Federal Ministry
Republic of Austria
Finance

Austrian Draft Budgetary Plan 2022

Vienna, October 2021

Contents

1 Introduction

According to Article 4(2) regulation (EU) 473/2013 Draft Budgetary Plans (DBPs) are to be compiled until 15 October each year. The DBPs are supposed to contain the draft budget for the subsequent year for the Federal Government and the main parameters for the other sectors of the state. They have to be published and forwarded to the European Commission (EC) and the Eurogroup.

The Austrian Draft Budgetary Plan 2022 is drafted in accordance with the „Two Pack Code of Conduct". It is based on data from the national accounts (ESA2010), as compiled by Statistics Austria (STAT) as well as calculations and assessments by the Federal Ministry of Finance (BMF) and forecasts by the Austrian Institute of Economic Research (WIFO) from October 2021.

2 Economic Situation in Austria

2.1 Economic development (2020-2022)

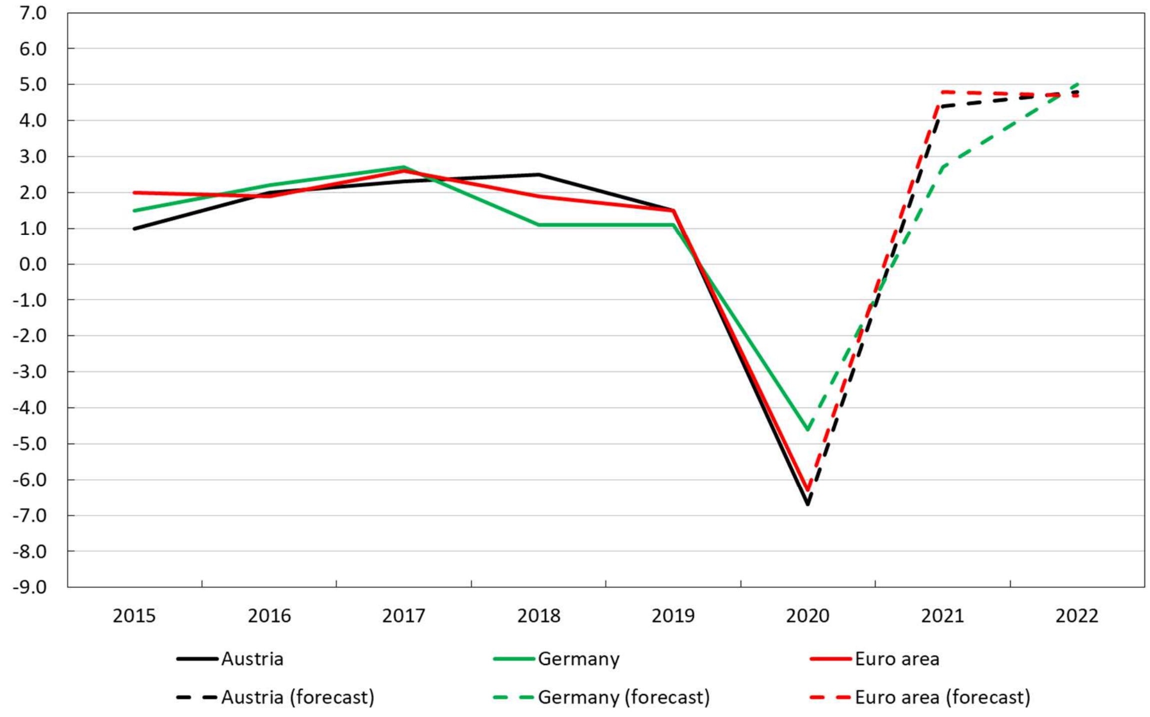
In 2020, the economic development of Austria was shaped by the global COVID-19 pandemic. Last year, real Austrian GDP declined by 6.7 % according to STAT. Due to elevated uncertainty, containment measures by the authorities, and voluntary social distancing, real private consumption declined by 8.5 %. The decline in gross fixed capital formation amounted to -5.2 %. Real exports fell by 10.8 %, with tourism, in particular, suffering from the pandemic. Real public consumption decreased by 0.5 % in 2020.

The number of employed persons decreased by about 79,100 in 2020. Labour supply in Austria expanded by 29,200 persons. The unemployment rate – as defined by Eurostat – increased by 0.9 pp. and amounted to 5.4 %.

In 2020, consumer prices in Austria rose by 1.4 %. This was the lowest inflation rate since 2016. While the development of fuel prices dampened inflation, there were noticeable price increases in the category of housing, water, and electricity. Within this category, actual rents, maintenance and repair of dwellings, and electricity were important price drivers in 2020.

In Germany, Austria's most important trading partner, real GDP declined by 4.6 % in 2020. The difference to the Austrian growth rate can be attributed to the higher importance of tourism-dependent services for the Austrian economy. In the Euro area, real GDP declined by 6.3 %.

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



Left axis: Rate of change over previous year in %
2021 and 2022: WIFO (October 2021)
Sources: BMF, EUROSTAT, WIFO

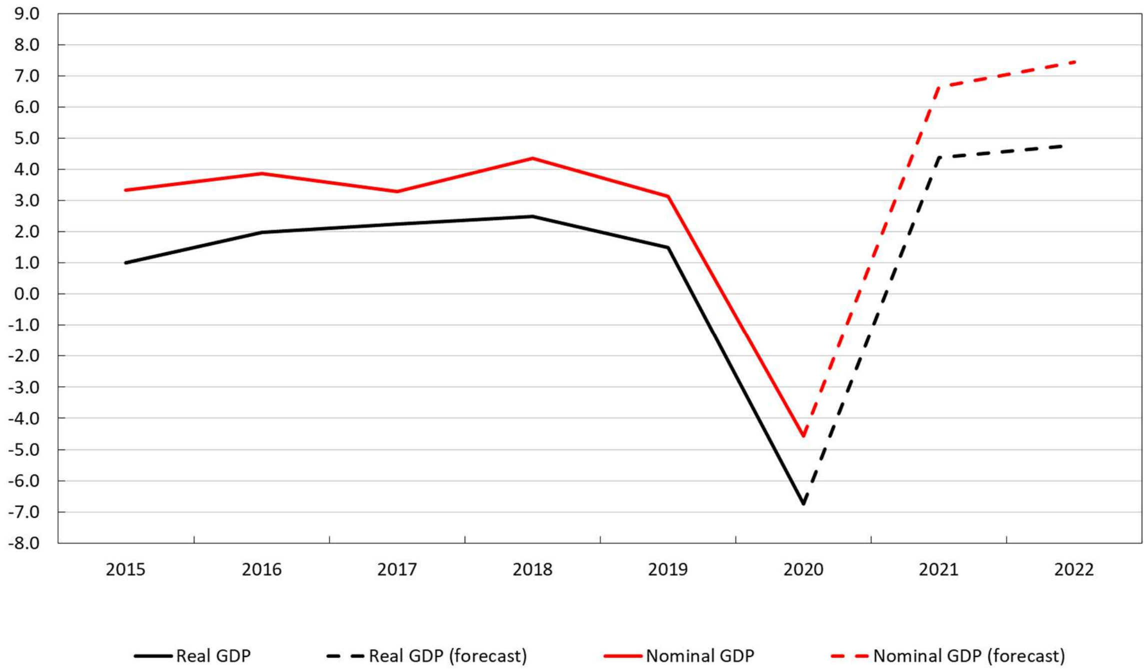
At the beginning of this year, economic activity in Austria was still hampered by the COVID-19 pandemic. The economy was, however, gaining momentum in the second quarter of 2021, which can be attributed to the vaccination progress and the associated lifting in containment measures. According to the weekly economic activity indicator of the WIFO, GDP has been above its pre-crisis level since July 2021. Employment was back to its pre-crisis level already in May 2021. To conclude, the Austrian economy was able to recover much faster from the COVID-19 crisis than previously expected and is in an upswing phase.

The economic recovery is broad-based. On the one hand, a firm expansion in exports and a robust global recovery are supporting the upswing. On the other hand, the upswing of the global economy was unexpectedly early and strong, and therefore, production is lagging behind and supply bottlenecks have emerged. Because of this, the economic environment is also characterized by supply-side frictions such as delivery and capacity bottlenecks in international trade. This is associated with price increases for raw materials and intermediate products as well as material shortages.

The economic recovery in Austria is reflected in the economic sentiment of Austrian businesses. The Economic Sentiment Indicator (ESI) and the Employment Expectations

Indicator (EEI) reached all-time highs this summer. The confidence of Austrian consumers also brightened noticeably in 2021.

Figure 2: Real and nominal GDP growth



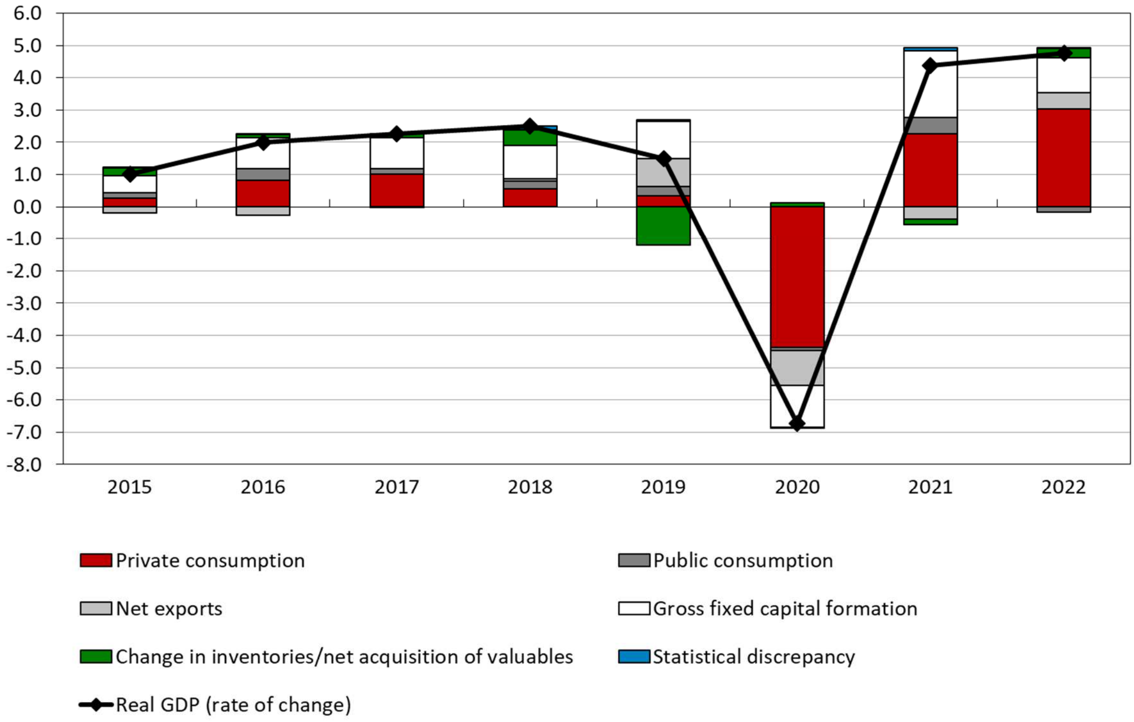
Left axis: Real and nominal GDP (rate of change over previous year in %)
Sources: BMF, STAT, WIFO

On 8 October 2021, the WIFO published a growth forecast for the years 2021 and 2022. According to the WIFO forecast, real private consumption should rise by 4.5 % this year. The positive contribution of private consumption to the GDP growth rate is below its negative contribution to the previous years' growth rate. The opposite is true for gross fixed capital formation, which is estimated to record a considerable increase of 8.2 %. Real public consumption is expected to increase by 2.4 % in 2021. While tourism exports will decline again in 2021, real exports of goods are projected to increase by 12.7 %. Altogether, a growth rate of 8.6 % is forecasted for real exports. At +9.9 %, imports should grow faster than exports.

Overall, real GDP is now forecast to rise by 4.4 % in 2021 and 4.8 % in 2022. The projected growth rate for 2021 is below the growth forecast for the Euro area, but this can be explained by the almost complete cancellation of the winter tourism season at the beginning of this year. Nonetheless, the 2021 growth rate should be higher than in Germany (2.7 %) and Switzerland (3.2 %), respectively.

In 2022, real private consumption is projected to increase by 6.0 %, while government consumption should decline by 0.8 %. The increase in gross fixed capital formation should amount to 4.1 %. Real exports and imports are forecasted to increase by 8.9 % and 8.2 %, respectively.

Figure 3: Contribution to real GDP growth

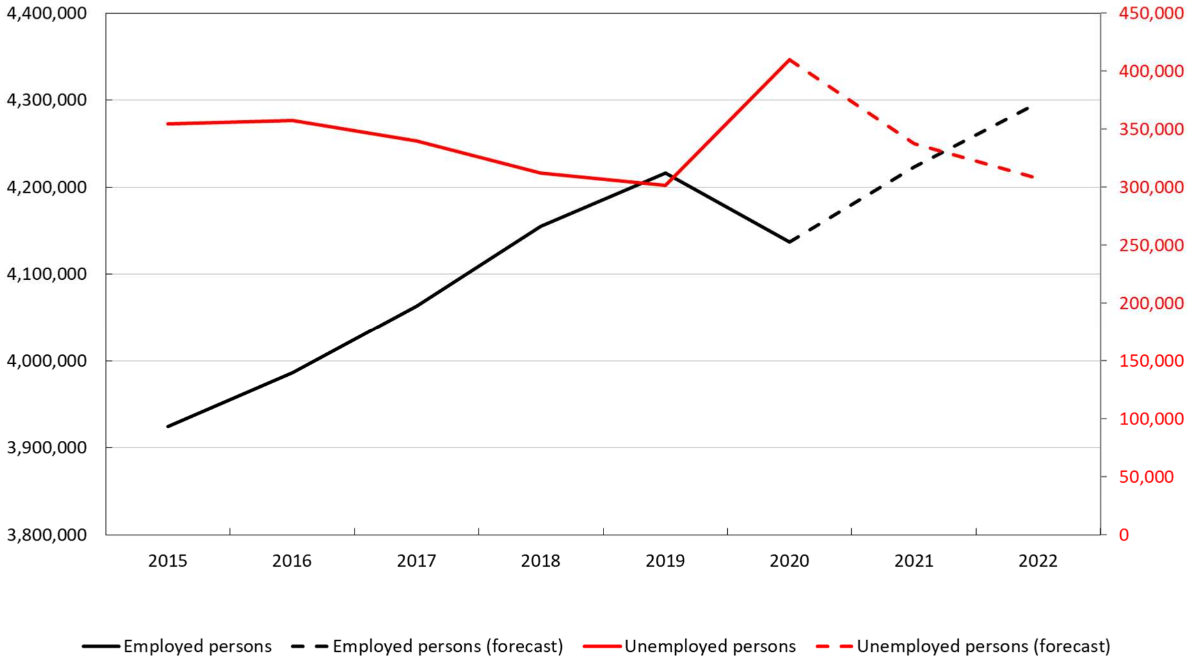


Left axis: Contribution to real GDP growth in percentage points
Sources: BMF, STAT, WIFO

The labour market is benefitting from the economic recovery. In autumn 2021, unemployment was back to its pre-crisis level for the first time since the beginning of the pandemic and the number of vacancies reached a record high. The number of employed persons is expected to increase by 86,000 persons this year. At the same time, the labour supply is projected to rise by 14,000 persons. With the economic recovery, the unemployment rate (national definition) will come down from 9.9 % in the previous year to 8.2 % in 2021. In 2022, the unemployment rate should be back at its pre-crisis level of 2019 (7.4 %). The WIFO has not conducted a forecast for the unemployment rate as defined by Eurostat.

According to the WIFO forecast, consumer prices are expected to increase by 2.8 % this year. Rising energy prices make a significant contribution to this years' inflation rate. For the subsequent year, consumer prices are projected to increase by 3.0 %. The current rise in inflation can, to a significant part, be attributed to temporary factors such as base effects and supply-side disruptions. The expiry of the temporary VAT cut is expected to contribute to the 2022 inflation rate.

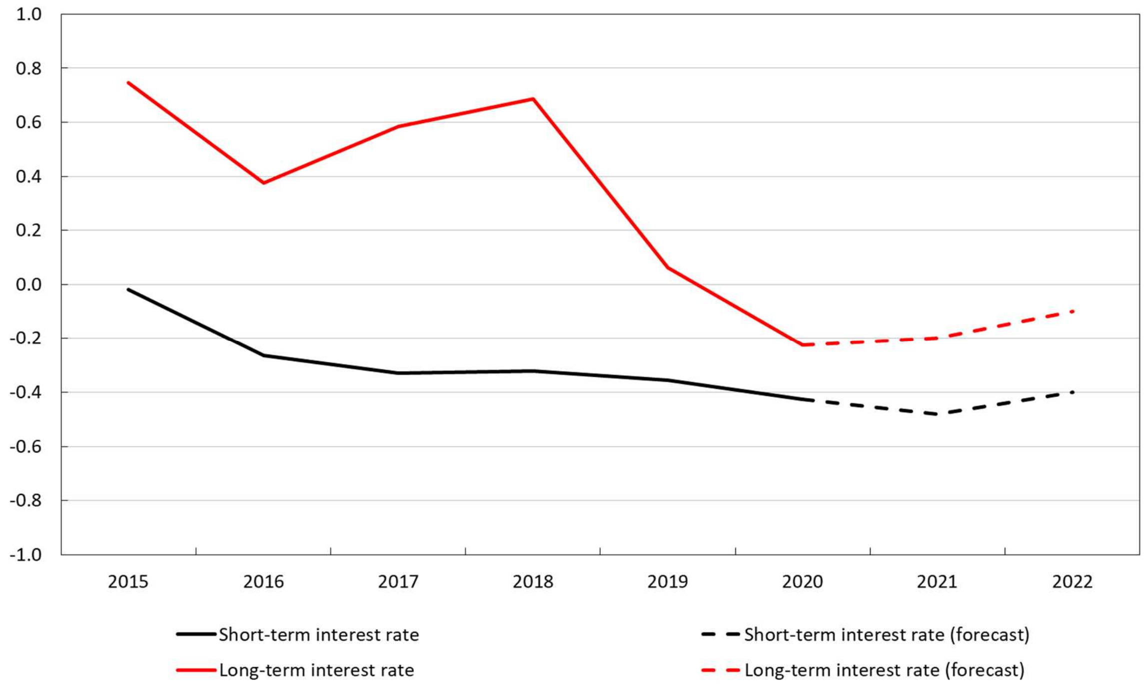
Figure 4: Employed and unemployed persons



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

The short-term and long-term interest rates of Austria have been on a downward trend since 2008. This is due to the measures taken by the European Central Bank (ECB) and the excellent creditworthiness of the Republic of Austria. Short-term interest rates have been negative since 2015, and negative rates of -0.5 % and -0.4 % are expected for 2021 and 2022, respectively. Long-term interest rates fell continuously until 2016, and in 2017 and 2018, the yield curve pointed slightly upward. In 2019, the long-term interest rate turned negative, but its annual average was 0.1 %. After a further decrease in 2020, the WIFO expects a negative long-term interest rate of -0.2 % and -0.1 % in 2021 and 2022, respectively.

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



Left axis: Annual average (in %)
Sources: BMF, WIFO

2.2 Financial sector developments

With respect to financial market developments the year 2020 was also marked by the COVID pandemic. In the spring of 2020 there were severe economic downturns due to the pandemic and the stock markets reacted with short-term sharp price losses in February/March 2020.

Despite the economic turmoil, the global financial markets were relatively resilient overall, and prices only fell sharply at the beginning of the COVID pandemic. Strongly expansionary monetary and fiscal policy measures supported the financial markets and in the course of 2020 hope for the rapid availability of COVID vaccines prevailed.

The year 2021 has also been characterized by positive financial market development so far, after a significant economic recovery was observed in most economies due to COVID easing measures since the second quarter of 2021. However, bottlenecks in materials, commodities and labour as well as persistently high energy prices could subsequently contribute to a weakening of the stock markets.

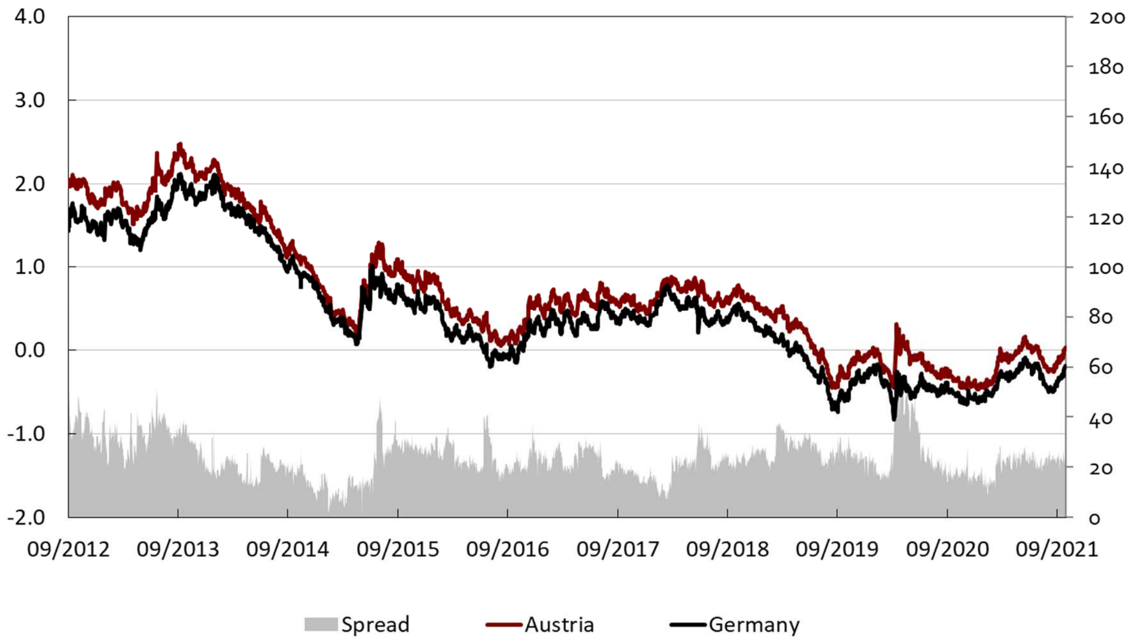
Negative economic and stability risks include further waves of COVID infections, supply restrictions due to material and labour shortages, disruptions in global supply chains, rising inflation expectations, persistently high energy and commodity prices, increased debt in the corporate sector as well as corrections of overvalued stocks and assets.

2.2.1 Long-term interest rates

Long-term Austrian interest rates (10-year government bond yields) have been negative for most of the time since the beginning of 2020. From mid-February 2021 to June 2021 there was an increase in Austrian long-term interest rates due to the improved economic expectations and they turned positive for a short time. From July 2021, long-term interest rates were negative again, as economic expectations weakened somewhat due to material shortages. From September 2021, an upward movement in long-term interest rates was observed again, due to the rising inflation rate in the euro zone and possibly restrictive monetary policy measures.

The spread of the 10-year Austrian yield to the 10-year German yield on government bonds (without maturity adjustment) initially showed a relatively volatile movement since the beginning of the COVID crisis and fluctuated between 30-60 basis points at the first peak of the COVID pandemic from March 2020. From June 2020, the situation calmed down, also due to the economic policy countermeasures that were initiated. In the course of 2021, the spread to Germany has fluctuated between 15-25 basis points and showed only a relatively low level of volatility.

Figure 6: Long-term interest rates and spread



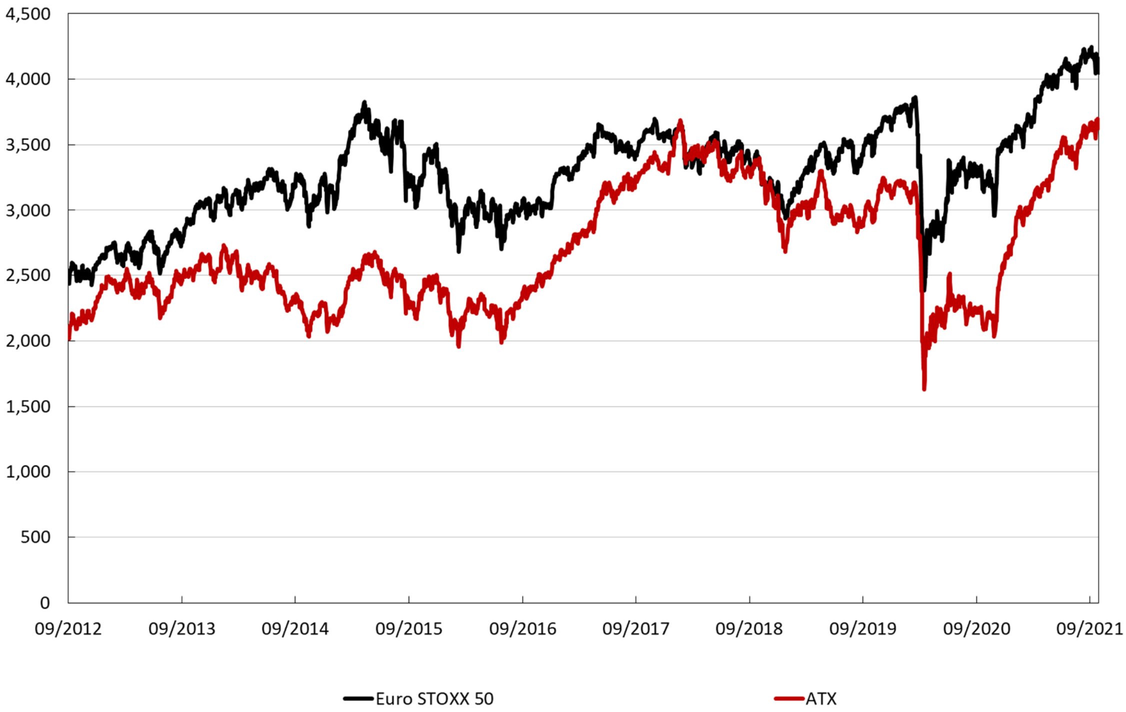
Left axis: Long-term interest rates in %
Right axis: Spread in basis points
Sources: BMF, Macrobond (30 September 2021)

2.2.2 Equity market

The Austrian stock market (ATX) has moved in line with the Euro-Stoxx-50 index in recent years, but the sharp correction of the ATX in March 2020 was stronger than that of the Euro-Stoxx-50. However, the recovery of the ATX in 2021 has so far been more dynamic than that of the Euro-Stoxx-50.

At the end of March 2021, the ATX was back at roughly the level of February 2020. The ATX's recovery has continued in the summer and autumn of 2021, as the Austrian industry showed significant growth rates and the expectation for an ongoing expansive monetary policy supported the financial markets. In September 2021, the ATX was temporarily at its highest level since July 2008. However, persistently high energy and raw material prices could put a strain on the further development of the stock markets.

Figure 7: Equity market performance



Left axis: Index
Sources: BMF, Macrobond (30 September 2021)

2.3 Assessment of the rating agencies

The three largest rating agencies continue to assess the creditworthiness of the Republic of Austria at the second-best grade AA+ (Standard & Poor's, Fitch), and Aa1 (Moody's) respectively. The outlook is considered stable by all three agencies.

Positive factors according to the rating agencies' assessment are the strong political and social institutions, high wealth, the diversified, competitive and export-oriented economy and moderate indebtedness of the private sector. The structure of public debt is favourable, with an average residual maturity of over 10 years and an average interest rate of 1.5 %, and there are no foreign currency risks. Responsible budgetary policy prior to the COVID-19 crisis allowed comprehensive support for affected sectors, which facilitates the swift recovery of the economy.

Compared to "AAA"-rated countries, the public debt stock was high even before the COVID-10 crisis. In addition, high and rising pension expenditure and structural weaknesses (rigidities in the service sector, high tax burden, low employment rate of older workers) are assessed as negative factors. In the aftermath of the current health and economic crisis, the medium-term path of public debt reduction and the structural reform agenda will be the key rating determinants.

2.4 COVID-19: Qualitative description of economic policy measures and their effects

Current macroeconomic indicators suggest that Austria has successfully overcome the economic effects of the COVID-19 crisis in many branches. The labour market has recovered faster than expected, economic activity as a whole is again on or even above the pre-crisis level and the forecast for 2022 is positive as well.

To a large extent, this development was possible because of the COVID-19 vaccination that enabled numerous re-opening steps and travel relaxations since the early summer. The comprehensive economic support measures of the federal government have contributed significantly to the quick and strong recovery after the re-opening steps. The support measures of the federal state and of the banking sectors have strengthened the liquidity of companies and hence maintained the flow of funds in the economy. As a result, an insolvency cascade was prevented, the existence of many firms was secured and hundreds of thousands of jobs were saved. Without any fiscal policy support the crisis effects would have been potentially devastating, entailing a sustained reduction in the potential output of the Austrian economy and subsequently a multi-annual recovery phase.

In a study[1] about the effectiveness of the business support measures in the year 2020, the Austrian Institute of Economic Research (WIFO) concluded that the share of illiquid and hence potentially insolvency-prone firms would have increased to almost 28 % without the support measures. As a result of the comprehensive support measures this value could be reduced to 16 % and matches the figure of a “normal year” without a crisis-induced loss of turnover. Taking in to account the state-guaranteed loans until the end of the year and the economic support measures of the central government, the liquidity gap was closed. Assuming that employees in illiquid firms are at risk of unemployment, an assessment of the labour market effects of the economic support measures can be made as well. Thus, the measures have preserved almost 350,000 jobs until the end of the year.

[1] Kaniovski, S., Pekanov, A., und Url, T. (2021). Ex-post-Analyse der Wirkungen des COVID-19-Maßnahmenpaketes auf die Unternehmensliquidität. WIFO, May 2021.

Overview of the economic support measures: In international comparisons Austria has one of the largest aid packages in relation to GDP; see for instance "IMF COVID measure overview table" as of July 2021. On the revenue side, tax breaks (deferrals), reductions of the advance payments of income tax and corporate tax, the reduced rates of the valued added tax in the accommodation and food service sector or the loss carry-back should be mentioned among others. On the expenditure side, the most important measures were and are, respectively, the short-time work scheme, the various economic support measures of the COFAG, the hardship fund as well as different support measures for the agricultural and forestry sector, the tourism sector, artists and non-profit organizations. The set of measures is completed by relaxations in insolvency law and the suspension of public insolvency petitions.

COFAG: The COVID-19 crisis-management agency COFAG received an amount of 9.1 bn Euro and thereby the largest single volume as of 15 September 2021. Until that day, COFAG received applications for grants amounting to 10.4 bn Euro, while the total volume of approved grants amounted to 8.9 bn Euro, including 3.1 bn Euro for the loss bonus and 2.3 bn Euro for the November-lockdown turnover substitute. By sector, approved grants summed up to 3.7 bn Euro (42.1 %) for the accommodation and food service sector, to 1.6 bn Euro (18,1 %) for the retail sector and 0.5 bn Euro (6.1 %) for the transport and storage sector. In addition, there are state guarantees by the federal government (still outstanding guaranteed amount as of 15 September 2021: 6.3 bn Euro including the OeKB special framework), which however have not yet impacted the federal budget in the form of calls. On an accrual basis according to ESA, expenditure of 6.5 bn Euro is attributed to the year 2020 and further expenditures of 6.5 bn Euro for 2021 and 0.2 bn Euro for 2022 (including called guarantees) are expected.

Short-time work scheme: Up to and including 15 September 2021, another 9.0 bn Euro were allocated to the instrument of the Corona short-time work scheme to cushion the effects on the labour market. Until that day, almost 1.3 m employees have been supported, the approved subsidies amount to 10.3 bn Euro and the actually taken up and paid out subsidies amount to 9.0 bn Euro. Of the paid out amounts 1.9 bn Euro (21.4 %) are allocated to the accommodation and food service sector, 1.8 bn Euro (20.0 %) to the retail sector and 1.7 bn Euro (19.2 %) to the manufacturing sector. On an accrual basis according to ESA, expenditure of 6.2 bn Euro are attributable to the year 2020 and further expenditures of 3.5 bn Euro for 2021 and 0.2 bn Euro for 2022 are expected.

Breakdown of grants by sector

Taking approved COFAG-grants and actually taken up short-time work subsidies together, the total cumulative financial support since the outbreak of the COVID-19-crisis amounts to

17.9 bn Euro as of 15 September 2021. By sector, the approved subsidies as of 15 September 2021 amount to 5.7 bn Euro (31.7 % of totally approved subsidies) for the accommodation and food service sector, to 3.4 bn Euro (19.0 %) for the retail sector and 2.2 bn Euro (12.2 %) for the manufacturing sector.

An important financial support measure for self-employed, one person companies and microenterprises is the **hardship fund** that is operated by the Austrian Economic Chamber (WKO). Until 15 September 2021 2.2 bn Euro have been transferred to WKO, of which the WKO paid out 2.1 bn Euro to beneficiaries in the form of grants. Of the 2.1 bn Euro, 1.5 bn Euro have been paid out to one person companies and the remaining to microenterprises and freelancers. The breakdown by economic sector is based on self-declarations of the applicants. According to that, of the 2.1 bn Euro on paid out grants 0.4 bn Euro each are allocated to the tourism sector/the gastronomy as well as the trade and crafts sector, 0.3 bn Euro to the retail sector and 0.2 bn Euro to social affairs/health/long-term care.

2.5 Recovery and Resilience Facility

The Recovery and Resilience Facility is a 672.5 bn Euro (in prices of 2018) instrument, established at EU level to support the economic recovery following the COVID-19 crisis, to promote the green and digital transition, to mitigate the social impact of the crisis and to increase the resilience of Member States. The relative allocation depends on GDP per capita, population share, unemployment rate and GDP developments in 2020 and 2021. According to current estimates, Austria can expect non-repayable grants amounting to 3.5 bn Euro for the period 2021-2026 from the Facility. The final allocation will be determined in June 2022. To cover the whole range of the amount potentially allocated, the volume of Austria's Recovery and Resilience Plan (ARP) is 4.5 bn Euro.

To receive the funds, Austria has submitted its ARP on 30 April 2021, which was prepared in cooperation with the relevant ministries, taking into account the interests of social partners and other stakeholders, and in close cooperation with the EC. The plan contains reforms and investments in four areas: green transition, digital transition, knowledge-based transition and just transition. It implements key elements of the Government's Programme as well as the 2019 and 2020 EU country-specific recommendations on economic and employment policy and respects the principle to avoid significant harm to environmental targets.

The ARP was endorsed by the ECOFIN Council on 13 July 2021. Following the signing of the Financing Agreement, a pre-financing amounting to 450 m Euro was paid out. Further pay-outs will take place in annual tranches, following the implementation of the milestones and targets agreed for the specific period. All measures in the ARP will be recorded in the federal government budget. This implies that the responsible line ministries are not dependent on the pay-outs by the EC for the implementation and financing of the measures. The line ministries have, however, committed to the timely implementation of the milestones and targets and they have to comply with comprehensive reporting and audit and control requirements.

Austria's ARP is exemplary in several respects: 46 % of the funds will be used for measures that serve climate objectives, 41 % support digital targets, thus significantly exceeding the minimum requirements. The ARP is also very ambitious as regards the implementation of the country-specific recommendations, taking into account the relative allocation.

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

By including measures into the ARP, their implementation becomes mandatory, as non-fulfilment would entail adverse financial consequences for the Republic. The link between funding from the EU level and reforms at the national level has first been established at a large scale with the Recovery and Resilience Facility and it should make EU Member States, in particular the economically weaker ones, stronger, more resilient, greener, more digitalised and fairer. As a small open economy, Austria can be expected to benefit particularly from the expected spillover effects, e.g. via award of contracts to Austrian (construction) firms and the export of green products and technologies. Traditionally strong links to Central and Eastern European Member States with a relatively high allocation from the Facility poses an additional advantage in this regard.

The implementation of the measures included in the Plan lies within the responsibility of the competent ministries. The Ministry of Finance (BMF) assumes a coordinating role. In line with Article 24 of Regulation (EU) 2021/241, Austria will submit a request for payment of the financial contribution to the EC after having fulfilled the agreed milestones and targets. The Council Implementing Decision defines the milestones and targets attached to the respective payment requests. The first payment request will be submitted in 2022. By then, all milestones and targets included in Table 21 shall be achieved. At the moment, it is expected that all milestones and targets relevant for this payment request will be fulfilled.

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

3 Economic and budgetary challenges, goals and strategy

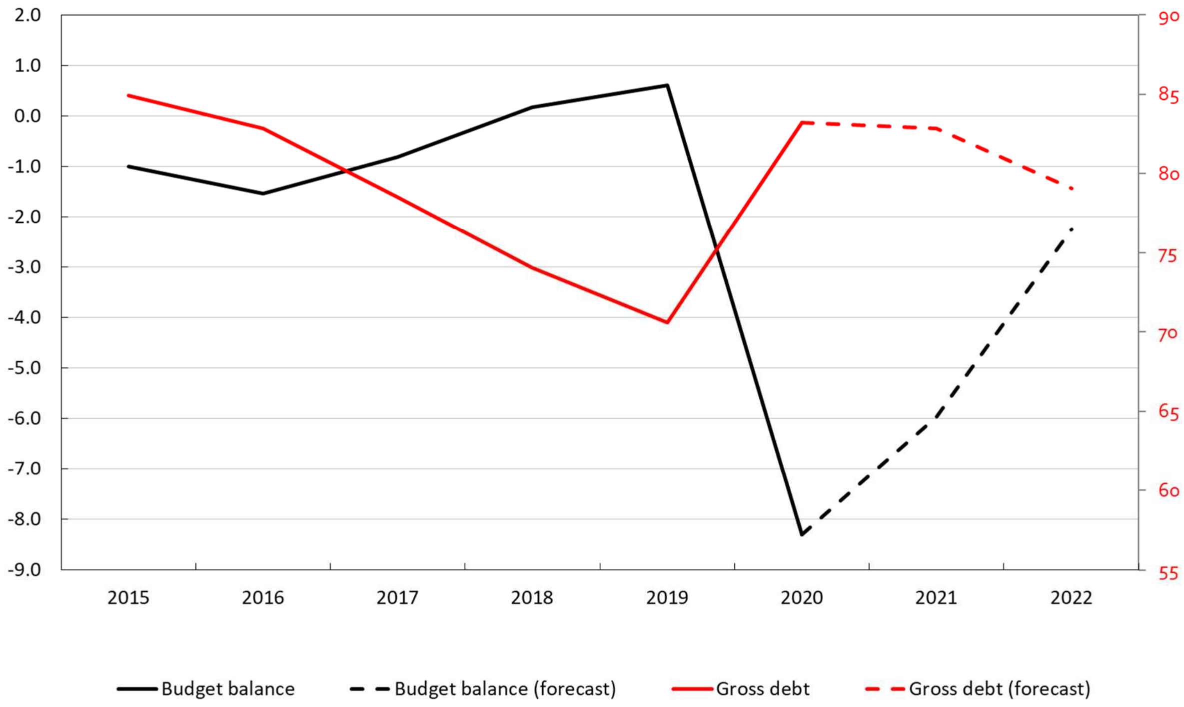
Before the outbreak of the COVID-19 crisis, Austria was well on track to achieve a general government debt level of below 60 % of GDP until the end of the current legislative period. The need to counteract the economic consequences of the crisis and to assume new debt, as well as the massive decline in nominal GDP, temporarily lead to a sharp increase in the debt ratio. Towards the end of 2020, the debt ratio was 83.2 % of GDP, a level close to the historical peak at the end of 2015 (84.9 %).

From the onset of the COVID-19 crisis, economic conditions have improved significantly until today. According to the latest WIFO economic forecast, the economy will grow by 4.4 % in real terms in 2021 and by 4.8 % in 2022. The economic development thus supports a return to sustainable public finances. The federal government's comprehensive COVID-19 crisis management measures to support the corporate sector, the labour market and households help ensure that the recovery takes full effect in 2022 without significant frictional losses.

In 2022, public finances are shaped by the pronounced economic recovery after the COVID-19 crisis and the introduction of the eco-social tax reform. The general government Maastricht balance falls to -2.3 % of GDP in 2022. The Maastricht limit of -3.0 % of GDP will thus be already met again in 2022. Thereby the return to sustainable budgets will already be initiated in the budget year following the last COVID lockdown. The decline in the debt ratio, which already began in 2021, will continue in 2022, with the debt ratio falling by 3.8 pp to 79.1 % of GDP.

Starting from 2022, the Austrian government will implement two key projects from the government program: With the eco-social tax reform, it will relieve the burden on people and on business and initiate the trend reversal toward a more climate-friendly society. The eco-social tax reform represents one of the most thorough changes to the Austrian tax structure in recent decades. In addition to significant relief measures, the introduction of an annually increasing CO2 price will gradually establish true costs for climate-damaging emissions. The Federal Budget also provides for a large number of investment measures in the areas of climate protection, mobility, digitization, research and development, as well as to cushion the longer-term COVID-19 crisis consequences.

Figure 8: General government net lending/net borrowing and gross debt



Left axis: General government net lending/net borrowing (in % of GDP)
Right axis: Gross debt (in % of GDP)
Sources: BMF, STAT, WIFO

3.1 Budget execution in 2020

Before the outbreak of the COVID 19 pandemic, Austria was again planning to achieve a surplus in 2020 after 2018 and 2019. The crisis, however, required high additional spending in the area of health and social policy and it was also necessary to mitigate the economic impact of the lock-down steps taken to contain the infection dynamics by support measures for companies and economic stimulus measures. The sound budgetary policy of recent years created the fiscal space that could be used to cope with the COVID 19 crisis. Relative to its GDP, Austria is one of the EU countries that have implemented the largest and most comprehensive support package for the economy. Despite high budgetary costs, the debt ratio at the end of 2020 remained below the level of the peak in 2015.

Net lending/borrowing: According to Statistics Austria's September notification, the general government Maastricht balance stood at -31.5 bn Euro in 2020, equivalent to -8.3 % of GDP. In historical terms, the deficit is thus significantly higher than during the 2009 financial crisis (5.3 % of GDP). This is due to both high crisis-related revenue shortfalls and comprehensive discretionary spending measures in 2020.

Structural balance: The downturn in 2020 leads to a relatively high positive cyclical effect[2]. Nevertheless, the structural balance is -5.1 % of GDP due to the strongly negative Maastricht result. As the general escape clause of the European Stability and Growth Pact was activated by the EU finance ministers in the light of the crisis at the end of March 2020, member states are allowed to temporarily deviate from the normally applicable budgetary requirements, such as the medium-term target of -0.5 % of GDP for the structural balance as well as a Maastricht deficit of max. 3 % of GDP.

Public debt: In the crisis year 2020, Austria was able to use the fiscal leeway it had built up in previous years to counteract the crisis with an anticyclical budget policy without acutely jeopardizing its credit rating. Despite the high budgetary costs and the massive slump in GDP, the Maastricht debt ratio at the end of 2020 was 83.2 % of GDP, below the peak of 2015 (84.9 % of GDP). Compared with the 2019 level of 70.6 % of GDP, the debt ratio thus increased by 12.7 pp. Of this increase, 3.4 pp are attributable to the decline in GDP (denominator effect) and 9.3 pp (in relation to 2020 GDP) to the increase in debt. In absolute terms, debt increased by EUR 35.1 bn (+12.5 %) from 280.5 bn Euro at the end of 2019 to around 315.6 bn Euro at the end of 2020. In addition to the high general government Maastricht deficit of 33.2 bn Euro, cash tax deferrals and a liquidity build-up, also contributed to this increase. As in recent years, the reduction in debt of the bad banks had an offsetting and thus debt-reducing effect, although this effect is steadily diminishing.

Revenues: In total, general government revenues declined by 5.4 % compared with 2019. However, the government revenue ratio fell by only 0.4 pp to 48.7 % of GDP due to the slump in nominal GDP. General government revenues are down sharply in 2020, due to the crisis-related revenue shortfall but also due to the comprehensive relief measures taken by the federal government to support particularly hard-hit sectors, families and low-income earners. In addition to the reductions in advance payments of income and corporate tax, the main measures are the reduction of the first income tax bracket with retroactive effect from 1 January 2020 including the increase in the social security benefit refund, the loss carry-back and the partly temporary tax relief in the catering sector.

Expenditures: Compared with 2019, general government spending increased by around 12.1 %. As nominal GDP also declined sharply in 2020, the government expenditure ratio rose by 8.5 pp to 57.1 % in 2020. In 2020, the numerous rescue and stimulus packages to cope with the COVID-19 crisis included, in particular, temporary measures such as the short-time work scheme, fixed cost allowance I and 800,000 as well as November and December lockdown

[2] The cyclical effect (-0.571*output gap) corrects for the impact of the business cycle on the balance. The output gap is the difference between GDP and potential GDP (in % of potential GDP).

turnover-substitute, the hardship fund, the child bonus, the NPO support fund, one-off payments to the unemployed or all expenditures for health measures cause a strong but temporary increase. As a result of the slump in economic activity, the automatic stabilizers cause increased payments for unemployment insurance and emergency unemployment assistance in particular.

State, local government and social security funds: State and local governments also recorded large Maastricht deficits in 2020 as a result of the impact of the COVID-19 crisis. According to Statistics Austria's calculations, the Maastricht balance at the state level amounted to -2.0 bn Euro (-0.5 % of GDP) and at the municipal level to -0.9 bn Euro (-0.2 % of GDP). Here, too, there was a crisis-induced decline in revenue (state level -2.6 %, municipal level -1 % compared with 2019). The revenue decline resulted in particular from lower tax revenue shares. The development of the social security sector is also impacted by the COVID-19 crisis, although the cost absorption by the federal government for short-time work dampens the decline in social security contribution revenues. Overall, the social security sector nevertheless shows an almost balanced budget of 0.0 % of GDP in 2020.

3.2 Budget in 2021

In 2021, public budgets will still be affected by the budgetary effects of the COVID 19 crisis. However, compared with the economic forecasts at the time of the budget amendment in April 2021, an extraordinary economic recovery has occurred (real economic growth of 4.4 %). This has positive effects on the labour market, private consumption and corporate profits and consequently also leads to significant improvements in tax revenues. However, budget execution in 2021 continues to be dominated by fiscal measures to tackle the crisis and support the economy. This results in a still considerable budget deficit, while the debt ratio is already starting to decline.

Net lending/borrowing: Due to many temporary crisis management measures such as the fixed cost subsidy, loss carry-back or short-time work scheme, the general government balance will continue to be clearly negative. Based on current assumptions about the utilization of support measures and assuming that the pandemic does not result in any further severe restrictions on economic activity until the end of the year, the general government Maastricht balance for 2021 is expected to be -6.0 % of GDP. This already reflects a significant improvement compared with -8.3 % of GDP in 2020.

Structural balance: The structural balance represents a balance adjusted for the business cycle and stands at -4.4 % of GDP. Compared with the cyclical estimates in April 2021, the gap to the economy's potential is narrowing, but is still negative overall. This leads to a cyclical correction of +1.6 pp relative to the Maastricht balance.

Public debt: The budgetary impact of the COVID-19 crisis put an abrupt end to the continuous decline in the general government debt ratio that started in 2016. In 2020, the debt ratio increased to 83.2 % of GDP. Despite a substantial deficit in 2021, the strong economic recovery will result in an already slightly declining debt ratio of 82.8 % of GDP (or 335.0 bn Euro).

Expenditures: On the expenditure side, the extensions and increases of some COVID-19 measures to address the crisis, such as in particular the short-time work scheme and grants to enterprises, continue to have an impact in 2021. In particular, COVID-19 measures in the health sector, such as vaccinations, tests, protective equipment, as well as cost for reimbursements for staff (e.g. vaccination and testing staff) and the provision of infrastructure, gain importance in 2021, especially in the ESA categories intermediate consumption and social benefits in kind. At 54.8 % of GDP (and 221.8 bn Euro), the expenditure ratio remains well above the pre-crisis level of 48.6% of GDP in 2019.

Revenue: Relief measures from 2020 to provide financial support to industries hit particularly hard by the COVID-19 crisis, as well as to low-income earners, continue to have an impact in 2021. These include the reduction in VAT for accommodation and food service industries, the loss carry-back and the reduction in the first income tax bracket. Tax deferrals can be settled depending on the respective economic situation of the companies. The positive development of gross wages causes a strong growth of the wage tax, which already exceeds the 2019 level. Strong private consumption is reflected in high VAT revenues and corporate income tax is also significantly rising again towards its pre-crisis level.

General government revenues rise to 197.6 bn Euro, already exceeding the pre-crisis level in 2019 overall. The revenue ratio is 48.8 % of GDP, and has improved only slightly compared with the previous year due to the sharp rise in GDP in the denominator of the ratio.

State, local government and social security funds: In contrast to 2020, which was overshadowed by the COVID 19 crisis, the economic recovery in 2021 is also having an impact on state and local governments. On the revenue side, there is already a noticeable increase in revenue shares, and income from own taxes such as municipal taxes is also developing in line with the economic recovery. In total, a Maastricht deficit of 0.2 % of GDP is expected for the provincial and municipal levels (individually: provinces -0.149% of GDP, municipalities -0.049% of GDP).

The development of the social security sector was also affected by the COVID-19 crisis, although the federal government's short-time work scheme dampened the decline in contribution revenues of the social insurance institutions. As employment, which secures contribution revenues, is already recovering well in 2021, the social security sector already shows a Maastricht balance of 0.0% of GDP in 2021.

3.3 Development of public budgets 2022

General government development in 2022 is shaped by the pronounced economic recovery after the COVID-19 crisis and the introduction of the eco-social tax reform. The WIFO forecasts a continuation of the economic upturn from 2021 in 2022, with even stronger nominal growth of 7.4 % (real growth 4.8 %). Positive effects are expected in the labour market and in private consumption. This confirms that the federal government's comprehensive COVID-19 crisis management measures have provided sufficient support for the corporate sector, the labour market and household income, so that the upswing can take full effect in 2022 without substantial frictional losses.

Net lending/borrowing: The Maastricht balance in 2022 is forecasted at -2.3 % of GDP or 9.8 bn Euro. This means that the Maastricht limit of -3.0 % will already be met in 2022. The return to sustainable budgets has thus already been initiated in the budget year following the last COVID lockdown.

Structural balance: Assuming that the COVID-19 pandemic will continue to be under control next year, a strong recovery in economic activity is assumed in 2022. The economic recovery is strong enough to exceed potential output in 2022, turning the output gap positive. The Maastricht balance has to be corrected for a cyclical effect of -0.3 % of GDP, resulting in a structural balance of -2.5% of GDP.

Public debt: The decline in the debt ratio, which had already begun in 2021, will continue in 2022. Despite an absolute increase in the debt level, the good nominal economic growth and the moderate deficit result in a considerable decline in the debt ratio by 3.8 pp to 79.1 % of GDP.

Revenues: Compared to 2021, general government revenues are expected to grow by remarkable 6.2 %. This positive revenue development will be shaped by three main factors in 2022:

- A particularly dynamic development of production and import levies (especially VAT revenues) supported by a very high increase in nominal private consumption.

- State-owned enterprises (especially public railways, theatres and museums) achieving significantly higher capacity utilization than in the previous years affected by COVID 19 lockdowns

- The tax measures of the eco-social tax reform taking effect in 2022 have an overall dampening effect on revenues. Although the CO2 price already leads to the first revenues in the second half of 2022, the relief measures predominate (table 16).

Expenditures: General government spending declines by 0.9 % to a level of 219.7 bn Euro in 2022, causing the government spending ratio to normalize towards 50 % of GDP (50.6 % of GDP).

The reason for this development is the expiration of very extensive expenditure-side COVID-19 support measures, such as the fixed-cost subsidy and the turnover substitute for companies. Although some crisis management measures continue to exist, their endowments are significantly lower than in the crisis years (short-time work or the NPO fund). In addition, the declining interest expenditure burden supports government budgets. The investment premium leads to a sharp increase in capital transfer expenditure.

State, local government and social security: Similar to the case of the federal government, the budgets of the state and local government sector continue to recover from the effects of the COVID-19 crisis in 2022. Revenue shares continue to develop positively, while expenditure dynamics are expected to stagnate. The Maastricht balance for state and local governments is expected to improve by 0.2 pp compared with 2021, amounting to 0.0 % of GDP. The social security sector will also benefit from the forecasted economic recovery in 2022. The planned reduction in health insurance contributions (as part of the eco-social tax reform) will be offset by the federal government, and the result of the social security sector will therefore be balanced according to the current assessment.

3.4 Macroeconomic and budgetary forecasts in accordance with EU law

The Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States provides that the macroeconomic and budgetary projections are to be compared with the most recent forecasts of the Commission and, where appropriate, with those of other independent bodies.

Table 22 in the annex presents this comparison.

In addition, macroeconomic forecasts and budgetary projections shall be regularly subject to an unbiased assessment based on objective criteria and including an ex-post evaluation. In October 2018 such an evaluation was last carried out by the Office of the Fiscal Council on behalf of the Fiscal Council for the period 2005 to 2017.[3] The next evaluation is scheduled to take place in December 2021.

[3] Fiskalrat (2018), "Evaluation of economic forecasts for Austria for the years 2005 to 2017", October 2018

4 Comprehensive fiscal rules

One of the key elements to safeguard the pace of fiscal consolidation is the Austrian Internal Stability Pact, stipulating multiple fiscal rules for all levels of government (Public Law Gazette I No. 30/2013). The agreement covers the following key issues:

- Rule on a structurally balanced general government budget (“debt brake”), with the structurally balanced budget defined as a structural general government deficit not below -0.45 % of GDP
- Rule on the allowed annual expenditure growth (expenditure brake)
- Rule on public debt reduction as defined in ESA terms (adjustment of the debt ratio)
- Rule on ceilings for public guarantees, whose implementation was harmonised in the course of the negotiations on intergovernmental fiscal relations in 2017. From 2019, the maximum amount of guarantees by the Central Government and the states is limited to 175 % of the revenues of the entity, while for municipalities it is limited to 75 % of revenues
- Rules to strengthen budgetary coordination and medium-term budgetary planning of all governments, mutual exchange of information and transparency

Compliance with the fiscal rules is ensured by adequate sanctions.

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

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

The Austrian Fiscal Advisory Council was legally entrusted to monitor compliance with the European fiscal rules in Austria. It monitors the budget targets in accordance with guidelines, makes recommendations and, if necessary, points out adjustment paths. The Federal Government, the social partners, the Intergovernmental Fiscal Relations Partners, the Austrian

National Bank and the budget service of the National Council appoint members to the council who are adequately skilled and autonomous. With respect to fiscal surveillance, the Austrian Fiscal Advisory Council plays an essential role in strengthening budgetary discipline in the Federal Government, in the federal states and in the municipalities.

5 Annex

Table 1: Basic assumptions

	2020	2021	2022
Short-term interest rate (annual average)	-0.4	-0.5	-0.4
Long-term interest rate (annual average)	-0.2	-0.2	-0.1
USD/EUR exchange rate (annual average)	1.1	1.2	1.1
Nominal effective exchange rate	1.6	0.8	-0.1
Real GDP growth (World excluding EU)	-2.8	5.9	4.7
Real GDP growth (EU)	-5.9	4.9	4.7
Growth of relevant Austrian foreign markets	-6.1	11.0	6.0
Import volumes (World excluding EU)	-	-	-
Oil prices (Brent, USD/barrel)	41.7	68.5	69.0

Positions may not sum up due to rounding errors.

Source: WIFO

Table 2: Macroeconomic prospects

		2020	2020	2021	2022
	ESA Code	in bn €			rate of change
1. Real GDP	B1*g	348.4	-6.7	4.4	4.8
2. Potential GDP		369.4	1.0	1.3	1.4
3. Nominal GDP	B1*g	379.3	-4.6	6.6	7.4
					Components of real GDP
4. Private final consumption expenditure	P.3	174.9	-8.5	4.5	6.0
5. Government final consumption expenditure	P.3	71.4	-0.5	2.4	-0.8
6. Gross fixed capital formation	P.51g	88.1	-5.2	8.2	4.1
7. Changes in inventories and net acquisition of valuables (in % of GDP)	P.52 + P.53	2.1	26.2	-26.3	60.5
8. Exports of goods and services	P.6	191.6	-10.8	8.6	8.9
9. Imports of goods and services	P.7	180.6	-9.4	9.9	8.2
					Contributions to real GDP growth
10. Final domestic demand			-5.8	4.8	3.9
11. Changes in inventories[1)]	P.52 + P.53		0.1	-0.1	0.3
12. External balance of goods and services	B.11		-1.1	-0.4	0.5

1) incl. net acquisition of valuables and statistical discrepancy

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 3: Price developments

	2020	2021	2022
			rate of change
1. GDP deflator	2.3	2.2	2.5
2. Private consumption deflator	1.4	2.9	3.0
3. CPI	1.4	2.8	3.0
4. Public consumption deflator	4.4	2.4	3.2
5. Investment deflator	1.8	3.8	2.4
6. Export price deflator (goods and services)	-0.8	2.4	0.9
7. Import price deflator (goods and services)	-1.7	4.1	1.3

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 4: Labour market developments

	ESA Code	2020 Level	2020 rate of change	2021 rate of change	2022 rate of change
1. Employment, persons		4,137,033	-1.9	2.1	1.8
2. Employment, hours worked (in m)		6,715.3	-8.7	6.4	3.8
3. Unemployment rate, EUROSTAT definition		243,000	5.4	-	-
4. Labour productivity, persons		84,206.2	-5.0	2.3	3.0
5. Labour productivity, hours worked		51.9	2.1	-1.9	0.9
6. Compensation of employees (in m Euro)	D.1	192,219.9	-0.4	4.0	5.2
7. Compensation per employee		46,463.2	1.5	1.9	3.4

Positions may not sum up due to rounding errors.

Sources: BMF, EUROSTAT, STAT, WIFO

Table 5: Sectoral balances

	ESA Code	2020 in % of GDP	2021 in % of GDP	2022 in % of GDP
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	1.9	-0.1	0.0
2. Net lending/borrowing of the private sector	B.9	10.2	5.9	2.3
3. Net lending/borrowing of the general government	B.9	-8.3	-6.0	-2.3
4. Statistical discrepancy		-0.1	0.0	0.0

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 6: Budgetary targets

	ESA Code	2020	2021	2022
		in % of GDP		
		Net lending/net borrowing by sub-sector		
1. General government	S.13	-8.3	-6.0	-2.3
2. Central government	S.1311	-7.5	-5.8	-2.2
3. State governments (excl. Vienna)	S.1312	-0.5	-0.1	0.0
4. Local governments (incl. Vienna)	S.1313	-0.2	0.0	0.0
5. Social security funds	S.1314	0.0	0.0	0.0
6. Interest expenditure	D.41	1.3	1.1	0.9
7. Primary balance		-7.0	-4.9	-1.3
8. One-off and other temporary measures		0.0	0.0	0.0
9. Real GDP growth		-6.7	4.4	4.8
10. Potential GDP growth		1.0	1.3	1.4
11. Output gap		-5.7	-2.8	0.5
12. Cyclical budgetary component		-3.3	-1.6	0.3
13. Cyclically-adjusted balance		-5.1	-4.4	-2.5
14. Cyclically-adjusted primary balance		-3.7	-3.3	-1.6
15. Structural balance		-5.1	-4.4	-2.5

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 7: General government debt developments

	ESA Code	2020	2021	2022
		in % of GDP		
1. Gross debt		83.2	82.8	79.1
2. Change in gross debt ratio (in %)		12.7	-0.4	-3.8
		Contributions to changes in gross debt		
3. Primary balance		-7.0	-4.9	-1.3
4. Interest expenditure	D.41	1.3	1.1	0.9
5. Stock-flow adjustment		1.0	-1.2	-0.3
p.m.: Implicit interest rate on debt		1.6	1.4	1.2

Positions may not sum up due to rounding errors.

Source: BMF

Table 8: Contingent liabilities

	2020	2021	2022
			in % of GDP
Public guarantees	19.1	17.3	16.4
of which: Central government[1)]	14.3	13.0	12.4
of which: linked to the financial sector[2)]	0.2	0.1	0.1
of which: State and Local governments	4.8	4.3	3.9
of which: linked to the financial sector[2)]	1.4	1.2	1.1

1) Guarantees for exports without double count of funding guarantees.

Without liabilities for EFSF as well as without liabilities for euro coins towards Austrian Mint. SURE and EGF included as of 2020.

According to ESA 2010 liabilities for SchiG, ÖBB according to BFG as well as those of ÖBB Infrastruktur AG and ÖBB Personenverkehr AG according to EurofimaG are included in the public sector and will here not be included in order to avoid double count.

Forecasts are based mainly on statistical values resulting from percentage change in history and are not based on political decisions.

2) Without double count of liabilities for KA Finanz AG, HETA, immigion and Kärtner Ausgleichszahlungsfonds or bank deposit insurance.

Positions may not sum up due to rounding errors.

Sources: BMF, State governments, STAT, WIFO

Table 9: Budgetary prospects

	ESA Code	2020	2021	2022
		in % of GDP		
		General government		
1. Total revenue	TR	48.7	48.8	48.3
1.1. Taxes on production and imports	D.2	13.7	13.4	**13.5**
1.2. Current taxes on income, wealth etc.	D.5	12.7	13.7	13.6
1.3. Capital taxes	D.91	0.0	0.0	0.0
1.4. Social contributions	D.61	16.1	15.7	15.2
1.5. Property income	D.4	0.8	0.7	0.6
1.6. Other		5.5	5.4	5.4
p.m.: Tax burden		42.6	42.9	42.4
2. Total expenditure	TE	57.1	54.8	50.6
2.1. Compensation of employees	D.1	11.4	11.0	10.6
2.2. Intermediate consumption	P.2	6.8	7.1	6.6
2.3. Social payments	D.62, D.632	24.6	23.8	22.5
of which: Unemployment benefits1)		1.7	1.4	1.2
2.4. Interest expenditure	D.41	1.3	1.1	0.9
2.5. Subsidies	D.3	5.0	4.0	1.6
2.6. Gross fixed capital formation	P.51g	3.4	3.3	3.3
2.7. Capital transfers	D.9	0.7	0.9	1.3
2.8. Other		3.8	3.7	3.7

1) Cash values

Positions may not sum up due to rounding errors.

Source: BMF

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

	ESA Code	2020	2021	2022
		in % of GDP		
		General government		
1. Total revenue	TR	48.7	48.8	48.6
1.1. Taxes on production and imports	D.2	13.7	13.4	13.4
1.2. Current taxes on income, wealth etc.	D.5	12.7	13.7	13.8
1.3. Capital taxes	D.91	0.0	0.0	0.0
1.4. Social contributions	D.61	16.1	15.7	15.3
1.5. Property income	D.4	0.8	0.7	0.6
1.6. Other		5.5	5.4	5.5
p.m.: Tax burden		42.6	42.9	42.7
2. Total expenditure	TE	57.1	53.9	49.5
2.1. Compensation of employees	D.1	11.4	11.0	10.5
2.2. Intermediate consumption	P.2	6.8	6.9	6.4
2.3. Social payments	D.62, D.632	24.6	23.7	22.4
of which: Unemployment benefits[1)]		1.7	1.4	1.2
2.4. Interest expenditure	D.41	1.3	1.1	0.9
2.5. Subsidies	D.3	5.0	3.1	1.5
2.6. Gross fixed capital formation	P.51g	3.4	3.3	3.3
2.7. Capital transfers	D.9	0.7	1.2	1.2
2.8. Other		3.8	3.7	3.3

1) Cash values

Positions may not sum up due to rounding errors.

Source: BMF

Table 11: Amounts to be excluded from the expenditure benchmark

	2020	2020	2021	2022
	in bn €		in % of GDP	
1. Expenditure on EU programmes fully matched by EU funds revenue	0.3	0.1	0.2	0.3
of which investments fully matched by EU funds revenue	0.2	0.0	0.0	0.1
2. Cyclical unemployment benefit expenditure at unchanged policies	0.8	0.2	-	-
3. Effects of discretionary revenue measures	-5.1	-1.3	-0.6	0.1
4. Revenue increases mandated by law	0.0	0.0	0.0	0.0

Positions may not sum up due to rounding errors.

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

Discretionary revenue measures are presented as incremental changes.

Sources: BMF, STAT, WIFO

Table 12: Quarterly budgetary execution in accordance with ESA standards (in million Euro)

		2021	Q1	Q2
	ESA Code			
1. Net lending/net borrowing	S.13		-9,829	-4,046
2. Total revenue	TR		43,553	50,996
3. Total expenditure	TE		53,382	55,042

Positions may not sum up due to rounding errors.

Source: STAT

Table 13: Divergence from the latest Stability Programme (April 2021)

	ESA Code	2020	2021	2022
			in % of GDP	
General government net lending/net borrowing	B.9			
SP April 2021		-8.9	-8.4	-4.3
DBP October 2021		-8.3	-6.0	-2.3
Difference		*0.5*	*2.4*	*2.0*
General government net lending/net borrowing ("No-policy change"-assumption)				
SP April 2021		-	-	-
DBP October 2021		-8.3	-5.1	-0.9
Difference		-	-	-
Gross debt				
SP April 2021		83.9	89.6	88.1
DBP October 2021		83.2	82.8	79.1
Difference		*-0.7*	*-6.8*	*-9.1*
Gross debt ("No-policy change"-assumption)				
SP April 2021		-	-	-
DBP October 2021		83.2	81.9	76.9
Difference		-	-	-
Structural balance	B.9			
SP April 2021		-6.4	-6.3	-4.2
DBP October 2021		-5.1	-4.4	-2.5
Difference		*1.4*	*1.9*	*1.7*

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 14: County specific recommendations

See: European Semester – Documents under

https://www.bundeskanzleramt.gv.at/dam/jcr:39588d83-dbf0-43ef-a7a5-36b43f62f2ef/csrs_2019_cesar_aktualisierung_september%202021.pdf

https://www.bundeskanzleramt.gv.at/dam/jcr:9df7c675-e3ff-463b-8fa6-95f7d823131c/csrs_2020_cesar_aktualisierung_september%202021.pdf

https://www.bundeskanzleramt.gv.at/dam/jcr:64940fa4-5bbb-4197-bb14-a29100a4cc4f/Fiskalische_CSRs_2021_Aktualisierung_September_2021.pdf

Table 15: Discretionary measures (in million Euro)

		2020	2021	2022
Measures[1)]	**ESA Code**		**Budgetary impact**	
Selected measures				
COFAG (fixed-cost subsidy, turnover substitute, guarantees, ...)[2)]	D.3 (D.9)	6,500	6,500	200
Short-time work scheme[2)]	D.3	6,177	3,473	200
NPO support fund[2)]	D.7	242	595	250
Medical equipment, masks, tests	P.2	350	461	26
Special Purpose Grants Act (1450, Protective equipment, health infrastructure)	P.2	363	1,172	291
Vaccination programme	P.2	22	325	529
Test strategy tourism, testing in companies	P.2/D.3	44	273	-
Epidemic Law	P.2 (D.62)	100	768	200
Hardship fund[2)]	D.62	896	1,491	-
One-time payment for unemployed	D.62	365	-	-
Increase in unemployment assistance	D.62	90	60	-
Family hardship compensation	D.62	130	100	10
Child bonus	D.62	665	-	-
Support for artists and cultural institutions	D.62	78	102	-
Long-term care fund/dedicated long-term care subsidy, dementia pilot projects	D.62/D.63	150	100	-
Nursing education project, community nursing	D.7/D.1	-	-	68
Transfers to Social Security Funds (vaccination and test staff)	D.63	-	653	250
Municipal Investment Act	P.5	261	600	139
Economic stimulus package: Expansion of public transport for federal, state and local governments	P.5	-	100	100
Investment premium[3)]	D.9	25	399	1,522
Domestic environmental subsidies and new renovation campaign	D.9	31	187	303
Expansion of renewable energies	D.9	-	82	62
Universities (increase of funds 2022-2024)	D.1/P.2	-	-	390
Forestry Package/Forest Fund Act	D.3	-	120	103
Environmental protection, climate-friendly industries	D.3	50	100	100
Electro mobility	D.3	20	30	81
Medical research, and hydrogen cluster	D.3	-	60	31
Research institutions (ISTA, ÖAW, FWF, ...)	D.7	-	70	80
Corona active labour market program[2)3)]	D.3/P.2 (D.62)	266	209	127
Labour program for long term unemployed (Sprungbrett)	D.3	-	-	250
Protection against violence (women, antiterror, extremism prevention)	D.1/P.2	-	-	97
Loss carry-back	D.5 (revenues)	2,000	2,000	1,000
VAT reduction in the gastronomy, hotel industry, masks etc.	D.2 (revenues)	630	1,570	250
Gastronomy package: tax exemption meal vouchers, flat rate for restaurants	D.2 (revenues)	63	225	225
Introduction of declining-balance depreciation	D.5 (revenues)	-	280	1,220
Wage tax: reduction of the first tax bracket from 25 % to 20 %	D.5 (revenues)	1,375	1,825	1,700
Home office package	D.5 (revenues)	50	100	150
TOTAL		**20,943**	**24,029**	**9,953**
in % of GDP		**5.5**	**5.9**	**2.3**

1) Excluding measures financed by RRF, except Investment premium and Corona active labour market program. Table includes only federally funded measures.

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

3) including RRF

Source: BMF

Table 16: Eco-social tax reform (in million Euro)

	ESA Code	2022	2023	2024	2025
CO2 Pricing	D.2 (revenues)	**500**	**1,000**	**1,400**	**1,700**
Relief measures for employees	-	**-2,725**	**-4,803**	**-5,775**	**-6,247**
Regional climate bonus	D.7	-1,250	-1,300	-1,400	-1,500
Reduction of health insurance contributions	D.61 (revenues)	-600	-1,100	-1,150	-1,200
Reduction of 2nd income tax bracket from 35 % to 30 %	D.5 (revenues)	-750	-1,750	-2,050	-2,150
Reduction of 3rd income tax bracket from 42 % to 40 %	D.5 (revenues)	0	-200	-500	-600
Family Bonus Plus 2,000 Euro & 650 Euro, resp. (children above 18)/additional child allowance 450 Euro	D.5 (revenues)	-75	-350	-525	-600
Allowance for profit-sharing of employees	D.5 (revenues)	-50	-75	-100	-125
Hire-purchase model for non-profit housing (VAT assessment base period 10 years)	D.2 (revenues)	0	-8	-10	-12
Tax incentives concerning boiler replacements and thermal renovation	D.5 (revenues)	0	-20	-40	-60
Relief measures for businesses	**-**	**-175**	**-300**	**-1,130**	**-1,510**
(Green) Investment tax allowance	D.5 (revenues)	0	0	-350	-350
Own electricity-exemption for renewable energy	D.2 (revenues)	-25	-50	-55	-60
Reduction of corporate tax to 24 % and 23 %, resp.	D.5 (revenues)	0	0	-300	-700
Increase of basic tax-free allowance from 13 % to 15 %	D.5 (revenues)	0	-50	-50	-50
Increase of limit for low-value assets to 1,000 Euro	D.5 (revenues)	0	0	-150	-100
Carbon leakage, Hardship-regulation, further measures	D.2 (revenues)	-150	-200	-225	-250
Relief measures for agriculture	-	**-55**	**-60**	**-65**	**-70**
Refund agricultural sector	D.2 (revenues)	-30	-35	-40	-45
Promotion of energy self-sufficient farms (direct funding)	D.3	-25	-25	-25	-25
Other climate protection measures	-	-190	-130	0	0
Clean heating campaign: Out of oil/gas (direct funding)	D.3	-90	-90	0	0
Boiler replacement for low-income households (direct funding)	D.3	-40	-40	0	0
Thermal renovation multi-storey housing (direct funding)	D.3	-60	0	0	0
Eco-social tax reform		**-2,645**	**-4,293**	**-5,570**	**-6,127**
Revenue measures		**-1,180**	**-2,838**	**-4,145**	**-4,602**
Expenditure measures		**-1,465**	**-1,455**	**-1,425**	**-1,525**
in % of GDP		**-0.61**	**-0.95**	**-1.18**	**-1.26**

Positions may not sum up due to rounding errors.

Source: BMF

Table 17: COVID-19 guarantees (in million Euro)

	Liability framework[1)]	Assumed liabilities[2)]
aws SME Promotion Act (aws KMU-FG)	3,750	2,771
aws Guarantee Act 1977 (aws GG)	2,000	385
ÖHT SME Promotion Act (ÖHT KMU-FG)	1,625	1,052
ÖHT Authorized to perform travel services[3)]	300	32
OeKB Special Framework KRR (Kontrollbank Refinancing Framework)	3,000	1,409
OeKB 90 %	-	620
Total guarantees under COVID-19	10,675	6,268

1) Budgetary effects resulting from liabilities (write-downs) can be found in Table 15.

2) as of 15 September 2021

3) according to Section 7 (2b) of the Austrian SME Promotion Act (KMU-FG)

AWS - Austria Wirtschaftsservice, ÖHT - Österreichische Hotel- und Tourismusbank , OeKB - Oesterreichische Kontrollbank

Source: BMF

Settlement agencies: AWS - Austria Wirtschaftsservice GmbH, ÖHT - Österreichische Hotel- und Tourismusbank GmbH, OeKB - Oesterreichische Kontrollbank AG

Table 18: Revenue from RRF grants (in million Euro)

	2020	2021	2022
RRF GRANTS as included in the revenue projections	0.0	469.7	1,090.3
Cash disbursements of RRF GRANTS from EU	0.0	450.0	700.0

Positions may not sum up due to rounding errors.
Source: BMF

Table 19: Expenditure financed by RRF grants (in million Euro)

	ESA Code	2020	2021	2022
Compensation of employees	D.1	0.0	105.3	46.7
Intermediate consumption	P.2	0.0	180.6	261.3
Social payments	D.62, D.632	0.0	5.5	30.0
Interest expenditure	D.41	0.0	0.0	0.0
Subsidies, payable	D.3	6.7	25.0	145.0
Current transfers	D.7	0.0	0.0	27.5
TOTAL CURRENT EXPENDITURE		6.7	316.4	510.4
Gross fixed capital formation	P.51g	78.8	96.0	151.1
Capital transfers	D.9	0.0	57.3	428.7
TOTAL CAPITAL EXPENDITURE		78.8	153.3	579.9
RRF FINANCED EXPENDITURE		85.5	469.7	1,090.3

Positions may not sum up due to rounding errors.

Source: BMF

Table 20: Effects of the RRF on budget planning (in million Euro)

	2020	2021	2022
Compensation of employees	**0.0**	**105.3**	**46.7**
Community nursing		4.3	18.3
Elementary education			28.4
Additional teaching lessons		101.0	
Intermediate consumption	**0.0**	**180.6**	**261.3**
Electronic platform for mother child passport			0.5
Digitalisation of cultural objects			3.7
Digital end devices for pupils		10.3	90.9
(Digital) Research infrastructures			
Digitalisation fund for public administration		80.0	80.0
Reskilling and upskilling		90.3	86.2
Social payments	**0.0**	**5.5**	**30.0**
Primary Health Centres		5.0	25.0
„Early support“-measure for socially disadvantaged		0.5	5.0
Subsidies, payable	**6.7**	**25.0**	**145.0**
Circular economy package		10.0	100.0
IPCEI Microelectronic			20.0
IPCEI Hydrogen			20.0
Digitalisation of SMEs (KMU.Digital and KMU.E-Commerce)	6.7	15.0	5.0
Current transfers	**0.0**	**0.0**	**27.5**
Biodiversity fund			25.0
Investment fund climate-friendly culture sites			2.5
TOTAL CURRENT EXPENDITURE	**6.7**	**316.4**	**510.4**
Gross fixed capital formation	**78.8**	**96.0**	**151.1**
Renovation of Volkskundemuseum Wien and Prater Atelier			5.2
Austrian Institute of Precision Medicine			5.0
Quantum Austria			21.0
Construction of new railway lines and electrification of regional railways	78.8	96.0	119.9
Capital transfers	**0.0**	**57.3**	**428.7**
Emission free buses			51.2
Funding of emission free vehicles and infrastructure		15.0	35.0
Investments to tackle energy poverty: oil boiler replacement			10.0
Industrial transformation towards climate neutrality		5.0	30.0
Investments into climate-fit town centres		5.5	11.3
Broadband			52.0
Investment premium RRF			207.5
Replacement of oil and gas heaters		31.8	31.8
TOTAL CAPITAL EXPENDITURE	**78.8**	**153.3**	**579.9**
TOTAL RRF FINANCED EXPENDITURE	**85.5**	**469.7**	**1,090.3**

Positions may not sum up due to rounding errors.

Source: BMF

Table 21: Overview of all notified milestones and target values for the first Austrian payment application pursuant to Implementing Decision COM(2021) 338

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

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

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

Source: BMF

Table 22: Comparison of macroeconomic and budgetary forecasts

	2020	2021	2022
			Real GDP growth
WIFO	-6.7	4.4	4.8
European Commission	-6.3	3.8	4.5
OeNB	-6.7	3.9	4.2
IHS	-6.7	4.5	4.5
Austrian Fiscal Advisory Council	-	-	-
			Inflation
WIFO (CPI)	1.4	2.8	3.0
European Commission (HICP)	1.4	2.1	1.9
OeNB (HICP)	1.4	2.0	1.8
IHS (HICP)	1.4	2.6	2.3
Austrian Fiscal Advisory Council	-	-	-
			Unemployment rate
WIFO	5.4	-	-
European Commission	5.4	5.0	4.8
OeNB	5.3	5.2	4.8
IHS	6.1	6.4	5.8
Austrian Fiscal Advisory Council	-	-	-
			General government net lending/net borrwing
BMF	-8.3	-6.0	-2.3
WIFO	-8.3	-6.3	-1.9
European Commission	-8.9	-7.6	-3.0
OeNB	-8.9	-6.9	-2.8
IHS	-8.3	-6.7	-2.8
Austrian Fiscal Advisory Council	-8.9	-7.6	-3.4
			Gross debt
BMF	83.2	82.8	79.1
WIFO	83.2	83.8	79.8
European Commission	83.9	87.2	85.0
OeNB	83.9	85.1	82.8
IHS	-	-	-
Austrian Fiscal Advisory Council	83.9	88.7	86.7

A direct comparability is not possible due to diverging definitions.

Sources:

BMF, October 2021

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IHS, October 2021

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