



ECONOMIC SURVEYS

# AUSTRIA

ORGANISATION FOR ECONOMIC  
CO-OPERATION AND DEVELOPMENT

PARIS MAY 1967

# BASIC STATISTICS OF AUSTRIA

## THE LAND

Area (thousand km <sup>2</sup> )	84	Major cities, March 1961 (thousands of inhabitants):	
Agricultural area (thousand km <sup>2</sup> )	40	Vienna	1,627
Exploited forest area (thousand km <sup>2</sup> )	32	Graz	237
		Linz	196
		Salzburg	108
		Innsbruck	101

## THE PEOPLE

Population, 1965	7,255,000	Net immigration, annual average	
— per km <sup>2</sup>	87	1963-65	844
Net natural increase in population, annual average 1963-65	41,214	Total employment <sup>1</sup> , monthly average 1966	2,386,600
— per 1,000 inhabitants	5.7	— in industry	603,600

## PRODUCTION

Gross national product, 1966 (Sch. billion)	261	Industrial origin of GNP at market prices, 1966 (per cent):	
— per head (US \$)	1,372	— Agriculture	8
Gross fixed investment, average 1964-66:		— Industry	37
— per cent of GNP	26	— Construction	11
— per head (US \$)	332	— Services	44
		Home food production, 1966 (per cent of total food availability)	80

## THE GOVERNMENT

Public consumption, 1966 (per cent of GNP)	14	Composition of Federal Parliament May 1966:	
General Government current revenue, 1965 (per cent of GNP)	36	Austrian People's Party	85
Federal Government debt, end 1965 (per cent of Federal Government revenue)	45	Socialist Party	74
		Freedom Party	6
		Last election: March 1966	
		Next election: 1970	

## LIVING STANDARDS

Calories per head, per day 1965-66	2,961	Number of passenger cars in use, end 1965 (per 1,000 inhabitants)	109
Weekly gross earnings of industrial workers in Vienna, 1966 (Sch.)	804	Number of telephones, end 1966 (per 1,000 inhabitants)	150
Food expenditure in 1965 (in percent of total expenditure in worker household)	38.7	Number of radio sets, end 1966 (per 1,000 inhabitants)	300
		Number of television sets, end 1966 (per 1,000 inhabitants)	120

## FOREIGN TRADE

Exports:		Imports:	
Exports of goods, and services 1964-66 (per cent of GNP)	25	Imports of goods and services, 1964-66 (per cent of GNP) average	27
Exports, 1966 (per cent of total merchandise exports):		Imports, 1966 (per cent of total merchandise imports):	
— Food, tobacco, beverages	5	— Food, tobacco, beverages	13
— Raw materials and energy	15	— Raw materials and energy	17
— Chemicals	5	— Chemicals	9
— Machinery and transport equipment	20	— Machinery and transport equipment	31
— Other finished and semi-manufactured products	55	— Other finished and semi-manufactured products	30

## THE CURRENCY

Monetary unit: Schilling.

Currency units per US dollar: 26.

1. Wage and salary earners.

ECONOMIC SURVEYS BY THE OECD

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# AUSTRIA

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 OECD 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 OECD, which came into being on 30th September 1961.*

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

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## CONTENTS

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## INTRODUCTION

The expansion of activity slowed down in the course of 1966, and prospects point to a relatively moderate advance of output in 1967. At the same time, the current account of the balance of payments is deteriorating. These movements can to some extent be ascribed to a weakening of the conjuncture both in Austria and abroad. But they also reflect more fundamental factors, notably structural difficulties in industry and the effects on Austrian exports of the establishment of the European Economic Community. A further strong upward movement of costs and non-food prices have not improved the situation; the rise of food prices was moderated by a good harvest. Important objectives of economic policy are, therefore, to improve the structure of the economy, and notably of industry and to get costs and prices under better control. The present Survey reviews recent trends, particularly the influences of cyclical and structural factors, and discusses the policies adopted by the authorities to improve economic performance.

## I. MAJOR TRENDS IN THE ECONOMY

### *Output and Demand*

Real GNP rose by 4.3 per cent from 1965 to 1966 with all the main types of demand sharing in the expansion, compared with an advance of 2.4 per cent in the previous year. But the acceleration was due to an upturn of agricultural output after a strong weather-conditioned setback in 1965. Non-agricultural output rose slightly more slowly than in 1965. Taking account of the fact that the rise in building activity was especially high because it, also, had been depressed by weather conditions in 1965, last year seems to have seen some cyclical weakening of demand. Seasonally adjusted data suggest that the expansion slowed down considerably in the course of the year.

The slowdown was probably accompanied by some decline in capacity utilisation rates in industry, although the statistics suggest a virtually

unchanged rate of 85-86 per cent over the past few years. The number of employed declined somewhat in the course of the year, but this entailed no visible easing of labour market conditions. Unemployment in January 1967, at a seasonally adjusted rate of 2.4 per cent of the dependent labour force, was slightly lower than a year earlier, partly because the population of working age is falling, and partly because the introduction of a ninth compulsory school year reduced the potential working population by some 2 per cent.

TABLE 1. EXPENDITURE AND OUTPUT  
CONSTANT 1954 PRICES<sup>1</sup>

*Percentage change from previous year.*

	1965	1966	1967 <sup>2</sup>
Gross national product .....	2.4	4.3	2.0
<i>Expenditure :</i>			
Private consumption .....	5.1	5.1	3.5
Public consumption .....	— 1.2	4.4	3.0
Gross fixed asset formation .....	4.7	7.3	2.0
Machinery and equipment .....	5.6	8.1	—
Building .....	3.6	6.4	4.0
Stock changes, incl. statistical errors .....	2.3 <sup>3</sup>	2.5 <sup>3</sup>	1.9 <sup>3</sup>
Domestic expenditure .....	3.4	5.7	3.3
Exports of goods and services .....	6.8	6.3	3.8
Imports of goods and services .....	9.2	10.4	5.4
<i>Origin:</i>			
Agriculture .....	— 13.3	4.7	5.0
Other .....	4.3	4.2	2.6
Manufacturing and mining .....	3.0	3.3	2.0
Building .....	3.6	6.5	4.0
Electricity, gas, water .....	13.0	7.4	4.0
Other .....	6.4	4.6	3.0

1. Constant 1965 prices give somewhat higher rates of increase of GNP (2.7 per cent for 1965 and 4.6 per cent for 1966).

2. Forecast of the Oesterreichisches Institut fuer Wirtschaftsforschung.

3. Per cent of GNP.

Source: Oesterreichisches Institut für Wirtschaftsforschung.

Prospects suggest that the advance in activity will be moderate in the current year, with real GNP rising by only 2 to 3 per cent on a year-to-year basis. The slack in the economy may increase somewhat, since capacity may be growing at an annual rate of 4 per cent. But unemployment may not rise much, given the decline in the population of working age. The current slow trend of demand can to some extent be ascribed



to cyclical factors, partly influenced by developments abroad—notably the recessionary tendencies in Germany. But it also reflects structural factors which have been operating for some time.

### *Cyclical Factors*

The weakening of export demand has been an important cyclical influence. The rise in merchandise exports fell from 11 per cent in 1965 to 5 per cent in 1966. This to a large extent reflected the levelling-off of the expansion in Germany, Austria's main trading partner; shipments to Germany rose by 13.5 per cent in 1965 but fell by 1.6 per cent in 1966; in the second half of the year they were 8 per cent lower than a year earlier. There was also a marked slowdown of the rise in shipments to non-OECD countries, which together take almost one third of Austria's exports; the availability of export finance may have been a factor limiting exports to developing countries.

Domestic demand, particularly for fixed investment, weakened considerably in the course of the year. In 1966 as a whole total gross fixed asset formation rose faster than in 1965, but this was due largely to special factors—the effect of the weather on the recovery of building activity, the construction of an oil pipeline through Austria (partly financed by foreign funds), and the start of a new investment programme in the electricity industry. Industrial fixed investment was no higher in money terms than in 1965 and lower in real terms; nationalised industry raised its fixed investment outlays in 1966 but this was offset by a reduction of investment by private industry. In 1965 total fixed investment in industry had increased by 9 per cent in current prices, entirely reflecting higher outlays in the private sector; private industrial investment had also risen in 1964, but big cuts had been made in the nationalised industry bringing some reduction of industrial investment as a whole.

The decline of private industrial investment in 1966 was due to a number of factors, including the weakening of export demand, the general business climate in Germany, and a probable fall in the volume of internally-generated funds in private enterprises. Such tightening of domestic credit conditions as took place as a result of the balance of payments deficit has apparently not been a major factor since credit expansion, although slowing down, continued at a high rate.

In other components of demand, the only important change of trend in 1966 was in public consumption, which turned up after a decline in the previous year. Private consumption, stimulated by a strong rise in wages and salaries, continued to increase at the relatively high rate of 1965. Information on the movement of inventory demand is almost non-existent. National accounts estimates, which include statistical errors, suggest that stock-building was roughly as large as in 1965; but it is possible that the upward trend weakened or was reversed in the latter part of the year.

The rise in exports may remain modest in 1967, particularly in view of the weak trend of activity in Germany. Domestic demand is also likely to rise much less fast than in 1966, with a flattening out of the increase in gross fixed asset formation. Public fixed investment may expand rather more than in 1966, given the sharp increase in Federal capital expenditure envisaged in the 1967 budget. But the survey of investment plans in industry taken last November points to a 7 per cent decline in current prices in industrial gross fixed asset formation; even though the autumn surveys tend to underestimate investment plans, such current indicators as are available suggest that industrial investment demand is weak. Private consumption may also rise more slowly than last year, influenced by the general slackening of the advance in economic activity. It is possible that wage and salary rates will rise less than earlier, but the effect on consumption may be partly offset by a cut in direct taxes.

### *Structural Factors*

The weakening of the expansion seems not an entirely new development. Table 2 shows that the rate of growth in the first half of the 1960's, although significant, was much lower than in the second half of the 1950's, the slowdown was reflected in a more moderate advance in output per employed. The high rate of growth achieved in the 1955-60 period was still influenced by recovery elements, and some slowdown was to be expected. But the extent of the slowdown suggests that additional factors have been at work. It is probably significant that the rate of increase

TABLE 2. TRENDS IN OUTPUT AND FOREIGN TRADE

		1955-60	1960-65	
GNP .....	Average annual percent. change	5.2		4.3
Output per employed .....	»	5.0		4.2
Industrial production .....	»	5.9		4.6
Value of commodity exports .....	»	9.9		7.4
Value of commodity imports .....	»	9.8		8.2
Value of world trade .....		6.0		8.0
		1955	1960	1965
Commodity imports .....	Per cent of GNP	21.4	22.8	22.6
Imports of goods and services .....	»	22.5	25.4	26.4

Source: Main Economic Indicators, OECD and Monthly Statistical Bulletin, United Nations.

in exports fell between the two periods under consideration, even though the expansion of world trade accelerated strongly, and that Austria's share in world trade has declined.

There are also indications that imports have been taking a growing share of the domestic market. The increase in the import/GNP ratio has, however, been relatively small, despite the progressive reduction of trade barriers in recent years. And with invisibles receipts, notably tourist earnings, growing very strongly the current account of the balance of payments was in rough equilibrium in the first half of the 1960's. It changed to show a deficit in 1965—and this rose sharply in 1966 and is likely to increase again in 1967. While this deterioration is no doubt strongly influenced by cyclical factors, the underlying position may be weakening. Austria is experiencing both a strong rise in the trade deficit and a slowdown of the increase in net invisible receipts.

The weaker tendency in the economy in the 1960's is perhaps best illustrated by the movement of industrial fixed investment. The value of industrial fixed investment has declined almost without interruption from 1962 onwards and was quite a bit lower last year than in 1961; in real terms the decline was of course still more pronounced. As a percentage of GNP, industrial fixed asset formation fell sharply.

TABLE 3. GROSS FIXED INVESTMENT IN INDUSTRY  
CURRENT PRICES

	1961	1962	1963	1964	1965	1966	1967 <sup>1</sup>
Industrial fixed investment ( <i>S. billion</i> ) . . . . .	11.4	11.1	9.7	9.6	10.4	10.5	9.8
Per cent of total gross fixed asset formation . . . . .	26	24	21	17	17	15	14
Per cent of GNP . . . . .	6.4	5.9	4.8	4.3	4.3	4.0	3.5
Percentage change from previous year . . . . .	.	—3	—12	—1	9	—	—7
Capital goods industries . . . . .	.	.	—22	—6	17	20	—8
Consumer goods industries . . . . .	.	.	—2	9	4	—14	—5
Basic industries . . . . .	.	.	12	—17	11	—2	—8

1. According to plans announced in November 1966.

Source: Oesterreichisches Institut fuer Wirtschaftsforschung.

Many reasons may underlie the poorer performance of the economy in the 1960's than in the 1950's. But a general feature seems to lie in changes in the competitive position with which Austrian industry is faced. Three factors seem to have been of particular importance.

- a) World trade in basic metals, which weigh heavily in Austria's production and exports, has slowed down considerably in the 1960's, growing at a much lower rate than trade in finished goods. An imbalance seems to have developed between world supply and demand for iron and steel, with depressive effects on prices.
- b) The establishment of the European Economic Community, with the progressive reduction of tariffs and other restrictions on inter-EEC trade, has meant that Austria's exports have been placed at a growing disadvantage. Table 4 shows that the proportion of her exports going to the EEC market has fallen, and that the Austrian share of that market has declined substantially. The decline would have been higher still were it not for the efforts made by Austrian industry to maintain trade with Common Market countries, sometimes at a loss, in anticipation of an arrangement with the EEC. Austria's share of exports to other major areas, the EFTA countries excepted, has also fallen, but less sharply.
- c) The removal of tariffs between EFTA countries of which Austria is one, has meant growing competition from imports. It has also meant the opening up of important possibilities for Austria's exports. But given Austria's geographical location and the small proportion of exports going to EFTA countries at the outset, increased trade in that direction has not been sufficient to offset the loss in EEC and other markets. Moreover, unit labour costs have risen relatively fast for a number of years and particularly in 1966 and 1965, a fact which clearly has rendered more difficult the adjustment problems faced by Austrian industry.

The problem of adjustment has affected most industries. As in many other countries, a general problem is the small size of most industrial enterprises. And some sectors of the textile, clothing and footwear industries are facing growing competition from imports from low-cost countries. The main problem in Austria, however, concerns the base metal industries, which account for a relatively high share of manufacturing output and exports. Much of the heavy industry was developed under very different market conditions—in the earlier Austrian Empire and during the Second World War when Austria formed part of the German economy. Capacity was expanded sharply in the early post-war period when world demand for primary products and metals was very strong. But the expansion slowed down in the early 1960's, by which time a better balance between world supply and demand for most basic metals had been restored. In recent years the iron and steel and non-ferrous metals industries have stagnated.

The performance of the Austrian base metals industry in the 'sixties has been poorer than those of European OECD countries generally (see



TABLE 4. COMMODITY EXPORTS BY AREA

*Per cent.*

	EEC	EFTA <sup>1</sup>	OTHER <sup>2</sup> OECD	EASTERN BLOCK COUN- TRIES	OTHER NON- OECD	TOTAL WORLD
Distribution :						
1960 .....	50.2	12.2	8.4	14.9	14.4	100.0
1966 .....	44.6	18.7	9.2	15.7	11.8	100.0
Annual increase (compound rates) :						
1960-63 .....	5.6	14.7	3.5	6.0	-1.2	5.8
1963-66 .....	4.3	15.1	14.5	10.0	8.6	8.3
Change of market shares <sup>3</sup> ( <i>average of annual changes</i> ) :						
1960-63 .....	-6.4	6.8	-6.1	0.2	-2.3	-3.3
1964-66 .....	-3.5	5.6	-0.4	-5.8	-1.4	-1.9

1. Excluding Portugal.

2. Including Portugal.

3. Changes of market shares are expressed as the percentage by which actual exports to markets in a given year have fallen short or exceeded the exports which would have resulted in that year had Austria's share of the market been as in the previous year.

Source: OECD Foreign Trade Statistics.

TABLE 5. UNIT LABOUR COSTS IN MANUFACTURING AND MINING

*Percentage change from previous year.*

	1958-1965 AVERAGE ANNUAL CHANGE	1965	1966
Austria .....	2.9	5.1	7.6
Other industrial OECD countries <sup>1</sup> .....	2.3	3.3	3.4
Relative rise in Austrian costs .....	0.6	1.8	4.2

1. Unweighted average of EEC countries, UK, Denmark, Sweden, Norway, US, Canada, and Japan. In the case of a number of these countries the figures relate to manufacturing industry only.

Source: Monatsberichte, Oesterreichisches Institut fuer Wirtschaftsforschung and other national statistics.

Chart 1). This is no doubt influenced by the strong effect on Austria's exports of the establishment of the Common Market. But it also reflects the fact that, because of location and transport costs, these industries, and notably the iron, steel and aluminium industries, are marginal suppliers in the European market. While an arrangement with the EEC would seem likely to ease the position of these industries, it would hardly remove the need for a change in the structure of Austrian industry towards greater emphasis on specialised and more highly-processed goods.

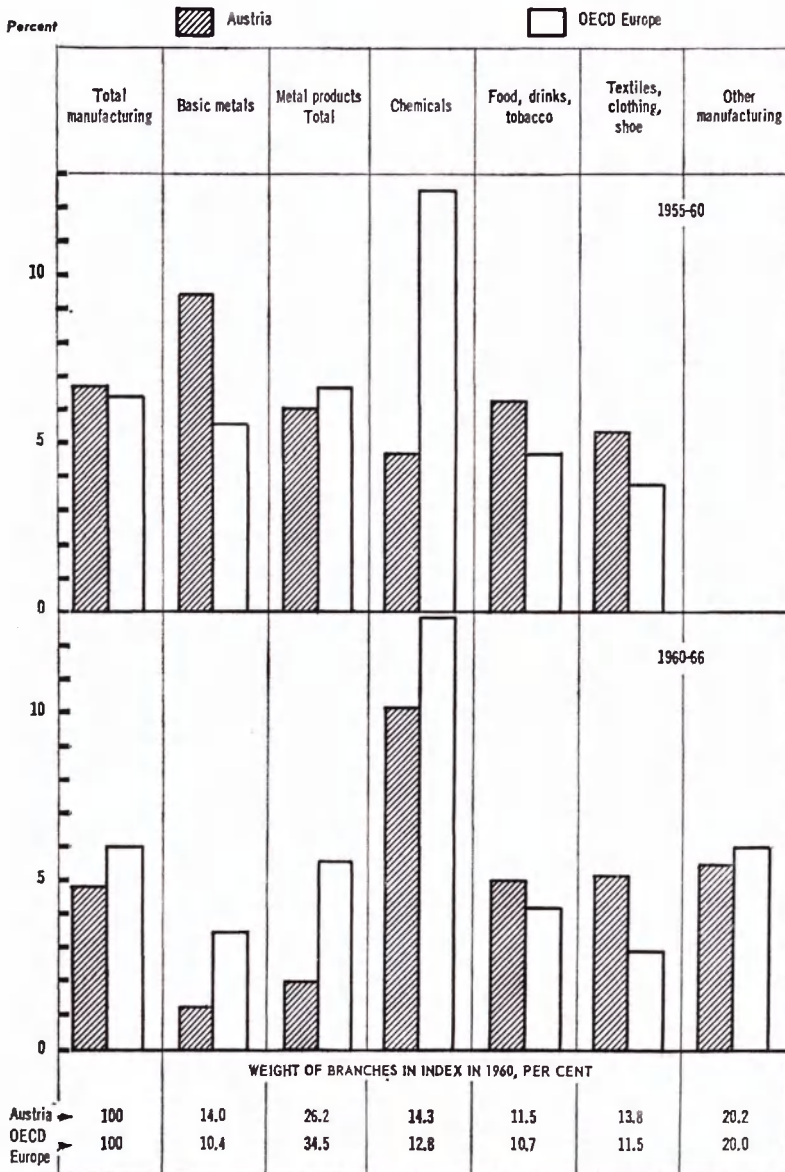
The relatively heavy weight of basic metals makes for a less favourable product structure of manufacturing industry in Austria than in European OECD countries generally. In addition, food, textile and clothing—all relatively slow-growing industries—are somewhat more important, and a typical growth industry like metal products distinctly less important, in Austria than in European Member countries as a whole. But if Austrian manufacturing has lagged behind that of the latter countries during the 1960's, this is largely because of the relatively slow rise of output, not only of basic metals, but of metal products and chemicals. In the consumer goods industries Austria had done rather better during this period than European OECD countries in general.

A comparison with the product structure of Swiss industry, whose location is similar to that of the Austrian, may be of particular relevance. It is a well-known fact that Switzerland concentrates on highly-processed and specialised products in which transport costs do not play an important role. Switzerland has little heavy industry; basic metals account for no more than 4 per cent of total manufacturing as against 14 per cent in Austria. The favourable development of Swiss exports suggests that a change in the structure of Austria's industry towards the pattern of Switzerland's may be desirable.

The change in industrial structure will necessarily take some time. Some progress is being made—the expansion in the finished goods industries has been stronger in recent years than in the semi-finished goods industries. But a further important problem remains in the field of the heavy industries, where adjustment has been hampered by political factors. Most of them are nationalised<sup>1</sup> and when the coalition government was in power—during most of the post-war period up to 1966—it was difficult to secure agreement on the investment policies to be adopted for the nationalised industries. The administration of these industries has been changed from time to time, but a general feature has been that it has been staffed on the basis of political considerations, with appointees of the two leading political parties on a proportionate basis. The new, single-party Government which came into power last year is again changing the administration,

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

**Diagram 1. MANUFACTURING PRODUCTION**  
**AVERAGE ANNUAL PERCENTAGE INCREASE**



*Source:* Industrial production 1955-1964, OECD and Supplement to Main Economic Indicators, OECD.

instituting a management corporation (Oesterreichische Industrieverwaltung Ges.m.b.H.). The administrative council of the corporation will consist of economic and technical experts and representatives of the individual enterprises' management councils. The corporation's directors will in principle be appointed irrespective of political affiliation, and their decisions will be passed on the basis of simple majority. The intention is that the new management corporation should promote structural improvements and higher efficiency within nationalised industry by means of integration, closer co-operation with foreign concerns, rationalisation, and promotion of research.

The adjustment of Austrian industry has also been hampered by lack of capital, both in the private and the nationalised industries. The proportion of investment covered by self-financing is traditionally high in Austria. With a rise in costs and a squeeze of profit margins, the ability of industry to plough back profits has declined in recent years, and this has probably been an important feature behind the weakness of investment demand. Various measures to stimulate savings and improve the functioning of the capital market are embodied in the "Laws for the Promotion of Economic Growth" adopted in 1966 (see page 23). It is to be hoped that the efforts now being made will accelerate the development towards structural rationalisation and greater efficiency in Austrian industry.

### *Prices and Wages*

The weakening of economic growth over the past year has been associated with a further strong increase in prices. It is true that the cost-of-living index has behaved in a more stable manner than in 1965; but this was entirely due to a normalisation of food prices, which had risen sharply in 1965 because of poor harvests at home and abroad. In the non-food components of the index the price rise has accelerated fairly strongly since the middle of 1966. The wage rise was again strong in 1966; in the second half of the year gross hourly earnings of industrial employees were 10 per cent higher than a year earlier. However, the 1966 wage round, which included most categories of workers, provided by and large for somewhat smaller pay increases than granted in the previous year.

It is uncertain how far the likely further slowdown of growth in the economy will contribute to more stable price/wage conditions in the current year. The cost-of-living index will probably rise faster than over the past year given the subsidy reductions and increases of certain public tariffs put into effect in January; these entailed an increase of the index by 1.2 percentage points. And changes in weather conditions are unlikely to help stabilise the index to the same extent as in 1966.



TABLE 6. PRICES AND WAGES

*Percentage change from previous year.*

	1965	1966			1967 JANUARY/ FEBRUARY
		YEAR	1st HALF	2nd HALF	
Cost of living .....	5.0	2.2	3.0	1.4	4.6 <sup>1</sup>
Food, drinks, tobacco .....	6.8	1.4	3.5	—0.8	4.3 <sup>1</sup>
Other .....	2.8	3.2	2.5	4.3	5.0
Wholesale prices, finished manufactures .....	1.7	2.1	2.2	2.0	2.1
Building prices .....	10.2	4.4	0.8	8.0	8.7
Gross hourly earnings, Vienna industrial workers <sup>2</sup> .....	10.8	8.1	8.5	7.8	10.6
Gross hourly earnings, all industrial workers <sup>3</sup> .....		9.4	8.8	10.2	13.7
Gross monthly earnings, all industrial wage and salary earners .....	8.9	12.0	11.1	12.9	12.7

1. New index giving a weight of 39 % to food, drinks and tobacco (54 % in former index).

2. Excluding family allowances.

3. Excluding vacation and Christmas bonuses.

Source: Oesterreichisches Institut fuer Wirtschaftsforschung.

The wage rise will probably also continue relatively strong in the current year—mainly because a number of pay adjustments accorded last year, notably for metals and building workers and government employees, will be coming into effect. Most main wage contracts expire in the course of the current year, but the labour organisations might be prepared to postpone negotiations on contract revisions until the autumn. The pay increases obtained in these contracts will therefore not greatly affect wages in 1967 as a whole. The size of these increases will to a large extent depend on the outcome of efforts made to develop concerted action on incomes policy (see page 23). The weakening of the conjuncture cannot be expected to generate much easing of the labour market, given the tendency towards a decline of the population of working age.

### *The Balance of Payments*

The current account of the balance of payments, which had swung into deficit in 1965, deteriorated strongly in 1966. But since the long-term capital outflow declined, and there was a large inflow due to short-term capital transactions and errors and omissions, the balance on official settlements showed a surplus.

The main element in the worsening of the current account in 1966 was the steep rise of the trade deficit, with the growth of exports falling off sharply and imports rising strongly through most of the year. The

conjunctural slack in Germany, normally a market for more than one-fourth of Austria's exports, contributed importantly to the weaker trend. And the longer-term factors referred to above also played a role. Exports, seasonally adjusted, moved unevenly during the year, with a tendency to decline in the autumn. A strong upswing in December appears to have been influenced by temporary factors; figures for January/February suggest a resumption of the downward trend. The slowdown of growth of foreign demand for Austrian exports in 1966 affected all main commodity groups except semi-finished goods.

The rise of imports on a year-to-year basis showed no significant deceleration, despite more normal food imports. Seasonally adjusted data suggest, however, that it was reversed in the autumn. In machinery and transport equipment the growth of imports slowed down sharply in the later months of the year in response to the weaker trend of investment activity. But imports of consumer manufactures remained high; some of them appear to have been affected by the liberalisation measures taken in 1964. Both in capital and consumer manufactures, foreign producers appear to have continued gaining ground in the Austrian market over the past year<sup>1</sup>. A tendency for costs and prices of Austrian manufactures to mount rather faster in recent years than those of certain foreign competitors may have contributed to this development.

The worsening of the trade balance coincided with a virtual stagnation of net tourist earnings. The generally poor weather in the peak tourist season reduced the rise of foreign tourist expenditure in Austria; Austrian tourist expenditure abroad went up by more than one-fifth. Net payments on other services declined sharply and transfer receipts, roughly stable in 1965, rose somewhat.

The long-term capital account, which swung from large surplus into large deficit in 1965, was virtually in balance last year. Austrian investment abroad increased, mainly because of larger export-promotion credits. But this was more than offset by an increase in the inflow of foreign capital, largely reflecting a marked increase in private long-term borrowing from abroad. Foreign financing of oil pipeline construction contributed to this.

These trends on the current and long-term capital account resulted in a basic deficit of \$ 203 million in 1966. More than one half of it was offset by net imports of non-monetary short-term capital and a large net inflow due to errors and omissions, probably reflecting largely leads and lags associated with the deterioration of the trade balance. There was also an inflow of banking funds. The banks reduced their foreign short-

1. According to estimates made by the Oesterreichisches Institut für Wirtschaftsforschung imports of investment goods, including transport equipment, corresponded to 67 per cent of domestic production in July 1965/June 1966. The share had been 59 in 1964, 60 in 1963.

TABLE 7. THE BALANCE OF PAYMENTS

\$ million.

	1964	1965	1966
Trade balance fob/fob .....	— 343	— 413	— 602
Exports .....	1,431	1,591	1,689
Imports .....	1,786	2,004	2,291
Services, net .....	298	316	345
Foreign travel, net .....	385	420	423
Receipts .....	503	561	595
Expenditure .....	— 118	— 141	— 171
Investment income, net .....	— 21	— 22	— 23
Other services, net .....	— 66	— 82	— 55
Transfers, net .....	53	54	58
Current balance .....	8	— 43	— 199
Long-term capital, net .....	77	— 26	— 4
Official, net .....	26	— 18	— 26
Private, net .....	51	— 8	22
Foreign investment in Austria, net .....	79	45	109
Loans and credits, net .....	52	11	75
Other, net .....	27	34	34
Austrian investment abroad, net .....	— 28	— 53	— 88
Loans and credits, net .....	— 15	— 44	— 71
Other, net .....	— 13	— 9	— 17
Basic balance .....	85	— 69	— 203
Non-monetary short-term capital, net .....	27	15	26
Errors and omissions .....	— 18	32	90
Balance on non-monetary transactions .....	94	— 22	— 88
Private monetary institutions, short-term capital net .....	— 12	23	107
Assets .....	— 20	— 3	38
Liabilities .....	8	26	69
Balance on official settlements (+ = increase) .....	82	1	19
Gold .....	64	100	—
IMF position .....	35	—	31
Other .....	— 17	99	— 12

Source: Oesterreichische Nationalbank.

NOTE. Detail may not add due to rounding.

term assets and increased their foreign short-term liabilities sufficiently to offset the remainder of the deficit on basic account and leave an increase of official reserves of \$ 19 million. This took the form of an improvement in Austria's net IMF position. Gold holdings, which had been raised substantially in the previous year, remained virtually unchanged, and other official foreign assets declined.

The growth of exports will probably remain relatively weak this year given, in particular, the slack trend of demand in the German market. At the same time, however, the import rise should be moderate, with shrinking business investment and a generally slower growth rate. Net tourist receipts may not go up much, mainly because of the steep upward trend in Austrian travel abroad. The current balance of payments deficit

can, therefore, be expected to rise further, although at a slower pace than last year. Long-term capital may well produce a surplus; fairly heavy Federal borrowing abroad is planned for the current year—\$ 22.5 million was already raised in the Euro-issue market in March—and resort to foreign borrowing by other domestic sectors may also increase as the scope for raising funds in the domestic capital market is likely to be limited.

## II. ECONOMIC POLICY

Demand management policy remained cautious in 1966 in view of the fact that the slowdown of growth was partly due to structural weaknesses in the economy and was accompanied by a relatively strong cost/price rise. As in the previous year, the general line of monetary policy was to let market forces produce a further tightening of bank liquidity. A main objective of Federal budget policy was to avoid providing either new stimulus or restraint to economic activity, and the outcome of budget operations was on the whole as foreseen in the voted budget. To cope with the problem of the cost/price rise, efforts were made to evolve a new approach to incomes policy. Some further progress was made in tackling certain longer-term problems in the economy.

### *Monetary Policy*

The worsening of the balance of payments was allowed to have a substantial restrictive impact on bank liquidity in 1966. In July, the National Bank increased its rate for loans against collateral, to remind the credit institutions that their expansion of credit should be based mainly on the inflow of deposits. At the same time, however, the ceilings for bank credit<sup>1</sup> were increased by 2 per cent. In August, the pressure on bank liquidity was eased somewhat by the repayment by the National Bank of S 1 billion worth of Treasury bills which the banks in the summer of 1965 had agreed to hold for a minimum period of one year. During November and December minimum reserve requirements were temporarily reduced to ease the end-of-year strains on bank liquidity. Nevertheless, current measures of bank liquidity suggest that the situation was tighter at the end than at the beginning of the year. In mid-April further

1. The ceilings are fixed partly as a uniform percentage [75 per cent] of the banks' capital and reserves, partly as a share [ranging from 35 to 70 per cent] of the banks' deposits. The increase of the rates last summer was announced as a technical adjustment to co-ordinate the credit ceilings with other credit control instruments, and a means to check their restrictive effect—notably on lending activity of the savings banks.



action of monetary ease was taken; Bank rate was lowered from 4 1/2 to 4 1/4 per cent, interest rates charged by the National Bank on loans against collateral were reduced by 3/4 percentage points, minimum reserve requirements were lowered by 1 percentage point to rates ranging from 7 to 11 per cent and the ceiling for National Bank open market operations was increased.

The impact on bank lending of the tightening liquidity position in 1966 was checked in various ways. First, as in 1965, the banks reduced their short-term foreign assets and increased their short-term foreign liabilities—so as amply to offset the deficit on non-monetary balance of payments transactions. Second, the banks took greater advantage of borrowing facilities at the National Bank than in 1965. Third, in contrast to their operations in 1965, the banks no longer increased their net purchases of non-bank securities.

TABLE 8. BANK LIQUIDITY AND LENDING

		1964	1965	1966
Ratio of liquid assets to deposits from non-banks <sup>1</sup> .....	End of year, per cent	40	36	34
Ratio of excess reserves to minimum reserves prescribed under the Credit Control Agreement .....	—	49	46	42
Ratio of unused margins to credit ceilings....	—	9.5	4.7	4.8
Lending to non-banks .....	Change during year, \$ billion	11.1	14.2	14.7
Banks' net purchases of non-bank securities.	—	1.2	2.0	2.0
Treasury bills <sup>2</sup> .....	—	—0.3	0.1	0.7
Other securities .....	—	1.5	1.9	1.3

1. Liquid assets include cash, deposits with the National Bank and foreign banks and holdings of securities immediately rediscountable or acceptable as collateral at the National Bank.

2. Excluding transactions in Treasury bills between the banks and the National Bank.

Source: Mitteilungen der Oesterreichischen Nationalbank.

Bank lending therefore continued to expand fast in 1966 (16 per cent), almost as steeply as in the previous year. In the second half of 1966, however, it became clearly more moderate, partly at least in response to weakening demand for credit associated with the slower growth of the economy. By and large it appears that the banks were able to accommodate the credit demand forthcoming, and at the beginning of 1967 credit ceilings, which had been virtually exhausted in the summer, were only utilized to roughly the same extent as early last year.

The banks are the predominant investors in the Austrian bond market; in 1965 they took up nearly half the total new issues of non-bank bonds. The revision of their investment policies in 1966, together with the reluctance of other investors, both domestic and foreign, to enter the market on the same scale as in 1965, strongly limited the scope for new issue activity. The demand for capital market funds, however, appears to have remained strong; plans announced at the beginning of the year were for an increase of nearly 50 per cent in new issues of non-bank bonds. As it remained an important policy objective of the authorities to limit the rise of long-term interest rates, total issue activity had to be cut. In fact, by means of issue controls, the volume of funds raised was reduced by more than one-fifth, including a sharp reduction of new borrowing by business and public authorities. In the case of the business sector, however, this seems to have been amply offset by larger resort to foreign borrowing. The restriction of domestic bond issue activity permitted the rise of long-term interest rates to be kept within narrow limits. At the end of February yields averaged 7.2 per cent on Federal bonds and 7.0 per cent on bonds of other public authorities and electric power companies. This was some 0.5 percentage points higher than a year earlier when yields had, in turn, been 0.2-0.3 percentage points up on the previous year.

TABLE 9. NEW BOND ISSUES

*In billions of schillings.*

	1964	1965	1966
Non-bank bonds, total .....	4.37	5.44	4.26
<i>by issuer:</i> Federal government .....	2.40	2.30	1.50
other public sectors .....	1.79	2.64	2.52
other domestic .....	0.15	0.50	0.12
foreign .....	0.02	—	0.12
<i>by purchaser:</i> banks .....	2.03	2.78	1.85
domestic institutional investors .....	0.57	0.71	0.48
other domestic .....	1.39	1.67	1.90
foreign .....	0.38	0.29	0.03
Bank debentures, total .....	1.56	1.77	2.59
Repayments .....	1.37	1.70	1.63
Net issues of bonds and bank debentures .....	4.56	5.51	5.22

*Source:* Mitteilungen der Oesterreichischen Nationalbank.

### *Budget Policy*

The 1966 Federal budget was voted only last June; during the first half of the year operations had been conducted according to a provisional act which retained the estimates voted for 1965 prorated so as to cover

six months rather than a full year. The 1966 budget does not seem to have represented any major change in budget policy; it remained an important objective to refrain from Federal borrowing abroad (such borrowing had strongly inflated the capital inflow in the years leading up to 1964), and to keep borrowing in the domestic capital market at a level reconcilable with the objective of stabilising interest rates. Apart from an increase of taxes on mineral oils, tax rates were not raised. The Federal Government's demand for goods and services increased somewhat faster than in the previous year<sup>1</sup>. But this may have been about offset by the effect of the budget on demand by other sectors. Current transfer payments expanded less fast than in the previous year, and capital transfers were reduced. This resulted in a growth of total spending in the budget on a

TABLE 10. THE FEDERAL BUDGET

*In billions of schillings.*

	1964	1965	1966	1967
	BUDGET OUTCOME		VOTED BUDGET	
<i>National accounts basis</i>				
1. Current receipts .....	41.9	45.6	50.5	55.0
2. Expenditure on goods and services .....	19.4	19.5	21.5	23.2
Current .....	14.4	15.4	16.7	18.0
Capital .....	5.1	4.1	4.8	(5.2)
3. Transfers .....	24.0	26.6	28.5	29.9
Current .....	21.4	23.7	25.8	27.0
Capital, net .....	2.6	2.9	(2.7)	2.9
4. Depreciation and operating expenses .....	0.4	0.4	0.5	0.5
Financial surplus or deficit (= net lending or borrow- ing = 1-2-3-4) .....	-1.9	-0.9	—	1.5
<i>Administrative basis</i>				
5. Revenue, except from borrowing .....	58.1	62.8	68.3	75.0
6. Expenditure, total .....	62.7	66.7	70.9	78.6
of which: for investment and investment promotion .....	8.9	9.0	8.9	11.5
Overall deficit (6 — 5) .....	4.6	3.9	2.6	3.6

Source: Erläuterungen zum Finanzgesetz 1967 and Monatsberichte, Oesterreichisches Institut fuer Wirtschaftsforschung.

1. The figures on a national accounts basis in Table 10 suggest that such expenditure was kept virtually stable in 1965. But this was largely due to a reduction of Federal purchases of real estate; other Federal fixed asset formation increased just as fast in 1965 as planned for 1966.

national accounts basis, including expenditure for depreciation and various operating provisions, somewhat slower than the rise of revenue, and roughly wiped out the financial deficit (\$0.9 billion in 1965 and \$1.9 billion in 1964).

The objective announced for Federal budget policy in the current year is, to keep the budget neutral in its effect on total demand, as in 1966, but to stimulate investment. The revenue estimates are based on essentially unchanged tax rates. But they may turn out too high; an optimistic assumption of the growth of GNP (4 per cent growth in real terms and 7 per cent in money terms) was adopted; and there is a possibility that income taxes will be reduced in October, by an amount estimated to involve a \$1.4 billion loss of revenue in a full year (see page 23). The growth of current expenditure on goods and services is expected to be somewhat lower than last year, and a further big reduction is to be made in the increase of current transfer payments. (This includes a \$0.8 billion cut in price subsidies on grain and milk products; consumers are to be compensated in the form of higher pensions, children's allowances and family support allowances.) On the other hand, Federal investment is expected to increase strongly, notably in the railroads and postal services, and spending for investment-promotion is to be stepped up. The budget on an administrative basis, which includes these enterprises as well as Federal lending for investment finance, shows voted appropriations for investment and investment-promotion nearly 30 per cent higher than voted last year. Thus the Federal budget may provide a fairly important stimulus to investment activity.

A financial deficit will probably re-emerge in the budget on a national accounts basis in 1967, and the overall deficit of the administrative budget may increase rather more than expected, given the likely shortfall of revenue and the increase of salaries in the Federal sector planned for August but not allowed for in the budget estimates. The Government has announced that a shortfall of revenues will not affect expenditure plans for investment and investment-promotion. It expects to cover part of the overall deficit by borrowing abroad in order to avoid straining the domestic capital market and putting long-term interest rates under pressure.

New arrangements for Federal government borrowing and other budget activities were decided in March. They impose strict limits on the scope for discretionary action by the Minister of Finance, strongly hampering the flexibility of budget policy and virtually excluding the possibility of pursuing an active debt management policy. The scope for such action had already been reduced by a Supreme Court Decision in late 1962 ruling earlier practices unconstitutional—particularly the spending beyond budget appropriations more or less as the Minister of Finance saw fit. But the arrangements which had been adopted following that Decision were considerably more flexible than those subsequently enacted, especially in respect of Federal borrowing and debt management.



## *Incomes Policy*

The need for the Government to play a more active role in influencing cost and price developments has been increasingly felt over the past year. It was considered that the Wage-Price Commission, set up ten years ago to promote voluntary co-operation among the representatives of government, the labour market organisations and agriculture, might not be in a position to secure the desired degree of cost-price stability. The Government therefore entered into talks with the labour market partners late last year with a view to obtaining agreement on restraint in wage claims and upward price adjustments during the current year, and possibly for a two-year period. It is understood that the Government is prepared to bring forward to next autumn the wage and income tax cuts originally planned for the beginning of 1968 and that monetary policy may be relaxed, providing that the labour market partners give assurance of their readiness to exercise restraint.

## *Policy on Longer-Term Problems*

New legislation designed to improve the functioning of the capital market and to facilitate investment financing—the so-called Growth Laws—was approved by Parliament last summer. It included more generous depreciation allowances, tax-free allocation to investment funds and conversion of reserves into capital, lower tax rates on distributed profits at the company level, less progressive corporate income tax rates, and abolition of the tax on domestic security issues. Moreover, tax advantages accruing to purchasers of government and electric power company bonds were extended to all domestic bonds, thus eliminating the discrimination previously existing against private issuers. Part of this legislation entered into force last January, the remainder will take effect on 1st January 1968.

Action on longer-term problems also included the measures noted in page 14 above in respect of the nationalised industries. Furthermore, plans have been worked out for rationalisation of the coal industry, including the closing down of certain inefficient mines and for re-organisation of the State railroads. A reform of the system of subsidisation of housing and rent controls is also being prepared and is expected to become effective at the beginning of next year. It stipulates that terms for lending of the three public funds engaged in housing finance should be uniform and geared to the income and family status of the borrower and provides for larger tax free allowances for savings for housing. Finally, the Government has announced its intention to pursue an active manpower policy, details of which are being worked out.

### III. CONCLUSIONS

Although cyclical factors are partly responsible for the fact that the expansion of activity has slowed down and fallen short of the growth of capacity, structural factors are probably of great importance. These include the difficulties for Austrian exports resulting from the establishment of the EEC.

One result of these structural problems has been the deterioration of the current account of the balance of payments. The deficit is still not very substantial, especially if allowance is made for the temporary weakening of German import demand, which has an important adverse effect on Austrian exports. But it is clear that the situation has changed. Under existing trading arrangements, and given the fact that an improvement of industrial structure will necessarily take some time, the current account would seem likely to be in deficit rather than surplus in the next few years, in contrast to the situation prevailing in the first half of the present decade. The trade deficit may tend to grow, and net tourist receipts are unlikely to rise as fast as in earlier years, partly because the growth of foreign expenditure in Austria is slowing down and partly because Austrian spending abroad is rising strongly.

In these conditions, given the strong upward trend in costs and prices, it is understandable that general demand management policy has remained cautious. However, given the degree of structural change required, some deficit on current external account may not be inappropriate for the next few years. It is important to ensure that the deficit does not create an undue tightening of monetary conditions. It would seem desirable that stimulus to demand should as far as possible be designed to encourage structural re-adjustment in industry. A major problem exists in heavy industry, most of which is nationalised; rapid progress towards a pattern of output better adapted to existing and prospective demand conditions would seem to be urgently needed. There are also problems in other sectors. Given Austria's geographical location, there seems to be a general need to achieve a pattern more heavily weighted by highly processed goods.

The present economic difficulties clearly call for a better cost-price performance. The sharp rise in unit labour costs in industry in recent years cannot but have aggravated the weakening of economic growth and the balance of payments. The fact that certain other countries seem to be getting the movements of costs and prices under better control underlines the need for progress in Austria. The Price-Wage Commission has played a useful role in delaying income and price revisions. But this has not prevented sharp increases in both costs and prices in the last few years. Greater restraint is clearly necessary. This may call for a new approach to incomes policy, probably entailing greater government invol-

vement in the process of income and price determination. The Government is making strong efforts to limit wage settlements in 1967. The establishment of more permanent machinery of incomes policy may also have to be considered.

In the interest of maintaining arrangements essential for the conduct of a flexible demand management policy the authorities may wish to reconsider the rules introduced last March for Federal borrowing and other budget operations. Up to 1964 institutional arrangements governing the central government budget were rather more flexible in Austria than in most countries. But the new rules greatly complicate the task of operating an active budget policy, a shortcoming which is particularly serious in view of the important responsibilities incumbent on the central government budget in the management of demand.

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*STATISTICAL ANNEX*

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TABLE I. NATIONAL PRODUCT

Billion Schillings.

	1963	1964	1965	1966	1963	1964	1965	1966
	Current prices				1954 prices			
<b>EXPENDITURE:</b>								
Private consumption .....	125.0	133.8	145.5	155.7	100.6	104.6	109.9	115.5
Public consumption .....	26.8	29.9	32.6	35.9	15.1	16.1	15.9	16.6
<i>of which:</i> Defense .....	2.6	3.4	3.0	..	..	..	..	..
Gross domestic fixed capital formation .....	49.6	55.7	62.5	69.5	36.2	39.5	41.4	44.4
<i>of which:</i> Construction .....	24.2	27.8	31.7	36.4	16.2	18.2	18.9	20.1
Machinery and equipment .....	25.0	27.4	29.7	33.1	20.0	21.3	22.5	24.3
Change of stocks, incl. statistical errors .....	1.6	3.9	2.9	5.6	2.9	5.2	3.8	4.3
Exports of goods and services .....	50.5	56.2	61.9	65.6	43.5	46.9	49.9	53.1
<i>Less:</i> Imports of goods and services .....	50.7	56.7	63.7	71.8	48.5	52.3	57.1	63.0
Gross national product at market prices .....	202.8	222.8	241.7	260.5	149.8	160.0	163.9	170.9
<b>INDUSTRIAL ORIGIN:</b>								
Agriculture, forestry and fishing .....	18.8	20.8	19.3	20.3	16.0	17.3	15.0	15.7
Manufacturing, mining and public utilities .....	76.7	83.8	90.2	96.1	62.2	66.6	68.6	70.9
Construction .....	19.3	21.9	26.2	29.4	11.4	12.6	13.0	13.9
Other .....	88.0	96.3	106.0	114.7	60.2	63.5	67.3	70.4
	Current prices				Current prices, percentage distribution			
<b>DISTRIBUTION OF NATIONAL INCOME:</b>								
Compensation of employees .....	98.0	107.1	118.4	130.4	63.3	63.2	64.7	66.5
Income from property and entrepreneurship .....	45.1	50.2	52.4	..	29.1	29.6	28.7	..
Savings of corporations .....	7.0	7.4	7.2	66.1	4.5	4.4	3.9	33.7
Direct taxes on corporations .....	4.7	5.2	5.4	..	3.0	3.1	3.0	..
Government income from property and entrepreneurship .....	1.8	1.5	1.5	1.9	1.2	0.9	0.8	1.0
<i>Less:</i> Interest on public debt .....	1.7	1.9	2.1	2.3	— 1.1	— 1.1	— 1.1	— 1.2
National Income .....	154.9	169.4	182.9	196.1	100.0	100.0	100.0	100.0

Source : Oesterreichisches Institut fuer Wirtschaftsforschung.



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

*Indices, 1956 = 100.*

	1963	1964	1965	1966	1965				1966			
					1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.
OUTPUT:												
Seasonally adjusted.....	141.6	152.7	158.4	163.9	157.1	157.4	159.8	159.4	162.1	163.4	162.8	166.8
Not seasonally adjusted .....	141.6	152.7	158.4	163.9	151.5	161.4	153.5	167.3	156.3	167.6	156.4	175.1
Mining.....	99.4	103.3	101.9	98.2	104.8	101.5	97.5	104.1	103.0	102.7	93.0	94.2
Basic materials .....	135.7	146.6	155.2	163.5	147.9	150.5	152.0	169.5	162.9	162.3	154.9	173.9
Investment goods .....	134.8	147.4	149.1	152.9	137.3	156.3	148.8	154.1	142.2	159.0	150.1	160.1
<i>of which:</i> Building materials .....	163.9	188.3	195.9	208.1	132.9	226.1	232.8	190.0	153.0	237.5	235.2	206.5
Machinery and equipment .....	126.1	132.4	136.1	138.9	126.3	141.0	129.0	148.2	131.7	144.0	125.8	154.3
Consumer goods .....	149.7	159.3	166.6	172.4	164.5	168.7	153.1	181.1	166.0	174.9	156.7	192.2
<i>of which:</i> Food, drink and tobacco.....	134.9	137.5	140.6	154.2	129.4	131.3	132.2	170.6	129.3	142.8	140.0	204.7
Clothing .....	144.2	150.9	153.7	155.4	158.6	159.0	137.2	161.4	160.8	160.9	136.4	163.5
Durable goods .....	156.9	172.7	185.6	184.8	176.6	188.4	167.8	207.6	176.7	189.4	166.0	207.2
EMPLOYMENT:												
Seasonally adjusted.....	107.2	107.0	107.2	106.4	107.2	106.8	106.8	107.3	107.6	106.9	105.9	105.2
Average paid work hours.....	93.6	93.2	91.7	91.8	91.4	92.3	88.6	94.4	93.3	92.3	88.1	93.3
WAGES AND PRODUCTIVITY:												
Hourly earnings .....	162.1	176.5	195.6	211.5	183.3	194.4	201.4	203.1	202.1	202.1	215.9	220.3
Monthly gross earnings per employee.....	157.8	172.4	187.6	210.2	160.8	180.3	197.0	211.9	179.5	199.5	216.6	245.1
Output per employee.....	132.1	142.7	147.8	154.9	142.1	151.7	143.2	154.5	147.6	158.8	147.8	165.6
Monthly earnings/output per employee.....	119.5	120.8	126.9	135.7	113.2	118.9	137.6	137.2	121.6	125.6	146.5	148.0

*Sources: Main Economic Indicators, OECD; Statistische Uebersichten, Oesterreichisches Institut fuer Wirtschaftsforschung.*



TABLE III. RETAIL SALES AND PRICES

*Indices, 1958 = 100.*

	1963	1964	1965	1966	1965				1966			
					1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.
RETAIL SALES:												
Total, (current prices) .....	150.3	158.9	171.0	179.5	143.6	158.7	171.6	210.1	154.0	171.9	175.8	216.2
Non-durables .....	149.5	158.0	170.1	177.7	145.0	159.0	170.9	205.7	155.1	172.0	173.5	210.3
<i>of which:</i> Food and drinks .....	151.7	161.5	175.0	183.2	155.2	167.8	178.5	197.9	166.5	183.1	181.0	202.2
Clothing .....	135.0	140.7	150.6	156.1	111.5	142.7	136.9	211.4	121.9	147.9	140.5	214.3
Durables .....	154.6	164.2	176.0	190.8	135.0	157.3	175.9	235.9	147.7	173.0	190.3	252.0
<i>of which:</i> Household goods and furniture .....	150.5	161.2	171.5	185.6	127.5	154.6	173.7	203.3	140.7	168.7	188.0	245.1
PRICES:												
Cost of living .....	114.4	118.8	124.7	127.4	120.2	126.0	126.7	125.7	125.7	128.0	127.5	128.5
Food, drinks, tobacco .....	114.3	118.8	126.8	128.5	119.5	129.5	130.5	127.8	127.1	130.7	128.2	127.9
Other .....	114.5	118.8	122.2	126.1	121.1	121.8	122.2	123.2	124.0	124.8	126.7	129.2
Wholesale prices (1964 = 100) .....		100.0	102.6	104.6	100.5	101.8	103.7	104.2	104.3	105.2	104.2	104.7
Raw materials and semi-manufactures .....		100.0	101.7	105.4	101.1	101.5	101.8	102.4	104.1	105.0	106.2	106.2
Finished manufactures .....		100.0	101.7	103.8	100.8	101.4	102.3	102.3	103.0	103.5	103.9	104.7
Building prices (in Vienna) .....	125.5	129.9	143.2	149.6	142.6	143.1	143.3	143.8	144.8	143.3	153.9	156.2
Labour .....	139.4	144.4	168.1	177.2	167.7	168.1	168.2	168.2	168.2	168.2	185.7	186.8
Building materials .....	112.9	116.9	120.8	124.6	120.1	120.5	120.9	121.9	123.7	120.9	125.2	128.6

*Source:* Statistische Uebersichten, Oesterreichisches Institut fuer Wirtschaftsforschung.

TABLE IV. MONEY AND BANKING

*End of period.*

	UNIT	1963	1964	1965				1966			
				1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.
INTEREST RATES:											
Discount rate .....	<i>per cent</i>	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Sight deposits .....	—	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Savings deposits (less than 6 months' notice) .....	—	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
MONETARY CIRCULATION AND EXTERNAL RESERVES:											
Notes and coins in circulation .....	<i>billion schill.</i>	25.7	27.7	26.8	29.6	29.5	29.8	28.9	31.6	32.0	32.0
Sight liabilities of the National Bank .....	—	10.3	12.7	12.7	11.1	11.1	11.5	11.0	10.5	12.5	11.8
Gross external reserves of the National Bank .....	—	30.9	32.2	30.8	31.3	32.8	32.1	29.8	30.4	31.7	31.8
<i>of which:</i> Gold .....	—	13.8	15.5	16.1	17.1	18.0	18.0	18.0	18.0	18.0	18.1
CREDIT INSTITUTIONS:											
Credits to non-banks, total .....	—	64.2	75.2	78.4	82.0	84.3	89.0	92.9	96.8	99.7	103.5
Short-term .....	—	25.8	28.7		31.1		33.5		36.5		38.4
Medium-term (1 to 5 years) .....	—	12.6	15.8		17.6		18.1		20.3		21.8
Long-term .....	—	25.8	30.7		33.3		37.5		40.0		43.3
Deposits from domestic non-banks, total .....	—	79.2	90.6	94.2	96.2	100.3	103.1	106.9	108.6	111.0	114.2
Sight .....	—	20.1	21.2	21.2	22.0	23.9	23.5	23.9	24.2	24.6	23.7
Time .....	—	9.2	10.1	11.1	11.3	11.3	11.1	11.8	12.0	11.9	12.0
Savings .....	—	49.9	59.2	61.9	63.0	65.2	68.5	71.3	72.4	74.5	78.5
Treasury bill holdings .....	—	6.2	2.9	2.0	2.3	3.6	3.3	3.6	3.8	2.9	2.7
Other security holdings .....	—	13.4	16.9	17.8	18.7	18.5	19.3	19.4	20.3	20.5	21.4
Foreign assets .....	—	2.7	4.4	4.9	4.8	5.9	5.8	5.5	6.0	6.2	7.3
Foreign liabilities .....	—	3.1	4.4	3.6	4.0	4.4	7.3	6.3	7.8	7.4	8.9

Source: Mitteilungen der Oesterrichischen Nationalbank.

TABLE V. MERCHANDISE TRADE BY COMMODITY GROUP AND AREA

Monthly averages, million Schillings.

	IMPORTS				EXPORTS			
	1963	1964	1965	1966	1963	1964	1965	1966
TOTAL .....	3,630	4,036	4,551	5,043	2,873	3,133	3,467	3,647
Food, drinks, tobacco .....	478	502	622	646	158	141	182	166
Raw materials .....	416	472	494	518	420	430	454	440
Mineral fuels, energy .....	357	355	335	355	68	92	113	123
Chemicals .....	309	352	394	443	158	147	167	196
Machinery and transport equipment .....	1,086	1,204	1,393	1,563	576	640	707	735
Other .....	983	1,151	1,313	1,517	1,493	1,683	1,844	1,987
OECD countries <sup>1</sup> .....	2,851	3,247	3,670	4,092	2,095	2,294	2,503	2,644
EEC countries .....	2,116	2,374	2,694	2,963	1,435	1,489	1,618	1,628
of which: Germany .....	1,501	1,685	1,901	2,138	758	873	992	976
Italy .....	281	301	376	381	479	385	373	393
France .....	154	184	190	207	67	77	77	80
EFTA countries <sup>2</sup> .....	506	588	679	803	477	601	636	735
of which: United Kingdom .....	195	215	249	289	112	143	135	154
Switzerland .....	187	219	252	302	195	247	259	296
USA .....	172	208	200	219	109	124	145	167
Other OECD countries .....	57	77	97	107	74	80	103	114
Non-OECD countries <sup>1</sup> .....	779	789	881	950	778	839	964	1,003
Eastern Europe and USSR .....	502	487	551	580	502	548	614	645
Africa .....	70	89	96	91	61	71	86	88
South America .....	71	80	95	105	33	41	44	47
Asia .....	85	77	82	100	132	123	156	152
Other .....	51	56	57	74	51	56	64	71
Volume (index, 1961 = 100) .....	117	132	148	162	119	127	136	145
Price (index, 1961 = 100) .....	97	95	96	97	92	94	97	95

1. From April 1964 onwards Japan is included with OECD countries.

2. Including Finland.

Source: Statistische Uebersichten, Oesterreichisches Institut fuer Wirtschaftsforschung; Mitteilungen der Oesterreichischen Nationalbank.

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