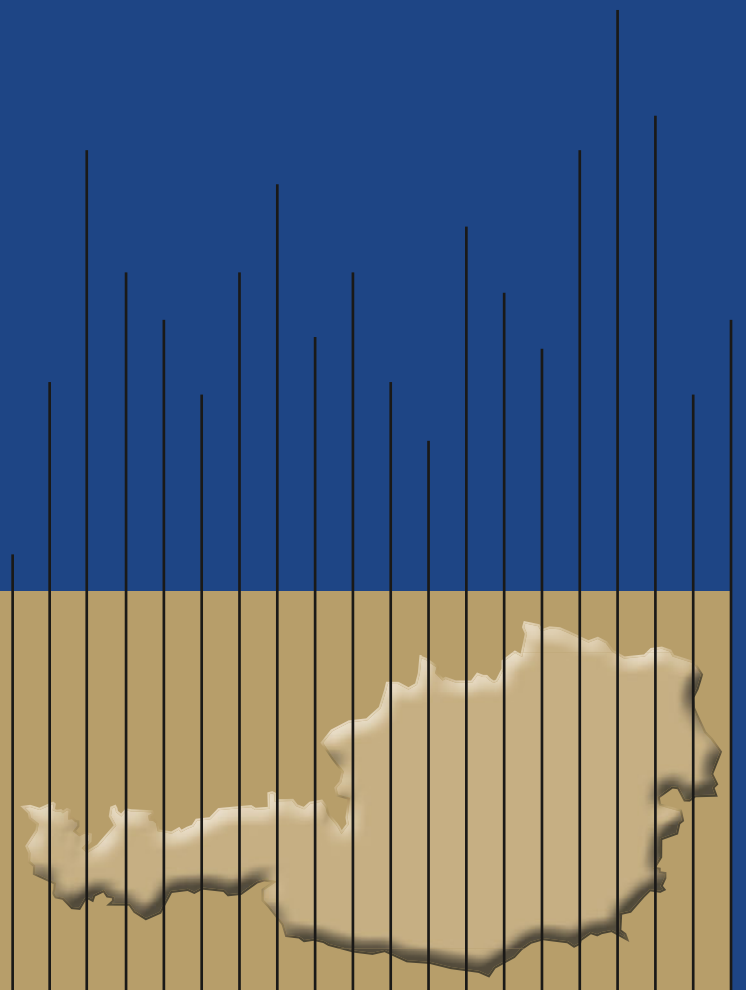


# FACTS ON AUSTRIA AND ITS BANKS





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*Cut-off date for key indicators: July 17, 2017.*

*Cut-off date for the overview of major economic developments: March 30, 2017.*

# Key indicators for the Austrian economy

Cut-off date for data: July 17, 2017.

## Economic indicators

	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	2016	2017	2018	2019
<b>Economic activity</b>	<i>EUR billion (four-quarter moving sums)</i>								
Nominal GDP	342.2	344.2	346.5	349.3	352.7	349.3	362.9	375.9	388.7
	<i>Change on previous period in % (real)</i>								
GDP	0.4	0.3	0.5	0.6	0.7	1.4	2.2	1.7	1.6
Private consumption	0.4	0.5	0.5	0.5	0.4	1.4	1.6	1.2	1.2
Public consumption	0.5	0.2	0.3	0.5	0.5	1.9	0.9	1.8	0.8
Gross fixed capital formation	0.7	1.0	1.0	1.2	1.0	3.2	3.3	2.0	1.7
Exports of goods and services	0.2	0.2	-0.1	0.3	2.4	1.8	4.2	4.0	3.9
Exports of goods	0.0	0.2	-0.2	0.2	2.7	1.7	4.7	3.8	3.8
Imports of goods and services	0.8	0.5	0.3	0.6	2.0	3.6	3.7	3.8	3.4
Imports of goods	0.9	0.5	0.3	0.7	2.3	4.1	4.4	3.7	3.3
	<i>% of nominal GDP</i>								
<b>Current account balance</b>	x	x	x	x	x	1.7	2.1	2.4	2.8
<b>Prices</b>	<i>Annual change in %</i>								
HICP inflation	1.0	0.6	0.8	1.5	2.2	1.0	2.0	1.8	1.8
Compensation per employee	1.6	1.4	1.2	1.2	1.1	1.3	1.3	2.2	1.9
Unit labor costs	1.5	1.3	1.1	0.9	0.5	1.2	0.4	1.8	1.4
Productivity	0.1	0.1	0.2	0.2	0.6	0.1	0.8	0.3	0.5
<b>Income and savings</b>	<i>Annual change in %</i>								
Real disposable household income	1.0	0.7	0.1	-0.4	0.7	2.3	1.0	1.4	1.2
	<i>% of nominal disposable household income</i>								
Saving ratio	x	x	x	x	x	8.1	7.9	7.9	7.9
<b>Labor market</b>	<i>Change on previous period in %</i>								
Payroll employment	0.4	0.3	0.3	0.4	0.5	1.5	1.5	1.5	1.2
	<i>% of labor supply</i>								
Unemployment rate (Eurostat)	6.0	6.1	6.1	5.8	5.7	6.0	5.7	5.5	5.4
<b>Public finances</b>	<i>% of nominal GDP</i>								
Budget balance	x	x	x	x	x	-1.6	-0.9	-0.9	-0.5
Government debt	x	x	x	x	x	84.6	80.2	78.0	75.8

Source: OeNB, Eurostat, Statistics Austria. All data for 2017-2019 are based on the OeNB's December 2017 forecast. x = data not available.

Note: The forecasts for the current account and the saving ratio are not shown as the realization deviates strongly from the forecast values for 2016.

## Financial indicators

	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	2013	2014	2015	2016
<i>Consolidated in EUR billion</i>										
<b>Austrian banking system</b>										
Total assets	1.057	1.068	1.062	1.055	946	969	1.090	1.078	1.057	946
Number of credit institutions	738	737	723	683	672	670	790	764	738	672
Equity capital <sup>1</sup>	87.8	86.8	88.9	90.2	80.7	80.7	89.0	87.6	87.8	80.7
Exposure to CESEE <sup>2</sup>	186.4	185.3	187.6	191.8	193.3	206.5	201.8	184.8	186.4	193.3
<i>Consolidated in %</i>										
<b>Structural indicators</b>										
Solvency ratio <sup>1</sup>	16.3	16.1	16.5	16.8	18.2	18.2	15.4	15.6	16.3	18.2
Common equity tier 1 ratio <sup>1</sup>	12.8	12.8	13.2	13.5	14.9	14.8	11.6	11.7	12.8	14.9
Leverage <sup>3</sup>	6.3	6.3	6.5	7.4	7.6	x	6.5	6.1	6.3	7.6
<i>Annual change in %</i>										
<b>Credit growth and quality (AT)</b>										
Flow of loans to nonbanks	1.1	1.5	2.0	1.7	1.5	1.3	-0.4	0.7	1.1	1.5
<i>Share of loans to nonbanks in %</i>										
Share of foreign currency loans	10.2	9.8	9.6	9.3	8.9	8.7	12.3	11.1	10.2	8.9
Loan loss provision ratio	3.0	2.8	2.7	2.5	2.3	2.4	3.5	3.3	3.0	2.3
Nonperforming loan ratio	4.3	4.2	4.0	4.0	3.5	3.4	4.1	4.4	4.3	3.5
<i>Consolidated in EUR billion</i>										
<b>Profitability<sup>6</sup></b>										
Net result after tax	5.2	1.1	2.9	4.5	5.0	1.5	-1.0	0.7	5.2	5.0
<i>Consolidated in %</i>										
Return on assets (annualized) <sup>4</sup>	0.6	0.5	0.6	0.6	0.6	0.7	-0.04	0.04	0.6	0.6
Cost-to-income ratio <sup>5,7</sup>	62.8	72.7	72.0	71.2	74.5	70.0	73.0	69.1	62.8	74.5
<i>%</i>										
<b>Subsidiaries in CESEE<sup>6</sup></b>										
Loan-to-deposit ratio <sup>5</sup>	88.4	87.9	81.8	81.1	80.2	79.2	95.8	96.6	88.4	80.2
Return on assets (annualized) <sup>4</sup>	0.7	1.2	1.5	1.4	1.3	1.3	0.8	0.2	0.7	1.3
Cost-to-income ratio <sup>5,7</sup>	51.1	53.2	50.7	51.0	52.7	57.3	49.9	52.7	51.1	52.7
Loan loss provision ratio <sup>5</sup>	6.9	6.8	6.7	6.5	6.1	5.7	8.0	7.3	6.9	6.1
<i>EUR billion</i>										
<b>Households</b>										
Financial assets	608.0	607.8	610.9	617.8	625.1	629.5	572.5	593.9	608.0	625.1
Financial liabilities (loans)	173.4	173.7	174.8	176.8	180.2	180.3	165.6	167.9	173.4	180.2
of which foreign currency loans	24.4	23.4	22.8	22.3	21.2	20.5	28.4	25.4	24.4	21.2
of which foreign currency housing loans	19.2	18.5	18.0	17.6	17.8	17.2	21.5	19.5	19.2	17.8
<i>EUR billion</i>										
<b>Nonfinancial corporations</b>										
Financial assets	469.6	475.1	478.2	489.8	506.1	514.3	447.2	455.8	469.6	506.1
Financial liabilities	718.7	720.7	723.2	737.2	733.5	749.5	681.8	696.3	718.7	733.5
of which loans and securities (other than shares and other equity)	355.8	357.4	359.9	367.6	368.4	375.1	349.2	342.4	355.8	368.4
of which shares and other equity	232.7	234.7	234.8	237.3	228.4	228.7	201.4	223.6	232.7	228.4
<i>EUR billion (four-quarter moving sums)</i>										
Gross operating surplus and mixed income	76.1	76.0	76.1	76.1	76.8	78.2	72.8	74.3	76.1	76.8

Source: OeNB, Statistics Austria.

<sup>1</sup> Capital ratios are based on CRD IV definitions from 2014 onward, which limits the comparability with earlier measures.

<sup>2</sup> CESEE exposure of majority Austrian-owned banks (BIS definition).

<sup>3</sup> Defined according to Basel III provisions from 2014 onward. Earlier measures correspond to tier-I capital after deductions in % of total assets.

<sup>4</sup> End-of-period result expected for the full year after tax and before minority interests as a percentage of average total assets.

<sup>5</sup> From 2016Q2 onward, these figures exclude UniCredit Bank Austria's subsidiaries in CESEE.

<sup>6</sup> From end-2016 onward, comparability with earlier figures is limited due to the restructuring of UniCredit Bank Austria in October 2016.

<sup>7</sup> Total operating expenses as a percentage of total operating income.

Note: x = data not available.

# Overview of major economic developments in Austria<sup>1</sup>

## Austria remains one of the wealthiest economies in the euro area

- With the annual real GDP growth rate coming to 1.4% in 2016, Austria overcame a four-year period of weak GDP growth of less than 1%. For 2017, the OeNB expects a substantial acceleration of Austrian GDP growth to around 2.0%.
- The Austrian economy is well diversified and its sectoral structure is well balanced.
- Social stability is high, given high employment and low unemployment rates by international standards as well as a low strike frequency.
- After a period of subdued inflation in the euro area (2016: 0.2%), inflation is expected to increase markedly to 1.7% in 2017, thus returning to normal levels and approaching the ECB's price stability target. For Austria, the OeNB expects an HICP inflation rate of 2.2% in 2017.
- House prices have risen markedly in some domestic regions and market segments since the onset of the financial crisis, but for the country as a whole they are broadly in line with economic fundamentals.
- Austria's saving ratio (2016: 8.2%) declined sharply after the economic crisis, but increased slightly in 2015 and 2016. The large stock of financial assets held by the household sector totaled EUR 625 billion (or 179% of GDP) in 2016, serving as an important refinancing source for other economic sectors.
- Austria's household debt ratio remains at a level of 52.2% of GDP (Q3 2016); both this ratio and Austria's corporate debt ratio (Q3 2016: 238.4% of gross operating surplus or 92.9% of GDP) are below the corresponding euro area ratios.
- Given high employment growth in a context of moderate output growth, Austria has been losing ground vis-à-vis the euro area in terms of unit labor costs and productivity per employee.
- Despite these productivity losses a steady string of current account surpluses since 2002 confirms the international competitiveness of the Austrian economy (2016: current account surplus of 1.7% of GDP) and has enabled Austria to balance its international investment position (2016: EUR 18.1 billion or 5.2% of GDP).
- Foreign trade in goods is well diversified both by region and by product type. In 2016, Austria transacted more than half of its foreign trade with other euro area countries, i.e. without any exchange rate risk; almost one-third of these exports went to Germany. Another 21% of Austrian exports were to Central, Eastern and Southeastern European (CESEE) countries.
- Austria's budget balance ratio deteriorated from -1.1% of GDP in 2015 to -1.6% of GDP in 2016 as a result of the income tax reform that came into force in January 2016. At the same time, the public debt ratio improved from 85.5% in 2015 to 84.6% in 2016.
- The European Commission did not identify macroeconomic imbalances in Austria since the implementation of the Macroeconomic Imbalance Procedure in 2011.

<sup>1</sup> Cut-off date for data: March 30, 2017.

### **Austrian banks: necessary adjustment processes in challenging environment are gaining momentum**

- In 2016, Austrian banks continued to be faced with weak economic growth, ongoing low interest rates and interest margins as well as political uncertainty in some CESEE countries. Compared to 2015, their net result decreased from EUR 5.2 billion to EUR 4.8 billion in 2016. This decline was attributable to lower net interest and fee-based income. At the same time, the large drop in loan loss provisions had a positive impact.
- In this challenging environment, Austrian banks progressed with the necessary structural adjustment process in 2016 to increase efficiency and hence step up profitability in the longer term.
- The capitalization of the Austrian banking sector has improved significantly since the onset of the financial crisis in 2008. Large banks have succeeded in narrowing the gap between their capital levels and those of their European peers; however, the gap is still there. At the same time, Austrian banks' leverage ratios are significantly better than those of their European peers. The improvement in capitalization has been supported by national supervisory measures, such as the activation of the systemic risk buffer in early 2016.
- Austrian banks' credit quality improved further in the first three quarters of 2016, as UniCredit Bank Austria AG's CESEE segment was transferred to its Italian parent UniCredit S.p.A. in October 2016 and banks sold loan portfolios.
- Banks in Austrian majority ownership hold about two-thirds of their consolidated foreign claims against CESEE. On account of the restructuring of UniCredit Bank Austria the aggregate total assets of Austrian banking subsidiaries in CESEE went down by almost 40% to some EUR 185 billion and their geographical risk profile changed notably.
- The slight improvement in the economic environment in CESEE had a positive impact on Austrian banks' subsidiaries, with their aggregate end-of-period profit increasing by EUR 0.3 billion year on year to EUR 2.4 billion in 2016, mostly owing to a further reduction in loan loss provisions.
- The measures taken by the Austrian supervisory authorities to curb foreign currency lending continue to have a positive impact, as reflected in the declining volume of foreign currency loans outstanding to households and nonfinancial corporations: since 2008, this amount has decreased by 63% (exchange rate adjusted) to EUR 25.5 billion (Q4 2016). Given that foreign currency loans and loans with repayment vehicles continue to be associated with risks, the OeNB recommends banks assess together with borrowers the latter's risk-bearing capacity and, if necessary, take measures to reduce these risks.
- The "sustainability package" has led to an improvement in the local refinancing situation of Austrian banks' subsidiaries in CESEE. Their loan-to-deposit ratio fell from 117% in 2008 to 80% in 2016.
- As for real estate financing, the OeNB's analyses carried out under its macroprudential mandate do not indicate any systemic risks at the current time. That said, the OeNB deems it necessary that preventive action be taken by establishing statutory macroprudential tools for real estate financing and that sustainable lending standards be complied with.
- On November 4, 2014, the Single Supervisory Mechanism (SSM) became fully operational, with the ECB taking over the supervision of banks in the euro area. In fulfilling this mandate, the ECB cooperates closely, and shares the day-to-day tasks in supervisory practice, with the national supervisory authorities, which in Austria are the FMA and the OeNB. This integrated approach to supervision has proved a success so far.
- A number of measures aimed at further harmonizing supervisory processes and promoting a joint supervisory culture under the SSM have already been implemented. The next few months will see the completion of most regulatory measures agreed in the wake of the financial crisis. In this context, the European Commission presented a comprehensive package of reforms in late November 2016.

# 1 Austria ranks among the top economies in the euro area

## 1.1 Austria remains one of the wealthiest economies in the euro area

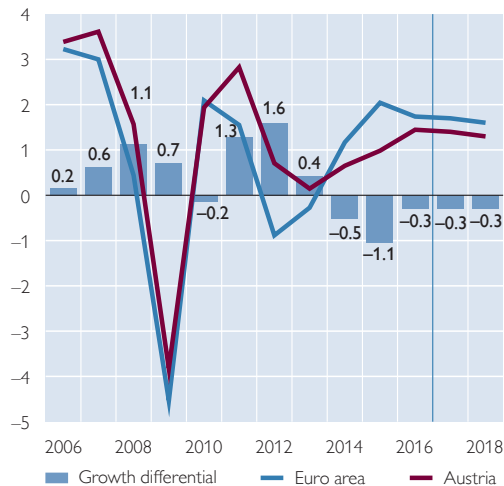
### Long-term output growth in Austria in line with the euro area

While the Austrian economy outperformed the euro area in the period from 2006 to 2013 in terms of GDP growth (with the exception of 2010), domestic growth has been lagging behind euro area growth since 2014. Between 2012 and 2015, Austria posted GDP growth rates below 1%, while the euro area even faced a second recession in the years 2012 and 2013. In 2016, growth in Austria accelerated to almost 1½%, supported by the income tax reform that entered into force at the beginning of the year and a strong cycle of equipment investment. As a result, the growth gap vis-à-vis the euro area became significantly smaller, but did not close completely. According to the current IMF forecast, the growth differential will continue to exist up to 2018. The OeNB, however, is clearly more optimistic regarding the growth expectations for Austria. For 2017, the OeNB and also national economic research institutes expect a substantial acceleration of Austrian GDP growth to around 2.0%.

Chart 1

### Growth differential between Austria and the euro area

Real GDP: annual change in %;  
growth differential in percentage points

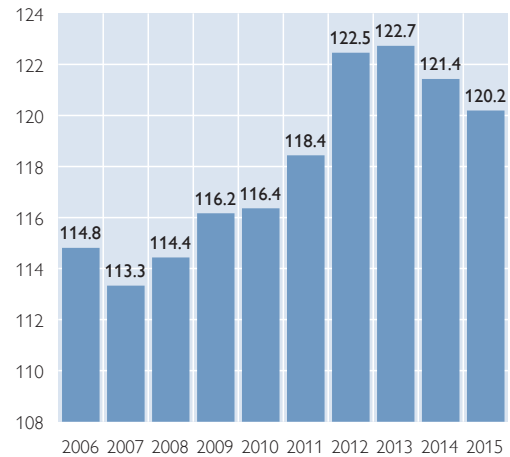


Source: Eurostat, IMF.

Note: Data for 2017 to 2018 as published in the IMF WEO of April 2017.

### Welfare differential between Austria and the euro area

Real GDP per capita at purchasing power standards;  
euro area = 100



### The sectoral structure of the Austrian economy is well balanced

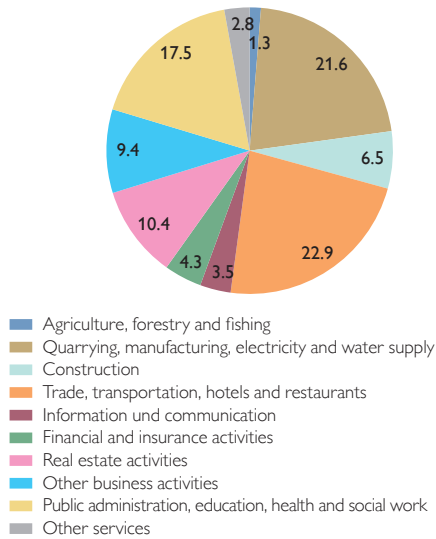
The Austrian economy is solidly based on a well-balanced sectoral structure. The largest share of gross value added (slightly above 30%) is generated by the range of private sector services. In addition, activities classified under “quarrying, manufacturing, electricity and water supply” as well as “trade, transportation and hotels and restaurants” account for more than 20% each. Manufacturing in Austria is characterized by a high diversity of industries. The construction sector’s contribution to gross value added (some 6.5%) is relatively low by international standards.



Chart 2

**Gross value added in Austria in 2016**

% of total gross value added, at current prices



Source: Statistics Austria.

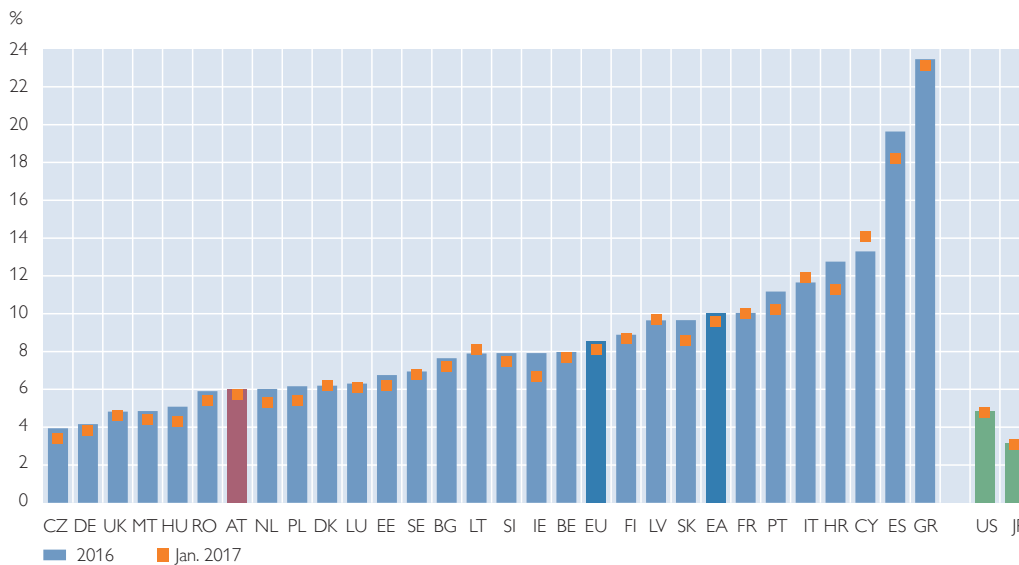
**Austria among the countries with the lowest unemployment rates in the EU**

The Austrian labor market proved resilient in recent years. While employers cut working hours in the crisis year 2009, the number of employees decreased only marginally; in fact, it grew at an above-average rate even under the adverse economic conditions of 2012–2015. In 2016, employment growth accelerated further, and the number of hours worked rose clearly above the pre-crisis level. However, with the total labor force increasing too, unemployment figures rose between mid-2011 and early 2016, reaching levels that are very high for Austria in a historical context. Yet in an EU-wide comparison, Austria still ranked among the EU countries with the low-

est unemployment rates in 2016. The Austrian labor market continues to be characterized by flexibility and benefits in particular from the balance of interests achieved by the social partners as well as from well-designed social and employment measures. In the same vein, Austria is among the top-ranking countries worldwide as regards social stability (measured, for example, by the frequency of strikes).

Chart 3

**Unemployment rates**



Source: Eurostat.

Note: EE, GR, HU, UK and JP: Dec. 2016; IE, NL, FI, SE: Feb. 2017.

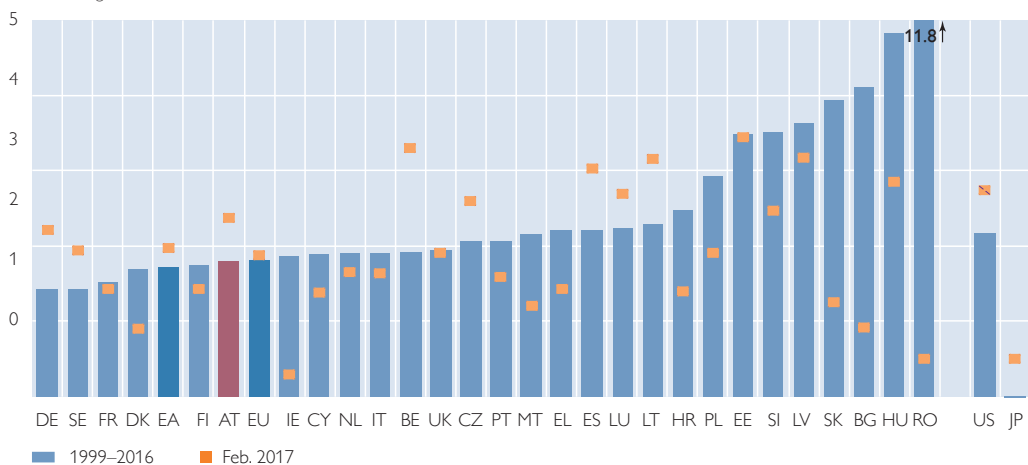
### Inflation returned to normal levels in early 2017

After a period of subdued inflation in the euro area (2016: 0.2%), inflation is expected to increase markedly to 1.7% in 2017, thus returning to normal levels and approaching the ECB's price stability target. Since 1999, the Eurosystem has recorded an average inflation rate of 1.9%, and thus, from a longer-term perspective, has been meeting its price stability goal of keeping inflation below, but close to, 2%. In Austria, inflation has also averaged 1.9% since 1999. A comparison of HICP inflation rates for Austria and the euro area shows that domestic inflation was consistently below or equal to euro area inflation until 2009. Subsequently, domestic inflation moved in sync with euro area inflation from 2009 to 2012. Since September 2012, HICP inflation in Austria has exceeded euro area inflation, though.

Chart 4

### HICP inflation rate

Annual change in %



Source: Eurostat, Statistics Bureau of Japan, U.S. Bureau of Labor Statistics.

Against the backdrop of persistently low or even negative average euro area inflation rates (end-2013 until end-2016), the Eurosystem adopted a set of measures in the pursuit of its price stability objective – interest rate reductions, several asset purchase programs and targeted longer-term refinancing operations – to reinforce the momentum of the euro area's economic recovery and accelerate the return of inflation to levels below, but close to, 2%.

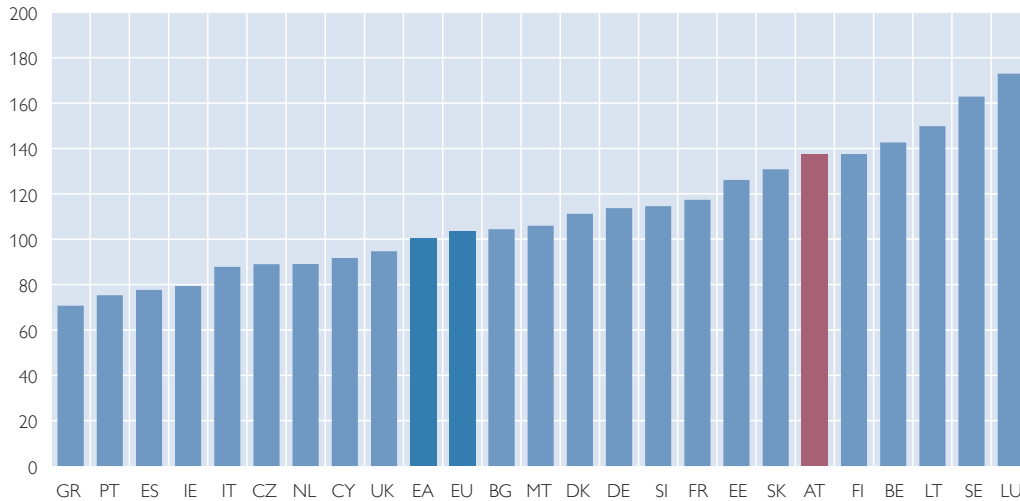
### Austrian real estate market: price increases, but no bubble

In the period from 2004 (when comparable data for EU members became available) to 2015, real estate prices in Austria rose at a clearly stronger pace than prices in the euro area and the EU on average. However, Austria did not experience developments comparable to those seen in EU countries like Spain, Ireland and Cyprus, including, ultimately, the bursting of real estate price bubbles. According to the OeNB fundamentals indicator, real estate prices in Austria are in line with economic fundamentals.

Chart 5

### Real house prices in EU Member States

Index: 2004=100



Source: ECB.

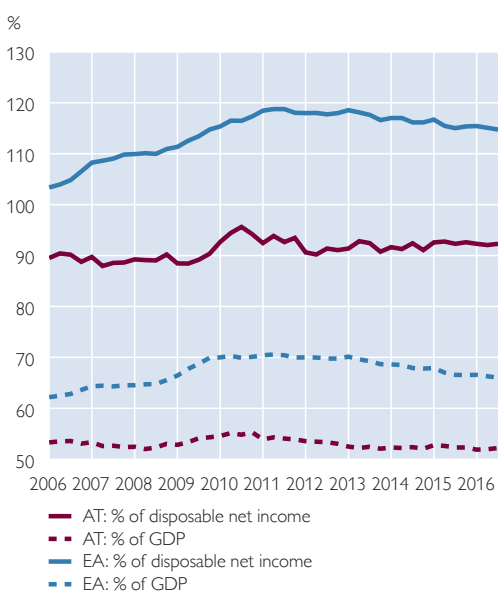
Note: CY 2006–2015; SK 2005–2015; CZ, UK, BG 2004–2014; ES, IT, DK, SI, AT, FI, BE, LT and LU: 2004–2015; no data for HU, LV, PL and RO.

### High level of financial assets – stable and moderate levels of household and corporate debt

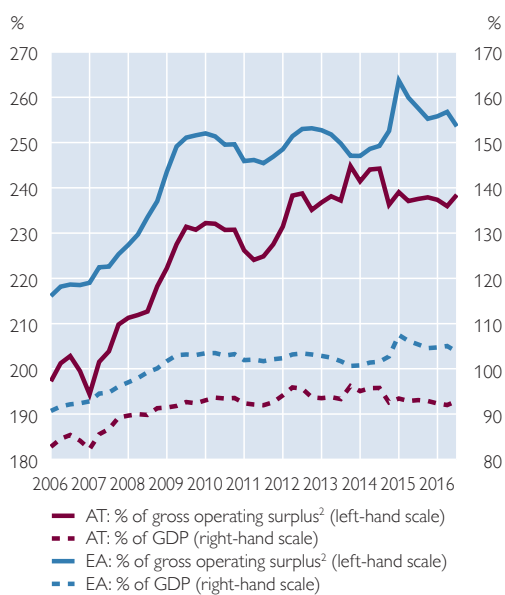
In 2016, households including nonprofit institutions serving households saved about 8.2% of their net disposable incomes. With total financial assets coming to

Chart 6

#### Household debt



#### Corporate debt<sup>1</sup>



Source: ECB.

<sup>1</sup> Short- and long-term loans, money and capital market instruments.

<sup>2</sup> Including mixed income of the self-employed.

some EUR 625.2 billion (179% of GDP) at the end of 2016, the household sector is a key supplier of capital to other sectors in Austria.

Austrian household debt totaled 52.2% of GDP in the third quarter of 2016, which is significantly below the euro area average of 66.0%. At 238.4% of gross operating surplus or 92.9% of GDP, corporate debt in Austria in the third quarter of 2016 was also below the euro area average (253.6% of gross operating surplus or 103.8% of GDP).

## 1.2 Weaker world trade dampens Austrian export activity

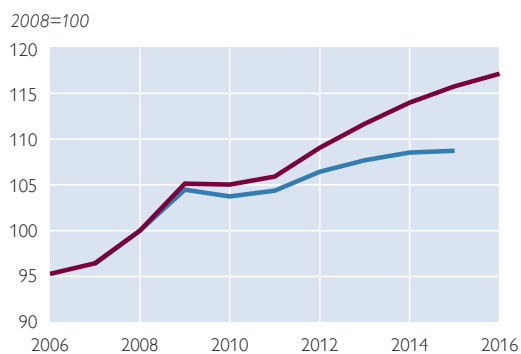
### Favorable employment climate dampened productivity growth

In the aftermath of the crisis, Austria has been losing in price competitiveness on account of comparatively weaker productivity gains. Labor hoarding in the corporate sector during the crisis years, stronger GDP growth in 2010–2011 and the late opening – in 2011 – of the domestic labor market to EU CESEE nationals due to a transitional period stipulated in the EU accession treaties have caused headcount employment to increase at a visibly stronger pace in Austria than in the euro area. Employment continued to increase in the period from 2012 to 2015 despite the low growth environment and accelerated with the economic upturn in 2016. As a consequence, Austria has been losing ground in both unit labor costs and productivity per employee relative to the euro area. Furthermore, the euro area

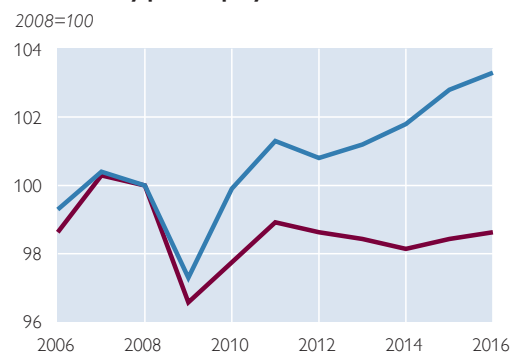
Chart 7

### International competitiveness

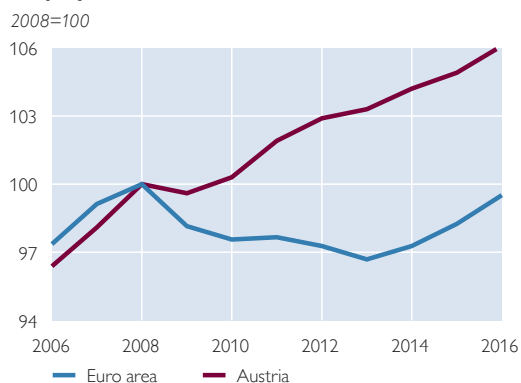
#### Real unit labor costs



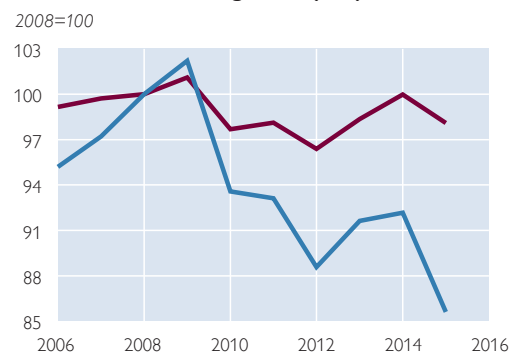
#### Productivity per employee



#### Employment



#### Real effective exchange rate (CPI)



Source: Eurostat.

was losing competitiveness before the crisis based on real effective exchange rates (deflated with the CPI), but regaining competitiveness between 2009 and 2012, whereas the real effective exchange rate for Austria has remained broadly stable. This also translated into a loss of competitiveness for Austria vis-à-vis the euro area. 2013 and 2014 saw an appreciation of real effective exchange rates for both Austria and the euro area, which also translated into a loss of price competitiveness. In 2015 the real effective exchange rate for the euro area improved more than the one for Austria. Moreover, since September 2012, Austria has faced higher inflation rates than the euro area and its main trading partners, Germany and Italy. This inflation gap resulted in a price competitiveness loss vis-à-vis euro area competitors.

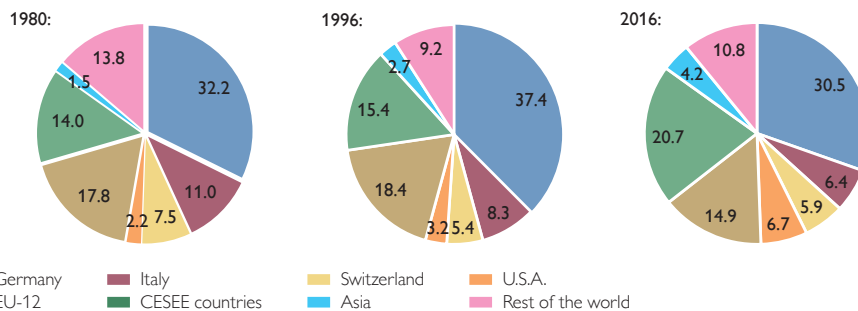
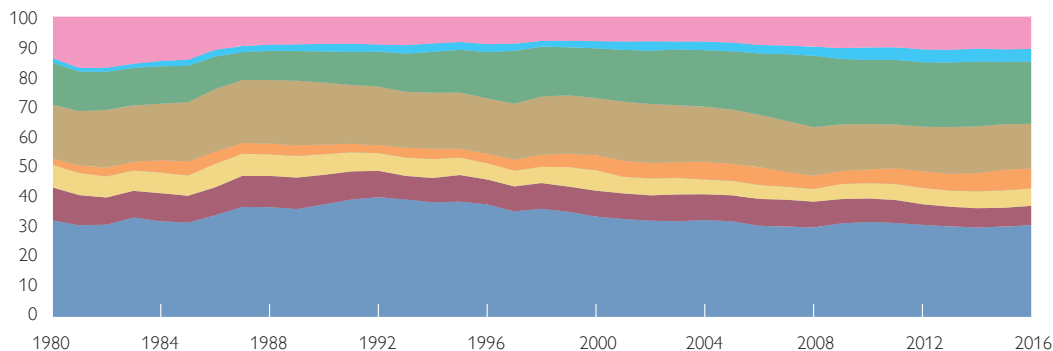
### Austria's external trade is regionally diversified, exposure to foreign exchange risk is low

In 2016, more than half of Austria's goods exports went to euro area countries, thus remaining unaffected by the euro's exchange rate changes. Among Austria's trade partners, Germany is still the most important one by far, accounting for a share of 31% of Austria's total goods exports in 2016. Next in the ranking are the U.S.A., Italy, Switzerland and France. On balance, the share of exports destined for euro area countries has been on a steady decline since the mid-1990s (1996: 62%). At the same time, exports to CESEE countries and the dynamic Asian

Chart 8

### Regional pattern of Austrian goods exports 1980–2015

% of total nominal exports of goods



Source: Statistics Austria.

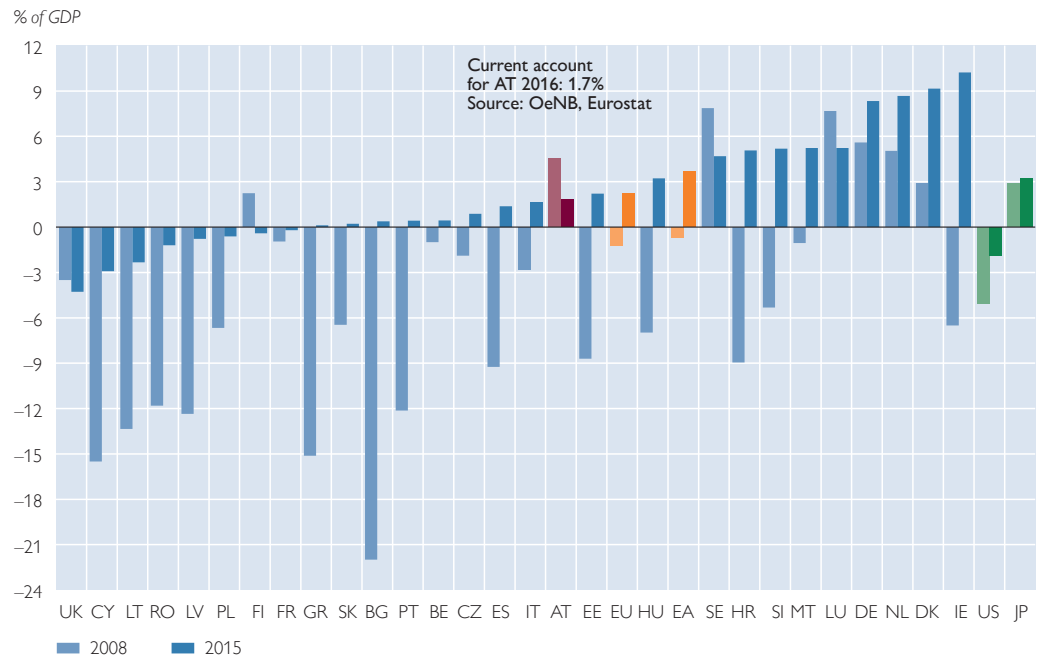
Note: Asia: CN, JP, KR;

EU-12: BE, DK, FI, FR, GR, IE, LU, NL, PT, ES, SE, UK;

CESEE countries: BG, EE, LV, LT, PL, RO, SK, SI, CZ, HU, AL, BA, HR, ME, RS, BY, MD, RU, UA.

Chart 9

### Current account (CA)

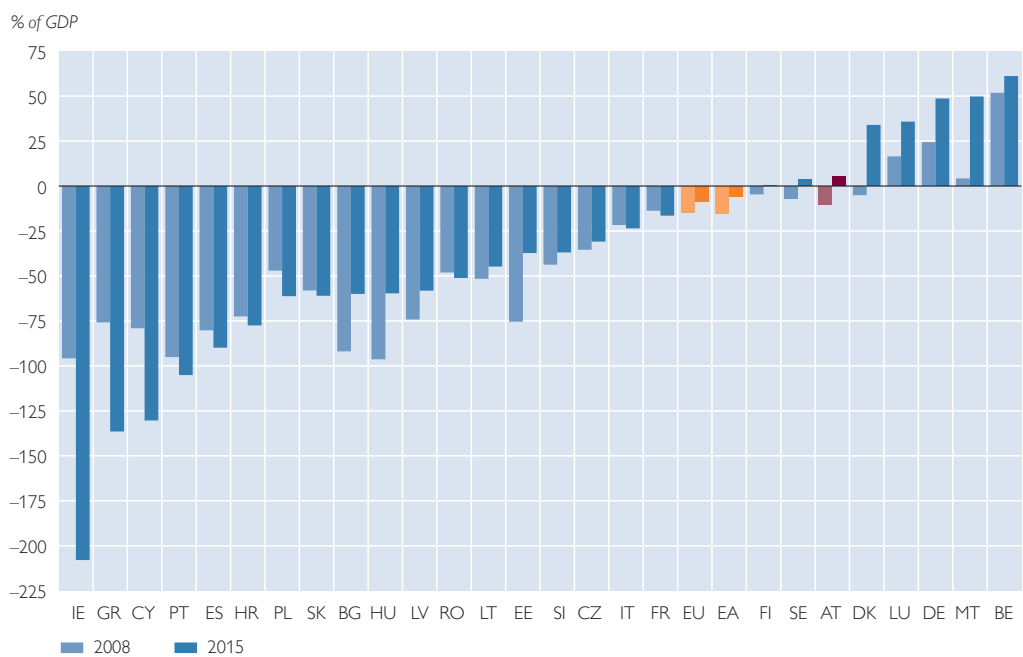


Source: Eurostat.

Note: US and JP: average from EC and IMF data.

Chart 10

### Net international investment position (IIP)



Source: Eurostat, ECB (SDW).

Note: EU data for 2008 do not include BG and UK; EU data for 2015 do not include UK; the dark blue columns for AT, EE, GR, LV, PT, and SI reflect 2016 data.

economies – China, India and Korea – have been on the rise, with the CESEE share increasing from 15% in 1996 to 21% in 2016. Although the speed of the catching-up process decreased, there is still a growth differential of around 1½ percentage points, which Austrian exporters were able to use. Importantly, Austria’s foreign trade is highly diversified in terms of goods categories. With a share of 40% of total exports, machinery and transport equipment constitute the largest single export item. Furthermore, manufactured goods, chemicals as well as commodities and transactions not classified elsewhere together account for some 47% of exports.

With goods exports accounting for 71% of total exports, Austria’s export performance is largely driven by goods, but services also play a significant role: In the recent past service exports grew more strongly than goods exports. The positive overall development was substantially driven by the tourism sector. Although its share in total service exports diminished in the past decade, its growth contribution was significant for overall growth in recent years. But also business-related services exports developed favorably. According to the technology balance of payments, Austria turned into a net exporter of technology-related know-how transfers of about EUR 3.8 billion or 1% of GDP, which allows Austria to compete with countries like Finland or Germany.

### **Current account surpluses confirm Austria’s international competitiveness**

Austria has been posting current account surpluses every year since 2002, i.e. exports of goods and services have exceeded imports since then. In 2016, Austria’s current account showed a surplus of 1.7% of GDP, after 1.9% in 2015. This compares with 3.7% for the euro area on average and 2.2% for the EU in 2015. Austria is forecast to continue to post current account surpluses.

### **Steady improvement of Austria’s international investment position**

Due to its sustained current account surplus, Austria closed the international investment position (IIP) gap in recent years, reporting a positive net IIP of EUR 18.1 billion (5.2% of nominal GDP) in 2016. This compares with a net negative IIP of 5.9% for the euro area and of 8.5% for the EU in 2015.

## **1.3 Austria’s general government deficit and debt ratios driven by special factors**

In 2016, the general government budget balance deteriorated to –1.6% of GDP. This was mainly driven by the income tax reform which entered into force at the beginning of 2016.

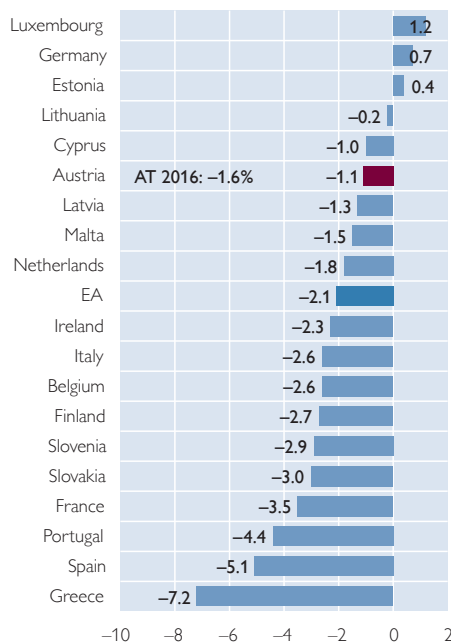
In contrast, the government debt ratio improved to 84.6% of GDP in 2016 (2015: 85.5% of GDP), which was primarily due to higher GDP growth in 2016.

Chart 11

### Budget balances of EU Member States in 2015

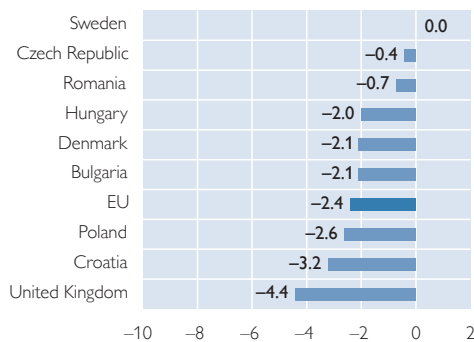
#### Euro area countries

% of GDP



#### Non-euro area countries

% of GDP



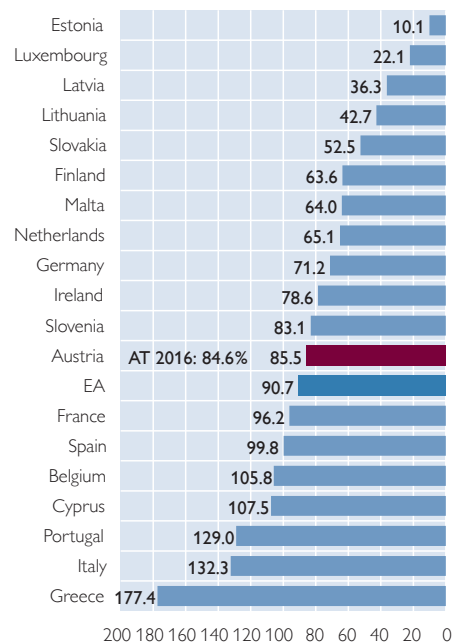
Source: Eurostat.

Chart 12

### Public debt of EU Member States in 2015

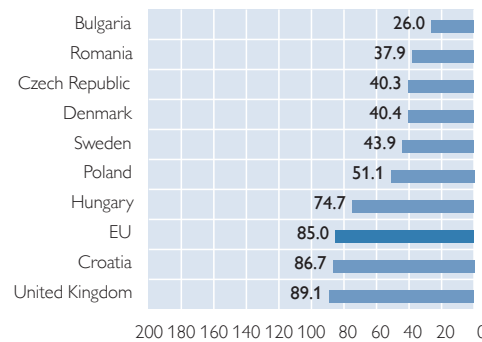
#### Euro area countries

% of GDP



#### Non-euro area countries

% of GDP



Source: Eurostat.

### Austria achieved a structural balance of -1% of GDP in 2016

With the excessive deficit procedure abrogated in spring 2014, Austria is now subject to the rules of the preventive arm of the Stability and Growth Pact. The preventive arm defines the medium-term objectives (MTO) countries must meet to reach a balanced budget position. For Austria, this translates into a structural balance of -0.45% of GDP (-0.5% of GDP from 2017 onward). In 2016, Austria missed this target. However, when taking into account the increase in expenditure due to refugee migration, the deviation from the MTO should not be deemed significant by the European Commission.



Regarding the debt ratio, the “1/20 rule” stating that debt in excess of 60% of GDP must be reduced by at least one-twentieth per year on average has become binding for Austria only in 2017 because Austria had been subject to an excessive deficit procedure when this rule was enacted (end-2011). In the transition phase, Austria had to take measures to achieve a structural balance in 2016 which would be consistent with fulfilling the 1/20 benchmark. According to the European Commission, Austria has met this condition based on current information.

### Austria without macroeconomic imbalances

Under the European semester of economic policy coordination, the European Commission started to compile annual Alert Mechanism Reports (AMR) in 2012 to detect and correct macroeconomic imbalances within the EU. Under this

Table 1

#### EU fiscal governance requirements

	Release	2012	2013	2014	2015	2016	Source	Requirement
		% of GDP						
<b>Budget balance</b>	March 2017	-2.2	-1.4	-2.7	-1.1	-1.6	Statistics Austria	$\geq -3\%$ of GDP
<b>Public debt</b>	March 2017	82.0	81.3	84.4	85.5	84.6	Statistics Austria	from 2017: reduction of difference to 60% of GDP by 1/20 per year on average
<b>Structural balance</b>	March 2017	-1.9	-1.2	-0.7	-0.0	-1.1	EC, Statistics Austria, WIFO	MTO (target value) is $-0.45\%$ of GDP

Source: Statistics Austria, European Commission (EC).

Table 2

#### Macroeconomic imbalance procedure scoreboard: Austria without marked external imbalances in 2016

Indicator	Threshold	Indicator for AT	AT above threshold
Average current account balance in % of GDP over the past 3 years	+6/-4	2.1	No
Net international investment position in % of GDP	-35	2.9	No
Percentage change of real effective exchange rates over the past 3 years	+/-5 (EA) +/-11 (non-EA)	1.8	No
Percentage change of export market shares over the past 5 years	-6	-9.6	Yes
Percentage change of nominal unit labor costs over the past 3 years	+9 (EA) +12 (non-EA)	6.1	No
Year-on-year changes in house prices relative to deflated house prices	6	3.5	No
Private sector credit flow in % of GDP	14	2.1	No
Private sector debt in % of GDP	133	126.4	No
General government sector debt in % of GDP	60	85.5	Yes
Average unemployment rate over the past 3 years	10	5.6	No
Year-on-year percentage change in total financial sector liabilities, unconsolidated	16.5	0.6	No
Activity rate – % of total population aged 15–64	-0.2	0.4	No
Long-term unemployment rate – % of active population aged 15–74	0.5	0.5	No
Youth unemployment rate – % of active population aged 15–24	0.2	1.2	Yes

Source: Eurostat.

Note: Data refer to 2015.

mechanism, countries are examined against a scoreboard of currently 14 economic indicators. A significant deviation from the thresholds defined for these indicators results in an in-depth qualitative review of the given economy by the European Commission, which will then issue economic policy recommendations. In early 2016, Austria was subject to an in-depth review by the European Commission, which ended with the European Commission's conclusion that Austria "is deemed not to experience imbalances."

### Austria doing well compared with European peer countries

Due to difficult (mainly external) economic conditions, most European countries, including Austria, have lost their AAA ratings. However, the still high confidence in the Austrian economy among international investors is reflected in the fact that Austrian government bonds currently have a negative yield up to a duration of seven years. A comparison of key data of the Austrian economy with those of the most important euro area countries (Germany, France and Italy) as well as other European countries whose economies are comparable with the Austrian economy in size and structure (the Netherlands, Switzerland, Sweden, Belgium, Finland and the Czech Republic), is provided in table 3.

Based on the IMF World Economic Outlook (WEO) of April 2017, the Austrian economy is expected to grow more slowly than that of most of its peer countries. From the OeNB's point of view, however, the IMF underestimates 2017 growth by at least ½ percentage point. At the same time, the inflation rate is expected to stay above average in 2017. With an expected unemployment rate of almost 6%, Austria lies in the mid-range of the considered countries. Furthermore, Austria's current account balance is positive. This compares with high surpluses for the Netherlands and Germany, as well as for Switzerland, but a small deficit for Finland and France.

Table 3

#### Austria and European peer countries in comparison

	DE	FR	IT	NL	CH	SE	BE	AT	FI	CZ
<i>Real GDP growth, annual change in %</i>										
2017	1.6	1.4	0.8	2.1	1.4	2.5	1.6	1.4	1.3	2.8
2018	1.5	1.6	0.8	1.8	1.6	2.3	1.5	1.3	1.4	2.3
<i>Consumer price index, annual change in %</i>										
2017	2.0	1.4	1.3	0.9	0.4	1.3	2.0	2.1	1.4	2.5
2018	1.7	1.2	1.3	1.4	0.7	1.6	1.7	1.8	1.6	2.2
<i>Unemployment rate, in % of employees–</i>										
2017	4.2	9.6	11.4	5.4	3.0	6.7	7.8	5.9	8.5	4.4
2018	4.2	9.3	11.0	5.3	2.9	6.7	7.6	5.9	8.3	4.6
<i>Current account balance, in % of nominal GDP</i>										
2017	8.2	–0.9	2.0	9.2	10.8	5.0	0.9	2.4	–1.0	2.0
2018	8.0	–0.5	1.8	9.1	10.5	4.9	1.0	2.2	–1.1	1.4

Source: IMF WEO of April 2017.

## 2 Austrian banks: necessary adjustment processes in challenging environment are gaining momentum

### 2.1 Profitability and capitalization need to be strengthened further

#### Low interest rate environment weighs on consolidated profitability

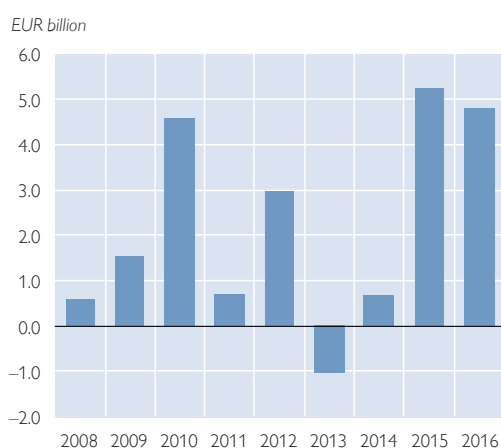
In 2016, Austrian banks continued to be faced with weak economic growth, ongoing low interest rates and interest margins as well as political uncertainty in some CESEE countries. Their profit came to EUR 4.8 billion in 2016, 7% down from the net result registered one year earlier (EUR 5.2 billion). This decline was attributable to lower net interest income – the most important component of Austrian banks’ profitability – and reduced fee-based income. Also, there was an increase in other operating expenses and administrative expenses. At the same time, the sharp drop in loan loss provisions had a positive impact on profitability.<sup>2</sup>

The low interest rate environment is set to remain a challenge for Austrian banks in the longer term, since their funding considerably depends on deposits. This implies that interest margins, which have traditionally been low in Austria, continue to be under pressure. In addition, a dense network of branches, another pillar of domestic banks’ business models, incurs high costs.

In this challenging environment, Austrian banks progressed with the necessary structural adjustments in 2016 to increase efficiency and hence step up profitability in the longer term. Cases in point are the implementation of restructuring measures at UniCredit

Chart 13

#### Austrian banks’ consolidated net result after tax



Source: OeNB.

Table 4

#### Aggregated profit and loss account of Austrian banks

	2008	2009	2010	2011	2012	2013	2014	2015	2016
EUR billion									
Net interest income	19.3	19.5	20.4	20.4	19.3	18.6	19.3	18.3	14.7
Fee and commission income	8.5	7.2	7.7	7.6	7.3	7.6	7.7	7.7	6.6
Trading income	-2.1	2.6	1.0	0.8	1.1	0.7	0.4	-0.05	0.1
Operating profit	7.9	15.6	13.5	10.4	12.1	8.0	8.8	10.5	6.0
Net result after tax	0.6	1.5	4.6	0.7	3.0	-1.0	0.7	5.2	4.8

Source: OeNB.

Note: For figures as of end-2016 comparability with previous figures is limited due to the restructuring of UniCredit Bank Austria in 2016.

<sup>2</sup> The comparability of year-on-year data is limited due to the transfer of UniCredit Bank Austria AG’s CESEE business to its Italian parent UniCredit S.p.A. in October 2016. Adjusted for this effect, the aggregated net result after tax increased by 8% in 2016 year-over-year.

Bank Austria AG, the merger of Raiffeisen Zentralbank Österreich AG (RZB) and Raiffeisen Bank International AG (RBI), which was concluded by the end of the first quarter of 2017, and further consolidation among Volksbank credit cooperatives.

### Capitalization has improved, but still some need for catching up

The capitalization of the Austrian banking sector has improved over the past years through a combination of increased capital and reduced risk-weighted assets. Between 2008 and 2016, the common equity tier 1 (CET1) ratio rose by 8.0 percentage points to 14.8%. Large Austrian banks succeeded in narrowing the gap between their capital levels and those of their European peers, but the gap is still there. At the same time, Austrian banks show better leverage ratios by comparison thanks to their retail focus. Investors and rating agencies had been calling for improved capitalization, which was also supported by national supervisory measures (see also 2.3 and 2.4).

Table 5

#### Capital ratios of Austrian banks on a consolidated basis

	2008	2009	2010	2011	2012	2013	2014	2015	2016
% of risk-weighted assets									
Total capital adequacy ratio	11.0	12.8	13.2	13.6	14.2	15.4	15.6	16.3	18.2
Tier 1 capital ratio	7.7	9.3	10.0	10.3	11.0	11.9	11.8	12.9	14.9
Common equity tier 1 ratio	6.9	8.5	9.4	9.8	10.7	11.6	11.7	12.8	14.8

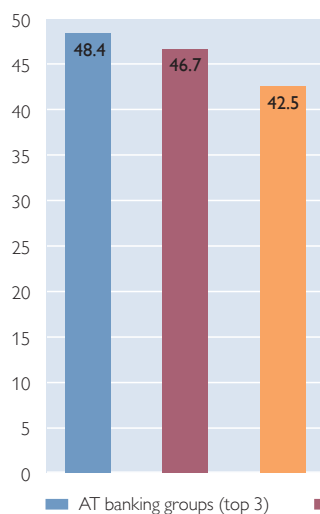
Source: OeNB.

Note: Capital ratios are based on CRD IV definitions from 2014 onward, which limits the comparability with earlier measures.

Chart 14

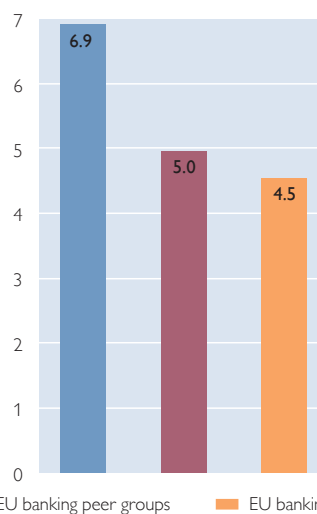
#### Loans to customers

% of total assets



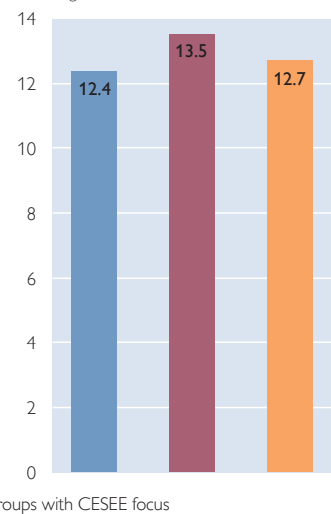
#### Leverage

Tier 1 capital in % of total assets



#### CET1 ratio

Common equity tier 1 ratio in % of risk-weighted assets



Source: OeNB, BankScope.

Note: The data are weighted averages as of end-2016 or latest available, (i.e. CET1 ratio as of Q3 16).

Austrian banks' credit quality improved further in the first three quarters of 2016, which was mostly due to the restructuring of UniCredit Bank Austria AG and banks selling loan portfolios. As a result, Austrian banks' consolidated NPL ratio, which stood at 5.3% in September 2016, has already fallen by 4.1 percentage points from its record high of 2012.

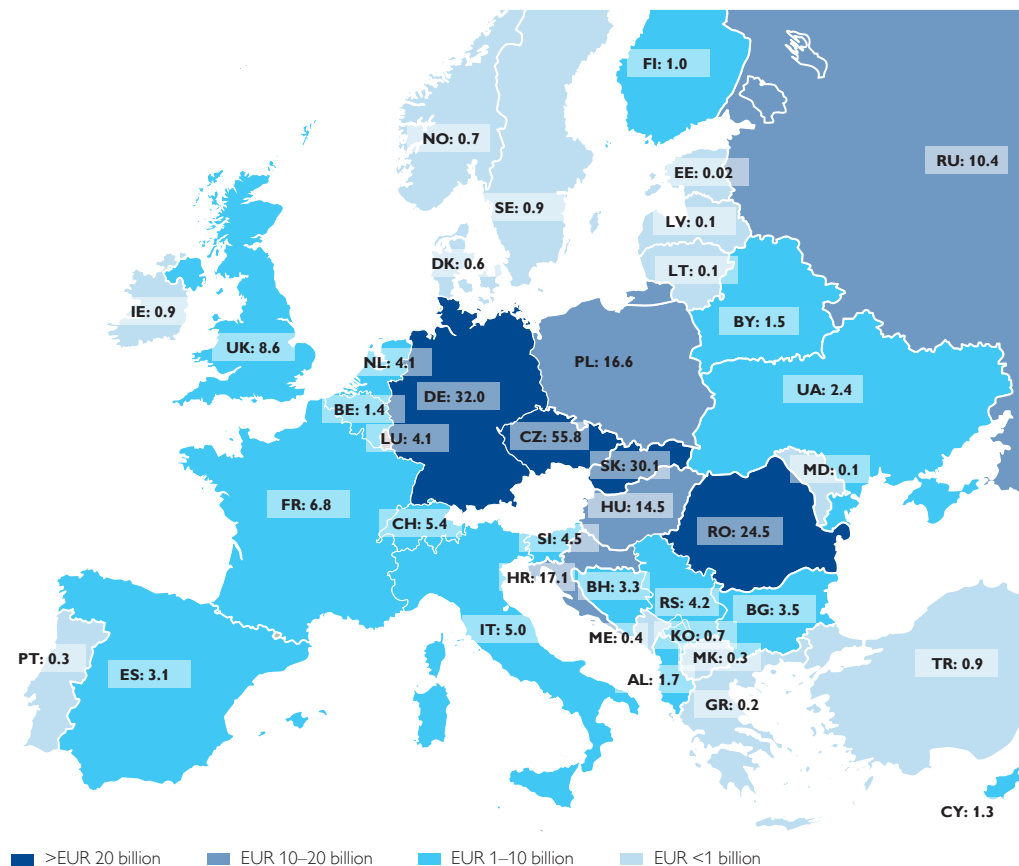
## 2.2 Austrian banks' foreign business continues to focus on CESEE, restructuring leads to changes in exposure

At the end of December 2016, the consolidated foreign claims of banks in Austrian majority ownership totaled approximately EUR 293 billion (see Chart 15), with banks operating in CESEE accounting for some two-thirds thereof. As regards the aggregate CESEE-related claims of EU-15 banks, the domestic banking sector's share added up to about one-fifth (see chart 16).

Chart 15

### Austrian banks' consolidated foreign claims (immediate borrower basis)<sup>1</sup>

EUR billion



Source: OeNB, Q4 16.

<sup>1</sup> In majority domestic ownership.

The transfer of UniCredit Bank Austria AG's CESEE segment to its parent UniCredit S.p.A. in October 2016 led to a shift in domestic banks' exposure to CESEE, with the aggregate total assets of Austrian banking subsidiaries in CESEE decreasing by almost 40% to some EUR 185 billion. Also, the geographical risk profile changed markedly, as in particular the exposure to Turkey, the Czech Republic, Russia and Croatia declined.

### Profitability of Austrian banks' subsidiaries in CESEE improves

The slight improvement in the economic environment in CESEE had a positive impact on Austrian banks' subsidiaries, with their aggregate end-of-period profit increasing by EUR 0.3 billion year on year to EUR 2.4 billion at end-2016.<sup>3</sup> This rise was mainly the result of a further decline in loan loss provisions.

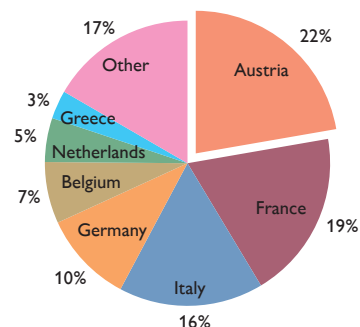
The highest profit contributions came from subsidiaries in the Czech Republic, Slovakia and Russia. The CESEE business helps Austrian banks compensate for the direct effects of the low interest rate environment in the euro area and low profitability in the home market.

While the net results posted by subsidiaries in the Czech Republic and Slovakia remained stable at previous levels, those recorded in Russia declined. Subsidiaries in Romania and Hungary have been posting profits on aggregate since 2015 after recording losses before that. For the first time since 2012, Austrian subsidiaries in Ukraine recorded an aggregate profit in 2016.

Chart 16

### EU-15 banks' shares in total exposure to CESEE<sup>1</sup>

Q3 16

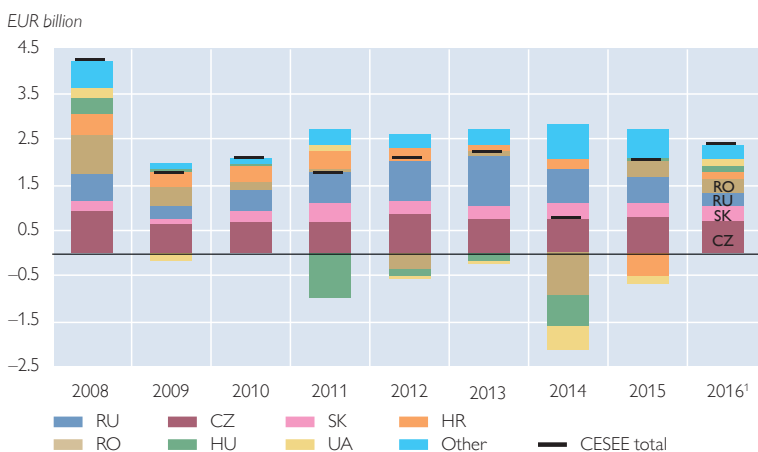


Source: BIS.

<sup>1</sup> Total: EUR 838 billion; data include banks in majority domestic ownership.

Chart 17

### Net results of Austrian banks' subsidiaries in CESEE



Source: OeNB.

<sup>1</sup> From 2016 onward figures do not include subsidiaries of UniCredit Bank Austria AG.

<sup>3</sup> Data from the fourth quarter of 2016 do not cover UniCredit Bank Austria's CESEE subsidiaries, which is also reflected in year-on-year and longer-term comparisons.

## 2.3 Macprudential measures contribute to financial stability

### Foreign currency loans in Austria and CESEE continue to contract

Austria implemented macroprudential measures already early on. In 2003, the FMA established minimum standards for granting foreign currency loans and loans with repayment vehicles, and in October 2008 the FMA published a recommendation<sup>4</sup> to Austrian banks to stop issuing foreign currency loans to households that do not have income in the loan currency. Since then, the amount of outstanding foreign currency loans has decreased by 63% (exchange rate adjusted), standing at EUR 25.5 billion in December 2016.

Nevertheless, the risks to households arising from foreign currency loans and repayment vehicle loans remain high in Austria. Around three-quarters of foreign currency loans to households are bullet loans linked to repayment vehicles. A survey on foreign currency loans and loans with repayment vehicles that the OeNB – in cooperation with the FMA – conducted in mid-2016 showed that at end-2015 the shortfall<sup>5</sup> had equaled around 29% of the outstanding volume of repayment vehicle loans. In light of the risks that still exist, the OeNB recommends that banks assess together with borrowers the latter’s risk-bearing capacity and, if necessary, take measures to reduce these risks.

The amount of foreign currency loans issued by Austrian subsidiaries in CESEE also continues to decline. Between end-2010 and end-2016, the volume of out-

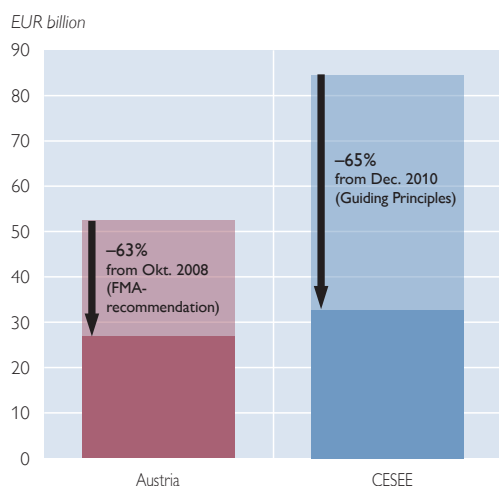
standing foreign currency loans contracted by 65% (exchange rate adjusted) to EUR 33 billion. These figures show that supervisory measures (Guiding Principles of December 2010) had a positive impact. Also, the restructuring at UniCredit Bank Austria AG contributed to this decline.

### Austrian banking subsidiaries in CESEE strengthen local funding base

In March 2012, the OeNB and the FMA published a “supervisory guidance on the strengthening of the sustainability of the business models of large internationally active Austrian banks” (“sustainability package”). The sustainability package is aimed at achieving a more balanced funding structure at Austrian banks’ foreign subsidiaries by strengthening stable local funding and increasing large banks’ capitalization levels. Since then,

Chart 18

#### Foreign currency loans granted by Austrian banks in Austria and CESEE<sup>1</sup>



Source: OeNB.

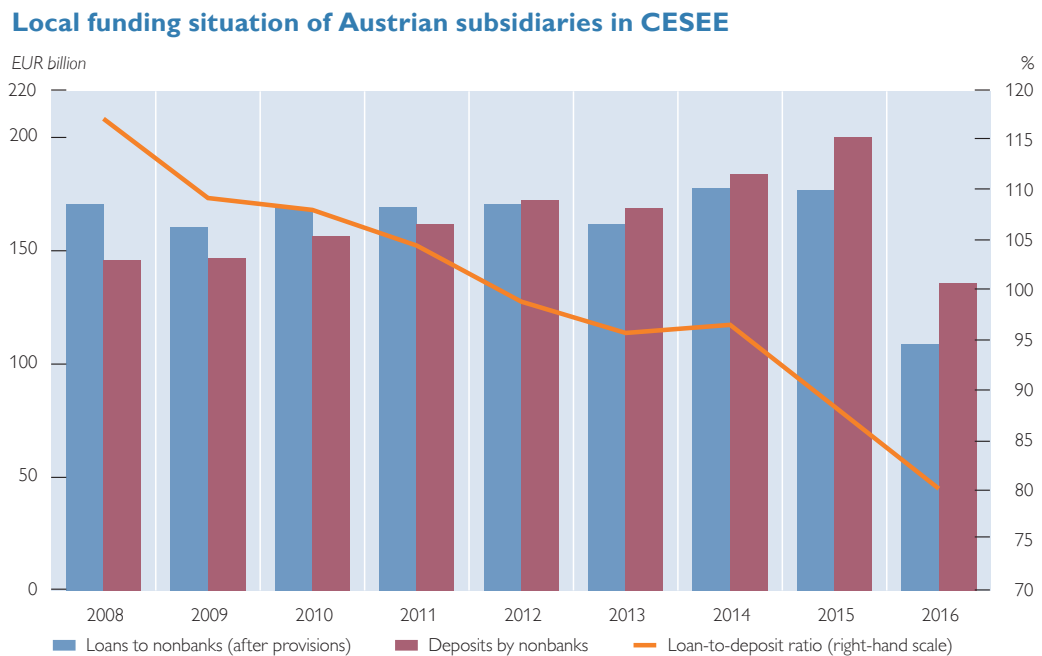
<sup>1</sup> Loans to households and nonfinancial corporations.

Note: The percentages refer to the exchange rate-adjusted decrease in the volumes of foreign currency loans in Austria between October 2008 (FMA recommendation) and December 2016 and in CESEE between December 2010 (Guiding Principles) and December 2016.

<sup>4</sup> FMA Minimum Standards for the Risk Management and Granting of Foreign Currency Loans and Loans with Repayment Vehicles.

<sup>5</sup> The shortfall is the difference between the outstanding loan amount in euro and the value of the repayment vehicle upon maturity.

Chart 19



the local refinancing situation of Austrian banks' subsidiaries in CESEE has improved. Their loan-to-deposit ratio decreased from 117% in 2008 to 80% in 2016, reflecting above all an increase in local savings deposits.

### Introduction and regular evaluation of macroprudential capital buffers

Since January 1, 2016, the systemic risk buffer, which aims at reducing and preventing long-term, noncyclical systemic risks, has been in effect; its activation had been proposed by the OeNB and recommended by the Financial Market Stability Board (FMSB) and applies to credit institutions that are exposed to specific systemic risks. The level of the systemic risk buffer, which is evaluated annually, will amount to up to 2% of risk-weighted assets at the end of the phasing-in period (January 1, 2019).

Furthermore, the FMSB recommended that the FMA maintain the countercyclical capital buffer rate at 0% of risk-weighted assets beyond July 1, 2017; this recommendation is based on OeNB analyses, which did not point to excessive credit growth. The countercyclical capital buffer is intended to counteract risks arising from the credit cycle and from excessive credit growth.

### Real estate financing: currently no signs of systemic risks, initiative for expanding macroprudential toolbox as a preventive statutory measure

Residential property prices increased markedly in Austria in the past few years after having remained broadly stable for a long time, a development that had been in contrast to that seen in a number of other EU countries. That said, a recent in-depth analysis by the OeNB has found that there are currently no systemic risks arising from excessive lending or the easing of lending standards in real estate funding in Austria.



At present, macroprudential supervisors have at their disposal primarily tools that relate exclusively to banks and their capitalization. However, in order to make it possible to effectively address systemic risks in the residential property market also in the future, it is necessary to expand the macroprudential toolbox to include borrower-based instruments that prescribe minimum requirements for lending standards (e.g. loan-to-value ratios, debt service-to-income ratios, debt ratios). Referring to OeNB analyses, the FMSB recommended in June 2016 that the necessary legal basis for applying macroprudential tools in real estate lending be created as a preventive step.<sup>6</sup> In September 2016, the FMSB called on banks to comply with sustainable lending standards in real estate financing, to apply, in particular, conservative loan-to-value ratios and to ensure that debt levels are in line with borrowers' capacity to pay back their loans also under stress scenarios. In March 2017, the FMSB advocated improving the availability of data on real estate loans and legally implementing the expansion of the macroprudential toolkit as recommended in its advice issued in June 2016.

At present, the FMSB sees no immediate need for using macroprudential tools but decisively calls on banks to continue to pay particular attention to sustainability in new lending. The OeNB continues to closely monitor loan-to-value ratios, debt ratios and debt service-to-income ratios for mortgage loans and identify the need for action if necessary.

#### **2.4 Austrian banks have launched adjustment process, which is reflected positively in external assessments**

Banks' efforts to adapt their business models and strengthen their risk-bearing capacity as well as supervisory measures taken in Austria have had a positive impact on external assessments of the Austrian banking sector. In its 2016 Article IV consultation with Austria, the IMF concluded in December 2016 that the Austrian financial system is stable, while stressing that the capital buffers of large Austrian banks are still low relative to EU peers and that raising capital levels further should be a priority. The IMF regards the phased introduction of the systemic risk buffer as an appropriate measure to further strengthen banks' capitalization.

In its Country Report 2017 for Austria<sup>7</sup>, the European Commission's assessment of Austrian banks' capitalization was similar to that of the IMF. Acknowledging the structural reforms already implemented, the European Commission also points out banks' continued low profitability in the domestic market. Austrian banks' foreign currency lending volume has been decreasing, but it still presents banks and borrowers with a challenge. As far as Austrian banks' activities in CESEE are concerned, the European Commission mentions improvements in refinancing, credit quality and profitability. This notwithstanding, banks' operations are weighed down by political and economic developments in several host markets.

Rating agency Fitch's outlook for the Austrian banking sector continues to be stable, which is above all attributable to the progress made in bank restructuring

<sup>6</sup> For more detailed information on the meetings of the FMSB, see <https://www.fmsg.at/en/>.

<sup>7</sup> For more information, see [https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-austria-en\\_1.pdf](https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-austria-en_1.pdf).

and to favorable economic developments in Austria and in CESEE.<sup>8</sup> According to Fitch, the reduction in Austrian banks' CESEE exposure results in more stable profits, but the domestic market's low growth potential and low margins put pressure on profitability. Fitch considers the risks potentially arising from real estate financing to be limited. While the rating agency expects improved growth prospects across most CESEE markets, it also points to political risks in some of these countries.

## 2.5 Integrated approach to banking supervision in the euro area has proved a success

### OeNB and FMA share responsibilities with the ECB in a decentralized supervisory system

On November 4, 2014, the Single Supervisory Mechanism (SSM)<sup>9</sup> became fully operational, with the ECB taking over the supervision of banks in the euro area. In fulfilling this mandate, the ECB cooperates closely with the national supervisory authorities, i.e. the OeNB and the FMA in the case of Austria. The ECB directly supervises the large banks, which are referred to as significant institutions (SIs). The national authorities, in turn, are in charge of supervising the less significant institutions (LSIs). This integrated approach to supervision has proved a success so far. Under the SSM, euro area banks that are internationally active are subject to harmonized supervision, which is particularly beneficial for smaller countries with large, cross-border banks. A case in point are Austria and its banks given their exposure to CESEE.

### Harmonization of supervisory practices and processes well under way

A number of measures aimed at further harmonizing supervisory processes and promoting a joint supervisory culture under the SSM have already been implemented. The annual conduct of the Supervisory Review and Evaluation Process (SREP) and the ensuing definition of bank-specific capital ratios rank among the most important supervisory activities of the SSM. The SREP capital ratios are meant to ensure that the supervised institutions hold the minimum capital required to adequately cover their total risk given the type, scope and complexity of their activities. In 2017, the SREP capital ratios applicable to the eight Austrian SIs<sup>10</sup> remain largely unchanged from the previous SREP. By implementing the EBA's SREP guidelines, the FMA and the OeNB have committed themselves to applying the SREP methodology also when reviewing and evaluating Austrian LSIs. Against this backdrop, a harmonized SREP methodology for LSIs was developed to ensure uniform supervisory processes and a level playing field. The OeNB and the FMA have already completed SREP analyses of numerous LSIs.

European banking supervision currently focuses on the following topics: (1) business models and profitability drivers, (2) credit risk with a focus on nonper-

<sup>8</sup> For more information, see "Austria – Full Rating Report" of February 2017 and "2017 Outlook: Austrian Banks" of December 2016 at [www.fitchratings.com](http://www.fitchratings.com).

<sup>9</sup> ECB, *Guide to banking supervision*, November 2014: <https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssmguidebankingsupervision201411.en.pdf>.

<sup>10</sup> Erste Group Bank AG, Raiffeisen Bank International AG, Raiffeisenbankengruppe OÖ Verbund eGen, Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H., Promontoria Sacher Holding N.V. ("BAWAG P.S.K."), Volksbank Wien AG, Sberbank Europe AG, VTB Bank (Austria) AG.

forming loans (NPLs) and concentration risks and (3) risk management. With a view to strengthening the credibility of banks' internal models, such models are subjected to a targeted review of internal models (TRIM).

### **Regulatory response to the financial crisis about to be completed**

The next few months will see the finalization of regulatory measures agreed in the wake of the financial crisis. In this context, the European Commission presented a comprehensive package of reforms in late November 2016.<sup>11</sup> The far-reaching proposals target, for instance, the elimination of weaknesses and the introduction of additional provisions in legal acts related to own funds and resolution. All these efforts will be complemented by measures that have yet to be fully implemented, including the leverage ratio (LR) and net stable funding ratio (NSFR) requirements defined by the Basel Committee on Banking Supervision. Finally, bail-in tools are to be implemented to ensure the orderly resolution of failing banks. These tools are based on recommendations of the Financial Stability Board and the corresponding resolution framework of the EU.

The Austrian Ministry of Finance represents and negotiates Austrian positions, tapping also the expertise of the OeNB and the FMA in this context. From the Austrian perspective, four areas are particularly relevant: (1) ensuring the credibility and feasibility of the Pillar 2 process, (2) addressing additional guidance on the minimum requirement for own funds and eligible liabilities (MREL), (3) introducing the principle of proportionality without reducing the reporting frequency for smaller institutions and (4) extending regulatory requirements to also cover financial holding companies.

<sup>11</sup> This is without prejudice to the proposals that were drawn up during the recalibration of the Basel III framework and are still under discussion (revised standardized approach for credit risk, review of the internal ratings-based (IRB) approach, introduction of a floor ("output floor") to the internal model method, new standardized approach for operational risks).

### 3 Annex of tables

Table A1

#### Real GDP<sup>1</sup>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Annual change in %										
Austria	1.5	-3.8	1.9	2.8	0.7	0.1	0.6	1.0	1.5	1.4	1.3
Euro area	0.4	-4.5	2.1	1.5	-0.9	-0.3	1.2	2.0	1.7	1.7	1.6
EU	0.4	-4.4	2.1	1.7	-0.5	0.2	1.6	2.2	1.9	1.4	1.3

#### Consumer price indices<sup>1</sup>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Annual change in %										
Austria	3.2	0.4	1.7	3.6	2.6	2.1	1.5	0.8	1.0	2.1	1.8
Euro area	3.3	0.3	1.6	2.7	2.5	1.4	0.4	0.0	0.2	1.7	1.5
EU	3.7	1.0	2.1	3.1	2.6	1.5	0.5	0.0	0.3	2.1	1.8

#### Unemployment rates<sup>1</sup>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	% of labor force										
Austria	4.1	5.3	4.8	4.6	4.9	5.4	5.6	5.7	6.0	5.9	5.9
Euro area	7.6	9.6	10.2	10.2	11.4	12.0	11.6	10.9	10.0	9.4	9.1
EU	7.0	9.0	9.6	9.7	10.5	10.9	10.2	9.4	8.5	x	x

#### Current account balances<sup>1</sup>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	% of GDP										
Austria	4.5	2.6	2.9	1.6	1.5	2.0	2.4	1.8	2.4	2.4	2.2
Euro area	-0.6	0.4	0.4	0.6	1.9	2.4	2.5	3.4	3.6	3.0	3.0
EU	-1.3	-0.1	-0.0	0.3	0.9	1.4	1.4	2.0	2.1	x	x

#### Budget balances<sup>1</sup>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	% of GDP										
Austria	-1.5	-5.4	-4.5	-2.6	-2.2	-1.4	-2.7	-1.0	-1.4	-1.0	-0.7
Euro area	-2.2	-6.3	-6.2	-4.2	-3.6	-3.0	-2.6	-2.1	-1.7	-1.5	-1.3
EU	-2.4	-6.6	-6.4	-4.6	-4.3	-3.3	-3.0	-2.4	x	x	x

#### Government debt ratios<sup>1</sup>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	% of GDP										
Austria	68.8	80.1	82.8	82.6	82.0	81.3	84.4	85.5	83.7	x	x
Euro area	68.8	78.5	84.0	86.2	89.6	91.5	92.2	90.5	x	x	x
EU	60.7	72.8	78.4	81.1	83.8	85.7	86.7	85.0	x	x	x

Source: Eurostat, IMF.

<sup>1</sup> The data for 2017 to 2018 are based on the IMF spring forecast (April 2017).

Note: x = data not available.

Table A2

**General government interest payments<sup>1</sup>**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	% of GDP									
Austria	3.2	3.0	3.2	2.9	2.8	2.7	2.6	2.5	2.4	2.2

Source: Statistics Austria.

<sup>1</sup> According to the EDP notification (Maastricht), including swap transactions.

Table A3

**Household debt**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	% of disposable net income									
Austria	88.8	88.6	90.2	90.4	94.2	93.5	90.3	90.3	90.3	92.9
Euro area	106.6	109.9	111.3	115.3	117.9	118.7	118.7	117.2	116.8	115.9
	% of GDP									
Austria	53.1	52.4	53.0	54.3	55.3	53.9	52.9	52.1	52.1	52.3
Euro area	63.6	64.5	65.7	70.2	70.4	70.4	70.1	68.9	68.2	66.9

Source: ECB, OeNB.

Table A4

**Corporate debt<sup>1</sup>**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	% of gross operating surplus <sup>2</sup>									
Austria	88.8	88.6	90.2	90.4	94.2	93.5	90.3	90.3	90.3	92.9
Euro area	106.6	109.9	111.3	115.3	117.9	118.7	118.7	117.2	116.8	115.9
	% of GDP									
Austria	53.1	52.4	53.0	54.3	55.3	53.9	52.9	52.1	52.1	52.3
Euro area	63.6	64.5	65.7	70.2	70.4	70.4	70.1	68.9	68.2	66.9

Source: ECB, OeNB.

<sup>1</sup> Short- and long-term loans, money and capital market instruments.<sup>2</sup> Including mixed income of the self-employed.

Table A5

**Residential property price index**

	2012	2013	2014	2015	2016	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16
	Index 2000=100									
Austria excluding Vienna	137.4	141.1	145.4	152.9	166.7	158.4	163.6	169.3	167.4	166.5
Vienna	180.7	196.3	204.6	209.2	217.2	212.3	220.3	215.0	214.2	219.4
	Annual change in %									
Austria excluding Vienna	10.8	2.7	3.1	5.1	9.1	9.6	8.9	12.8	9.5	5.2
Vienna	15.7	8.7	4.2	2.2	3.8	3.9	6.5	3.1	2.5	3.4

Source: OeNB, Austria Immobilienbörse, Prof. Wolfgang Feilmayr, Department of Spatial Planning, Vienna University of Technology.

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