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Assessment of the 2013 national reform programme and stability programme for AUSTRIA

Accompanying the document

Recommendation for a COUNCIL RECOMMENDATION

on Austria's 2013 national reform programme and delivering a Council Opinion on Austria's 2013 stability programme for 2012-2017

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CONTENTS

Executive summary 3
1. Introduction 5
2. Economic developments and challenges 7
2.1. Recent economic developments and outlook 7
2.2. Challenges 8
3. Assessment of policy agenda 10
3.1. Fiscal policy and taxation 10
3.2. Financial Sector 16
3.3. Labour market, education and social policies 18
3.4. Structural measures promoting growth and competitiveness 22
3.5. Modernisation of public administration 26
4. Overview table 28
5. Annex 32

EXECUTIVE SUMMARY

Economic Outlook

In 2013, Austria's GDP growth is expected to slow down to 0.6% (from 0.8% in 2012), picking up to 1.8% in 2014. Unemployment is forecast to rise slightly from 4.3% in 2012 to 4.7% in 2013 and 2014. Employment and real wage growth are set to stay positive, and provide for moderate increases in consumption. Inflationary pressures are expected to ease from 2.6% on average for 2012 to below 2% in 2014. The external balance is projected to stay in surplus and support growth.

Buoyed by robust personal income tax and social security contributions, Austria kept its budget deficit at 2.5% of GDP in 2012, outperforming its targeted 3%, and is on track to correct its excessive deficit. The headline government deficit is forecast to fall to 2.2% in 2013 and 1.8% in 2014 (slightly higher than the Austrian estimate of 1.5%). However, the structural budget deficit (net of one-off and temporary measures) is projected to worsen to 1.7% of GDP in 2014 (from 1.5% in 2012), while the Programme envisages an improvement to 1.1% of GDP. Austria's medium-term budgetary objective is a structural deficit of 0.45% of GDP, which it plans to reach by 2017, whereas according to the structural balance recalculated by the Commission based on programme data the objective could be reached already in 2015. Government debt is expected to increase from 73.4% of GDP in 2012 to around 73.8% in 2013 and 2014.

Key Issues

Austria has had a remarkable record in coping with the difficult economic environment. Economic growth has remained low but positive, employment and income growth have remained robust and financing conditions have stayed relatively favourable.

Austria has made some progress on measures taken to address the 2012 CSRs. Austria's public finances are improving. The government has kept the budget deficit at 2.5% of GDP and the adjustment effort was in line with the recommentadions. Some measures were taken in 2012 to increase the effective retirement age, to reform tertiaty education and to enhance the efficiency of the health care system, however, implementation needs to be closely monitored. Measures to improve the provision of childcare and long-term care, the employment of older workers and people with a migrant background and the quality of the education system are underway.

In the medium to long-term, Austria still faces challenges with age-related costs (pensions and healthcare), the labour market, product and service markets, the business environment and the financial sector.

- **Healthcare**: Ensuring the financial sustainability of the pension, health and long-term care systems are important challenges. Rising costs in the health system need to be contained while safeguarding high quality and equal access to health services. Access to high-quality long-term care needs to be improved to respond to the rapidly increasing needs of an ageing population and to foster labour market participation of women. Moreover, there is a long-standing need to streamline the complex relations between layers of government in Austria.

- **Education**: Austria's spending on education (5.56% of GDP) is above the EU average (5.34%), but education outcomes are below average for 10 and 15-year-olds. The influence of socio-economic background on educational achievement is particularly high and achievement gaps between young people with a migrant background and their native peers are among the highest in the EU. Student numbers in higher education are increasing but the percentage of students completing their studies successfully is low (26.8% in 2012 compared with 36.5% for EU27).

- **Labour market**: While Austria has the lowest unemployment rate in the EU in 2012 (4.3%), its labour force is projected to shrink from 2020, so there is scope to better tap the potential of older workers, women and people with a migrant background. The employment rate of older workers is below the EU average (43.1% compared to 48.8% in the EU in 2012) and the gap between the effective and statutory retirement age is considerable (5.8 years for men and 2.7 years for women), both of which put significant pressure on the pension system. While the employment rate of women (70.3%) is above EU average, there are far fewer women in full-time work (55.6% in 2011), and Austria has the third-highest gender pay gap in the EU (24% in 2010). Moreover, the unemployment rate for people with a migrant background is more than twice as high as for EU nationals (9.7% vs. 3.6%). A shift of the high tax burden for low income earners to recurrent property taxation (third lowest in the EU) could provide further incentives to increase labour market participation.

- **Business environment**: Austria needs to promote dynamism of the services sector and effective competition, notably by reducing barriers to entry in the services sector and ensuring sound competition in the railway sector.

- **Financial sector**: Some nationalised banks require continued attention.

1. INTRODUCTION

In May 2012, the Commission proposed a set of country-specific recommendations (CSRs) for economic and structural reform policies for Austria. On the basis of these recommendations, the Council of the European Union adopted seven CSRs in the form of a Council Recommendation in July 2012. These CSRs concerned fiscal policy and public finances, pensions, taxation, the labour market, education, the business environment and the banking sector. This Staff Working Document (SWD) assesses the state of implementation of these recommendations in Austria.

The SWD assesses policy measures in light of the findings of the Commission's Annual Growth Survey 2013 (AGS)[1] and the second annual Alert Mechanism Report (AMR)[2], which were published in November 2012. The AGS sets out the Commission's proposals for building a common understanding of the priorities for action at national and EU level in 2013. It identifies five priorities to guide Member States to renewed growth: pursuing differentiated, growth-friendly fiscal consolidation; restoring normal lending to the economy; promoting growth and competitiveness for today and tomorrow; tackling unemployment and the social consequences of the crisis; and modernising public administration. The AMR serves as an initial screening device to determine whether macroeconomic imbalances exist or risk emerging in Member States. The AMR found positive signs that macroeconomic imbalances in Europe are being corrected. To achieve a complete and durable rebalancing of the economy, 14 Member States were selected for a review of progress in addressing these imbalances.[3]

Against the background of the 2012 Council Recommendation, the AGS and the AMR, Austria presented updates of its national reform programme (NRP) and of its stability programme in April 2013. These programmes provide detailed information on the progress made since July 2012 and on the government's future plans. The information contained in these programmes provides the basis for the assessment made in this Staff Working Document.

The update of the Austrian stability programme for the period 2012-2017 was submitted on 16 April 2013. It was produced in consideration of internal budgetary coordination and adopted by the Council of Ministers, together with the national reform programme. While the Austrian federal government generally seeks close involvement of the federal provinces, regions, municipalities and relevant representatives of interest groups and stakeholders in policy reforms, these stakeholders have not been directly involved in the drawing up of the national reform programme. The coordination responsibility lies with the Federal Chancellery. The National Reform Programme is presented as a report of the federal government to the Budget Committee of the National Council, thus the involvement of the parliament also seems to be fairly limited.

[1] COM(2012) 750 final.
[2] COM(2012) 751 final.
[3] 13 in-depth reviews were published on 10 April 2013. While selected for an in-depth review in the AMR, Cyprus was ultimately not reviewed under the Macroeconomic Imbalance Procedure in view of the advanced preparations for a financial assistance programme.

Overall assessment

The analysis in this SWD leads to the conclusion that Austria has made some progress on measures taken to address the CSRs of the Council Recommendation.

Austria's public finances are improving. Buoyed by robust personal income tax and social security contribution revenues on the back of sustained employment and wage growth in 2012, Austria has kept its budget deficit at 2.5 % of GDP. It has strengthened its fiscal framework and the banking sector is restructuring. Some measures were taken in 2012 to increase the effective retirement age, to reform tertiary education and to enhance the efficiency of the health care system, however, implementation needs to be closely monitored. Measures to improve the provision of childcare and long-term care services, the employment of older workers and people with a migrant background and the quality of the education system are underway. Nevertheless, further efforts are needed to address the challenges. In other areas, reforms have been even more limited. This concerns in particular streamlining the complex relations between layers of government, harmonising of the statutory retirement age between women and men and linking it to gains in life expectancy, addressing the gender pay and pension gap, reducing the high tax burden on labour, and liberalising service markets (notably the regulated professions, where the justification of restrictions needs to be reviewed), and railway transport. The financial and human resources of the Competition Authority still fall behind the levels observed in economies of similar or smaller size. There are still pockets of vulnerability in the banking sector, which need to be closely monitored.

The challenges identified in July 2012 and reflected in the AGS remain valid. In the short term, ensuring a consistent and timely implementation of the measures adopted in the areas of fiscal relations, pensions, healthcare and education and developing a long-term strategy for enhancing access to long-term care while keeping costs under control would be warranted. Providing the necessary incentives and the conditions to improve the labour market participation of women, people with migrant background and older workers, as well as optimising education outcomes and improving the organisation of higher education would help maintain and enhance the quality of human capital and innovation capacity. This in turn would improve Austria's medium- and long-term growth prospects. Another challenge is to promote competition in sheltered markets. The outlook for the public finance involvement in the banking sector remains uncertain.

The update of the Stability Programme for 2012-17 confirms the MTO of a structural deficit of 0.45 % of GDP to be met by 2017. The plans should ensure sufficient progress towards the MTO as well as compliance with the expenditure benchmark and the debt criterion. The programme is based on a fairly optimistic macroeconomic scenario and projects an ambitious reduction in the expenditure ratio. However, downside risks to the revenue projections may not be sufficiently taken into account. The National Reform Programme for 2013 and the update of the Stability Programme for 2012-2017 report measures of some relevance to the CSRs of 2012. However, some of the measures had already been announced before the Council Recommendations and the programmes generally lack significant new initiatives for comprehensively addressing some of the CSRs.

2. ECONOMIC DEVELOPMENTS AND CHALLENGES

2.1. Recent economic developments and outlook

Recent economic developments

In 2012 and early 2013, economic growth in Austria has been affected by the general weakening of global activity and subdued domestic business and consumer confidence.

In 2012, these events had a dampening impact on net exports and domestic demand. As external demand weakened, export growth slowed down considerably from 7.2 % in 2011 to 1.7 % in 2012. Domestic demand was held back by stagnating consumption and investment. Despite these trends, employment and income growth have remained robust and financing conditions have stayed relatively favourable as the flight to security associated with the European sovereign debt crisis increased demand for Austrian government securities.

Economic outlook

According to the 2013 Commission spring forecast, economic growth will be marginal in 2013 and may rise in 2014. Employment and real wage growth are set to stay positive, and provide for moderate increases in consumption. Investment is not likely to increase before 2014. Still, the investment volume should ensure the adequacy of the capital stock in anticipation of a pick-up in demand. The corporate sector has accumulated significant savings over recent years and should not have financing difficulties, provided companies keep cost pressures at bay.

The exporting sectors are forecast to benefit from gradually improving external demand conditions in relevant markets over 2013-14. All in all, the external balance is projected to stay in surplus and support growth.

Inflationary pressures are expected to dissipate in the course of 2013-14, with inflation easing from 2.6 % on average for 2012 to below 2 % in 2014.

The update of the Austrian Stability Programme for the period 2012-17 and the National Reform Programme 2013, both submitted in April 2013, share the same short and medium-term macroeconomic scenario.

The baseline scenario assumes a swifter recovery of growth dynamics in the short term, than that contained in the Commission Spring Forecast. In comparison to last year's Stability Programme, the current programme scenario has revised GDP growth projections for 2013-16 downwards by 0.3 percentage points on average. Nevertheless, the assumed growth outlook remains optimistic, assuming sustained and relatively strong potential growth, possibly incorporating the positive effects of policy measures.

Regrettably, the documents offer no explicit quantification of the growth impact of structural policies. Indeed some of the measures, notably on enhancing labour market participation of vulnerable groups, are specified in terms of dedicated expenditure over the short-to-medium term, however failing to provide an estimate of the effect on employment.

2.2. Challenges

Austria faces important challenges with regards to ensuring long-term growth prospects and fiscal sustainability. They consist in tapping the full potential of the labour market and improving educational outcomes as its labour force potential is projected to shrink from 2020 and the economy is becoming more skills-intensive; increasing the sustainability of the pension system; improving the efficiency of the health care system; developing a fiscally sustainable long-term strategy for enhancing access to long-term care; removing market entry barriers in various sectors.

These challenges were identified in the 2012 SWD. In July 2012, relevant policy responses were noted and integrated in the CSRs of the Council Recommendations issued for Austria. As suggested by the AGS and the AMR, all of these challenges remain fully or partly relevant.

The employment rate of older workers is below the EU average (43.1 % compared to the EU average of 48.8 % in 2012). This is due largely to the still relatively widespread take-up of early retirement and invalidity pensions, and to the relatively low statutory retirement age for women. The gap between the effective and statutory retirement age is considerable, i.e. 5.8 years for men and 2.7 years for women. Combined with the difficulties faced by older workers to stay in employment, this puts significant pressure on the sustainability of the Austrian pension system.

While the employment rate of women of 70.3 % is above EU average, it is far less favourable in full-time equivalents (55.6 % in 2012), largely due to limited availability of affordable and quality childcare services. Gender segmentation is very high as testified by the concentration of women in marginal and low-wage employment, the third highest gender pay-gap in the EU and an old-age poverty risk for women that is above the EU average.

The labour market performance of people with a migrant background falls below nationals in terms of employment and unemployment rates, (the unemployment rate of people with migrant background is more than twice as high as for EU nationals: 9.7 % vs. 3.6 %), education outcomes and poverty risk. The proportion of over-qualified migrants is among the highest in the OECD, linked to difficulties regarding the recognition of qualifications and experience.

The tax burden for low income earners continues to be a disincentive to full-time employment of women and to labour market participation of migrants. The structure of the Austrian tax system provides the space to shift taxation towards other sources, considered less detrimental to growth. While the labour tax burden for low income earners is 6th highest in the EU, revenues from recurrent taxes on immovable property which are considered to be the least detrimental to growth are the third lowest.

The health care sector faces a key challenge in terms of ensuring the financial sustainability of the system. Rising costs in the health system need to be contained, while safeguarding high quality and equal access to health services. Sufficient incentives to shift treatments from the relatively large and costly inpatient sector to primary care physicians are lacking and preventive health care is underdeveloped. This increases long-term costs in the health sector, and has indirect negative effects on long-term care. Access to high quality long-term care needs to be improved to respond to the rapidly increasing needs of an ageing population and to foster the labour market participation of women.

The need to improve the organisational settings of Austria's fiscal relations is a long-standing issue widely acknowledged by a wide range of stakeholders. The AGSAGS highlights the positive impact on growth of a modern and efficient public administration. The complex mechanism of overlapping responsibilities and continuous negotiations between the national, provincial and local government and, where relevant, social insurance providers, lacks transparency and poses challenges to public expenditure effictiveness.

At 5.56 % of GDP, Austria's spending on education is above the EU average of 5.34 % (2011), but education outcomes are below average for 10 and 15 year olds as measured by PIRLS[4], TIMSS[5] and PISA[6] tests. The influence of socio-economic background on educational achievement is particularly high and achievement gaps between young people with a migrant background and their native peers are among the highest in the EU. In higher education, increasing numbers of students are putting pressure on the financial and organisational systems, but the percentage of students completing their studies successfully is low.

Austria needs to lower market entry barriers including start-up and operating conditions for businesses and individual professionals. It also needs to promote consumer choice and value through increasing competition, especially in the provision of services.

In recent years, the Austrian banking sector has remained resilient but not free of structural weaknesses. A number of banks depend on public support and face difficult restructuring choices.

[4] Progress in International Reading Literacy Study.
[5] Trends in International Mathematics and Science Study.
[6] Programme for International Student Assessment.

3. ASSESSMENT OF POLICY AGENDA

3.1. Fiscal policy and taxation

Budgetary developments and debt dynamics

Austria has surpassed its nominal deficit target set by the previous Stability Programme. In 2012 the general government deficit was 2.5 % of GDP, against the target of -3 % of GDP. This better-than-expected outcome is mainly due to the robust dynamics of household income, which fuelled revenue from personal income tax and social contributions leading to higher revenue elasticity of these revenues with respect to GDP. However, there are risks related to possible additional costs to finance the unwinding of a large bank which could have a significant deficit-increasing impact.

The main goal of the programme is to reach a balanced budget in 2016 and to meet the Medium Term Objective (MTO) by 2017. The current Programme confirms last year's MTO of a structural deficit of 0.45 % of GDP, reflecting the objective of the Pact. The new Programme indicates a minor slippage in the headline government deficit in 2013 with respect to the objective set last year (-2.3 versus -2.1, COM SF2013: -2.2), but for the later years, the medium-term fiscal strategy is confirmed. The upward revision in the target for the general government deficit for 2013 is mainly due to larger one-off measures to support the banking sector and due to a rebound in certain expenditure categories, that saw subdued growth last year.

According to Commission's forecast, the general government deficit in 2014 will be slightly higher than the estimate given in the Programme (1.8 % versus 1.5 %). This is mainly due to more cautious projections of revenues and expenditure in the Commission's forecast. Over the whole programme period the macroeconomic scenario seems optimistic in the current context. While the underlying revenue elasticity with respect to GDP is plausible the dynamics of expenditure seems overly positive Expenditure as a percentage of GDP is expected to fall from 51.2 % in 2012 to 48.6 % in 2017, the lowest ratio in more than fifteen years. In addition, the amount of discretionary savings planned up to 2016 (no measures are specified for 2017) may not be sufficient to achieve these ambitious targets. The consolidation effort is slightly more focused on expenditure savings, except for 2013, when spending on education and universities almost offset planned expenditure savings.

The size of the average structural effort in years 2011-12 is above the one recommended in the EDP. After a strong improvement in the structural balance that exceeded the adjustment path required in the EDP in the last two years (0.9 % versus 0.7 %), the structural deficit is expected to slightly increase in 2013 according to the programme and the Commission forecast. From 2014 onwards, the recalculated structural balance[7] improves by more 0.5 % in 2014 and 2015 enabling Austria to reach the MTO two years ahead of the plan presented in the programme[8], i.e. 2015 instead of 2017. The discrepancies between the

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[7] Cyclical adjusted balance net of one-off and temporary measures, recalculated by the Commission services on the basis of the information provided in the Programme, using the common agreed methodology.

[8] The main source of this difference is the robust rate of real GDP growth projected by the programme, which leads to higher potential output and therefore a larger negative output gap. According to the scenario underlying the recalculated structural balance, the negative output gap will close only in 2016, while the programme

recalculated structural balance and the structural balance included in the programme questions the credibility of the medium-term budgetary strategy presented by the government since the underlying projections of the programme differs considerably with the structural balance targets of the programme itself (see footnote 8). The Commission's forecast for 2014 highlights a downside risk with respect to the projected structural adjustment since it estimates that the structural balance would worsen in 2014 from -1.6 % to -1.7 % of GDP. This is mainly due to the larger headline deficit estimated by the Commission (1.8 % versus 1.5 % in the programme), to a less negative output gap in the Commission's forecast and to one-off measures on the revenue side not taken into account in the programme, accounting for 0.1 % of GDP

The programme shows compliance with the expenditure benchmark. According to the information provided in the programme and in the Commission's forecast the growth rate of government expenditure, net of discretionary revenue measures, between 2014 and 2016 it is expected to contribute to an annual structural adjustment towards the MTO by 0.5 % of GDP. However, as mentioned above, the expenditure dynamic projected by the programme seems rather optimistic.

The programme continues to projects that the general government debt will rise in 2013 (see Table IV in the annex). General government debt increased from a ratio of 60.2 % in 2007 to an estimated of 73.6 % in 2013. However, from 2014 onwards, debt is expected to reverse this trend and fall to 67 % in 2017. The credibility of this scenario depends on the ability of the Austrian government to contain the debt of state-owned companies classified outside the government sector. Furthermore, possible additional support to the banking sector represents a concrete downside risk for the debt path. In terms of meeting the debt reduction benchmark, Austria will be in a transition period[9] from 2014 to 2016. Implementation of the above plans should ensure sufficient progress is made to meet the debt criterion. The full implementation of the programme would lead to a smaller debt-to-GDP ratio by 2020, though it would still be above the 60 % of GDP reference value (see Graph under Table V in the annex).

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projects a positive output gap already in 2015. The scenario underlying the 'recalculated structural balance' leads to larger negative cyclical components in 2014 and 2015, which enable Austria to complete the adjustment in structural terms already in 2015. It is not clear why it is not reflected in the values of the structural balance presented by the programme.

[9] A 'transition period' applies to countries that were in EDP on 8 November 2011. It starts in the year after the correction of the excessive deficit.

Box 1. Main measures

The consolidation measures included in the programme reflects those presented last year and approved by the consolidation package of March 2012. Minor changes have been implemented with the 2013 budget. This year's programme presents year a detailed outline of the measures leading to additional spending in the coming years. These measures accounting for 0.4 % per cent of GDP in 2013 and mainly on the education and the university sector (0.3 % of GDP) and the health and long-term care sector (0.1 % of GDP). On the revenue side, a new tax agreement with Liechtenstein was signed in 2013. It is expected to generate additional revenue accounting for 0.1 % of GDP in 2014. This is likely to be an optimistic estimate. Another risk concerns the financial transaction tax, projected to provide revenue accounting for 0.1 % of GDP from 2014. Although Austria is in the group of countries that agreed to adopt the European Financial Transaction tax, the volume of revenue allocated to national budgets is still uncertain.

Main budgetary measures

Revenue	**Expenditure**
2012	
• Advanced taxation of pension funds (0.3 % of GDP) – one off	• Reduction in subsidies (-0.1 % of GDP) • Administrative cuts (-0.1 % of GDP). • Additional spending on schools (0.1 % of GDP). • Capital transfers to the banking sectors (0.4 % of GDP).
2013	
• Withholding tax on capital gains in Switzerland (0.3 % of GDP) – Its budgetary effect is highly uncertain as it depends on high uptake. • VAT closure of loopholes (0.1 of GDP). • Change in real estate taxation (0.1 % of GDP).	• Pension and unemployment insurance system (-0.3 % of GDP). • Health care reform (-0.1 % of GDP). • Administration and public services law (-0.1 % of GDP). • Additional spending on university (0.1 % of GDP). • Additional spending on health and long-term care (0.2 % of GDP).

2014	
• Withholding tax on capital gains in Liechtenstein (0.1 % of GDP) – its budgetary effect is highly uncertain as it depends on high uptake. • Financial transaction tax (0.1 % of GDP) – uncertainty with respect to the related measures.	• Pension and unemployment insurance system (-0.2 % of GDP). • Health care reform (-0.2 % of GDP). • Additional spending on health and long-term care (0.2 % of GDP).
2015	
	• Pension and unemployment insurance system (-0.2 % of GDP). • Health care reform (-0.3 % of GDP). • Administration and public services law (-0.1 % of GDP). • Additional spending on health and long-term care (0.2 % of GDP).
2016	
• Further impact of changes in real estate taxation (0.1 % of GDP).	• Pension and unemployment insurance system (-0.1 % of GDP). • Healthcare reform (-0.3 % of GDP). • Additional spending on health and long-term care (0.2 % of GDP).

Note: The budgetary impact in the table is the impact reported in the programme, i.e. by the national authorities. A positive sign implies that revenue / expenditure increases as a consequence of this measure. The degree of detail reflects the information made available in the stability programme and, where available, of a multiannual budget.

Box 2. Excessive deficit procedure for Austria

On 02 December 2009, the Council decided that an excessive deficit existed in Austria and adopted the most recent Council Recommendation under Art. 126(7) TFEU. The Council recommended that the Austrian authorities should put an end to the excessive deficit by 2013. Specifically, in order to bring the general government deficit below 3% of GDP in a credible and sustainable manner, the Austrian authorities were recommended to (a) ensure an average annual fiscal effort of ¾% of GDP over the period 2010-2013, which should also contribute to bringing the gross debt ratio back on a declining path that approaches the reference value at a satisfactory pace by restoring an adequate level of the primary surplus; (b) specify the measures that are necessary to achieve the correction of the excessive deficit by 2013, cyclical conditions permitting, and to accelerate the reduction of the deficit if economic or budgetary conditions turned out better than expected at the time the EDP recommendations *were issued. In addition the Austrian authorities were recommended to seize opportunities beyond the fiscal effort, including from better economic conditions, to accelerate the reduction of the gross debt ratio back towards the reference value. Furthermore, the Council invited the Austrian authorities to improve the budgetary framework to strengthen fiscal discipline at all levels of government through enhanced transparency and accountability notably by aligning legislative, administrative and financing responsibilities between the different levels of government and implement reforms improving incentives for older workers to continue working by implementing a comprehensive strategy including enhanced job-related training, adaptation of working conditions, and tightening the conditions for early retirement.*

An overview of the current state of excessive deficit procedures is available on: http://ec.europa.eu/economy_finance/economic_governance/sgp/deficit/index_en.htm (please refer to country sections at the bottom of the page).

Long-term sustainability

Austria appears not to face a risk of fiscal stress in the short term, while it is at medium risk in the medium and long term due to the cost of ageing. Government debt (73.4 % of GDP in 2012) is above the 60 % of GDP Treaty threshold agreed in the Stability and Growth Pact. Austria should therefore maintain its consolidation effort in order to reduce government debt. Moreover, containing age-related expenditure growth further is crucial to help make public finances more sustainable in the long term. According to the Ageing Report 2012, projected increases in pension and the healthcare expenditure and, to a lesser extent, in long-term care expenditure pose risks to public finance sustainability. Indeed, Austria’s 2010 level of public spending is 14.1 % of GDP on pensions, 7.1 % on health and 1.6 % on long-term care, but expenditure is projected to increase by 2, 1.6 and 1.2 percentage points. of GDP respectively over the period 2010-60. Recent reforms to the pension system are likely to reduce the sustainability risks to some degree, provided they are accompanied by improvements in labour market conditions to allow older workers to stay longer in employment. The recent policy measures taken in the health sector are also likely to go in the right direction, although a careful assessment on their effectiveness has to be carried out in the coming years.[10]

Fiscal framework

The budgetary framework has been strengthened but fiscal relations among layers of government are still very complex. The reinforcement of the Internal Stability Pact represents a positive step towards a strengthened budgetary framework. In May 2012 a new and comprehensive Austria Internal Stability Pact was signed by all levels of government. The key element of the pact is the introduction of a new system of multiple fiscal rules covering also states and municipalities. The main rules involve: a) more stringent deficit targets set in last year’s Austria Stability Programme; b) a new structural balance rule, which

[10] For additional details look at below section on fiscal framework and the section 3.3, in particular the paragraphs on longer working lives and health.

will be applied from 2017 onwards, that sets a lower limit of general government structural deficit at -0.45 % of GDP (-0.35 % for the central government and -0.1 % for states and municipalities); c) in line with the preventive arm of the European Stability and Growth Pact, expenditure growth in all government levels (net of discretionary measures) must not exceed average potential growth and must follow appropriate adjustment path towards the MTO; d) stronger enforcement mechanisms based on penalties have been introduced to ensure the credibility of these provisions.

Central and federal state governments agreed to limit the increase of healthcare expenditure, by setting an expenditure benchmark. The expenditure benchmark is equal to average nominal GDP growth until 2016, while from 2016 onwards health expenditure growth should not exceed a threshold of 3.6 %. The extension of tighter fiscal rules to federal state governments, the introduction of enforcement mechanisms and the adoption of specific targets to contain health expenditure dynamic are all positive steps with strong potential to increase spending efficiency

There are, however, implementation risks which could affect the effectiveness of these measures. For instance it is questionable to what extent tighter fiscal rules will translate into savings in those specific areas where inefficiencies materialise. The approach taken by the government is mainly based on output-targets, but the issues of overlapping responsibilities among the different layers of government and numerous inconsistencies between funding and spending powers remain largely untouched. In this respect the recent transfer of competences for long-term-care cash benefits to the sole responsibility of the Federal State can be seen as a good practice to be extended to other areas.

The complex mechanism of continuous agreements between the national government, social insurance providers and the federal states, are another example of implementation risks. For instance the shift of hospital services from inpatient to outpatient care which should lead to a certain degree of consolidation of excess hospital capacity (specifically as regards the number of acute care hospital beds) in order to fully exploit the saving potential of this measure. Decisions on such capacity consolidation are in the hands of federal state governments which therefore bear the political cost of this choice. Since state governments provide less than half of hospital funding, they will benefit only partially from the related savings. The overall effect is that the federal states have no real incentive to agree on hospital capacity consolidation. In addition, the current lack of a comprehensive package of cost-containment measures to make concrete the agreement on limiting the increase of health expenditure means that the credibility of the targets cannot be assessed. There is also a lack of specific tools to gather sufficient patient-level information which make it im possibile to address technical feasibility questions.

Tax system

Austria could benefit from shifting the tax burden on labour for low income earners in a budgetary neutral way to recurrent property taxes. The AGS stresses the need to pursue growth-friendly fiscal consolidation buy shifting the overall tax burden towards tax bases less detrimental to growth and job creation and to raise revenue preferably by broadening the tax base. The Consolidation Package 2012-2016 includes several tax-raising measures. They main measures with permanent effects[11] refer to a) closure of loopholes in the VAT tax system b) taxes on real estate gains c) reform of group taxation, d) temporary (until 2016) introduction of a progressive solidarity tax for high income earners (for taxable income above EUR 150 000 €) on the usually flat-taxed holiday and Christmas bonuses. Furthermore, the social contribution rates for some groups have been increased as has the maximum assessment basis for social insurance contributions, whereas exemptions from unemployment contributions for older workers have been abolished. All these measures lead to an increase in non-wage labour costs that particularly affect higher incomes. Except for the rise in the land tax for agricultural business enterprise, no measures have been taken to increase recurrent immovable property taxation.

The overall tax burden on labour is among the highest in the EU, but the employment participation rate (75.6 % in 2012) is also high. The tax wedge for low income earners, at 43.7 % in 2011, is clearly above the EU average of 39.6 %, ranking 6th highest in the EU. A reduction of the tax burden on labour for low income earners could provide higher incentives to reduce the high proportion of part-time employment of women and to increase the labour participation of people with migrant background. The structure of the Austrian tax system provides scope to shift taxation towards other sources. Property tax revenues in Austria account for 0.5 % of GDP and are significantly below the EU-27 average of 2.1 % of GDP. In particular revenues from recurrent taxes on immovable property, which are considered to be the least detrimental to growth, are the third lowest in the EU, representing 0.2 % of GDP in 2011 (EU average; 1.3 %). Cadastral values, on which the recurrent property tax is based, date back to 1973 (increased by 35 % in 1982), hence they do not take into account any recent market developments.

In 2011, revenues from environmental taxes slightly exceeded the EU average. The increase in environmental taxes in 2011 reflects the rise of excise duties on diesel and petrol, which is a step in the right direction. The indexation of environmental taxes to inflation could help to prevent tax level from falling over time. The recent increase of commuter allowances however goes against achieving the environmental/greenhouse gas emission targets.

3.2. Financial Sector

In recent years, the Austrian banking sector has remained resilient, notwithstanding several structural weaknesses. The two largest banks complied with the EBA requirement of meeting a core Tier 1 capital ratio of 9 % by end-June 2012 and the system-wide capital adequacy ratio has improved marginally since 2010. Banks' exposure to countries receiving financial assistance is limited and on a downward trend. There are no indications of significant tightening of lending conditions, including for small and medium-sized enterprises. The loan-to-deposit ratio has been rather stable and lower than in the majority of the euro-area countries. However, non-performing loans have been on an upward trend due to the deteriorating asset quality in several countries in Central, Eastern and South-Eastern Europe (CESEE). Two systemically relevant banks depend on public support and face difficult restructuring choices.

In 2012, the Council Recommendations for Austria contained a CSR focusing on the restructuring of the banks benefiting from public support and the coordination of national

[11] One-off measures, such as an ex-ante income tax on private pensions insurance and a tax agreement with Switzerland, account for the bulk of new revenue for the year 2012 and 2013.

policy decisions which may have cross-border implications with banking sector supervisors in other countries and in particular in CESEE.

Austria had to nationalise two banks during the 2008/2009 financial crisis. In 2012, moreover, the ailing Volksbanken AG, the country's fourth biggest banking group, had to be partly nationalised as well. One of the 2012 country-specific-recommendations for Austria encouraged further restructuring and continued monitoring of the banks that benefited from public support. Since the adoption of the CSR on the banking sector, further progress has been made to restructure of nationalised/partly nationalised banks (in particular Volksbanken AG and Hypo Alpe Adria). However, the restructuring of Hypo Alpe Adria has proven to be more difficult than initially expected *inter alia* due to its operations outside Austria and the still on-going deterioration in asset quality. The subsidiaries of Hypo Alpe Adria in several countries in the Western Balkan region are systemic relevant banks. Against this background, the implementation of the restructuring plans approved by the Commission and the strict oversight of these banks remains a key priority.

Austrian banks have a significant exposure to the countries of Central, Eastern and South-Eastern Europe (CESEE), representing roughly 70 % of Austrian GDP at the end of June 2012. The CESEE business remains a net contributor to the overall profitability, but the still on-going deterioration in asset quality in several countries in this region has put pressure on the capitalisation of the Austrian subsidiaries and increased their cost of risk. To address the vulnerabilities associated with the exposure to the countries in the Central, Eastern and South Eastern Europe, the Austrian authorities introduced an early warning indicator concerning the funding of new lending by the subsidiaries of Austrian banks operating in the CESEE region with a non-binding reference cap of 110 % on the loan-to-stable funding ratio (LLFSR) in March 2012. This supervisory guidance aims to improve the sustainability of the business models of large internationally active Austrian banks and provides for LLSFR monitoring. Based on that, the Austrian regulatory authorities could propose to cross-border supervisory colleges for Austrian banks to adopt LLSFR limits and calibrate them. The implementation of regulatory measures affecting the CESEE region has been taking place in the context of improving coordination with the financial sector supervisors in the countries concerned.

In line with the December 2011 European Banking Authority recapitalisation exercise, the two largest Austrian banks (Erste Bank, Raiffeisen) met the requirement of meeting a core Tier 1 capital ratio of 9 % by end-June 2012. Still, the largest Austrian banks tend to lag behind their European peers as well as other local and regional banks in terms of capitalisation ratios. At system level, capitalisation has improved only marginally over the last two years, as the capital adequacy ratio increased from 13.2 % at the end of 2010 to 13.7 % at the end of June 2012. Notwithstanding continuous improvements, the further strengthening of bank solvency ratios should remain a key priority given the banks' risk profile, tighter future regulatory requirements and repayment of government support.

The outstanding stock of Swiss franc denominated loans still constitutes a source of vulnerability despite several supervisory measures adopted by the banking regulator to curb foreign currency lending to unhedged borrowers and the exchange rate policy of the Swiss Central Bank, Most foreign currency loans are bullet loans expiring in ten to twenty years and the risks of important adverse wealth effects remain significant.

Concerns about a credit crunch in Austria due to higher capital requirements, strained funding markets or deteriorating asset quality have so far not materialized so far. Deposits Austrian banks increased above the European average over the past year and the level of domestic non-performing loans on the local market has barely increased going from 4.2 % in 2009 to 4.6 % in mid-2012. Furthermore, the subsidiaries of Austrian banks operating in the Central, Eastern and South-Eastern Europe region have also managed to increase their local deposit base by 5.3 % over 2012, while the loan-to-deposit ratio of the CESEE subsidiaries shrank to 104 %. Therefore, the dependence of Austrian banks on ECB financing is still comparatively low.

A new bank insolvency and restructuring law has been drafted and presented by the Ministry of finance for adoption by parliament to limit the need for costly public bail-outs of banks. Most importantly, by frontloading several provisions of the EU draft directive on bank restructuring and resolution, this law will vest early intervention powers into the banking sector supervisor to impose restructuring measures on banks in distress.

3.3. Labour market, education and social policies

In 2012, the labour market situation in Austria improved overall but low employment rates of older workers, a significant gender pay gap and poor performance of people with migrant background have persisted. Austria's unemployment rate edged up to 4.3 % but remained the lowest in the EU. The employment rate of persons aged 20-64 increased further to 75.6 %, well above the EU average and on track to meet the ambitious national target of 77-78 % by 2020. Nevertheless the employment rate of older workers is significantly below the EU average, the incidence of part-time and low paid work is extraordinarily high among women and the unemployment among workers of migrant background is more than twice as high as for Austrian nationals.

In 2012 the Council Recommendations for Austria contained CSRs regarding longer working lives, gender segmentation and education.

Overall Austria has made limited progress in increasing the effective retirement age and of tackling gender segmentation. Although Austrian authorities have started to design a strategy to address flaws in the health care sector, improving of the financial sustainability and the efficiency in the healthcare is still an issue that needs to be addressed and closely monitored to evaluate progresses. Some measures to improve education outcomes have been put forward, but progress is slow. No measures have been taken to reduce the tax burden on labour but taxes on recurrent property taxes and environmental taxes have been increased to some extent.

Longer working lives

A number of measures were adopted in 2012to increase the effective retirement age, mainly by to reducing the use of early retirement and invalidity pensions that accounted for more than two thirds of all new pensions in 2011. The qualifying years for the so-called "corridor pension" will be increased and temporary invalidity pension will be gradually phased out. A new pension calculation method called "pension account"[12] , which is likely to

[12] *The pension account* relates to the introduction of a single pensions account system to increase incentives to work longer based on enhanced transparency on the future pension benefits.

increase the incentive to stay longer in employment, will be implemented as of 2014. Overall, recent reforms are steps in the right direction but their full impact will only be visible over the next 10-15 years and they may not be sufficient to fully address demographic challenges for fiscal sustainability. Effective implementation and close monitoring of the impact of the reforms on the effective retirement age will be important. There are, however, no current plans to align the pension age with longevity nor to speed up the very slow harmonisation of the retirement age of women and men, as recommended in the CSR and SWD2012, which would additionally contribute to longer working lives and fiscal sustainability.

Almost 30 % of people spend between one hand half and three years in unemployment or on sick leave before retiring. Against this background, the professional rehabilitation and counselling measures, for which substantial new funds have been made available, need to be effectively implemented and supported by better lifelong learning opportunities, the promotion of more substantial measures on the employers' side concerning age-friendly working environments, well-being at work, occupational mobility and health promotion. On health prevention particular attention must be paid to cardiovascular conditions and cancer, two of the main medical categories causing early labour market exits through disability benefits. To promote longer working lives it will also be important to remove accessibility barriers to provide reasonable accommodation at the workplace and to integrate persons with disabilities into the labour market. Another obstacle to retaining older workers in employment is the steep age-income profile of salaried employees, which could be tackled by promoting a wage scheme based more on performance than on seniority.

Gender segmentation

The impact of the measures to address the gender pay gap is limited. Austria has addressed the 2012 CSR mostly by continuing previously adopted measures such as the equal pay reports and initiatives addressing gender balance in economic decision making. The gender pay gap results principally from the fact that women are highly concentrated in part-time and low-wage employment. Regarding care services, the policy continues to increase the availability of childcare places for children up to age 3 by 20,000 places until 2014. However, progress is slow and Austria still has a long way to go towards reaching the Barcelona target (14 % in 2011[13] vs. 33 % target) if it wants to reduce the negative employment impact of parenthood of women, which is well above the EU-average. A new initiative on all-day care places at primary and secondary schools, in addition to the expansion already agreed with the federal states, still needs to be signed by the latter. The envisaged increase is substantial, but it will most likely not cover the demand and the pace of implementation will largely depend on the federal states.

The high gender pay and ensuing pension gap and the relatively high poverty risk of women in old age have only been tackled by rather small-scale measures. There is scope to promote equal opportunities on the labour market including through a more equal distribution of unpaid care work between the genders, and a revision of collectively bargained wage arrangements and working conditions in the social service sector. In this sector women are overrepresented and wage agreements tend to be below average. Regarding long-term care, the "Long-term care fund" was prolonged from 2014 to 2016, which was already announced in last year's NRP (see chapter on "Health and Long-term care" below).

[13] Note that EUROSTAT data do not correspond to national data which include services of qualified child-minders, which brings the ratio to 22 %.

Education

Overall, Austria has partially implemented the 2012 CSR on education. The transition to 'new lower secondary schools' *('Neue Mittelschule'*), which will replace the former lower secondary school *('Hauptschule')* as of 2018/2019[14], is on-going. The introduction of this new form of school form should be monitored closely in particular with regard to its potential to mitigate the negative effects of early tracking on the prospects of access to university education for the socially disadvantaged and its capacity to improve learning outcomes. Improved teaching plays a key role in this. It will be important to follow-up on the results of the on-going comprehensive evaluation which is due to report in 2014. Further measures concern the expansion of all-day schools and a reform of teacher training, where progress is slow.

Austria has adopted in 2012 a Strategy against early school leaving. Bundling all existing measures from different administrative stakeholders it allows to better focus on its 3 pillars prevention, intervention and compensation and has reduced the ESL rate to 7.6 % in 2012. This is below the EU average of 12.6 % and the national target of 9.5 %.

A sustainable strategy underpinned by sufficient financial resources is necessary for early language learning since 23 % of pupils entering schools have difficulties in the language of instruction. A language acquisition strategy has been developed, with a special focus on children with a migrant background. In 2014 a first assessment of these reforms will be available. The additional EUR 5 million a year (to be topped up by the Länder), which will be allocated to early German language training in kindergartens from 2012 until 2014 are an important first step, but do not appear to fully meet the challenge.

High quality teaching is one key element for maintaining and improving the quality of education. Basic agreements at government level have been reached for the important reform of teacher training. However, specific legal and administrative measures have still to be passed and it is planned to implement the reform in steps starting 2014/15. Quality should be further improved by introducing competence oriented teaching, a central administered "Matura", upper secondary leaving exam as of 2014/15, and a quality process initiated in schools in 2013/14.

In response to the challenges in the area of higher education, including high drop-out rates, additional budgetary resources have been made available since 2012 to start implementing the Austrian Higher Education plan step by step until 2021. This plan has been designed to deal with the steadily growing number of students and the problem of high incoming mobility and the difficulties in combining work and studies. Implementation depends also on sufficient resources and should be closely monitored. The additional funds are intended inter alia to create additional study places, to promote mathematics, science and technology (MST) subjects and to mitigate quality problems in oversubscribed disciplines. Other measures needed are adapting infrastructure, and teaching and learning methods to the new volume of students, increasing the focus on student-centred learning and increasing students' opportunities to gain work-related skills and access to practical work experience. In five study fields that are totally overcrowded a maximum number of students will be set combined with increased teaching resources in order to increase quality and to reduce drop outs. Guidance services prior to higher education and during study periods have been

[14] So far about 698 '*Neue Mittelschulen*' have been established comprising 4 270 class rooms.

reinforced, but the quality of the guidance on career planning could be further improved. The difficulties in reconciling work and studies due to current study conditions could be addressed by further measures.

In addition to improvement in higher education, improvements in initial educational outcomes and a continued focus on vocational training are essential with a view of ensuring the provision of skilled labour. There is still scope to facilitate transfer in the education system between different types of education.

A comprehensive Lifelong Learning Strategy 2020 covering all levels of education and training was presented in July 2012. However, a dedicated budget and a comprehensive evaluation mechanism are missing.

With the aim of simplifying and improving the governance of the education system, a six point proposal is under negotiation, including the abolition of school authorities at district level. This is a welcome step towards streamlining of responsibilities between different layers of government, but further simplification would be needed to reduce fragmentation more substantially.

Health and long-term care

Reforms in the health and long-term care sector are taking place. In addition to the measures aimed at reducing and rationalising health expenditure already discussed in the section on budgetary framework, the Austrian authorities have taken other measures such as the introduction of an electronic health record. It is acknowledged that pricing/internal tariffs lack sufficient transparency to be able to make a clear analysis and the targeting of reforms to medical needs. The Austrian government has announced that it will address this issue in the hospital sector (LKF system). However, measures should also be taken in the outpatient sector, e.g. by a clearer definition of the basket of services and goods as well as related item costs. Furthermore, the lack of preventive strategies is not addressed in the NRP and there are no measures to improve evidence on material inequality and health inequality. In the light of a relatively high disability rate in Austria[15] more emphasis should be given to cost-saving prevention and rehabilitation policies and to creating better conditions for independent living, so as to better contain expected increasing demands on health and long-term care. The "Long-term care fund" was extended until 2016 with national funding of EUR 650 million to be topped up by the Länder and municipalities. As regional differences in the availability of care places are substantial it would be important to draw up a nationwide strategy for addressing efficiently the expanding demand for long-term care services. No new measures have been taken to further improve access to high quality long-term care and to ensure its financial sustainability beyond the 2016, although the NRP announces that respective measures are being developed. The national-level long-term care database, which was created in 2012, is a sound starting point for debates about structural reform. However, as it provides aggregate data only at the level of federal province, it is still a relatively limited tool for evidence-based policy making.

Underutilised potential of people with a migrant background

[15] In 2010, 10.8 % of Austrian women and 8 % of men who have severe daily limitations due to health problems, against the EU un-weighted averages of 7.9 % and 6.5 % respectively.

Some measures planned in the National Action Plan on Integration have been implemented to enhance the labour market participation of people with a migration background. A centralised coordination centre and contact points at regional level for information and advice concerning the recognition of skills acquired abroad are being established, and the recognition procedure for academic diplomas has been shortened from six to three months. Furthermore, two internet platforms were created in 2012 to provide easier access to information. In addition, as from 2012, people with a migrant background are considered a target group for active labour market policies. While these measures have the potential to enhance transparency and to reduce the barriers for third country nationals to get their qualifications recognised, their impact needs to be closely monitored, in particular regarding effective recognition for the vocational qualifications of skilled labour which is a more complex issue than the recognition of academic diplomas and often results in the under-grading of migrants in wage agreements.

Preventing poverty and social exclusion

The Austrian approach to preventing poverty as outlined in the NRP focuses on labour market integration, which has been enhanced for people at the margins of the labour market following the introduction of the Minimum Income Scheme. But it does not convincingly address the issues of quality of work, relatively low net replacement rates within unemployment insurance in case of preceding low-wage employment, access to social services and inequalities in education. Austria lacks a pro-active nation-wide and evidence-based plan for improving access to social services is missing. Wage policies and provisions regarding working time, stability of employment and precarious work, which have an impact on in-work poverty, are not addressed. The fact that minimum pensions are below the poverty threshold, which contributes to the in substantial gender inequality in pension outcomes and above EU-average and increasing old-age poverty of women, is not tackled at all in the NRP.

3.4. Structural measures promoting growth and competitiveness

Austria's external competitiveness has appeared to remain unaffected in 2012. Altough economy wide unit labour costs have increased markedly, after stagnating in 2010-2011, in manufacturing they are still 7 % below their level of 2009 in nominal terms even though productivity in the sector has consistently been improving. The trade weighted real effective exchange rate depreciated further by 1.3 %. However Austria's global market share has fallen from 1.2 % in 2009 to 1 % in 2012.

In 2012, the Council Recommendations for Austria contained a CSR concerning barriers to market entry in the communications, transport and energy retail markets, restrictions on access to liberal professions, the powers of the federal competition authority and the implementation of the competition law reform.

Austria prides itself on having a highly developed, technologically advanced and diversified economy sustaining solid economic and employment growth. Nevertheless, maintaining these achievements may prove challenging without an on-going improvement of incentives for entrepreneurship, innovation and sustainable resource use. Faced with increasing competition from low-cost countries in the middle technology segment, non-price competitiveness is a key factor to compensate for its fall in market share. An integrated and well-coordinated approach to policy development and implementation, continued budgetary prioritisation, greater private sector involvement, investment in research and innovation will be key issues to ensure the success of Austria's new strategy 'The way to innovation leader'.

A well-functioning venture capital market would play an important role in diversifying the financing sources of innovative firms, including SME's.

Competition and the business environment

There are still significant barriers to entry and effective competition in the services sector. These barriers are especially pronounced in the liberal professions and railway transport. Although a recent change of the competition law will strengthen the powers of the Austrian Competition Authority, the institution's financial and human resources still fall behind the levels observed in economies of similar or smaller size. This raises concerns as to the effectiveness of competition law enforcement. Despite substantial progress in liberalising postal services the replacement of mail delivery boxes process has not been finalised by the end of 2012 as scheduled and a significant number of delivery boxes are still only accessible to the incumbent operator.

The value of works, goods and services that Austrian authorities publish under EU procurement legislation is below 2 % of GDP, well below the EU average. As a result, the significant economic benefits of efficient and competitive public procurement are likely not being realised throughout the Austrian public sector.

Professional services play an important role in the business service markets that account for 10 % of GDP and 11 % of total employment. This sector, composed mainly of SME's, faces a high regulatory burden which negatively affects its growth potential. Both restrictions on access to and on the conduct of professions in the services sector, e.g. as regards legal form and shareholding requirements, persist. One example is the restrictions to the setting up of interdisciplinary companies composed of notaries, consultants and accountants. Demand for such integrated services by enterprises has been indicated by surveys[16] and the government plans to reduce restrictions as part of its work programme. However, access to many professional activities remains reserved. There is a strong case for authorities to assess how justified these restrictions are and whether the same public interest objectives cannot be reached with lighter regulatory regimes. The different regulations in place at Länder level can create artificial barriers to the mobility of professionals in response to regional shifts in demand. Regulation can also have a negative impact on the mobility of European professionals wishing to establish and work in Austria when in their country of origin the profession does not impose such regulations.

The World Bank's "Doing business report", ranks Austria as 23rd out of 25 EU Member States in the "Starting a business" dimension. In spite of a gradual reduction over recent years, the number of administrative procedures (eight, including licensing, registration, certification, announcement), minimum capital and time (up to 28 days) required to set up a limited liability company appear unnecessarily burdensome and would benefit from further reductions. The long-discussed reform would bring a partial relief through a reduction of the required minimum capital, abolition of the requirement of a paper announcement and the reduction of the costs of notarial certification.

It is still desirable to eliminate outstanding barriers to entry and foster competition in the rail market. Although there is a certain degree of market penetration by non-incumbent firms (14.6 % for freight and 5.4 % for passenger transport (2010)), the market share of new

[16] Carried out by WKÖ in 2009.

entrants in rail freight was far below that of other relevant countries (France had 20 % although it started liberalisation later). In passenger transport there is only one competitor, and only on the line Vienna-Salzburg (Westbahn). This company has complained about systematically being discriminated by the incumbent[17]. Austria has given the incumbent a ten year Public Service Obligation contract for the whole country without a tender to the incumbent, which in addition compensates the incumbent for higher track access charges. An effective separation of infrastructure management and transport services in the railway sector could provide incentives to operators and limit discrimination of new entrants. The infrastructure manager ÖBB Infrastruktur is however under full control of the railway holding ÖBB AG, which also operates passenger and freight rail services.

R&D, innovation

R&D intensity (2.74 % of GDP in 2011) is high by European standards, but Austria is not sufficiently exploiting and maintaining its innovative potential. The slow rise in private spending after 2010 is putting at risk the achievement of the ambitious Europe 2020 target of 3.76 % of GDP for gross expenditure on research and development (GERD).

Although business research intensity is above the EU average, it is concentrated in a limited number of companies. The start-up and growth dynamics as regards innovative firms are relatively low albeit somewhat mitigated by a relatively high survival rate of new firms. Austria remains an innovation follower, lagging behind in terms of the economic effects of innovation (e.g. knowledge-intensive exports, revenue from innovative products, licence and patent revenue from abroad). The performance of the Austria's research and innovation system is not yet matching the relatively high levels of public R&D funding. The tertiary educational attainment rate is relatively low, and a complex governance system is leading to inefficiencies in policy implementation. Published in 2011, the Austrian RTDI Strategy 'The way to innovation leader' contains many initiatives to improve the performance of the research and innovation system. The most prominent measure is the simplification of the tax regime of innovation activities to a single tax credit raised from 8 % to 10 %, which came into force on 1 January 2011. In addition, the cap on the amount that can be subcontracted while remaining eligible for tax credit rises from EUR 100 000 to EUR 1 million. These measures are expected to encourage subcontracting to research centres or universities.

Measures to improve the situation need to ensure that public support will not crowd out private supply. Diversifying the sources of finance for small innovative firms could boost private sector involvement. Access to finance for SMEs in Austria continues to score better than the EU average. SMEs do not report a credit crunch and overall continue to be satisfied with the supply of bank lending despite some tightening of lending standards (e.g. collateral). The main area for improvement remains access to venture capital, the supply of which is persistently low (0.04 % of GDP compared to an EU average of 0.35 % in 2011). Crowd funding has the potential to further complement the spectrum of sources to finance, especially

[17] Westbahn filed several complaints to the railway regulator claiming ÖBB increased prices for track access massively (while it is itself compensated for price increases in the public service contract with the State). ÖBB Infrastructure refused to give information about train movements and delays to its competitors which are needed for the information of customers (the European Court of Justice convicted ÖBB to supply this information in its preliminary ruling of 22 November 2012 Case C-136/11. See also http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SWD:2013:0012:FIN:EN:HTML, p. 85, the Commission's impact assessment.

for SMEs, but a reassessment is needed of the balance in the existing regulatory framework between investor protection and the need of enterprises of fast and uncomplicated access to small scale finance. The EU Structural Funds can play a small role in this context for example by setting up and boosting risk capital funds for innovative start-ups where appropriate.

Climate, energy and resource-efficiency

The energy intensity of the Austrian economy fell between 2005 and 2010 by over 6 % and was among the five lowest in the EU in 2012. The Austrian Energy Strategy 2010 makes energy efficiency and the stabilization of the final energy consumption at the level of 2005 (1100 PJ) as a priority for 2020. Austria's second National Energy Efficiency Action Plan presents a strategy for energy efficiency measures in all sectors of the economy, but relies primarily on energy savings in residential buildings, insufficiently addressing sectors with a high share in final consumption (industry/SME, energy supply, transport and public sector). The federal government has released a draft Federal Energy Efficiency Act in late 2012, transposing the Energy Efficiency Directive into national law. To ensure proper and timely implementation of the planned measures as well as clear and ambitious targets a "task-sharing" approach will be key in view of the role of regions. Regular monitoring of the progress in implementing its national energy efficiency strategy and addressing policy gaps, e.g. in transport, is warranted. Synergies with a further uptake of renewable energies, especially in the built environment, are worth fostering. The planned policy measures relating to the labelling of the origin of the electricity should be carefully designed in order not to restrict competition from electricity supplies from other Member States.

Austria revised its Green Electricity Act reducing tariffs to reflect lower production cost. It is making good progress towards its national target on renewable energy sources (RES) of 34 %. Data for 2011 suggest a RES share of 30.9 %. Although it has not met the national targets (31.1 % for 2011) are not met, Austria is among the few Member States where current measures appear sufficient to reach the 2020 target. Still, Austria needs to complete transposition of Directive 2009/28/EC on the promotion of the use of energy from renewable sources.

Austria plays an important role in cross-border energy transmission. The need for more electricity interconnection to Italy, Slovenia and Switzerland remains considerable. Consequently, despite the steep differential between wholesale electricity prices in Austria and the prices in neighbouring countries to the South, cross border trade remains rather limited. The 380-kV ring in Austria has yet to be completed. Furthermore, integrating wind power and pump storage capacity requires a reinforcement of the internal electricity grid. Streamlining permission procedures would be helpful in this respect. The continued efforts to implement day-ahead implicit flow-based electricity transmission capacity allocation procedures and actively cooperate with its neighbours would be important in order to limit the negative impacts of unplanned flows in the CEE region. Being dependent on gas imports, it is essential for Austria to improve its congestion management procedures and the implementation of reverse-flow arrangements on the HAG pipeline towards Slovakia and Hungary.

Regarding the retail market, a cost-benefit analysis has come out in favour of smart meters for both electricity and gas. A Ministerial Decree is mandating the roll-out of smart meters for electricity with specific timetable for implementation. Austria transposed retail-market related provisions of the Third Energy Package into federal and regional law, enhancing the position of consumers. Alternative electricity providers managed to attract new customers and switching rates increased in the beginning of 2012, albeit from a relatively low level. With regard to gas, although the small consumer segment remained concentrated, switching rates increased and some new providers have entered the market. New rules in force since 1 January 2013 have accelerated the switching procedures for electricity and gas consumers. The regulator E-Control undertook important outreach activities to promote the switching between suppliers.

The largest proportion of current greenhouse gas emissions is generated by energy use and transport. Under the Europe 2020 Strategy Austria has committed to reducing greenhouse gas (GHG) emissions in sectors not covered by the Emissions Trading System (ETS) by 16 % compared to 2005. Assuming no additional measures, recent projections (from 2011) indicate a reduction by just 10 % by 2020. At present, the 2011 Climate Change Bill serves as the country's legal framework on climate issues. An amendment to the bill was proposed in December 2012, setting a new ceiling for GHG emissions for 2013. In October 2012, the government adopted the National Climate Change Adaptation Strategy, including an action plan and measures for 14 different sectors. In 2012, progress towards more climate-friendly legislation was also made with the amendment of the Bill on Green Electricity that is expected to eliminate a queue of proposals for photovoltaic installations waiting for approval.

Austria is also struggling to meet EU air quality targets. The main sources of pollution are road traffic, and to some extent also energy production. The World Health Organisation (WHO) calculates the number of additional deaths related to air pollution to be more than 1200 per year.

The introduction of a Transport Master Plan was another important step in 2012. The plan sets ambitious emissions reduction targets for the sector where between 1990 and 2010, emissions increased by 60 %. Implementation will require measures that go beyond the current focus on electro-mobility and CO_2-based registration tax. An important first step was to tighten the CO_2-based bonus/malus-system in 2012. The 2012 government proposal to adjust the commuting allowance system (expected for 2013), however, sets incentives that favour private over public transport. Compared to other EU-15 Member States and despite a raise in 2011, excise duties on petrol and diesel are also relatively low.

Austria has comprehensive waste collection systems and landfills less than 1 % of its waste meeting the EU waste targets with little problem. Increasing consumption by the population will contribute to increased waste production and will remain a challenge in future years.

3.5. Modernisation of public administration

Overall, the quality of Austria's public administration has been found to be above the EU average according to the World Bank's indicator of government effectiveness. The programme to reduce administrative burden for enterprises (2007-2012) has achieved its target if impacts of the Business Service Portal are included that will materialise in the coming years. A complementary programme now focuses on the burden for citizens. Based on a baseline measurement of the most burdensome administrative procedures, 150 simplification measures have been identified and partly implemented.

In order to further reduce administrative costs for enterprises by about EUR 200 million an online Business Service Portal (USP) is being implemented in stages. That should create a single-point-of-contact for established companies and covering a wide range of services (e.g. tax declarations, social security contributions, public procurement procedures). The second stage has started in 2013 with full implementation expected by 2015. In parallel, Austria has created a network of separate points of single contact aimed at helping service providers seeking to establish in Austria or to provide cross-border services into Austria. Despite good progress, more could be done to offer information and complete procedures in foreign languages. Further examples of administrative modernisation are the comprehensive reform of the organisation of administrative courts entering into force from 2014 and the introduction of legal provisions for e-invoicing.

Since January 2013 an impact assessment system has been introduced that integrates nine different tests for different types of impacts. Implementation will show whether the resulting analysis is sufficiently deep and integrated to assess net societal costs and benefits. Austria needs to reduce fragmentation and inefficiencies stemming from the division of competences among federal, state and local government. In many areas there are nine different laws in place (e.g. construction law). This leads to unnecessary burdens for enterprises and market fragmentation. It also renders transposition of EU directives lengthy and inefficient due to the need for one transposition at federal level and nine at state level (known as the ‘factor 10’). A complex governance structure also affects the performance of Austria’s innovation system.

4. OVERVIEW TABLE

2012 commitments	Summary assessment
Country-specific recommendations (CSRs)	
CSR 1: Implement the 2012 budget as envisaged and reinforce and rigorously implement the budgetary strategy for the year 2013 and beyond; sufficiently specify measures (in particular at the sub-national level), to ensure a timely correction of the excessive deficit and the achievement of the average annual structural adjustment effort specified in the Council Recommendations under the EDP. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark.	**Substantial progress** Austria made substantial progress in reducing the deficit below 3 % this year. - Revenue raising measures in place. - The planned savings have been achieved in 2012.
CSR 2: Take further steps to strengthen the national budgetary framework by aligning responsibilities across the federal, regional and local levels of government, in particular by implementing concrete reforms aimed at improving the organisation, financing and efficiency of healthcare and education.	**Some progress** The recent agreement on a cost containment path and a common target system for the healthcare system is an important step towards more efficient use of resources. However, implementation will rely on a complex mechanism of continuous agreements between the main players, which constitutes a risk to implementation. Important issues such as more focus on disease prevention have not been sufficiently tackled, and the evidence base on potential links between material and health inequality has not been improved. Competencies will still be shared among the different layers of government and social insurance providers, and the same is true with accountability. No major reforms to the governance of the education system have been implemented either. In order to achieve progress in this area a change of the constitution is required.
CSR 3: Bring forward the harmonisation of the statutory retirement age between men and women; enhance older workers' employability and monitor closely the implementation of the recent reforms restricting access to early exit channels in order to ensure that the effective retirement age is rising including through linking the statutory retirement age to life expectancy."	Partial implementation No action has been taken to bring forward the harmonisation of the statutory retirement age between men and women and to link the statutory retirement age to life expectancy. The reforms targeting early retirement and invalidity pension schemes have the potential to reduce early retirement over the medium term, although with an initially rather limited impact, as they will only gradually be implemented as of 2014 or later. The success will depend on effective implementation, in particular of the measures to improve the employability including 'professional rehabilitation'/re-skilling measures, for which substantial new funds have been allocated. The CSR has therefore been partly implemented.

CSR 4: Take steps to reduce the effective tax and social security burden on labour especially for low income earners with a view to increasing employment rates for older persons and women given the need to counteract the impact of demographic change on the working population. Shift the tax burden in a budgetary neutral way, towards real estate taxes, and environmental taxes. Reduce the high gender pay gap and enhance full-time employment opportunities for women, in particular through the provision of additional care services for dependants.	Partial implementation No measures have been taken in order to shift taxation from labour towards tax bases less detrimental to GDP growth such as consumption, environmental or property taxation. The social contribution rates for some groups have been increased as well as the maximum assessment basis for social insurance contributions, whereas exemptions from unemployment contributions for older workers have been abolished. All these measures lead to an increase of non-wage labour costs, but they particularly affect higher incomes. Almost no measures have been taken to increase recurrent property taxation. In the area of environmental taxation, the CO_2-based bonus/malus system for car registration tax was tightened and reimbursement to farms and regional bus operators for part of the mineral tax was abolished. In addition the exemption from the tax for railway was terminated as of tax year 2013 and tax exemptions to service industry on the energy levy have been phased out. No new measures have been taken to reduce the gender pay gap, nor to further expand long-term care services beyond the Long-Term Care Fund. Some additional funds have been made available for childcare.
CSR 5: Take further measures to improve educational outcomes, especially of disadvantaged young people. Take measures to reduce drop-outs from higher education.	Partial implementation Austria has taken some measures, which have the potential to enhance education outcomes, but progress is slow and for the time being there is little evidence that the reforms have already turned out to be successful. Evaluations and potential further adjustments are needed. Some measures have been taken to reduce drop-outs from higher education, but a more comprehensive and strategic approach is still needed.
CSR 6: Take further steps to foster competition, in the services sectors, by removing barriers to market entry in the communications, transport and energy retail markets. Where unjustified restrictions on access to liberal professions exist, they should be removed. Enhance the powers of the federal competition authority and speed up the implementation of the competition law reform.	Partial implementation Austria has transposed the consumer-related provisions of the third internal energy market package into (federal and regional) law. Also, although market concentration at retail level remains rather high, switching rates increased both in the electricity and gas markets. New rules have simplified the switching procedures for electricity and gas consumers. Postal services: substantial progress with the replacement of mail delivery has been made, but the process has not been finalised as planned by the end of 2012. Austria has not taken any particular steps to foster competition in the rail markets. Restrictions on access to and exercise of the professions in the services sector persist in Austria, no changes were observed in the course of 2012.

	A change of the competition law was recently adopted that will strengthen the powers of the Austrian Competition Authority. However, the institution's financial and human resources still fall behind the levels observed in economies of similar size, which raises concerns as to the effectiveness of competition law enforcement.
CSR 7: Further restructure and continue to monitor those banks that benefited from public support, while avoiding excessive deleveraging. Further improve the cooperation and coordination of national policy decisions with financial sector supervisors in other countries.	Some progress Progress has been made as regards the restructuring of (partially) nationalised banks (Volksbanken and Hypo Alpe Adria). Home-host supervisory coordination has been enhanced. Nevertheless, not all vulnerabilities have been reduced.
Europe 2020 (national targets and progress)	
Employment rate target:	In 2012 the overall employment rate in Austria amounted to 75.6 % of all 20 to 64 years-old and was more than 7 percentage points above the EU average (68.5 %). To reach the target of an employment rate between 77 % and 78 % by 2020 the current employment rate should rise by between 1.4 p.p. and 2.4 p.p. To reach the proposed target the growth of the employment rate of Austria has to be between 0.2 pp. and or 0.3pp.
R&D target:	Austria is among the EU countries with the fastest progress in R&D intensity in the period 2000-2010 (increase from 1.93 % to 2.79 % or by 0.86 % percentage points). However, in 2011 research intensity fell to 2.74 %, as a result of real spending growth below GDP growth. Research intensity is estimated to have recovered in 2012 to reach 2.8 % and this level will probably also be reached in 2013. Progress of 0.1 percentage points is needed each year to reach the national R&D intensity target, but research intensity in the period 2010-2012 did not increase and Austria is hence currently not on track to reach its ambitious national target of 3.76 %.
Greenhouse gas (GHG) emissions target: National Target: -16 % (compared to 2005 emissions, ETS emissions not covered by this national target)	Change in non-ETS greenhouse gas emissions between 2005 and 2011: -12%. According to the latest national projections submitted to the Commission and when existing measures are taken into account, the target is expected to be missed: -10% in 2020 compared to 2005 (with a margin of 6 percentage points).
Renewable energy target: 34 % Share of renewable energy in all modes of transport: 10 %	In 2011, the proportion of total renewable energy in gross final energy consumption was 30.9 % and 7.6 % in the transport sector. (Source: Eurostat. April 2013. For 2011, only formally reported biofuels compliant with Art. 17 and 18 of Directive 2009/28/EC are included).
Indicative national energy efficiency target for 2020: Final energy consumption of 1100 PJ	Austria has set an indicative national energy efficiency target in accordance with Articles 3 and

This implies reaching a 2020 level of 31.5 Mtoe primary consumption and 26.3 Mtoe final energy consumption.	24 of the Energy Efficiency Directive (2012/27/EU). It has also expressed it, as required, in terms of an absolute level of primary and final energy consumption in 2020 and has provided information on the basis on which data this has been calculated.
Early school leaving target: 9.5 %	With regard to ESL, Austria is already outperforming Europe 2020 and its national target, but efforts have to be continued to reduce the ESL rate of persons with a migrant background. 2006: 9.8 %, 2012: 7.6 % (See Table VIII)
Tertiary education target: 38 %	Austria makes progress and increasing general tertiary graduation rates remains a challenge. 2006: 21.2 %, 2011: 23.8 %, 2012: 26.3 %[18] Including ISCED 4a Levels the graduation rate is in 2012 already at 36.6 %.
Risk of poverty or social exclusion target:	The Austrian NRP 2013 gives precise data on the developments towards the poverty target: the number of people at risk of poverty or social exclusion has fallen by 125 000 (EU SILC 2011), which implies that Austria has already reached just over half of the targeted reduction of 235 000 by 2020.

[18] These figures are Eurostat figures not counting ISCED 4a as it is done by national data.

5. ANNEX

Table I. Macroeconomic indicators

	1995-1999	2000-2004	2005-2009	2010	2011	2012	2013	2014
Core indicators								
GDP growth rate	3.0	1.9	1.5	2.1	2.7	0.8	0.6	1.8
Output gap [1]	-0.3	0.1	0.2	-1.7	0.0	-0.3	-0.9	-0.5
HICP (annual % change)	1.2	1.8	1.9	1.7	3.6	2.6	2.0	1.8
Domestic demand (annual % change) [2]	2.2	1.2	1.0	1.8	2.6	0.1	0.2	1.5
Unemployment rate (% of labour force) [3]	4.2	4.1	4.6	4.4	4.2	4.3	4.7	4.7
Gross fixed capital formation (% of GDP)	24.1	23.0	21.4	20.5	21.4	21.5	21.6	21.8
Gross national saving (% of GDP)	22.8	24.4	25.8	24.7	25.6	25.9	25.6	26.1
General Government (% of GDP)								
Net lending (+) or net borrowing (-)	**-3.2**	**-1.7**	**-1.8**	**-4.5**	**-2.5**	**-2.5**	**-2.2**	**-1.8**
Gross debt	**66.3**	**65.8**	**63.9**	**72.0**	**72.5**	**73.4**	**73.8**	**73.7**
Net financial assets	**-37.5**	**-36.3**	**-35.7**	**-44.1**	**-46.0**	**n.a**	**n.a**	**n.a**
Total revenue	51.2	50.0	48.0	48.1	48.0	48.7	49.0	49.0
Total expenditure	54.4	51.6	49.8	52.6	50.5	51.2	51.3	50.8
of which: Interest	3.7	3.1	2.7	2.7	2.6	2.6	2.6	2.6
Corporations (% of GDP)								
Net lending (+) or net borrowing (-)	**-2.9**	**-1.2**	**0.0**	**4.1**	**1.2**	**2.2**	**2.1**	**1.7**
Net financial assets; non-financial corporations	**-68.8**	**-79.2**	**-89.6**	**-92.2**	**-81.6**	**n.a**	**n.a**	**n.a**
Net financial assets; financial corporations	**-3.6**	**-1.6**	**3.4**	**6.3**	**10.9**	**n.a**	**n.a**	**n.a**
Gross capital formation	16.6	16.7	16.0	14.9	16.5	16.1	16.0	16.4
Gross operating surplus	20.6	22.8	24.1	23.0	23.6	23.2	23.2	23.6
Households and NPISH (% of GDP)								
Net lending (+) or net borrowing (-)	**4.0**	**3.9**	**5.2**	**3.9**	**2.4**	**3.2**	**3.2**	**3.3**
Net financial assets	**95.7**	**99.2**	**110.4**	**119.2**	**112.4**	**n.a**	**n.a**	**n.a**
Gross wages and salaries	42.1	40.7	39.7	40.6	39.9	40.3	40.3	40.0
Net property income	6.6	6.4	7.9	6.0	5.6	6.5	6.4	6.6
Current transfers received	23.8	23.8	22.5	23.4	22.6	22.7	22.9	22.8
Gross saving	9.4	8.5	10.0	9.0	7.8	8.4	8.3	8.4
Rest of the world (% of GDP)								
Net lending (+) or net borrowing (-)	**-2.3**	**0.9**	**3.3**	**3.1**	**2.0**	**2.9**	**3.1**	**3.1**
Net financial assets	**15.8**	**19.5**	**13.6**	**14.8**	**8.6**	**n.a**	**n.a**	**n.a**
Net exports of goods and services	-0.3	3.2	5.0	4.2	3.3	3.8	4.1	4.1
Net primary income from the rest of the world	-1.3	-1.4	-0.9	-0.2	-0.3	-0.1	-0.1	-0.1
Net capital transactions	-0.1	-0.2	0.0	0.1	-0.1	-0.1	-0.1	-0.1
Tradable sector	46.4	46.6	45.3	44.4	45.0	44.8	n.a	n.a
Non tradable sector	43.5	43.7	45.2	46.0	45.7	45.8	n.a	n.a
of which: Building and construction sector	7.3	6.7	6.4	6.1	6.2	6.3	n.a	n.a
Real effective exchange rate (index, 2000=100)	111.2	99.9	101.0	100.9	100.7	100.5	102.4	102.1
Terms of trade goods and services (index, 2000=100)	101.5	100.3	98.8	97.7	95.7	95.7	95.6	95.3
Market performance of exports (index, 2000=100)	94.0	98.0	98.2	92.7	94.2	95.6	96.9	97.1

Notes:

[1] The output gap constitutes the gap between the actual and potential gross domestic product at 2005 market prices.

[2] The indicator on domestic demand includes stocks.

[3] Unemployed persons are all persons who were not employed, had actively sought work and were ready to begin working immediately or within two weeks. The labour force is the total number of people employed and unemployed. The unemployment rate covers the age group 15-74.

Source :

Commission services' 2013 spring forecasts (COM); Stability programme (SP).

Table II. Comparison of macroeconomic developments and forecasts

	2012		2013		2014		2015	2016	2017
	COM	**SP**	**COM**	**SP**	**COM**	**SP**	**SP**	**SP**	**SP**
Real GDP (% change)	0.8	0.8	0.6	1.0	1.8	1.8	2.0	1.8	1.9
Private consumption (% change)	0.4	0.4	0.4	0.6	1.0	0.9	1.1	1.0	1.2
Gross fixed capital formation (% change)	1.3	1.3	1.1	1.5	2.5	2.0	3.3	2.5	2.8
Exports of goods and services (% change)	1.7	1.7	2.8	3.3	5.6	5.8	5.8	5.6	5.8
Imports of goods and services (% change)	0.8	0.8	2.2	3.6	5.4	5.4	5.4	5.2	5.4
Contributions to real GDP growth:									
- Final domestic demand	0.5	0.5	0.6	0.8	1.3	1.1	1.4	1.2	1.4
- Change in inventories	-0.4	-0.2	-0.4	0.2	0.2	0.3	0.1	0.1	0.0
- Net exports	0.6	0.6	0.4	0.0	0.3	0.4	0.5	0.5	0.5
Output gap[1]	-0.3	-0.6	-0.9	-1.0	-0.5	-0.9	-0.3	0.0	0.1
Employment (% change)	1.1	1.4	0.7	0.7	1.0	1.0	1.0	1.0	1.0
Unemployment rate (%)	4.3	4.4	4.7	4.8	4.7	4.8	4.7	4.5	4.4
Labour productivity (% change)	-0.3	-0.6	-0.1	0.3	0.8	0.8	1.0	0.8	0.9
HICP inflation (%)	2.6	2.6	2.0	2.3	1.8	2.0	2.3	2.0	1.9
GDP deflator (% change)	2.2	2.2	2.0	2.0	1.7	1.8	1.8	1.7	1.6
Comp. of employees (per head, % change)	3.0	2.9	2.1	2.5	1.9	2.7	3.1	2.8	2.7
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	2.9	1.8	3.1	2.3	3.1	2.6	2.4	2.6	2.7

Note:

[1]In percent of potential GDP, with potential GDP growth recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source :

Commission services' 2013 spring forecasts (COM); Stability programme (SP).

Table III. Composition of the budgetary adjustment

(% of GDP)	2012	2013		2014		2015	2016	2017	Change: 2012-2017
	COM	COM	SP	COM[1]	SP	SP	SP	SP	SP
Revenue	**48.7**	**49.0**	**48.9**	**49.0**	**48.8**	**48.8**	**48.8**	**48.8**	**0.1**
of which:									
- Taxes on production and imports	14.5	14.5	14.5	14.5	14.4	14.4	14.4	14.4	-0.1
- Current taxes on income, wealth, etc.	13.3	13.5	13.6	13.6	13.6	13.7	13.8	13.8	0.6
- Social contributions	16.4	16.5	16.4	16.4	16.4	16.4	16.5	16.5	0.0
- Other (residual)	4.5	4.5	4.5	4.5	4.4	4.3	4.2	4.1	-0.4
Expenditure	**51.2**	**51.3**	**51.3**	**50.8**	**50.4**	**49.4**	**48.9**	**48.6**	**-2.6**
of which:									
- Primary expenditure	48.6	48.6	48.7	48.2	47.8	46.9	46.4	46.1	-2.4
of which:									
Compensation of employees	9.4	9.3	9.3	9.1	9.1	9.0	8.9	8.9	-0.5
Intermediate consumption	4.3	4.3	4.3	4.3	4.2	4.1	4.1	4.0	-0.2
Social payments	24.8	24.9	25.0	24.8	24.8	24.6	24.4	24.3	-0.5
Subsidies	3.5	3.6	3.5	3.6	3.5	3.4	3.3	3.2	-0.3
Gross fixed capital formation	1.0	1.0	1.0	1.0	1.0	0.9	0.9	0.9	-0.1
Other (residual)	5.7	5.6	5.6	5.3	5.2	4.8	4.7	4.8	-0.8
- Interest expenditure	2.6	2.6	2.6	2.6	2.6	2.5	2.5	2.4	-0.2
General government balance (GGB)	**-2.5**	**-2.2**	**-2.3**	**-1.8**	**-1.5**	**-0.6**	**0.0**	**0.2**	**2.7**
Primary balance	**0.1**	**0.4**	**0.3**	**0.8**	**1.1**	**1.9**	**2.4**	**2.7**	**2.5**
One-off and other temporary measures	-0.8	-0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.8
GGB excl. one-offs	**-1.7**	**-2.0**	**-2.3**	**-1.9**	**-1.5**	**-0.6**	**0.0**	**0.2**	**1.9**
Output gap[2]	-0.3	-0.9	-1.0	-0.5	-0.9	-0.3	0.0	0.1	0.4
Cyclically-adjusted balance[2]	-2.3	-1.8	-1.8	-1.6	-1.1	-0.5	0.0	0.2	2.5
Structural balance (SB)[3]	**-1.5**	**-1.6**	**-1.8**	**-1.7**	**-1.1**	**-0.5**	**0.0**	**0.2**	**1.7**
Change in SB	*0.7*	*-0.1*	*-0.3*	*-0.1*	*0.7*	*0.6*	*0.5*	*0.2*	-
Two year average change in SB	*0.9*	*0.3*	*0.2*	*-0.1*	*0.2*	*0.7*	*0.5*	*0.3*	-
Structural primary balance[3]	1.1	1.0	0.8	0.9	1.5	2.0	2.5	2.6	1.5
Change in structural primary balance		*-0.1*	*-0.3*	*-0.1*	*0.7*	*0.5*	*0.4*	*0.1*	-
Expenditure benchmark									
Applicable reference rate[4]	0.46	0.46	0.46	0.08	0.08	0.08	1.12	n.a.	-
Deviation[5] (% GDP)	0.5	-0.2	-0.4	0.4	-0.8	-0.6	-0.9	n.a.	-
Two-year average deviation (% GDP)	-0.1	0.2	-0.8	0.1	-0.6	-0.7	-0.8	n.a.	-

Notes:

[1]On a no-policy-change basis.

[2]Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

[3]Structural (primary) balance = cyclically-adjusted (primary) balance excluding one-off and other temporary measures.

[4] Reference medium-term rate of potential GDP growth. The (standard) reference rate applies from year t+1, if the country has reached its MTO in year t. A lower rate applies as long as the country is adjusting towards its MTO, including in year t.The reference rates applicable to 2014 onwards have been updated in 2013.

[5] Deviation of the growth rate of public expenditure net of discretionary revenue measures and revenue increases mandated by law from the applicable reference rate. The expenditure aggregate used for the expenditure benchmark is obtained following the commonly agreed methodology. A positive sign implies that expenditure growth exceeds the applicable reference rate.

Source :

Stability programme (SP); Commission services' 2013 spring forecasts (COM); Commission services' calculations.

Table IV. Debt dynamics

(% of GDP)	Average 2007-2011	2012	2013 COM	2013 SP	2014 COM	2014 SP	2015 SP	2016 SP	2017 SP
Gross debt ratio[1]	**67.5**	**73.4**	**73.8**	**73.6**	**73.7**	**73.0**	**71.3**	**69.3**	**67.0**
Change in the ratio	2.0	0.9	0.4	0.2	-0.1	-0.6	-1.8	-1.9	-2.3
Contributions[2] :									
1. Primary balance	**-0.1**	**-0.1**	**-0.4**	**-0.3**	**-0.8**	**-1.1**	**-1.9**	**-2.4**	**-2.7**
2. "Snow-ball" effect	**0.8**	**0.5**	**0.8**	**0.5**	**0.2**	**0.0**	**-0.1**	**0.1**	**0.1**
Of which:									
Interest expenditure	2.7	2.6	2.6	2.6	2.6	2.6	2.5	2.5	2.4
Growth effect	-0.8	-0.6	-0.4	-0.7	-1.3	-1.3	-1.4	-1.2	-1.3
Inflation effect	-1.2	-1.6	-1.4	-1.4	-1.2	-1.3	-1.2	-1.1	-1.1
3. Stock-flow adjustment	**1.4**	**0.6**	**0.0**	**0.0**	**0.5**	**0.5**	**0.3**	**0.4**	**0.3**
Of which:									
Cash/accruals diff.									
Acc. financial assets									
Privatisation									
Val. effect & residual									

	2012	2013 COM/SP[3]	2013 SP[4]	2014 COM/SP[3]	2014 SP[4]	2015 SP	2016 SP	2017 SP
Gap to the debt benchmark[5,6]	n.r.	n.r.	n.r.	n.r.	n.r.	n.r.	n.r.	-3.9
Structural adjustment[7]	n.r.	n.r.	n.r.	0.7	0.7	0.6	0.5	n.r.
To be compared to:								
Required adjustment[8]	n.r.	n.r.	n.r.	0.1	0.0	-0.3	-1.6	n.r.

Notes:

[1]End of period.

[2]The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting, accumulation of financial assets and valuation and other residual effects.

[3] Assessment of the consolidation path set in SP assuming growth follows the COM forecasts.

[4]Assessment of the consolidation path set in the SP assuming growth follows the SP projections.

[5]Not relevant for Member Sates that were subject to an EDP procedure in November 2011 and for a period of three years following the correction of the excessive deficit.

[6]Shows the difference between the debt-to-GDP ratio and the debt benchmark. If positive, projected gross debt-to-GDP ratio does not comply with the debt reduction benchmark.

[7]Applicable only during the transition period of three years from the correction of the excessive deficit for EDP that were ongoing in November 2011.

[8]Defines the remaining annual structural adjustment over the transition period which ensures that - if followed – Member State will comply with the debt reduction benchmark at the end of the transition period, assuming that COM (SP) budgetary projections for the previous years are achieved.

Source :

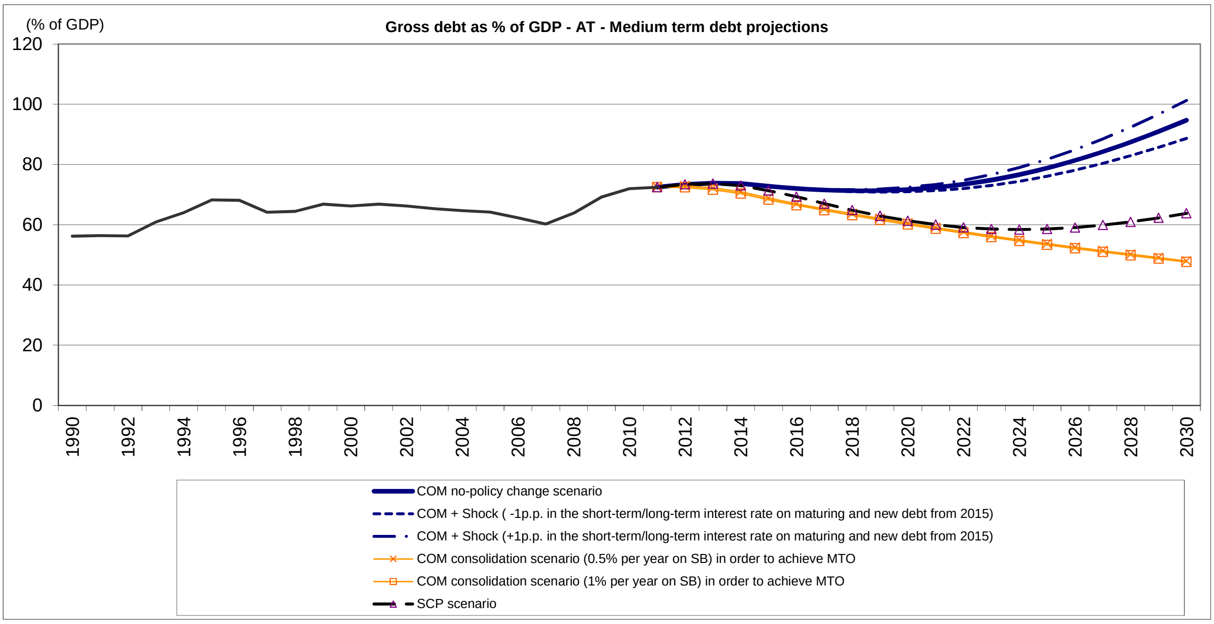
Stability programme (SP); Commission services' spring 2013 forecasts (COM); Commission services' calculations.

Table V. Sustainability indicators

	AT		EU27	
	No-policy change scenario	**Programme (SCP) scenario**	**No-policy change scenario**	**Programme (SCP) scenario**
S2	4.0	2.4	3.0	1.3
of which:				
Initial budgetary position (IBP)	0.4	-1.0	0.8	-0.9
Long-term cost of ageing (CoA)	3.6	3.4	2.2	2.2
of which:				
Pensions	1.7	1.5	1.0	1.1
Health care	1.1	1.0	0.9	0.8
Long-term care	0.8	0.8	0.6	0.6
Others	-0.1	0.1	-0.4	-0.3
S1 (required adjustment)*	2.4	0.3	2.2	0.5
of which:				
Initial budgetary position (IBP)	0.0	-2.2	0.0	-1.8
Debt requirement (DR)	0.8	0.5	1.9	1.9
Long-term cost of ageing (CoA)	1.6	1.9	0.3	0.4
S0 (risk for fiscal stress)**	0.07		:	
Debt, % of GDP (2012)	73.4		87.0	
Age-related expenditure, % of GDP (2012)	28.8		25.8	

Note:
The 'No-policy change' scenario depicts the sustainability gap under the assumption that the budgetary position evolves according to the Commissions' spring 2013 forecast until 2014. The 'Programme (SCP)' scenario depicts the sustainability gap under the assumption that the budgetary plans in the programme are fully implemented.
* The required adjustment of the primary balance until 2020 to reach a public debt of 60% of GDP by 2030.
** The critical threshold for the S0 indicator is 0.44.

Source :
Commission services; 2013 stability programme.



Source: *Commission, 2013 Stability Programme*

Table VI. Taxation indicators

	2002	2006	2008	2009	2010	2011
Total tax revenues (incl. actual compulsory social contributions, % of GDP)	43.6	41.5	42.7	42.4	41.9	42.0
Breakdown by economic function (% of GDP)[1]						
Consumption	12.4	11.6	11.6	12.0	11.8	11.7
of which:						
- VAT	8.1	7.6	7.8	8.0	7.9	7.8
- excise duties on tobacco and alcohol	0.7	0.7	0.6	0.6	0.6	0.6
- energy	1.7	1.6	1.6	1.6	1.6	1.7
- other (residual)	1.8	1.7	1.6	1.7	1.6	1.6
Labour employed	21.5	20.8	21.3	21.5	21.3	21.2
Labour non-employed	2.5	2.4	2.5	2.5	2.6	2.6
Capital and business income	6.1	5.7	6.3	5.5	5.4	5.7
Stocks of capital/wealth	1.1	1.0	1.0	1.0	1.0	0.9
p.m. Environmental taxes[2]	2.7	2.5	2.4	2.4	2.4	2.4
VAT efficiency[3]						
Actual VAT revenues as % of theoretical revenues at standard rate	63.0	58.8	60.9	60.9	60.2	59.6

Note:

[1] Tax revenues are broken down by economic function, i.e. according to whether taxes are raised on consumption, labour or capital. See European Commission (2013) Taxation trends in the European Union, for a more detailed explanation.

[2] This category comprises taxes on energy, transport and pollution and resources included in taxes on consumption and capital.

[3] The VAT efficiency is measured via the VAT revenue ratio. The VAT revenue ratio is defined as the ratio between the actual VAT revenue collected and the revenue that would theoretically be raised if VAT was applied at the standard rate to all final consumption. A low ratio can indicate a reduction of the tax base due to large exemptions or the application of reduced rates to a wide range of goods and services ('policy gap') or a failure to collect all tax due to e.g. fraud ('collection gap'). See European Commission (2012), Tax reforms in EU Member States, European Economy 6/2012 and Taxation Papers 34/2012 for a more detailed explanation.

Source: Commission

Table VII. Financial market indicators

	2008	2009	2010	2011	2012
Total assets of the banking sector (% of GDP)	375.0	373.1	341.8	335.9	314.4
Share of assets of the five largest banks (% of total assets)	39.0	37.2	35.9	38.4	…
Foreign ownership of banking system (% of total assets)	23.4	19.4	…	…	…
Financial soundness indicators:					
- non-performing loans (% of total loans)[1), 2)]	1.9	2.3	2.8	2.7	2.7
- capital adequacy ratio (%) [1), 2)]	12.9	15.0	15.4	15.8	16.1
- return on equity (%) [1), 2), 3)]	2.6	1.5	7.9	1.4	7.6
Bank loans to the private sector (year-on-year % change)	8.3	-0.8	0.3	2.0	0.8
Lending for house purchase (year-on-year % change)	4.9	2.2	2.6	3.8	2.5
Loan to deposit ratio	110.6	107.9	109.6	108.8	107.4
CB liquidity as % of liabilities	4.1	2.3	1.0	1.8	2.1
Banks' exposure to countries receiving official financial assistance (% of GDP)[4)]	26.1	27.1	23.9	20.6	2.0
Private debt (% of GDP)	129.2	133.6	133.0	131.7	130.0
Gross external debt (% of GDP)[5)]					
- Public	53.6	55.7	58.4	58.8	61.4
- Private	36.2	42.4	42.0	38.5	39.8
Long term interest rates spread versus Bund (basis points)*	0.4	0.7	0.5	0.7	0.9
Credit default swap spreads for sovereign securities (5-year)*	99.4	108.4	78.7	109.4	125.8

Notes:

1) Latest data (September 2012).

2) Does not include subsidiaries and branches abroad of foreign controlled deposit takers.

3) After extraordinary items and taxes. Tier 1 capital.

4) Covered countries are CY, EL, ES, LV, HU, IE, PT and RO.

5) Latest data 2012Q3.

* Measured in basis points.

Source :

Bank for International Settlements and Eurostat (exposure to macro-financially vulnerable countries), IMF (financial soundness indicators), Commission (long-term interest rates), World Bank (gross external debt) and ECB (all other indicators).

Table VIII. Labour market and social indicators

Labour market indicators	2007	2008	2009	2010	2011	2012
Employment rate (% of population aged 20-64)	74.4	75.1	74.7	74.9	75.2	75.6
Employment growth (% change from previous year)	1.8	2.0	-0.7	0.8	1.7	1.2
Employment rate of women (% of female population aged 20-64)	67.2	68.6	69.4	69.6	69.6	70.3
Employment rate of men (% of male population aged 20-64)	81.6	81.7	80.1	80.2	80.8	80.9
Employment rate of older workers (% of population aged 55-64)	38.6	41.0	41.1	42.4	41.5	43.1
Part-time employment (% of total employment, 15 years and more)	22.6	23.3	24.6	25.2	25.2	25.7
Part-time employment of women (% of women employment, 15 years and more)	41.2	41.5	42.9	43.8	44.0	44.9
Part-time employment of men (% of men employment, 15 years and more)	7.2	8.1	8.7	9.0	8.9	9.0
Fixed term employment (% of employees with a fixed term contract, 15 years and more)	8.9	9.0	9.1	9.3	9.6	9.3
Transitions from temporary to permanent employment	4.0	2.6	3.5	3.6	3.2	:
Unemployment rate1 (% of labour force, age group 15-74)	4.4	3.8	4.8	4.4	4.2	4.3
Long-term unemployment rate2 (% of labour force)	1.2	0.9	1.0	1.1	1.1	1.1
Youth unemployment rate (% of youth labour force aged 15-24)	8.7	8.0	10.0	8.8	8.3	8.7
Youth NEET rate (% of population aged 15-24)	7.0	7.1	7.8	7.1	6.9	6.5
Early leavers from education and training (% of pop. 18-24 with at most lower sec. educ. and not in further education or training)	10.7	10.1	8.7	8.3	8.3	7.6
Tertiary educational attainment (% of population 30-34 having successfully completed tertiary education)	21.1	22.2	23.5	23.5	23.8	26.3
Formal childcare (from 1 to 29 hours; % over the population less than 3 years)	7.0	4.0	7.0	6.0	11.0	:
Formal childcare (30 hours or over; % over the population less than 3 year)	1.0	2.0	2.0	3.0	3.0	:
Labour productivity per person employed (annual % change)	1.9	-0.4	-2.3	1.5	1.3	-0.5
Hours worked per person employed (annual % change)	-0.3	-1.0	-2.9	-0.9	0.5	-0.1
Labour productivity per hour worked (annual % change; constant prices)	2.2	0.5	-0.2	2.2	0.4	-0.2
Compensation per employee (annual % change; constant prices)	0.6	1.4	1.0	-0.4	0.1	0.7
Nominal unit labour cost growth (annual % change)	1.2	3.7	5.0	0.0	0.9	3.4
Real unit labour cost growth (annual % change)	-0.8	2.0	3.4	-1.6	-1.3	1.1

Notes:

[1] Unemployed persons are all persons who were not employed, had actively sought work and were ready to begin working immediately or within two weeks. The labour force is the total number of people employed and unemployed.

[2] Long-term unemployed are unemployed persons for at least 12 months.

Sources:

Commission (EU Labour Force Survey and European National Accounts)

Expenditure on social protection benefits (% of GDP)	2006	2007	2008	2009	2010
Sickness/Health care	6.95	6.98	7.23	7.60	7.44
Invalidity	2.29	2.16	2.13	2.27	2.25
Old age and survivors	13.32	13.21	13.57	14.62	14.64
Family/Children	2.85	2.73	2.83	3.06	3.07
Unemployment	1.60	1.43	1.37	1.72	1.67
Housing and Social exclusion n.e.c.	0.12	0.11	0.11	0.12	0.12
Total	27.41	26.92	27.56	29.72	29.51
of which: means tested benefits	1.86	1.81	1.91	2.11	2.13
Social inclusion indicators	**2007**	**2008**	**2009**	**2010**	**2011**
At-risk-of-poverty or social exclusion[1] (% of total population)	16.7	18.6	17.0	16.6	16.9
At-risk-of-poverty or social exclusion of children (% of people aged 0-17)	18.5	20.4	17.5	18.8	19.2
At-risk-of-poverty or social exclusion of elderly (% of people aged 65+)	15.1	17.3	16.4	15.8	17.1
At-Risk-of-Poverty rate[2] (% of total population)	12.0	12.4	12.0	12.1	12.6
Severe Material Deprivation[3] (% of total population)	3.3	6.4	4.8	4.3	3.9
Share of people living in low work intensity households[4] (% of people aged 0-59)	8.1	7.8	7.2	7.7	8.0
In-work at-risk-of poverty rate (% of persons employed)	6.1	6.4	5.9	4.9	5.4
Impact of social transfers (excluding pensions) on reducing poverty	51.4	49.4	50.2	49.8	49.4
Poverty thresholds, expressed in national currency at constant prices[5]	10893	11160	11309	11680	11875
Gross disposable income (households)	172650	178056	179332	181738	186665
Relative median poverty risk gap (60% of median equivalised income, age: total)	17.0	15.3	17.2	17.2	19.0

Notes:

[1] People at-risk-of poverty or social exclusion (AROPE): individuals who are at-risk-of poverty (AROP) and/or suffering from severe material deprivation (SMD) and/or living in household with zero or very low work intensity (LWI).

[2] At-risk-of poverty rate (AROP): share of people with an equivalised disposable income below 60% of the national equivalised median income.

[3] Share of people who experience at least 4 out of 9 deprivations: people cannot afford to i) pay their rent or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish, or a protein equivalent every second day, v) enjoy a week of holiday away from home once a year, vi) have a car, vii) have a washing machine, viii) have a colour tv, or ix) have a telephone.

[4] People living in households with very low work intensity: share of people aged 0-59 living in households where the adults (excluding dependent children) work less than 20% of their total work-time potential during the previous 12 months.

[5] For EE, CY, MT, SI, SK, thresholds in nominal values in Euros; HICP - index 100 in 2006 (2007 survey refers to 2006 incomes)

Sources:

For expenditure for social protection benefits ESSPROS; for social inclusion EU-SILC.

Table IX. Product market performance and policy indicators

Performance indicators	**2003-2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Labour productivity[1] total economy (annual growth in %)	1.8	-0.5	-3.1	1.2	1.0	-0.3
Labour productivity[1] in manufacturing (annual growth in %)	5.5	-0.5	-9.5	8.6	7.3	0.4
Labour productivity[1] in electricity, gas, steam and air conditioning supply (annual growth in %)	-2.4	-4.0	9.2	-6.1	9.8	n.a.
Labour productivity[1] in the construction sector (annual growth in %)	0.1	6.9	2.9	9.0	13.2	n.a.
Total number of patent[2] applications per million of labour force	382.8	374.6	378.0	369.0	n.a.	n.a.
Policy indicators	**2003-2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Enforcing contracts[3] (days)	397	397	397	397	397	397
Time to start a business[3] (days)	25	28	28	28	28	25
R&D expenditure (% of GDP)	2.4	2.7	2.7	2.8	2.8	n.a.
Tertiary educational attainment (% of 30-34 years old population)	21.0	22.2	23.5	23.5	23.8	26.1
Total public expenditure on education (% of GDP)	5.44	5.47	5.98	5.89	n.a.	n.a.
	2007	**2008**	**2009**	**2010**	**2011**	**2012**
Product market regulation[4], Overall (Index; 0=not regulated; 6=most regulated)	n.a.	0.8	n.a.	n.a.	n.a.	n.a.
Product market regulation[4], Retail (Index; 0=not regulated; 6=most regulated)	n.a.	2.0	n.a.	n.a.	n.a.	n.a.
Product market regulation[4], Network Industries[5] (Index; 0=not regulated; 6=most regulated)	0.9	n.a.	n.a.	n.a.	n.a.	n.a.

Notes:

[1] Labour productivity is defined as gross value added (in constant prices) divided by the number of persons employed.

[2] Total number of patent applications to the European Patent Office (EPO) per million of labour force

[3] The methodologies, including the assumptions, for this indicator are presented in detail on the website http://www.doingbusiness.org/methodology.

[4] The methodologies of the product market regulation indicators are presented in detail on the website http://www.oecd.org/document/1/0,3746,en_2649_34323_2367297_1_1_1_1,00.html. The latest available product market regulation indicators refer to 2003 and 2008, except for Network Industries.

[5] Aggregate Energy, Transport and Communications Regulation (ETCR).

*figure for 2007.

Source:
Commission, World Bank - Doing Business (for enforcing contracts and time to start a business) and OECD (for the product market regulation indicators).

Table X. Green Growth

		2002-2006	2007	2008	2009	2010	2011
Green Growth performance							
Macroeconomic							
Energy intensity	kgoe / €	0.15	0.14	0.14	0.14	0.14	0.14
Carbon intensity	kg / €	0.41	0.36	0.35	0.34	0.35	n.a.
Resource intensity (reciprocal of resource productivity)	kg / €	0.88	0.84	0.82	0.78	n.a.	n.a.
Waste intensity	kg / €	n.a.	n.a.	0.23	n.a.	0.14	n.a.
Energy balance of trade	% GDP	-2.5%	-2.9%	-3.6%	-2.5%	-3.0%	-3.8%
Energy weight in HICP	%	n.a.	8	9	8	8	9
Difference between change energy price and inflation	%	n.a.	3.8	2.5	-2.8	1.4	2.2
Environmental taxes over labour taxes	ratio	11.1%	10.4%	10.1%	9.9%	10.1%	n.a.
Environmental taxes over total taxes	ratio	6.2%	5.8%	5.6%	5.6%	5.7%	n.a.
Sectoral							
Industry energy intensity	kgoe / €	0.17	0.16	0.16	0.17	0.16	n.a.
Share of energy-intensive industries in the economy	% GDP	10.4	10.9	11.0	10.3	n.a.	n.a.
Electricity prices for medium-sized industrial users**	€ / kWh	n.a.	0.09	0.11	0.12	0.11	0.11
Gas prices for medium-sized industrial users***	€ / kWh	n.a.	n.a.	n.a.	0.03	0.04	0.04
Public R&D for energy	% GDP	n.a.	0.01%	0.01%	0.01%	0.01%	0.01%
Public R&D for the environment	% GDP	n.a.	0.01%	0.01%	0.01%	0.01%	0.02%
Recycling rate of municipal waste	ratio	86.1%	96.7%	96.8%	99.3%	99.3%	n.a.
Share of GHG emissions covered by ETS*	%	n.a.	36.4%	36.9%	34.2%	36.4%	36.9%
Transport energy intensity	kgoe / €	n.a.	0.58	0.57	0.61	n.a.	n.a.
Transport carbon intensity	kg / €	n.a.	1.52	1.46	1.55	n.a.	n.a.
Security of energy supply							
Energy import dependency	%	n.a.	68.9%	68.9%	65.0%	62.1%	69.3%
Diversification of oil import sources	HHI	n.a.	0.13	0.12	0.13	0.13	n.a.
Diversification of energy mix	HHI	n.a.	0.28	0.28	0.29	0.28	0.26
Share renewable energy in energy mix	%	n.a.	23.6%	24.7%	27.3%	26.6%	25.8%

Country-specific notes:

The year 2012 is not included in the table due to lack of data.

General explanation of the table items:

Source: Eurostat unless indicated otherwise; ECFIN elaborations indicated below

All macro intensity indicators are expressed as a ratio of a physical quantity to GDP (in 2000 prices)

Energy intensity: gross inland energy consumption (in kgoe) divided by GDP (in EUR)

Carbon intensity: Greenhouse gas emissions (in kg CO2 equivalents) divided by GDP (in EUR)

Resource intensity: Domestic Material Consumption (in kg) divided by GDP (in EUR)

Waste intensity: waste (in kg) divided by GDP (in EUR)

Energy balance of trade: the balance of energy exports and imports, expressed as % of GDP

Energy weight in HICP: the share of the "energy" items in the consumption basket used in the construction of the HICP

Difference between energy price change and inflation: energy component of HICP, and total HICP inflation (annual %-change)

Environmental taxes over labour or total taxes: from DG TAXUD's database "Taxation trends in the European Union"

Industry energy intensity: final energy consumption of industry (in kgoe) divided by gross value added of industry (in 2005 EUR)

Share of energy-intensive industries in the economy: share of gross value added of the energy-intensive industries in GDP

Electricity and gas prices medium industrial users: consumption band 500 - 2000MWh and 10000 - 100000 GJ; figures excl. VAT.

Recycling rate of municipal waste: ratio of municipal waste recycled over total municipal waste

Public R&D for energy or for the environment: government spending on R&D (GBAORD) for these categories as % of GDP

Share of GHG emissions covered by ETS: based on greenhouse gas emissions as reported by Member States to EEA (excl LULUCF)

Transport energy intensity: final energy consumption of transport activity (kgoe) divided by transp industry gross value added (2005 EUR)

Transport carbon intensity: greenhouse gas emissions in transport activity divided by gross value added of the transport sector

Energy import dependency: net energy imports divided by gross inland energy consumption incl. energy consumption international bunkers

Diversification of oil import sources: Herfindahl index (HHI), calculated as the sum of the squared market shares of countries of origin

Diversification of the energy mix: Herfindahl Index over natural gas, total petrol products, nuclear heat, renewable energies and solid fuels

Share renewable energy in energy mix: %-share in gross inland energy consumption, expressed in tonne oil equivalents

*Provisional data (15 April 213). Commission Services and EEA.

** For 2007 average of S1 & S2 for DE, LU, NL, FI, SE & UK. Other countries only have S2.

*** For 2007 average of S1 & S2 for IT, NL, FI, SE & UK. Other countries only have S2.