

**FOR
AGENDA**

SM/08/155
Correction 1

June 12, 2008

To: Members of the Executive Board

From: The Secretary

Subject: **Austria—Staff Report for the 2008 Article IV Consultation**

The attached correction to SM/08/155 (5/23/08) has been provided by the staff.

Factual Error Not Affecting the Presentation of Staff's Analysis or Views

Page 28, Table 5, “2007 Percent Quartiles” columns: table replaced to correct data in “Liquid assets to total assets” and “Liquid assets to short-term liabilities” rows.

Questions may be referred to Mr. Hilbers (ext. 35337) and Mr. Lundback (ext. 36612) in EUR.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

Table 4. Austria: General Government Accounts, 2002-10

(In percent of GDP, unless otherwise indicated)

	2002	2003	2004	2005	2006	2007	Proj.		
							2008	2009	2010
Revenue	49.7	49.4	48.8	48.1	47.6	47.5	47.2	47.1	46.0
Taxes on production and imports	14.8	14.7	14.7	14.5	14.1	14.0	13.7	13.5	13.0
Property income	1.5	1.5	1.4	1.4	1.4	1.4	1.3	1.3	1.3
Current taxes on income, wealth, etc.	13.8	13.6	13.3	12.8	12.9	13.4	13.5	13.6	13.4
Social contributions	16.3	16.3	16.1	16.1	16.0	15.7	15.6	15.6	15.1
Expenditure 1/	50.5	50.9	52.7	49.7	49.2	48.2	47.9	47.7	47.3
Intermediate consumption	4.3	4.4	4.4	4.4	4.3	4.3	4.6	4.3	4.2
Compensation of employees	9.5	9.5	9.3	9.3	9.3	9.0	9.0	9.0	8.9
Subsidies, payable	3.3	3.6	3.5	3.4	3.4	3.5	3.5	3.5	3.5
Interest	3.3	3.1	2.9	3.0	2.9	2.8	2.8	2.7	2.6
Social benefits	18.8	19.0	18.7	18.5	18.2	17.6	17.4	17.5	17.5
Transfers	9.8	10.0	12.8	10.0	10.1	9.8	9.6	9.5	9.4
Gross capital formation	1.3	1.2	1.1	1.1	1.0	1.0	1.0	1.0	1.0
Overall balance (ESA 95 basis) 1/	-0.8	-1.5	-3.9	-1.6	-1.6	-0.7	-0.7	-0.7	-1.3
Federal government	-1.4	-1.8	-4.1	-1.9	-1.7	-0.8	-0.9	-0.9	-1.5
Other levels	0.5	0.3	0.2	0.3	0.1	0.1	0.2	0.2	0.2
Cyclically adjusted balance	-0.6	-0.9	-3.3	-0.9	-1.4	-1.0	-0.9	-0.6	-1.3
Structural balance (ESA 95 basis)	-0.6	-0.7	-0.8	-1.0	-1.6	-0.9	-0.7	-0.6	-1.3
Fiscal impulse 2/	-0.5	0.0	0.1	0.2	0.6	-0.7	-0.2	-0.1	0.7
Public debt	65.9	64.7	63.8	63.5	61.8	59.1	57.8	56.7	56.4
Memorandum item:									
Overall fiscal balance, EDP definition 1/ 3/	-0.6	-1.4	-3.7	-1.5	-1.5	-0.5	-0.6	-0.5	-1.1

Sources: Federal Ministry of Finance; Austrian Stability Program; and IMF staff estimates and projections.

1/ 2004 expenditures were recently revised to include a one-off capital transfer to the Austrian Railways amounting to 2½ percent of GDP.

2/ Negative of the change in the structural balance.

3/ The Maastricht Excessive Deficit Procedure (EDP) definition is used by the Austrian authorities. The difference from ESA95 is due to the inclusion of revenues from swaps.

Table 5. Austria: Financial Soundness Indicators for the Banking Sector, 2004-2007
(In percent, end-of-period)

	2004	2005	2006	2007	2007 Percent Quartiles		
					25	50	75
Capital adequacy							
Regulatory capital to risk-weighted assets	12.4	11.8	11.8	12.7	11.9	14.9	19.3
Regulatory Tier I capital to risk-weighted assets	8.5	8.2	8.0	8.9	9.5	12.7	16.9
Capital to assets	4.9	4.8	5.2	6.5	5.5	7.9	10.9
Asset composition							
Sectoral distribution of bank credit to total gross bank credits							
Nonbank financial institutions	3.0	3.6	3.7	3.3	0.0	0.0	0.5
Nonfinancial corporations	22.4	20.4	19.7	18.6	5.7	13.5	22.3
Households	19.8	20.1	18.9	18.0	23.7	41.0	51.8
housing loans	10.3	10.1	10.4	9.9	...	...	...
personal loans	9.4	10.0	8.5	8.1	...	...	...
Public sector	6.4	5.4	4.9	4.0	0.1	2.1	5.3
Nonresident non-banks	11.5	12.9	13.7	15.9	0.2	1.1	3.8
Domestic and non-domestic banks	37.1	37.6	39.1	40.2	...	...	...
Geographical distribution of loans to total loans							
Domestic	73.4	70.6	68.6	66.1	...	...	...
Cross-border	26.6	29.4	31.4	33.9	...	...	...
EMU	8.2	10.1	10.2	11.3	...	...	...
CEEC	n.a.	9.4	9.6	12.3	...	...	...
Other	n.a.	9.9	11.6	10.3	...	...	...
Asset quality							
Nonperforming loans to total gross loans 1/	2.7	2.6	2.1	...	1.8	3.2	5.2
doubtful	1.7	1.6	1.2	...	...	...	...
irrecoverable	0.9	1.0	0.9	...	...	...	...
Loan loss provisions to loans to non-banks (domestic and non-domestic)	3.3	3.1	2.9	2.4	...	...	...
Loan-loss provisions to nonperforming loans	70.8	71.5	75.3	...	...	...	...
Nonperforming loans net of loan-loss provisions to Tier 1 capital 1/	15.5	15.1	9.6	...	-0.1	0.0	13.5
Total foreign currency-denominated loans to total loans	24.4	25.9	24.8	23.6	2.4	7.9	15.0
Foreign currency-denominated loans to residents to total claims on residents	19.0	20.1	18.7	16.2	...	...	...
Foreign currency-denominated loans to households to total claims on households	29.3	31.0	30.8	27.4	...	...	...
Foreign currency-denominated loans to corporations to total claims on corporations	14.6	13.4	10.8	8.1	...	...	...
Large exposures to capital (above 10 percent)	85.8	89.7	77.5	56.4	20.8	58.3	115.4
10-largest credit to net credits (loans to nonbanks)	5.0	6.8	6.8	6.0	...	...	...
Earnings and profitability							
Return on assets 2/	0.6	0.6	0.7	0.7	0.3	0.6	0.8
Return on equity 2/	14.8	14.8	16.9	16.8	4.1	6.4	9.9
Net interest margin (net interest income / interest bearing assets)	1.2	1.1	1.0	1.0	...	...	...
Gross income to average assets	2.3	2.3	2.2	2.1	...	...	...
Net interest income to gross income 2/	74.3	72.2	71.1	69.1	76.1	83.2	89.8
Trading income to gross income	4.2	4.1	4.1	1.7	0.0	0.1	0.5
Noninterest expenses to gross income 2/	72.9	71.9	68.8	66.4	65.1	72.3	80.5
Personnel expenses to noninterest expenses	50.1	50.1	50.5	50.4	53.5	58.4	62.1
Spread between domestic lending and deposit rates	1.3	1.2	0.9	0.8	...	...	...
Liquidity							
Liquid assets to total assets	28.9	27.4	27.6	26.8	20.4	25.3	34.1
Liquid assets to short-term liabilities	73.8	68.0	68.6	67.0	64.4	90.6	114.0
Foreign currency-denominated liabilities to total liabilities	20.3	20.5	20.0	17.2	2.7	7.0	12.5
Deposits to assets	66.1	65.3	63.8	62.6	...	...	...
Loans to deposits	113.9	112.9	115.8	116.3	...	...	...
Sensitivity to market risk							
Off-balance sheet operations to assets	224.6	207.5	208.1	200.2	...	...	...
interest rate contracts	190.1	171.9	170.7	187.8	...	...	...
forex contracts	33.1	33.1	35.1	38.6	...	...	...
other derivatives	1.3	2.4	2.5	2.2	...	...	...
Duration of assets to total assets							
Less than 3 months	51.2	61.1	59.3	62.4	...	...	...
Between 3 months and 1 year	14.7	13.7	12.2	13.4	...	...	...
Between 1 and 5 years	13.9	12.4	11.5	10.7	...	...	...
More than 5 years	8.2	8.3	8.1	7.6	...	...	...
Duration of liabilities to total liabilities							
Less than 3 months	49.1	58.6	54.4	56.9	...	...	...
Between 3 months and 1 year	12.7	13.4	13.5	14.6	...	...	...
Between 1 and 5 years	16.6	14.8	14.0	12.4	...	...	...
More than 5 years	9.2	9.1	8.9	10.0	...	...	...
Net open position in foreign exchange to capital	2.1	3.3	3.8	1.5	0.1	0.9	3.3

Source: OeNB.

1/ Data as of end-2006.

2/ 2007 numbers refer to the third quarter.