

Broad-based economic upswing

General Information



GDP	USD386.4bn (World ranking 28, World Bank 2016)
Population	8.7mn (World ranking 95, World Bank 2016)
Form of state	Federal Republic
Head of government	Sebastian KURZ (Chancellor)
Next elections	2022, presidential and legislative



Strengths

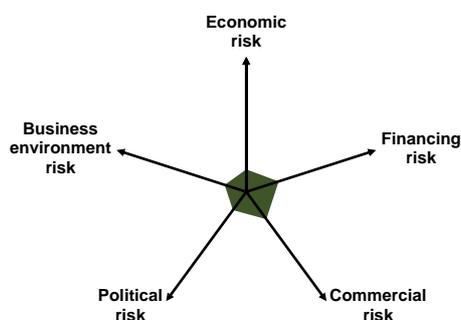
- Low systemic political risk
- Good regional and international relations, EU membership
- Eurozone membership provides low transfer and convertibility risk
- Consistent current account surpluses since 2002
- Strong business environment

Weaknesses

- High trade dependency on Germany
- Relatively high public debt
- Banking sector vulnerabilities due to large exposure to 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	41% Germany
United States	7% 2	6% Italy
Italy	6% 3	6% Switzerland
Switzerland	6% 4	5% China
France	4% 5	4% Czech Republic

By product (% of total)

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

Source: Chelem (2015)

Economic Overview

Robust and stable expansion

The Austrian economy currently finds itself in a period of very strong and stable economic expansion, which is supported both by domestic and external demand. Following real GDP growth of 0.9% in the first quarter of 2017, growth came in at 0.8% in both the second and third quarter (q/q, seasonally adjusted). Export activity has gained considerable momentum since the fourth quarter of 2016. Austrian exporters benefit from the economic recovery in the eurozone and the strong demand from central and eastern European countries. The loss in export dynamics in the third quarter has to be seen as a natural normalization, following a very dynamic development in the preceding quarters. Export-oriented companies continue to assess their order books very positively. Thus exports are likely to provide growth stimulus well into next year.

Economic sentiment at multi-year high

In November the Purchasing Managers' Index (PMI) for the manufacturing sector reached its highest level for more than six years. It currently stands at close to 62 points, well above the 50 point-threshold. Values above this threshold indicate an overall improvement in the manufacturing sector. Confidence among consumers has also improved considerably in the course of this year. In November it reached its highest level since February 2011 (EU Commission data).

Strong economic expansion to continue

The economic upswing has finally reached the labor market. The number of employees increased by 65,000 in the first three quarters of 2017. At the same time unemployment is trending downwards. Supported by these positive labor market developments, private consumption is likely to grow strongly next year as well. We have penciled in an increase of 1.7% in real terms (2017: +1.5%). Prospects for investment are positive as well. Capacity utilization is clearly above its long-term average, pointing to continued strong investment activity in the industrial sector. All in all, we expect full-year real GDP to expand by 2.9% in 2017 and by 2.2% in 2018. The contribution of net exports will likely be less pronounced next year than in 2017 (+0.3% versus +0.6%) as export growth will be more or less in line with import growth.

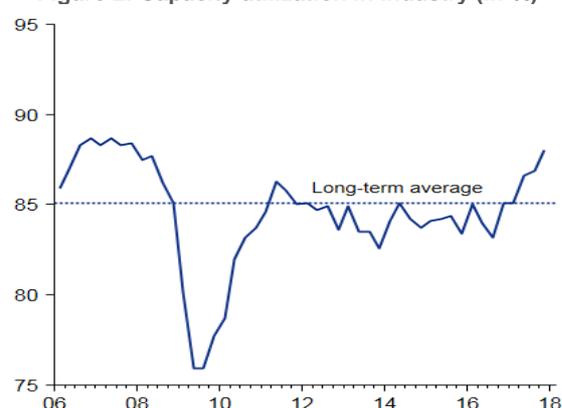
Figure 1: Key economic forecasts

Austria	2015	2016	2017	2018
GDP	1.1	1.5	2.9	2.2
Consumer Spending	0.5	1.5	1.5	1.7
Public Spending	1.3	2.0	1.3	1.5
Investment	1.0	3.8	4.8	3.2
Stocks *	0.2	0.0	0.1	0.0
Exports	3.0	2.4	5.3	3.6
Imports	3.0	3.6	4.5	3.4
Net exports *	0.1	-0.5	0.6	0.3
Current account (% of GDP)	1.9	2.1	2.7	3.0
Unemployment rate	5.7	6.0	5.5	5.4
Wages	2.2	1.6	1.5	1.5
Inflation	0.9	0.9	2.1	2.0
General government balance (% of GDP)	-1.0	-1.6	-1.0	-0.9
Public debt (% of GDP)	84.3	83.6	81.8	80.2

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

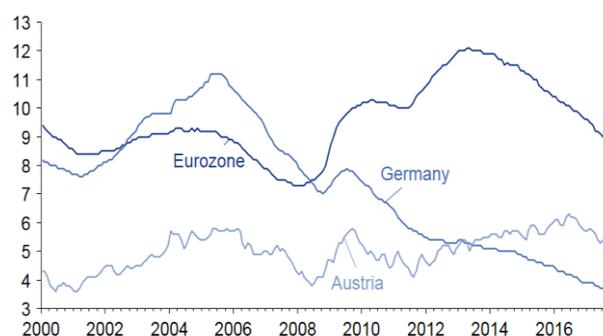
Sources: National statistics, IHS, Allianz Research

Figure 2: Capacity utilization in industry (in %)



Sources: Thomson Reuters Datastream, Allianz Research

Figure 3: Unemployment rate (in %)



Sources: Thomson Reuters Datastream, Allianz Research

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 2017 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: 2017-12-01
Country Risk Analyst:
Gregor Eder
gregor.eder@allianz.com