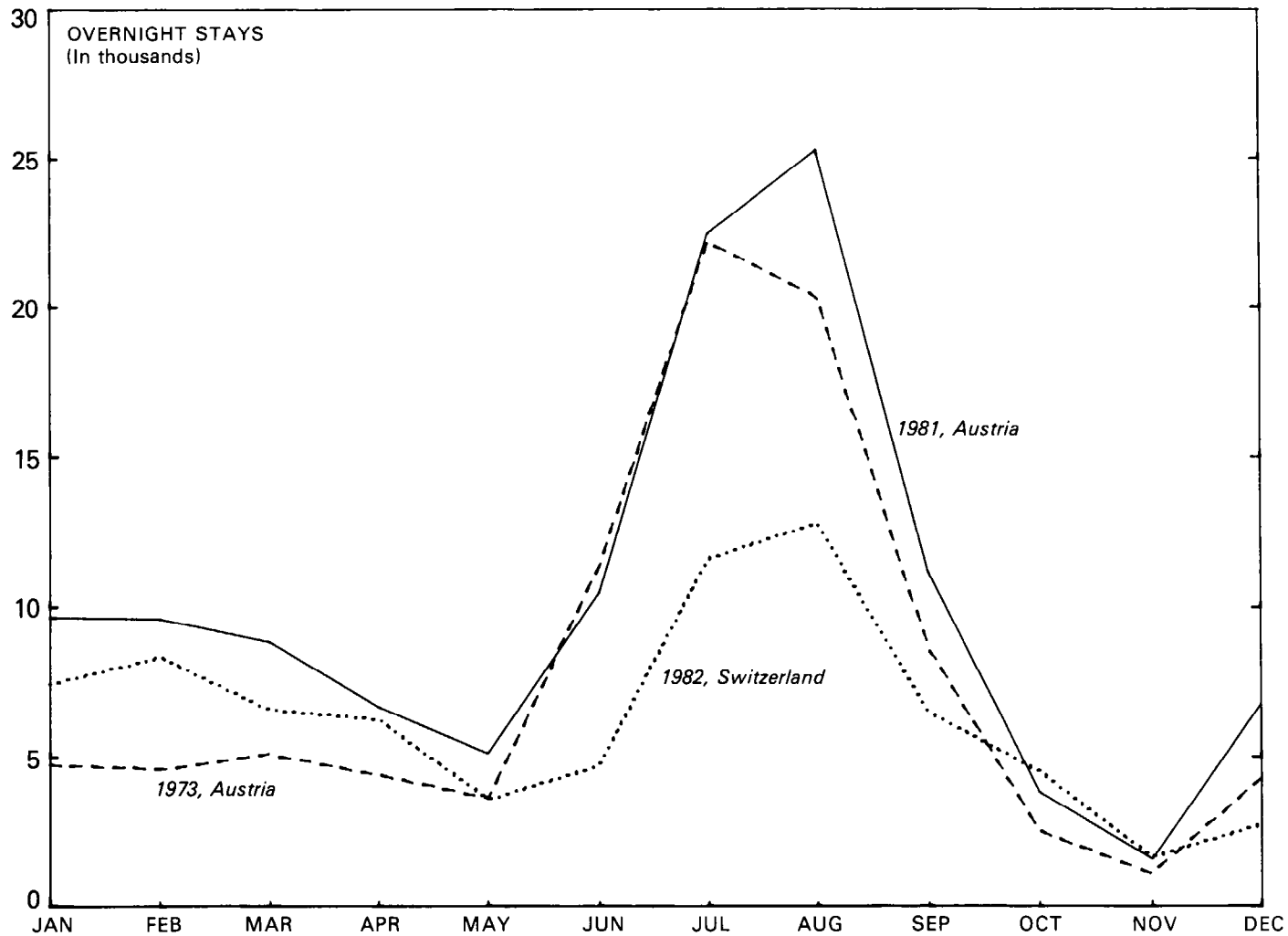
The importance of tourism for the Austrian balance of payments is illustrated by the fact that the surplus on the tourism balance covered between half and three-fourths of the deficit on the trade balance in the period 1973-82 (Table 42). Nevertheless, exports of tourism services have risen less strongly in nominal terms than total exports of goods and services. As a result, the share of tourism receipts in total exports dropped from 24 1/2 percent in 1973 to 19 1/2 percent in 1982. The growth potential of the tourism industry is limited by the fact that most areas that lend themselves to tourism activities have already been fully developed. Overnight facilities have only increased by 16 percent from 1973 to 1982. Tourism policy has focused on an upgrading and better utilization of the existing capacity. As a consequence, the number of overnight stays rose by 25 percent over the same period. An effort has been made to even out the strong seasonal pattern in tourism activities (Chart 16), in particular by promoting tourism during the winter season. However, despite these efforts the seasonal pattern is still quite strong with the peak in tourism reached in August and troughs in May and November. It is a pattern similar to that found in Switzerland, although the seasonal fluctuation is much more marked in Austria than in Switzerland (Chart 16).

Almost 70 percent of foreign tourists come from Germany. (1973: 78 1/2 percent). As a result, tourism revenues in Austria have tended to fluctuate in line with the flow of German tourism expenditures (Table 38 and Chart 17). The geographical proximity, common language and, close cultural ties account for the predominance of German tourists. The second most important country is the Netherlands accounting for 11 percent of all foreign tourists, nearly doubling its share from 1973. Tourists from the U.K. accounted for 4 percent of foreign tourists in 1982 unchanged from 1973. By comparison, the Swiss pattern of visitors shows far greater regional diversification with German tourists accounting for 43 1/2 percent of foreign tourists and tourists from the Netherlands, 10 percent.

1/ 1981 figures.

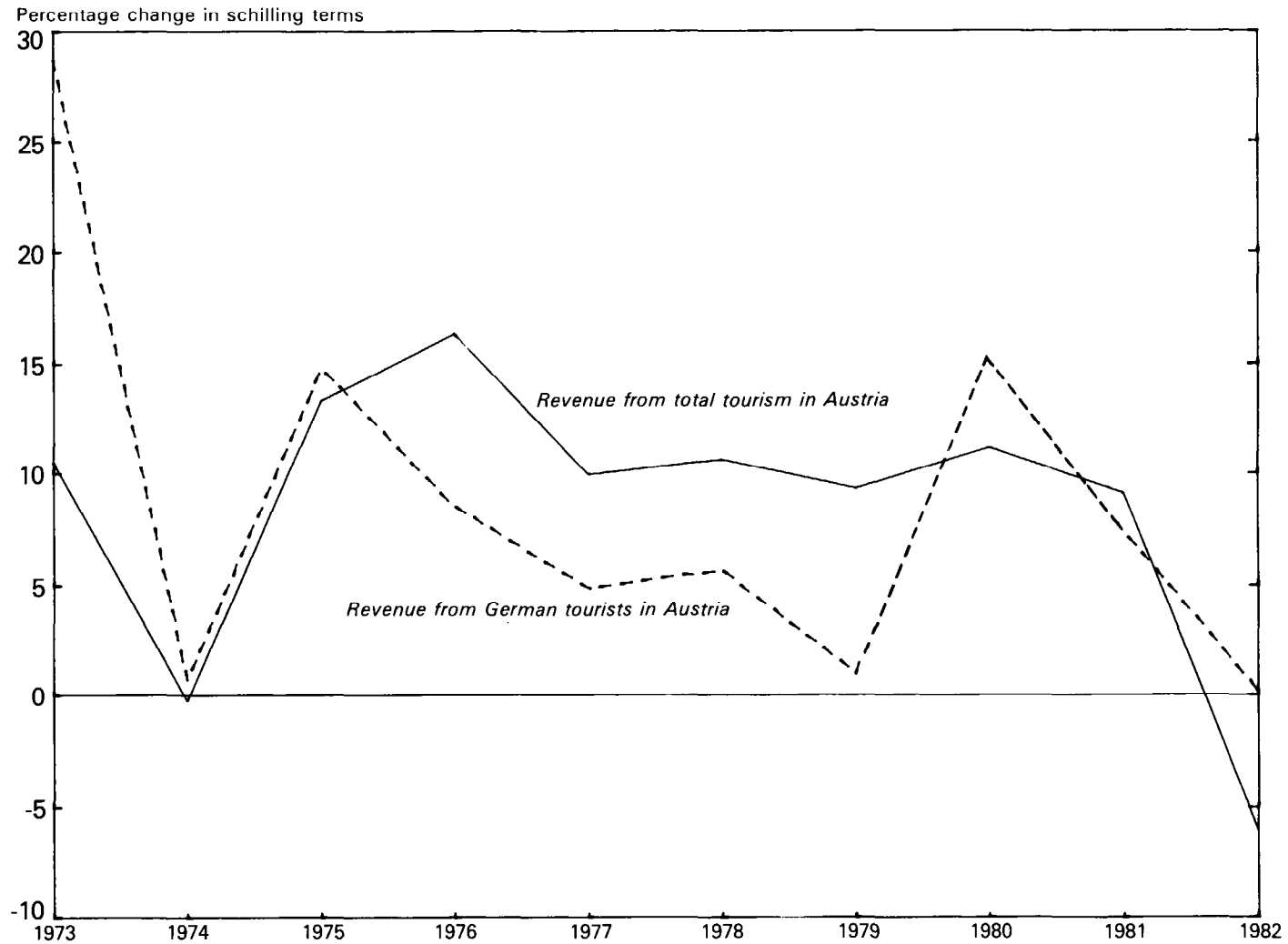
CHART 16
AUSTRIA

SEASONAL PATTERN OF OVERNIGHT STAYS IN AUSTRIA AND SWITZERLAND



Sources: Federal Statistical Office of Switzerland, *Die Volkswirtschaft*; and Central Statistical Office of Austria, *Jahresbericht*.

CHART 17
AUSTRIA
REVENUES FROM TOTAL FOREIGN TOURISM
AND FROM GERMAN TOURISM IN AUSTRIA



Sources: Austrian National Bank, *Mitteilungen*; Deutsche Bundesbank, *Monatsberichte*.

Austrian tourism industry appears to have lost market shares in the period 1973-78 (Table 43), whereas there was a significant restoration in market shares in 1979-80 but some renewed loss in 1981-82. ^{1/} This development mirrors the movement in the real exchange rate that rose by 20 percent (relative normalized unit labor costs) in the first six-year period and subsequently declined by 12 percent. However, it contrasts sharply to the performance of merchandize exports.

The predominance of German tourists in Austria makes meaningful an examination of Austria's share in German tourist expenditure. The share of German tourist outlays accruing to Austria fell from 23.3 percent in 1973 to 19.6 percent in 1978 but subsequently rose slightly to 20.5 percent in 1982. In addition to exchange rate considerations, the development in Austrian market shares may also reflect cyclical factors. Hence, during periods of strong economic growth and increasing personal incomes, Austria may benefit less from a general expansion of tourism demand than higher-priced, more remote destinations. There is a presumption, for instance, that German tourists would tend to travel rather to Mediterranean countries than to its neighbor country. By contrast, during cyclical downturns, as in the past couple of years, Austria may benefit from the fact that tourists have become more cost-conscious and therefore choose destinations that are closer to their home country. The rise in vacation days in Germany and the fact that many Germans now spend two vacations abroad per year could be an additional reason for a diversification of destinations by German tourism and thereby some trend decline in Austria's share of German tourism expenditures abroad.

Official financial assistance to the tourism sector takes the form of credits at preferential rates, guarantees and direct subsidies (Table 44). During the last couple of years the overall level of financial assistance has not changed significantly.

^{1/} Market growth is calculated as an average of tourism demand in OECD countries and therefore do not reflect the geographical composition of tourists in Austria. Due to the large component of German tourists in Austria, this might give rise to a distorted figure for the development of Austria's market shares in foreign tourism.

Development Assistance

In 1980, Austria adopted the target of raising its official development assistance (ODA) to 0.7 percent of GDP, including a doubling of the share of aid to the least developed countries. As an intermediate objective, Austria planned to reach the average ODA/GDP ratio of OECD countries by 1985. This objective was attained in 1981, when ODA more than doubled from 0.23 percent to 0.48 percent of GDP (Table 45); a further strong increase to 0.53 percent of GDP moved Austria into a middle position among member countries of the OECD Development Assistance Committee and increased the probability that the target of an ODA share of 0.7 percent in GDP would be attained by 1990. The principles of the Austrian development assistance policy are laid down in governmental three-year programs, which by law are updated yearly. The latest three-year program on Austrian Development Assistance is of July, 1983, and covers the period 1984-86.

The Austrian authorities view as a general guiding principle of Austrian development assistance policy the intention to participate by development cooperation in solving main economic and political problems in third world countries. Among concrete tasks of Austrian development assistance are the following:

- (1) meeting basic human needs;
- (2) lessening income and property differentials;
- (3) increasing assistance to the poorest parts of the population and to structurally disadvantaged sectors and regions;
- (4) combatting unemployment and underemployment;
- (5) supporting productivity in industry;
- (6) priority development of agriculture and rural regions; and
- (7) developing intellectual and material infrastructure.

Multilateral development assistance is understood primarily as a contribution to international solidarity and as an instrument for coordinated implementation of development projects and programs. Special attention is given to regional development.

In bilateral development assistance, the main priority is given to the following areas:

- (1) agricultural development;
- (2) development-oriented training and technology;
- (3) health and social welfare;

(4) development and utilization of natural and energy resources;
and

(5) promotion of productive capacities in modern industries.

Regional priority is given to the least developed countries (LDCs), to the subsaharan region, to eastern Africa, and to parts of southern Africa but also to some Asian and Latin American countries.

The Austrian authorities believe that the structure and quality of ODA are not yet fully adapted to the medium-term objectives. By far the largest part (1982: 80 percent) of ODA is bilateral aid. Only part of this bilateral aid is governed by development policy considerations. The other part not determined by these criteria includes items such as aid to students, food aid, natural disaster aid, and administrative expenses. But primarily this 80 percent consists of export credits reflecting, in large part, as in other countries, the interests of exporters. The large jump in ODA from 1981 to 1982 was for the most part attributable to increases in export credits, as government subsidies raised the grant element of export credits to a minimum of 25 percent with the result that they qualified as ODA according to the guidelines laid down by the Development Assistance Committee. However, the inclusion of export credits lowers the overall grant content of Austria's ODA far below the average of 86 percent which is recommended by the OECD. Another negative consequence of the large share of export credits is that it leads to--by international comparison--a high share of aid tied to exports from Austria and that limits concentration of ODA on certain programs, regions, and countries. Austria's bilateral aid to the least developed countries decreased from 0.014 percent of GDP in 1981 to 0.013 percent in 1982.

Austria's multilateral ODA increased from 0.09 percent of GDP in 1981 to 0.11 percent in 1982. Most of this consisted of lending and capital contributions to international financial institutions. Multilateral grants were concentrated in contributions to the UN Development Program (UNDP) and to the group of organizations concerned with food and agriculture.

The current Three-Year Program of Austrian Development Aid 1984 to 1986 ^{1/} assumes that maintenance over the program period of the share of ODA in GDP at 0.53 percent (the level reached in 1982) would be consistent with the 0.7 percent targeted for 1990. Since repayments of officially supported export credits are expected to exceed new commitments by the mid-1980s, a more than doubling of aid channeled through the budget and the European Recovery Program Fund would be necessary to attain this share. A large increase in these funds would also be required to move the grant content of Austria's ODA from its level of 59 percent in 1982 closer to the recommended target of 86 percent.

^{1/} Published in July 1983 by the Chancellery, Section IV, Group Development Aid.

In 1983, ODA is expected to amount to US\$390.04 million on a commitment basis and US\$354.13 billion on a disbursement basis. The budgetary appropriations for 1983 are US\$82.98 million (exchange rate used: average January to September 1983).

Energy Developments and Policy 1/

1. Developments in supply and demand

The long-run development of Austria's energy consumption may be categorized into three periods: (i) the period 1960/73 was characterized by a largely constant real GDP growth coupled with a marginal increase in energy consumption of an almost identical rate. Consumption increased by 5 percent on average in this period; (ii) the period 1973/79 was characterized by two major changes, first, the increased energy prices as a consequence of the first oil shock, and second, a decrease in real GDP in 1975, the first since two decades. Both developments effected a decrease in energy consumption in both 1974 and 1975. However, on average in this period energy consumption increased at a rate of 1 percent; and (iii) the period 1980/83 was characterized by GDP being almost stagnant and by the second oil shock. Both developments caused a decrease in total energy consumption by 4 1/2 percent on average in this period.

Total gross domestic energy supply 2/ in Austria declined by 5 percent in 1981 and by a further 4 percent in 1982 (Table 46). In 1982, gross energy supply was 10 percent below its level in 1979 and at about the same level as in 1973. Clearly, the reduction in the supply was caused by weak demand as economic activity remained flat in 1981/82. In addition, energy-saving investments encouraged a better use of energy, high-energy costs caused restraint in consumption, and the production of energy-intensive products fell strongly. The decline in energy consumption affected both domestic production and imports of energy. Domestic production of energy fell by 4 1/4 percent in 1981 and by 1 percent in 1982. While net energy imports declined by 3 3/4 percent in 1981, their response to the weakening in demand was particularly strong in 1982 with a fall of more than 12 percent. While stocks were increased in 1981, a substantial destocking took place in 1982. In addition, own energy consumption by the energy producing industry and losses were much less in 1982 than in 1981.

1/ In Austria there are two versions of the energy balance for the economy. One is published by the Austrian Institute for Economic Research. It contains most recent information and was therefore used for the text in this Appendix. A final, and more complete, balance, containing slightly different information is published by the Austrian Statistical Office (in Statistische Nachrichten). As it is produced with considerable delay, and is not yet available for 1982, it has not been used for the description contained in this Appendix; also not when referring to earlier years (in order to maintain comparability). However, as it has to be viewed as the official energy balance, its results for years earlier than 1982 are reproduced in Tables 48 and 49.

2/ Defined as domestic production plus imports minus exports, minus own consumption and losses in energy production, plus/minus changes in stocks of the level of energy production.

On the uses side, the chemical and related industries absorbed 8 percent less energy as an intermediate product in 1982, as the production of the petrochemical industry was reduced against the background of worldwide excess capacities and a deterioration in the profit situation. In addition, a strong decline in the production of bitumen was caused by the recession in the construction industry. Losses in the transformation of energy were slightly reduced in 1982. Final consumption of energy declined by 4 percent in 1982, following a decline by 5 percent in 1981. The decline in energy consumption was caused primarily by the recession in the energy-intensive industries and in construction, the stagnation in tourism and restraint of demand by the higher costs of energy and the relatively moderate increase in real incomes. In addition, some reduction in energy stocks not statistically recorded may have played a role, as the energy market situation eased and the costs of stockholding remained high. A further part of energy saving can be attributed to favorable weather conditions; the number of heating-degree days was 4 1/2 percent below the long-term average and precipitation above average favored hydropower generation of electricity which, by the definition of the energy statistics, requires less energy input than thermic generation. Industrial consumption of energy declined by an estimated 9 percent, with more than half of this decline concentrated in the energy-intensive industries such as iron and steel, building materials and the chemical industry. Energy consumption by the transportation sector stagnated in 1982 with a decline in the transportation of goods and in travel but there was an increase in road transportation and the number of passenger cars. Small-scale consumers reduced their energy consumption by 2 percent in 1982 due to economizing on energy by private households and a deterioration in the employment situation in small-scale manufacturing and some services.

Changes in the structure of production, imports and uses of energy reflect both the impact of the weakness in the economy and changes in relative prices. Oil consumption continued declining in 1982 by 4 percent (Table 47) caused by a decline in the use of heating oil, while the use of fuel for transportation increased slightly against 1981. Although the mineral oil industry offered, at times, high rebates on the price of heating oil, consumption could not be stimulated. Heating oil consumption was constrained by increased reliance on natural gas, district heating and also on electricity, and the share of oil and oil products in total energy consumption fell somewhat to 50 percent in 1982; imports of oil and oil products fell by 12 percent in 1982 after a fall of 30 percent in 1981.

The consumption of coal declined in 1982 by 7 percent and the share of coal in total energy consumption was slightly reduced to 18 percent in 1982 though coal imports increased by 2 percent in the same year. The decline in coal consumption was caused primarily by the recession in the iron and steel industry and substitution by gas. Demand by private households may have been constrained by price increases for solid fuels. Electricity consumption stagnated in 1982, with a small decline in industrial consumption of 1 1/2 percent, a decline in consumption for transportation

and an increase in electricity use by households and other small-scale users. The structure of electricity generation did not change in 1982 with thermic power plants and hydropower plants both producing at the levels of 1981. Weather conditions for hydropower generation were not as good as they were in 1981; ^{1/} however, this was compensated by an increase in the number of hydropower plants operating. In electricity generation by thermic power plants, natural gas was substituted for coal and oil. Despite an increase in the use of gas for electricity generation and district heating of 12 percent and an increase in gas consumption by small-scale users of 4 percent, total gas consumption fell by 2 1/2 percent in 1982, caused by a fall in its use by the industrial sector of 12 percent and a decline in its use by the petrochemical industry of 7 percent. Imports of natural gas were reduced by 24 1/4 percent in 1982; a further reduction was prevented by import contracts in force so that gas stocks were increased despite some reduction in domestic gas production.

Energy prices in Austria are partly directly regulated, partly determined by the Parity Committee, an institution of the social partnership, and partly established by demand and supply.

2. Energy policy

a. Pricing

Some prices, such as for natural gas, are controlled at the federal level. On the other hand, gasoline prices, which had traditionally been subject to government control, were deregulated in September, 1981. Electricity prices are partly controlled at regional levels and vary considerably throughout the country, reflecting particularly the availability of hydropower. Given the diversity of price determinants, there is no common price strategy for energy prices. However, the Government is aiming at using prices relevant for small users to signal the need for energy saving measures. One example for this strategy are the twofold increase in the value added tax on energy consumption from 8 to 13 percent, and further to 20 percent, to be effective on January 1, 1984. Another example is the increase in the car owners' tax, progressively with the engine size, effective also January 1, 1984.

The second round of energy price increases came to a standstill in the fall of 1981. At the beginning of 1982, some tariffs were adjusted, but subsequently energy prices stagnated and partially declined. On average in 1982, prices for heating oil were higher by 3 percent than in 1981 and gasoline prices by 5 percent, electricity prices increased by 13 percent, gas prices by 11 percent, and prices of briquettes by 9 percent. Following the decline in world market energy prices, particularly in the winter 1982-83, energy prices were significantly reduced in Austria in March 1983 with decreases in the prices of gasoline and heating

^{1/} The "production coefficient" of hydropower plants was 10 percent above average in 1981 and 6 percent above average in 1982.

oil by about 4 percent and a decrease in the price of gas-oil for heating by almost 8 percent. Subsequently prices of electricity and natural gas were reduced.

b. Other aspects of energy policy

Primary objectives of Austrian energy policy are to limit energy consumption and to increase domestic value added per unit of energy used. An optimal development and use of domestic energy reserves is aimed at, and oil is to be replaced to the extent possible by other energy sources. Also, import diversification of supplying countries and energy sources is sought so as to limit possible disruptions in supply. Measures in pursuit of these objectives include the setting of technical standards subsidies and low interest credits for the development of domestic coal resources, hydropower projects, district heating and subsidies for investments in energy saving and use of waste as a fuel. Tax incentives are given for the installation of heat pumps, for conversion to district heating, and for other energy investments by households. Higher standards have been set for the insulation of houses to be constructed with public subsidies and higher construction costs for the efficient use of energy may be included in total construction costs to be subsidized.

In September, 1982, a second District Heating Law was passed which provides for interest subsidies on investments in such heating installation of the total amount of S 8.3 billion in the following four years. The Austrian authorities do not plan major changes in energy policy in the coming years. However, they aim at improving coordinating and cooperation in the use of desirable technologies of supply.

The construction of electric power plants is subject to 10-year programs coordinated between the state company ("Verbundgesellschaft") and the power companies of the Länder. The program was revised downward in the middle of 1983, assuming a smaller increase in consumption of electricity of 3.2-3.6 percent per year compared with an initial projection of 3.7-4.1 per year. No use of nuclear power is foreseen in the plan. (A law prohibiting its production was passed following a national referendum in 1978). The present use of hydropower is estimated at about 60 percent of potential; plans exist for the construction of hydropower plants requiring the investment of S 250 billion at prices of 1983 over the 10-year period to 1983.

Table 1. Austria: Aggregate Demand

(Percentage changes over same period of preceding year, at 1976 prices)

	1982		1979	1980	1981	1982	1983 1/	1982				1983 2/	
	At current prices							1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.
	In billions of schillings	In percent of GDP											
Private consumption	640.1	56.1	4.1	1.6	0.5	1.1	2 3/4	2.0	1.0	0.6	0.9	2.7	4.0
Public consumption	212.7	18.6	3.2	2.3	1.8	2.0	2	2.1	1.9	1.7	2.3	2.0	2.0
Gross fixed investment	263.0	23.1	1.9	3.6	-1.7	-5.4	-2	-5.5	-5.2	-5.4	-5.5	-6.3	-3.6
Construction	(139.7)3/	(12.2)	-2.1	-0.7	-1.7	-5.9	-1	-8.8	-6.7	-4.1	-3.0	-5.1	-2.5
Machinery and equipment	(110.1)3/	(9.6)	8.2	9.5	-1.7	-4.4	-3	-2.2	-2.0	-5.9	-7.2	-7.2	-4.9
Final domestic demand	1,115.0	97.8	3.4	2.2	0.2	-0.4	1/2	0.5	-0.4	-0.9	-0.5	0.8	1.8
Stockbuilding 4/ 5/	-0.8	-0.1	2.0	0.6	-2.8	-0.8	1/2	-2.6	0.4	0.8	-1.8	1.1	--
Total domestic demand	1,115.0	97.7	5.4	2.8	-2.6	-1.2	2	-1.9	-0.3	-0.9	-1.5	1.9	2.0
Exports of goods and services	472.4	41.4	9.0	8.1	6.5	3.2	1/2	9.2	2.8	0.9	0.3	-2.2	0.6
Imports of goods and services	446.3	39.1	10.8	7.3	0.2	-2.3	3	1.9	0.3	-3.2	-7.7	1.2	1.6
Foreign balance 4/	26.1	2.3	-0.7	0.2	2.5	2.2	-1	3.2	0.4	1.7	3.1	-1.5	-0.4
GDP	1,141.1	100.0	4.7	3.0	-0.1	1.1	1	1.3	0.8	0.8	1.6	0.3	1.5

Sources: Austrian Institute for Economic Research, Statistische Übersichten and Monatsberichte; and IMF, Data Fund.

1/ Forecast by the Austrian Institute for Economic Research, September 1983.

2/ Preliminary.

3/ Excluding value-added tax.

4/ Change as a percentage of GDP one year earlier.

5/ Including statistical discrepancies.

Table 2. Austria: Demand Components--Contributions to Growth
(Percentage point contributions to changes in GDP at 1976 prices)

	1979	1980	1981	1982	1983 1/	1982				1983 2/	
						1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.
Private consumption	2.3	0.9	0.3	0.6	1.5	1.1	0.5	0.3	0.5	1.5	2.2
Public consumption	0.6	0.4	0.3	0.4	0.4	0.4	0.3	0.3	0.4	0.4	0.4
Gross fixed investment	0.5	0.9	-0.4	-1.3	-0.4	-1.1	-1.3	-1.5	-1.4	-1.2	-0.9
Construction	0.1	--	-0.8	-0.7	-0.1	-0.7	-1.0	-0.7	-0.5	-0.7	-0.3
Machinery and equipment	0.8	1.1	0.1	-0.5	-0.3	--	-0.2	-0.6	-0.8	-0.8	-0.5
Final domestic demand	3.4	2.2	0.2	-0.3	1.5	0.4	-0.4	-0.8	-0.5	0.7	1.7
Stockbuilding	2.0	0.6	-2.8	-0.8	0.5	-2.3	0.1	--	-1.1	1.1	0.2
Total domestic demand	5.4	2.8	-2.6	-1.1	2.0	-1.9	-0.3	-0.9	-1.5	1.8	2.0
Exports of goods and services	3.3	3.0	2.6	1.3	0.2	4.0	1.2	0.4	0.1	-1.0	0.2
Imports of goods and services 3/	-4.0	-2.8	-0.1	0.9	-1.2	-0.8	-0.1	1.3	3.0	-0.5	-0.5
Foreign balance	-0.7	0.2	2.5	2.2	-1.0	3.2	1.0	1.7	3.1	-1.5	-0.4
GDP	4.7	3.0	-0.1	1.1	1.0	1.3	0.8	0.8	1.6	0.3	1.5

Sources: Austrian Institute for Economic Research, Statistische Übersichten and Monatsberichte; IMF, Data Fund; and staff calculations. Figures may not add up due to rounding.

1/ Forecast by the Austrian Institute for Economic Research, September 1983.

2/ Preliminary.

3/ Minus sign indicates increase in imports.

Table 3. Austria: Gross Domestic Product by Sector

	1982		1979	1980	1981	1982	1/	1983	2/	1982				1983	
	At current prices									1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.
	In billions of schillings	In percent of GDP													
Agriculture and forestry	44.2	3.9	1.9	-4.1	4.1	15.1	-4.0	6.2	6.1	12.0	28.0	-0.5	-1.8		
Mining	4.9	0.4	15.3	1.4	0.9	-2.9	--	-4.2	-3.0	-5.3	1.0	-7.9	-4.5		
Industry	306.0	26.8	6.8	3.0	-1.3	0.2	--	1/	1.5	1.5	-0.6	-1.7	-2.4	0.8	
Energy and water supply	40.2	3.5	7.6	5.9	-0.7	1.6	1.0	4.0	4.0	5.4	-6.0	1.1	1.9		
Construction	88.6	7.8	0.5	1.6	-2.0	-4.0	-1.0	-7.7	-5.6	-2.9	-1.8	-5.1	-2.5		
Trade	188.9	16.6	6.0	2.2	0.9	0.9	3.0	0.8	-0.5	0.9	2.4	3.5	4.2		
Transport and communications	64.7	5.7	5.9	5.9	--	0.8	1.5	1.6	0.9	0.5	0.4	0.7	1.8		
Banking and insurance	155.9	13.7	5.8	5.0	3.6	2.8	2.0	3.0	2.9	2.7	2.5	2.0	2.0		
Other private services	46.0	4.0	2.3	3.9	2.8	0.9	2.0	1.1	0.9	0.7	0.7	2.1	2.6		
Public services	154.6	13.5	3.3	2.4	2.1	2.0	2.0	2.1	1.9	1.7	2.3	2.0	2.0		
Minus: imputed banking services	57.9	5.1	11.9	5.5	6.2	3.2	...	3.4	3.3	3.1	3.0	2.0	2.0		
Import duties	7.4	0.6	9.2	-7.1	-4.8	-1.3	...	--	2.2	-1.7	-5.5	-0.3	2.1		
Value-added tax	<u>97.6</u>	<u>8.6</u>	<u>3.0</u>	<u>1.2</u>	<u>0.3</u>	<u>-0.5</u>	<u>...</u>	<u>0.5</u>	<u>-0.8</u>	<u>-1.0</u>	<u>-0.4</u>	<u>1.9</u>	<u>2.9</u>		
GDP	1,141.1	100.0	4.7	3.0	-0.1	1.1	1.0	1.3	0.8	0.8	1.6	0.3	1.5		

Sources: Austrian Institute for Economic Research, Statistische Übersichten, and Monatsberichte; and Austrian Statistical Central Office, Statistische Nachrichten.

1/ Excluding crafts.

2/ Forecast by the Austrian Institute for Economic Research, September 1983.

Table 4. Austria: Gross Domestic Product by Sector
--Contributions to Growth--

(Percentage point contributions to changes in GDP at 1976 prices)

	1979	1980	1981	1982	1983	
					1st qtr.	2nd qtr.
Agriculture and forestry	0.1	0.2	-0.2	0.7	--	-0.1
Mining	0.1	--	--	--	--	--
Industry	2.0	0.9	-0.4	--	-0.8	0.2
Energy and water supply	0.2	0.2	--	0.1	--	0.1
Construction	--	0.1	-0.2	-0.3	-0.2	-0.2
Trade	1.0	0.4	0.1	0.2	0.6	0.7
Transport and communications	0.3	0.4	--	0.1	--	0.1
Banking and insurance	0.6	0.6	0.4	0.3	0.3	0.2
Other private services	0.1	0.1	0.1	--	0.1	0.1
Public services	<u>0.4</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>
GDP	4.7	3.0	-0.1	1.1	0.3	1.5

Sources: Austrian Institute for Economic Research, Statistische Übersichten, and Monatsberichte; and Statistical Central Office, Statistische Nachrichten; data supplied by the Austrian authorities; and staff calculations.

Table 5. Austria: Industrial Production 1/
(Percentage changes over same period of preceding year)

	1979	1980	1981	1982	1982				1983	
					1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.
Industry total <u>2/</u>	7.4	2.7	-1.8	-1.0	1.5	-0.7	-1.7	-2.9	-4.7	0.4
Mining and basic goods	14.4	-1.4	-4.2	-4.6	-6.2	-5.1	-3.2	-3.1	-5.9	-0.4
Mining and magnesite	14.0	0.9	-0.6	-0.9	-1.0	-2.1	-3.0	3.6	-9.7	-4.8
Basic goods	5.1	-1.9	-5.1	-5.3	-7.4	-5.7	-3.2	-4.4	-5.1	0.5
Investment goods	10.0	3.5	-2.7	-0.8	1.2	1.4	-1.9	-4.4	-5.8	0.4
Unfinished products	9.0	-1.0	-2.5	-4.1	4.0	0.6	-10.0	-14.4	-8.5	3.3
Building materials	4.1	4.3	0.2	-8.8	-7.4	-9.2	-9.2	-3.8	-3.9	-1.4
Finished investment goods	12.2	6.1	-3.6	3.9	1.4	5.7	6.6	1.8	-4.1	-1.0
Consumer goods	5.0	3.2	0.1	--	4.2	-1.7	-0.7	-0.9	-3.0	0.8
Food and beverages	5.9	2.6	3.6	2.3	6.2	0.8	0.4	1.3	-1.2	0.4
Clothing	5.4	5.7	-0.9	-5.1	3.0	-5.7	-6.0	-9.3	-9.2	-3.5
Other consumer nondurables	9.2	5.7	1.3	-0.3	0.8	-3.3	-0.9	2.7	1.4	5.3
Consumer durables	-1.6	-1.7	-5.2	2.8	7.4	2.2	3.5	0.9	-4.3	-0.5
Industrial production per wage and salary earner	6.8	1.6	0.4	3.2	5.6	3.2	2.5	1.9	0.5	5.4

Source: Austrian Institute for Economic Research, Monatsberichte.

1/ Net production adjusted for working-day variations.

2/ Excluding electricity and gas.

Table 6. Austria: Labor Market Statistics
(Percentage change over same period of preceding year)

	1979	1980	1981	1982	1982				1983		
					1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
Total labor force											
In thousands	3,322	3,326	3,345	3,342	...	...	...	...	...	...	...
Changes in percent	0.1	0.1	0.6	-0.1	...	...	...	...	...	...	...
Dependent labor force											
In thousands	2,830	2,842	2,868	2,872	2,872	2,847	2,884	2,885	2,866	2,835	2,876
Changes in percent	0.5	0.4	0.9	0.1	0.7	0.3	-0.2	-0.2	-0.2	-0.4	-0.8
Dependent employment											
In thousands	2,774	2,789	2,799	2,766	2,732	2,766	2,812	2,756	2,695	2,724	2,786
Changes in percent	0.6	0.5	0.4	-1.2	-1.0	-0.9	-1.2	-1.5	-1.4	-1.5	-0.9
Industrial employment											
In thousands	623	630	616	591	598	593	592	582	568	566	...
Foreign workers											
In thousands	171	175	172	156	151	159	161	153	140	147	150
Unemployment											
In thousands	57	53	69	105	139	81	72	129	171	111	90
(foreign workers)	...	...	(6)	(10)	(17)	(10)	(6)	(9)	(15)	(10)	(6)
Vacancies											
In thousands	31	37	25	17	19	23	15	13	13	19	15
Unemployment rate											
In percent of dependent labor force	2.0	1.9	2.4	3.7	4.8	2.8	2.5	4.5	6.0	3.9	3.1
Vacancies											
In percent of unemployed	55	69	36	16	13	28	20	10	8	17	16
Foreign workers											
In percent of dependent employment	6.1	6.3	6.1	5.6	5.5	5.8	5.7	5.6	5.2	5.4	5.4

Sources: Federal Ministry for Social Administration, Bericht über die Soziale Lage 1982, Vienna, 1983; Austrian Institute for Economic Research, Statistische Übersichten and Monatsberichte.

Table 7. Austria: Wages and Salaries, and Productivity

(Percentage changes over same period of preceding year)

	1979	1980	1981	1982	1983 <u>1/</u>	1982				1983	
						1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.
Overall economy											
Minimum wage and salary rates <u>2/</u>	5.1	5.4	7.2	7.2	...	7.6	7.4	7.0	6.7	5.3	5.4
Actual earnings	5.6	6.1	8.0	5.2	4.7	5.5	5.1	4.1	6.2	4.2	5.5
Wage drift <u>3/</u>	0.5	0.8	0.7	-1.9	...	-2.1	-2.3	-2.9	-0.4	-1.1	0.1
Productivity <u>4/</u>	4.3	2.0	0.1	2.4	2.2	2.3	1.7	2.1	2.8	1.7	...
Industry											
Minimum wage and salary rate <u>2/</u>	5.4	6.0	7.2	7.4	...	7.8	7.6	7.6	6.6	6.0	5.9
Actual earnings	6.3	7.2	7.8	7.0	...	8.3	7.6	6.6	5.7	4.8	5.8
Wage drift	1.0	1.2	0.6	-0.5	...	0.5	--	-1.0	-1.0	-1.3	--
Productivity (produc- tion per man hour)	7.3	2.3	0.7	4.2	...	4.1	6.0	4.3	4.2	4.4	6.2

Sources: Austrian Institute for Economic Research, Statistische Übersichten, and Monatsberichte.1/ Forecast by the Austrian Institute for Economic Research.2/ Negotiated minimum pay rates averaged across job categories.3/ Difference between percentage increase in actual earnings and percentage increase in negotiated minimum wage and salary rates.4/ GDP per dependently employed.

Table 8. Austria: Unit Labor Costs in Manufacturing--International Comparison

(Percentage changes over same period of preceding year)

	1979	1980	1981	1982	1982				1983	
					1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.
Canada	7.0	12.6	10.3	12.2	15.5	14.2	11.5	8.1	0.3	-1.7
Japan	-2.1	-2.0	2.2	5.1	3.7	5.0	5.0	6.8	4.7	0.4
United States	9.0	11.6	6.1	7.2	9.6	9.1	6.8	3.6	1.8	-0.8
Belgium	1.1	6.1	2.2	3.3	2.2	--	4.1	6.0	0.7	5.1
Denmark	5.7	9.4	3.5	7.5	8.3	7.6	11.2	3.0	9.4	5.3
France	9.1	13.1	13.3	9.5	11.5	11.0	10.4	5.6	3.8	4.5
Germany	2.4	7.3	4.6	3.6	3.5	1.2	4.9	4.9	2.0	0.1
Italy	9.6	12.3	18.1	16.8	14.8	13.7	19.3	19.4	16.3	15.1
Netherlands	2.4	3.4	1.5	5.1	3.8	3.0	5.4	8.1	2.8	4.4
Norway	0.2	8.1	10.6	10.7	8.6	9.6	11.9	12.4	9.6	2.4
Sweden	-0.6	9.8	12.4	2.4	5.8	1.9	1.6	0.5	-3.7	-2.9
Switzerland	-0.8	1.3	7.1	5.3	3.2	4.2	7.5	6.2	0.5	0.9
United Kingdom	16.4	21.6	8.4	3.1	2.4	3.9	2.7	3.4	-0.5	-0.2
Austria										
Unit labor cost ^{1/}	-1.2	4.8	6.9	2.7	5.3	1.9	1.8	2.0	2.5	1.4
Relative unit labor costs (local currency)	-6.1	-4.0	-0.5	-3.2	-0.9	-3.2	-4.7	-3.8	-0.7	-0.6
Relative unit labor costs (adjusted for exchange rate changes)	-3.2	-1.5	-4.5	0.9	2.6	1.8	0.4	-1.1	4.4	2.7

Source: IMF, Data Fund.

^{1/} The calculation of unit labor costs by the Fund differs somewhat from that of the Austrian Institute for Economic Research as presented in Table 23.

Table 9. Austria: National Income and Its Distribution

	1979	1980	1981	1982	1983 1/	1979	1980	1981	1982	1983 1/
	In billions of schillings					Percentage changes				
Gross national product	910.7	988.6	1,050.1	1,132.5	1,193.8	9.2	8.6	6.2	7.9	5.4
Less: Depreciation	104.3	113.7	124.8	134.2	142.3	6.8	9.1	9.8	7.5	6.0
Indirect taxes	151.2	162.8	174.4	185.8	198.7	8.5	7.7	7.1	6.5	7.0
Plus: Subsidies	26.9	30.0	32.1	33.0	34.5	1.4	11.5	6.8	2.8	4.5
National income	682.2	742.1	782.9	845.6	887.3	9.4	8.8	5.5	8.0	5.0
Gross income from dependent employment	504.5	545.4	590.4	616.9	637.9	6.8	8.1	8.3	4.5	3.5
Personal income from property and entrepreneurship	139.6	153.6	158.6	185.6	202.4	15.3	10.0	3.2	17.1	9.0
Net transfers to households	147.1	155.5	166.8	183.7	200.3	9.8	5.7	7.3	10.1	9.0
Less: Direct taxes	213.7	235.3	261.3	273.8	284.1	7.4	10.1	11.0	4.8	3.7
Personal disposable income	577.5	619.2	654.5	712.4	756.5	9.3	7.2	5.7	8.8	6.0
Memorandum items:										
Savings ratio 2/	11.8	11.0	9.1	10.1	10.3					
Wages and salaries	421.1	453.5	489.2	508.8	526.1	6.5	7.7	7.9	4.0	3.4
Public sector	79.5	84.9	93.3	101.2	...	7.5	6.8	9.8	8.6	...
Private sector	341.6	368.5	395.9	407.5	...	6.3	7.9	7.4	2.9	...
Net mass income 3/	487.6	521.5	558.1	590.4	618.3	7.2	7.0	7.0	5.8	4.7
Real disposable income 4/	509.7	513.9	508.5	525.0	540.4	5.4	0.8	-1.1	3.2	3.0
Real mass income 4/	430.3	432.7	433.7	435.1	441.6	3.4	0.6	0.2	0.3	1.5

Sources: Austrian Institute for Economic Research, Statistische Übersichten and Monatsberichte; Ministry of Finance, Bundesfinanzgesetz, 1982; and data provided by the Austrian authorities.

1/ Forecast by the Austrian Institute for Economic Research.

2/ Savings in percent of disposable income.

3/ Wages and salaries, plus transfers to private households, minus income taxes and social security contributions.

4/ Deflated by consumer price index (1976 = 100).

Table 10. Austria: Price Developments
(Percentage changes over same period of preceding year)

	1979	1980	1981	1982	1983 <u>1/</u>	1982				1983		
						1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
GDP deflator	4.2	5.4	6.3	6.6	4.3	6.2	8.5	6.7	5.2	4.5	4.4	...
Consumer prices, total	3.7	6.4	6.8	5.4	3.2	6.0	5.9	5.2	4.7	3.9	2.7	3.1
Consumer prices, ex- cluding seasonal products	3.8	6.3	6.8	5.6	3.4	6.2	5.7	5.5	5.0	4.1	3.0	3.1
Wholesale prices, total	4.2	8.6	8.1	3.1	0.5	5.5	5.5	1.6	0.2	0.4	-1.8	1.0
Wholesale prices, ex- cluding seasonal products	4.1	8.2	8.5	3.7	...	6.2	4.6	2.4	1.8	1.4	-0.4	0.7
Export prices <u>2/</u>	5.6	5.2	6.2	4.1	0.5	5.8	6.3	3.1	1.7	0.3	-0.9	...
Import prices <u>2/</u>	5.7	10.4	10.3	1.0	-2.0	3.1	--	-1.5	2.3	-1.0	-3.3	...

Sources: Austrian Institute for Economic Research, Statistische Übersichten and Monatsberichte.

1/ Forecast by the Austrian Institute for Economic Research.

2/ Implicit national accounts deflators for merchandise exports and imports, respectively.

Table 11. Austria: Indicators for Size of Government Sector

(In percent of GDP)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983 ^{1/}	1984 ^{1/}
Public sector:															
(National accounts basis)															
Current revenues	39.7	40.5	41.1	41.9	42.5	42.2	42.4	43.7	46.2	45.6	46.0	47.4	46.7	46.2	47.2
Of which:															
Indirect taxes	16.4	16.7	17.2	17.9	17.3	16.8	16.5	17.1	16.5	16.4	16.3	16.4	16.3	18.6	17.6
Direct taxes on households	9.0	9.1	9.6	9.8	10.3	9.4	9.7	10.1	11.4	11.0	11.1	11.9	11.6	11.3	11.4
Social security contributions	8.5	8.7	8.6	8.9	9.2	9.8	10.0	10.5	11.8	11.7	12.5	12.7	12.4	12.7	12.1
Current expenditures	33.1	33.4	32.9	33.3	34.6	38.0	40.1	40.4	43.3	42.8	42.7	44.0	44.8	45.6	45.9
Of which:															
Public consumption	14.7	14.8	14.6	15.1	15.8	17.0	17.6	17.4	18.3	18.0	17.8	18.4	18.6	18.8	18.8
Transfers to households	15.9	15.6	15.4	15.3	15.5	16.7	17.7	17.9	19.4	19.4	19.2	19.6	19.8	20.3	20.4
Interest payments	1.1	1.0	1.0	1.0	1.0	1.3	1.7	1.9	2.2	2.3	2.5	2.7	3.2	3.3	3.8
Depreciation (-)	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.8	-0.8	-0.8	0.8
Gross investment	5.1	5.4	5.6	5.3	5.5	5.5	5.0	5.0	5.0	4.7	4.4	4.2	4.0	3.8	3.6
Capital transfers, net	1.0	1.0	1.3	2.7	1.8	1.9	1.7	1.5	1.4	1.3	1.5	1.7	1.6	1.6	1.5
Total expenditures	38.5	39.0	39.1	40.6	41.2	44.6	46.1	46.1	48.9	48.1	48.0	49.2	49.6	50.1	50.1
Financial balance	1.2	1.5	2.0	1.3	1.3	-2.4	-3.7	-2.4	-2.7	-2.5	-2.0	-1.8	-2.9	-3.9	-2.9
Federal Government:															
(Administrative basis)															
Revenue	25.1	25.0	25.1	23.6	24.0	24.0	24.5	24.5	25.5	25.7	26.0	27.2	26.4	26.4	27.0
Expenditure	25.7	25.4	25.4	24.9	25.9	28.4	29.1	28.2	29.7	29.3	28.9	29.8	30.5	32.5	31.9
Financial balance	-0.6	-0.4	-0.3	-1.3	-1.9	-4.5	-4.6	-3.8	-4.2	-3.5	-2.9	-2.6	-4.1	-6.1	-4.9
Memorandum item:															
Number of federal employees	271.0	274.1	274.4	276.7	278.6	283.4	284.8	281.9	283.1	285.1	286.8	289.1	289.4	291.5	293.0
(In per cent of dependent labor force)	(11.3)	(11.2)	(10.9)	(10.6)	(10.5)	(10.7)	(10.6)	(10.3)	(10.3)	(10.3)	(10.3)	(10.3)	(10.5)	(10.7)	(10.8)

Source: Ministry of Finance, Bundesfinanzgesetz, 1984.^{1/} Estimated outcome for 1983; budget figures for 1984.

Table 12. Austria: Federal Budget

(Administrative basis; in billions of schillings)

	1981	1982		1983		1984
		Budget	Outcome	Budget	Outcome ^{1/}	Budget
Revenues	287.8	309.1	301.0	325.8	317.0	341.9
Taxes gross	260.1	281.8	267.7	296.0	280.0	307.2
Of which:						
Wage tax	69.6	74.5	71.9	80.0	74.4	79.4
Other income and property tax	53.8	57.8	53.4	61.7	53.2	54.9
Value added tax	90.5	100.0	93.8	104.0	101.8	118.0
Tax on oil products	14.8	15.6	12.4	15.9	15.5	16.3
Other taxes	31.4	32.9	36.2	34.4	35.1	38.6
Transfers to local authorities and public entities	-99.9	-108.3	-104.1	-114.6	-108.0	-117.8
Taxes, net	160.2	173.5	163.6	181.4	172.0	189.4
Other levies	42.6	46.4	45.1	48.6	...	55.7
Other ^{2/}	85.6	89.2	92.3	95.8	...	96.7
Expenditures ^{3/}	315.3	340.7	347.6	374.2	390.0	404.0
Wages and salaries	66.5	71.6	71.7	75.8	75.8	78.9
Current expenditures						
on goods	42.9	51.1	51.3	54.2	...	...
Gross investment	25.8	25.3	26.7	29.5	...	29.8
Transfers	145.6	156.5	160.0	174.4		
Of which to:						
Households	(69.7)	(77.3)	(79.8)	(83.3)	(...)	(...)
Enterprises	(17.0)	(12.8)	(12.5)	(15.4)	(...)	(...)
Social security system	(27.6)	(32.4)	(34.0)	(40.1)	(43.2)	(45.9)
Abroad	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)
Other public authorities	(30.4)	(33.0)	(32.7)	(34.6)	(...)	(38.8)
Interest ^{4/}	20.1	27.2	24.7	28.6	27.0	33.5
Other	14.3	9.0	13.0	11.7	...	...
Net deficit	27.5	31.6	46.6	48.4	73.0	62.1
(In percent of GDP)	(2.6)	(2.8)	(4.1)	(3.9)	(6.1)	(4.9)
Redemption of debt	24.2	27.7	25.2	25.9	26.0	32.5
Gross deficit	51.7	59.2	71.8	74.3	99.0	94.6
(In percent of GDP)	(4.9)	(5.2)	(6.3)	(6.2)	(8.2)	(7.5)
Memorandum items:						
Contingency budget						
Stabilization tranche	--	2.8	--	3.7	3.5	3.1
Reflationary tranche	--	2.5	--	2.6	--	2.9
Net transfers to federal enterprises ^{5/}	19.6	18.7	22.7	20.3	...	20.2
Of which:						
Federal Railways	(20.5)	(20.5)	(22.6)	(21.5)	(...)	(22.4)

Sources: Ministry of Finance, Bundesfinanzgesetz, 1984; and data provided by the Austrian authorities.

^{1/} Provisional figures.

^{2/} Including revenue from federal enterprises.

^{3/} Excluding debt redemption; expenditures for the outcome of 1983 include the stabilization tranche.

^{4/} Excluding commission fees, etc.

^{5/} Including pension payments.

Table 13. Austria: The Federal Debt

(End year)

	Total Debt	Domestic Debt	Foreign Debt 1/	Total Debt in percent of GDP	Foreign Debt in percent of Total Debt	Debt Servicing			Extra-budgetary Debt 4/	Memorandum Items:	
						Interest 2/	Repayment	Total		Debt of the Länder and the Municipalities	Federal Guarantees (outstanding)
In billions of schillings											
1970	47.1	33.6	13.5	12.5	28.7	3.0	5.0	7.9	3.8	25.7	43.3
1971	46.8	34.7	12.1	11.2	25.9	3.2	6.1	9.3	5.0	29.7	49.5
1972	49.9	39.6	10.3	10.4	20.7	3.4	6.3	9.6	6.9	34.0	55.1
1973	56.2	47.2	9.0	10.4	16.0	3.6	5.7	9.3	8.6	54.3	62.7
1974	61.4	47.9	13.5	9.9	22.1	3.9	6.9	10.7	12.1	47.6	74.3
1975	100.4	68.3	32.1	15.3	31.9	5.9	7.5	13.4	15.8	56.7	104.1
1976	133.8	98.8	35.0	18.5	26.1	9.0	10.7	19.8	19.4	65.1	140.6
1977	164.6	117.2	47.4	20.7	28.8	10.8	12.0	22.7	23.2	74.8	176.7
1978	199.2	139.2	60.0	23.6	30.1	13.8	15.8	29.6	25.8	86.0	219.4
1979	230.9	167.2	63.7	25.1	27.6	15.7	18.0	33.7	30.7	99.5	269.6
1980	261.2	188.6	72.6	26.2	27.8	17.8	18.2	36.0	34.1	108.9	258.4
1981	295.3	200.7	94.6	27.9	32.0	20.8	24.2	44.9	34.6	119.6	360.7
1982	341.6	233.2	108.4	29.9	31.7	25.7	25.2	50.9	37.8	130.2	400.6
1983 3/	414.2	288.9	125.2	34.5	30.2	29.4	25.9	55.2	...	...	...
1984 3/	476.2	340.8	135.4	37.6	28.4	35.4	32.5	67.9	...	...	...

Sources: Ministry of Finance, Bundesfinanzgesetz, 1984; and data provided by the Austrian authorities.

1/ The outstanding foreign debt is adjusted for changes in the exchange rate.

2/ Including commission and management fees.

3/ Estimate.

4/ Debt of road financing institutions and water supply funds owned by the Federal Government; the extra-budgetary debt is partly included in the figures for federal guarantees.

Table 14. Austria: Financing of the Federal Budget

(In billions of schillings)

	1981	1982	1983 Estimate	1984 Budget
Gross federal deficit	51.7	71.9	99.0	94.6
Financed by:				
Domestic borrowing	33.2	53.0	81.2	...
Domestic bond issues	16.4	25.0	39.4	...
Treasury certificates	8.3	14.5	10.9	...
Other long-term loans <u>1/</u>	8.5	13.5	30.9	...
Foreign borrowing	19.5	20.7	17.2	...
Total borrowing	52.7	73.7	98.4	...
Refinancing by the National Bank	0.3	0.3	0.3	0.6
Use of reserves of the Family Allowance Fund	3.1	4.8	3.9	2.0
Use of other cash balances	-4.4	-6.9	-3.6	...

Sources: Austrian Postal Savings Bank, Finanzschuldenbericht, 1983; and Ministry of Finance, Bundesfinanzgesetz, 1983; and information provided by the Ministry of Finance.

1/ Mainly loans from banks and insurance companies.

Table 15. Austria: Public Sector Finances 1/
(National accounts basis; in billions of schillings)

	1981	1982	1983	1984
Current revenues	<u>506.2</u>	<u>532.5</u>	<u>555.1</u>	<u>598.0</u>
Indirect taxes	174.4	185.7	198.7	223.5
Direct taxes on households	125.7	132.5	135.2	144.0
Corporate direct taxes	18.5	17.0	16.0	16.5
Social security contributions	135.6	141.3	147.0	152.9
Income from property and entrepreneurship	22.0	23.0	23.0	24.0
Imputed pension fund contributions	25.9	28.7	30.9	32.6
Other current revenues	4.1	4.3	4.3	4.5
Current expenditures	<u>464.7</u>	<u>510.8</u>	<u>546.3</u>	<u>581.0</u>
Public consumption	194.6	212.7	225.5	237.9
Transfers to private households	205.8	225.8	243.5	258.1
Subsidies	32.1	33.0	34.5	34.0
Interest on public debt	29.3	36.1	39.5	47.5
Other current expenditures	2.9	3.2	3.4	...
Depreciation (-)	-8.2	-8.9	-9.7	10.4
Gross investment	45.7	45.5	45.6	45.2
Capital transfers, net	19.9	18.1	19.5	19.0
Total expenditures	<u>522.2</u>	<u>565.6</u>	<u>601.8</u>	<u>634.9</u>
Financial balance	<u>-16.0</u>	<u>-33.1</u>	<u>-46.7</u>	<u>-36.9</u>
(In per cent of GDP)	<u>(-1.5)</u>	<u>(-2.9)</u>	<u>(-3.9)</u>	<u>(-2.9)</u>
Of which:				
Federal Government	-24.3	-44.1	-62.3	-52.2
Other public authorities	8.3	11.0	15.6	15.3

Source: Ministry of Finance, Bundesfinanzgesetz, 1984.

1/ Figures may not add up due to rounding.

Table 16. Austria: Austrian and German Interest Rates

(In percent per annum)

	Call Money Rates 1/			Government Bond Yields 1/			Lombard Rates 2/		
	Austria	Germany	Differ- ential	Austria	Germany	Differ- ential	Austria ^{3/}	Germany ^{4/}	Differ- ential
1975	5.49	4.40	1.09	9.31	8.48	0.83	6.50	4.5	2.00
1976	4.67	3.88	0.79	8.65	7.80	0.85	4.50	4.5	--
1977	7.49	4.14	3.35	8.68	6.16	2.52	6.00	3.5	2.50
1978	6.45	3.36	3.09	8.14	5.73	2.41	5.00	3.5	1.50
1979	5.59	5.87	-0.28	7.94	7.47	0.56	6.25	7.0	-0.75
1980	10.28	9.06	1.22	9.20	8.50	0.70	8.25	9.0	-0.75
1981	11.36	11.26	0.10	10.61	10.38	0.23	8.25	10.5	-2.25
1982	8.77	8.67	0.10	9.92	8.95	0.97	6.25	6.0	0.25
January	9.87	10.10	-0.22	10.52	9.90	0.62	8.25	10.0	-1.75
February	8.50	10.06	-1.56	10.84	9.80	1.04	8.25	10.0	-1.75
March	8.75	9.83	-1.08	10.61	9.50	1.11	8.25	9.5	-1.25
April	9.87	9.47	0.41	10.30	9.00	1.30	8.25	9.5	-1.25
May	10.00	9.11	0.89	10.03	8.80	1.23	8.25	9.0	-0.75
June	10.62	9.02	1.61	10.01	9.10	0.91	8.25	9.0	-0.75
July	10.25	9.02	1.23	10.10	9.30	0.80	8.25	9.0	-0.75
August	9.50	8.78	0.72	10.04	9.00	1.04	7.75	8.0	-0.25
September	7.87	7.97	-0.09	9.59	8.70	0.89	7.75	8.0	-0.25
October	7.50	7.46	0.04	9.24	8.30	0.94	7.25	7.0	0.25
November	6.50	7.02	-0.52	8.99	8.10	0.89	7.25	7.0	0.25
December	6.00	6.15	-0.15	8.81	7.90	0.91	6.25	6.0	0.25
1983									
January	5.87	5.85	0.02	8.32	7.60	0.72	6.25	6.0	0.25
February	6.00	5.74	0.26	8.24	7.60	0.64	6.25	6.0	0.25
March	5.50	5.51	-0.01	8.18	7.40	0.78	5.25	5.0	0.25
April	5.00	4.93	0.07	8.09	7.40	0.69	5.25	5.0	0.25
May	4.50	5.04	-0.54	8.07	7.60	0.47	5.25	5.0	0.25
June	4.62	5.05	-0.43	8.14	8.00	0.14	5.25	5.0	0.25
July	5.12	5.05	0.07	8.18	8.10	0.08	5.25	5.0	0.25
August	5.12	5.06	0.06	8.31	8.30	0.01	5.25	5.0	0.25
September	5.50	5.47	0.09	8.32	8.30	0.02	5.75	5.5	0.25

Sources: Austrian National Bank, Mitteilungen; Austrian Institute for Economic Research, Monatsberichte; and Deutsche Bundesbank, Monatsberichte.

1/ Period averages.

2/ End-of-period.

3/ Including the surcharge on credit use in excess of 70 percent of quota. The surcharge amounted to 2 percent points between September 18, 1979 and January 23, 1980; and to 1 percent since January 24, 1980.

4/ Data from February 1981 to April 1982 represent the special lombard rate.

Table 17. Austria: The Sources of the Monetary Base

(In billions of schillings; stock at end of period)

	Net Foreign Assets of the National Bank 1/ (1)	Net Domestic Assets (2)	Discounts and Advances to Banks (2a)	Open Market Papers (2b)	Net Claims on Government (2c)	Other (2d)	Monetary Base Adjustment for changes in required reserve		
							Unadjusted 2/	Ratio 3/	Adjusted
							(3)=(1)+(2)	(4)	(5)=(3)-(4)
1977	65.1	25.9	20.0	3.8	-0.1	2.2	91.0	2.1	88.9
1978	82.4	22.7	17.3	4.8	-0.4	1.0	105.1	2.3	102.8
1979	64.9	42.1	32.4	9.6	-0.2	0.3	107.1	2.4	104.7
1980	85.9	28.9	19.5	10.9	-0.1	-1.4	114.7	2.5	112.2
1981 March	84.8	19.3	19.6	10.9	-1.8	-9.4	104.1	2.5	101.6
June	85.9	22.8	20.5	10.8	-1.1	-7.4	108.7	2.5	106.2
September	87.8	20.5	20.3	10.8	-1.8	-8.8	108.3	2.5	105.8
December	94.2	27.9	24.2	11.1	-1.7	-5.7	122.1	2.5	119.6
1982 January	98.3	16.1	19.4	11.4	-1.5	-13.2	114.4	2.5	111.9
February	97.4	15.0	19.9	11.4	-2.5	-13.8	112.5	2.5	110.0
March	98.8	18.9	25.8	11.4	-3.8	-14.5	117.8	2.5	115.3
April	96.3	20.5	20.1	11.7	-1.2	-10.1	116.8	2.5	114.3
May	93.9	20.5	20.7	11.7	-1.4	-10.5	114.4	2.5	111.9
June	91.9	34.6	25.4	11.7	-2.1	-0.4	126.5	2.5	124.0
July	95.1	19.6	21.8	12.2	-0.9	-13.5	114.8	2.5	112.3
August	98.8	26.4	25.2	13.2	-1.6	-10.4	125.2	2.5	122.7
September	98.7	21.9	26.1	12.2	-2.2	-14.2	120.6	2.5	118.1
October	99.6	17.9	22.0	12.1	-1.9	-14.3	117.5	2.5	115.0
November	99.2	19.3	23.3	12.3	-1.5	-14.8	118.4	2.5	115.9
December	97.4	29.3	25.2	12.3	-0.5	-7.7	126.8	2.5	124.3
1983 January	101.2	17.2	23.0	12.3	-1.5	-16.6	118.4	2.5	115.9
February	99.5	25.0	23.8	18.4	-0.9	-16.3	124.5	2.5	122.0
March	102.4	21.9	29.0	12.3	-2.5	-16.9	124.3	2.5	121.8
April	102.4	26.5	29.0	12.1	-2.4	-12.2	128.9	2.5	126.4
May	101.6	19.2	24.0	11.1	-3.1	-12.8	120.9	2.5	118.4
June	97.7	29.3	35.1	12.1	-5.0	-12.9	127.0	2.5	124.5
July	102.2	30.8	33.8	12.1	-1.4	-13.7	133.0	2.5	130.5
August	99.9	31.5	34.4	12.1	-1.0	-14.0	131.5	2.5	129.0
September	...	...	35.3	12.1	-2.1	...	129.7	2.5	127.2

Sources: Austrian National Bank, *Mitteilungen*; and staff calculations.

1/ Excluding changes due to new valuation since January 1, 1973, and year-end swap operations with commercial banks.

2/ Defined as the sum of currency outside the National Bank (excluding gold and silver coins) and bank deposits with the National Bank (excluding the counterpart funds resulting from year-end swap transactions, amounting to S 8 billion in 1979 and 1980, S 7 billion in 1981, and S 7.6 billion in 1982, and counterpart funds arising from regular swap operations).

3/ Accumulative adjustments for changes in required reserves ratios since January 1970. Excluding change in reserve ratios as the result of a technical change in the method of calculation of reserve requirements effective October, 1982.

Table 18. Austria: Growth of Main Monetary Aggregates

	Stock at the end of 1978 (In billions of schillings)	1979	1980	1981	1982	1982				1983		
						1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
(Percentage changes over same period a year earlier; period averages)												
Monetary base <u>1/</u>	105.1	7.0	6.7	5.1	7.5	8.6	9.7	7.7	4.3	6.5	5.2	9.5
Of which:												
Net foreign assets	82.4	-8.6	5.6	15.9	9.7	16.5	7.1	12.4	3.4	3.6	6.3	...
Net domestic assets	22.7	108.6	7.2	-28.1	15.7	-2.1	51.8	6.8	5.0	15.9	-15.3	...
Money (M1)	137.9	-6.1	7.4	3.7	3.1	-2.8	1.3	5.5	8.3	11.0	12.0	13.2
Of which:												
Currency outside banks	63.2	7.8	7.1	3.0	3.4	2.1	4.3	2.7	4.4	9.3	10.0	11.4
Demand deposits	74.7	-17.3	7.7	4.5	2.7	-7.5	-1.7	8.6	12.5	12.8	14.1	15.1
Money plus quasi-money (M3)	627.4	11.1	9.5	11.4	11.0	10.7	11.1	11.0	11.2	9.4	9.2	9.2
Of which:												
Time and savings deposits	489.5	16.3	10.0	13.3	12.7	13.7	13.3	12.2	11.8	9.1	8.6	8.4
Domestic Credit	712.5	15.6	15.3	11.1	9.5	10.3	9.5	9.9	8.4	7.6	7.1	7.2
Of which:												
Claims on Government (net)	140.0	16.6	15.2	13.4	11.7	8.4	10.4	13.7	14.3	14.4	10.4	10.1
Claims on private sector	572.5	15.3	15.3	10.5	8.9	10.8	9.2	8.9	6.9	5.8	6.2	6.4
Memorandum item:												
Net foreign assets (total)	81.1	16.7	-14.2	10.1	14.9	12.3	20.3	22.8	44.1	34.8	33.8	29.3
(Percentage changes over preceding period; period averages)												
Monetary base	105.1					0.9	3.8	0.8	0.6	1.3	2.6	4.6
Of which:												
Net foreign assets	82.4					4.9	-7.0	7.4	-1.3	5.1	-4.6	...
Net domestic assets	22.7					-32.3	83.1	-36.7	33.8	-25.3	33.8	...
Money (M1)	137.9					-2.5	7.0	1.8	1.9	-0.1	8.0	2.9
Of which:												
Currency outside banks	63.2					-2.7	5.6	2.3	-0.7	1.9	6.4	3.5
Demand deposits	74.7					-2.2	8.4	1.3	4.7	-1.9	9.7	2.2
Money plus quasi-money (M3)	627.4					4.9	2.0	1.2	2.7	3.2	1.8	1.2
Of which:												
Time and savings deposits	489.5					6.5	1.0	1.0	2.9	3.9	0.6	0.9
Domestic credit	712.5					1.6	2.5	1.9	2.2	0.8	2.0	2.0
Of which:												
Claims on Government (net)	140.0					1.7	6.7	1.1	4.2	1.8	3.0	0.8
Claims on private sector	572.5					1.6	1.4	2.1	1.6	0.5	1.7	2.4
Memorandum item:												
Net foreign assets (total)	81.1					12.4	3.3	13.1	9.7	5.1	2.5	8.5

Sources: Austrian National Bank, Mitteilungen; IMF, International Financial Statistics, and Fund staff calculations.

1/ Staff calculations from Mitteilungen. Net foreign assets exclude valuation changes and foreign currency swaps.

Table 19. Austria: Domestic Credit by Borrowers

	Loans Outstanding on June 30, 1979		Percentage Changes Over Same Period a Year Earlier				1983 June	Loans Outstanding On June 30, 1983	
	Billions	In	1981		1982			Billions	In
	schil.	percent	June	Dec.	June	Dec.		schil.	percent
Industry	115.4	18.4	14.5	14.7	15.4	10.6	1.1	180.5	18.8
Trade, transport, and tourism	119.9	19.0	11.7	11.4	6.2	1.4	1.4	166.3	17.3
Private households	121.8	19.4	7.8	5.7	6.3	9.6	9.9	174.2	18.1
Small industry	70.1	11.2	14.0	10.2	5.2	2.4	--	96.0	10.0
Agriculture and forestry	34.5	5.5	9.9	8.4	7.5	6.7	3.3	48.6	5.7
Public sector	83.9	13.4	15.5	20.3	17.1	16.6	27.3	169.3	17.6
Housing associations	34.1	5.4	12.8	10.2	6.7	5.3	5.5	48.8	5.1
Professional services	23.9	3.8	15.0	10.0	8.4	4.8	4.1	38.2	4.0
Others	<u>24.9</u>	<u>3.9</u>	<u>13.5</u>	<u>22.8</u>	<u>16.2</u>	<u>5.3</u>	<u>1.8</u>	<u>38.9</u>	<u>4.0</u>
Total	628.5	100.0	12.4	12.2	9.9	7.7	7.0	960.8	100.0

Sources: Austrian National Bank, Mitteilungen; and data provided by the Austrian authorities.

Table 20. Austria: Fixed-Interest Security Issues

(In billions of schillings)

	1979	1980	1981	1982	1982				1983		
					1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
1. Bonds issued, by type of borrower											
Public authorities	32.61	29.08	19.14	29.44	6.38	8.92	3.80	10.35	7.00	14.89	12.99
Banks	18.13	11.52	4.60	6.50	2.25	3.50	0.75	--	4.50	0.80	0.59
Other borrowers	2.45	1.00	1.75	5.20	2.00	--	--	3.20	0.50	4.80	1.25
Total	53.19	41.60	25.49	41.14	10.63	12.42	4.55	13.55	12.00	20.49	14.83
2. Other fixed interest securities by type of borrower											
Mortgage institutions and municipalities	14.87	15.20	16.91	14.24	4.79	2.06	2.71	4.68	2.48	2.98	...
Medium-term notes, registered, and other bank bonds	29.83	18.23	13.64	21.23	3.42	2.69	8.91	6.22	3.59	2.57	...
Total	44.70	33.43	30.55	35.47	8.21	4.75	11.62	10.91	6.07	5.55	...
3. Gross issues (1+2)	97.88	75.02	56.04	76.61	18.83	17.16	16.17	24.46	18.07	26.04	...
4. Redemptions	29.68	34.88	39.00	39.37	10.37	9.76	8.42	11.26	5.98	10.84	...
5. Net sales ^{1/}	68.21	40.24	17.03	37.34	8.57	7.45	7.75	13.20	12.10	15.25	...
6. Bonds issued by type of investor											
Institutional investors	4.88	4.48	2.36	5.28	1.22	1.30	0.77	1.99	2.74	1.89	...
Other nonbank domestic investors	15.34	11.58	7.10	8.20	3.08	2.67	1.11	1.35	2.83	1.44	...
Nonresidents	0.90	1.32	0.82	0.83	0.40	0.15	0.18	0.10	0.13	0.19	...
Banks' own subscriptions	32.07	24.22	15.21	26.83	5.93	8.30	2.49	10.11	6.30	16.97	...
Total (= Total 1)	53.19	41.60	25.49	41.14	10.63	12.42	4.55	13.55	12.00	20.49	14.83

Source: Austrian National Bank, Mitteilungen.^{1/} Including conversion of convertible bonds into shares.

Table 21. Austria: Exchange Rate Developments

	Schillings per SDR	Schillings per U.S. Dollar	Schillings per Deutsche Mark	Effective Exchange Rate Indices 1/				SDRs per Schilling	U.S. Dol- lars per Schilling	Deutsche Mark per Schilling	Effective Exchange Rates				
				Nominal		Real					Nominal		Real		
				IMF 2/	WIFO 3/	IMF 4/	WIFO				IMF 2/	WIFO 3/	IMF 4/	WIFO	
				Period averages											
Percentage changes over preceding period															
1970	26.000	26.000	7.104	78.4	73.9	79.5	86.1	--	--	-7.2	...	-2.6	-3.9	...	
1971	25.035	24.960	7.150	80.1	74.8	82.1	86.3	3.9	4.3	-0.7	2.3	1.3	3.2	0.1	
1972	25.097	23.115	7.249	82.0	75.9	84.0	87.8	-0.2	7.9	-1.4	2.3	1.5	2.4	1.8	
1973	23.342	19.580	7.326	90.2	80.4	89.7	92.2	7.5	18.9	-1.0	10.1	5.9	6.7	5.0	
1974	22.480	18.693	7.223	95.8	84.4	94.3	95.2	3.8	4.2	1.4	6.1	5.1	5.1	3.2	
1975	21.147	17.417	7.079	100.0	87.5	100.0	96.9	6.3	7.3	2.0	4.4	3.6	6.1	1.8	
1976	20.712	17.940	7.125	102.1	90.6	98.9	99.7	2.1	-3.0	-0.6	2.1	3.6	-1.1	2.9	
1977	19.295	16.527	7.117	109.4	95.7	101.5	102.9	7.3	8.5	0.1	7.1	5.6	2.6	3.2	
1978	18.181	14.522	7.230	114.7	98.1	101.0	102.9	6.1	13.9	-1.6	4.8	2.6	-0.5	--	
1979	17.271	13.368	7.293	120.8	100.6	98.2	101.1	5.3	8.6	-0.9	5.3	2.5	-2.8	-1.7	
1980	16.839	12.938	7.118	124.9	104.9	94.4	101.2	2.6	3.3	2.5	3.4	4.3	-3.8	--	
1981	18.780	15.927	7.047	114.6	103.6	87.5	96.6	-10.3	-18.8	1.0	-8.3	-1.2	-7.3	-4.5	
1982	18.834	17.059	7.030	117.4	107.4	89.7	97.2	-0.3	-6.6	0.2	2.4	3.7	2.5	0.6	
1982 1st qtr.	18.708	16.461	7.017	116.2	105.8	89.6	97.2	-2.3	-4.4	-0.1	-1.2	-0.2	0.2	-0.3	
2nd qtr.	18.705	16.742	7.047	117.4	106.9	90.2	97.4	--	-1.7	-0.3	1.0	1.0	0.7	0.2	
3rd qtr.	18.954	17.454	7.034	117.3	107.5	87.5	96.8	-1.3	-4.1	0.1	-0.1	0.6	-3.0	-0.6	
4th qtr.	18.940	17.579	7.028	118.8	109.5	91.4	97.6	0.1	-0.7	0.1	1.4	1.9	4.5	0.8	
1983 1st qtr.	18.478	16.924	7.028	120.8	111.8	93.7	99.6	2.5	3.9	--	1.6	2.1	2.5	2.1	
2nd qtr.	18.857	17.494	7.041	119.9	112.1	92.4	98.3	-2.0	-3.3	-0.2	-0.7	0.3	-1.4	-1.3	
3rd qtr.	19.591	18.577	7.031	116.8	111.4	...	...	-3.8	-5.8	0.1	-2.6	-0.6	...	...

Sources: Austrian Institute for Economic Research (WIFO); and IMF, International Financial Statistics.^{1/} For IMF indices, 1975 = 100; for WIFO, August 1979 = 100.^{2/} Multilateral Exchange Rate Model (MERM).^{3/} Export- and import-weighted index for Austrian merchandise and tourism.^{4/} Relative normalized unit labor costs in manufacturing adjusted for exchange rate changes.

Table 22. Austria: Balance of Payments ^{1/}

(In millions of schillings)

	1978	1979	1980	1981	1982	1982 1st half	1983
Goods, services, and unrequited transfers							
Exports, f.o.b.	176,112	206,253	226,169	251,769	266,860	133,043	133,497
Imports, c.i.f.	-231,888	-269,862	-315,846	-334,510	-332,551	-166,777	-164,607
Supplementary trade items ^{2/}	5,100	4,951	2,194	5,611	3,078	874	1,697
Trade balance	-50,676	-58,658	-87,483	-77,130	-62,613	-32,860	-29,413
Travel and tourism, net ^{3/}	32,937	35,373	42,938	46,398	49,234	23,158	21,323
Other services, net	-2,472	-518	-779	-5,005	-3,076	-2,107	-1,065
Services balance	30,465	34,855	42,159	41,393	46,158	21,051	20,258
Unclassified goods and services, net	11,129	9,319	25,093	15,692	29,877	9,162	13,388
Net transfers ^{3/}	-130	387	-1,144	-1,363	-1,238	408	184
Current account	-9,211	-14,098	-21,376	-21,408	12,184	-2,239	4,417
(In millions of SDRs)	(-529)	(-861)	(-1,214)	(-1,158)	(642)	(-120)	(235)
(In percent of GDP)	(-1.1)	(-1.5)	(-2.2)	(-2.0)	(1.1)	(...)	(...)
Long-term capital	20,430	-7,172	7,084	15,040	-9,864	-607	-12,663
Short-term capital of the nonmonetary sector	-371	-4,012	-5,209	2,003	-6,261	-3,971	1,169
Short-term capital of deposit money banks	3,227	7,256	38,313	7,985	-2,939	841	7,868
Net errors and omissions	3,084	1,013	2,865	4,508	10,623	8,585	-7,497
Balance on official settlements	17,159	-17,013	21,677	8,128	3,743	2,609	-6,709
Changes in reserves due to SDR allocations and valuation changes, including any revaluation of gold	9,278	7,935	4,413	3,974	803	308	2,733
Official monetary movements (increase in assets +)	26,438	-9,078	26,090	12,102	4,546	2,917	-3,973

Sources: Austrian National Bank, Zahlungsbilanz Österreichs; and Austrian Statistical Office, Statistische Übersichten.

^{1/} Positive figures are credits; negative figures are debits. Figures may not add up due to rounding.

^{2/} Including gold transactions (except monetary gold), transit trade, and certain adjustment items.

^{3/} Annual figures on travel and private transfers are adjusted for remittances of foreign workers, which are recorded as payments for travel abroad in the monthly figures.

Table 23. Austria: Indicators of Trade Competitiveness and Performance 1/

(Annual percentage change)

	1979	1980	1981	1982	1983 <u>2/</u> 1st half
Trade					
Terms of trade	-1.3	-5.1	-4.0	4.1	2.7
Export unit value	4.1	5.0	6.1	4.5	-0.1
Import unit value	5.5	10.6	10.5	0.3	-2.7
Export performance					
Volume of exports	10.9	4.4	4.9	1.4	0.4
Market growth <u>3/</u>	8.2	3.2	0.5	-0.3	-0.3
Growth of market share	2.5	1.2	4.4	1.7	0.7
Cost and price indicators					
Wholesale prices	4.2	8.6	8.1	3.1	-0.7
Relative wholesale prices <u>4</u> <u>5/</u>	-0.7	-0.7	-5.1	0.7	-0.6
Relative export unit value <u>4</u> <u>5/</u> -adjusted for exchange rate changes	-1.6	-3.4	-6.9	--	0.6
-in national currencies	-4.6	-5.9	-2.9	-4.1	-3.5
Unit labor costs <u>4/</u>					
Austria (in national currency)	-1.5	4.7	5.9	3.0	1.5
Germany (in national currency)	2.3	7.3	4.6	3.6	1.6
Relative unit labor costs <u>5/</u> -adjusted for exchange rate changes	-3.1	-1.5	-4.6	0.6	3.5
-in national currencies	-6.0	-4.1	-0.6	-3.4	-0.7

Sources: Austrian Statistical Office, Aussenhandel Österreichs and Statistische Nachrichten; IMF, Data Fund; and Fund staff calculations and estimates.

1/ Austrian merchandise trade on a special trade basis unless indicated otherwise.

2/ Change from the corresponding period of 1982.

3/ Calculated by Fund staff, based on non-oil import volumes of Austria's trading partners.

4/ Manufactures, as calculated by the Austrian Institute for Economic Research.

5/ Based on a weighted average for 13 industrial countries.

Table 24. Austria: Merchandise Exports 1/
(Percentage change from corresponding period of preceding year)

SITC Code	Product Category	1982	1976	1982	1980	1981	1982	1983	1980	1981	1982	1983
		Billions of schillings	Percent of total		Value				Volume			
								1st half				1st half
0	Food products	10.5	3.7	3.9	14.5	18.6	11.4	4.4	2.1	2.2	13.6	11.3
1	Beverages and tobacco	1.6	0.4	0.6	9.0	12.2	18.3	-33.9	5.8	1.3	9.7	-25.8
2	Raw materials	17.4	8.6	6.5	15.6	-2.8	-10.1	-1.8	3.7	-5.5	-5.3	7.7
3	Energy products	4.1	1.9	1.5	19.5	23.3	-6.8	0.2	8.8	5.6	-10.8	2.2
4	Natural oils and fats	0.2	0.1	0.1	-10.2	8.7	36.7	2.5	9.2	-0.7	26.9	13.1
5	Chemical products	24.1	7.7	9.0	14.2	16.4	3.5	4.6	9.2	8.1	2.4	14.1
6	Processed goods	93.5	35.8	35.0	6.5	13.1	2.8	-4.6	0.1	8.2	-1.2	-2.8
7	Machinery and transport equipment	78.2	27.8	29.5	7.6	10.3	14.0	4.5	7.9	2.5	4.9	-2.4
8	Other manufactured goods	35.9	13.9	13.5	13.6	11.7	7.6	5.1	9.0	9.0	0.7	2.3
9	Other goods	0.6	0.2	0.2								
	Total merchandise	266.9	100.0	100.0	9.7	11.3	6.0	0.3	4.4	4.9	1.4	0.4

Sources: Austrian Statistical Office, Der Aussenhandel Osterreichs, and Statistisches Handbuch; Austrian National Bank, Mitteilungen; and WIFO, Monatsberichte.

1/ On a special trade basis; figures may not add up due to rounding.

Table 25. Austria: Geographic Distribution of Foreign Trade

	1973	1982	1978	1979	1980	1981	1982	1983
	As percent of total		Percentage changes over same period of preceding year					
								1st half
Exports								
EC countries <u>1/</u>	49.2	53.1	15.3	19.6	11.4	8.2	6.5	1.8
Of which:								
Germany	(21.8)	(29.3)	(19.3)	(21.9)	(11.6)	(5.1)	(6.8)	(5.3)
United Kingdom	(7.6)	(4.3)	(16.1)	(5.8)	(-9.6)	(26.9)	(9.5)	(-6.9)
Italy	(10.5)	(9.1)	(6.1)	(30.0)	(22.8)	(2.2)	(-4.3)	(-4.0)
EFTA countries <u>2/</u>	18.2	11.7	3.7	12.0	11.4	8.3	2.5	-9.7
Of which:								
Switzerland	(10.9)	(7.0)	(19.0)	(10.8)	(12.2)	(9.1)	(0.8)	(-7.6)
Other OECD countries <u>3/</u>	7.7	4.7	16.5	1.1	-2.8	28.3	15.0	-1.2
Of which:								
United States	(4.2)	(2.9)	(4.7)	(-0.7)	(-5.9)	(32.1)	(20.4)	(-10.3)
Japan	(0.8)	(0.9)	(41.1)	(53.4)	(17.7)	(20.7)	(7.9)	(22.1)
State trading countries <u>4/</u>	11.9	11.1	3.1	10.1	2.4	5.5	3.1	6.3
Of which:								
U.S.S.R.	(1.7)	(3.5)	(16.7)	(26.9)	(-9.5)	(25.0)	(21.9)	(12.8)
OPEC countries	2.3	7.7	-8.0	-3.0	53.1	43.5	12.6	6.5
Other countries	10.7	11.7	-1.2	39.0	-1.1	22.5	2.5	-12.8
Total	100.0	100.0	8.9	17.1	9.7	11.3	6.0	0.3
Imports from								
EC countries <u>1/</u>	64.5	61.2	-1.1	15.2	12.5	0.3	3.2	0.8
Of which:								
Germany	(41.7)	(40.6)	(1.3)	(13.7)	(12.8)	(0.9)	(3.8)	(1.0)
United Kingdom	(5.2)	(2.2)	(-11.2)	(9.8)	(10.5)	(-9.7)	(-7.0)	(-0.3)
Italy	(7.4)	(8.6)	(0.2)	(21.9)	(14.4)	(-2.9)	(3.1)	(0.9)
EFTA countries <u>2/</u>	12.0	7.7	-3.5	7.7	10.2	1.9	0.7	(-1.6)
Of which:								
Switzerland	(7.4)	(4.8)	(1.9)	(1.6)	(9.0)	(1.1)	(-0.2)	(-2.2)
Other OECD countries <u>3/</u>	5.8	7.2	-3.4	19.7	32.4	23.2	-4.6	0.5
Of which:								
United States	(3.1)	(3.8)	(0.3)	(21.6)	(24.9)	(28.1)	(-8.6)	(-8.7)
Japan	(1.7)	(2.8)	(-7.2)	(18.3)	(50.6)	(20.1)	(2.2)	(21.6)
State trading countries <u>4/</u>	8.4	11.1	-1.5	16.6	29.4	29.6	-7.1	(-11.6)
Of which:								
U.S.S.R.	(1.9)	(5.1)	(5.3)	(15.8)	(29.1)	(57.3)	(-19.1)	(-20.7)
OPEC countries	2.5	5.4	1.9	52.6	56.4	10.4	-28.3	(-10.0)
Other countries	6.8	7.4	0.9	14.8	8.9	10.6	11.5	-9.2
Total	100.0	100.0	-1.3	16.4	17.0	5.9	-0.6	-1.4

Sources: Austrian National Bank, *Mitteilungen*; Austrian Institute for Economic Research, *Statistische Übersichten*; and Austrian Statistical Office, *Statistische Nachrichten*.

1/ Changes through 1980 are based on the EC excluding Greece.

2/ Including Finland.

3/ Japan, Canada, the United States, Australia, New Zealand and, for changes through 1980, Greece.

4/ Member countries of the Council for Mutual Economic Assistance (Comecon).

Table 26. Austria: Merchandise Imports ^{1/}
(Percentage change from corresponding period of preceding year)

SITC Code	Product Category	1982	1976	1982	1980	1981	1982	1983	1980	1981	1982	1983
		Billions of schillings	Percent of total		Value				Volume			
								1st half				1st half
0	Food products	19.3	6.6	5.8	10.8	7.9	2.2	-5.0	6.6	--	1.1	-0.8
1	Beverages and tobacco	1.5	0.6	0.5	-2.8	12.7	-0.8	-18.1	-2.1	10.9	-12.5	-25.5
2	Raw materials	21.7	6.6	6.5	13.3	5.3	-1.9	-3.3	5.0	-1.6	2.0	6.6
3	Energy products	53.7	12.2	16.1	46.7	27.5	-14.0	-14.4	2.6	-5.7	-12.0	-7.9
4	Natural oils and fats	1.4	0.6	0.4	-5.1	12.2	-3.7	-9.1	3.9	4.4	0.1	1.6
5	Chemical products	33.1	9.3	10.1	10.2	5.0	7.9	1.3	3.6	-2.0	5.0	3.6
6	Processed goods	61.6	19.3	18.5	15.9	-0.6	1.6	-3.4	8.5	-4.9	-1.4	-3.4
7	Machinery and transport equipment	92.4	31.4	27.8	12.8	1.3	1.0	5.1	9.5	-4.9	--	7.1
8	Other manufactured goods	47.1	13.3	14.2	12.7	-0.4	6.0	5.8	4.3	-5.3	4.9	4.5
9	Other goods	0.7	0.1	0.2								
	Total merchandise	332.6	100.0	100.0	17.0	5.9	-0.6	-1.3	6.3	-4.1	-1.2	1.4

Sources: Austrian Statistical Office, Der Aussenhandel Osterreichs, and Statistisches Handbuch; and WIFO, Monatsberichte.

^{1/} On a special trade basis; figures may not add up due to rounding.

Table 27. Austria: Balance on Services and Transfers 1/

(In billions of schillings)

	1978	1979	1980	1981	1982	1982 1st half	1983 <u>2/</u>
Tourism, net	32.9	35.4	42.9	46.4	49.2	23.2	21.3
Credit	68.6	75.0	83.4	91.0	95.0	39.5	39.8
Debit	35.6	39.6	40.4	44.6	45.8	16.3	18.5
Investment income, net	-7.1	-6.4	-6.8	-7.4	-7.0	4.5	-2.3
Credit	14.1	20.6	32.4	50.5	53.6	27.4	22.9
Debit	21.2	27.1	39.2	57.9	60.6	31.8	25.2
Other services, <u>3/</u> net	4.6	5.9	6.1	2.4	4.0	2.4	1.3
Services, net <u>4/</u>	30.5	34.9	42.2	41.4	46.2	21.1	20.3
Estimated workers' remittances	-0.4	-0.5	-0.9	-0.9	-0.4	...	...
Other private transfers, net	0.5	1.2	0.1	--	-0.2	...	...
Official transfers, net	-0.2	-0.3	-0.4	-0.5	-0.6	-0.4	-0.4
Transfers, net	-0.1	-0.4	-1.1	-1.4	-1.2	1.4	0.7
Services and transfers, net	30.3	35.3	41.0	40.0	44.9	42.8	44.2

Sources: Austrian Statistical Office, Statistische Übersichten; and Austrian National Bank, Zahlungsbilanz Österreichs.

1/ Figures may not add up due to rounding.

2/ Partial-year data are not comparable with annual data; see Table 22, footnote 3.

3/ Transport, insurance, patents, diplomatic corps. etc.

4/ Excluding services which may be included in Table 22 as unclassified goods and services (e.g., in connection with deliveries and installation of capital equipment).

Table 28. Austria: Overnight Stays of Foreign Visitors

	1976	1982	1978	1979	1980	1981	1982	1983 1st half
	As percent of total		Percentage changes over same period in preceding year					
Federal Republic of Germany	76.4	69.7	2.1	3.0	5.4	0.6	-4.9	-1.5
Benelux countries	10.8	13.7	15.9	10.0	6.5	5.7	-7.6	1.4
United Kingdom	2.3	4.0	3.4	6.9	43.5	21.5	32.7	19.7
France	1.7	2.4	-0.6	13.3	14.2	19.3	12.0	4.8
United States	1.7	1.6	-10.9	-14.3	22.2	-12.2	22.9	5.3
Other	<u>7.1</u>	<u>8.6</u>	<u>5.0</u>	<u>9.2</u>	<u>3.5</u>	<u>8.2</u>	<u>4.5</u>	<u>-4.2</u>
Total	100.0	100.0	3.7	4.3	6.3	2.6	-2.8	-0.4

Source: Austrian National Bank, Mitteilungen.

Table 29. Austria: Long-term Capital Movements ^{1/}

(In millions of schillings)

	1979	1980	1981	1982	1982 1st half	1983 ^{2/}
Total long-term capital (net)	<u>-7,172</u>	<u>7,084</u>	<u>15,040</u>	<u>-9,864</u>	<u>-607</u>	<u>-12,663</u>
By sectors:						
Private (net)	-9,340	1,145	2,759	-24,041	-8,116	-16,262
Of which:						
Banks	(-9,913)	(-4,716)	(-3,325)	(-28,529)	(-10,707)	(-14,749)
Nonbank private sector	(573)	(5,861)	(6,084)	(4,488)	(2,591)	(-1,513)
Public authorities (net)	2,073	6,102	12,307	14,476	7,713	3,658
Austrian National Bank	97	-164	-26	-300	-203	-60
By transactions:						
Austrian claims abroad (net; increase -)	<u>-21,163</u>	<u>-29,433</u>	<u>-40,906</u>	<u>-33,057</u>	<u>-15,370</u>	<u>-22,498</u>
Loans	-16,669	-26,290	-36,552	-28,880	-13,059	-16,162
Fixed-interest securities ^{3/}	-3,714	-1,168	-192	-987	-1,184	-4,496
Shares	205	-33	694	462	67	-503
Participations ^{4/}	-1,351	-1,541	-3,600	-2,960	-700	-1,058
Others ^{5/}	366	-401	-1,257	-692	-494	279
Foreign claims in Austria (net)	<u>13,991</u>	<u>36,517</u>	<u>55,946</u>	<u>23,193</u>	<u>14,763</u>	<u>9,835</u>
Loans	5,988	10,665	20,116	-4,706	387	-2,436
Fixed-interest securities ^{6/}	5,591	21,643	29,434	25,971	14,573	10,543
Shares	-203	130	-20	88	44	216
Participations	2,558	3,109	5,068	3,518	2,197	1,289
Others ^{5/}	56	70	1,348	-1,678	-2,438	223

Source: Austrian National Bank, Zahlungsbilanz Österreichs and Bericht über das Geschäftsjahr, 1982.^{1/} Figures may not add up due to rounding.^{2/} Preliminary.^{3/} Including long-term lending abroad by the National Bank.^{4/} Including government participation in international financial organizations.^{5/} Including investment certificates.^{6/} Schilling and foreign currency.

Table 30. Austria: Short-Term Capital Movements

(In millions of schillings)

	1979	1980	1981	1982	1982 1st half	1983 1/
Banks, net	<u>7,256</u>	<u>38,313</u>	<u>7,984</u>	<u>-2,939</u>	<u>841</u>	<u>7,868</u>
Assets (increase -)	-38,782	-32,000	-19,694	-33,763	-12,825	-13,180
Liabilities	46,038	70,313	27,678	30,824	13,666	21,048
Private nonbanks, net	<u>-4,254</u>	<u>-1,705</u>	<u>-35</u>	<u>-6,591</u>	<u>237</u>	<u>82</u>
Assets (increase -)	-7,048	-4,501	-3,596	-5,271	-16	-287
Liabilities	2,794	2,796	3,561	-1,320	253	369
Public authorities, net	242	-3,505	2,039	330	-4,028	1,087
Total short-term capital transactions, net (capital inflow +)	3,244	33,104	9,988	-9,200	-3,130	9,037

Source: Austrian National Bank, Mitteilungen (Zahlungsbilanz Österreichs).

1/ Preliminary. Partial-year data is not comparable with data for the whole year.

Table 31. Austria: International Position of the Austrian National Bank

(End of period; in millions of schillings)

	1978	1979	1980	1981	1982	1983		
						March	June	Sept.
Gross official reserves	96,830	89,996	112,419	123,736	128,282	125,942	124,121	127,504
Gold <u>1/</u>	24,466	39,396	39,397	39,397	39,411	39,417	39,420	39,423
SDRs	1,822	2,551	3,054	3,434	4,169	4,191	4,503	4,447
Reserve position in the Fund <u>2/</u>	4,429	3,792	4,023	4,142	4,763	6,120	6,804	6,917
Foreign exchange	60,981	44,133	65,601	76,130	79,274	75,534	72,679	75,995
Other	133	124	344	633	665	680	715	722
Foreign exchange liabilities	2,694	4,938	1,271	486	486	467	298	286
Net official reserves	94,136	85,058	111,148	123,250	127,796	125,475	123,823	127,218
Gross official reserves (In millions of SDRs)	5,560	5,496	6,383	6,692	6,969	6,847	6,494	6,503
Gross official reserves in percent of imports in preceding 12 months	41.8	33.3	35.6	37.0	38.6	34.8	33.9	34.8

Source: Austrian National Bank, Mitteilungen.

1/ Gold has been valued at S 60,000 per kilogram since December 31, 1979; before it was valued at S45,000 (as of December 31, 1978) and S 27,600 (before December 31, 1978) per kilogram. The revaluation of gold implied an increase of S 11,394 billion in 1978 and S 9,849 billion in 1979 in the recorded value of gold.

2/ Including lending to the 1975 oil facility.

Table 32. Austria: Net Foreign Position 1/
(End of period; in billions of schillings)

	1978	1979	1980	1981 <u>2/</u>	1982 <u>2/</u>
Nonbank private sector <u>3/</u>	<u>-65</u>	<u>-65</u>	<u>-72</u>	<u>-78</u>	<u>-79</u>
Assets	22	25	27	35	44
Liabilities	87	90	99	113	123
Banks <u>4/</u>	<u>-13</u>	<u>-11</u>	<u>-44</u>	<u>-48</u>	<u>-18</u>
Assets	183	240	300	357	418
Liabilities	196	252	344	406	436
Austrian National Bank <u>5/</u>	<u>130</u>	<u>183</u>	<u>246</u>	<u>220</u>	<u>246</u>
Assets	132	187	247	220	247
Liabilities	3	5	1	--	--
Public sector	<u>-51</u>	<u>-54</u>	<u>-56</u>	<u>-70</u>	<u>-83</u>
Assets	4	5	8	7	9
Liabilities	56	58	65	77	94
Total					
Assets	341	457	582	619	718
Liabilities	342	405	509	596	653
Net foreign position	-1	52	71	23	65
Memorandum item:					
Net foreign position in percent of GDP	-0.1	5.6	7.1	2.2	5.7

Sources: Austrian National Bank, *Mitteilungen*; and WIFO, *Monatsberichte*; and Fund staff estimates.

1/ Figures may not add up due to rounding. Because of definitional and methodological differences, the figures are not comparable with the balance of payments data.

2/ Figures for nonbank private and public sectors estimated on the basis of balance of payments data.

3/ Including trade credits and revised data for foreign indebtedness and direct investment. Data are derived from surveys.

4/ Data are derived from "Auslandsstatus der Kreditunternehmen" (assets and liabilities of banks).

5/ Gold valued at market price.

Table 33. Austria: The Development of Cash Flows in the Industrial Sector

	1973	1974	1975	1976	1977	1978	1979	1980 <u>1/</u>	1981 <u>1/</u>	1982 <u>1/</u>	1983 <u>1/</u>
Cash flows (in millions of schillings)	13,863	18,934	15,082	18,108	14,067	14,941	18,421	18,142	17,800	18,000	17,500
(percentage change)	(0.6)	(36.6)	(-20.3)	(20.1)	(-22.3)	(6.2)	(23.3)	(-1.5)	(-2.0)	(1.0)	(-3.0)
Cash flow ratio <u>2/</u>											
Total industry	26.3	28.6	23.0	25.0	18.9	19.1	21.8	20.2	18.0	17.7	17.2
Basic sector	30.4	30.3	18.1	22.7	16.8	20.6	23.4	16.5	15.5	13.5	13.0
Chemical industry	26.7	36.0	39.8	28.1	9.2	4.5	16.8	21.1	20.2	17.2	17.0
Construction sector	19.2	30.9	26.5	29.0	28.1	22.4	24.7	42.2	19.5	16.7	16.0
High-technology industries	20.0	21.9	23.6	27.5	23.2	22.5	18.6	22.6	23.7	25.9	23.0
Consumption industries	22.4	22.6	28.5	26.0	27.1	15.6	25.7	25.3	17.1	22.2	25.0
Use of cash flows	(In percent of total cash flows)										
Investments in fixed capital	78.5	77.6	58.5	68.8	57.0	54.9	61.8	53.6	50.7	45.6	...
Financial investments	4.3	5.9	21.6	12.4	17.5	18.3	11.0	22.8	21.1	28.5	...
Redemption	11.9	10.2	14.3	13.4	19.5	19.8	19.2	15.5	20.7	20.4	...
Dividends	5.3	6.3	5.6	5.4	6.0	7.0	8.0	8.0	6.5	5.5	...

Source: Austrian Institute for Economic Research, Monatsberichte, 10/1982; and Entwicklung des industriellen Cash Flow 1980 bis 1983, September 1983.

1/ Estimate.

2/ Cash flow in relation to gross income.

Table 34. Austria: Self-Financing Ratios (Narrow and Broad Sense) in Industry ^{1/}
(In percent of total liabilities)

	1973	1974	1975	1976	1977	1978	1979	1980	1981
Mining and foundries									
a	27.6	24.0	25.4	20.2	22.5	23.0	24.0	19.2	18.2
b	40.7	37.0	38.8	33.9	32.3	34.5	34.1	34.5	25.6
Machinery									
a	26.2	22.1	19.4	19.1	16.7	15.4	15.4	17.0	13.6
b	32.2	27.1	25.6	25.2	24.6	23.7	22.2	23.3	20.8
Iron and metals									
a	36.1	29.5	27.9	26.1	23.0	19.0	19.2	18.4	19.7
b	42.1	34.4	35.2	35.0	30.2	31.8	29.4	24.3	27.7
Chemicals									
a	27.1	26.3	26.8	26.8	26.1	24.8	23.6	23.8	20.4
b	29.9	31.7	33.0	35.0	34.0	31.8	30.8	31.5	28.9
Glass and stones									
a	36.5	33.6	36.2	31.2	32.3	30.9	28.4	27.1	26.3
b	42.2	40.0	39.5	39.6	37.7	37.3	35.3	37.0	33.3
Electronics									
a	25.6	24.1	24.2	21.3	21.6	22.4	21.7	24.0	24.9
b	31.9	31.8	32.6	29.3	31.5	30.7	27.3	31.5	32.2
Paper									
a	23.0	28.8	27.0	24.9	17.6	17.2	18.6	20.3	27.7
b	31.5	33.0	32.2	30.5	23.0	25.7	25.0	26.7	26.7
Wood									
a	26.9	25.1	16.4	15.1	14.1	10.9	17.9	16.4	11.1
b	29.6	29.7	20.6	16.3	16.3	14.0	20.0	18.2	15.1
Textiles									
a	28.0	25.4	26.7	20.8	18.2	19.2	19.2	19.2	19.4
b	29.8	28.4	29.7	24.3	21.6	22.0	23.6	26.4	24.3
Clothing									
a	17.1	21.8	22.2	22.0	17.8	14.6	16.0	17.0	18.5
b	24.4	32.6	29.3	28.4	22.4	20.0	19.9	24.2	26.0
Food									
a	23.0	23.5	19.6	26.0	23.8	24.8	24.3	24.6	25.2
b	28.3	27.4	25.8	32.0	31.8	30.9	29.6	29.2	32.0
Construction									
a	11.8	15.1	9.7	10.8	10.0	10.5	7.4	9.0	7.9
b	15.2	17.5	11.8	15.4	14.9	15.1	11.5	13.9	15.4
Industry, total									
a	26.6	24.9	23.2	22.0	19.9	19.2	19.3	19.6	18.9
b	32.4	31.0	29.9	28.8	27.1	25.7	25.6	26.2	25.7

Source: Austrian National Bank, Mitteilungen, 10/1982; and data provided by the National Bank.

^{1/} Own capital in relation to total liabilities is presented in a narrow sense (a), which includes obligatory and voluntary reserves and in a broad sense (b), which, in addition, includes pension reserves and investment reserves.

Table 35. Austria: Indicators for Industry Profitability and Costs
(In percent of turnover)

	1973	1974	1975	1976	1977	1978	1979	1980	1981
Profits (after tax)	3.5	3.7	2.7	2.9	2.5	2.2	2.6	2.6	2.0
Raw material costs	48.9	50.0	48.7	49.5	50.1	50.4	50.5	52.4	51.5
Personnel costs	27.4	26.7	28.8	28.1	28.4	28.8	28.5	27.4	27.9
Interest costs	1.9	2.1	2.3	2.2	2.1	2.2	2.0	2.3	2.7

Source: Austrian National Bank, Mitteilungen, 10/1982; and data provided by the National Bank.

Table 36. Austria: Indicators of Industry Profitability

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	
											IQ	IIQ
(Percentage change from preceding year)												
Industrial prices (excluding energy)	...	...	...	...	...	...	...	...	7.2	4.8	2.4	
Wholesale prices	1.4	14.9	6.5	5.9	2.9	1.0	4.2	8.6	8.1	3.1	0.4	-1.8
Export unit values (schilling terms)	5.7	16.8	3.8	-0.1	2.4	2.2	5.6	5.0	6.1	4.5	0.3	-0.9
Raw material prices, HWWA 1/	46.6	71.0	-10.7	6.0	9.1	0.6	32.7	44.4	5.5	-5.3	...	...
Unit labor costs (schilling terms), IMF	9.1	10.6	16.3	--	5.4	2.7	-1.2	4.8	6.9	2.7	2.5	1.4
WIFO	10.3	9.3	16.4	-0.4	6.4	2.2	-1.5	4.7	7.7	3.3	2.7	0.3
(Index 1979 = 100)												
Profitability in manu- facturing exports 2/	99.4	109.7	100.8	97.7	95.3	95.8	100.0	99.3	99.2	101.7	...	..
Relative profitability in manufacturing exports 3/	104.0	110.3	104.7	97.6	95.7	98.2	100.0	99.0	98.3	99.0	...	..
Government bond yields (In percent per annum)	8.3	9.7	9.6	8.8	8.7	8.1	7.9	9.2	10.6	9.9	8.3	8.1
(Index 1980 = 100)												
Memorandum items:												
Relative unit labor costs	94.9	99.8	106.0	104.8	107.6	107.0	104.0	100.0	92.6	94.2	95.0	..
Relative export unit values	103.0	101.4	108.0	105.7	104.0	105.4	103.7	100.0	93.2	93.2	92.3	..
Industrial production (Change in percent)	4.8	4.7	-7.3	7.0	3.5	2.7	7.4	2.7	-1.8	-1.0	-4.7	0

Sources: Austrian Institute for Economic Research, Monatsberichte; IMF Data Fund; and German Federal Statistical Office, Internationale Monatszahlen.

1/ Schilling terms; including energy products.

2/ Index of export unit values for manufacturing goods (SITC 5-8) divided by unit labor costs in manufacturing industry.

3/ Index comparing the profitability in manufacturing goods in Austria (see footnote 2) to that in ten partner industrial countries.

Table 37. Austria: Development of Export Shares

(In percent)

	Nominal 1/					Real 2/	
	Industrial countries	Oil-exporting developing countries	State trading countries	Other countries	Total	Industrial countries	Total
1970	1.30	0.67	4.58	1.02	1.30	1.29	1.28
1971	1.30	0.64	4.46	1.01	1.29	1.26	1.25
1972	1.35	0.70	4.00	0.98	1.32	1.31	1.28
1973	1.35	0.75	3.59	0.99	1.32	1.26	1.24
1974	1.31	0.82	4.44	1.13	1.34	1.25	1.27
1975	1.29	0.80	4.11	1.08	1.32	1.23	1.26
1976	1.31	1.09	3.95	1.07	1.34	1.29	1.33
1977	1.38	0.85	4.22	1.08	1.37	1.31	1.31
1978	1.49	0.76	4.30	1.06	1.42	1.41	1.34
1979	1.50	0.82	4.44	1.16	1.47	1.44	1.41
1980	1.48	1.00	4.22	0.95	1.41	1.48	1.41
1981	1.37	0.99	3.70	0.92	1.30	1.53	1.45
1982	1.41	1.08	3.93	0.95	1.35	1.56	1.50
Share of Austrian exports (1982)	69.2	7.7	8.2	14.9	100.0	...	...

Sources: IMF, Direction of Trade Statistics, and International Financial Statistics; and IMF staff calculations.

1/ Austrian exports to respective region in relation to industrial countries' export to the same region; calculated in U.S. dollar terms.

2/ Nominal export share deflated by relative export unit values (1980 = 100).

Table 38. Austria: Development of Nominal Market Shares in Europe 1/

(In percent)

	United Kingdom	Belgium	France	Germany	Italy	Netherlands	Switzerland
1970	1.20	0.37	0.44	2.91	2.74	0.77	5.13
1971	1.41	0.37	0.46	2.75	2.76	0.76	5.49
1972	1.55	0.34	0.46	2.79	2.84	0.87	5.88
1973	1.48	0.34	0.45	2.78	2.94	0.85	5.62
1974	1.28	0.40	0.46	2.91	2.77	0.84	5.71
1975	1.16	0.47	0.51	3.06	2.53	0.69	5.13
1976	1.09	0.43	0.55	3.18	2.90	0.77	4.85
1977	1.01	0.45	0.61	3.60	3.02	0.83	4.56
1978	1.08	0.46	0.72	3.97	3.04	0.92	4.58
1979	0.90	0.47	0.67	4.06	3.14	0.81	4.48
1980	0.74	0.46	0.68	4.03	3.13	0.80	4.26
1981	0.83	0.44	0.72	3.90	3.03	0.78	4.46
1982	0.87	0.52	0.84	4.05	2.79	0.80	4.48
Share of Austrian exports (1982)	4.3	1.6	4.2	29.3	9.1	2.4	7.0

Sources: IMF, Direction of Trade Statistics; and IMF staff calculations.

1/ Austrian exports to respective country in relation to that country's imports from industrial countries. These figures indicate general magnitudes and direction of change only because of lack of precise comparability between exports, recorded on an f.o.b. basis, and imports, generally recorded on a c.i.f. basis.

Table 39. Austria: Structure of Exports 1/

(In percent of total export value)

SITC Category Exports to:	0	1	2	3	4	5	6	7	8	9	Total
1970											
OECD Europe	3.6	0.1	8.1	2.2	--	2.4	27.3	14.4	10.3	--	68.4
Other OECD	0.3	--	0.1	--	--	0.1	1.5	2.3	1.8	--	6.0
Middle East	--	--	0.2	--	--	0.2	0.8	0.4	0.1	--	1.8
Other countries	<u>0.5</u>	<u>0.1</u>	<u>1.6</u>	<u>0.3</u>	<u>--</u>	<u>2.9</u>	<u>9.9</u>	<u>7.0</u>	<u>1.5</u>	<u>--</u>	<u>23.8</u>
Total	4.4	0.2	10.0	2.5	--	5.6	39.5	24.1	13.7	--	100.0
1981											
OECD Europe	2.0	0.4	5.8	1.5	0.1	5.3	21.6	15.9	10.1	--	62.6
Other OECD	0.4	--	0.1	--	--	0.5	2.9	2.5	1.5	--	7.8
Middle East	0.3	0.1	0.2	--	--	0.6	1.8	2.1	0.3	--	5.5
Other countries	<u>1.0</u>	<u>0.1</u>	<u>1.4</u>	<u>0.3</u>	<u>--</u>	<u>2.8</u>	<u>10.1</u>	<u>6.9</u>	<u>1.4</u>	<u>--</u>	<u>24.1</u>
Total	3.7	0.6	7.5	1.8	0.1	9.2	36.4	27.4	13.3	0.1	100.0

Sources: OECD, Foreign Trade Statistics, Series B, and Microtables; and IMF staff calculations.1/ Figures may not add up due to rounding.

Table 40. Austria: The Structure of Export Growth ^{1/}
(In percent per annum)

SITC Category	0	1	2	3	4	5	6	7	8	9	Total
OECD exports to:											
OECD-Europe	19.5	20.8	17.3	38.5	17.1	23.2	18.4	21.7	22.5	24.8	21.4
Other OECD	7.2	7.8	7.9	17.2	0.3	9.0	6.9	10.7	7.3	12.1	9.5
Middle East	31.5	24.7	20.2	42.0	18.3	24.8	27.3	30.1	31.6	32.0	29.1
Other	<u>22.5</u>	<u>14.4</u>	<u>20.0</u>	<u>24.9</u>	<u>16.2</u>	<u>17.2</u>	<u>15.7</u>	<u>17.4</u>	<u>17.4</u>	<u>14.6</u>	<u>17.7</u>
Total	18.1	14.9	14.3	26.4	14.5	17.8	14.8	17.1	16.9	16.8	17.0
Austrian exports to:											
OECD-Europe	11.0	28.3	13.4	12.7	21.7	25.7	14.4	17.9	16.7	18.5	15.9
Other OECD	19.8	16.0	15.2	...	...	38.6	23.7	17.7	14.7	...	19.5
Middle East	43.1	...	14.4	...	...	29.1	26.0	35.0	29.0	...	29.2
Other	<u>24.8</u>	<u>19.5</u>	<u>15.4</u>	<u>14.3</u>	<u>...</u>	<u>16.4</u>	<u>17.2</u>	<u>17.0</u>	<u>15.8</u>	<u>...</u>	<u>17.0</u>
Total	15.2	27.6	13.8	13.1	24.5	22.2	16.0	18.2	16.5	25.5	16.8
Change in Austrian export export shares ^{2/} to:											
OECD-Europe	-8.5	7.5	-3.9	-25.8	4.6	2.5	-4.0	-3.8	-5.8	-6.3	-5.5
Other OECD	12.6	8.2	7.4	...	...	29.6	16.8	7.0	7.4	...	10.0
Middle East	11.6	...	-5.8	...	...	4.3	-1.3	4.9	-2.6	...	0.1
Other	<u>2.3</u>	<u>5.1</u>	<u>-4.6</u>	<u>-10.6</u>	<u>...</u>	<u>-0.8</u>	<u>1.5</u>	<u>-0.4</u>	<u>-1.6</u>	<u>...</u>	<u>-0.7</u>
Total	-2.9	12.7	-0.5	-13.3	10.0	4.4	2.8	1.1	-0.4	8.7	-0.2

Sources: OECD, Foreign Trade Statistics, series B, and Microtables; and IMF staff calculations.

^{1/} Figures indicate average annual growth rates of nominal exports (in U.S. dollar terms) between 1970 and 1981 for exports from OECD and Austria, respectively, to the different areas indicated.

^{2/} Austrian growth rate less OECD growth rate.

Table 41. Austria: Indicators of Export Performance

(Index, 1980 = 100)

	Real Export Share <u>1/</u>	Real Exchange Rate <u>2/</u>	Relative Export Unit Value <u>3/</u>	Profitability in the Export Sector	
				Austria <u>4/</u>	Relative <u>5/</u>
1970	91.0	84.2	101.1	126.5	123.0
1971	88.4	86.9	103.2	117.7	117.6
1972	91.0	89.0	103.3	109.0	112.6
1973	87.8	95.0	106.9	104.3	108.9
1974	90.3	99.8	104.8	104.8	101.9
1975	89.6	105.9	104.8	103.2	102.3
1976	94.5	104.8	101.0	101.3	101.2
1977	92.6	107.6	104.8	96.1	97.0
1978	95.0	107.0	105.8	95.8	98.9
1979	100.1	104.0	104.2	98.4	100.0
1980	100.0	100.0	100.0	100.0	100.0
1981	102.9	92.6	89.5	101.6	100.6
1982	106.2	94.1	90.4	103.2	99.1

Sources: IMF, International Financial Statistics, and Direction of Trade Statistics.

1/ Austrian real total exports relative to industrial countries' real total exports (from Table 37).

2/ Relative normalized unit labor costs (manufacturing) corrected for exchange rate changes.

3/ Austrian export unit value relative to industrial countries' export unit value (both in U.S. dollar terms).

4/ Austrian export unit value relative to normalized unit labor costs (both in schilling terms in manufacturing).

5/ Austrian profitability in the export sector (cf. note 4) relative to partner countries' profitability in their export sectors (in national currency terms, in manufacturing).

Table 42. Austria: Indicators for Tourism Revenue and Expenditure

(In millions of schillings)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1982 First half	1983
Trade balance	-33,766	-32,271	-30,629	-52,516	-71,296	-50,675	-58,658	-87,483	-77,130	-62,613	-32,860	-29,413
Credit	113,853	156,266	145,576	168,890	180,634	194,079	227,474	247,787	284,659	298,930	149,022	154,124
Debit	147,619	188,536	176,205	221,406	251,930	244,748	286,132	335,270	361,789	361,543	181,882	183,537
Services balance	28,198	26,445	27,620	28,053	24,414	30,465	34,855	42,159	41,393	46,158	21,051	20,258
Credit	60,809	67,208	48,450	86,527	95,406	107,403	125,705	150,649	177,136	187,269	90,277	82,237
Debit	32,582	40,763	18,922	58,474	70,992	76,938	90,850	108,491	135,743	141,111	69,225	61,978
Of which:												
Tourism balance	29,609	26,147	29,527	29,208	27,254	32,932	35,373	42,938	46,398	49,234	23,158	21,324
Credit	42,895	42,773	48,450	56,437	61,958	68,552	75,010	83,363	90,952	95,031	39,497	39,838
Debit	13,286	16,626	18,922	27,228	34,704	35,620	39,636	40,424	44,554	45,797	16,339	18,514
Current Account balance	-5,324	-8,704	-3,346	-18,901	-35,283	-9,211	-14,098	-21,376	-21,408	12,184	-2,239	4,417
Tourism revenue (gross) in percent of total exports of goods and services	24.6	19.1	25.0	22.1	22.4	22.7	21.2	20.9	19.7	19.5	16.5	16.9
Tourism revenue (gross) in percent of GDP	7.9	6.9	7.3	8.5	7.8	8.1	8.1	8.4	8.6	8.3	7.0	6.6
Tourism expenditure (gross) in percent of GDP	2.4	2.7	2.8	4.1	4.4	4.2	4.3	4.1	4.2	4.0	2.9	3.1

Source: Austrian National Bank, Mitteilungen.

Table 43. Austria: Overnight Stays

	1973	1982	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	Memorandum items	
	In percent		Percentage change										1973	1982
													In percent	
Total	100.0	100.0	-0.4	7.7	5.7	-0.8	0.6	3.0	3.9	5.5	2.0	-2.3		
Austrian tourists	22.4	24.0	0.4	19.2	2.7	0.1	5.2	0.9	2.6	2.9	0.3	-0.6		
Foreign tourists	77.6	76.0	-0.6	-4.3	6.7	-1.1	-0.9	3.7	4.3	6.3	2.6	-2.8	100.0	100.0
Of which:														
Germany	60.7	53.0	0.6	-1.7	5.6	-3.8	-2.0	2.1	3.1	5.2	0.6	-4.9	78.3	69.7
Netherlands	4.3	8.2	0.8	-3.4	23.7	10.7	9.8	18.0	9.9	7.1	5.8	-5.9	5.6	10.8
United Kingdom	3.2	3.0	-15.8	-42.5	5.3	-3.0	-23.3	3.4	6.9	43.5	21.5	32.7	4.1	4.0
Belgium/Luxembourg	1.4	2.2	5.1	10.2	15.3	18.9	6.8	9.4	10.2	4.6	5.4	-13.2	1.8	2.9
France	1.2	1.8	-1.5	-18.9	14.2	19.2	-8.9	-0.6	13.3	14.2	19.3	12.0	1.5	2.4
Switzerland	1.0	1.2	9.5	8.8	-1.2	7.2	1.3	0.8	12.4	1.9	4.5	5.5	1.3	1.6
United States	1.7	1.2	-14.6	-17.5	-8.1	12.0	3.6	-10.9	-14.3	22.2	-12.2	22.9	2.2	1.6
Sweden	0.7	1.1	-6.0	-4.4	14.2	15.6	4.8	14.6	-3.5	-0.2	11.0	11.9	0.9	1.4
Italy	0.6	0.8	-7.1	-10.0	6.7	-22.3	9.8	8.2	14.5	18.7	18.3	11.8	0.8	1.0
Yugoslavia	0.3	0.4	-10.7	5.1	-14.1	-2.5	13.4	13.3	15.2	4.6	6.8	-3.5	0.4	0.5
Other	2.5	3.1	...	...	...	...	...	...	...	0.9	5.9	0.9	3.1	4.1
Memorandum items:														
German tourism expenditures abroad (in deutsche mark)			17,346	18,234	21,989	22,926	25,490	29,065	31,898	36,609	39,075	39,354		
German tourism expenditures in Austria (in deutsche mark)			4,043	4,132	4,838	5,210	5,469	5,683	6,256	7,394	8,010	8,058		
Austria's market share in German tourism abroad (in percent)			23.3	22.7	22.0	22.7	21.8	19.6	19.6	20.2	20.5	20.5		
Tourist receipts in real terms: ^{1/}														
Austria			2.7	-0.2	3.9	-0.5	4.1	6.8	5.6	4.5	2.2	-1.3		
OECD countries			3.9	-3.7	3.5	6.4	13.2	7.6	3.8	0.4	4.1	-0.3		

Sources: Austrian Statistical Office, Statistische Nachrichten; and OECD, Tourism Policy and International Tourism in OECD member countries.

^{1/} Adjusted for changes in prices and in exchange rates against the U.S. dollar.

Table 44. Austria: Official Financial Assistance to the Tourism Sector

(In millions of schillings)

	1973	1944	1975	1976	1977	1978	1979	1980	1981	1982	1983 <u>1/</u>
European Recovery Program Funds (ERP) <u>2/</u>	150	150	150	300	150	150	150	150	200	220	230
Investment credit institution <u>3/</u>	72	12	12	--	94	39	15	150	59	68	...
Bürges <u>4/</u>	665	540	701	789	1,065	1,468	2,345	2,498	2,072	1,749	1,411 <u>5/</u>
Financing guarantee institution (FGG) <u>6/</u>	80	62	2	91	94	77	81	131	47	40	29 <u>7/</u>
Direct government assistance <u>8/</u>	70	68	75	85	90	248	264	233	197	341	171

Sources: Boltzmann-Institute for Growth Research, Investitionsförderung in Österreich; and data provided by the Ministry of Finance.

1/ Preliminary.

2/ Established in 1962; extends medium-term and long-term investment credits at preferential rates; subject to the approval of the Federal Government.

3/ Österreichische Investitionskredit AG; established in 1957 by major Austrian banks to finance long-term investments. Receives transfers from the Federal Government for subsidization of interest rates.

4/ Extends investment credits at preferential rates to small and medium-sized enterprises; interest rates subsidies amount to 3 percentage points. Receives transfers from the Federal Government.

5/ Up to end-October.

6/ Established in 1977 to extend guarantees for investment financing.

7/ Up to mid-November.

8/ Subsidies of the Federal Government; excluding government transfers in connection with the promotion mentioned in the footnotes 2, 3, 4, and 6.

Table 45. Austria: Development Assistance

	1979	1980	1981	1982	1979	1980	1981	1982
	In millions of schillings				In percent of GDP			
Official development assistance	<u>1,696</u>	<u>2,248</u>	<u>4,990</u>	<u>6,041</u>	0.18	0.23	0.48	0.53
Bilateral	771	1,883	4,055	4,838	0.08	0.19	0.38	0.42
Grants	(508)	(544)	(795)	(870)	(0.06)	(0.05)	(0.08)	(0.08)
Lending	(263)	(1,339)	(3,260)	(3,968)	(0.03)	(0.13)	(0.31)	(0.35)
Multilateral	925	366	935	1,303	0.10	0.04	0.09	0.11
Grants	(215)	(296)	(206)	(254)	(0.02)	(0.03)	(0.02)	(0.02)
Lending and capital	(710)	(69)	(729)	(949)	(0.08)	(0.01)	(0.07)	(0.08)
Official and officially guaranteed export credits (net)	-407	-507	-423	-484	-0.04	-0.05	-0.04	-0.04
Private Development Assistance	2,017	1,448	1,884	-1,484	0.22	0.15	0.13	-0.13
Total	3,306	3,189	6,451	4,093	0.36	0.32	0.61	0.36
Memorandum item:								
Official development assistance								
DAC average <u>1/</u>					0.35	0.35	0.35	0.38

Sources: Office of the Chancellor, Section IV, Group Development Aid, Three Year Program of Austrian Development Aid, 1984-1986; OECD, Development Assistance Committee, DAC Chairman's Report for 1983; data provided by the Austrian authorities; and staff calculations.

1/ Development Assistance Committee of the OECD (17 member countries).

Table 46. Austria: Structure of Energy Supply 1/

(In petajoules)

	1980	1981	1982	1980	1981	1982	1981	1982
				Percent of total			Percentage growth	
Total gross domestic energy supply <u>2/</u>	919.99	873.3	837.6	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	-5.1	-4.1
Of which:								
Coal	156.3	162.8	151.5	17.0	18.6	18.1	4.2	-6.9
Oil and oil products	490.3	440.0	418.5	53.3	50.4	50.0	-10.3	-4.9
Gas	158.6	151.1	147.1	17.2	17.3	17.6	-4.7	-2.6
Electricity	114.7	119.4	120.5	12.5	13.7	14.4	4.1	0.9
Net energy imports	684.6	659.2	577.9	74.4	75.5	69.0	-3.7	-12.3
Of which:								
Coal	117.4	1117.2	119.6	12.8	13.4	14.3	-0.2	2.0
Oil and oil products	469.1	410.1	361.6	51.0	47.0	43.2	-27.9	-11.8
Gas	112.4	148.4	112.3	12.2	17.0	13.4	32.0	-24.3
Electricity	-14.6	-16.5	-15.6	-1.6	-1.9	-1.9	13.0	-5.5

Source: Austrian Institute for Economic Research, Monatsberichte.1/ Preliminary data.2/ Domestic production + imports (imports-exports)-own consumption⁺change in stocks.

Table 47. Austria: Sources and Uses of Energy 1/

(In petajoules)

	1980	1981	1982	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1981</u>	<u>1982</u>
				Percent of total			Percentage growth <u>2/</u>	
Total gross domestic energy supply	<u>919.9</u>	<u>873.3</u>	<u>837.6</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>-5.1</u>	<u>-4.1</u>
Domestic production	299.0	286.1	283.1	32.5	32.8	33.8	-4.3	-1.0
Imports	717.3	693.6	609.1	78.0	79.4	72.7	-2.8	-12.2
Exports (-)	-32.7	-34.5	-31.3	-3.6	-4.0	-3.7	5.5	-3.3
Own consumption (-)	-30.3	-31.0	-28.0	-3.3	-3.5	-3.3	2.3	-9.7
Change in stocks (increase-)	-33.3	-41.0	4.7	-3.6	-4.7	0.1	32.1	-88.5
Uses:								
Nonenergetic uses	69.7	67.1	61.6	7.6	7.7	7.4	-3.7	-8.2
Losses in transformation	95.1	90.1	89.7	10.3	10.3	10.7	-5.3	-0.4
Final consumption	755.1	716.0	686.2	82.1	82.0	81.9	-5.2	-4.2

Source: Austrian Institute for Economic Research, Monatsberichte.1/ Preliminary balance.2/ Increases in exports, own consumption, and stocks:+

Table 48. Austria: Sources and Uses of Energy

	1975	1979	1980	1981	1975	1979	1980	1981
	(In petajoules) <u>1/</u>				(Percent of total)			
Sources:								
Total gross domestic energy supply	867.3	969.3	948.1	893.3	100.0	100.0	100.0	100.0
Domestic production	354.7	363.3	348.0	336.8	40.9	37.5	36.7	37.7
Imports	533.5	714.3	718.1	691.6	61.5	73.7	75.7	77.4
Exports	...	-33.6	-36.1	-38.1	...	-3.5	-3.8	-4.3
Own consumption and losses (-)	...	-56.1	-44.0	-55.2	...	-5.8	-4.6	-6.2
Changes in stocks (increase:-) <u>2/</u>	...	-18.7	-38.0	-41.8	...	-1.9	-4.0	-4.7
Uses:	867.3	969.3	948.1	893.3	100.0	100.0	100.0	100.0
Nonenergetic use	...	72.1	73.1	69.0	...	7.4	7.7	7.7
Losses in transformation	...	114.8	123.2	105.9	...	11.8	13.0	11.9
Increase in stocks <u>3/</u>	...	18.1	2.0	2.8	...	1.9	0.2	0.3
Final consumption	675.6	764.3	749.8	715.6	77.9	78.9	79.1	80.1
Primary sector <u>4/</u>	90.3	90.0	90.5	86.2	10.4	9.3	9.5	9.6
Secondary sector <u>5/</u>	236.8	255.3	253.5	244.3	27.3	26.3	26.7	27.3
Tertiary sector <u>6/</u>	178.5	160.9	148.9	149.6	20.6	16.6	15.7	16.7
Private consumption <u>7/</u>	170.0	265.6	256.8	235.5	19.6	27.4	27.1	26.4

Source: Austrian Central Statistical Office, Statistische Nachrichten.

1/ For approximate conversion to million tons of oil equivalent, multiply by 0.024.

2/ Stocks at producers' and importers' level.

3/ Stocks at end-users' level.

4/ Agriculture and mining.

5/ Industry; energy and water; and construction.

6/ Including tourism and catering.

7/ Energy consumption by private households for heating, illumination, use of private cars, etc.

Table 49. Austria: Structure of Energy Supply

(In petajoules)

	1970	1975	1979	1980	1981
Total gross domestic energy supply	793.7	867.3	969.3	948.1	893.3
Of which:					
Coal	157.5	151.9	155.8
Oil and oil products	513.5	484.4	437.0
Gas	157.7	163.5	144.0
Hydropower	126.4	131.0	138.8
Electricity	-29.3	-29.9	-32.3
Other	43.5	47.2	49.9
Net energy imports	680.6	682.0	653.5
Of which:					
Coal	122.8	117.1	117.2
Oil and oil products	462.7	454.1	395.9
Gas	107.7	124.5	156.6
Electricity	-13.8	-14.3	-16.5
Other	1.3	0.6	0.3

Source: Austrian Statistical Central Office, Statistische Nachrichten.

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