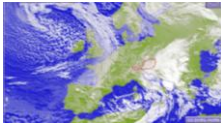


# Wirtschaftsbarometer Austria (WBA) 2010/I

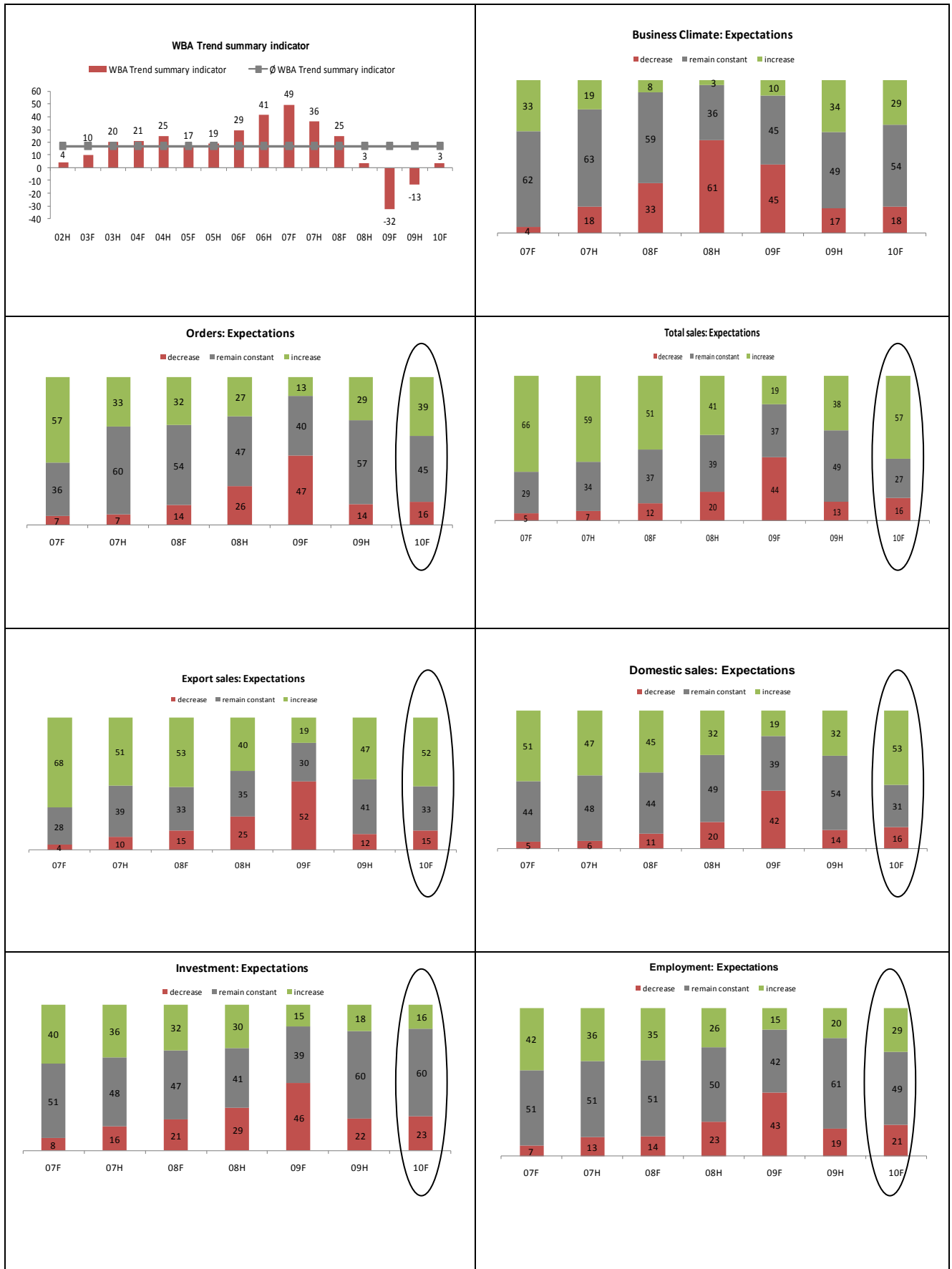
## A survey of the business climate in Austria

<b>Trend summary indicator</b>	<p>The trend summary indicator turned positive again, for the first time since autumn 2008.</p> <ol style="list-style-type: none"> <li>i. <b>Fragile recovery.</b> The contraction has ended, but it will take time going forward until economic activity will reach pre-crisis levels.</li> <li>ii. <b>Outlook still uncertain.</b> A lack of confidence and dampened expectations lead to increasing risk aversion.</li> <li>iii. <b>Companies need to carry out structural adjustments to prepare for the future.</b> Future oriented investments ensure companies' competitiveness in the long run.</li> </ol>
<b>Business climate</b>	<p><b>Expectations have hardly changed compared to the autumn 2009 survey.</b> Companies experienced such a dramatic collapse in demand from the autumn 2008 to the spring 2009, that they positively overreacted to first good signals in autumn 2009. Current expectations have been revised slightly downward but stay clearly positive and more realistic. The recovery is expected to materialize in the coming year, but based on low initial levels. <b>The assessment of the current economic situation lags behind that of the expectations.</b></p>
<b>Orders</b>	<p>Due to <b>improving global economic conditions</b>, companies expect the <b>positive development of orders</b> to continue. The situation has been improving since autumn 2009, which is reflected in the companies' <b>positive assessment of the last 12 months</b>. <b>Medium and large enterprises</b> are more optimistic than the average.</p>
<b>Total sales</b>	<p>A <b>reversal of expectations</b> became apparent in the last survey and is further supported by the present results. The sales expectations for the next 12 months show a <b>clear upward trend</b>; "total sales" is the best performing indicator in the current survey. <b>Companies of all sizes show positive expectations</b>. The <b>outlook is brighter in the services sector than in manufacturing</b>, which is expected to benefit from increasing foreign demand.</p>
<b>Export sales</b>	<p><b>Leading indicators</b> point to <b>strong global demand</b>, which is expected to lead to a higher degree of capacity utilization in exporting companies. The <b>stabilization of the global market</b> and in particular of the <b>German economy</b>, Austria's most important trade partner, is expected to lead to a recovery of Austrian exports in 2010. The results clearly point to an increase in exports in the coming year. <b>Expectations concerning exports are higher in the manufacturing than in the services sector</b>; large enterprises are more optimistic than others. The assessment of exports of the last 12 months is negative.</p>
<b>Domestic sales</b>	<p>The present survey results reflect the <b>positive effects of national economic stimulus packages</b>. Improved expectations are mainly based on the <b>better outlook of medium and large enterprises</b>; <b>services companies are more optimistic</b> than those in the manufacturing sector. Overall, <b>expectations concerning domestic sales are approximately the same as those relating to exports</b>. Still, it is assumed that domestic sales will not recover as quickly as exports. The assessment of the last 12 months is <b>better than in the previous survey</b>.</p>
<b>Investment</b>	<p>Due to <b>pronounced risk aversion</b> and a <b>persistently low degree of capacity utilization</b>, positive developments in the export sector are still too weak to influence substantially investment behavior. Compared to the previous survey, expectations have even dropped slightly. Also, the assessment of the last 12 months is still negative. <b>Companies of all sizes</b> act cautiously. The results indicate a <b>consistently low volume of investment in the coming year</b>.</p>
<b>Employment</b>	<p>The results concerning the <b>future development of employment</b> are usually similar to those of future investments. In the present survey, however, the former are surprisingly more positive. Based on expected incoming orders, large companies cautiously plan to <b>hire new employees</b>. Small and medium enterprises are holding the number of employees constant.</p>
<b>Prices</b>	<p>The results point to slightly increasing prices, but inflationary pressure remains low. Production costs are the key in driving prices up. The enterprises identify the main cost drivers going forward to be intermediate products and material inputs, increases in wages and salaries, as well as energy costs.</p>

Source: WKO, WBA



# Development of expectations



Source: WKO, WBA