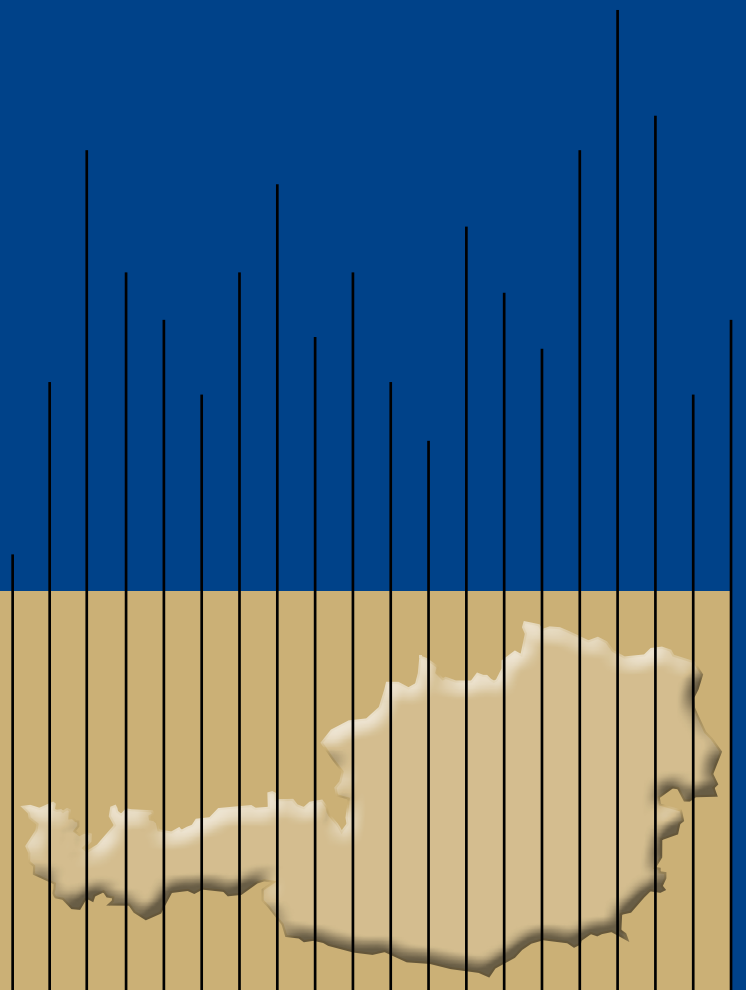


FACTS ON AUSTRIA AND ITS BANKS

<https://facts-on-austria.oenb.at>



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NOTE

This issue of “Facts on Austria and Its Banks” reflects developments up to end-March 2021 and, like the previous issue, has a strong focus on the impact of the COVID-19 pandemic. Therefore, the current issue does not include several sections that have featured regularly in previous issues, and some charts were moved to the annex.

News and updates regarding the impact of the COVID-19 crisis are being provided on our website at www.oenb.at as they become available.

Key indicators

Cutoff date: March 31, 2021.

Table 1

Key indicators for the Austrian economy

	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	2018	2019	2020
Economic activity	<i>EUR billion (four-quarter moving sums)</i>							
Nominal GDP	397.4	395.0	382.8	379.8	374.8	385.2	397.4	374.8
	<i>Change on previous period in % (real)</i>							
GDP	-0.5	-3.0	-10.7	11.8	-2.7	2.5	1.4	-6.7
Private consumption	-0.4	-4.7	-11.2	12.0	-5.2	1.1	0.8	-9.4
Public consumption	-0.7	0.6	0.6	0.5	1.6	1.2	1.4	1.7
Gross fixed capital formation	-2.1	-0.5	-7.5	6.9	0.4	4.0	3.9	-4.8
Exports of goods and services	-0.2	-4.5	-18.2	18.0	-0.2	4.9	2.9	-10.9
Exports of goods	-0.8	-2.4	-14.9	15.3	-1.4	4.4	2.1	-8.4
Imports of goods and services	-2.3	-1.4	-15.9	12.9	2.1	4.6	2.5	-10.0
Imports of goods	-3.0	-0.1	-13.0	13.2	-1.3	3.2	1.2	-8.0
	<i>% of nominal GDP</i>							
Current account balance	x	x	x	x	x	1.3	2.8	2.5
Prices	<i>Annual change in %</i>							
HICP inflation	1.4	2.0	1.1	1.4	1.1	2.1	1.5	1.4
Compensation per employee	3.3	1.8	-1.7	0.3	1.2	3.0	2.7	0.4
Unit labor costs	4.1	6.0	9.2	2.8	5.7	2.1	2.4	5.8
Productivity	-0.7	-3.9	-10.0	-2.4	-4.2	0.8	0.3	-5.1
Income and savings	<i>Annual change in %</i>							
Real disposable household income	-0.5	-7.1	-1.3	13.4	-6.4	1.4	1.3	-3.0
	<i>% of nominal disposable household income</i>							
Saving ratio	x	x	x	x	x	7.8	8.2	13.7
Labor market	<i>Change on previous period in %</i>							
Payroll employment	0.3	-0.3	-4.7	3.2	0.0	2.1	1.4	-2.0
	<i>% of labor supply</i>							
Unemployment rate (Eurostat)	4.3	4.6	5.6	5.6	5.6	4.9	4.5	5.3
Public finances	<i>% of nominal GDP</i>							
Budget balance	x	x	x	x	x	0.2	0.6	-8.9
Government debt	x	x	x	x	x	74.0	70.5	83.9

Source: OeNB, Eurostat, Statistics Austria (based on QNA data).

Note: X = data not available.

Table 2

Key indicators for Austrian banks

	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	2017	2018	2019	2020
Austrian banking system – consolidated									
Structure	<i>EUR billion</i>								
Total assets ¹	1,032.3	1,061.0	1,107.0	1,118.8	1,136.4	948.9	986.0	1,032.3	1,136.4
Exposure to CESEE ²	233.3	233.6	242.9	239.9	244.5	210.9	217.1	233.3	244.5
Number of credit institutions in Austria	573.0	572.0	572.0	558.0	543.0	628.0	597.0	573.0	543.0
Number of inhabitants per bank branch in Austria	2,521.0	2,528.0	2,790.0	2,810.0	2,833.0	2,330.0	2,429.0	2,521.0	2,833.0
Solvency¹	<i>EUR billion</i>								
Equity capital	90.9	88.8	90.7	91.5	94.3	85.0	86.5	90.9	94.3
	<i>% of risk-weighted assets</i>								
Solvency ratio	18.7	18.1	18.6	18.9	19.5	18.9	18.6	18.7	19.5
Tier 1 capital ratio	16.3	15.9	16.3	16.5	17.2	15.9	16.0	16.3	17.2
Common equity tier 1 ratio CET1	15.6	15.1	15.5	15.6	16.1	15.6	15.4	15.6	16.1
	<i>% of selected balance sheet items</i>								
Leverage ³	8.3	8.0	7.7	7.8	7.7	8.2	8.4	8.3	7.7
Profitability¹	<i>EUR billion</i>								
Net result after tax	6.7	0.3	0.9	2.5	3.7	6.6	6.9	6.7	3.7
	<i>%</i>								
Return on assets (annualized) ⁴	0.7	0.1	0.2	0.3	0.4	0.8	0.8	0.7	0.4
Cost-to-income ratio	66.9	76.4	72.3	68.2	66.8	64.6	65.2	66.9	66.8
Credit quality^{1,5}	<i>%</i>								
Loan loss provision stock ratio	1.5	1.5	1.5	1.5	1.5	2.2	1.8	1.5	1.5
Nonperforming loan ratio (NPL ratio)	2.2	2.1	2.0	2.0	2.0	3.4	2.6	2.2	2.0
Credit developments	<i>%</i>								
Annual growth of credit to nonbanks in Austria	4.3	4.5	4.7	4.2	3.9	3.0	4.6	4.3	3.9
Share of foreign currency loans in Austria	5.3	5.3	4.9	4.6	4.3	6.5	5.8	5.3	4.3
Austrian banks' subsidiaries in CESEE¹	<i>EUR billion</i>								
Net profit/loss after tax	2.8	0.6	0.9	1.6	1.9	2.6	2.9	2.8	1.9
	<i>%</i>								
Return on assets (annualized) ⁴	1.3	1.1	0.8	0.9	0.9	1.3	1.4	1.3	0.9
Cost-to-income ratio	52.3	55.8	50.1	52.9	53.5	53.3	51.5	52.3	53.5
Loan loss provision stock ratio ⁵	2.2	2.1	2.4	2.4	2.5	3.3	2.7	2.2	2.5
Nonperforming loan ratio (NPL ratio) ⁵	2.4	2.2	2.3	2.3	2.4	4.5	3.2	2.4	2.4
Share of foreign currency loans	23.5	x	24.1	x	24.1	27.0	25.4	23.5	24.1
Loan-to-deposit ratio	79.8	76.9	76.8	75.9	74.8	79.1	78.6	79.8	74.8
Financial assets of households and nonfinancial corporations									
Households	<i>EUR billion</i>								
Financial assets	724.7	709.3	733.0	739.6	763.1	671.9	684.7	724.7	763.1
Financial liabilities (loans)	193.9	197.8	199.2	201.3	203.0	183.0	188.6	193.9	203.0
of which foreign currency loans	13.6	13.4	12.8	12.2	11.6	16.5	15.0	13.6	11.6
of which foreign currency housing loans	11.8	11.5	11.0	10.5	10.0	14.1	12.9	11.8	10.0
Nonfinancial corporations	<i>EUR billion</i>								
Financial assets	558.8	556.5	563.9	568.7	570.8	531.7	540.5	558.8	570.8
Financial liabilities	876.4	854.9	870.4	871.5	884.2	818.2	845.1	876.4	884.2
of which loans and securities (other than shares and other equity)	414.6	421.7	426.3	426.8	425.4	383.0	404.6	414.6	425.4
of which shares and other equity	431.6	400.1	409.4	412.7	428.2	405.8	408.4	431.6	428.2
	<i>EUR billion (four-quarter moving sums)</i>								
Gross operating surplus and mixed income	91.3	90.3	88.6	88.3	88.1	86.0	89.8	90.3	-1.0

Source: OeNB, Statistics Austria.

Note: For more detailed data, see the OeNB's Financial Stability Reports. X = data not available.

¹ Due to the restructuring of the CESEE business of UniCredit Bank Austria in 2016, data comparability is limited.

² Exposure of majority Austrian-owned banks (BIS definition).

³ Defined according to Basel III (transitional definition).

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

⁵ Based on data as reported in FINREP, including total loans and advances, since Q2/2017.

COVID-19 pandemic continues – economic recovery expected in the second half of 2021

- The COVID-19 pandemic decisively influenced economic developments in 2020 and continues to do so in 2021. During the first lockdown in March 2020, economic activity collapsed dramatically compared to the previous year. Afterward and over the summer months, the domestic economy recovered quickly, and the GDP losses compared to the same period in 2019 decreased. During the second and third lockdowns (fall and winter 2020), output losses increased again, though not as steeply as during the first lockdown in spring. The results of the OeNB's weekly GDP indicator show that between March 16, 2020, and March 14, 2021, economic output in Austria was on average around 8½% below that recorded in the same period a year earlier. Taking into account a trend growth rate of 1¼%, the cumulated GDP losses added up to around EUR 40 billion, i.e. total value added was EUR 40 billion below the value that would have been expected if the crisis had not occurred. The lockdown at the beginning of April 2021, which at the time of writing was limited to eastern Austria, is likely to put another slight damper on economic growth.
- The COVID-19 crisis has affected economic sectors to varying degrees. Confidence indicators suggest that the construction industry has been booming, while the service sector and retail trade have been badly affected by the crisis.
- Austrian GDP declined by around 6½% in 2020. The growth forecasts for 2021 currently range from around 2% and 2½% (IHS, WIFO and OeNB) to 3½% (IMF). A strong recovery is expected to take place in the second half of 2021 and to gather further momentum in 2022. GDP growth rates are projected to range between 4% (IMF) and 4½% to 5½% (IHS, WIFO, OeNB). All forecasts assume that COVID-19 vaccination coverage will reach adequate levels in the first half of the year.
- Despite the severe economic downturn as a result of the containment measures made necessary by COVID-19, the number of corporate insolvencies fell by around 40% and the insolvency rate dropped from 0.9% to 0.5% in 2020. According to estimates based on the OeNB insolvency model, the insolvency rate would have risen to 4.0% without the extensive economic and fiscal measures taken by the Austrian government to cushion the impact of the crisis; the measures aimed at maintaining the production potential of the Austrian economy proved particularly effective in this context. However, once the government support measures expire, corporate insolvencies are expected to increase.
- The COVID-19 pandemic is leaving deep scars on the labor market as the containment measures have been accompanied by a sharp rise in unemployment. That said, this increase has been curbed by the generous expansion of short-time work allowance payments to companies. In contrast to the national unemployment rate, the Austrian unemployment rate according to Eurostat has risen only slightly, by 0.8 percentage points to 5.3%.
- HICP inflation stood at 1.4% in 2020. Inflation was driven by crude oil prices as well as by the drop in demand and GDP caused by the COVID-19 pandemic. However, given that the COVID-19 crisis made inflation measurement difficult, 2020 inflation figures should be interpreted with caution.
- The Austrian federal government adopted extensive aid measures for households and companies to counter the impact of the pandemic and to limit the economic damage caused by the containment measures. Together with the effect of automatic stabilizers, this caused not only a massive deterioration in the budget balance in 2020 but will also contribute to a considerable general government deficit in 2021. Having fallen sharply from 2015 to 2019, the government debt ratio also rose sharply in 2020 on the back of both deficit and GDP developments.

Banks' higher resilience has been key to COVID-19 response

- COVID-19-related risk costs affected Austrian banks' profitability in 2020. While the consolidated operating profit was flat, risk provisioning rose sharply. Austrian banks thus recorded a profit of just EUR 3.7 billion (down by nearly one-half year on year), while structural efficiency challenges continued to be an issue. An important – albeit smaller – contribution to consolidated profitability once again came from Austrian banks' Central, Eastern and Southeastern European (CESEE) subsidiaries: Their aggregate net profit (after tax) amounted to EUR 1.9 billion in 2020, which is down about one-third in a year-on-year comparison. This decline was also due to a sharp rise in risk costs attributable to the COVID-19 pandemic.
- The COVID-19 pandemic led to temporarily higher demand for corporate loans in Austria. After a pandemic-driven spike in lending growth in the second quarter of 2020, momentum faded afterward, so that in 2020, overall growth rates for lending to nonbanks came close to pre-pandemic levels of about 4%. Loans to nonfinancial corporations grew by 5% and loans to households expanded by 3.5%.
- Nonperforming loan (NPL) ratios have remained at low levels. The pandemic-related support measures (including loan moratoria) adopted in Austria were instrumental in preventing major loan defaults in 2020, which is why the NPL ratio remained at a low 2.0% on a consolidated basis. Payment moratoria and government guarantees have been important instruments supporting borrowers during the pandemic. However, they are also distorting the meaningfulness of common risk indicators at the moment. It is expected that the economic slump will take a toll on the NPL ratio in 2021, when the support measures are set to expire. In view of rising credit risks and heightened uncertainty, banks must ensure appropriate risk provisioning and adequate capitalization.
- Austrian banks are more resilient due to improved capitalization. At end-2020, Austrian banks reported a consolidated common equity tier 1 (CET1) ratio of 16.1%. Compared with the levels before the global financial crisis that started in 2008, the Austrian banking sector has more than doubled its capital ratio in line with tighter prudential requirements. In light of the currently high level of macroeconomic uncertainty related to the pandemic and in order to preserve capital, banks should refrain from and/or postpone share buybacks and consider the distribution of dividends, profits as well as bonuses with particular care, in line with national and international recommendations and regulation.
- Austrian banks' increased resilience – compared to their European peers' – has had a positive impact on banks' external ratings. In November 2020, Moody's listed the Austrian banking system among just six (out of 19) banking systems of European countries with a stable outlook. Based on Standard & Poor's latest Banking Industry Country Risk Assessment (BICRA) scores, Austria's banks rank among the world's safest banks. On the BICRA scale, Austria is in group 2, with no country currently being in the top group. During its latest Financial Sector Assessment Program (FSAP) mission in Austria, which was completed in early 2020, the IMF also found the Austrian financial sector to be resilient to shocks. As far as the COVID-19 pandemic is concerned, its negative effects on the Austrian banking sector are expected to remain contained; Austrian banks are likely to absorb the economic downturn without a material reduction of their capital base. With risk costs assumed to remain high, the banking sector performance is expected to remain subdued in 2021 and 2022, however.
- Macroprudential capital buffers have strengthened financial stability. Every year, the OeNB evaluates the relevance of other systemically important institutions (O-SIIs) for Austria's financial system and assesses whether the malfunctioning or failure of such banks could trigger systemic risks that would require action. Furthermore, the OeNB regularly evaluates the systemic risk buffer (SyRB), which has also considerably helped to improve the way investors, rating agencies and international financial institutions perceive the Austrian banking sector. The SyRB aims at mitigating noncyclical long-term risks. The Austrian Financial

Market Stability Board (FMSB) renewed its recommendation on the SyRB and the O-SII buffer in June 2020. In its recommendation regarding the buffer requirements, the FMSB took into account the regulatory changes but also the high degree of uncertainty surrounding the further course of the crisis. This means that the overall buffer requirements have been left largely unchanged. Despite very high credit growth rates relative to the stage of the business cycle, the FMSB concluded that credit growth was not excessive and confirmed that the countercyclical capital buffer (CCyB) – which is evaluated quarterly – was to be maintained at 0% of risk-weighted assets in March 2021.

- Ensuring sustainable lending standards for real estate financing in Austria is crucial. Already in 2018, the FMSB followed a recommendation by the OeNB and issued a public guidance on sustainable real estate financing. Against the background of rising real estate prices and record low interest rates, the OeNB's analyses show that there are signs of rising systemic risks in real estate financing. The OeNB will therefore continue to monitor developments in real estate markets and banks' compliance with sustainable lending standards communicated by the FMSB with the help of a new reporting framework on banks' lending standards for real estate financing. The OeNB has also stepped up its monitoring activities with regard to systemic risks of commercial real estate lending and is currently creating the data basis needed for calculating price, rental and yield indices for commercial real estate.

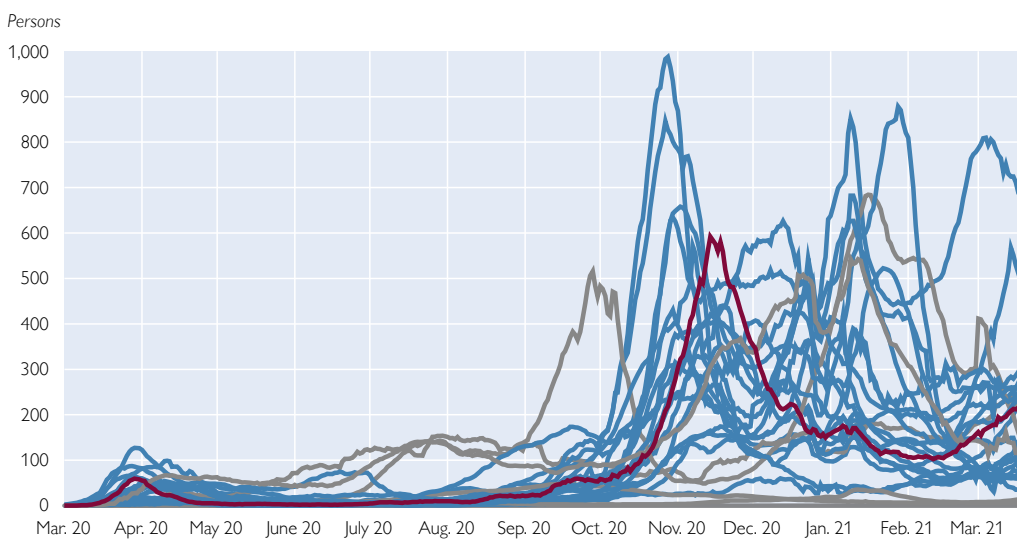
1 COVID-19 pandemic determines economic developments also in 2021

1.1 Europe hit by the third wave of infections in early spring

As the COVID-19 pandemic continues to determine the daily lives of people worldwide, the measures taken to contain the spread of the virus continue to affect economic developments. After the second wave of infections in fall 2020, containment measures were relaxed only slightly in most European countries. Despite initial progress in the vaccination of vulnerable groups, the spread of different virus mutations led to a renewed increase in infections and the number of patients requiring intensive care in spring 2021. For this reason, many countries, including Austria, tightened their containment measures again in the course of March 2021. There are hopes that the situation will be improving in summer as an increasing number of people are getting vaccinated, extensive testing is being maintained and the weather is getting warmer.

Chart 1

New COVID-19 infections per 100,000 people – 7-day incidence



Source: Macrobond, WHO.

Note: Red line: Austria; blue lines: Belgium, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Netherlands, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom; grey lines: Brazil, China, India, Israel, Japan, USA.

1.2 Second and third waves of infections dampen economic recovery in 2021

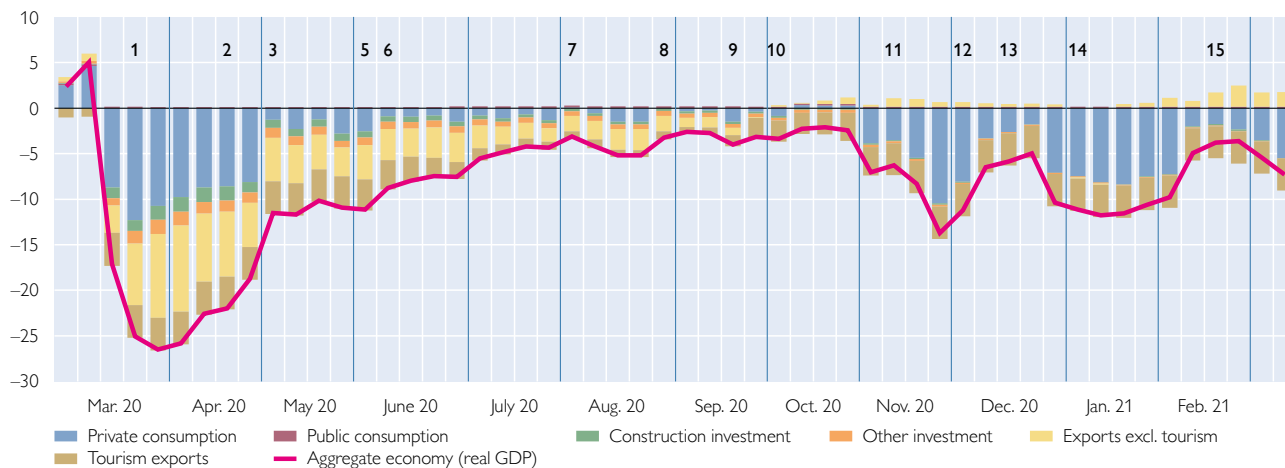
The COVID-19 pandemic and the containment measures adopted to keep the virus from spreading resulted in a contraction of GDP in 2020 unprecedented in Austria's recent economic history. The results of the OeNB's weekly GDP indicator show that between March 16, 2020, and March 14, 2021, economic output in Austria was on average around 8½% below that recorded in the same period one year earlier. Taking into account a trend growth rate of 1¼%, the cumulated GDP losses add up to around EUR 40 billion, i.e. the total value added was EUR 40 billion below the value that would have been expected if the crisis had not occurred.

During the first lockdown in spring 2020, economic output collapsed by almost a quarter. Almost all important economic sectors and demand components were affected, in particular industrial production and goods exports due to restricted production conditions and interrupted supply chains. Many components and sectors recovered visibly by the end of summer 2020, and in October 2020, GDP was only 2½% below the previous year's figure. However, as the second wave of infections hit and the government imposed the second and third hard lockdowns, the Austrian economy experienced another deep slump. In contrast to the first lockdown, this time economic sectors were affected to a highly varying degree,

Chart 2

Weekly GDP indicator for Austria

Year-on-year change of real GDP in %; import-adjusted growth contributions in percentage points



Source: OeNB.

- ¹ Lockdown (March 16).
- ² Opening of small shops (April 14).
- ³ Opening of all shops (May 2).
- ⁴ Opening of restaurants (May 15).
- ⁵ Opening of hotels (May 29).
- ⁶ Gradual reopening of borders (June 4).
- ⁷ Reintroduction of face masks (July 24).
- ⁸ Travel warning (Croatia, Balearics – gradually from August 8).
- ⁹ Travel warnings for Austria (September 16).
- ¹⁰ Tightened protection measures (September 21, November 25).
- ¹¹ Lockdown light (November 3).
- ¹² Lockdown (November 17).
- ¹³ Lockdown light (December 7).
- ¹⁴ Lockdown (December 26).
- ¹⁵ Lockdown light (February 2).

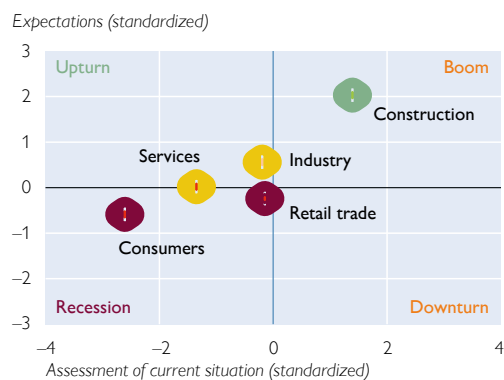
and economic output fell only half as much as in spring 2020. Only those areas that were (and still are) directly affected by containment measures suffered massive losses in demand. This included in particular the retail, accommodation and catering sectors as well as arts, entertainment and recreation. The export-oriented industry, on the other hand, proved robust, benefiting from brisk external demand and largely undisturbed production and supply chains. Industrial production reached its pre-crisis level already in the fourth quarter of 2020. The construction sector and domestic companies' investment activity also had a stabilizing effect. The results of the OeNB's weekly GDP indicator also clearly show that the termination of lockdown measures in the service sector during summer 2020 as well as between the second and third lockdowns led to a very rapid and significant recovery in activity. This pattern was particularly pronounced in the retail sector, where catch-up effects typically provided additional impetus. In contrast, the recovery was more hesitant for close contact services and especially tourism.

1.3 Economic sectors affected to varying degrees

The European Commission carries out monthly surveys to collect data on the situation in different economic sectors over the past three months and expectations for the next three months. These data are subcomponents of the Economic Sentiment Indicator (ESI), which is available for industry, construction, consumers, retail trade and services as well as subsectors of the service sector. This makes it possible to assess, with a common metric, how the crisis has affected individual economic sectors. Chart 3 shows the ESI values for March 2021, which reflect the developments shown in the OeNB's weekly GDP indicator of the last few weeks. While the construction sector is in a boom phase (above-average assessment of the current situation and expectations), industry is in an upswing (above-average expectations, but still below-average assessment of the situation). The confidence indicators for services, consumers and the retail sector continue to reflect below-average assessments of the situation and expectations. However, sentiment has clearly improved in all sectors in March compared to February 2021.

Chart 3

Business cycle clock



Source: Eurostat.
Note: Values for March 2021.

1.4 Deep recession in 2020 and only weak recovery in 2021

The COVID-19 pandemic led to an unprecedented worldwide economic slump in 2020. In both Austria and the euro area, economic output shrank by 6.6% compared to the previous year. Due to the persistently high number of infections in Europe, the growth prospects for 2021 were revised downward step by step in the first months of 2021, and there is a clear short-term downside risk to growth in the coming weeks and months. In the medium term, however, the economic outlook is favorable, given robust industrial production and the experience of a rapid recovery after business closures were lifted. Assuming that the lockdown measures will have expired by summer 2021, we expect a strong recovery for the Austrian economy in the second half of 2021. From today's perspective, it can be assumed that the recovery will be much stronger and faster than after previous crises, provided that households spend part of their – unforeseen – savings and that government measures help prevent bankruptcies of healthy companies. Some sectors, such as tourism, however, may feel the consequences of the COVID-19 crisis for longer.

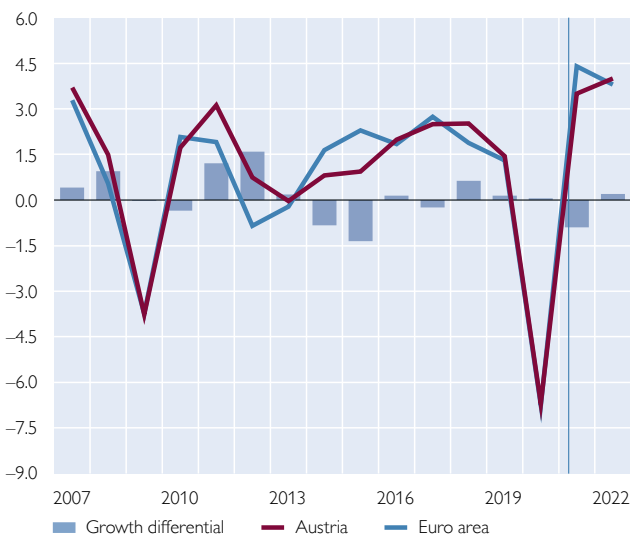
Against the backdrop of the current – fourth – lockdown in eastern Austria in early April 2021, the economic forecasts for 2021 are fraught with great uncertainty. The two big Austrian economic research institutes and the OeNB expect GDP growth to be in a range of 1½% to 2½%, followed by a strong recovery in 2022 (4½% to 6½%). In contrast, the IMF's spring forecast expects economic growth to amount to 3½% in 2021 and 4% in 2022. The difference is primarily due to the fourth lockdown, which the IMF experts were unable to take into account in their forecast.

Chart 4

Austria and the euro area: growth differential and GDP per capita

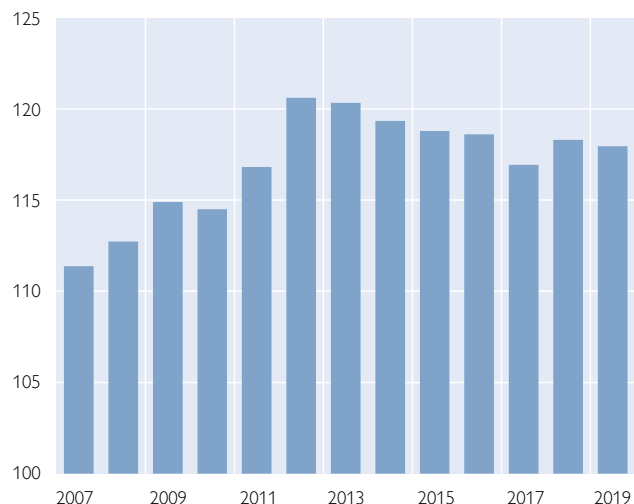
Growth differential between Austria and the euro area

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



Austrian GDP per capita relative to the EU-15

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



Source: Eurostat, IMF.

1.5 Government measures prevent rise in corporate insolvencies

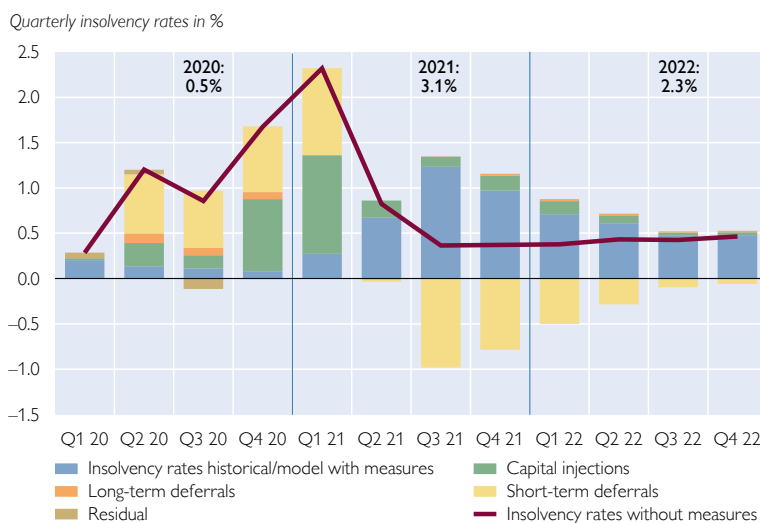
In 2020, the number of corporate bankruptcies fell by around 40%, and the insolvency ratio decreased from 0.9% to 0.5%. Calculations based on an OeNB insolvency model show that without government aid measures, the insolvency rate would have risen to 4.0%. The model helped us quantify the effects of individual measures. The largest part (2.3 percentage points) of the reduction in the insolvency rate was achieved through short-term deferrals (deferrals of taxes and social security contributions). Long-term postponements of debt (debt moratoria, loan guarantees) contributed 0.2 percentage points, capital injections (sales and loss compensation, short-time working, fixed cost subsidies, etc.) reduced insolvencies by 1.1 percentage points. Despite the extension of the measures until the end of March (suspension of the obligation to file for insolvency due to over-indebtedness) and the end of June (deferrals and short-time work), the insolvency rate is expected to rise to 3.1% in 2021, according to OeNB's insolvency model. The peak of bankruptcies is expected to be reached in the third quarter of 2021. For the year 2022, we forecast an insolvency rate of 2.3%, based on current assumptions on pandemic, economic as well as policy and legal conditions.

1.6 Loans to domestic nonfinancial corporations and households

Since the onset of the COVID-19 pandemic, securing the flow of credit has been a central policy instrument to safeguard the liquidity of nonfinancial corporations. Moratoria and public guarantees for loans have been alleviating liquidity stress on borrowers and have allowed banks to provide new lending; prudential authorities supported the banking system in maintaining the flow of credit through several capital and operational relief measures, and the Eurosystem's monetary policy kept financing conditions favorable, encouraging banks to extend loans to the private sector. Thus, despite a fall in corporate investment, loan growth slowed down only slightly against the high growth rates recorded in the years before. The growth in bank lending to businesses was mainly driven by the latter's operational financing needs, fostered by state guarantees. As a result, the annual growth rate of MFI (monetary financial institution) loans to nonfinancial corporations (adjusted for reclassifications, valuation changes and exchange rate effects) reached 5.5% in February 2021. Short-term loans (with a maturity of up to one year) were repaid on a net basis from May 2020 onward, while medium-term and long-term loans

Chart 5

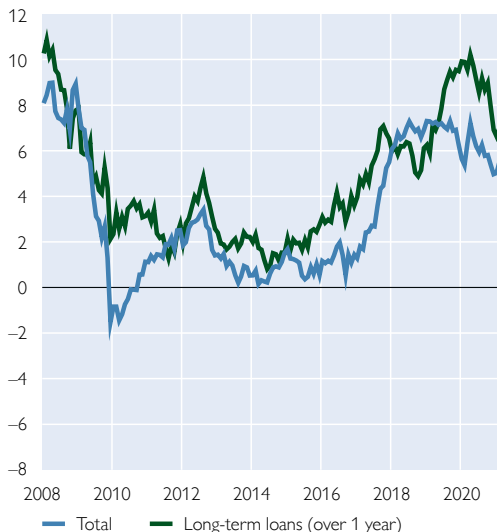
A decomposition of firms' insolvency rates with the OeNB's insolvency model



MFI loans to Austrian nonfinancial corporations and households

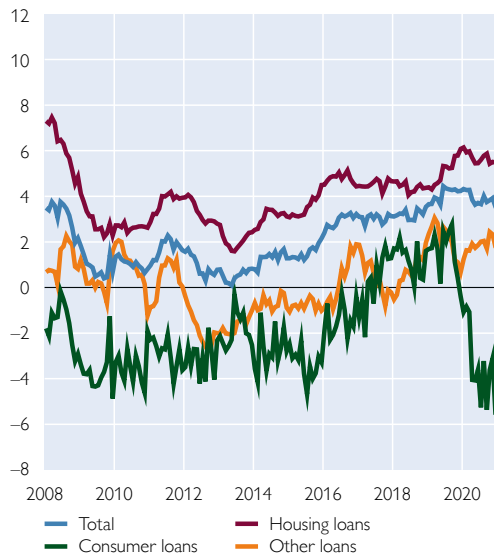
Loans to nonfinancial corporations

Annual change in %



Loans to households

Annual change in %



Source: OeNB.

increased, to a large extent reflecting the fact that state guarantees were given for loans with medium-term maturities.

Growth of lending to households subsided slightly after the onset of the pandemic. In the twelve months up to February 2021, the annual growth rate of bank loans to households slowed from 4.3% to 3.5% year on year. This moderation mirrored uncertainty among households about the impact of the pandemic on their disposable income and employment prospects. In line with the decrease in consumption of durables and the extraordinary fall in consumer confidence in 2020, consumer loans were down 6.6% year on year in February 2021. Other loans, which include loans to sole proprietors and unincorporated enterprises, rose by 1.2%. As in the past years, the main contribution to loan growth came from housing loans, not only because the latter are the most important loan category for households – accounting for more than two-thirds of the outstanding volume of loans to households – but also because they registered the highest growth rate, reaching 5.8% year on year in February 2021.

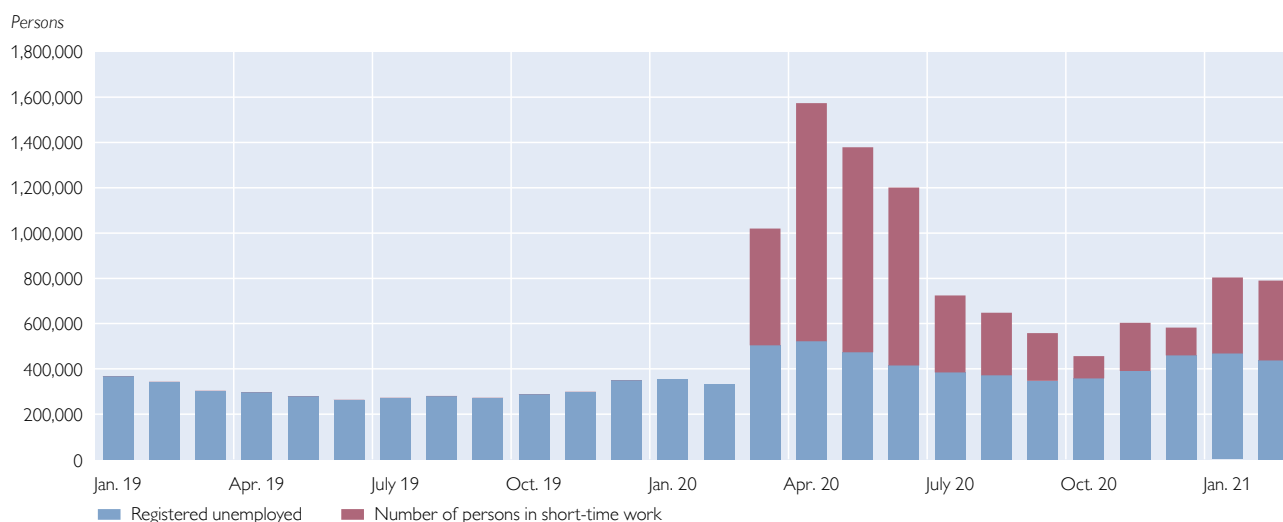
1.7 COVID-19 pandemic leads to substantial increase in unemployment

Before the COVID-19 outbreak, labor market conditions in Austria were very good by international standards, with the number of payroll employees having grown by an annual 1.8% between 2016 and 2019. Over the past years, Austria's unemployment rate had declined steadily, reaching 4.5% in 2019, the lowest level since 2008.

During the first lockdown, the number of unemployed rose by over 200,000 to 534,000 persons. As businesses opened over the summer, unemployment fell to

Chart 7

Unemployment and short-time work



Source: AMS.

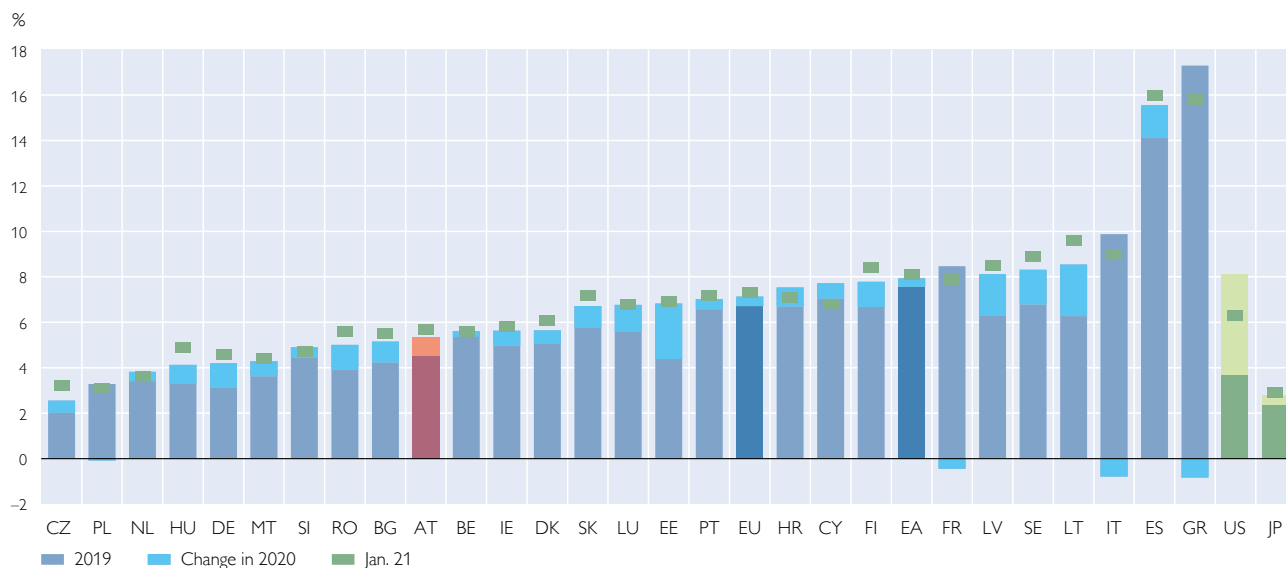
Note: Number of persons in short-time work in January and February 2021: estimates based on registration for short-time work.

around 340,000 at the beginning of October 2020. The partial and full lockdowns since November 2020, coupled with the seasonal increase in joblessness in the winter months, pushed unemployment up again to around 470,000 in January 2021. In contrast to the rise seen during the first lockdown, the second increase was lower because compensation for lost sales went hand in hand with a ban on dismissals and another extension of the short-time work regulation. Since mid-January 2021, unemployment has fallen slightly, standing at around 380,000 at the end of March. The increases in unemployment were especially pronounced in sectors directly affected by containment measures, such as the hospitality industry, administrative and support services (including employee leasing) as well as the wholesale and retail trade. Also, we see a clear east-west divide, with jobless numbers having risen particularly strongly during the winter in Tyrol and Salzburg, two provinces relying heavily on tourism.

Despite the lockdown and the slump in economic activity, Austria has managed to avoid more severe consequences for its labor market thanks to the use of short-term work schemes, which, in Austria, are a well-established policy tool. Instead of laying off parts of their staff, businesses experiencing “temporary economic difficulties” may reduce employees’ working hours evenly and equitably. Businesses thus pay salaries for reduced working hours only, and employees are compensated by the Public Employment Service Austria (AMS) for part of their loss in earnings due to the temporary cut in work time.

Following adaptations of the scheme to fit the current crisis, aid was granted for up to six months from March 2020 on. It became possible to cut work time by as much as 90%, and income replacement rates were raised markedly. Employees have been receiving 80%, 85% or 90% of their previous net earnings, depending on their original salary. The fourth phase of the regulation will come into force on April 1, 2021, and will apply until the end of June 2021. The net replacement rate

Unemployment rates



Source: Eurostat.

Note: EE, GR, IT, FI: Dec. 2020; IE, NL, SE: Feb. 2021.

remains at 80% to 90%, and working hours can normally be reduced by up to 30%.

In April 2020, over one million employees were in short-time work, in May and June their number decreased only slightly. Over the summer and into fall, the number fell significantly to a level below 100,000 in October 2020. As the pandemic escalated again in late 2020, the number of people in short-time work rose again, but in early 2021 remained well below the highs of spring 2020.

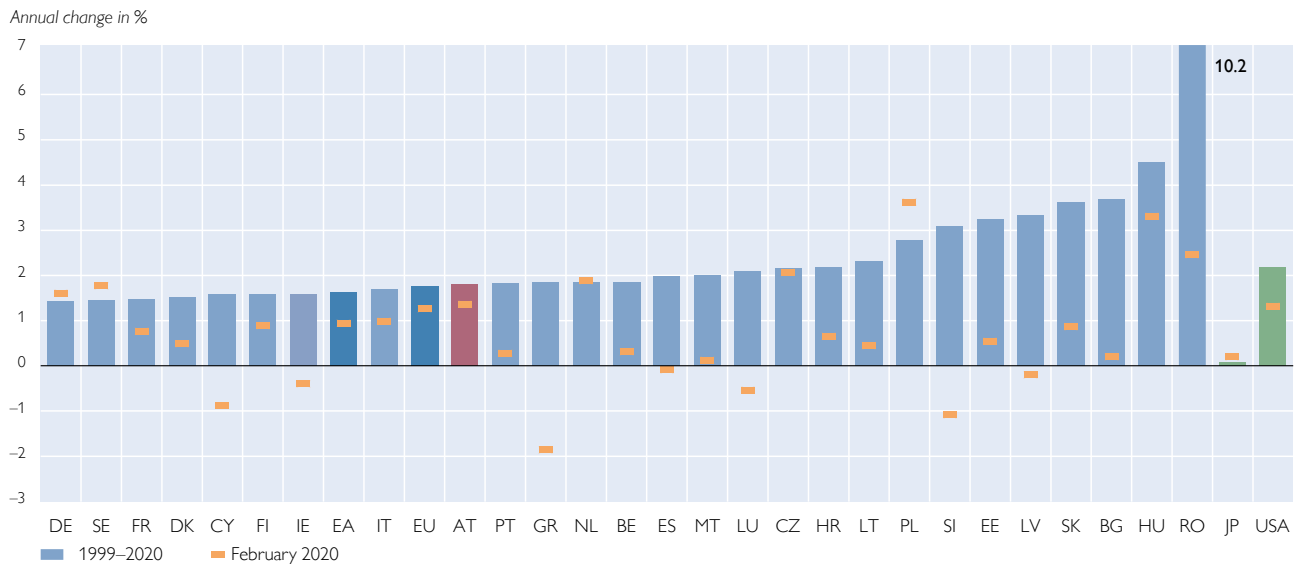
In contrast to registered unemployed in Austria, the Eurostat unemployment rate showed only a slight increase for Austria, which turned out to be far lower than was to be assumed due to the slump in GDP. This has mostly methodological reasons, as many people who lost their jobs in the crisis either had been given re-employment guarantees by their employers or had not been actively looking for jobs (or had not been able to do so) and were therefore not considered “unemployed” according to Eurostat’s definition. According to Eurostat, unemployment rose by 0.8 percentage points to 5.3% in Austria and by 0.4 percentage points to 7.9% in the euro area.

1.8 COVID-19 pandemic dampens inflation

The global recession caused by the COVID-19 pandemic triggered a slump in demand for crude oil in early 2020, which significantly dampened HICP inflation between April 2020 and January 2021. In addition, the demand shock weighed on HICP inflation. Due to these two effects, the Austrian HICP inflation rate dropped from more than 2% at the beginning of the year 2020 to 0.6% in May 2020, peaked again in June (1.8%) and dropped thereafter to 1.2% in September 2020. In fall and winter, inflation remained at levels of just over 1%.

Chart 9

HICP inflation rate



However, given that the COVID-19 crisis has made it more difficult to measure inflation, the developments seen in 2020, in particular in April and May, must be interpreted with caution. Due to the government-ordered shutdown of shops and limitations to mobility, it became hard or impossible to collect the prices of many products and services that are part of the goods basket. Prices that cannot be collected on site must either be retrieved from other sources (e.g. online shops or supermarket scanner data), carried forward or imputed (especially prices of services). This applied to up to one-third of all goods and services in the Austrian goods basket. These caveats should be borne in mind when interpreting the volatility seen in prices and inflation rates for hotel and restaurant services, recreational and cultural services and also food and beverages over the past few months.

In 2020 as a whole, HICP inflation in Austria was 1.4% and thus only slightly below the level of 2019 (1.5%). The inflation differential vis-à-vis the euro area rose from 0.3 percentage points in 2019 to 1.1 percentage points. This is attributable, on the one hand, to specifically Austrian special effects (e.g. comparatively higher price increases in the catering and hotel industry due to forward projections) and, on the other hand, to special effects in the euro area (e.g. VAT reduction in Germany). It is expected that the inflation differential will decrease again in 2021. In its spring forecast, the IMF expects an HICP inflation of 1.6% for Austria and 1.4% for the euro area. This forecast is almost identical to the most recent inflation forecast by the OeNB (1.6%) and the ECB (1.5%) for 2021 (both of March 2021).

1.9 High budget deficit and rising government debt because of unprecedented fiscal measures taken to ease impact of COVID-19 pandemic

The fiscal measures adopted in Austria served primarily to mitigate the damage caused by the intended temporary reduction in (economic) activity. The additional expenditure on the health system as a result of the pandemic has been comparatively low.

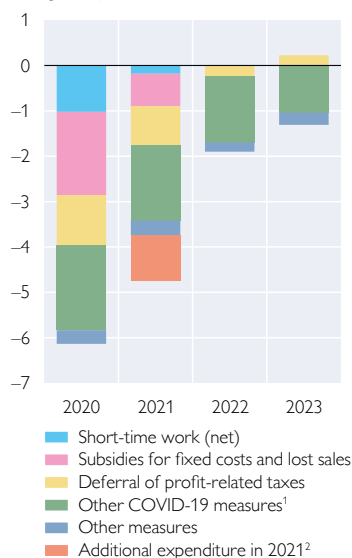
Initial measures were designed to support businesses that were healthy before the crisis and to preserve the production potential of the Austrian economy through liquidity-enhancing measures (deferral of tax payments and social security contributions, loan moratoria, guarantees for bank loans) and transfers (fixed cost grant). At the same time, subsidies for short-time work helped to save jobs and ensure that production could and can be restarted quickly after lockdowns. Short-time work also cushioned the negative social effects of containment measures, protecting many employees from large income losses due to unemployment. Also, transfers from the hardship fund to micro businesses and self-employed persons can be considered “quasi-unemployment benefits” for the self-employed. Furthermore, assistance to the long-term unemployed was raised to the level of unemployment benefits.

Since summer 2020, a number of measures to stimulate (private and public) consumer and investment spending – similar to a “classic” economic stimulus package – have been adopted. These measures include income tax cuts (from 25% to 20% in the lowest tax bracket) and raising the negative income tax rate; both measures increased disposable household income, as did a one-off child benefit payment. These measures

Chart 10

Budgetary impact of discretionary measures

Change compared to 2019 in % of GDP



Source: OeNB.

¹ Including stimulus packages.

² Additional expenditure for short-time work and subsidies for fixed costs and lost sales due to the deterioration in the macroeconomic outlook.

were meant to stimulate consumer demand, in particular from liquidity-constrained households. Investment activity was to be encouraged by helping businesses avoid liquidity shortages (carryback of 2020 losses to profit earned in the previous year, cuts in VAT in the hospitality sector, the media and culture) and by providing investment incentives (higher short-term tax credits based on accelerated depreciation, investment premium). Furthermore, the government announced a number of (investment) measures aimed at increasing the medium- to long-term growth potential and fostering the greening of the economy. Financial support for regional and local authorities suffering considerable income losses as a result of the COVID-19 containment measures will take the form of higher federal funding for regional and local projects and investments.

The budgetary effects of these measures are very heterogeneous. Transfers to companies and households as well as tax reductions led to a deterioration in the budget balance. Loans, guarantees and liabilities only show in budget figures (increasing expenditure) if they materialize, and tax or social security deferrals only have a very small effect on the budget according to ESA 2010 and current accounting practice. Chart 10 provides an overview of the volume and the timing of the measures that have been taken and their impact on the budget balance based on the OeNB forecast of December 2020. It shows, in particular, that the three quantitatively most significant measures are temporary in nature: this includes short-time working, subsidies for fixed costs and sales losses as well as deferrals and prepayment reductions in assessed income and corporation taxes.¹ Other measures such as the reduction in income tax or various investment incentives, however, will have an effect beyond the pandemic.

After posting considerable budget surpluses in 2018 and 2019, Austria recorded a massive deterioration in the budget balance in 2020. On the one hand, this was attributable to the measures described above, on the other hand, automatic stabilizers were causing a cyclical decrease in revenues and an increase in spending. The debt ratio significantly increased in 2020 for the first time since 2016, reflecting the very high primary deficit in 2020 but also the decline in GDP, which reduces the denominator of the debt ratio. Under the European fiscal framework, Austria is normally obliged to reach specific targets in terms of its budget deficit (3% of GDP), debt ratio (60% of GDP or “sufficiently diminishing”) and structural budget balance. In 2019, the European Commission found Austria to be in compliance with these requirements. During the COVID-19 pandemic, however, the EU countries, including Austria, have made full use of the flexibility provided by the Stability and Growth Pact, and the general escape clause has been activated. This enables EU member states to deviate from the regular fiscal requirements without a formal suspension of the mechanisms embedded within the Stability and Growth Pact.

¹ Since economic activity in the first half of 2021 is lagging behind the expectations of the December 2020 forecast, relatively higher subsidies for fixed costs, compensation for lost sales and short-time work can be assumed; this is indicated by the hatched bar in the chart.

2 Banks' higher resilience has been key to COVID-19 response²

2.1 Profitability and capitalization of Austrian banks

Rising risk costs affected Austrian banks' profitability

In 2020, the Austrian banking sector's consolidated operating income as well as operating costs were flat year on year, contributing to stable operating profits.

Risk provisioning, however, soared and absorbed nearly half of banks' operating profit. This led to a significant fall in the consolidated profit, which totaled just EUR 3.7 billion in 2020 (−45% year on year, see chart 11). Consequently, the return on average assets (RoA) plunged to 0.4% in 2020 (2019: 0.7%).

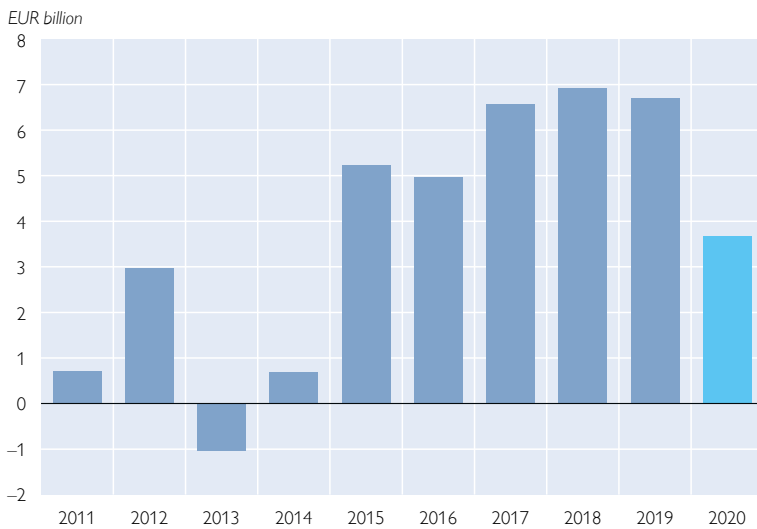
On top of the COVID-19-related decline in profitability, structural efficiency challenges continued to be an issue for the Austrian banking sector, with the cost-to-income ratio standing at 67% in 2020.

Momentum in domestic credit growth of Austrian banks fading after a COVID-19-related spike

Austrian banks recorded a significant increase in corporate loan demand – in particular for bridging loans and refinancing – due to the economic impact of the COVID-19 pandemic. After the initial pandemic-driven spike in corporate lending growth, demand diminished in the course of 2020 due to declining financing needs for fixed invest-

Chart 11

Consolidated profit of the Austrian banking sector



Source: OeNB.

Table 3

Profit and loss statement of the Austrian banking sector, consolidated

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
EUR billion										
Net interest income	20.4	19.3	18.6	19.3	18.3	14.6	14.5	15.2	15.6	15.5
Fee and commission income	7.6	7.3	7.6	7.7	7.7	6.6	6.9	7.1	7.2	7.3
Trading income	0.8	1.1	0.7	0.4	-0.0	0.1	0.1	-0.6	-0.3	0.1
Operating income	37.2	37.7	35.3	28.7	28.1	22.4	22.8	24.0	25.0	24.8
Operating costs	26.8	25.6	27.3	19.8	17.6	16.7	14.8	15.7	16.7	16.5
Operating profit	10.4	12.1	8.0	8.9	10.5	5.7	8.1	8.4	8.3	8.2
Risk provisioning	6.0	6.4	7.0	6.8	4.7	1.2	1.0	0.4	1.0	3.7
Profit after tax	0.7	3.0	-1.0	0.7	5.2	5.0	6.6	6.9	6.7	3.7

Source: OeNB.

Note: Since 2016, comparability with previous figures has been limited due to the restructuring of UniCredit Bank Austria in 2016.

² For more detailed analyses of the Austrian banking sector, please refer to the OeNB's Financial Stability Report.

ments and increased internal financing. At the same time, lending to households was quite stable during 2020 because of ongoing mortgage lending supported by low interest rates and increased demand for home ownership. As a result, loan growth at end-2020 corresponded to the previous year's level: Loans to nonbanks grew by nearly 4% year on year, and loans to nonfinancial corporations and households expanded by 5% and 3.5%, respectively.

Nonperforming loan ratios remain at low levels

The pandemic-related support measures (including loan moratoria) adopted in Austria were instrumental in preventing major loan defaults in 2020, which is why the nonperforming loans (NPL) ratio remained at a low 2.0% on a consolidated basis. Payment moratoria and state guarantees have proved important instruments supporting borrowers during the pandemic. However, the use of these instruments is currently distorting the meaningfulness of common risk indicators. As of February 2021, payment moratoria amounted to EUR 8.4 billion, down 70% from their peak in June 2020. Hence, most of these moratoria have already expired. It is expected that credit quality will deteriorate in 2021 due to the economic impact of the pandemic and the expiration of support measures. In view of rising credit risks and heightened uncertainty, it is vital that banks continue to be adequately capitalized.

Higher resilience due to improved capitalization of the Austrian banks

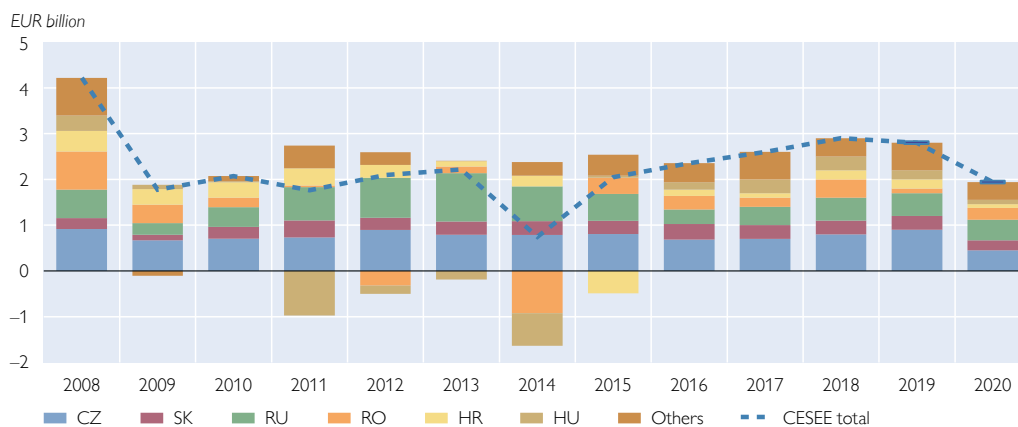
As of end-2020, Austrian banks reported a consolidated common equity tier 1 (CET1) ratio of 16.1% (50 basis points higher than at the end of 2019). Compared with levels before the global financial crisis that started in 2008, the Austrian banking sector has more than doubled its capital ratio, in line with tighter prudential requirements. In light of the currently high level of macroeconomic uncertainty related to the course of the COVID-19 pandemic and in order to preserve capital, banks should refrain from and/or postpone share buybacks and consider the distribution of dividends, profits as well as bonuses with particular care in line with national and international recommendations and regulation.

In a nutshell: benchmarking the Austrian banking system³

The CET1 ratio of Austrian banks hovered around the EU average over the last few years (Austria: 15.6%, EU: 15.8% in the third quarter of 2020). At the same time, Austrian banks' leverage – which, in contrast to the CET1 ratio, is not “biased” by the high density of risk weights in the domestic banking sector – is much better (Austria: 12.0 times equity in total assets, EU: 14.9). Also, the decrease in banks' profits was less pronounced (RoA for Austria: 0.3%, EU: 0.2%), as Austrian banks still benefit from higher margins in CESEE countries (Austria: 1.4%, EU: 1.1%). In addition, the comparatively low level of NPLs (Austria: 2.0%, EU: 2.7%) puts Austrian banks in a comfortable position when government support measures cease to have a positive effect on credit risk.

³ The data in this paragraph refer to end-September 2020 (latest available data).

Net result of Austrian subsidiaries in CESEE



2.2 Austrian banks' profitability in CESEE decreased due to rising risk costs

With risk costs rising significantly due to the pandemic in 2020, the aggregate net profit (after tax) of Austrian banks' CESEE subsidiaries amounted to EUR 1.9 billion in 2020, which is down about one-third in a year-on-year comparison.

The profits of Austrian subsidiaries went down in almost all CESEE countries in 2020. The decrease was particularly strong for Austrian subsidiaries in the Czech Republic, which are among the most important contributors to the consolidated profitability of Austrian banks.

2.3 Macroprudential measures strengthen financial stability

Ensuring sustainable lending standards for real estate financing in Austria is crucial

So far, the systemic risks arising from housing financing have remained limited in Austria, although mortgage prices have gone up recently. Already in 2018, Austria's Financial Market Stability Board (FMSB) followed a recommendation by the OeNB and issued a public guidance on sustainable real estate financing⁴. An evaluation based on an OeNB analysis yielded mixed evidence on how effectively these expectations translated into banks' lending standards. Against the background of rising real estate prices and record low interest rates, the analysis concluded that there are signs of rising systemic risks in real estate financing and that compliance with supervisory expectations will be crucial for safeguarding financial stability in Austria. This opinion is shared at the European level by the European Systemic Risk Board (ESRB) and the ECB as well as by international organizations, such as the International Monetary Fund (IMF) and the Organisation for Economic Co-Operation and Development (OECD). The OeNB will therefore continue to

⁴ On the OeNB's initiative, the FMSB quantified its understanding of sustainable lending in its meeting of September 21, 2018. <https://fmsg.at/en/publications/press-releases/2018/17th-meeting.html>

monitor developments in real estate markets and banks' compliance with sustainable lending standards communicated by the FMSB with the help of a new reporting framework on banks' lending standards for real estate financing.

Monitoring of systemic risks in commercial real estate has been stepped up

Due to the COVID-19 pandemic's impact on the Austrian commercial real estate sector, the OeNB has stepped up its monitoring activities. Loans granted to domestic nonfinancial corporations by Austrian banks that are collateralized by commercial real estate (CRE) structurally exhibit higher NPL ratios. At the same time real estate companies (i.e. of the NACE sectors construction and real estate activities) generally exhibit lower ratings than the overall corporate sector. An EU-wide comparison shows that CRE-backed corporate loans account for an above-average share in Austrian banks' total assets. Efforts are under way to obtain data for calculating CRE price, rental and yield indices. The assessment of CRE-related risks will improve significantly upon the availability of these indices.

Macroprudential capital buffers strengthen financial stability

Austria's macroprudential policy measures also include a systemic risk buffer (SyRB) aimed at mitigating noncyclical long-term risks. This buffer has been activated for 11 Austrian banks⁵ on a consolidated level, ranging from 0.5% to 2% of risk-weighted assets.⁶ The SyRB was implemented in early 2016 with a view to addressing two risk channels: systemic vulnerabilities (shocks that stem from the inherent risk-sharing mechanisms of the banking sector such as deposit guarantee schemes) and systemic cluster risk (similar systemically relevant exposures across banks). Systemic risk emerges in the context of capitalization, banking sector size, the size of foreign exposures as well as banking groups' ownership and group structures as well as direct and indirect contagion. The past years have shown that banks that have to hold a SyRB have managed to build up the required capital while sustaining strong lending.

Every year, the OeNB also evaluates the relevance of other systemically important institutions (O-SIIs) for Austria's financial system and assesses whether the malfunctioning or failure of such banks could trigger systemic risks that would require action. The FMSB renewed its recommendation in this respect as well as its recommendation on the SyRB in June 2020. Where both the SyRB and the O-SII buffer might be applicable, the higher of the two rates applies at present. This will change with the new capital buffer regime under the Capital Requirements Directive (CRD) V, which is to be implemented in the course of 2021 in Austria and makes the two buffers additive. In its recommendation regarding the buffer requirements under the new regime, however, the FMSB refrained from purely legally motivated increases of buffer requirements in the light of the high degree of uncertainty surrounding the further course of the pandemic. This means

⁵ <https://fmsg.at/en/publications/warnings-and-recommendations/2020/recommendation-fmsb-3-20.html>

⁶ *Given that systemic risks may materialize both at the consolidated and the unconsolidated level and that, in particular within cross-border banking groups, capital allocation may be constrained in times of crisis, the systemic risk buffer was activated for seven banks also at the unconsolidated level on January 1, 2018.*

that the overall buffer requirements have been left largely unchanged (FMSB recommendation 3/2020 of June 15, 2020⁷).

Also, following a regular review, it was decided on the basis of OeNB analyses that the countercyclical capital buffer (CCyB) was to be maintained at 0% of risk-weighted assets in the absence of excessive credit growth (FMSB recommendation 1/2021 of March 9, 2021⁸).

Foreign currency loans in Austria and CESEE continue to decline

Supervisory measures adopted by the OeNB and the FMA early on have contributed to the fact that foreign currency loans extended in Austria declined significantly over the past decade and do not pose a systemic risk. In 2020, the volume of outstanding foreign currency loans to domestic households fell by 13.5% (exchange rate adjusted) to EUR 11.6 billion, 96% of which are denominated in Swiss francs. This corresponds to a foreign currency loan share of 6.6%, down from 8.0% in December 2019. The volume of foreign currency loans extended by Austrian banks' CESEE subsidiaries to households dropped by 4.7% (exchange rate adjusted) to EUR 9.5 billion in 2020. This translates into a 12.7% share of foreign currency loans in total retail lending. Around three-quarters of these loans are denominated in euro.

Balanced funding situation of Austrian banks' subsidiaries in CESEE

The OeNB and the FMA aim at strengthening foreign subsidiaries' local stable funding base and avoiding excessive credit growth to reinforce financial stability both in banks' host countries and in Austria.⁹ Ongoing monitoring confirms that Austrian banks' subsidiaries in CESEE have a balanced funding base, as their loan-to-deposit ratio stood at 75% at the end of 2020.

⁷ <https://fmsg.at/en/publications/warnings-and-recommendations/2020/recommendation-fmsb-3-20.html>

⁸ <https://fmsg.at/en/publications/warnings-and-recommendations/2021/recommendation-fmsg-1-2021.html>

⁹ For further details, see <https://www.oenb.at/en/financial-market/financial-stability/sustainability-of-large-austrian-banks-business-models.html>.

3 Annex of tables and charts

Table A1

Real GDP

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	<i>Annual change in %</i>									
Austria	2.9	0.7	0.0	0.7	1.0	2.0	2.4	2.6	1.4	-6.6
Euro area	1.7	-0.9	-0.2	1.4	2.0	1.9	2.6	1.9	1.3	-6.6
EU	1.8	-0.4	0.3	1.8	2.3	2.0	2.6	2.0	1.5	-6.6

Consumer price indices

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	<i>Annual change in %</i>									
Austria	3.6	2.6	2.1	1.5	0.8	1.0	2.2	2.1	1.5	1.4
Euro area	2.7	2.5	1.4	0.4	0.2	0.2	1.5	1.8	1.2	0.3
EU	3.1	2.6	1.5	0.6	0.1	0.2	1.7	1.9	1.5	0.7

Unemployment rates

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	<i>% of labor force</i>									
Austria	4.6	4.9	5.4	5.6	5.7	6.0	5.5	4.9	4.5	5.3
Euro area	9.9	10.9	11.4	10.9	10.0	9.1	8.2	7.3	6.7	7.1
EU	10.2	11.4	12.0	11.6	10.9	10.0	9.1	8.2	7.6	7.9

Current account balances

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	<i>% of GDP</i>									
Austria	1.6	1.5	1.9	2.5	1.7	2.7	1.4	1.3	2.8	x
Euro area	0.9	2.3	2.9	3.1	3.5	3.6	3.6	3.5	3.0	x
EU	0.5	1.2	1.7	1.6	1.8	2.0	2.3	2.1	2.0	x

Budget balances

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	<i>% of GDP</i>									
Austria	-2.6	-2.2	-2.0	-2.7	-1.0	-1.5	-0.8	0.2	0.6	-8.9
Euro area	-4.2	-3.7	-3.0	-2.5	-2.0	-1.5	-0.9	-0.5	-0.6	x
EU	-4.6	-4.3	-3.3	-2.9	-2.3	-1.7	-1.0	-0.7	-0.8	x

Government debt ratios

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	<i>% of GDP</i>									
Austria	82.4	81.9	81.3	84.0	84.9	82.8	78.5	74.0	70.5	83.9
Euro area	87.8	90.9	92.8	93.0	91.1	90.3	87.9	86.0	84.2	x
EU	82.0	84.4	86.3	86.9	84.9	83.8	82.0	80.3	79.2	x

Source: Eurostat, Statistics Austria, OeNB.

Note: x = data not available; EU data including UK; GDP data for Austria can deviate from data shown in the key indicators table, as Eurostat data are shown here.

Table A2

General government interest payments

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	% of GDP									
Austria	2.8	2.7	2.6	2.4	2.3	2.1	1.8	1.6	1.4	1.4

Household debt

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	% of disposable net income									
Austria	93.3	91.1	90.8	90.5	92.1	92.0	90.5	90.1	89.8	x
Euro area	120.1	119.4	118.2	116.6	116.5	115.6	115.5	114.6	115.6	x
	% of GDP									
Austria	53.6	53.0	52.0	51.8	51.6	51.8	51.0	50.4	50.2	x
Euro area	70.8	70.1	69.0	67.4	66.5	65.8	65.2	64.7	65.2	x

Corporate debt¹

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	% of gross operating surplus ²									
Austria	382.2	389.2	418.5	398.0	394.8	388.2	397.1	394.5	399.3	x
Euro area	500.0	523.2	508.4	520.2	515.4	510.3	492.9	499.7	496.9	x
	% of GDP									
Austria	92.2	91.7	95.6	91.6	91.6	91.8	92.4	92.0	90.8	x
Euro area	103.1	104.6	102.3	105.5	108.9	109.3	106.8	106.9	106.2	x

Residential property price index

	2016	2017	2018	2019	2020	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
	Index 2000=100									
Austria excluding Vienna	166.7	174.9	189.8	194.8	209.4	196.3	199.3	206.9	214.1	217.2
Vienna	217.2	220.4	232.0	243.2	259.6	244.9	249.5	255.6	265.1	268.0
	Annual change in %									
Austria excluding Vienna	9.1	4.9	8.5	2.6	7.5	1.2	2.8	6.8	9.7	10.7
Vienna	3.8	1.5	5.2	4.9	6.7	4.3	3.9	4.1	9.4	9.4

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

Note: x = data not available.

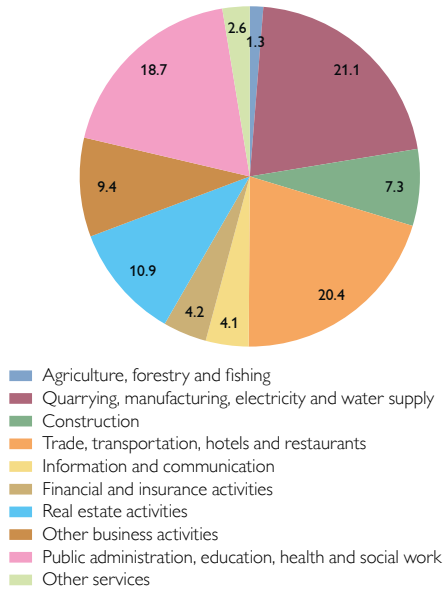
¹ Short- and long-term loans, money and capital market instruments.

² Including mixed income of the self-employed.

Chart A1

Gross value added in Austria in 2020

% of total gross value added, at current prices

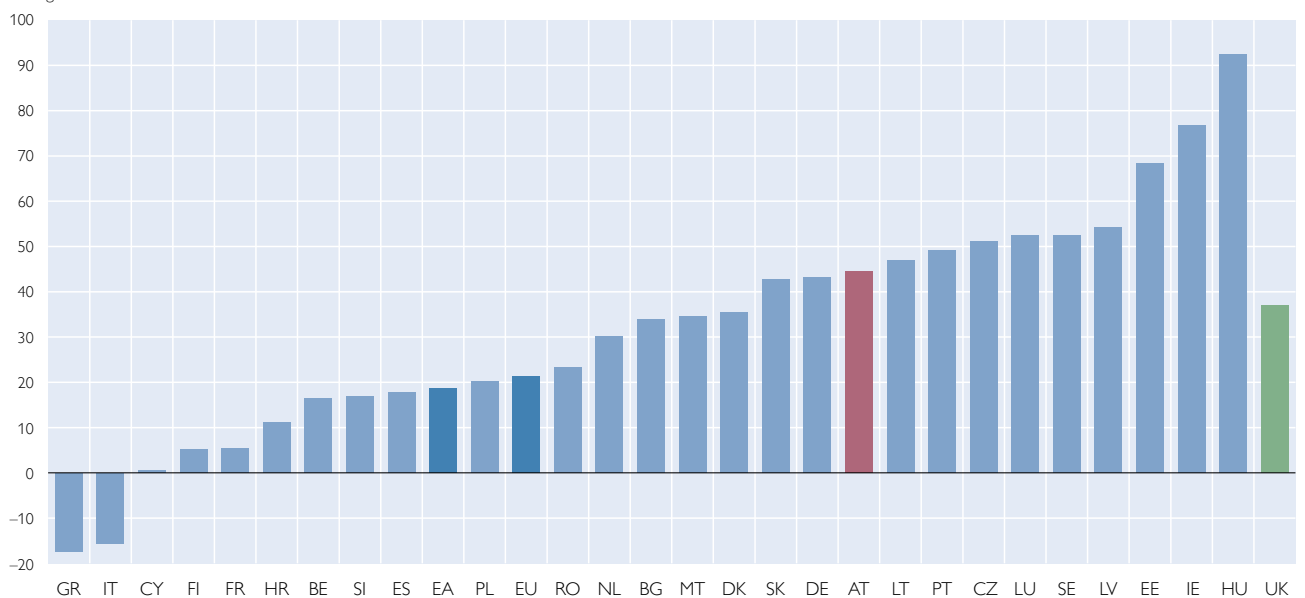


Source: Statistics Austria.

Chart A2

Change in house prices between 2012 and 2019

Change on 2012 in %

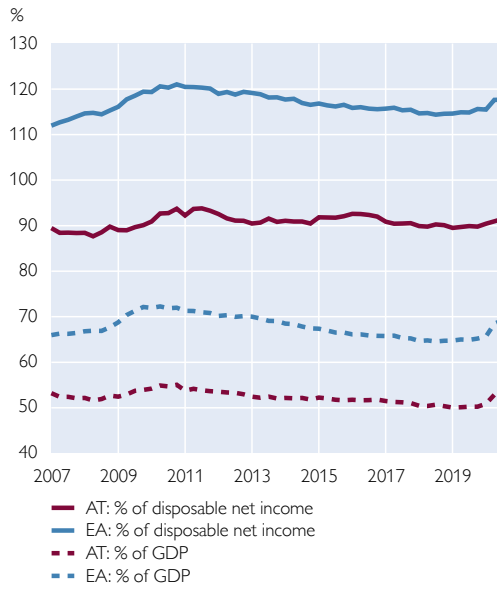


Source: ECB.

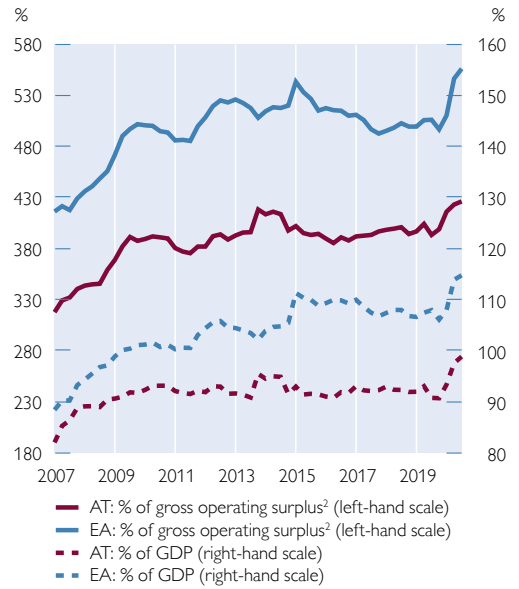
Note: Prices of new and existing dwellings (current prices).

Household and corporate debt levels in Austria and the euro area

Household sector debt



Corporate debt¹



Source: ECB.

Note: Data up to Q3 2020.

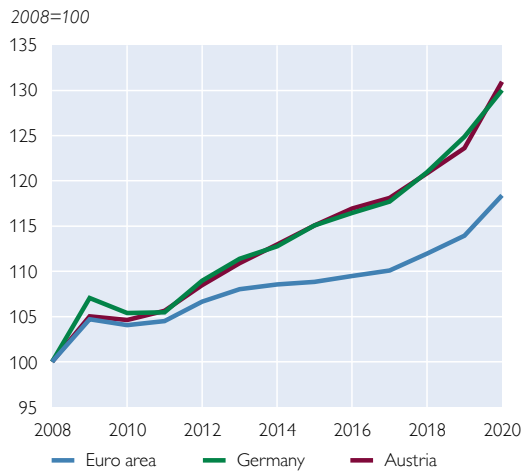
¹ Short- and long-term loans, money and capital market instruments.

² Including mixed income of the self-employed.

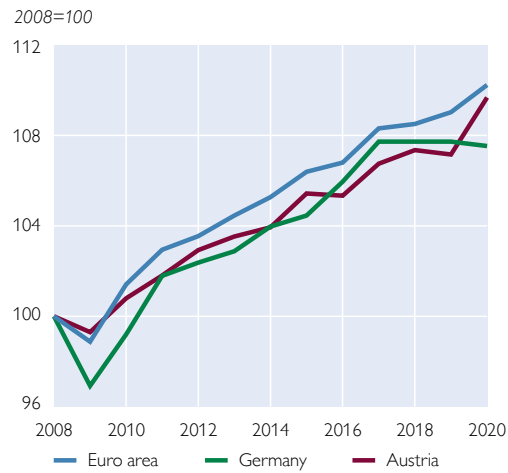
Chart A4

International competitiveness

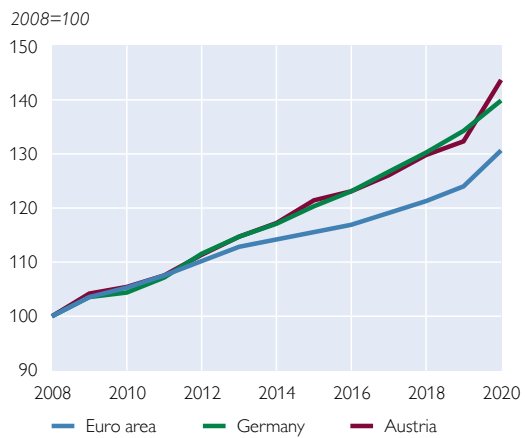
Unit labor costs



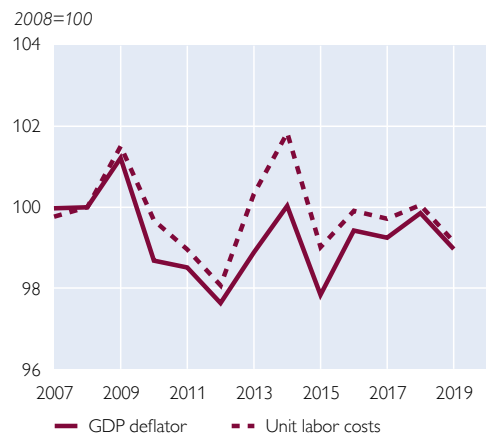
Productivity per hour worked



Compensation per hour worked



Real effective exchange rate

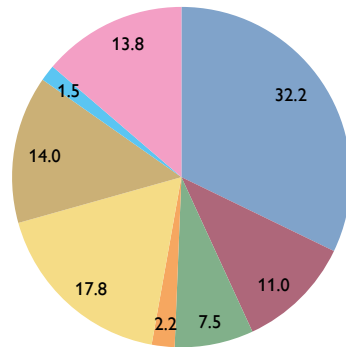


Source: Eurostat; real effective exchange rate: ECB.

Regional pattern of Austrian goods exports

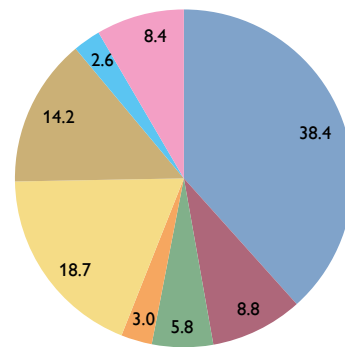
1980

%



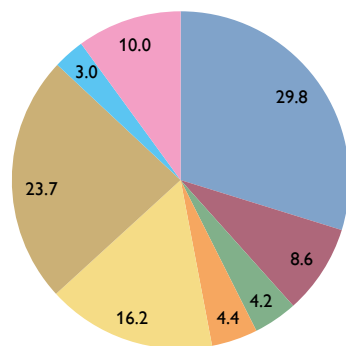
1995

%



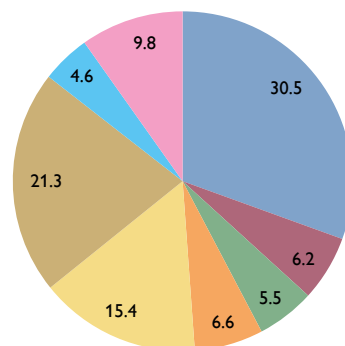
2008

%



2020

%



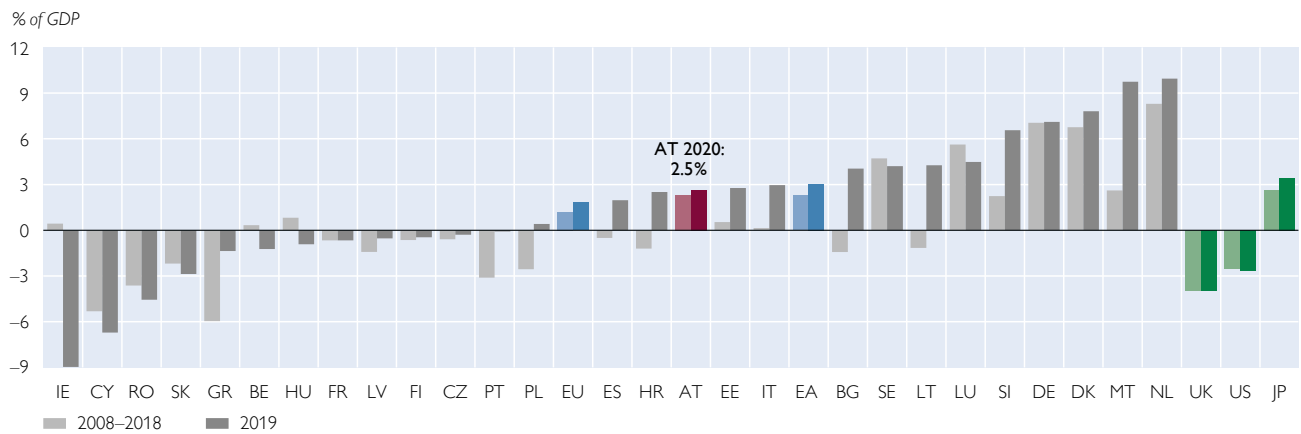
■ Germany
 ■ Italy
 ■ Switzerland
 ■ U.S.A.
 ■ EU-12
 ■ CESEE countries
 ■ Asia
 ■ Rest of the world

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 A6

Current account balances of EU member states, the USA and Japan

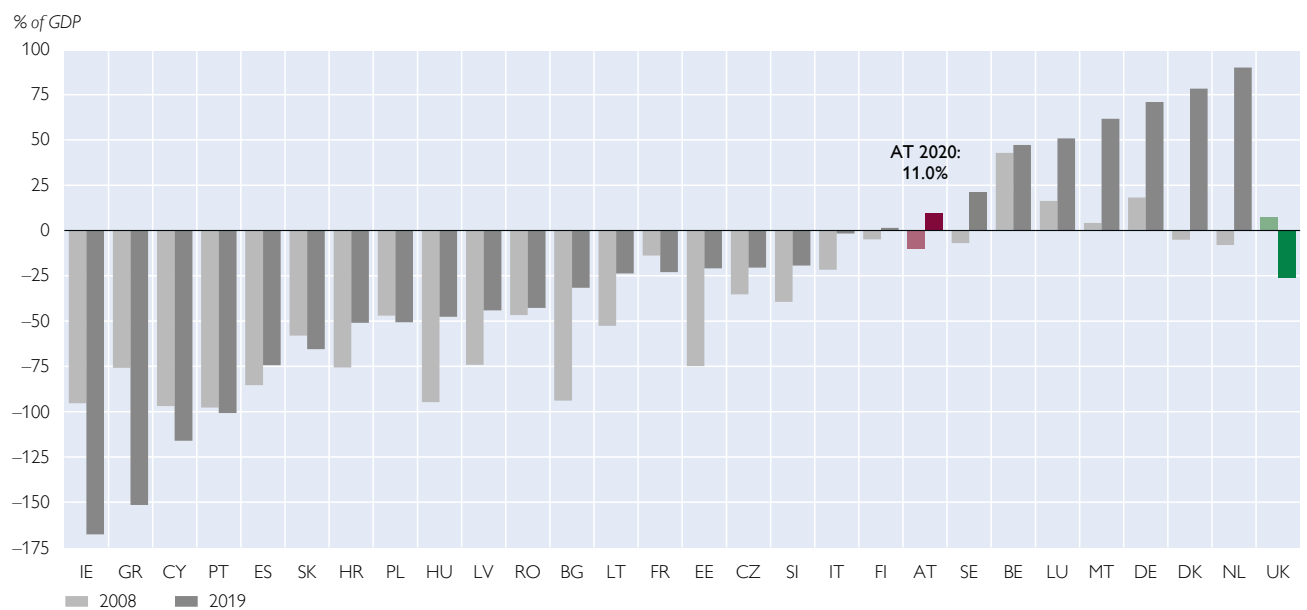


Source: Eurostat; AT 2020: OeNB.

Note: U.S.A. and Japan: averages derived from European Commission and IMF data.

Chart A7

Net international investment position

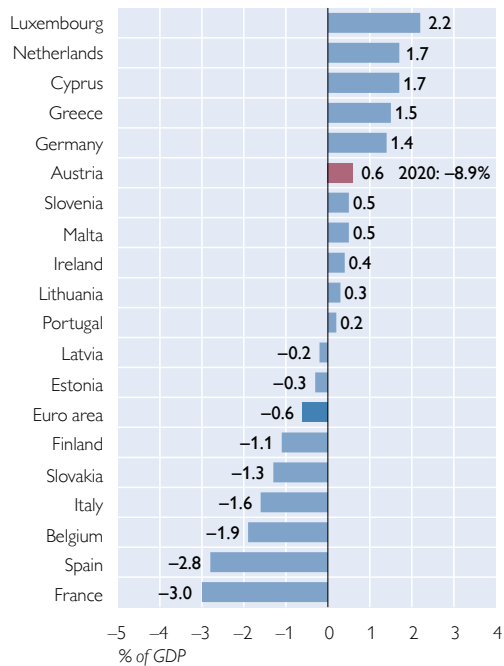


Source: Eurostat, ECB (SDW); AT 2020: OeNB.

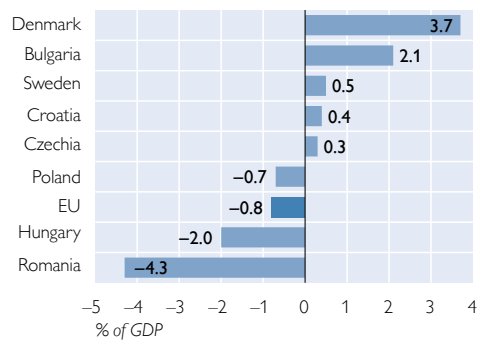
Chart A8

Budget balances of EU member states in 2019

Euro area countries



Non-euro area EU countries

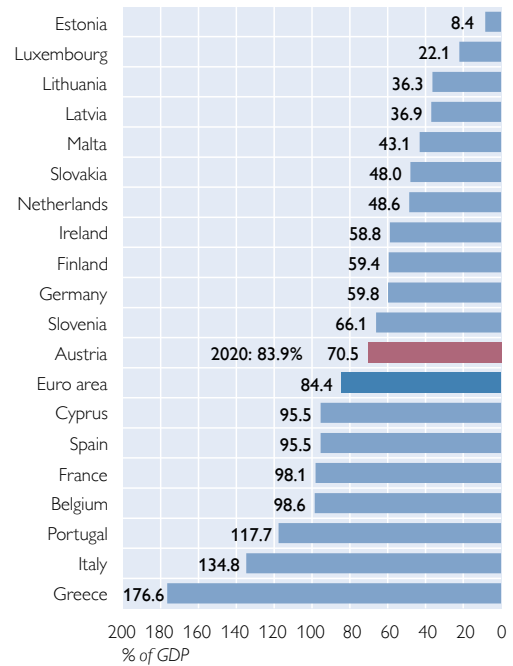


Source: Eurostat; Austria: Statistics Austria.

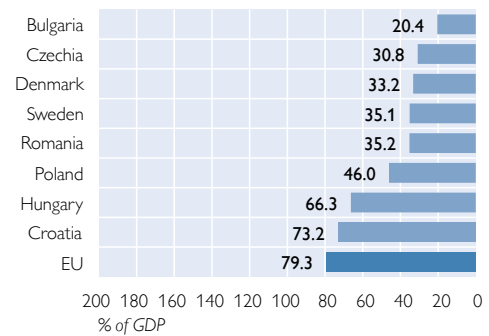
Chart A9

Public debt of EU member states in 2019

Euro area countries



Non-euro area countries



Source: Eurostat; Austria: Statistics Austria.

“Facts on Austria and its banks” is published twice a year to provide a brief snapshot of Austria’s economy based on a range of real and financial variables and corresponding international measures. The list of key indicators preceding the descriptive analysis is revised quarterly.”

Publisher and editor Oesterreichische Nationalbank
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Editing and translations OeNB Language Services

Layout and typesetting Birgit Jank

Design Information Management and Services Division

Printing and production Oesterreichische Nationalbank, 1090 Vienna

Data protection information www.oenb.at/en/dataprotection

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