

Austrian Stability Programme

(Update for the period 2021 to 2025)

Vienna, April 2022

Contents

1 Introduction.....	3
2 Economic Situation in Austria.....	4
2.1 Economic development (2021-2025)	4
2.2 Financial sector developments	9
2.2.1 Long-term interest rates.....	10
2.2.2 Equity market	11
2.3 Assessment of the rating agencies.....	11
2.4 COVID-19: Qualitative Description of Economic Policy Measures and Their Effects ..	12
2.5 Recovery and Resilience Facility	16
3 Economic and budgetary challenges, goals and strategy	19
3.1 Budget execution in 2021	22
3.2 Budget in 2022	25
3.3 Development of public budgets 2023 to 2025	28
3.4 Macroeconomic and budgetary forecasts in accordance with EU law	30
4 Sensitivity scenarios.....	32
5 Sustainability of public finances	34
6 Institutional framework	35
6.1 Comprehensive fiscal rules.....	35
6.2 Medium-term budgetary planning.....	36
6.3 Role of the Stability Programme.....	36
7 Annex	37
Tables.....	58
Figures.....	59
Literature and sources	60

1 Introduction

According to EU Regulation 1466/97 as amended by Regulation 1175/2011, Euro area member states have to annually submit Stability Programmes by the end of April. The other member states of the European Union (EU) are obliged to hand in Convergence Programmes.

The update of the Austrian Stability Programme for the period 2021 to 2025 follows the requirements of the Code of Conduct in terms of content and form.

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.

The present update is based on national accounts data of Statistics Austria (STAT) until 2021, the medium-term economic forecast of the Austrian Institute of Economic Research (WIFO) from March 2022 as well as calculations and estimates of the Federal Ministry of Finance (BMF).

2 Economic Situation in Austria

2.1 Economic development (2021-2025)

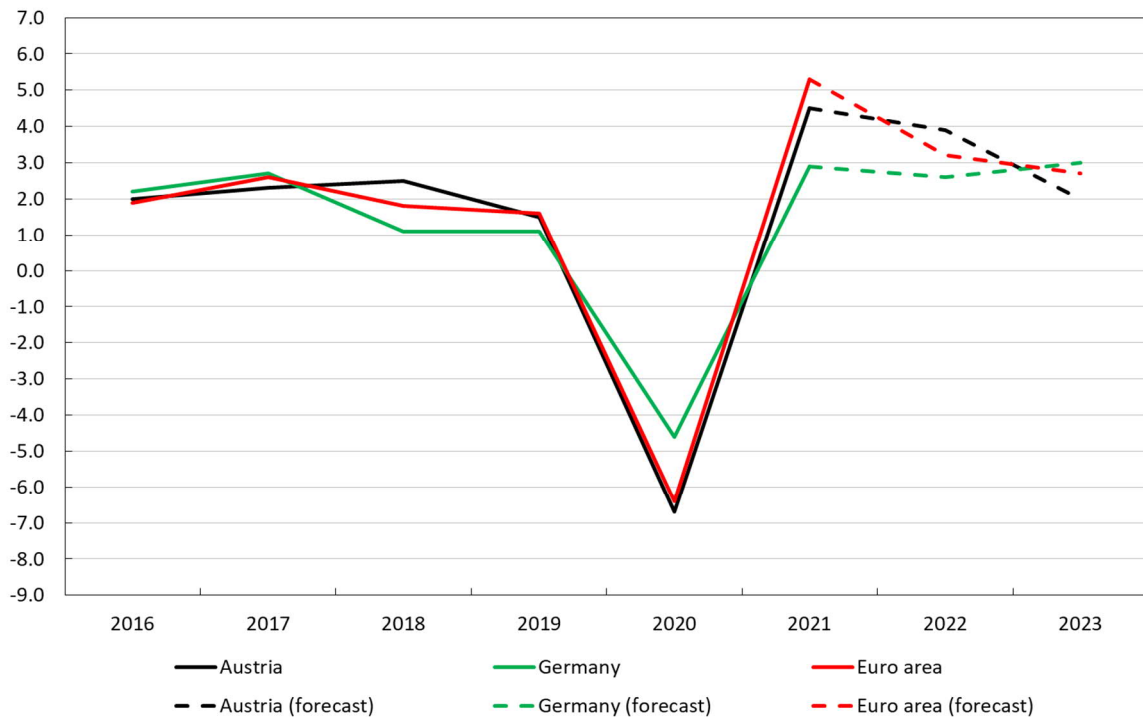
While the COVID-19 pandemic put a drag on economic activity at the beginning of 2021, a solid economic recovery has begun in the second quarter. In the third quarter of last year, real GDP returned to its pre-pandemic level. Due to the fourth wave of the pandemic, economic output contracted in the final quarter of 2021. Overall, Austrian real GDP grew by 4.5 % last year. Private consumption increased by 3.5 % in real terms, and public consumption recorded an increase of 6.7 %. Gross fixed capital formation also rose by 4.0 % in 2021. Foreign trade benefited from the vigorous upswing of the global economy. Therefore, real exports of goods increased by 17.6 %. Total exports increased by only 12.7 % because of a further decline in tourism. Due to strong import dynamics, the growth contribution of net exports in 2021 was negative. Apart from net exports, all components of aggregate demand positively contributed to the growth rate of 2021.

Labour market developments reflected the strong economic upswing. The number of persons in active dependent employment recorded a substantial increase (+90,400) and exceeded its pre-crisis level. Moreover, the annual average of job vacancies rose to a record value of 146,000. Overall, the unemployment rate, according to the national definition, fell by 1.9 pp to 8.0 %.

Consumer price inflation rose steadily over the course of 2021, and the average annual inflation rate amounted to 2.8 %. Expenditures for transport (+6.6 %) proved to be the most important price driver in 2021, which in turn can be attributed to a considerable increase in fuel prices (+17.3 %). Expenditures for housing, water, and energy (+3.6 %) ranked second. Household energy (+7.7 %) was the most important price driver within this category. Furthermore, prices in the category of restaurants and accommodation services rose by 3.4 %.

In Germany, the largest economy in the EU and Austria's most important trading partner, real GDP grew by 2.9 % in 2021. The growth rate of the Eurozone was 5.3 % in the last year.

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



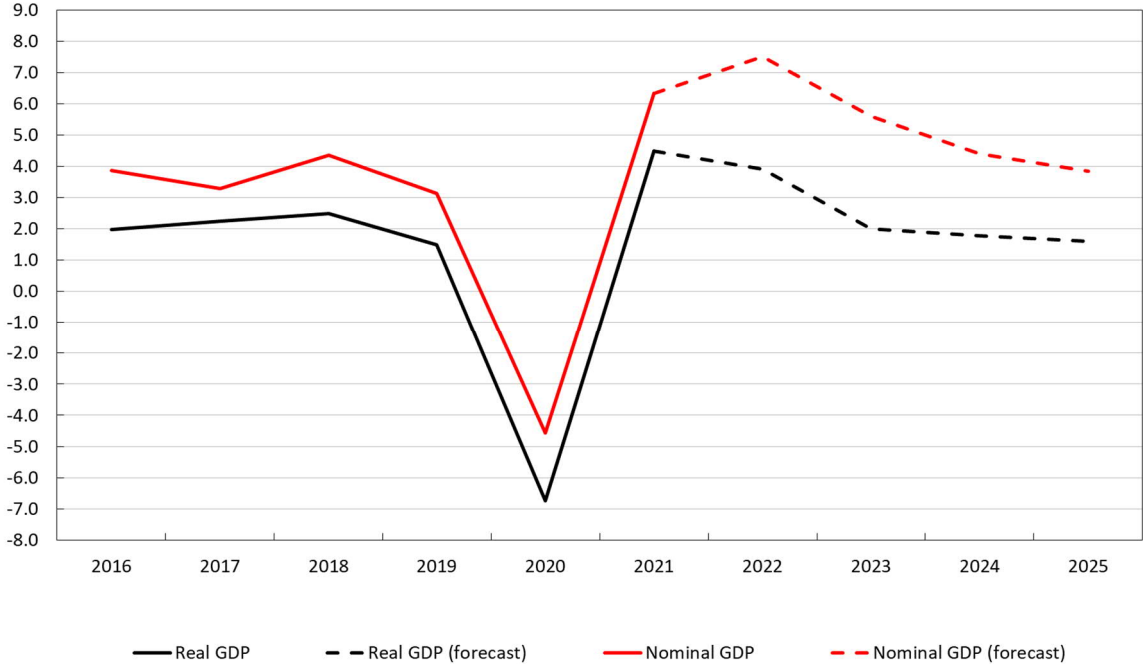
Left axis: Rate of change over previous year in %
 2022 and 2023: WIFO forecast (25 March 2022)
 Sources: EUROSTAT (22 March 2022), WIFO

With the lifting of pandemic-related containment measures, the Austrian economy was able to recover quickly in the first quarter of 2022. An indicator of the WIFO measuring the weekly economic activity shows that Austrian economic output was always above the pre-pandemic level between the end of 2021 and March 2022. In addition, the Austrian labour market is signalling a boom phase. However, Russia's war of aggression against Ukraine is putting a strain on the global economy and is thus slowing down the upturn of the domestic economy. The war and the associated high level of uncertainty have exerted additional upward pressure on the already high commodity and energy prices. Moreover, worsening supply chain issues can be expected.

In March 2022, the WIFO made a short- and medium-term economic forecast, which is the basis for the Austrian Stability Programme. Due to the war and the pandemic, the forecast uncertainty is very high. The WIFO expects real GDP to grow by 3.9 % in 2022. Because of negative supply shocks and despite full order books, industrial value added is expected to stagnate this year. Therefore, economic growth in 2022 is entirely accounted for by the services sector. More than half of the expected GDP growth rate is due to a recovery of the accommodation and food services sector.

Rising consumer prices are likely to slow down the growth of private consumption in 2022, but in the absence of further lockdown measures and because of the assumed normalization of the households' saving rate, the WIFO expected an increase of 3.9 % this year. After a strong increase in the previous year, public consumption is likely to fall slightly in 2022 (-1.6 %). Gross fixed capital formation should increase by 3.5 %. At +6.1 %, real exports are forecasted to grow faster than imports (+4.6 %).

Figure 2: Real and nominal GDP growth

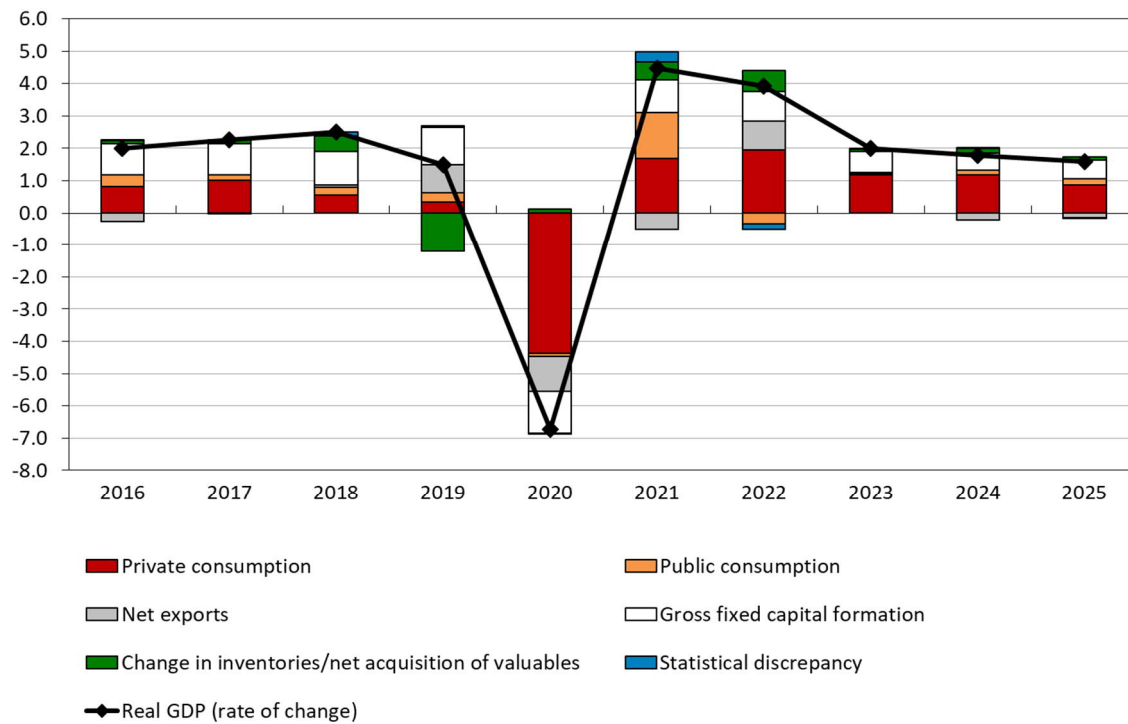


Left axis: Real and nominal GDP (rate of change over previous year in %)
 Sources: BMF, STAT, WIFO

For the medium-term perspective (2022-2025), the WIFO estimates an average growth rate of potential output of 1.4 %. The average real GDP growth rate should amount to 2.3 %. High growth rates due to the recovery from the pandemic will come to an end. A positive output gap is expected for 2023, and according to a technical assumption, the output gap will close in 2026.

For 2022 to 2025, the normalizing saving rate of households will drive private consumption, which is expected to grow by 2.6 % on average. The WIFO forecasts an average annual increase in public consumption of 0.1 %. An average annual growth rate of 2.6 % is projected for gross fixed capital formation. Real exports and imports should grow on average by 4.1 % and 3.8 %, respectively.

Figure 3: Contribution to real GDP growth

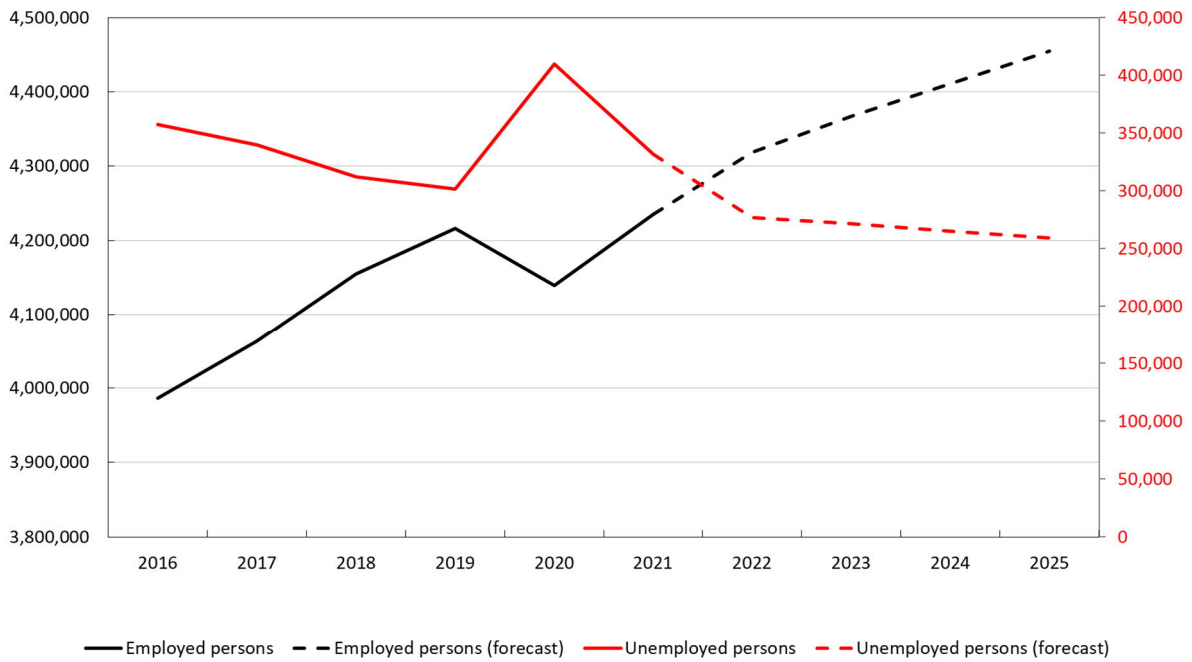


Left axis: Contribution to real GDP growth in percentage points
Sources: BMF, STAT, WIFO

The positive development of the labour market has recently continued. At the end of March 2022, the unemployment rate was already well below its pre-pandemic level. In addition, the number of job vacancies is considerably higher than before the pandemic, and the pandemic-related increase in long-term unemployment has been reduced to a great extent. According to the WIFO, the war and associated refugee movements will probably increase the labour supply by 37,500 people until 2023. Nevertheless, a further decline of the unemployment rate from 8.0 % last year to 6.7 % in 2022 is forecasted. The unemployment rate should gradually decrease to 6.1 % by 2025.

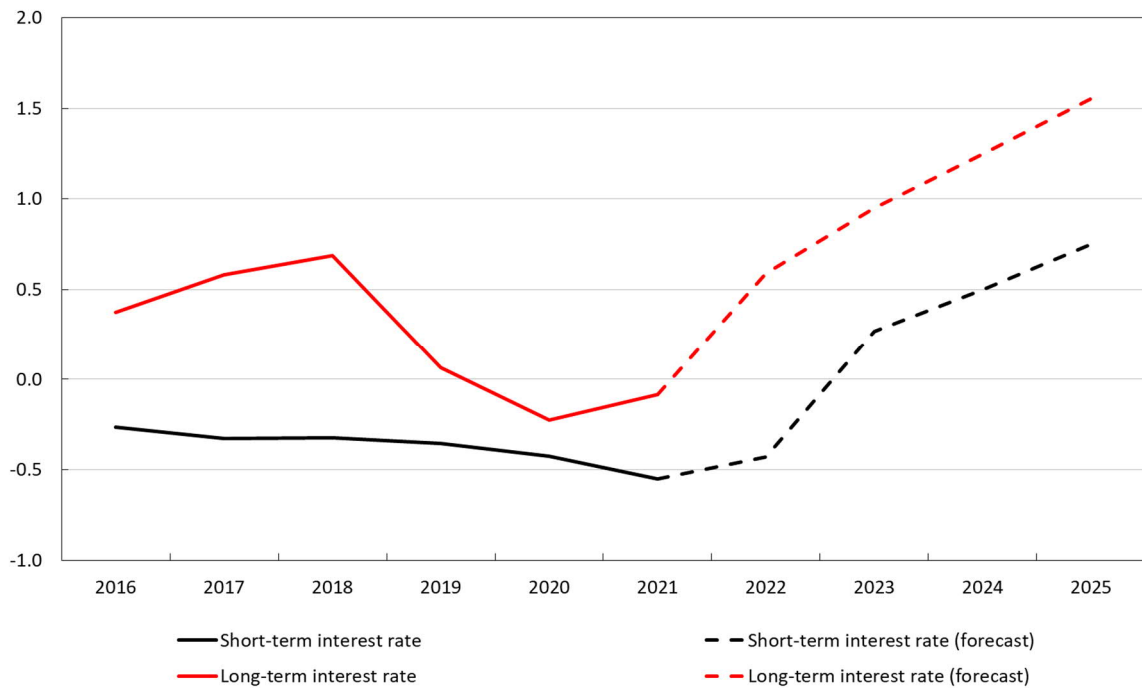
The acceleration of inflation has continued in early 2022, and the WIFO expects consumer prices to rise by 5.8 % this year. Although energy only accounts for a relatively small proportion of the consumer basket, about half of the forecasted inflation rate can be attributed to rising energy prices. The combination of high demand for consumption and supply chain problems is contributing to rising inflation. The expiry of the pandemic-related temporary VAT cut, the increase in benchmark rents as of April 2022, and the introduction of CO2 pricing in July 2022 will make a comparatively small contribution to this year's inflation rate. In 2023, the inflation rate will remain above average (+3.2 %). In 2024 and 2025, consumer prices will increase by 2.5 and 2.3 %, respectively.

Figure 4: Employed and unemployed persons



Left axis: Employed persons
 Right axis: Registered unemployed persons
 Sources: AMS, BMSGPK, BMF, WIFO

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



Left axis: Annual average (in %)
 Source: WIFO

The EC published its winter forecast on 10 February 2022, which estimates real GDP growth rates for 2022 and 2023 of 4.3 and 2.3 %. On 25 March 2022, the Institute for Advanced Studies (IAS) published its latest economic forecast, which expects the Austrian economy to grow by 3.6 and 2.3 % in 2022 and 2023. The Austrian National Bank's (OeNB) forecast update from March 2022 projects GDP to increase by 3.5 % in 2022 and 2.2 % in 2023. According to the April 2022 forecast from the International Monetary Fund (IMF), Austrian real GDP should grow by 2.6 % this year and by 3.0 % in 2023. In December 2021, the OECD forecasted growth rates of 4.9 % (2022) and 2.5 % (2023).

2.2 Financial sector developments

Despite the severe economic turmoil, the global financial markets were relatively resilient overall during the COVID-19 pandemic and only at the beginning of the pandemic (in March 2020) significant share price declines took place. In the course of 2021 economic participants have increasingly adapted to the changing working and business conditions and a significant economic recovery was observed in the euro zone.

From the beginning of 2022 there was an increase in interest rate hike expectations for the euro zone and the USA, with negative effects for the stock markets. The inflation rate in the euro zone was more persistent than expected in the first quarter of 2022, also because there was no deceleration in energy prices. The US Federal Reserve started raising US interest rates in March 2022 and announced further interest rate increases due to the high inflation.

On 24 February 2022, Russia invaded Ukraine, leading to far-reaching economic and financial sanctions against Russia and contributing to a significant increase in energy and commodity prices.

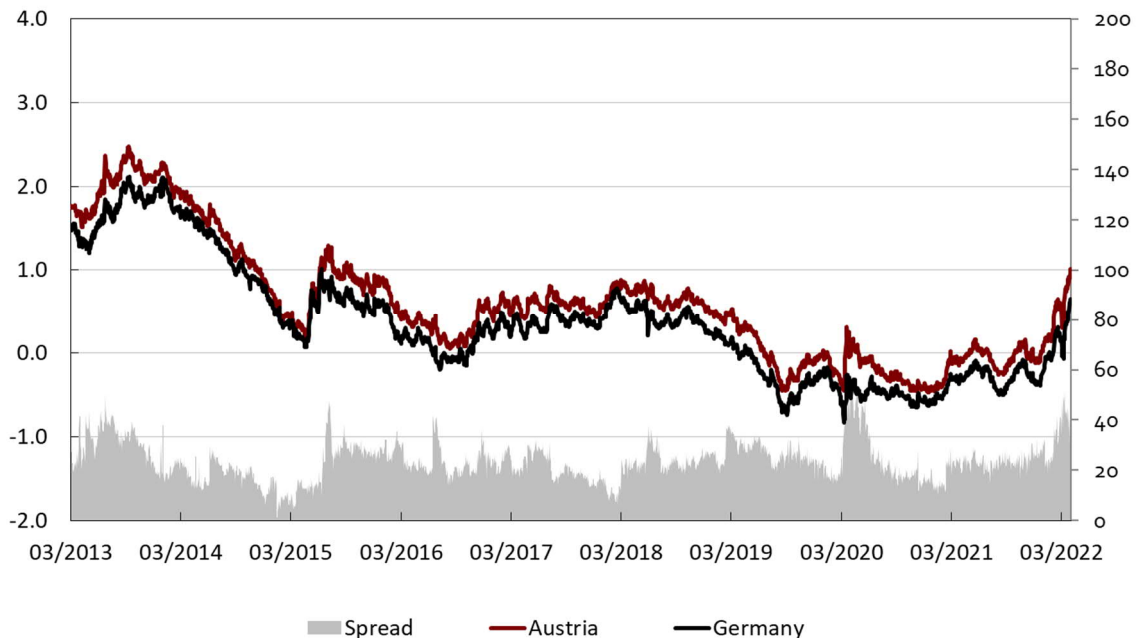
The negative economic and stability risks include an escalation of the Ukraine war, stagflation, a possible termination of Russian energy supplies, a Russian financial market crisis, persistently high energy and commodity prices, further waves of COVID-19 infections, supply restrictions due to material and labour shortages, rising inflation expectations and a possible wage-price spiral as well as increased debt ratios after the COVID-19 pandemic.

2.2.1 Long-term interest rates

Short- and long-term interest rates have been on a downward trend in Austria since 2008. This was due to the measures taken by the European Central Bank (ECB) and the good credit rating of the Republic of Austria. Short-term interest rates have been negative since 2015 and negative short-term interest rates are also expected for 2022. A positive short-term interest rate is assumed again for 2023 and is likely to rise to 0.8 % by 2025. Long-term interest rates fell continuously until 2016, and in 2017 and 2018 the yield curve pointed slightly upwards again. In 2019, long-term interest rates turned negative, but the annual average was 0.1 %. In 2020 and 2021 the long-term interest rate was negative on average over the year. A positive long-term interest rate is expected again in 2022 and by 2025 the long-term interest rate is likely to increase to 1.6 %.

The spread of the 10-year Austrian yield to the 10-year German yield on government bonds (without maturity adjustment) fluctuated between 15-30 basis points over the course of 2021 and showed relatively low volatility. In February and March 2022 the long-term Austrian interest rate spread to Germany rose to over 40 basis points due to the Ukraine war, as there was an increased flight to more liquid German government bonds because of persistently high geopolitical risks.

Figure 6: Long-term interest rates and spread



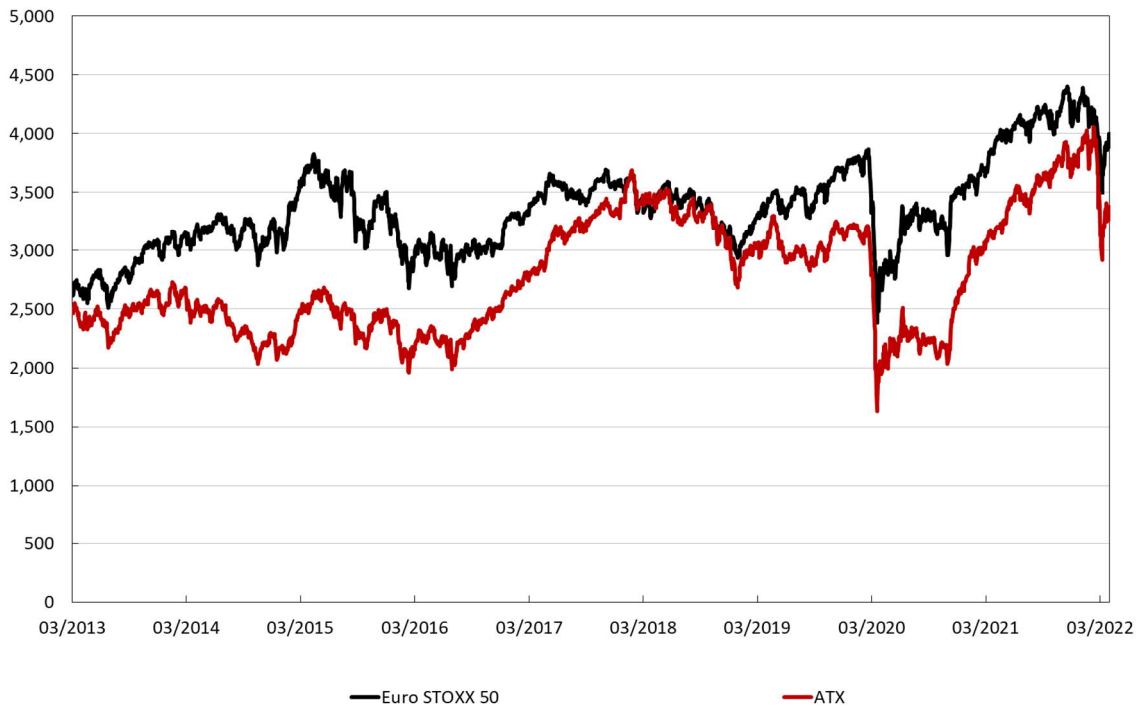
Left axis: Long-term interest rates in %
Right axis: Spread in basis points
Sources: BMF, Macrobond (31 March 2022)

2.2.2 Equity market

The Austrian stock market (ATX) mostly moved in line with the Euro- Stoxx-50 index in recent years, but the recovery of the ATX in 2021 was more dynamic than that of the Euro-Stoxx-50. In February 2022, the ATX initially rose to its highest level since June 2008, only to decline by up to 20 % due to the Ukraine war. By the end of March 2022, the ATX was able to recoup some of the losses, also because no serious economic slumps have occurred so far.

A further escalation of the Ukraine war as well as persistently high energy and raw material prices in connection with supply chain and material problems could become a burden for the further development of the stock markets in the near future.

Figure 7: Equity market performance



Left axis: Index

Sources: BMF, Macrobond (31 March 2022)

2.3 Assessment of the rating agencies

The three largest rating agencies continue to assess the creditworthiness of the Republic of Austria at the second-best grade AA+ (Standard & Poor's, Fitch), and Aa1 (Moody's) respectively. The outlook is considered stable by Moody's and Fitch, while Standard & Poor's has raised the outlook to positive just before the Russian attack on Ukraine.

Positive factors according to the rating agencies' assessment are the strong political and social institutions, high wealth, the diversified, competitive and export-oriented economy and moderate indebtedness of the private sector. The structure of public debt is favourable, with an average residual maturity of 11 years and an average interest rate of 1.2 %, and there are no foreign currency risks. Responsible budgetary policy prior to the COVID-19 crisis allowed comprehensive support for affected sectors, which facilitates the swift recovery of the economy.

Compared to „AAA“-rated countries, the public debt stock was high even before the COVID-10 crisis. In addition, high and rising pension expenditure, structural weaknesses (rigidities in the service sector, high tax burden, low employment rate of older workers) and geopolitical risks related to Russia's invasion in Ukraine are assessed as negative factors. In the short to medium term, the sustainability and strength of the recovery, the public debt reduction path and the structural reform agenda will be the key rating determinants.

2.4 COVID-19: Qualitative Description of Economic Policy Measures and Their Effects

The COVID-19 crisis changed significantly with the highly infectious but comparatively milder viral variant Omicron. From January to mid-April 2022, very high infection rates were recorded, but at the same time, hospital utilization, especially in the area of intensive care beds, remained more manageable than in previous infection waves. As a result, in contrast to November/December 2021 during the Delta wave, in 2022 not only another lockdown could be avoided, but gradual easing steps were introduced. Accordingly, the COVID-19 pandemic is currently foreseeing economic restrictions in only a few areas. Even demand in the previously hard-hit tourism industry recovered unexpectedly quickly at the End of 2021.

This development made it possible to phase out most of the previously (due to the November lock-down) extended COVID-19 economic aid measures by the end of March

2022. The main exceptions to this phase out are COVID-19 guarantees and the Corona short-time work scheme, where the special scheme for particularly affected companies is available until the end of May 2022 and a transitional model is available until the end of June 2022. In order to cushion the current massive price increases, especially for energy, for which the COVID-19 support measures would not be targeted, the federal government has adopted two specific relief packages, which are discussed in chapter 3. Below, the status of the main COVID-19 economic support measures as of 31 March 2021, is explained, keeping in mind that for many instruments, applications are possible well beyond the eligibility period.

Short-time work: Since the beginning of the COVID-19 crisis, 9.6 bn Euro short-time work subsidies have been paid out up to 31 March 2022. This proven instrument for cushioning the impact of the crisis on the labour market has so far helped more than 1.3 mn employees in over 120,000 companies. The breakdown by sector of the so far paid out 9.6 bn Euro short-time work subsidies is as follows:

- Accommodation and food services: 2.1 bn Euro (22.5 % of total subsidies)
- Trade; maintenance and repair of motor vehicles: 1.9 bn Euro (19.9 %)
- Manufacturing: 1.8 bn Euro (18.5 %)
- Transportation and storage: 0.7 bn Euro (7.5 %)
- Other business activities: 0.6 bn Euro (6.3 %)
- Professional, scientific and technical activities: 0.5 bn Euro (5.0 %)
- Arts, entertainment and recreation: 0.4 bn Euro (4.6 %)
- Construction: 0.4 bn Euro (4.2 %)
- Other service activities: 0.3 bn Euro (2.9 %)
- Human health and social work activities: 0.3 bn Euro (2.7 %)
- Other sectors: 0.6 bn Euro (5.8 %)

On an accrual basis in accordance with the European System of Accounts (ESA 2010), expenditures of 6.2 bn Euro are allocated for short time work to 2020 and 3.2 bn Euro to 2021. Expenditures of 1.0 bn Euro are expected for 2022.

COFAG¹ grant instruments: At the end of March 2022, the last two COFAG grant products, the loss bonus and the extended loss replacement, will expire. An application for a loss bonus in March 2022 is possible until 9 July 2022; in the case of the extended loss

¹ COFAG = COVID-19 Finanzierungsagentur des Bundes GmbH

replacement, the application period runs until September 30, 2022. As of 31 March 2022, the federal government transferred a total of 12.1 bn Euro to COFAG for the settlement of the grant instruments (excluding administrative expenses and payments relating to COVID-19 liabilities). As of 31 March, 2022, COFAG received applications for grants totalling 14.4 bn Euro, of which COFAG had approved 12.3 bn Euro and paid out 11.9 bn Euro. In addition, 0.2 bn Euro are dedicated to safeguard the location.

Of the 11.9 bn Euro in subsidies paid out as of 31 March 2022, the following amounts (rounded) can be noted:

- 4.5 bn Euro for loss bonus (analysis periods November 2020-June 2021 and November 2021-March 2022, total of 166,045 applicants),
- 2.3 bn Euro for November 2020 lockdown replacement (109,404 claimants),
- 1.8 bn Euro for fixed cost subsidy 800,000 (observation period 9/16/2020-6/30/2021, 83,086 claimants),
- 1.4 bn Euro for fixed cost subsidy I (16 March, 2020-15 September, 2020, 128,954 claimants),
- 1.0 bn Euro for December 2020 lockdown replacement (105,439 applicants),
- 0.9 bn Euro for loss replacement including its extension (period under review: loss replacement 16 September 2020-30 June 2021, 1,790 applicants; period under review: loss replacement extension 1 July 2021-31 December 2021, 237 applicants),
- 0.1 bn Euro for 2020 lockdown replacement for indirectly affected persons (consideration period November-December 2020; 3,061 claimants).

Looking at the amount of funding disbursed across all COFAG grant instruments by industry, we see that, as expected, most grants went to the industries hardest hit by the COVID-19 pandemic:

- Accommodation and food services: 4.8 bn Euro (40.1 % of the total grant amount)
- Trade; maintenance and repair of motor vehicles and motorcycles: 2.1 bn Euro (17.3 %)
- Provision of other economic services: 0.7 bn Euro (6.2 %)
- Transportation and storage: 0.7 bn Euro (6.1 %)
- Manufacturing: 0.7 bn Euro (5.9 %)
- Professional, scientific and technical activities: 0.6 billion euros (5.3 %)
- Arts, entertainment and recreation: 0.6 bn Euro (5.0 %)
- Construction: 0.4 bn Euro (3.2 %)

- Other service activities: 0.3 bn Euro (2.7 %)
- Information and communications: 0.3 bn Euro (2.2 %)
- Other sectors: 0.7 bn Euro (6.1 %)

On an accrual basis (in accordance with ESA 2010), expenditures of 6.4 bn Euro are allocated to 2020 and 7.5 bn Euro to 2021. Expenditures of 0.7 bn Euro (excluding liabilities) are expected for 2022.

WKO² hardship fund: The WKO hardship fund was extended again last fall for the calendar months from November 2021 to March 2022 (phase 4) as a result of the lockdown at the time. The application for the last period under consideration, March 2022, ends on 2 May, 2022. As of 31 March 2022, a total of 238,830 persons have been supported with an average of 9,811.4 Euro. The total funding amount of the WKO Hardship Fund as of 31 March 2022 was 2.3 bn Euro, of which 0.1 bn Euro was allocated to Phase 1 (emergency assistance at the beginning of the COVID-19 pandemic), 1.9 bn Euro to Phase 2 (16 March 2022-15 June 2021), 0.1 bn Euro to Phase 3 (July-September 2021 including an automated replacement for the second half of June 2021), and currently 0.2 bn Euro to Phase 4 (November 2021-March 2022).

COVID-19 guarantees: The total outstanding guarantee amount (adjusted for ones already terminated/refunded) was 5.8 bn Euro as of 31 March 2022. The total guarantee volume was slightly lower throughout 2021, and this trend continues in 2022. The total outstanding volume as of March 31 2022 is 0.2 bn Euro below the level as of 31 December 2021 and as low as it was in June 2020. This is mainly due to guarantees returned for the OeKB³ Special Framework KRR⁴ and, to a lesser extent, for OeKB 90 % guarantees. The guarantee amount of the other instruments - aws SME Promotion Act¹, aws Guarantee Act 1977 and ÖHT (travel services) SME Promotion Act - was relatively stable throughout 2021 and has fallen slightly in 2022 so far. Claims payments have been low to date and have not yet led to any significant budgetary effects.

² WKO = Wirtschaftskammer Österreich (Austrian Federal Economic Chamber)

³ OeKB = Oesterreichische Kontrollbank AG

⁴ KRR = Kontrollbank Refinancing Framework

Other key COVID-19 measures: A total of 5.1 bn Euro has been spent on health measures since the outbreak of the COVID-19 pandemic through the end of March 2022. Grants to municipalities under the Municipal Investment Law 2020 (KIG 2020) cumulatively totalled 0.9 bn Euro by 31 March 2022. The KIG 2020 supports projects that were started or will start in the period from 1 June 2020 to 31 December 2022, as well as projects that were started as of 1 June 2019, but whose financing was no longer possible due to revenue shortfalls as a result of the COVID-19 crisis. The reference period of the NPO Support Fund was extended last year to include the periods of the fourth quarter of 2021 and the first quarter of 2022, and an application is/was possible until 20 April 2022. The amount of support disbursed as of 31 March 2022 was 0.7 bn Euro and benefited over 23,000 organizations. Unemployment benefits in the form of two one-time payments in each of 2020 and 2022 totalled 0.4 bn Euro. Bridge funding for self-employed artists granted 0.2 bn Euro in financial support to about 10,000 artists by 31 March 2022. The Corona family hardship compensation program provided financial assistance amounting to 0.2 bn Euro for families. From the AMA's⁵ aid measures (hardship fund, sales replacement and loss bonus), a total of 0.2 bn Euro in aid was paid out to agricultural and forestry businesses, private room rentals and tourist rentals by the end of March 2022. The amount of COVID-19-related tax deferrals continues to decline almost continuously and, with a suspended amount of 1.6 bn Euro as of 31 March 2022, was already 0.3 bn Euro below the level at the end of 2021 and 0.9 bn Euro below the level at the end of 2020.

2.5 Recovery and Resilience Facility

With the Recovery and Resilience Facility, a 724 bn Euro instrument was established at EU level to support the economic recovery following the COVID-19 crisis, promote the green and digital transition, mitigate the social impact of the crisis and increase the resilience of Member States. Over the period 2020-2026, Member States will be made available 338 bn Euro in grants and close to 386 bn Euro in loans.

⁵ AMA = Agrarmarkt Austria

The funds provided by the Facility will be used in accordance with Recovery and Resilience Plans prepared at the national level and adopted by the Council on the basis of a proposal by the Commission. By the end of April, 26 Member States have submitted their Plans, of which 22 had been adopted by the Council. For the Plans' positive assessment by the Commission and subsequent adoption by the Council, a number of criteria apply, e.g. minimum contributions to the green/digital transition, the implementation of the country-specific recommendations, a comprehensive reform agenda and the do-no-significant-harm principle with respect to environmental targets.

Austria submitted its Recovery and Resilience Plan (ARP) to the Commission on 30 April 2021. The Commission's positive assessment was released on 21 June 2021. On 13 July 2021, the Plan was adopted by the ECOFIN Council. The ARP contains 27 reforms and 32 investments, at a total volume of 4.5 bn Euro. According to current estimates, about 3.8 bn Euro will be financed by grants from the Recovery and Resilience Facility and the remainder will be financed from the national budget. A loan from the Facility has not been requested, due to the favourable financing conditions of the Republic.

The ARP contains reforms and investments in four areas: green transition, digital transition, knowledge-based transition and just transition. It is exemplary in several respects: 46 % of the funds will be used to support climate objectives and 41 % to support digital objectives, thus significantly exceeding the minimum requirements. The ARP is also very ambitious as regards the implementation of the country-specific recommendations.

The ARP's main investment projects in terms of their volume are the broadband expansion, environment-friendly mobility, digitalisation and greening of firms, education/research/innovation, circular economy and the renovation of buildings. Key reforms in the Plan are i.a. the eco-social tax reform, the pension splitting, the Green Finance Agenda, the Renewables Expansion Law, the Waste Management Act, the start-up package, measures to strengthen equity capital, the further development of long-term care and spending reviews.

By including measures into the ARP, their implementation becomes mandatory, as non-compliance would entail financial disadvantages for the Republic. This also applies to reforms, which typically do not require funding from the Facility, but are a key element of the Commission's positive assessment of the ARP. The Recovery and Resilience Facility establishes, for the first time and in a big way, a link between funding from the EU budget and reforms at the national level, to make EU Member States, in particular the economically weaker ones, stronger, more resilient, greener, more digitalised and fairer. As a small open economy, Austria can be expected to benefit significantly from the expected spillover effects,

e.g. via award of contracts to Austrian (construction) firms and exports of green products and technologies. Traditionally strong links to Central and Eastern European Member States with a relatively high allocation from the Facility may be an additional advantage.

Following the signing of the Financing Agreement, a pre-financing amounting to 450 mn Euro was paid out. Further pay-outs will take place in annual tranches, following the fulfilment of the milestones and targets agreed for the specific period.

The implementation of the measures in the ARP is the responsibility of the competent ministries. In addition to the timely implementation of the milestones and targets, the ministries have to comply with comprehensive reporting and audit requirements. The Ministry of Finance (BMF) assumes a coordinating role, in particular with respect to the communication with the Commission and the budgetary resources. All measures in the ARP will be reflected in the federal government budget, so that the responsible line ministries do not depend on the pay-outs by the Commission for the implementation and financing of the measures.

In line with Article 24 of Regulation (EU) 2021/241, after having fulfilled the agreed milestones and targets, Austria will submit a request for payment of the financial contribution to the Commission. The first Austrian payment request will take place in 2022. By then, all 44 milestones and targets included in Table 25 shall be achieved. At the time of writing, two of the milestones and targets had not yet been fulfilled. It is currently nevertheless expected that all milestones and targets relevant for this payment request will be fulfilled. A summary table on the status of all milestones and targets can be found in the National Reform Programme (NRP).

Upon positive assessment of the payment request, a financial contribution amounting to 804.6 mn Euro will be released. Given that the Republic of Austria has requested and received a pre-financing amounting to 450.0 mn Euro, the tranches of to the respective payment requests will be adjusted proportionally, in line with Art. 13 of Regulation (EU) 2021/241. Taking into account the pre-financing, the expected pay-out related to the first payment request in 2022 amounts to 700.0 mn Euro.

3 Economic and budgetary challenges, goals and strategy

The effects of the war in Ukraine and the associated sanctions against Russia are leading to new economic and budgetary challenges. The changed geopolitical and security situation has both immediate and medium-term consequences and affects Europe and Austria in the midst of the economic recovery after the COVID-19 pandemic.

In the short term, in addition to providing means for Ukrainian refugees, the main economic challenge is to cushion the negative supply shocks. Supply bottlenecks are causing shortages of various industrial goods and sharp price increases, especially for energy and raw materials, and subsequently also for a large number of consumer goods.

Overall, Austria's economic ties with Russia have declined in recent years, with exports in particular falling. However, there are dependencies on the import side, as gas supplies from Russia in particular cannot be replaced by alternatives in the short term. In the medium term, the declared goal is to strengthen Austria's energy independence and to accelerate the expansion of renewable energy sources.

The federal government has already responded to the immediate developments, in particular the price shock in the energy sector, with a package of measures. This leads to budgetary expansions that made it necessary to amend the 2022 budget and the 2022-2025 medium term expenditure framework in the administrative federal budget (amendment to the 2022 Federal Budget Law and the 2022-2025 Federal Financial Framework Law). The amendments to the federal budget are mainly related to the following topics.

Energy Relief Packages: The energy relief packages comprise a series of measures on both the revenue and the expenditure side to cushion the massive increases in energy prices and, at the same time, to promote the expansion of renewable forms of energy, the expansion of public transport and the promotion of non-carbon vehicles. On the expenditure side, this includes the following measures:

- Energy cost compensation for nearly all households: 627.8 mn Euro, 2022 (incl. administration)

- Inflation compensation for vulnerable groups (recipients of unemployment benefits, unemployment assistance or compensatory allowances): 160.0 mn Euro, 2022, two one-off payments of 150 Euro each
- 150.0 mn plus indexation annually from 2022, for the regional climate ticket, the climate ticket Austria and the transport services contracts.
- Investments in wind power and photovoltaics for energy independence: 195.0 mn Euro 2022-2025
- Promoting decarbonisation of firms' vehicle fleets: 120.0 mn Euro, 60.0 mn Euros for 2022 and 2023 respectively
- Energy counselling for energy-poor households and SMEs: 15.0 mn Euro, 2022, of which 10.0 mn Euro for a pilot project for the replacement of electronic devices with particularly high energy consumption for low-income households

On the revenue side, the federal government's energy relief packages in 2022 will result in a total reduction of revenues of 725.0 mn Euro in 2022 and 740.0 mn Euro in 2023, in total 1,325.0 mn Euro for the period 2022-2025 (in 2024 revenues increase due to billing modalities). This includes the following measures:

- Temporary reduction of the electricity and natural gas tax: 600.0 mn Euro, 2022, 875.0 mn Euro 2022-2025
- Cost compensation for commuters with measures to increase the commuter lump sum by 50 %, quadrupling the "commuter Euro" and a one-off payment for negative tax recipients: 120.0 mn Euro, 2022, 420.0 mn Euro 2022-2025
- Cost compensation for agricultural diesel: 5.0 mn Euro 2022, 30.0 mn Euro 2022-2025

A non-bureaucratic option for reducing advance tax payments will provide liquidity for companies whose energy costs amount to 3 % or more of total costs and for companies entitled to an energy tax rebate under the Energy Tax Rebate Act to bridge the crisis. This measure is expected to increase liquidity for businesses by around EUR 350 mn in 2022.

The suspension of the renewable electricity lump sum and the renewable electricity subsidy contribution, which will relieve households and businesses by further 900.0 mn Euro, will have no impact on the federal budget.

Over the period 2022-2025, the total volume of the energy relief packages amounts to EUR 4.0 billion (including the suspension of the renewable electricity lump sum and the renewable energy support contribution).

National strategic gas reserve: In order to ensure security of gas supply in Austria even in the event of a complete interruption in Russian natural gas supplies, Parliament passed a resolution with broad approval to acquire a national strategic gas reserve. The strategic gas reserve is to be available by 1 November 2022 and corresponds to the gas volumes used in January 2022, this amounts to 12.6 terawatt hours (TWh). The funds required for this purpose will be made available in the respective Federal Budget Law. Depending on the actual purchase price, this will result in costs of around 1.6 bn Euro for 2022. In addition, the amended Federal Budget Law provides for an authorization of EUR 5.0 bn, in particular to be able to act in line with European initiatives to secure gas supplies.

Impact of the war in Ukraine: In connection with the reception of displaced persons from Ukraine, additional funds in the amount of 400.0 million Euro will be provided in the federal budget in 2022 and 700.0 million Euro in 2023 for care and provision (accrual values are 550 mn 2022 and 2023 respectively). To continue to support Ukraine with humanitarian assistance, the federal government is also increasing the Foreign Disaster Fund by 50.0 mn Euro.

COVID-19 Crisis Management: An additional 2,748.5 mn Euro is budgeted in 2022 for the immediate management of the COVID-19 crisis. This includes short-time work, seasonal starting aid and the NPO support fund, as well as in particular health policy measures (testing and vaccinations, extension of the COVID-19 Special Purpose Grant Act, COVID-19 drug procurement and procurement of additional COVID-19 vaccines).

Eco-social tax reform – changes to the DBP 2022: The tax reform depicted in the 2022 budget included a reduction in health insurance contributions for lower and middle incomes, which was to be fully reimbursed to the social security funds from the federal budget. Instead, according to the adopted eco-social tax reform, the maximum refund of social security contributions (negative tax/social insurance bonus) will be increased by 250 Euro per year for people who pay little or no taxes. This results in a shift away from reduced social security contributions to reduced current taxes on income and wealth (see table 20). The tax revenue estimates for the general government accounts were adjusted accordingly.

Other changes and cyclical effects: In the long-term care sector, the federal government establishes a hospice and palliative care fund to support the State Governments in implementing an Austria-wide hospice and palliative care system that is needs-based and is organized in a uniform manner. Additional funding is therefore provided to finance the Hospice and Palliative Fund and the Registry of Living Wills (+15.6 mn Euro in 2022, +111.2 mn Euro in 2022-2025).

Moreover, the current economic forecast of the Austrian Institute of Economic Research (WIFO) with the significant upward revision of inflation will lead to higher revenues for the government as a whole (e.g. in income tax, VAT and social security contributions, which will be partly compensated in the federal budget in 2022 by the energy relief packages). However, these additional revenues are also offset by higher expenditures due to indexation, e.g. in the case of compensation of employees, monetary social benefits (from 2023, e.g. in the case of unemployment insurance benefits, the federal contribution to pension insurance and pensions for civil servants) and valorisations (e.g. free rides for schoolchildren, transport service contracts). In addition, the forecasted medium-term development of interest rates will result in higher interest payments.

3.1 Budget execution in 2021

The fiscal year 2021 was characterized by exceptionally strong growth in revenues due to the beneficial economic situation, revenues were already well above the level of the pre-crisis year 2019. In particular, the extremely positive development on the labour market led to strong increases in taxes on income and wealth as well as social security

contributions. Governments market output also recorded strong growth and was already better than at pre-crisis levels.

However, very high expenditures continued to be incurred for the immediate management of the COVID-19 crisis, recorded mainly as for intermediate consumption, monetary and in kind social benefits in kind. Subsidies decreased compared with 2020, but remained more than three times as high as in the pre-crisis year 2019. There was an increase in gross investments, while interest payments continued the trend of recent years and declined sharply. Overall, the general government Maastricht balance improved significantly to -5.9 %, compared with the historic negative figure of -8.0 % in 2020. Thanks to strong nominal GDP growth, the debt ratio was already declining again in 2021 and at 82.8 % it was at the same level as in 2016.

Net lending /borrowing: According to the March notification by Statistics Austria, the federal government Maastricht balance improved in 2021 compared with 2020 from -30.5 bn Euro to -23.9 bn Euro, or from -8.0 % of GDP to -5.9 % of GDP. The improvement is due to the strong recovery in revenues, which grew much faster than expenditure. With regard to the territorial authorities, the main contributor to the improvement was the federal sector, whose Maastricht deficit was 6.3 bn Euro or 2.0 pp of GDP lower than in 2020.

Structural balance: As a result of the strong economic recovery, the negative output gap also narrowed significantly compared with 2020, but remained negative in 2021 (-2.3 % of potential GDP) due to the massive GDP decrease in 2020. The cyclical effect, which is included in the calculation of the structural balance, also decreased accordingly compared to 2020, falling from 3.1 % to 1.3 % of GDP. As there were no one-time measures in 2021, the structural balance was consequently -4.6 % (Maastricht balance minus cyclical effect), slightly better than in 2020 at -4.9 %. The General Escape Clause of the European Stability and Growth Pact (SGP) was still in force in 2021, allowing member states to deviate from the normally applicable budgetary requirements.

Debt level: Despite the high federal government deficit, the Maastricht debt ratio fell again in 2021 to 82.8 %, 0.5 pp of GDP lower than at the end of 2020. The decline is

attributable to the GDP effect: at 6.3 %, nominal GDP growth exceeded the increase in nominal debt of 5.7 %. Nominal debt increased by 18.1 bn Euro from 316.0 bn Euro at the end of 2020 to 334.1 bn Euro at the end of 2021. As opposed to the federal government Maastricht deficit of 23.9 bn Euro, debt-improving cash revenues from tax deferrals granted in 2020, debt reductions of bad banks and a general liquidity reduction in the course of the economic recovery reduced debt.

Revenues: General government revenues developed extremely dynamically in the wake of the strong economic recovery and positive labour market development. Overall, growth compared with 2020 amounted to 16.1 bn Euro or 8.7 %. In absolute terms, federal government revenues in 2021 were above 200 bn Euro for the first time at 201.8 bn Euro, thus also significantly exceeding the pre-crisis level of 2019. Taxes on income and wealth (D.5) recovered very significantly after the slump in 2020, growing by 7.3 bn Euro and 14.8 %, respectively (corporate tax +35.3 %, income tax +8.4 %). Taxes on production and imports (D.2) also recorded strong growth at +4.4 bn Euro or +8.5 % (VAT +8.9 %). Social contributions (D.61) increased by 3.1 bn Euro or 5.1 % compared with 2020. The government revenue ratio rises to 50.0 % of GDP as a result of this development.

Expenditure: General government spending grew at a weaker pace than federal government revenues in 2021, at +9.4 bn Euro or +4.4 %. Overall, crisis-related spending remained very high, although there were differences compared to 2020. While there was an increase of 4.1 bn Euro or 15.8 % in intermediate consumption (P.2) compared with 2020 (including health policy measures), subsidies fell by 0.9 bn Euro or -4.7 % (higher grants to companies, but significantly lower short-time work subsidies). There were also above-average increases in social benefits in kind (D.632, 2.1 bn Euro or +13.4 %) and in gross capital formation (P.5, +1.2 bn Euro or +9.2 %). In contrast, the increase in monetary social benefits (D.62,) was much lower, especially in relative terms (+1.7 bn Euro or +2.2 %, declines in unemployment insurance benefits, increase in the WKO hardship fund, among others). A further continuation of the downward trend based on the low interest rate environment in 2021 was seen in interest expenditure (D.4, property income), which fell by 0.6 bn Euro or -11.0 % compared with 2020 and amounted to 4.5 bn Euro. After peaking at 57.0 % of GDP in 2020 due to the crisis, the government expenditure ratio declined again to 55.9 % of GDP in 2021.

State, local government and social security funds: With a balance of -2.2 bn Euro (-0.5 % of GDP), the state level was the only sector whose Maastricht result in 2021 was worse than in 2020. It is true that the states also benefited from significant increases in revenues (+5.0 %), which thus exceeded the pre-crisis level in 2019. However, the costs of coping with the pandemic caused even stronger expenditure growth (+5.2 %), especially in intermediate consumption and capital transfers.

The municipal level improved its Maastricht balance by 0.3 bn Euro compared with 2020 to -0.8 bn Euro (-0.2 % of GDP) - revenues grew at a faster rate of 8.7 % than expenditures at 7.5 %. Vienna in particular continued to have high expenditures in 2021 for coping with the COVID-19 pandemic, which is reflected, among other things, in the sharp increase in intermediate consumption expenditures at the municipal level. In addition to higher revenue shares (also due to the 2nd municipal financing package) of common federal tax revenues (pre-crisis level of 2019 was significantly exceeded), municipalities also benefited from the reinvigorated municipal tax (at 2019 level) as a result of the good employment trend. The development of gross investments at the municipal level, which grew by 8.8 % compared to 2020, is encouraging, to which the Municipal Investment Act 2020 also contributed.

In 2021, the social security institutions were already back in the black with a Maastricht balance of 0.1 bn Euro (0.0 % of GDP). Due to the positive development on the labour market and the federal government's assumption of the costs of short-time work, revenue growth (+6.3 %) was higher than expenditure growth (+6.0 %).

3.2 Budget in 2022

From a public finance perspective, the year 2022 started off well initially. Revenues in the first months of the year continued to develop dynamically, supported by the elimination of many COVID-19-related restrictions, but also by the inflation rate, which has already been high for several months. On the expenditure side, the first months showed a significant decline in spending related to the COVID-19 crisis. For example, disbursements in the central government's cash budget execution (non-accrual) for the immediate management of the COVID-19 crisis were almost 50 % lower in the period January to March 2022 than in the same period of 2021. The picture changed with the war in Ukraine and the resulting further acceleration in price dynamics, especially for fossil fuels and electricity, but also consumer goods. The central government presented comprehensive

energy relief packages and other measures to cushion the price shock for households and companies and to strengthen Austria's energy independence (see introduction to chapter 3 for the individual measures). The budgetary effects of these measures lead to an increase in the general government Maastricht deficit and a slowdown in the decline of the debt ratio. Nevertheless, on the basis of the current forecast, there is a significant improvement of public finances compared with 2021.

Net borrowing: According to current planning, the federal government Maastricht balance will amount to -13.4 bn Euro or -3.1 % of GDP in 2022. The forecast made in the DBP 2022 is thus revised downward by 0.8 pp of GDP. Compared with 2021, however, this is a substantial improvement of 10.4 bn Euro or 2.8 pp of GDP, which is greater than the drop in the 2021 deficit compared with 2020. Despite the impact of the war in Ukraine and the associated sanctions as well as the energy relief packages, the Maastricht limit of -3.0 % will thus only be missed by 0.1 pp in 2022.

Structural balance: According to the current WIFO economic forecast, the output gap will almost close in 2022 (-0.1 % of potential GDP). Consequently, the cyclical component to be taken into account in the calculation of the structural balance is also very small. As a result, the structural balance of -3.0 % of GDP thus differs only slightly from the projected federal government Maastricht balance of -3.1 % of GDP. Compared with 2021, there is an improvement of 1.6 pp of GDP as a result of the significantly lower Maastricht deficit. The revision compared with the October 2021 planning status in the budget planning overview amounts to 0.5 pp of GDP. Here, too, it must be pointed out that the economic forecast - and thus the forecast of the cyclical effect - is subject to very high uncertainties in view of the hardly assessable further course of the war in Ukraine and its economic effects.

Debt: The decline in the debt ratio, which had already started in 2021, will continue in 2022, albeit at a slower pace than expected in the fall of 2021. The reason for this is the very high forecast nominal GDP growth of 7.5 %, which causes the debt ratio to fall despite an increase in absolute debt. Specifically, the debt ratio is expected to fall from 82.8 % of GDP at the end of 2021 to 80.0 % of GDP at the end of 2022. In absolute terms,

however, the debt level is expected to increase by 12.8 bn Euro from 334.1 bn Euro to 346.8 bn Euro. The increase in debt is lower than the absolute federal government Maastricht deficit as a result of stock-flow adjustments (in particular as a result of debt reducing cash flows related to tax deferrals granted in the COVID-19 crisis).

Revenues: Compared with 2021, general government revenue is expected to grow by substantial 5.4 %. The development of revenues in 2022 will be shaped primarily by five factors:

- A particularly dynamic development of production and import taxes (especially sales tax revenues) supported by a very high increase in nominal private consumption.
- Social security contribution revenues develop well due to the positive employment trend.
- State-owned enterprises (in particular public railways, theatres and museums) achieve significantly higher capacity utilization than in 2020 and 2021, the years affected by COVID-19 lockdowns.
- In 2022, moreover, substantial revenues are foreseen from the Recovery and Resilience Facility.
- The 2022 fiscal measures of the eco-social tax reform have an overall dampening effect on revenues. Although the CO2 price already leads to the first revenues in the second half of 2022, the relief measures dominate these revenues.

Expenditure: General government spending in 2022 increases only marginally by 0.2 % to a level of 226.2 bn Euro, initiating a gradual normalization of the government spending ratio from 55.9 % of GDP in 2021 toward 50 % of GDP (52.2 % of GDP).

The reason for this development is the expiry of very extensive expenditure-side support measures to cope with the COVID-19 crisis, such as the "800,000 fixed cost subsidy". Some crisis management measures still exist, but their endowments are significantly lower than in the crisis years (short-time work or the NPO fund). In addition, the declining interest expenditure burden is supporting government budgets.

As a result of ongoing investment in rail infrastructure, capital spending is at a high level, and this is also rising sharply due to the acquisition of a strategic gas reserve in 2022. Starting in 2022, additional costs will be incurred for displaced persons from Ukraine. Finally, the investment premium will lead to a sharp increase in capital transfers.

3.3 Development of public budgets 2023 to 2025

In 2023-2025, budget policy returns to a sound and sustainable budget path supported by the good economic developments. However, the war in Ukraine is causing this return to slow down.

The economic recovery is strengthened by various public investment measures. These continue to include not only the investment premium, but also numerous projects covered by the Recovery and Resilience Facility (RRF). The focus here is on investments in climate protection, public transport and the digitisation of administration and school infrastructure. These investment projects are accompanied by active labour market policies aimed at creating employment and combating long-term unemployment in a targeted manner.

Furthermore, the Austrian government has taken measures in connection with the war in Ukraine that will continue to have an impact in 2023. These include the energy relief package and the provision of aid to displaced persons from Ukraine.

Supported by economic growth of 2.0 % in real terms and the recovery in the labour market and private consumption, the budgetary situation will continue to improve in 2023.

The Maastricht balance will be -1.5 % of GDP in 2023, well below the Maastricht limit of -3.0 %, and will decline to -0.3 % of GDP by 2025.

Due to the positive output gap in these years, the structural balance is regularly worse than the Maastricht balance. Nevertheless, the structural balance is improving steadily, from 1.7 % of GDP in 2023 to -0.4 % of GDP by the time the medium-term budgetary

objective (MTO) is reached in 2025. Budgetary developments are thus in line with the stability and growth pact rules, to which the federal government is committed despite the major budgetary challenges.

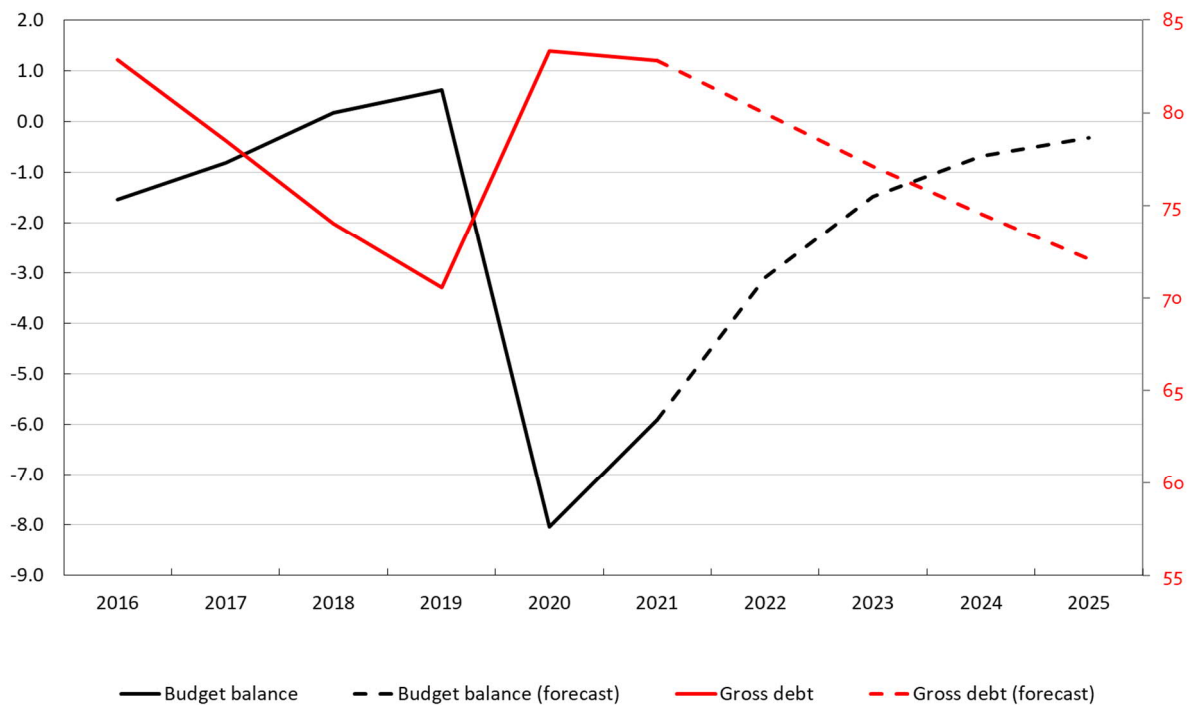
The debt ratio continues to decline to 77.1 % of GDP in 2023. According to the current forecast, it will be 72.1 % of GDP at the end of 2025.

The Maastricht deficit at the federal level will continue to improve in 2023, but will remain negative as a result of the numerous measures to support the economy and the climate-friendly and digital transformation of the economy, as well as the measures due to the Ukraine war. For the state and municipal levels, as well as for the social security sector, a gradual return to the balances achieved before the COVID-19 crisis is projected.

In 2023 to 2025, revenues remain stable at around 49 % of GDP. Both tax revenues and social security contributions, perform well due to the good situation on the labour market. All other revenue categories remain stable.

Expenditures continue to decline from 2023 to 2025, still due to expiring COVID-19 aid and stimulus measures such as the investment premium. In 2023, the government expenditure ratio is still 50.4 % of GDP, and in 2025 it will be 49.4 %.

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

3.4 Macroeconomic and budgetary forecasts in accordance with EU law

The Council Directive 2011/85/EU 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 26 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 December 2021 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 2020. This study was published on the homepage of the Fiscal Council.⁶

⁶ <https://fiskalrat.at/publikationen/berichte/studien-im-auftrag-des-fiskalrates-uebersicht.html>

The study comes to the following conclusions: First, forecasts from different institutions are more correlated with each other than with realized data. Second, upswings and downswings tend to be underestimated. Third, forecasts of GDP are generally less biased than those of subcomponents. Private consumption, imports and exports tend to be overestimated, while public consumption trends are underestimated. Fourth, a general ranking of institutions by forecast quality is not robust to changes in the design of the evaluation. WIFO forecasts for investment, compensation of employees and unemployment are robustly above-average in accuracy, while forecasts for imports and exports are robustly below-average in accuracy. However, the differences between the institutions are generally very small.

The COVID-19 pandemic led to a general deterioration in forecast quality, particularly for institutions that published their forecasts early in the spring of 2020.

The BMF budget forecast - the most accurate forecast of all institutions examined through 2019 - suffered the most due to the lower total number of observations, which resulted in a higher relative weight of errors for 2020.

Nevertheless, applying a tolerance threshold of one standard deviation, no episode of at least eight consecutive significant forecast errors in the same direction - and consequently no systematic bias in the sense of Directive 2011/85/EU - could be identified for either WIFO or the BMF.

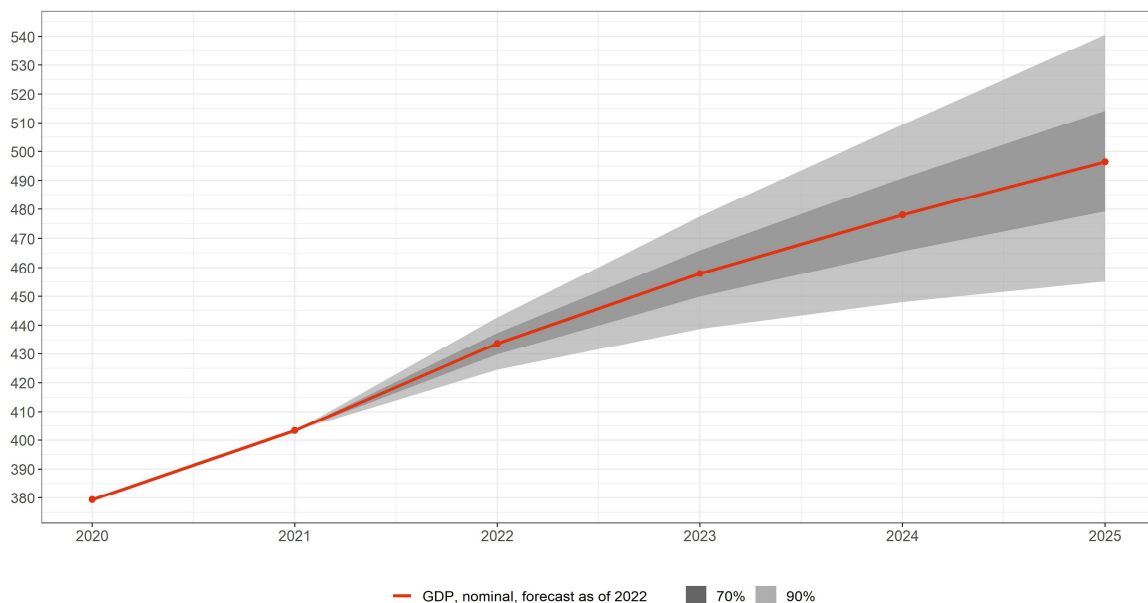
The next evaluation is scheduled for fall 2024.

4 Sensitivity scenarios

Directive 2011/85/EU of the EU requires that, when sensitivity analyses are carried out in macroeconomic 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 and budgetary projections should be based on the reliability of previous forecasts and, where possible, take into account specific risk scenarios.

It should be noted that the WIFO's March 2022 forecast included Russia's war of aggression against Ukraine. The basic premise is that the longer the conflict lasts, the stronger the pressure on inflation, while it weakens real GDP growth through the trade and confidence channel.

Figure 9: GDP scenarios based on historical GDP growth rates until 2025



Left axis: GDP in bn Euro
Sources: BMF (own calculations), STAT, WIFO

In the following, two extreme budget scenarios based on no-policy change (but with equal share of public investments and subsidies in GDP) are presented. Based on the experience of the past 20 years, the probability of these or even more extreme growth paths can be estimated at less than 10 % each.

In the optimistic scenario 1 (GDP at the upper end of the upper light-grey area in Figure 9), the pandemic will finally be overcome in the course of 2023. The war in Ukraine ends quickly and energy prices normalize. Second-round effects on inflation fade away quickly. The world economy remains free of economic tensions. The G20 countries implement their growth strategy, the Western Balkan countries pursue a clear EU accession preparation strategy, Austria gains market shares in global trade and tourism, and business investment activity remains high. The integration of refugees into the labour market is continuing, and the additional demand for labour can be met mainly by registered unemployed people. Accordingly, the inflation rate develops slightly better than in the base scenario. The public debt ratio would fall below 60% of GDP until 2025, and the public budget would return to a surplus.

In the pessimistic scenario 2 (GDP at the bottom of the lower light-grey area in Figure 9), the war in Ukraine will continue throughout 2022. Energy prices remain high and supply chain issues are worsening. Reopening effects associated with recovering private consumption support the economy in 2022, but afterwards, additional risks are triggered. A wave of corporate insolvencies weakens the financial system, the labour market and the investment activity. Geopolitical tensions will reduce world trade and drive up commodity prices. Corrections on the asset markets and lower consumer confidence dampen private consumption. Despite weaker demand, inflation is above the baseline as supply falls, and market interest rates will adjust accordingly. After low economic growth in 2022, real GDP growth would continue to be flat. The public debt ratio would increase until 2025, and the budget balance would still be -4 % of GDP in 2025.

There is a separate scenario for a different interest rate development. While the baseline scenario is based on market expectations of issue yields for 10-year debt securities as of early April 2022, the ECB scenario and the BIS standard shock scenario are used alternatively. Due to the long average maturities of the current debt, even the BIS scenario has a relatively moderate impact on interest payments in the forecast period.

5 Sustainability of public finances

At the EU level, long-term projections of age-related expenditure (pension, health care, long-term care and education) are prepared every three years as part of the "Ageing Report". In May 2021, "The 2021 Ageing Report" (AR 2021) was published.⁷ A rough overview of the results is given in Table 16.

In January 2019, the EC published the Fiscal Sustainability Report 2018.⁸ According to this report, Austria has a low sustainability risk in the short and medium term and a medium risk in the long term. In terms of medium-term risk, there was an improvement by one level compared with the 2016 report. The Fiscal Sustainability Report 2021 is expected to be published in the second quarter of 2022.

⁷ https://ec.europa.eu/info/publications/2021-ageing-report-economic-and-budgetary-projections-eu-member-states-2019-2070_en

⁸ https://ec.europa.eu/info/publications/economy-finance/fiscal-sustainability-report-2018_en

6 Institutional framework

6.1 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.

The Federal Government is committed to the economic policy goal of a balanced federal budget, depending on economic developments and requirements. The Federal Government thereby combines fiscal stability and responsibility towards future generations. With its budget policy, the Federal Government pursues economic, ecological and social goals. European and international obligations, in particular the Paris Agreement, also serve as the basis for action.

The COVID-19-pandemic has impacts on the European Stability and Growth Pact and in further consequence on the Austrian Stability Pact 2012 (ASP 2012): according to article 11 ASP, exemptions approved by the European Union are to be analogously applicable to the ASP 2012.

The Austrian Fiscal Advisory Council was legally entrusted to monitor compliance with the European fiscal rules in Austria. It monitors the budget targets in accordance with guidelines, makes recommendations and, if necessary, points out adjustment paths. The Federal Government, the social partners, the Intergovernmental Fiscal Relations Partners, the Austrian National Bank and the budget service of the National Council appoint members to the council who are adequately skilled and autonomous. With respect to fiscal surveillance, the Austrian Fiscal Advisory Council plays an essential role in strengthening budgetary discipline in the Federal Government, in the federal states and in the municipalities.

6.2 Medium-term budgetary planning

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

6.3 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 document is a central component of the European Semester and is adopted by the Federal Government in accordance with the Austrian Stability 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 as well as the Fiscal Equalisation and Social Partners.

7 Annex

Table 1: Basic assumptions

	2021	2022	2023	2024	2025
Short-term interest rate (annual average)	-0.5	-0.4	0.3	0.5	0.8
Long-term interest rate (annual average)	-0.1	0.6	1.0	1.2	1.6
USD/€ exchange rate (annual average)	1.2	1.1	1.1	1.1	1.1
Nominal effective exchange rate	0.6	1.2	0.3		
Real GDP growth (World excluding EU)	6.0	3.8	3.4	3.3	3.2
Real GDP growth (EU)	5.3	3.3	2.8	2.1	1.8
Growth of relevant Austrian foreign markets	10.9	4.3	3.5		
Import volumes (World excluding EU)					
Oil prices (Brent, USD/barrel)	71	110	96	89	85

Positions may not sum up due to rounding errors.

Source: WIFO

Table 2: Macroeconomic prospects

		2021	2021	2022	2023	2024	2025
	ESA Code	in bn €		rate of change			
1. Real GDP	B1*g	364.0	4.5	3.9	2.0	1.8	1.6
2. Potential GDP		372.6	1.1	1.6	1.6	1.2	1.1
3. Nominal GDP	B1*g	403.4	6.3	7.5	5.6	4.4	3.8
Components of real GDP							
4. Private final consumption expenditure	P.3	180.7	3.3	3.9	2.3	2.3	1.7
5. Government final consumption expenditure	P.3	76.2	6.7	-1.6	0.1	0.7	1.0
6. Gross fixed capital formation	P.51g	91.6	4.0	3.5	2.5	2.1	2.2
7. Changes in inventories and net acquisition of valuables (in % of GDP)	P.52 + P.53	3.9	83.8	32.8	3.0	4.9	3.9
8. Exports of goods and services	P.6	215.9	12.7	6.1	3.9	3.3	3.2
9. Imports of goods and services	P.7	206.8	14.5	4.6	3.8	3.6	3.4
Contributions to real GDP growth							
10. Final domestic demand			4.1	2.5	1.8	1.9	1.6
11. Changes in inventories ¹⁾	P.52 + P.53		0.9	0.5	0.1	0.1	0.1
12. External balance of goods and services	B.11		-0.5	0.9	0.1	-0.2	-0.2

¹⁾ 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

	2021	2022	2023	2024	2025
	rate of change				
1. GDP deflator	1.8	3.5	3.5	2.6	2.2
2. Private consumption deflator	2.4	5.6	3.2	2.5	2.3
3. CPI	2.8	5.8	3.2	2.5	2.3
4. Public consumption deflator	0.9	4.3	4.1	2.9	2.4
5. Investment deflator	3.5	5.5	3.5	2.7	2.3
6. Export price deflator (goods and services)	2.6	2.6	0.2	1.4	1.4
7. Import price deflator (goods and services)	5.3	5.8	-0.1	1.4	1.4

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 4: Labour market developments

	2021	2021	2022	2023	2024	2025
	ESA Code	Level	rate of change			
1. Employment, persons		4,234,866	2.3	2.0	1.1	1.0
2. Employment, hours worked (in m)		7,056.9	5.1	3.9	1.5	0.9
3. Unemployment rate, EUROSTAT definition		283,700	6.2	4.9	4.7	4.6
4. Labour productivity, persons		85,949.5	2.1	1.9	0.9	0.8
5. Labour productivity, hours worked		51.6	-0.6	0.0	0.5	0.8
6. Compensation of employees (in m €)	D.1	202,781.2	5.5	5.7	6.1	4.4
7. Compensation per employee		47,883.7	3.1	3.7	4.9	3.4

Positions may not sum up due to rounding errors.

Sources: BMF, EUROSTAT, STAT, WIFO

Table 5: Sectoral balances

		2021	2022	2023	2024	2025
	ESA Code	in % of GDP				
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	-0.2	-0.4	-0.1		
2. Net lending/borrowing of the private sector	B.9	5.7	2.7	1.3		
3. Net lending/borrowing of the general government	B.9	-5.9	-3.1	-1.5	-0.7	-0.3
4. Statistical discrepancy		0.2	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

		2021	2022	2023	2024	2025
	ESA Code	in % of GDP				
Net lending/net borrowing by sub-sector						
1. General government	S.13	-5.9	-3.1	-1.5	-0.7	-0.3
2. Central government	S.1311	-5.2	-3.0	-1.5	-0.8	-0.4
3. State governments (excl. Vienna)	S.1312	-0.5	-0.1	0.0	0.0	0.0
4. Local governments (incl. Vienna)	S.1313	-0.2	0.0	0.0	0.0	0.0
5. Social security funds	S.1314	0.0	0.1	0.1	0.1	0.1
6. Interest expenditure	D.41	1.1	1.0	1.0	1.0	1.0
7. Primary balance		-4.8	-2.1	-0.5	0.3	0.7
8. One-off and other temporary measures		0.0	0.0	0.0	0.0	0.0
9. Real GDP growth		4.5	3.9	2.0	1.8	1.6
10. Potential GDP growth		1.1	1.6	1.6	1.2	1.1
11. Output gap		-2.3	-0.1	0.3	0.2	0.1
12. Cyclical budgetary component		-1.3	0.0	0.2	0.1	0.1
13. Cyclically-adjusted balance		-4.6	-3.0	-1.7	-0.8	-0.4
14. Cyclically-adjusted primary balance		-3.5	-2.1	-0.7	0.2	0.6
15. Structural balance		-4.6	-3.0	-1.7	-0.8	-0.4

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 7: General government debt developments

		2021	2022	2023	2024	2025
	ESA Code	in % of GDP				
1. Gross debt		82.8	80.0	77.1	74.5	72.1
2. Change in gross debt ratio (in %)		-0.5	-2.8	-2.9	-2.6	-2.4
Contributions to changes in gross debt						
3. Primary balance		-4.8	-2.1	-0.5	0.3	0.7
4. Interest expenditure	D.41	1.1	1.0	1.0	1.0	1.0
5. Stock-flow adjustment		-1.4	-0.2	-0.1	0.0	0.0
p.m.: Implicit interest rate on debt		1.3	1.2	1.3	1.3	1.4

Positions may not sum up due to rounding errors.

Source: BMF

Table 8: Contingent liabilities

	2020	2021	2022
	in % of GDP		
Public guarantees	19.1	17.0	15.8
of which: Central government ¹⁾	14.3	12.9	12.2
of which: linked to the financial sector ²⁾	0.2	0.1	0.1
of which: State and Local governments	4.8	4.1	3.6
of which: linked to the financial sector ²⁾	1.4	1.3	1.1

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. SURE and EGF included from 2020.

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 Kärtner Ausgleichszahlungsfonds or bank deposit insurance.

Positions may not sum up due to rounding errors.

Sources: BMF, State governments, STAT, WIFO

Table 9: Budgetary prospects

		2021	2022	2023	2024	2025
	ESA Code	in % of GDP				
		General government				
1. Total revenue	TR	50.0	49.1	48.9	48.9	49.1
1.1. Taxes on production and imports	D.2	13.9	13.7	13.6	13.7	13.7
1.2. Current taxes on income, wealth etc.	D.5	14.0	13.6	13.6	13.6	13.9
1.3. Capital taxes	D.91	0.0	0.0	0.0	0.0	0.0
1.4. Social contributions	D.61	15.9	15.6	15.7	15.7	15.7
1.5. Property income	D.4	0.7	0.6	0.6	0.6	0.6
1.6. Other		5.5	5.5	5.4	5.3	5.2
p.m.: Tax burden		44.0	43.1	43.0	43.2	43.4
2. Total expenditure	TE	55.9	52.2	50.4	49.6	49.4
2.1. Compensation of employees	D.1	11.0	10.6	10.7	10.7	10.6
2.2. Intermediate consumption	P.2	7.4	6.9	6.6	6.4	6.3
2.3. Social payments	D.62, D.632	24.1	22.9	22.6	22.6	22.6
of which: Unemployment benefits		1.6	1.1	1.0	0.9	0.9
2.4. Interest expenditure	D.41	1.1	1.0	1.0	1.0	1.0
2.5. Subsidies	D.3	4.5	2.2	1.7	1.6	1.5
2.6. Gross fixed capital formation	P.51g	3.5	3.7	3.3	3.1	3.2
2.7. Capital transfers	D.9	0.7	1.1	1.1	0.8	0.8
2.8. Other		3.6	3.8	3.5	3.4	3.4

Positions may not sum up due to rounding errors.

Source: BMF

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

		2021	2022	2023	2024	2025
	ESA Code	in % of GDP				
General government						
1. Total revenue	TR	50.0	49.2	49.0	48.8	49.0
1.1. Taxes on production and imports	D.2	13.9	13.8	13.7	13.7	13.7
1.2. Current taxes on income, wealth etc.	D.5	14.0	13.8	13.8	13.8	14.1
1.3. Capital taxes	D.91	0.0	0.0	0.0	0.0	0.0
1.4. Social contributions	D.61	15.9	15.5	15.4	15.4	15.4
1.5. Property income	D.4	0.7	0.6	0.6	0.6	0.6
1.6. Other		5.5	5.5	5.4	5.3	5.2
p.m.: Tax burden		44.0	43.2	43.1	43.1	43.3
2. Total expenditure	TE	55.9	50.7	50.3	49.6	49.4
2.1. Compensation of employees	D.1	11.0	10.6	10.7	10.7	10.6
2.2. Intermediate consumption	P.2	7.4	6.7	6.6	6.4	6.3
2.3. Social payments	D.62, D.632	24.1	22.5	22.5	22.6	22.6
of which: Unemployment benefits						
2.4. Interest expenditure	D.41	1.1	1.0	1.0	1.0	1.0
2.5. Subsidies	D.3	4.5	1.8	1.6	1.6	1.5
2.6. Gross fixed capital formation	P.51g	3.5	3.3	3.3	3.1	3.2
2.7. Capital transfers	D.9	0.7	1.1	1.1	0.8	0.8
2.8. Other		3.6	3.7	3.5	3.4	3.4

Positions may not sum up due to rounding errors.

Source: BMF

Table 11: Amounts to be excluded from the expenditure benchmark

	2021	2021	2022	2023	2024	2025
	in bn €					in % of GDP
1. Expenditure on EU programmes fully matched by EU funds revenue	0.7	0.2	0.3	0.3	0.2	0.2
of which investments fully matched by EU funds revenue	0.3	0.1	0.1	0.1	0.0	0.0
2. Cyclical unemployment benefit expenditure at unchanged policies	1.1	0.3	0.0	0.0	0.0	0.0
3. Effects of discretionary revenue measures	-1.9	-0.5	-0.4	-0.2	0.0	-0.1
4. Revenue increases mandated by law	0.0	0.0	0.0	0.0	0.0	1.0

Positions may not sum up due to rounding errors.

Cyclical expenditure defined as actual expenditure (COFOG 10.5) minus expenditure for NAWRU-unemployed.

Discretionary revenue measures are presented as incremental changes.

Sources: BMF, STAT, WIFO

Table 12: Divergence from the latest Draft Budgetary Plan (October 2021)

		2021	2022	2023	2024	2025
	ESA Code	in % of GDP				
General government net lending/net borrowing						
	B.9					
DBP October 2021		-6.0	-2.3			
SP April 2022		-5.9	-3.1	-1.5	-0.7	-0.3
<i>Difference</i>		<i>0.1</i>	<i>-0.8</i>			
General government net lending/net borrowing ("no-policy change"-assumption)						
DBP October 2021		-5.1	-0.9			
SP April 2022		-5.9	-1.5	-1.2	-0.8	-0.4
<i>Difference</i>		<i>-0.8</i>	<i>-0.6</i>			
Gross debt						
DBP October 2021		82.8	79.1			
SP April 2022		82.8	80.0	77.1	74.5	72.1
<i>Difference</i>		<i>0.0</i>	<i>0.9</i>			
Gross debt ("no-policy change"-assumption)						
DBP October 2021		81.9	76.9			
SP April 2022		82.8	78.3	75.3	72.9	70.6
<i>Difference</i>		<i>0.9</i>	<i>1.5</i>			
Structural balance						
	B.9					
DBP October 2021		-4.4	-2.5			
SP April 2022		-4.6	-3.0	-1.7	-0.8	-0.4
<i>Difference</i>		<i>-0.2</i>	<i>-0.5</i>			

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 13: General government expenditure by function

		2018	2019	2020	2021
	COFOG Code				
1. General public services	1	5.9	5.7	6.2	5.8
2. Defence	2	0.6	0.6	0.6	0.6
3. Public order and safety	3	1.4	1.3	1.4	1.4
4. Economic affairs	4	5.9	5.8	9.7	9.1
5. Environmental protection	5	0.4	0.4	0.4	0.4
6. Housing and community amenities	6	0.3	0.3	0.3	0.3
7. Health	7	8.2	8.3	9.2	10.0
8. Recreation, culture and religion	8	1.2	1.2	1.2	1.2
9. Education	9	4.8	4.8	5.1	5.0
10. Social protection	10	20.2	20.1	22.9	22.0
11. Total expenditure	TE	48.7	48.6	57.0	55.9

Positions may not sum up due to rounding errors.

Source: STAT

Table 14: Economic growth and public finances in three scenarios

	2021	2022	2023	2024	2025
Baseline Scenario					
GDP, nominal, rate of change in %	6.3	7.5	5.6	4.4	3.8
Dependent employment (in 1,000)	3,734.4	3,814.4	3,859.4	3,900.8	3,941.8
Unemployed (in 1,000)	331.7	276.7	271.7	265.3	259.1
Inflation (CPI, in %)	2.8	5.8	3.2	2.5	2.3
Private final consumption expenditure, real, rate of change in %	3.3	3.9	2.3	2.3	1.7
Net lending/borrowing of general government in % of GDP	-5.9	-3.1	-1.5	-0.7	-0.3
Gross debt in % of GDP	82.8	80.0	77.1	74.5	72.1
Scenario 1					
GDP, nominal, rate of change in %	6.3	9.8	7.9	6.7	6.1
Dependent employment (in 1,000)	3,734.4	3,859.5	3,959.4	4,052.8	4,095.8
Unemployed (in 1,000)	331.7	247.0	232.3	216.7	209.5
Inflation (CPI, in %)	2.8	5.8	2.0	2.0	2.0
Private final consumption expenditure, real, rate of change in %	3.3	6.1	4.8	5.2	1.7
Net lending/borrowing of general government in % of GDP	-5.9	-2.2	0.6	2.3	3.1
Gross debt in % of GDP	82.8	77.5	71.2	64.5	57.5
Scenario 2					
GDP, nominal, rate of change in %	6.3	5.2	3.4	2.2	1.6
Dependent employment (in 1,000)	3,734.4	3,769.4	3,760.9	3,753.0	3,792.9
Unemployed (in 1,000)	331.7	306.3	311.2	311.6	305.8
Inflation (CPI, in %)	2.8	6.8	3.7	2.7	2.4
Private final consumption expenditure, real, rate of change in %	3.3	1.7	-0.2	-0.5	1.7
Net lending/borrowing of general government in % of GDP	-5.9	-4.3	-3.7	-3.9	-4.0
Gross debt in % of GDP	82.8	82.8	83.7	85.8	88.3

Sources: BMF, STAT, WIFO

Table 15: Interest expenditure in three scenarios

	2021	2022	2023	2024	2025
	in % of GDP				
Baseline scenario	1.1	1.0	1.0	1.0	1.0
ECB scenario	1.1	0.9	0.9	0.9	0.9
Basler Ausschuss stress scenario	1.1	1.0	1.1	1.1	1.2

Sources: BMF, OeBFA

Table 16: Long-term sustainability of public finances (The 2021 Ageing Report)

	2019	2030	2040	2050	2060	2070
	in % of GDP					
Total age-related expenditure	26.7	29.1	29.8	30.3	30.6	30.5
Pension	13.3	15.1	15.1	14.7	14.6	14.3
Health care	6.9	7.4	7.8	8.0	8.1	8.1
Long-term care	1.8	2.2	2.5	3.2	3.4	3.5
Education	4.7	4.5	4.4	4.4	4.5	4.5
Assumptions						
Real GDP growth	1.6	1.2	1.5	1.3	1.4	1.4
Labour productivity (change in %)	0.7	1.1	1.5	1.5	1.5	1.5
Employment rate males (aged 20-64)	81.2	80.4	81.3	80.9	81.2	81.1
Employment rate females (aged 20-64)	72.4	74.5	77.6	77.4	77.8	77.8
Total employment rate (aged 20-64)	76.8	77.5	79.5	79.2	79.5	79.5
Unemployment rate (aged 20-64, EUROSTAT definition)	4.4	4.1	4.1	4.1	4.1	4.1
Persons aged 65+ in % of total population (aged 20-64)	30.7	40.3	48.2	51.5	54.8	55.9

Positions may not sum up due to rounding errors.

Source: EC

Table 17: County specific recommendations

See: European semester – documents under

https://www.bundeskanzleramt.gv.at/agenda/europapolitik/europaeisches_semester.html

Table 18: New measures (in million Euro)

		2022	2023	2024	2025
	ESA Code	in mn. €			
Energy relief packages		1,791	1,008	71	214
Inflation compensation for vulnerable groups	D.62	211			
Energy cost compensation	D.63	600			
Energy counselling	D.7	15			
Reduction energy tax (Electricity tax, natural gas tax by: approx. 90 %)	D.2, Energy tax	600	500	-225	
Commuters relief (Lump sum commuters +50 %, commuter Euro x4, negative taxpayers one-off payment)	D.5 (D.3)	120	220	80	
Cost compensation agricultural diesel	D.2, mineral oil tax	5	20	5	
Public transport (expanding regional services, indexations, climate ticket)	several	150	153	156	159
Energy independence: investments in wind power and photovoltaic	D.9	30	55	55	55
Promoting decarbonisation of firms' vehicle fleets	D.3	60	60		
Strategic gas reserve	P.5	1,600			
Ukrainian refugees	D.63/D.7	550	550		
Foreign disaster fund (additional funds)	D.7	50			
Total		3,991	1,558	71	214
in % of GDP		0.92	0.34	0.01	0.04

Positions may not sum up due to rounding errors.

Source: BMF

Table 19: Discretionary measures (in million Euro)

		2020	2021	2022	2023	2024	2025
Measures ¹⁾	ESA Code	Budgetary impact					
Selected COVID and economic measures							
COFAG (fixed-cost subsidy, turnover substitute, guarantees, ...) ²⁾	D.3 (D.9)	6,343	7,482	725	290	112	94
Short-time work scheme ²⁾	D.3	6,166	3,177	963			
Season starting aid (seasonal worker short-time work scheme) ²⁾	D.3			90			
NPO support fund ²⁾	D.7	240	413	375			
Medical equipment, masks, tests	P.2	350	529	269			
Special Purpose Grants Act (1450, protective equipment, health infrastructure)	P.2	363	1244	791			
Vaccination procurement (incl. medicine) ²⁾	P.2	22	480	987	402		
Test strategy tourism, testing in companies	P.2/D.3	44	180	62			
Epidemic Law ²⁾	P.2/D.3	116	1,305	200			
Hardship fund ²⁾	D.62	896	1,338	200			
Transfers to Social Security Funds (vaccination and test staff) ²⁾	D.63	93	1,135	806			
Municipal Investment Act	P.5	261	561	179			
Investment premium ³⁾	D.9	25	399	1,522	2,018	650	383
Corona active labour market program ²⁾³⁾	D.3/P.2 (D.62)	266	209	127	97		
Labour program for long term unemployed (Sprungbrett)	D.3		250	50			
TOTAL		15,186	18,700	7,345	2,807	762	477
in % of GDP		4.0	4.6	1.7	0.6	0.2	0.1

1) Excluding measures financed by RRF, except Investment premium and Corona-Joboffensive. Table includes only federally funded measures.

2) ESA values may differ from administrative values due to time adjustments.

3) including RRF

Source: BMF

Table 20: Eco-social tax reform (in million Euro)

		2022	2023	2024	2025
	ESA Code	in mn. €			
CO2 Pricing	D.2 (revenues)	-500	-1,000	-1,400	-1,700
Taxation of revenues from cryptocurrencies	D.5 (revenues)		-5	-10	-30
Relief measures for employees		2,759	4,441	5,378	5,826
Regional climate bonus	D.7	1,250	1,300	1,400	1,500
Increase social insurance bonus and tax credit for pensioners	D.5 (revenues)	550	650	650	650
Reduction of health insurance contributions self-employed and farmers	D.61 (revenues)	61	61	61	61
Reduction of 2nd income tax bracket from 35 % to 30 %	D.5 (revenues)	750	1,750	2,050	2,150
Reduction of 3rd income tax bracket from 42 % to 40 %	D.5 (revenues)		200	500	600
Family Bonus Plus 2,000 Euro & 650 Euro, resp. (children above 18)/additional child allowance	D.5 (revenues)	75	350	525	600
Allowance for profit-sharing of employees	D.5 (revenues)	65	100	140	190
Hire-purchase model for non-profit housing (VAT assessment base period 10 years)	D.5 (revenues)	8	10	12	15
Tax incentives concerning boiler replacements and thermal renovation	D.5 (revenues)		20	40	60
Relief measures for businesses		175	300	1,130	1,510
(Green) Investment tax allowance	D.5 (revenues)			350	350
Own electricity-exemption for renewable energy	D.5 (revenues)	25	50	55	60
Reduction of corporate tax to 24 % and 23 %, resp.	D.5 (revenues)			300	700
Increase of basic tax-free allowance from 13 % to 15 %	D.5 (revenues)		50	50	50
Increase of limit for low-value assets to 1,000 Euro	D.5 (revenues)			150	100
Carbon leakage, Hardship-regulation, further measures	D.2 (revenues)	150	200	225	250
Relief measures for agriculture		55	60	65	70
Refund agricultural sector	D.2 (revenues)	30	35	40	45
Promotion of energy self-sufficient farms (direct funding)	D.9	25	25	25	25
Other climate protection measures		190	130	0	0
Clean heating campaign: Out of oil/gas (direct funding)	D.9	90	90		
Boiler replacement for low-income households (direct funding)	D.9	40	40		
Thermal renovation multi-storey housing (direct funding)	D.9	60			
Eco-social tax reform		2,679	3,926	5,163	5,676
Revenue measures		1,214	2,471	3,738	4,151
Expenditure measures		1,465	1,455	1,425	1,525
<i>in % of GDP</i>		0.62	0.86	1.08	1.14

Positions may not sum up due to rounding errors.

Source: BMF

Table 21: COVID-19 liabilities (in million Euro)

	Liability framework	Assumed liabilities ¹⁾
aws SME Promotion Act (aws KMU-FG)	3,750	2,731
aws Guarantee Act 1977 (aws GG)	2,000	379
ÖHT SME Promotion Act (ÖHT KMU-FG)	1,625	1,026
ÖHT Authorized to perform travel services ³⁾	300	35
OeKB Special Framework KRR (Kontrollbank Refinancing Framework)	3,000	786
OeKB 90 %		575
Total	10,675	5,532

1) Outstanding liability amount as of 31 March 2022. The liability amount of the aws and ÖHT KMU-FG liabilities includes both liabilities under the COVID-19 framework in accordance with § 7 (2a) KMU-FG and liabilities in accordance with § 7 (2) KMU-FG. Budgetary effects resulting from liabilities (depreciation) can be found in Table 18.

2) Data as of 28 February 2022

Processing agencies: aws - Austria Wirtschaftsservice GmbH, ÖHT - Austrian Hotel and Tourism Bank GmbH, OeKB - Austrian Control Bank AG

Source: BMF

Table 22: Revenue from RRF grants (in million Euro)

	2020	2021	2022	2023	2024	2025
RRF-Zuschüsse wie in den Einnahmeprojektionen enthalten		418.1	934.7	1,033.6	605.1	461.8
Barauszahlungen aus RRF-Zuschüssen von der EU		450.0	700.0	750.0	700.0	400.0

RRF-Zuschüsse in Jahr 2021 enthalten Zuschüsse für 2020. Es können sich Rundungsdifferenzen ergeben.

Quelle: BMF

Table 23: Expenditure financed by RRF grants (in million Euro)

	ESA Code	2020	2021	2022	2023	2024	2025
Compensation of employees	D.1		53.0	46.7	15.8	15.8	
Intermediate consumption	P.2		148.3	205.7	119.2	86.3	10.6
Social payments	D.62, D.632		0.6	30.0	32.0	22.5	20.0
Interest expenditure	D.41						
Subsidies, payable	D.3	6.7	3.1	145.0	154.0	109.0	82.0
Current transfers	D.7			27.5	32.5	5.0	
Total current expenditure		6.7	204.9	454.8	353.5	238.6	112.6
Gross fixed capital formation	P.51g	78.8	96.0	151.1	171.4	114.3	85.5
Capital transfers	D.9		31.8	428.7	608.7	352.2	363.7
Total capital expenditure		78.8	127.8	579.9	780.2	466.5	449.2
RRF co-financed expenditure		85.5	332.7	1,034.7	1,133.6	705.1	561.8

2020, 2021: Budget execution. From 2022 plan values according to ARP without authorization for funds that have not yet been exhausted.

Source: BMF

Table 24: RRF co-financed programmes (in million Euro)

	2020	2021	2022	2023	2024	2025
Compensation of employees	0.0	53.0	46.7	15.8	15.8	0.0
Community nursing			18.3	15.8	15.8	
Elementary education			28.4			
Additional teaching lessons		53.0				
Intermediate consumption	0.0	148.3	205.7	119.2	86.3	10.6
Electronic platform for mother child passport			0.5	3.0	4.0	2.5
Digitalisation of cultural objects			3.7	4.4	3.2	3.1
Digital end devices for pupils		51.2	35.3	35.3	35.3	
(Digital) Research infrastructures				10.0	10.0	5.0
Digitalisation fund for public administration		6.8	80.0			
Reskilling and upskilling		90.3	86.2	66.5	33.9	
Social payments	0.0	0.6	30.0	32.0	22.5	20.0
Primary Health Centres		0.6	25.0	25.0	20.0	20.0
„Early support“-measure for socially disadvantaged			5.0	7.0	2.5	
Subsidies, payable	6.7	3.1	145.0	154.0	109.0	82.0
Circular economy package			100.0	100.0	40.0	30.0
IPCEI Microelectronic		0.02	20.0	24.5	34.5	26.0
IPCEI Hydrogen		0.08	20.0	24.5	34.5	26.0
Digitalisation of SMEs (KMU.Digital and KMU.E-Commerce)	6.7	3.0	5.0	5.0		
Current transfers	0.0	0.0	27.5	32.5	5.0	0.0
Biodiversity fund			25.0	25.0		
Investment fund climate-friendly culture sites			2.5	7.5	5.0	
TOTAL CURRENT EXPENDITURE	6.7	204.9	454.8	353.5	238.6	112.6
Gross fixed capital formation	78.8	96.0	151.1	171.4	114.3	85.5
Renovation of Volkskundemuseum Wien and Prater Atelier			5.2	5.4	5.3	7.8
Austrian Institute of Precision Medicine			5.0	10.0	10.0	25.0
Quantum Austria			21.0	21.0	21.0	22.0
Construction of new railway lines and electrification of regional railways	78.8	96.0	119.9	135.1	78.0	30.7
Capital transfers	0.0	31.8	428.7	608.7	352.2	363.7
Emission free buses			51.2	51.2	51.2	51.2
Funding of emission free vehicles and infrastructure			35.0			
Investments to tackle energy poverty: oil boiler replacement			10.0	15.0	15.0	10.0
Industrial transformation towards climate neutrality			30.0	30.0	35.0	
Investments into climate-fit town centres			11.3	11.3	11.3	10.8
Broadband			52.0	104.0	208.0	260.0
Investment premium RRF			207.5	365.5		
Replacement of oil and gas heaters		31.8	31.8	31.8	31.8	31.8
TOTAL CAPITAL EXPENDITURE	78.8	127.8	579.9	780.2	466.5	449.2
TOTAL RRF CO-FINANCED EXPENDITURE	85.5	332.7	1,034.7	1,133.6	705.1	561.8

2020, 2021: Budget Execution. From 2022 planned volumes according to the Austrian RRF without authorisations for not unused funds.

Source: BMF

Table 25: Overview of all notified milestones and target values for the first Austrian payment application pursuant to Implementing Decision COM(2021) 338

Measures	Description
1.B.5 Construction of new railways and electrification of regional railways	Ongoing construction project
3.B.1 Education bonus	Entry into force of the Unemployment Insurance Act and the publication of the Funding Guidelines on the Ministries' website
3.B.1 Promoting re-and upskilling	Ensuring the preconditions for re- and upskilling
4.D.2 Increase in effective retirement age	Establishment of the legal basis for the abolishment of the early retirement pension without deduction, as well as for the introduction of the early starter bonus and the postponement of the first pension increase (<i>Aliquotierung</i>)
1.B.4 Zero-emission utility vehicles	Launch of the support programme
2.B.1 Fair and equal access of pupils to basic digital competence	Entry into force of the School Digitalisation Act
2.D.1 Digitalisation of SMEs	Approval and publication of the relevant guidelines and contracts for KMU.DIGITAL 3.0
2.D.1 Digitalisation of SMEs	Approval and publication of the relevant guidelines and contracts for KMU.E-Commerce
4.D.11 Liberalisation of business regulations	Entry into force of the occasional transport act
4.D.11 Liberalisation of business regulations	Exemption of recharging points for electric motor vehicles and photovoltaic systems in commercial installations from authorisation requirements
2.B.2 Provision of digital end-user devices to pupils	Digital devices for the first two year of secondary school
2.C.2 Digitalisation fund public administration	Entry into force of the Digitalisation Fund Act
2.D.2 Digital investments in enterprises	Entry into force of the amendment to the Investment Premium Act to reflect

	the budget increase as a result of the RRP
2.D.3 Green investments in enterprises	Entry into force of the amendment to the Investment Premium Act to reflect the budget increase as a result of the RRP
3.C.2 Remedial education package	Finalisation of the remedial education package and start with the measures in the schools
4.D.5 Eco-social tax reform	Launch of the second stage of the work of the task force
4.B.2 Reform to further develop care provision	Pilot projects on community nurses as element of the Reform of care provision
1.B.2 Introduction of 1-2-3 climate ticket	Entry into force of law
.D.2 Transforming industry towards climate neutrality	Adoption of regulatory criteria and funding guidelines
2.B.1 Fair and equal access of pupils to basic digital competence	Entry into force of the Implementing regulation,
2.C.1 Proposed legislation for Once Only: Amendment of the Business Service Portal Act	Entry into force of the law amending the Business Service Portal Act; upgrade of the relevant IT infrastructure
3.D.2 IPCEI Hydrogen	National selection of projects to support the development of hydrogen production, storage and applications
4.B.3 Climate-friendly town centres	Adoption of the funding guidelines for the four areas of intervention
4.B.4 Investment in the implementation of Community Nursing	Start of community nurses work
4.C.1 Development of a building culture programme	Fourth Building Culture report
4.D.10 Labour market: one-stop shop	Conceptual development
4.D.7 National Financial Education Strategy	Strategy document
4.D.9 Strengthening equity capital	Decree on the conversion of state guaranteed loans into equity
1.A.2 Exchange of oil and gas heating systems	Replacement of heating systems
1.B.2 Introduction of 1-2-3 climate ticket	Introduction of 1-2-3 climate ticket

1.C.1 Legal framework for increasing collection rates for beverage packaging and the supply of reusable beverage containers in retail	Entry into force of the amended Waste Management Act
1.D.1 Renewables Expansion Law	Entry into force of the Renewables Expansion Law
2.A.1 Set-up of Platform Internet-infrastructure Austria (PIA) 2030	Work programme of Platform Internet-infrastructure Austria (PIA 2030) to coordinate the interaction of all relevant stakeholders
2.B.2 Provision of digital end-user devices to pupils	Digital devices for the first two year of secondary school
3.A.2 Quantum Austria — Promotion of Quantum Sciences	Call for expressions of interest (BMBWF); Identification of an executing agency
3.B.1 Education bonus	Education bonuses disbursed
3.C.2 Remedial education package	Support measures during the school year are completed. Provision of supplementary classes including during the holidays
3.D.1 IPCEI Microelectronics and connectivity	Climate-related eligibility criteria established in call documents
3.D.1 IPCEI Microelectronics and connectivity	National selection of projects to support the development of innovative microelectronics and connectivity technologies
4.A.2 Funding of primary health care projects	Adoption and publication of funding guidelines for primary health care projects
4.B.1 Soil protection strategy	Adoption of a road map for the Austrian soil protection strategy
4.C.3 Renovation of <i>Volkskundemuseum</i> Wien and Prater Ateliers	Feasibility studies for the <i>Volkskundemuseum</i> Wien and Prater Ateliers
4.C.5 Investment fund for climate-friendly cultural businesses	Entry into force of the funding guidelines establishing the investment fund
4.D.4 Climate action governance framework	Citizens' Climate Council (<i>Klimarat</i>) and focal point on green budgeting

Source: BMF

Table 26: Comparison of macroeconomic and budgetary forecasts

	2021	2022	2023	2024	2025
	Real GDP growth				
WIFO	4.5	3.9	2.0	1.8	1.6
European Commission	4.7	4.3	2.3		
OeNB	4.9	4.3	2.6	1.8	
IHS	4.5	3.6	2.3		
Austrian Fiscal Advisory Council					
	Inflation				
WIFO (HICP)	2.8	5.8	3.2	2.5	2.3
European Commission (HICP)	2.8	3.3	2.2		
OeNB (HICP)	2.7	3.2	2.3	2.0	
IHS (HICP)	2.8	5.5	2.3		
Austrian Fiscal Advisory Council					
	Unemployment rate				
WIFO	6.2	4.9	4.7	4.6	4.5
European Commission					
OeNB	6.3	5.4	5.0	4.7	
IHS	6.2	5.0	4.8		
Austrian Fiscal Advisory Council					
	General government net lending/net borrowing				
BMF	-5.9	-3.1	-1.5	-0.7	-0.3
WIFO	-5.3	-2.4	-1.1	-0.7	-0.6
European Commission	-5.9	-2.3	-1.3		
OeNB	-5.9	-2.1	-1.4	-1.1	
IHS	-5.8	-2.3	-1.7		
Austrian Fiscal Advisory Council	-5.9	-3.2	-1.6		
	Gross debt				
BMF	82.8	80.0	77.1	74.5	72.1
WIFO	83.0	79.1	75.6	73.2	71.0
European Commission	82.9	79.4	77.6		
OeNB	82.7	79.5	77.0	75.5	
IHS					
Austrian Fiscal Advisory Council	82.8	80.2	77.1		

A direct comparability is not possible due to diverging definitions.

Sources:

BMF, April 2022

WIFO, March 2022

European Commission, Autumn 2021, Winter 2022 (GDP & HICP)

OeNB, December 2021

IHS, March 2022

Austrian Fiscal Advisory Council, April 2022

Tables

Table 1: Basic assumptions	37
Table 2: Macroeconomic prospects	37
Table 3: Price developments	38
Table 4: Labour market developments	38
Table 5: Sectoral balances	38
Table 6: Budgetary targets	39
Table 7: General government debt developments	39
Table 8: Contingent liabilities	40
Table 9: Budgetary prospects	41
Table 10: Budgetary prospects ("no-policy change"-assumption)	42
Table 11: Amounts to be excluded from the expenditure benchmark	43
Table 12: Divergence from the latest Draft Budgetary Plan (October 2021)	44
Table 13: General government expenditure by function	45
Table 14: Economic growth and public finances in three scenarios	46
Table 15: Interest expenditure in three scenarios	46
Table 16: Long-term sustainability of public finances (The 2021 Ageing Report)	47
Table 17: County specific recommendations	47
Table 18: New measures (in million Euro)	48
Table 19: Discretionary measures (in million Euro)	49
Table 20: Eco-social tax reform (in million Euro)	50
Table 21: COVID-19 liabilities (in million Euro)	51
Table 22: Revenue from RRF grants (in million Euro)	51
Table 23: Expenditure financed by RRF grants (in million Euro)	52
Table 24: RRF co-financed programmes (in million Euro)	53
Table 25: Overview of all notified milestones and target values for the first Austrian payment application pursuant to Implementing Decision COM(2021) 338	54
Table 26: Comparison of macroeconomic and budgetary forecasts	57

Figures

Figure 1: Real GDP growth (Austria, Germany and the Euro area)	5
Figure 2: Real and nominal GDP growth	6
Figure 3: Contribution to real GDP growth	7
Figure 4: Employed and unemployed persons	8
Figure 5: Development of short- and long-term interest rates	8
Figure 6: Long-term interest rates and spread	10
Figure 7: Equity market performance	11
Figure 8: General government net lending/net borrowing and gross debt	30
Figure 9: GDP scenarios based on historical GDP growth rates until 2025	32

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