



THIS IS AUSTRIA

Location Attractiveness

For Business and Work

Austrian Federal Economic Chamber
Economic Policy Department
November 2012



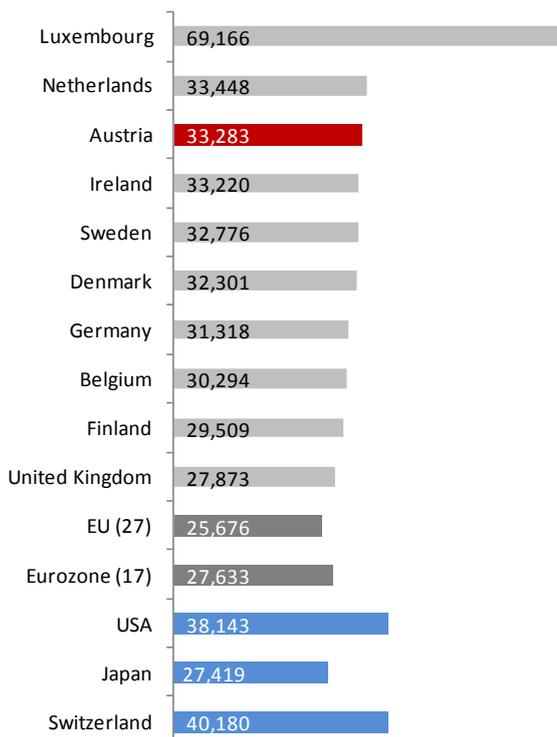
This Is Austria

Austria is a small and open economy located in the heart of Europe and the European Union, making it a true gateway between Europe's economic and cultural zones. The area of Austria ranges from the Eastern Alps to the plains of the Danube Basin, covering a total of 83,879 km². The Austrian population totals 8.42 million (this corresponds to a population density of just over 100 per km²). Austria shares borders with eight countries: Germany, the Czech Republic, Slovakia, Hungary, Slovenia, Italy, Liechtenstein and Switzerland. Austria is a democratic republic and a federal state composed of nine independent federal provinces: Burgenland, Carinthia (*Kärnten*), Lower Austria (*Niederösterreich*), Salzburg, Styria (*Steiermark*), Tyrol (*Tirol*), Upper Austria (*Oberösterreich*), Vorarlberg and Vienna (*Wien*) with Vienna being the federal capital with a population of around 1.72 million people.



Due to its history and geographical position, Austria is renowned as an intersection of international trade and travel routes as well as a distribution center between the industrial countries in Western Europe and dynamic growth markets in Central and Eastern Europe (CEE). It has also become the preferred business location for many corporate HQ, which benefit from Austria's central location to branch out their activities towards the north, south, east and west. Over 300 international companies, including 28 "Fortune 500" companies, set up their European HQ or production sites in Austria.

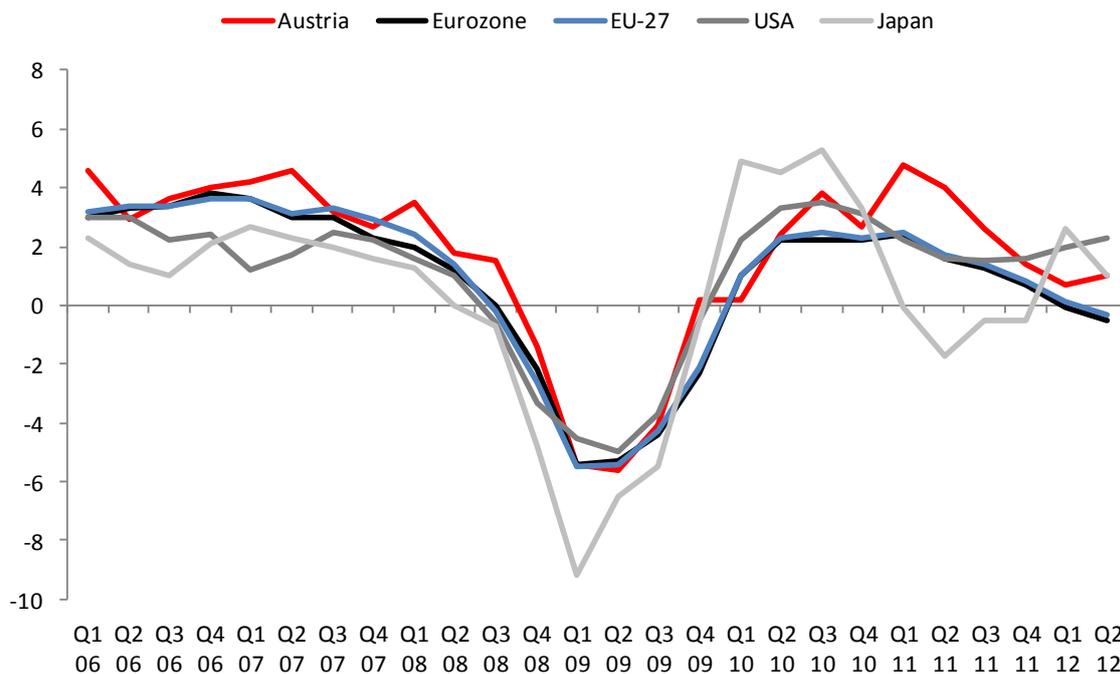
TOP-10 in the EU, 2012 (GDP per capita, PPS)



Austria - An Economic Success Story in Europe

Starting from a very modest position in the post-World War Two period, Austria turned into one of the wealthiest nations in Europe and the world. Measuring the standard of living by GDP per capita - the typical internationally comparable wealth indicator - places Austria (despite the current debt crisis in Europe) 3rd in the EU and 11th in the world in 2012, according to Eurostat and IMF data. This corresponds to an improvement of two ranks compared to 2010. Germany, Austria's main trading partner, is only ranked 7th in the EU. Even more so, GDP growth in Austria is constantly above the EU or eurozone average, even though a slight slowdown could be observed during 2012.

GDP growth (quarterly in %)



After a sharp decline in GDP growth in 2009 (-3.8%) as a result of the financial and economic crisis, economic growth in Austria resumed to 2.1% in 2010 and 2.7% in 2011. In 2012 and 2013, GDP is expected to grow by 0.6% and 1% respectively. This slowdown follows a European and international trend, but economic growth in Austria remains above the European average. This is but one reason why Austria could strengthen its position as an attractive business location in Europe.

Despite the current challenging economic environment in Europe, joining the EU undoubtedly contributed to Austria's positive economic development. Austria has greatly benefited from the liberalization of trade and the opportunities in a more and more globalized world. European integration and globalization offered many opportunities and led to ambitious structural changes in Austria: these include extensive liberalization and privatization efforts, among others in telecommunications, energy (gas and electricity) as well as in the steel, petroleum and tobacco industries. All branches of the economy - including network industries - have been successfully opened to international competition. The surge of cross-border mergers and acquisitions - particularly in retail, construction and banking - reflect Austria's open and global approach to international business and commerce.

As a small and open economy, Austria takes great advantage of the huge EU internal market with a population of over 500 million people. Both companies and citizens benefit from free trade, the elimination of customs controls and due to the fact that they can operate on a huge economic market with a large variety of consumption opportunities. The introduction of the Euro was an additional boost with additional positive effects on economic and trade growth, but also on price stability and the labor market.

Austria's quick and smooth recovery after the financial and economic crisis of 2008/2009 was to a large extent made possible by economic policy measures taken by the government to stabilize the economy and to minimize the effects of the crisis. These measures were accompanied by future-oriented investments by the federal government in education, R&D and infrastructure.

Despite volatile energy prices, a volatile Euro exchange rate and volatile stock markets, Austrian companies continue to diligently enhance their competitiveness levels, partly facilitated by progress made in innovation, reduced location-related costs and reductions in taxes and other fees (e.g. the government decided upon an extensive reform of the tax system in 2009). These factors were undoubtedly responsible for Austria's good position as a competitive economy and attractive business location.

Unfortunately, the current slowdown in economic growth in Europe also affects Austria. In addition, the current debt crisis in Europe revealed some non-negligible weaknesses that require immediate attention, among others the necessity to consolidate public finances and to implement overdue structural reforms. This is not only true for Austria, but for many other eurozone and EU member states. As a consequence, the government is undertaking many efforts to reduce the debt level (European Commission forecast for 2012: 74.6%) and the budget deficit (forecast for 2012: -3.2%) with 2013 considered to be the turning point. The incorporation of a debt brake and an austerity package implemented at the beginning of 2012 were important steps towards credible debt reduction in order to get back on track towards complying with the Maastricht criteria. Reforming the pension and social system, the health sector and administrative reforms became further priorities for the federal government. The consolidation of public finances and the implementation of structural reforms are also part of the efforts of the government in order to keep Austria's excellent international creditworthiness. Two of the three major rating agencies grant Austria with a Triple-A rating, indicating Austria's excellent position as a trustworthy debtor.

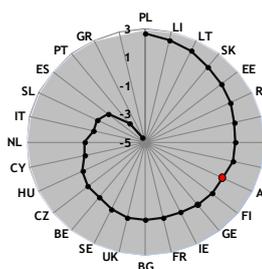
In Austria, new jobs are created every year (e.g. 50,000 expected in 2012 with a total of over 3.47 million employees - not including self-employed people). This is mainly due to the internationalization of the economy and sound growth rates in exports. Labor force participation is currently at the very high rate of 75.3% and part-time employment continues to evolve rapidly. At the same time, the unemployment rate is the lowest in the EU (4.4% vs. 10.6% EU average) and youth unemployment the third lowest in the EU (9.9% vs. 22.8% EU average). The latter is mainly due to the exemplary Dual Education System combining apprenticeships in businesses and vocational education in schools. Over 128,000 young people were educated in this system in 2011.

At the same time, entrepreneurship is spreading throughout the population: despite the setback after the financial and economic crisis in 2008/2009, one can witness a positive trend in the establishment of new enterprises. In 2011, 35,279 new businesses were established (mostly in commercial services, the trading sector or consultancies).

Benchmarking: Relevant Economic Indicators for 2012

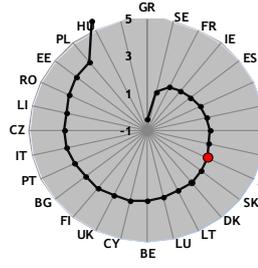
(European Commission, Austria's rank: forecast for 2012 and rank of 2011 in brackets)

GDP growth: 10 (7)
change with respect to previous year, %



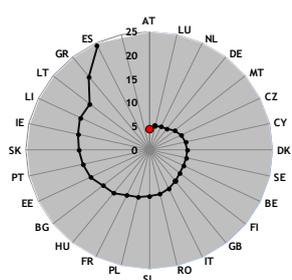
EZ = -0.4; EU-27 = -0.3; **AT = 0.6**;
USA = 2.1; Japan = 2.0

Inflation*: 10 (17)
change with respect to previous year, %
*harmonized CPI



EZ = 2.5; EU-27 = 2.7; **AT = 2.4**;
USA = 2.1; Japan = -0.2

Unemployment: 1 (1)
in %



EZ = 11.6; EU-27 = 10.6; **AT = 4.4**;
USA = 7.9; Japan = 4.2

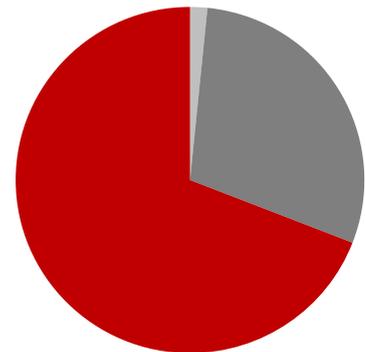
Dynamic Industries and a Strong Service Sector as Motors of Economic Development

Services (69.1% of Austria's economy) and a highly advanced industrial sector (29.3%) dominate Austria's economic landscape. Overall, machinery, steel, chemicals, electronics technology and automobiles (especially engines and transmissions) are the most important export goods. Austria's companies are renowned around the world for their ability to develop niche and custom-designed goods as well as for the quality of their intermediate products.

In general, a large share of small and medium sized enterprises (SME) characterizes the Austrian economy as a whole. SME are especially dynamic, innovative and adaptable to a changing environment. Austria accounts for over 400,000 SME, which corresponds to over 99% of businesses. Only around 1,090 companies employ over 250 employees, whilst 180 companies across the country have more than 1,000 employees.

Value added according to economic sector (2011)

- Primary sector: 1.6%
- Secondary sector: 29.3%
- Tertiary sector: 69.1%

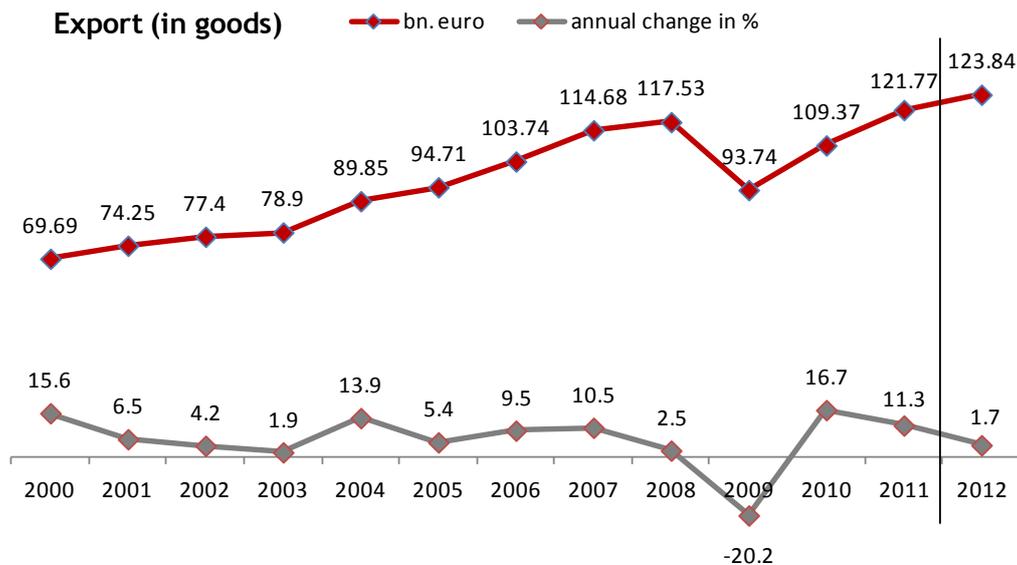


Successful Exports as a Testimony for International Competitiveness

Austria has turned into an export-oriented economy over the years, conducting extensive and diversified foreign trade with regions and countries all over the globe. Despite the recent high external value of the Euro, Austria held its global market share constant at around 1.3% of total global exports. Austrian companies export their final and intermediate products to more than 220 countries. The globalization of the world economy combined with Austria's EU membership (since 1995), EMU membership (since 1999) and the EU enlargement rounds in 2004 and 2007 (from which Austria has benefited most among the EU-15) have led to a strong and steady expansion of exports.

In fact, Austrian export revenues (goods and services) were close to 60% of GDP prior to the financial and economic crisis of 2008/2009. After a decline to 50.1% in 2009, the export revenue rose to 58.3% in 2011. In 2012, the export revenue is forecasted to approach the 60% threshold again, i.e. almost six out of ten Euro of Austrian GDP will be earned by exports only.

2011 was by far the most successful export year in Austrian history. Goods worth 121.77 bn Euro were exported by Austrian companies (this corresponds to a growth rate of 11.3%). This means that the previous all-time high from the period before the financial and economic crisis (2008: 117.53 bn Euro) was clearly surpassed, illustrating that exports truly are the "running horse" of the Austrian economy. Despite an expected slowdown in export growth in 2012, export of goods should rise to around 124 bn Euro by the end of the year. This clearly shows the strength and robustness of Austrian exports, also in economic difficult times.



Looking at actual trade flows, one can see that the Austrian economy is closely linked to Europe and the other EU member states: over 81% of exports go to Europe (almost 70% to Austria's EU partners). Germany with around 31% of exports and 38% of imports is Austria's main trading partner. Other important trade partners include Italy, the USA, Switzerland, France, the Czech Republic and Hungary. The CEE region, but also overseas markets, the BRIC countries and Turkey become more and more important export markets for Austrian companies. Austrian exports to these markets rose by remarkable proportions in 2011 (as well as in previous years), e.g.: Brazil (+14.7%), Russia (+15.2%), China (+4%) or Turkey (+17.5%), but also the USA (+28.9%).

In comparison, exports to the CEE region rose to currently around 18 bn. Euro, which corresponds to more than a fourfold increase compared to 1995.

EXPORTS		IMPORTS	
Europe	81.4%	Europe	82.5%
Africa	1.2%	Africa	1.7%
America	5.9%	America	4.2%
Asia	9.1%	Asia	11.5%
Oceania	0.6%	Rest of the world	0.1%

Austria - Gateway to the CEE Region

Due to geographical proximity but also due to close historical ties, Austria has the traditional role as gateway to the CEE region. Austria has been among the top investors in the new EU member states and in many of their neighboring countries for many years. Austrian foreign direct investments (FDI) to the region have increased with an incredible pace: compared to 0.4 bn Euro in 1990, FDI have risen to an impressive 64.2 bn Euro in 2011, which corresponds to around 41.7% of total Austrian FDI. Annual FDI may have suffered from the financial and economic crisis, but they are recovering again with FDI to the CEE region rising to 3.4 bn Euro in 2011.

According to the investor status in 2011, Austria is:

- Number-1-investor in Slovenia, Croatia, Bosnia-and-Herzegovina and Serbia
- Number-2-investor in Romania, Bulgaria and Slovakia
- Number-3-investor in Albania, the Czech Republic and Hungary
- Number-4-investor in FYROM / Macedonia
- Number-5-investor in the Ukraine
- Number-6-investor in Montenegro
- Number-9-investor in Poland
- Number-10-investor in Russia

In comparison to the CEE region, Austrian FDI to Germany amount to 23.4 bn Euro, to America (North and South America) 13 bn Euro, to Asia 7.7 bn Euro and to Africa around 1 bn Euro.

High export and FDI-growth mirror Austria's high degree of internationalization. According to the KOF-Globalization-Index of the of the Swiss ETH Zurich (*Konjunkturforschungsstelle KOF*), Austria is constantly ranked among the Top-5 most globalized countries in the world (in 2012, Austria obtained 4th rank). The KOF index consists of indicators such as FDI stock and flows, foreign trade data, existence of trade barriers, the number of tourist visits, membership in international organizations and population characteristics, such as the percentage of foreign born population.

Today's Innovation, Research & Development Building Tomorrow's Success

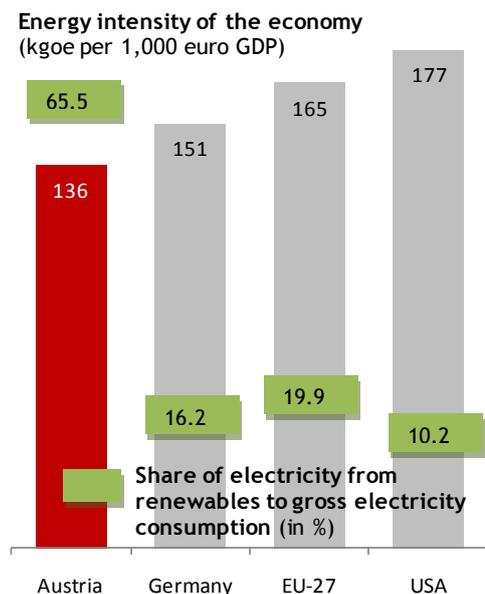
Austria's location attractiveness depends on innovative activities and capacities of Austrian businesses that in turn secure their international competitiveness and strengthen the country's attractiveness as a business location. Recent reforms of research support, more investment in R&D and the expansion of the creative industries provide for a sustainable future. Austria's gross domestic expenditure for R&D is among the highest in EU comparison and is successfully and steadily moving towards the goal of spending at least 3% of GDP. In 2012, R&D expenditure will probably amount to 8.61 bn. Euro, which corresponds to 2.8% of GDP.

The private sector accounts for more R&D expenditure than the federal state: Austrian businesses finance 45% of total R&D expenditure (3.84 bn Euro), whereas the public sector spends 3.28 bn Euro. Austrian companies are more progressive than the European average: 45% of small and 71% of medium sized enterprises directly engage in innovation activities. They are among Europe's best in implementing the results of R&D into their day-to-day work.

Efforts by all players (governments at all levels, interest representations, companies, clusters and competence centers) helped to place Austria amongst the top high-tech production and R&D locations in Europe.

Austria - a Leading Producer of Environmental Technologies and Renewable Energy

Austria's forward-looking environmental policy led to the combination of an extremely high environmental quality, high level of energy efficiency as well as a very attractive and competitive "green" industry.



Companies in the field of renewable energies (solar, PV, wind, hydro, biomass, to name a few) are among the leading players in the world.

Around 30% of energy consumption is covered by renewable energy sources in Austria (4th highest share among the EU-27), while more than two thirds of total electricity is generated by renewable energy sources (2nd highest share among the EU-27). Hydropower is the main renewable power source, followed by wind energy. Both numbers are well above the EU average.

Austria also performs well in the context of energy intensity of the economy with levels well below the EU- or OECD-average or compared to energy intensity in the USA.

Unlike many other industrial countries, Austria decided against nuclear power (which Austria does not consider to be a renewable energy source), long before the nuclear catastrophes in Chernobyl or Fukushima.

In the European context, Austria agreed to the European climate and energy package (the so-called “20-20-20 goals”) and set itself ambitious national climate and energy goals to be met by 2020:

- increase the share of renewable energy to 34%,
- reduce CO₂ emissions by a minimum of 16% and
- increase energy efficiency by 20%.

In order to meet these targets, the Austrian government adopted a far-reaching “Energy Strategy” in spring 2010. Furthermore it agreed on an ecological tax reform, introduced measures to increase energy efficiency in public buildings and initiated an e-mobility initiative. In global comparison, Austrian products and know-how in the environmental technology industry and in renewable energies are among the leading in the world. Strong R&D activities and technical progress contributed to the fact that these sectors have become sectors with large export shares. In addition, these sectors create a high number of jobs. For instance, the environmental technology industry alone employs well over 22,200 people and generates an export volume of around 4 bn Euro. The total number of “green jobs” in Austria is estimated to be around 185,000. The federal government aims at increasing the number of “green jobs” by another 100,000 by 2020.

Nature Matters - Austria’s Environment at the Top of the Class

The stunningly beautiful natural environment - clean water, clear air and unpolluted soil - is the hallmark of Austrian landscape. Industrial and economic progress led to an improvement rather than deterioration of the quality. There is also positive synergy between agriculture, forestry and ecology. Compared to all other nations in Europe, Austria supports a significant share of organic farming as a percentage of agricultural production (almost 0.5 million hectares). Austria’s active and forward-looking environmental policy pursues the goal of achieving high environmental quality at an international level. Greenhouse gas emissions (per person) are below the EU or OECD average and below comparable industrial countries. Austria already implemented new measures to reduce CO₂ emissions by expanding the use of renewable energy sources (sun, wind, and biomass) and by optimizing heating systems.

Emissions	Austria	Germany	OECD (avg.)	USA
CO ₂ (t/person)	8.3	9.6	11	18.9
SO _x (kg/1000 USD)	0.1	0.2	1	1.1
NO _x (kg/1000 USD)	0.9	0.7	1.25	1.5
Waste (kg/person)	600	590	600	790

Austria's excellent position in the environmental field is also confirmed by the 7th rank (of 132 countries) in the Environmental Performance Index 2012 published by the Universities of Yale and Columbia. This index compares countries according to performance indicators tracked across ten policy categories, covering both environmental public health and ecosystem vitality.

Quality of Life in Austria

A study by the *European Foundation for the Improvement of Living and Working Conditions* confirms that Austria enjoys an outstanding quality of life. In the comparison of the EU-27 and four additional countries (Croatia, Macedonia, Turkey and Norway), Austria holds the 1st place for the quality of health services, 3rd place in the availability and quality of public transport, 5th place in employment and 6th place with respect to low wage differentials.

Several other international rankings confirm the high quality of life in Austria.

Quality of Life Rankings, Austria's Position		
Index	Institution or Publication	Rank (Year)
Quality of Life Subindex	Institute for Management Development (in <i>World Competitiveness Yearbook</i>)	2 (2012)
Global Peace Index	Institute for Economic and Peace	6 (2012)
Quality of Life Index	International Living	7 (2011)
Better Life Index	OECD	16 (2012)
Prosperity Index	Legatum Institute	16 (2012)

A Comprehensive System of Social Security

The Austrian social security and welfare system embrace both the insurance principle (all employed persons and most of their dependents receive an income when absent from work due to illness, accident, maternity, unemployment or retirement) and transfer payments (state, provincial (regional) or municipal (local) welfare transfers for those citizens whose status or situation is not covered by the social insurance system). Employer and employee contributions jointly finance this extensive and costly network. Austria has received international praise for its reforms towards sustainability of the social security and the pension system (i.e. increase of the statutory retirement age to currently 65 for men and 60 for women with the longer-run goal of aligning the effective retirement age of men and women at the age of 65). The compulsory medical insurance ensures that practically the entire population has access to excellent and nation-wide medical care. In addition, private medical insurance schemes are also available.

Rendezvous in Austria: a Popular Tourist Destination All Year Long

A unique combination of culture, history, nature, sports, events and business makes tourism and recreation a vital part of Austria's economy. They significantly contribute to income and employment. The share of tourism-induced gross value added is close to 15% of GDP. International comparisons identify Austria as one of the world's most favorite tourist destinations. In 2011, Austria welcomed about 34.6 million guests who spent 126 million nights in the country. This contributes to the fact that Austria is among the top-10 most popular places to visit in the world. Austria is at the top of the list of favorite destinations when it comes to the number of visitors (arrivals) per inhabitant.

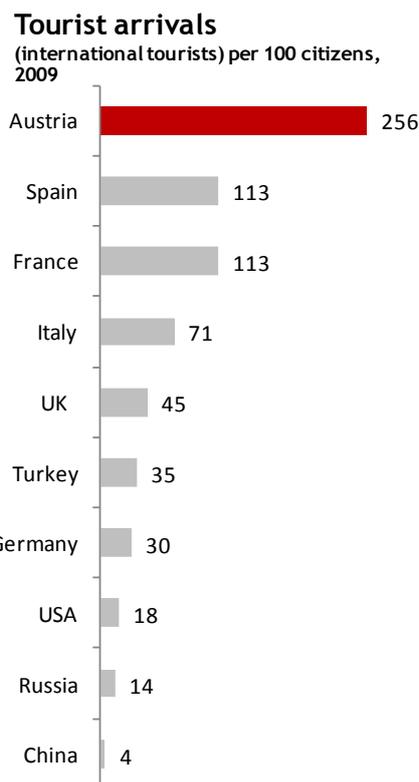
A solid foundation, diversification, innovation and many returning guests make Austria's tourism industry keenly resilient. It continues to post gains in spite of the recent global difficulties for the industry over the last few years.

Much to the same extent, Austria has become a very important international meeting place and popular location for congresses, corporate events and symposia. Over 3,150 of these (44% in a national and 56% in an international context) generate 1.4 million stays overnight.

This translates into rank 10 in the ICCA's Convention Ranking (*International Congress and Convention Association*). Vienna, hosting around 40% of all congresses and conventions in Austria, is leading the ICCA's city ranking for the 7th time in a row.

Making Tracks - Austria Nearing the Top of International Rankings

Austria can look back at an extraordinary post-World War Two success story. Beginning as a laggard from a comparably dismal economic position, the Austrian population harnessed their valuable human capital and cleverly combined it with technological progress for first-rate productivity advances within a stable socio-political environment to emerge as one of the world's top highly-developed, modern market economies of today. This improvement is reflected in Austria's strong showing in comparisons of classical international economic indicators (GDP, inflation or unemployment) as well as in various international rankings.



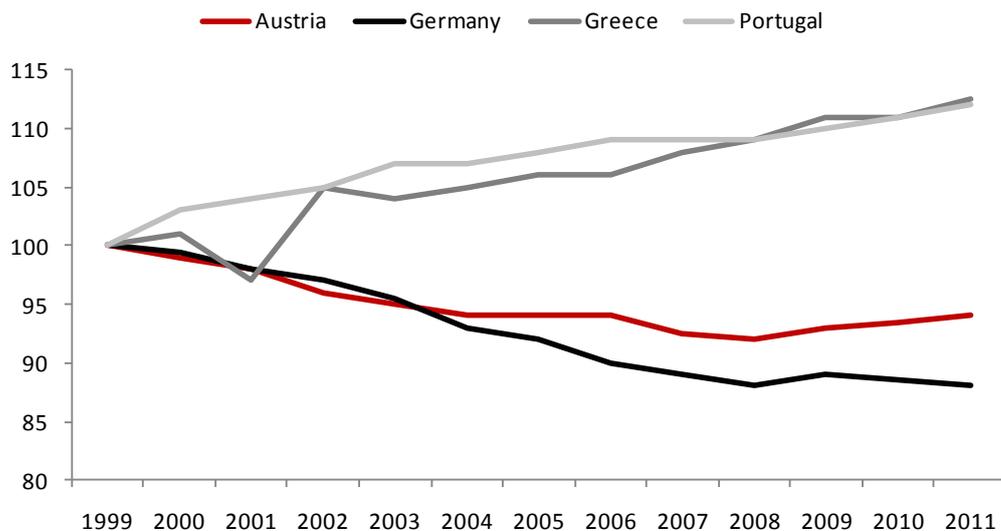
Competitiveness Rankings, Austria's Position		Rank and Year	
Index	Institution	1998	2012/2013
Global Competitiveness Index	World Economic Forum	20	16 (2012/13)
World Competitiveness Scoreboard	Institute for Management Development	24	21 (2012)
Index of Economic Freedom	Heritage Foundation	43	28 (2012)
Ease of Doing Business	World Bank	n.a.	29 (2013)

The above rankings identify a variety of strengths of the Austrian economy: high economic growth, a high employment rate, low unemployment (also low youth unemployment) as well as competitive goods and services markets.

Additional strengths, especially to the benefit of companies, are framework conditions for company financing, the high security of enforcing contracts as well as high productivity rates and high levels of labor force motivation and qualification.

Unit labor costs (ULC), the relation of labor costs and productivity, are a relevant indicator for the price competitiveness of the economy. In European comparison - especially in comparison to Southern EU members - unit labor costs in Austria have developed in a way beneficial to the Austrian economy, despite a short setback due to the financial crisis of 2008/2009. This development, as illustrated below, mirrors to some extent the high level of productivity in Austria.

Real Unit Labor Costs (Eurozone = 100)



Additional strengths identified in international rankings are high health and environmental standards, low pollution levels, a high level of security and a stable and independent legal system.

A further strength of Austria (a strength, which is typical for this country) is the good working relation between employers and employees. This working relation, namely the “Austrian Model”, contributes to a high level of social peace.

Austria nonetheless faces a variety of challenges that need to be addressed in order to remain one of the leading business locations in Europe. Two of the currently most important challenges that need to be addressed - also at the European level - are the debt crisis in Europe and the loss of trust in markets and in the European project.

The Austrian Model: the Coexistence of a Market Economy and Social Peace

The Austrian Model is described as a prime example of a functioning social market economy, in which free market economics are blended with solidarity and social compromise. This combination forms the sustainable and reliable basis of Austria’s internationally revered social peace.

The Social Partnership - an Austrian Trademark

One of the main reasons for this social (and labor) peace and the functioning of the Austrian Model lies in the specifics of the Austrian social partnership, an aggregation of efforts by the representatives of the employer associations (Austrian Economic and Agricultural Chambers) and employee associations (Chamber of Labor and the Austrian Federation of Trade Unions). There is no formal legal basis, the social partnership is a traditional relationship built on trust and common understanding and goals. The resulting economic stability is also reflected in a very modest unemployment rate (Austria has the lowest unemployment rate among the EU-27 with 4.4% in 2012), moderate wage policy and an extremely low strike statistic (strikes are nearly inexistent in Austria), all of which play an important role for investors in defining location attractiveness.

The mixture of democracy, market economics and social partnership created a special culture in Austria. As a consequence, the political system is typically distinguished by an atmosphere of agreement and compromise, as well as cooperation between the various interest groups and political parties.

This Is Austria. The Place to Be, the Place to Visit and the Place to Invest In

Just to name a few: Austria's main advantages are:

- economic and political stability
- sound economic fundamentals
- above the average economic growth
- future-oriented policies with the focus on sustainable solutions, innovative technologies and R&D
- innovative companies and dynamic industries
- far-reaching trade links and integration in the world economy (membership in the EU and the eurozone, gateway to the new EU members and to their neighbors to the east and south)
- a healthy labor market characterized by low unemployment and high employment,
- a diligent and well-trained labor force
- a worldwide recognized social and labor peace with a well-functioning social partnership

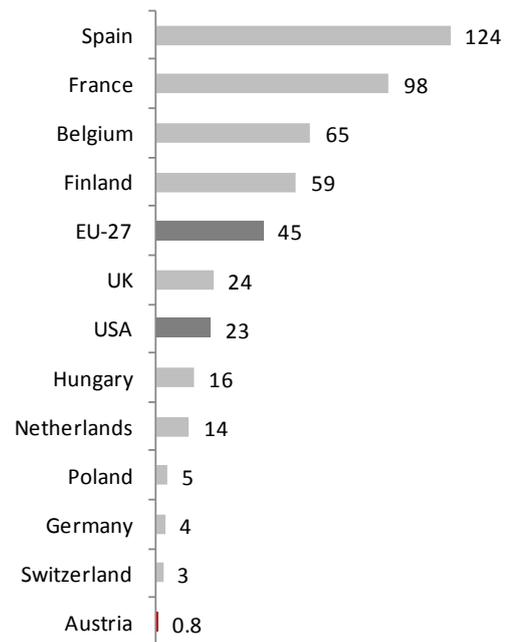
Additional benefits include:

- good infrastructure
- a functioning social security system
- a state of the art health sector
- a dependable legal system and rule of law
- reliable national security
- a healthy environment
- high quality of life and standard of living as well as
- well-developed cultural attributes (sports, music, architecture, landscape, etc.), that make it a perfect tourist destination

To sum it up: **This is Austria!** The place to be, the place to visit and the place to invest in!

Days on strike

international comparison; working days lost due to strike per 1,000 employees, average 1998-2008



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