

OECD
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

AUSTRIA

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

JULY 1974

BASIC STATISTICS OF AUSTRIA

THE LAND

Area (thousand km ²)	84	Major cities, May 1971	
Agricultural area (thousand km ²)	39	(thousands of inhabitants) :	
Exploited forest area (thousand km ²)	32	Vienna	1 615
		Graz	249
		Linz	203
		Salzburg	129
		Innsbruck	115

THE PEOPLE

Population, 1973 (thousands)	7 521	Net emigration, annual average	
per km ²	90	1970-1972	6 030
Net natural increase in population,		Total employment ¹ , monthly	
annual average 1970-1972	14 670	average 1973	2 608 306
per 1 000 inhabitants	2.0	of which:	
		in industry ²	676 306

PRODUCTION

Gross National Product, 1973		Industrial origin of GNP at market	
(Sch. billion)	546	prices, 1973 (per cent):	
Per head (US \$)	3 710	Agriculture	6
Gross fixed investment,		Industry	35
average 1971-1973 :		Construction	12
per cent of GNP	31	Other	47
per head (US \$)	880		

THE GOVERNMENT

Public consumption, 1973		Composition of Federal Parliament,	
(per cent of GNP)	15	October 1971:	
General Government current revenue,		Socialist Party	93
1972 (per cent of GNP)	37	Austrian People's Party	80
Federal Government debt, end 1973		Liberal Party	10
(per cent of Federal Government		Last election: 1971	
revenue)	46	Next election: 1975	

FOREIGN TRADE

Exports:		Imports:	
Exports of goods and services, 1971-1973		Imports of goods and services, 1971-1973	
(per cent of GNP) average	31	(per cent of GNP) average	31
Exports, 1973 (per cent of total		Imports, 1973 (per cent of total	
merchandise exports):		merchandise imports):	
Food, tobacco, beverages	4	Foods, tobacco, beverages	9
Raw materials and energy	12	Raw materials and energy	16
Chemicals	7	Chemicals	9
Machinery and transport equipment	25	Machinery and transport equipment	33
Other finished		Other finished	
and semi-manufactured products	52	and semi-manufactured products	33

THE CURRENCY

Monetary unit: Schilling	Currency units per US dollar:	19.59 ³
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1 Wage and salary earners.
2 Including administrative personnel.
3 1973 average.

NOTE An international comparison of certain basic statistics is given in an annex table.

OECD ECONOMIC SURVEYS

AUSTRIA

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development;*
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.*

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*
* *

The annual review of Austria
by the OECD Economic and Development Review Committee
took place on 8th July 1974.

The present Survey has been updated subsequently.

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INTRODUCTION

1973 marked the fifth consecutive year of rapid growth, with strong advances in both domestic and foreign demand. The current balance of payments deteriorated somewhat, reflecting among other things the sharp rise in world commodity prices and less buoyant developments of net receipts from tourism, but the average effective rate of the Schilling continued to move upwards. Price increases accelerated—reflecting strong pressures on resources, the effects of the introduction of VAT and the considerable rise of import prices. The first half of 1974 saw no significant change in the strong trend of real demand and output but, as in most other Member countries, the substantial increase of oil prices has considerably affected the current external account and exacerbated the problem of inflation. Even so, the rise of consumer prices remained so far below the average for European Member countries, thanks partly to continuing productivity gains and avoidance of price-wage spiralling effects.

On present evidence, the growth of real demand and output will remain relatively high in the latter part of 1974 and the early months of 1975, barring an unexpectedly marked deceleration of world trade. Both domestic and external factors will, however, keep the rate of inflation high. Rising prices have become, as elsewhere, a matter of growing concern which has inspired the latest policy moves, notably the rise in interest rates and the restraint on credit expansion and tighter control of public expenditure. Part I of the present Survey outlines economic developments until the middle of 1974 and presents global estimates for the year as a whole. The domestic and external consequences of the sustained boom conditions are examined in Parts II and III. Without putting into question the remarkable achievements of economic policies noted in earlier OECD Surveys, Part IV analyses the risks inherent in the continuation of strongly growth-oriented policies. The final section summarises the main conclusions and offers some suggestions for economic policies.

I SUSTAINED EXPANSION AND DEMAND PRESSURES

Developments through mid-1974

Last year's 5½ per cent increase in real GNP, which fell little short of the 6 per cent growth rate forecast in the previous OECD Survey, reflects the sustained strong advance in activity throughout 1973 which continued into the first half of this year. The export boom which originated from the

Table 1 Demand and Output
Percentage increase at constant prices

	1969	1970	1971	1972	1973	1974 ^a
Private consumption	3.3	5.5	6.2	6.8	4.8	5
Public consumption	2.5	3.6	2.8	4.7	4.0	4
Gross fixed investment	0.7	12.0	14.6	14.8	2.5	5
of which:						
Machinery and equipment	9.1	12.2	12.6	12.0	-3.5	4
Construction	-3.5	11.9	16.3	17.1	7.0	6
Change in stockbuilding ¹	0.9	1.0	1.8	-1.6	2.5	$\frac{1}{2}$
Total domestic demand	3.4	7.8	6.1	7.3	6.5	5
Exports	16.9	18.7	4.7	10.8	7.0	10
Imports	7.7	19.3	5.7	11.2	9.8	10
Change in foreign balance ¹	2.4	0.1	-0.3	-0.1	-0.9	0
Total demand (GNP plus imports)	6.3	10.4	5.7	8.1	6.6	6.3
GNP	5.8	7.8	5.6	7.1	5.5	5
GNP deflator	3.5	3.9	5.2	7.2	9.1	9
Private consumption deflator	3.1	3.9	4.0	5.8	6.0	9 $\frac{1}{2}$

1 As a percentage of previous year's GNP.

2 Secretariat's estimate for 1974.

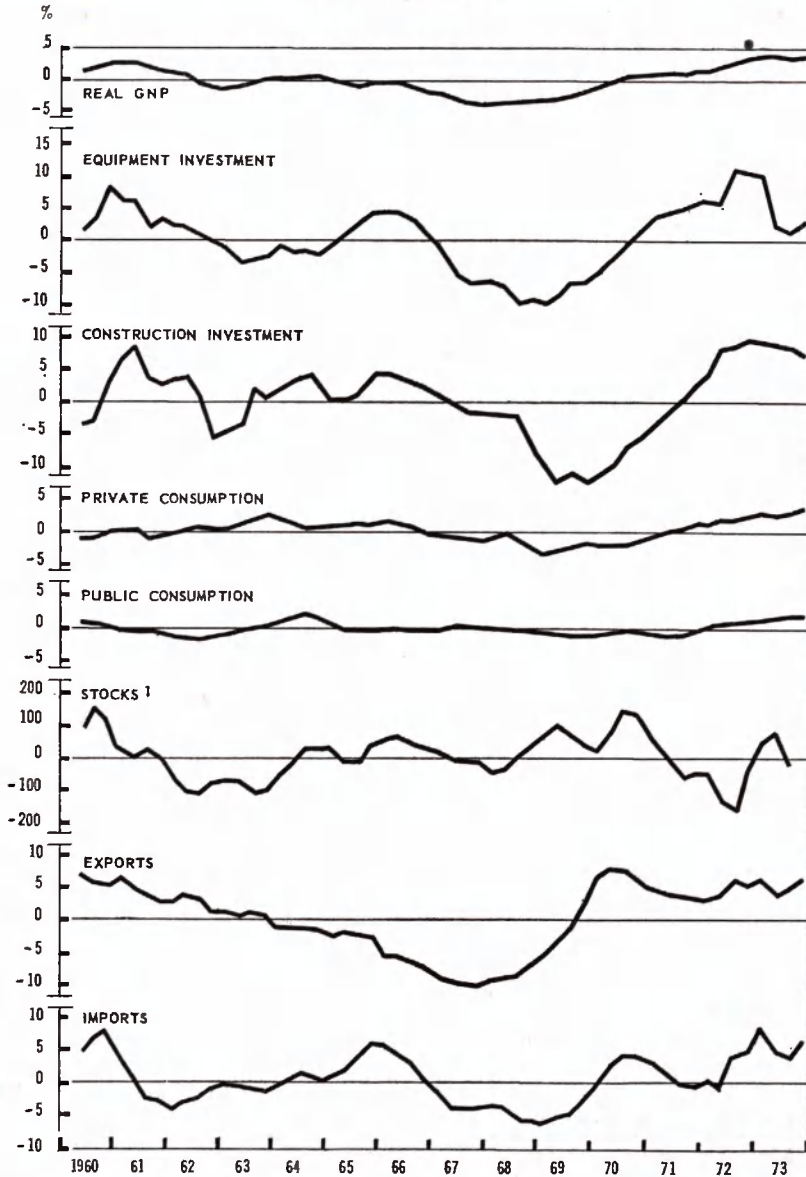
Sources: Austrian Statistical Office; Austrian Institute for Economic Research.

resumption of rapid growth in the OECD area in 1972 has remained a major source of buoyancy. But domestic demand growth has kept pace, producing a more balanced structure of demand than during the strongly export-oriented "take-off" period (in 1969-1970) of the current prolonged boom (Table 1). An important factor has been the continuation of the building boom which helped to keep the economy expanding over a period of weaker foreign demand from late 1970 to early 1972 (Diagram 1). Despite some deceleration in the placement of new public orders, output in the building industry continued to grow faster in 1973 than real GNP. The broadly based demand for construction—notably for housebuilding, public utility construction, other local infra-structures and roadbuilding—enabled the building industry to retain the high rate of capacity utilisation reached in early 1973.

Equipment investment was maintained at a high level, but declined somewhat last year against 1972. The slowdown can partly be attributed to an acceleration of purchases of investment goods prior to the introduction of a twelve per cent investment tax in connection with the adoption of VAT in January 1973, and postponement of capital expenditures in 1973 due to the early announcement of tax incentives to business fixed investment put into effect in January 1974. The strong stimulus provided by stockbuilding in 1973 reflects the replenishing of stocks, notably of finished goods, depleted in late 1972 in anticipation of the introduction of VAT. Consumer demand also held up rather well, bolstered by rapid increases in earnings resulting from considerable rises in contractual rates, high wagedrift and the tax reliefs accorded through the 1973 income tax reform.

The broad foundation and underlying strength of brisk economic expansion are illustrated by the sectoral contributions to last year's GDP growth

Diagram 1 GNP and Main Expenditure Components
Percentage deviation from linear logarithmic trend, 3 quarters moving averages, seasonally adjusted



1 Non-logarithmic trend.

Sources: Austrian Institute for Economic Research, OECD.

(Table 2). The dominant role of the building sector was markedly reduced, while good harvests raised agricultural output from its relatively low level of the preceding years. The expansion of the main production sectors was thus rather balanced, with the public sector recording the lowest rate of growth.

Table 2 **Production by Sector**
Percentage changes of contributions to GDP in volume

	1969	1970	1971	1972	1973	Production in per cent of GDP	
						1969	1973
Industry	10.8	7.6	6.9	7.1	5.6	38.0	38.3
Construction	-3.3	10.9	15.6	16.0	7.0	9.1	1.2
Energy	4.6	14.6	-1.1	10.4	8.5	3.0	3.1
Transport	10.6	13.3	5.0	6.7	8.5	6.5	7.0
Trade	4.0	7.1	6.2	7.4	5.3	14.4	14.3
Public service	2.5	3.3	3.1	3.1	3.4	8.5	7.5
Other services	4.9	3.3	11.4	5.3	4.0	12.7	12.4
Agriculture, forestry	0.4	3.5	-7.9	0.8	3.8	8.0	6.2
GNP	5.8	7.8	5.6	7.1	5.5	100.0	100.0

Source: Austrian Institute for Economic Research.

The continuation of strong pressures on resources in 1973 was reflected in tight labour market conditions (Table 3). Unemployment was further reduced, and immigration of foreign labour continued at a rapid pace. The number of vacancies levelled off through the year, but the excess of unfilled vacancies over registered unemployed persons remained very high by past standards. The shortening of the currency period of wage contracts from 18 or 19 to 15 months and the ratcheting-up by 2 to 4 percentage points of negotiated increases in hourly standard rates reflects the strong position of labour during last year's wage bargaining round. Evidence of persisting labour shortages is also provided by the existence of significant wagedrift (Table 4). After eliminating special pay benefits such as vacation and year-end bonuses—which, however, may not be void of cyclical elements—net wagedrift in industry rose from close to zero in 1972 to 1½ per cent in 1973, and tended to rise further towards the end of the year.

Mounting price pressures during the period under review resulted both from the pull of demand and from important exogenous "cost-push" factors. The impact of domestic demand pressures is most apparent in the sharp acceleration of the rise in the construction price deflator during the last two years (Diagram 2) to which the above-average increase in housebuilding

Table 3 Labour Market and Productivity

	Thousands					Changes in per cent				
	1969	1970	1971	1972	1973	1969	1970	1971	1972	1973
Wage and salary earners	2 357.7	2 389.2	2 454.9	2 512.7	2 608.3	0.8	1.3	2.7	2.4	3.8
of which: male	1 488.0	1 506.9	1 544.8	1 576.4	1 619.3	0.7	1.2	2.5	2.0	2.7
female	869.0	882.3	910.1	936.3	989.0	0.9	1.5	3.1	2.9	5.6
Participation ratios ³ :										
male	87.3	87.6	88.7	89.3						
female	58.8	59.1	59.9	60.7						
Foreign workers	82.4	109.2	148.5	186.5	226.4	31.8	32.5	36.1	25.5	21.4
Unemployed ⁴	67.1	58.4	52.0	43.2	41.3	-5.7	-13.0	-11.0	-5.5	-4.4
Vacancies	33.9	45.3	55.9	62.0	66.1	22.6	33.6	23.5	10.9	6.6
Unemployment ratio ¹	2.8	2.4	2.1	1.6	1.6					
Vacancies/Unemployment (ratio) ⁴	0.5	0.8	1.1	1.4	1.6					
Overall productivity ²						5.0	6.4	3.1	4.6	1.4
Productivity in industry ⁵										
(a) per employed person						8.9	4.7	4.7	6.2	1.4
(b) per hours worked						9.0	8.3	6.8	9.3	3.0

1 Unemployment in per cent of the sum of wage and salary earners and unemployed. This figure tends to be overstated on Austrian classification methods. By international standards, the unemployment ratio could be put at 0.9 per cent in 1971, 0.7 per cent in 1972 and 0.6 per cent in 1973.

2 Real GNP: total employment.

3 Male (female) employment divided by male (female) population aged 15 to 65 (15 to 60).

4 Up from 1972 unemployed exclude applicants for old-age pensions.

5 Production adjusted by calendar effects.

Sources: Austrian Institute for Economic Research, Austrian Central Statistical Office.

Table 4 Wages, Incomes and Unit Labour Costs
Percentage changes

	1968	1969	1970	1971	1972	1973
Standard rates overall	6.6	5.8	6.0	10.2	12.3	11.2
Standard rates in industry	6.7	5.8	5.2	11.3	12.0	11.0
Total compensation of employees	6.1	8.8	9.2	15.2	13.3	16.4
Earnings in industry	4.8	9.5	13.2	14.3	14.6	15.6
Income from property and entrepreneurship	7.7	11.1	17.0	4.6	17.1	18.0
Unit labour costs overall ¹	1.5	2.7	1.0	9.1	5.8	10.3
Unit labour costs in industry	-2.3	-2.5	4.5	6.5	5.5	11.8

1 Compensation of employees: real GNP.
Source: Austrian Institute for Economic Research.

prices¹ has heavily contributed. The effective appreciation of the Schilling² which has been linked to the floating EEC "snake" in an autonomous manner since March 1973 helped to shield the economy from the impact of rising prices, although it could only partly offset the effect of soaring world commodity prices. Thus the contribution of higher import prices to the increase in the total aggregate demand deflator doubled from $\frac{3}{4}$ per cent in 1972 to $1\frac{1}{2}$ per cent in 1973³. About $1\frac{1}{2}$ to 2 percentage points of the $7\frac{1}{2}$ per cent rise in consumer prices between 1972 and 1973 can be attributed to the introduction of VAT. Thus, excluding the price effect of VAT, the Austrian price performance remained, at least until the middle of last year, relatively favourable, especially by international comparison. The pronounced re-acceleration of the advance in the cost-of-living index since mid-1973 (Diagram 3) reflects higher raw material costs, delayed increases in officially regulated prices as well as the cost impact of last year's wage round.

1 These rose by 18 per cent in the second half of 1972 (over a year earlier) and by 20 per cent in 1973.

2 Applying trade weights with allowance for third market effects along the lines of the IMF Multilateral Exchange Rate Model, the effective appreciation of the Schilling from the average spot rate for the first quarter of 1970 developed as follows (in per cent):

Year	Quarter			
	I	II	III	IV
1972	$1\frac{1}{2}$	$1\frac{1}{2}$	$2\frac{1}{2}$	$2\frac{1}{2}$
1973	$3\frac{1}{2}$	$6\frac{1}{2}$	13	11
1974	10	$14\frac{1}{2}$		

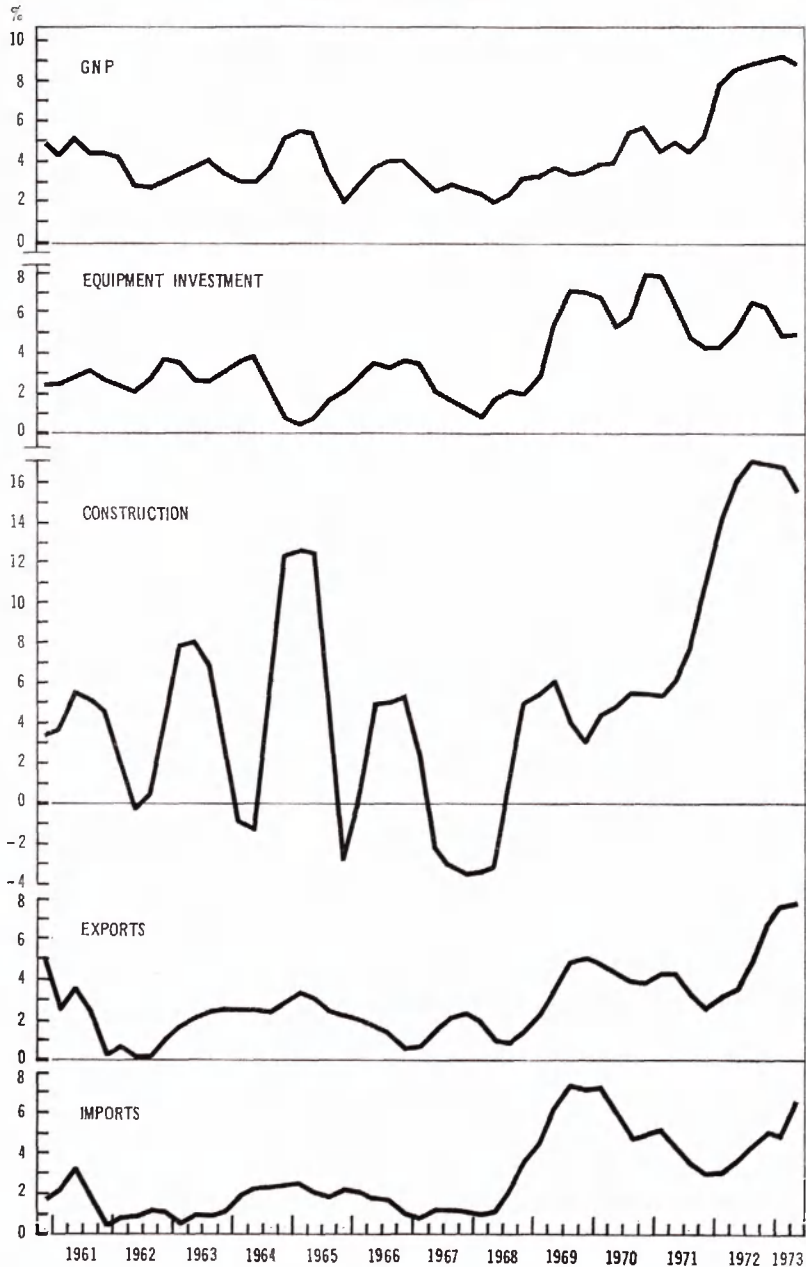
Source: OECD Secretariat.

3 The percentage increases of the demand deflator in recent years and the contribution of import prices (in percentage points) are as follows:

	1969	1970	1971	1972	1973
Aggregate demand deflator	3.8	4.4	5.1	6.3	8.2
Contribution of import prices	1.1	1.6	1.1	0.8	1.4

Austria

Diagram 2 Changes in Price Deflators
Quarterly changes at annual rates, 4 quarters moving averages,
seasonally adjusted

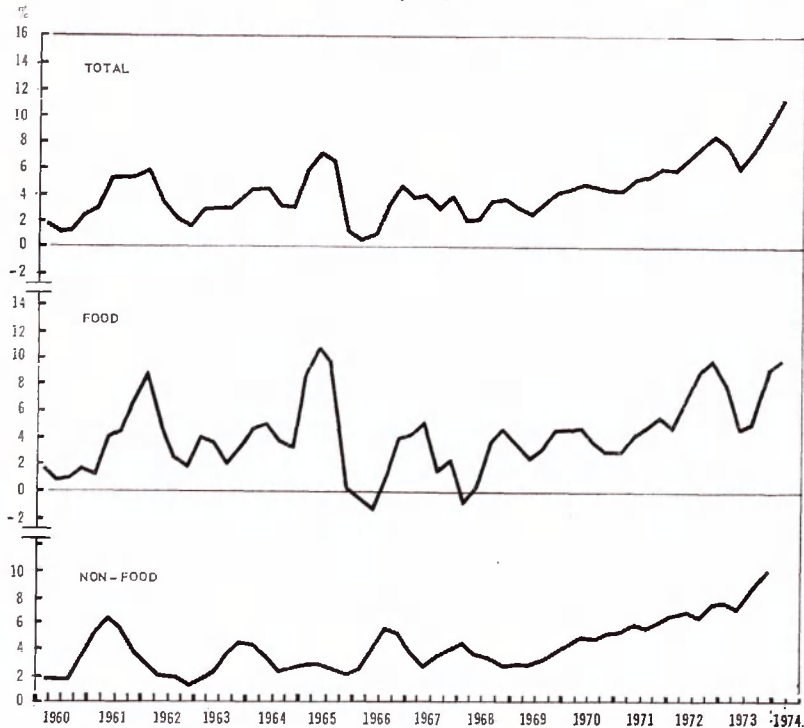


Sources: Austrian Institute for Economic Research, OECD.

Nevertheless, despite the steepening price trend during the latter part of the year, the rate of consumer price increases, net of indirect tax, for 1973 taken as a whole, was among the lowest among OECD countries.

Diagram 3 Development of Consumer Prices

Quarterly changes of 1966 price index, 3 quarters moving averages at annual rates, seasonally adjusted



Source: OECD.

The disruptive rise in crude oil prices in December last has, however, strongly reinforced the accelerating increase in wholesale and consumer prices which was already under way. By March 1974, the wholesale price index had risen by $16\frac{1}{4}$ per cent and the cost-of-living index by 9 per cent on a year earlier, despite the temporary weakening of agricultural prices and the comparatively low increase in rents. In June, the year-on-year rise in consumer prices passed the two-digit level. Judging from recent developments of gross earnings in industry, which rose by 18 per cent between the first quarters of 1973 and 1974, the growth of real wage incomes appears to have been little affected by accelerating inflation so far, partly due to a further strengthening of wagedrift.

Available output and demand indicators for the first half of 1974 suggest that the economy absorbed the "oil shock" rather smoothly. Private consumption remained strong, except for weaker demand for automobile imports and business fixed investment, which was stimulated by tax reliefs, recovered⁴. Construction activity was favoured by the mild weather, and the tourist sector benefited from exceptionally good conditions for winter sports, reflected in sharp increases in overnight stays of both foreign and Austrian tourists. Merchandise exports, which showed a spectacular 45 per cent year-on-year increase in value terms in the first quarter⁵, were stimulated by brisk foreign demand for basic materials and semi-finished goods. In view of these favourable demand trends, real GNP could be estimated to have grown by, perhaps, not less than 5 per cent (annual rate) in the first six months of this year.

The short-term outlook

Prospects for the year as a whole are difficult to assess due to uncertainties surrounding the foreign trade outlook as well as the underlying strength of private domestic demand. The contractionary impact of the sharp rise of commodity and crude oil prices (which could carry the annual average increase in merchandise import prices above 20 per cent) may be partly counter-balanced by expansionary budget measures. Substantial tax reliefs granted in connection with the introduction of VAT⁶ and the 1973 income tax reform produced an expansionary swing equivalent to about 1½ per cent of GNP in the financial balance of last year's Federal Budget (Annex Table E). The corresponding improvement in the private sector's financial position may have exerted a stimulating impact on private spending extending into the current year. The 1974 Federal Budget is expected to bring about some reduction of last year's financial deficit but provides significant tax incentives to private

4 Adjusted for calendar effects, industrial output developed as follows (year-on-year percentage changes):

	January	February	March	April
Basic materials	6.8	8.0	5.6	0.2
Investment goods	7.2	10.6	14.4	11.7
Consumer goods	8.4	9.0	11.3	3.8
Total (excl. electricity)	7.7	9.4	11.6	6.1

NOTE Data are distorted due to abnormally low first quarter figures in 1973.

5 The year-on-year rate was heavily influenced by the abnormal weakness of exports in the first quarter of last year due to border tax changes. Relating the first quarter figure of this year to the quarterly average from October 1972 to March 1973, the year-on-year growth rate is found to be only 29 per cent. Some 15 percentage points of this could be accounted for by higher prices.

6 The tax reliefs granted included (i) full refunding of cascade turnover tax paid on stocks accumulated up to the end of 1972, (ii) reduction from 12 to 6 per cent of investment tax payable by exporters with the lower rate applicable to the proportion of investment expenditures corresponding to the share of companies' export sales in total turnover, (iii) deferment of VAT payments by one month against payment dates established for cascade turnover tax.

investment⁷. Monetary policy is expected to aim at a monthly maximum rate of domestic credit expansion of about 1 per cent in 1974. This could imply an increasing degree of credit restraint as the current balance of payments will probably deteriorate markedly in the course of this year (cf. Part IV).

Table 5 Financial Position of the Private Sector
Changes in financial balances in per cent of GNP

	1970	1971	1972	1973	1974
Foreign sector ¹	-0.5	—	0.1	0.5	1.8
Public sector	1.0	0.4	0.7	0.5	0.7
Domestic private sector ²	-0.5	-0.4	-0.8	-1.0	-2½

1 Changes in current account of the balance of payments (with opposite sign) including 80 per cent of errors and omissions item (excluding revaluation losses on official reserves).

2 Sum of changes in financial balances of foreign and public sectors with opposite sign.

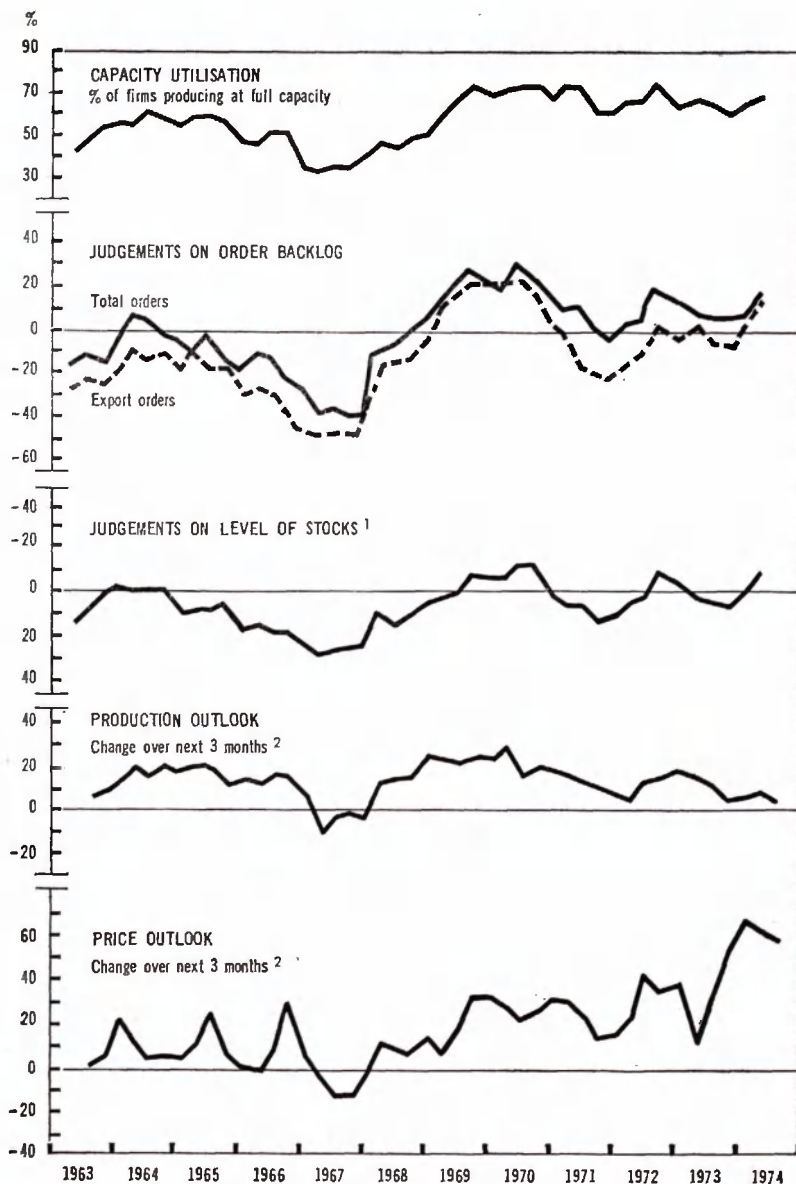
Sources: Austrian National Bank; Federal Ministry of Finances; Secretariat estimate for 1974.

Taken together, the expected size of the financial balance of the public sector (including social security) and the current account deficit imply a marked weakening of the private sector's financial position in 1974 equivalent to, perhaps, some 2½ per cent of GNP. The company sector may be able to absorb part of the burden since recent years saw a marked shift in income distribution in favour of profits (Diagram 6). Faced with continuing credit restraint, investors may be willing to run down their cash reserves or borrow from abroad to cover their financing needs. Recent industry surveys, at any rate, point to a strengthening of business investment propensity. Construction activity could slow down somewhat, since housebuilding has begun to be affected by higher interest rates. On the other hand, public orders, especially by extra-budgetary funds, seem to be placed more freely and construction demand by the energy sector has strengthened. Private consumption will be bolstered by buoyant contractual wage increases expected to result from this year's autumn bargaining round. Moreover, the personal saving ratio, which rose markedly last year, influenced by the abovementioned tax measures, could decline by, perhaps, 1 to 2 percentage points in 1974. Exports are likely to grow less rapidly in the second half of the year, since world demand for basic materials may be less buoyant. However, given the depressed level of exports due to special factors in 1973, total exports are expected to grow (in volume) relatively fast. On the basis of these trends in demand, the advance in activity may decelerate somewhat in the second half of 1974, as stimulative special factors subside. But over the year as a whole, real GNP could still grow by some 4½ to 5 per cent.

7 These include a lowering of the 12 per cent investment tax by 3 percentage points and a 25 per cent special depreciation allowance on new business fixed investment.

Austria

Diagram 4 Business Surveys in Manufacturing



1 Minus sign indicates "too low".

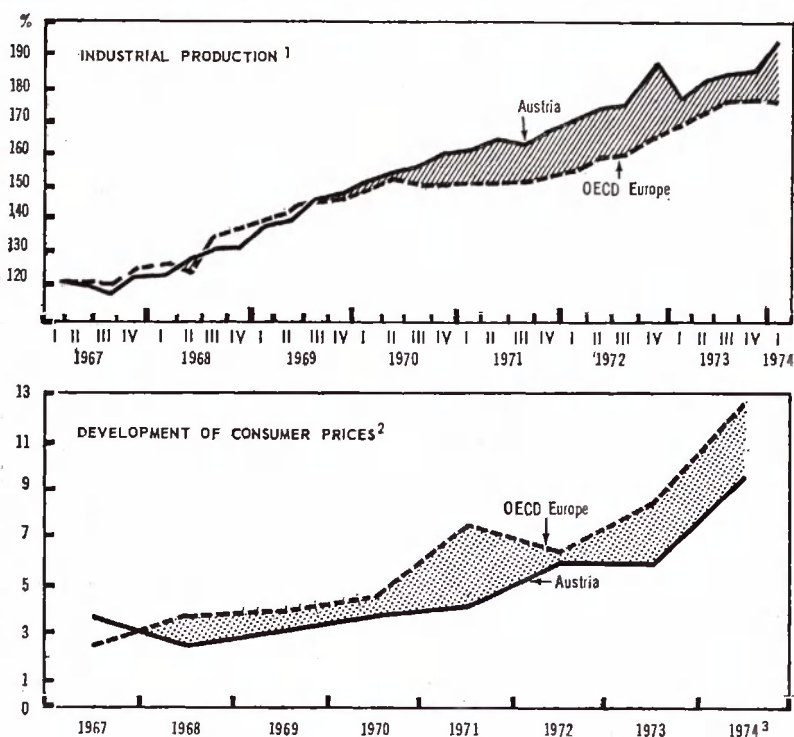
2 Seasonally adjusted.

Sources: Austrian Institute for Economic Research, OECD.

The boom in perspective

Current growth and employment trends compare rather favourably with the present economic situation in many other OECD countries, and immediate future prospects give little rise for concern in this respect. Even in terms of overall growth and price performance Austria has maintained so far the relatively good international position achieved during the present protracted boom, because the acceleration of price increases over the last 12 to 18 months has afflicted all Member countries (Diagram 5). Nevertheless, mounting inflation is a matter of growing concern, and it cannot be entirely ascribed to exogenous factors—notably the rise of raw material and oil prices. Some risks inherent in a too-vigorously-pursued economic expansion, already noticed in last year's Survey, are becoming increasingly apparent: growth constraints are being felt on the supply side, and the economy's external position had shown signs of weakening already before the disruptive increase in oil prices. The following two sections attempt to examine these problems in greater detail, looking ahead, as far as possible, into the immediate future.

Diagram 5 Comparative Growth and Price Performance of the Austrian Economy



1 Seasonally adjusted, 1963 = 100.

2 Annual rates of change of consumer price deflators.

3 Secretariat forecast for 1974.

Sources: Austrian Institute for Economic Research, OECD.

II DOMESTIC IMPLICATIONS OF PERSISTENT BOOM CONDITIONS

Growth constraints

Supply bottlenecks on the *labour market* could be expected to intensify in the foreseeable future. The unusually rapid increase in dependent employment last year, which was inflated by special factors⁸, rested heavily on increased female participation and continued buoyant inflow of foreign workers (Table 3). Higher female employment probably reflects to an important extent the creation of part-time jobs where limits may soon be reached both with respect to job seekers and employers' demand. The extremely fast intake of foreign labour over a short period of years⁹ is approaching a critical stage in which initial large benefits from immigrant labour are felt to be progressively counterbalanced by accruing social cost. The pace of immigration and the high regional and sectoral concentration of the foreign labour force (Table 6) have begun to impose strains on public infrastructure and social climate. Ample availability of comparatively low-paid foreign workers, while stimulating activity in industrial branches less attractive to domestic labour, accentuates shortages of complementary, skilled Austrian labour. In view of these developments the Authorities have now introduced a ceiling limiting the number of immigrant workers to 250 000 which, if it were strictly observed, could constitute an actual ban on further immigration over the next twelve months. The resulting potential

Table 6 Regional and Sectoral Concentration of Foreign Labour Force
Percentage shares of foreign labour in total dependent employment in 1973

Regional concentration		Sectoral concentration	
Vorarlberg	23.0	Leather industry	31.3
Salzburg	12.2	Textile industry	27.4
Wien	11.5	Building industry	22.5
Tirol	9.1	Hotel and catering trade	17.4
Niederösterreich	6.6	Garment, bedding and shoe manuf.	12.3
Other regions	5.1	Metal industry and mining	11.6
Total Austria	8.7	Brick and glassware manuf.	11.0

Source: Austrian Institute for Economic Research.

8 Introduction of VAT favoured an accelerated reduction of self-employed, and income tax changes are estimated to have led to a switch of about 20 000 married female family workers to dependent employment status.

9 The number of registered foreign workers, which probably underestimates the actual inflow, rose from 11 600 in 1961 and 62 500 in 1968 to 226 384 in 1973. The share of foreign labour in dependent employment increased from 0.5 per cent (1961) and 2.7 per cent (1968) to 8.7 per cent (1973).

labour supply constraints may be partly compensated for by more favourable domestic demographic trends. However, in the short run, this will provide little effective relief since the shortening of contractual weekly working time to 40 hours in 1975 will place a further limit on available labour input.

The upward shift of the fixed *investment ratio* (Table 7) to an exceptionally high level (one-third of real GNP) has been supported by a strengthening of domestic savings propensities which may not be sustainable in the longer run:

- (i) The rise in the personal savings ratio¹⁰ may partly be attributable to a higher rate of savings for housebuilding purposes, an initially positive impact of accelerating inflation on personal savings and the improvement in government savings promotion schemes in 1973. The low consumption propensity of new immigrant labour is estimated to have raised the personal savings ratio by about 0.5 per cent during the last few years¹¹;
- (ii) The prolonged shift in income distribution in favour of profits associated with the persistent boom (Diagram 6) is likely to have bolstered savings, both of the company and private household sectors;
- (iii) Despite recurrent reductions in income taxes, the already high rate of public sector savings has increased further (Table 8), reflecting the relatively slow growth in the provision of public services (see Part IV).

Table 7 Austrian Investment Ratio¹ in International Comparison

	1960	1965	1970	1971	1972	1973
Austria	24.5	26.8	27.5	29.5	31.6	30.6
Germany	24.7	26.7	26.4	26.8	26.5	25.3
Italy	21.5	19.0	20.3	19.0	18.4	19.1
Japan	28.0	33.0	39.2	39.9	40.1	42.0
Switzerland	24.7	28.5	28.9	30.0	30.5	30.1
United Kingdom	16.1	18.5	19.3	18.9	18.6	18.7

1 Gross fixed capital formation in per cent of GDP (at 1963 prices).

Source: OECD.

10 Personal savings as percentage of private household disposable income developed as follows:

	1968	1969	1970	1971	1972	1973
Total	11.2	12.5	12.2	13.3	13.3	14.6
Contractual building deposits	3.9	4.3	4.8	5.0	5.3	6.2

NOTE Personal savings were abnormally low in 1972 reflecting anticipatory consumer spending prior to the introduction of VAT in 1973.

Sources: Austrian Institute for Economic Research, Austrian National Bank,

11 Cf. *Austrian Institute for Economic Research*. Monatsberichte 4/1974, p. 219.

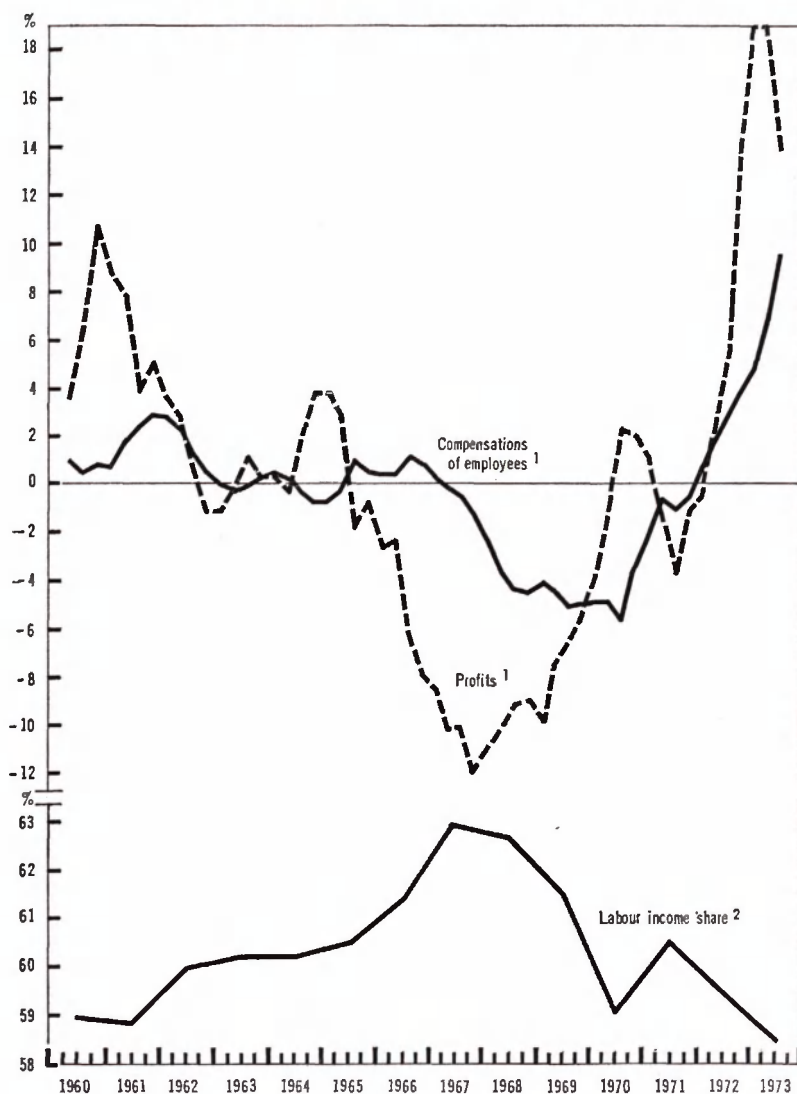
Table 8 Sectoral Distribution of Savings

	1969		1970		1971		1972		1973	
	Per cent of GNP	Per cent of total	Per cent of GNP	Per cent of total	Per cent of GNP	Per cent of total	Per cent of GNP	Per cent of total	Per cent of GNP	Per cent of total
Public sector	5.3	30.0	6.3	33.4	6.7	34.6	7.5	37.4	6.7	30.7
Private households	8.2	46.5	7.5	39.7	8.4	43.6	8.2	40.9	9.7	44.4
Corporate sector ¹	4.1	23.5	5.1	26.9	4.2	21.8	4.3	21.7	5.5	24.9
Total domestic saving (net)	17.6	100.0	18.9	100.0	19.3	100.0	20.0	100.0	21.9	100.0

¹ Retained profits of corporations.

Sources: Federal Ministry of Finances; Secretariat estimate for 1973.

Diagram 6 Wages and Profits

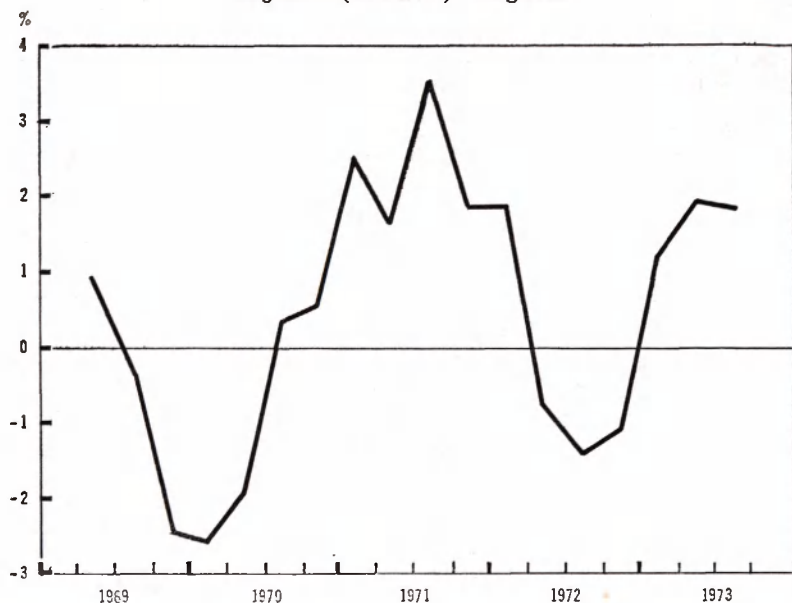


1 Deviations from linear-log trend, 3 quarters moving averages, seasonally adjusted.

2 Compensation of employees in per cent of national income at 1960 employment structure.

NOTE Shift in favour of non-wage incomes in 1973 was influenced by deferment of VAT payments by one month and by refunding of cascade turnover tax paid on inventories accumulated up to the end of 1972.

Sources: Austrian Institute for Economic Research, OECD.

Diagram 6 (continued) Wagedrift¹

1 Growth rate of effective earnings per employed person minus increase in negotiated standard rates, 3 quarters moving averages of year-on-year rates.

The considerable slowdown in *productivity growth* last year apparent from Table 3 was partly influenced by the considerable anticipation of spending at the end of 1972 in connection with the introduction of VAT; on the other hand, the combination of rapid employment growth and high investment ratio point to a tendency of the economy to move along a "capital-widening" path of growth where productivity gains stagnate or decline. Persistent strong pressure on resources and a prolonged shift of income shares towards profits, while providing an incentive to extend supply capacities, may be less conducive to rationalisation and optimal allocation of scarce manpower resources. And the above-average employment of foreign labour in some branches of industry (Table 6) could delay the use of advanced technology, modern production techniques and realisation of economies of scale.

Price and wage behaviour

Slowing productivity gains, supply constraints and the sharp acceleration of international inflation are greatly complicating the task of maintaining a reasonable degree of price stability. Real income expectations have risen during the unparalleled long period of sustained rapid growth and can only be expected to adjust with a considerable lag to less buoyant growth prospects. Moreover, with full employment and rising living standards more or less taken for granted, the sensitivity of the general public to the problem of

inflation has clearly grown over time. Against this background, it is not surprising that the recent deterioration in price performance, although not dramatic by international comparison, has emerged as a major constraint on further pursuit of growth-oriented policies.

- (i) Since 1969 the rise in the cost-of-living index has continuously steepened, frustrating earlier hopes that the acceleration of inflation could be effectively arrested or reversed¹². The year-on-year increases in consumer prices during the spring months of this year (March: 9 per cent, April 9 $\frac{3}{4}$ per cent) were the highest rates recorded since the early 1950s and implied a trebling of the inflation rate experienced at the beginning of the boom;
- (ii) the quick succession of powerful inflationary special factors, whose temporary and exogenous nature may not be fully realised by the general public (the introduction of VAT, soaring world commodity prices, and the oil price hike) has weakened the credibility of anti-inflationary demand management policies;
- (iii) the marked strengthening of inflationary expectations has begun to affect private households' spending and financial behaviour. This is clearly reflected in the excessive housebuilding boom, trade unions' demand for higher real interest rates on small savings deposits, the temporary disturbance of the bond market under the impact of an expected irreversible upward shift in long-term interest rates (Part IV), and, perhaps, to some extent also by the apparent present fall in the personal savings ratio;
- (iv) the traditional system of voluntary price surveillance and official price regulations has come under considerable strain¹³.

The continuation of tight labour market conditions and strengthening inflationary expectations are exposing the co-operative attitude of Austrian trade unions—an indispensable institutional element of the past successful operation of the economy—to mounting pressures:

- (i) The wage « pull » required to elicit still untapped labour supply from marginal domestic sources and to attract foreign labour has resulted in a quick re-emergence of a substantial wagedrift following last year's bargaining round (Diagram 6). Supply bottlenecks on the labour market have, thus, rendered self-restraint exercised by the trade union leadership rather ineffective.
- (ii) With year-on-year increases in hourly industrial earnings now approaching the 20 per cent level, nominal income expectations have further ratcheted up, greatly enhancing the problem of reversing inflationary tendencies;

12 The 1966 cost-of-living index developed as follows (annual percentage changes):

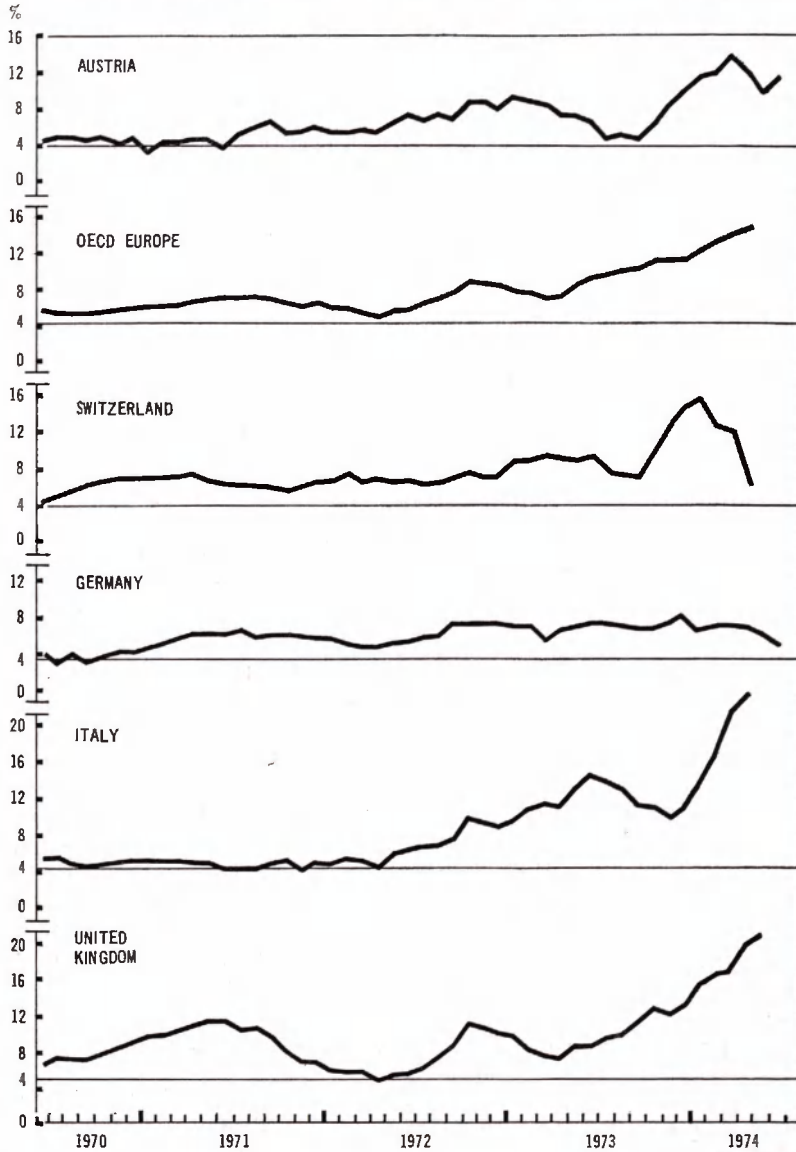
1968	1969	1970	1971	1972	1973
2.8	3.1	4.4	4.7	6.3	7.6

13 For a more detailed discussion see Part IV.

Austria

**Diagram 7 Consumer Price Development in Austria
and Selected OECD Countries**

Percentage changes at annual rates, month on 6 months earlier, seasonally adjusted



NOTE Horizontal line indicates 1962-1972 averages.

Source: OECD.

- (iii) the fall, during the current boom period, of labour income share (Diagram 6), although accompanied by strong increases in net real earnings, could become a matter of concern, if continued excess demand led to the perpetuation of distortions in income distribution.

III BALANCE OF PAYMENTS

The last three years of the now six-year-old boom period have seen a weakening of Austria's balance-of-payments position (Table 9). Between 1970 and 1973 the traditional trade deficit almost doubled in local currency while the earlier sharp rise in net tourist earnings slowed down, notably in 1973. As a result the current balance of payments moved from an equilibrium position in 1969/70 into a deficit which in 1973 amounted to 1.3 per cent of GNP (Table 10). The swing into deficit was even more pronounced in the basic balance as there was a sizeable outflow of both official and private long-term capital in 1973 entailing a significant loss of official reserves for the first time since 1966.

Despite the balance-of-payments deterioration the Austrian Schilling appreciated considerably over the last three years, notably between 1972 and 1973 and during the first five months of 1974. By the end of May the cumulative rise of the effective exchange rate from first quarter 1970 spot rates amounted to almost 16 per cent — an increase which except for the Deutschemark and the Swiss franc was higher than for any other currency. Undoubtedly, the strength of the Schilling owes much to the very impressive export performance of Austrian industry over the last six years or so and the favourable development of the tourist trade but it also reflects discretionary policy moves to shield the economy from inflationary influences from abroad. It remains to be seen, however, whether anti-inflationary policies will also in the future be assisted to the same extent as in past years by an upward movement of the exchange rate. The apparently unabatable expansionary momentum of domestic demand has put Austria into an unfavourable cyclical position from the point of view of the balance of payments and the higher oil bill places a heavy new burden on the balance of payments¹⁴. It is against this background that the following paragraphs attempt to throw some light on the underlying balance-of-payments position and its development over the last six years of virtually uninterrupted business upswing.

The underlying trend of the current balance of payments

As noted, the current balance of payments has swung into an increasing deficit during the last three to four years. In absolute terms the deficit recorded in 1973 was bigger than in any other year in the past. In terms of GNP the current deficit increased steadily by 0.4 percentage points per

14 It should be noted, however, that Austria's dependence on imported crude oil is much less pronounced than for most other OECD countries.

Table 9 Balance of Payments

	\$ million					Schilling million				
	1969	1970	1971	1972	1973	1969	1970	1971	1972	1973
Trade balance ¹	-435	-727	-1 069	-1 380	-1 852	-11 319	-18 785	-26 702	-31 916	-36 272
Exports	2 415	2 878	3 166	3 886	5 210	62 790	74 346	79 080	89 852	102 066
Imports	2 850	3 603	4 235	5 267	7 062	74 109	93 131	105 782	121 768	138 338
Services, net	489	682	930	1 158	1 421	12 715	17 629	23 227	26 763	27 836
Foreign travel	489	680	882	1 126	1 369	12 720	17 576	22 030	26 044	26 813
Receipts	785	1 005	1 271	1 679	2 190	20 410	25 969	31 756	38 826	42 895
Expenditure	-296	-325	-389	-553	821	7 690	8 393	9 726	12 782	16 082
Investment income, net	-44	-46	-51	-84	-131	-1 146	-1 200	-1 281	-1 934	-2 567
Other services, net	44	48	99	144	183	1 141	1 253	2 478	2 653	3 590
Transfers, net	46	35	49	55	77	1 185	908	1 227	1 261	1 508
Current balance	100	-9	-90	-167	-354	2 581	-248	-2 248	-3 892	-6 928
Long-term capital, net	-25	14	-19	85	-182	-651	351	-474	1 965	-3 556
Official, net	31	13	-54	-83	-62	796	342	-1 344	-1 912	-1 211
Private, net	-56	2	35	168	-120	-1 447	9	870	3 877	-2 345
Basic balance	75	5	109	-82	-535	1 930	103	-2 722	-1 927	-10 484
Non-monetary short-term capital	-19	-36	17	-3	36	-490	-933	426	-72	697
Errors and omissions	52	97	120	188	129	1 341	2 509	3 005	4 345	2 531
Balance on non-monetary transactions	108	66	28	103	-370	2 781	1 679	709	2 346	-7 256
Private monetary institutions short-term capital	-70	116	279	239	110	-1 829	2 997	6 834	5 521	2 156
Balance on official settlements excl. allocation of SDRs	37	182	302	342	-260	952	4 676	7 543	7 867	-5 100
Allocation of SDRs	—	30	19	31	—	—	764	487	708	—
Change in reserves (+ = increase) incl. allocation of SDRs	37	212	321	373	-260	952	5 440	8 030	8 575	-5 100
Gold	—	-1	-20	1	1	—	-27	-512	24	23
IMF position and SDRs	7	30	-4	18	-20	172	764	-109	416	-393
Other	30	183	346	354	-241	780	4 703	8 651	8 135	-4 730

1 On settlements basis.

NOTE Differences due to rounding.

Source: Austrian National Bank.

Table 10 Import/Expenditure Elasticity

	1960	1961	1962
Import/expenditure elasticity ¹	1.7	0.5	0.7
Current balance in per cent of GNP	-1.4	-0.5	1.1
Adjusted current balance ² in per cent of GNP	-1.0	-0.1	1.6

1 Percentage increase in merchandise imports divided by percentage increase in total aggregate demand values).

2 Current balance plus 80 per cent of errors and omissions item (without book losses due to exchange rate changes).

3 Adjustment for temporary shifts in trade flows.

Sources: Austrian Institute for Economic Research; Austrian National Bank.

annum between 1970 and 1973. However, in assessing and comparing the size of the deficit and its trend development a number of factors have to be taken into consideration:

- (i) the growing surplus on unrecorded balance-of-payments transactions largely consists of current transactions (the share is officially estimated at some 80-90 per cent) ;
- (ii) relative demand pressures were significantly stronger in Austria than on average abroad in 1971 and 1972 as Austria came through the international business slowdown without any marked retardation of growth ;
- (iii) trade flows have been distorted in the 1972-74 period by anticipatory purchases or postponement of sales in response to the introduction of VAT in 1973 and reductions in customs duties between Austria and the EEC. On balance these distortions increased the trade deficit in 1972 and reduced it in 1973.

Allowing for these three factors, it appears that the adjusted current balance of payments remained in a small surplus position until 1972 but that the deterioration which occurred between 1972 and 1973 was rather more pronounced than suggested by the actually-recorded transactions (Table 10).

The apparent underlying weakening of the current balance since the beginning of last year can be attributed to a number of factors. The earlier tendency of increased tourist earnings more or less offsetting the rise in the trade deficit did not continue in 1973, and terms of trade have increasingly moved against Austria. There has, however, also been a weakening in the real trade balance. Reflecting the persistent strong domestic demand pressures the import/expenditure elasticity (adjusted for import shifts) rose sharply in 1973 and even allowing for postponements of exports into 1974 Austrian exporters may have gained little, if any, real market shares abroad, representing a marked departure from previous trends¹⁵.

15 Import functions were tested by the Secretariat for five major commodity groups (food, machinery and equipment, other manufactured goods, energy products and other raw materials). The functions point to the importance of relative demand and price pressures as explanatory variables for the level and changes in import propensities (see Annex I).

and Relative Current Account Position

1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
1.0	1.1	1.3	1.2	-0.2	1.1	1.3	1.6	0.9	0.9(0.7) ^a	0.9(1.4) ^a
0.1	0.5	-0.4	-1.8	-1.0	-0.7	0.1	-0.1	-0.5	-0.9	-1.3
0.4	0.4	-0.1	-1.7	-1.0	-0.5	1.1	0.5	0.0	-0.1(0.4) ^a	-0.5(-0.8) ^a

It is difficult to say to what extent the weakening real trade balance mirrors the less favourable developments of Austria's relative competitive position vis-a-vis main trading partners. At current exchange rates unit labour costs have since 1972 risen much faster in Austria than in most other OECD countries but the development of bilateral trade flows does not suggest that relative price and foreign exchange rate movements have already begun to affect the pattern of trade (Diagrams 8 & 9). Despite an effective devaluation of the Austrian Schilling against the Deutschemark the traditional trade deficit with Germany has risen sharply while the trade balances with Italy and the United Kingdom have moved into surpluses. These favourable trade developments with "devaluation" countries confirm the impression already expressed in the last two OECD Surveys that Austrian industry, especially medium-sized firms, has developed a stronger export orientation than earlier and that the competitive edge gained during the first few years of the upswing has not yet been eroded.

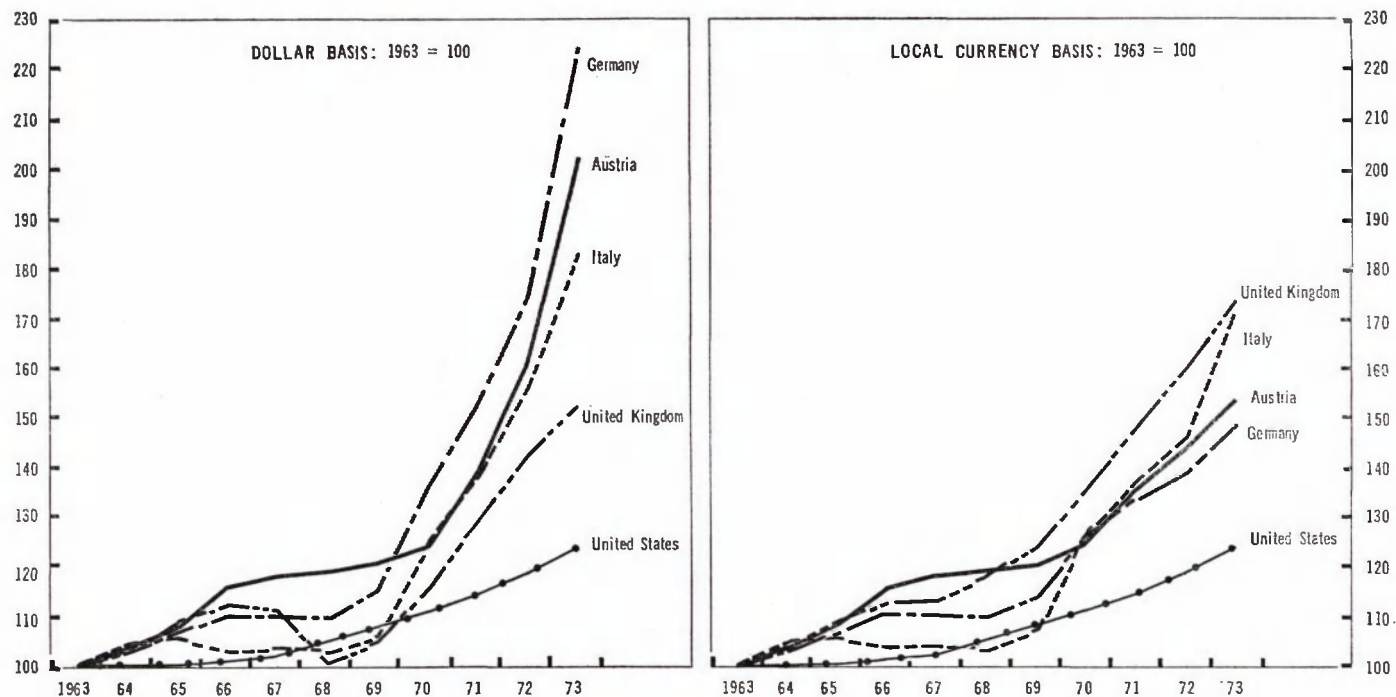
Export performance

One of the most remarkable features of the present business cycle has been the continuously good performance of Austrian exporters. Since 1967, in five out of seven years, exports in volume grew considerably faster than Austria's rapidly expanding markets abroad. However, as can be seen from Table 11, major inroads into foreign market shares were only recorded during the latter part of the sixties while subsequent years have mainly seen a consolidation of earlier gains¹⁶. A weakening of the earlier relatively strong export performance is also suggested by Table 12 where the growth of value exports is compared with the weighted expansions of Austrian country/commodity markets. While between 1966 and 1971 exports at current US dollar values moved about in line with competing OECD countries' exports, Austria clearly did less well in 1972 and 1973.

The picture was not, however, uniform. As to commodity groups, market losses were largely confined to intermediate goods, probably reflect-

¹⁶ The substantial shortfall of Austrian exports behind export market growth in 1973 can wholly be attributed to the above-mentioned time shifts of some exports.

Diagram 8 Unit Wage Costs in Industry in Austria and Main Trading Partners

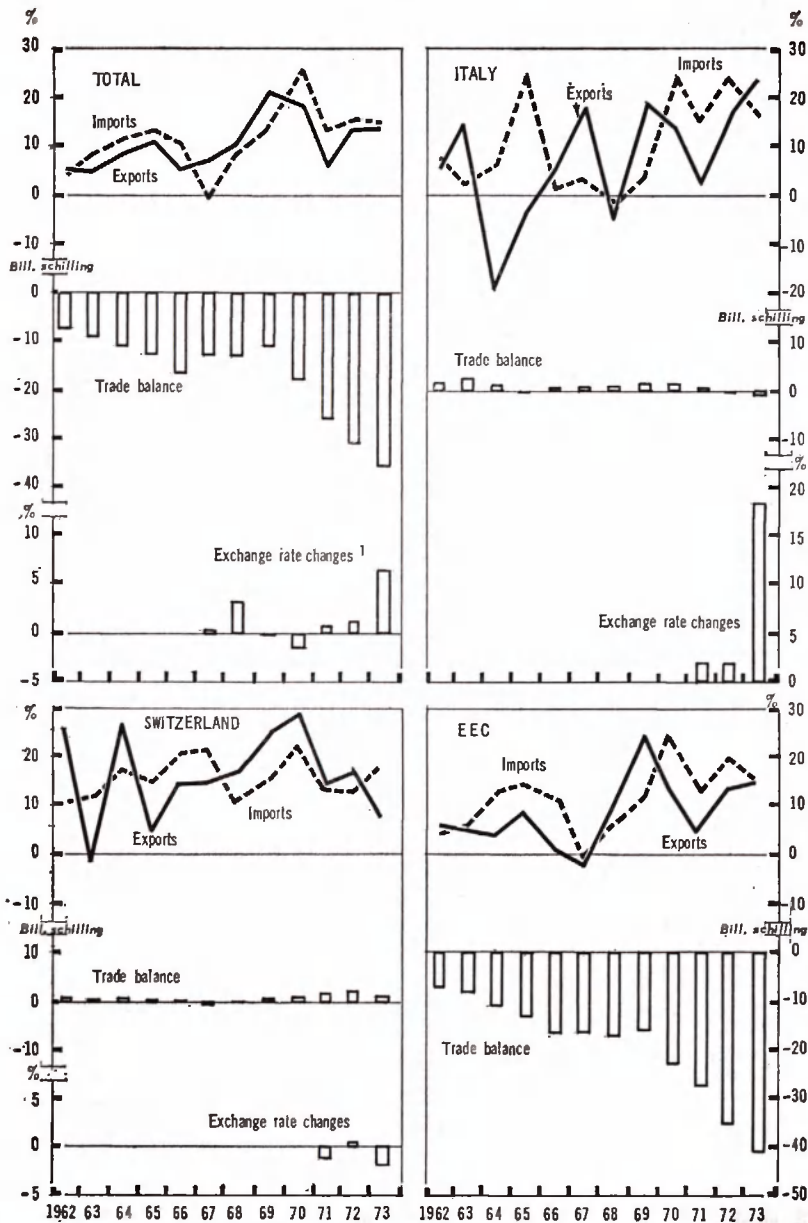


NOTE Unit wage costs are calculated on the basis of average productivity rates during business cycles.

Source: OECD.

Austria

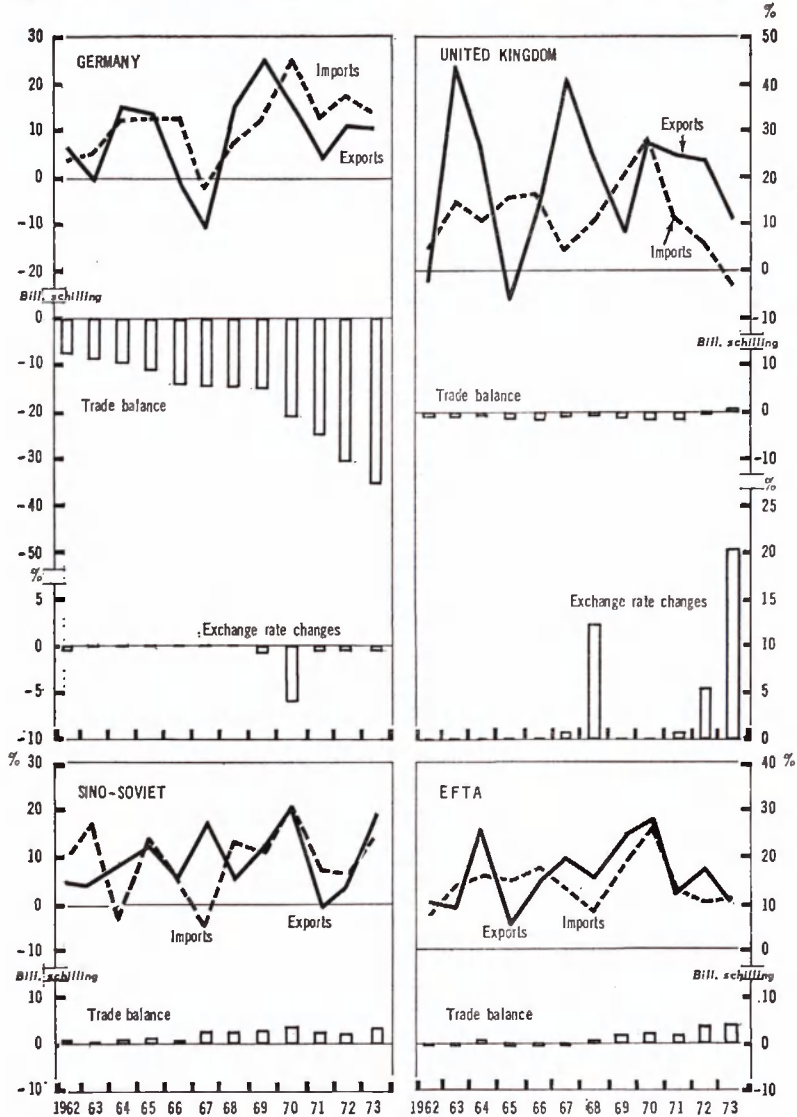
Diagram 9 Foreign Trade Between Austria and Main Trading Partners



1 Effective exchange rates for total trade and corresponding local currency/schilling rates for trade by countries.

Source: Austrian Statistical Office, OECD.

Diagram 9 (continued) Foreign Trade Between Austria and Main Trading Partners



Source : Austrian Statistical Office, OECD.

ing capacity constraints rather than loss in price competitiveness. As to geographical markets, significant losses occurred in the Italian, the UK and the French market, representing a marked departure from previous trends. The previous tendency of shrinking market shares in Eastern European countries became more pronounced in 1973 while losses in the Ger-

Austria

man market were relatively moderate. Further improvements were registered in some other trading partners, for instance the United States, Sweden and Ireland¹⁷.

Table 11 Austrian Export Performance
Percentage changes, volumes

	Growth of Austria's export markets ¹	Growth of Austria's Exports	Gain (+) or loss (—) in market shares
1961	9.1	7.4	-1.7
1962	9.5	7.0	-2.5
1963	8.7	6.6	-2.1
1964	5.8	6.2	0.4
1965	7.6	7.5	-0.1
1966	7.5	6.6	-0.9
1967	5.7	8.3	2.6
1968	12.2	14.7	2.5
1969	14.3	21.1	6.8
1970	13.1	10.6	-2.5
1971	4.6	6.6	2.0
1972	10.9	14.4(13.0) ²	3.5(2.1) ²
1973	15.0	10.2(16.0) ²	-4.8(1.0) ²

1 Growth which would occur in Austria's exports if it maintained its share in total OECD exports to each of 19 geographical markets.

2 Growth of Austria's exports adjusted for temporary shifts between 1972/73 and 1973/74 due to tax measures and reduction in custom duties.

Sources: Austrian Institute for Economic Research; OECD.

Weakening tourist trends

The international tourist boom showed clear signs of flagging in 1973. Due to rapid price increases, the growth of real disposable income of private households slowed down in most OECD countries. The weaker trend in tourism was more pronounced in Austria than on average elsewhere (Diagram 10). The number of overnight stays fell for the first time since 1967, especially of tourists from the United States and the United Kingdom, whose currencies had devalued against the Schilling by 32 per cent and 29 per cent respectively between 1970 and 1973. German tourists increased their overnight stays only little (0.6 per cent after 7.2 per cent in 1972) and much less than in other European countries. This may point to some loss in price competitiveness but could also reflect shifts in income distribution and the uneven incidence of inflation on real disposable income in tourist-generating countries. On the other hand, expenditure of Austrian tourists

17 For further details see Annex I.

Table 12 Determinants of Export Growth
Percentage change at current US dollar rates

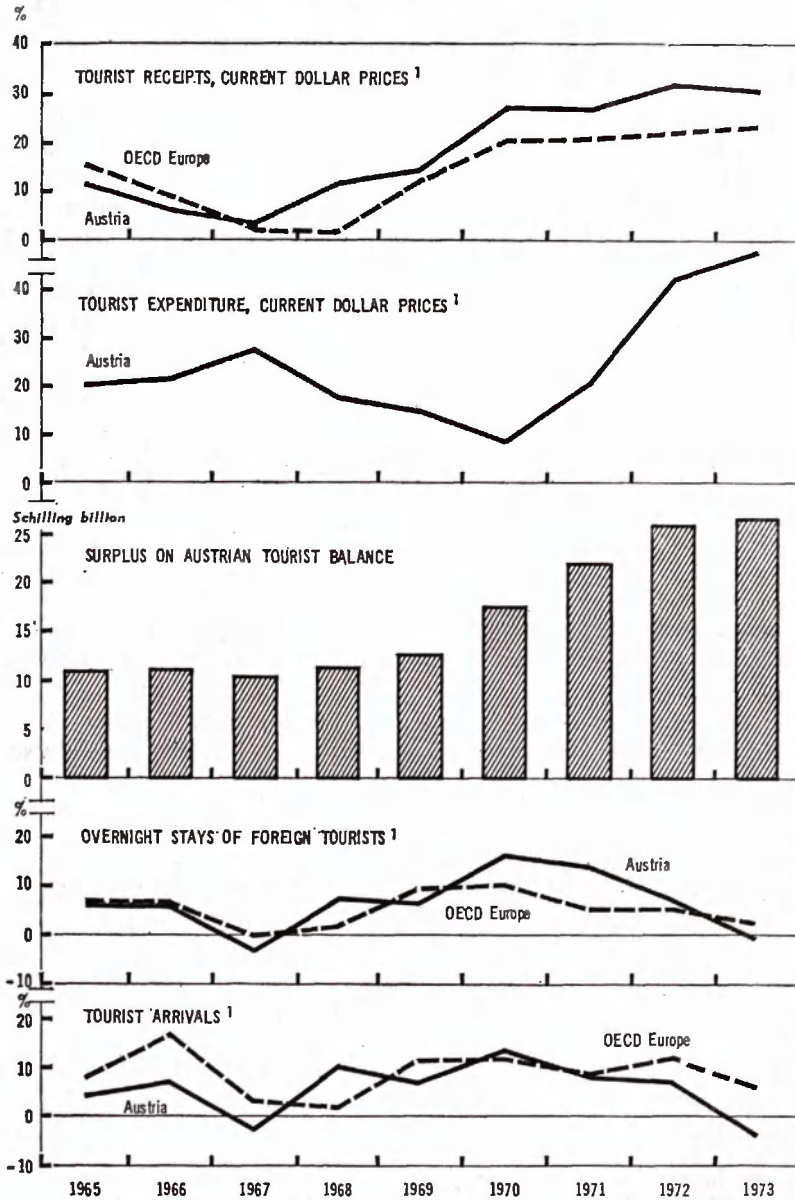
	Unweighted world market	Market growth due to		Austrian Country/ Commodity market	Austrian Exports	Market gain + loss —
		Country distribution	Commodity distribution			
	(1)	(2)	(3)	(4) = (1 + 2 + 3)	(5)	(6) = (5 — 4)
1962	11.0	1.3	0.3	13.1	5.1	-8.1
1963	8.9	2.4	-1.2	10.2	5.0	-5.2
1964	14.7	0.1	2.5	17.3	9.0	-8.3
1965	10.2	2.3	1.4	13.8	10.5	-3.3
1966	10.6	-0.2	-1.7	8.7	5.2	-3.5
1967	6.4	-1.1	1.4	6.8	8.4	1.7
1968	12.6	-0.6	0.5	12.5	10.0	-2.6
1969	15.5	2.3	1.6	19.3	21.3	2.0
1970	18.7	3.1	-1.2	20.6	17.6	-3.0
1971	11.7	-1.3	-0.6	9.6	9.8	0.2
1972	18.4	3.0	0.2	21.6	22.8 (18.7)	1.2 (-2.9) ¹
1973 (first three quarters)	35.0	2.4	0.1	37.5	30.1 (35.0) ¹	-7.3 (-2.5) ¹

¹ Due to the introduction of the VAT in 1973 which abolished the export promotion incorporated in the turnover tax system exporters advanced deliveries at the end of 1972. In substituting actual exports in the fourth quarter of 1972 by the average of the third and fourth quarter 1972 and the first quarter of 1973 and shifting the difference into 1973 an attempt was made to adjust the market share analysis for these distortions.

Source: OECD Secretariat.

Austria

Diagram 10 Development of Tourism



¹ Percentage changes against previous year.

Sources: Austrian National Bank, OECD.

(including the transfer of banknotes by foreign workers) abroad continued to rise rapidly in line with the steep upward trend in living standards. As a result net earnings from tourism virtually stagnated in 1973 with their contribution to the trade deficit falling to a historically low rate¹⁹.

The balance-of-payments outlook

Due to buoyant foreign demand and a number of special factors, exports in the first quarter of the year exceeded their corresponding previous year's level by 27 per cent in real terms and by 44 per cent in nominal terms. The growth rates adjusted for special factors may be put at 11 and 30 per cent respectively. According to the Secretariat trade matrix, Austria's geographical export markets may show a volume expansion in 1974 taken as a whole of some 7 per cent, less than half that between 1972 and 1973. With development of slack abroad, competition in foreign markets should become more intensive especially price competition where Austria's previous advantage has greatly diminished. Buoyant demand conditions at home and continued supply bottlenecks will on the other hand stimulate imports so that the underlying trade deficit will further increase.

Given Austria's own relatively important energy sources¹⁹ the higher oil prices should affect the balance of payments less than that of most other European Member countries. Additional exports to oil-producing countries, notably USSR, will offset some part of the higher oil bill²⁰. Furthermore, it can be assumed that the oil price induced terms-of-trade deterioration of 8 per cent will be reduced by some 2 percentage points as a consequence of a passing-on of higher energy costs to export prices. Given, on the other hand, the steep rise in other raw material prices, Austria's non-oil terms-of-trade position will deteriorate significantly. All in all, the trade balance may well deteriorate to the tune of almost 3 per cent of GNP. As the recent renewed buoyancy of net tourist receipts may be only short-lived, the current balance-of-payments deficit could amount to some Sch. 16 to 18 billion. Given Austria's comfortably high level of foreign exchange reserves and her easy access to foreign borrowing, the financing of the current deficit in the near future should pose no serious problems. Nevertheless, the apparent weakening trend in Austria's "non-oil" position, if it were to persist, could become a matter of concern in the future.

IV ECONOMIC POLICY

The earlier growth-oriented policy stance has been largely maintained during the past eighteen months, but the prolonged current business upswing and the rapid acceleration of international inflation have had impor-

17 During the 1960-1970 period the surplus on tourist account matched on average 84 per cent of the trade deficit. This ratio has since declined considerably (1969: 112.3; 1970: 93.6; 1971: 82.4; 1972: 81.5; 1973: 73.8).

19 In 1973 the share of imported oil in total energy supply amounted to 36.5 per cent (measured in hard coal equivalents).

20 On the assumption of a 130 per cent rise of oil prices between 1973 and 1974 the additional net oil bill may attain about Sch. 8 billion.

tant implications for economic policy. Following the November 1972 "Stage I" economic policy package, renewed stabilisation efforts were made in June 1973 ("Stage II"), November 1973 ("Stage III") and in June 1974 ("Stage IV"). The four policy programmes embodied a wide range of measures (Annex II) which, by themselves, were not drastic, but indicated the determination of the Government to keep the economy on an even keel. With public sector claims on real resources declining in relative terms and taxes used to stimulate productive investment and dampen contractual wage increases, it has become increasingly difficult to maintain some restraint on the fiscal side. Policy principles and techniques adopted by the Austrian National Bank have been subject to significant changes. As the dependence of the banking system on Central Bank financing has grown, there was less need to rely on the previous gradual and persuasive approach of the Bank towards monetary management. On the incomes policy side there is some danger that the persistence of excessive price and labour market pressures may affect the smooth functioning of the existing machinery in the field of price and wage formation.

Budget policy

The moderate fiscal restraint exercised by the Federal Government in 1971 and 1972 was maintained on the expenditure side. But it was followed by an expansionary swing in the financial budget balance in 1973 (Annex Table E) exclusively due to tax relief measures taken in connection with the introduction of VAT and the income tax reform. Available information on the conduct of fiscal policy suggests that the budget will continue to provide support to private sector activity through 1974 and 1975. The tax incentives to business investment are part of an earlier "package deal" between the Government and both sides of industry agreed upon prior to the introduction of VAT in 1973 and Austria's treaty with the Common Market. Next year's income tax reform which may embody tax reductions of more than Sch. 10 billion (of which around Sch. 8 billion will become effective in 1975) and the further lowering of the investment tax by 3 percentage points will again diminish companies' tax burden. The planned reduction in wage tax by more than Sch. 8 billion in 1975 constitutes the third major tax relief accorded to wage and salary earners since 1969. It is intended to offset the impact of inflation on tax progression and to keep unions' net real wage claims within reasonable bounds. However, as long as labour market conditions remain tight, at least in many important branches of industry, moderation of initial wage claims cannot be expected to produce the full desired effect on the development of actual wage cost. The lowering of wage tax could, on the other hand, provide a net stimulus to growth of consumer demand if a relatively low increase in contractual hourly rates were accompanied by substantial wagedrift as in past years.

Appreciable efforts are at present being made, notably by the Federal Government, to slow down the placement of public construction orders. The "Phase IV" stabilisation programme launched in June 1974 requests Länder and local governments to follow a similar course of action and to restrict the growth of expenditures planned in next year's budget proposals. On the

Table 13 The Federal Budget-Administrative Basis
Schilling billion

	1972	1973		1974	Changes in per cent	
		Voted	Outturn	Voted	1973 outturn 1972 outturn	1974 voted 1973 outturn
REVENUE						
Taxes ¹	85.7	84.0	88.5	109.3	3.3	23.5
Income from Federal monopolies and enterprises	24.0	24.8	25.5	27.8	6.3	9.0
Withdrawals from reserves set aside in previous years	1.3	1.6	1.2	2.0	-7.7	66.6
Transfers from abroad	0.2	0.2	0.1	0.2		
Others ²	9.0	17.3	13.0	9.2	144.4	-29.8
Total	120.2	127.9	128.3	148.5 (152.5) ³	6.7	15.7 (18.9) ³
EXPENDITURE						
Wages and salaries	33.1	37.6	38.1	42.0	15.1	10.2
Gross investment	14.6	16.5	15.4	18.6	5.5	20.8
Investment promotion	3.3	3.4	4.2	4.5	27.2	7.1
Price subsidies and transfers	41.9	46.3	45.4	50.3	8.4	10.8
Purchases and payments abroad	2.0	2.4	2.1	2.3	5.0	9.5
Debt repayment and similar payments	6.4	5.4	5.8	7.8	-9.4	34.5
Transfers to reserves	2.5	0.3	3.2	0.8		
Other	24.1	27.2	26.9	33.1	11.6	23.0
Total	127.9	139.1	141.1	159.4 (164.1) ⁴	10.3	13.0 (16.3)
Reflationary stabilisation quota				4.9		
Reflationary emergency programme		4.3		3.0		
Overall financial balance	-7.7	-11.2	-12.8	-10.9 (-11.6) ⁴		
Financial balance excl. credit revenue and debt repayment	-1.3	-5.8	-7.3	-3.1		
Internal demand effective financial balance	1.7	-4.9	-3.0	-2.2 (-2.1) ⁴		

1 Including other similar levies.

2 Including credit revenues.

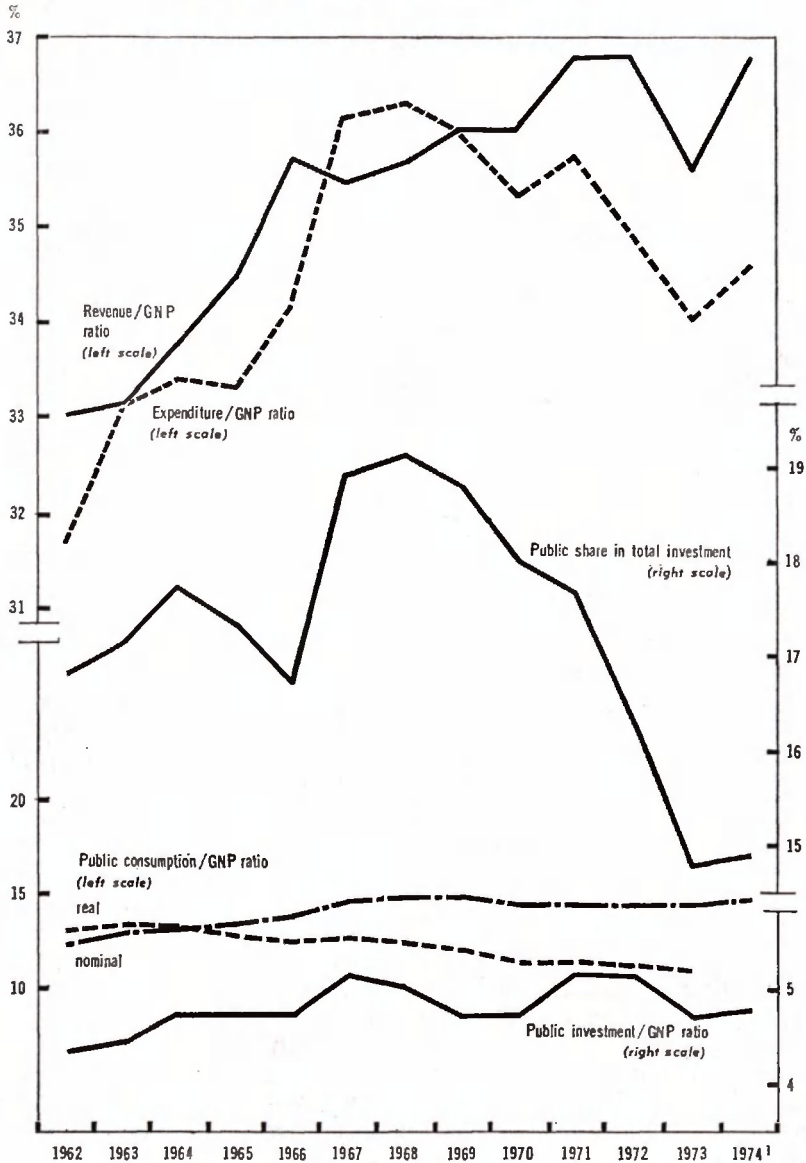
3 Latest estimate.

4 Latest estimate including partial utilisation of reflationary stabilisation quota.

Source: Ministry of Finance.

Austria

Diagram 11 Public Sector Claims on Resources



1 Official estimate for 1974.

Source: Austrian Institute for Economic Research, Finance Ministry.

other hand, overall budgetary developments have so far provided little evidence that public spending could be effectively reduced in 1974 compared with expenditure trends foreseen at the beginning of the year. Furthermore,

Table 14 **Bank
Schilling**

	Changes during			
	1972			Year
	Year	1st half	2nd half	
1 Notes and coin	384	489	-105	1 072
2 Excess reserves	-2 903	-71	-2 832	2 971
3 Unused unconditional refinancing facilities with Central Bank	-178	2 653	-2 831	3 361
4 Short-term foreign assets ¹	9 291	-1 377	10 668	13 675
5 Gross "free reserves" (1 - 4)	6 594	1 694	4 900	21 079
6 Liabilities with Central Bank ²	2 008	2 605	-597	1 555
7 Sight deposits of foreign banks	3 331	3 279	52	-1 129
8 Money market liabilities (6 + 7)	5 339	5 884	-545	426
9 Net "free reserves" (5 - 8)	1 255	-4 190	5 445	20 653
10 Total deposits				
11 Liquidity ratio				

1 Sight and time deposits with foreign banks, incl. swaps and foreign exchange.

2 Bills discounted by, and claims from, secured loans of Central Bank.

NOTE: Data in lines 1 to 10 are not fully comparable due to difference in timing.

Source: Austrian National Bank.

like in previous years, "basic" Federal expenditure appropriations have been supplemented by contingency spending plans (including a Sch. 4.9 billion "stabilisation quota" and a Sch. 3.0 billion "emergency reflationary programme") which may be utilised to some extent (Table 13). Calls on local authorities to temporarily freeze part of their revenues should reinforce monetary restraints, but may not entail a significant deceleration of public expenditure growth. Federal agencies and special funds which have grown in importance in recent years²¹ appear to have been more or less exempted from recent stabilisation efforts.

The authorities' pursuit of tax policies conducive to private sector expansion is clearly reflected in the medium-term stability of the public revenue GNP ratio since 1969 (Diagram 11). The main burden of adjustment during the past six boom years has therefore fallen on the expenditure side of the budget. Although the realisation of annual budget plans has tended to be much less flexible in a restrictive than in an expansionary direction, some measure of restraint has, nevertheless, been achieved. Growth of total public expenditures (excluding special funds and agencies) has fallen considerably behind the growth rate of GNP in recent years, pointing to a significant relative reduction of the public sector's claims on real resources. The declining share of public capital expenditure in total fixed investment (Diagram 11) is particularly remarkable as medium-term public sector projections were pointing to the existence of pent-up demand for infrastructure improvements. Continuation of the present posture of fiscal policy, apart from lacking sufficient

21 Special funds have been established, notably for roadbuilding, supplementing traditional agencies such as the postal and railway systems.

Austria

Liquidity
million

period		Levels end-period					
1973		1973	1974	1972	1973	1973	1974
1st half	2nd half	Q1	Q1	Year	Year	Q1	Q1
556	516	-24	-169	3 548	4 620	3 524	4 451
2 781	190	899	-124	-2 773	198	-1 874	74
2 689	672	2 060	-102	1 715	5 076	3 775	4 974
8 275	5 400	4 013	-15 578	30 147	43 822	34 160	28 244
14 301	6 778	7 001	-15 973	32 637	53 716	39 585	37 743
917	638	1 906	1 132	2 754	4 309	4 660	5 441
1 664	-2 793	3 014	1 279	6 503	5 374	9 517	6 653
2 581	-2 155	4 920	2 411	9 275	9 683	14 177	12 094
11 720	9 833	2 081	-18 384	23 380	44 033	25 408	29 649
				280 641	320 149	289 650	327 197
				8.3	13.8	8.8	7.8

short-run flexibility, could therefore conflict with longer-run requirements of ensuring an adequate provision of collective goods and services complementary to the growth of the private sector.

Monetary policy

Continuation of a restrictive though flexible policy stance during Phase II, III and IV of the Government's stabilisation programme (see Annex II) and the reduction of official exchange reserves last year have brought about a marked tightening of domestic financial conditions over the past twelve months. The considerable build-up of short-term foreign assets by the banking system in 1973 (Table 14) was not associated with a corresponding increase in banks' "free liquid reserves" as the "Gentlemen's Agreement" of August 1971 with the Central Bank and the floating of the Schilling since March 1973 prevent banks from converting their foreign assets freely into primary reserves. Growing dependence of the banking system on refinancing facilities offered by the Central Bank has produced a marked upward shift in money market and deposit rates. This has tended to erode the system of legal maximum interest rates established for bank deposits and pushed up bank lending rates.

Against this background, the authorities' earlier policy of preventing pronounced fluctuations in bond prices had to be discontinued. The increase of the official discount rate from 5½ to 6½ per cent on 15th May 1974 appears to represent a definite departure from the accommodating posture of monetary policy which had been a salient feature during most of the current business cycle. Growing attractiveness of deposit rates relative to

bond yields caused a marked decline of domestic non-institutional investors' participation in public offerings of new bonds²², and the rise in bank lending and deposit rates tended to push up the yield at which banks were willing to invest in fixed interest securities. The ensuing downward pressure on bond prices raised the effective yield on bonds in circulation considerably above the 7½ per cent level largely maintained from 1969 to mid-1973 (Diagram 12)²³. The increase of the discount rate and the subsequent decision to authorise new bond issues at a 8½ per cent coupon rate were probably unavoidable in order to restore a more normal interest rate structure and attract non-bank buyers into the bond market. The "upgrading" of coupon rates on bonds in circulation should improve investors' confidence and reduce private savers' liquidity preference. On the other hand, "upgrading" of low-interest-rate bonds renders the sale of existing security portfolios less costly and increases the wealth of bond holders thus stimulating their spending propensity.

The substantial rise of general interest levels may have begun to moderate domestic credit expansion and the growth of money supply (Table 15). Considering the possible buffer function of the relatively high stock of money assets accumulated in recent years (Diagram 13) and the strengthening of inflationary expectations, the immediate restrictive impact on growth of real demand may, however, be small. During the next twelve months, the effectiveness of monetary policy will greatly depend on the financing methods adopted to cover the public sector's borrowing requirements and the expected large deficit on current account of the balance of payments. Judging from recent Federal debt transactions, this year's Federal budget deficit will partly be financed by domestic financial institutions and through Government borrowing in the Euro-money market. The Austrian National Bank, on the other hand, seems to be prepared to continue its surveillance of private capital inflows and to accept a further reduction of its foreign exchange holdings. This could easily result in some re-tightening of credit restraints in the autumn once the seasonal rise in foreign exchange earnings from tourism during the summer months has subsided.

Prices and incomes policies

Prices and incomes policies, which are largely based on voluntary self-restraint exercised by both sides of industry and their active participation in the formulation of general economic policies²⁴, have remained under considerable strain. Price surveillance by the Parity Commission, covering producer goods which represent a weight of only 20 per cent in the cost-of-living index, is clearly insufficient to cope with the present price situation. Further-

22 The participation rate fell from 50.7 per cent (1972) to 32.6 per cent (1973).

23 An attempt by the Central Bank to resist a further decline in bond prices through open market purchases of fixed interest securities, notably in March and April of this year, had to be given up. Speculation on a considerable increase in the standard savings deposit rate, triggered off by rising price expectations and a trade union initiative, led to a massive offer of bonds to the Central Bank. These developments threatened to undermine its overall restrictive policy stance.

24 For a short description of existing arrangements and institutions see the OECD Survey of Austria published in August 1973, Annex I.

Table 15 Money Supply and Determinants
Changes in Schilling billion

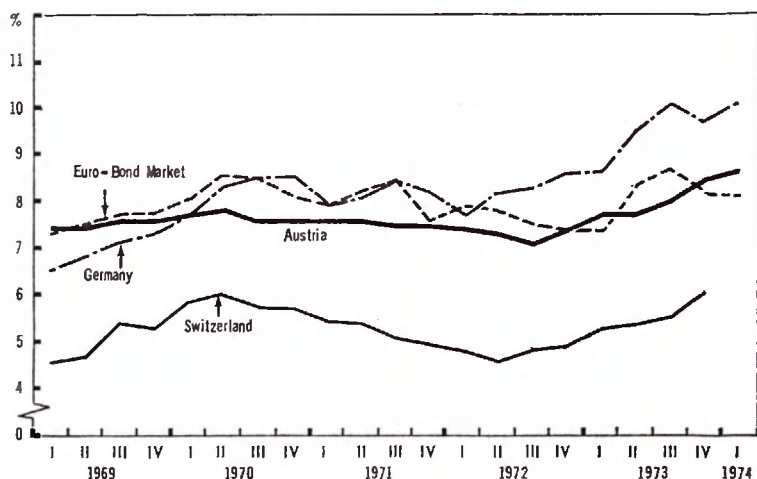
	1972			1973			1973	1974
	Total	1st half	2nd half	Total	1st half	2nd half	1st quarter	1st quarter
A Main factors influencing total money supply								
1 Bank credit to domestic non-banks	47.6	22.4	25.1	38.3	16.9	21.4	6.3	6.9
2 Domestic formation of monetary capital	33.1	14.9	18.1	36.8	18.5	18.3	13.0	12.7
<i>of which:</i>								
savings deposits	18.5	7.0	11.5	29.1	11.3	17.9	6.7	5.4
time deposits	5.6	3.4	2.2	0.6	1.8	-1.2	2.4	3.8
bank bonds ¹	6.6	3.2	3.3	3.4	2.4	1.0	1.6	1.1
3 Excess of total bank lending over monetary capital formation (1 — 2)	14.5	7.5	7.0	1.6	-1.6	3.1	-6.6	-5.8
4 Credit institutions' net foreign position	6.7	2.5	4.2	1.3	0.5	0.8	-1.2	-1.1
<i>of which:</i>								
Central Bank	8.2	3.3	4.9	-2.9	-0.2	-2.8	-1.1	-3.6
5 Other factors	-2.0	-0.4	-1.6	3.4	3.2	3.2	3.9	0.9
B Change in total money (3 + 4 + 5)	19.2	9.6	9.6	6.2	2.1	4.1	-3.9	-6.0

1 Excluding banks' own holdings.

NOTE Differences due to rounding.

Source: Austrian National Bank.

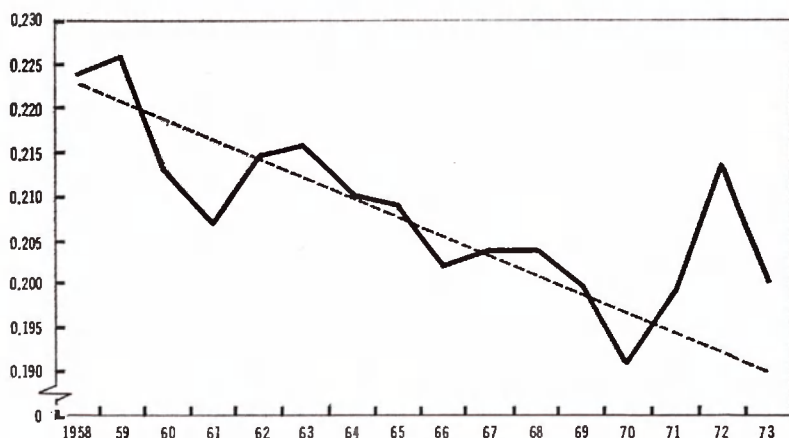
Diagram 12 Development of Austrian Bond Rate in International Comparison



Sources: Austrian National Bank; Deutsche Bundesbank; OECD.

more, strict adherence to the earlier established principle of authorising price increases only on the basis of changes in contractual wage rates has become more difficult given the persistence of high wagedrift. The successive disturbances resulting from the introduction of VAT in 1973 and the disruptive rise in oil prices have further complicated the Commission's task. The

Diagram 13 Liquidity Ratio of the Public¹



¹ Ratio of money supply to nominal GNP, trend ratio 1958-1971 indicated by the dotted line.

Source: Austrian Central Statistical Office.

Austria

Table 16 Changes in Regulated and Non-Regulated Consumer Prices

	1967	1968	1969	1970	1971	1972	1973
Regulated prices	8.8	3.4	2.0	2.4	3.2	6.4	5.4
Non-regulated prices	2.5	2.2	3.1	4.5	4.5	5.9	7.7

Source: Austrian Institute for Economic Research.

phasing out of increases in officially regulated consumer prices, which carry a weight of another fifth in the official index, can at best exert a moderate dampening effect on short-run price trends. And the earlier practice of shifting increases in regulated prices into periods of low cyclical price pressures (Table 16) cannot be continued to the previous extent during the current prolonged boom period. Moreover, the steep rise in commodity and crude oil prices necessitate upward adjustments notably of agricultural prices over the next twelve months with little scope for further postponement.

New legislative initiatives aiming at a more direct influence of the Government on price developments could exert some disciplining effect on price fixing behaviour and dampen inflationary expectations. The Price Determination Act, which enabled the Government to enforce appropriate pricing during the transition period from cascade turnover tax to VAT and which was due to expire in September 1973, has been extended by another year. Apart from general considerations this extension was deemed to be justified to ensure the passing on of reductions in customs duties which became effective in January 1974. In a recent draft amendment to the Price Control Act the Government has proposed to extend its powers to impose official price freezes over a maximum period of six months in cases where price increases are considered to be "economically unjustified". The application of existing price control regulations requires the unanimous consent of the representatives of both sides of industry. This has rendered the perspective sections of the Act largely ineffective. Even if the proposal was voted, the amendment would not allow the Authorities to impose a general price freeze.

V CONCLUSIONS

Continued rapid growth of foreign and domestic demand over the last twelve months has led the Austrian economy into its sixth year of virtually uninterrupted boom conditions. The strong and steady expansion has been accompanied by a marked improvement in living standards, also relative to that of most other Member countries. As the economy has absorbed the immediate contractionary demand impact of the oil crisis rather smoothly and domestic demand is still exhibiting considerable strength, Austria may once again come through a period of international recessionary tendencies without any serious loss of output and employment.

The price and balance-of-payments outlook, on the other hand, is much less comforting. As already noted in last year's Survey, the persistence of marked boom conditions has weakened Austria's earlier resistance to the worldwide phenomenon of accelerating inflation. Since then, the sharp rise in world commodity and crude oil prices has, as elsewhere, resulted in a further ratcheting-up of inflation and has shifted the current balance of payments, even adjusted for non-recorded items, into sizeable deficit.

Continued priority must therefore be given to the fight against inflation. Given the strong pressures on resources that are still prevailing, demand management policies will have an important role to play. A general tightening of fiscal and monetary policies along the lines suggested by the Government's "Stage IV" stabilisation programme of last June should, assisted by weaker exports, ensure a desirable cooling-off period. The monetary authorities would seem to be in a rather favourable position to exercise stricter control than in the past of banks' primary liquidity and lending. Given the strengthening of price expectations, higher long-term interest rates and some decline in bond prices may have to be accepted over a rather long period, since the earlier aims of keeping bond yields more or less stable has clearly become incompatible with the requirements of flexible monetary management. The upward adjustment of coupon rates of bonds in circulation could serve to offset undue portfolio losses and facilitate a smooth functioning of the secondary bond market.

The excessive pressure of demand in the building sector has been somewhat moderated by less buoyant placement of Federal construction orders in 1973. Further efforts to restrain public expenditures have recently been announced. A flexible adjustment of total public sector spending in either direction may, however, only be achieved if the spending behaviour of special funds, State and local governments could be more effectively brought under control. More detailed and up-to-date building statistics, availability of data on order placements and budget transactions by public bodies outside the Federal Government would seem to be an important prerequisite. Further progress could be made if Länder governments, local authorities and other public spending agencies could be obliged to channel part of their revenues into counter-cyclical investment funds and adjust their debt operations to borrowing guidelines agreed upon between all levels of government and the Austrian National Bank. Following recent budgetary practice of the Federal Government, Länder and municipalities may be requested to supplement their annual budget proposals by contingency spending appropriations which could immediately be drawn upon to counteract an unforeseen weakening of activity. At the same time, a certain proportion of flexible expenditures might be allocated to a stabilisation quota which could, without delay, be blocked during the budget year to reduce the pressure of demand.

Use of tax policies for demand management purposes continues to be hampered by recurrent tax "package deals" between the Government and both sides of industry. The tax incentives to business investment which took effect at the beginning of this year had already been agreed upon in 1972 and could apparently no longer be postponed. 1975 tax policies appear to be more or less predetermined by the planned major income tax reform. The envisaged lowering of wage tax is to remove "cold" progression effects and

is intended to moderate trade unions' wage claims; but as high income brackets and the company sector will also benefit from tax concessions, there may be a further stimulus to private investment. In the event of a continued revival of business investment, the Authorities should therefore be prepared to abolish the special depreciation allowances which were introduced in 1974 and/or postpone the next reduction of the investment tax due in 1975.

Voluntary price and wage restraint, official price regulation and government price surveillance appear to have been reasonably successful in preventing excessive price/wage spiralling effects which could have resulted from soaring world commodity prices, the introduction of VAT and the recent oil price hike. The rate of inflation in Austria has of late remained significantly lower than on average recorded in other OECD countries. Nevertheless, the progressive loss of price stability over the full length of the business upswing, if not reversed at an early date, could well endanger the smooth functioning of Austria's singular economic and social policy arrangements. A moderation of wage claims, which should be facilitated by the 1975 income tax reform, would be essential, although self-restraint on the part of trade unions might be more difficult in view of high wagedrift and the continued strong growth of non-wage incomes. Prolonged boom conditions have considerably narrowed the scope for phasing out increases in officially regulated prices in an anticyclical manner. New price legislation recently proposed by the Government aims at facilitating temporary official price fixing and extension of price surveillance. Such initiatives may have beneficial psychological effects. But they will hardly suffice to cope with the present inflation problem.

The recent decision to allow the Schilling to appreciate more than possible under Austria's former autonomous adherence to EEC floating arrangements continues the official policy of mitigating the inflationary impact of rising world market prices by recurrent revaluations. However, the weakening of the "non-oil" current account position in 1973-1974 and the considerable deterioration of the trade balance due to the higher oil bill raise some doubts whether Austria will continue to be able to draw price stabilisation benefits from upward movements of the Schilling. Prolonged boom conditions in Austria have put the economy in an unfavourable cyclical balance-of-payments position. Heavy cost/price pressures in the domestic service sector together with revaluation effects may have affected the competitiveness of the Austrian tourist industry, and the rapid immigration of foreign labour in 1973 implied an accelerating increase in foreign workers' remittances to abroad. Given Austria's comfortably high level of exchange reserves, the consolidation of past Schilling revaluations should not pose external financing problems. However, the recent weakening of Austria's underlying current account position may underline the need to moderate somewhat the pace of demand growth in order to keep the economy in a reasonable overall balance.

Demand restraint should not only be considered as a short-term policy device. Due to limitations on the supply side, the scope for expansion over the next 12 months and beyond is likely to be smaller than in recent years. Marginal domestic labour sources have gradually been absorbed and measures have been taken to stabilise the number of foreign workers. Furthermore, the rapid growth of output in past years has been supported by a marked

rise in the investment ratio. The buoyancy of investment was certainly not unrelated to the shift in income distribution in favour of profits. The desirable gradual catching-up of the labour income share will tend to lower the national savings and investment ratio. A dampening of private investment propensity would also result from a reduction of tax incentives which may be deemed desirable in order to create more room for real government spending, notably infra-structural investment, which has been lagging behind the expansion of real private demand.

Annex I

FOREIGN TRADE ANALYSIS TECHNICAL NOTE ON METHODS AND CONCEPTS

Constant-Market-Share Analysis

Constant-market-share analysis of export performance, used in Part III of the Survey, constitutes a widely adopted statistical technique²⁵ aiming at the quantification of "structural" advantages or disadvantages inherent in the geographical or commodity composition (or both) of a country's exports. In order to identify "structural" influences on export performance, changes in a country's exports are split up into two main components: the growth of its country/commodity-weighted export markets (i.e., the growth of exports that it would have achieved if it had maintained its previous market shares in total exports demanded in its country/commodity markets in the period under review) and a residual export growth component (assumed to reflect changes in a country's competitiveness causing gains or losses in actual market shares relative to base-period shares).

In applying the constant-market-share concept in the present Survey, Austria's export performance was analysed on two levels of disaggregation: Annual growth of Austria's volume export markets as shown in Table 11 was calculated assuming that Austria maintained the preceding year's share in total OECD exports to 19 individual country markets. This geographical weighting procedure allows for the possible influence of concentration of relatively fast or slowly growing country markets on Austria's export performance; but it neglects the impact of commodity distribution. Unfortunately, available foreign price statistics do not allow a breakdown of *volume* country markets by commodity groups. The country/commodity market-share analysis shown in Table 12 therefore had to be based on exports in current dollar *values*. The results of this performance analysis in value terms ought to be read with care with respect to recent years which saw recurrent revaluations of the Austrian Schilling²⁶.

The country/commodity export performance study at current dollar prices is based on the examination of 30 commodity markets in 28 countries, i.e. 840 elementary markets. Table A presents a more detailed account of the results obtained. It reveals that the loss of value market shares in the first 3 quarters of 1973 was widely spread between country markets but was

25 See OECD Occasional Studies, December 1970 and December 1973; Edward E. Leamer/Robert M. Stern, *Quantitative International Economics*, Boston 1970, Chapter 7, and J. David Richardson, "Constant-Market-Shares Analysis of Export Growth", *Journal of International Economics* 1/1971, pp. 227-239.

26 For a detailed discussion cf. OECD Economic Surveys Germany, May 1974, Annex II.

Table A Austrian Export Performance

	Average Market Growth	Austria's Share in Total Market		Share of Exports in Total Austrian Exports		Market Gains	
	1962-72	1962	1972	1962	1972	1962	1963
Country Markets							
EEC ¹	13.9	2.7	1.6	50.4	38.9	-5.4	-9.5
of which: Germany	15.1	4.5	2.9	28.1	22.5	-4.3	-9.4
Italy	11.4	4.8	2.8	15.4	9.7	-7.0	-9.9
France	18.2					-9.2	-5.5
EFTA ²	12.2	1.4	2.5	15.3	29.1	3.3	3.7
of which: UK	13.9	0.6	1.7	2.9	7.8	-4.2	31.8
Switzerland	11.9	3.2	5.3	7.3	11.6	14.7	-6.7
Sweden	11.9	1.3	2.3	2.5	4.0	-7.5	0.1
Denmark	11.2	1.1	2.0	1.4	2.2	-0.5	7.9
Ireland	13.0	0.3	0.4	0.1	0.2	-24.7	-21.1
Eastern countries	16.8	6.4	3.8	15.0	12.0	-4.0	6.2
US	20.9	0.5	0.5	3.9	4.6	-64.9	-2.9
Commodity Markets:							
Iron and steel	11.2	3.8	2.3	16.5	9.9	-11.0	-4.6
Chemicals	14.3	0.8	1.0	5.6	8.1	1.6	-0.4
Electrical industry	18.3	1.6	1.8	7.1	10.6	12.0	-17.2
Paper and paper products	15.1	2.8	2.6	6.6	5.9	-11.5	-9.1
Textiles	12.3	2.0	2.7	7.9	8.7	-15.0	0.2
Clothing	20.9	2.2	2.5	3.1	5.4	-20.7	9.8
Toys and sports goods	23.6	2.5	3.6	0.8	1.4	-69.0	9.9
Foods	14.7	0.5	0.7	4.9	5.4	4.9	-14.0
Investment goods	15.5	1.0	1.1	16.6	20.6	-0.7	2.6
Consumer goods	18.9	1.1	1.2	16.1	25.9	-16.9	-8.2
Intermediate goods	12.2	2.5	2.1	56.9	46.7	-9.2	-5.7
Total	13.9	1.4	1.4	100.0	100.0	-8.1	-5.2

1 For adjustments of exports due to temporary shifts between 1972 and 1973 the following method has been used: actual export figures in the fourth quarter of 1972 have been replaced by a three quarter moving average and the difference to the actual figure has been added to the first quarter of 1973.

2 Before the change in memberships in 1973.

Source: OECD.

more concentrated in individual commodity groups. Both in the EEC and in the EFTA market Austrian export growth (adjusted for temporary shifts of deliveries between 1972 and 1973) fell by about 5 percentage points behind the growth of markets; and the performance deteriorated compared with 1972 which had seen only minor losses in market shares. The simultaneity of losses in the EEC and the EFTA markets is a striking departure from previous years. In the past decade Austria had lost—at a decelerating pace—market shares in the dynamic EEC market, but achieved considerable market gains in the EFTA market. This reorientation of Austria's foreign trade towards the European Free Trade Area has changed Austria's geographical export structure. The share of exports to EFTA countries within Austria's total exports has nearly doubled between 1962 and 1972 while, at the same time, the weight of exports to the EEC was considerably reduced.

Austria

by Countries and Commodities

(+ or Losses (—) against Previous Year								1972		First 3 Quarters 1973	
1964	1965	1966	1967	1968	1969	1970	1971	Adjusted ¹	Actual	Adjusted ¹	Actual
-9.6	-4.6	-4.6	-2.8	-7.8	0.4	-10.1	-1.2	-2.3	0.4	-4.8	-7.9
-9.3	-5.2	-4.2	-4.9	-6.7	0.4	-11.5	-3.3	-3.9	-2.2	-1.5	-3.5
-10.1	-4.3	-6.6	6.1	-11.9	-2.3	-4.9	2.4	1.3	3.9	-17.7	-20.6
-9.5	-11.9	-13.0	-0.2	-5.7	6.5	-7.9	0.8	-4.0	0.6	-0.1	-5.3
8.0	-1.4	10.4	16.6	6.2	7.8	7.1	7.0	-0.7	2.8	-4.6	-8.6
-3.6	-5.4	8.2	25.1	16.3	2.2	2.9	13.8	-2.7	1.3	-8.7	-13.0
16.7	2.6	8.2	7.8	3.1	6.9	5.6	9.0	-1.2	2.1	-5.4	-9.1
12.1	-6.3	20.3	-0.5	3.0	15.0	7.7	-3.1	0.7	5.6	1.9	-3.7
-1.5	3.2	4.2	12.4	0.3	11.9	12.6	8.5	0.8	3.5	5.1	1.8
-12.9	0.5	-1.2	31.2	-3.9	8.0	-14.0	12.2	20.2	42.5	5.4	-19.5
-19.8	-9.4	-14.1	-7.0	-8.1	-5.1	-6.4	-6.2	-17.1	-9.5	-4.4	-13.9
-1.8	-9.3	-8.1	-7.6	-5.4	5.4	-6.3	-3.7	13.8	19.6	18.7	12.5
-7.7	-4.7	-1.7	-4.9	-3.2	-0.2	-18.3	-1.7	-5.0	-4.1	-20.5	-20.6
-14.7	20.9	3.0	6.2	4.1	-3.4	-6.8	4.6	2.6	4.7	0.3	-2.1
-5.3	-5.1	5.0	-6.9	3.3	4.3	1.3	-1.2	-4.8	3.7	8.6	-1.0
-52.3	1.6	-5.7	2.4	-4.2	4.7	-3.5	7.2	1.7	3.2	-2.1	-3.9
-4.3	-2.3	5.4	12.1	-3.9	3.0	1.4	0.6	2.4	7.5	3.5	-2.5
2.3	-3.1	-8.1	-1.9	-0.9	-11.0	-2.8	2.1	-2.4	1.1	2.7	-1.2
-14.3	-2.8	5.9	-3.9	13.8	25.1	11.9	-10.0	-16.9	-7.3	21.2	7.6
-15.4	13.5	-11.9	25.0	-15.6	6.5	-0.1	-5.6	4.3	7.9	-35.5	-39.0
-7.1	-8.5	-9.9	-2.5	-3.3	-2.5	1.1	5.2	-3.4	4.8	4.9	-4.7
2.2	-0.7	-5.2	2.9	-2.0	1.4	3.9	-2.4	-2.9	3.4	6.0	-1.1
-11.5	-2.2	-0.8	-0.4	-1.9	2.5	-6.4	0.7	-2.9	-0.6	-5.0	-7.7
-8.3	-3.3	-3.5	1.7	-2.6	2.0	-3.0	0.2	-2.9	1.2	-2.5	-7.3

The recent deterioration in both area markets was in particular due to a less favourable performance in the Italian, the UK and the Swiss markets, while the market loss incurred in Germany was relatively moderate compared with previous years. Much of the loss in the Italian market was due to special factors²⁷. The less favourable development in the UK market might indicate a strengthening of competitors' position after Britain's entrance into the Common Market. Examining individual commodity markets, it is interesting that Austria's less good export performance was concentrated in the iron and steel, the paper and paper product and the food markets. While the loss in the food market can be explained partly by the above mentioned

²⁷ At the beginning of 1973 the foot-and-mouth disease depressed exports of live stock which are concentrated in the Italian market.

special factors, the loss in the buoyant steel and paper markets could reflect domestic capacity constraints rather than weakening competitiveness. In other markets, especially in the markets for electrical goods, textiles, clothing and toys and sports goods, Austria increased its market shares considerably. This points to a favourable shift in the commodity composition of Austrian exports towards manufactures.

Import functions

The economy's growing import propensity during periods of strong demand pressures referred to in Chapter III of the Survey is brought out more specifically by econometrically derived import functions which use demand, overall demand pressure and relative prices as explanatory variables (Table B). Import functions have been tested separately for the following commodity groups (volumes): Food, machinery and equipment, other manufactured goods, energy products, other raw materials. The demand and overall demand pressure variables tested were: Real GNP and major demand components, agricultural and industrial production, and the GNP "gap". Relative import prices have been calculated separately for investment goods and other manufactured goods. For raw materials, investment goods and other manufactured goods, import propensities turned out to be relatively high. A 1 per cent increase in domestic demand variables tends to be associated with a rise in corresponding import components by about $1\frac{1}{2}$ per cent. Imports of investment goods appear to be significantly affected by overall demand pressure. Price elasticities were observed to be about -1 for investment goods and other manufactured goods.

Table B Import Functions

Dependent Variables Imports, volume ¹	Independent Variable ¹	Estimated Coefficient	T-Statistic	R ²	Durbin Watson	Standard error of the regression	A 1% increase in explanatory variable leads to a percentage change of imports by:	A 1 % increase in explanatory variable leads to a percentage change of imports by:
(a) Food (SITC 0.1)	Constant	0.402	1.3					
	Private Consumption	1.043	17.2				1.043	
	Agricultural output ²	-1.275	-5.9	0.966	2.044	0.037	-1.275	
(b) Machinery and Equipment (SITC 7)	Constant	0.500	1.1					
	Equipment Investment	1.440	19.2				1.440	
	Relative import price for equipment investment	-0.900	-4.0				-0.900	
	GNP-gap ³	0.011	2.2	0.997	2.729	0.021		1.1
(c) Other manufactured Goods (SITC 6,8)	Constant	-2.698	3.4					
	GNP	1.697	11.9				1.697	
	Relative import price for other manufactured goods	-1.128	-5.6	0.994	1.327	0.036	-1.128	
(d) Energy products (SITC 3)	Constant	10.925	6.1					
	Industrial Production	1.661	12.7				1.661	
	GNP-gap ³	-0.054	-3.0	0.947	2.315	0.007		-5.4
(e) Raw material incl. chemicals (SITC 2, 4, 5)	Constant	6.489	267.293					
	Industrial Production	1.523	2.865				1.523	
	Changes in stocks ⁴	0.003	2.4	0.984	1.320	0.041		0.3

1 All dependent and explanatory variables are in log. form if not otherwise indicated.

2 Deviation from trend.

3 Actual GNP in per cent of potential output.

4 In per cent of GNP.

Source: OECD.

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Annex II

CHRONOLOGY OF MAIN ECONOMIC POLICY MEASURES IN 1973/1974

1973

- January* Value added tax with a basic rate of 16 per cent introduced. Ministry of Trade and Industry undertakes third comprehensive price survey. Legal sanctions under the Price Determination Act become effective.
- February* Following the 10 per cent devaluation of the US dollar, intervention points of the Austrian schilling against the US dollar are fixed at sch. 20.50 (lower support point) and sch. 21.44 (upper support point) for one US \$ with effect from 13th February. The new central rate of sch. 20.97 implies a 10 per cent devaluation of the dollar against the "Smithsonian" rate of sch. 23.30.
- March* Foreign exchange market closed from 2nd March to 16th March. The Austrian schilling is revalued by $2\frac{1}{4}$ per cent with a new central rate being fixed at sch. 24.74 for one SDR and—in an informal manner—linked to the joint floating EEC currencies as from 29th March, 1973.
- Minimum reserve ratios lowered by one percentage point with effect from 1st April. Central Bank undertakes to buy up to sch. 1 billion worth of open market paper as from 2nd April under repurchase agreements expiring on 1st July, 1973, at the latest.
- April* Fourth comprehensive price survey undertaken by Ministry of Trade and Industry.
- June* Federal Government announces new ("Phase II") stabilisation package, including:
- (i) on the fiscal side: Continued blocking and postponement of Federal expenditures, restrictive handling of new expenditure commitments and of Federal loan and guarantee programmes; Länder and local governments undertake to realise budgeted expenditures in a res-

trictive manner, refrain, as far as possible, from increases in fees and public sector prices, and temporarily invest sch. 05. billion worth of their current revenue in cash certificates issued by the Austrian National Bank;

- (ii) on the monetary side: Extension of restrictive policy measures due to expire on 31st May and mid-June until 31st December, 1973 (tightening of Credit Control Agreements, compensatory investment of sch. 1.5 billion of banks' free liquid reserves in foreign assets or Central Bank certificates, gentlemen's agreement pertaining to bank's net short-term foreign asset position);
- (iii) on the price side: Proposal to amend and to extend Price Determination Act due to expire on 30th September, 1973, until 31st December, 1974.
- (iv) on the external side: Prolongation of deliberalisation of inward capital movements due to expire on 31st May, 1973, until 31st December, 1973, and tightening of restrictions on capital imports.

July Following the 5½ per cent revaluation of the deutschemark on 29th June, the Austrian schilling is revalued by 4.8 per cent with effect from 3rd July, 1973, with the new central rate being fixed at sch. 23.61 for one SDR.

October Restrictive amendments to Credit Control Agreements due to be reviewed by 30th September extended until end-1973.

Draft Price Formation Act submitted to Parliament proposing control of multinational companies' pricing policies.

November Temporary reduction of minimum reserve ratios by 1½ percentage points as from 1st November, implying release of sch. 3¼ billion worth of banks' primary reserves, to be reversed in two steps in January (½ per cent) and February (1 per cent) 1974.

Federal Government prepares new policy package determining policy stance in the first half of 1974 ("Phase III stabilisation programme"), including:

- (i) on the fiscal side: Shift of Federal expenditures into the second half of 1974; adjustment of monthly release of Federal cash appropriations to conjunctural requirements; tight control of spending in excess of voted Federal expenditures; freezing of tax revenue in excess of Federal Budget estimates; utilisation of "stabilisation quota" and Federal "contingency budget" restricted to emergency situation; blocking of 15 per cent of flexible expenditure appropriations in Länder and Communal budgets during the first 6 months of 1974;

Austria

temporary freezing of revenue transfers from Federal to Länder and local governments; restricted placement of public building orders consistent with cyclical requirements;

- (ii) on the monetary side: Extension of restrictive policy measures due to expire on 31st December, 1973, until mid-1974 (gentlemen's agreement pertaining to banks' net short-term foreign asset position, limitation of bank credit expansion to 1 per cent per month, lending restrictions agreed with non-bank financial intermediaries); reduction of maximum bank lending ratios in relation to liabilities under Credit Control Agreements, to be reviewed until 31st March, 1974;
- (iii) on the price side: Restricted increase in public sector prices and fees; stricter surveillance of price increases under the Parity Commission procedure, including control of calculated cost impact of higher import prices and exchange rate changes; full co-operation of Federal Chamber of Commerce in the initiating of temporary official price-freezing procedure under the the Price Control Act;
- (iv) on the external side: Prolongation of deliberalisation of inward capital movements (invocation of the derogation clause in Article 7 (b) of the OECD Code of Liberalisation of Capital Movements) until 30th June, 1974.

1974

February Reversal of November 1973 reduction in minimum reserve ratios (pertaining to sch. 2½ billion worth of banks' primary reserves) waived.

March Lowering of minimum reserve ratios by 1 percentage point until 30th June. Assessment basis for gentlemen's agreement under which banks deposit 75 per cent of increases in schilling liabilities with Austrian National Bank shifted from 13th August, 1971, to 31st December, 1973. These measures result in release of sch. 3.8 billion worth of bank's primary reserves.

May Increase in official discount rate from 5½ to 6½ and in Lombard rate from 6 to 7 per cent with effect from 15th May. Limit for open market purchases of securities by Central Bank widened from sch. 1 to sch. 3 billion.

Margin within which Austrian schilling is allowed to fluctuate in relation to floating "snake" currencies widened from 2½ to 4½ per cent of implied schilling parity with these currencies as from 17th May, 1974.

Ministry of Trade and Industry undertakes price survey covering notably prices for food, detergents and electrical household appliances.

June Government prepares "Phase IV stabilisation programme", including:

- (i) on the fiscal side: Reduction of subsidy payments (excluding private investment promotion) by 5 per cent; continuation of restrictive fiscal measures taken by Länder and local governments during the first half of 1974 up to the end of this year; restrictive placement of public construction orders and selective stop of new building licences (filling station and bank office buildings); preparation of 1975 budget proposals adjusting the planned growth of expenditures to anticyclical requirements);
- (ii) on the monetary side: Extension of Credit Control Agreements until 31st December, 1974, including limitation of bank credit expansion to 1 per cent per month; coupon rate for new bond issues fixed at 8.5 per cent;
- (iii) on the price side: Preparation of new price control legislation, including extension of Price Determination Act and amendments to Price Control Act facilitating official price-fixing procedures for consumer prices not covered by official price regulation; initiative of the Federal Government to bring about price decreases on a voluntary basis (especially for key commodities—like fuel oil and beef—or by trade chains).

July Increase of minimum reserve ratios by 1 percentage point originally envisaged to become effective as from 1st July postponed until 1st September, 1974.

STATISTICAL ANNEX

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Table A National Product
Sch. billion

	1970	1971	1972	1973	1970	1971	1972	1973
	<i>Current prices</i>				<i>1964 prices</i>			
EXPENDITURE:								
Private consumption	208.2	229.9	259.7	288.5	171.4	182.0	194.4	203.7
Public consumption	54.6	60.7	68.8	79.9	35.3	36.3	38.0	39.6
Gross domestic fixed capital formation	97.1	118.4	149.9	172.2	81.8	93.8	107.7	110.4
<i>of which:</i> Construction	53.4	65.8	88.1	109.4	45.0	52.3	61.2	65.5
Machinery and equipment	43.7	52.6	61.8	62.8	36.8	41.5	46.5	44.8
Change of stocks, incl. statistical errors	10.3	5.0	-2.0	9.8	9.0	3.5	-1.5	6.9
Exports of goods and services	116.3	126.8	144.8	166.3	100.3	104.9	116.3	124.3
<i>less:</i> Imports of goods and services	115.4	127.6	146.6	170.4	96.9	102.4	113.9	125.0
GROSS NATIONAL PRODUCT AT MARKET PRICES	371.2	413.1	474.7	546.3	300.9	318.2	340.9	359.8
ORIGIN BY SECTOR:								
Agriculture, forestry and fishing	25.9	25.0	27.8	31.5	23.1	21.3	21.4	22.3
Manufacturing and mining	131.5	147.8	167.2	190.0	114.0	121.9	130.6	137.9
Construction	34.1	41.9	55.6	68.9	28.1	32.5	37.6	40.3
Other	179.8	198.4	224.2	255.8	135.7	142.6	151.3	159.4
	<i>Current prices</i>				<i>Current price percentage distribution</i>			
DISTRIBUTION OF THE NATIONAL INCOME:								
Compensation of employees	178.6	205.7	233.0	271.2	64.1	66.6	65.9	65.6
Income from property and entrepreneurship	77.7	81.6	93.7		27.9	26.4	26.5	
Savings of corporations	}	24.6	24.5	30.6	}	8.8	7.9	8.7
Direct taxes on corporations								
Government income from property and entrepreneurship	1.9	1.4	1.1	0.9	0.7	0.5	0.3	0.2
<i>less:</i> Income on public debt	4.1	4.4	4.8	5.5	1.5	1.4	1.4	1.3
NATIONAL INCOME	278.6	308.9	353.7	413.3	100.0	100.0	100.0	100.0

Sources: Austrian Central Statistical Office, Austrian Institute for Economic Research.

Table B Output, Employment, Wages and Productivity in Industry

	1970	1971	1972	1973	1972		1973				1974
					III	IV	I	II	III	IV	I
OUTPUT IN INDUSTRY, seasonally adjusted (1970 = 100) :											
Total industry	100.0	106.1	114.9	119.0	114.4	123.3	116.5	118.4	120.3	121.0	127.5
Mining	100.0	103.5	104.0	105.9	104.9	109.3	105.5	106.9	106.0	105.8	106.4
Manufacturing	100.0	107.2	116.7	120.6	116.1	125.6	118.0	119.8	122.4	122.4	129.3
Base metals	100.0	100.0	105.5	108.1	106.2	111.8	105.4	109.9	107.1	110.5	109.1
Metals products	100.0	108.3	102.5	121.8	119.8	133.0	119.2	120.7	125.8	123.3	136.2
Food, beverages, tobacco	100.0	102.9	111.1	112.3	111.0	118.0	108.0	111.4	112.7	116.4	116.1
Textiles, clothing and footwear	100.0	106.4	114.0	116.8	111.5	118.8	114.0	116.2	120.6	118.3	116.1
Chemicals and petroleum products	100.0	109.9	119.3	127.7	112.3	131.2	124.2	130.0	121.1	136.1	138.9
EMPLOYMENT:											
Not seasonally adjusted ('000) ¹	611.0	648.0	663.0	676.0	667.0	672.3	671.7	672.0	679.3	682.3	
WAGES AND PRODUCTIVITY:											
Gross hourly earnings per wage earner (1961 = 100)	148.6	168.1	188.7	212.4	194.2	197.8	200.5	205.8	213.9	229.0	
Gross monthly earnings per employee (1963 = 100)	177.7	206.0	230.7	261.3	226.2	272.0	215.4	261.3	249.1	318.4	
Output per employee (1964 = 100)	141.5	148.2	157.4	159.6	145.4	174.4	150.3	164.7	152.5	170.8	
Wages and salaries per unit of output (1964 = 100)	115.2	125.6	132.6	148.1	140.8	140.8	129.7	143.4	147.7	168.6	

¹ From 1971, coverage includes administrative personnel.

Sources: Main Economic Indicators, OECD, and Austrian Institute for Economic Research.

Table C Retail Sales and Prices

	1970	1971	1972	1973	1972		1973				1974
					III	IV	I	II	III	IV	I
RETAIL SALES (1958 = 100):											
Total	222.5	244.5	270.8	301.2	274.0	333.4	248.6	281.4	299.7	375.1	281.2
Non-durables	219.3	240.0	263.1	293.8	267.4	315.5	247.0	277.2	292.5	358.6	277.2
of which: Food and drinks	222.6	243.4	264.6	295.9	274.0	299.7	254.7	288.9	302.1	338.1	280.7
Clothing	188.6	210.7	235.7	258.3	222.7	321.5	199.9	234.4	234.3	364.5	234.1
Durables	241.7	272.1	318.5	346.8	316.5	443.1	258.4	308.1	347.1	473.5	305.2
of which: Household goods and furniture	232.1	261.5	307.1	329.9	303.0	434.0	241.7	298.6	315.9	463.2	292.4
PRICES :											
Consumer prices (1970 = 100), total	100.0	104.7	111.3	119.7	112.3	114.6	117.0	118.4	120.0	123.4	127.0
Food	100.0	103.8	109.8	118.4	111.2	114.3	116.4	117.2	118.8	121.3	125.1
Other	100.0	105.2	112.3	120.5	113.0	114.9	117.5	119.2	120.8	124.6	128.2
Wholesale prices ¹ (1964 = 100)	116.0	122.0	126.8	128.4	127.9	130.3	123.6	127.1	128.7	134.0	141.0
Raw materials and semi-manufactures	117.4	127.4	130.7	133.3	130.2	134.0	125.4	128.4	134.2	145.2	160.6
Finished manufactures	115.2	121.8	127.4	121.8	128.2	129.8	119.0	120.9	121.8	125.5	129.7
Building prices in Vienna (1958 = 100)	195.4	209.8	236.5	278.7	243.0	243.6	264.1	282.5	283.2	285.2	291.1
Labour	256.9	277.6	325.0	406.3	336.4	336.5	377.2	416.0	416.0	416.0	417.3
Building materials	139.5	148.1	156.0	162.9	158.2	159.3	161.3	161.3	162.6	166.4	175.9

1 Without VAT as from January 1973.

Sources: Oesterreichisches Institut für Wirtschaftsforschung; OECD, Main Economic Indicators.

Table D Money and Banking¹
End of period

	1970	1971	1972		1973				1974
			III	IV	I	II	III	IV	I
INTEREST RATES (per cent):									
Discount rate	5.00	5.00	5.00	5.50	5.50	5.50	5.50	5.50	5.50
Average bond yield ^a	7.6	7.5	7.1	7.4	7.7	7.8	8.2	8.5	8.5
MONEY CIRCULATION AND EXTERNAL RESERVES (Sch. bill.):									
Notes and coin in circulation	39.0	42.8	48.4	49.0	47.1	52.6	52.1	53.7	
Sight liabilities of the Central Bank	14.2	18.0	22.9	21.9	24.3	18.9	22.0	16.5	15.7
Gross external reserves of the Central Bank	40.5	48.9	62.4	57.3	54.9	53.8	56.2	52.3	48.3
of which: Gold	18.4	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9
CREDIT INSTITUTIONS (Sch. bill.):									
Credits to domestic non-banks	171.6	205.8		248.9		260.0		276.1	
Short-term	57.4	68.2		81.3		82.6		86.9	
Medium-term (1 to 5 years)	35.5	43.0		51.1		53.2		53.8	
Long-term	78.7	94.6		116.5		124.3		135.4	
Deposits from domestic non-banks	181.7	211.8	237.2	247.7	254.8	260.7	268.0	282.4	
Sight	34.2	41.5	51.3	53.3	51.3	53.2	54.8	58.3	
Time	16.3	18.4	21.9	24.0	26.4	25.8	25.4	24.6	
Savings	131.2	151.9	164.0	170.4	177.1	181.7	187.8	199.5	
Holdings of domestic Treasury bills	7.5	9.1	17.1	9.7	12.0	13.1	13.4	14.9	
Holdings of other domestic securities	27.7	30.8	33.9	35.9	38.1	39.1	41.3	43.8	
Foreign assets	27.1	34.5	38.9	48.4	52.1	58.7	55.0	70.1	
Foreign liabilities	25.0	37.5	42.8	52.9	56.6	62.6	56.2	70.4	

¹ Totals may not add due to rounding.

² Average effective yields on circulating issues.

Sources: Oesterreichische Nationalbank; Oesterreichische Länderbank.

Table E The Federal Budget
National Accounts Basis
Sch. billion

	Outturn			Estimated Outturn 1973	Voted 1974
	1970	1971	1972		
1 Current revenue	66.6	74.6	86.1	89.1	109.7
Direct taxes of households	21.6	24.7	28.5	31.1	37.2
Indirect taxes	39.2	44.0	51.3	52.5	66.1
Corporate taxes	5.4	6.0	6.6	6.0	7.2
Income from property and entrepreneurship	0.3	-0.2	-0.4	-0.7	-1.0
Current transfers from abroad	0.1	0.1	0.1	0.2	0.2
2 Current expenditure	59.6	66.1	74.1	83.3	98.8
Goods and services ¹	25.4	28.0	32.4	31.3	35.1
Subsidies	3.3	3.2	3.3	3.9	6.0
Public debt	2.7	2.9	3.0	3.2	4.1
Transfers to abroad	0.2	0.2	0.2	0.3	0.3
Transfers to public authorities ¹	12.6	14.4	16.1	27.8	30.2
Transfers to private households	15.4	17.4	19.1	16.8	23.1
3 Net public savings (1 — 2)	7.0	8.5	12.0	5.8	10.9
4 Depreciation	0.5	0.5	0.6	0.7	0.8
5 Gross savings (3 + 4)	7.5	9.0	12.6	6.5	11.7
6 Gross asset formation	5.3	6.4	7.2	7.3	
7 Balance of income effective transactions (5 — 6)	2.2	2.6	5.4	-0.8	1.5
8 Capital transfers (net)	2.3	2.3	4.1	4.9	5.5
9 Financial surplus (deficit) (7 — 8)	-0.1	0.3	1.3	-5.7	-4.0

¹ Up from 1973 wages of educational staff employed by the Länder are included in transfers to public authorities.

Source: Ministry of Finances.

Table F Merchandise Trade by Commodity Group and Area
Monthly averages, sch. million

	Imports					Exports				
	1969	1970	1971	1972	1973	1969	1970	1971	1972	1973
Total	6 122	7 689	8 706	10 048	11 489	5 227	6 189	6 583	7 479	8 498
By commodity group:										
Food, drink, tobacco	571	653	746	833	1 006	233	283	312	405	375
Raw materials	621	771	744	777	953	564	624	617	640	846
Mineral fuels, energy	442	636	708	713	860	130	156	133	148	182
Chemicals	634	756	813	916	1 030	295	347	384	436	553
Machinery and transport equipment	1 805	2 397	2 979	3 662	3 798	1 173	1 491	1 642	1 967	2 143
Other	2 049	2 475	2 716	3 146	3 842	2 832	3 288	3 494	3 883	4 399
By Area:										
OECD countries	4 975	6 288	7 105	8 390	9 562	3 921	4 610	4 845	5 753	6 491
EEC countries	3 457	4 311	4 864	5 818	6 687	2 165	2 439	2 550	2 894	3 316
Germany	2 529	3 171	3 570	4 207	4 788	1 266	1 446	1 509	1 677	1 849
Italy	402	503	581	725	845	529	599	611	719	894
France	222	271	320	411	446	134	137	153	181	204
EFTA countries ¹	1 192	1 505	1 709	1 889	2 102	1 281	1 647	1 841	2 171	2 396
UK	405	521	576	609	594	297	379	472	583	645
Switzerland	467	568	645	729	855	496	642	735	864	930
USA	183	263	322	325	352	238	254	265	337	354
Other OECD countries	144	209	210	358	421	236	270	189	351	425
Non-OECD countries	1 147	1 401	1 601	1 658	1 927	1 306	1 579	1 738	1 726	2 007
Eastern Europe ²	591	721	795	852	966	708	800	806	882	1 010
Africa	127	171	165	187	218	118	153	166	189	222
Latin America	171	201	202	206	214	71	86	117	122	110
Far and Middle East	114	143	246	283	376	182	194	233	254	290
Other	144	165	193	130	153	227	346	416	279	375
Index of volume (1961 = 100)	206	235	255	296	328	218	241	257	294	324
Index of average value (1961 = 100)	190	239	271	312	357	201	238	253	287	326

1 Including Finland.

2 Excluding Yugoslavia.

Sources: Statistics of Foreign Trade, OECD; Austrian Institute for Economic Research.

INTERNATIONAL COMPARISONS

BASIC STATISTICS :

			Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany	Greece	Iceland	Ireland
POPULATION													
Net average annual increase	Mid-1972 1962 to 1972	Thousands %	12 959 1.93	7 487 0.49	9 711 0.52	21 848 1.61	4 992 0.72	4 624 ¹ 0.29	51 700 0.96	61 669 0.82	8 866 0.48	209 1.39	3 014 0.63
EMPLOYMENT													
Total civilian	1971	Thousands	5 425	3 176	3 788	8 079	2 338	2 139	20 518	26 673	3 275	79 ¹⁸	1 063
Agriculture			8.0	17.3	4.4	7.5	10.9	21.2	13.4	8.4	37.3	18.8 ¹⁸	26.5
Industry ⁷		% of total	38.8	41.9	44.2	31.0	37.2	35.2	38.6	50.1	24.6	36.8 ¹⁸	30.9
Other			53.2	40.8	51.4	61.5	51.9	43.6	48.0	41.5	38.1	44.4 ¹⁸	42.6
PRODUCTION													
GDP ⁴ per head	1971	\$ ⁸	3 170	2 210	2 980	4 340	3 510	2 450	3 180	3 550	1 190	2 920	1 530
GDP by sector: Agriculture	1971		7.2 ^{2 15}	6.0 ¹¹	3.9	4.4	7.5	13.7	6.0 ^{11 13}	2.8 ¹¹	19.5	..	16.4
Industry		% of total	38.1 ^{2 15}	49.0 ¹¹	43.8	37.0	38.7	42.3	48.4 ^{11 13}	53.5 ¹¹	30.5	..	35.6
Other			54.7 ^{2 15}	45.0 ¹¹	52.3	58.6	53.8	44.0	45.6 ^{11 13}	43.7 ¹¹	50.0	..	48.0
GDP ^{4 22} annual volume growth	1971 1966 to 1971	%	3.0 ¹⁵ 5.0 ¹⁵	5.6 5.2	3.7 5.0	5.5 4.4	4.0 4.9	2.3 5.2	5.1 5.7	2.7 4.7	7.6 7.5	9.9 1.9	3.8 5.1
INDICATORS OF LIVING STANDARDS													
Private consumption per head	1971	\$	1 880	1 230	1 810	2 480	2 080	1 280	1 870	1 910	810	1 860	1 040
Public expenditure on education	1970	% of GNP	4.00 ⁹	4.60 ²	5.40 ²	9.10 ²	7.00	6.30	4.70	3.50	2.00 ²	4.30	4.90 ²
Dwellings completed, per 1 000 inhabitants	1971		11.0	6.0	4.4 ²³	8.9 ²²	10.1	10.8	9.3	9.0	14.0	6.6	5.1
Passenger cars, per 1 000 inhabitants	1970		306	162	211	312	219	137	245	237	22	200	122
Television sets, per 1 000 inhabitants	1971		227 ¹³	213	216 ¹³	349	277	230	227	299	10 ²	196	164
Telephones, per 1 000 inhabitants	1971		324	207	224	468	356	270	188	249	137	360	109
Doctors, per 1 000 inhabitants	1970		1.18 ¹⁹	1.85	1.55 ²	1.41 ²	1.45 ¹⁸	1.02	1.33	1.69 ²	1.55 ²	1.41	1.09 ²
GROSS FIXED INVESTMENT²³													
Total	1967-71 average	% of GDP ⁴	26.5 ¹⁵	28.0	20.8	21.7 ²⁴	23.3	24.1	26.1	25.4	27.2 ²⁵	29.2	23.4
Machinery and equipment			11.7	12.1	9.0	8.0	11.9	8.8	11.7	11.8	10.5	8.6	11.6
Residential construction			5.1	15.8 ²⁸	4.8	4.2	11.4 ²⁸	5.6	6.5	5.3	7.4	5.5	4.2
Other construction			9.7	— ²⁸	7.0	9.5	—	9.7	7.8	8.3 ²⁹	9.4	15.1	7.7
GROSS SAVING	1967-71 average	% of GDP ⁴	25.7	28.5	24.6	22.5	18.5	29.1	27.3	27.2	22.0 ²⁵	..	20.4
PUBLIC SECTOR³⁰													
Total current revenue	1971	% of GDP ⁴	29.5	37.0	35.5	35.7	44.6	37.6	37.7	38.4	27.4 ¹³	33.3 ¹⁸	34.2
WAGES/PRICES													
Hourly earnings ³²	Annual increase 1966 to 71	%	6.9 ³⁴	8.5 ¹⁶	8.7	7.9 ³⁴	11.7 ³⁵	10.7	10.2 ³⁶	8.3 ³⁴	8.8 ³⁴	12.9 ³⁷	12.1 ³⁴
Consumer prices			3.7	3.8	3.5	3.7	6.3	5.3	4.9	3.0	2.1	12.0	6.5
GDP ⁴ deflator			4.6	3.8	4.0	3.8	5.7	5.9	5.2	4.2	2.5	13.4	7.1
FOREIGN TRADE													
Imports ⁴⁸	1971	\$ million ⁸	5 870 ¹⁵	5 060	12 020	19 550	5 350	3 190	26 180	43 900	2 090 ¹³	290	1 960
		% of GDP ⁴	14.5	30.7	41.6	21.1	30.7	28.1	16.1	20.2	22.3	48.0	43.3
Exports ⁴⁶		\$ million ⁸	6 310 ¹⁵	5 030	12 670	21 020	5 080	2 970	27 390	47 010	1 000 ¹³	250	1 640
		% of GDP ⁴	15.7	30.5	43.9	22.7	29.1	26.1	16.8	21.6	10.7	41.4	36.3
BALANCE OF PAYMENTS													
Current balance	1967-71 average	% of GNP	-3.2 ¹⁵	-0.3	1.9 ²¹	0.0	-2.6	-1.3	-0.3	0.9	-3.7	-5.5	-3.3
Official reserves ⁴⁷ , end-1972: per cent of imports of goods in 1972		%	129.9	52.6	25.0 ²¹	32.0	17.0	23.7	37.7	59.8	44.1	36.7	53.6
Change	May 1973 - May 1974	Mill. SDR's	-365	-204	-407 ²¹	79	-257	21	-2 872	2 533	-124	-17	-35
NET FLOW OF RESOURCES TO DEVELOPING COUNTRIES⁵⁰	1972	% of GNP	0.96	0.54	1.12	0.95	0.57	— ⁵¹	1.06	0.67	— ⁵²	— ⁵¹	— ⁵¹
EXPORT PERFORMANCE⁵³													
Growth of markets ⁵⁴	1971 to 1972	%	16.7	17.9	19.8	18.3	19.7	21.1	18.8	18.6	14.7	..	22.4
Gains or losses	1960-61 to 1970-71 (average)	%	..	11.5	11.5	13.5	10.3	10.6	9.6	10.8	11.5	..	8.5
of market shares ⁵⁵	1971 to 1972	%	10.9	4.8	10.2 ²¹	-4.1	-0.3	3.9	6.6	-0.2	16.8	..	0.5
	1960-61 to 1970-71 (average)	%	..	-1.5	0.5 ²¹	-2.0	-1.6	-2.0	1.0	1.0	0.3	..	1.2

INTERNATIONAL COMPARISONS

Italy	Japan	Luxem- bourg	Nether- lands	Norway	Portugal	Spain	Sweden	Switzer- land	Turkey	United Kingdom	United States	Yugo- slavia ¹⁷
54 344 ³ 0.67	106 960 ⁶ 1.19	347 0.78	13 330 1.22	3 933 0.78	8 590 -0.41	34 365 1.06	8 127 0.72	6 385 1.20	37 010 2.49	55 877 0.45	208 842 1.14	20 770 0.99
18 700 19.5 44.1 36.4	51 140 15.9 36.0 48.1	148 10.2 47.3 42.5	4 604 6.9 38.0 55.1	1 497 ¹³ 13.9 ¹³ 37.3 ¹³ 48.8 ¹³	3 033 31.1 36.3 32.6	12 442 28.6 37.5 33.9	3 860 7.8 37.6 54.6	3 063 7.2 47.5 45.3	(13 639) ¹³ (71.5) ¹³ (11.8) ¹³ (16.7) ¹³	24 329 2.7 45.7 51.6	79 120 4.3 (31.0) (64.7)	7 651 ⁵ 50.4 49.6
1 880 11.5 40.5 48.0 1.5 5.0	2 150 5.9 ¹¹ 44.3 ¹¹ 49.8 ¹¹ 6.3 11.3	3 180 4.1 ¹³ 56.9 ¹³ 39.1 ¹³ 0.7 3.4	2 820 6.2 ¹³ 42.0 ¹³ 51.8 ¹³ 4.5 6.1	3 350 5.3 37.8 56.9 5.0 4.6	760 16.2 44.3 39.5 6.2 6.6	1 070 13.5 34.4 52.1 4.5 5.7	4 410 4.4 ¹¹ 39.3 ¹¹ 56.2 ¹¹ 0.2 3.5	3 780 6.4 ¹⁰ 49.6 ¹⁰ 44.0 ¹⁰ 3.8 3.8	350 30.2 ¹³ 25.7 ¹³ 44.1 ¹² 7.9 6.3	2 430 2.9 ¹⁴ 43.5 ¹⁴ 53.6 ¹⁴ 1.6 2.3	5 130 2.9 ¹¹ 33.1 ¹¹ 63.9 ¹¹ 2.5 2.5	760 19.3 ¹³ 41.1 ¹³ 39.6 ¹³
1 210 4.20 ² 6.3 187 191 188 1.80	1 120 4.00 ² 14.4 ¹³ 85 222 282 1.11 ²	1 760 4.90 ² 5.3 ¹³ 267 208 ¹³ 346 1.03 ²	1 610 7.00 ¹⁸ 10.4 194 243 280 1.19	1 780 5.90 9.8 193 229 307 1.37	580 2.00 2.9 ¹³ 47 40 ¹³ 92 0.85	720 2.20 ² 9.1 71 132 151 1.34 ²	2 390 8.20 13.2 279 323 557 1.30 ²	2 230 4.10 ² 10.7 221 222 509 1.59	260 ¹³ 3.70 ¹⁸ 4.8 ¹³ 4 3 18 0.44	1 510 5.50 ² 6.7 213 298 289 1.18 ⁹	3 230 5.40 ² 8.3 432 449 604 1.49 ²	390 4.30 ¹⁸ 6.1 35 100 40 1.10
19.9 8.2 6.1 5.6	37.8 31.3 ²⁷ 6.5 — ²⁷	24.2 ²⁵ 7.3 16.9 ²⁸ —	26.7 12.6 5.2 8.9	28.2 13.9 5.1 9.2	18.0 8.0 3.0 7.0	24.1 12.6 3.9 7.8	23.0 8.3 5.1 9.6	27.8 ⁴⁹ 9.5 7.1 11.2	19.3 9.4 3.4 6.5	16.6 ²⁸ 7.0 ²⁶ 3.3 6.3
23.3	39.1	30.2 ²⁵	26.2	28.0	20.4	22.7	22.8	28.9 ⁴⁹	..	19.4	17.3	..
33.7	22.3	35.7 ¹³	42.5 ¹³	47.3	24.0	22.6	49.1 ³¹	27.1 ²	..	38.6	30.5	..
10.1 ³⁸ 3.4 4.4	15.2 ³⁹ 5.7 4.7	.. 3.3 5.1	9.2 ⁴⁰ 5.3 5.3	9.9 ⁴¹ 5.5 5.7	10.2 ³³ 7.8 3.8	12.3 ⁴⁵ 5.4 5.5	9.0 ⁴⁸ 4.6 4.8	6.1 ⁴⁴ 3.8 5.1	.. 10.0 7.7	7.8 ⁴⁸ 5.7 5.6	5.5 ²⁰ 4.5 4.4	14.7 9.1 ..
18 670 18.5 19 770 19.6	20 720 9.2 27 010 12.0	730 ¹³ 70.9 850 ¹³ 81.8	17 710 47.5 17 700 47.5	5 360 41.0 5 130 39.3	2 130 31.5 1 650 24.5	5 610 15.4 5 840 16.0	8 410 23.5 8 770 24.5	8 240 34.5 8 090 33.8	990 ¹³ 7.7 620 ¹³ 4.8	28 750 21.5 30 650 22.9	62 440 5.9 56 220 5.3	3 750 23.9 2 860 18.2
2.2 31.5 -573	1.3 78.2 -2 241	— — —	-0.5 27.9 -130	-0.8 30.3 75	2.8 105.9 175 ⁴⁸	-0.1 75.8 649 ⁴⁸	-0.3 19.7 -274	1.5 75.9 -277	-0.7 92.6 429 ⁴⁸	0.6 20.3 150	0.0 23.7 431	.. 22.5 171
0.46	0.93	— ⁵¹	1.42	0.37	(2.15)	— ⁵²	0.66	0.58	— ⁵²	1.11	0.64	— ⁵²
19.5 10.9 3.1 2.8	14.8 10.1 4.3 7.9	— — — —	19.9 11.1 -2.0 0.8	19.6 10.2 8.3 0.5	19.1 10.6 6.9 3.4	18.8 10.5 -2.5 -0.1	19.2 11.1 -0.1 -0.3	19.7 10.8 11.7 -4.2	14.5 9.8 -6.8 -2.9	16.7 9.8 -5.6 -2.1

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