

Austrian Stability Programme

(Update for the period 2019 to 2023)

and

Draft Budgetary Plan 2020 (Update)

Vienna, 25 March 2020

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1 Introduction

Stability Programme: According to EU Regulation 1466/97 as amended by Regulation 1175/2011, Euro area members have to annually submit a Stability Programme. The other member states of the European Union (EU) are obliged to hand in a Convergence Programme.

At the same time, these programmes represent the national medium-term budgetary plan to be transmitted according to Article 4 of the "Twopack" Regulation 473/2013.

Draft Budgetary Plan: According to Article 4 (2) of Regulation 473/2013, it is mandatory for Euro area members to annually prepare Draft Budgetary Plans by 15 October.

Due to early general elections on 29 September 2019, the Austrian Draft Budgetary Plan 2020 has been compiled by the Ministry of Finance (BMF) based on the assumption of an unchanged policy ("no-policy change") and submitted to the European Commission (EC) as well as the Eurogroup. This is intended to facilitate coordination in the Economic and Monetary Union (EMU).

The **EC opinion of 20 November 2019**: In its statement, the EC invited Austria to submit an updated Draft Budgetary Plan as soon as a new government has taken office and at least one month before the draft budget law is planned to be adopted by the parliament.

Accordingly, the Austrian Federal Government hereby presents an updated Draft Budgetary Plan together with an update of the Austrian Stability Programme for the period 2019 to 2023.

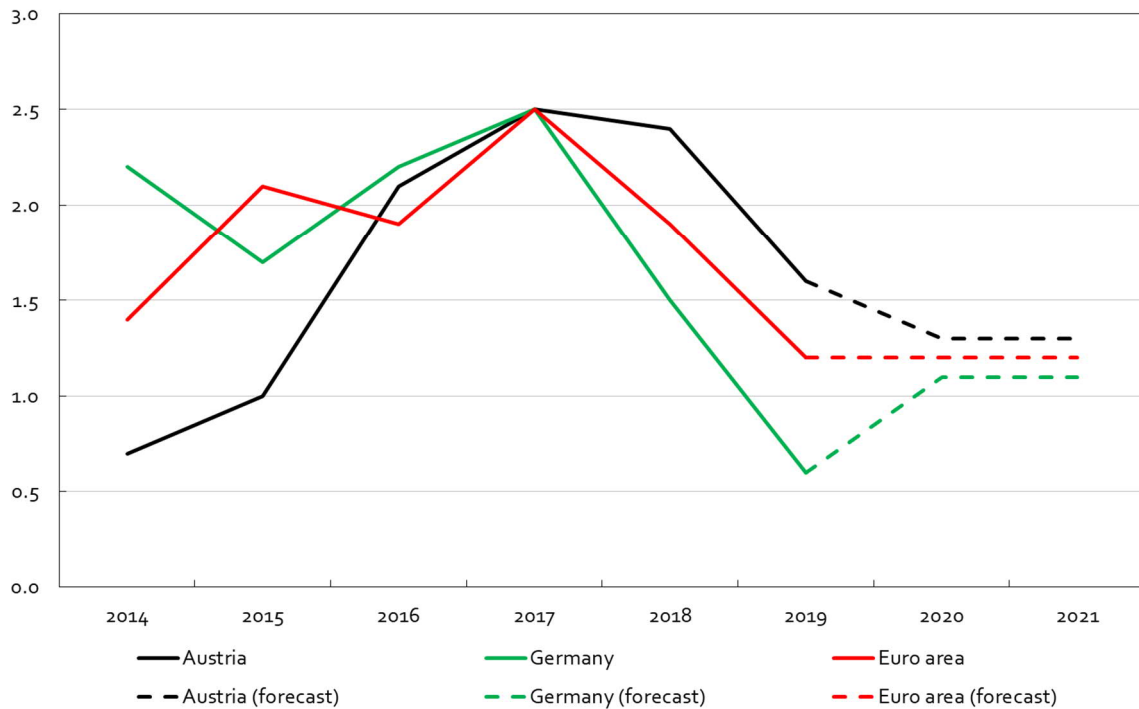
Data basis: This document is based on national accounts data (ESA 2010) up to 2019 as compiled by Statistics Austria, a medium-term economic forecast by the Austrian Institute of Economic Research (WIFO) from December 2019 as well as calculations and assessments by the Federal Ministry of Finance (BMF). Form and content are drafted in accordance with the „Code of Conduct“.

2 Economic Situation in Austria

2.1 Economic development (2019-2023)

Due to stable domestic demand, Austria's economic framework is mainly influenced by external factors. Compared to 2018, world trade has entered a phase of weakness that is dampening domestic exports and thus industrial dynamics. Trade conflicts and the resulting increase in uncertainty about the future direction of trade policy have weakened global economic growth. There were also signs of a slowdown in the Euro area. Growth is expected to average around 1.3 % of GDP in the coming years.

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

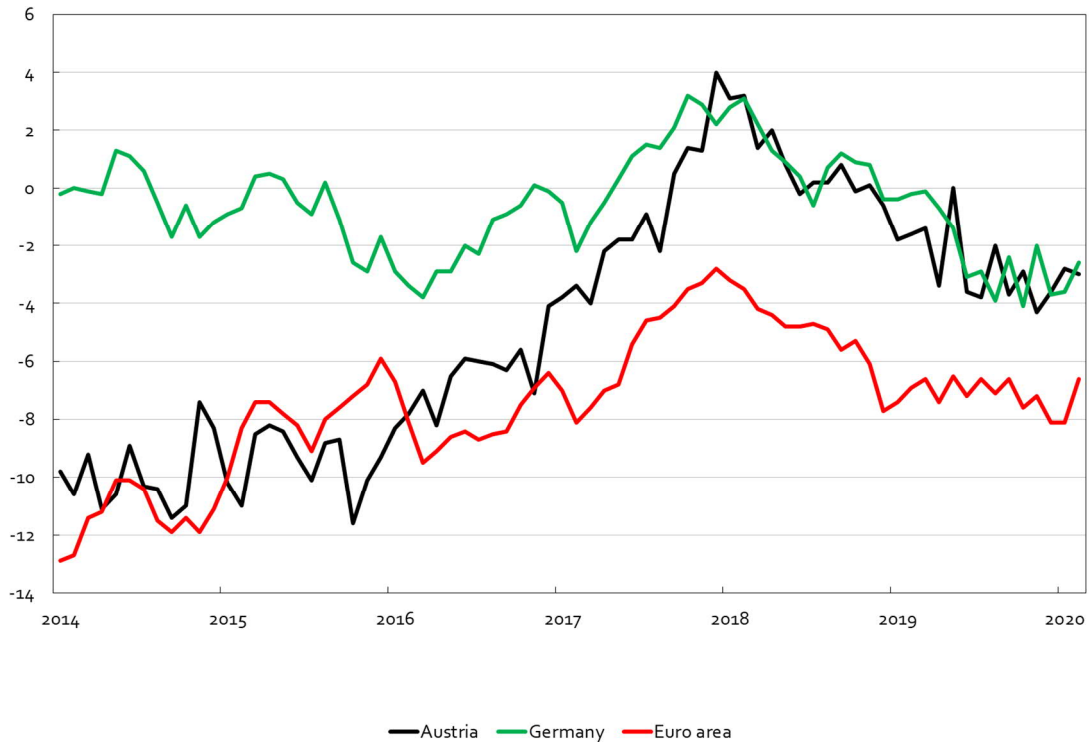


Left axis: Rate of change over previous year in %
Sources: BMF, EC, EUROSTAT

Germany, the largest economy in the EU and Austria's largest trading partner, is likely to have grown by only 0.6 % in 2019. In contrast, growth remains very robust in the markets of the Central and Eastern European countries of Poland, Slovakia, Slovenia, the Czech Republic and Hungary, which are very important for Austria's economy and growth is expected to be around 3.0 % in the coming years.

Against this background, the sentiment of Austrian and European business people fell noticeably in 2019. However, since the end of the year and early 2020, confidence has increased again, which indicated the first signs of recovery. The consumers' confidence developed in a similar way. The index for Austria was significantly higher than that of the Euro area, which is due to the relatively robust economic development in Austria.

Figure 2: Consumer confidence (Austria, Germany and the Euro area)



Left axis: Index
Sources: BMF, Macrobond (3 March 2020)

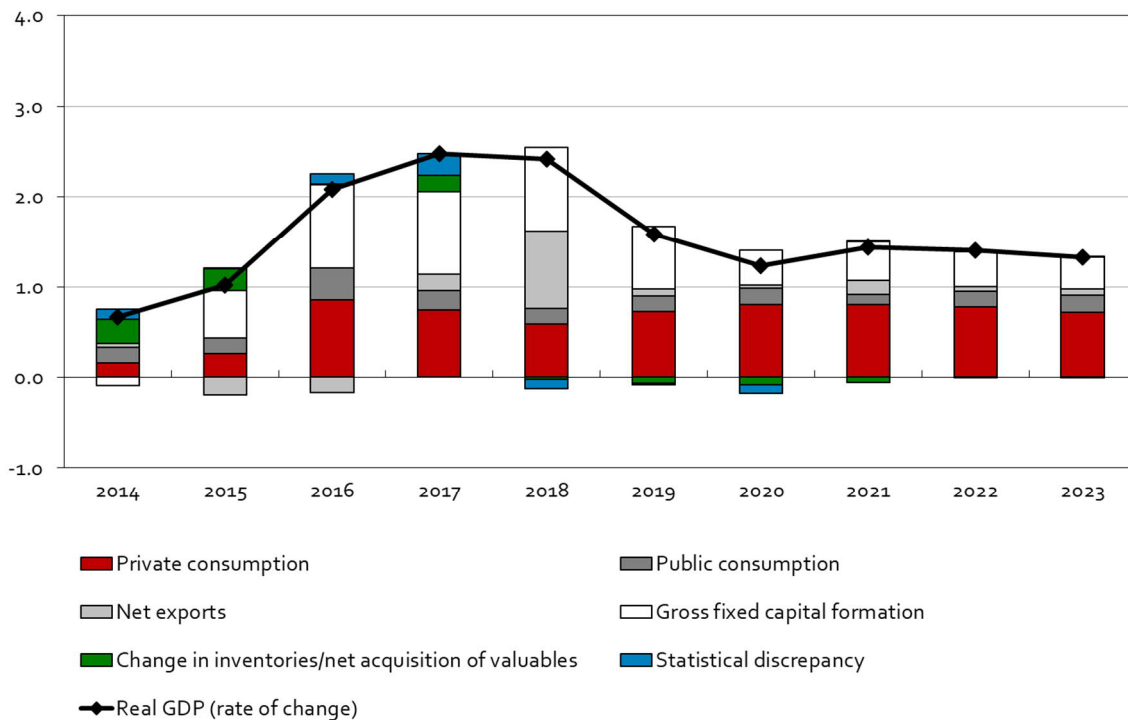
On 19 December 2019, WIFO made a short and medium-term growth forecast for Austria, which is the basis of this document. WIFO could not include any new economic policy measures in its forecast at that time. In addition, the WIFO forecast does not yet depict negative economic consequences from COVID-19. However, the effects of COVID-19 on the domestic economy and public finances are dealt with in Section 2.2 below.

According to WIFO, the short-term economic outlook was subdued due to the external environment but stable. Good developments of employment and income support private consumption. Real GDP growth at 1.6 % was expected in 2019 and at 1.2 % in 2020. Consumer prices (CPI) rose by 1.5 % in Austria in 2019. The main drivers were the price increases for rents, water, energy and catering services. Core inflation was recently at 1.5 % and is expected to remain at this level in the medium term.

The average growth rates of real GDP in Austria in 2006 to 2019 were above the average of the Euro area and should also develop slightly above the Euro area average in 2020.

For the medium-term perspective up to 2023, WIFO expects Austria's average GDP growth rate to be at 1.4 % per year, with an average potential growth of 1.7 %. The data show the year 2018 as the economic peak and the difference between potential growth and achieved growth (output gap) narrows and closes, according to the EU method, in 2024.

Figure 3: Contribution to real GDP growth



Left axis: Contribution to real GDP growth in percentage points

Sources: BMF, STAT, WIFO

GDP growth should remain broad based. The driving factors are consumer spending by households and gross fixed capital formation. Private consumer spending will increase in real terms by an average of 1.5 % per year in 2019 to 2023, in part due to the expected stable real wage growth per capita of 0.4 % on average. Private consumption is expected to grow significantly faster than in 2013 to 2018 (0.8 % per year). Gross fixed capital formation, which is expected to grow by 1.9 % per year, is developing in a similarly positive manner, with equipment investment growing somewhat more strongly at an average of 2.1 %. Exports and imports are expected to grow at an annual average of 2.6 % and 2.7 % in 2020-2023. Inflation is expected to be around 1.6 % annually over the same period.

WIFO continued to expect dynamic growth in employment and labour supply. Despite the economic downturn in 2019, the number of active workers increased by around 62,000

people (1.5 %). At the same time, the supply of working people increased by around 51,000 people. The largest contribution came from foreign workers. The employment rate of older workers and women also increased. Last but not least, the number of working asylum seekers rose. As a result, the unemployment rate according to EUROSTAT fell by 0.4 percentage points to 4.5 % in 2019.

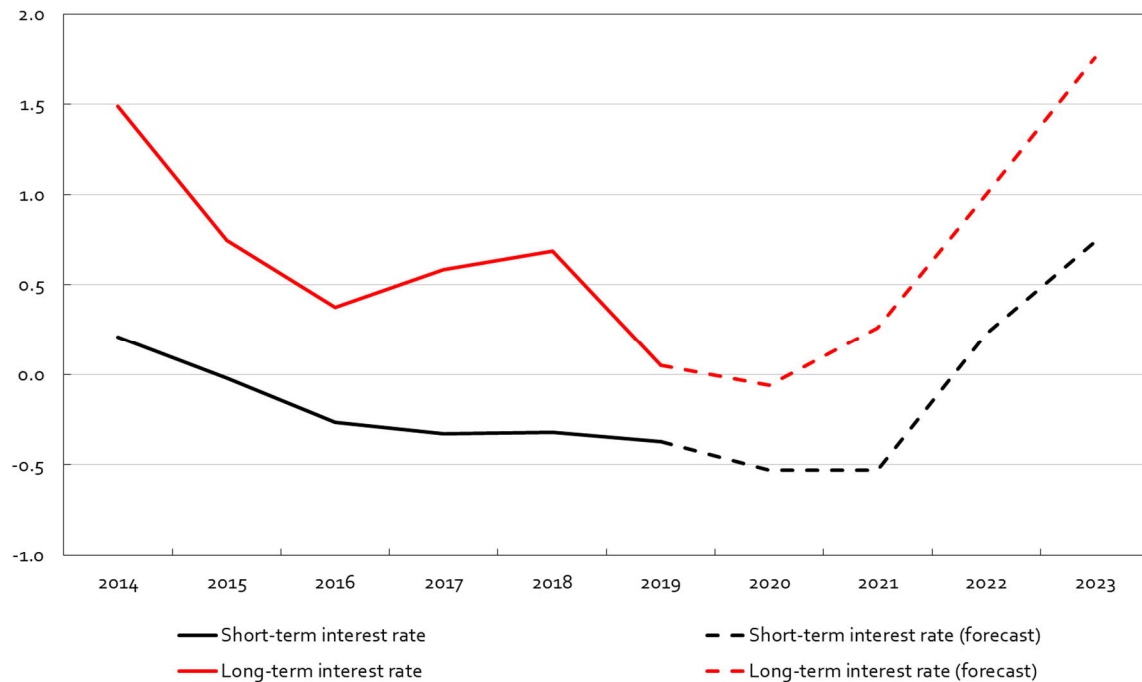
Figure 4: Employed and unemployed persons



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

Short and long-term interest rates have been on a downward trend in Austria since 2008. This is due to the measures taken by the European Central Bank (ECB) and the good credit rating of the Republic of Austria. Long-term Austrian interest rates (10-year government bond yields) rose slightly between 2016 and 2018, but fell massively over the past year and turned negative for the first time; the annual average interest rate was 0.1 % in 2019. Against the backdrop of a cut in key interest rates by the US Federal Reserve, a shift in interest rate normalization by the ECB and slower economic growth, economic researchers assume that long-term interest rates will be -0.1 % this year and rise again to 0.3 % in 2021. Short-term interest rates will follow this trend with a certain delay.

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



Left axis: Annual average (in %)

Sources: BMF, WIFO

The EC published its winter forecast on 13 February 2020, and the Institute for Advanced Studies (IAS) published its forecasts for the coming years on 19 December 2019 and the OECD on 10 December 2019. The EC sees real GDP growth in 2019 and 2020 at 1.6 % and 1.3 %, respectively. The IAS also sees real GDP growth at 1.6 % in 2019 and 1.3 % in 2020. The OECD forecasts 1.5 % for 2019 and 1.3 % for 2020. On 2 March the OECD released an interim forecast in the light of an assessment of COVID-19. In doing so, it revised the growth forecast for the Euro area down by 0.3 percentage points to 0.8 % for 2020. The OECD has not made a separate forecast for Austria.

2.2 COVID-19: Effects on the domestic economy and public finances

Since December 2019, a novel virus ("SARS-CoV-2") has been spreading from China around the world, causing the respiratory disease COVID-19 with flu-like symptoms. In Austria, preventive measures were in the focus until the first week of March, and these measures will be continued. In particularly affected countries such as China and Italy, much more drastic measures have been taken since the outbreak. The EU has released considerable funds for research into the virus and it cannot be ruled out that more far-reaching economic policy measures will be adopted depending on the further course of events. Austria will participate in these measures in an appropriate manner, and public budgets were already geared

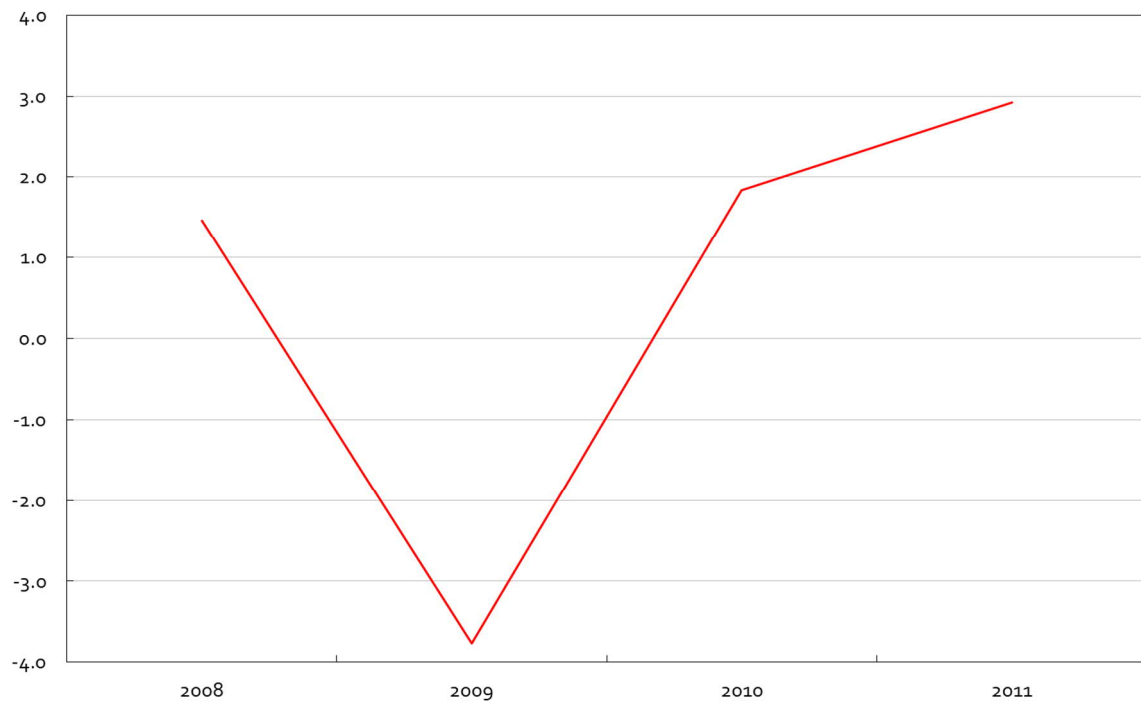
towards strengthening the economy and increasing purchasing power without these measures.

Currently, the World Health Organisation (WHO) already classifies COVID-19 as a worldwide pandemic. In the event of a pandemic, economic and social life "freezes" because people stay at home or are hospitalized. Goods are no longer being delivered. Emergency plans are in place for strategically important infrastructure (energy, communications, transport, monetary transactions).

At present, it is not yet possible to make a reliable forecast of the economic effects in Austria. The economic indicators up to and including February 2020, as far as available, showed a still favourable picture of the construction, trade and tourism sectors. In terms of economic effects, there are also not only negative effects. Interest rates on public debt and oil prices have already fallen (further exacerbated by disagreements among oil-exporting countries). Similarly, the carbon balance could improve and lead to falling prices for emission allowances for the sectors covered by emissions trading.

There are three basic scenarios for effects on economic growth. The most unfavourable course would be a permanent reduction in economic growth ("L" course). After the 2009 financial crisis, this phenomenon occurred in some EU countries. In Austria, on the other hand, a "V"-shaped or " \surd "-shaped course was observed in 2009. A V-shaped movement means that the GDP level falls and then continues to grow at normal growth rates. In the case of a \surd -shaped course, the loss of growth would be more than compensated for in the following year, so that the country would again reach the originally expected level of GDP. This can be explained by the fact that, if demand/orders remain stable, a stop of production (due to the virus) initially lowers GDP, but once this is over, extra shifts are used to increase production at an above-average rate to meet demand. If this is also supported by other temporary monetary and fiscal policy measures, GDP may even temporarily go beyond the original path. After that, "normality" will return.

Figure 6: Growth course of real GDP 2008 to 2011



Left axis: Real GDP (rate of change over previous year in %)

Sources: BMF, STAT

The Federal Government assumes that even a severe COVID-19 outbreak would only affect world trade in goods and services (tourism) and Austria's growth potential for a few months. Therefore, a liquidity support of the affected companies is justified in principle. This can be done, for example, by means of loans or guarantees from the public sector. The banks can also contribute their share by not making outstanding loan claims immediately due. As a further consequence, tax deferrals or other measures to stimulate demand, e.g. by bringing forward infrastructure projects, would also be conceivable. The European Central Bank (ECB) and the European Investment Bank can also support with their instruments. On 10 March 2020 the EU adopted a support package of 25 bn Euro. On 12 March 2020, the ECB increased the corporate bond purchase programme and provided a window for low-cost SME loans. The European Banking Authority has decided to ease the capital requirements for banks. Should measures taken by the Federal Government require changes in state aid law on the part of the EU, Austria will advocate temporary relief.

Companies, in turn, will be able to adjust work and holiday schedules to the demand situation. Similarly, the instrument of short-time work for companies with temporary problems has long been in place in Austria, and this was also successfully used in 2009. Here, funds can be increased as needed.

In the second week of March 2020, WIFO assumed that the virus-induced production slump would be compensated from the second half of 2020 onwards, at least in the manufacturing sector. The Federal Government plans a series of expansionary measures for the years 2021-2024, which WIFO has not yet taken into account in its medium-term forecast. Given the current uncertainty, only GDP growth in 2020 is therefore adjusted to present an appropriate picture of medium-term economic development. On the basis of an ad-hoc assessment by WIFO dated 2 March 2020, the Federal Government assumes a real GDP growth rate of 0.8 % for 2020.

The initial effects of COVID-19 were taken into account in the budget planning for 2020 as follows. On the one hand, an administrative fund with a volume of 4 bn Euro will be established at the Federal Ministry of Finance. This administrative fund will ensure that the ministries will always have the necessary budgetary funds available for measures to cope with the COVID-19 pandemic in Austria. On the other hand, tax revenues were adjusted to current developments. For example, the necessary premature closure of ski resorts is expected to result in a loss of tax revenues. These budget effects of COVID-19 shall be taken into account within the framework of the EU fiscal rules in the same way as refugee and counter-terrorism costs. The Maastricht balance, including the COVID-19 administrative fund, amounts to -1.0 % of GDP.

2.3 Financial sector developments

The global economy has decelerated in 2019 especially on the basis of trade frictions and a longer lasting economic upswing. The volatility of the financial markets has accelerated significantly since February 2020 as the risks of a rapid global spread of COVID-19 increased and existing disequilibria have not been reduced. Currently the exact consequences of COVID-19 cannot be estimated accurately since monetary policy has reacted.

Monetary policy measures also had some supportive effects for the financial market development: the US Central Bank decreased the policy rate three times in 2019 and the ECB has announced the resumption of the Asset Purchase Programme as well as further expansive measures in autumn 2019.

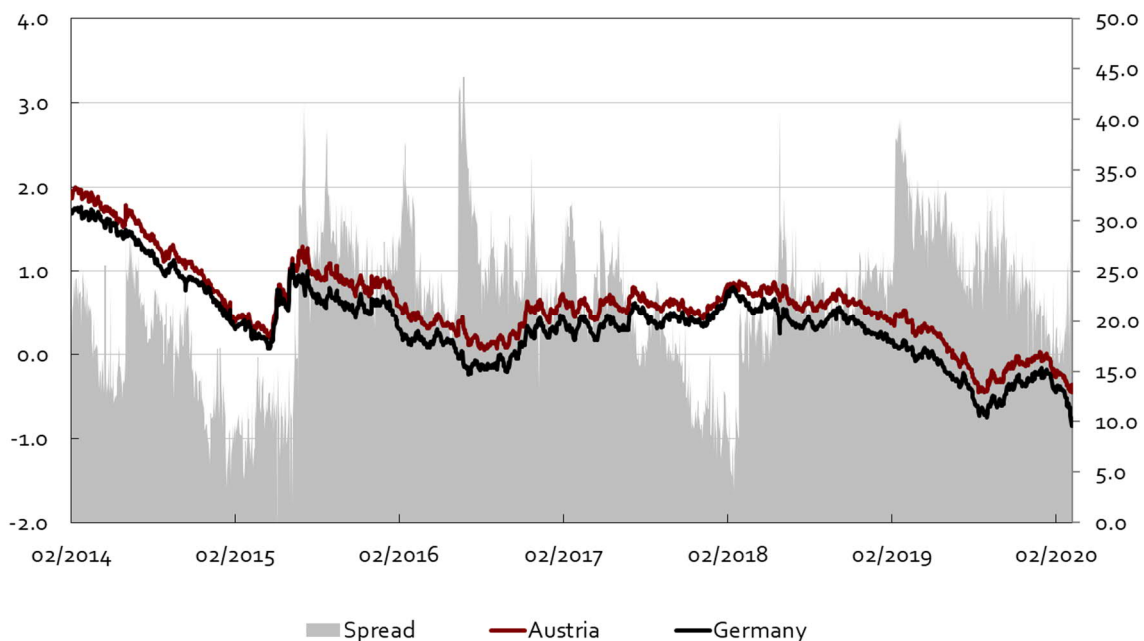
Downside economic and stability risks are trade frictions, increasing corporate debt and sustained disequilibria in some large-scale economies, instabilities in emerging market countries and corrections of overvalued asset prices.

2.3.1 Long-term interest rates

The long-term Austrian interest rate (10-year yield of government bonds) was at around 0.5 % at the beginning of 2019. Since March 2019 an ongoing decrease of the 10-year yield occurred and from June 2019, with a few exceptions, negative long-term interest rates in Austria were observed. In case of higher economic policy uncertainties, a flight into government bonds of relatively stable countries always sets in.

Catalysts for the lower interest rates since mid-2019 were increasing global uncertainties, an economic slowdown in the Euro area and further accommodative ECB measures. The spread of the 10-year Austrian government bond yield to the 10-year German government bond yield (without maturity correction) showed a relatively stable development and fluctuated at around 20-30 basis points since April 2019. At the beginning of March 2020 a rise of the spread to around 40 basis points was observed due to the strong uncertainties of COVID-19.

Figure 7: Long-term interest rates and spread



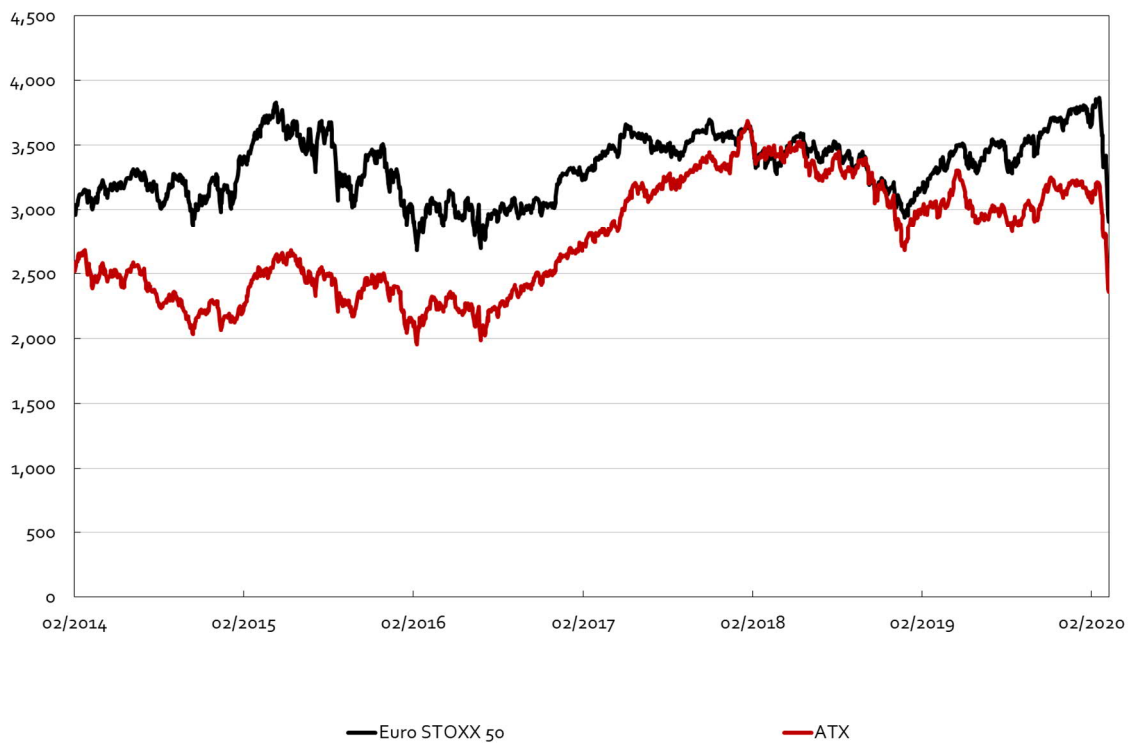
Left axis: Long-term interest rates in %
Right axis: Spread in basis points
Sources: BMF, Macrobond (10 March 2020)

2.3.2 Equity market

The Austrian equity market (ATX) showed strong correlation with the Euro-Stoxx-50-Index in 2018 and 2019. In 2019 a general upward movement of the equity markets took place, also in Austria, and the ATX increased by 16 %. The reasons for this development were accommodative monetary policies, good company results and some progress in solving trade

frictions. In February and March 2020 a strong downward correction in the equity markets occurred, triggered by COVID-19, which led to frictions of global supply chains and trade disturbances as well as production cuts and strongly diminishing international travel activities.

Figure 8: Equity market performance



Left axis: Index

Sources: BMF, Macrobond (10 March 2020)

2.3.3 Restructuring of the banking sector

Initially, the Republic of Austria reacted to the financial crisis in 2008 with comprehensive liquidity assistance, based on the Interbank Market Support Act, and later also with capital measures and the issuance of guarantees according to the Austrian Financial Market Stability Act (FinStaG). Based on FinStaG, Austrian Banks have been granted capital and liquidity-supporting funds totalling more than 30 bn Euro since 2008. Taking into account all repayments, the net amount to date is 14.2 bn Euro.

End of 2018, immigon portfolioabbau ag formally finished the wind-down of its assets. In July 2019, the bank has entered into liquidation.

HETA Asset Resolution AG has reduced its assets significantly in the past years. A major step towards liquidation was the final settlement of a longstanding lawsuit with Bayerische

Landesbank in late 2018. The settlement had significant positive financial effects on HETA, which have been reflected in the annual financial statement 2018. According to the 3rd HETA Administrative Decision of the Austrian Financial Market Authority (FMA) in its capacity as the designated national resolution authority the recovery rate for senior creditors amounts to 86.32 %. After three intermediate distributions in 2017, 2018 and 2019, 79.5 % of the senior debts (based on the nominal value) have been paid off. The FMA has announced that the portfolio will be reduced according to plan by 99 % at year-end 2020.

In 2017, KA Finanz AG was transformed into a wind-down entity without banking licence. According to the resolution plan, the portfolio wind-down should be completed until the end of 2026. After exceeding the goals set out in the resolution plan in 2018, the wind-down has been successfully proceeded also in 2019.

2.4 Assessment of the rating agencies

Austria's creditworthiness is currently rated at the second-best grade by the three largest rating agencies: AA+ (Standard & Poor's, Fitch), and Aa1 (Moody's). While Fitch has assigned a positive outlook to the rating, Standard & Poor's and Moody's have assigned stable outlook.

Positive factors according to the rating agencies' assessment are the strong political and social institutions, solid budgetary policy, the diversified, competitive and export-oriented economy as well as moderate indebtedness of the private sector. The average residual maturity of public debt is just under 10 years, the interest rates are low at an average 2.2 % and there are no foreign currency risks. Banking sector liabilities acquired by the public sector in the course of the financial and economic crisis have been reduced significantly.

Compared to „AAA“-rated countries, however, the public debt stock remains at a high level. 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.

3 Economic and budgetary policy strategy

3.1 Economic and budgetary policy challenges, objectives and strategy

A sustainable budgetary policy combines fiscal stability with future-oriented investments and measures that support society and economy best possible in coping with new challenges. It strengthens trust and credibility in the state to ensure the Austrian welfare, social stability and the attractiveness of Austria as a business location in the future.

Currently, the onset and rapid dissemination of COVID-19 poses a new challenge for our society which needs to be overcome jointly. The top priority for the Austrian government is the wellbeing of the people. She is ready to undertake all necessary measures to minimize the social and economic repercussions of the crisis. Hence, the onset of the COVID-19-pandemic changes the political, economic and social circumstances and interferes with the original budgetary plans. The first effects of COVID-19 have been already taken into account in the budget planning for 2020. On the one hand, an administrative fund with an amount of 4 bn Euro has been established in the Ministry of Finance. This administrative fund ensures that all ministries have the necessary budgetary resources to take measures to overcome the COVID-19-pandemic in Austria. If the administrative fund is used to its fullest extent, the Maastricht balance deteriorates accordingly in the year 2020. On the other hand, taxes and public charges have been adapted to current developments. From 2021 onwards, the current planning foresees a surplus at the general government level. The government commits to a balanced budget, depending on economic developments and requirements.

Basically, the new government pursues economic, ecological and social goals with its budgetary policy: economy, environment and the workplace are viewed and understood together and challenges like climate protection and digitalisation are not perceived as risk, but used as a chance. Both, an ecosocial tax reform and future investments in climate protection and infrastructure, are essential to successfully tackle climate change and, at the same time, support and enhance the innovative power and competitiveness of the Austrian economy. Associated growth and employment impulses are important in light of the cooling economy.

The government advocates sustainable public finances, a careful handling of tax payers' money, reducing the tax burden of Austrians, an efficient and cost-effective use of funds, necessary investments as well as a balanced budget depending on economic developments and requirements. Policies are to be in line with European and international commitments, in particular the Paris Agreement on climate change and the Stability and Growth Pact of the European Union. Specifically, the government commits to the economic policy goals of

- a balanced federal budget, depending on economic developments and requirements,
- decreasing the public debt ratio towards 60 % of GDP while ensuring necessary climate- and future-investments at the same time,
- lowering the tax burden accompanied by a greening of the tax structure as well as decreasing the tax revenue ratio towards 40 % of GDP,
- an eco-social reform with steering effects, whilst taking into account existing possibilities to change, social cushioning and regional differences in living conditions, to successfully tackle climate change,
- compliance with the European Stability and Growth Pact, in particular the medium-term objective (MTO), as well as the Austrian Stability Pact.

These principal economic policy goals allow the government to achieve a balanced budgetary policy according to national and international obligations as well as to meet its responsibility towards future generations. They guarantee that the Republic is forearmed for overcoming new challenges. At the same time, they serve as the basis for setting the following budgetary policy course in the new legislative period:

- Lowering the tax burden for the people in our country: A noticeable tax relief for the people is a main concern for the government. It is planned to decrease the first three wage and income tax brackets in order to lower the tax burden on labour. Moreover, the Family Bonus Plus and the Supplementary Child Benefit will be increased to reduce the tax burden for families even more and to ensure social protection of families with low income. Farmers will benefit from further tax relief, too. On the contrary, the top tax rate of 55 % for incomes above 1 m Euro will be prolonged for reasons of tax fairness.
- Ensuring a peaceful living together in a society based on the rule of law: In order to face key challenges and dangers like transnationally organized crime, protection against violence, combating extremism or cyber security threats, a modern police and efficient judiciary with sufficient personnel is needed. Hence, the government commits to continue the police personnel boost started in 2018 and to a sufficiently equipped judiciary.

- Greening and successfully tackling climate change: Besides tax relief, an eco-social transition has priority in the next years. In future, eco-friendly and environmentally sustainable manners will be incentivised, while environmentally unsustainable manners demand better cost transparency. In doing so, the transition towards a climate-neutral society and economy has always to take into consideration social compatibility and economic competitiveness. First measures are already planned in 2021. Starting in 2022, a comprehensive eco-social tax reform, which is currently developed by a task force launched in February 2020, will follow. The objective of the reform is to price climate-damaging emissions as efficiently as possible in order to gradually achieve cost transparency of CO₂-emissions.
- Preserving and expanding the innovative strength, sustainability and competitiveness of the Austrian economy: Preserving and expanding the international competitiveness of the Austrian economy is essential to retain value-added and jobs in Austria and to ensure our welfare. In order to reduce the tax burden of domestic businesses, in particular of one-person businesses and SMEs, the basic tax-free allowance will be increased and the limit for immediate write-off of low value fixed assets will be raised to 1,000 Euro. In return, the government advocates tax fairness in the digital economy as well as by fighting tax fraud.
- Supporting general welfare by public investments: The challenges of the upcoming years are hard to overcome without public investments. Regarding climate protection, the Federal Government plans substantial investments in local and regional public transport as well as in renewable energy. An important transport project is the introduction of a "1-2-3" Austria ticket. In order to accelerate the expansion of renewable energies a „Renewables-Expansion-Law“ („Erneuerbaren-Ausbau-Gesetz“, EAG) is intended. Regarding digitalisation, investments are made especially in the expansion of the broadband network and the 5G mobile technology, besides the ongoing digitalisation of the public administration.
- Ensuring the sustainable financing of the welfare state: In order to ensure the sustainable financing of the pension system, the government aims to raise the effective retirement age to the statutory one. Adjustments in the pension system are to follow the principle of „prevention, rehabilitation and re-employment before retirement“. In this regard, the employees' health is the best and most effective instrument. The government commits to a humane and high-quality long-term care and support of care-dependent persons and their relatives. In order to ensure the funding of long-term care, the government plans to pool the existing federal financing flows as well as to achieve a close and structured

collaboration among all stakeholders. In the end, there will be a long-term care insurance that pools all currently existing financing flows in the federal budget.

3.2 Budget execution in 2019

The year 2019 turned out particularly well on the general government level. While 2018 witnessed the first positive Maastricht balance on the general government level since 1974 (+0.2 % of GDP), the surplus is even larger in 2019. A main reason is the first surplus in the administrative federal budget since 1954. The official calculations regarding the general government fiscal outcome are done by Statistics Austria and will be published by the end of March 2020 and possibly revised by the end of September. In this respect, the following numbers are based on preliminary estimates and hence are subject to uncertainty.

Net borrowing: According to preliminary estimates, a positive Maastricht balance of 0.7 % of GDP was achieved in 2019. In comparison to the year 2018 this implies an improvement of 0.5 percentage points of GDP, while the figure forecasted at the time of budget preparation was outperformed by 0.7 percentage points of GDP. The improvement is in particular attributable to distinct improvements in the central government sector.

Structural balance: In 2019, the structural balance is positive according to preliminary calculations and amounts to roughly 0.2 % of GDP, meaning that the medium-term objective (MTO) is clearly met. Hence, the structural balance improves by 0.5 percentage points compared to the previous year and by 0.7 percentage points versus the forecasted figure at the time of budget preparation. In comparison to both, 2018 and the budget plan forecast, this improvement results from a higher general government surplus, whereas the business cycle effect is only marginally smaller.

Public debt: After amounting to 74.0 % of GDP by end-2018, the public debt ratio has dropped to almost 70 % of GDP in the year 2019 according to preliminary figures. The public debt ratio thus is considerably below the figure forecasted at the time of budget preparation (70.9 % of GDP). While 2.4 percentage points of this year-on-year reduction is attributable solely to the pure GDP-effect, nominal public debt has decreased markedly, too. By the end of 2018 public debt added up to 285.3 bn Euro, whereas in 2019 it amounted to 280.1 bn Euro according to a first assessment. On the one hand, settled federal financial debt decreased by roughly 2.9 bn Euro. On the other hand, the steady deleveraging of bad banks has contributed to the debt reduction in 2019 as well. HETA made another distribution to its creditors and KA-Finanz reduced its debt by roughly 0.6 bn Euro.

Revenue: Despite a further cooling economy during the year, revenue developed dynamically, in particular because of a stable labour market situation. The marked growth in wages and salaries of 4.4 % is reflected in a strong increase in current taxes on income and wealth (+4.4 % as well). Taxes on production and income grew by 3.4 %, which is mainly attributable to a moderate development of the value added tax. In total, general government revenue grew by 3.6 % year-on-year.

Expenditure: The macroeconomic environment had also positive effects on expenditure. On the one hand, the decline in interest payments continued in 2019 and dropped by 7.0 % year-on-year to 5.8 bn Euro. The actual interest yield of the portfolio was marginally below 2 % for the first time ever. On the other hand, the stable labour market situation led to reduced payments from the federal budget. For example, the increase in the federal subsidy to the state pension scheme has been lower than budgeted. Furthermore, a strict budget execution on the federal level with an administrative expenditure increase of only 1.1 % also curbed expenditure dynamics at the general government level. In total, general government expenditure grew by 2.6 % compared to 2018, meaning that expenditure growth was lower than revenue growth and nominal GDP growth (3.3 %).

States and municipalities: States and municipalities have benefited from the increased tax revenue via higher income shares, especially from the above mentioned growth of the wage and income tax. In total, the states (without Vienna) were able to keep their positive result of 2018 and to achieve a Maastricht surplus of 0.2 % of GDP in 2019 as well. Regarding municipalities, it is noteworthy that Vienna as the largest municipality by far has achieved the first balanced administrative budget outcome since 2008. Based on preliminary estimates, the Maastricht balance of the local government sector is slightly positive (0.0 % of GDP) in 2019.

Social security: Social security revenue also has increased considerably (+3.9 %) as a result of the good labour market situation, especially due to the strong growth of wages and salaries. In total, the Maastricht balance of the social security sector is somewhat smaller than 2018, but is clearly positive (0.1 % of GDP).

3.3 Budget in 2020

The administrative budget for 2020 at the federal level reflects the priorities of the new government. Additional budgetary resources are allocated especially to security and defence, the judiciary system, education, integration as well as to measures for mobility and climate protection. Beyond that, laws passed by Parliament last summer and autumn, respectively,

impact on the budget. These comprise tax relief measures as part of the Tax Reform Law 2020, but in particular also additional expenditure stemming from several parliamentary decisions (i.a. pension adjustments, valorisation of care allowance, civil servants' salary bracket due to times of education). In response to the COVID-19-pandemic, a 4 bn Euro precautionary fund has been established, which shows up in central government expenditure. As a consequence of the COVID-19-pandemic, in addition a noticeably lower GDP growth than in previous years has to be assumed and is taken into account on the revenue side of the budget. On the contrary, the continuing low interest rate environment will relieve the strain on public finances in 2020, too.

Net borrowing: Taking into account the currently foreseeable effects of COVID-19 on public finances as well as assuming the full use of the precautionary fund for overcoming the COVID-19-pandemic, in 2020 a general government Maastricht balance of -1.0 % of GDP is expected. This represents a considerable decline in comparison to the previous year. Besides the repercussions related to COVID-19, this development is in particular due to the above mentioned additional expenditure following the parliamentary decisions as well as due to the lower forecasted output growth.

Structural balance: Based on the current estimate of the COVID-19-pandemic and its effects, calculations imply a structural balance of -1.2 % of GDP in 2020, when applying the output gap of the WIFO-forecast of December 2019.

Public debt: The decrease in the public debt ratio continues in 2020, although the reduction will be smaller in comparison to previous years. In particular, the share of debt reduction by bad banks declines continuously and also GDP growth slows considerably. Specifically, the forecast implies a public debt ratio of 68.2 % by the end of 2020, which corresponds to the level prior to the outbreak of the global financial and economic crisis 2008-2009 – and thus prior to all bank rescue packages.

Revenue: In 2020, general government revenue growth dynamics will slow noticeable in comparison to previous years. On the one hand, the COVID-19-pandemic and weak business cycle development curb the growth of tax revenues and, on the other hand, relief measures of the Tax Reform Law 2020 come into force. Likewise, the Family Bonus Plus, which has already been introduced in 2019, will come into full effect in 2020. In total, general government revenue is forecasted to grow by 1.9 % compared to the level of 2019.

Expenditure: General government expenditure grows by 5.5 % according to the current estimates (3.4 % without taking into account the precautionary fund for overcoming the COVID-19-pandemic) and hence stronger than revenue. Besides the establishment of the

COVID-19 precautionary fund, the strong expenditure growth results in particular from the prioritizations of the new Federal Government, the budget-relevant parliamentary decisions in summer and autumn 2019 (i.a. pension adjustments, valorisation of care allowance, civil servants' salary bracket due to times of education) as well as from the cooling economy related to the COVID-19-pandemic.

States, municipalities and social security: According to current estimates, the states will achieve a positive Maastricht balance in 2020, too. The tax relief measures implemented as part of the Tax Reform Law 2020 are covered by the federal budget and do not lead to losses of revenue for the states. Regarding municipalities, for the whole local government sector a slightly positive balance is forecast. Having said that, the outcome depends on the actual economic development, in particular of the labour market situation and the corresponding revenue of the council tax. The Maastricht balance of the social security sector will reduce in comparison to 2019.

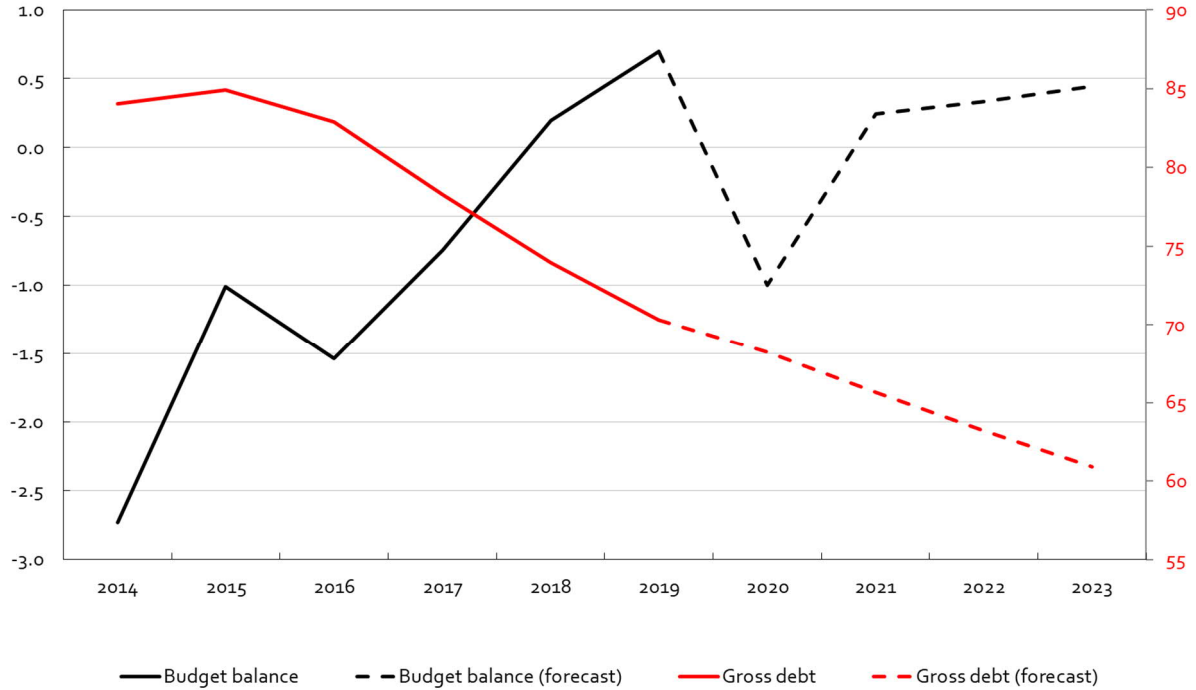
3.4 Development of public budgets 2021 to 2023

The government programme includes several measures on both, the revenue and the expenditure side of the budget, whose implementation is planned from 2021 onwards. Besides a responsible expenditure policy, the focus is on a noticeable tax relief for the people, a comprehensive greening of the tax system as well as on future investments. In particular, the high tax burden for low and middle income earners will be reduced markedly and climate-damaging emissions will be priced while eco-friendly manners will be encouraged. The comprehensive eco-social tax reform, which will be developed and implemented gradually, will provide steering effects while taking into consideration social compatibility and economic competitiveness. In the medium term, the tax revenue ratio will decrease towards 40 % as a result of the planned relief measures.

The current planning on the general government level based on the administrative federal budget 2020 foresees surpluses in the medium term, provided that the COVID-19-pandemic can be overcome successfully until the end of 2020. At the central government level, the planning reflects, inter alia, high investments of the extra-budgetary units (especially of the Federal Railways). States and municipalities are forecasted to achieve in sum a balanced or slightly positive Maastricht balance in the medium term. The result of the social security sector remains positive as well, even though the surplus will continue to shrink in the next years. The public debt ratio in relation to GDP decreases according to the current planning in the upcoming years and will fall to the lowest figure by the end of 2023 since the EU-

membership of Austria. Hence, reducing debt towards the target value of the EU Stability and Growth Pact of 60 % of GDP will be continued.

Figure 9: General government net lending/net borrowing and gross debt

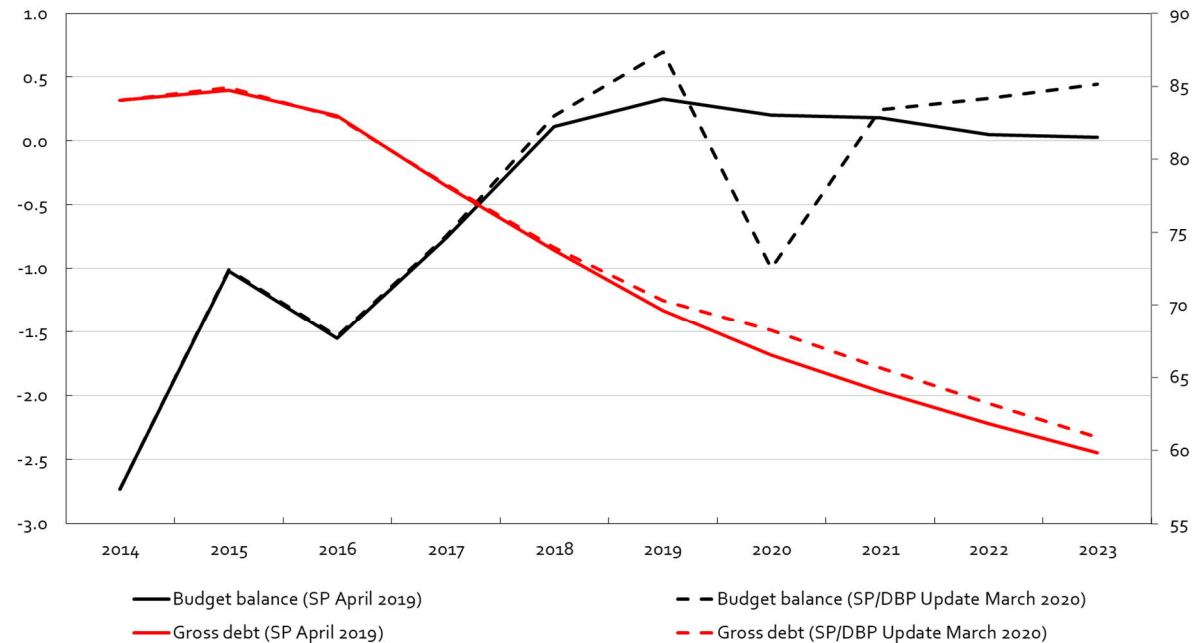


Left axis: General government net lending/net borrowing (in % of GDP)

Right axis: Gross debt (in % of GDP)

Sources: BMF, STAT, WIFO

Figure 10: Divergence from latest Stability Programme (April 2019)



Left axis: General government net lending/net borrowing (in % of GDP)

Right axis: Gross debt (in % of GDP)

Sources: BMF, STAT, WIFO

3.5 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 2017.¹ The next evaluation is scheduled to take place in autumn 2021.

¹ "Evaluation of economic forecasts for Austria for the years 2005 to 2017":
<https://www.fiskalrat.at/Publikationen/Sonstige.html>, October 2018

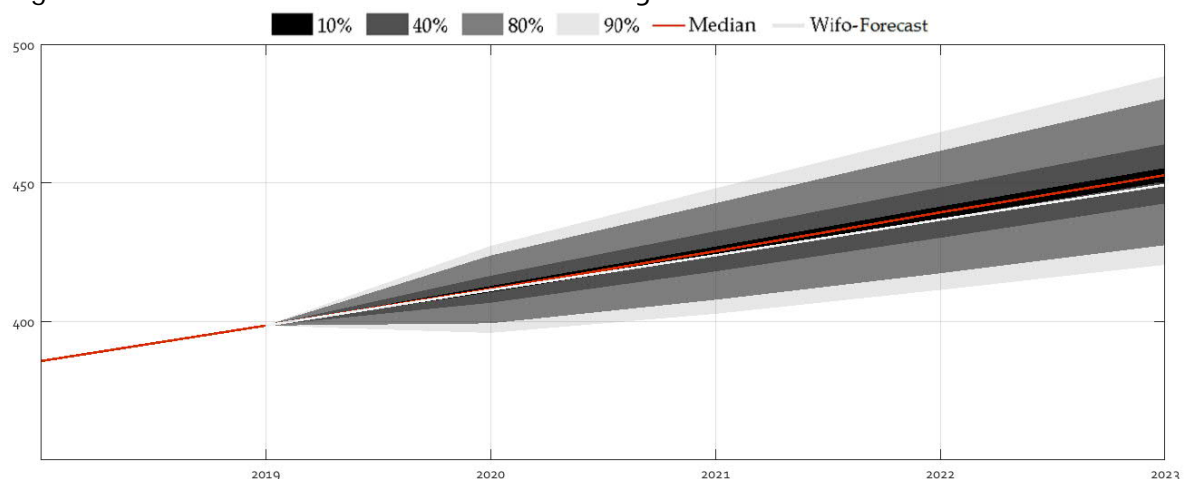
4 Sensitivity scenarios

Directive 2011/85/EU of the EU requires that, when sensitivity analyses are carried out in macroeconomic and budgetary projections, the development of the main fiscal variables be examined on the basis of different assumed growth rates and interest rates. The range of alternative assumptions used in macroeconomic and budgetary projections should be based on the reliability of previous forecasts and, where possible, take into account specific risk scenarios.

It should be noted that the base scenario of the independent WIFO and the winter forecast of the EC of 13 February 2020 for the years 2020 and 2021 are very similar. WIFO did not consider possible effects of COVID-19, the EC primarily as a risk factor. As a small open economy, Austria is closely linked to international developments. However, the growth potential depends mainly on the national framework conditions.

In the following, two extreme budget scenarios based on no-policy change (but with equal shares of public investments and subsidies in GDP) are presented. Based on the experience of the past 20 years, the probability of these or even more extreme growth paths can be estimated at less than 10 % each.

Figure 11: GDP scenarios based on historical GDP growth rates until 2023



Left axis: GDP in bn Euro

Sources: BMF (own calculations based on GDP growth rates 2001-2023), STAT, WIFO

In the optimistic **scenario 1** (GDP at the upper end of the upper light-grey area in Figure 11), the world economy remains free of economic tensions, while existing political tensions ease. The G20 countries implement their growth strategy, the Western Balkan countries pursue a

clear EU accession preparation strategy, Austria gains market shares in global trade and tourism and corporate investment activity increases. The integration of refugees into the labour market is continuing and the additional demand for labour can be met mainly by registered unemployed people. Accordingly, the inflation rate develops in line with the base scenario. The public debt ratio would fall well below 60 % of GDP as early as 2022, resulting in substantial budget surpluses for public budgets.

In the pessimistic **scenario 2** (GDP at the bottom of the lower light-grey area in Figure 11), COVID-19, among others, generates a recession in the first half of 2020. Subsequently, further risks are triggered, such as the flare-up of military conflicts, economic tensions unfold in the global economy and Europe, triggering a medium banking crisis, while political tensions build up, reducing world trade and driving up commodity prices. Political turbulence and corrections on the asset markets reduce household confidence and companies hold back on investments. Despite weak demand, the inflation rate is higher than in the baseline scenario and market interest rates adjust accordingly. After the brief recession in the first half of 2020, real GDP growth rates would then slowly rise again by 1 %. The public debt ratio would decline only very slowly, but public balances would still remain above -2 % of GDP.

In **scenario 3**, for 2020, economic growth is reduced to 0.8 percentage points considering WIFO findings of the second week of March 2020. Based on the lower GDP level, the growth rates from the WIFO forecast of December 2019 are then extrapolated. The different GDP level would cause the public debt ratio to rise slightly and the public budget balance to shift slightly downwards compared to the baseline scenario.

5 Modernising the administration

In the government programme 2020-2024 the Federal Government commits itself to develop a comprehensive future location strategy to remain internationally competitive and to maintain or increase added value and jobs in Austria. A modern and efficient public administration, which makes it as easy as possible for businesses and employees to work and operate in Austria, without reducing our high standards, is an important location factor.

Measures to achieve this include the expansion of expedient shared services, for example in the areas of IT, management of public corporations, facility management, management of subsidies as well as improving the environment for administrative cooperation in the sense of a modern administration. In case of internal services such as accounting the opportunities of digitalisation shall be used to simplify administrative procedures. By the application of the 'once only' principle relevant company-related data needs to be submitted to administrative authorities only once and is then automatically accessible in further transactions with public authorities. The Federal Government also commits itself to make an overall assessment of relevant regulations applicable to businesses, to harmonise any contradictions in regulatory areas, such as labour and construction law, without diluting reasonable standards.

The new structure of the tax and customs administration will be in place as of 1 July 2020. Strategic tasks continue to be carried out by the Ministry of Finance, the operational implementation will be done in an efficient and customer-oriented way in the tax offices. Similar tasks, competencies and resources will be combined. By standardising processes and structures, quality and service standards will be guaranteed nationwide and the duration of proceedings will be accelerated. The modernisation of the tax and customs administration does not include any site closures. Local contact persons remain on-site. A fair and optimised distribution of the workload to all offices ensures faster processing.

The transition to a leading digital nation is one objective of the government programme. With 'Digital Public Administration' an important reform-project has been started to create the legal and organisational prerequisites for an integrated and secure digitalisation of the administration. Together with the online-platform oesterreich.gv.at it shall serve as a central contact point for e-government services and will be further expanded. The aim is to map and offer administrative channels for citizens and businesses as completely as possible in a digital way. For this purpose, the entire planning is geared towards day-to-day situations of citizens, while the organisational logic and the existing competence structure of the authorities should recede into the background.

Negotiations regarding the division of competencies are being continued between the Federal Government, the State Governments and the municipalities. Especially redundancies between framework and implementing legislation shall be eliminated. Furthermore, clear governance and responsibility structures among the layers of government shall be established to enable a fair and task-oriented revenue equalisation.

The Federal Government has set the goal to identify potential for deregulation in an interministerial working group. The task of the working group is to review critically regulatory areas and to assess whether regulation in place is exuberant. Thus, citizen's understanding for the legal situation will be improved, their confidence in the legislative process will be strengthened and red tape will be cut. Stricter national rules in addition to existing EU requirements ('gold plating') without justifying reasons shall be avoided and reduced.

Spending reviews are used as a method to critically examine public spending with regard to increase efficiency and effectiveness, to reallocate expenditures and to ensure sustainable public finances. As a tool they help to achieve government's efficiency and quality targets. So far three spending review reports (Disaster Relief Fund, Family Compensation Fund, Public Compulsory Schools) including proposed measures have been submitted to the responsible line ministers. The report on School Health Services has been drawn up in a joint working group, comprising the federal, the state and the local level, and has been sent to the political decision makers. Currently four spending reviews are in progress and will be completed on schedule in 2020.

6 Sustainability of public finances

At EU level, long-term projections of age-related expenditure (pensions, health care, long-term care, education and unemployment benefits) are produced every three years as part of the Ageing Report. In May 2018 the “2018 Ageing Report” (AR 2018) was published.²

Details on the AR 2018 can be found in the Austrian Stability Programme (update for the period 2017 to 2022) and the Austrian Draft Budgetary Plan 2018 (update) of March 2018.

In January 2019 the EC published the Fiscal Sustainability Report 2018.³ According to this report, Austria has a low sustainability risk in the short and medium term and a medium risk in the long term. The medium-term risk has improved by one grade compared to the 2016 report.

² https://ec.europa.eu/info/publications/economy-finance/2018-ageing-report-economic-and-budgetary-projections-eu-member-states-2016-2070_en

³ https://ec.europa.eu/info/publications/economy-finance/fiscal-sustainability-report-2018_en

7 Institutional framework

7.1 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 is committed to the economic policy goal of further reducing the Republic's debt ratio towards the Maastricht target of 60 %. Regardless of this, the necessary climate and future investments are ensured.

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 Federal Government is changing the tax structure. The goals are: to relieve the burden on people, reduce the tax rate, an ecological and social reform with steering effects to successfully combat climate change and to maintain and expand the innovative strength, sustainability and competitiveness of the Austrian economy. 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 European 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.

7.2 Medium-term budgetary planning

The Federal Constitutional Law and the Federal Budget Law provide for legally binding multiannual budgetary planning at the federal level via the Federal Financial Framework Law (BFRG) and the Strategy Report. The former sets binding ceilings over the next four years for five spending categories ("Rubriken"), representing the Federal Government's main expenditure areas. The Strategy Report contains political declarations of intent as well as annotations, inter alia regarding revenues.

7.3 Role of the Stability Programme

Within the framework of the Stability and Growth Pact (SGP), an annual update of the Austrian Stability Programme is submitted. This document is a central component of the European Semester and is adopted by the Federal Government in accordance with the Austrian Stability Pact (ÖStP), taking into account national budgetary coordination. Like the National Reform Programme (NRP), the Stability Programme is submitted to the Council of the EU, the EC, the Austrian Parliament as well as the Fiscal Equalisation and Social Partners.

The report of the Federal Minister of Finance on the Austrian Stability Programme for the period 2018 to 2023 was discussed by the Budget Committee of the National Council on 26 June 2019 and taken note of according to § 28b GOG-NR.

8 Annex

Table 1: Basic assumptions

	2018	2019	2020	2021	2022	2023
Short-term interest rate (annual average)	-0.3	-0.4	-0.5	-0.5	0.2	0.7
Long-term interest rate (annual average)	0.7	0.1	-0.1	0.3	1.0	1.8
USD/€ exchange rate (annual average)	1.2	1.1	1.1	1.1	1.1	1.1
Nominal effective exchange rate	1.8	-0.8	0.3	0.4	-	-
Real GDP growth (World excluding EU)	3.9	3.1	3.4	3.7	3.9	3.9
Real GDP growth (EU)	2.0	1.6	1.5	1.6	1.5	1.4
Growth of relevant Austrian foreign markets	4.5	1.8	2.5	3.0	-	-
Import volumes (World excluding EU)	-	-	-	-	-	-
Oil prices (Brent, USD/barrel)	71	64	60	58	57	57

Positions may not sum up due to rounding errors.

Source: WIFO

Table 2: Macroeconomic prospects

		2018	2018	2019	2020	2021	2022	2023
	ESA Code	in bn €		rate of change				
1. Real GDP	B1*g	368.9	2.4	1.6	1.2	1.4	1.4	1.3
2. Potential GDP		-	1.7	1.7	1.8	1.8	1.4	1.3
3. Nominal GDP	B1*g	385.7	4.2	3.3	3.2	3.1	3.0	2.9
Components of real GDP								
4. Private final consumption expenditure	P.3	189.0	1.1	1.4	1.6	1.6	1.5	1.4
5. Government final consumption expenditure	P.3	70.6	0.9	0.9	0.9	0.6	0.9	1.0
6. Gross fixed capital formation	P.51g	87.8	3.9	2.9	1.6	1.7	1.6	1.4
7. Changes in inventories and net acquisition of valuables (in % of GDP)	P.52 + P.53	-	1.2	1.1	1.1	1.1	1.1	1.1
8. Exports of goods and services	P.6	209.5	5.9	2.7	2.3	2.9	2.7	2.5
9. Imports of goods and services	P.7	193.4	4.6	2.8	2.4	2.8	2.8	2.6
Contributions to real GDP growth								
10. Final domestic demand			1.7	1.6	1.4	1.3	1.3	1.3
11. Changes in inventories ¹⁾	P.52 + P.53		-0.1	-0.1	-0.2	-0.1	0.0	0.0
12. External balance of goods and services	B.11		0.9	0.1	0.0	0.2	0.1	0.1

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

	2018	2019	2020	2021	2022	2023
	rate of change					
1. GDP deflator	1.7	1.7	2.0	1.6	1.6	1.5
2. Private consumption deflator	2.1	1.6	1.6	1.6	1.6	1.6
3. CPI	2.0	1.5	1.5	1.6	1.6	1.6
4. Public consumption deflator	2.4	2.4	2.5	2.1	2.0	1.9
5. Investment deflator	2.0	2.1	1.7	1.6	1.5	1.5
6. Export price deflator (goods and services)	1.5	0.4	0.4	0.6	0.9	1.0
7. Import price deflator (goods and services)	2.2	0.6	0.4	0.8	1.0	1.2

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

Table 4: Labour market developments

	2018	2018	2019	2020	2021	2022	2023
	ESA Code	Level	rate of change				
1. Employment, persons		4,159,627	2.3	1.5	1.0	1.0	0.9
2. Employment, hours worked (in m)		7,239.4	2.0	1.2	1.0	1.0	1.0
3. Unemployment rate, EUROSTAT definition		-	4.9	4.6	4.7	4.7	4.8
4. Labour productivity, persons		88,675.4	0.2	0.1	0.2	0.4	0.5
5. Labour productivity, hours worked		51.0	0.4	0.4	0.2	0.4	0.3
6. Compensation of employees (in m €)	D.1	185,109.2	5.1	4.2	3.1	2.9	2.7
7. Compensation per employee		44,501.4	2.8	2.7	2.1	1.9	1.8

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

Table 5: Sectoral balances

	2018	2019	2020	2021	2022	2023
	ESA Code	in % of GDP				
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	2.3	1.9	1.8	1.7	-
2. Net lending/borrowing of the private sector	B.9	2.1	1.2	2.8	1.5	-
3. Net lending/borrowing of the general government	B.9	0.2	0.7	-1.0	0.2	0.3
4. Statistical discrepancy		0.1	0.0	0.0	0.0	0.0

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

Table 6: Budgetary targets

		2018	2019	2020	2021	2022	2023
	ESA Code	in % of GDP					
Net lending/net borrowing by sub-sector							
1. General government	S.13	0.2	0.7	-1.0	0.2	0.3	0.4
2. Central government	S.1311	-0.1	0.5	-1.2	0.0	0.1	0.3
3. State governments (excl. Vienna)	S.1312	0.2	0.2	0.1	0.1	0.1	0.1
4. Local governments (incl. Vienna)	S.1313	0.0	0.0	0.0	0.0	0.0	0.0
5. Social security funds	S.1314	0.1	0.1	0.0	0.0	0.0	0.0
6. Interest expenditure	D.41	1.6	1.5	1.3	1.2	1.1	1.0
7. Primary balance		1.8	2.2	0.3	1.5	1.5	1.5
8. One-off and other temporary measures		0.0	0.0	0.0	0.0	0.0	0.0
9. Real GDP growth		2.4	1.6	1.2	1.4	1.4	1.3
10. Potential GDP growth		1.7	1.7	1.8	1.8	1.4	1.3
11. Output gap		0.9	0.8	0.3	0.0	0.0	0.0
12. Cyclical budgetary component		0.5	0.5	0.2	0.0	0.0	0.0
13. Cyclically-adjusted balance		-0.3	0.2	-1.2	0.3	0.3	0.4
14. Cyclically-adjusted primary balance		1.3	1.7	0.2	1.5	1.5	1.5
15. Structural balance		-0.3	0.2	-1.2	0.3	0.3	0.4

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 7: General government debt developments

		2018	2019	2020	2021	2022	2023
	ESA Code	in % of GDP					
1. Gross debt		74.0	70.3	68.2	65.7	63.2	60.9
2. Change in gross debt ratio (in %)		-4.3	-3.7	-2.0	-2.6	-2.4	-2.3
Contributions to changes in gross debt							
3. Primary balance		1.8	2.2	0.3	1.5	1.5	1.5
4. Interest expenditure	D.41	1.6	1.5	1.3	1.2	1.1	1.0
5. Stock-flow adjustment		-1.0	-0.6	-0.9	-0.3	-0.2	-0.1
p.m.: Implicit interest rate on debt		2.2	2.1	2.0	1.9	1.8	1.7

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 8: Contingent liabilities

	2018	2019	2020
	in % of GDP		
Public guarantees	16.3	16.0	16.0
of which: Central government ¹⁾	11.5	11.5	11.8
of which: linked to the financial sector ²⁾	0.2	0.1	0.1
of which: State and Local governments	4.8	4.5	4.2
of which: linked to the financial sector ²⁾	1.4	1.3	1.2

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, OBB according to BFG as well as those of OBB Infrastruktur AG and OBB 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 Kärntner Ausgleichszahlungsfonds or bank deposit insurance.

Positions may not sum up due to rounding errors.

Sources: BMF, State governments, STAT, WIFO

Table 9: Budgetary prospects

		2018	2019	2020	2021	2022	2023
	ESA Code	in % of GDP					
		General government					
1. Total revenue	TR	48.8	49.0	48.4	48.6	48.7	48.7
1.1. Taxes on production and imports	D.2	13.8	13.9	13.6	13.6	13.5	13.5
1.2. Current taxes on income, wealth etc.	D.5	13.5	13.7	13.4	13.7	13.9	14.1
1.3. Capital taxes	D.91	0.0	0.0	0.0	0.0	0.0	0.0
1.4. Social contributions	D.61	15.2	15.3	15.3	15.3	15.3	15.3
1.5. Property income	D.4	0.8	0.8	0.8	0.7	0.7	0.7
1.6. Other		5.4	5.3	5.3	5.2	5.2	5.2
p.m.: Tax burden		42.8	43.0	42.5	42.8	42.9	43.0
2. Total expenditure	TE	48.6	48.3	49.4	48.4	48.3	48.3
2.1. Compensation of employees	D.1	10.4	10.4	10.4	10.4	10.4	10.4
2.2. Intermediate consumption	P.2	6.2	6.1	6.1	6.0	6.0	6.0
2.3. Social payments	D.62, D.632	21.8	21.8	22.5	22.1	22.2	22.3
of which: Unemployment benefits		-	-	-	-	-	-
2.4. Interest expenditure	D.41	1.6	1.5	1.3	1.2	1.1	1.0
2.5. Subsidies	D.3	1.5	1.6	2.1	1.5	1.5	1.5
2.6. Gross fixed capital formation	P.51g	3.0	2.9	3.0	3.1	3.1	3.1
2.7. Capital transfers	D.9	0.7	0.7	0.7	0.7	0.7	0.7
2.8. Other		3.4	3.3	3.2	3.3	3.2	3.3

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

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

		2018	2019	2020	2021	2022	2023
ESA Code		in % of GDP					
		General government					
1. Total revenue	TR	48.8	49.0	48.6	48.6	48.7	48.7
1.1. Taxes on production and imports	D.2	13.8	13.9	13.7	13.6	13.5	13.5
1.2. Current taxes on income, wealth etc.	D.5	13.5	13.7	13.6	13.7	13.9	14.1
1.3. Capital taxes	D.91	0.0	0.0	0.0	0.0	0.0	0.0
1.4. Social contributions	D.61	15.2	15.3	15.3	15.3	15.3	15.3
1.5. Property income	D.4	0.8	0.8	0.8	0.7	0.7	0.7
1.6. Other		5.4	5.3	5.3	5.2	5.2	5.2
p.m.: Tax burden		-	-	-	-	-	-
2. Total expenditure	TE	48.6	48.3	48.2	48.1	48.0	48.0
2.1. Compensation of employees	D.1	10.4	10.4	10.4	10.4	10.4	10.4
2.2. Intermediate consumption	P.2	6.2	6.1	6.0	6.0	5.9	5.9
2.3. Social payments	D.62, D.632	21.8	21.8	22.0	22.1	22.2	22.3
of which: Unemployment benefits		-	-	-	-	-	-
2.4. Interest expenditure	D.41	1.6	1.5	1.3	1.2	1.1	1.0
2.5. Subsidies	D.3	1.5	1.6	1.6	1.5	1.5	1.5
2.6. Gross fixed capital formation	P.51g	3.0	2.9	3.0	3.0	3.1	3.0
2.7. Capital transfers	D.9	0.7	0.7	0.7	0.7	0.7	0.7
2.8. Other		3.4	3.3	3.2	3.2	3.2	3.2

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 11: Amounts to be excluded from the expenditure benchmark

	2018	2018	2019	2020	2021	2022	2023
	in bn €	in % of GDP					
1. Expenditure on EU programmes fully matched by EU funds revenue	0.3	0.1	0.1	0.1	0.1	0.1	0.1
of which investments fully matched by EU funds revenue	0.1	0.0	0.0	0.0	0.0	0.0	0.0
2. Cyclical unemployment benefit expenditure at unchanged policies	0.0	0.0	0.0	0.0	0.0	0.0	0.1
3. Effects of discretionary revenue measures	-0.6	-0.2	-0.2	-0.4	-0.2	0.0	0.0
4. Revenue increases mandated by law	0.0	0.0	0.0	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 Euro)

	2019	Q1	Q2	Q3
ESA Code				
1. Net lending/net borrowing		-1,707	1,781	1,989
2. Total revenue		44,053	49,632	47,762
3. Total expenditure		45,760	47,851	45,773

Positions may not sum up due to rounding errors.

Source: STAT

Table 13: Divergence from latest Stability Programme (April 2019)

		2018	2019	2020	2021	2022	2023
ESA Code		in % of GDP					
General government net lending/net borrowing	B.9						
SP April 2019		0.1	0.3	0.2	0.2	0.0	0.0
SP/DBP-Update March 2020		0.2	0.7	-1.0	0.2	0.3	0.4
Difference		0.1	0.4	-1.2	0.1	0.3	0.4
Structural balance	B.9						
SP April 2019		-0.4	-0.1	-0.1	0.0	0.0	0.0
SP/DBP-Update March 2020		-0.3	0.2	-1.2	0.3	0.3	0.4
Difference		0.1	0.3	-1.1	0.3	0.4	0.4
Gross debt							
SP April 2019		73.8	69.6	66.5	64.0	61.8	59.8
SP/DBP-Update March 2020		74.0	70.3	68.2	65.7	63.2	60.9
Difference		0.2	0.7	1.7	1.6	1.4	1.1

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 14: General government expenditure by function

		2015	2016	2017	2018
	COFOG Code	in % of GDP			
1. General public services	1	6.8	6.5	6.0	5.9
2. Defence	2	0.6	0.6	0.6	0.6
3. Public order and safety	3	1.3	1.3	1.4	1.3
4. Economic affairs	4	6.2	5.7	5.8	5.9
5. Environmental protection	5	0.4	0.4	0.4	0.4
6. Housing and community amenities	6	0.4	0.3	0.3	0.3
7. Health	7	8.2	8.2	8.2	8.2
8. Recreation, culture and religion	8	1.2	1.2	1.2	1.2
9. Education	9	4.9	4.9	4.8	4.8
10. Social protection	10	21.2	21.0	20.5	20.1
11. Total expenditure	TE	51.1	50.1	49.1	48.6

Positions may not sum up due to rounding errors.

Source: STAT

Table 15: Economic growth and public finances in four scenarios

	2018	2019	2020	2021	2022	2023
Baseline Scenario						
GDP, nominal, rate of change in %	4.2	3.3	3.2	3.1	3.0	2.9
Non self-employed without recipients of childcare benefits and without conscripts (in 1,000)	3,661.1	3,720.1	3,762.1	3,804.1	3,841.9	3,878.0
Unemployed (in 1,000)	312.1	301.1	306.1	311.1	316.0	321.3
Inflation (CPI, in %)	2.1	1.6	1.5	1.6	1.6	1.6
Private final consumption expenditure, real, rate of change in %	1.1	1.4	1.0	1.6	1.5	1.4
Net lending/borrowing of general government in % of GDP	0.2	0.7	-1.0	0.2	0.3	0.4
Gross debt in % of GDP	74.0	70.3	68.2	65.7	63.2	60.9
Scenario 1						
GDP, nominal, rate of change in %	4.2	3.3	6.3	4.5	4.3	4.1
Non self-employed without recipients of childcare benefits and without conscripts (in 1,000)	3,661.1	3,720.1	3,869.7	3,959.1	4,033.9	4,107.5
Unemployed (in 1,000)	312.1	301.1	266.0	235.7	216.8	197.5
Inflation (CPI, in %)	2.1	1.6	1.6	1.6	1.6	1.6
Private final consumption expenditure, real, rate of change in %	1.1	1.4	5.4	3.1	2.8	2.6
Net lending/borrowing of general government in % of GDP	0.2	0.7	0.3	1.6	2.1	2.7
Gross debt in % of GDP	74.0	70.3	65.2	60.6	55.9	50.9
Scenario 2						
GDP, nominal, rate of change in %	4.2	3.3	0.2	2.1	2.3	2.4
Non self-employed without recipients of childcare benefits and without conscripts (in 1,000)	3,661.1	3,720.1	3,658.5	3,670.4	3,688.5	3,711.4
Unemployed (in 1,000)	312.1	301.1	362.7	361.7	358.3	354.0
Inflation (CPI, in %)	2.1	1.6	1.8	1.8	1.8	1.6
Private final consumption expenditure, real, rate of change in %	1.1	1.4	-2.2	0.6	0.8	0.9
Net lending/borrowing of general government in % of GDP	0.2	0.7	-1.9	-1.1	-1.3	-1.3
Gross debt in % of GDP	74.0	70.3	72.9	72.2	71.7	71.3
Scenario 3						
GDP, nominal, rate of change in %	4.2	3.3	2.7	3.1	3.0	2.9
Non self-employed without recipients of childcare benefits and without conscripts (in 1,000)	3661.1	3720.1	3749.3	3791.2	3828.8	3864.8
Unemployed (in 1,000)	312.1	301.1	315.7	320.8	325.8	331.2
Inflation (CPI, in %)	2.1	1.6	1.5	1.6	1.6	1.6
Private final consumption expenditure, real, rate of change in %	1.1	1.4	1.0	1.6	1.5	1.4
Net lending/borrowing of general government in % of GDP	0.2	0.7	-1.0	0.3	0.4	0.5
Gross debt in % of GDP	74.0	70.3	68.6	65.7	63.2	60.9

Sources: BMF, STAT, WIFO

Table 16: Interest expenditure in three scenarios

	2018	2019	2020	2021	2022	2023
	in % of GDP					
Baseline scenario	1.6	1.5	1.3	1.2	1.1	1.0
ECB scenario	1.6	1.5	1.3	1.1	1.1	0.9
Basler Ausschuss stress scenario	1.6	1.5	1.8	1.7	1.4	1.4

Sources: BMF, OeBFA

Table 17: Long-term sustainability of public finances (The 2018 Ageing Report)

	2016	2020	2030	2040	2050	2060	2070
	in % of GDP						
Total age-related expenditure ¹⁾	28.5	28.3	29.4	30.6	31.1	31.9	32.1
Pension ²⁾	13.8	13.9	14.4	14.9	14.6	14.7	14.3
Health care	7.0	7.0	7.3	7.7	8.0	8.2	8.3
Long-term care	1.9	2.0	2.3	2.6	3.2	3.6	3.8
Education	4.9	4.6	4.7	4.7	4.6	4.8	4.9
Unemployment	0.9	0.8	0.7	0.7	0.7	0.7	0.7
Contributions to social security pensions	9.4	9.7	9.8	9.7	9.6	9.6	9.6
Assumptions							
Real GDP growth ³⁾	1.5	1.8	1.5	1.7	1.3	1.2	1.3
Labour productivity (change in %) ³⁾	0.7	1.0	1.4	1.5	1.5	1.5	1.5
Employment rate males (aged 15-64) ³⁾	75.5	76.5	76.3	76.3	75.7	75.8	75.9
Employment rate females (aged 15-64) ³⁾	67.7	68.8	70.4	73.8	73.4	73.4	73.6
Total employment rate (aged 15-64) ³⁾	71.6	72.7	73.3	75.0	74.6	74.6	74.7
Unemployment rate (aged 15-64, EUROSTAT definition) ³⁾	6.1	5.6	4.9	4.9	4.9	4.9	4.9
Persons aged 65+ in % of total population (aged 15-64) ⁴⁾	27.6	28.6	36.1	42.3	45.5	51.3	54.4

1) Data based on EC/EPC projections, "Ageing Report 2018"

2) Gross amounts incl. "Ausgleichszulage" and "Rehabilitationsgeld"

3) Data based on EC/EPC macro-economic assumptions

4) Data based on EUROSTAT demography projections

Positions may not sum up due to rounding errors.

Sources: BMASGK, BMF, EC, EUROSTAT, STAT, EPC

Table 18: Impact of COVID-19 on the headline balance - breakdown by ESA 2010 categories

	2020
	in m €
1. Compensation of employees	0.0
2. Intermediate consumption	0.0
3. Social payments	2,000.0
4. Subsidies	2,018.2
5. Gross fixed capital formation	0.0
6. Capital transfers	0.0
7. Other (specific revenue shortfalls)	-1,100.0
8. Total impact on headline balance ¹⁾	5,118.2
9. Compensation from EU ¹⁾	18.2
10. Total impact on headline balance (net of EU compensation)	5,100.0
11. Total impact on headline balance (net of EU compensation) in % of GDP	1.2

1) Estimate of March 13th, 2020 based on 2018 values.

The administrative fund can be used for all categories of national accounts. This is an indicative breakdown compatible with the other tables.

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 19: Country-specific information - COVID-19 costs

	2020
	in % of GDP
1. Administrative fund	1.0
2. Loss of revenue related to COVID-19 measures	-0.3
3. Total	1.2

Positions may not sum up due to rounding errors.

Source: BMF

Table 20: County specific recommendations

See "National Reform Programme – Austria", April 2020

Table 21: Targets set by the Union's strategy for growth and jobs

See "National Reform Programme – Austria", April 2020

Table 22: Comparison of macroeconomic and budgetary forecasts

	2018	2019	2020	2021	2022	2023
	Real GDP growth					
WIFO	2.4	1.7	1.2	1.4	1.4	1.3
European Commission	2.4	1.6	1.3	1.3	-	-
OeNB	2.3	1.6	1.1	1.5	-	-
IHS	2.4	1.6	1.3	1.6	-	-
Austrian Fiscal Advisory Council	-	-	-	-	-	-
	Inflation					
WIFO (CPI)	2.1	1.4	1.5	1.6	-	-
European Commission (HICP)	2.1	1.5	1.6	1.5	-	-
OeNB (HICP)	2.1	1.5	1.4	1.5	-	-
IHS (HICP)	2.1	1.5	1.5	1.7	-	-
Austrian Fiscal Advisory Council	-	-	-	-	-	-
	Unemployment rate					
WIFO	4.9	4.6	4.7	4.7	4.7	4.8
European Commission	4.9	4.6	4.6	4.6	-	-
OeNB	4.8	4.6	4.7	4.8	-	-
IHS	4.9	4.6	4.8	4.8	-	-
Austrian Fiscal Advisory Council	-	-	-	-	-	-
	General government net lending/net borrowing					
BMF	0.2	0.7	-1.0	0.2	0.3	0.4
WIFO	0.2	0.6	0.3	0.4	0.5	0.4
European Commission	0.2	0.4	0.2	0.4	-	-
OeNB	0.2	0.5	0.2	0.2	-	-
IHS	0.2	0.5	0.2	0.4	-	-
Austrian Fiscal Advisory Council	0.2	0.6	0.4	-	-	-
	Gross debt					
BMF	74.0	70.3	68.2	65.7	63.2	60.9
WIFO	74.0	69.7	67.0	64.2	61.9	59.7
European Commission	74.0	69.9	67.2	64.6	-	-
OeNB	74.0	70.4	68.2	66.0	-	-
IHS	-	-	-	-	-	-
Austrian Fiscal Advisory Council	74.0	69.7	66.8	-	-	-

A direct comparability is not possible due to diverging definitions.

Sources:

BMF, March 2020

WIFO, December 2019

European Commission, Autumn 2019, Winter 2020 (GDP & HICP)

OeNB, December 2019

IHS, December 2019

Austrian Fiscal Advisory Council, December 2019

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