

Growth remains lacklustre

General Information



GDP	USD428.32 bn (World ranking 28, World Bank 2013)
Population	8 mn (World ranking 93, World Bank 2013)
Form of state	Federal Republic
Head of government	Werner FAYMANN (SPÖ)
Next elections	2016, presidential



Strengths

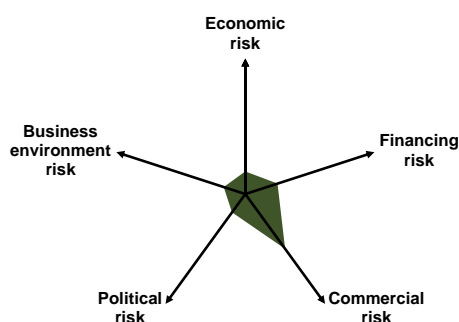
- Low systemic political risk
- Good regional and international relations, EU membership
- Eurozone membership provides low transfer and convertibility risk
- Low inflation but no deflation risk anticipated
- Consistent current account surpluses since 2002
- Strong business environment

Weaknesses

- Muted domestic demand since 2012
- High trade dependency on Germany
- Weak economic confidence since 2013
- Banking sector vulnerabilities due to large exposure Central and Eastern Europe, including Russia

Country Rating

AA1



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
Germany	29% 1	42% Germany
Italy	6% 2	6% Italy
United States	6% 3	4% Switzerland
Switzerland	5% 4	4% China
France	4% 5	3% Czech Republic

By product (% of total)

Exports	Rank	Imports
Engines	7% 1	5% Cars And Cycles
Pharmaceuticals	6% 2	5% Miscellaneous Hardware
Miscellaneous Hardware	6% 3	5% Pharmaceuticals
Electrical Apparatus	5% 4	4% Refined Petroleum Products
Iron Steel	5% 5	4% Plastic Articles

Source: Chelem (2013)

Economic Overview

Growth has failed to gather momentum

Real GDP growth disappointed again in 2014, posting just +0.4%, bringing an end to a 12-year period of beating the Eurozone average (+0.8% in 2014). This largely came from a shift in external trade activity since imports (+2.2%) outpaced exports (+1.8%), a major shift from 2013 (+0.1% and +1.3%, respectively), subtracting -0.1ppps from annual growth. The moderate growth result could have been much worse, if not for a turnaround in private consumption (+0.2%) and a pickup in public spending (+1%) in 2014. Additionally, inventories contributed +0.2ppps during the year while fixed investment, after edging up in the beginning of the year, shifted back to contraction in H2 and turned out flat in 2014 as a whole.

In Q1 2015, real GDP moved back to slight growth of +0.1% q/q, after stagnating in the two preceding quarters. Modest expansion in consumer (+0.1% q/q) and public (+0.3% q/q) spending was partly offset by shrinking fixed investment (-0.4% q/q), though that decline moderated from Q4 (-1% q/q). External trade activity picked up, with exports (+0.8% q/q) and imports (+0.9% q/q) growing at a similar pace, resulting in a neutral impact on Q1 GDP growth.

Weak business confidence and declining investment point to further delayed recovery

Advanced indicators for Q2 2015 suggest economic activity will remain subdued in the near term. Eurostat's Economic Sentiment Indicator (ESI) for Austria, which has been broadly in line with or even outperformed the Eurozone average from 2008-2013, has sharply deteriorated since early 2014 and remained on a low level to date, in contrast to the Eurozone. Looking at the ESI sub-components, both industrial and retail confidence have moderately recovered in April-May. However, consumer confidence and especially construction sector confidence have continued on a downward trend. Moreover, loans to NFCs have declined since December 2014, suggesting that investment is likely to contract in 2015.

Overall, Euler Hermes expects the growth pattern to shift once again in 2015, with domestic demand contributing little while external demand should continue to recover and drive growth on the back of the weaker EUR and lower oil prices. Real GDP is forecast to expand by +0.7% in 2015 as a whole. In 2016, a pick-up in consumer spending and a recovery in investment are projected to result in more balanced GDP growth of +1.4%.

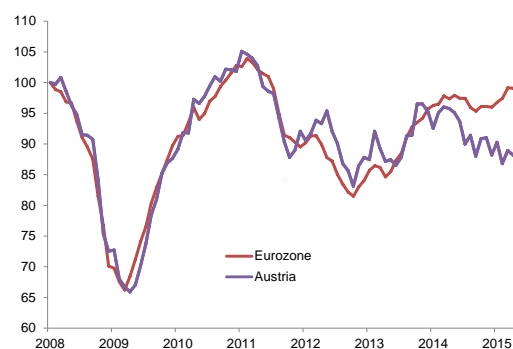
Key economic forecasts

Austria		share	2013	2014	2015	2016
GDP	100%		0.3	0.4	0.7	1.4
Consumer Spending	53%		-0.2	0.2	0.6	1.1
Public Spending	20%		0.4	1.0	1.0	0.8
Investment	22%		-1.0	0.0	-1.6	0.3
Stocks	* 2%		-0.1	0.2	-0.1	0.0
Exports	53%		1.3	1.8	2.9	3.5
Imports	49%		0.1	2.2	2.0	2.6
Net exports	* 4%		0.6	-0.1	0.6	0.6
Current account	**		3	3	3	3
<i>Current account (% of GDP)</i>			0.9	0.8	1.0	0.9
Employed			0.7	1.1	1.6	1.5
Unemployment rate			5.4	5.6	5.6	5.5
Wages			2.6	2.4	2.0	2.3
Inflation			2.0	1.6	1.1	2.0
General government balance	**		-4	-8	-7	-7
<i>General government balance (% of GDP)</i>			-1.3	-2.4	-2.0	-2.0
Public debt (% of GDP)			80.9	84.5	87.0	85.8

Change over the period, unless otherwise indicated: * contribution to GDP growth ** euro billions

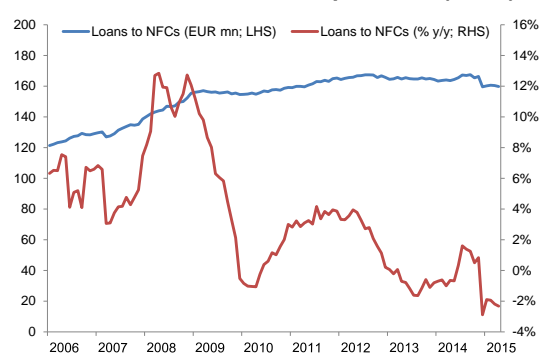
Sources: National sources, IHS, Euler Hermes

Economic Sentiment Indicator



Sources: Eurostat, Euler Hermes

Loans to Non-Financial Corporations (NFCs)



Sources: Eurostat, Euler Hermes

DISCLAIMER

These assessments are, as always, subject to the disclaimer provided below.

This material is published by Euler Hermes SA, a Company of Allianz, for information purposes only and should not be regarded as providing any specific advice. Recipients should make their own independent evaluation of this information and no action should be taken, solely relying on it. This material should not be reproduced or disclosed without our consent. It is not intended for distribution in any jurisdiction in which this would be prohibited. Whilst this information is believed to be reliable, it has not been independently verified by Euler Hermes and Euler Hermes makes no representation or warranty (express or implied) of any kind, as regards the accuracy or completeness of this information, nor does it accept any responsibility or liability for any loss or damage arising in any way from any use made of or reliance placed on, this information. Unless otherwise stated, any views, forecasts, or estimates are solely those of the Euler Hermes Economics Department, as of this date and are subject to change without notice. Euler Hermes SA is authorised and regulated by the Financial Markets Authority of France.

© Copyright 2015 Euler Hermes. All rights reserved.

View all Euler Hermes Economic Research online
<http://www.eulerhermes.com>

Contact Euler Hermes Economic Research Team
research@eulerhermes.com

Last review: 2015-06-16
 Country Risk Analyst:
 Manfred Stamer
manfred.stamer@eulerhermes.com