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The competitiveness of the Austria business sector – a tour d'horizon

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WKÖ FORUM GLOBAL TRENDS & ECONOMIC OUTLOOK **25.05.2017**

Austrian competitiveness: A tour d'horizon - key figures

	2016	2011	Change in %
GDP per capita in PPP (EU28=100)	127.0	126.0	0.8
Manufacturing share in % of VA (real)	20,07	19,20	4.5
Manufacturing share relative to EU	127.0	123.0	4.8
Unemployment rate in % of LF, national	9.1	6.7	35.2
Unemployment rate in % of LF, Eurostat definition	6.0	4.6	31.9
Unemployed persons in 1.000	357.3	246.7	44.8
Unit labour costs (2010=100)	105.9	100.0	5.9
Unit labour costs AT relative to EU	100.9	98.2	2.8
Labour productivity per hour worked in 2016 US$	59.6	57.1	4.3
Labour productivity per hour worked AT rel. to EU28	122.2	123.7	-1.1
Labour productivity per hour worked AT rel. to IL	93.7	93.1	0.6
Current account balance in billon €	6.0	5.1	18.7
Trade balance in billon €	-4.4	-9.2	-52.6
Export share in nom. GDP (trade)	37.5	39.5	-4.8
Export share in nom. GDP (services)	14.7	14.2	3.2
World market share (%)	0.96	0.98	-0.02
Market share OECD-34 (%)	1.61	1.68	-0.07
Market share EU 28 (%)	2.83	2.91	-0.08
Rank Austria in IUS/EIS	10	7	
Rank Austria in Global Competitiveness Index	19	19	

Q:

What is going on at the company level? Some evidence from a company survey

We have seen an ambiguous picture – but little is known on how companies operate in this environment (and shape it)

Company survey (AT 2025 project) in fall 2016 among 1000 largest industrial enterprises with employment in the gross sample 300k; response rate 34%, in the net sample still 100k

Focus:

- Internationalisation
- Embedding and operation in global value chains
- Product strategies
- Development of critical capabilities
- Location factors

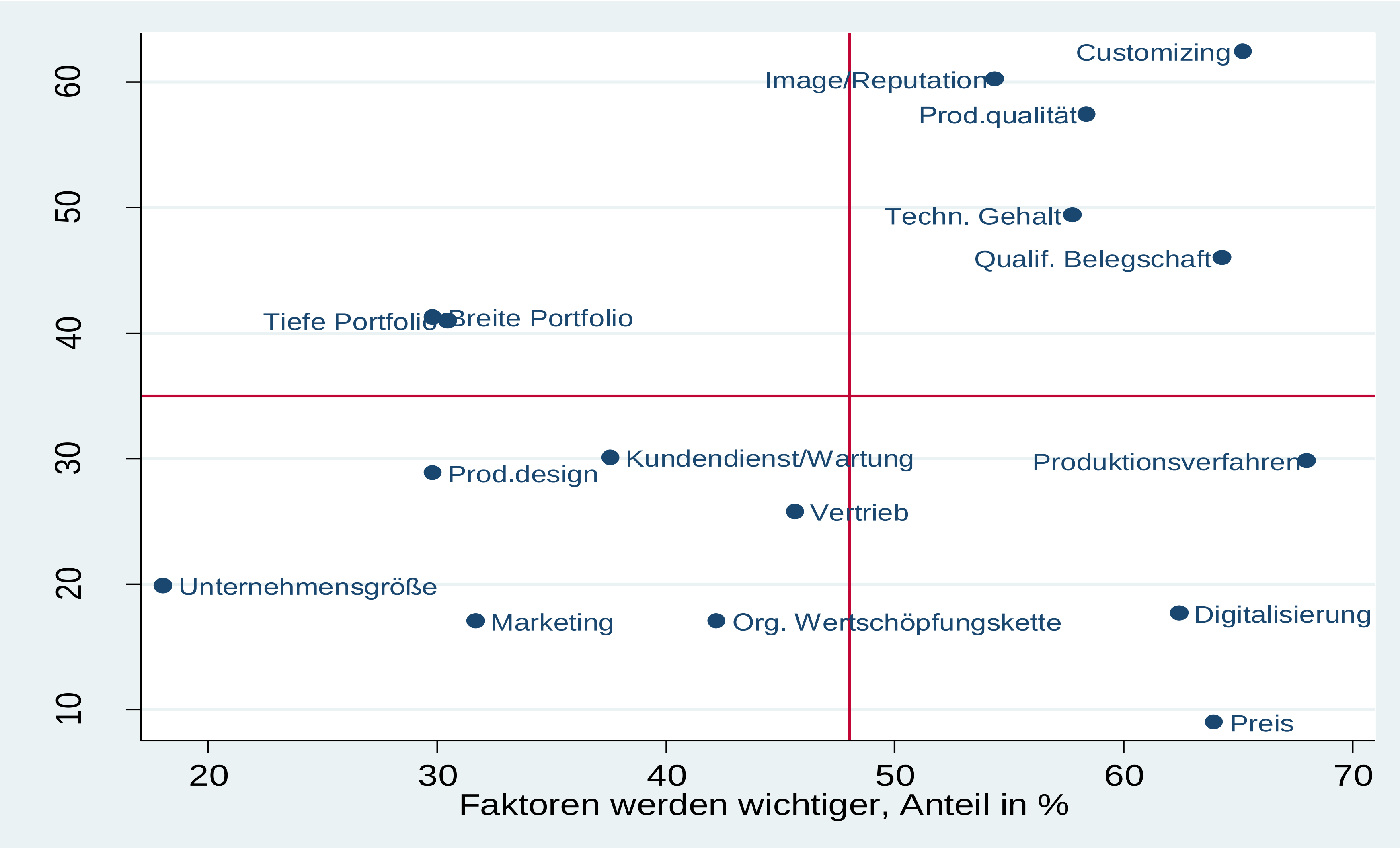
Internationalisation and integration in global value chains

- Highly internationalised firms but with strong regional focus
  - 78% are multinationals (39% AT; 40% intl.)
  - 57% of resp. with export share >75% (19% resp. < 26%)
  - Most important competitors in Germany (74%), EU15/EFTA (43%) or industrialised countries (33%)
  - Core market Germany (78%), AT, EU15;
  - Secondary markets NMS, EU15/EFTA
  - Most important future markets: highly industrialised countries outside EU
- Importance to control value chains increases but production candidate for relocation
  - Vertical integration has increased for 39% of companies (52% unchangend)
  - Little outsourcing (about 10% only)
  - About 15% of enterprises plan to relocate part of their manufacturing activities abroad
  - No plans to move other key activities (e.g. R&D, Marketing, Finance & Controlling)
  - But for 67% manufacturing and R&D indivisible

Product strategies and key capabilities

- Quality leadership and ambitious product strategies
  - 61,5% pursue quality leadership or niche strategies (price leadership only for 7.1%)
  - 80% of respondents have adapted their product portfolio. Of these
    - 90% through broadening it.
    - 50% have developed new fields of business (new product-market combinations);
- Training and R&D are the key assets to *broaden* competencies needed to pursue this strategy
  - Clearly perceived need to develop competencies beyond current techn. core competencies and even develop totally new core competencies
- Industry 4.0 and digitalisation come with opportunities and challenges
  - 76% of respondents offer already services along with products
  - 94% expect impact of industry, and of these
    - 40% see need to broaden competence base
    - 34% expect shorter product life cycles
    - 30% expect higher investment costs
    - 35% see the chance to better target customers

Strengths and weaknesses



Location factors and public action

- Consistently with this evidence companies indicate the following location factors to be key for sustained competitiveness of Austria:
  - Availability of academic and non-academic specialists
  - Quality of vocational training
  - Quality of training on Universities of applied sciences
- They are mostly dissatisfied with
  - Labour laws
  - Tax regime (tax collection and tax audits)
  - Obtaining operating licenses
  - … but satisfied with R&D subsidies, export support/guarantees
- …and see need for public action to
  - Increase flexibility of labour laws
  - Reduce general tax burden
  - Improve the education system
  - Reduce taxes on labour

Thank you!

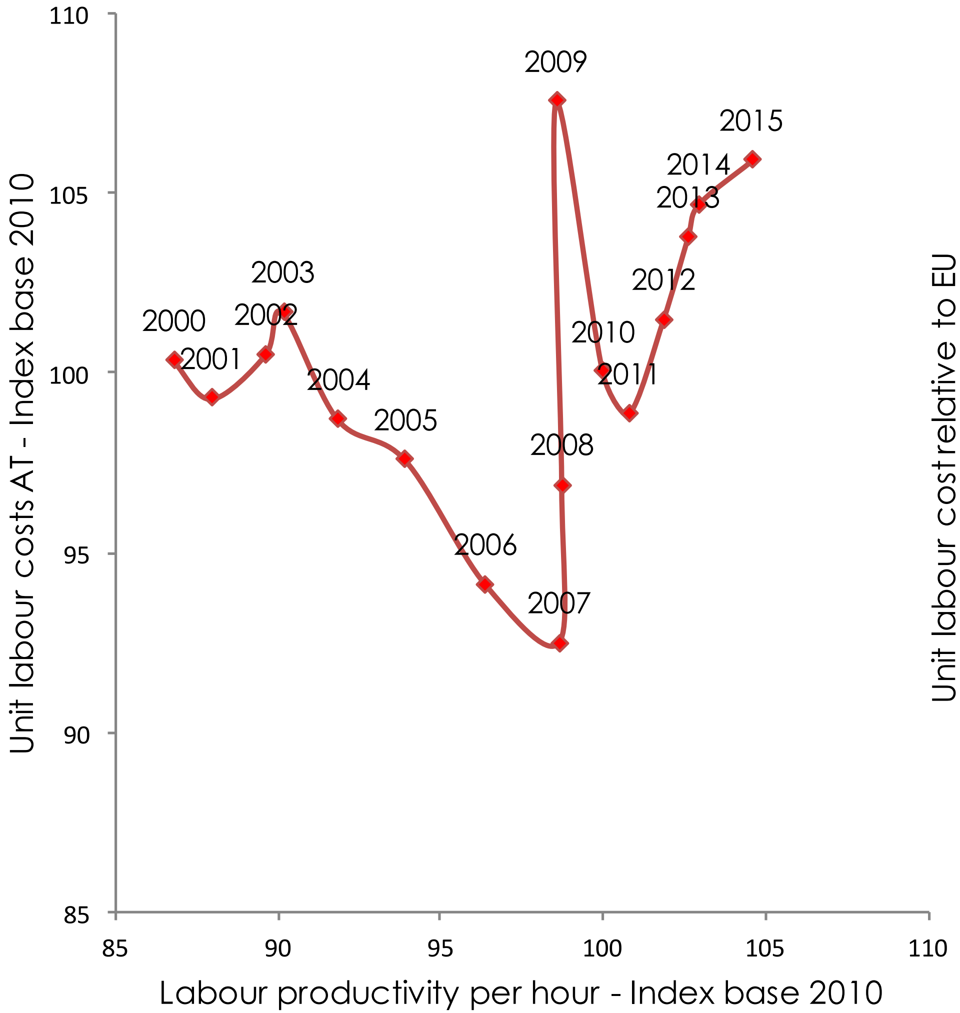
Reference:

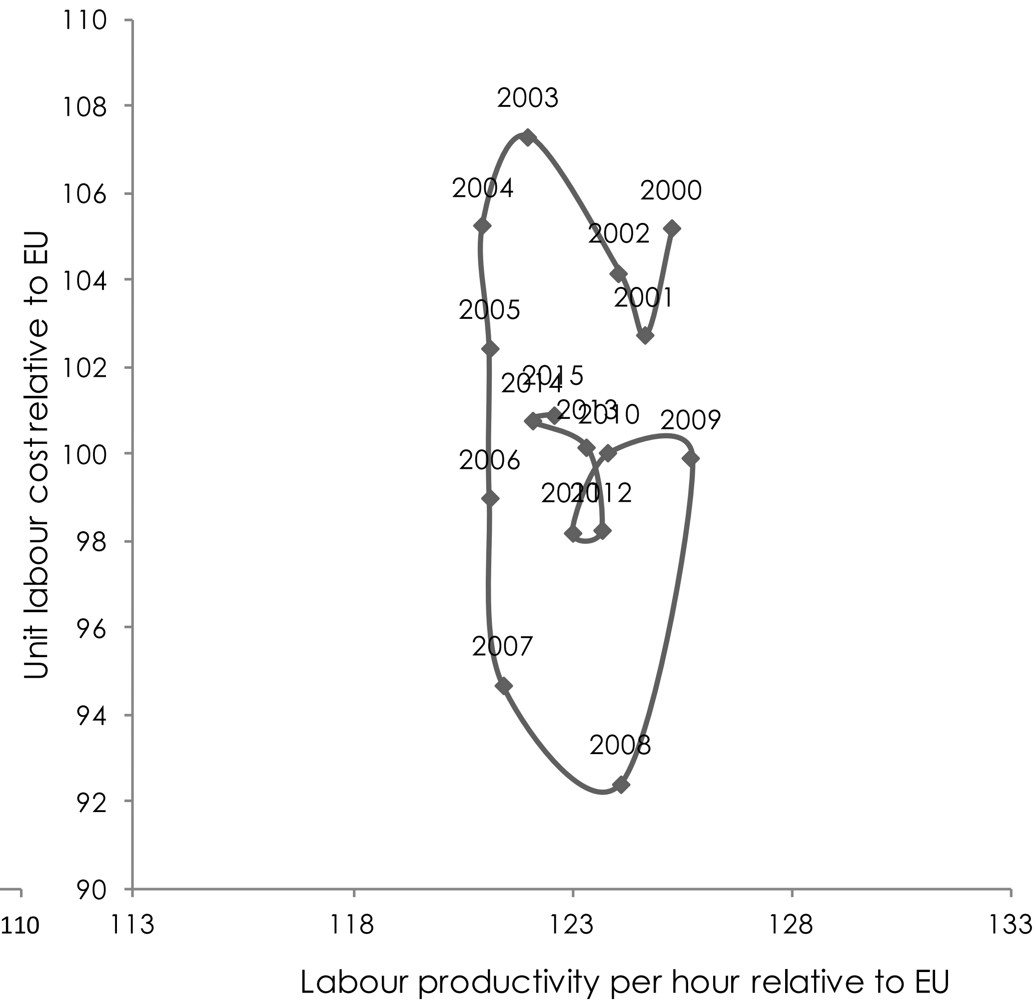
Hölzl W., Friesenbichler K., Kügler A. Peneder M. Reinstaller A. (2017) Österreich 2025 – Wettbewerbsfähigkeit, Standortfaktoren, Markt- und Produktstrategien österreichischer Unternehmen und die Positionierung in der internationalen Wertschöpfungskette, *WIFO-Monatsberichte*, 90(3), S.219-228; **http://www.wifo.ac.at/publikationen/wifo-monatsberichte?detail-view=yes&publikation_id=59375**

STATISTICAL MATERIAL

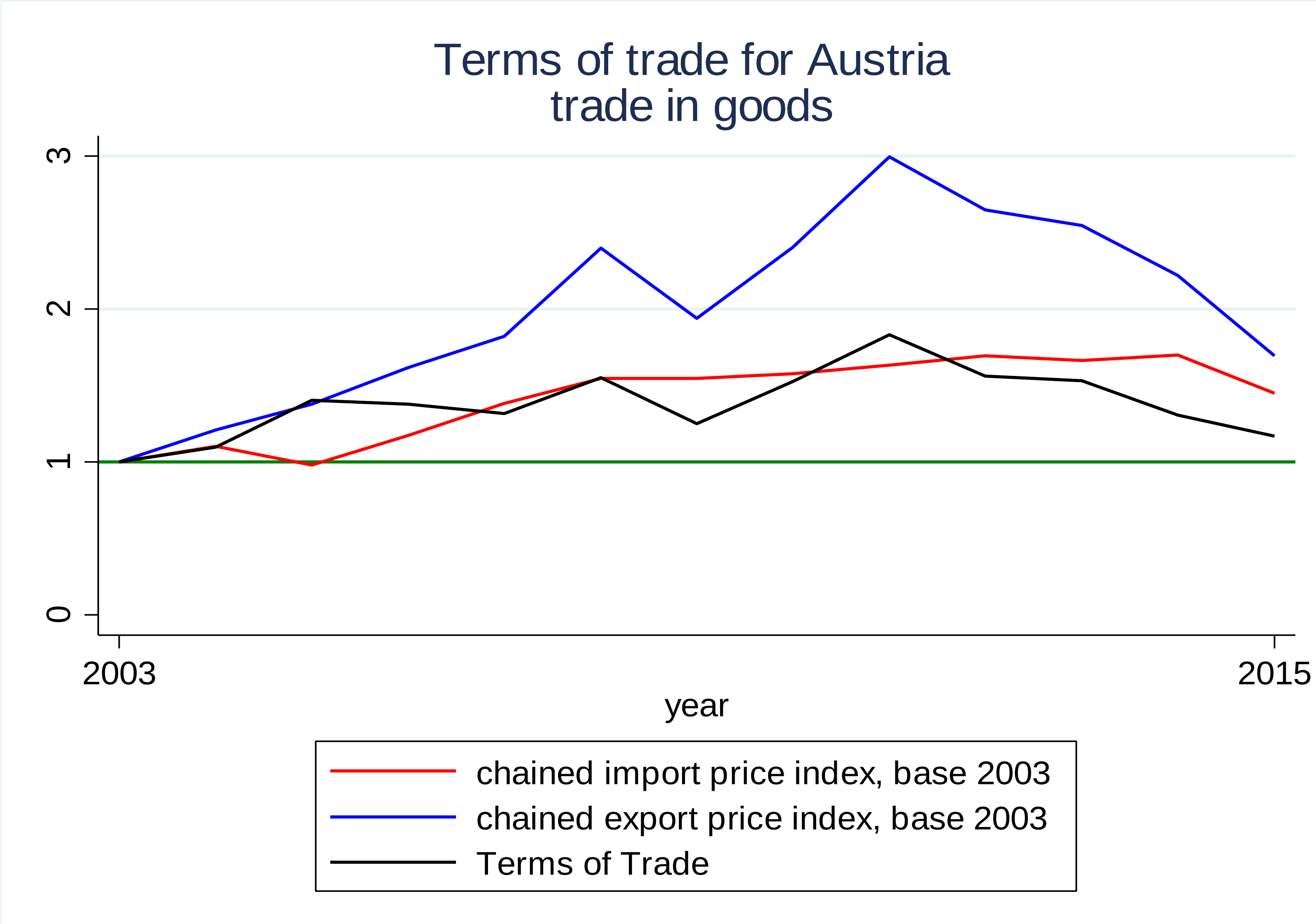
WIFO

Hourly productivity improving but unit labour costs rising

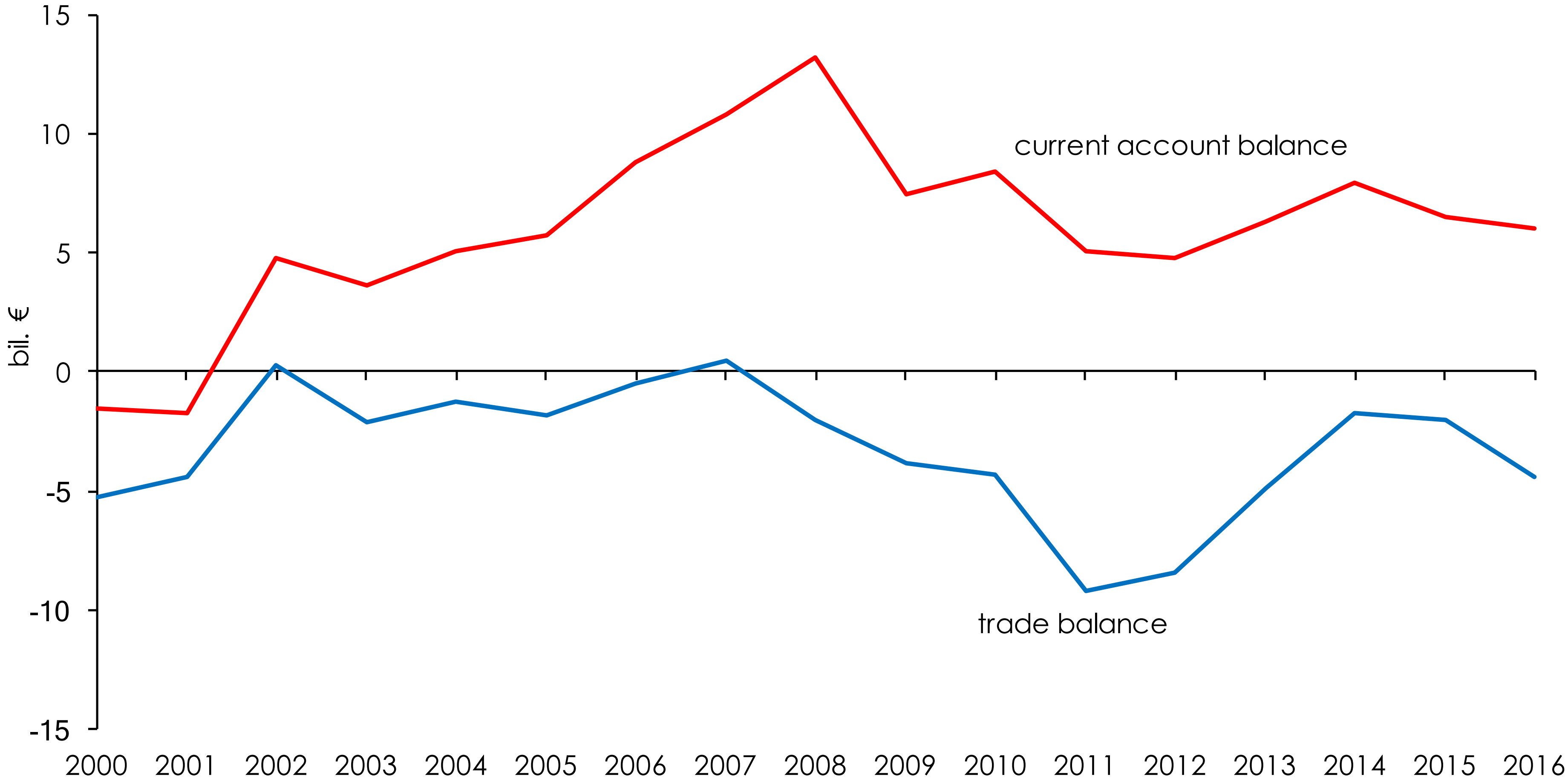




Favourable, even though declining (barter) terms of trade

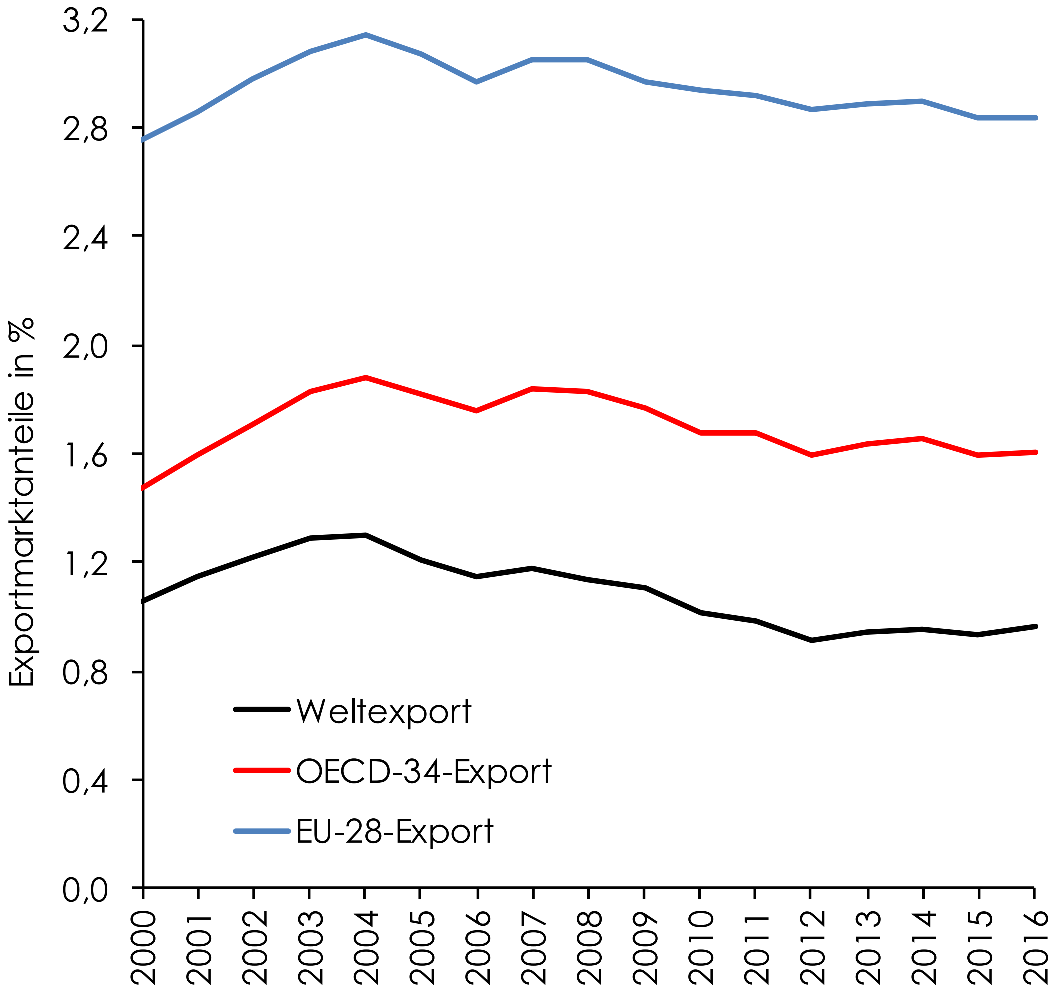


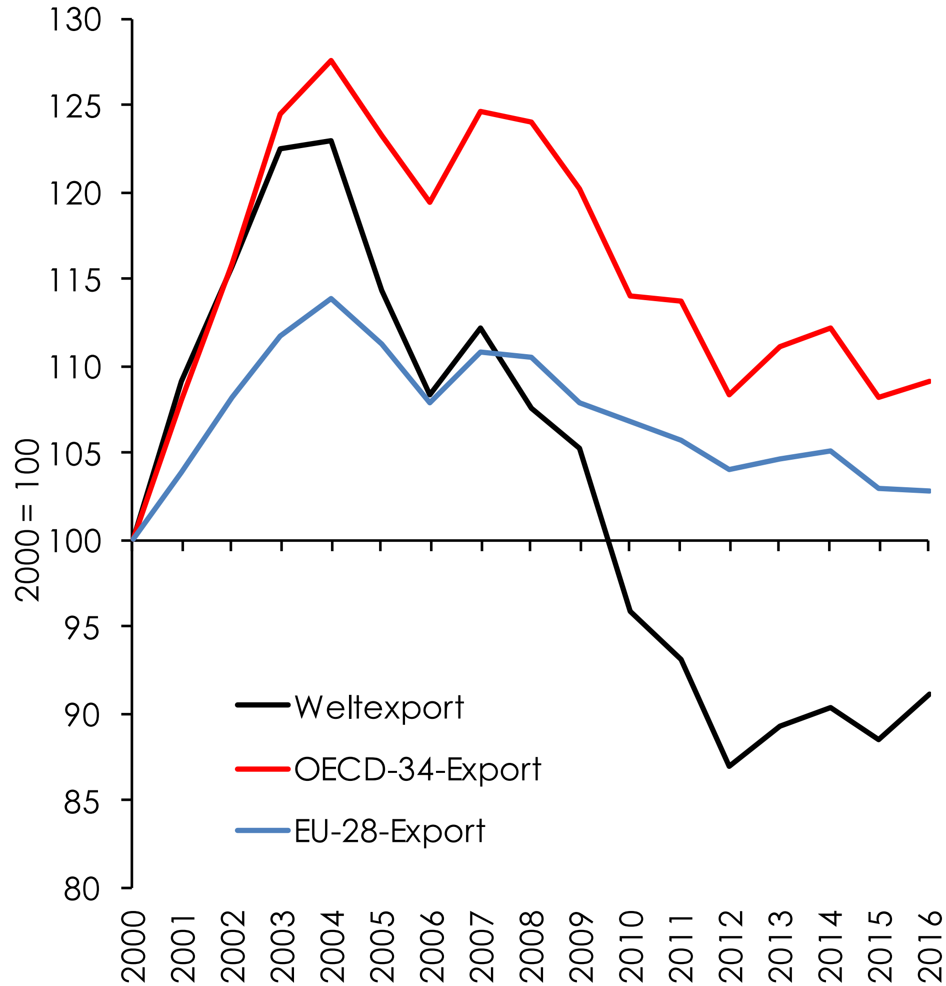
Gap in trade balance not closing



Q: FIW, WDS - WIFO-Data-System,Statistik Austria.

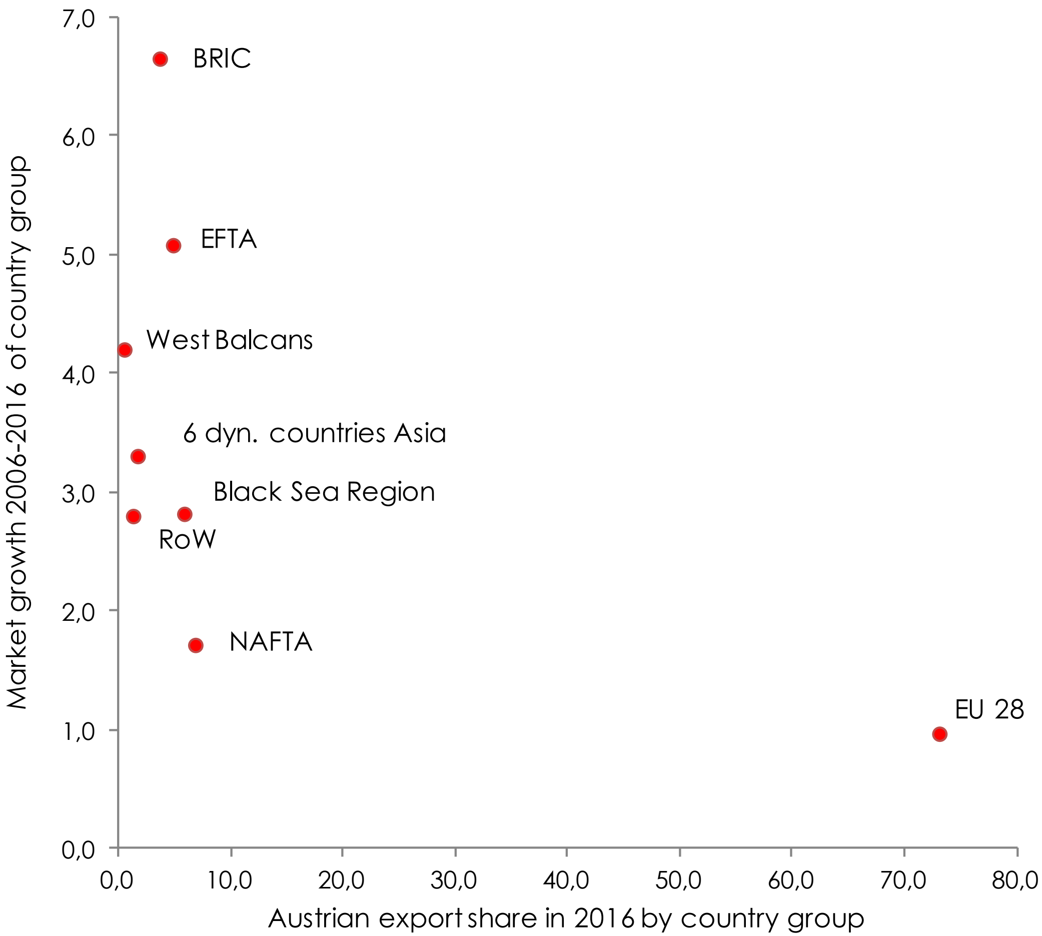
Declining market shares since 2003

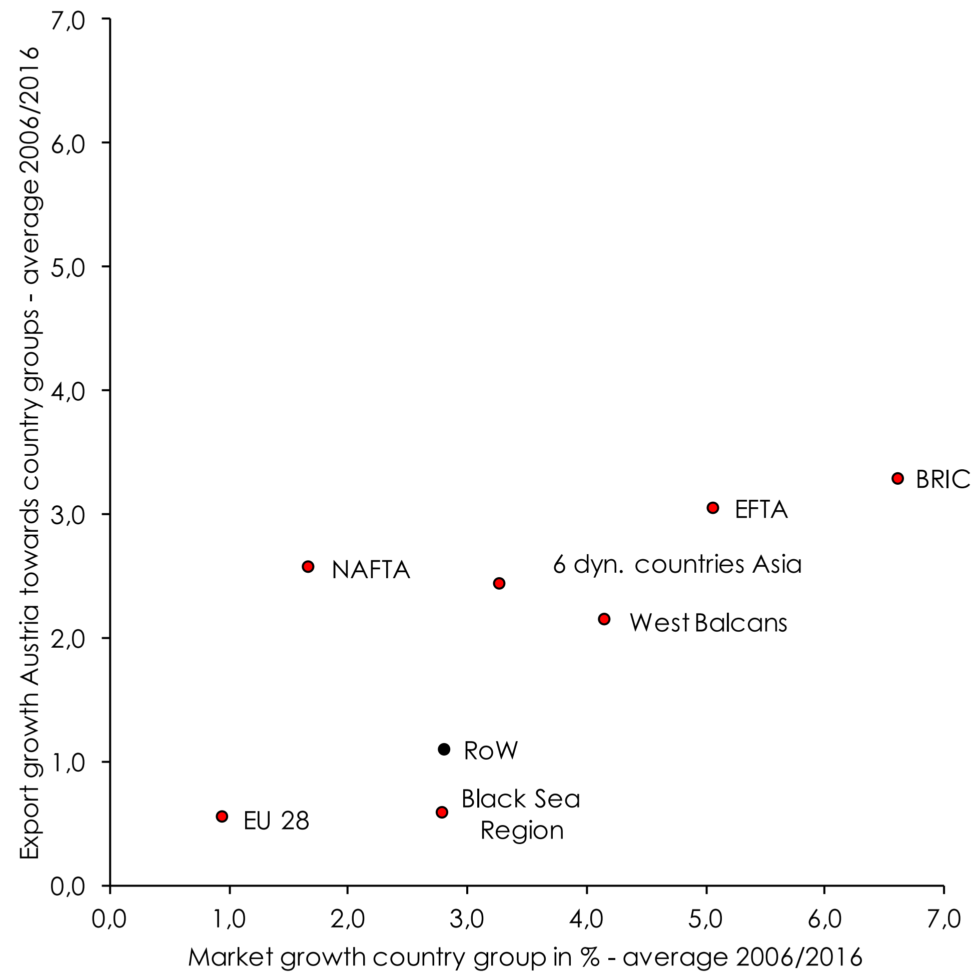




Q: WIFO calculations, Comtrade data

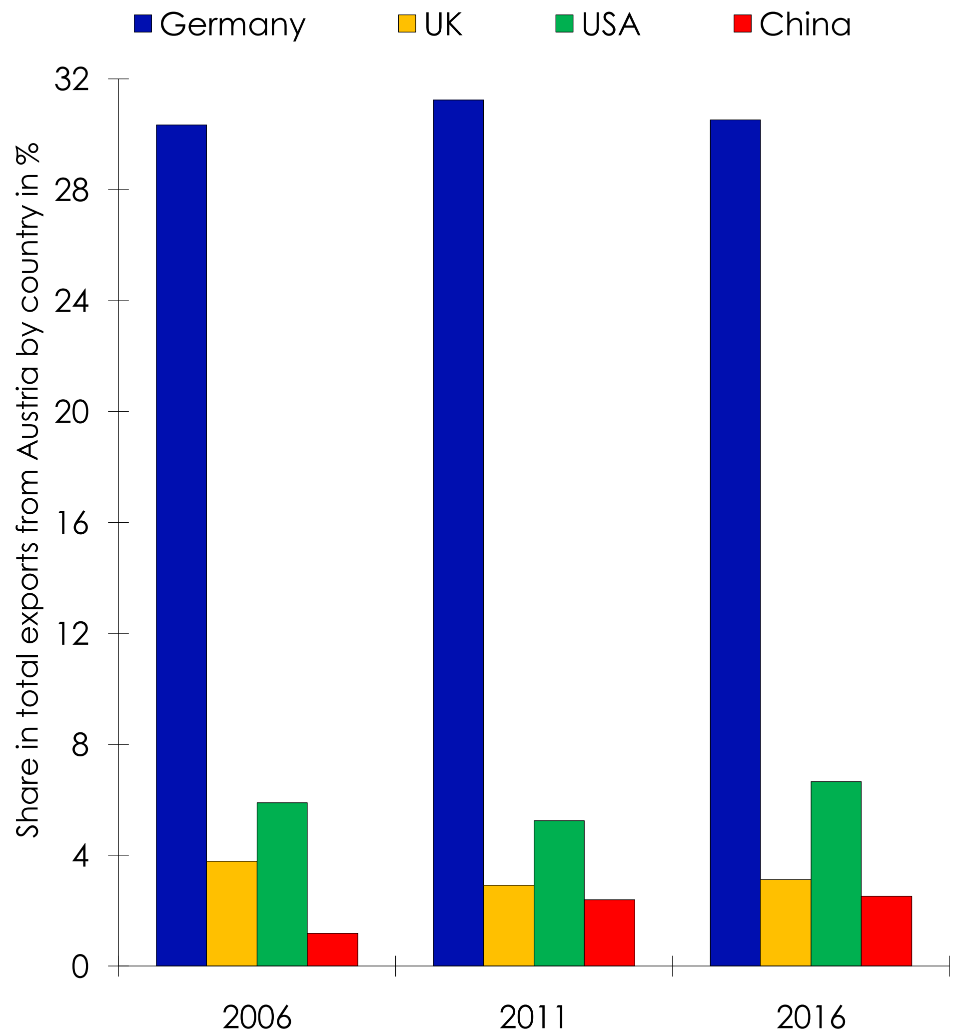
Unfavourable structure of export destinations



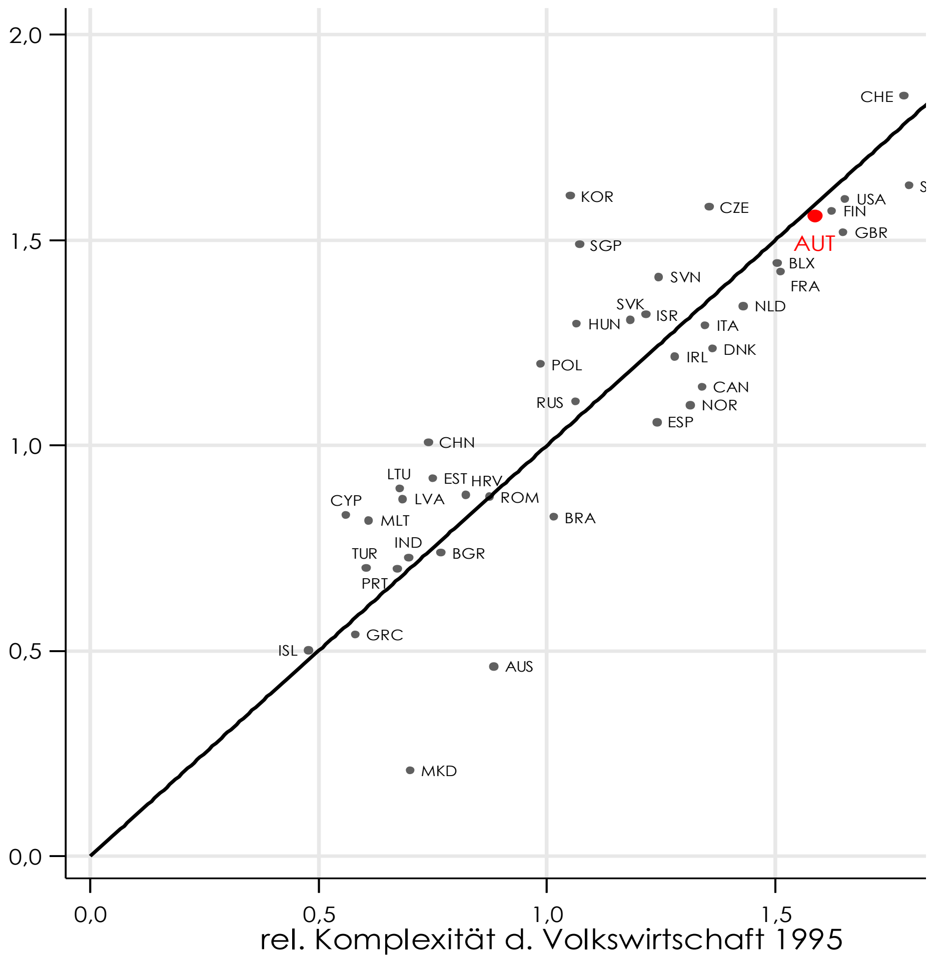


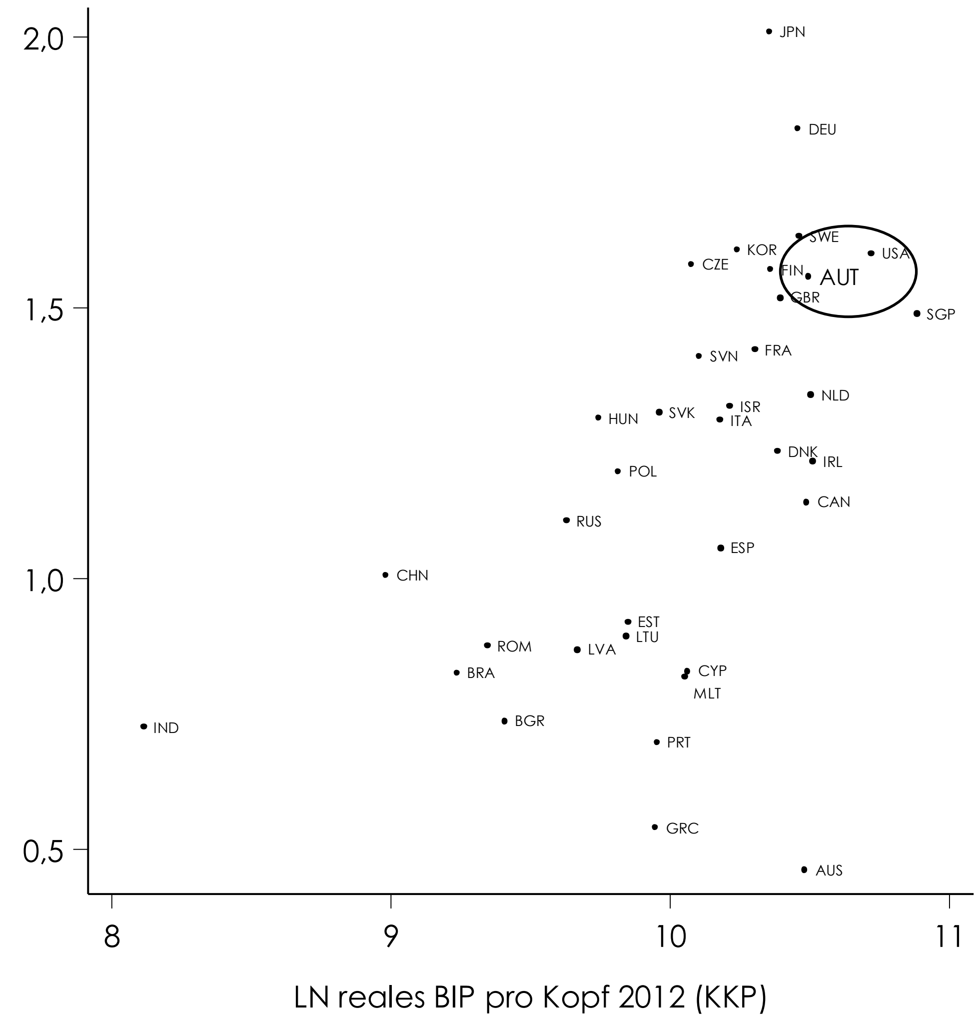
Q: WIFO calculations, Comtrade data

Export shares: strong focus on GER but USA has grown in importance, UK ranks #8



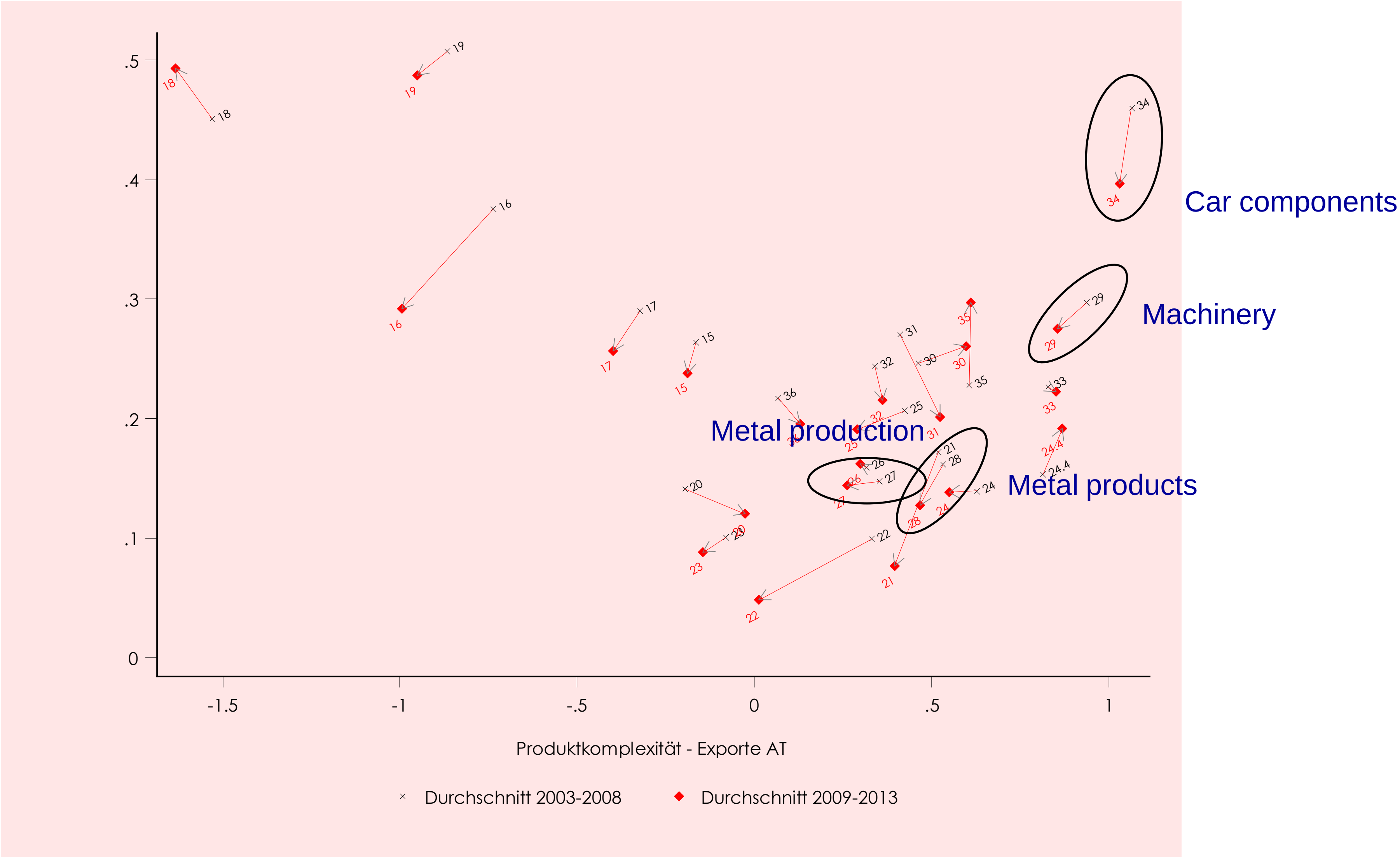
One of the most sophisticated export portfolios in the world





Q: WIFO calculations, BACI data

Market shares for sophisticated products and top price segments in key industries have declined



Q: WIFO calculations, BACI data

24.05.2017