

Austrian Stability Programme

Update for the period 2018 to 2023

Vienna, April 24th, 2019

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1 Introduction

According to EU Regulation 1466/97 as amended by Regulation 1175/2011, the participants in the Euro zone have to submit an annual Stability Programme and the other member states of the European Union (EU) a Convergence Programme.

The updating of the Austrian Stability Programme for the period 2018 to 2023 follows the content and form of the "Code of Conduct".

At the same time, this programme represents the national medium-term budgetary plan to be transmitted according to Article 4 of the "Twopack" Regulation 473/2013.

This update is based on data from the national accounts of Statistics Austria (STAT) up to 2018, the medium-term economic forecast of the Austrian Institute for Economic Research (WIFO) of March 2019 and calculations and assessments by the Federal Ministry of Finance (BMF).

2 Economic Situation in Austria

2.1 Economic development (2018-2023)

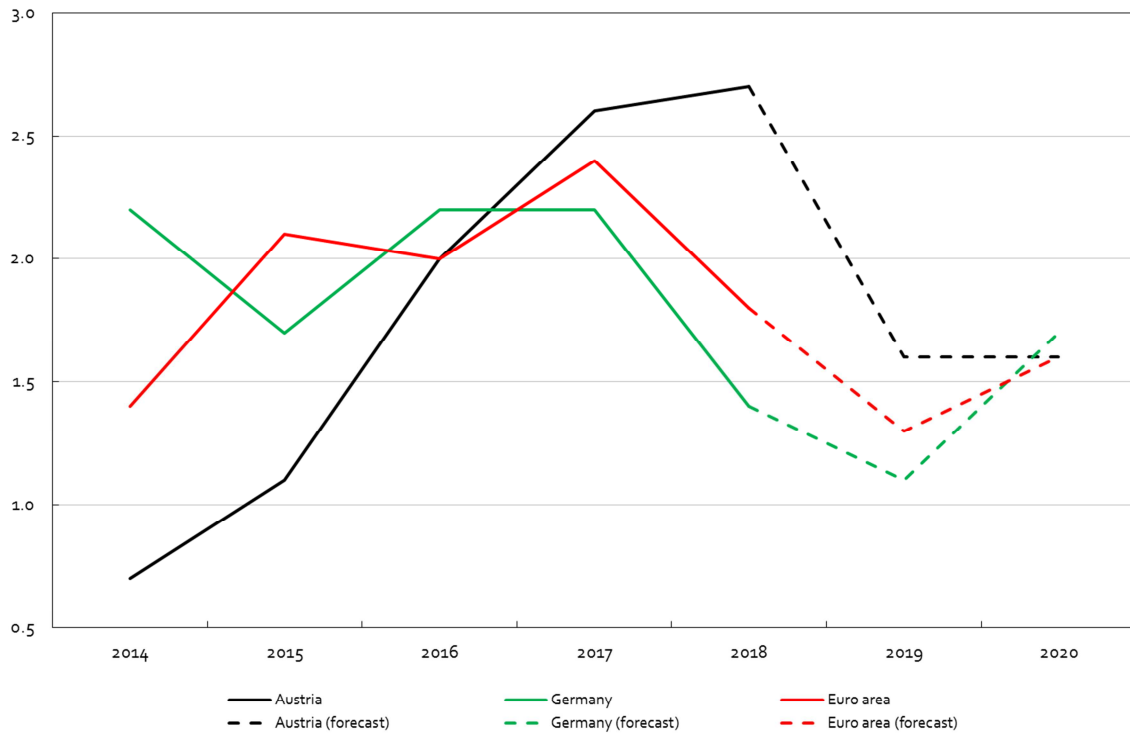
In 2018 real GDP growth increased further to 2.7 % of GDP. The strongest growth contributions came from exports, private consumption and gross fixed capital formations.

The number of persons in employment rose by 91,600 (2.3 %) in 2018. At the same time, the labour force expanded by 63,000 persons. The largest contribution came from the influx of foreign labour. The employment rate of older workers and women also increased. Last but not least, the number of employed refugees also increased. As a result, the unemployment rate as defined by Eurostat decreased by 0.6 percentage points to 4.9 % in 2018.

In 2018 the inflation rate in Austria was 2.0 %. Price drivers were rents, energy, fuel, as well as restaurants and hotels.

Over the period 2008-2013, real growth rates of GDP were at least as high in Austria as in the euro area. Afterwards, growth was lower than the average of the euro area until 2016, but increased continuously and should be stronger than in the euro area up to 2020.

Figure 1: Real GDP growth (Austria, Germany and the Euro area)



Left axis: Rate of change over previous year in %

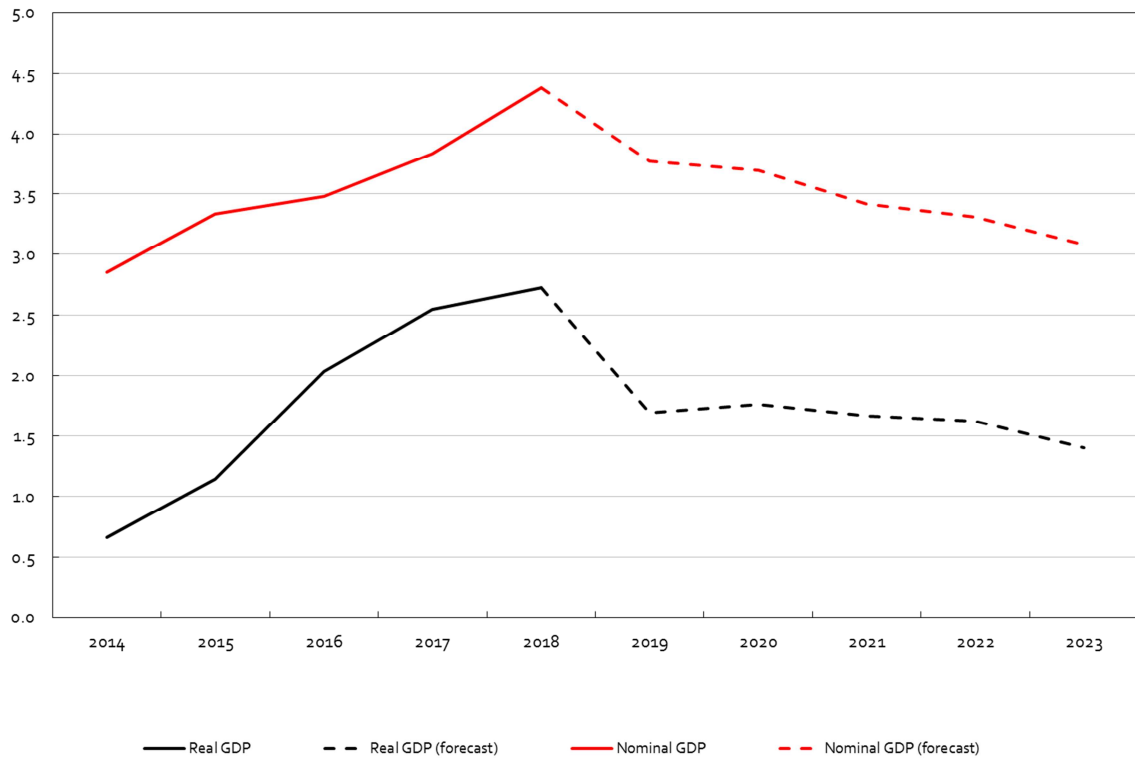
2019 and 2020: European Commission (EC), European Economic Forecast (Winter 2019)

Sources: BMF, EC, EUROSTAT

On March 29th, 2019 WIFO compiled its latest short- and medium-term economic forecast which forms the basis for this programme. The WIFO forecast has not included the upcoming tax reform, with the exception of the Family Bonus Plus.

According to WIFO, the short-term outlook is subdued, with sentiment worse than the current situation. Good employment and the Family Bonus Plus support private consumption. Real GDP growth of 1.7 % is expected for 2019 and 1.8% for 2020.

Figure 2: Real and nominal GDP growth

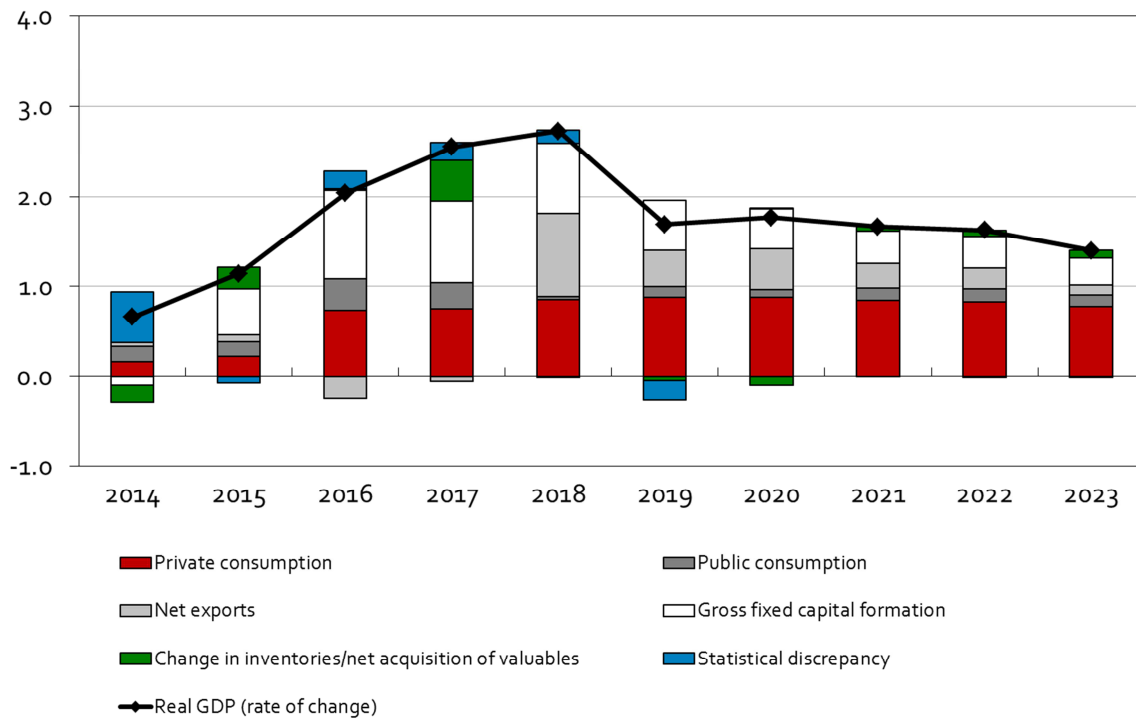


Left axis: Rate of change over previous year in %

Sources: BMF, STAT, WIFO

In the medium-term until 2022, WIFO expects an average potential growth rate of 1.8 % per annum, and an actual GDP growth rate of 1.6 % per annum, both in real terms. Growth is broad-based. Driving factors are the annual increase of the private household consumption expenditures by 1.6 % on average from 2018 to 2023, as well as that of the gross fixed capital formation by 1.7 % per year. The growth rate of private consumption is thus considerable stronger than in the period 2013-2018, when the annual expansion was 1.0 % on average.

Figure 3: Contribution to real GDP growth



Left axis: Contribution to real GDP growth in percentage points

Sources: BMF, STAT, WIFO

The data now show 2018 as the peak year for the economy and the so-called output gap is narrowing and closing by 2023 according to the EU method. Inflation is expected to be around 1.8 % per year by 2023.

Dynamic growth in employment and labour supply is expected to continue, with unemployment remaining at around 4.6 % from 2019 onwards.

Figure 4: Employed and unemployed persons



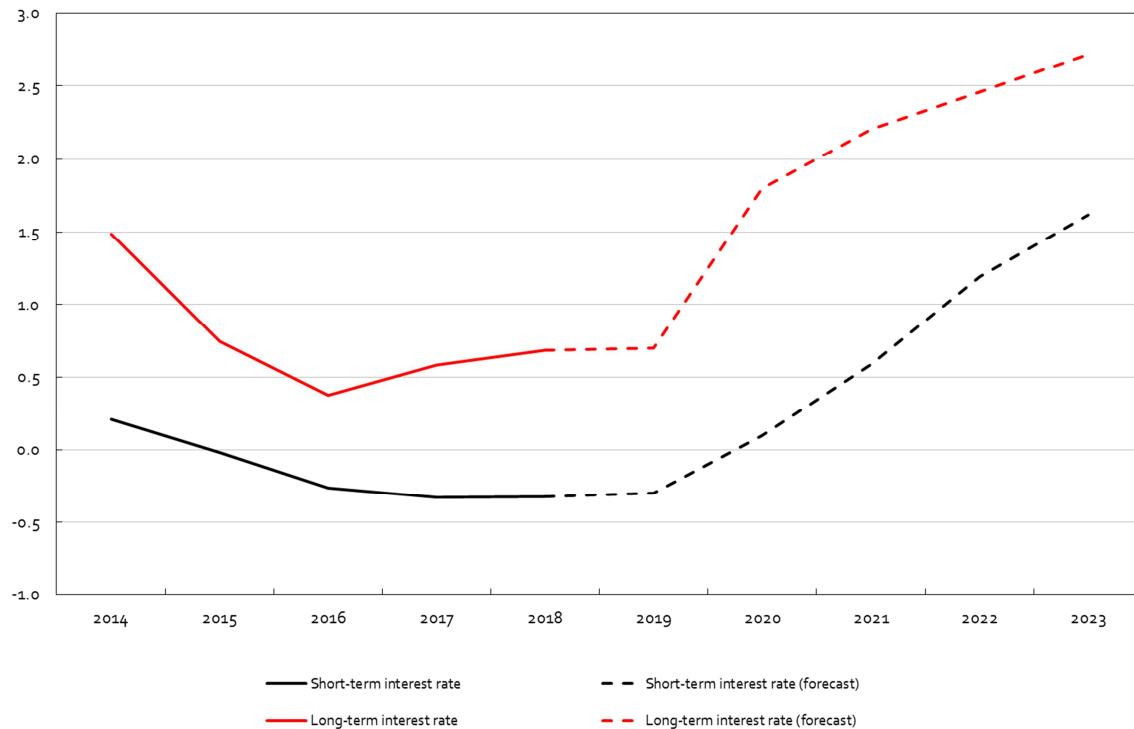
Left axis: Employed persons

Right axis: Unemployed persons

Sources: AMS, BMASGK, BMF, WIFO

Short- and long-term interest rates in Austria have decreased since 2008. This is due to measures by the European Central Bank (ECB) and the good creditworthiness of the Republic of Austria. Long-term rates (10-year government bond yields) increased since 2016; the average yield was 0.68 % in 2018. Against the background of the rate increase by the US Federal Reserve, the postponed normalization of interest rates by the ECB and lower economic growth, economic analysts expect interest rates to rise to 0.7 % this year and 1.8 % next year. Short-term interest rates will not start to rise again until a little later this year.

Figure 5: Development of short- and long-term interest rates



Left axis: Annual average (in %)

Sources: BMF, WIFO

The EC published its winter forecast on February 7th, 2019 and the Institute for Advanced Studies (IAS) on March 29th, 2019. The EC expects real GDP growth in 2019 and 2020 at 1.6 % each. The IAS expects real GDP growth at 1.5 % in 2019 and 1.6 % in 2020. The two forecasts are somewhat more pessimistic than WIFO in terms of real GDP growth in the short term. OECD published an interim forecast for global development on March 5th, 2019. It is more pessimistic about the global development than WIFO, but has not issued a specific forecast for Austria.

2.2 Financial sector developments

The global economic situation 2018 has developed better than expected as the world economy proved very resilient despite some existing risks and shocks. Only in autumn 2018 more volatile financial markets were observed with the strongest fluctuations in the equity markets. Possible future risks are trade frictions, disequilibria in the Chinese economic system, instability in some emerging market countries and ongoing overvaluations in several financial market segments. The gradual US policy rate increases since the end of 2016 had

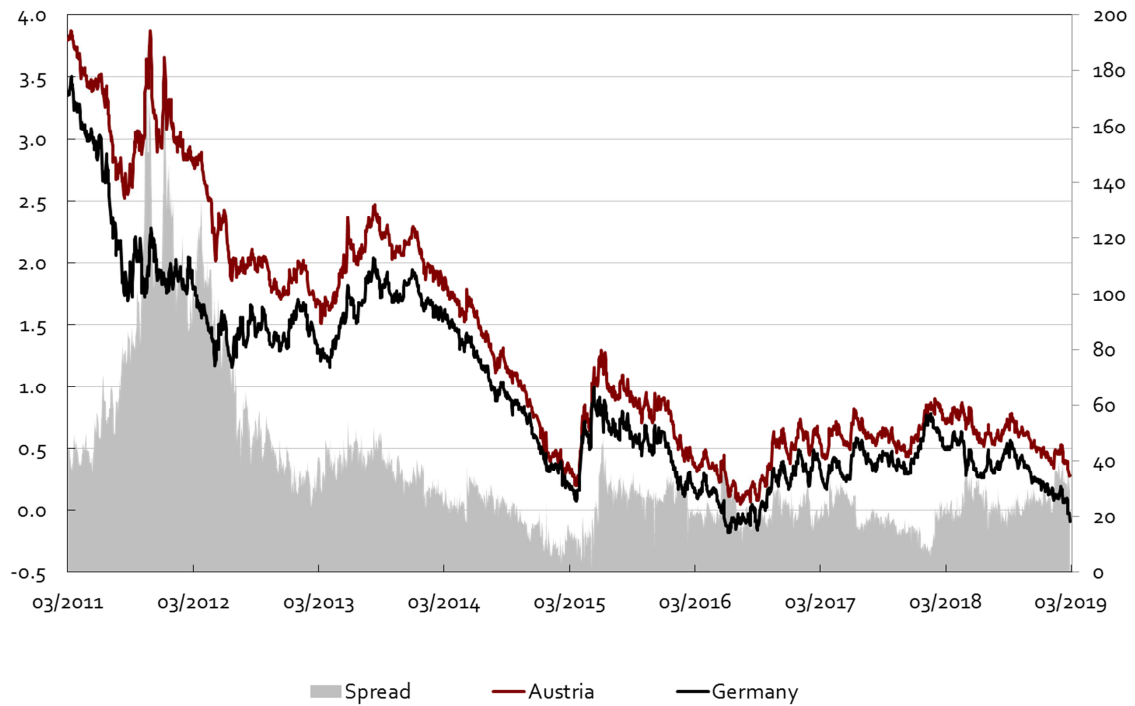
only minor consequences for the world economy up to now but in 2019 they are expected to contribute to some economic slowdown in the US. At the end of January 2019 the US Central Bank (Fed) announced a more cautious monetary policy and therewith supported the global equity markets. On March 20th, 2019 the Fed published a new economic and interest rate forecast which did not include further US policy rate changes in 2019.

In 2019 an economic slowdown is expected for most global regions and even a stronger downturn cannot be excluded. Monetary policy decisions are likely to play only a limited role for financial market developments in 2019, the monetary policy orientation of the euro area is expected to remain accommodative.

2.2.1 Long-term interest rates

Austria's long-term interest rate (10-year government benchmark bond yield) showed an upward movement initially from spring 2018 and rose to a level of slightly under 0.90 %. From June 2018 a downward trend was observed once again as an ongoing cautious ECB monetary policy was to be expected and stronger global uncertainties supported safe-haven-bonds. From autumn 2018 a more distinct decrease of the Austrian long-term interest rate occurred as they fell to around 0.35 % in February 2019 and averaged 0.40 % in March 2019 (temporarily they fell under 0.30 %). Triggering this downward trend was the economic weakening the euro zone and more recently the announcement of further measures by the ECB. These developments were influenced by expectations with regard to inflation and economic growth as well as monetary policy prospects. The spread of the 10-year Austrian bond yield over the 10-year German bond yield (without maturity adjustment) has remained relatively stable since spring 2018 at 20-40 basis points whereas the average from March 2018 to March 2019 was around 25 basis points.

Figure 6: Long-term interest rates and spread



Left axis: Long-term interest rates in %

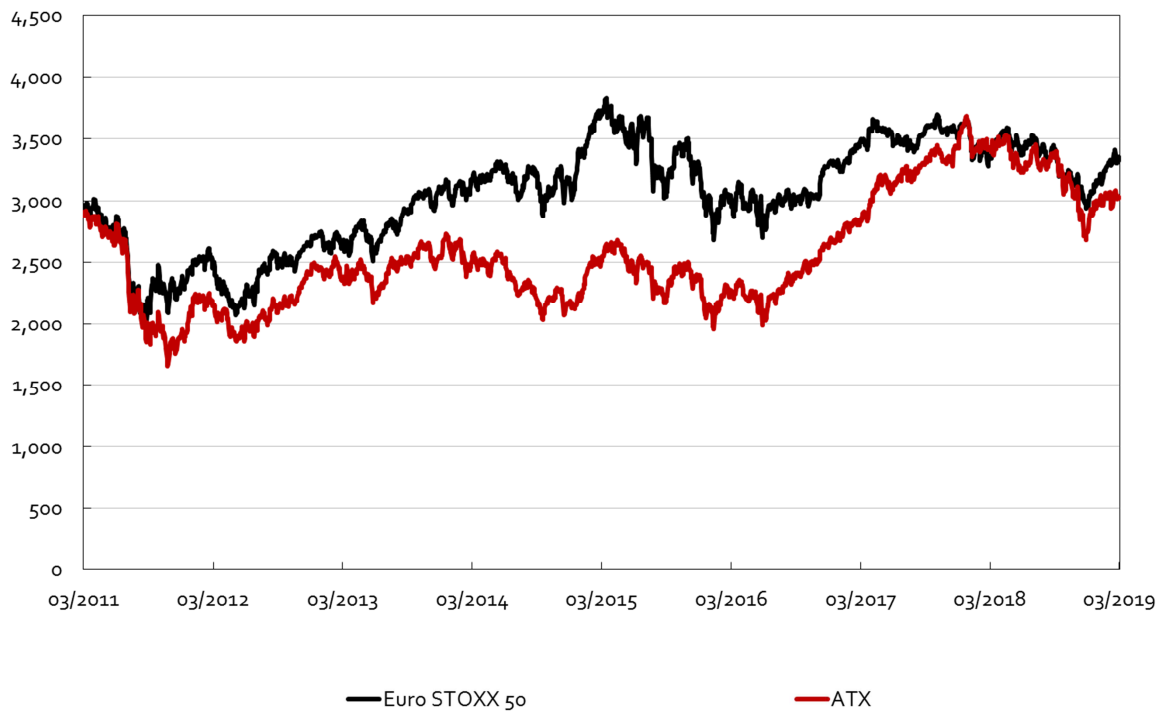
Right axis: Spread in basis points

Sources: BMF, Macrobond (March 29th, 2019)

2.2.2 Equity market

The Austrian equity market (ATX) showed a significant upward trend from summer 2016 to the beginning of 2018 and the increase was more dynamic than the rise of the Euro-Stoxx-50-Index. In January 2018 the ATX reached the highest value since July 2008. Afterwards a slight downturn correction occurred in parallel with the Euro-Stoxx-50. In autumn 2018 more pronounced stock market losses were observed as the weaker economic development and concerns about trade conflicts led to lower risk appetite. In the first months of 2019 an upward movement on the global equity markets, also in Austria, occurred once again because the US Central Bank signalled a less restrictive monetary policy.

Figure 7: Equity market performance



Left axis: Index

Sources: BMF, Macrobond (March 29th, 2019)

2.2.3 Restructuring the banking sector

Initially, the Republic of Austria reacted to the financial crisis in 2008 with comprehensive liquidity assistance, based on the Interbank Market Support Act, and later also with capital measures and the issuance of guarantees (Austrian Financial Market Stability Act, FinStaG). Based on FinStaG, Austrian Banks have been granted capital and liquidity-supporting funds totalling more than 30 bn Euro since 2008. Taking into account all repayments, the net amount to date is 15.4 bn Euro.

End of 2018, immigon portfolioabbau ag formally finished the wind-down of its assets. During the course of 2019 the bank will enter into liquidation.

HETA Asset Resolution AG has reduced its assets significantly in the past years. A major step towards wind-down could be set due to the settlement of a longstanding lawsuit with Bayerische Landesbank in 2018. The recovery rate for senior creditors is expected to rise to more than 85 %. As part of the settlement between HETA and Bayerische Landesbank,

Freistaat Bayern also fulfilled its obligations and repaid the amount of 1.23 bn Euro to Austria, which had been prepaid by the Republic in 2015 to Bavaria.

In 2017, KA Finanz AG was transformed into a wind-down entity without banking licence. According to the resolution plan, the portfolio wind-down should be completed until the end of 2026. The resolution plan has been over fulfilled last year.

2.3 Assessment of the rating agencies

In March 2019, the rating agency Moody's confirmed the rating for Austria at "Aa1" (second-best rating) with an unchanged stable outlook. In February 2019, the rating agency Fitch confirmed the rating of Austria at "AA+" (second-best rating) with an unchanged positive outlook. In March 2019, the rating agency Standards & Poor's (S&P) also affirmed the rating of Austria at "AA+" (second-best rating) with an unchanged stable outlook.

Positive for the rating agencies are the strong political and social institutions, as well as the diversified, competitive, export-oriented economy. Private debt is low and the savings ratio high. The average remaining term of the debt is ten years and there are no foreign currency risks. Public debt has declined in recent years, partly as a result of bank debt reduction.

The higher public debt compared with the "triple-A" rated countries is the main reason for the somewhat lower credit rating.

3 Economic and budgetary policy strategy

3.1 Economic and budgetary policy challenges, objectives and strategy

The Austrian Federal Government considers a sustainable, stability- and growth-oriented budgetary policy as a crucial cornerstone for Austria's economic and social stability. The demographic development, an uncertain international environment, and global challenges call for structural reforms that ensure long-term sound public finances. The Federal Government, thus, is committed to end the debt-financed policy of past years and to pursue a budgetary policy that strengthens Austria as a business location and that secures economic prosperity for future generations. Despite the prospects of a moderate economic slow-down, all international targets, in particular such stipulated in the European Stability and Growth Pact (SGP), the Austrian Stability Pact and the national debt brake, will be met. The medium-term budgetary objective (MTO), which currently amounts to a structural deficit of at most -0.5 % of GDP, will be met within the next years. Moreover, from 2019 onwards, the administrative federal budget balance will be positive. This will also be reflected in a continuously declining debt ratio, which is to decrease to 60 % of GDP by the end of the current legislative period, thereby adhering to the SGP.

A sustainable budgetary policy is characterised by focusing on efficiency-enhancing and cost-minimising measures and does not rely on an increase of revenues. Accordingly, going forward a balanced budget is to be achieved by planned spending restraints, structural reforms, savings in public administration and subsidies as well as by ending pro-cyclical measures. This restrictive expenditure policy creates a leeway for considerably reducing the tax burden and for lowering Austria's comparably high tax and social contribution burden towards 40 % of GDP in the medium-term. In order to achieve this objective, the Federal Government has agreed on a comprehensive tax reform which will be implemented in steps and which does not interfere with the objective of a balanced budget:

- In a first step, the Federal Government has already implemented a reduction of unemployment insurance contributions, has revoked the increase in value-added tax on overnight stays and has introduced the family bonus plus, amounting to a total tax relief of approx. 1.5 bn Euros.

- From 2020 onwards, low-income earners will benefit from a reduction in health insurance contributions. Further measures include the reduction of red tape for employees and small entrepreneurs as well as measures on promoting the “ecologisation” of the tax system.
- Starting in 2021, the wage and income tax rates will be lowered, reducing the tax burden for about 4.5 m tax payers. Moreover, tax law is to undergo structural simplification, in particular concerning a recodification of income tax law (“EStG 2020”) and simplifications concerning payroll accounting and profit assessment.
- In addition, measures enhancing the attractiveness of Austria as a business location, aiming at securing and creating jobs, will be implemented.

For reasons of tax fairness, the Federal Government has agreed upon a digital tax package, which will become national law in Austria in 2020, notwithstanding the failure to reach an agreement at a European level. In addition to a 5 % digital tax on online advertisements placed by large digital multinational corporations, online sharing platforms will be obliged to provide information relevant for tax collection purposes, and digital trade platforms will be subject to turnover tax. The expected revenues of approx. 200 m Euros are to contribute to the idea of budget-friendly financing of the tax reform.

During the past few months, Parliament has already passed the first structural reforms. The Federal Government, at the same time, has continued specifying further measures:

- At the end of December 2018, Parliament passed the law on the reform of the social insurance system („Sozialversicherungs-Organisationsgesetz“, BGBl. 100/2018), which foresees a merger of Austria’s 21 different health, pension and accident insurances into five health insurance funds. The main objectives of this structural reform are to increase efficiency and, as of 2020, to reap economies of scale, whilst retaining the current scope of services provided to the public. In particular, the reform is intended to simplify the prevailing system of multiple insurances, to reduce administrative bodies/committees and the number of their members, and to harmonise the benefits across regional health insurance carriers. The merging of central services (e. g. IT and procurement) and the pooling of tasks are to yield considerable increases in efficiency and are to provide for long-term synergies. On the whole, the reform is expected to lead to significantly lower administrative costs.
- By creating a social aid basic law, the states’ different guaranteed minimum income regulations are harmonised at a national level. The focus of this restructuring of the law is on prioritising benefits in kind over cash benefits, on reducing benefits for immigrants in the case of a breach of integration

agreements as well as on implementing a comprehensive nationwide database containing all social aid benefits. These measures are intended to avoid poverty, to strengthen the incentive to work, to support (re)integration into the labour market, and to better regulate access to social aid. Depending on the respective state of the business cycle, stabilisation of expenditures for social aid and dampening of spending dynamics are to be expected.

- With regard to the health care reform, the target control system established jointly by the Federal Government, state governments and social security funds, is to be continued in the upcoming years. On top of that, the system to establish and exercise shared financial responsibility is to be optimised. The objective of this reform is to gradually align the increase of public health expenditure (without long-term care) with the forecasted annual growth rate of nominal GDP (currently 3.2 %) in the medium-term.

The current and expected demographic development of Austria calls for measures to be undertaken in the care system in order to ensure the system's long-term funding and to curb the projected increase of costs. Concerning the pension system, incentives are being created to increase the factual retirement age towards the level of statutory retirement age.

- Ensuring high-quality care and its ongoing medium- and long-term funding is a priority issue for the Federal Government. The key element of the Federal Government's strategy is to make home nursing and home care more attractive. First steps have been taken by a parliamentary enquiry having been launched recently and a report on future funding possibilities has been commissioned. The goal is to develop a sound concept by the end of 2019, which includes a draft law outlining the long-term funding of the care system and which involves all affected institutions and levels of government.
- In order to ensure the stability of the pension system, the Federal Government is stepping up efforts to raise the factual retirement age to the level of statutory retirement age and is also further developing the pay-as-you-go scheme. As of January 2019, the age of access to partial retirement has been increased to at most six years prior to completing the regular retirement age (men: 65 years, women: 60 years). As of 2020, access to partial retirement will be allowed only five years prior to completing the regular retirement age, at the earliest. Following the principle of "rehabilitation over retirement", incentives for remaining in working life longer will be extended further. In order to avoid old-age poverty, the pension increase in 2019 is socially staggered. In addition, people (i. e. people living alone as well as families) who have contributed to the pension fund for at least 40 years are to benefit from a new minimum pension target rate.

3.2 Budget implementation in 2018

The outcome of the fiscal year 2018 was significantly better than it had been budgeted. Supported by a favourable economic situation, in particular by a positive development of the labour market, the administrative budget deficit at the central government level was halved compared to the budget. The Maastricht balance at the central government level was improved by 0.3 percentage points, resulting in a deficit of -0.2 % of GDP. At the general government level and ahead of the planning, a budget surplus was achieved in 2018. In detail, the budget outcome is as follows:

Net borrowing: The general government Maastricht balance reached 0.1 % of GDP and, thus, was positive for the first time since 1974. This represents a considerable improvement compared to the previous year (2017: -0.8 % of GDP). Likewise, the result for the general government level turned out to be better than the -0.3 % of GDP, which was still predicted in autumn 2018.

Structural balance: The general government structural deficit amounted to -0.4 % of GDP in 2018, meaning that Austria complied with her MTO. Compared to 2017, the structural deficit improved by 0.4 percentage points relative to GDP. Taking into account additional expenses for refugees and security, the structural deficit stands at -0.1 % of GDP (2017: -0.4 %).

Public debt: Public debt declined significantly in 2018 and reached its lowest level relative to GDP since the outbreak of the global financial crisis in 2008. In comparison to 2017 (78.2 % of GDP), the public debt ratio fell to 73.8 % of GDP and, hence, exhibits a visible downward trend. On top of that, public debt was reduced in absolute terms and amounted to 284.8 bn Euros at the end of 2018, resulting in a decline of 4.5 bn Euros compared to the previous year. The reduction is attributable, among others, to a significant deleveraging of bad banks (i. e. HETA, Immigon, KA Finanz).

Revenue: Due to the favourable economic environment, general government revenues rose by 4.8 % compared to 2017. This results mainly from a strong increase of 5.4 % in tax revenues in comparison to the previous year. Capital gains tax (+17.5 %), corporate income tax (+14.7 %), assessed income tax (+10.9 %) and wage tax (+7.1 %), in particular, all registered substantial increases. The positive development of the labour market also contributed to a considerable rise of the municipal tax (+5.0 %) and to valued added tax (+3.6 %).

Expenditure: Driven by strict budget implementation and a continuous reduction in administrative costs (based on insights gained from a cost analysis), total expenditure at the

general government level grew by only 2.9 % and, hence, at a lower rate than total revenue. The favourable development in the labour market also had a positive effect on the expenditure side. The suspension and the lower take-up of pro-cyclical economic promotion programmes, in particular of the “Beschäftigungsbonus”, also contributed to lower expenditure. Furthermore, the federal budget benefited from another decline of 6.2 % in interest expenses, compared to the previous year. The average effective interest rate of Federal Government debt decreased from 2.47 % in 2017 to 2.23 % in 2018.

States and municipalities: Public finances of Austrian states and municipalities also showed a positive development in comparison to the previous year. The provincial government sector (excluding Vienna) realised a net financial balance of approx. 0.2 % of GDP compared to 0.1 % of GDP in 2017. For the first time since 2002, the municipal government sector (including Vienna) completed the fiscal year marginally positive, with a financial balance of 0.0 % of GDP.

Social security: The beneficial labour market developments are reflected in a substantial increase in social security revenue. Social contributions rose by 5.6 % compared to 2017, which is the strongest increase since 1996. Contributions to the pension scheme (+6.0 %), to health insurance (+4.9 %) and to unemployment insurance (+4.4 %), in particular, grew above average. Overall, the social security sector registered a surplus of 0.1 % of GDP.

3.3 Budget execution in 2019

Net borrowing: The financial balance at the general government level is expected to be positive in 2019 and to improve to 0.3 % of GDP. In comparison to the Stability Programme 2017-2022 and the Draft Budgetary Plan (October 2018), this represents a marginally better forecast (+0.1 and +0.2 percentage points, respectively). Moreover, at the central government level, an administrative surplus is to be achieved for the first time since 1954, while the central government Maastricht balance will be balanced. Overall, Austria is set to leave the debt financed policy of previous years behind and to continue on a sustainable path towards consolidated public finances.

Structural balance: The structural balance is to improve marginally to -0.1 % of GDP, but is expected to remain slightly below the Maastricht balance. This can be attributed to an ongoing positive output gap. The respective rules of the EU’s SGP will also be met in 2019.

Public debt: The public debt ratio will continue to decrease in 2019 and is expected to reach 69.6 % of GDP. Compared to 2017 and 2018, the contribution of the deleveraging of bad

banks (i. e. HETA, Immigon, KA Finanz) will become less important. Compared to the estimates in the Stability Program 2017-2022 (March 2018) and the Draft Budgetary Plan (October 2018), this means a stronger decline by 1.3 and 0.9 percentage points, respectively.

Revenue: The growth of general government revenue is expected to slow down slightly, but will remain vigorous at 3.1 %. On the one hand, the cooling down of the economy will result in smaller increases in public taxes and charges. On the other hand, in 2019, the first of several social policy and tax relieve measures will come into effect. This includes, in particular, the family bonus plus, which was implemented in January 2019. The family bonus plus has been designed as a tax allowance of 1,500 Euros per child and year, which leads to a reduction in revenues from the wage tax of 0.7 bn Euros.

Expenditure: On the expenditure side, strict budget implementation at the federal level, additional efficiency increases, and administrative spending cuts remain the overall goals. The yearly growth of general government expenditure is expected to decline to 2.6 % and, hence, to be lower than general government revenue and nominal GDP growth. Furthermore, the continuing increase in the number of employed persons and the decrease in the number of unemployed persons are expected to keep federal expenditure for active labour market policies and unemployment benefits at bay. Due to the continuously low interest rate environment, interest expenses will, again, decrease significantly in 2019. Having said this, the steady decline in public debt also contributes to this development.

States, municipalities and social security: Provincial government budgets will be positive in 2019, comparable to those of 2018, and, thus, will contribute to a general government budget surplus. At the municipal government level, a balanced budget is expected in 2019. The social security funds will continue to benefit from stable conditions in the labour market and are expected to result in a surplus in 2019.

3.4 Development of the public budget 2020-2023

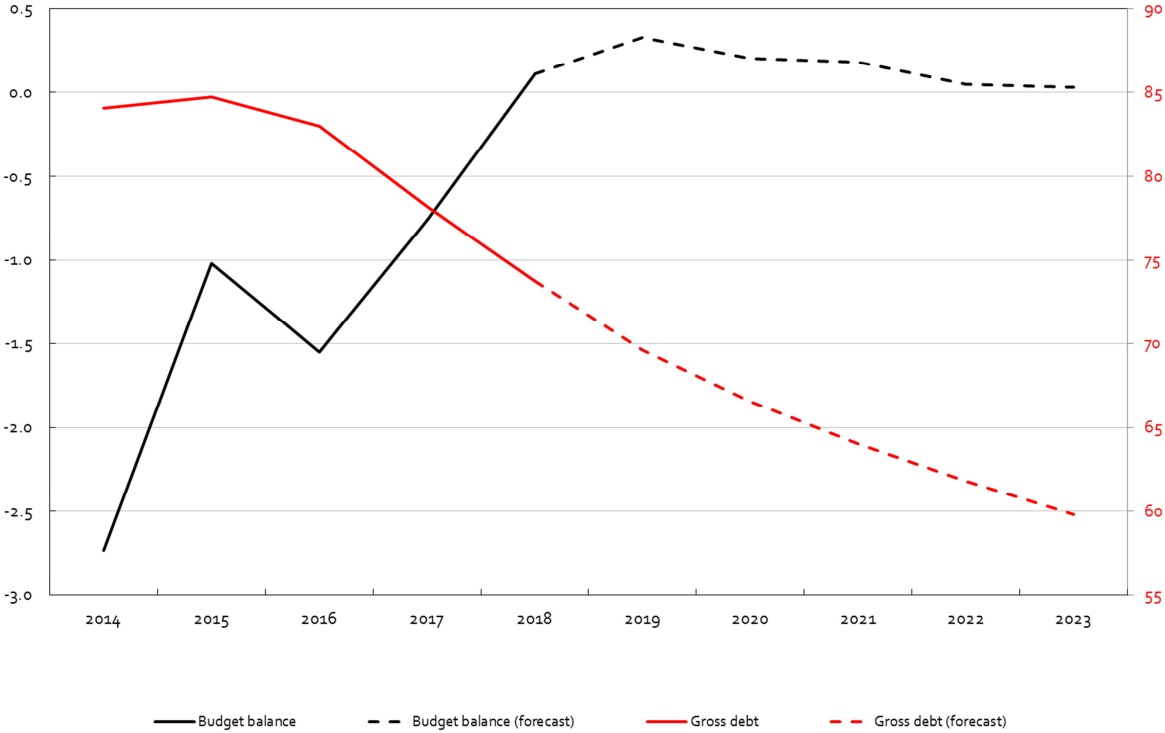
In the years 2020-2023, Austria will continue to follow a sustainable and stability-oriented budgetary policy. The current projection of public finances, based on the federal budget 2019, confirms this intention. All levels of government, i. e. central government, provincial governments, municipal governments and social security funds, are expected to achieve a positive or at least a balanced Maastricht budget within the next few years. The structural deficit at the general government level is expected to further improve. Budget surpluses as well as the continuing deleveraging of bad banks are to lead to a steady decline of public

debt. According to current estimates, the public debt ratio will fall below the Maastricht threshold of 60 % of GDP in 2023.

On the revenue side, development until 2023 will be characterised by the Federal Government's comprehensive tax reform, which will be implemented gradually between 2020 and 2022. The substantial tax relieve will lower the tax burden on labour and will further enhance Austria's attractiveness as a business location. The tax and social contribution ratio is expected to decline towards 40 % of GDP by the end of the current legislative period and to boost economic and employment growth. Financing of the tax reform is ensured by counter-financing measures and hard-earned budgetary leeway within the next years. Measures to offset tax cuts include in particular additional spending cuts in the federal administrative system designed as spending cuts across all ministries of 1 %, spending cuts at the extra budgetary units, the Insolvency Remuneration Fund ("Insolvenz-Entgelt-Fonds", IEF) and the Insurance Institution for Public Service Employees ("Versicherungsanstalt öffentlicher Bediensteter", BVA) as well as additional revenue especially from the digital tax package. The top priority is that the tax reform must not jeopardise the overall goal of a balanced or positive Maastricht balance.

On the expenditure side, cost-dampening reforms are intended to curb the increase in demography-dependent expenditures in the health care and care system. By 2021, increases in health care expenditures are set to reach the forecasted average nominal GDP growth of currently 3.2 %. The funding of long-term care will be reformed and will be put on a solid and sustainable basis. Further spending cuts will be realised in the area of federal funding. Altogether, Austria will meet all EU budgetary rules as well as those stipulated in the Austrian Stability Pact and the national debt brake.

Figure 8: General government net lending/net borrowing and gross debt

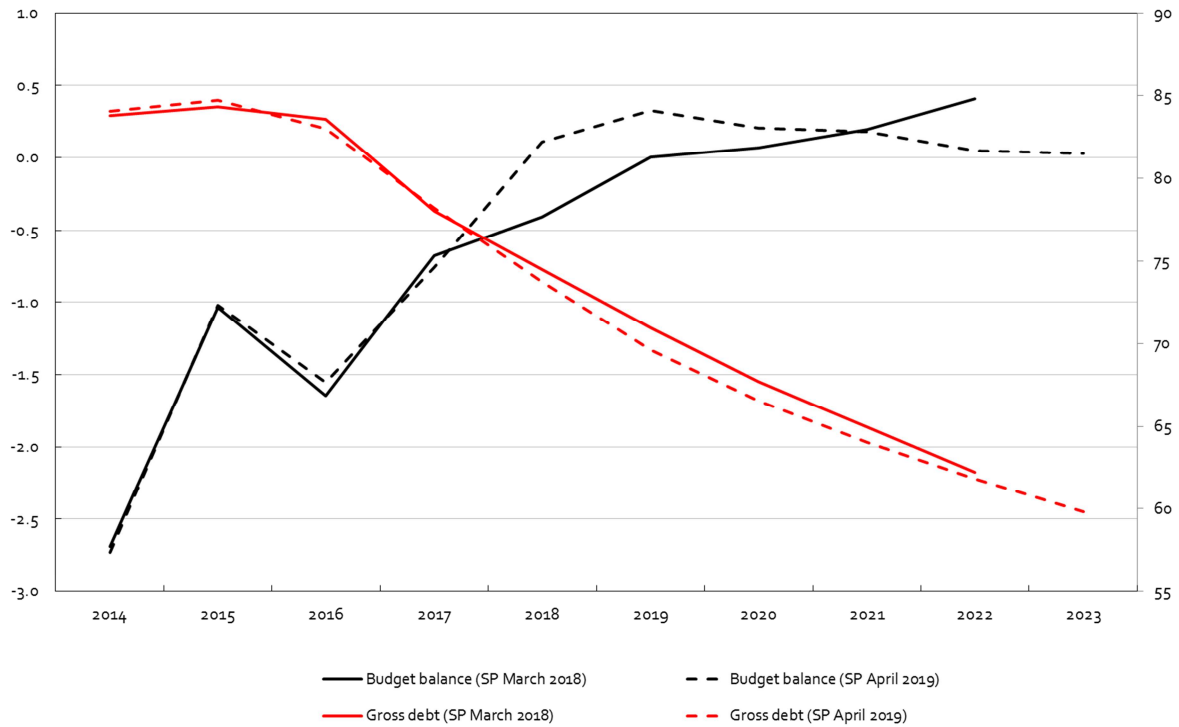


Left axis: General government net lending/net borrowing (in % of GDP)

Right axis: Gross debt (in % of GDP)

Sources: BMF, STAT, WIFO

Figure 9: Divergence from latest Stability Programme (April 2018)



Left axis: General government net lending/net borrowing (in % of GDP)

Right axis: Gross debt (in % of GDP)

Sources: BMF, STAT, WIFO

3.5 Comparison of macroeconomic and budgetary forecasts

The Council Directive 2011/85/EU of November 8th, 2011 on requirements for budgetary frameworks of the Member States provides that the macroeconomic and budgetary projections are to be compared with the most recent forecasts of the Commission and, where appropriate, with those of other independent bodies.

Table 19 in the annex presents this comparison.

In addition, macroeconomic forecasts and budgetary projections shall be regularly subject to an unbiased assessment based on objective criteria and including an ex-post evaluation. In October 2018 such an evaluation was last carried out by the Office of the Fiscal Council on

behalf of the Fiscal Council for the period 2005 to 2017, i.e. covering the years of the financial crisis. This study was published on the homepage of the Fiscal Council.¹

The Fiscal Council confirmed that the WIFO forecasts for GDP growth (real and nominal) used for budget planning were statistically not significantly distorted. The budget forecasts of all institutions surveyed overestimated the budget deficit for the current year if the preliminary results of the spring notification of the following year are used. However, if the final values are used, this overestimation disappears. The BMF's budget forecast then deviates by significantly less than 0.1% of GDP for both the current and the following year. Overall, the Fiscal Council did not find any significant systematic errors in the BMF's budget forecasts. The next evaluation is scheduled to take place in three years.

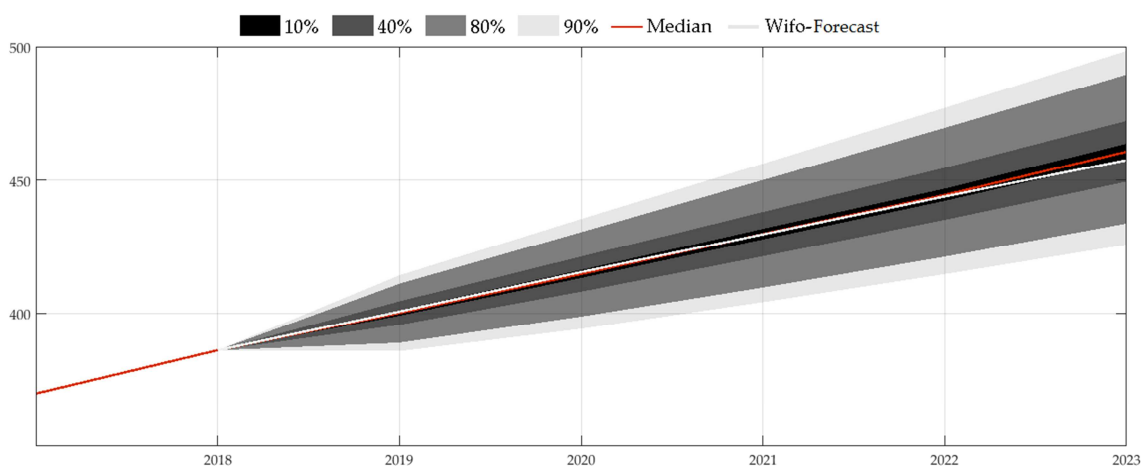
¹ "Evaluation of economic forecasts for Austria for the years 2005 to 2017":
<https://www.fiskalrat.at/Publikationen/Sonstige.html>, October 2018

4 Sensitivity scenarios

Directive 2011/85/EU requires that, when sensitivity analyses are carried out in macroeconomic forecasts and budgetary projections, the development of the main fiscal variables be examined on the basis of different assumed growth rates and interest rates. The range of alternative assumptions used in macroeconomic forecasts and budgetary projections shall be based on the reliability of earlier forecasts and, where possible, take into account specific risk scenarios.

It should be noted that the WIFO baseline scenario for the years to 2020 and the EC winter forecast of February 7th, 2019 are very similar. The EC is somewhat more pessimistic and sees the forecast risks predominantly on the negative side. As a small open economy, the development of the Austrian economy is closely linked to international developments. However, the growth potential depends mainly on the national framework conditions. Two extreme budget scenarios based on no-policy change (but with equal shares of public investment and subsidies in GDP) are presented below. Based on the experience of the past 20 years, the probability of these or even more extreme growth paths can be given as less than 5 % each.

Figure 10: GDP scenarios based on historical GDP growth rates until 2023



Left axis: GDP in bn Euro

Sources: BMF (own calculations based on GDP growth rates 1998-2018), STAT, WIFO

In optimistic scenario 1 (GDP at the upper edge of the upper light grey area in Figure 10), the global economy remains free of economic tensions, while existing political tensions ease. The

G20 countries are implementing their growth strategy, the Western Balkan countries are pursuing a clear EU pre-accession strategy, Austria is gaining market shares in global trade and tourism and corporate investment is increasing. The labour market integration of the refugees continues and the additional demand for labour can mainly be satisfied by registered unemployed persons. Likewise, the inflation rate develops analogously to the baseline scenario. The public debt ratio would already fall significantly below 60 % of GDP in 2021 and there would be considerable scope for further tax cuts for the public budgets.

In the pessimistic scenario 2 (GDP at the lower edge of the lower light grey area in Figure 10) there are supra-regional natural catastrophes or military conflicts in 2019, economic tensions are unleashed in the global economy and Europe, triggering a medium banking crisis, while political tensions are building up, reducing world trade and driving commodity prices upwards. Political turbulence, a disorderly BREXIT, and corrections in the asset markets are reducing household confidence and companies are holding back on investments. Despite weak demand, the inflation rate is above that of the baseline scenario and market interest rates are adjusting accordingly. In 2019 there would be a short recession and then slowly rising real GDP growth rates of 1 %. The public debt ratio would fall only very slowly and public deficits would remain below -2 % of GDP.

5 Quality of public finances

In the government programme 2017-2022, the Federal Government committed itself to undertake comprehensive structural reforms. In 2018, under the heading of "Rebuilding Austria", a reform process, consisting of various initiatives and projects, was concluded. The foundations of this work draw, in particular, on the numerous proposals for structural reforms submitted by reputable national and international institutions and bodies (e.g. the Institute for Advanced Studies, the Austrian Institute of Economic Research, the World Bank, the Court of Audit, the Task Reform and Deregulation Commission). This expertise will be processed and implemented systematically in a project-based, participatory manner. The entire Federal Government is involved in this structural reform process, with the Federal Ministry for the Constitution, Reforms, Deregulation, and Justice (BMVRDJ) responsible for overall project management.

5.1 Administrative reform

5.1.1 Digitalisation and ICT management

The digital transformation of the economy, society and public administration plays a decisive role in the development of Austria as a business location. For the year 2019, the Austrian administration has set a focus on digitisation, which is to be executed primarily through the action plan "Digital Austria". Digital Austria is the initiative and umbrella brand for successful digitisation in Austria. It revolves around the guiding principles of growth, quality of life, and accessibility for citizens through digitisation, and bundles the Federal Government's digitisation projects. With Digital Austria, Austria now has a digital vision of the future – a vision which is founded on political design principles and priorities, which identifies priorities and fields of action, and which contains a list of (continuously updated) concrete measures. The Digitisation Agency (DIA), which was established by the Federal Government in 2018 within the Austrian Research Promotion Agency (FFG), supports the Federal Government in the implementation of digitisation projects, for one by creating the online platform www.digitalaustria.gv.at. This platform is a hub for people and projects promoting digitisation in Austria, but also offers information on international best practices. The website is a knowledge database which provides information on current digitisation activities and priorities. "Digital Austria" has also allowed Austria to position itself as a competitive player within the European framework of "Digital Europe".

New standards are also being set with the introduction of the project "Digital public administration". The aim of this project is to bundle and digitally map citizens' and businesses' interactions with public administration according to "life situations". In the future, interactions with public administration will ideally be processes exclusively via the online platform www.oesterreich.gv.at. The platform is expected to be fully functional by the end of 2019, whereas a number of services are already available (e.g. registration of a change of residence, issuance of a birth or citizenship certificate). The platform also pursues a "once-only principle", meaning that citizens and businesses only have to enter their (personal) data once, and that administrative bodies can then centrally access this information, thus facilitating communication and the handling of personal data and information obligations between citizens, businesses and public authorities. Overall, the "once-only principle" is intended to reduce administrative burdens, to promote speed and efficiency in processing notifications, and to ensure greater transparency in the handling of data.

All over the world, IT is being consolidated. This trend is particularly evident in the public sector, where it is even more critical to save costs and to leverage synergies. In its government programme 2017-2022, the Austrian Federal Government also emphasised the planned alignment and harmonisation of IT services on the federal level. The main objectives of this IT consolidation are strategic objectives, such as cost savings, the set-up of a reliable security infrastructure, the improvement of standardised service quality (including faster delivery), an increase in scalability and transparency, and centralised control. As a first step towards IT efficiency, the ICT Consolidation Act, which came into force in 2014, initiated the standardisation of existing and new federal ICT and IT solutions. Currently, however, the ministries still have great freedom in the procurement of ICT and IT solutions so that, essentially, the federal IT landscape remains highly fragmented. In particular, the ministries are still frequently using different computer centres, software, hardware, and service providers. The consequences hereof include high costs, varying levels of quality, and a lack of security. Thus, the standardisation of federal IT services is a central concern of the Federal Government.

5.1.2 Structural reforms and shared services

Structural reforms often mean making profound changes to existing systems. At the end of 2018, for instance, the decision was taken to structurally reform the Austrian tax administration. This modernisation of the Austrian tax and customs administration seeks to respond to external influences (e.g. digitisation, globalisation) and, at the same time, seizes the opportunity to create added value for citizens and businesses alike. Besides easily understandable, standardised, automated services, and pre-defined quality and performance standards, efficient auditing and fraud prevention are to promote tax honesty and to reduce

compliance costs. In the course of this structural reform project, interfaces are to be minimised, dual responsibilities to be eliminated, uniform processes and structures to be introduced, and similar tasks and competencies to be bundled. These measures are to ensure that Austria remains an attractive business location, but also that tax revenues are secured in the long run. Above all, the reform is to ensure that the Austrian tax administration continues to be one of the most modern tax administrations in the world.

At the end of 2018, another major structural reform, i.e. the reorganisation of the social insurance institutions, was decided. As part of this reform, the currently existing nine regional health insurance funds will be merged into one central fund, viz. the "Austrian Health Insurance Fund". Several measures, such as the simplification of the current multi-insurance system, the downsizing of the administrative apparatus, the harmonisation of services between different regional health insurance funds, and the reduction of the number of administrative bodies are expected to contribute towards higher overall efficiency.

Shared services are all about generating cost advantages, which can be achieved by standardizing and partially centralizing (internal) administrative services. Currently, shared services are being implemented in several different areas (e.g. consolidation of federal IT, uniform federal corporate identity). One example is the "Funding Strategy" project. Within this project, the Federal Ministry of Finance (BMF) provides an end-to-end electronic process for the application, provision, and settling of federal funding. In the future, applicants will be able to apply for funding via the "transparency portal" (www.transparenzportal.gv.at), and their applications will subsequently be electronically processed within the federal funding system. Additionally, applicants will, among others, also be able to track the status of their grant applications. The respective legislation is currently being prepared. A recently completed pilot project, in which the federal states submitted their funding data for the environment and energy sectors, confirmed the added value of having a "transparency database" for funding matters.

5.1.3 Unbundling of competencies

The goal of unbundling is to modernise the distribution of competencies. This entails eliminating the partly existing disparities between task, expenditure, and financing responsibilities. In particular, this affects the clear separation of current mixed competencies, i.e. areas in which the federal government decides on principle regulations and the federal states subsequently formulate the exact implementation of these regulations. Essentially, unbundling is expected to also make a significant contribution towards determining responsibilities for results.

In the government programme 2017-2022 ("Modern Federal State") and in the Ministerial Council presentation of May 9th, 2018 ("Rebuilding Austria"), the Federal Government committed itself to undertake comprehensive structural reforms. In order to structure this reform process, the Federal Ministry for the Constitution, Reforms, Deregulation, and Justice (BMVRDJ), by drawing on a catalogue of 1,251 recommendations (issued by the Court of Audit and the Task Reform and Deregulation Commission), compiled a succinct reform package of approx. 50 concrete measures (e.g. unbundling of competencies and reduction of blocking powers between the federal government and the federal states). The central concern remains to be the consolidation of task, expenditure, and financing responsibilities in various areas, as in most cases also federal state competencies are affected.

A first reform package involved the unbundling of the distribution of competencies as well as the reduction of consent rights of the Federal Government and the federal states in cases concerning measures taken by the respective other authority (Federal Law Gazette I No. 14/2019). Now, it is a matter of further clarifying the responsibilities for a large part of the competencies stipulated in Article 12 Federal Constitutional Act (B-VG), and, essentially, of clarifying the responsibilities in the area of legislation at the federal and state level. The purpose of these changes is to enable timely and efficient adjustments in public administration. Additional unbundling measures in the areas of poverty, sanatoria and nursing homes, and electricity, are being negotiated within a working group composed of representatives from the federal and the states level. A third reform package, to deal with unbundling issues in the areas of education, promotion, and health care, has been put on the agenda by the BMVRDJ for the second half of 2019.

5.1.4 Better regulation

The "deregulation campaign" was launched at the beginning of 2018. Its aim is to pave the way for better and more comprehensible legislation. The Austrian strategy for better regulation ties in with successful Austrian approaches and supplements these with European (e.g. EU) and international insights (e.g. OECD). The development of the Austrian better regulation strategy is headed by an interdisciplinary group of experts, consisting of representatives from public administration, the judiciary, and academia.

First steps have already been taken, by reducing red tape and excessive regulations (gold plating). A collective law on the withdrawal of over fulfilment of Union law has also already been passed. These repeals and amendments concern, in particular, notification, reporting, approval, and testing obligations. At the same time, safeguards were taken as to ensure that no protection standards were lowered. The purpose of better regulation is that, by

withdrawing or amending regulations which go beyond the minimum requirements of Union law, unnecessary burdens for citizens can be eliminated in selected federal laws.

Further adjustments and simplifications are being expedited. Current examples include the modernisation, adaptation and simplification of public procurement law (e.g. through simplified regulations for the sub-threshold area), the further development of the “red-white-red card” (e.g. digital application process, adaptation of requirements for applications) in order to meet the shortage of skilled workers, but also the further development of the Austrian social system, meaning the harmonisation of the federal states’ social aid systems, by passing a nationwide basic law in spring 2019.

5.2 Efficiency and impact analyses

5.2.1 Spending reviews

Spending Reviews (SR) are used as a method to critically examine public spending and task responsibilities with regard to possible efficiency, impact and savings potentials, and to put forward recommendations. Specifically, tasks (and their respective expenditures) are examined with a view to determining whether they are up-to-date, whether they produce the desired results, whether there are savings potentials, or whether it might make sense to (re)allocate specific tasks (and/or expenditures).

In 2017, a division for the establishment and implementation of SRs was set up in the Federal Ministry of Finance’s (BMF) Directorate for Budget and Economic Policy. In addition to three completed SRs (areas of review: Family Compensation Fund, Disaster Relief Fund, Public Compulsory Schools), another five SRs are currently being conducted on the federal level, some in cooperation with the federal states (areas of review: Funding of the Austrian Railway Service, International Financial Institutions, the judiciary (several modules), School Health Services, Financing of Water Management).

The Federal Government has decided to expand the use of SRs and, in particular, to integrate SRs into the budget process. Specifically, SRs are to be established as a recurring budget instrument, the results of which are taken into account regularly for budgetary planning and decision-making purposes. The institutionalisation of SRs is intended to increase efficiency and effectiveness in public administration, to facilitate the identification of budgetary priorities, and to support sustainable budget management by means of fact-based decision-making. On top of that, SRs are an effective means for reducing information deficits, but also for strengthening expertise, cooperation, and coordination within public administration.

5.2.2 Benchmarking

In 2018, and on the basis of the Financial Equalisation Pact 2017, the Federal Ministry of Finance (BMF) and the federal states in a joint project developed a benchmarking model for the public sector. This model was subsequently piloted in the area of "security administration". The findings proved to contribute significantly to improving the quality of the benchmarking model and, in particular, to improving the benchmarking procedure as a whole.

As a result, a Handbook for Benchmarking (BM) for public administration units is now available and can be consulted for public authorities' BM projects. The intention is to carry out additional BM projects and to continuously improve the Handbook on the basis of experiences and future findings.

5.3 Anti-tax fraud package

This package aims to bundle all anti-fraud units (i.e. over 800 tax investigators, financial police, and tax authorities) in one single unit, viz. the Anti-Fraud Office. A law on this subject is to be sent for review before the end of the second quarter of 2019. The Anti-Fraud Office is to begin its work on January 1st, 2020.

On top of that, the expert council "anti-tax fraud" is to be set up. By the beginning of summer 2019, the council, in cooperation with the Federal Ministry for the Constitution, Reforms, Deregulations, and Justice (BMVRDJ), is to identify and to close legislative loopholes currently used by fraudsters. Fraudsters are also to be deterred by stricter laws. Finally, the services provided by the "Predictive Analytics Competence Center" (PACC) are increasingly to be drawn upon in the fight against tax fraud.

6 Sustainability of public finances

At EU level, long-term projections of age-related expenditure (pensions, health care, long-term care, education and unemployment benefits) are produced every three years as part of the Ageing Report. In May 2018 the "The 2018 Ageing Report" (AR 2018) was published.

Details on the AR 2018 can be found in the Austrian Stability Programme (update for the period 2017 to 2022) and the Austrian Draft Budgetary Plan 2018 (update) of March 2018.²

In January 2019 the EC published the Fiscal Sustainability Report 2018.³ According to the report, Austria has a low sustainability risk in the short and medium term and a medium risk in the long term. The medium-term risk has improved by one grade compared to the 2016 report.

² https://ec.europa.eu/info/publications/economy-finance/2018-ageing-report-economic-and-budgetary-projections-eu-member-states-2016-2070_en

³ https://ec.europa.eu/info/publications/economy-finance/fiscal-sustainability-report-2018_en

7 Institutional framework

7.1 Comprehensive fiscal rules

One of the key elements to safeguard the pace of fiscal consolidation is the Austrian Internal Stability Pact, stipulating multiple fiscal rules for all levels of government (Public Law Gazette I No. 30/2013). The agreement covers the following key issues:

- Rule on a structurally balanced general government budget (“debt brake”), with the structurally balanced budget defined as a structural general government deficit not below -0.45 % of GDP
- Rule on the allowed annual expenditure growth (expenditure brake)
- Rule on public debt reduction as defined in ESA terms (adjustment of the debt ratio)
- Rule on ceilings for public guarantees, whose implementation was harmonised in the course of the negotiations on intergovernmental fiscal relations in 2017. From 2019, the maximum amount of guarantees by the central government and the states is limited to 175 % of the revenues of the entity, while for municipalities it is limited to 75 % of revenues.
- Rules to strengthen budgetary coordination and medium-term budgetary planning of all governments, mutual exchange of information and transparency.

Compliance with the fiscal rules is ensured by adequate sanctions.

Actions of the Federal Government in the coming legislative period will be based on the principle of sustainability at all levels of government with the aim that the ecology, economy and social issues in the sense of the United Nations 2030 Agenda will be considered in their entirety and put into a financeable and thus sustainable framework.

In Austria, the independent Fiscal Council has been legally assigned the role of monitoring compliance with EU fiscal requirements. The council monitors the achievement of the budgetary objectives according to European regulations, issues recommendations and – if deemed necessary – indicates adjustment paths. Adequately skilled and autonomous members are delegated by the Federal Government, social partners, parties involved in the tax sharing, the Austrian National Bank and the Parliament’s budget office. With regard to fiscal surveillance, the Fiscal Council’s central role is to strengthen budgetary discipline at the levels of the general, state and local governments.

7.2 Medium-term budgetary planning

The Federal Constitutional Law and the Federal Budget Law provide for legally binding multi-annual budgetary planning at the federal level via the Federal Financial Framework Law (BFRG) and the Strategy Report. The former sets binding expenditure ceilings over the next four years for five spending categories (“Rubriken”) representing the Federal Government’s main expenditure items. The Strategy Report contains political declarations of intent as well as annotations, inter alia regarding revenues.

7.3 Role of the Stability Programme

Within the framework of the Stability and Growth Pact (SGP), an annual update of the Austrian Stability Programme is submitted. This programme is a central component of the European Semester and is adopted by the Federal Government in accordance with the Austrian Stability and Growth Pact (ÖStP), taking into account national budgetary coordination. Like the National Reform Programme (NRP), the Stability Programme is submitted to the Council of the EU, the EC, the Austrian Parliament and the Financial Equalisation and Social Partners.

The report of the Federal Minister of Finance on the Austrian Stability Programme for the period 2017 to 2022 (which was also the update of the Draft Budgetary Plan 2018) was discussed by the Budget Committee of the National Council on April 5th, 2018 and taken note of according to § 28b GOG-NR.

8 Annex

Table 1: Basic assumptions

	2018	2019	2020	2021	2022	2023
Short-term interest rate (annual average)	-0.3	-0.3	0.1	0.6	1.2	1.6
Long-term interest rate (annual average)	0.7	0.7	1.8	2.2	2.5	2.7
USD/€ exchange rate (annual average)	1.2	1.2	1.2	1.2	1.2	1.2
Nominal effective exchange rate	1.8	0.2	0.4	-	-	-
Real GDP growth (World excluding EU)	4.0	3.6	3.8	3.8	3.8	3.8
Real GDP growth (EU)	1.9	1.6	1.8	1.7	1.6	1.5
Growth of relevant Austrian foreign markets	4.5	3.0	4.0	-	-	-
Import volumes (World excluding EU)	-	-	-	-	-	-
Oil prices (Brent, USD/barrel)	71	65	64	62	61	60

Positions may not sum up due to rounding errors.
Source: WIFO

Table 2: Macroeconomic prospects

		2018	2018	2019	2020	2021	2022	2023
	ESA Code	in bn €						rate of change
1. Real GDP	B1*g	335.7	2.7	1.7	1.8	1.7	1.6	1.4
2. Potential GDP		-	1.9	1.9	1.9	1.9	1.7	1.6
3. Nominal GDP	B1*g	386.1	4.4	3.8	3.7	3.4	3.3	3.1
Components of real GDP								
4. Private final consumption expenditure	P.3	169.7	1.6	1.7	1.7	1.6	1.6	1.5
5. Government final consumption expenditure	P.3	64.3	0.2	0.7	0.5	0.7	0.7	0.7
6. Gross fixed capital formation	P.51g	79.7	3.3	2.3	1.8	1.5	1.4	1.3
7. Changes in inventories and net acquisition of valuables (in % of GDP)	P.52 + P.53	-	1.4	1.4	1.3	1.3	1.3	1.4
8. Exports of goods and services	P.6	196.1	4.4	3.1	3.6	3.5	3.3	3.1
9. Imports of goods and services	P.7	181.4	2.8	2.5	3.0	3.3	3.2	3.1
Contributions to real GDP growth								
10. Final domestic demand			1.7	1.6	1.4	1.3	1.3	1.2
11. Changes in inventories ³⁾	P.52 + P.53		0.1	-0.3	-0.1	0.0	0.1	0.1
12. External balance of goods and services	B.11		0.9	0.4	0.4	0.3	0.2	0.1

³⁾ incl. net acquisition of valuables and statistical discrepancy

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 3: Price developments

	2018	2019	2020	2021	2022	2023
						rate of change
1. GDP deflator	1.6	2.0	1.9	1.7	1.7	1.7
2. Private consumption deflator	2.0	1.8	1.8	1.8	1.8	1.8
3. CPI	2.0	1.7	1.8	1.8	1.8	1.8
4. Public consumption deflator	2.3	2.4	2.1	2.0	1.9	1.8
5. Investment deflator	2.2	2.2	2.0	1.7	1.5	1.5
6. Export price deflator (goods and services)	1.5	0.4	0.6	0.5	0.5	0.4
7. Import price deflator (goods and services)	2.1	0.2	0.5	0.5	0.5	0.4

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 4: Labour market developments

		2018	2018	2019	2020	2021	2022	2023
	ESA Code	Level						rate of change
1. Employment, persons		4,159,627	2.3	1.5	1.0	1.0	1.0	0.9
2. Employment, hours worked (in m)		7,256.4	1.7	1.2	1.2	1.0	1.0	0.8
3. Unemployment rate, EUROSTAT definition		-	4.9	4.6	4.6	4.6	4.7	4.7
4. Labour productivity, persons		80,696.1	0.5	0.2	0.7	0.7	0.6	0.5
5. Labour productivity, hours worked		46.3	1.0	0.5	0.6	0.7	0.7	0.6
6. Compensation of employees (in m €)	D.1	184,088.4	4.7	3.9	3.1	3.1	3.0	2.9
7. Compensation per employee		44,256.0	2.4	2.3	2.1	2.1	2.0	1.9

Positions may not sum up due to rounding errors.

Sources: BMF, EUROSTAT, STAT, WIFO

Table 5: Sectoral balances

		2018	2019	2020	2021	2022	2023
	ESA Code						in % of GDP
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	2.0	1.9	1.8	-	-	-
2. Net lending/borrowing of the private sector	B.9	1.9	1.5	1.6	-	-	-
3. Net lending/borrowing of the general government	B.9	0.1	0.3	0.2	0.2	0.0	0.0
4. Statistical discrepancy		0.2	0.0	0.0	0.0	0.0	0.0

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 6: Budgetary targets

		2018	2019	2020	2021	2022	2023
ESA Code		in % of GDP					
Net lending/net borrowing by sub-sector							
1. General government	S.13	0.1	0.3	0.2	0.2	0.0	0.0
2. Central government	S.1311	-0.2	0.0	0.0	0.0	0.0	0.0
3. State governments (excl. Vienna)	S.1312	0.2	0.2	0.1	0.1	0.0	0.0
4. Local governments (incl. Vienna)	S.1313	0.0	0.0	0.0	0.0	0.0	0.0
5. Social security funds	S.1314	0.1	0.1	0.1	0.1	0.0	0.0
6. Interest expenditure	D.41	1.7	1.5	1.4	1.3	1.2	1.1
7. Primary balance		1.8	1.8	1.6	1.5	1.2	1.1
8. One-off and other temporary measures		0.0	0.0	0.0	0.0	0.0	0.0
9. Real GDP growth		2.7	1.7	1.8	1.7	1.6	1.4
10. Potential GDP growth		1.9	1.9	1.9	1.9	1.7	1.6
11. Output gap		0.9	0.7	0.5	0.4	0.2	0.0
12. Cyclical budgetary component		0.5	0.4	0.3	0.2	0.1	0.0
13. Cyclically-adjusted balance		-0.4	-0.1	-0.1	0.0	-0.1	0.0
14. Cyclically-adjusted primary balance		1.3	1.4	1.3	1.3	1.1	1.1
15. Structural balance		-0.4	-0.1	-0.1	0.0	0.0	0.0

Positions may not sum up due to rounding errors.
Sources: BMF, STAT, WIFO

Table 7: General government debt developments

		2018	2019	2020	2021	2022	2023
ESA Code		in % of GDP					
1. Gross debt		73.8	69.6	66.5	64.0	61.8	59.8
2. Change in gross debt ratio (in %)		-5.7	-5.6	-4.4	-3.7	-3.5	-3.2
Contributions to changes in gross debt							
3. Primary balance		1.8	1.8	1.6	1.5	1.2	1.1
4. Interest expenditure	D.41	1.7	1.5	1.4	1.3	1.2	1.1
5. Stock-flow adjustment		-1.1	-1.1	-0.4	-0.1	-0.1	-0.1
p.m.: Implicit interest rate on debt		2.3	2.1	2.1	2.0	1.9	1.8

Positions may not sum up due to rounding errors.
Sources: BMF, STAT, WIFO

Table 8: Contingent liabilities

	2017	2018	2019
	in % of GDP		
Public guarantees	15.8	15.4	15.0
of which: Central government ¹⁾	11.3	11.4	11.4
of which: linked to the financial sector ²⁾	0.6	0.2	0.2
of which: State and Local governments	4.5	4.0	3.6
of which: linked to the financial sector ²⁾	1.5	1.4	1.2

1) Guarantees for exports without double count of funding guarantees.

Without liabilities for EFSF as well as without liabilities for euro coins towards Austrian Mint.

According to ESA 2010 liabilities for SchiG, ÖBB according to BFG as well as those of ÖBB Infrastruktur AG and ÖBB Personenverkehr AG according to EurofimaG are included in the public sector and will here not be included in order to avoid double count.

Forecasts are based mainly on statistical values resulting from percentage change in history and are not based on political decisions.

2) Without double count of liabilities for KA Finanz AG, HETA, immigion and Kärntner Ausgleichszahlungsfonds.

Positions may not sum up due to rounding errors.

Sources: BMF, State governments, STAT, WIFO

Table 9: Budgetary prospects

		2018	2019	2020	2021	2022	2023
ESA Code		in % of GDP					
		General government					
1. Total revenue	TR	48.6	48.3	47.7	47.1	46.6	46.3
1.1. Taxes on production and imports	D.2	13.8	13.7	13.6	13.4	13.4	13.3
1.2. Current taxes on income, wealth etc.	D.5	13.5	13.5	13.5	13.2	12.9	12.8
1.3. Capital taxes	D.91	0.1	0.1	0.1	0.1	0.1	0.1
1.4. Social contributions	D.61	15.2	15.1	14.8	14.7	14.6	14.5
1.5. Property income	D.4	0.8	0.8	0.8	0.7	0.7	0.7
1.6. Other		5.1	5.0	5.0	4.9	4.9	4.9
p.m.: Tax burden		42.2	42.0	41.5	41.0	40.5	40.2
2. Total expenditure	TE	48.5	47.9	47.5	46.9	46.6	46.3
2.1. Compensation of employees	D.1	10.4	10.4	10.2	10.1	10.0	9.8
2.2. Intermediate consumption	P.2	6.1	6.0	5.9	5.8	5.8	5.7
2.3. Social payments	D.62, D.632	21.8	21.7	21.6	21.6	21.6	21.7
of which: Unemployment benefits		1.2	1.2	1.2	1.2	1.2	1.2
2.4. Interest expenditure	D.41	1.7	1.5	1.4	1.3	1.2	1.1
2.5. Subsidies	D.3	1.5	1.5	1.5	1.4	1.4	1.4
2.6. Gross fixed capital formation	P.519	3.0	2.9	3.0	3.0	3.0	2.9
2.7. Capital transfers	D.9	0.7	0.7	0.8	0.7	0.7	0.7
2.8. Other		3.3	3.3	3.2	3.1	3.0	3.0

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 10: Budgetary prospects („no-policy change“-assumption)

		2018	2019	2020	2021	2022	2023
ESA Code		in % of GDP					
		General government					
1. Total revenue	TR	48.6	48.3	48.0	47.8	47.7	47.5
1.1. Taxes on production and imports	D.2	13.8	13.7	13.6	13.4	13.3	13.3
1.2. Current taxes on income, wealth etc.	D.5	13.5	13.5	13.5	13.7	13.7	13.7
1.3. Capital taxes	D.91	0.1	0.1	0.1	0.1	0.1	0.1
1.4. Social contributions	D.61	15.2	15.1	15.0	14.9	14.9	14.8
1.5. Property income	D.4	0.8	0.8	0.8	0.7	0.7	0.7
1.6. Other		5.1	5.0	5.0	4.9	4.9	4.9
p.m.: Tax burden		-	-	-	-	-	-
2. Total expenditure	TE	48.5	47.9	47.5	47.1	46.8	46.6
2.1. Compensation of employees	D.1	10.4	10.4	10.2	10.1	10.0	9.9
2.2. Intermediate consumption	P.2	6.1	6.0	5.9	5.9	5.8	5.8
2.3. Social payments	D.62, D.632	21.8	21.7	21.6	21.6	21.6	21.7
of which: Unemployment benefits		-	-	-	-	-	-
2.4. Interest expenditure	D.41	1.7	1.5	1.4	1.3	1.2	1.1
2.5. Subsidies	D.3	1.5	1.5	1.5	1.4	1.4	1.4
2.6. Gross fixed capital formation	P.519	3.0	2.9	3.0	3.0	3.0	2.9
2.7. Capital transfers	D.9	0.7	0.7	0.8	0.7	0.7	0.7
2.8. Other		3.3	3.3	3.2	3.1	3.1	3.0

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 11: Amounts to be excluded from the expenditure benchmark

	2018	2018	2019	2020	2021	2022	2023
	in bn €			in % of GDP			
1. Expenditure on EU programmes fully matched by EU funds revenue	0.2	0.1	0.1	0.1	0.1	0.1	0.0
of which investments fully matched by EU funds revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Cyclical unemployment benefit expenditure at unchanged policies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Effects of discretionary revenue measures	-0.6	-0.2	-0.2	-0.4	-0.5	-0.4	-0.1
4. Revenue increases mandated by law	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions may not sum up due to rounding errors.

Cyclical expenditure defined as actual expenditure (COFOG 30.5) minus expenditure for NAWRU-unemployed.

Discretionary revenue measures are presented as incremental changes.

Sources: BMF, STAT, WIFO

Table 12: Divergence from latest Stability Programme (April 2018)

		2018	2019	2020	2021	2022	2023
ESA Code		in % of GDP					
General government net lending/net borrowing	B.9						
SP/DBP-Update March 2018		-0.4	0.0	0.1	0.2	0.4	-
SP April 2019		0.1	0.3	0.2	0.2	0.0	0.0
<i>Difference</i>		0.5	0.3	0.1	0.0	-0.4	-
Structural balance	B.9						
SP/DBP-Update March 2018		-0.9	-0.5	-0.3	0.0	0.4	-
SP April 2019		-0.4	-0.1	-0.1	0.0	0.0	0.0
<i>Difference</i>		0.5	0.4	0.2	-0.1	-0.5	-
Gross debt							
SP/DBP-Update March 2018		74.5	70.9	67.7	65.0	62.2	-
SP April 2019		73.8	69.6	66.5	64.0	61.8	59.8
<i>Difference</i>		-0.7	-1.3	-1.2	-0.9	-0.4	-

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 13: General government expenditure by function

		2015	2016	2017	2018
COFOG Code		in % of GDP			
1. General public services	1	6.8	6.5	6.0	6.0
2. Defence	2	0.6	0.6	0.6	0.6
3. Public order and safety	3	1.3	1.3	1.4	1.3
4. Economic affairs	4	6.2	5.7	5.8	5.8
5. Environmental protection	5	0.4	0.4	0.4	0.3
6. Housing and community amenities	6	0.4	0.3	0.3	0.3
7. Health	7	8.2	8.2	8.2	8.1
8. Recreation, culture and religion	8	1.2	1.2	1.2	1.2
9. Education	9	4.9	4.9	4.8	4.7
10. Social protection	10	21.2	21.1	20.5	20.2
11. Total expenditure	TE	51.1	50.3	49.2	48.5

Positions may not sum up due to rounding errors.

Source: STAT

Table 14: Economic growth and public finances in three scenarios

	2018	2019	2020	2021	2022	2023
Baseline Scenario						
GDP, nominal, rate of change in %	4.4	3.8	3.7	3.4	3.3	3.1
Non self-employed without recipients of childcare benefits and without conscripts (in 1,000)	3,659.7	3,719.6	3,759.6	3,799.6	3,839.5	3,875.7
Unemployed (in 1,000)	312.5	299.6	301.6	304.9	311.9	320.2
Inflation (CPI, in %)	2.0	1.7	1.8	1.8	1.8	1.8
Private final consumption expenditure, real, rate of change in %	1.6	1.7	1.7	1.7	1.6	1.5
Net lending/borrowing of general government in % of GDP	0.1	0.3	0.2	0.2	0.0	0.0
Gross debt in % of GDP	73.8	69.6	66.5	64.0	61.8	59.8
Scenario 1						
GDP, nominal, rate of change in %	4.4	6.5	4.7	4.5	4.4	4.3
Non self-employed without recipients of childcare benefits and without conscripts (in 1,000)	3,659.7	3,815.5	3,880.2	3,949.3	4,017.5	4,087.1
Unemployed (in 1,000)	312.5	248.0	233.1	218.6	208.8	201.1
Inflation (CPI, in %)	2.0	1.7	1.8	1.8	1.8	1.8
Private final consumption expenditure, real, rate of change in %	1.6	4.5	2.7	2.8	2.7	2.8
Net lending/borrowing of general government in % of GDP	0.1	1.2	1.4	1.7	1.9	2.2
Gross debt in % of GDP	73.8	67.8	63.0	58.5	54.0	49.5
Scenario 2						
GDP, nominal, rate of change in %	4.4	0.7	2.5	2.7	2.8	3.0
Non self-employed without recipients of childcare benefits and without conscripts (in 1,000)	3,659.7	3,611.9	3,625.1	3,648.0	3,674.7	3,706.4
Unemployed (in 1,000)	312.5	323.9	325.5	328.2	334.1	342.4
Inflation (CPI, in %)	2.0	2.0	2.0	2.0	1.8	1.8
Private final consumption expenditure, real, rate of change in %	1.6	-1.3	0.6	1.0	1.2	1.4
Net lending/borrowing of general government in % of GDP	0.1	-0.6	-1.0	-1.2	-1.5	-1.6
Gross debt in % of GDP	73.8	71.7	70.5	69.7	69.1	68.6

Sources: BMF, STAT, WIFO

Table 15: Interest expenditure in three scenarios

	2018	2019	2020	2021	2022	2023
						in % of GDP
Baseline scenario	1.66	1.49	1.39	1.28	1.15	1.07
ECB scenario (November 2017)	1.66	1.50	1.39	1.28	1.14	1.05
Basle Committee stress scenario	1.66	1.54	1.48	1.46	1.40	1.39

Sources: BMF, OeBFA

Table 16: Long-term sustainability of public finances (The 2018 Ageing Report)

	2016	2020	2030	2040	2050	2060	2070
	in % of GDP						
Total age-related expenditure ¹⁾	28.5	28.3	29.4	30.6	31.1	31.9	32.1
Pension ²⁾	13.8	13.9	14.4	14.9	14.6	14.7	14.3
Health care	7.0	7.0	7.3	7.7	8.0	8.2	8.3
Long-term care	1.9	2.0	2.3	2.6	3.2	3.6	3.8
Education	4.9	4.6	4.7	4.7	4.6	4.8	4.9
Unemployment	0.9	0.8	0.7	0.7	0.7	0.7	0.7
Contributions to social security pensions	9.4	9.7	9.8	9.7	9.6	9.6	9.6
Assumptions							
Real GDP growth ³⁾	1.5	1.8	1.5	1.7	1.3	1.2	1.3
Labour productivity (change in %) ³⁾	0.7	1.0	1.4	1.5	1.5	1.5	1.5
Employment rate males (aged 15-64) ³⁾	75.5	76.5	76.3	76.3	75.7	75.8	75.9
Employment rate females (aged 15-64) ³⁾	67.7	68.8	70.4	73.8	73.4	73.4	73.6
Total employment rate (aged 15-64) ³⁾	71.6	72.7	73.3	75.0	74.6	74.6	74.7
Unemployment rate (aged 15-64, EUROSTAT definition) ³⁾	6.1	5.6	4.9	4.9	4.9	4.9	4.9
Persons aged 65+ in % of total population (aged 15-64) ⁴⁾	27.6	28.6	36.1	42.3	45.5	51.3	54.4

1) Data based on EC/EPC projections, "Ageing Report 2018"

2) Gross amounts incl. "Ausgleichszulage" and "Rehabilitationsgeld"

3) Data based on EC/EPC macro-economic assumptions

4) Data based on EUROSTAT demography projections

Positions may not sum up due to rounding errors.

Sources: BMASGK, BMF, EC, EUROSTAT, STAT, EPC

Table 17: County specific recommendations

See "National Reform Programme - Austria", April 2019

Table 18: Targets set by the Union's strategy for growth and jobs

See "National Reform Programme - Austria", April 2019

Table 19: Comparison of macroeconomic and budgetary prospects

	2018	2019	2020	2021	2022	2023
Real GDP growth						
WIFO	2.7	1.7	1.8	1.7	1.6	1.4
European Commission	2.7	1.6	1.6	-	-	-
OeNB	2.7	2.0	1.9	1.7	-	-
IHS	2.7	1.5	1.6	-	-	-
Austrian Fiscal Advisory Council	3.0	2.0	-	-	-	-
Inflation						
WIFO (CPI)	2.0	1.7	1.8	1.8	1.8	1.8
European Commission (HICP)	2.1	2.0	2.0	-	-	-
OeNB (HICP)	2.1	2.1	2.0	1.9	-	-
IHS (HICP)	2.0	1.8	1.9	-	-	-
Austrian Fiscal Advisory Council	-	-	-	-	-	-
Unemployment rate						
WIFO	4.9	4.6	4.6	4.6	4.7	4.7
European Commission	4.8	4.6	4.4	-	-	-
OeNB	4.9	4.7	4.7	4.5	-	-
IHS	4.9	4.8	4.8	-	-	-
Austrian Fiscal Advisory Council	-	-	-	-	-	-
General government net lending/net borrowing						
BMF	0.1	0.3	0.2	0.2	0.0	0.0
WIFO	0.0	0.4	0.7	0.9	1.0	1.1
European Commission	-0.3	0.0	0.1	-	-	-
OeNB	0.0	0.1	0.4	0.5	-	-
IHS	-0.1	0.2	0.2	-	-	-
Austrian Fiscal Advisory Council	0.0	0.2	-	-	-	-
Gross debt						
BMF	73.8	69.6	66.5	64.0	61.8	59.8
WIFO	73.9	70.0	66.2	62.8	59.6	56.5
European Commission	74.5	71.0	67.8	-	-	-
OeNB	74.1	70.7	67.5	64.8	-	-
IHS	-	-	-	-	-	-
Austrian Fiscal Advisory Council	73.4	69.5	-	-	-	-

A direct comparability is not possible due to diverging definitions.

Sources:

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WIFO, March 2019

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