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ECONOMIC SURVEYS BY THE OECD

# AUSTRIA

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JUNE 1963

ORGANISATION FOR ECONOMIC  
CO-OPERATION AND DEVELOPMENT

PARIS

# AUSTRIA

## BASIC STATISTICS

### THE LAND

Area (thousand km <sup>2</sup> ) . . . . .	84	Major cities, March 1961 (thousands of inhabitants):	
Agricultural area (thousand km <sup>2</sup> ) . . . . .	41	Vienna . . . . .	1,627
Exploited forest area (thousand km <sup>2</sup> ) . . . . .	32	Graz . . . . .	237
		Linz . . . . .	196
		Salzburg . . . . .	106
		Innsbruck . . . . .	101

### THE PEOPLE

Population, March 1961 . . . . .	7,073,807	Net emmigration, annual average 1958-60 . . . . .	5,897
— per km <sup>2</sup> . . . . .	84	Total employment (I) March 1963 . . . . .	2,279,166
Net natural increase in population, annual average 1958-60 . . . . .	35,508	of which:	
— per 1,000 inhabitants . . . . .	5.1	— in industry (I) . . . . .	607,100

### PRODUCTION

Gross national product, 1962 (sch. billion) . . . . .	187	Industrial origin of G.N.P. at market prices, 1962 (per cent):	
— per head U.S. \$ . . . . .	1,000	— Agriculture . . . . .	9
Gross fixed investment, average 1960-62: (per cent of G.N.P.) . . . . .	29	— Industry . . . . .	40
— per head (U.S. \$) . . . . .	218	— Construction . . . . .	9
		— Services . . . . .	42
		Home food production, average 1960-62 (per cent of total food availability) . . . . .	87

### THE GOVERNMENT

Public consumption, 1962 (per cent of G.N.P.) . . . . .	13	Composition of Federal Parliament May 1963:	
General Government current revenue, 1961 (per cent of G.N.P.) . . . . .	34	Austrian People's Party . . . . .	81
Federal Government Debt, 31st December 1962 (per cent of Federal Government revenue) . . . . .	44	Socialist Party . . . . .	76
		Freedom Party . . . . .	8
		Last election: 1962.	
		Next election: 1965.	

### LIVING STANDARDS

Calories per head, per day 1959-60 . . . . .	2,950	Number of passenger cars in use, October 1962 (per 1,000 inhabitants) . . . . .	77
Weekly gross earnings of industrial workers in Vienna, 1962 (sch.) . . . . .	577	Number of telephones, December 1960 (per 1,000 inhabitants) . . . . .	99
		Number of radio sets, December 1960 (per 1,000 inhabitants) . . . . .	290
		Number of television sets, December 1960 (per 1,000 inhabitants) . . . . .	28

### FOREIGN TRADE

EXPORTS:		IMPORTS:	
Exports of goods, and services 1960-62 (per cent of G.N.P.) . . . . .	24	Imports of goods and services, 1960-62 (per cent of G.N.P.) average . . . . .	25
Exports, 1962 (per cent of total merchandise exports):		Imports, 1962 (per cent of total merchandise imports):	
— Food, tobacco, beverages . . . . .	5	— Food, tobacco, beverages . . . . .	14
— Raw materials and energy . . . . .	18	— Raw materials and energy . . . . .	21
— Chemicals . . . . .	5	— Chemicals . . . . .	8
— Machinery and transport equipment . . . . .	19	— Machinery and transport equipment . . . . .	31
— Other finished and semi-manufactured products . . . . .	53	— Other finished and semi-manufactured products . . . . .	26

### THE CURRENCY

Monetary unit: Schilling.

Currency units per U.S. dollar: 26.

(I) Wage and salary earners.

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1963

ORGANISATION FOR ECONOMIC  
CO-OPERATION AND DEVELOPMENT

*The Organisation for Economic Co-operation and Development was set up under a Convention signed in Paris on 14th December 1960 by the Member countries of the Organisation for European Economic Co-operation and by Canada and the United States. This Convention provides that the O.E.C.D. shall promote policies designed:*

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;*
- 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.*

*The legal personality possessed by the Organisation for European Economic Co-operation continues in the O.E.C.D., which came into being on 30th September 1961.*

*The Members of O.E.C.D. are: Austria, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.*

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This document was approved  
by the Economic and Development Review Committee  
in June 1963

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# AUSTRIA

## INTRODUCTION

1. The main object of this report is to discuss the economic policies, and particularly the contra-cyclical policies, which Austria has adopted in recent years. Part I summarises recent developments in demand and production, the balance of payments and the wage/price position and their prospects for 1963. In order to trace contra-cyclical policies over a full cycle, the examination in Part II goes back as far as 1958. After briefly outlining the pattern of the 1958-1962 cycle and indicating the broad objectives of Government policy, various institutional factors which affect the choice of policy instruments are considered. An examination of the timing and co-ordination of policy measures follows. Part III turns to the problem of conflict between short-term and long-term objectives. The main structural problems, some of which have been aggravated by the short-term policies pursued, and the action proposed to deal with them are briefly reviewed.

## I. RECENT TRENDS AND OUTLOOK

2. For the past year and a half the Austrian economy has been growing at an annual rate of some 2 per cent. This compares to a compound rate of growth of 5.1 per cent over the period 1956-1961. Supply conditions have certainly become less flexible; but the main reason for the poorer performance in the recent past is the slackening growth of demand, and notably investment demand. Gross fixed capital formation fell by 2-3 per cent in real terms in 1962. A recent survey by the Austrian Institute for Economic Research points to a continued decline in industrial investment in the current year. Uncertainty about Austria's future position in European integration schemes is an important factor explaining the deteriorating investment climate. The growth of private consumption, in contrast, has been well maintained; the increase in real terms was of the order of 6 per cent in 1962 and public consumption also rose rapidly. These two demand components are likely to support the conjuncture in the current year, although they may not prove so stimulating as in 1962. The rise in wages and other incomes will probably be less pronounced than in 1962 and the effects of last summer's cuts in income tax will have spent themselves.

The tendency is towards a less expansive budgetary policy and endeavours to keep public expenditure in line with tax revenue (which is likely to rise less fast than in 1962.)

3. The slower expansion of overall internal demand was reinforced by a slightly weakening export demand, affecting in particular the two most important sectors of the Austrian export industry — iron and steel, pulp and paper. In a wide range of manufacturing industries incoming orders are now clearly affected by the tariff reductions within the Common Market and there is reason to expect that the growth of exports may slow down further in the current year. Austria depends on the Six for fully 50 per cent of her merchandise exports. Rising incomes and trade liberalisation measures prevented a decline in the growth of imports. But the \$20 million deterioration of the trade balance was amply offset by a rise (by \$65 million) of net earnings on tourism. The expansion of such earnings may continue in 1963 and the current balance of payments may improve despite a further dete-

TABLE 1. THE BALANCE OF PAYMENTS 1960-1962

	\$ million.		
	1960	1961	1962
<i>Current transactions, net</i> .....	— 84.66	— 32.58	83.19
Merchandise, net .....	— 264.46	— 259.27	— 279.46
imports c.i.f. ....	1,425.85	1,489.81	1,552.11
exports f.o.b. ....	1,161.39	1,230.54	1,272.65
Services, net .....	180.64	227.96	299.12
tourism, net .....	170.65	216.82	280.35
investment income, net .....	— 7.08	— 12.86	— 14.88
other, net .....	17.07	24.00	33.65
Unilateral transfers, net .....	— 0.84	— 1.27	63.53
debit .....	— 51.38	— 53.19	— 31.73
credit .....	50.54	51.92	95.26
<i>Capital transactions, net</i> .....	62.02	165.12	144.47
Loans and credits, net .....	n.a.	116.04	66.77
Direct business investment, net .....	—	12.73	18.50
foreign investment in Austria .....	—	13.38	18.44
Austrian investment abroad .....	—	— 0.65	0.06
Security transactions, net .....	—	2.78	14.96
in Austrian securities .....	—	3.93	23.16
in foreign securities .....	—	— 1.15	— 8.20
Transactions in real estate, net .....	—	— 7.33	— 2.51
in Austrian real estate .....	—	— 7.63	— 3.07
in foreign real estate .....	—	0.30	0.56
Errors and omissions, net .....	38.91	38.24	40.35
Other capital transactions, net .....	n.a.	2.66	6.40
<i>Monetary gold and foreign exchange reserves, net increase (—)</i> .....	— 22.64	132.54	227.66

Source: Österreichische Nationalbank.<sup>7</sup>

rioration on trade account. A marked improvement on account of unilateral transfers also contributed materially to the \$84 million surplus on current transactions in 1962. The net inflow on capital account fell, due largely to a sharp drop in public borrowing abroad. The rise of non-residents' purchases of Austrian securities far exceeded the increase of security purchases abroad by residents and there was a big expansion of foreign direct investment, other than in real estate, in Austria. The official gold and foreign exchange reserves went up by \$228 million.

4. Industrial production rose by 2.3 per cent in 1962 — a much smaller increase than in the two preceding years. Order books were 9 per cent below the 1961 level. Industrial employment increased little, and the productivity advance amounted to only 1 per cent in the first half of 1962. Productivity has, however, been stepped up significantly since then. The behaviour of activity in individual branches clearly reflects the recent changes in the pattern of demand. Traditional consumer goods industries recorded much higher growth rates than in recent years, whereas the performance of the investment goods industry was poor compared with the past. In the iron and steel industry, one of the most vigorously expanding branches of Austrian industry in the 'fifties, there was an absolute decline in output in 1962.

5. Tensions on the labour market have eased in recent months. In the second half of 1962 the number of unemployed was higher than in the preceding year, although the labour force grew more slowly. After reaching abnormally high levels during the severe winter in the first quarter of 1963 the number of persons out of work had declined to roughly last year's level by the end of April. The tendency towards short-time working has spread and the movement of labour out of agriculture has slowed down notably. The 40,000 ceiling set for the employment of foreign workers in 1962 was not reached.

6. The pressure on prices moderated in the second half of 1962. Food prices fell sharply in the summer and autumn, owing largely to seasonal factors. Stabilisation efforts by the authorities and trade liberalisation measures also contributed to the more stable price development. Whereas the cost of living index was 6.3 per cent higher than a year earlier in June 1962, the gap in December was only 2.2 per cent. The price rise has, however, accelerated somewhat since then, a consequence mainly of the severe winter.

7. The price/wage freeze put into effect in July and the slow growth of activity in the economy appear to have had a dampening effect on wage movements. The annual rate of growth of average earnings of dependent labour fell steadily from 12 per cent in the fourth quarter of 1961 to 7 per cent in the fourth quarter of 1962. The growth of earnings in the industrial sector also slowed down markedly and industrial wage costs benefited from a more rapid productivity advance in the second half of 1962. There is reason to expect that the tendency

towards an easing of wage pressures will continue in the current year. The general slack conditions in many branches of industry are likely to have a moderating effect on union wage claims and on competitive bidding up of wages by employers.

8. The fact that many industries are today working off order backlogs while stocks of finished goods are widely considered to be too high, seems to point to a further slowdown of the growth of activity in the industrial sector in 1963. The problem of bringing wage movements into line with productivity advances may still remain and some pressure on prices may persist. It would not appear appropriate, however, given the already greatly diminished growth rate in the economy and the uncertain outlook for the current year, to shift to generally restrictive policy measures which could jeopardise full employment and be harmful to longer term economic growth.

## II. EXPERIENCE IN ANTI-CYCLICAL POLICIES

### THE 1958-1962 CYCLE

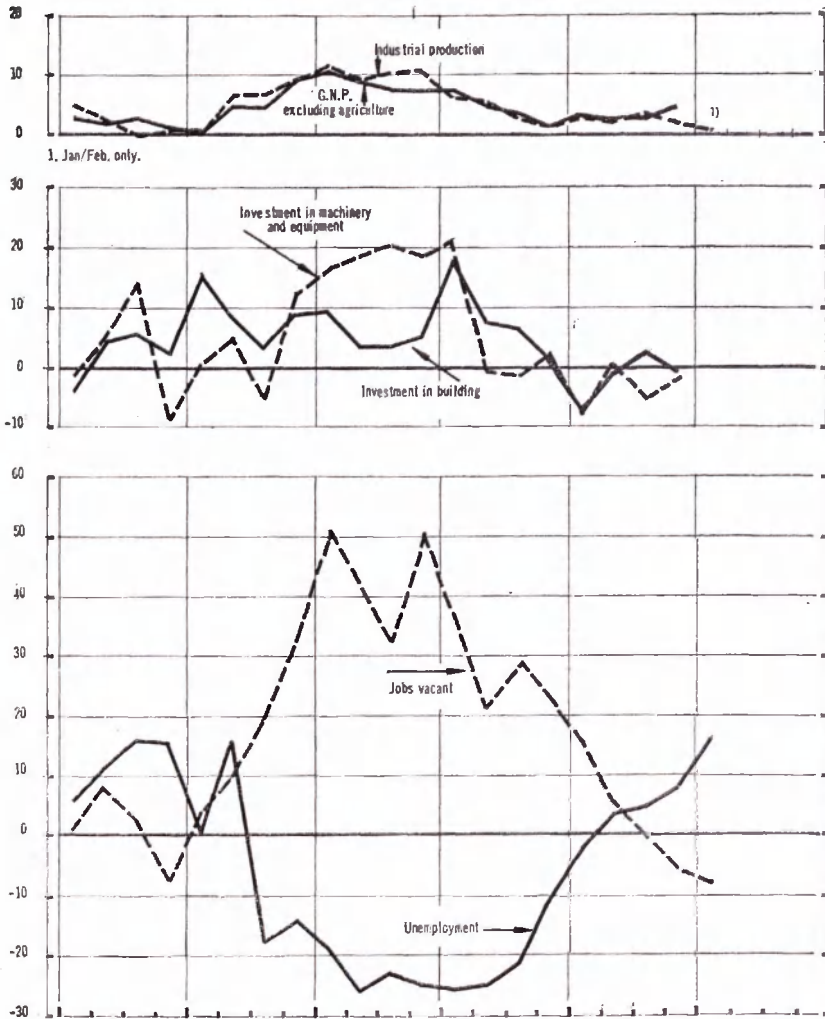
9. The tendency towards slower growth in the O.E.C.D. area was exerting a notable effect on Austria's exports already in the early months of 1958. By the spring signs of a reversal in stock building were apparent and the climate in business fixed investment had considerably deteriorated. The tendency towards a pause in economic expansion was reinforced by slackening growth of activity in dwelling construction. Consumer demand was well maintained throughout 1958, mainly due to rapidly growing expenditure on consumer durables. The revival of private investment demand began in mid-1959. By 1960 the economic expansion was strong, with private investment rising by 14 per cent in real terms, and shortages developed in a number of sectors. Productivity rose sharply in that year and it was not until 1961, when the economic expansion and the productivity advance had moderated, that wage adjustments became widely out of line with productivity gains. The boom had entirely spent itself by 1962; overall activity was growing by no more than 2 per cent a year and business fixed investment was declining. Still, the pressure on wages and prices remained, although, as already noted above, its strength diminished in the second half of the year. At no time during this period, except in 1960, was the balance of payments in substantial deficit. Rapidly growing earnings from tourism and a persistent inflow of capital from abroad proved strong supports throughout.

### THE POLICY OBJECTIVES

10. The declared basic objectives of government policy are broadly the same in all O.E.C.D. countries — to maintain high employment, the internal and external value of the currency, a reasonable rate of

**Diagram 1. SELECTED INDICATORS OF ECONOMIC ACTIVITY  
1958-1962**

**PERCENTAGE CHANGE FROM THE CORRESPONDING  
PERIOD OF THE PREVIOUS YEAR**



Source: Monatsberichte des Österreichischen Institutes für Wirtschaftsforschung.

economic growth and an equitable distribution of income. The degree of priority attached to one objective in relation to the others varies as between countries. The balance of payments was less of a drive behind policy-making in Austria than in some other countries during the period under review. This is not surprising, in view of Austria's strong external position in that period. Maintenance of high employment was a major policy aim notably during the slack of 1958 and early

1959. During the boom that followed, policy had to keep a careful eye on monetary stability. But this objective did not take precedence over the employment objective; action liable to prejudice the level of employment was carefully avoided. Increasing prices caused concern, in particular for their internal social effects, although their repercussions on Austria's competitive position were also an important consideration in the efforts to check the price rise. The two major inflations suffered during the last few decades have probably made the authorities and the public particularly conscious of the undesirable consequences which an immoderate price rise brings in its wake. The high priority attached to price stabilisation during the last couple of years has meant that policies could not be directed primarily with an eye to the long term objective of fostering economic growth.

#### THE CHOICE OF POLICY INSTRUMENTS

11. The measures taken by the authorities in the economic field since 1958 are listed in Table 2. It can be seen that demand-management policy relied to a major extent on budgetary instruments, supported by direct action in the wage/price field. Monetary policy was pursued to serve contra-cyclical requirements largely in 1960 and 1962. The measures taken to do away with restrictions on foreign trade and capital movements were prompted partly by conjunctural considerations.

TABLE 2. ECONOMIC POLICY MEASURES  
TAKEN BY THE AUTHORITIES 1958-1962

1958	Federal draft budget designed to have expansionary effect.
early	Borrowing abroad raised from 42 million in 1957 to \$59 million.
spring	Income tax reduced.
	Special depreciation allowances introduced.
	Tax concessions accorded holders of new public bonds.
spring	Government decision announced to increase investment expenditure sharply.
* * *	
1959	Federal draft budget intended to be somewhat less expansionary than the 1958 budget.
spring	Foreign payments liberalisation measures.
	Central bank rate lowered by 0.5 per cent to 4.5 per cent.
	Consolidation of treasury bonds in circulation by issue of medium-term bonds.
autumn	Further liberalisation of foreign payments.
* * *	
1960	Federal draft budget aiming at a sharply reduced deficit.
early	Restrictions imposed on bond issues financing building projects.
spring	Disbursements of Federal funds for housing construction delayed.

Trade liberalisation measures and extension of public guarantees of export credits.  
 Central bank rate raised to 5 per cent.  
 Minimum reserve requirements increased.  
 Credit control agreement contracted with provincial mortgage banks.  
 summer Agreement secured to observe price/wage restraint for a period of six months.

\* \* \*

1961 Federal draft budget envisaging a deficit as high as that approved for 1958 (Sch. 2.7 billion).  
 early Government announcement of a Consolidation Programme aiming at keeping the deficit down to Sch. 1.1 billion.  
 spring Trade liberalisation measures.  
 Taxes on mineral oils, spirits and tobacco increased.  
 A number of officially controlled prices raised.  
 Conversion into bonds of part of the Federal debt to the National Bank.  
 Federal Government borrowing in the open market reduced.

\* \* \*

1962 Federal draft budget providing a deficit of Sch. 1.9 billion.  
 Government statement that efforts would be made to restrict the deficit to Sch. 1.4 billion.  
 early Trade liberalisation measures and tariff reductions .  
 spring Credit ceilings lowered.  
 Penal rates for banks' borrowing from the Central Bank to meet reserve requirements raised.  
 Acceptance by the banks to hold for a period of one year Sch. 560 million worth of Treasury papers created by conversion of Central Bank claim on the Government.  
 Authority of the Equipartite Price and Wage Commission strengthened.  
 summer Income tax reduced.  
 Further trade and payments liberalisation measures.  
 Agreement secured on a three months' price/wage freeze.  
 Law passed on the promotion of personal savings.  
 Minimum reserve requirements increased.  
 Credit ceilings lowered.  
 Sch. 220 million worth of Central Banks claims on the Government converted into Treasury certificates and blocked for a period of one year.  
 Acceptance by the banks to hold Sch. 400 million of Government bonds for a specified period.  
 Customs tariffs cut.  
 autumn Agreement secured to prolong price/wage freeze till January 1963.  
 Further trade and payments liberalisation measures.

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12. Although no two policy instruments have identical effects, there is normally a certain scope for choice between instruments, which will achieve broadly the same objective. The choices made in particular countries reflect their particular institutions and traditions and the political configurations with which the authorities have to deal. Much also depends on whether directional rather than general effects are sought.

13. By comparison with most other Member countries' budgetary systems, that of Austria was relatively flexible and adaptable during the period here reviewed. This no doubt in part explains the importance of budgetary instruments in short-term policy making. The Government enjoyed substantial discretionary powers, some of which were, however, found to be unconstitutional by the Constitutional Court last December. The Minister of Finance was authorised, without prior leave of Parliament, to distribute any excess of actual over budgeted receipts among expenditure items, as he saw fit. Or he could refrain from spending such receipts, although the ordinary budget should not in principle be brought into surplus. The scope for discretionary Government action thus provided was considerable since actual tax receipts were normally significantly higher than those envisaged in the budget. The Government had even greater discretionary authority over expenditure in the extraordinary budget. In fact such expenditures, which are largely for road construction, electrification of the railroads and modernisation of the postal service, could be varied up or down at the discretion of the Minister of Finance. They were incorporated into a 10 year programme set up in 1953 and designed primarily with an eye to contra-cyclical policy needs. The Sch. 10 billion appropriated to the programme in 1953 had been exhausted by 1960. Since then the programme has been voted on a year to year basis.

14. As in most other countries there is little administrative discretion on the revenue side. Changes in taxation, whether direct or indirect, require Parliament consent. The process is time-consuming and greatly reduces the possibility of an active taxation policy. This explains the exclusive reliance of Austria's conjunctural budgetary policies on variations in expenditure. Beyond this, Austrian opinion regards taxation as a poorly suited instrument for short-term demand management.<sup>1</sup> Most of the strategic taxes are subject to central/local sharing but the Länder do not have an absolute veto in fiscal matters. The taxes determined at the local level are of little relevance for short-term policy making and local authorities can raise capital in the open market only with the leave of the Central Government. In short, the Central Government's power to determine the impact of public finance has not been hampered to the same extent in Austria as in other Federal States in Europe where local Government is more important and enjoys greater autonomy.

15. The principle laid down in the budget regulations concerning the balancing of the Federal Budget does not appear to have greatly restricted the scope for manœuvre. The ordinary budget to which

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1. The main objection towards a tax increase is that it will normally result merely in a corresponding expansion in Government expenditure. A rise in indirect taxation is objected to on the grounds that it will have adverse effects on costs and output. A change in income taxation, whether up or down, is considered to be very difficult since it involves protracted negotiations with the various economic organisations.

this rule applies has in practice been voted with significant deficits, although the eventual outcome has always been a surplus, except in 1958-59. The principle that the overall deficit should be limited to public debt reimbursements was rigidly adhered to only in the last two years. The extent to which public loans are to be raised abroad rather than in the domestic market is not laid down by Parliament. Parliamentary action is needed for the Government to borrow in excess of the amount envisaged in the voted budget. But, mainly for reasons of administrative expediency rather than for contra-cyclical policy needs, the ceiling for Government borrowing is normally set well above the budgeted deficit. The wide authority accorded the Government in respect of variations in extraordinary expenditure also meant that the budget could be materially changed during the budget term without Parliamentary action.

TABLE 3. THE FEDERAL GOVERNMENT BUDGET 1957-1962

*Sch. billion.*

	1957	1958	1959	1960	1961	1962
<i>Budget estimates:<sup>1</sup></i>						
Ordinary expenditure .....	31.8	37.3	37.5	41.1	45.1	52.5
Ordinary revenue .....	31.0	36.3	36.5	41.2	44.8	52.0
Balance on ordinary transactions	-0.9	-1.0	-1.0	0.1	-0.3	-0.5
Extraordinary expenditure .....	0.7	1.7	3.0	1.2	2.3	1.4
Balance on extraordinary transactions .....	-0.7	-1.7	-3.0	-1.2	-2.3	-1.4
Overall balance .....	-1.6	-2.7	-4.0	-1.1	-2.6	-1.9
Ceiling for Government borrowing for finance of investment expenditure .....		2.0	4.0	3.0	3.0	3.0
<i>Closed Accounts:</i>						
Ordinary expenditure .....	34.5	38.9	38.7	42.1	47.0	
Ordinary revenue .....	34.8	35.4	37.9	42.2	48.9	
Balance on ordinary transactions	0.3	-3.5	-0.8	0.1	1.9	
Extraordinary expenditure .....	1.8	2.5	3.4	3.1	2.8	
Extraordinary revenue .....	0.3	0.5	0.2	0.1	—	
Balance on extraordinary transactions .....	-1.5	-2.0	-3.2	-2.9	-2.8	
Overall balance .....	-1.2	-5.5	-4.0	-2.9	-0.9	
Debt redemptions .....		(1.0)	(0.5)	0.8	1.4	

1. Excluding supplementary budget appropriations of Sch. 1.9 billion in 1957 and Sch. 0.5 billion in 1958. Spending under these appropriations was authorised only to the extent that they could be covered by a surplus in the ordinary budget.

Source: Österreichischen Nationalbank.

16. The public enterprise sector is large in Austria. In the period 1955-1960 public enterprises accounted for about one half of total gross fixed capital formation in industry, construction, trade, transport

and services.<sup>1</sup> If industrial enterprises owned by the partly nationalised banks are included the proportion exceeds 55 per cent. Since the early 'fifties, however, intervention by the Federal authorities in the investment policies of these enterprises has been confined to the railroads and the postal services.

17. In contrast to most other European Central Banks which are completely or predominantly State owned, only half of the share capital in the Austrian National Bank is held by the State. This does not, however, appear to have made for less close cooperation between the monetary and the Government authorities than is common elsewhere in the O.E.C.D. area. The reason why monetary instruments were used rather less in Austria than in many other Member countries during the early part of the period here reviewed, may largely have been that it was difficult to foresee developments and assess to what extent policy action in other fields needed the support of monetary measures. The feeling that contra-cyclical policy making is primarily the concern of the budgetary authorities, given the steadily increasing importance of the public sector, may have contributed to the reluctance to resort to monetary action. But it also reflects the views of the monetary authorities themselves about certain constraints within which they believe they must operate. These relate primarily to the role of interest rates and of variations in the Central Bank discount rate in particular.<sup>2</sup> The essence of the Austrian view appears to be that changes in the general level of interest rates, which they would expect to follow fairly promptly on a change in the discount rate, do not have a great deal of effect on business investment, which is largely self-financed,<sup>3</sup> but that they do significantly affect the supply of loanable funds. The authorities appear to regard the present level of the interest rate structure as appropriate to the long-term requirements of the Austrian economy and do not wish to sacrifice these to short-term considerations. It is suggested that a lowering of interest rates would discourage private savings and add to the problem of financing a budget deficit; anything but a high rate, it is suggested, would be inappropriate for a country like Austria, which is still poor in capital per head. On the other hand, higher rates are thought undesirable, not only because of the domestic consequences, but also because of the danger of attracting excessive capital inflows from abroad.

18. Hence, the monetary authorities have relied predominantly on measures to vary the availability rather than the cost of credit. Such

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1. The estimates include public power plants owned by the Länder and the communes.

2. These views concerning variations in the discount rate are expressed in "Die Möglichkeiten unserer Notenbank", Dr. R. Kamitz, *Berichte und Informationen*, Heft 841/842, 1962 and in "Rechtfertigt die Geldfülle eine Diskontsenkung?" Dr. R. Kamitz, *Die Presse*, 23 December 1962.

3. In recent years, 70 to 75 per cent of non-housing enterprise investment has been financed without resort to external sources.

measures have been frequently used in the period here considered, notably in 1962. They have taken the form of variations in banks' minimum reserve requirements and credit ceilings and the acceptance by the banks to hold Treasury papers and Government bonds for a specified period. Open market operations of the conventional type have not been used, however, for purposes of credit-easing or restraint, since the National Bank does not have papers suitable for such operations. Although substantial progress has recently been made in liberalising foreign capital transactions, the authorities still have a considerable measure of control over capital inflows.

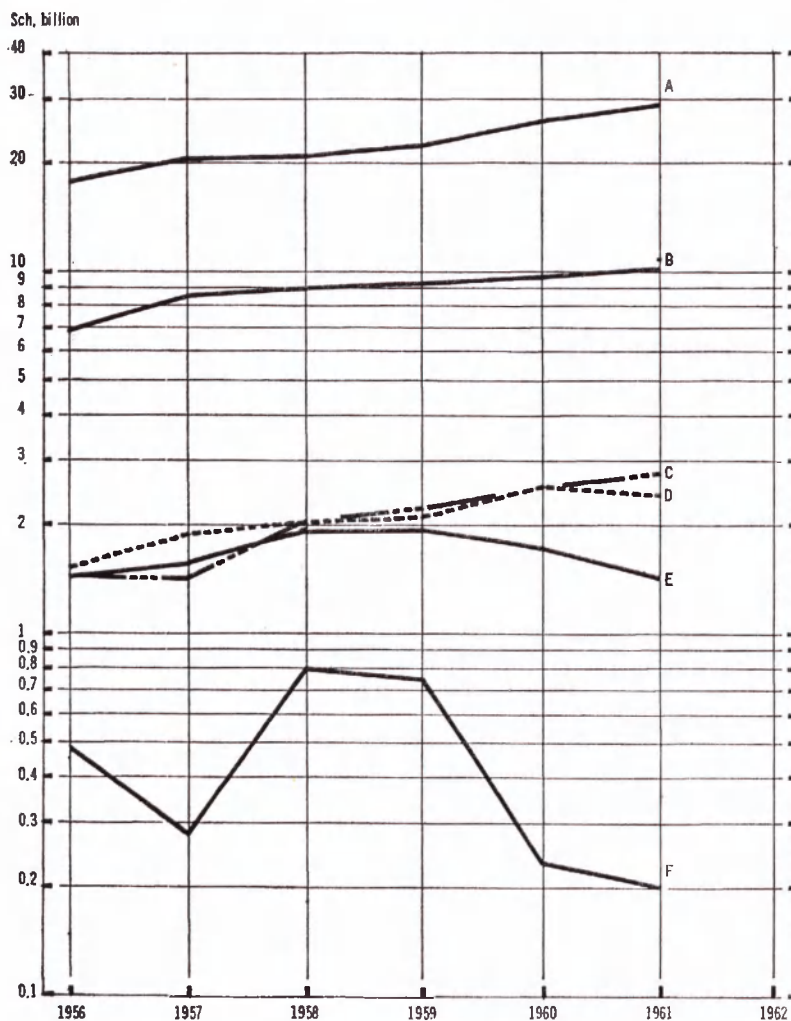
19. The emphasis laid on direct action in the price/wage field in contra-cyclical policies in part reflects the highly centralised system of wage determination in Austria. The existence of a Coalition Government between the Christian Democrats and the Socialists may also have facilitated the evolution of policies in this field and eased the task of securing effective observation of them by the labour market organisations.

#### TIMING AND COORDINATION OF POLICY MEASURES

20. As in most countries, correct timing of policy action in Austria has been impaired by deficiencies in the information on which short-term forecasts rely. Delays in getting policy measures enacted and put into effect have not been an important impediment in Austria's case. The prompt action taken by the budgetary authorities when the extent of the slack in the economy became apparent in 1958 was particularly well-timed. The problem of delays was in a large measure overcome thanks to the existence of the long-term investment programme. This programme could be speeded up by simple Government decision and it provided projects on which construction could be accelerated relatively promptly. It can be seen from Diagram 2 that gross fixed capital formation in the railroads and postal services was increased substantially but the sharp acceleration of growth of Central Government investment expenditure in that year relied primarily on a speeding up of road construction. The growth of the total of Federal investment subsidies, capital transfers and gross lending to the private sector slowed down somewhat, while the total flow of such funds to local authorities and public corporation nearly doubled.

21. Central government expenditure in all these categories was maintained or raised in 1959. In 1960, when the need for a stimulus from the budgetary side had definitely disappeared, central government capital transfers and lending to the public sector were cut to one third of their 1958-59 level, and investment in the railroads and postal services was reduced. Central government capital formation, including road construction, continued to rise, however, at an even faster rate than investment in the private sector of the economy. The persistent increase of expenditure in this category suggests that, while the Austrian

**Diagram 2. PRIVATE INVESTMENT  
AND CENTRAL GOVERNMENT OUTLAYS 1957-1962**



- A : Gross fixed assets formation in the private sector (including nationalised industry).
- B : Central Government current expenditure on goods and services.
- C : Gross fixed assets formation in Central Government (excluding postal services, railroads and other Federal enterprises).
- D : Central Government capital transfers and lending to the private sector.
- E : Gross fixed assets formation in Federal monopolies and enterprises.
- F : Central Government capital transfers and lending to local authorities and public corporations.

Source : Country submissions and Monatsberichte des Österreichischen Institutes für Wirtschaftsforschung.

Government may have been able to accelerate such works more quickly than Governments elsewhere, it faced the usual problem of slowing them down when the need had passed. Many types of projects, including the autoroute construction which weighed so heavily in Austria's case, can only be halted or retarded once started, at serious inconvenience and cost. Capital transfers to the private sector also proved difficult to reduce. The rigidity of these expenditures, therefore, prevented the Federal authorities from taking counter action to the marked investment boom in local government, nationalised industry and the private sector of the economy. It was not until 1961, when the growth of private investment had weakened, that notable progress had been achieved in slowing down the growth of Federal investment, and investment aid to the private sector has been cut somewhat. Preliminary estimates suggest that central government expenditure did little to offset the fall in private investment in 1962, when the main purpose of budgetary policy was to dampen wage and price pressures.

22. While the Austrian authorities were, therefore, highly successful in countering the cyclical slack in 1958, considerable difficulties were experienced in properly timing the reversal of the expansionary budgetary policy. Current government expenditure, which is almost entirely bound by legal commitments, is even less capable of being restricted in the short-term than is investment expenditure. Diagram 2 shows that the rate of growth of central government current expenditure on goods and services hardly changed between 1957 and 1961. The difficulties in relying entirely on the expenditure side when a tightening of budgetary policy is desired, therefore suggests that attention should be paid to the possibility of modifying present arrangements in the tax field to leave some scope for action also on the revenue side. So far, the conjunctural situation has hardly influenced policy decisions on taxation. Of the two reductions in income taxation undertaken over the past five years, the cut effected in mid-1958 was fortunately timed, as it happened. But the reduction put into force in 1962, while it helped to maintain the growth of consumer demand and thereby to offset the slack in the investment goods sector, ran counter to the short-term government policy objectives by reinforcing the pressure on prices. The reintroduction of special depreciation allowances for new investment in the spring of 1958 was also judiciously timed. This is less true of the timing for the revision of the scheme which was fixed for the end of 1963. Although these allowances provide less of a stimulus to investment today than when they were first instituted, abolishing or reducing them would mean reinforcing the downward trend in private investment. By rigidly fixing the application of the scheme for a period of fully five years the authorities renounced a policy instrument of considerable value; adjustments of depreciation allowances could have helped to check excess demand during the recent boom.

23. Some of the reasons why the monetary authorities have refrained from pursuing a more active contra-cyclical policy have already been

noted. An additional consideration in the decision not to act in the monetary field in 1958 was the budgetary measures taken which, it was felt, would provide an adequate stimulus to the economy. It was also thought that an easing of monetary conditions might aggravate the price rise expected to result from the reduction of work hours in that year. When the bank discount rate was finally lowered from 5 to 4.5 per cent in spring 1959 the slack in the economy had been largely overcome. The 5 per cent bank rate was re-established and minimum reserve requirements were increased in the spring of 1960. Use was made of monetary instruments also in 1962. Prices were relatively stable in 1960 and 1961 and the large balance of payments surplus of the latter year was not foreseen. Credit expansion slowed down following the restrictive measures taken in January and June last year. This was, however, partly because the demand for new credit fell as the growth of activity weakened. Bank deposits rose rapidly and the steadily improving balance of payments position contributed to raising liquidity in the economy. Bank liquidity remained well above the stipulated minimum levels.

TABLE 4. BANK LIQUIDITY AND CREDIT EXPANSION

	<i>Sch. billion.</i>				
	1958	1959	1960	1961	1962
<i>Bank liquidity (end of period):</i>					
Total liquid assets <sup>1</sup> .....	6.6	7.2	6.6	7.9	10.6
Required minimum reserves .....			4.0	4.4	5.6
Excess of liquid assets over required reserves .....			2.6	3.5	5.0
<i>Credit expansion:</i>					
Maximum permissible .....	7.6	9.6	9.6	8.6	7.1
Actual .....	2.5	3.2	5.2	6.2	3.5
Unused margin .....	5.1	6.4	4.4	2.5	3.6

1. Cash in domestic and foreign currency, deposits with the National Bank and the Postal Saving Bank.

Source: Österreichische Nationalbank.

24. Action on the price-wage front was vigorous throughout the five year period. The problem of checking excessive wage and price increases was handled largely through voluntary co-operation between representatives of the Government, the labour market organisations and agriculture in the Equipartite Price and Wage Commission. This body was set up in the spring of 1957. It was charged exclusively with advisory functions and had no legal means of enforcing its decisions. In the spring of 1962 its authority was somewhat strengthened in respect

of prices.<sup>1</sup> On wage questions it has continued to depend entirely on the self discipline of the social partners. No guiding lines were originally laid down for the policy of the Commission as regards action on wage claims. Productivity changes were stressed as a policy guide for the Commission for the first time in the Price-Wage Pact of the spring of 1960.<sup>2</sup> As regards action on demands for higher prices the criterium (changes in costs of the branch or the enterprise concerned) was laid down from the outset.

25. Prices and wage rates remained relatively stable during the periods of price-wage restraint instituted by the Commission. The first experiment made in this field in 1957-1958 was also successful in the sense that the cessation of the agreement on restraint was not followed by an upsurge of prices and wages. The general slack state of the economy during that period no doubt contributed to the success. But when the second agreement on price-wage restraint, entered into in mid 1960 for a six months' period, came to an end, both prices and wage rates rose sharply. The upward adjustment of a number of officially controlled prices in early 1961 strongly reinforced this trend. In fact such adjustments, which concerned inter alia flour, milk, dairy products, cast iron, rail and tram fares, accounted for one half of the rise in the cost of living index in 1961. The tight labour situation and the generally booming conditions in the economy caused strong competitive bidding up of wage payments during the period of the freeze as well as in 1961. The gap between negotiated wage rates and wage earnings widened to as much as 30 per cent in the latter year. The third price-wage agreement, which was introduced last summer for a three months' period, provided for a freeze of prices and wages. It was extended in September until January 1963, when it was replaced by an agreement to exercise restraint. As noted above, wage and price movements moderated somewhat in the second half of 1962, and it is reasonable to assume that the general slack conditions of the economy prevented an upsurge when the freeze was ended.

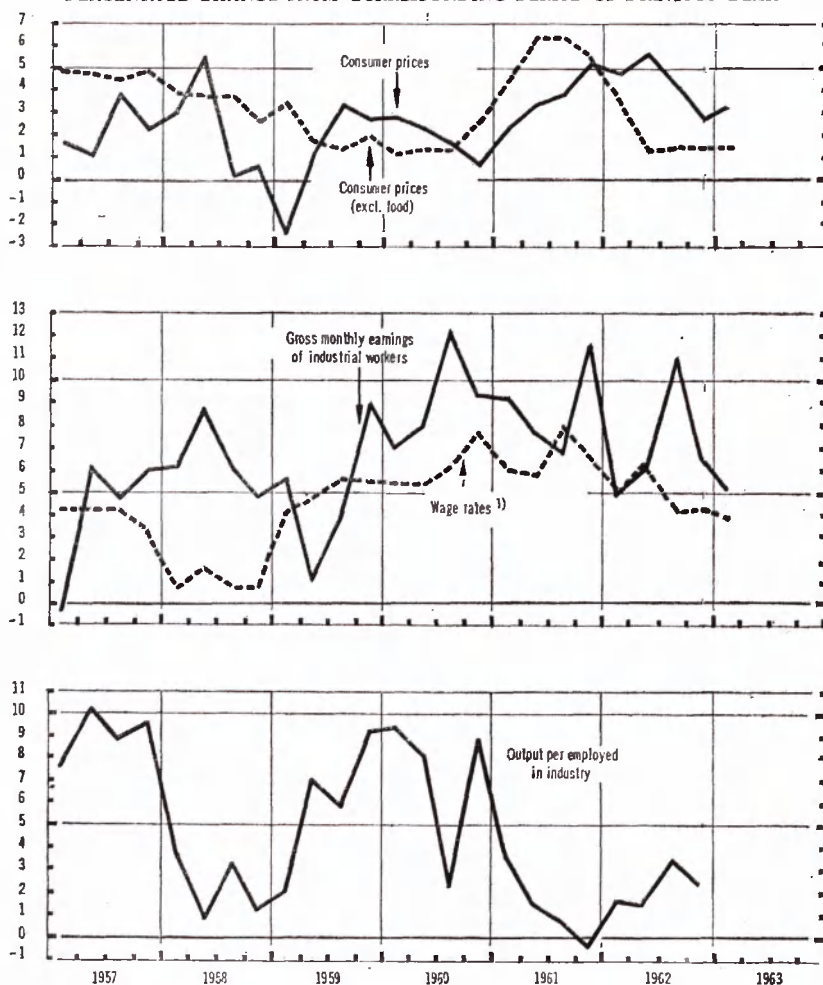
26. While the acceptance of these periodic freezes or restraints contributed to delaying, and thereby probably also to reducing somewhat, the upward movement of prices and wages, prices have risen as fast in Austria as in other industrial Member countries over the past five years. The increase in wages has been on the upper limit of that experienced in the O.E.C.D. area, although productivity improvements have not been specially great. The terms of reference of the Price and

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1. The Minister of the Interior was authorised to impose maximum prices for a period of six months in branches or enterprises having a dominant position in the market and profiting from this position to the detriment of consumers. The Minister was authorised to act only on the unanimous request of the Federation of Trade Unions and the Chambers of Labour, Commerce and Agriculture.

2. Productivity was not explicitly mentioned but the Commission was requested to hold back in particular on wage claims which could not be satisfied without an appreciable rise in price.

**Diagram 3. PRICES, WAGES AND PRODUCTIVITY 1958-1962**  
**PERCENTAGE CHANGE FROM CORRESPONDING PERIOD OF PREVIOUS YEAR**



1. Male workers in industry and handicraft in the Viennese region.

Source : Monatsberichte des Österreichischen Institutes für Wirtschaftsforschung; General Statistics, O.E.C.D.

Wage Commission were, and still are, narrow. The action on prices is limited to stopping upward adjustments only, and guided entirely by the size of cost increases. The Commission has confined itself to negotiated wage and salary rates. As in most O.E.C.D. countries there is still a large problem to solve.

27. An examination of Austrian economic policy measures during the last five years brings out a rather sharp contrast between the efficient and prompt action taken in the budgetary field to cope with the

TABLE 5. PRICES, WAGES AND COSTS IN SELECTED COUNTRIES 1958-1962

*Percentage change, annual compound rate.*

	AUSTRIA	FRANCE	GERMANY	ITALY	SWEDEN	U.K.
G.N.P. deflator 1958-1961 . . . . .	2.4	6.1	3.2	1.3	2.9	2.3
— — 1962 . . . . .	3.6	4.5	4.2	5.7	4.7	3.6
Consumer prices 1958-1961 . . . . .	2.2	7.3	1.8	1.6	3.0	2.0
— — 1962 . . . . .	4.4	4.9	3.5	4.7	4.7	4.4
Hourly wages in manufacturing:						
1958-1961 . . . . .	8.5	8.2 <sup>2</sup>	8.0	4.6	6.1	5.4 <sup>3</sup>
1962 . . . . .	8.2	9.0 <sup>2</sup>	11.3 <sup>3</sup>	14.4	7.4	3.7 <sup>3</sup>
Output per man-hour worked in manufacturing: <sup>1</sup>						
1958-1961 . . . . .	5.7	4.8	6.6	5.2	3.5	2.9
1962 . . . . .	3.4	9.7	7.3	(7.0)	(3.0)	(0.9)
Unit wage costs in manufacturing: <sup>1</sup>						
1958-1961 . . . . .	2.6	3.2 <sup>2</sup>	1.3	- 0.6	2.7	2.4
1962 . . . . .	4.6	- 0.6 <sup>2</sup>	3.7	7.0	4.3	2.8

1. Including mining for Austria, Germany and Sweden. Total industry for Italy.

2. The wage data relate to manufacturing, construction, distribution and some transport industries.

3. Male workers only.

Source: General Statistics O.E.C.D. and national sources. For France, Italy and Sweden the figures are partly estimated by the Secretariat.

slack in the early part of the period and the hesitant adjustments of budgetary and monetary policies to the boom conditions that followed. Inadequate coordination of policies may in part be responsible for the fact that the second period compares less favourably. If the policy mix in 1958 had not relied exclusively on fiscal measures the efforts to reverse contra-cyclical policies during the subsequent boom might have met with greater success. The price/wage problem might also have been eased somewhat, since the persistent high level of public expenditure during the period of considerable stress on resources must have reinforced price and wage pressures. The experience during this period has no doubt contributed to the widespread interest in Austria at present in questions relating to the coordination of economic policies, short term and long term. A committee was set up by the Council of Ministers to coordinate policies a number of years ago and plans are currently under discussion for the creation of an Economic Council charged mainly with coordinating functions.

### III. LONGER TERM PROBLEMS

28. How far have the authorities succeeded in reconciling long-term with short-term policy objectives? During most of the period considered economic policies have been successful in maintaining a high rate of capital formation and a high level of employment of labour

and equipment. Over the past year, however, investment has been declining and indicators point to a continuation of this trend. The question therefore arises how far current policies, which are focussed primarily on the wage/price situation, are adequate from a long term point of view. Beyond this, and perhaps more important, is the question of structural changes in the economy. Here it may well be argued that some of the longer-term problems faced by Austria today have in no small measure been aggravated by short-term policies hampering an optimum allocation of resources.

29. The Austrian economy has enjoyed a high rate of growth in post-war years with gross national product rising at a compound annual rate of 5.1 per cent in 1955-1961. In the O.E.C.D. area, Germany and Italy alone had a more impressive growth record over that period and in terms of growth per person employed, Austria tops the list of O.E.C.D. countries. The reason why it is now felt that it will be possible to achieve only substantially lower growth rates in future years is partly that the scope for raising employment will be somewhat smaller; demographic trends are less favourable and unemployment has virtually disappeared. But the main obstacle to future growth is considered to be the structure of the Austrian economy. Industry is heavily weighted in favour of basic materials for which demand prospects are thought to be poor. E.E.C. arrangements may aggravate the problems faced by these industries, which depend on the Six for nearly one half of their exports. Moreover, because of location and transport costs, these industries, and notably the iron, steel and aluminium industries, are regarded as marginal producers in the European market. In many branches of finished manufacturing the level of efficiency is low and production would be uncompetitive under a more liberal import regime. Rationalisation of existing enterprises and establishment of new growth industries is difficult to finance partly because of an inadequately functioning capital market.

30. The basic industries sector, which has contributed importantly to the growth of the Austrian economy in the postwar period is almost entirely State owned.<sup>1</sup> Capacity was expanded sharply in the early post-war period, when these industries were run by Government administrators directly responsible to the Federal authorities, and were the main beneficiaries of E.R.P. funds. Further large extensions of capacity have been made since they were organised in corporate form and Government control over them reduced. They are among the most capital intensive branches of Austrian industry and therefore benefited relatively more than did other sectors from the very favourable depreciation allowances reintroduced in 1958 as part of the policy to counter the slack in the economy in that year. These allowances, which tend

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1. Nationalised enterprises account for 95 to 100 per cent of output of iron ore, pig iron, steel, coal, copper, lead and zinc. In aluminium production the share exceeds two-thirds.

to channel investment into existing and notably capital intensive industries, have recently been criticised. It is suggested that they have resulted in excessive investment in many industries and that they should be modified once the present law expires this year.

31. There is further criticism of the privileges accorded holders of public bonds, which is a form of disguised investment subsidy. Enterprises enjoy tax concessions and personal investors receive a premium on funds invested in bonds issued by public authorities and electric power plants. Since the scheme was introduced in the spring of 1958 the bonds of these bodies have accounted for 80 per cent of total new bond issues in the Austrian capital market. Plans are under discussion for doing away with these privileges as from the spring of 1963 and for introducing certain tax concessions for small investors acquiring private debentures and mortgage bonds. As a step towards improving the conditions of the capital market, it is also intended to reduce fiscal discrimination against the issue of shares. The present discrimination takes the form not only of the right to deduct interest payments on bonds before deriving taxable profits, but subjects bonus issues to the same rate of taxation as company profits. It has meant that resort to the market by private industry for risk capital has remained very restricted; only about 15 per cent of Austrian corporations, accounting for one fifth of total corporate share capital, had their shares traded on the Vienna stock exchange in 1961.<sup>1</sup> In recent years new share issues have corresponded to less than two per cent of gross fixed capital formation in private enterprises outside the agricultural and housing sector.

32. There is little doubt that the measures now contemplated will provide a stimulus to the revival of private issuing activity. And it is reasonable to assume that the freer play of market forces will have favourable effects on the allocation of available savings. It may be desirable to find ways and means to channel the savings accumulated by the credit institutions and the insurance companies into sectors in need of risk capital. These institutions collect the bulk of personal savings<sup>2</sup> It is important that the conventions and regulations governing their investment policy should not cause their funds to be channelled only into bonds of the government and old established enterprises. Statistics for the end of 1961 show that only 10 per cent of the security portfolio of the credit institutions was held in equities; bonds of public authorities and electric power companies accounted for fully two thirds of their holdings of fixed interest bearing securities. The security portfolio

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1. This low share also reflects the predominance of public corporations and family-owned companies in the Austrian corporate sector. The Federal Government holds 45 per cent of the ordinary stock capital in the corporate sector.

2. Bank deposits from private non-bank sectors have risen by Sch. 6 to 8 billion a year in recent years. Subscription to new security issues by the same sectors has varied between Sch. 1 and 1.5 billion.

of insurance companies, on which details by type of assets are not available, was about one fourth of that of the credit institutions.

TABLE 6. NEW SECURITY ISSUES AND NET EXPANSION  
IN BANK CREDIT

*Sch. billion.*

	1958	1959	1960	1961	1962
<i>Fixed interest bearing securities</i> .....	3.10	4.82	3.35	2.92	3.93
<i>of which:</i> public authorities .....	1.30	3.10	1.70	1.50	1.95
electricity companies .....	1.26	1.32	0.88	0.67	0.95
mortgage and communal bonds .....	0.47	0.40	0.57	0.59	0.70
industry and other .....	0.08	—	0.20	0.17	0.33
<i>Shares</i> .....	..	0.08	0.22	0.08	..
<i>Investment certificates</i> .....	—	—	—	0.52	..
<i>Bank Credit</i> <sup>1</sup> .....	3.2	5.6	7.7	7.5	4.8
<i>of which:</i> public authorities .....	0.6	1.0	1.1	— 0.7	— 0.2
housing .....	0.8	1.1	1.1	1.6	1.6
commerce .....	0.9	0.7	1.4	1.2	0.8
industry .....	— 0.1	0.3	1.6	2.4	0.8
small enterprises .....	0.3	0.8	0.8	0.7	0.4

1. Of which 30 to 50 per cent of 12 months or less maturity. Much of the credit of short maturity is however continually prolonged and constitutes a source of investment finance.

Sources: Österreichische Nationalbank and Österreichisches Institut für Wirtschaftsforschung.

33. Reluctance to invest in shares is said to be strong and widespread among personal savers in Austria and it is suggested that demand for equities may not be sufficient to accommodate a substantial increase in issuing activity. It may therefore be desirable to consider arrangements, for example the setting up of special investment trusts, designed to interest the small saver in equity investment. It is also suggested that new institutions are needed on the supply side to alleviate the financial problems of small and medium sized enterprises. Such institutions have indeed had to be created in a number of countries.

34. But the discussion of investment policy in Austria involves more fundamental questions. The central issue is whether the need is primarily to increase the savings potential of the Austrian economy or rather to diminish the claims of the public sector upon the savings which are, in fact, available. Balance of payments policy has its relevance in this context also. For a number of years, substantial amounts of Austrian available capital have been absorbed in financing the accumulation of gold and foreign exchange reserves. In 1962, alone, reserves rose by \$228 million, the equivalent of 15 per cent of gross fixed capital formation in the economy as a whole, and 40 per cent of the value of imports of machinery and transport equipment in that year. The reserves now stand at \$1 billion equal to 7.5 months' imports.

35. A further relevant factor in external policy is that of protection. Although progress has been made in dismantling import restrictions and reducing customs tariffs it may not have allowed foreign competition sufficiently to play its role of creative adjustment. Such progress has been relatively slow in agriculture in particular. The Basic Agricultural Law enacted in mid 1960 was designed to promote structural improvements and productivity in agriculture. But it also extended, to a number of new agricultural commodities, Government authority to introduce import restrictions, marketing regulations and arrangements for purchases at support prices. Price subsidy payments on agricultural products have risen by fully one third since 1960. The increase reflects largely higher production of subsidised commodities and new subsidy payments to food industries. Quite apart from the effect on government finances, this policy may slow down desirable structural adjustments and improvements in agricultural and hamper the movement of labour into higher productivity industries. Nearly one fourth of the Austrian labour force is still engaged in farming activities. As in most other countries, political and social considerations play an important role in the formulation of agricultural policies in Austria. If such policies could be evolved more with a view to the overall growth and efficiency of the economy the prospects of future industrial growth being impeded by labour shortages would be reduced.

#### IV. SUMMARY

36. The review of current trends in Part I points to the slackening growth of economic activity, caused mainly by a decline in fixed investment. The rise in costs is likely to moderate in 1963, but may well continue to exceed the advance in productivity. Given the general slack in the economy, further action to restrain demand should not be required, however; on the contrary, some relaxation of policies to stimulate demand may well be needed. To counteract the rise in prices a further reduction of import restrictions would seem appropriate. The balance of payments is strong, foreign exchange reserves are comfortably large, customs tariffs are relatively high and a number of commodities are still subject to quantitative import restrictions.

37. The diminishing growth of export orders in Austrian industries and the decline in business fixed investment reflects in part the slower expansion of world trade. But these trends are also closely related to the new trading arrangements in Europe and the existing uncertainty with regard to Austria's future position in European integration schemes. The European Economic Community takes fully one half of Austria's merchandise exports. The dismantling of tariffs within the Common Market makes it increasingly difficult for Austria to expand exports to the Six. The authorities consider an association with the E.E.C. of vital importance for the Austrian economy.

38. Some of the major long-term problems reviewed in Part III are not unrelated to the short-term policies pursued in recent years. The structure of production and the inadequately — functioning capital market are partly the outcome of widespread open and disguised subsidisation of output and investment. Short-term considerations, for example the desire to check price increases or to overcome a temporary slack in investment activity, have been important reasons for the introduction or extension of such subsidies. Failure to do away with them once the emergency situation had been coped with has retarded structural adjustments and improvements in agriculture as well as in other sectors of the economy, and has hampered an efficient allocation of available resources of capital and labour.

*STATISTICAL ANNEX*

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TABLE I. NATIONAL PRODUCT

Billion Schillings.

	AT CURRENT PRICES					AT 1954 PRICES				
	1958	1959	1960	1961	1962	1958	1959	1960	1961	1962
EXPENDITURE:										
Private consumption .....	83.4	88.5	96.0	105.8	115.9	77.6	81.7	86.8	92.4	97.8
Public consumption .....	18.8	19.6	20.8	22.4	24.4	13.6	13.9	13.9	14.3	14.5
of which: Defense .....	2.0	2.0	1.9	1.9	..	..	..	..	..	..
Gross domestic fixed capital formation .....	28.8	31.1	36.6	41.4	42.1	25.6	27.0	30.7	33.2	32.5
of which: Construction .....	14.2	15.7	17.6	..	..	11.9	12.7	13.8	..	..
Machinery and equipment .....	14.6	15.5	19.0	..	..	13.7	14.3	16.9	..	..
Change in stocks and statistical discrepancies .....	2.6	3.3	9.0	7.4	3.8	3.2	3.5	8.1	6.5	4.0
Exports of goods and services .....	32.4	35.2	40.2	42.1	45.9	28.9	31.7	35.3	37.2	40.5
Less: Imports of goods and services .....	29.8	34.5	41.3	42.2	45.4	29.5	35.4	41.6	43.4	45.9
Gross national product at market prices .....	136.2	143.2	161.4	176.1	186.6	119.5	122.3	133.2	140.2	143.4
INDUSTRIAL ORIGIN:										
Agriculture, forestry and fishing .....	15.9	15.2	16.4	18.6	17.3	15.9	14.0	15.2	16.2	15.2
Manufacturing, mining and public utilities .....	58.2	61.1	70.3	74.8	79.1	53.5	56.0	61.3	64.0	65.6
Construction .....	11.1	12.3	14.0	15.5	16.5	8.7	9.1	9.7	10.3	10.4
Other .....	51.1	54.6	60.7	67.2	73.7	41.4	43.2	47.0	49.7	52.2
DISTRIBUTION OF NATIONAL INCOME:										
		In billion schillings					In per cent			
Compensation of employees .....	64.2	68.1	74.4	82.6	90.0	60.5	61.8	59.6	61.0	63.1
Income from property and entrepreneurship .....	33.5	32.6	38.4	..	..	31.6	29.5	30.8	..	..
Savings of corporations .....	2.2	4.0	5.4	52.2	53.0	2.0	3.6	4.4	38.6	37.1
Direct taxes on corporations .....	3.2	2.9	3.3	..	..	3.0	2.6	2.6	..	..
Government income from property and entrepreneurship .....	0.6	0.9	1.4	2.0	1.6	0.6	0.8	1.1	1.5	1.1
Less: Interest on public deb .....	0.8	1.1	1.3	1.5	1.8	0.7	0.9	1.1	1.1	1.3
National income .....	106.0	110.2	124.9	135.3	142.8	100.0	100.0	100.0	100.0	100.0

Source: Monatsbericht des Österreichischen Institutes für Wirtschaftsforschung, April, 1963.

TABLE II. OUTPUT, EMPLOYMENT, WAGES AND PRODUCTIVITY IN INDUSTRY

Indices, 1956 = 100.

	1960	1961	1962	1961				1962				1963 1st QTR
				1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR	
<i>Output<sup>1</sup>:</i>												
Seasonally adjusted .....	127.0	132.9	136.1	129.4	130.1	129.4	132.2	134.3	132.2	135.0	135.0	
Not seasonally adjusted .....	127.0	132.9	136.1	123.1	134.3	124.5	139.2	128.0	137.1	130.1	142.0	128.0
Mining .....	103.9	104.7	102.6	94.8	104.1	104.1	107.9	106.7	104.1	100.6	99.1	94.4
Basic materials .....	113.6	118.5	126.5	112.2	120.4	121.4	122.5	118.3	129.9	126.7	131.2	124.4
Investment goods .....	129.0	135.4	134.8	128.1	141.6	131.3	139.2	127.2	139.9	133.4	138.5	115.3
<i>of which:</i> building materials .....	138.5	153.5	152.9	108.7	176.9	175.0	151.1	99.1	172.1	181.9	151.5	80.6
machinery and equipment .....	118.4	123.6	127.4	116.0	126.1	117.5	136.3	120.3	130.4	119.6	139.6	110.2
Consumer goods .....	129.0	135.1	139.7	126.7	129.6	121.4	147.6	153.6	138.2	128.1	153.8	137.6
<i>of which:</i> food, drinks and tobacco .....	118.4	116.6	124.8	98.8	107.2	106.3	152.9	103.4	113.5	113.4	163.7	114.9
clothing .....	119.4	126.6	135.6	126.0	126.0	112.9	139.0	134.5	141.3	121.5	140.1	137.8
durable goods .....	157.7	165.3	149.9	140.0	155.7	142.1	157.1	152.7	146.1	134.1	161.9	138.6
<i>Employment:</i>												
Wage and salary earners .....	104.7	107.5	108.7	105.9	106.9	108.3	109.1	108.0	108.3	108.9	109.6	107.6
Average paid working hours .....	95.9	95.3	93.8	94.9	94.7	94.9	96.5	92.8	93.4	94.6	94.6	..
<i>Wages and Productivity:</i>												
Monthly gross earnings of employees .....	128.3	139.9	148.9	126.3	131.9	142.7	157.9	132.8	140.1	155.5	167.3	139.9
Output per employee .....	121.3	123.6	125.2	117.7	125.4	116.3	128.0	119.7	127.3	120.3	131.1	..
Unit labour costs .....	105.8	113.2	118.9	107.3	105.2	122.7	123.4	110.9	110.1	129.3	127.6	..

1. Revised series from 3rd quarter 1961 onwards. Data for first quarter 1963 relate to January-February only.

Sources: General Statistics, O.E.C.D.; Statistische Übersichten, Österreichisches Institut für Wirtschaftsforschung.

TABLE III. RETAIL SALES AND PRICES

Indices, 1956 = 100.

	1960	1961	1962	1961				1962				1963 1st QTR
				1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR	
<i>Retail sales</i> .....	129.9	144.8	159.6	124.1	129.7	143.9	181.6	131.7	149.9	158.3	198.6	141.3
<i>Non durables</i> .....	128.1	142.7	159.1	124.3	129.1	141.9	175.6	134.6	151.0	156.5	194.1	145.6
<i>of which: food and drinks</i> .....	132.5	148.9	169.9	135.4	136.1	151.8	172.2	151.2	161.6	170.3	196.3	166.2
<i>clothing</i> .....	120.6	130.5	139.3	103.3	114.7	112.8	191.1	102.4	133.4	121.4	200.2	106.0
<i>Durables</i> .....	140.9	157.0	162.8	123.8	133.9	156.7	213.8	115.9	144.6	168.9	221.8	117.4
<i>of which: household goods and furniture</i> .....	141.1	159.2	162.4	124.7	134.6	159.1	218.4	114.7	140.3	169.6	225.1	117.6
<i>Consumer prices</i> .....	107.6	111.5	116.4	109.3	111.4	112.4	112.9	114.5	118.3	116.9	115.8	118.1
<i>Food</i> .....	104.0	106.2	113.0	103.9	106.4	107.4	107.0	109.8	117.2	113.9	110.9	115.4
<i>Clothing</i> .....	114.3	117.3	119.7	116.1	116.9	117.8	118.5	119.3	119.8	119.9	120.2	120.7
<i>Rent</i> .....	109.2	116.7	121.9	113.2	115.7	118.2	119.9	120.8	121.7	122.3	123.0	123.4
<i>Wholesale prices of basic materials</i> .....	102.6	104.8	110.4	101.9	104.6	105.9	106.4	108.2	112.2	113.0	108.3	107.7
<i>Food stuffs</i> .....	104.4	105.1	112.7	101.9	104.5	106.5	107.1	108.9	115.9	117.1	109.1	107.6
<i>Industrial materials</i> .....	100.3	104.5	107.5	101.9	104.7	104.9	106.5	107.2	107.4	107.8	107.5	107.8
<i>Building costs</i> <sup>1</sup> .....	114.8	121.3	125.3	117.6	118.6	124.3	124.6	124.8	124.9	125.4	125.9	126.2
<i>Labour</i> .....	122.3	132.3	138.3	126.6	128.5	137.0	137.3	138.2	138.2	138.3	138.3	138.6
<i>Building materials</i> .....	108.3	111.2	113.6	109.4	109.5	112.8	113.1	112.7	113.0	113.9	114.7	115.0

1. In Vienna only.

Source: General Statistics, O.E.C.D.; Statistische Übersichten, Österreichisches Institut für Wirtschaftsforschung.

TABLE IV. MONEY AND BANKING

End of period.

	UNIT OR BASE	1959	1960	1961				1962				1963 1st QTR
				1st QTR	2nd QTR	3rd QTR	4th QTR	1st QTR	2nd QTR	3rd QTR	4th QTR	
<i>Interest rates:</i>												
Discount rate .....	per cent	4.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Sight deposits .....	—	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Savings deposits (legal period of notice) .....	—	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Time deposits (notice of 12 months and over) ..	—	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
<i>Monetary circulation and external reserves:</i>												
Notes and coins in circulation .....	billion schillings	19.0	20.0	19.9	21.2	21.7	22.3	21.5	23.3	23.4	23.9	23.4
Sight liabilities of the National Bank .....	—	5.5	5.3	3.9	3.9	5.0	6.3	6.2	6.6	8.7	9.0	8.9
Gold holdings of the National Bank .....	—	7.5	7.6	7.6	7.6	7.7	7.8	8.8	9.3	10.8	11.7	12.5
Foreign exchange reserves of the National Bank	—	10.0	10.5	9.4	9.9	11.9	13.6	12.8	14.5	16.1	15.6	14.6
<i>Credit Institutions:</i>												
Credits to non-banks, total .....	—	38.1	46.1	47.0	49.3	51.0	52.4	54.0	55.5	56.3	57.2	59.0
of which: short-term .....	—	18.7	22.3	23.0	24.4	25.0	25.2	26.0	26.3	26.3	25.8	..
medium-term (1 to 5 years) .....	—	8.1	8.8	9.0	9.4	9.7	9.6	9.8	10.1	10.2	10.7	..
long-term .....	—	11.3	15.0	15.0	15.5	16.3	17.5	18.2	19.1	19.8	20.7	..
Deposits from non-banks, total .....	—	48.0	54.2	56.0	57.0	59.3	60.1	63.7	65.3	68.2	69.4	72.2
of which: sight .....	—	14.5	15.2	14.9	15.1	15.7	15.9	15.6	16.5	18.3	18.4	17.1
time .....	—	6.7	7.6	7.8	8.0	8.4	8.2	8.9	8.9	9.0	9.2	9.6
savings .....	—	26.8	31.4	33.4	34.0	35.2	35.9	39.2	39.9	40.9	41.9	45.5

Source: Mitteilungen des Direktoriums der Österreichischen Nationalbank.

TABLE V. THE FEDERAL BUDGET

Million schillings.

	1959	1960 CLOSED ACCOUNT	1961	1962	1963 VOTED
<i>Expenditure:</i>					
Ordinary Government budget, including E.R.P. ....	27,745	30,138	34,556	38,695	42,088 <sup>1</sup>
Wages and salaries .....	5,539	6,061	6,516	7,070	7,537
Defense, excluding wages and salaries .....	1,524	1,356	1,249	1,374	1,318
Payments and deliveries under the State Treaty .....	1,492	1,743	1,675	1,164	1,414
Gross investment, including maintenance .....	1,566	1,826	2,158	3,040	2,931
Investment promotion .....	883	1,173	1,028	1,207	1,017
Subsidies .....	1,287 <sup>1</sup>	1,652	2,033	2,466	2,865
Redemption and service of public debt .....	1,656	1,623	2,472	2,305	2,823
Pensions and transfer payments, including contributions to social security and transfers to other public authorities .....	9,534	9,851	11,772	13,278	14,486
Other, including transit items .....	4,264	4,853	6,162	6,791	7,337
Ordinary budget of Federal enterprises and monopolies .....	10,926	11,957	12,557	13,939	14,204
Wages and salaries .....	4,405	4,696	5,049	5,505	5,707
Pensions .....	2,596	2,719	2,764	2,951	2,965
Gross investment, including maintenance .....	1,119	1,580	1,456	1,710	1,757
Other .....	2,806	2,962	3,288	3,773	3,775
Total ordinary budget .....	38,671	42,095	47,113	52,634	56,292
Extraordinary budget, including E.R.P. and Federal enterprises .....	3,368	3,073	2,880	1,444	2,781 <sup>1</sup>
Overall budget .....	42,039	45,168	49,993	54,078	59,073
<i>Receipts:</i>					
Ordinary Government budget, including E.R.P. ....	28,203	31,432	37,068	39,762	42,782 <sup>1</sup>
Taxes and duties .....	18,642	20,438	24,247	26,457	29,044
Contributions to social funds .....	4,386	4,841	5,438	5,548	6,140
Income from property and entrepreneurship .....	998	1,110	1,143	(1,206)	1,243
Repayment of loans and credits .....	488	591	799	(320)	187
Other, including transit items .....	3,689	4,452	5,441	6,231	6,168
Ordinary budget of Federal enterprises and monopolies .....	9,658	10,724	11,942	12,608	12,936
Railroads .....	5,075	5,616	6,340	6,526	6,528
Postal service .....	2,892	3,301	3,606	3,936	4,260
Other .....	1,691	1,807	1,996	2,146	2,148
Total ordinary budget .....	37,861	42,156	49,010	52,370	55,718
Extraordinary budget, including E.R.P. and Federal enterprises .....	191	138	40	44	—
Overall budget deficit .....	3,987	2,874	943	1,664	3,355

1. Excluding Sch. 326 million financed by non-budgetary funds.

2. Excluding E.R.P.

Source: Monatsberichte des Österreichischen Institutes für Wirtschaftsforschung.

TABLE VI. MERCHANDISE TRADE BY COMMODITY GROUP AND AREA

Monthly averages, million schillings

	IMPORTS					EXPORTS				
	1958	1959	1960	1961	1962	1958	1959	1960	1961	1962
Total .....	2,326	2,480	3,068	3,217	3,363	1,989	2,097	2,427	2,605	2,737
Food, drinks, tobacco .....	373	411	437	370	460	96	101	110	119	135
Raw materials .....	339	334	445	445	393	425	429	454	452	427
Mineral fuels .....	303	266	290	288	317	45	55	58	54	65
Chemicals .....	171	207	243	271	287	88	85	97	127	135
Machinery and transport equipment .....	587	654	879	1,003	1,027	298	321	396	462	533
Other semi finished and finished goods .....	552	609	773	839	878	1,038	1,106	1,312	1,390	1,442
O.E.C.D. countries .....	1,822	1,946	2,401	2,584	2,693	1,371	1,475	1,704	1,847	1,979
E.E.C. countries .....	1,264	1,416	1,733	1,915	1,991	987	1,033	1,219	1,291	1,369
Germany .....	905	998	1,226	1,379	1,423	499	556	651	715	765
Italy .....	175	195	247	255	275	339	345	404	397	420
France .....	71	93	113	125	129	54	36	42	54	57
E.F.T.A. countries .....	262	290	371	413	444	208	242	303	393	435
United Kingdom .....	101	115	152	162	170	48	54	68	80	78
Switzerland .....	100	109	133	151	167	83	95	117	157	197
† U.S.A. .....	235	169	225	191	187	98	124	107	100	106
Other O.E.C.D. countries .....	61	71	72	65	68	78	76	75	63	68
Non O.E.C.D. countries .....	504	534	667	633	670	618	622	723	758	758
Eastern Europe and U.S.S.R. ....	289	324	403	386	425	304	338	417	457	479
Africa .....	67	53	68	73	63	72	67	64	60	60
Latin America .....	50	56	74	57	58	59	52	47	60	47
Asia .....	67	65	90	82	82	147	125	146	128	121
Other .....	31	36	32	37	42	36	40	49	53	51
Volume (index, 1957 = 100) <sup>1</sup> .....	102	113	137	150	164	96	103	116	124	133
Price (index, 1957 = 100) <sup>1</sup> .....	94	90	92	88	84	98	96	98	98	96

NOTE. Data by commodity group and area do not add to total trade estimates due to rounding and statistical corrections.

1. Rebased indices; original base 1937.

Source: Statistische Übersichten, Österreichisches Institut für Wirtschaftsforschung; Mitteilungen des Direktoriums der Österreichischen Nationalbank.

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*PRINTED IN FRANCE*

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