

OECD  
ECONOMIC SURVEYS  
1981-1982

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

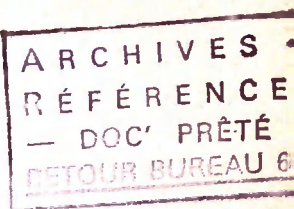
AUSTRIA

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

FEBRUARY 1982



OECD ECONOMIC SURVEYS



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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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The Socialist Federal Republic of Yugoslavia is associated in certain work of the OECD, particularly that of the Economic and Development Review Committee.

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# BASIC STATISTICS OF AUSTRIA

## THE LAND

Area (thousand km <sup>2</sup> )	84	Major cities,	
Agricultural area (thousand km <sup>2</sup> ), 1979	37	May 1971 census	
Exploited forest area		(thousands of inhabitants):	
(thousand km <sup>2</sup> )	32	Vienna	1 615
		Graz	249
		Linz	203
		Salzburg	129
		Innsbruck	115

## THE PEOPLE

Population, 31.12.80 (thousands)	7 510	Net migration, 1979	3 208
per km <sup>2</sup>	89	Total employment <sup>1</sup> , monthly	
Net natural increase in population,		average 1980	2 788 700
1980	-1 570	of which:	
Natural increase rate		in industry <sup>2</sup>	629 525
per 1 000 inhabitants, 1980	-0.2		

## PRODUCTION

Gross Domestic Product, 1980		Industrial origin of GDP	
(Sch. billion)	996	at market prices, 1980	
per head (US \$)	10 245	(per cent):	
Gross fixed investment,		Agriculture	4
average 1978-1980:		Industry	29
per cent of GDP	25	Construction	8
per head (US \$)	2 290	Other	59

## THE GOVERNMENT

Public consumption, 1980		Composition of Federal Parliament,	
(per cent of GDP)	18	October 1979:	
General government current		Socialist Party	95
revenue, 1980		Austrian People's Party	77
(per cent of GDP)	46	Liberal Party	11
Federal Government debt, end 1980		Last election: 1979	
(per cent of GDP)	26	Next election: 1983	

## FOREIGN TRADE

Exports:		Imports:	
Exports of goods and services,		Imports of goods and services,	
1978-1980		1978-1980	
(per cent of GDP) average	37	(per cent of GDP) average	38
Exports, 1980 (per cent of total		Imports, 1980 (per cent of total	
merchandise exports):		merchandise imports):	
Food, tobacco, beverages	4	Food, tobacco, beverages	6
Raw materials and energy	10	Raw materials and energy	23
Chemicals	9	Chemicals	9
Machinery and		Machinery and	
transport equipment	28	transport equipment	29
Other finished and		Other finished and	
semi-manufactured products	49	semi-manufactured products	33

## THE CURRENCY

Monetary unit: Schilling		Currency units per US dollar,	
		average of daily figures:	
		Year 1980	12.94
		December 1981	15.83
		Year 1981	15.92

1. Wage and salary earners.

2. Including administrative personnel.

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

*The annual review of Austria  
by the OECD Economic and Development Review Committee  
took place on 14th January 1982.*



## INTRODUCTION

After expanding relatively strongly since 1978, the economy entered into recession in the second half of 1980 with real GDP declining at an annual rate of about  $\frac{1}{2}$  per cent. Although activity recovered temporarily in the second quarter of 1981, output in 1981 as a whole was no higher than in 1980. The development of real GDP in 1981 is estimated to have been the same as forecast in the last OECD Economic Survey of Austria, but there are some important differences in the components of demand. Final domestic demand was marginally higher than expected, but because of a much stronger downward stock adjustment total domestic demand was substantially weaker than forecast. Reflecting the lack of buoyancy in demand, import volumes fell and with export volumes increasing strongly, there was a marked improvement in the real foreign balance which contributed  $3\frac{1}{4}$  per cent to real GDP. The reduction in the current external deficit was limited, however, because of a large deterioration in the terms of trade arising mainly from the effects of the appreciation of the US dollar. Higher energy and import prices contributed to a small acceleration in consumer prices in 1981 to a rate of about  $6\frac{3}{4}$  per cent. For the first time for several years, unemployment has increased somewhat but the rate remains among the lowest in the OECD area.

Real GDP is forecast by the Secretariat to resume its upward path in 1982 and into 1983 but at a rate insufficient to halt the rise in unemployment. In the Budget fiscal policy was planned to be restrictive, but to improve the employment situation expansionary measures were subsequently announced. Monetary policy is expected to remain tight, with relatively high real interest rates. Improved competitiveness should result in export volumes rising at a faster rate than markets but, with a pick-up of import volumes and a terms of trade loss towards the end of the forecast period, the current external deficit (excluding errors and omissions) may slightly increase to the equivalent of about 4 per cent of GDP in the first half of 1983. On the basis of an unchanged exchange rate, continuing moderate wage settlements and renewed productivity growth, the rate of inflation is likely to fall considerably over the next eighteen months.

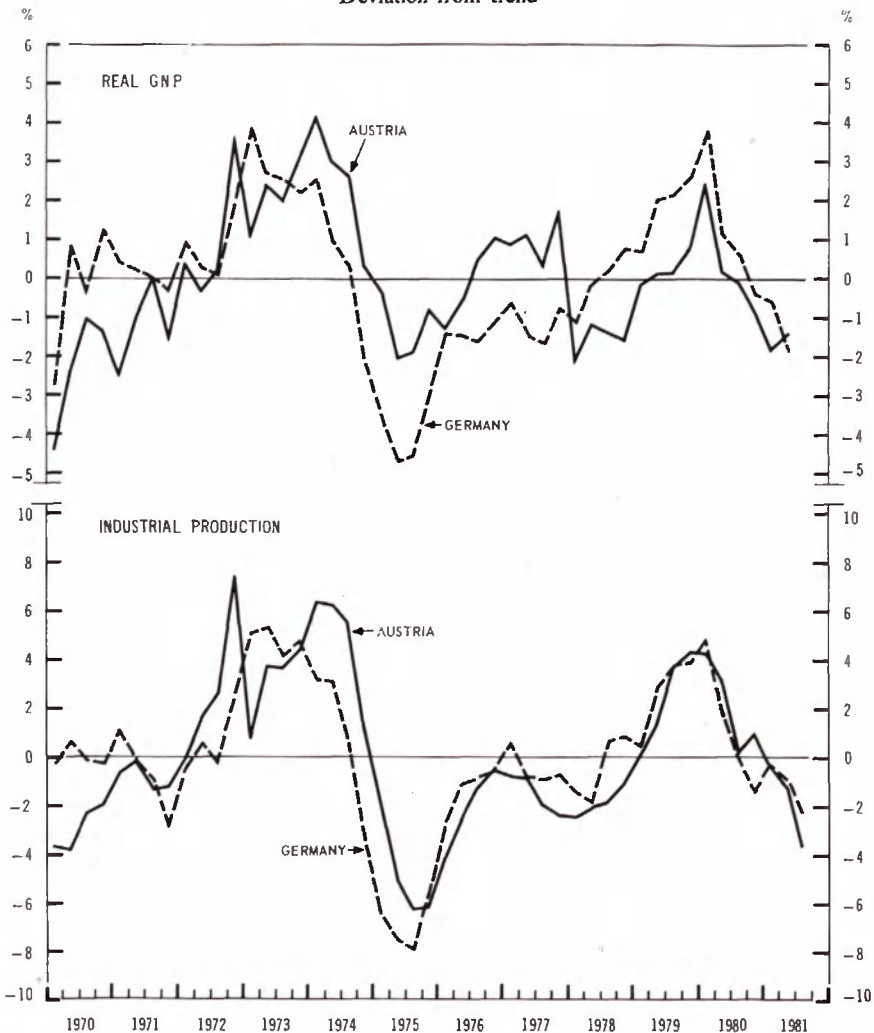
Recent economic trends are reviewed in Part I of this Survey. Part II contains a description of the unique Austrian system of social partnership and analyses its main effects on economic developments. Fiscal and monetary policies are reviewed in Part III, and the Survey concludes with an assessment of short-term prospects and a summary of the main economic policy considerations (Part IV).



## I. RECENT TRENDS

During much of the 1970s, economic trends in Austria — as in some other smaller countries — have been similar to those in Germany and in 1980 and 1981 economic activity in the two countries continued to move broadly in parallel (Diagram 1). The synchronisation largely reflects the fact that Germany is by far Austria's major export market. In the most recent period, the similarity of the cyclical comparison was strengthened by the importance attached by the Austrian authorities

**Diagram 1. Cyclical developments in Austria and Germany**  
Seasonally adjusted quarterly figures  
Deviation from trend



Source: OECD Secretariat.

to a constant schilling/Deutschemark exchange rate, the high sensitivity of financial markets to international developments and the almost identical stances of fiscal and monetary policies. The current weakness of economic activity, while mostly attributable to the oil-price related deterioration in the terms of trade, was also influenced by restrictive policies. Fiscal policy was tightened in 1980 and 1981 and monetary policy was restrictive, entailing a dampening effect on activity. Moderate wage settlements, although limiting the acceleration of inflation as a result of higher import prices, have adversely affected domestic demand but contributed to improved competitiveness. Labour market conditions deteriorated in the course of 1981, but remain favourable compared to most Member countries.

### *Demand and output*

The buoyancy in the first quarter of 1980<sup>1</sup> was followed by more than twelve months of sluggish total domestic demand, a strong improvement in the real foreign balance and weak real GDP (Table 1). A recovery in real GDP in the second quarter of 1981 seems, on the basis of the most recent indicators, to have been temporary, demand and output being about flat since mid-1981.

A main element of the development of domestic demand since mid-1980 has been the downward adjustment of stocks from the high levels built up in 1979 and early 1980 as business reacted to sluggish demand and the high level of interest rates. The strong negative contribution to real GDP growth from the change in stockbuilding seems to have been reversed in the second quarter of 1981, indicating that the stock/output ratio may have moved closer to the longer-term trend than in recent years<sup>2</sup>. Private consumption has fluctuated considerably, falling in the second half of 1980 and then picking up strongly through the first half of 1981. The weakness of the volume of retail sales after mid-year suggests a fall in private consumption in the second half of the year to give a small rise in 1981 as a whole. As in 1980, private consumption has been held up by a drop in the saving ratio of about 1 percentage point as consumers have cushioned the effect of a fall in real disposable income<sup>3</sup>. Fixed investment, too, has been weak. After rising strongly in 1980, investment in machinery and equipment has since declined probably more because of weak demand than because of high interest rates<sup>4</sup>, which, however, have had a marked effect on construction, particularly residential investment<sup>5</sup>.

Austria gained export market shares in 1980 but in the first half of 1981 the growth of merchandise export volumes — at 4½ per cent (s. a. a. r.) — was a little below

1. Reflecting the unusual strength of demand in the first quarter of 1980, real GDP rose by 3.1 per cent in 1980 as a whole compared with a forecast of 2.6 per cent in the last OECD Economic Survey of Austria.

2. The deviation of the stock-output ratio (level of stocks divided by GDP + imports — change in stockbuilding) from its trend reached a record at the end of 1980 but has declined since. The estimates, however, may be distorted by the fact that no recent figures for stockbuilding alone but only the sum of stockbuilding and the statistical discrepancy between demand and production are available.

3. In 1980, the gross wage and salary bill rose by 7½ per cent and non-wage incomes by 8 per cent. Wage incomes in 1981 are estimated to have risen by about 8 per cent and entrepreneurial incomes by 5 per cent. With transfers growing more than proportionately but more than offset by higher social security contributions and fiscal drag, households' disposable income rose by 6 per cent in 1980 and is estimated to have increased at the same rate in 1981. With inflation rates of 6¼ and 6¾ per cent in 1980 and 1981 respectively, real personal disposable income has fallen slightly in both years. The fall in the saving ratio in 1980 and 1981 referred to in Part III below was because of reshuffling of portfolios in the face of high interest rates, which was more than offset by a fall in other forms of savings.

4. More than 40 per cent of total credit extended is at preferential conditions.

5. The pick-up in construction in the second quarter seems mostly due to a rebound from bad weather in the first quarter and a work-day effect.

Table 1. Demand and output

	Per cent of GDP at current prices (1980)	Constant 1976 prices: seasonally adjusted; percentage changes at annual rates								
		1979	1980	1981 I	1981 <sup>a</sup>	1980		1981	1981	
				1980 I		I	II	I	Q1	Q2
Private consumption	55.1	3.8	1.5	0.6	0.2	3.8	-1.3	2.5	2.6	7.9
Government consumption	17.8	3.2	1.6	2.0	2.0	1.2	1.6	2.4	2.8	1.3
Gross fixed capital formation	25.3	4.1	2.2	-0.5	-1.1	4.4	-0.9	-0.2	-2.7	5.7
Construction	14.7	1.3	-0.8	-1.3	-1.4	-0.6	-3.2	0.6	2.0	11.8
Machinery and equipment	10.6	8.0	6.1	0.4	-0.7	11.1	2.0	-1.2	-8.2	-1.5
FINAL DOMESTIC DEMAND	98.2	3.7	1.7	0.6	0.2	3.5	-0.7	1.8	1.3	6.1
Stockbuilding <sup>1,2</sup>	3.5	1.8	1.1	-4.2	-3.6	1.8	-3.0	-5.4	-7.8	2.8
TOTAL DOMESTIC DEMAND	101.7	5.5	2.7	-3.6	-3.4	5.2	-3.6	-3.6	-6.5	9.2
Foreign balance <sup>3</sup>	-1.7	-0.6	0.4	3.6	3.3	-0.6	3.0	4.1	5.3	-4.2
Exports of goods and services	39.0	10.4	7.2	7.2	7.4	8.4	2.4	12.1	13.6	3.9
Imports of goods and services	40.7	11.9	6.2	-1.8	-0.9	9.7	-5.1	1.6	0.1	15.5
GDP	100.0	4.9	3.1	-0.1	-0.1	4.7	-0.6	0.4	-1.3	4.5
<i>Memorandum items:</i>										
GDP deflator	..	4.4	4.6	5.0	5.2	5.8	4.4	5.7	8.7	1.1
Industrial production	..	7.6	2.7	-1.6	-0.8	2.4	-3.3	0.1	-2.3	-0.8

1. Changes in stockbuilding and the foreign balance are expressed in per cent of GDP of the previous period, at annual rates.

2. Including statistical discrepancy.

3. Secretariat estimate.

Sources: Oesterreichisches Institut für Wirtschaftsforschung; OECD.



that of markets. Exports of services (volumes) also decelerated in the first half of 1981 to 6½ per cent (s.a.a.r.). The weaker export trends are not reflected in Table 1, however, as exports in the national accounts include a large positive errors and omissions item, which is largely responsible for the positive contribution of the real foreign balance to real GDP growth. The volume of imports of goods and services picked up in the first half of the year but as with exports, some weakening seems likely in the second half of 1981.

Other indicators also suggest that demand and activity were weak in the second half of 1981 but with some possible recovery late in the year and into 1982. Industrial production, which stagnated in the first half of 1981, dropped by 7 per cent (s.a.a.r.) in the third quarter, regaining the average 1979 level. The decline in production was particularly pronounced in investment goods, mining and raw materials and construction, whereas the reduction in the output of consumer goods was relatively small. The order inflow also fell in the third quarter; domestic orders recovered a little but were still below the first quarter level while export orders declined. The main indication of an improvement late in 1981 is the October Wifo business survey for industry which was more favourable than the sample taken three months earlier. Production expectations — one of the better leading indicators — were more optimistic than in July. The judgements on total orders also improved. Against these positive signs, however, the evaluation of stocks suggests that stock levels are still regarded as being too high and the views of the construction industries remain pessimistic.

### *Labour market*

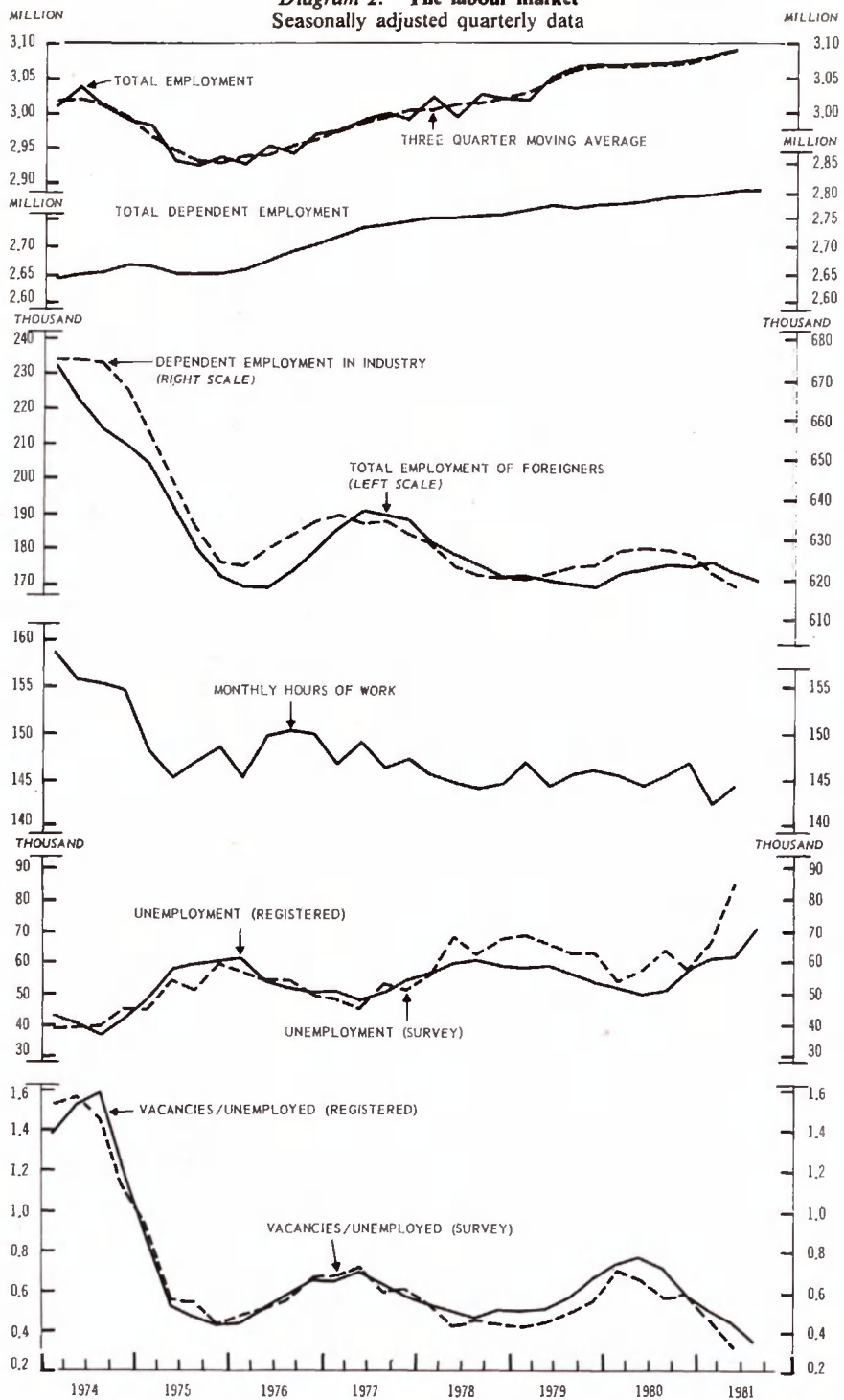
In the past, the labour market has shown little response to cyclical downswings in the economy; and — until recently — this was the case for the present slowdown also, the rise in unemployment being dampened by labour hoarding — especially in nationalised industries — and by continuing growth in the tertiary sector. But labour market conditions have considerably deteriorated since mid-1981 reflecting the fall in output and weak prospects for a recovery. With employment growth in the tertiary sector falling off, total employment began to fall in the second half of 1981 and the rise in unemployment accelerated. In late 1981, the unemployment rate, while low by international standards, reached the highest level for twenty years. The delayed adjustment of employment levels to weaker output has entailed virtual stagnation of labour productivity; the growth of hourly productivity, which had already slowed down markedly in the second half of the 1970s, recorded an all-time low in 1981 despite a reduction in working hours.

After rising by ½ per cent in 1980, total employment in 1981 is estimated to have been at the same average level as in 1980<sup>6</sup>. Dependent employment — according to more recent data of the Social Security statistics — showed a small rise year-on-year in 1981, but at the end of the year the level was lower than a year earlier<sup>7</sup> (Table 2). Only the services sector — which accounts for half of total employment — expanded in 1981 but at a lower rate (less than 1 per cent) than in 1979 and 1980 (2 and 1¼ per cent, respectively). The growth of tertiary employment of about 12 per cent since 1975 is mainly attributable to increased supplies of public services — particularly in health and education — and to the expansion of private services such as commerce, banking, insurance and consulting. Employment in tourism also contributed to the increase, but growth in this industry has recently slowed down sharply. In contrast, employment in

6. According to the quarterly labour market surveys ("Mikrozensus") of the Central Statistical Office. The Wifo estimates for total employment growth are lower.

7. These statistics, however, have shown markedly lower increases over past years than the quarterly labour market surveys.

**Diagram 2. The labour market**  
Seasonally adjusted quarterly data



**Sources:** Österreichisches Institut für Wirtschaftsforschung; Austrian Central Statistical Office; OECD.

Table 2. Labour market developments

	1975	1976	1977	1978	1979	1980	1981
Percentage changes							
Population of working age	0.3	0.9	1.3	1.1	1.1	0.9	0.8 <sup>2</sup>
Total labour force <sup>1</sup>	-1.8	0.2	1.3	1.3	1.2	0.4	0.7 <sup>3</sup>
Total employment <sup>1</sup>	-2.2	0.1	1.4	0.9	1.2	0.6	0.0 <sup>3</sup>
Males <sup>1</sup>	-1.8	0.4	1.4	0.4	1.3	0.9	..
Females <sup>1</sup>	-2.9	-0.3	1.4	1.9	1.0	0.3	..
Total employment <sup>2</sup>	-0.4	0.6	0.9	0.2	0.2	0.2	..
Dependent employment <sup>1</sup>	-1.7	0.6	1.7	2.1	2.2	0.8	..
Dependent employment <sup>3</sup>	0.0	1.1	1.9	0.8	0.6	0.5	0.4
Industry	-5.0	-1.6	0.8	-1.7	-0.1	1.1	-2.0 <sup>5</sup>
Foreign workers	-14.1	-10.1	10.0	-6.4	-3.5	2.4	-1.8 <sup>2</sup>
Levels (thousands)							
Unemployed <sup>1</sup>	52	54	50	64	65	58	82 <sup>5</sup>
Unemployed <sup>4</sup>	55	55	51	59	57	53	69 <sup>5</sup>
Unfilled vacancies	31	29	32	29	31	36	25 <sup>5</sup>
Per cent							
Unemployment rate							
Total labour force <sup>1, 6</sup>	1.6	1.7	1.5	1.9	2.0	1.7	2.4 <sup>5</sup>
Dependent labour force <sup>4</sup>	2.1	2.0	1.8	2.1	2.0	1.9	2.4
Vacancies/unemployed <sup>1</sup>	0.60	0.54	0.64	0.45	0.48	0.62	0.30 <sup>5</sup>
Vacancies/unemployed <sup>4</sup>	0.57	0.55	0.64	0.50	0.54	0.68	0.36 <sup>5</sup>

1. Quarterly labour force sample surveys (Mikrozensus).

2. WIFO estimates.

3. Social Security statistics.

4. Registered unemployed.

5. Secretariat estimates.

6. Total labour force figures adjusted by the Secretariat.

Sources: Austrian Central Statistical Office; Ministry of Social Affairs; Oesterreichisches Institut für Wirtschaftsforschung.

industry — after recovering temporarily in 1980 — recommenced a downward trend in 1981 (Table 2), to reach a level much the same as in the mid-1970s. Agricultural employment has also continued to decline, but since 1979 the rate has slowed down markedly to about 1 per cent a year, a development reflected in a moderation of the fall in the number of self-employed<sup>8</sup>.

With the population of working age growing by nearly 1 per cent a year, the weakening in the demand for labour was expected to be reflected in higher unemployment after a considerable lag. In 1980, unemployment was cushioned by net emigration and falling labour-force participation so that average unemployment fell a little to a rate of 1¼ per cent of the total labour force<sup>9</sup>. These favourable factors were largely reversed in 1981; reflecting mainly the marked deterioration of labour market conditions in Germany, the number of returning Austrians was much higher than

8. Self-employment is estimated to have declined by about ½ per cent in both 1980 and 1981. Wifo estimates the falls to have been 1½ and 1¼ per cent respectively.

9. The unemployment rate is calculated by relating unemployment figures from the quarterly labour market surveys to adjusted figures for total labour force.



departing foreign workers from Austria and the decline in the participation rate seems to have slowed down. Accordingly, the weaker demand for labour in 1981 was fully reflected in rising unemployment, which averaged around 2½ per cent. Hidden unemployment — as estimated by Wifo on the basis of participation rates, school attendance and retirement rates — which amounted to about 1 per cent of the labour force in 1979, rose somewhat in 1980, but seems to have changed little since then. Moreover, more than half the estimated number included in the estimate of hidden unemployed are in the upper age groups and hence covered by the public pension scheme. Youth unemployment is comparatively low largely because of the apprenticeship system. Thus, unemployment remains less of a problem than in most Member countries even though it is now three times as high as it was in 1973 and the vacancy/unemployed ratio has fallen from 2 to ⅓. The main difficulties concern the concentration of unemployment in certain regions and the degree of labour hoarding in the public sector including the nationalised industries, a subject taken up in Part II below.

### *Prices, wages and incomes*

Although the rise in consumer prices accelerated from 3.7 per cent in 1979 to 6.3 per cent in 1980, price performance has been much better than after the first oil shock. In 1980, the inflation rate in Austria was about 6½ percentage points below the OECD average and despite a further acceleration in 1981, it remains among the lowest in the OECD area. Most of the acceleration is attributable to the higher import prices (particularly of oil); domestic sources of inflation as measured by the increase in the GDP deflator have not risen much. Inflation seems to have reached a peak in the first quarter of 1981 and to have levelled off in spring and summer. In autumn 1981, however, the abolition of price control on gasoline resulted in petrol prices rising by between 4½ and 7 per cent.

Despite the oil price boost in 1979 and 1980, the combination of weakening domestic demand and moderate wage increases in the course of 1980 and 1981 should have permitted a better inflation performance, but the appreciation of the US dollar against the schilling from mid-1980 to summer 1981 sparked off renewed inflationary pressures; the tendency to lower import prices which became apparent in the course of 1980 was reversed and prices of merchandise imports rose sharply in the first half of 1981 due to a large extent to the dollar-denominated imports of crude oil and mineral oil products. The joint strengthening of the schilling and the Deutschemark as from August 1981 on, however, has already had a positive impact on inflation; in September the year-on-year increase of the import price index dropped by 1½ percentage points. For 1981 as a whole, the share of import prices in the total supply deflator will decrease to about 40 per cent compared with more than 50 per cent in 1980 (Table 3).

As can be seen in Table 3, contractual and effective wages decelerated from mid-1975 to 1979 before accelerating a little in 1980. In 1981, however, wage increases accelerated more markedly, reflecting the influence of higher inflation on wage claims and settlements in line with the counter-cyclical wage trends<sup>10</sup>. Hence, after contributing relatively little to price increases in 1979 and 1980, the share of inflation (mechanically) attributable to labour costs was considerably higher in 1981 (Table 3). Nevertheless, wage increases have remained moderate by international comparison and also by Austrian historical standards if inflation is taken into account. The autumn 1981 round resulted in settlements of about 8 per cent (contractual wages) for

10. For details see Part II below.

**Table 3. Incomes, costs and prices**  
Percentage changes

	1975	1976	1977	1978	1979	1980	1981
<b>Wages and salaries</b>							
Contractual wages (monthly)	12.9	10.1	8.0	7.0	5.1	5.4	7.2
Contractual wages (hourly) in industry	13.8	9.7	8.7	5.9	5.4	6.0	7.2
Effective gross hourly wages in industry <sup>1</sup>	17.7	9.0	8.7	5.6	6.0	6.3	7.2 <sup>4</sup>
<b>Unit factor cost</b>							
Unit wage cost							
Total economy	12.7	5.3	6.2	7.9	1.7	4.3	7½ <sup>5</sup>
Industry	16.5	-0.6	6.2	2.7	-0.5	2.9	7½ <sup>5</sup>
Gross profit margins <sup>2</sup>	-3.3	11.3	2.1	1.9	13.9	5.4	-1 <sup>5</sup>
<b>Prices</b>							
Consumer price index	8.4	7.3	5.5	3.6	3.7	6.3	6.8
Wholesale price index <sup>3</sup>	6.4	5.9	2.9	1.0	4.2	8.6	8.1
<b>Contribution to growth of total supply deflator</b>							
Import prices	0.0	3.1	1.9	0.0	2.8	3.2	2½ <sup>5</sup>
Compensation of employees	5.3	0.9	2.0	3.5	0.0	1.4	3½ <sup>5</sup>
Profits <sup>4</sup>	0.6	1.0	0.3	1.0	1.6	1.0	-½ <sup>5</sup>
Net indirect taxes	0.0	-0.1	0.8	0.0	0.3	0.4	1 <sup>5</sup>
Total supply deflator	5.9	4.9	5.0	4.4	4.7	6.0	6½ <sup>5</sup>

1. Excluding vacation bonuses.

2. Including depreciation and retained profits.

3. Excluding VAT: change in index weights starting 1977.

4. First half of 1981 over same period of 1980.

5. Secretariat estimates.

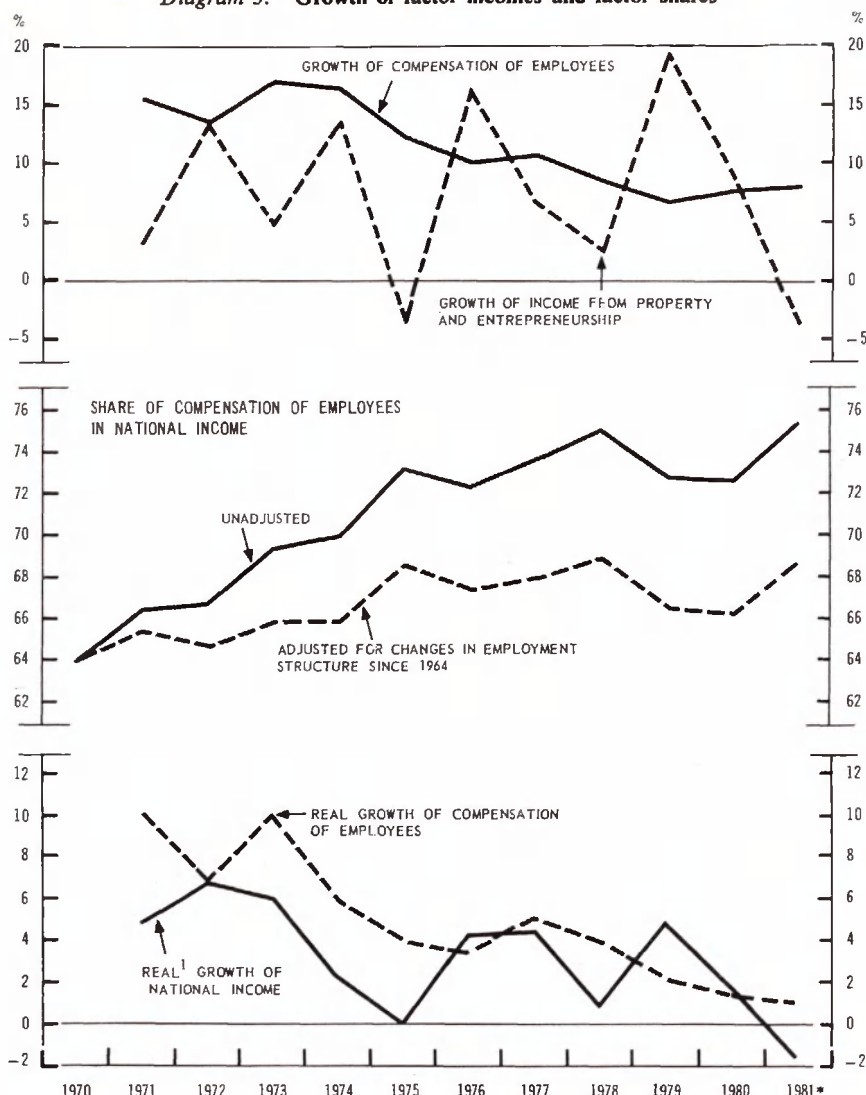
Sources: Austrian Central Statistical Office; OECD Secretariat.

most wage earners in industry. In some branches, agreements besides those for minimum-wage increases were also made for rises in the effective wages<sup>11</sup> ("Istlohnvereinbarung") of 6 per cent and thus below the current inflation rate as measured by the year-on-year rise of the Consumer Price Index. With productivity falling slightly, unit labour costs in industry and the total economy are estimated to have increased by about 7½ per cent in 1981 which implies an improvement in comparison with the average of trading partner countries but a distinct deterioration against labour cost developments in Germany.

Compensation of employees rose at a rate of 7.6 per cent in 1980 and is expected by the Secretariat to have increased at a slightly faster rate in 1981. The share of compensation in national income after having been stagnant in 1979 and 1980 is likely to have risen in 1981 by nearly 3 percentage points. Adjusted for the increased share of dependent labour in total employment since 1964, the labour income share decreased by ¼ percentage point in 1980 but rose significantly in 1981 (Diagram 3). Reflecting the cyclical downturn since spring 1980, the growth of income from property and entrepreneurship in 1980 was 10 per cent lower than in 1979 and the slowdown continued in 1981. Adjusted for the loss of real incomes due to the deterioration in the terms of trade, real national income grew by about 1¾ per cent in 1980, but in 1981 probably fell by about the same rate.

11. Some wage contracts contain agreement on effective wages ("Istlohnvereinbarung") which are essentially contractual plus wagedrift.

Diagram 3. Growth of factor incomes and factor shares



\* Preliminary estimates.

1. Adjusted for real income changes due to fluctuations in terms of trade.

Sources: Austrian Central Statistical Office; OECD.

### Balance of payments

The current external deficit doubled between 1979 and 1980 to Sch. 46.5 billion<sup>12</sup> which in terms of GDP (4.7 per cent) was one of the highest ever recorded. The sharp deterioration was entirely due to the record deficit on trade which reached

12. According to the Nationalbank the better part of the positive errors and omissions term which amounted to Sch. 25.9 billion in 1980 is attributable to the current external account and hence leads to a considerably lower adjusted deficit.

Table 4. Balance of payments: recent trends  
Billion schilling

	1979	1980	1980				1981		
			Q1	Q2	Q3	Q4	Q1	Q2	Q3
<i>Seasonally adjusted<sup>1</sup></i>									
Exports (fob)	227.5	247.8	61.0	61.3	62.4	63.0	69.3	71.1	70.0
Imports (fob)	277.5	325.2	79.5	83.8	81.2	80.8	86.0	89.1	90.4
Trade balance	-50.1	-77.4	-18.4	-22.5	-18.8	-17.8	-16.7	-18.0	-20.4
Invisibles	26.7	31.0	7.8	6.3	6.5	10.3	8.5	5.3	6.3
Current balance	-23.4	-46.5	-10.6	-16.1	-12.3	-7.5	-8.2	-12.7	-14.1
<i>Not seasonally adjusted</i>									
Current balance	-23.4	-46.5	-10.0	-16.2	-5.3	-15.0	-7.4	-13.4	-6.8
Total non-monetary capital <sup>2</sup>	-0.9	29.6	3.4	5.9	6.9	13.3	12.5	3.4	9.8
Balance on non-monetary transactions	-24.3	-16.9	-6.6	-10.2	1.6	-1.7	5.1	-10.0	3.0
Banking short-term capital	7.3	38.6	0.6	12.1	12.8	13.1	-12.8	11.4	-1.2
Balance on official settlements	-17.0	21.7	-6.0	1.8	14.4	11.4	-7.7	1.4	1.8
<i>Memorandum item:</i>									
Total capital	6.4	68.1	4.0	18.0	19.7	26.4	-0.3	14.8	8.6

1. Seasonally adjusted data are Secretariat estimates.

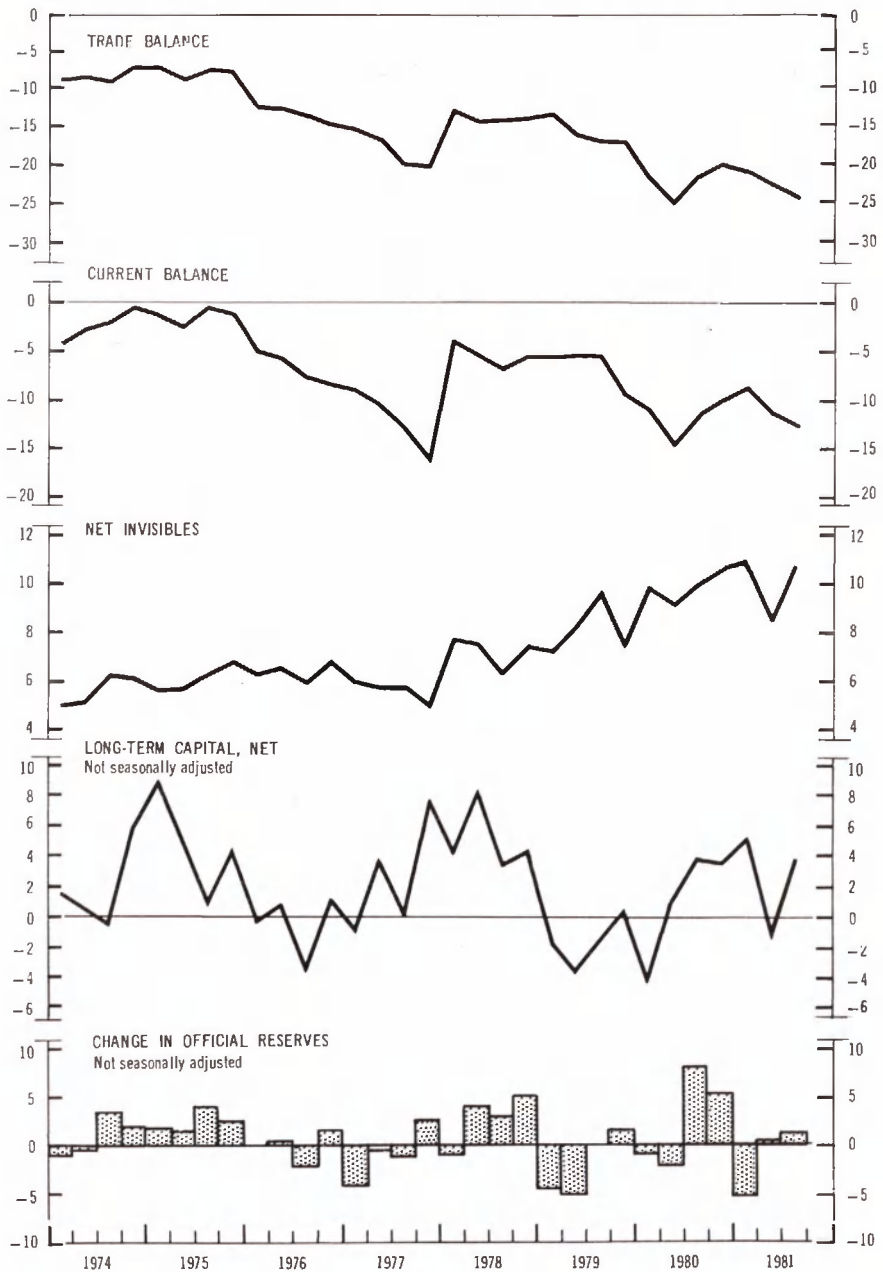
2. Including errors and omissions.

Sources: Oesterreichische Nationalbank, Mitteilungen; OECD.

**Diagram 4. Balance of payments developments**  
Seasonally adjusted

SCH. BILLION

SCH. BILLION



Sources: Österreichische Nationalbank; OECD.



9 per cent of GDP mainly as a result of the sharp rise of energy prices<sup>13</sup> and a deterioration of the terms of trade induced by the sizeable appreciation of the US dollar. Moreover, the Austrian economy in 1980 grew by about 2 percentage points faster than the OECD area as a whole, giving rise to a strong propensity to import. In 1981, the growth differential to the total OECD area was reversed but economic expansion was still half a percentage point faster in Austria than in the major European countries. Moreover, the terms of trade continued to deteriorate<sup>14</sup> in the first half of 1981. Both the trade and current external deficits seem to have peaked (s. a.) in the second quarter of 1980 (Table 4), but the pattern since then has shown no clear tendency towards decline.

Partly reflecting exchange rate movements — with the schilling depreciating in line with the Deutschemark against the US dollar until August 1981 — export price competitiveness has improved considerably over the past year. Since then the schilling has appreciated again, but the effective exchange rate in the third quarter was below the level of a year earlier<sup>15</sup>. The improvement in price competitiveness is more pronounced when account is taken of relative cost and price developments. As Diagram 5, upper panel, shows, there was a considerable improvement in the real exchange rate<sup>16</sup> in the twelve months to mid-1981 and the gain in price competitiveness over the past two and a half years has been sufficient to reverse the losses in the years after 1973. Against Germany, the largest market, however, there has been a deterioration in cost and price competitiveness. And as relative export prices in a common currency decreased faster than unit labour costs in manufacturing, there has been a sharp squeeze on exporters' profits (Diagram 5, lower panel).

The improvement in price competitiveness has been reflected in merchandise trade. The growth of merchandise export volumes decelerated in 1980 but picked up to a s. a. a. r. of 6 per cent in the first half of 1981. Since the slowdown of export market growth in 1980 was considerable, there was a volume gain in market shares. But largely because of the geographical composition of exports, this did not continue in the first half of 1981; market shares in value fell in the total OECD area as well as in Western Europe and — in spite of the dollar appreciation — in the United States<sup>17</sup>, but there were strong gains in OPEC countries and the USSR. Improved competitiveness, together with the slowdown in demand, probably helps to explain the sharp drop (9 per cent) in the volume of merchandise imports in the second half of 1980 which continued in the first half of 1981. Reflecting these developments and the terms of trade deterioration, the trade deficit fell but tended to increase in the course of 1981. The current

13. The price of imported energy in 1980 rose by about 50 per cent while the volume of imports of energy stagnated.

14. Export unit values rose by 4.4 per cent in 1980 and by 10.6 per cent (s. a. a. r.) in the first half of 1981. The corresponding figures for import unit values were 8.9 and 19.2 per cent.

15. Following the Deutschemark, the schilling was revalued by 1¼ per cent in October 1981 in conjunction with the realignment within the European Monetary System.

16. As measured by the relative consumer price index, relative export prices or by relative unit labour costs in common currency.

17. It seems that the effective devaluation ensuing from the joint depreciation of schilling and Deutschemark against the dollar until August 1981 has not been as beneficial for the Austrian trade balance as one could have expected. This may partly be because of the geographical pattern of trade, and the large share of raw materials in trade. Another contributing factor is the share of dollar-denominated contracts in exports and imports. According to the Wifo Institute, imports are invoiced in dollars three times as much as exports. In 1980, e.g. 52.4 per cent of Austrian export contracts were denominated in schillings, 26.1 per cent in Deutschemarks and only 7.4 per cent in US dollars, whereas 25.2 per cent of the imports were invoiced in schillings, 37.9 in Deutschemark and 20.3 in dollars. Thus the appreciation of the dollar has an asymmetric effect on imports and exports. A large share of import prices are raised immediately while a markedly smaller share of export revenue improves.

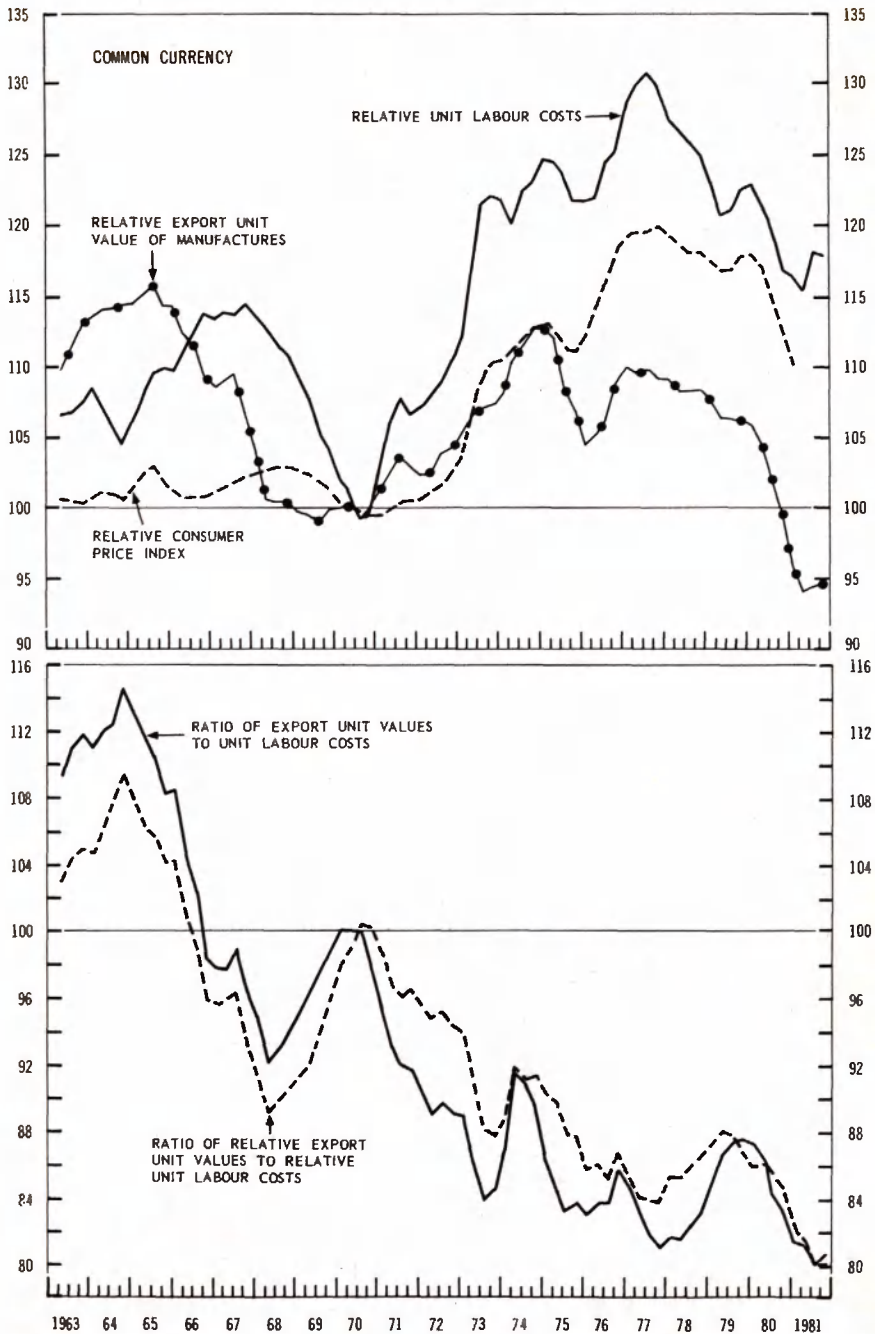


Table 5. Exchange rate developments and international competitiveness

	Index 1970 = 100									Percentage changes		
	1979		1980				1981			1979	1980	1981 I 1980 I
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3			
Exchange rate US\$/schilling	195.3	203.6	203.4	200.2	205.5	191.1	174.9	161.0	151.3	8.7	3.3	-16.8
Exchange rate DM/schilling	97.3	98.6	99.0	99.3	100.1	100.1	100.1	100.5	100.9	-0.8	2.4	1.2
Effective exchange rate	129.3	133.6	134.3	133.7	134.2	131.3	129.6	129.1	128.5	2.2	3.0	-3.5
Relative unit labour costs												
Local currency	100.5	97.8	96.8	94.7	96.0	94.7	91.3	90.0	87.7	-6.6	-3.1	-1.8
Common currency	118.8	124.1	124.7	120.3	119.8	118.9	111.8	118.6	115.7	-4.1	-0.5	-6.0
Relative consumer prices												
Local currency	85.5	84.6	84.0	83.1	83.0	81.8	81.8	80.9		-3.7	-3.8	-2.7
Common currency	116.0	119.1	118.4	116.5	116.7	112.2	110.2	108.8		-1.1	-1.3	-6.8
Relative export prices												
Local currency	77.9	76.3	75.0	74.5	73.7	71.6	70.5	70.1	69.0	-4.2	-6.0	-6.0
Common currency	105.6	107.4	105.7	104.4	103.8	98.2	95.0	94.3	92.7	-1.6	-3.4	-9.9

Source: OECD.

**Diagram 5. Relative competitiveness and profitability**  
**3 quarters moving averages**  
**Indices 1970 = 100**



Source: OECD Secretariat.

external deficit (seasonally adjusted) has also risen during the year, there being little change in the surplus on invisibles<sup>18</sup>.

After virtual equilibrium in the capital account in 1979, sizeable net capital inflows were recorded in 1980. In 1979, the current external deficit was financed by drawing on official reserves. In 1980, the surplus on the capital account was sufficient not only to finance the current account deficit but also permitted an increase of Sch. 26.1 billion in official foreign exchange reserves. The high net capital inflows were due to strong net short-term capital imports which more than offset net long-term capital outflows. To a large extent, banks raised loans on international markets and made them available to non-residents in the form of export credits. In 1981, as the interest differential between Austrian and foreign money markets narrowed — Austrian rates becoming relatively more favourable for borrowers — capital imports slowed down leading to a total net inflow of about Sch. 2 billion in the first three quarters of 1981. With a positive statistical discrepancy of Sch. 21.2 billion in the same period and the foreign exchange profits of the National bank due to the appreciation of the US dollar, official foreign reserves in terms of Austrian schillings have remained virtually constant through 1981.

## II. SOCIAL PARTNERSHIP

The comparatively favourable longer-term performance of the Austrian economy (Table 6) owes much to the largely unique approach to economic policy making<sup>19</sup> embodied in the social partnership<sup>20</sup> between labour and business, which has frequently attracted considerable attention abroad. The social partnership is not a narrowly-defined incomes policy but, rather a broadly-based system, having a long history and encompassing most aspects of economic policy. The following paragraphs describe the development of the social partnership and its impact in the different areas of economic policy, examine its responses to the external shocks of the 1970s and analyse the main pressures which seem likely to influence its durability.

The term "social partnership" has a wider meaning in Austria than is generally understood in most Member countries. Developing after the Second World War out of procedures established by trade unions and employers to deal with inflation by direct negotiations, it has become a general policy approach to solve conflicts by consensus not only in labour relations but also in economic and social policies. Going beyond the consultative procedures that exist in other countries, the Austrian system is based on the effective participation of the representative organisations of the main social groups in the shaping of economic and social policies. In many important fields of policy, it is inconceivable that the Government would take decisions without prior agreement of

18. The traditional surplus on the invisibles account increased in 1980 but fell in the first half of 1981. As in the past, the major factor was the development of the net receipts from tourism which covered in 1980 about 55 per cent of the trade deficit against a ratio of about 90 per cent at the beginning of the 1970s. In the course of 1981 the (s.a.) tourism surplus decreased and in the first seven months of 1981 it rose by only Sch. 2.5 billion against an increase of Sch. 3.8 billion a year earlier.

19. The Austrian system in general was recently the subject of an OECD review: *Integrated Social Policy. A Review of the Austrian Experience*, OECD, Paris 1981. Incomes policy, an essential part of the system, was analysed in detail ten years ago: Suppanz, H. and Robinson, D: *Prices and Incomes Policy. The Austrian Experience*, OECD, Paris 1972.

20. Labour representatives prefer the expression "economic partnership", emphasising the broader consensus in the field of economic policy in comparison with social policy.



the social partners. Institutionalised co-operation of this kind, which has continued over a long period, is based on broad agreement about the socio-economic structure as it has evolved over time. In particular, it has required acceptance by labour and management — despite divergent programmes and declarations — of limited change to the existing economic order, including the pattern of income distribution. As discussed below, however, it is unlikely that these conditions would have been fulfilled had it not been for the unique historical development of Austria, the sizeable role of government in output and employment and the existence of powerful and highly centralised organisations of economic interest groups.

After the experience of civil war, political persecution and foreign occupation, the political parties and social groups decided to bury their ideological differences and to co-operate on a basis of equality, creating a political system that can be characterised as a parliamentary democracy with important corporative elements. While parliamentarism is based on changing majorities, majority vote and transparency, the social partnership introduced the principles of agreement and confidentiality. At first, this took the form after 1945 of a "Great Coalition" between the two major political parties<sup>21</sup> in which the senior officials of the main interest groups were simultaneously members of government. The perceived success of the coalition was such that when it came to an end after twenty years and was replaced by majority government, the social partnership was largely unaffected. It has become a permanent institution and was assuming a new function, allowing the party not represented in government to participate in the decision-making process through the mechanism of social partnership.

The second important feature of the Austrian system is the size of the public sector or the relative weakness of private capital. After the war, by an unanimous vote of Parliament, electricity companies, major parts of the steel, mining, engineering and chemical industries, as well as the largest banks were nationalised. About 10 per cent of total dependent employment is in State-owned or (via the nationalised banks) State-controlled enterprises. The share of employment in the public sector (including public enterprises) in total dependent employment is about 30 per cent. In manufacturing industry, the domestically-owned private sector employs just over half of the total and the State-owned sector more than a quarter. The pattern is even more striking when classified according to the size of enterprises. Taking the fifty largest enterprises, measured by employment or turnover, the share of the State-owned sector is more than two-thirds of the total.

The highly centralised nature of the main economic interest groups was noted earlier. The emergence of the central organisations was completed shortly after the Second World War. Both labour and employers operate a parallel structure of Chambers and free associations<sup>22</sup>. Chambers are self-governing corporate bodies with compulsory membership established by law. They have the right to present considered reports on government draft bills, are represented in more than one hundred institutions (advisory councils, commissions, etc.) and participate in public administration<sup>23</sup>. Closely related to the respective Chamber are voluntary associations, the most important of which is the Federation of Trade Unions, covering about 60 per cent of

21. The Socialist Party traditionally commands the labour vote while the People's Party has a dominant position among businessmen and farmers.

22. The Chamber of Trade was established in the last century, the Chambers of Labour and Agriculture after the First World War.

23. They operate the social security system and the Agricultural Funds, are engaged in the administration of the ERP Fund and the Fund for Promotion of Research which dispose of various forms of public subsidies, participate in the Price Commission and Cartel Commission, and sit on the governing Board of the National Bank (of which they own a sizeable part of the stock).

dependent employees. Being represented in the institutions of social partnership, the Federation has acquired much the same legal rights of co-determination and consultation as the Chambers<sup>24</sup>. Individual unions<sup>25</sup> are autonomous, but a structural reorganisation in 1945 greatly centralised authority by giving the Federation financial and personnel control<sup>26</sup> of the union movement. The free associations on the employer side as well as the smaller chambers are excluded from formal social partnership activities. While unrepresented groups may pose some problems in the future, the limitation of participation has ensured the smooth functioning of the system. The Government and the social partnership have in all less than twenty persons representing them in the important Joint Commission for Prices and Wages<sup>27</sup>, the central institution of the social partnership<sup>28</sup>.

The Joint Commission consists of representatives of government, the Chambers of Trade, Agriculture and Labour and the Federation of Trade Unions. Established in 1957 by a resolution of the Council of Ministers, it replaced the tripartite Economic Commission which in the early post-war period was responsible for several wage and price pacts. An important development leading to this change was pressure by the trade unions in particular for a more formal basis of social partnership, suggesting that labour was prepared to abstain from using their full bargaining power in wage negotiations in exchange for a say in price formation and increased influence in economic policy generally<sup>29</sup>. The Joint Commission met these pressures even though it works on a voluntary basis, having neither legal authority nor the ability to apply direct sanctions. Since the ending of the Great Coalition in 1966, the government representatives in the Commission have — in order to maintain parity between the interest groups — abstained from voting. But, in view of the accepted principle of unanimity, this stance has largely been symbolic. In fact, the Commission, at the top level, has always acted through informal meetings of the charimen of the interest groups, preparing the agenda for the plenary sessions chaired by the Federal Chancellor and arbitrating in cases of disagreement. For some time the Joint Commission met regularly to discuss economic developments and prospects. These sessions at which the President of the National Bank and economic experts also participated, have recently become less frequent, however. The main operations of the Commission take place in three sub-groups: the Price Committee, the Wage Committee and the Economic and Social Advisory Board. The latter, formed after the Price and Wage Committees, reflects the extension of the Commission's activities from wage and price policies to wider areas of economic policy.

In principle, all prices which are not under direct control of public authorities (in particular basic foodstuffs and energy, though prices for coal and, recently, petrol were decontrolled), are subject to voluntary price control by the Joint Commission, an important exception being import prices. In fact, the Price Committee controls the prices of about 200 standard articles. The number of applications for price rises has a

24. In wage negotiations, the Federation has responsibility rather than the Chamber of Labour.

25. Today there are fifteen unions generally organised along industry lines.

26. The centralisation of authority is also ensured by an indirect system of electing union officials. The rank and file vote directly in the election of representatives to works' councils in the firms that employ them. These representatives (if they are union members) elect the local officials who in turn elect the higher union representatives.

27. The situation is unique because of the overlapping membership in the leading bodies of parties, associations and chambers, leadership positions very often being held by the same persons, which is probably only possible in a small country.

28. For details see Suppanz and Robinson, *op. cit.*, pp. 16-22.

29. The Federation of Trade Unions may also have been concerned about a possible fragmentation of the collective bargaining process, wage settlements in some industries in the mid-1950s having posed a threat to the authority of trade union leaders in deciding wage policy.



rising tendency (from less than 200 during the first years of the Committee's activity to more than 400 in recent years). The coverage of voluntary price control, however, has decreased (from about 30 to less than 20 per cent of consumer prices, measured by the weight in the CPI basket, and from about 60 to less than 50 per cent of the weights in industrial producer prices). Price increases are regarded as justified if it can be demonstrated that costs have increased. The Price Control Law provides for government sanctions on entrepreneurs who raise their price by more than the approved amount or do not submit their claims for approval. In fact, these sanctions have never been used<sup>30</sup>.

Unlike the Price Committee, the Wage Committee does not influence the amount of wage increases, but only their timing. The outcome of wage negotiations is usually accepted without modifications. Thus, the function of the Committee is mainly restricted to influencing the duration of collective agreements by delaying the start of wage negotiations which need the Committee's authorisation. Requests to commence negotiations over a new contract must be forwarded via the Federation of Trade Unions. This greatly increases the institutional authority of the Federation which in its screening capacity is better able to co-ordinate the wage demands of individual unions. While the Committee or the unions do not publish wage guidelines, the timing and the amount of wage claims of individual unions are discussed in a "Collective Agreement Commission" of the Federation before they are submitted to the Joint Commission. The success of wage control thus largely depends on union self-restraint. However, with the unions tending to negotiate wage increases that the marginal employer can bear, this highly centralised bargaining system generates sizeable wagedrift. In fact, it is accepted that on the level of individual firms, supplementary terms to central agreements are negotiated. Yet in an attempt to retain control over wagedrift and earnings, some unions, in addition to minimum wage rates, negotiate minimum increases in the amount of wagedrift also.

Assessing the effects on price rises of the decisions of the Price Committee is problematic, reflecting not only the long period it has been in existence but also because of the way it functions. At the outset, the setting of price targets has always been eschewed, each case being judged on its merits. Over time, the effect of this has been that price formation seems to be based mainly on cost mark-up with product market demand pressures playing little direct role. Empirical studies of price formation in industry show that the most frequently-cited reason for price increases is approval by the Joint Commission<sup>31</sup>. While the Commission may have had the effect of preventing excessive price rises judged from the change in costs, its main impact has probably been to delay price rises. Given the oligopolistic structure of Austrian industry, the Commission has been able to exercise its authority by influencing the price policy of a few market leaders, while in the highly concentrated sheltered sectors, its very existence is regarded as an important countervailing power.

The significance of price control, however, is not so much with its direct effect on prices, but in its supportive role of wage policy. Being mainly cost-based, price policy has helped to ease inflationary pressures during periods of economic expansion. This is because trade unions generally attempt to exercise restraint in wage claims during an economic upswing, but press for somewhat more than warranted by productivity and price rises during recessions. The idea behind this is to support consumer demand

30. The Minister of Trade can fix a maximum price for six months, if the four interest groups represented in the Joint Commission unanimously recommend it, as they have done on two occasions. Therefore in 1974 the necessity of a unanimous recommendation was dropped for a limited number of products, but there has been no price fixing under this provision up to now.

31. E. Nowotny, *Das System der "Sozial- und Wirtschaftspartnerschaft" in Österreich, Die Betriebswirtschaft*, 1978/2.



when investment demand is weak and to dampen cost increases when the economy is strong and inflation accelerating. The policy seems to have exerted a stabilising influence on nominal and real wages over the cycle, but has probably increased the fluctuations of non-wage incomes and possibly investment expenditure. Thus, the total output impact is not clear. But the fact that prices and wages have been under reasonable control has meant that demand management has been more expansionary than could have otherwise been the case. Even if this policy has had a destabilising influence on investment over cycles, it does seem not to have impaired profits, investment and growth in the long run. The counter-cyclical wage policy does not mean that there have been no cyclical fluctuations of wages: econometric evidence indicates that wage changes are significantly related to labour market pressures. Contrary to experience in many other countries, the Phillips curve model of wage adjustments, despite some under-estimation of wage increases in the mid-1970s, still describes wage formation relatively well in Austria. Yet, this stability is considered to be a reflection of social partnership rather than of market forces. Nevertheless, developments in the mid-1970s suggest that in periods of excess demand and/or external shocks the Austrian institutions are not necessarily more successful in restraining price and wage rises than are some other countries.

Recognition of this has resulted in the incomes policy component of the social partnership being bolstered from the mid-1960s by tax-wage bargains. The interrelations between wages, taxes and prices had long been understood by the trade unions, their participation in the Joint Commission being partly motivated by the conviction that it gave them scope to influence taxes and social changes as well as prices. Against this background, the Government in late 1966 proposed to the interest groups and the monetary authorities an early implementation of income tax cuts and a relaxation of monetary policy in exchange for wage and price restraint in 1967 and 1968. The subsequent understanding resulted in a postponement of wage negotiations for three months, smaller wage claims than previously, and an extension of the duration of wage contracts as a trade-off for tax cuts in October 1967. The moderate wage developments in 1967 and 1968 were reflected in a marked improvement in international competitiveness. In a comparable cyclical situation to 1966, a similar tax-wage trade-off was attempted in 1974; the tax reform as from January 1975, apart from compensating for past fiscal drag, was intended to lower money wage claims. In the event, the negotiated wage settlements for 1975 constituted a major deviation from what one would have predicted on the basis of past relationships<sup>32</sup>. After this failure there has been no further attempt to influence wage developments by tax cuts; the emphasis of counter-inflationary policy shifted to the exchange rate.

Concern about international competitiveness led the unions to propose and the employers to accept in principle the adoption of the hard-currency policy. By relating the schilling to a group of "stable" currencies, and later on to the Deutschmark alone, it was hoped to import stability. The hard-currency approach became and remains a cornerstone of social consensus, and continued wage restraint. Indeed, trade union support for this policy is remarkable as it imposes considerable self-discipline on them and implies that wage targets do not markedly differ from wage developments in Germany. For several years, however, the hard-currency goal proved to be too ambitious, the social partners finding it difficult to bring incomes policy into line with the exchange rate target and, up to 1977, the wage and price restraint required by the

32. The "wage explosion" of 1975 is usually explained by the too optimistic growth expectations at the time of the wage round. However, in view of the strong economic expansion and acceleration of inflation in the years before, there must be doubts whether a correct evaluation of growth prospects would have markedly changed wage developments.

hard-currency option was not fully achieved<sup>33</sup>: price and wage increases decelerated year after year, but the margin by which prices rose less in Austria than elsewhere proved insufficient to offset the currency appreciation determined mainly by movements of the Deutschmark. As a consequence, competitiveness deteriorated, and this — together with a stronger economic expansion than elsewhere — resulted in an important imbalance in the current external account which was temporarily reduced in 1978 by stabilisation measures. The weakening of the Deutschmark since the end of 1979 led to improved competitiveness for Austria, but because of the counter-cyclical orientation of wages under the social partnership which excludes a fall in real wages in times of recession, the competitive position vis-à-vis Germany has deteriorated<sup>34</sup>.

While the interactions of the hard-currency policy and the social partnership have meant that for a long period stabilisation in Austria has benefited from developments in Germany, there have been associated costs. In addition to the emergence of an external constraint on demand management<sup>35</sup> over the 1970s, the hard-currency policy has also required economic policy to follow closely policy goals in major partner countries, particularly Germany. This is reflected in the similar developments in both countries as illustrated in Table 6. In periods of comparatively rapid economic growth and low inflation in partner countries, exchange rate constraint on policy may be broadly consistent with requirements of the domestic economy, but it can run counter to them when economic growth slows down. Not only is the perceived scope for compensatory demand management — an important element of social partnership in the past — reduced, but in conjunction with the profit squeeze in the exposed sector the implementation of positive adjustment policies has become more difficult.

Despite the limited adaptation of manufacturing industries to the changing demands of the domestic and international economies over the 1970s, the labour market has been remarkably buoyant and compares favourably with developments generally elsewhere (Table 6). To a large extent, this reflects the commitment to full employment, a central goal of policy and of crucial importance to the whole system of social partnership. But with weak trends in world trade and activity, the maintenance of high employment has increasingly depended on government policy, and in some sectors may have been inimical to structural change. Government expenditure on direct labour market support measures is relatively low (in terms of GDP it is much lower than in Germany). Rather, employment has been held up by maintaining or increasing employment in nationalised industries during periods of weak demand, substantial increases in public sector employment, and a more expansionary fiscal policy than generally elsewhere. Also, in the mid-1970s, a sharp reduction in the number of foreign workers and a shortening of working hours helped to limit the rise in unemployment. But it is obviously difficult, particularly for a small and open economy, to maintain over a prolonged period stronger growth of demand and employment than generally elsewhere. The substantial increase in the size of the public debt and its servicing costs, financing difficulties of the nationalised industries and the reduced

33. In the event, the system of wage bargaining came under heavy strain. At the beginning of 1977 a strike by the metalworkers was narrowly averted, as employees in the sheltered banking and insurance sector reached much higher wage increases than was thought suitable for the exposed sectors of the economy.

34. Unit labour costs in 1981 rose by 2 to 3 per cent more than in Germany, a trend which is forecast by the Secretariat to continue in 1982 and 1983.

35. For a detailed analysis of medium-term developments in the current external account see OECD Economic Survey of Austria, January 1981, pp. 38-45.

Table 6. **Indicators of relative economic performance<sup>1</sup>**  
Average percentage changes from 1970 to 1980

	Real total domestic demand	Real <sup>2</sup> foreign balance	Real GNP/GDP	Manufacturing production	Unemployment rate <sup>3</sup>		Strikes Minutes per employee (average 1970-79)	GNP/GDP deflator	Consumer prices	Effective exchange rate	Real compensation of employees <sup>5</sup>	\$ exchange rate	Memorandum item: Cumulative current balance 1970-1980	
					Level 1980	Change 1970-80							\$ billion	Per cent of GNP/GDP
Canada	4.3	-0.2	4.0	3.3	7.5	1.9	433	8.8	8.0	-2.6	2.2	-1.7	-23	-1 $\frac{1}{2}$
Japan	4.2	0.9	4.9	4.5	2.0	0.9	60	7.2	9.0	3.1	4.7	5.8	+20 $\frac{1}{2}$	+ $\frac{1}{4}$
Norway	3.9	0.9	4.6	1.5	1.7	0.1	22	8.5	8.4	1.0	1.5	3.8	-15 $\frac{1}{2}$	-4 $\frac{3}{4}$
Austria	3.8	-0.1	3.7	4.0	1.7	0.5	5	6.3	6.3	2.9	3.8	6.5	-12 $\frac{3}{4}$	-2 $\frac{3}{4}$
France	3.7	-0.2	3.6	3.0	6.3	3.9	102	9.4	9.7	-1.3	4.3	2.0	-18 $\frac{3}{4}$	- $\frac{1}{2}$
Belgium	3.4	-0.2	3.2	2.4	9.0	6.9	130	7.0	7.4	1.2	4.9	4.6	- $\frac{1}{4}$ <sup>6</sup>	0 <sup>6</sup>
Germany	2.9	0	2.8	2.0	3.1	2.3	26	5.2	5.1	4.0	3.7	6.4	+17	+ $\frac{1}{4}$
Italy	2.9	0.8	3.1	3.5	7.4	2.1	718	14.7	14.0	-7.1	3.2	-3.1	-5 $\frac{1}{4}$	- $\frac{1}{4}$
United States	2.7	0.2	3.1	3.3	7.0	2.2	245	6.9	7.8	-2.5	1.0	—	+6 $\frac{3}{4}$	0
Netherlands	2.3	0.6	2.8	2.5	4.9	4.0	20	7.7	7.3	1.9	3.2	6.1	+4	+ $\frac{1}{2}$
Sweden	1.8	0.2	1.9	1.2	2.0	0.5	22	9.6	9.1	-1.1	1.8	2.0	-10 $\frac{3}{4}$	-1 $\frac{1}{2}$
United Kingdom	1.7	0.2	1.9	-0.3	7.4	4.3	274	9.7	13.6	-3.2	2.5	-0.3	-14 $\frac{1}{2}$ <sup>6</sup>	- $\frac{3}{4}$ <sup>6</sup>
Denmark	1.6	0.7	2.3	2.2	6.9	6.2	125	13.9	9.0	-0.1	1.1	2.2	-13 $\frac{3}{4}$	-3 $\frac{1}{4}$
Switzerland	1.6	-0.3	1.2	0.9	0.2	..	1	5.2	5.0	6.6	..	9.9	16 $\frac{3}{4}$	2 $\frac{1}{4}$
Total OECD	3.0	0.2	3.3	2.8	5.8 <sup>4</sup>	2.8 <sup>4</sup>	..	8.8	8.9	..	..	—	-55 $\frac{3}{4}$ <sup>6</sup>	- $\frac{1}{4}$ <sup>6</sup>

1. Ranked according to growth of domestic demand, 1970-80.

2. Change in the foreign balance in per cent of 1970 GNP/GDP.

3. Per cent of total labour force. Figures have been adjusted to international definitions by the OECD. A description of the method used is included in *Economic Outlook*, No. 19, July 1976.

4. Fifteen countries.

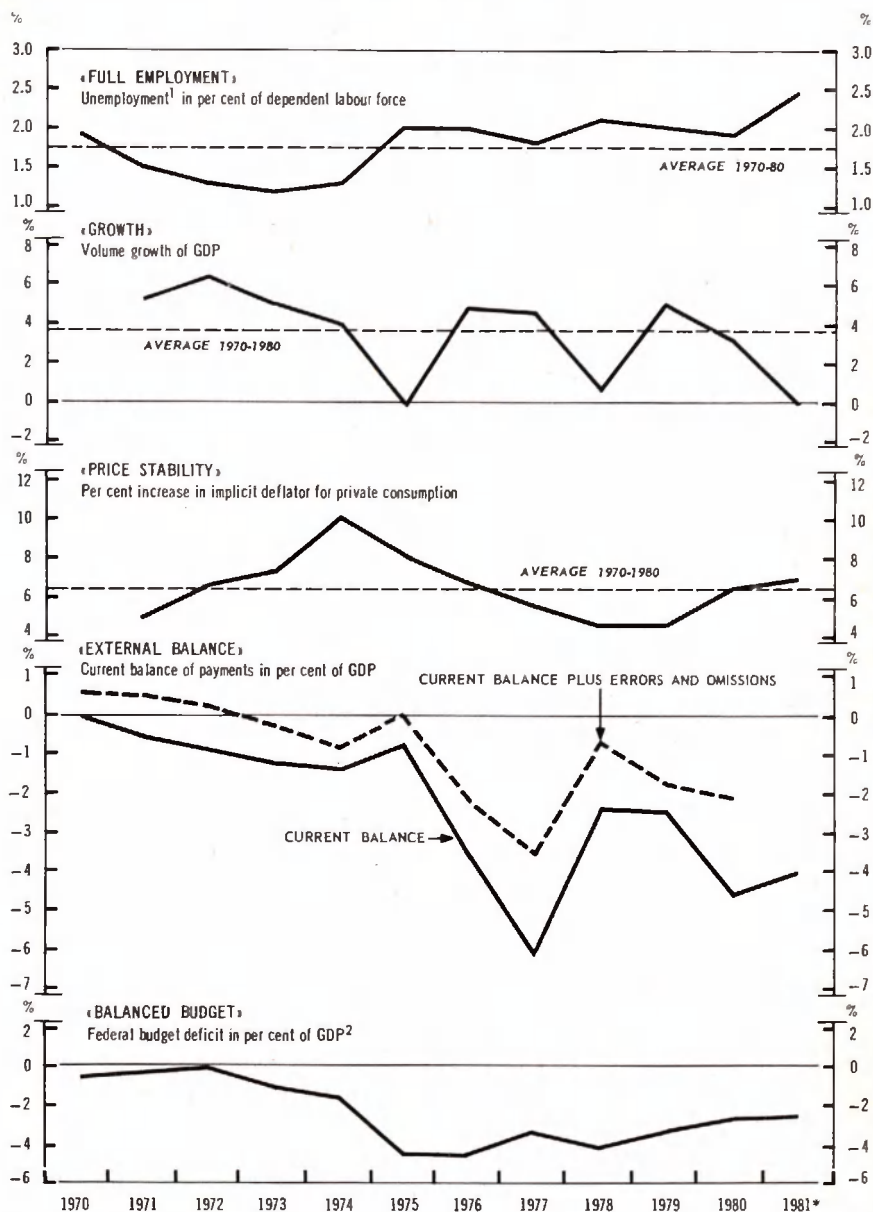
5. Compensation per employee divided by consumption deflator, period 1970-79.

6. 1970 to 1979.

Source: OECD Secretariat.



**Diagram 6. Economic performance indicators**



\* Preliminary estimates.

1. Adjusted for changes in statistics.
2. Excluding debt repayment; administrative basis.

Sources: Österreichisches Institut für Wirtschaftsforschung; Ministry of Finance; OECD.

efficacy of expansionary fiscal policy<sup>36</sup> have reduced the scope for maintaining employment supporting policies. As a result, unemployment has started to rise rapidly.

### III. ECONOMIC POLICY

#### *Fiscal policy*

Concern about the rising burden of servicing the public debt prompted the authorities in late 1978 to reduce gradually financial deficits in order to provide fiscal room for manoeuvre if the need arose. In fact, both the general government and the Budget deficits have declined since 1978, the consolidation course being maintained when the economy weakened following the second oil price shock. However, the 1981 Budget deficit was higher than planned and in 1982 the Budget together with the January employment-creating measures<sup>37</sup> are likely to result in the deficit rising above the 2.8 per cent of GDP originally planned. Both the Federal deficit and the general government borrowing requirement are comparatively low by international standards.

The Federal Budget for 1980 was based on GDP growth assumptions of 7 per cent in nominal and 3 per cent in real terms and the net Budget deficit (excluding debt repayment) was projected to decline a little to about 3 per cent of GDP. The planned reduction in the deficit mainly concerned the transfer components of expenditure and comprised reductions in contributions to the social security system, price subsidies for agricultural products and in outlays for saving promotion. Investment expenditure growth was also expected to slow down (implying a fall in volume). The actual outcome of the Budget was a smaller than expected deficit of Sch. 29.3 billion or 2.9 per cent of GDP which was markedly lower than in the year before (Table 7). The internal demand-effective deficit declined from 2.9 per cent of GDP in 1979 to 2.4 per cent in 1980. Most expenditure items overshot the budget projections, particularly investment, and price subsidies and transfers and expenditure for public employees were also raised more than originally planned. Nevertheless, total expenditure grew markedly less than total revenue (6¾ per cent compared with 9 per cent); higher non-tax revenue (from State enterprises and the National Bank, and in particular from new silver coins) more than compensated for additional expenditure while tax receipts, despite higher than expected GDP growth in nominal terms, fell short of projections<sup>38</sup>.

It was intended in 1981 to further reduce the Budget deficit to the medium-term goal of 2½ per cent of GDP. In contrast to 1980, the 1981 Budget concentrated on increasing revenues rather than reducing expenditure. The preferential value-added tax rate on energy was raised and special taxes were introduced on oil products and credit institutions with the effect of increasing the Federal share of taxes. Interest-rate subsidies for business were reduced<sup>39</sup> and the savings promotion scheme suspended (except for savings for building purposes). The Federal contribution to the social security

36. Reflecting substantial import penetration (see the January 1981 OECD Economic Survey of Austria) any fiscal boost to domestic demand is increasingly dissipated through the balance of payments.

37. For details see Annex: Calendar of Main Economic Events.

38. Total tax receipts, however, in line with the long-term trends, rose more than Federal tax receipts.

39. The interest rate subsidy scheme for large firms was discontinued as from January 1981, but a new scheme for "Top-investment" was introduced, and subsidy schemes for smaller businesses were continued.

Table 7. The Federal budget Administrative basis

	1979	1980		1981		1982	1980 outturn	1981 estimate	1982 proposal
	Outturn	Voted	Preliminary outturn	Voted	Estimated outturn	Proposal	1979 outturn	1980 outturn	1981 estimate
	Billion schilling						Percentage changes		
<b>Revenue</b>									
1. Taxes <sup>1</sup>	171.7	184.4	183.9	203.8	204.8	216.3	7.1	11.4	5.6
2. Incomes from Federal enterprises	46.5	49.1	49.7	56.8	55.2	59.0	6.9	11.1	6.9
3. Other <sup>2</sup>	17.6	16.2	22.2	20.3	27.0	31.7	26.1	21.6	17.4
4. Total <sup>3</sup> (1 to 3)	235.8	249.7	255.9	280.9	287.0	307.0	8.5	12.2	7.0
5. Total <sup>4</sup>	237.6	253.2	259.0	285.3	289.0	309.1	9.0	11.6	7.0
<b>Expenditure</b>									
6. Wages and salaries <sup>5</sup>	70.6	75.0	75.5	82.3	82.7	88.0	6.9	9.5	6.4
7. Gross investment	27.1	28.5	29.7	30.8	32.0	31.9 <sup>6</sup>	9.6	7.7	-0.3
8. Investment promotion	7.2	9.6	9.2	13.1	13.8	7.6 <sup>10</sup>	27.8	50.0	-45.0
9. Price subsidies and transfers	94.1	94.0	94.5	101.3	104.8	113.3	0.4	10.9	8.1
10. Purchases and payments abroad	6.9	8.0	7.4	8.8	8.6	11.5	7.2	16.2	33.7
11. Other	61.2	68.8	70.1	74.0	74.6	88.4	14.5	6.4	18.5
12. Total <sup>6</sup> (6 to 11)	267.2	283.9	286.4	310.3	316.5	340.7	7.2	10.5	7.6
13. Total <sup>7</sup>	270.1	283.9	288.3	310.3	318.5	340.7	6.7	10.5	7.0
<b>Contingency budget</b>	0	5.0	0	5.1	0	5.3			
Stabilisation quota	0	2.5	0	2.6	0	2.8			
Reflationary quota	0	2.5	0	2.5	0	2.5			
<b>Overall budget balance excluding debt repayment (5 minus 13)</b>	-32.5	-30.7	-29.3	-25.0	-29.5	-31.6	0.3	0.0	-0.2
(Per cent of GDP)	(-3.5)	(-3.1)	(-2.9)	(2.4)	(-2.8)	(-2.8)			
<b>Internal demand effective financial balance<sup>11</sup></b>	-26.4	-25.8	-23.8	-31.0	-24.5	-25.5	0.3	0.0	-0.1
(Per cent of GDP)	(-2.9)	(-2.6)	(-2.4)	(-2.0)	(-2.3)	(-2.3)			
<b>Memorandum item:</b>									
GDP at current prices (percentage changes)	9.5	7.0 <sup>8</sup>	7.9	6.5 <sup>8</sup>	5.0	7.5 <sup>8</sup>			

1. Including other similar levies.

2. Including interest receipts.

3. Excluding withdrawals from reserves.

4. Including withdrawals from reserves.

5. Including contribution to salaries of teachers employed by the States (Länder).

6. Excluding additions to reserves.

7. Including additions to reserves, excluding debt repayments.

8. Budget estimate.

9. Including payments to special companies for road construction.

10. Excluding payments to special companies for road construction.

11. Excluding inter alia purchases and payments abroad, withdrawals and additions to reserves, and debt repayment.

Sources: Ministry of Finance; Oesterreichisches Institut für Wirtschaftsforschung and Secretariat estimates.



system was again cut. Public investment outlays were planned to be raised by a nominal 5 per cent, implying a fall in real terms. Depreciation allowances for business, however, were improved, and the Budget incorporated a provision permitting additional expenditure for road construction. Also, expenditure on investment promotion was planned to rise strongly as a result of interest-rate subsidies for already-started projects and large capital transfers for a motor-vehicle plant near Vienna.

In the event, the Federal Budget deficit in 1981, while declining, was higher than planned and it is likely to be about Sch. 29½ billion (2¼ per cent of GDP). The internal demand-effective financial balance probably rose slightly in absolute figures (Table 7). The contingency budget was not activated. Because of increased outlays to maintain employment, for road construction and social security and support to the banking system to compensate for losses incurred by a number of sizeable bankruptcies, most expenditure items rose more than originally planned. Wage and salary payments increased by 9½ per cent, in part due to increased employment, while transfers and price subsidies, which had stagnated in 1980, are likely to have risen by 11 per cent. Investment promotion probably increased by one-half. In total, expenditure may have exceeded the voted Budget figure by Sch. 8 billion and probably grew by 10½ per cent, a rate double that of nominal GDP. Total revenue is estimated to have risen by 11½ per cent, tax receipts growing by about the same figure, despite lower GDP growth than expected. Non-tax revenues were again buoyant (incomes from Federal enterprises remained below expectations, but there were higher profit payments from the National Bank and extra revenues from royalties on mineral oil output).

When drawing up the Federal Budget for 1982, the authorities were faced with the difficult task of pursuing their medium-term consolidation policy while at the same time compensating for fiscal drag and supporting weak business activity. In compromising, they decided to aim at a constant deficit in per cent of GDP which implied an increase of Sch. 2 billion to Sch. 31.6 billion (Sch. 25.5 billion for the internal demand-effective deficit). The Budget allows for income tax cuts of Sch. 9 billion (¾ per cent of GDP) of which Sch. 6 billion becomes effective in 1982 and the rest in 1983. On the other hand, social security contributions are raised and depreciation allowances for business cut<sup>40</sup>. On the assumption of continuing buoyant non-tax revenues, total revenue growth is expected to slow down to 7 per cent. It is intended to limit the increase of expenditures to the same figure. As it will be difficult to draw on the reserves of social security institutions<sup>41</sup> to the same extent as in earlier years, government transfers to the social security system have had to be raised markedly. Expenditure cuts therefore fall heavily on investment; public investment was planned to be held constant in nominal terms, but as in 1981, the Budget contains provisions for additional road construction projects. Investment promotion outlays are projected to decline sharply (mainly due to the rundown of subsidies for the motor vehicle plant near Vienna).

Some of the assumptions underlying the Budget projections<sup>42</sup> seem now to have been too optimistic; unemployment is already higher than assumed and the negotiated wage increases of public servants were slightly above the Budget estimates. In addition, the nationalised industries, in particular the steel industry, are likely to need additional support; and with the deteriorating situation in the building industries, unemployment in this area was expected to rise strongly. Recognising this, the authorities in early

40. The anticipated depreciation for machinery and equipment is reduced from 50 to 40 per cent, that for motor vehicles from 25 to 20 per cent.

41. By reducing government contributions and shifting surpluses to other institutions.

42. The Budget estimates incorporate assumed increases in nominal and real GDP growth rates of 7½ and 2 per cent respectively and an unemployment rate of 2½.

Table 8. Fiscal impact indicators

	1975	1976	1977	1978	1979	1980	1981	1982
Growth of real GDP (per cent)	-0.4	4.6	4.4	0.5	4.9	3.1	-0.1 <sup>1</sup>	1.8 <sup>1</sup>
Growth of potential GDP (per cent)	0.6	3.6	2.9	3.1	2.6	2.8	2.3	1.4
Capacity utilisation (per cent)	96.1	97.0	98.4	95.9	98.0	98.3	96.0 <sup>1</sup>	96.4 <sup>1</sup>
Growth of nominal GDP (per cent)	6.2	10.4	9.9	5.8	9.5	7.9	5.1 <sup>1</sup>	7.3 <sup>1</sup>
General Government expenditure (percentage change)	16.7	12.4	9.7	12.4	7.6	7.3	7.6	6.7 <sup>1</sup>
General Government revenue (percentage change)	7.0	9.3	13.3	11.8	8.0	8.8	9.2	7.3
Public sector deficit (Sch. billion)	16.2	27.1	18.8	23.1	23.2	18.5	12.4	10.0 <sup>1</sup>
(Per cent of GDP)	2.5	3.7	2.4	2.7	2.5	1.9	1.2	0.9
Change in public sector deficit (Sch. billion)	24.0	10.9	-8.3	4.3	0.1	-4.7	-6.1	-2.4 <sup>1</sup>
(Per cent of GDP)	3.9	1.7	-1.1	0.5	0.0	-0.5	-0.6	-0.2
Fiscal impact of General Government (Sch. billion at 1976 prices)								
Primary effect	5.6	3.0	5.0	4.3	3.4	1.8	2.7	0.5
Secondary effect	15.6	8.7	-8.9	-2.1	-0.5	-5.4	-7.6	-4.1
Total effect	21.3	11.7	-4.0	2.2	2.9	-3.6	-4.9	-3.5
(Per cent of real GDP)	3.1	1.7	-0.6	0.3	0.4	-0.5	-0.6	-0.4

1. OECD estimates. Excluding impact of January employment package.

Sources: Oesterreichisches Institut für Wirtschaftsforschung; OECD Secretariat.

January 1982 announced measures to boost the construction demand by about Sch. 2 billion. Other measures announced included additional investment incentives for industry generally.

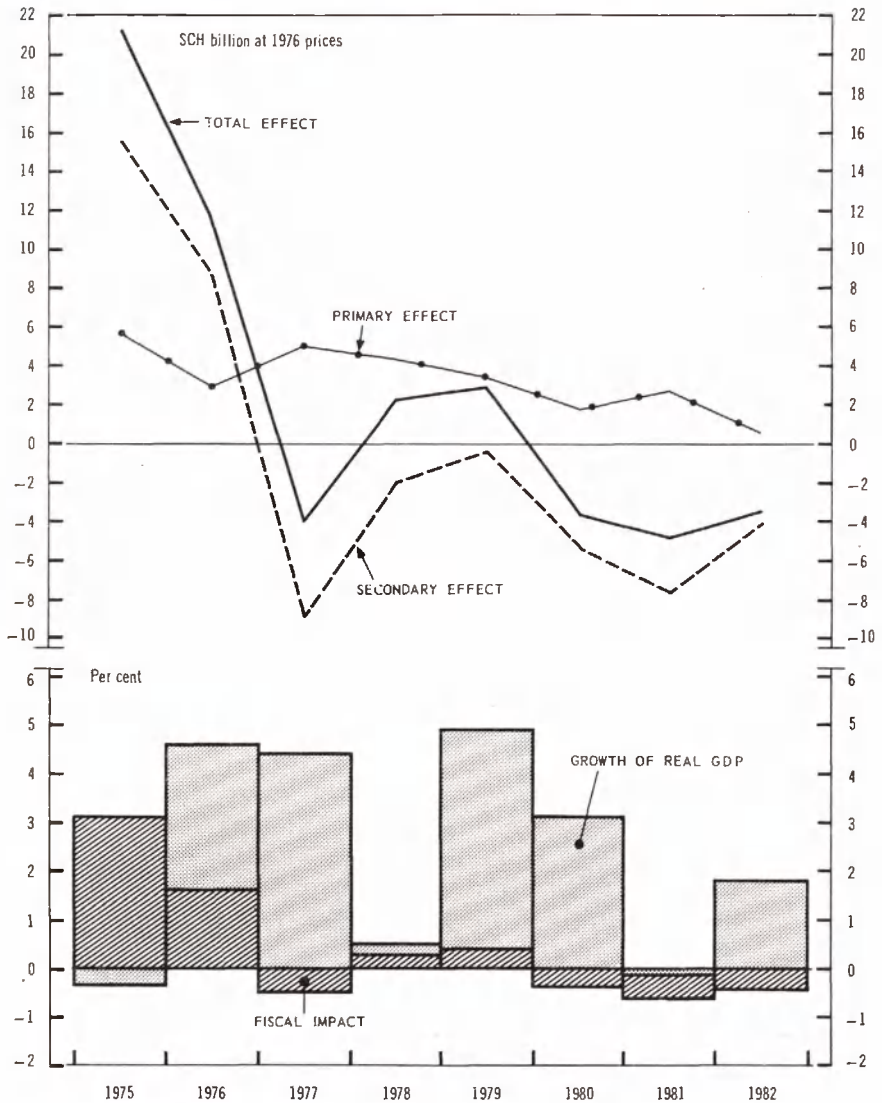
Demand management depends mainly upon the Federal Budget since expenditure of other sectors of general government develops autonomously and in the case of the local authorities often pro-cyclically as it is largely determined by revenue. But the Federal Government's influence on fiscal policy is limited, as it accounts for less than one-half<sup>43</sup> of consolidated expenditure of the public sector, and only one-quarter of public investment and one-third of public consumption. With the non-Federal public sector's financial balance regularly in surplus<sup>44</sup>, the general government deficit is lower than that of central government. In SNA definition, it declined from Sch. 14 billion (1½ per cent of GDP) in 1979 to Sch. 5½ (½ per cent of GDP) in 1981, and is expected to increase a little in 1982 (to Sch. 6 billion or ½ per cent of GDP). The rising surplus of the non-Federal public sector in 1981 and 1982 reflects a quick adjustment of expenditure growth to a slowdown in the rise in revenues, the 1981 tax increases mainly benefiting the Federal Government. The fiscal impact<sup>45</sup> of

43. Federal Government accounts for 45 per cent of public expenditure, local authorities for 30 per cent, the Social security system for 20 per cent, the rest reflecting expenditure by various public entities (funds, chambers).

44. In standardised national accounts definitions. This surplus reflects, inter alia, the fact that the sizeable housing loans extended by the States (Länder) are recorded below the line of 'net lending' as financial transactions, in accordance with SNA rules.

45. For details of this concept see the footnote on page 33 of the OECD Economic Survey of Austria, January 1980.

Diagram 7. Fiscal impact of general government



Source: OECD Secretariat.

general government on growth of real GDP is estimated to be a negative  $\frac{1}{2}$  per cent in each of the three years to 1982, if expenditure plans are realised. In 1980 and 1981 the modest expansionary effect of public expenditure<sup>46</sup> (primary effect) was more than offset by the restrictive effect of fiscal drag (included in the secondary effects). In 1982, given expenditure plans excluding the January measures, the tax cuts are too small to entail a positive fiscal impact on GDP growth (Diagram 7).

46. Public consumption in volume has continued to rise, but public investment in volume has been declining since 1977.



The debt position of the Federal Government is not large by international standards but as noted earlier the rise in the level of debt and in debt service payments have become a matter of concern for the authorities. In 1974, at the time of the first oil-shock, the Federal debt at 10 per cent of GDP was much the same ratio as in the mid-1960s, but it rose sharply in 1975 and since increased gradually to an estimated 29 per cent in 1982. The debt service payments have also risen strongly from about Sch. 10 billion in 1974 to an estimated Sch. 55 billion in 1982. In percent of total revenue this represents an increase from 7½ per cent to 17½ per cent. The share of foreign debt has fluctuated around 30 per cent since the mid-1970s, rising since 1979, despite contrary recommendations of the Public Debt Committee<sup>47</sup>. The share of long-term debt has strongly increased, with repayments of foreign debt scheduled to markedly expand from 1984 on.

Table 9. **Financial debt of the Federal Government**

	Total	Of which:		Federal debt as a share of:		Debt servicing	
		Domestic	Foreign	GDP	Federal expenditure	Interest	Repayments
		Billion schilling		Per cent		Billion schilling	
1966	29.3	25.6	3.7	10.9	42.0	1.4	2.6
1970	47.1	33.6	13.5	12.7	48.8	2.7	5.0
1971	46.8	34.7	12.1	11.4	43.9	2.9	6.1
1972	49.9	39.6	10.3	10.6	39.0	3.0	6.2
1973	56.3	47.2	9.0	10.4	39.9	3.2	5.7
1974	61.4	47.9	13.5	9.9	36.7	3.6	6.9
1975	100.4	68.3	32.1	15.3	51.0	4.7	7.5
1976	133.8	98.8	35.0	18.5	60.3	7.9	10.7
1977	164.6	117.2	47.4	20.7	69.5	9.9	12.0
1978	199.2	139.1	60.0	23.6	75.0	12.9	15.8
1979	230.9	167.2	63.7	25.0	80.1	15.0	18.0
1980	261.2	188.5	72.6	26.2	85.2	17.0	18.2
1981 <sup>1</sup>	291.0	201.4	89.6	27.8	86.8	20.4	24.8
1982 <sup>1</sup>	322.6	218.6	104.0	29.0 <sup>2</sup>	90.3	26.9	27.7

1. Preliminary estimate.

2. OECD estimate.

Source: Ministry of Finance.

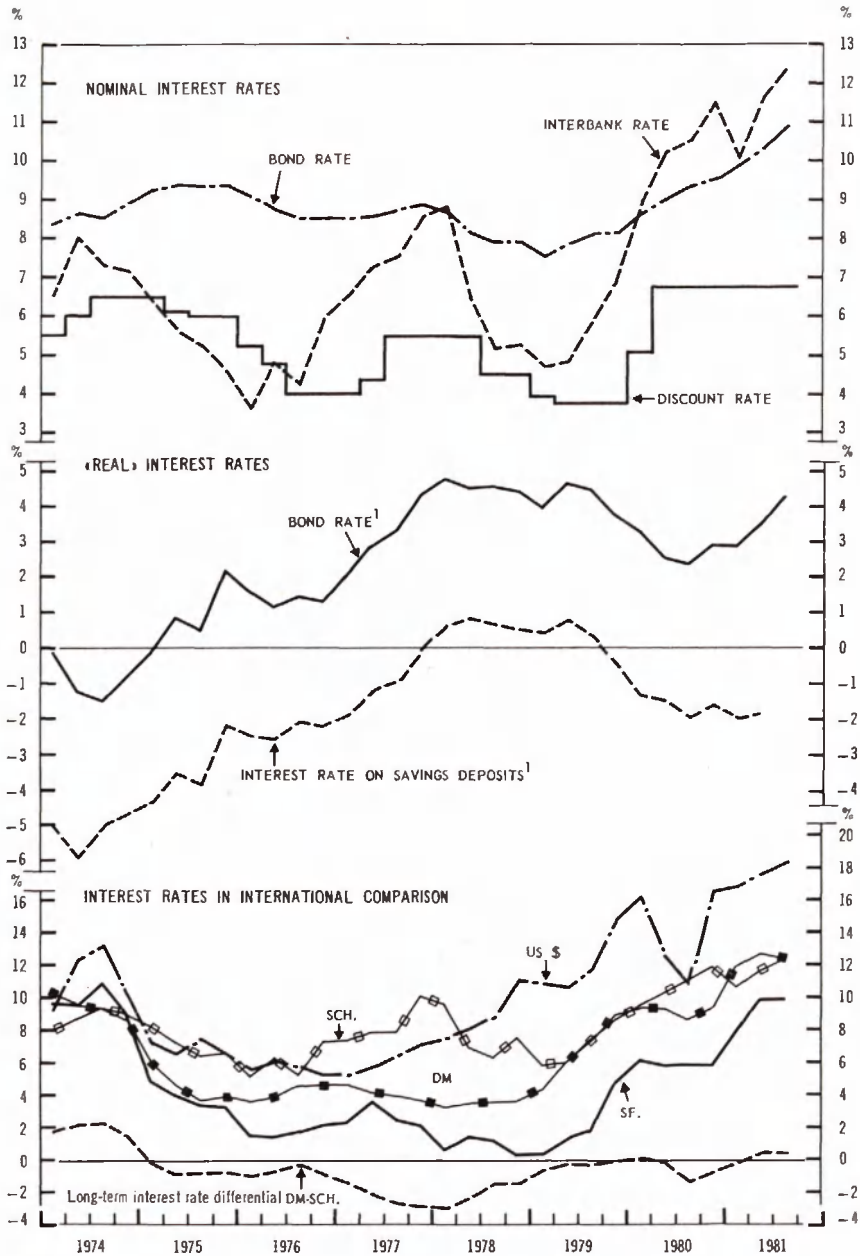
### *Monetary policy, money and credit*

Since the early 1970s, a principal objective of monetary policy has been the attainment of price stability via the exchange rate or — as it is known — the “hard-currency policy”. The implementation of the policy has changed over time, however, mainly in response to international developments. In autumn 1979, the authorities indicated the objective of trying to keep the real effective exchange rate constant over the medium term, and this was broadly achieved for about a year. But, with the sizeable depreciation of the Deutschemmark against the US dollar in the second half of 1980, an unchanged real effective exchange rate implied a nominal revaluation of the schilling against the Deutschemmark, a development considered undesirable in terms of

47. A less favourable domestic liquidity situation than expected, but mainly interest rate developments seem to have contributed to this development.



Diagram 8. Interest rates



1. Nominal rate minus change in consumer price index (quarterly, year-on-year).

Source: OECD Secretariat.

price and cost competitiveness relative to the largest trading partner. Accordingly, with the appreciation of the US dollar, the authorities focused more attention on keeping the schilling/Deutschemark exchange rate broadly constant. As a result, there was an effective depreciation in real and nominal terms until the realignment within the European Monetary System in early October 1981 when the schilling followed the appreciation of the Deutschemark.

The central role of the hard-currency option in the setting of monetary policy means that monetary conditions are largely determined by developments abroad, notably in Germany, rather than by domestic considerations. With interest rates being intermediate targets to support the exchange rate goal, the money supply has to change in line with interest-rate needs<sup>48</sup>. In periods of relatively small movements in international exchange markets and low interest rates, the potential conflict between external and internal considerations may not be very marked. But this has not been the case in recent years of large exchange rate fluctuations and high international interest rates and has necessitated modifications of some domestic objectives. In particular, the application of a monetary policy designed to keep nominal interest rates at a relatively low level became unsustainable when in 1979 a negative interest rate differential against rates abroad induced escalating outflows of capital and a loss of about one-third of official foreign reserves. Thus from the beginning of 1980, interest rates in Austrian money markets were raised (Diagram 8) to keep them competitive with German rates and to prevent further capital outflows at a constant exchange rate.

Austrian discount and Lombard rates were raised in January and March 1980, security transactions subject to repurchase agreements adjusted to conditions abroad were introduced in January 1980 and credit ceilings ("Limes") were tightened in April. The cancellation of the agreement concerning interest rates on deposits in June 1980<sup>49</sup> and their subsequent rise ensuing from competition in the banking system contributed to the general rise of the interest rate levels. Eventually, the negative differential vis-à-vis German interest rates vanished and net capital outflows came to a halt by mid-1980. In the second half of 1980, the Nationalbank subsequently reduced refinancing quotas of the banks in order to compensate for heavy capital inflows. Ceilings on credits ("Limes") to private households were frozen at their September 1980 level and the expansion rate of other credits was limited to ½ per cent per month. In addition, the Nationalbank and the commercial banks had agreed in September that the banks would dispense with capital imports aimed at improving their liquidity position until the end of 1980.

In the event, the largely externally-induced tightening of monetary policy seems for some time to have gone too far; the positive interest differential over German money markets in the second half of 1980 was greater than desirable, temporarily reaching 2 to 3 percentage points; and considerable capital inflows were induced exceeding the requirements for the financing of the current external deficit. Foreign official reserves rose by Sch. 26.1 billion in 1980 (adjusted for the revaluation of gold) to Sch. 111.1 billion at the end of the year. Thus, in order to partly correct the "overshooting" of the interest rate target, the Nationalbank accepted the easing of the banks' liquidity at the beginning of 1981 ensuing from their increase in foreign assets (Table 12) and the subsequent – albeit only temporary – decline in money market rates. Moreover, in January 1981, the penal rate of non-fulfillment of the obligatory minimum reserve regulations was reduced from 5 to 3½ percentage points over the bank rate; and in February, direct credit control through credit ceilings – for many

48. A brief review of Austrian monetary targets is in the 1980 Annual Report of the Oesterreichische Nationalbank, pp. 10-11.

49. In March 1979, the major commercial banks agreed to co-ordinate interest rates.

years considered a mainstay of monetary policy - was cancelled with the exception of the very restrictive growth limit for consumer credits<sup>50</sup>.

When the German Bundesbank tightened monetary policy in February 1981 — leading to a rapid rise in interest rates in Germany — the priority of the Austrian exchange rate target meant that monetary conditions in Austria could not be further relaxed. Indeed, interest rates had to be raised further to levels that were high by past standards. In the first half of 1981, the interest differential in money and capital markets reversed in favour of Germany, the expansion of Austrian official foreign reserves came to a halt and a net capital outflow was recorded. To improve the liquidity of the banking system and to enable them to meet their minimum reserve obligations, the Nationalbank intervened in May 1981 in the money market through foreign exchange swap operations. This instrument — initially supposed to be of a temporary nature — was used for the fine-tuning of the money market until the end of September 1981 when it was replaced by a widening of the discount and Lombard ceilings from 50 to 70 per cent. Restrictions on certain types of capital imports dating back to 1972 had already been eased in August. Additionally, the Nationalbank decided in September to provide for extra liquidity of Sch. 1.15 billion for export financing purposes through special discount facilities (Sch. 1.0 billion) and open market operations (Sch. 0.15 billion).

The tightness of monetary policy in 1980 and 1981 was mirrored in both short and long-term interest rates. Real interest rates, defined as the yield on bonds deflated by the consumer price index, rose from 2 per cent in mid-1980 to about 4½ per cent in late summer 1981. The call money rate went up nearly continuously from a trough of 4½ per cent in summer 1979 to a historical record of 12½ per cent in mid-1981, and remained above 12 per cent until October 1981. The three-month money rate followed suit. Interest rates in the capital market also rose but at a slower pace so that, in early 1980, the day-to-day money rate exceeded the bond rate and remained above it until recently (inverse yield curve). Temporarily, the difference between the short and the long end was up to 2 percentage points. During the 1970s the usually positively sloped curve of interest rates as a function of credit maturity has occasionally displayed an inverse shape (in the first quarter of 1973, the fourth quarter of 1977 and the first quarter of 1978), but this has never persisted for such a long time. It seems that market participants do not expect the level of actual interest rates to last very long; thus demand for long-term financial assets at present rates is comparatively high. The negatively sloped yield curve indicates the market participants' confidence that the acceleration of inflation in 1980 and 1981 will not continue and that the monetary authorities will succeed in containing increases in the price level.

In spite of the marked rise in the cost of credit, direct lending of the banking system to domestic non-banks increased in 1980 at an average annual rate of about 16 per cent. Within this total, domestic lending denominated in foreign currencies was particularly buoyant due to an interest differential and grew by more than 30 per cent compared with 3.5 per cent in 1979. But the share of these credits still remained below 3½ per cent of total bank lending. After slowing down in the fourth quarter of 1980, credit demand reaccelerated in the first half of 1981 but has since weakened. The overall picture, however, conceals the recent sharp response of credit demand in various sectors of the economy to the combination of high interest rates and weak prospects for demand and profits. While industry and mining (about 30 per cent of

50. As the import content of private consumption is considerable, no net addition to consumer credit is permitted for current external account reasons. According to the Nationalbank the application of the "Limes" for many years has brought about distortions in the competition in the banking system. Besides, the ceilings have been circumvented occasionally.



Table 10. **Determinants of changes in total money (M1)<sup>1</sup>**  
Changes in billion schilling

	1979			1980			1981
	Total	I	II	Total	I	II	I
<b>A. Main factors influencing total money supply:</b>							
1. Bank credit to domestic non-banks	114.6	57.1	57.5	104.2	50.7	53.5	44.9
2. Domestic formation of monetary capital	120.8	62.8	58.1	86.9	25.1	61.7	34.7
<i>of which:</i>							
Savings deposits	38.6	3.4	35.2	72.1	12.8	59.3	19.6
Time deposits	27.3	35.5	-8.2	-15.0	-20.3	5.3	16.2
Bank bonds <sup>2</sup>	40.3	18.6	21.8	13.7	7.0	6.7	-0.2
3. Excess of total bank lending over monetary capital formation (1 minus 2)	-6.2	-5.7	-0.6	17.4	25.6	-8.2	10.2
4. Credit institutions net foreign position	-15.5	-5.5	-10.0	-11.0	-12.4	1.3	-2.4
<i>of which:</i>							
Central bank	-16.7	-17.1	0.3	22.1	-3.8	25.9	-6.5
5. Other factors	10.0	0.7	9.3	10.0	-3.6	13.5	-10.6
<b>B. Changes in total money (M1) (3+4+5)</b>	-11.7	-10.4	-1.2	16.3	9.7	6.7	-2.8

1. M1 in the definition of the Nationalbank which includes deposits with the Nationalbank.

2. Excluding banks own holdings.

Sources: Oesterreichische Nationalbank, *Jahresbericht* and *Mitteilungen*.

total direct lending) kept borrowing in pace with total credit expansion, bank lending to small trade, agriculture and forestry, commerce, transport and tourism (also about one-third of direct credit volume) decelerated markedly in the second quarter of 1981 with year-on-year growth rates ranging from 2¼ to 7¾ per cent. This development continued until early autumn 1981. Recent data also show signs of weakness in industry's borrowing. Bank credit for consumption purposes has slowed down continuously in recent years and after stagnating in early 1981, actually declined in July and August.

In response to weak sales of bonds as well as a desire not to unduly increase bond rates, the authorities have shifted the emphasis of financing the budget deficit from capital markets to direct credits from the banking sector. While the increase of central government's direct credits from banks decelerated from the beginning of 1980 (about 45 per cent, year-on-year) to below 9 per cent in the first quarter of 1981, it then accelerated to a year-on-year rate of nearly 40 per cent in the five months ending in August 1981. The contrasting developments between private sector and government sector demand suggests that high real and nominal interest rates have inhibited entrepreneurs and households from investing in tangible assets and encouraged portfolio investment whereas they have had little effect on the public sector whose operations are interest inelastic.

The recent weakening of the credit expansion is reflected in the development of monetary aggregates (Tables 11 and 12). Money in a narrow sense (M1)<sup>51</sup>, after rising

51. The definitions of M1, M2 and M3 refer to the Wifo definitions which exclude deposits with the Nationalbank.



Table 11. Monetary developments

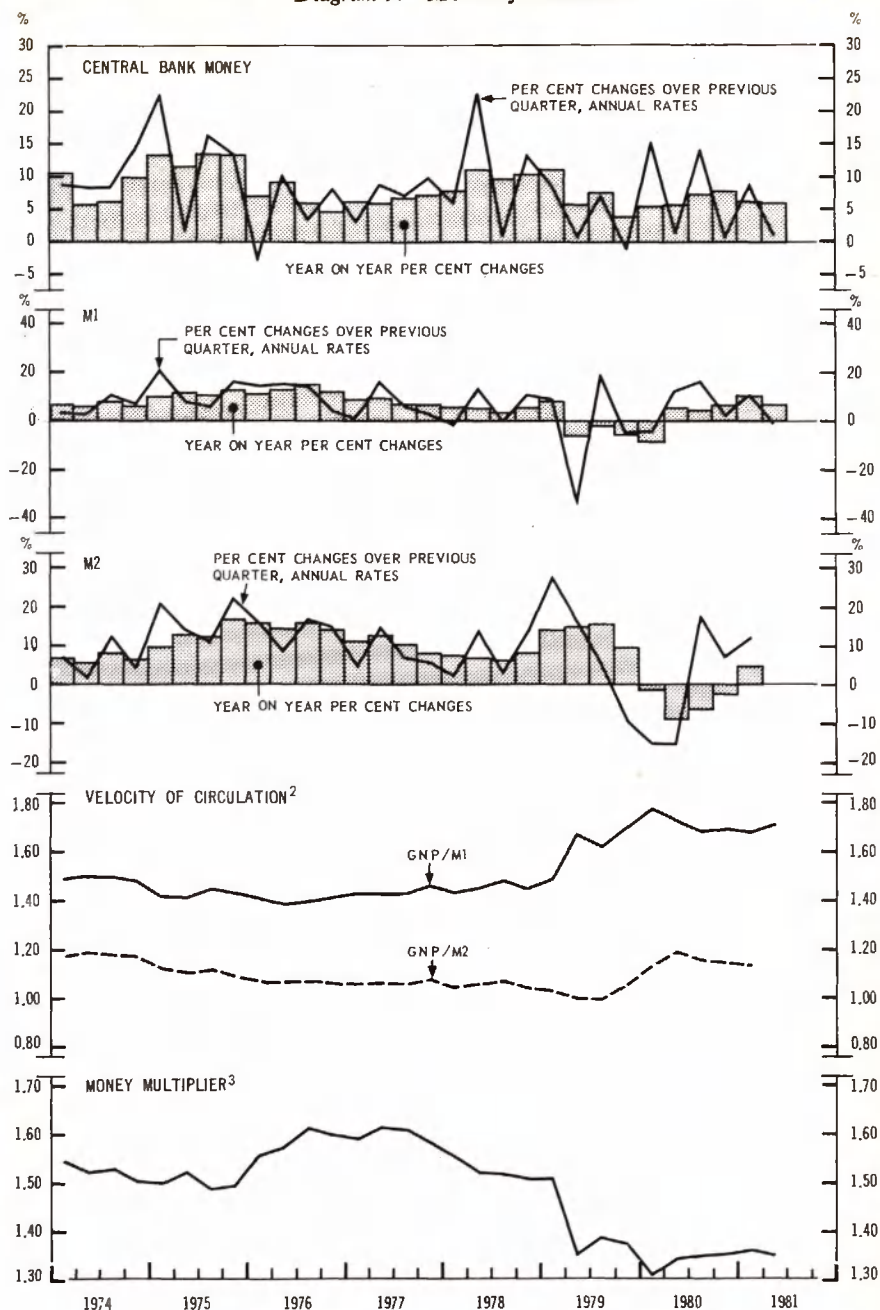
	1978	1979	1980	Q1	Q2	1980 Q3	Q4	Q1	1981 Q2	Q3
<b>A. Source and use of the monetary base</b> (billion schilling)										
<i>Sources</i>										
Net foreign assets of the Austrian Nationalbank	74.33	71.52	73.36	63.58	65.78	76.58	87.51	86.04	85.75	
Net domestic assets	17.70	26.99	31.79	36.11	37.05	32.13	21.85	19.71	22.75	
of which:										
Discount and advances to banks	16.23	23.69	27.23	29.84	30.81	28.22	20.05	17.69	19.95	
Open market paper	4.31	7.92	11.80	12.16	12.44	11.69	10.91	10.91	10.82	
Net claims on government and other assets	-2.84	-4.62	-7.24	-5.89	-6.19	-7.78	-9.11	-8.89	-8.02	
<i>Use</i>										
Currency in circulation	66.44	71.53	76.59	72.34	76.60	78.99	78.42	75.60	79.72	
Commercial banks deposits										
with the Nationalbank	25.59	26.97	28.56	27.36	26.23	29.72	30.94	30.15	28.77	30.22
Monetary base	92.03	98.51	105.15	99.69	102.83	108.71	109.36	105.75	108.50	
Adjustment for changes in minimum reserve requirements	-3.51	-3.59	-3.61	-3.64	-3.55	-3.57	-3.68	-3.96	-4.15	
Adjusted monetary base	95.54	102.10	108.76	103.33	106.38	112.28	113.03	109.71	112.65	
Adjusted monetary base, s.a.a.r.	9.8	6.9	6.5	15.3	1.7	13.9	9.1	8.6	1.0	
<i>Memorandum item:</i>										
Growth of nominal GDP	5.8	9.5	7.9	14.1	1.0	4.7	4.5	7.3	5.7	
Velocity of circulation	-3.6	2.4	1.3	-1.0	-0.7	-8.1	-4.2	-1.2	4.7	
<b>B. Growth of main monetary aggregates<sup>1</sup></b>										
In per cent, seasonally adjusted annual rates										
M1	4.6	-1.5	1.6	-4.8	12.4	15.9	2.0	11.0	-2.2	
of which:										
Currency in circulation <sup>2</sup>	6.2	7.8	7.2	13.8	0.4	7.0	2.1	9.9	-3.4	
Sight deposits	3.6	-8.0	-3.0	-19.3	25.0	24.6	1.9	12.1	-1.2	
M2	6.9	12.1	-0.0	-3.4	0.0	-1.2	4.6	9.0	-9.2	
of which:										
Time deposits	12.5	44.0	-2.6	-9.1	-17.6	-19.8	10.1	0.5	-21.3	
M3	11.7	10.3	5.7	2.0	7.4	8.8	12.2	14.3	4.9	
of which:										
Savings deposits	13.8	12.1	11.8	10.3	12.4	16.4	17.8	18.5	13.5	

1. M1, M2 and M3 as defined by the Oesterreichisches Institut für Wirtschaftsforschung which exclude deposits with the Nationalbank. Because of this and seasonal adjustment, M1 figures are not comparable with those in Table 10.

2. Excluding gold and silver coins.

Sources: Oesterreichisches Institut für Wirtschaftsforschung; OECD Secretariat.

**Diagram 9. Monetary indicators<sup>1</sup>**



1. Monetary aggregates in the definition of the Österreichisches Institut für Wirtschaftsforschung.

2. Quarterly GNP over M1 and M2, respectively.

3. M1 over adjusted monetary base.

Sources: Österreichisches Institut für Wirtschaftsforschung; OECD Secretariat.

Table 12. **Bank liquidity**  
Billion schilling

	Changes during period							Levels (end of period)			
	1979			1980			1981	1979	1980	1980	1981
	Total	I	II	Total	I	II	I	Year	I	I	I
1. Notes and coins	1.00	0.35	0.65	0.52	0.29	0.22	-6.75	7.61	8.13	7.90	8.33
2. Excess reserves	1.37	-0.09	1.46	0.07	0.00	0.07	-0.08	0.05	0.12	0.05	0.04
3. Unused unconditional refinancing facilities with Central Bank	-1.75	1.51	-3.26	5.78	5.39	0.40	1.59	3.67	9.46	9.06	11.04
4. Short-term foreign assets <sup>1</sup>	35.70	33.70	2.00	20.84	2.86	17.98	37.63	125.54	146.37	128.40	184.01
5. Gross free reserves (1 to 4)	36.32	35.47	0.85	27.21	8.54	18.67	32.39	136.87	164.08	145.41	203.42
6. Liabilities with Central Bank	15.10	5.81	9.29	-12.97	-1.30	-11.67	1.07	32.44	19.47	31.14	20.54
7. Sight deposits of foreign banks	6.10	-0.37	6.46	-1.11	-2.34	1.23	-0.50	20.22	19.11	17.88	18.61
8. Money market liabilities (6 to 7)	21.20	5.44	15.75	-14.08	-3.64	-10.44	0.57	52.66	38.58	49.02	39.15
9. Net "free reserves" (5 minus 8)	15.12	30.03	-14.90	41.29	12.18	29.11	31.82	84.21	125.50	96.39	164.27
10. Total deposits	50.43	22.02	28.41	66.99	-2.4	69.39	30.72	629.96	696.95	627.56	727.67
11. Liquidity ratio (9/10) (per cent)	..	..	..	..	..	..	..	13.4	18.0	15.4	22.6

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

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

Sources: Oesterreichische Nationalbank, *Jahresbericht* and *Mitteilungen*.

strongly in the first quarter of 1981 then declined in the second. M2 has followed a similar course. The growth of money in the broadest sense (M3), however, has been steadier largely because of the expansion of savings deposits following the increase in interest rates associated with the abolition of the agreement on deposit interest rates. The relatively tight monetary conditions are also seen in the growth of Central Bank money stock (CBM)<sup>52</sup> which over the average of the two and a half years to mid-1981 has been below that of nominal GNP<sup>53</sup>. For much of this period, however, potential liquidity in the economy has generally increased.

Mainly because of the strong rise in time deposits of Austrian banks with foreign financial institutions but also ensuing from the increase in unused facilities for unconditional Central Bank assistance, commercial banks' gross reserves increased considerably in 1980 and in the first half of 1981. With sight deposits of foreign banks with domestic banks tending to fall, the net free liquid reserves position improved even more markedly; the liquidity ratio (free liquid reserves divided by total deposits) reached 22½ per cent in mid-1981, the highest figure ever recorded. This somewhat overstates the liquidity of the banking sector, however, since it does not take account of the development of time deposits of foreign banks with Austrian credit institutions which were particularly buoyant in the first half of 1981, rising by much the same amount as foreign assets. Overall, the banks' liquidity position seems to have eased somewhat and recent decreases in short-term interest rates point in the same direction.

#### IV. SHORT-TERM PROSPECTS AND POLICY CONSIDERATIONS

##### *Short-term prospects*

The outlook for the OECD area<sup>54</sup> is for gradual acceleration in real GDP growth from stagnation in the second half of 1981 to 3 per cent (s.a.a.r.) in the first half of 1983. The outlook for Europe is somewhat weaker. World trade expansion, too, is expected to increase, despite a slowdown in the growth of OPEC imports. Both imports and exports of OECD countries are forecast to rise by more than 6 per cent (s.a.a.r.) by the first half of 1983. Austria's export markets (volume) are expected to grow by 4¼ per cent on the average of 1982 (3 per cent in 1981) and about 7 per cent (s.a.a.r.) in the first half of 1983. Import demand of Eastern-bloc economies is likely to be weak, but imports of Austria's most important Western European trading partners (particularly Germany) should be buoyant by the end of the forecast period. On the usual assumption of unchanged exchange rates, with price competitiveness improved, Austrian exporters should be able to attain sizeable gains in export market shares. With tourism demand likely to slow down markedly, exports of goods and services (volume) are forecast to rise by 6¼ per cent on the average of 1982 and by 7½ per cent (s.a.a.r.) in the first half of 1983.

52. This refers to the adjusted monetary base as defined by Wifo and is the sum of currency in circulation and required reserves on domestic deposits at constant reserve ratios (effective in December 1960). The adjusted monetary base excludes the Central Government's deposits with the Nationalbank which are included in the Nationalbank's definition of Central Bank money stock. The Wifo definition conforms to internationally-accepted usage.

53. However, reflecting an acceleration in CBM growth in the second half of 1981, money supply rose by about the same rate as nominal GDP in the year as a whole.

54. As presented in the *OECD Economic Outlook* of December 1981.



Table 13. Short-term prospects

	1980		Percentage changes in volume terms (1976 prices)			
	Current prices Bill. Sch.	% of GDP	1980	1981	1982 <sup>a</sup>	1983 I 1982 I
Private consumption	548.7	55.1	1.5	0.2	1.1	2.8
Government consumption	177.5	17.8	1.6	2.0	1.9	2.0
Gross fixed capital formation	252.3	25.3	2.2	-1.1	-1.3	3.1
<i>of which:</i>						
Construction	146.8	14.7	-0.8	-1.4	-2.3	2.3
Machinery and equipment	105.5	10.6	6.1	-0.7	-0.1	4.1
FINAL DOMESTIC DEMAND	978.5	98.2	1.7	0.2	0.7	2.7
Stockbuilding <sup>1, 2</sup>	34.4	3.5	(1.1)	(-3.6)	(0.5)	(0.4)
TOTAL DOMESTIC DEMAND	1 012.9	101.7	2.7	-3.4	1.1	3.1
Exports of goods and services	388.5	39.0	7.2	7.4	6.2	7.6
Imports of goods and services	405.5	40.7	6.2	-0.9	4.8	7.3
Foreign balance <sup>3</sup>	-16.9	-1.7	(0.4)	(3.3)	(0.7)	(0.4)
GDP at constant prices	..	..	3.1	-0.1	1.8	3.4
GDP price deflator	..	..	4.6	5.2	5.3	4.2
GDP at current prices	995.9	100.0	7.9	5.1	7.3	7.7
<i>Memorandum items:</i>						
Consumer prices <sup>3</sup>	..	..	6.2	6.7	6.0	4.8
Industrial production	..	..	2.7	-0.8	2.8	4.5
Employment (total)	..	..	0.6	0.0	-0.5	0.4
Unemployment (per cent) <sup>4</sup>	..	..	1.7	2.4	2.9	3.0

1. Rates of change as a percentage of GDP in the previous period.

2. Including statistical difference.

3. Implicit consumption deflator.

4. In per cent of total labour force, adjusted by the Secretariat.

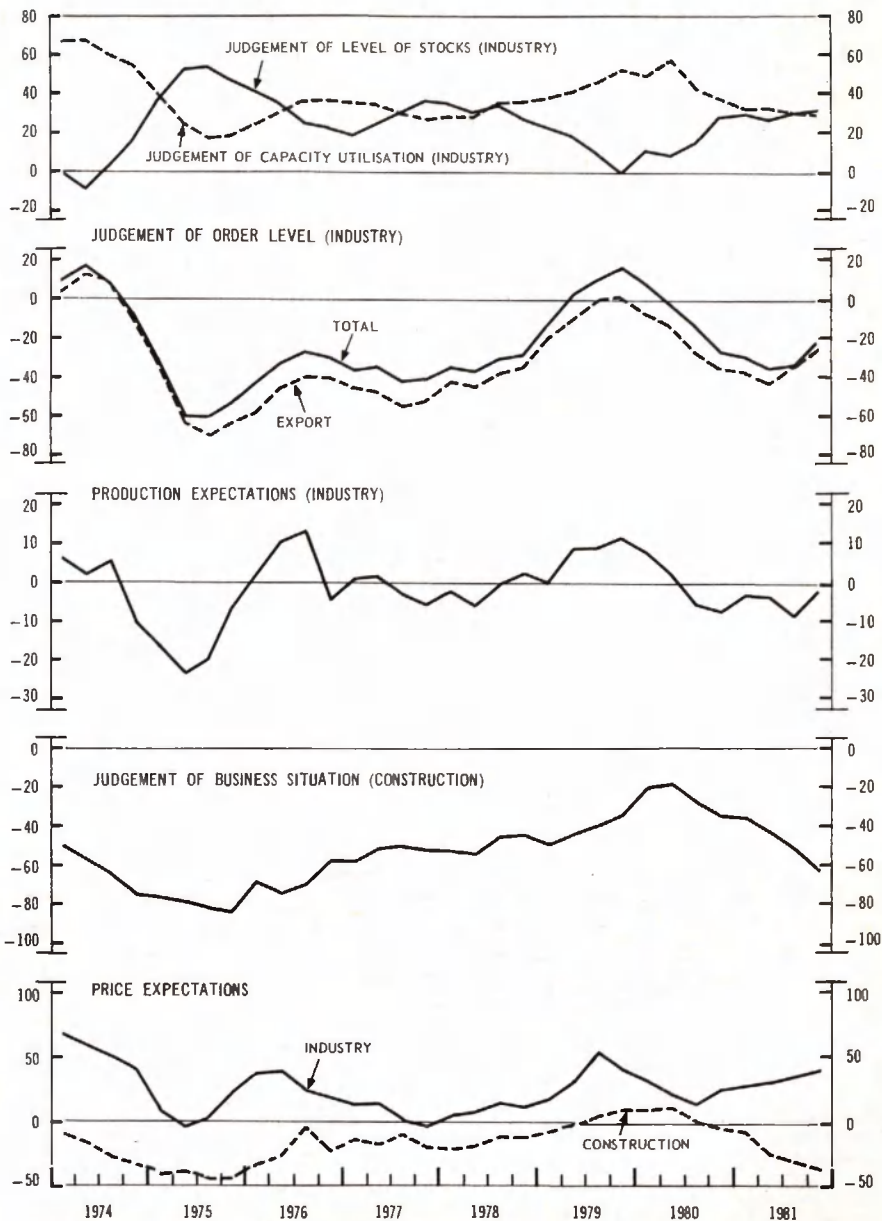
5. The forecasts do not allow for the effect of the employment package announced in January 1982.

Source: OECD Secretariat.

Before the January 1982 measures, the stance of fiscal policy was planned to remain slightly restrictive (for details see Part III above). As a result of the measures, the estimated negative fiscal impact of general government of ½ per cent on GDP growth is now likely to be less. Government consumption in real terms is assumed to continue to expand at a rate of 2 per cent. On present plans, public investment (volume) should remain weak. Income tax cuts in 1982 and 1983 will support disposable income of households, but the positive effect will be partly offset by higher social security contributions. The forecast in Table 13 makes no allowance for the contingency Budget which corresponds to ½ per cent of GDP in 1982 or the January 1982 measures. The monetary authorities are faced with the continuing need to support the hard-currency policy by keeping interest rates in line with German rates. This implies a restrictive stance of monetary policy in the near future although it is assumed that the authorities will allow interest rates to follow the downward trend of German rates. Though the effective level of Austrian interest rates is reduced by various subsidy schemes, present rates are likely to adversely affect investment and stockbuilding. While there are no official targets for money supply growth, present policies entail only a modest increase in the monetary base.

In late 1981, there were few indications of a revival of domestic demand. Survey results point to a deterioration in the judgement of the economic situation since the

**Diagram 10. Leading indicators**  
Seasonally adjusted quarterly data



Source: Österreichisches Institut für Wirtschaftsforschung.

summer; only medium-term expectations have improved. The more optimistic business climate in manufacturing industries seems mainly to reflect buoyant export demand. The business climate in the construction industry has sharply deteriorated and consumer confidence has remained depressed. However, the forecast pick-up of domestic demand in the first half of 1982 is assumed to be induced by private consumer demand. With inflation expected to slow down, real incomes, after the fall in the second half of 1981, should begin to rise again. Helped by the income tax cuts and improved income of entrepreneurs, disposable income of households in 1982 is forecast to increase by  $7\frac{1}{2}$  per cent and  $1\frac{1}{2}$  per cent in nominal and real terms, respectively. However, with the labour market situation deteriorating, the saving ratio is likely to rise. Real private consumption is thus forecast to increase by only 1 per cent on the average of 1982, but its expansion should accelerate to a s.a.a.r. of  $2\frac{3}{4}$  per cent in the first half of 1983. Gross fixed capital formation, on the other hand, is expected to decline up to mid-1982. Machinery and equipment investment is forecast to stagnate (volume) on the average of 1982 reflecting the past fall in profits and capacity utilisation rates. But in the course of 1982 improving profitability and capacity utilisation, mainly in export industries, should restore business confidence and entail a marked pick-up of equipment investment (to a forecast s.a.a.r. of 5 per cent in the first half of 1983). The outlook for construction investment is less favourable. It has been weak for years due to declining public investment and high financing costs. In late 1981, as evidenced by survey results and order statistics, the situation has sharply deteriorated. On present assumptions about public expenditure and interest rate developments, construction investment (volume) is forecast to remain weak in 1982 and to recover moderately in 1983. The expected stock-adjustment started in 1981, resulting in a sizeable negative contribution of stockbuilding to GDP. As stock levels are still widely considered to be too high and the stock/output ratio has hardly decreased, only minor support from stockbuilding to the economic recovery is to be expected.

After declining sharply in 1981, total domestic demand is forecast to accelerate in 1982 and in the first half of 1983. With the contribution to growth from the change in the real foreign balance falling due to the pick-up of imports, real GDP, after stagnating in 1981, is expected to increase by  $1\frac{3}{4}$  per cent on the average of 1982. Given the low level at the end of 1981, this implies a stronger expansion during 1982. Over the forecast period, real GDP growth is expected to accelerate gradually from  $2\frac{1}{2}$  per cent in the first half of 1982 to  $3\frac{1}{2}$  per cent in the first half of 1983 (s.a.a.r.). This moderate recovery is not sufficient to prevent unemployment from rising up to the first half of 1983. Total employment is forecast to decline by  $\frac{1}{2}$  per cent on the average of 1982, picking up slightly in the second half of the year. Given the rise in the population of working age by nearly 1 per cent per year, despite a reduction of foreign labour and of labour force participation rates, the unemployment rate was forecast to rise from  $2\frac{1}{2}$  per cent in 1981 to over 3 per cent in 1982 and the first half of 1983. However, the authorities are aiming to reduce the unemployment rate by  $\frac{1}{2}$  percentage point on the average of 1982.

Wage settlements in 1981 were only slightly higher than in the 1980 wage round. With wagedrift probably being negative due to deteriorating labour market conditions, effective wages per employee are likely to rise by  $6\frac{1}{2}$  per cent in 1982 and 1983 (compared with  $7\frac{1}{2}$  per cent in 1981)<sup>55</sup>. As productivity growth should pick up in the upswing, the rise in unit labour costs is likely to slow down from  $7\frac{1}{2}$  per cent in 1981 to 4 per cent in 1982 and somewhat less in 1983. Under the assumption of unchanged exchange rates and oil prices and with raw material prices falling, import prices are forecast to increase by 4 per cent in 1982 (sharply down from 10 per cent in 1981).

55. The 1981 figure is probably overstated due to distortions in the statistics.



Table 14. **Current balance forecast**  
Schilling billion

	1980	1981	1982
Trade balance	-78.1	-75	-79½
Exports (fob)	225.9	255½	286½
Imports (fob)	303.9	330½	366½
Service balance	30.3	30½	32½
of which:			
Net receipts from tourism	43.0	52½	56½
Transfer balance	1.0	1½	3
CURRENT BALANCE	-46.8	-42½	-44½
(In US dollars) <sup>1</sup>	-3.6	-2½	-2½

1. Conversion factor (schilling/US Dollar) 1980: 12.940, 1981: 15.922, 1982: 15.714. Excluding errors and omissions.

Source: OECD Secretariat.

Though import price rises are expected to accelerate during 1982 and into 1983, cost developments should entail a gradual decline in the inflation rate. The increase in the private consumption deflator is assumed to peak at the end of 1981 and to fall to a s.a.a.r. of 4½ per cent in the first half of 1983. This implies an increase of 6 per cent on the average of 1982 (compared with 6¾ per cent in 1981).

Import volumes, which in 1981 were depressed by falling energy imports and weak domestic demand, are expected to pick up in line with the economic recovery. Imports of goods and services (volume) are forecast to increase by 4¾ per cent in 1982 and 7¼ per cent (s.a.a.r.) in the first half of 1983. Consequently, the positive contribution of the real foreign balance to real GDP growth, quite sizeable in 1981, is likely to be very moderate in 1982 and the first half of 1983. Despite a temporary improvement in the terms of trade in 1982, the trade deficit, after some improvement in 1981, is forecast to rise from Sch. 75 billion to Sch. 79 billion in 1982 and Sch. 84 billion (s.a.a.r.) in the first half of 1983. With the surplus on invisibles account increasing at a slower pace than in the past, the current account deficit is likely to rise quite gradually from Sch. 44 billion (US\$2½ billion) in 1981 to annual rate of Sch. 47 billion (US\$3 billion) in the first half of 1983. At 4 per cent of GDP this represents only a modest improvement compared with 1980 (4.7 per cent of GDP). A considerable reduction in the deficit, however, should again be provided by the regularly positive errors and omissions item in the balance of payments which to some extent can be regarded as part of the current balance.

### *Policy considerations*

Austria is one of the few Member countries which has been able over a prolonged period to combine low rates of unemployment and inflation. This favourable performance would not have been possible without the Austrian approach to economic policy making embodied in the social partnership. In particular, the incomes policy encompassed by the social partnership has played a key role in maintaining good cost and price trends. An integral aspect of consensus on income determination has been a commitment to the maintenance of high levels of employment. With inflation under control, the authorities have been able to pursue a more expansionary fiscal policy than would otherwise have been the case.



But with slower growth in the rest of the world since 1974 and the international recession over the last two years the difficulties involved in sustaining the good economic performance have obviously increased. The sizeable terms of trade loss — largely due to higher oil prices — and stronger expansion than in partner countries have contributed to a widening of the current external deficit, thus limiting the room for manoeuvre. Despite the emergence of an external constraint, however, employment growth has been maintained particularly by increasing public sector employment and by hoarding labour in the nationalised industries. Apart from the budgetary costs of this policy, it has also affected adversely productivity growth and hindered structural adjustment. The possibilities of continually increasing employment have, therefore, substantially narrowed and unemployment has risen during the present recession. As a result, the achievement of consensus policies may be more difficult than in the past.

The tasks of the authorities and the social partners should, however, be eased by the probable recovery — although relatively modest — in the OECD area over the next eighteen months, and it is essential that full advantage is taken of it if sustained growth and higher employment in Austria is to be achieved. The current external account is important in this respect. In 1982 and into 1983, export demand — reflecting improved competitiveness resulting from past effective exchange rate depreciation and some recovery in world trade — is expected to be buoyant. But with domestic demand recovering as the growth of real incomes resumes, rising import demand is likely to reduce considerably the improvement in the real trade balance. With some further deterioration in the terms of trade projected, the current external deficit is expected to widen again to the equivalent of about 4 per cent of GDP<sup>56</sup> in the first half of 1983, reflecting both an unfavourable structure of exports, as discussed in the last OECD Economic Survey of Austria, and insufficient competitiveness. Competitiveness has improved in recent years as wage settlements have been brought into line with exchange rate developments, and Austria is well placed relative to most partner countries. But competitiveness vis-à-vis Germany has deteriorated. As Germany accounts for over 40 per cent of Austria's imports and more than 30 per cent of exports, improved competitiveness relative to Germany would seem essential. The achievement of this, however, will mainly depend on a moderate development of unit labour costs given the commitment to the present exchange rate policy.

The so-called hard-currency policy as operated in the past has clearly been beneficial, playing a central role in the social partnership through the mitigation of imported inflation which contributed to moderate wage settlements. The implementation of this policy has been pragmatic, the authorities adjusting it over time in response to changing circumstances. Originally, the authorities intended to keep the exchange rate constant vis-à-vis a basket of "stable" currencies, but it was later changed to the maintenance of a constant *real* exchange rate. When the US dollar strongly appreciated in 1980, more emphasis was put on the maintenance of a constant exchange rate vis-à-vis the Deutschmark even if this resulted in a decline in the real exchange rate. In view of the need to reduce the current external constraint over the medium term and to maintain high employment, it is essential that the hard currency policy continues to be operated in a pragmatic way in response to changing circumstances.

The short-term employment outlook has also implications for fiscal policy, especially as the conduct of monetary policy is largely constrained by external conditions. Concern with the sharp increase in the cost of servicing the public debt since

56. If one includes part of the regularly positive errors and omissions terms, only the size, but not the nature of the problem is changed.

the mid-1970s led to the adoption of medium-term Budget consolidation as a policy objective. Considerable progress has been made in this direction, but the present weakness of the economy, the compensation for fiscal drag and the January measures will result in the Budget deficit in 1981 and 1982 being between 2¾ and 3 per cent of GDP. The general government deficit is much lower, however, and is expected to fall below 1 per cent of GDP in 1982. It was appropriate therefore that the recent measures were designed to increase also non-Federal expenditure. It is also desirable from the point of view of employment that the composition of public sector transactions is considered, the Budget consolidation measures in recent years falling increasingly on investment which has a relatively high employment content and whose leakage through the balance of payments is generally smaller than that of current expenditure.

Austria has been fortunate to be able to operate a consensus-oriented policy, thus maintaining a better price performance than most other countries. However, not surprisingly, given the slow growth of activity in other countries, the difficulties involved in sustaining full employment and maintaining social consensus have increased. To overcome these difficulties, it will be necessary to increase productivity, raise the profitability of the exposed sector of the economy and facilitate improved efficiency and competitiveness of manufacturing industry. While many measures towards achieving these ends have been taken in the past and some progress made, it is to be hoped that further adjustments can be put in place within the framework of the social partnership.

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## ***ANNEXES***



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## *Annex*

# CALENDAR OF MAIN ECONOMIC EVENTS

1980

### *January*

Introduction of tax allowances for energy saving investments in industry, small trade and households.

Discount and Lombard rates were raised by 1½ percentage points to 5¼ and 5¾ per cent, respectively. The additional interest for using more than 70 per cent of the discount and Lombard quotas is lowered to 1 percentage point.

### *March*

Discount and Lombard rates were increased to 6¼ and 7¼ per cent, respectively.

### *April*

Credit ceilings ("Limes") were tightened through a reduction of the permitted expansion rate of credits from 1.3 per cent to 1.0 per cent per month and for consumer credits from 0.55 to 0.35 per cent per month.

### *June*

Credit institutions decided to abandon the agreement on deposits' interest rates as from 1st July, 1980. With the exception of savings deposits with statutory notice interest rates were freely determined by markets.

### *July*

Increase of Federal tax on mineral oil.

### *September*

Commercial banks' refinancing quotas were reduced by 20 per cent.

Nationalbank came to a gentleman's agreement with commercial banks under which the banks accepted to dispense with capital imports to improve their liquidity status until the end of 1980.

### *October*

Ceilings for credits to private households were frozen at their September level and the expansion of other credits was confined to ½ per cent per month. Commercial banks' refinancing quotas were reduced by 15 per cent.

The draft Federal budget for 1981 comprises the following measures designed to reach the medium-term consolidation goal of a net borrowing requirement of 2½ per cent of GDP:

- abolition of savings promotion;
- reduction of public investment to an expansion rate of 5 per cent in nominal terms;
- raise of VAT rate for energy from 8 to 13 per cent;
- introduction of special taxes on petrol and on credit institutions;
- increase of postal charges and railroad fees;
- increase in unemployment insurance contributions;
- improvement of depreciation allowances for business.

### *November*

Cut in commercial banks' refinancing quotas by 15 per cent.

## *December*

Anticipation of year-end transactions with commercial banks to ease the pressure on money market rates.

## 1981

### *January*

The penal rate for non-fulfilment of the obligatory minimum reserve regulations were reduced by 1½ percentage points to 3½ percentage points over the bank rate.

### *March*

Increase of Federal tax on mineral oil.

Nationalbank decided to cancel direct credit control through credit ceilings as from end-February to do away with structural distortions in the banking sector. The growth limit for consumer credits, however, has been maintained.

### *May*

Nationalbank intervened in the money market through foreign exchange swap operations in order to enable commercial banks to meet their minimum reserve obligations. This instrument was used until September 1981.

### *July*

A new interest rate subsidy scheme for "innovative" investment ("TOP-AKTION") came into effect.

Savings premiums on savings for housebuilding purposes were raised.

### *August*

Restrictions on certain types of capital imports dating back to end-1972 were eased.

### *September*

The price control of gasoline was tentatively abolished.

Discount and Lombard ceilings were raised from 50 to 70 per cent.

### *October*

In conjunction with the fourth realignment within the European Monetary System the Schilling followed the revaluation of the Deutschmark thus keeping the Schilling/DM exchange rate unchanged.

The draft Federal Budget for 1982 and related legislation comprise the following measures:

- income tax cuts amounting to Sch. 6 billion;
- reduction of the advanced depreciation allowance (from 50 per cent to 40 per cent for machinery and equipment, from 25 per cent to 20 per cent for motor vehicles);
- increase in unemployment and health social security contributions.

## 1982

### *January*

The Federal Government announced an employment-creating package comprising the following measures:

- additional expenditure for road construction (Sch. 1½ billion);
- promotion of the construction of new dwellings and the restoration of old houses (together with the Länder; estimated effect on the Federal budget: Sch. 100 to 200 million);
- promotion of construction investment in tourism trade (effect on the Federal budget Sch. 100 million);
- higher interest rate subsidies for small business and agriculture (Sch. 100 million);
- continuation of the "TOP-AKTION";
- income tax deduction for capital investment in industry;
- investment premium of 6 per cent in 1982 and 1983 (budget impact only in 1983).

***STATISTICAL ANNEX***



Table A. Gross domestic product  
Sch. billion

	1976	1977	1978	1979	1980	1976	1977	1978	1979	1980
	Current prices					1976 prices				
<b>EXPENDITURE:</b>										
Private consumption	410.2	456.9	469.6	509.1	548.7	410.2	433.6	426.9	443.0	449.6
Public consumption	127.8	138.7	154.2	165.9	177.5	127.8	132.4	137.0	141.3	143.6
Gross domestic fixed capital formation	188.7	212.8	215.2	231.9	252.3	188.7	198.5	190.9	198.7	203.0
Construction <sup>1</sup>	104.9	114.4	118.0	126.9	136.2	104.9	106.6	103.3	105.1	104.2
Machinery and equipment <sup>1</sup>	73.0	84.4	82.6	92.8	102.8	73.0	81.1	77.0	83.4	88.5
Change of stocks, incl. statistical errors	9.1	9.3	3.4	21.9	34.4	9.1	12.0	7.2	20.6	29.5
Exports of goods and services	251.2	274.5	295.2	343.4	388.6	251.2	264.0	275.5	304.1	326.2
less: Imports of goods and services	262.2	295.9	294.9	349.2	405.5	262.2	284.1	277.4	310.5	329.6
<b>GROSS DOMESTIC PRODUCT AT MARKET PRICES</b>	<b>724.7</b>	<b>796.2</b>	<b>842.7</b>	<b>923.0</b>	<b>995.9</b>	<b>724.7</b>	<b>756.3</b>	<b>760.2</b>	<b>797.3</b>	<b>822.2</b>
<b>ORIGIN BY SECTOR:</b>										
Agriculture, forestry and fishing	36.4	36.1	39.3	40.3	43.6	36.4	35.1	37.4	38.1	39.8
Manufacturing and mining	212.7	227.1	236.9	267.1	284.1	212.7	223.6	225.5	241.6	251.4
Construction	59.2	66.3	70.0	76.5	81.7	59.2	61.4	60.7	62.2	61.4
Other	416.4	466.7	496.5	539.1	586.5	416.4	436.2	436.5	455.4	469.6
	Current prices					Current prices percentage distribution				
<b>DISTRIBUTION OF THE NATIONAL INCOME:</b>										
Compensation of employees	389.5	431.5	468.0	499.4	537.2	72.3	73.6	75.0	72.7	72.6
Income from property and entrepreneurship	157.4	167.6	171.7	205.2	222.9	29.2	28.6	27.5	29.9	30.2
Savings of corporations										
Direct taxes on corporations										
Government income from property and entrepreneurship	10.2	10.2	12.2	13.2	15.5	1.9	1.7	2.0	1.9	2.1
less: Interest on public debt and consumer debt	18.6	23.2	28.1	31.0	35.9	3.4	3.9	4.5	4.5	4.9
<b>NATIONAL INCOME</b>	<b>538.5</b>	<b>586.1</b>	<b>623.8</b>	<b>686.8</b>	<b>739.7</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

1. Excluding VAT.

Source: Österreichisches Institut für Wirtschaftsforschung.

**Table B. General government income and expenditure**  
Sch. billion

	1972	1973	1974	1975	1976	1977	1978	1979	1980
Operating surplus and property income receivable	5.22	5.51	6.72	8.65	10.20	10.25	12.21	13.23	15.52
Casualty insurance claims receivable	0.13	0.12	0.18	0.15	0.14	0.15	0.16	0.17	0.18
Indirect taxes	82.49	97.23	106.92	111.53	119.55	135.87	139.30	151.20	161.76
Direct taxes	55.16	61.78	75.40	76.23	82.76	93.68	110.72	118.07	128.22
Compulsory fees, fines, and penalties	0.93	1.02	1.19	1.31	1.57	2.48	2.61	2.68	2.81
Social security contributions	42.88	50.20	58.76	67.65	75.41	86.59	103.03	112.29	124.60
Unfunded employee welfare contributions imputed	10.34	11.67	13.35	15.25	17.18	18.65	20.68	22.32	23.77
Current transfers n.e.c. received from the rest of the world	0.18	0.19	0.23	0.48	0.60	0.57	0.61	0.58	0.60
<b>CURRENT RECEIPTS</b>	<b>197.33</b>	<b>227.72</b>	<b>262.75</b>	<b>281.25</b>	<b>307.41</b>	<b>348.24</b>	<b>389.32</b>	<b>420.54</b>	<b>457.46</b>
Final consumption expenditure	70.10	81.91	97.43	113.05	127.79	138.74	154.18	165.89	177.51
Property income payable	4.78	5.35	6.44	8.56	12.17	14.80	18.68	21.31	24.30
Net casualty insurance premiums payable	0.13	0.12	0.18	0.15	0.14	0.15	0.16	0.17	0.18
Subsidies	7.90	9.20	12.91	18.98	20.81	23.31	26.55	26.93	27.11
Social security benefits and social assistance grants	38.35	42.79	49.26	56.37	64.74	71.61	78.79	86.71	94.81
Current transfers to priv. non-profit inst. serving households	18.92	21.99	25.48	30.16	35.99	40.94	50.90	55.44	56.75
Unfunded employee welfare benefits	16.67	18.58	21.18	24.33	27.60	29.96	33.51	36.46	39.20
Current transfers n.e.c. paid to the rest of the world	0.73	0.95	1.16	1.41	1.72	1.88	2.20	2.38	2.60
<b>CURRENT DISBURSEMENTS</b>	<b>157.58</b>	<b>180.89</b>	<b>214.04</b>	<b>253.03</b>	<b>290.96</b>	<b>321.39</b>	<b>364.97</b>	<b>395.29</b>	<b>422.46</b>
<b>SAVING</b>	<b>39.75</b>	<b>46.83</b>	<b>48.71</b>	<b>28.22</b>	<b>16.45</b>	<b>26.84</b>	<b>24.35</b>	<b>25.26</b>	<b>35.00</b>
Consumption of fixed capital	3.39	3.79	4.50	4.95	5.32	5.80	6.30	6.70	7.10
Capital transfers received, net, from Other resident sectors	-6.38	-14.85	-11.18	-12.67	-12.38	-11.71	-12.06	-11.74	-14.60
The rest of the world	-6.38	-14.84	-11.12	-12.63	-12.31	-11.58	-12.00	-11.64	-14.55
	—	-0.01	-0.06	-0.04	-0.07	-0.13	-0.06	-0.10	-0.05
<b>FINANCE OF GROSS ACCUMULATION</b>	<b>36.76</b>	<b>35.77</b>	<b>42.03</b>	<b>20.50</b>	<b>9.39</b>	<b>20.93</b>	<b>18.59</b>	<b>20.22</b>	<b>27.50</b>
Gross capital formation	25.14	26.56	31.54	34.23	33.72	36.78	38.80	40.25	42.70
Purchases of land, net	1.89	2.30	2.68	2.51	2.81	2.90	2.93	3.13	3.30
<b>NET LENDING</b>	<b>9.73</b>	<b>6.91</b>	<b>7.81</b>	<b>-16.24</b>	<b>-27.14</b>	<b>-18.75</b>	<b>-23.14</b>	<b>-23.16</b>	<b>-18.50</b>

Source: Statistical submission to OECD.

Table C. Output, employment, wages and productivity in industry

	1977	1978	1979	1980	1980				1981		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>OUTPUT IN INDUSTRY, seasonally adjusted (1975=100):</b>											
Total industry	110.8	113.7	122.2	125.5	127.5	126.0	123.1	124.9	122.7	124.2	121.9
Mining	113.0	111.0	125.8	126.3	124.0	125.4	126.0	131.6	132.8	129.5	136.7
Manufacturing	111.4	114.5	122.8	126.2	128.2	126.6	123.8	125.6	123.3	124.9	122.5
Basic metals	105.5	111.0	121.0	115.1	123.0	117.5	114.6	105.7	105.7	109.0	112.0
Metal products, machinery, and equipment	113.4	119.0	128.5	134.9	139.2	135.5	130.8	137.6	134.3	130.9	126.8
Food, beverages, tobacco	109.6	110.7	117.3	120.3	115.4	115.2	116.7	115.6	118.7	119.3	119.2
Textiles, clothing, and leather	105.3	101.3	108.3	113.4	113.0	114.5	113.3	114.8	109.3	114.7	112.2
Chemicals	120.0	125.2	134.5	141.4	142.3	141.5	142.0	142.3	144.6	147.1	146.1
<b>EMPLOYMENT:</b>											
Not seasonally adjusted ('000) <sup>1</sup>	628.6	617.7	615.0	621.6	619.1	618.1	624.6	624.5	613.0	608.0	608.7
<b>WAGES AND PRODUCTIVITY:</b>											
Gross hourly earnings per wage earner (1965=100)	340.6	359.8	381.5	405.5	395.6	402.6	404.4	419.3	423.5	432.0	435.2
Gross monthly earnings per employee (1963=100)	401.0	425.4	452.3	484.9	419.5	501.9	456.5	560.9	445.3	548.0	485.8
Output per employee (1976=100)	102.7	107.4	115.9	117.7	114.5	122.6	107.8	125.2	112.3	122.8	109.0
Wages and salaries per unit of output (1976=100)	106.4	108.7	107.2	112.2	97.6	116.0	110.9	125.4	108.5	126.3	115.1

1. Coverage includes administrative personnel.

Source: Österreichisches Institut für Wirtschaftsforschung.

Table D. Retail sales and prices

	1976	1977	1978	1979	1980	1980				1981		
						Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3
<b>RETAIL SALES (1975=100)</b>												
Total	108.8	121.2	117.5	127.8	136.9	121.6	130.8	134.1	161.4	126.5	141.0	143.0
of which: Durables	111.0	135.7	109.6	122.3	130.1	116.5	127.8	126.9	149.3	115.0	130.6	126.9
<b>PRICES:</b>												
<b>Consumer prices</b>												
(1975=100), total	107.3	113.2	117.3	121.6	129.3	126.4	128.5	130.7	131.6	135.2	137.3	139.3
Food	105.9	112.5	116.3	119.4	124.8	122.3	124.2	126.7	126.0	129.7	131.2	133.6
Other	108.1	113.5	117.7	122.8	131.5	128.3	130.5	132.5	134.2	137.8	140.1	141.9
<b>Wholesale prices</b>												
(1975=100) <sup>1</sup>	105.9	109.0	110.1	114.7	124.6	120.9	126.1	125.4	126.1	132.1	134.6	135.4
Agricultural goods	106.0	108.5	108.4	112.4	122.2	117.4	132.9	121.3	117.5	136.5	138.1	128.4
Food	104.2	112.2	115.2	116.4	119.3	118.8	119.1	119.5	119.6	120.1	122.2	123.9
<b>Building prices in Vienna</b>												
(1958=100)	433.1	490.7	528.6	563.2	607.9	586.0	611.6	616.6	617.4	624.3	667.3	678.7
Labour	667.3	775.5	846.3	908.4	977.4	941.0	989.5	989.5	989.5	996.2	1 078.0	1 078.0
Building materials	220.5	232.1	240.0	249.9	272.5	264.0	268.6	278.1	279.6	286.6	294.5	316.2

1. From 1976, new index linked on 1976 to previous index.

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



Table E. Money and banking'  
End of period

	1978	1979	1980				1981		
			Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3
<b>INTEREST RATES (per cent):</b>									
Discount rate	4.50	3.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75
Average bond yield <sup>2</sup>	7.88	8.16	8.83	9.01	9.45	9.56	10.19	10.70	11.27
<b>MONEY CIRCULATION EXTERNAL RESERVES (Sch. bill.):</b>									
Notes and coin in circulation	79.9	85.6	84.3	90.1	90.9	92.9	89.0	95.0	94.7
Sight liabilities of the Central Bank	41.9	40.7	42.3	36.3	38.1	39.0	33.5	31.3	32.5
Gross external reserves of the Central Bank	90.4	83.5	84.4	78.9	93.1	105.0	97.5	101.8	102.3
of which: Gold	29.5 <sup>3</sup>	39.4	39.4	39.4	39.4	39.4	39.4	39.4	39.4
<b>CREDIT INSTITUTIONS (Sch. bill.):</b>									
Credits to domestic non-banks	588.5 <sup>4</sup>	685.3		726.7		773.5		816.9	
Short-term	158.1	183.5		191.7		204.2		212.9	
Medium-term (1 to 5 years)	119.4	129.9		141.6		147.8		160.4	
Long-term	311.0	371.9		393.4		421.5		443.6	
Deposits from domestic non-banks	585.7	632.2	640.6	652.1	665.9	707.0	725.5	727.7	736.6
Sight	89.1	73.6	70.5	78.7	81.8	83.6	82.3	78.5	77.8
Time <sup>5</sup>	63.4	90.8	92.8	88.8	81.0	79.6	86.4	85.7	84.2
Savings	433.2	471.8	477.3	484.6	503.1	543.8	556.8	563.5	574.6
Holdings of domestic Treasury bills	23.9	23.0	22.6	26.5	22.4	28.4	28.4	27.4	22.5
Holdings of other domestic securities	135.6	156.7	157.7	160.4	168.8	177.1	181.0	184.5	181.5
Foreign assets	182.1	242.5	268.2	262.8	286.5	314.5	348.2	390.8	402.4
Foreign liabilities	198.2	257.4	279.1	286.2	322.1	362.4	383.8	434.6	438.0

1. Totals may not add due to rounding.

2. Average effective yields on circulating issues.

3. Revaluation of gold reserves.

4. Including instalment credit banks since 1978.

5. Including funded borrowing of banks.

Sources: Oesterreichische Nationalbank; Oesterreichische Länderbank.

**Table F. The Federal budget**  
National accounts basis  
*Sch. billion*

	Outturn						
	1976	1977	1978 <sup>1</sup>	1979 <sup>1</sup>	1980 <sup>1</sup>	1981 <sup>2</sup>	1982 <sup>2</sup>
1. Current revenue	140.7	156.6	174.1	190.8	201.8	223.8	239.4
Direct taxes of households	46.6	52.5	63.0	67.3	70.1	80.0	85.8
Indirect taxes	76.4	85.4	89.8	99.7	104.8	115.9	125.2
Corporate taxes	9.9	11.0	11.9	13.6	14.6	15.2	15.6
Income from property and entrepreneurship	7.3	7.2	8.9	9.8	11.9	12.1	12.1
Current transfers from abroad	0.5	0.5	0.5	0.4	0.4	0.6	0.7
2. Current expenditure	141.9	157.3	176.0	188.1	194.7	217.3	237.3
Goods and services	47.3	50.7	56.0	59.4	63.0	68.5	73.8
Subsidies	15.0	16.8	19.2	20.0	20.1	22.0	20.7
Public debt	8.0	10.2	13.3	15.4	17.6	20.1	27.2
Transfers to abroad	0.5	0.7	0.6	0.6	0.6	1.0	2.1
Transfers to public authorities	41.8	46.0	44.7	47.2	47.8	53.2	56.5
Transfers to private households	29.3	32.9	42.2	45.5	45.6	52.5	57.0
3. Net public savings (1 - 2)	-1.2	-0.7	-1.9	2.7	7.1	6.5	2.1
4. Depreciation	1.1	1.2	1.3	1.3	1.4	1.6	1.8
5. Gross savings (3+4)	-0.1	0.5	-0.6	4.0	8.5	8.1	3.9
6. Gross asset formation	10.2	10.4	11.0	12.8	14.2	15.4	13.0
7. Balance of income effective transactions (5 - 6)	-10.3	-9.9	-11.6	-8.8	-5.7	-7.3	-9.1
8. Capital transfers (net)	11.8	10.6	10.9	10.2	12.2	13.2	13.1
9. Financial balance (7 - 8)	-22.1	-20.5	-22.5	-19.0	-17.9	-20.5	-22.2

1. Preliminary.

2. Estimated outcome.

Sources: Österreichisches Statistisches Zentralamt, Ministry of Finance; Österreichisches Institut für Wirtschaftsforschung.

Table G. Balance of payments  
Sch. million

	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
TRADE BALANCE <sup>1</sup>	-13 743	-18 424	-25 531	-30 865	-33 766	-32 271	-30 629	-52 516	-71 296	-50 675	-58 658	-87 483
Exports	42 598	79 366	85 006	94 776	113 853	156 266	145 576	168 890	180 634	194 073	227 474	247 787
Imports	56 341	97 790	110 537	125 641	147 619	188 536	176 205	221 406	251 930	244 748	286 132	335 270
Services, net	11 330	17 636	22 648	27 198	28 198	26 445	27 620	28 053	24 414	30 465	34 855	42 159
Foreign travel, net	10 901	18 023	22 851	27 668	29 609	26 147	29 527	29 208	27 254	32 931	35 373	42 938
Receipts	14 574	25 969	31 756	38 826	42 895	42 773	48 450	56 437	61 958	68 551	75 010	83 363
Expenditure	3 673	7 946	8 905	11 158	13 286	16 626	18 922	27 228	34 704	35 620	39 636	40 424
Investment income, net	-558	-1 200	-1 281	-1 934	-2 567	-1 947	-2 390	-3 847	-5 572	-7 071	-6 442	-6 838
Other services, net	987	813	1 078	1 464	1 156	2 245	483	2 692	2 732	4 605	5 924	6 059
Transfers, net	1 389	244	152	-801	-1 604	-2 978	-2 601	-1 910	-2 322	-130	387	-1 144
Public	257	-48	-93	-112	-103	-194	-39	-194	-285	-160	-312	-399
Private	1 132	292	245	-689	-1 501	-2 784	-2 562	-1 716	-2 037	30	699	-745
CURRENT BALANCE	-1 024	-544	-2 731	-4 468	-7 172	-8 804	-5 610	-26 373	-49 204	-20 340	-23 417	-46 469
Long-term capital, net	-277	419	-416	1 896	-3 752	7 378	18 214	-1 331	9 828	20 430	-7 172	6 762
Official <sup>2</sup>	-888	413	-1 153	-2 262	-1 193	2 680	15 985	3 175	12 048	12 221	2 170	5 938
Private	611	6	737	4 158	-2 559	4 698	2 228	-4 506	-2 220	8 209	-9 342	823
BASIC BALANCE	-1 301	-125	-3 147	-2 572	-10 924	-1 426	12 604	-27 704	-39 376	90	-30 588	-39 707
Non-monetary short-term capital	168	-933	426	-72	697	-448	8	-737	473	-271	-12	-2 446
Errors and omissions	-257	2 805	4 708	5 097	5 562	2 899	5 241	10 128	20 268	14 113	6 331	25 242
BALANCE ON NON-MONETARY TRANSACTIONS	-1 390	1 747	1 987	2 453	-4 665	1 025	17 853	-18 313	-18 635	13 932	-24 269	-16 911
Private monetary institutions' short-term capital	1 182	2 971	6 776	5 590	881	4 944	2 592	14 997	11 628	3 227	7 256	38 589
BALANCE ON OFFICIAL SETTLEMENTS excluding allocation of SDRs, monetization of gold and revaluation of reserve currencies	-208	4 718	8 763	8 043	-3 784	5 968	20 446	-3 315	-7 008	17 160	-17 013	21 677
Gold	2 585	-27	-512	24	23	0	0	1	99	11 443	9 930	1
SDRs and changes in IMF position	1	764	-108	416	-393	-465	1 189	2 811	-819	-1 491	93	734
Other	-2 792	3 981	9 383	7 603	-3 414	6 433	19 257	-6 127	-6 288	7 208	-27 036	20 943

Changes in reserves arising from  
allocation of SDRs, monetization  
of gold and revaluation  
of reserve currencies

Allocation of SDRs	0	764	-733	532	-1 316	-2 089	2 213	-3 554	-2 160	9 278	7 935	4 413
	0	764	487	708	0	0	0	0	0	0	598	560

Changes in total reserves (Central  
Bank plus banking sector)  
(+ = increase)

	-1 390	2 511	1 254	2 985	-5 981	-1 065	20 067	-21 866	-20 796	23 211	-16 334	-12 499
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Conversion factor (Sch. per dollar)

	25.82	25.85	24.98	23.12	19.59	18.69	17.42	17.94	16.53	14.52	13.37	12.94
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1. Including non-monetary gold and adjustments to trade according to foreign trade statistics.

2. Including Central Bank.

Source: Oesterreichische Nationalbank.



Table H. Merchandise trade by commodity group and area  
Monthly averages, Sch. million

	Imports					Exports				
	1976	1977	1978	1979	1980	1976	1977	1978	1979	1980
Total	17 173	19 570	19 324	22 489	26 320	12 676	13 482	14 676	17 188	18 847
By commodity group:										
Food, drink, tobacco	1 233	1 411	1 370	1 430	1 569	525	488	576	673	765
Raw materials	1 238	1 347	1 314	1 665	1 864	1 097	1 158	1 167	1 453	1 675
Mineral fuels, energy	2 100	2 013	2 072	2 780	4 079	237	259	233	251	300
Chemicals	1 605	1 739	1 801	2 211	2 436	971	1 071	1 167	1 459	1 666
Machinery and transport equipment	5 400	6 608	5 931	6 674	7 529	3 526	3 757	4 261	4 851	5 218
Other	5 597	6 449	6 836	7 728	8 842	6 320	6 750	7 273	8 501	9 223
By area:										
OECD countries	13 636	15 894	15 646	17 937	20 384	8 589	9 414	10 568	12 441	13 680
EEC countries <sup>1</sup>	10 884	12 784	12 639	14 562	16 434	5 913	6 676	7 695	9 202	10 396
Germany	7 052	8 266	8 373	9 520	10 742	2 966	3 580	4 272	5 207	5 813
Italy	1 414	1 711	1 714	2 090	2 390	1 158	1 220	1 293	1 765	2 066
France	721	884	783	919	1 039	361	401	500	554	653
UK	628	671	597	655	724	617	623	723	765	692
EFTA countries <sup>2</sup>	1 674	1 812	1 749	1 883	2 075	1 830	1 809	1 875	2 101	2 341
Switzerland	1 083	1 166	1 187	1 207	1 315	915	958	1 139	1 264	1 418
USA	513	584	585	712	889	332	420	440	437	411
Other OECD countries	565	714	673	780	986	514	509	558	701	532
Non-OECD countries	3 537	3 676	3 678	4 552	5 936	4 087	4 068	4 108	4 747	5 167
Eastern Europe <sup>3</sup>	1 640	1 728	1 694	1 975	2 556	1 921	1 954	2 015	2 219	2 272
Africa	411	423	482	650	881	551	578	573	670	854
Latin America	339	410	393	450	498	288	213	189	230	271
Far and Middle East	991	946	954	1 274	1 765	843	801	800	921	1 125
Other	156	169	155	203	236	484	522	531	707	645
Index, in real terms (1979=100)	85	93	91	100	106	82	85	90	100	104
Index of average value (1979=100)	90	94	95	100	111	91	93	95	100	105

1. From 1980 including Greece.

2. Including Finland.

3. Excluding Yugoslavia.

Source: Österreichisches Institut für Wirtschaftsforschung.

***BASIC STATISTICS :***  
***INTERNATIONAL COMPARISONS***



## BASIC STATISTICS: INTERNATIONAL COMPARISONS

Reference period			Units	Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany	Greece	Iceland	Ireland	Italy	Japan	Luxem- bourg	Nether- lands	New Zealand	Norway	Portugal	Spain	Sweden	Switzer- land	Turkey	United Kingdom	United States	Yugo- slavia <sup>1</sup>	
POPULATION		Mid-1979	Thousands	14 422	7 503	9 849	23 690	5 117	4 765	53 478	61 359	9 450	226	3 368	56 888 <sup>2</sup>	115 880	364	14 038	3 124	4 073	9 867	37 108	8 294	6 348	44 089	55 946	220 584	22 160	
	Inhabitants per sq. km of land area	»	Number	2	89	323	2	119	16	97	247	72	2	48	189	307	141	415	12	13	107	74	18	154	56	229	24	87	
	Net average annual increase	Mid-1969 to Mid-1979	%	1.6	0.1	0.2	1.2	0.4	0.3	0.6	0.2	0.7	1.1	1.4	0.7	1.3	0.7	0.9	1.2	0.6	0.8	1.1	0.4	0.2	2.5	0.1	0.9	0.9	
EMPLOYMENT	Total civilian	1979	Thousands	6 064	3 051	3 754	10 369	2 498	2 124	21 114	25 017	3 312	(101)	1 130	20 287	54 790	158	4 617	(1 261)	1 872	3 852	11 706	4 180	2 962	14 806	24 711	96 945	9 324 <sup>3</sup>	
	of which: Agriculture, forestry, fishing	»	% of total	6.5	10.7	3.2	5.7	8.3	11.8	9.0	6.2	30.8	(13.3)	19.7	14.8	11.2	5.9	6.0	(10.2)	8.6	30.6	19.4	5.8	7.4	61.3	2.6	3.6	35.8	
	Industry <sup>4</sup>	»	»	31.3	40.5	35.5	28.9	30.0	34.4	36.3	44.9	30.0	(37.7)	32.3	37.7	34.9	39.0	32.1	(33.7)	30.1	35.0	36.4	32.5	39.3	16.2	39.0	31.4	22.5	
	Other	»	»	62.2	48.8	61.3	65.4	61.7	53.8	54.7	48.9	39.2	(49.0)	48.0	47.5	53.9	55.1	61.9	(56.1)	61.3	34.4	44.2	61.7	53.3	22.5	58.4	65.0	41.7	
GROSS DOMESTIC PRODUCT at market prices		1979	US \$ billion <sup>11</sup>	120.7	68.4	108.3	227.0	66.2	41.4	571.3	763.9	38.6	2.5	14.8	323.6	999.6	4.2	149.1	21.4 <sup>9</sup>	46.7	20.4	197.0	106.4	95.0	68.9	400.9	2 349.9	61.2 <sup>5</sup>	
	Average annual volume growth <sup>6</sup>	1974 to 1979	%	2.6	2.9	1.9	3.2	2.7	2.1	3.0	2.8	5.3	3.3	3.6	2.3	4.3	0.3	2.2	0.6	5.0	3.0	2.2	1.4	-0.8	5.0	1.8	3.3	5.8	
	Per capita	1979	US \$ <sup>21</sup>	8 370	9 120	11 000	9 580	12 940	8 690	10 680	12 450	4 080	10 980	4 390	5 690	8 620	11 640	10 620	6 840	11 470	2 070	5 310	12 820	14 970	1 560	7 170	10 650	2 760	
GROSS FIXED CAPITAL FORMATION		1979	% of GDP	21.8	25.0	20.5	22.5	21.8	23.1	21.3	22.7	25.6 <sup>8</sup>	24.5	32.6	18.9	32.0	25.8	21.7	17.8 <sup>9</sup>	27.8	18.9	19.0	19.5	21.9	17.8	17.8	18.1	34.6	
	of which: Transport, machinery and equipment	»	»	..	9.8	6.0	8.1	7.6	8.6	9.2	9.1	8.6	6.6	9.8 <sup>10</sup>	8.0	10.7	9.2 <sup>10</sup>	8.7	7.8	7.1	6.9 <sup>10</sup>	7.3	7.1	..	9.3	7.4	..		
	Residential construction	»	»	4.2 <sup>10</sup>	14.2	6.5	5.3	6.9	6.5	6.4	6.5	9.2	5.7	6.4 <sup>10</sup>	5.1	7.4	6.6 <sup>10</sup>	5.8	3.3	5.3	3.7	..	5.0	..	3.8	3.0	4.8	..	
Average annual volume growth <sup>6</sup>	1974 to 1979	%	0.6	0.6	0.5	2.1	0.0	-2.7	0.7	3.7	5.7	..	-1.8	8.9	-1.2	4.5	0.2	1.4	..	1.5	0.5	-1.9	-0.4	-2.6	5.0	-0.1	2.2	8.8	
GROSS SAVING RATIO <sup>12</sup>		1979	% of GDP	21.2 <sup>10</sup>	25.3	18.5	22.2	17.8	24.5	23.0	24.2	27.0	24.2	23.2	23.3	31.2	28.2 <sup>10</sup>	20.7	22.9 <sup>9</sup>	25.2	..	20.5	17.5	26.4	20.4	19.5	17.8	..	
GENERAL GOVERNMENT		1979	% of GDP	16.2	18.1	17.8	19.2	24.8	18.3	14.9	19.8	16.3	11.7	20.0	15.8	9.8	15.5	18.8	16.0 <sup>9</sup>	19.7	15.0	10.9	28.7	12.9	12.9	20.3	18.0	17.6	
	Current expenditure on goods and services	»	»	29.8 <sup>10</sup>	42.2	47.4	36.1	49.4	34.7	42.2	40.7	29.7	25.0 <sup>12</sup>	41.7 <sup>10</sup>	41.1	24.2	43.5	55.1	..	47.1	30.7	26.7	57.1	30.0	23.4	40.6	31.9	..	
	Current disbursements <sup>13</sup>	»	»	32.5 <sup>10</sup>	44.2	44.2	36.0	50.3	38.3	43.6	42.7	30.6	34.0 <sup>12</sup>	37.8 <sup>10</sup>	35.9	26.6	52.2	55.8	..	52.2	26.9	27.5	57.7	33.3	23.8	39.5	32.9	..	
Current receipts	»	»	»	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	
NET OFFICIAL DEVELOPMENT ASSISTANCE		1979	% of GNP	0.5	0.2	0.6	0.5	0.8	0.2	0.6	0.4	..	..	..	0.1	0.3	..	0.9	0.3	0.9	..	..	0.9	0.2	..	0.5	0.2	..	
INDICATORS OF LIVING STANDARDS		1979	US \$ <sup>11</sup>	5 050	5 090	6 920	5 360	7 280	4 810	6 620	6 810	2 610	6 700	2 760	3 480	5 100	6 510	6 330	4 060	5 560	1 500	3 650	6 770	9 560	1 120	4 320	6 860	1 590	
	Private consumption per capita	1977	Number	392	248	292	389 <sup>14</sup>	271	227	314	326	66	315	180	289	173	398	277	385	273	107 <sup>14</sup>	161	350 <sup>14</sup>	307	11 <sup>14</sup>	255 <sup>14</sup>	505 <sup>14</sup>	88	
	Passenger cars, per 1 000 inhabitants	1978	»	404 <sup>23</sup>	325 <sup>22</sup>	332	648	569	447	372	404	266	429 <sup>23</sup>	172	301	442	539	453	533 <sup>23</sup>	402	128	280	744	677	32 <sup>22</sup>	447	79		
	Telephones, per 1 000 inhabitants	1977	»	351 <sup>14</sup>	247 <sup>14</sup>	286	428 <sup>14</sup>	338	363 <sup>14</sup>	372	308	127 <sup>14</sup>	214 <sup>14</sup>	193	224	239 <sup>20</sup>	293 <sup>14</sup>	279	259 <sup>14</sup>	270 <sup>14</sup>	76 <sup>14</sup>	185 <sup>14</sup>	363 <sup>14</sup>	285 <sup>14</sup>	44 <sup>14</sup>	324	571 <sup>20</sup>	170	
	Television sets, per 1 000 inhabitants	1977	»	1.4 <sup>21</sup>	2.3	2.1	1.8	2.0	1.6	1.6 <sup>14</sup>	2.0	2.2	1.7 <sup>16</sup>	1.2	2.3	1.2	1.3	1.7	1.3 <sup>14</sup>	1.8	1.4	1.8 <sup>14</sup>	1.8 <sup>14</sup>	2.0	0.6	1.5	1.7	1.4 <sup>14</sup>	
	Doctors, per 1 000 inhabitants	1977	»	45.0 <sup>23</sup>	32.0 <sup>23</sup>	61.3 <sup>20</sup>	64.9 <sup>22</sup>	57.4 <sup>22</sup>	68.5	55.9	41.5 <sup>22</sup>	45.4 <sup>20</sup>	..	50.0 <sup>14</sup>	43.9 <sup>14</sup>	71.4	37.3 <sup>10</sup>	65.0	44.8 <sup>22</sup>	65.0	33.4 <sup>14</sup>	41.3 <sup>19</sup>	56.3 <sup>14</sup>	70.1 <sup>22</sup>	12.7 <sup>20</sup>	44.6 <sup>20</sup>	75.0	..	
	Full-time school enrolment <sup>15</sup>	1979	% of age group	12.2 <sup>10</sup>	14.8	11.7 <sup>10</sup>	12.0 <sup>10</sup>	9.1	7.6 <sup>10</sup>	9.8	14.7 <sup>10</sup>	18.7	11.3 <sup>10</sup>	14.9 <sup>10</sup>	15.3	8.0	13.0	8.5	13.8 <sup>10</sup>	8.6 <sup>10</sup>	38.9 <sup>14</sup>	15.1 <sup>10</sup>	7.3	8.6 <sup>10</sup>	..	13.3 <sup>10</sup>	13.0	36.7 <sup>14</sup>	
	Infant mortality <sup>17</sup>	1979	Number	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
	WAGES AND PRICES		Average annual increase																										
		Hourly earnings in industry <sup>18</sup>	1975 to 1980	%	10.3	7.4	8.8	10.1	11.2	11.1	13.6	6.1	24.2	43.4	16.6	21.2	8.4	..	6.1	15.4	9.4	14.5	25.7	9.9	2.8	33.5 <sup>23</sup>	14.9	8.5	19.0
Consumer prices	»	»	%	10.6	5.3	6.4	8.7	10.4	10.7	10.5	4.1	16.3	41.5	14.1	16.6	6.5	6.1	6.0	14.4	8.4	21.8	18.6	10.5	2.3	50.1	14.4	8.9	17.9	
FOREIGN TRADE		1979	US \$ million <sup>11</sup>	18 636	15 432	55 428 <sup>7</sup>	55 932	14 616	11 148	97 980	171 516	3 852	792	7 164	72 120	103 032	—	63 624	4 709	13 452	3 480	18 192	27 528	26 472	2 472	90 816	181 800	6 240	
	Exports of goods, fob	»	%	15.4	22.6	51.2	24.6	22.1	26.9	17.2	22.5	10.0	31.7	48.4	22.3	10.3	—	42.7	22.0	28.8	17.1	9.2	25.9	27.9	3.6	22.7	7.7	10.2	
	As percentage of GDP	1974 to 1979	%	4.7	6.5	3.5	4.9	4.1	4.5	5.1	3.0	8.4	10.6	9.7	8.1	5.9	—	3.6	5.1	8.5	6.8	12.0	0.0	4.2	-2.7	4.4	4.1	3.8	
	Average annual volume increase	1979	%	13.7	29.5	55.7	23.6	27.9	27.3	18.7	20.7	24.9	33.1	66.6	24.0	11.1	—	45.1	21.4	29.4	32.1	12.9	26.8	30.8	8.3	25.6	8.8	20.2	
	Imports of goods, cif	1974 to 1979	%	1.7	6.6	3.2	3.2	3.6	-0.2	5.8	7.0	4.9	0.7	8.4	4.7	3.1	—	4.4	-3.2	2.3	0.8	2.6	0.2	4.4	-2.8	3.6	5.8	2.1	
As percentage of GDP	1979	%	13.7	29.5	55.7	23.6	27.9	27.3	18.7	20.7	24.9	33.1	66.6	24.0	11.1	—	45.1	21.4	29.4	32.1	12.9	26.8	30.8	8.3	25.6	8.8	20.2		
	Average annual volume increase	1974 to 1979	%	1.7	6.6	3.2	3.2	3.6	-0.2	5.8	7.0	4.9	0.7	8.4	4.7	3.1	—	4.4	-3.2	2.3	0.8	2							



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