Federal Ministry
Republic of Austria
Finance

Austrian

Draft Budgetary Plan 2019

10.10.2018

Contents

Figures

Tables

1. Introduction

According to Article 4(2) regulation (EU) 473/2013 the DBPs are to be compiled until October 15th 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.

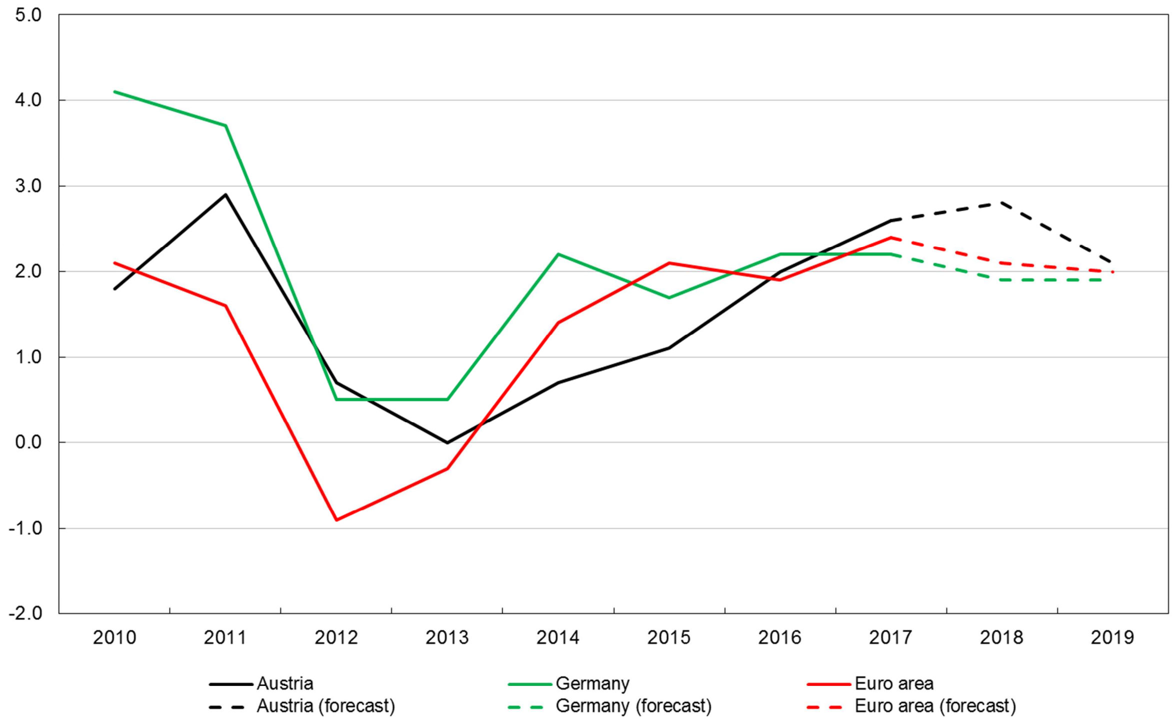
This document is drafted in accordance with the „Two Pack Code of Conduct“. It is based on data from the national accounts (ESA2010), as compiled by Statistics Austria (STAT) as well as calculations and assessments by the Federal Ministry of Finance (BMF) and forecasts by the Austrian Institute of Economic Research (WIFO) from October 5th, 2018.

2. Economic situation in Austria

2.1. Economic development (2017-2019)

In 2017 the cyclical upswing continued, real GDP growth in Austria increased to 2.6%. For the first time since 2012 the Austrian economy grew stronger than the German. GDP growth was broadly based, but especially exports grew.

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



Left axis: Rate of change over previous year in %

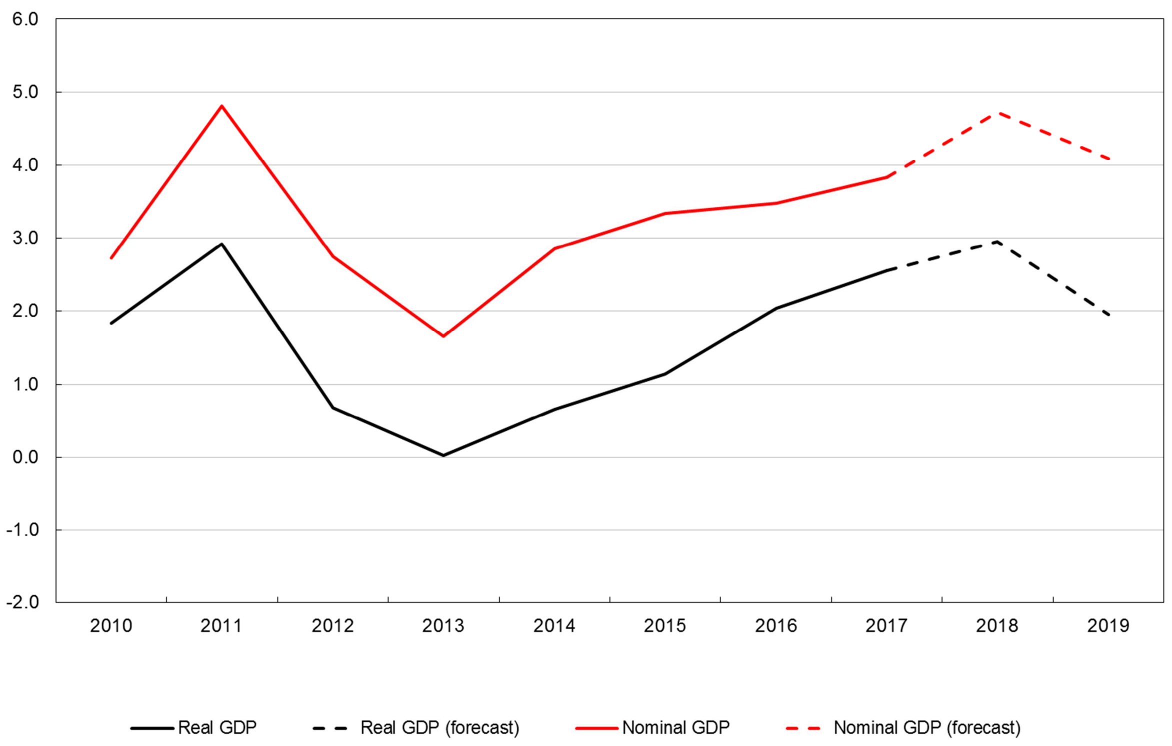
Sources: BMF, EC, EUROSTAT

The number of persons in employment rose by 76,400 (1.9%) in 2017. At the same time, the labour force expanded by 59.000 persons (1.4%). As a result, the unemployment rate defined by Eurostat decreased by 0.5 pp to 5.5% in 2017. In 2017, the inflation rate (HICP) in Austria was 2.1%. Price drivers were fuel, rents, as well as restaurants and hotels.

On October 5th, 2018 WIFO compiled its latest short- and medium-term economic forecast which forms the basis for this programme.

According to WIFO, the growth dynamics will continue this year. The international economic situation, especially the positive development of Central and Eastern Europe, which leads to a better production capacity utilisation and therefore higher investments, have a positive impact. Furthermore, consumption expenditures of the private households support the good economic development. In 2018, the Austrian economy is expected to expand by 3.0% in real terms. Because of the global growth slowdown, higher global imbalances as well as trade restrictions short-term economic expectations are no longer so favourable. The “Family Bonus Plus” will support growth at the national level. Thus, the economy is expected to grow by 2.0% in real terms in 2019.

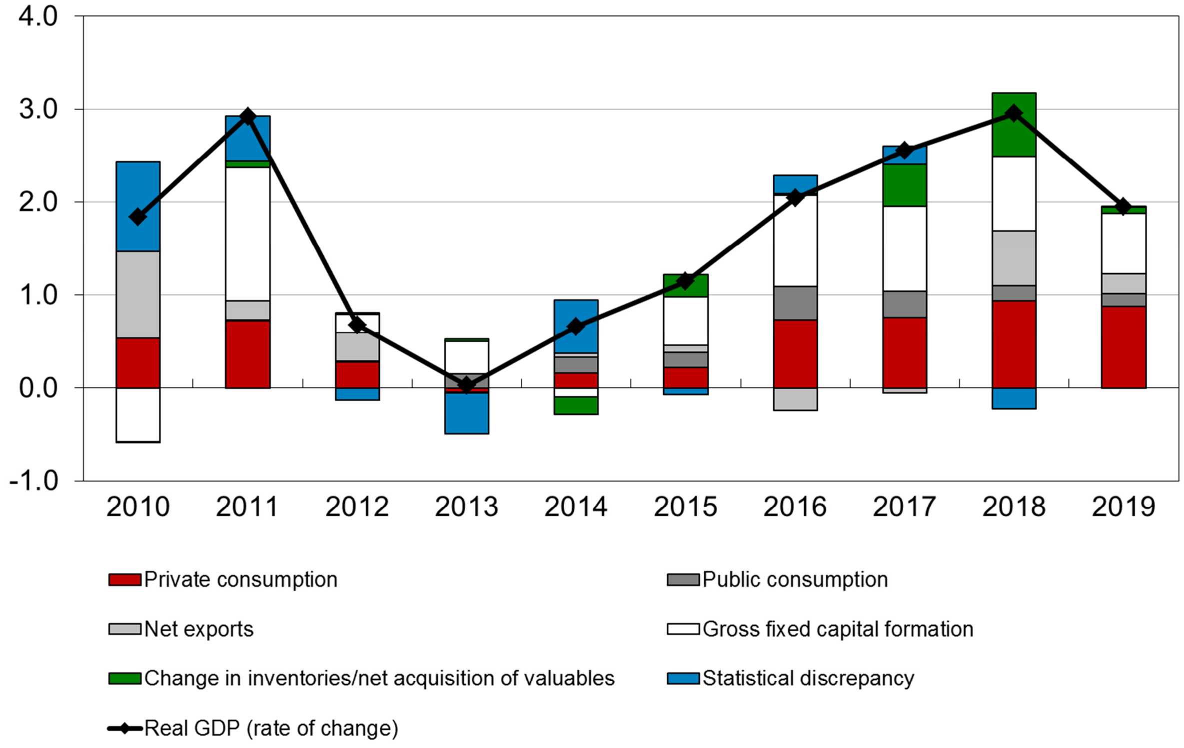
Figure 2: Real and nominal GDP growth



Left axis: Rate of change over previous year in %

Sources: BMF, STAT, WIFO

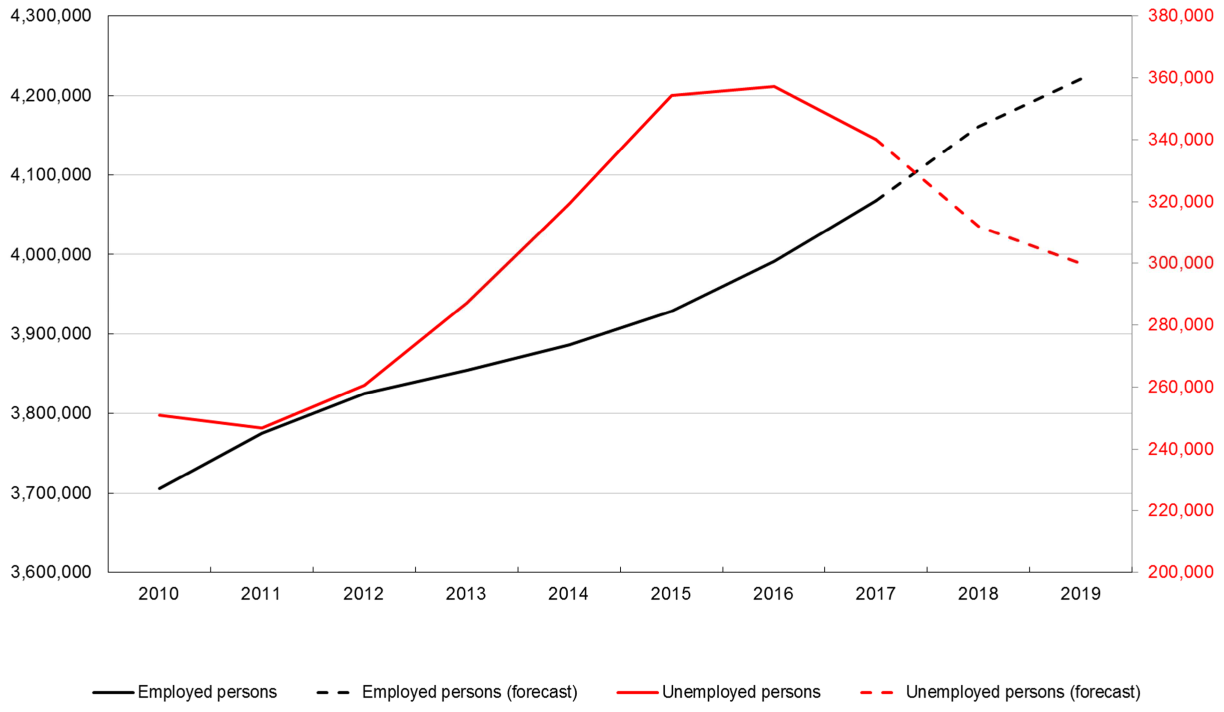
Figure 3: Contribution to real GDP growth



Left axis: Contribution to real GDP growth in percentage points
2018 and 2019 (forecast)
Sources: BMF, STAT, WIFO

Due to the stronger growth of the economy, capacity utilisation is higher and the positive output gap is expanding. Inflation (HICP) is expected to amount to 2.2% each in 2018 and 2019. There is the expectation of a dynamic employment growth and a decrease of the unemployment rate. The unemployment rate will go down to 4.8% in 2018 and further to 4.5% in 2019.

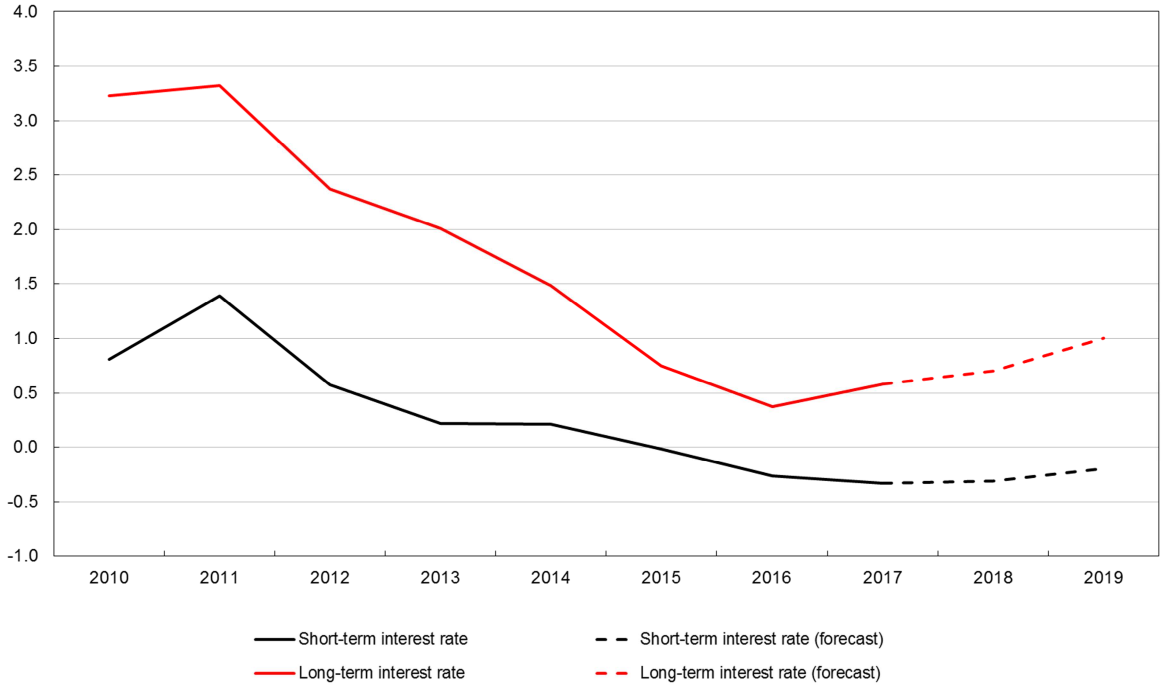
Figure 4: Employed and unemployed persons



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

Short- and long-term interest rates in Austria have decreased since 2008. This is due to measures by the European Central Bank (ECB) and the good creditworthiness of the Republic of Austria. Against the background of the rate increase by the US Federal Reserve, the expectation of a normalisation of interest rates by the ECB and stronger economic growth, economic analysts expect an increase in long-term interest rates to 0.7% for this year and 1.0% for next. Short-term rates will start increasing in the second half of 2019.

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



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

The Institute for Advanced Studies (IHS) published its economic forecast on October 5th, 2018. It expects real GDP to expand by 2.7% in 2018 and by 1.7% in 2019. The forecast is a bit more pessimistic concerning real GDP growth in the short term than the WIFO forecast.

2.2. Developments in the financial sector

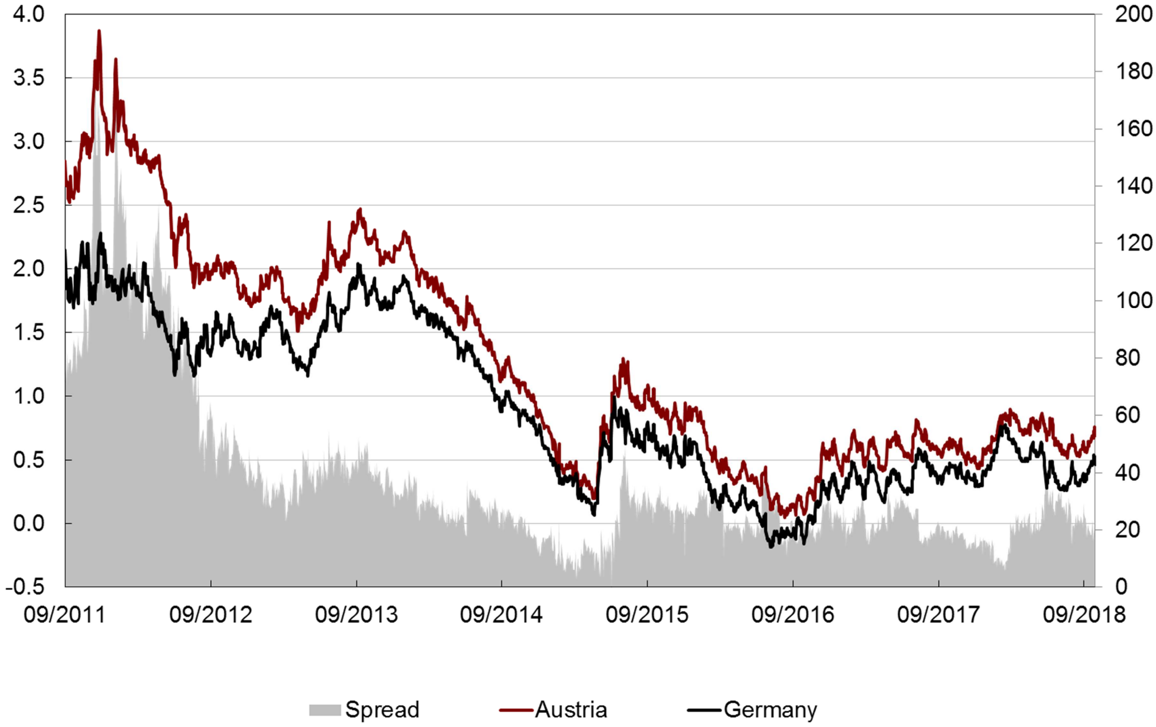
In 2017 and 2018 the global economy developed better than expected as the global economy has shown resilience despite some risks and shocks. Future risks are: a faster than expected US policy rate increases, disequilibrium in the Chinese economic system, instabilities in several emerging market economies and overvaluations in some financial market sectors. Gradual US policy rate increases had only minor consequences for the world economy up to now although higher US interest rates have contributed to significant currency devaluations in some emerging market countries.

For the year 2019 positive expectations exist as well due to a solid global economic upturn and the excellent condition of the US economy while a gradual weakening of the global economic activity can be anticipated. In 2019, monetary policy actions should still play an essential role for financial market developments as gradual and cautious steps by the most important global central banks are still to be expected.

2.2.1. Long-term interest rate

Austria´s long-term interest rate (10-year government benchmark bond yield) showed an upward movement in spring 2018 and rose to a level of slightly under 0.90%. From June 2018 a downward trend was observed once again as an ongoing cautious ECB monetary policy was expected and stronger global uncertainties supported safe-haven-bonds. In September 2018 a slight upward trend of the Austrian long-term interest rate to over 0.70% occurred. These developments were also influenced by anticipations with regard to inflation and economic growth as well as expectations about monetary policy actions. The spread of the 10-year Austrian bond yield over the 10-year German bond yield has remained relatively stable since the beginning of 2018 and fluctuated between 20-30 basis points most of the time.

Figure 6: Long-term interest rate and spread



Left axis: Long-term interest rate in %

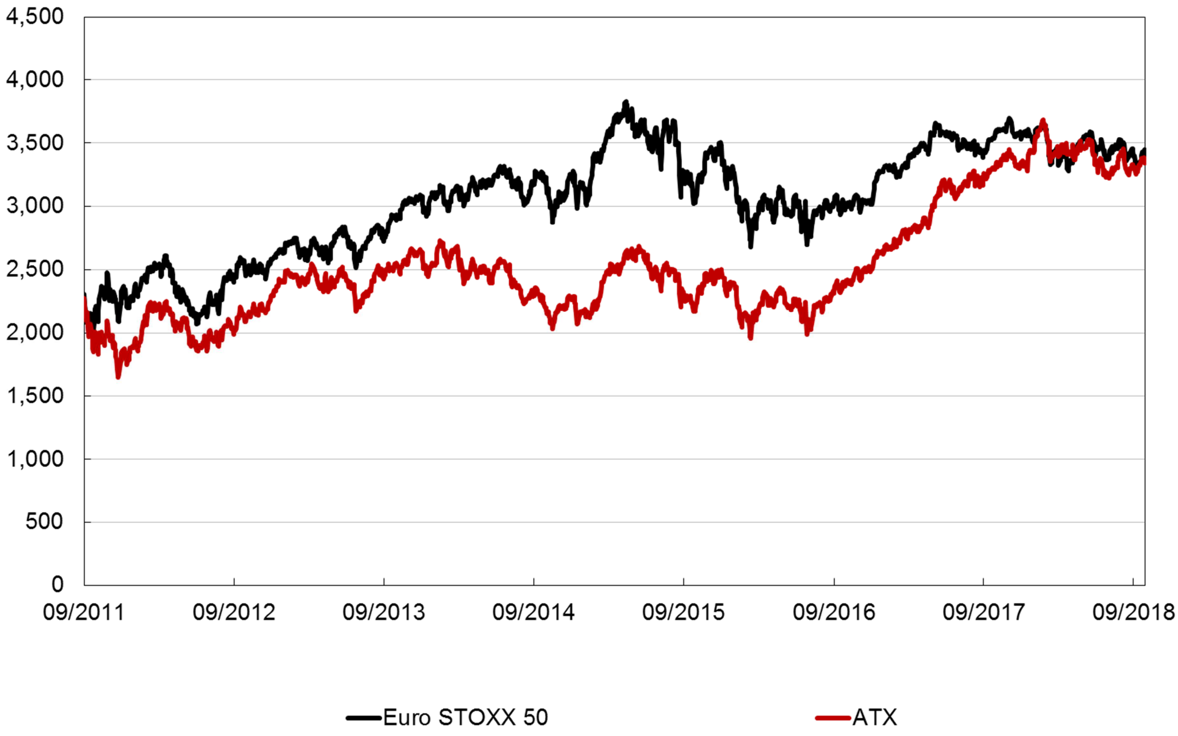
Right axis: Spread in basis points

Sources: BMF, Macrobond (October 1st, 2018)

2.2.2. Equity market

The Austrian equity market (ATX) showed a significant upward trend since summer 2016 and the increase was more dynamic than the rise of the Euro-Stoxx-50-Index. In January 2018 the ATX reached the highest value since July 2008. Afterwards a slight downturn correction occurred in parallel with the Euro-Stoxx-50. The reasons for this adjustment are increasing global uncertainties and stronger protectionism.

Figure 7: Equity market performance



Left axis: Index

Sources: BMF, Macrobond (October 1st, 2018)

2.2.3. Banking sector

Compared to 2016 the consolidated balance sheet of Austrian credit institutions remained the same on December 31st, 2017. Total assets amounted to 950.8 bn €. The development was due to banks' efforts to improve their capital ratios.

The increase in lending to households and enterprises in Austria remained stable and overall positive (2%). New lending to private households was increasingly driven by housing loans. The decline in foreign currency loans continued.

Credit exposure to the CESEE region is highly diversified. The withdrawal from less attractive countries is essentially complete. After UniCredit Bank Austria has transferred its entire foreign business to UniCredit S.p.A., CESEE exposure is around 235 bn €.

Credit quality continued to improve in Austria as well as in the CESEE region. In the CESEE region it is, however, notably weaker.

The profitability of the Austrian banking sector improved in the first quarter 2018 as a result of lower provisioning for impairment losses which more than compensated for lower net interest income due to the low interest rate environment.

The consolidated capital base of the Austrian banks continued to improve and exceeded the peer group average in the first quarter of the year. The consolidated capital ratio stood at 18.2%. The strengthening of the capital base pursued during the past few years needs to continue.

2.2.4. Insurance sector

In the domestic insurance sector premiums earned stagnated at 5.23 bn. € until 31st of March 2018. The driver of the development was the negative development of life insurance (-2.8%). In contrast, the property-casualty and health insurance divisions reported premium growth of 3.2% and 4.0%, respectively.

The technical account balance totalled 148.8 m € (+18.3%). The financial result amounted to 524.4 m € (-19.57%). The result from ordinary activities decreased by 32.8% to 232.3 m €.

2.2.5. Investment funds, pensions funds and corporate provident funds

Compared to December 31st, 2017 the investment volume of Austrian investment funds decreased from about 183.7 bn € to about 182.2 bn € as of June 30th, 2018. The average performance of pension funds ("Pensionskassen") stood at -1.1% in first half of 2018. Total assets of pension funds stagnated at 22.3 bn €. The number of prospective beneficiaries rose to 937,000 persons, a 2.4% increase yoy. Assets held by corporate provident funds ("Betriebliche Vorsorgekassen") rose by 10.67% to about 11.1 bn €, primarily due to inflows as a result of legal requirements. The performance stood at 0.5%.

2.2.6. Assessment of the rating agencies

In May 2018, the rating agency Moody´s confirmed the rating for Austria at “Aa1“ (second-best rating) with an unchanged stable outlook. Among the strength of Austria are the diversified and competitive economy, the high-quality industrial basis of the economy, the strong tourism, low-interest environment and a strong institutional framework. Weaknesses are a low potential growth and the slow implementation of structural reforms.

In July 2018, the rating agency Fitch confirmed the long-term rating of Austria at ”AA+“ (second-best rating); the outlook was raised to positive. Supporting factors are the favourable debt development, the decrease of the public deficit, the higher potential output growth, the successful bank restructuring, the diversified economy as well as a strong political and social institutional framework.

In September 2018 Standard & Poor’s (S&P) also affirmed the Austrian long-term rating at “AA+“ (second-best rating) and the rating outlook at “stable”. Positive factors are the diversified, prospering economy, the improvement in the trade- and current account balance and the Euro Area Membership. Negative factors are the risk of easing fiscal policy for the financing of new expenditures, high government debt as well as the abandonment of the previously customary consensus agreements, which could have negative consequences for the institutional strength.

3. Economic and budgetary policy strategy

3.1. Economic and budgetary challenges, targets and strategy

The Federal Government pursues a stability- and growth-oriented fiscal policy strategy at all levels of government. Thus, the favourable economic climate is used to tackle the biggest economic policy challenge by reducing the too high level of debt of just below 80% of GDP, rather than further increasing government expenditure. In line with the SGP-rules, by the end of the term of the current government, the debt level will be close to 60% of GDP. At the same time, the Austrian government is committed to reduce the tax burden towards 40% of GDP in the medium term. The implementation of the tax reform 2020 will not jeopardize the goal of a balanced or positive budget balance starting from 2019.

The Federal Finance Acts 2018 and 2019 have already introduced numerous measures to this end which will take effect in the course of the legislative period. In addition to an expenditure analysis in all areas of the federal budget, the deployment of personnel and material costs by the outsourced units will be improved; subsidies will be reduced, their effectiveness reviewed and multiple state support prevented in the future; pro-cyclical measures of the previous government have been frozen.

On top of that, the government's five-year-programme foresees several efficiency-enhancing structural reforms:

- At the end of May 2018, the government presented key elements of a substantial reform of the organisation of the social insurance system. The reform foresees a merger of the currently 21 different health, pension and accident funds to a maximum number of five funds. The existing nine regional health funds are to be merged into one „Österreichischen Gesundheitskasse" (ÖGK) and be responsible for all employees. The simplification of the administrative system, not filling job vacancies and the pooling of services (e.g. payroll accounting and procurement) will help to raise efficiency potentials.
- With changing demographic conditions reliable and affordable care and nursing services for elderly and handicapped persons are a priority issue of the Austrian government. Thus, a concept for sustainable funding of long-term care in cooperation with all involved institutions and levels of government will be

developed. Starting with January 1st, 2018, the "Pflegeregress", the right of State Governments for recourse claims to private assets, was abolished. State Governments were compensated for lost revenues from the Central Government in the amount of 100 m € p.a. as a lump-sum transfer (for 2018 the funds have already been disbursed). As State Governments have claimed higher revenue losses, on 18th of May 2018, Central and State Governments agreed that State Governments will receive up to 340 m € of supplementary compensation (settlement will be based on accounting data).

The Federal Government also sets priorities in employment- and growth-supporting areas, such as education, science, research, and infrastructure investment:

- At the end of August 2018, the Federal and State Governments agreed to provide additional budgetary resources for elementary schooling to give all children the opportunity for a good start in their educational careers and to improve educational access. The three currently existing B-VG 15a agreements between Federal and State Governments regarding child care, early language development and a mandatory final year in kindergarten, will be integrated into one agreement. Focus will be put on language skills and the supply of elementary care for under three-year-olds as well as an enlargement of opening hours.
- From this school year on, German Classes ("Deutschklassen") for students with a low level of proficiency in the German language will be implemented. This will help students to quickly pick up the required language skills and, thus, to continue their school education.
- In August 2018, the Federal Government agreed on the initiative "Future-oriented measures of Research, Technology and Innovation", which includes a Research Funding Act (Forschungsfinanzierungsgesetz). The initiative's objective is to render the Austrian governance system for R&D more efficient, to more clearly define the roles of research- and research-funding institutions, to streamline research funding institutions, and to address the need to increase output in the area of R&D, following advice of the Council for Research and Technology for the need of a catch-up of efficiency.

3.2. Budget execution in 2018

The budget for 2018 passed Parliament in April 2018. The economic outlook at the time was comparable to the good pre-crisis times. The Austrian government made use of this situation for further structural consolidation and to end several pro-cyclical measures put into place by the previous government.

Since the adoption of the budget for 2018, there have only been minor deviations compared to the budget planning. In particular, gross tax revenues on income were above expectations. The details regarding the budgetary execution are as follows:

Headline balance: The net fiscal balance of the General Government for 2018 was planned to reach -0.4% of GDP in spring. Mainly due to higher tax revenues, a Maastricht balance of -0.3% of GDP is currently expected.

Structural balance: The structural balance remains unchanged at 0.9% of GDP. The better than expected headline balance is offset by a bigger positive output gap (of 1.1%). Taking into account also the allowance for additional costs for refugees and security of 0.3 % of GDP, the structural balance would amount to -0.6% of GDP.

Debt level: Due to a better than expected headline balance, the debt level will be lower than planned: It will amount to € 287.6 billion, instead of € 288.5 billion. In relation to GDP, debt will stand at 74.2% instead of 74.5%. Besides the better than expected headline balance, stock flow adjustments in connection with higher than expected HETA disbursements reduce the debt level.

Revenue: Tax revenues have turned out better than expected. Current estimations show some 500 m € of additional tax revenue (compared to spring planning). From January to September 2018, gross tax revenues increased by 3.8%, compared to 2.2% in the year-on-year planning. Whilst wage and turnover taxes are developing broadly according to plan, the main drivers of this development are personal income tax and corporate tax revenues.

Expenditure: On the expenditure side, the planned consolidation measures (see Austrian Stability Programme, Update for the period 2017 to 2022) are implemented to a large extent. The measures were supported by the continuously favourable economic climate. Also, transfers to the public pension system will be lower than expected.

On the other hand, compensation for the abolishment of the so-called “Pflegeregress” (or the higher demand for in-patient long-term care) is expected to burden the budget balance in the area of long-term care.

States and Municipalities: A positive headline balance is expected for states and municipalities. While the balance for municipalities is expected to deteriorate by approximately € 50 million, the balance for states is expected to improve by the same amount.

Social security: Social security funds are not showing signs of stress. The headline balance of the social security sector has improved slightly, in particular because of lower pension pay-outs and higher than expected pension contributions.

3.3. Budget in 2019

Because of the early election, which was held in autumn 2017, the preparation of the federal budget for 2018 was postponed to spring 2018. Together with the budget for 2018, Parliament also adopted the budget for 2019 as well as the medium-term financial framework for the period until 2022. The most important update to the spring planning are the higher tax revenue projections of some 500 m € for 2018, which will also impact in 2019.

Net borrowing: The General Government balance will improve further in 2019. The General Government Maastricht-deficit of -0.8% of GDP in 2017 is to improve to -0.3% of GDP in 2018 and to turn into a Maastricht-surplus of 0.1% of GDP in 2019. Thus, it will be 0.1pp better than planned in spring 2018.

Structural balance: The structural balance, which corrects for the economic cycle and one-offs, remains in line with spring 2018 planning at -0.5% of GDP. Thus, as in 2018, the structural balance will be lower than the Maastricht-deficit. The reason for this is that the Austrian economic situation has improved significantly and therefore the output gaps for both 2018 and 2019 well above zero, meaning that more goods and services will be produced than under normal cyclical conditions. Accordingly, compliance with the Stability and Growth Pact’s fiscal rules is expected.

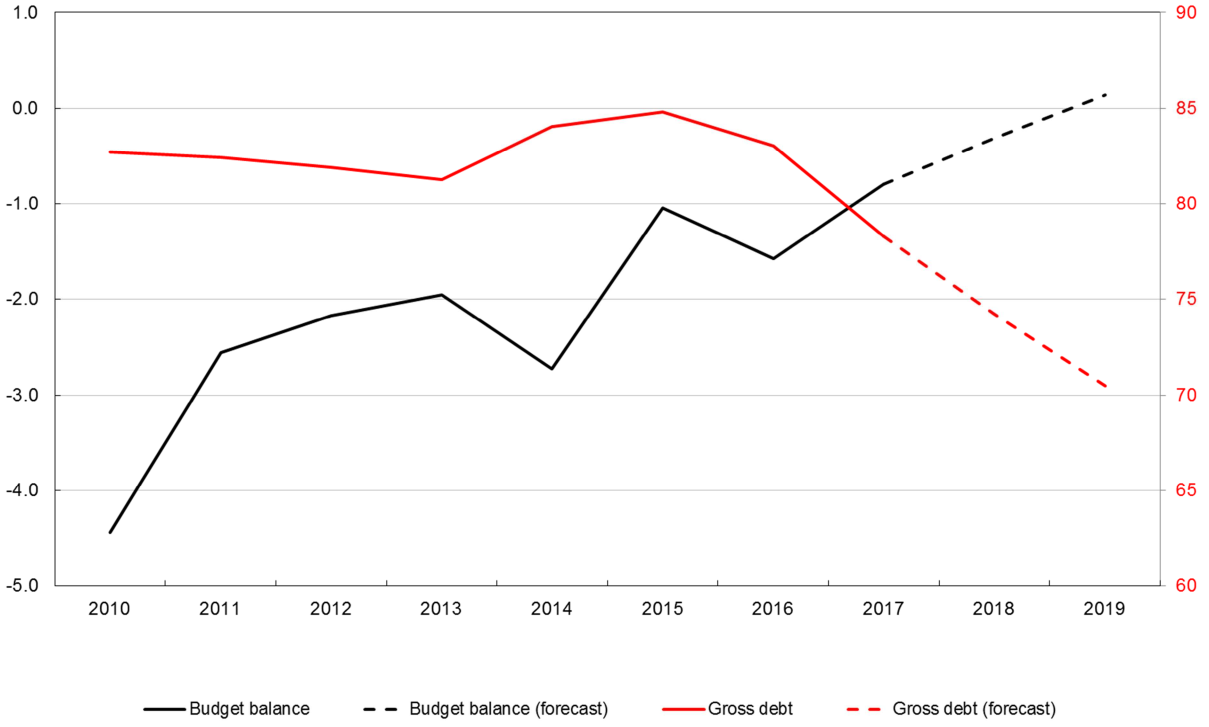
Public debt: The debt-to-GDP ratio will decrease from 78.3% of GDP in 2017 to 74.2% of GDP in 2018 and to 70.5% of GDP in 2019. This trend is supported by the wind-down of the portfolios of the state-owned bad banks.

Expenditure: The consolidation measures and restrictive expenditure path will be continued in 2019. Moreover, the favourable economic climate is expected to lead to lower unemployment benefit pay-outs and to less expenditure for active labour market policies. Unemployment (national definition) is expected to decrease from 340,000 in 2017 to 300,000 in 2019 and employment should grow faster than expected.

Revenue: The higher than expected tax revenue of some 500 m € for 2018 is estimated to carry-over to 2019. The reduction of the unemployment contribution for low-income earners implemented in mid-2018 will be fully effective in 2019. Also, the "Family Bonus Plus" will start in 2019, which allows for an income tax deduction for each child by 1,500 € per year. Additionally, the reduction of the accident insurance contribution from 1.3% to 1.2% will amount to 100 m €.

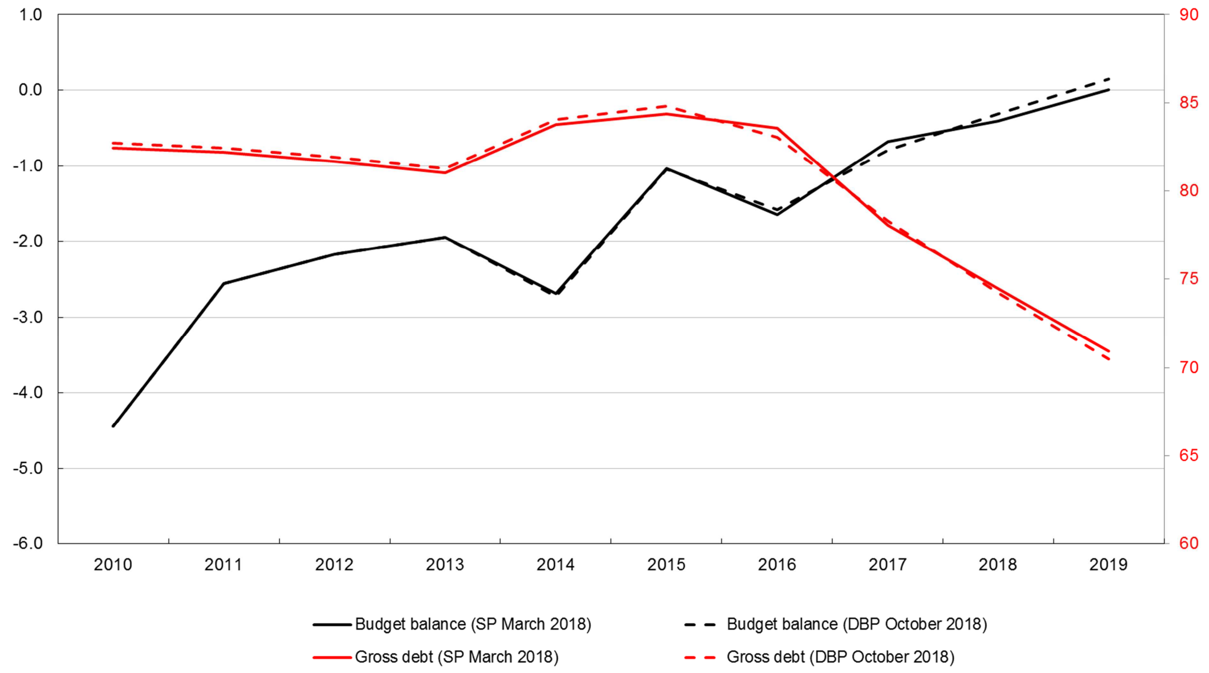
States, municipalities, and social insurance: The expenditure and revenue of states and municipalities is expected to be balanced in 2019. The social insurance sector benefits from positive contribution developments, thus generating a surplus in 2019. In 2019, a further increase in employment compared to spring forecasts is expected. Moreover, pension expenditure is expected to turn out lower compared to March-2018 plans.

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

Figure 9: Divergence from latest Stability Programme (March 2018)



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

3.4. Comparison of macroeconomic and budgetary forecasts

In order to implement Directive 2011/85/EU of the Council about the requirements of the budgetary framework of member states, the BMF presents a comparison of the draft budgetary plan with the latest macroeconomic and budgetary forecasts of the EC as well as other independent institutions.

Table 16 in the Annex shows this comparison.

3.5. Restructuring of the banking sector

Based on the Austrian Financial Market Stability Act (FinStaG), Austrian Banks have been granted capital and liquidity-supporting funds totalling 33 bn € since 2008, including participation capital subscribed by the Republic of Austria. Taking into account all repayments to date, the net amount was 16.7 bn €. In 2016, the legal limit for measures aimed at strengthening the Austrian financial market pursuant to FinStaG has been increased by 1.5 bn € to 23.5 bn € in order to fund the purchase of statutorily-guaranteed debt instruments of Heta Asset Resolution AG (HETA) by the Kärntner Ausgleichszahlungs-Fonds (KAF).

Out of FinStaG funds, 7.4 bn € have been used for the subscription of share capital, share-holder contributions and other capital measures. As at June 30th, 2018, Austria still held participation capital amounting to 10 m € issued by immigon portfolioabbau ag (immigon, the legal successor of Österreichische Volksbanken AG - ÖVAG). The general agreement between Austria and the Free State of Bavaria for settling legal disputes related to HETA included a payment of 1.23 bn €. Federal guarantees issued under FinStaG summed up to 1 bn € as of June 30th, 2018. Claims under guarantees amounted to 2.5 bn €. Moreover, the Republic granted FinStaG-loans amounting to 4.8 bn €.

In 2017, revenues from guarantee fees relating to the banking sector amounted to nearly 51 m €; from January to June 2018, revenues amounted to about 7 m €.

On April 10th, 2016, FMA in its capacity as the designated Resolution Authority ordered im-mediate resolution measures on HETA by administrative decision in accordance with section 3 (1) Federal Act on the Recovery and Resolution of Banks (BaSAG). Among other measures, core Tier 1 capital and subordinated liabilities including interest due on February 28th, 2015 were reduced to zero, and senior debt was reduced to 46.02%. Moreover, interest from March 1st, 2015 was cancelled and the maturity date of all eligible liabilities was harmonised to December 31st, 2023. Though the wind-down of HETA shall be completed by 2020, the termination of legal claims will take until end of 2023, according to FMA.

On May 2nd, 2017, a second administrative decision was issued, reducing the bail-in of senior debt to 35.6%. Thus, the recovery rate therefore increases to at least 64.4%.

The Republic of Austria as owner of HETA has been affected manifold by the FMA administrative decision: the reduction of core and participation capital to zero, the reduction of guarantee fees due as of March 1st, 2015 to 64.4%, and the calling under the guarantee of the 1 bn € HETA subordinated notes 2012-2022 plus interest payments.

Following intense negotiations with major creditor groups and the conclusion of a Memorandum of Understanding between the Republic of Austria and creditors in May 2016, KAF launched a tender offer on September 6th, 2016, which was accepted by 98.7% of the creditors. Carinthia contributed 1.2 bn € to the funding; 6.4 bn € were granted as loans pursuant to section 81 Federal Budget Act (BHG) 2013 via ABBAG - Abbaumanagementgesellschaft des Bundes; the remaining amount of up to 1.28 bn € will be covered by FinStaG funds.

On June 30th, 2017, HETA's extraordinary general meeting passed a resolution on the interim distribution of part of the assets for the satisfaction of creditors before maturity. On this basis, in the second half of July 2017, around 5.8 bn €, or 69% of the 64.4% quota fixed on May 2nd, 2017, was paid to the creditors of eligible liabilities. This early repayment of liabilities was facilitated by high cash balances generated from successful asset sales in 2016 and the first quarter of 2017.

2018, another interim distribution of 2.4 bn € was made by HETA. The KAF as major creditor of HETA used these gained means to redeem part of the given loans by the Republic of Austria.

KA Finanz, in agreement with the Federal Ministry of Finance, filed an application with the Financial Market Authority on June 9th, 2017 for the bank license to be withdrawn and be continued as a wind-down company pursuant to section 162 BaSAG. This request was approved on September 6th, 2017. The main reason for the conversion to a wind-down entity and the surrender of the banking license were the tightening regulatory framework and the associated requirements (e.g. Net Stable Funding Ratio, Liquidity Coverage Ratio), which otherwise could have only been met at significantly higher costs. Finally, the review of the risk-bearing capacity of KA Finanz carried out by the Oesterreichische Nationalbank (OeNB) in autumn of 2016 contributed to the aggravation of the situation, concluding that the high hidden burdens would exceed equity in a liquidation scenario. It was thus in the special interest of the Republic of Austria to adapt the refinancing structure of KA Finanz to the new circumstances. In addition to the granting of loans pursuant to section 81 BHG via ABBAG, the guarantee for the commercial paper program of 3.5 bn € was replaced in three steps by loans in accordance with section 2 FinStaG. Private placements and bonds of KA Finanz not yet due are not affected by the conversion of the refinancing structure; these will be honoured and redeemed at their full nominal values upon maturity.

Immigon runs as wind-down entity pursuant to section 162 BaSAG. In 2017, assets were further reduced according to plan. By the end of 2018, immigon will take preparatory steps to initiate the liquidation.

The restructuring of Volksbankenverbund (Volksbanken association) was successfully finished in the first half of 2018. The formerly more than 40 local banks were merged into eight regional banks. The gratuitous transfer of 25%+1 shares of Volksbank Wien to the Republic of Austria in January 2016 serves as collateral for the 300 m € profit participation right, as compensation for the haircut of the state-held participation capital of ÖVAG in 2015. Until now, Volksbankenverbund already paid 69 m € to Austria. After servicing of the profit participation right is completed (by spring 2024 at the latest), the shares will be re-transferred to the Volksbankenverbund.

4. Comprehensive fiscal rules

One of the key elements to safeguard the pace of fiscal consolidation is the Austrian Internal Stability Pact (Public Law Gazette I No. 30/2013). From 2017 its rules require the central government, the state governments and the municipalities to achieve structurally balanced budgets as a basic principle. 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 tax 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.

Actions of the Federal Government in the coming legislative period will be based on the principle of sustainability at all levels of government with the aim that the ecology, economy and social issues in the sense of the United Nations 2030 Agenda will be considered in their entirety and put into a financeable and thus sustainable framework.

The Federal Government commitment in the current programme 2017-2022 towards reducing the public debt ratio in a sustainable and transparent manner shall be underpinned by means of a constitutional debt brake.

In Austria, the independent Fiscal Council has been legally assigned the role of monitoring compliance with EU fiscal requirements. The council monitors the achievement of the budgetary objectives according to European regulations, issues recommendations and – if deemed necessary – indicates adjustment paths. Adequately skilled and autonomous members are delegated by the Federal Government, social partners, parties involved in the tax sharing, the Austrian National Bank and the Parliament’s budget office. With regard to fiscal surveillance, the Fiscal Council`s central role is to strengthen budgetary discipline at the levels of the general, state and local governments.

5. Annex

Table 1: Basic assumptions

	2017	2018	2019
Short-term interest rate (annual average)	-0.3	-0.3	-0.2
Long-term interest rate (annual average)	0.6	0.7	1.0
USD/€ exchange rate (annual average)	1.1	1.2	1.2
Nominal effective exchange rate	0.5	1.7	-0.5
Real GDP growth (World excluding EU)	4.0	4.0	3.7
Real GDP growth (EU)	2.4	2.2	1.7
Growth of relevant Austrian foreign markets	6.6	5.8	4.6
Import volumes (World excluding EU)	-	-	-
Oil prices (Brent, USD/barrel)	54.3	74.0	75.0

Positions may not sum up due to rounding errors.

Source: WIFO

Table 2: Macroeconomic prospects

		2017	2017	2018	2019
	ESA Code	**in bn €**			**rate of change**
1. Real GDP	B1*g	326.7	2.6	3.0	2.0
2. Potential GDP		-	1.7	1.9	1.9
3. Nominal GDP	B1*g	369.9	3.8	4.7	4.1
					Components of real GDP
4. Private final consumption expenditure	P.3	166.9	1.4	1.8	1.7
5. Government final consumption expenditure	P.3	64.2	1.5	0.8	0.7
6. Gross fixed capital formation	P.51g	77.1	3.9	3.4	2.7
7. Changes in inventories and net acquisition of valuables (in % of GDP)	P.52 + P.53	-	1.5	2.2	2.2
8. Exports of goods and services	P.6	187.9	4.7	4.9	3.7
9. Imports of goods and services	P.7	176.4	5.1	4.0	3.5
					Contributions to real GDP growth
10. Final domestic demand			2.0	1.9	1.7
11. Changes in inventories[1)]	P.52 + P.53		0.6	0.5	0.1
12. External balance of goods and services	B.11		-0.1	0.6	0.2

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

	2017	2018	2019
			rate of change
1. GDP deflator	1.3	1.7	2.1
2. Private consumption deflator	1.7	2.1	2.1
3. CPI	2.1	2.1	2.1
4. Public consumption deflator	1.5	2.1	2.1
5. Investment deflator	1.6	1.9	2.0
6. Export price deflator (goods and services)	1.8	1.2	0.5
7. Import price deflator (goods and services)	2.8	1.9	0.4

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 4: Labour market developments

		2017	2017	2018	2019
	ESA Code	Level			rate of change
1. Employment, persons		4,067,588	1.9	2.3	1.4
2. Employment, hours worked (in m)		7,137.5	1.6	2.2	1.2
3. Unemployment rate, EUROSTAT definition		-	5.5	4.8	4.5
4. Labour productivity, persons		80,329.8	0.6	0.7	0.5
5. Labour productivity, hours worked		45.8	0.9	0.7	0.7
6. Compensation of employees (in m €)	D.1	175,782.5	3.4	4.6	3.8
7. Compensation per employee		43,215.4	1.4	2.3	2.3

Positions may not sum up due to rounding errors.

Sources: BMF, EUROSTAT, STAT, WIFO

Table 5: Sectoral balances

		2017	2018	2019
	ESA Code			in % of GDP
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	2.0	1.9	2.0
2. Net lending/borrowing of the private sector	B.9	2.7	2.2	1.8
3. Net lending/borrowing of the general government	B.9	-0.8	-0.3	0.1
4. Statistical discrepancy		0.2	0.0	0.0

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 6: Budgetary targets

	ESA Code	2017	2018	2019
		in % of GDP		
		Net lending/net borrowing by sub-sector		
1. General government	S.13	-0.8	-0.3	0.1
2. Central government	S.1311	-0.9	-0.4	0.1
3. State governments (excl. Vienna)	S.1312	0.1	0.1	0.1
4. Local governments (incl. Vienna)	S.1313	-0.1	-0.1	-0.1
5. Social security funds	S.1314	0.1	0.1	0.1
6. Interest expenditure	D.41	1.8	1.6	1.5
7. Primary balance		1.0	1.3	1.6
8. One-off and other temporary measures		0.0	0.0	0.0
9. Real GDP growth		2.6	3.0	2.0
10. Potential GDP growth		1.7	1.9	1.9
11. Output gap		0.1	1.1	1.1
12. Cyclical budgetary component		0.0	0.6	0.6
13. Cyclically-adjusted balance		-0.8	-0.9	-0.5
14. Cyclically-adjusted primary balance		1.0	0.7	1.0
15. Structural balance		-0.8	-0.9	-0.5

Positions may not sum up due to rounding errors.
Sources: BMF, STAT, WIFO

Table 7: General Government debt developments

	ESA Code	2017	2018	2019
		in % of GDP		
1. Gross debt		78.3	74.2	70.5
2. Change in gross debt ratio (in %)		-5.7	-5.2	-5.0
		Contributions to changes in gross debt		
3. Primary balance		1.0	1.3	1.6
4. Interest expenditure	D.41	1.8	1.6	1.5
5. Stock-flow adjustment		-2.5	-0.9	-0.7
p.m.: Implicit interest rate on debt		2.3	2.2	2.1

Positions may not sum up due to rounding errors.
Sources: BMF, STAT, WIFO

Table 8: Contingent liabilities

	2017	2018	2019
			in % of GDP
Public guarantees	17.1	17.2	16.8
of which: Central government[1)]	12.1	11.7	11.6
of which: linked to the financial sector[2)]	0.6	0.2	0.2
of which: State and Local governments	5.0	5.5	5.2
of which: linked to the financial sector[2)]	2.0	1.7	1.6

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.

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.

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 9: Budgetary prospects

		2017	2018	2019
	ESA Code			in % of GDP
				General government
1. Total revenue	TR	48.4	48.1	47.8
1.1. Taxes on production and imports	D.2	14.1	13.8	13.7
1.2. Current taxes on income, wealth etc.	D.5	13.0	13.3	13.2
1.3. Capital taxes	D.91	0.1	0.2	0.1
1.4. Social contributions	D.61	15.1	15.0	14.9
1.5. Property income	D.4	0.8	0.8	0.8
1.6. Other		5.2	5.1	5.0
p.m.: Tax burden		41.8	41.7	41.4
2. Total expenditure	TE	49.2	48.5	47.6
2.1. Compensation of employees	D.1	10.6	10.4	10.4
2.2. Intermediate consumption	P.2	6.2	6.0	6.0
2.3. Social payments	D.62, D.632	22.2	21.9	21.6
of which: Unemployment benefits		1.3	1.2	1.1
2.4. Interest expenditure	D.41	1.8	1.6	1.5
2.5. Subsidies	D.3	1.4	1.5	1.5
2.6. Gross fixed capital formation	P.51g	3.1	3.1	3.0
2.7. Capital transfers	D.9	0.8	0.9	0.8
2.8. Other		3.0	3.0	2.8

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 10: Budgetary prospects („no-policy change"-assumption)

		2017	2018	2019
	ESA Code			in % of GDP
				General government
1. Total revenue	TR	48.4	48.1	47.8
1.1. Taxes on production and imports	D.2	14.1	13.8	13.7
1.2. Current taxes on income, wealth etc.	D.5	13.0	13.3	13.2
1.3. Capital taxes	D.91	0.1	0.2	0.1
1.4. Social contributions	D.61	15.1	15.0	15.0
1.5. Property income	D.4	0.8	0.8	0.8
1.6. Other		5.2	5.1	5.0
p.m.: Tax burden		-	-	-
2. Total expenditure	TE	49.2	48.4	47.6
2.1. Compensation of employees	D.1	10.6	10.4	10.4
2.2. Intermediate consumption	P.2	6.2	6.0	6.0
2.3. Social payments	D.62, D.632	22.2	21.9	21.5
of which: Unemployment benefits		1.3	1.2	1.1
2.4. Interest expenditure	D.41	1.8	1.6	1.5
2.5. Subsidies	D.3	1.4	1.5	1.5
2.6. Gross fixed capital formation	P.51g	3.1	3.1	3.0
2.7. Capital transfers	D.9	0.8	0.9	0.8
2.8. Other		3.0	3.0	2.8

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 11: Amounts to be excluded from the expenditure benchmark

	2017	2017	2018	2019
	in bn €			in % of GDP
1. Expenditure on EU programmes fully matched by EU funds revenue	0.2	0.1	0.0	0.0
of which investments fully matched by EU funds revenue	0.0	0.0	0.0	0.0
2. Cyclical unemployment benefit expenditure at unchanged policies	0.2	0.1	-0.1	-0.1
3. Effects of discretionary revenue measures	-0.7	-0.2	-0.2	-0.2
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 m €)

		2018	Q1	Q2
	ESA Code	**General government**		
1. Net lending/net borrowing	S.13		-698	1,768
2. Total revenue	TR		41,982	48,023
3. Total expenditure	TE		42,681	46,255

Positions may not sum up due to rounding errors.

Source: STAT

Table 13: Divergence from latest SP/DBP-Update (March 2018)

		2017	2018	2019
	ESA Code	**in % of GDP**		
General government net lending/net borrowing	B.9			
SP/DBP-Update March 2018		-0.7	-0.4	0.0
DBP October 2018		-0.8	-0.3	0.1
Difference		*-0.1*	*0.1*	*0.1*
Structural balance	B.9			
SP/DBP-Update March 2018		-0.5	-0.9	-0.5
DBP October 2018		-0.8	-0.9	-0.5
Difference		*-0.4*	*-0.1*	*0.0*
Gross debt				
SP/DBP-Update March 2018		78.1	74.5	70.9
DBP October 2018		78.3	74.2	70.5
Difference		*0.3*	*-0.2*	*-0.4*

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 14: Country specific recommendations (CSR)

CSR number	List of measures*	Description of direct impact
CSR 1		
Achieve the medium-term budgetary objective in 2019, taking into account the allowance linked to unusual events for which a temporary deviation is granted	Budgetary framework 2018-2021 (Federal Budgetary Framework Law for the years 2018-2021 and Federal Budgetary Framework Law for the years 2019-2022; cf. BGBl I No. 20/2018); Parliamentary decision was taken on April 19th, 2018	Stringent structural budget path in line with the MTO ensured; Budget performance is regularly monitored on a monthly basis
Ensure the sustainability of the health and long-term care and the pension systems, including by increasing the statutory retirement age and by restricting early retirement	Reform of the social security system; Decision by the Council of Ministers was taken on May 28th, 2018; Entry into force is foreseen for the 1st quarter 2019	Organizational restructuring; Reduction of the currently 21 social insurance funds to 5 (cost-saving and optimization potentials and reduction of administrative costs)
	Pension premium – raising compensatory allowance as a special subsidy for persons who paid more than 480 months; Decision by the Council of Ministers was taken on April 18th, 2018	The means-tested equalization allowance will be raised in case of long periods of contribution; Incentive for prolonging working lives (as from 2020); For persons who paid contributions for more than 40 years, the indicative rate will be raised from currently 909.42 € (single persons) to 1,200 €; For couples, respectively persons in a joint household, the new indicative rate will be raised from 1,363.52 € to 1,500 €
	Unemployment insurance act – amendment (Arbeitslosenversicherungsgesetz; AlVG); (cf. BGBl I No. 30/2018); Parliamentary decision was taken on April 17th, 2018	Age restrictions for accessing part-time retirement will be raised by two years in two rounds, from 58 to 60 years for men and from 53 to 55 years for women; As from the year 2019 the number of people entering part-time retirement will be reduced by an estimated 40%
Make public services more efficient, including through aligning financing and spending responsibilities	Education investment act – amendment (Bildungsinvestitionsgesetz; BIG); Decision by the Council of Ministers was taken on July 4th, 2018 (see also below, CSR No. 2)	The funding period will be extended until 2032, thus raising flexibility for federal states and municipalities; Creating a basis for on-going simplification of support systems to take advantage of synergies
	Annual tax law 2018 (Jahressteuergesetz 2018 - JStG 2018); (cf. BGBl I No. 62/2018); Parliamentary decision was taken on July 4th, 2018	Simplifying procedures thus reducing the burden for taxable persons by improving the financial administrations' services

	Federal constitution act – amendment; Decision by the Council of Ministers setting up a working group was taken on May 28th, 2018	Reduction of rights of consent at Federal and state level on measures of the other authority; separating the competences and responsibilities of the actors
	Minimum benefit system NEW (Mindestsicherung NEU); Decision by the Council of Ministers was taken on May 28th, 2018; Federal framework legislation is currently being prepared	Standardization and harmonization of entitlement; establishment of a unified claim to cover the costs of living
	Launching the digital GISA-statement (business license) which is free of fees and administrative charges; Decision by the Council of Ministers was taken on April 25th, 2018; In force since May 1st, 2018	Reducing administrative burden in the context of business licenses; Searching and downloading as signed document in real time
CSR 2		
Reduce the tax wedge, especially for low-income earners, by shifting the tax burden to sources of revenue less detrimental to growth	Labour-market policy financing act – amendment (Arbeitsmarktpolitik-Finanzierungsgesetz Änderung); (cf. BGBl I No. 14/2018); Parliamentary decision was taken on March 22nd, 2018; In force since July 1st, 2018	Raising the thresholds for the reduced unemployment insurance contribution of low-income earners; For low-income employees with a monthly income up to 1,648 € (up to now 1,381 €) the unemployment contribution is cancelled; for monthly incomes from 1,648 € to 1,798 € the employee's rate is 1%, it is 2% for monthly incomes from 1,798 € to 1,948 €, and it is 3% for monthly incomes higher than 1,948 €; This also addresses the gradual increase of the statutory minimum wage up to 1,500 €
	Annual tax law 2018 (Jahressteuergesetz 2018 - JStG 2018); (cf. BGBl I No. 62/2018); Parliamentary decision was taken on July 4th, 2018	Implementation of the Family Bonus Plus scheme; Reduction of the annual tax burden by up to 1,500 € or 500 € respectively per child/year; For low-income single parents and single earners who do not pay taxes, a tax refund (Kindermehrbetrag) amounting to 250 € per child is also introduced
Improve labour market outcomes of women	Family Bonus Plus scheme (see above)	
	Expanding childcare facilities; Agreement according to 15a B-VG agreement; Ministerial Council decision was taken on September 19th, 2018; Parliamentary process launched	Focuses on expanding childcare opportunities for children under the age of 3; extension of opening-hours and further flexibility concerning opening hours
Improve basic skills for disadvantaged	School organization act – amendment (Schulorganisationsgesetz	Improvement of German language support for extra-matricular pupils by setting-up

young people and people with a migrant background	Änderung); (cf. BGBl I No. 35/2018); Parliamentary decision was taken on May 17th, 2018	German language support classes and special German support courses; Competence in German is determined as a core-criterion for school readiness; Ensuring compliance with compulsory schooling
	Optimization of educational and career choices; Specification concerning grading; Further development of the Neue Mittelschule (NMS; non-academic lower secondary schools); Ministerial council decision was taken on May 2nd, 2018	Specification of criteria defining school-readiness (starting in the academic year 2020/2021); As of school-year 2019/2020 introduction of a standardized talent check for pupils at the end of the third and seventh school-year, thus backing pupils and parents in choosing the appropriate school; With a view to enhance motivation for learning as well as to improve the educationally oriented support, grading in primary school will be specified as of school year 2019/2020; Starting in the academic year 2019/2020 curricula will be revised and adapted gradually; the positive developments of the Neue Mittelschule (NMS; non-academic lower secondary schools) will be further reinforced; Further reforms in the field of grades, on performance differentiation as well as on setting of thematic priorities are already defined and will be implemented from the start of the academic year 2019/2020
	Education investment act – amendment (Bildungsinvestitionsgesetz BIG); Decision by the Council of Ministers was taken on July 4th, 2018 (see also above, CSR No. 1)	To ensure sustainable and demand-oriented supply of all-day schools
	Master plan for digitizing education; Ministerial Council decision was taken on September 5th, 2018	Fostering of digital competences and skills in all school types and at all levels according to the different age; creating critical awareness; reliable conveyance of digital skills as a prerequisite for successful labour market participation; advancing creative potential as well as strengthening talents; completion of the master plan by the beginning of the summer term 2019; Implementation by 2023
	Expanding childcare facilities; Agreement according to 15a B-VG agreement; Ministerial Council decision was taken on September 19th, 2018 (see also above); Parliamentary process launched	The objective is to enhance the intensity and quality of early language support; further development and focus on transition kindergarten/nursery school to primary school
Support productivity growth by stimulating digitalization of businesses and company	Telecommunications act 2003 – amendment (Novelle Telekommunikationsgesetz 2003 – TKG 2003); Ministerial	Speed-up national coverage with gigabit connections, facilitate 5G-outroll, thus boosting an effective digital infrastructure

growth and by reducing regulatory barriers in the service sector	Council decision was taken on September 5th, 2018; Currently being debated by Parliament	
	Austrian Research Promotion Agency– establishment act – amendment (Änderung Österreichisches Forschungsförderungsgesellschaft mbH-Errichtungsgesetzes); (cf. BGBl I No. 66/2018); Parliamentary decision was taken on July 4th, 2018	Transferring the tasks of the digitalization agency to the Austrian Research Promotion Agency (FFG); The FFG will become the focal point for national and international issues on digitalization, acting as central implementing body
	Electronic notariate-foundation act (Elektronische Notariatsform-Gründungsgesetz – ENG); Ministerial Council decision was taken on July 4th, 2018; Currently being debated in Parliament	Facilitating the setting-up of a limited liability company (GmbH) by a digital notarial act by using safe technical communication facilities
	Bill of law on location development (Standortentwicklungsgesetz – StEntG); Draft bill currently being debated in Parliament; entering into force expected by January 1st, 2019	In case of project proposals which are relevant for location development and which are of particular public interest procedures can be speed up; legal and planning certainty should be acquired as quickly as possible for investors concerning their projects' feasibility

* Decision after submission of the Austrian Stability Programme (March 21st, 2018) and the National Reform Programme (April 25th, 2018)

Sources: BKA, BMF

Table 15: Targets set by the Union´s strategy for growth and jobs

National headline targets for 2020	List of measures*	Description of direct impact on targets
National target for 2020: Employment [77-78%]		
	Vigorous implementation of already agreed measures (cf. National Reform Programme 2018), e.g.: » Prevention programme „fit2work“ » Employment Scheme 50+	The measures listed in the National Reform Programme address different aspects of labour market policy; many measures will affect labour market participation in the medium- to longer run

	New initiatives: » Employment campaign: Ensure the supply of skilled workers; Ministerial Council decision was taken on September 12th, 2018 » Digitalization apprenticeship package » Pact for digital competences	Comprehensive package of measures includes the following: » Regionalization of the so called "Mangelberufsliste" (list of professions where there is a shortage of labour supply) » Modernization of the Red-White-Red Card (RWR-card) » Residence permit for apprentices » Initiative apprenticeship for unemployed persons entitled to asylum
National target for 2020: R&D [3.76%]		
	Implementation of measures announced in the Austrian Strategy for Research, Technology and Innovation (RTI-strategy / Innovationsstrategie) New initiatives: » „Zukunftsoffensive" (future oriented measures) for research, technology and innovation; Ministerial Council decision was taken on August 22nd, 2018 » Merging the Councils for Research and Technology Development (RFTE), the Science Council (ÖWR) and ERA-Council forum; Ministerial Council decision was taken on August 22nd, 2018	The implementation of the RTI-strategy will further develop the potentials of science, research, technology and innovation and will lead to a considerable improvement of the Austrian research and innovation system Further measures towards the 3.76% target are planned: Update of the research strategy, excellence initiative, drafting the research funding act, establishment of a research database; First results and forward-looking key-points will be presented at a RTI-summit next spring
Target: Reduction of greenhouse gas emissions [-16%]		
	Vigorous implementation of already agreed measures (cf. National Reform Programme 2018) New initiatives:	

	» #mission 2030: The Austrian energy and climate strategy; Ministerial Council decision was taken on May 28th, 2018 » National Action Plan for bio-economy; Ministerial Council decision was taken on May 28th, 2018 » Environmental aid act 2018 – amendment (Umweltförderungsgesetz Novelle – UFG Novelle 2018); (cf. BGBl I No. 39/2018); Parliamentary decision was taken on June 13th, 2018	Determines the key points and priorities of the prospective climate, energy and mobility policy until 2030 Reducing Austria's dependency on non-renewable and fossil based resources; The Action Plan will be available by the end of 2018 Up to year 2020 subsidized incentives for thermal renovation will be available with a view to reducing CO_2-emissions as well as final energy consumption and to enhancing the share of renewable energies
Renewable energy target [34% share of total energy consumption]		
	Vigorous implementation of already agreed measures (cf. National Reform Programme 2018) New initiatives: » Drafting the National Action Plan for bio-economy; Ministerial Council decision was taken on 28th May, 2018 » See also Environmental aid act 2018 – amendment (above) » #mission 2030: The Austrian energy and climate strategy; Ministerial council decision was taken on May 28th, 2018	The Action Plan shall be available by the end of 2018 Determines the key points and priorities of the prospective climate, energy and mobility policy until 2030
National energy efficiency target [25.1 Mtoe]		
	Vigorous implementation of already agreed measures (cf. National Reform Programme 2018) New initiatives: » Environmental aid act 2018 – amendment (Umweltförderungsgesetz Novelle – UFG Novelle	Article 4 of the Energy Efficieny Act (Energieeffizienzgesetz EEffG) defines the target value (this value corresponds to 1,050 PJ); In addition, the EEffG also defines other targets, like the cumulative energy efficiency target of 310 PJ

	2018); (see above)	
National target for the school drop-out rate [9.5%]		
	Target already achieved Vigorous implementation of already agreed measures (cf. National Reform Programme 2018) New initiatives: » School organization act – amendment (Schulorganisationsgesetz Änderung); (cf. BGBl I No. 35/2018); Parliamentary decision was taken on May 17th, 2018 » Optimization of educational and career choices; Further development of the Neue Mittelschule (NMS; non-academic lower secondary schools); Ministerial Council decision was taken on May 2nd, 2018	Improvement of German language support for extra-matricular pupils by setting-up German language support classes and special German support courses; Competence in German is determined as a core-criterion for school readiness; Ensuring compliance with compulsory schooling As of school-year 2019/2020 introduction of a standardized talent check for pupils at the end of the third and seventh school-year, thus backing pupils and parents in choosing the appropriate school
National higher education target [38%]		
	Target already achieved Vigorous implementation of already agreed measures (cf. National Reform Programme 2018), e.g.: » Universities Act 2002 amendment – University Funding scheme NEW (Universitätsfinanzierung NEU); (cf. BGBl I No. 8/2018); Parliamentary decision was taken on February 28th, 2018	Improved management, planning and capacity development in teaching; Improving the quality in teaching according the Austrian Universities Development Plan; Improving the faculty-student ratio; Reduction of massively attended subjects ("Massenfächer"); Staff-increases linked with access rules
National poverty target [-235,000 persons]		
	Vigorous implementation of already agreed measures (cf. National Reform Programme 2018)	

	New initiatives: » Pension adjustment 2019; Ministerial Council decision was taken on August 22nd, 2018	Aiming at strengthening the purchasing-power for recipients of low and middle pensions; The intention is to increase the pension exceeding the adjustment factor: » Pensions smaller than 1,115 € by 2.6% » Pensions higher than 1,115 € up to 1,500 € linear reduction from 2.6% to 2% » Pensions higher than 1,500 € up to 3,402 € by 2% » Pensions higher than 3,402 € by 68 €

* Decision after submission of the Austrian Stability Programme (March 21st, 2018) and the National Reform Programme (April 25th, 2018)

Sources: BKA, BMF

Table 16: Comparison of macroeconomic and budgetary forecasts

	2017	2018	2019
			Real GDP growth
WIFO	2.6	3.0	2.0
European Commission	2.6	2.8	2.1
OeNB	2.6	3.1	2.1
IHS	2.6	2.7	1.7
Austrian Fiscal Advisory Council	2.6	3.2	2.2
			Inflation (HICP)
WIFO	2.2	2.2	2.2
European Commission	2.2	2.2	1.9
OeNB	2.2	2.2	2.0
IHS	2.2	2.1	2.1
Austrian Fiscal Advisory Council	-	-	-
			Unemployment rate
WIFO	5.5	4.8	4.5
European Commission	5.5	5.2	5.0
OeNB	5.5	5.0	4.9
IHS	5.5	4.9	4.8
Austrian Fiscal Advisory Council	-	-	-
			General government net lending/net borrowing
BMF	-0.8	-0.3	0.1
WIFO	-0.8	-0.1	0.2
European Commission	-0.8	-0.5	-0.2
OeNB	-0.8	0.0	0.2
IHS	-0.8	-0.2	0.1
Austrian Fiscal Advisory Council	-0.8	-0.2	0.1
			Gross debt
BMF	78.3	74.2	70.5
WIFO	78.3	74.1	70.5
European Commission	78.3	74.8	71.4
OeNB	78.3	74.1	70.6
IHS	78.3	-	-
Austrian Fiscal Advisory Council	78.3	74.3	70.7

WIFO, October 2018

European Commission Spring Forecast (May) & Summer Forecast (July) 2018

OeNB, June 2018

IHS, October 2018

Austrian Fiscal Advisory Council, May 2018

A direct comparability is not possible due to diverging definitions!

Sources: BMF, EC, Austrian Fiscal Advisory Council, IHS, OeNB, WIFO

6. Literature and Sources

Public Employment Service Austria (AMS)

http://www.ams.at/

Federal Chancellery (BKA)

http://www.bundeskanzleramt.at/

Federal Ministry of Labour, Social Affairs, Health and Consumer Protection (BMASGK)

https://www.sozialministerium.at/site/

Federal Ministry of Finance (BMF)

https://www.bmf.gv.at/

European Commission (EC)

https://ec.europa.eu/commission/index_de

EUROSTAT

http://ec.europa.eu/eurostat

Austrian Fiscal Advisory Council

http://www.fiskalrat.at/

Institute for Advanced Studies (IHS)

http://www.ihs.ac.at/vienna/

Macrobond

http://www.macrobondfinancial.com/

Austrian National Bank (OeNB)

http://www.oenb.at/

Austrian Treasury (OeBFA)

http://www.oebfa.co.at/

Financial Market Authority (FMA)

https://www.fma.gv.at/

Austrian Institute of Economic Research (WIFO)

http://www.wifo.at/

Austrian Parliament

http://www.parlament.gv.at/PD/HP/show.psp

Austrian Court of Audit (RH)

http://www.rechnungshof.gv.at/

Statistics Austria (STAT)

http://www.statistik.at/