

# The Real Economy and Financial Markets in Austria

## Nonfinancial Corporations Earnings Prospects Slightly Better

According to the fall economic outlook of the Oesterreichische Nationalbank (OeNB), the Austrian economy will grow by 0.9% (i.e. 0.2 percentage point more than forecast in the spring) in 2003. The optimistic economic outlook should have a positive effect on corporate earnings prospects. Among other things, the OeNB fall economic outlook sees aggregate investment increase by approximately 2.8% in real terms in 2003 (in 2002 aggregate investment fell by 4.7%).

## Low Demand for External Funding – Companies Borrowed Less from Banks

So far the revival in corporate investment has not fed through to corporate loan demand in 2003, even though financing conditions are favorable. When output growth started to slow down in 2001, loan growth started to slump as well, and since the beginning of 2003 it has even been negative.

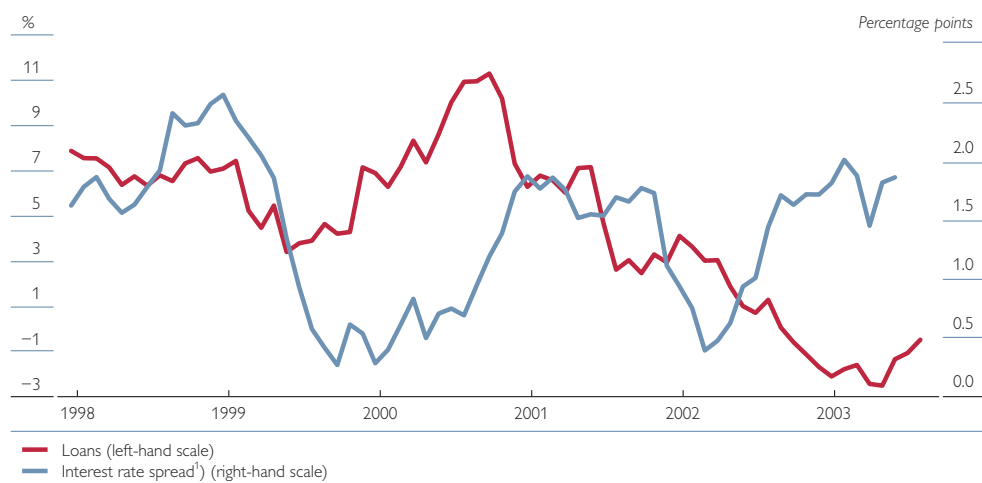
From a supply perspective, the setback in loan demand reflects the

greater caution banks have exercised in lending amid the economic downturn, as is evident from the results of the bank lending survey for Austria. At the same time, banks have increased the margins they apply to higher-risk loans. This ties in with the fact that the interest rate spread between corporate loans and inter-bank loans, which may serve as an indicator of credit risk in the business sector, has been widening since the beginning of 2003 (chart 21).

What may have played a bigger role is that low investment demand continues to dampen demand for external financing; in other words, the slowdown in loan growth largely reflects demand-side developments. In 2002 alone, internal corporate financing as a ratio of gross capital formation is estimated to have climbed to more than 80% owing to weak investment activity, thus reducing the need for external financing to EUR 5 billion, the lowest level since the mid-1990s. According to preliminary calculations, this tendency became even more pronounced in the first half of 2003, as a

Chart 21

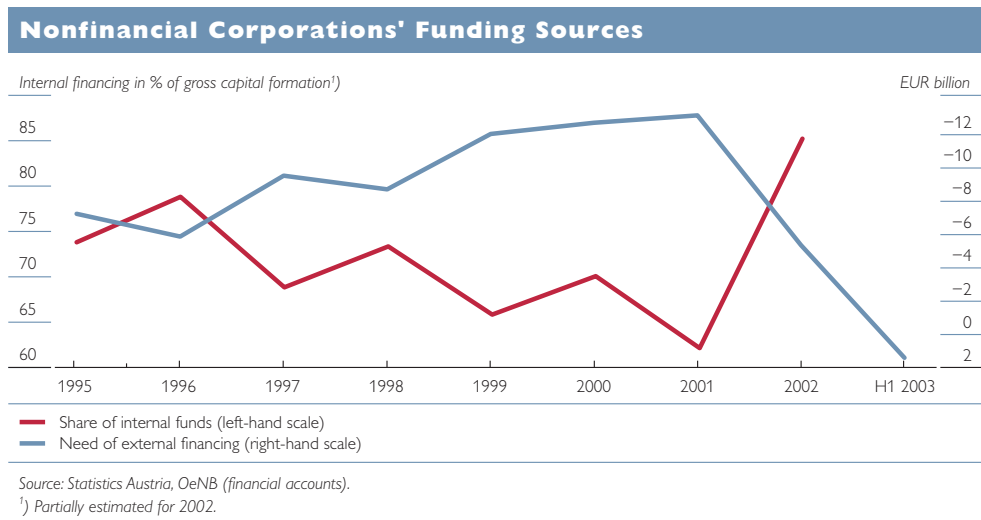
### Corporate Loan Growth



Source: OECD.

<sup>1)</sup> Difference between rates for commercial loans and 5-year interest rate swaps.

Chart 22



result of which the corporate sector recorded a financing surplus (EUR 1.5 billion) for the first time ever.

#### Leverage Ratio Lower

The currently low propensity to borrow also reflects the restructuring of balance sheets that has been observed since the mid-1990s in all phases of the economic cycle. The primary objective of this process is to change the capital structure so as to reduce the share of debt financing and increase the share of equity financing. Above all against the background of the currently weak sales growth, this change in the capital structure has had a positive impact on the solvency and liquidity risk of companies. After all,

the interest burden increases as sales decline, thus augmenting the risk associated with borrowing (leverage risk). This risk exists also under the current low interest rate conditions because fixed rate long-term loans taken out earlier are weighing on profits.

The international comparison depicted in chart 24 shows that Austria has some way to go when it comes to corporate balance sheet restructuring. The data, even though not available beyond 2001, indicate that in the other euro area countries businesses do not rely as heavily on borrowing for investment. It should be noted that a cross-country comparison of corporate ratios creates a whole set of inter-

Chart 23

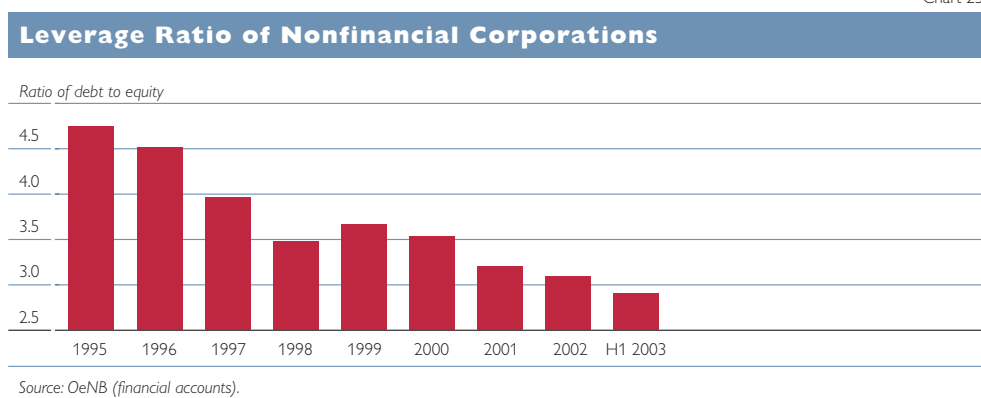
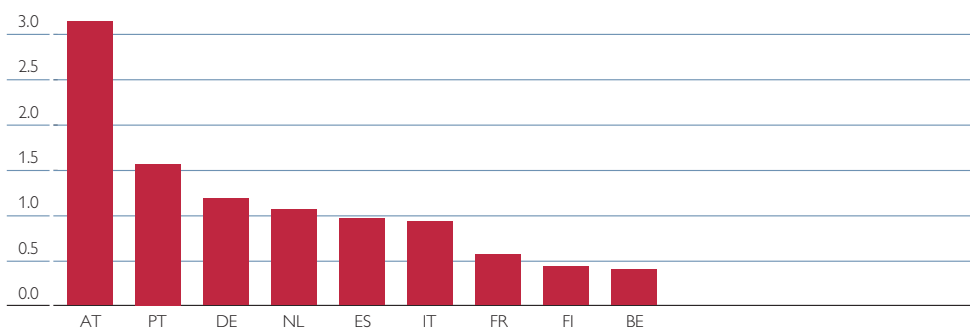


Chart 24

### Leverage Ratio of Nonfinancial Corporations in 2001 in a International Comparison

Ratio of debt to equity



Source: Eurostat.

pretation problems, though. Different underlying factors drive the financing behavior of the corporate sector, thus giving rise to a specific capital structure. The latter will be shaped, for instance, by the combined effect of tax provisions, the development of bond and loan markets and relevant standards as well as the relationships between companies and banks.

#### Risk-Bearing Capacity Strengthened by Higher Share of Equity Financing

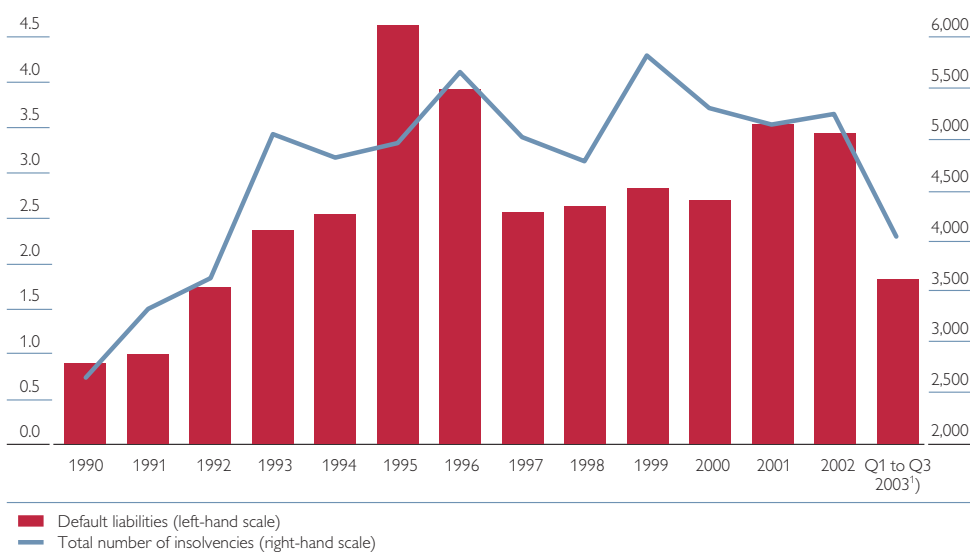
Overall, the corporate sector can be considered to have a strong financial position despite the prevailing high leverage ratios. The measures taken since the beginning of the mid-1990s, which dampen the borrowing propensity and are aimed at encouraging businesses to raise capital in equity

Chart 25

### Corporate Bankruptcies in Austria

EUR billion

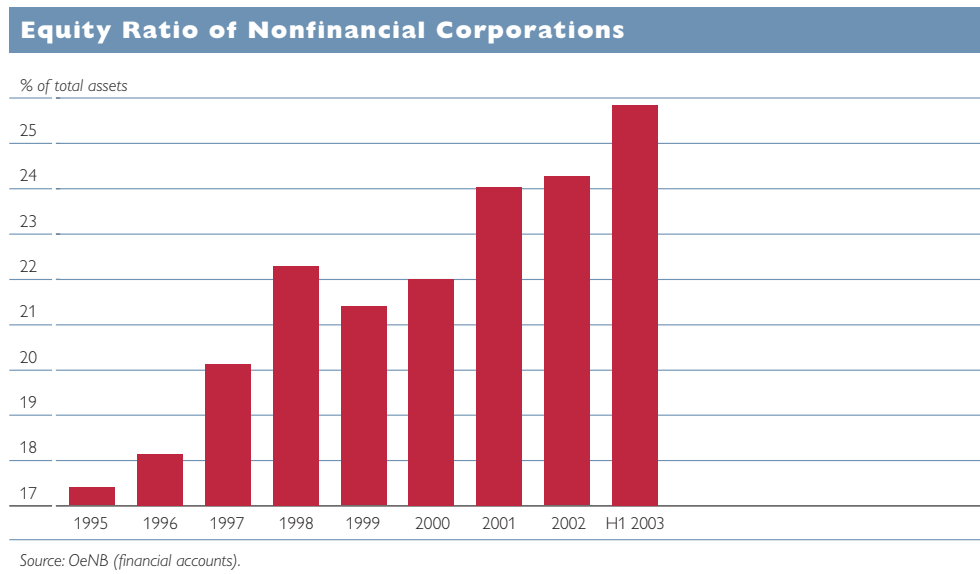
Number



Source: Kreditschutzverband von 1870.

<sup>1)</sup> The data for the first to third quarters have been extrapolated.

Chart 26



markets, have shown positive results especially amid the current external economic conditions. As a case in point, the number of corporate bankruptcies increased by just 1.4% in the first three quarters of 2003 compared with the same period of 2002 according to preliminary estimates of the credit information company Kredit-schutzverband von 1870. Mirroring the marked decline in the annual number of bankruptcies, the volume of default liabilities has decreased as well, in the year to date by as much as approximately one-third.

The ongoing change in the capital structure will contribute to making the corporate sector more resilient to economic shocks. The higher share of equity financing will also strengthen the risk-bearing capacity of companies. This has a positive effect on creditworthiness and makes it easier for companies to take out new loans or reschedule outstanding loans to ease liquidity constraints arising in bad economic times. After all, as long as companies have adequate equity to cushion potential losses in

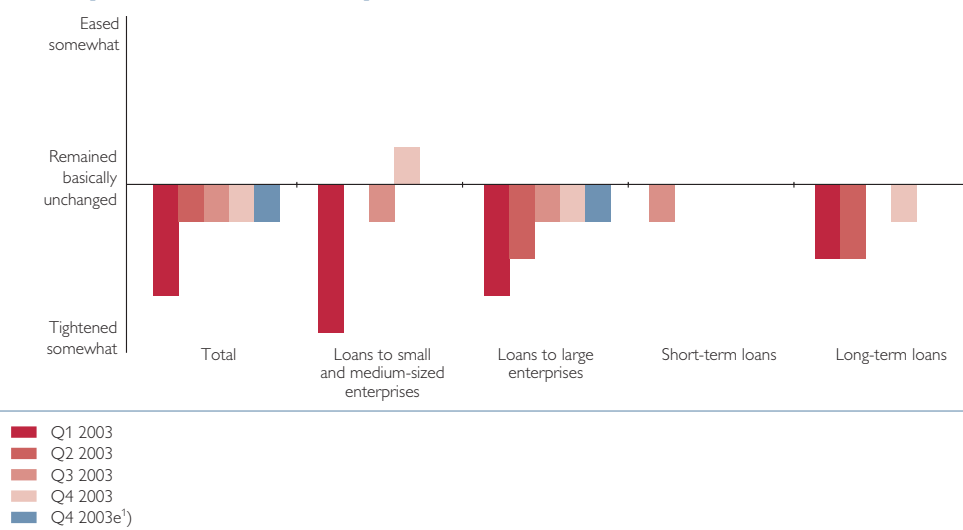
individual asset positions, external investors should be prepared to provide them with the necessary liquidity. At the same time, a higher equity ratio is the key to controlling profitability. While debt must be serviced – and is thus a drain on earnings – no interest payments are due on equity. This is an asset in bad economic times and helps avert a deterioration in liquidity conditions. At any rate, reducing leverage and increasing the equity ratio ensures the long-term financial stability of the corporate sector. Companies thus not only become more resilient to economic risks but also enhance their creditworthiness, which stands to become more significant in the lending process once the new capital adequacy framework (Basel II) has been implemented.

#### Bank Lending Survey

The results of the bank lending survey for Austria that are available so far indicate that the lending behavior of Austrian banks became somewhat more restrictive in the course of 2003. Overall, the banks surveyed

Chart 27

**Change in Credit Standards Applied to the Approval of Loans to Enterprises over the Respective Past Three Months**



Source: Bank lending survey.

¹) Indicates how credit standards are expected to change over the following three months.

tightened notably the credit standards they apply to the approval of loans or credit lines to enterprises. More specifically, this concerned loans to large enterprises, whereas credit standards for loans to small and medium-sized enterprises (SMEs) were gradually eased as the year progressed. In October 2003, the bank managers polled expected to further tighten their overall credit standards somewhat over the next three months (see chart 27).<sup>1)</sup>

The most important factor contributing to the tightening of credit standards was risk perception. Moreover, the banks surveyed reported that expectations regarding general economic activity, the industry or firm-specific outlook and risk on the collateral demanded mainly impacted on their decisions. Apart from credit

standards, banks also continued to tighten their credit terms and conditions for businesses. Above all, banks widened their margins on riskier loans in comparison with the previous quarter.

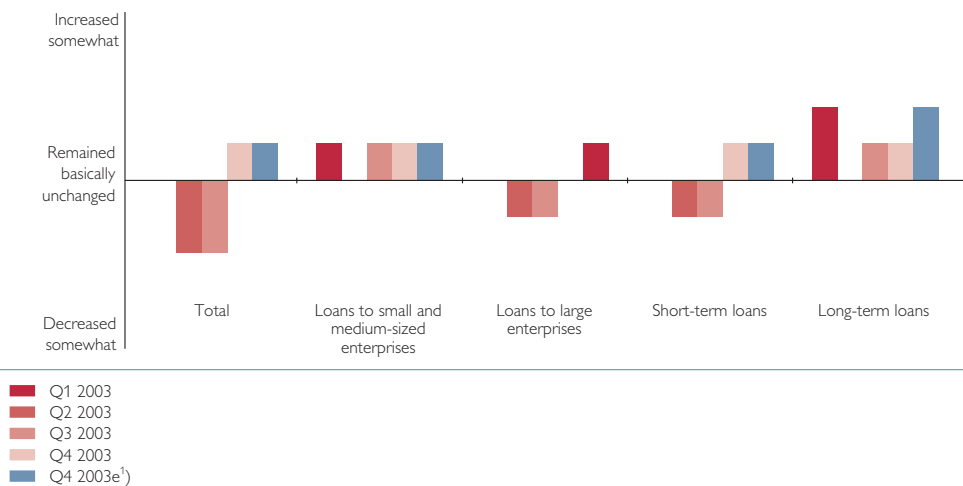
At the same time, the banks surveyed reported corporate demand for loans – especially SME demand – to have increased somewhat since mid-2003. Above all the need to finance inventories and working capital contributed to higher demand, whereas the development of fixed investments and the issuance of debt securities had a dampening effect on demand for loans. Looking ahead, the banks surveyed expected loan demand – especially from SMEs – to increase somewhat in the fourth quarter.

1) As agreed upon with the ECB, the respective quarters are numbered according to when the survey is conducted. This means that the latest survey is that of the fourth quarter, even if it captures developments of the third quarter.

Chart 28

### Change in Demand for Loans to Enterprises

#### over the Respective Past Three Months



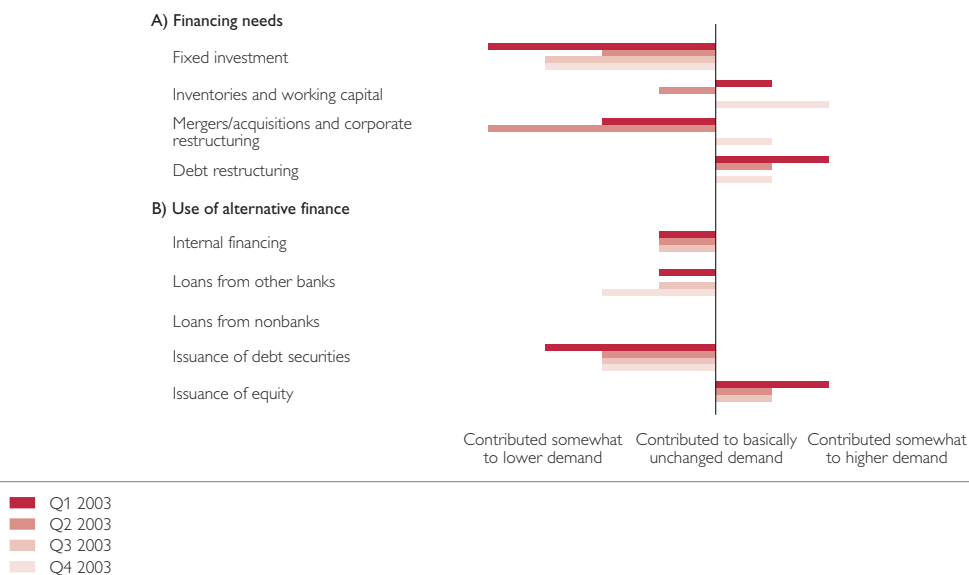
Source: Bank lending survey.

<sup>1)</sup> Indicates how demand is expected to change over the next three months.

Chart 29

### Factors Affecting Demand for Loans to Enterprises

#### over the Respective Past Three Months



Source: Bank lending survey.

## Households

### Job Uncertainty and Higher Individual Saving for Retirement May Push Up the Saving Rate

The development of household investment and financing continues to reflect the weakness of the Austrian economy. While disposable income growth was very moderate in 2002 (1.4% in real terms according to the OeNB's fall economic outlook), and is projected to grow at an even lower rate (1.0%) in 2003, households may be building up more precautionary savings in view of the higher risk of job loss. Moreover, the pension reform may boost household saving rates – provided that increased saving for one's own retirement goes beyond a restructuring of households' investment portfolios from short-term to long-term saving; in other words, provided that households actually save more. According to OeNB calculations, the household saving rate reached 7.8% in 2002, which is rather a marked slowdown compared with the rate registered in 1995 (11.7%). However, the saving rate is expected to rebound somewhat over the medium term; it should rise to 7.9% until 2005 according to OeNB projections.

### Debt Growth Eased Considerably

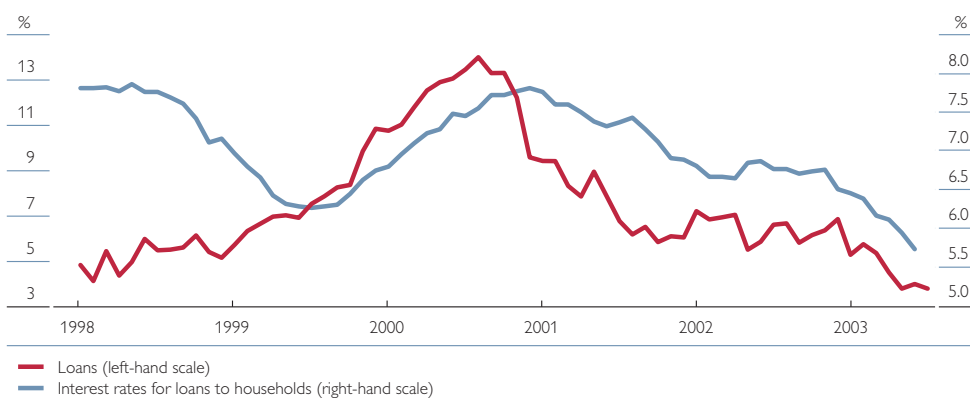
Household loan growth slowed down significantly in the first half of 2003. Even though financing conditions have been most favorable, household demand for loans has been rather moderate. Apparently the ongoing weakness in the Austrian economy, now well into its third year, has significantly affected the income outlook of households and led them to readjust their borrowing behavior to the current external conditions. Given that the volume of household debt was on the rise until 2002, households would be well advised not to borrow more for the time being to finance consumption and real estate purchases even though interest rates are low, in order to avoid liquidity constraints or becoming overindebted.

### Low Interest Rate Levels and Financial Market Uncertainty Boost Liquidity Holdings

According to preliminary calculations, households continued to expand their liquidity holdings in the first half of 2003. At EUR 4.1 billion, cash holdings and deposits accounted for more than half of the financial assets households accumulated in this period. At

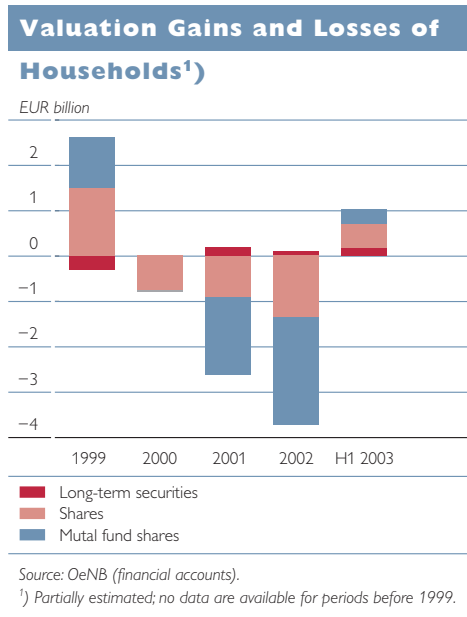
Chart 30

#### Growth of Loans to Households



Source: OeNB.

Chart 31



the same time, households were investing less in capital market instruments, probably on account of the price losses seen in recent years. A case in point are mutual fund shares, which totaled EUR 278 million in the first six months of 2003 after having been far more popular in recent years. Once the growth outlook brightens, the capital markets may, of course, reattract a bigger share of financial investment. At any rate, the major international stock

markets have rebounded since the beginning of 2003. Private investors benefited from valuation gains of roughly EUR 1 billion in the first half 2003.

### High Indebtedness and Negative Wealth Effects Affect the Financial Capacity of Households

The levels of debt incurred by households peaked in 2002, after having risen considerably faster than disposable income since the second half of the 1990s. Over the same period, the relation between households' financial liabilities and their financial assets has increased less significantly (see chart 32). The marked increase in private bankruptcy cases in recent years may imply that the default risk has risen in the household sector. In the first three quarters of 2003 private bankruptcies rose by 3,175 cases or 11.1% compared with the corresponding period of 2002. As a percentage of all households who have taken out loans, the number of defaulting borrowers is, however, low.

An international comparison shows that household debt ratios continue to be comparatively low in Austria. In 2001, Austrian households

Chart 32

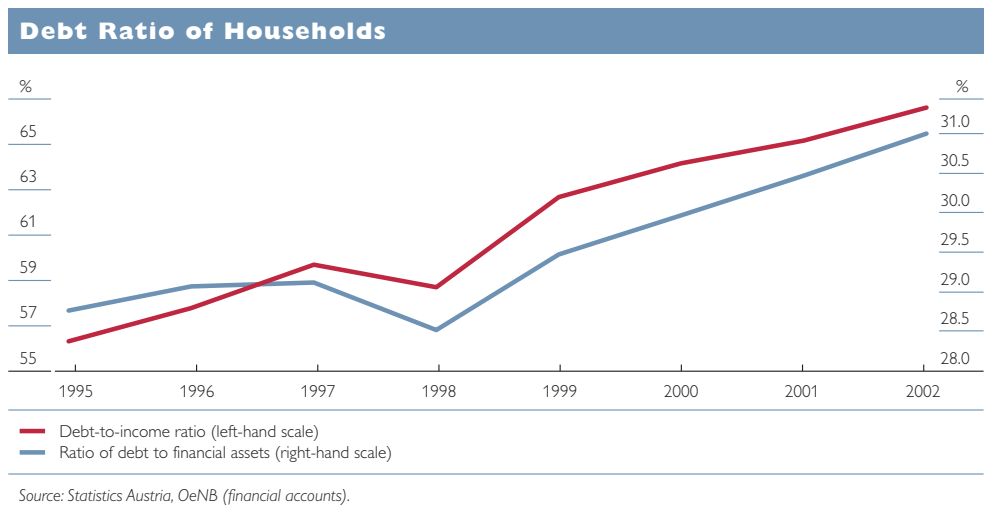




Table 9

**International Comparison of Household Debt Ratios**

	1995	2001	Increase since 1995
	Debt in % of GDP		in percentage points
Belgium	42.5	45.3	2.8
Germany	63.5	73.3	9.8
Spain	44.0	60.6	16.7
France	42.5	46.4	3.8
Italy	23.3	30.7	7.4
Netherlands	62.5	95.5	33.1
Austria	35.8	40.2	4.5
Portugal	44.1	82.2	38.1
Finland	37.4	34.0	-3.4
Total	48.0	56.7	8.7

Source: Eurostat.

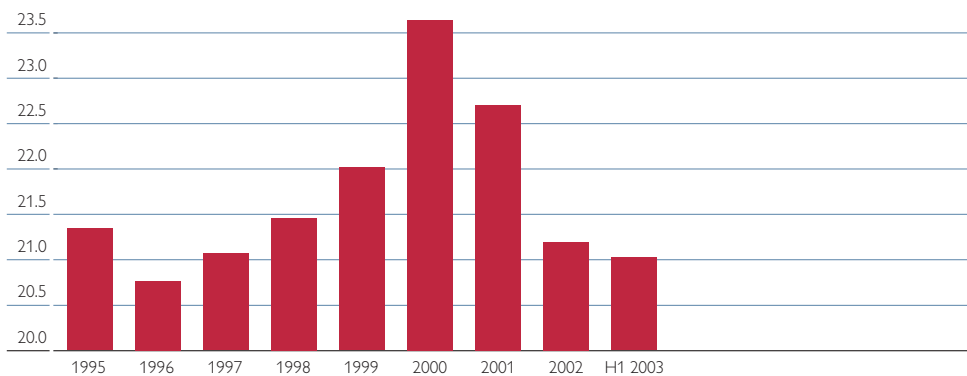
ranked third within selected EU countries shown in table 9 with a debt-to-GDP ratio of 40.2%, after Finland with 34.0% and Italy with 30.7%. As is evident from table 9, the propensity to borrow differs a lot across countries. These differences largely reflect country-specific characteristics, such as preferences for home ownership, real estate prices, building costs and access to loan markets. With respect to debt growth, Austria is in the lower middle range. The debt ratio of Austrian households grew by 4.5 percentage points from 1995 to 2001, which is just half the increase in the EU total shown here (8.7 percentage points).

Apart from the fact that the high debt ratio weighs more heavily on households in the present economic downturn, the financial capacity of households has also been affected by price losses suffered between 2000 and 2002. Total price losses in this period came to EUR 7 billion, thus more than offsetting the price gains of EUR 2.6 billion achieved as late as 1999 (see chart 31). Heavy demand for foreign currency loans for which mutual fund plans or unit-linked life insurance plans are used as repayment vehicles, as well as increased saving for one's own retirement with second and third pension pillar instruments have raised the significance of capital mar-

Chart 33

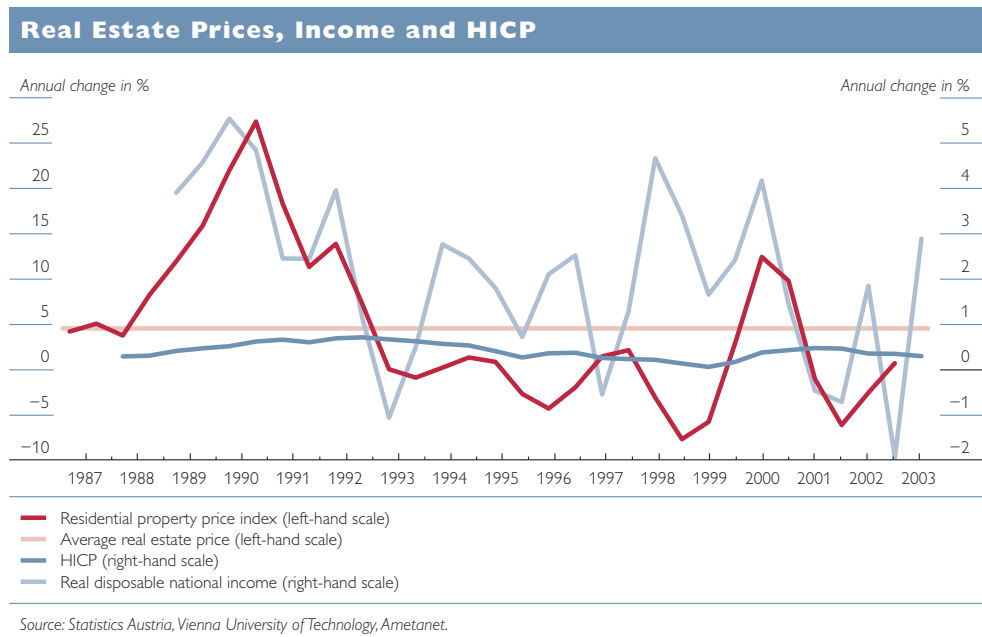
**Market Sensitivity of Households' Financial Investment**

Share of capital market instruments in financial assets (in %)



Source: OeNB (financial accounts).

Chart 34



ket developments for households. The share of capital market instruments in the financial assets of households has decreased since 2000, largely because of the valuation losses suffered thereafter; in 2002, it basically reverted to the level of the 1990s.

## Real Estate

### Residential Building Activity Strengthened Somewhat Since the Beginning of 2003

Reflecting the downtrend in the number of building permits issued from 1998 to 2001, the number of housing completions deteriorated further by 8.6% in 2002. Given that the number of building permits rose in 2002 for the first time in five years (5.1% against 2001), the downturn in building completions may bottom out in 2003. This ties in with the latest

WIFO Economic Outlook,<sup>1)</sup> according to which construction companies have come to assess their current production activity a lot better than they used to.

Reflecting, among other things, the sharp drop in building permits, housing prices have been edging up again<sup>2)</sup> since mid-2001 (in the second quarter of 2002 they grew by 1.7%). Nonetheless, they remain below the long-term average.

### Rising Investment in Real Estate

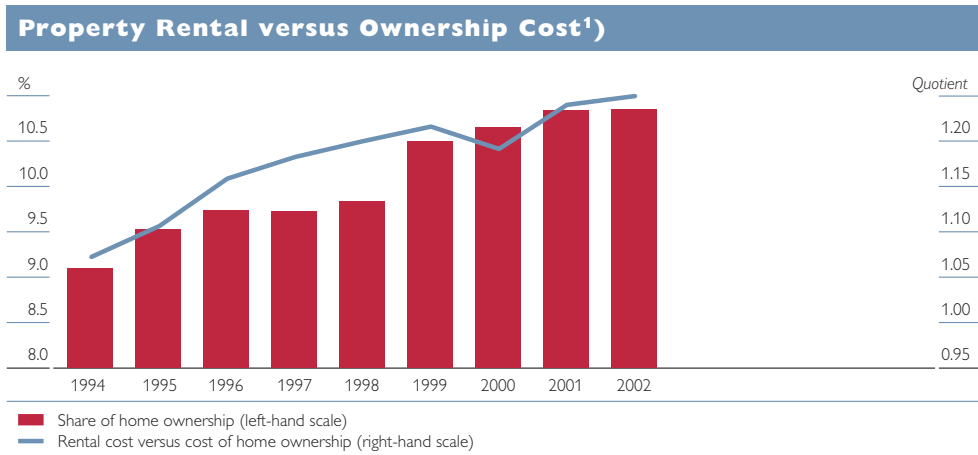
In recent years real property has gained in importance as an investment instrument. On the supply side, the Real Estate Investment Funds Act adopted in July 2003 paved the way for the operation of open-end real estate funds<sup>3)</sup> in Austria, thus broadening the range of investment and

1 These findings are based on the WIFO outlook, as current production data have not yet become available.

2 Property prices last rose in the first half of 1999.

3 Unlike with closed-end funds, shares in open-end funds can be bought and sold back to the fund at all times. Share prices depend on the current estimated value of the real estate portfolio. Should more than 10% of the investment capital be returned for repurchase at the same time, the mutual fund company may delay the repurchase for a maximum period of two years.

Chart 35



Source: Statistics Austria.

<sup>1)</sup> Rental cost divided by cost of home ownership. The rising ratio (+18 percentage points in the period covered) implies that housing costs have climbed considerably.

financing possibilities available to investors by domestic real estate funds.

Recent developments include steps taken by the federal government with a view to selling its public housing stock (62,000 apartments). Already the budget trailer bill of 2001 provided for the revocation of non-profit status of the five housing companies owned by the federal government. This means that any apartments managed by those companies lose their nonprofit status upon rental, a fact that raises their attractiveness to investors. The Federal Real Estate Company (Bundesimmobiliengesellschaft) estimates the proceeds from the sale of the 3,500 apartments that have not been sold so far to total more than EUR 100 million in 2003 (overall, the privatization of public housing is expected to generate between EUR 600 million and EUR 900 million). The first round of privatization met with high international interest. The public housing sale is unlikely to generate price pressures on the real estate market, because properties in prime

locations and in conurbations will most certainly be purchased by the tenants themselves.

As the financial wealth of households increased and as rental costs (+35%) rose more sharply than the cost of home ownership (+16%) from 1994 to 2002, the home ownership ratio climbed as well (see chart 35).

However, not only properties held for own use, also properties held for investment/income have gained in attractiveness. Buy-for-rent apartments<sup>1)</sup> evidently appeal to long-term investors because of their low-risk and stable-yield characteristics as an alternative to investment in the capital market – even more so in times of falling stock prices and low interest rates. While detailed data on this business segment are not available, the fact that the number of properties bought for investment/income jumped by about 50% in 2002 alone according to industry information gives a rough idea of recent developments.

The gains of buy-for-rent investors are derived from rental income, valu-

<sup>1</sup> Buy-for-rent properties are residential units that are designed and built specifically for the purpose of generating rental income.

ation gains and tax benefits. By renting out a home, the owner becomes a business owner within the means of VAT legislation. As such, he or she may claim input tax credits, thus actually purchasing the property at net cost. With respect to rental income, income tax credits can be claimed for interest on debt capital, depreciation expenses and other expenditures. The tax credit system has been designed to reduce tax liabilities particularly in the first few years after which an investment has been made (initially the tax credits for expenditures even exceed the rental income).<sup>1)</sup> In addition, gains from the sale of homes are exempt from income tax when the property is resold after a minimum period of ten years.

The expected yield of buy-for-rent properties depends on the valuation gains and the amount of rental income.<sup>2)</sup> Given low rates of inflation (rents tend to be linked to the CPI), neither house values nor rental values have increased significantly in recent years. Scientific evidence<sup>3)</sup> shows that the rate of value increase of new properties is key to the yield of buy-for-rent schemes. The 1990s saw prices fall (or remain constant) rather than rise, however, and it is only since mid-2001 that prices have picked up moderately.

Apart from a rather high yield risk, buying for rental income tends to carry a high liquidity risk. Real es-

tate is considerably less liquid an asset than, say, securities. Moreover, the transaction costs of reselling a property are substantial. In addition, liquidity constraints arise from the high up-front costs and long amortization periods, as well as from the fact that speculation tax is levied should properties be resold within a period of ten years.<sup>4)</sup>

Finally, properties for investment/income allow little or insufficient diversification of assets; generally, investors' capital is locked in a single property or a few properties.

All in all, the share of real estate in households' assets is on the rise. At the same time, financing rental housing and home ownership is a key motive for taking out a loan. Buy-for-rent investors, too, tend to rely heavily on debt financing.<sup>5)</sup> Consequently, real estate developments affect the wealth of households to an ever increasing degree. While (unlike stock market investors) real estate investors did not suffer wealth losses in recent years, it must be noted that such investments are not free from the risks mentioned above, either.

## **Stock Market**

### **The Macroeconomic Significance of the Austrian Stock Market**

Medium-term stock price changes may affect investment demand by changing the financing costs of companies and their balance sheet values.

- 1 *Investors failing to generate a surplus over the investment horizon face a retroactive tax bill.*
- 2 *Periods in which a property is not rented reduce income. Another pitfall is that, following an adjustment of tenancy legislation, tenants need no longer commit themselves for long rental periods; now, they have the right to cancel a rental agreement as early as one year after the contract date. This may lead to more frequent tenancy changes and longer vacancy periods.*
- 3 *See Fischer, E. O. and M. Glawischnig. 2003. Die Rendite von Vorsorgewohnungen. Karl-Franzens-Universität Graz. March.*
- 4 *Gains from the sale of homes during this minimum holding period of ten years are subject to speculation tax.*
- 5 *The tax deductibility of interest payments on debt is an additional incentive for borrowing heavily to invest in properties.*

Companies financed an average of 3.7% of their gross fixed capital formation from 1993 to 2002 through new issues and rights issues (i.e. the issue of new shares for cash to existing shareholders) at the Vienna stock exchange. As is evident from chart 36, above all in the 1990s, new issues were by far the biggest source of equity funding raised through the Vienna stock exchange. New issues result in a change of ownership and are not necessarily used to finance new investment (privatizations being a case in point). The share of rights issues, by contrast, accounted for just 1.1% of gross fixed capital formation on average. In the period from 1993 to 2002, an average of 14.4 companies per year<sup>1)</sup> raised funds at the Vienna stock exchange either through new issues (4.9 companies) or through rights issues (9.5 companies).

Wealth-induced consumption growth – i.e. the wealth effect on consumption generated by household portfolios of stocks listed at the Vienna exchange – is low. In the period from 1995 to 2002, households held about 3% on average of their financial assets in the form of domestic shares and other equity (excluding mutual fund shares).<sup>2)</sup> Based on the latest available data for 2002, this corresponds to a volume of EUR 10.3 billion. Of the approximately EUR 28.6 billion invested with mutual funds, roughly 3.3% (or EUR 0.9 billion)

were, in turn, invested in shares and other equity (excluding mutual fund shares). In 2002, households thus (directly or indirectly) held approximately EUR 11.2 billion of their financial assets in domestic shares and other equity. According to the few empirical studies<sup>3)</sup> available for comparable countries (mostly Germany and Finland), the marginal propensity to consume is estimated to equal roughly 2 cent for each euro by which the value of stock holdings rises. Thus, the increase of 27.3% in the ATX in the period from October 1, 2002, to October 1, 2003, would have boosted consumer demand by roughly EUR 61 million. As a ratio of nominal volume that private consumption reached in 2002 (EUR 124.86 billion), this corresponds to an increase by a mere 0.05%.

Initiatives to promote the Austrian capital market have been marred, among other things, by incidents of suspected insider trading. Moreover, market participants expect the impact of the subsidized personal pension scheme (the *Zukunftsvorsorge* scheme) to be largely limited to indirect effects initially. The Vienna stock market may become more interesting to foreign institutional investors due to the steady flow of funds generated by this scheme. Finally, the Austrian Code of Corporate Governance, a set of good corporate management standards designed to increase transparency for

1 These findings should be related to the 5,439 companies on average with more than 49 employees in the period for which data are available (1997 to 2001).

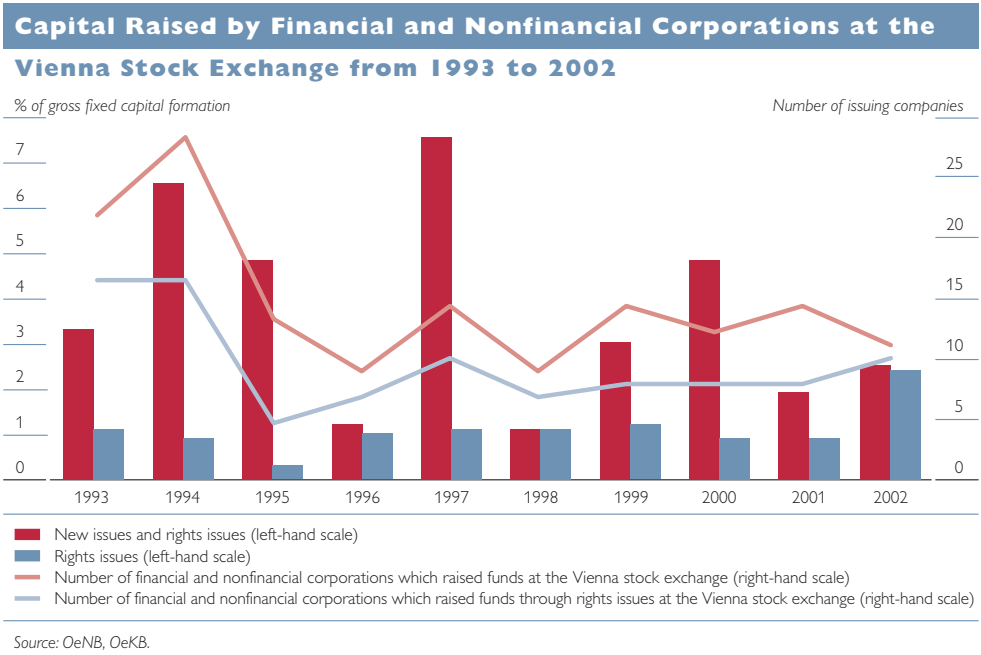
2 This figure includes inward FDI holdings as well as listed and unlisted stocks, thus representing an upper limit of direct equity holdings.

3 Clapham, E., A. Hyttinen and K. Takala. 2002. *Household Wealth, Credit and Consumption: Evidence for Finland and Sweden*. Bank of Finland. Mimeo.

International Monetary Fund. 2000. *World Economic Outlook – Asset Prices and the Business Cycle*. Washington D. C.

Boone, L., C. Giorno and P. Richardson. 1998. *Stock Market Fluctuations and Consumption Behavior: Some Recent Evidence*. OECD Working Paper (98)21. Paris.

Chart 36



stakeholders, has been implemented above all by the largest and most liquid market participants. However, in order to increase liquidity, it is even more important that investor confidence in small caps gets a boost. Should small caps continue to show little commitment to selfregulation, a tightening of corporate governance rules would appear a way forward to promote the development of the capital market.

### The Impact of the Subsidized Personal Pension Scheme on the Austrian Stock Market

The subsidized personal pension scheme launched in 2003 (*Zukunftsvorsorge* plans, based on articles 108g–i of the Income Tax Act, Federal Law Gazette 10/2003) stands to have little impact on the stock market in initial years because – while the number of contracts concluded may be rather large – the volume available for investment will grow only gradually as

assets are built up over a long period through small monthly installments. Significant effects on stock market turnover, volatility and index developments will not appear until the volume of pension scheme assets has reached a critical mass. What remains to be seen, moreover, is the extent to which assets accumulated under this scheme will cause other components of households' investor portfolios to shrink.

According to the Federal Ministry of Finance, some 66,000 state-subsidized personal pension contracts were issued in the first half of 2003. Assuming<sup>1</sup>) that their number will increase to between 150,000 and 200,000 until the end of the year and that the average annual investment amounts to between EUR 870 and EUR 1,000 (taking into account that new contracts are issued throughout the entire year) and the nominal yield (including the subsidy) comes to 5%, the volume of these subsidized personal

<sup>1</sup> These estimates are based on industry assumptions.

pension plans to be invested on the Vienna stock exchange totals between EUR 55 million and EUR 84 million. This corresponds to a share of 0.3% to 0.5% of the volume traded there between October 1, 2002, and September 30, 2003.<sup>1)</sup> A tentative estimate for the medium term (until 2012) on the basis of a market potential of between 450,000 and 600,000 contracts, which should be reached by 2007 or 2008, shows that the introduction of the subsidized personal pension scheme will have the following impact on the Austrian stock market: Two scenarios (450,000/600,000 contracts, annual investment of EUR 870/EUR 1,000, nominal yield including the subsidy of 5%, inflation rate of 1.5%) indicate that the share of assets to be invested in stocks will grow by some EUR 165 million to EUR 252 million (which corresponds to 1% or 1.5% of the volume traded between October 1, 2002, and September 30, 2003, on the Vienna stock exchange) per year by 2012. In other words, the accumulated assets to be invested on the Vienna stock exchange (or on the stock exchange of an acceding country) will rise to between roughly EUR 1.6 billion and EUR 2.2 billion (4.8% to 7.1% of the market capitalization of September 30,

2003, on the Vienna stock exchange; 11.2% to 16.5% of the respective free float – weighted average of September 30, 2003: some 43%). As considerable sums will be accumulated under the subsidized personal pension scheme in relation to both stock market capitalization and free float, which would have to rise over the next few years to ensure that growing demand is matched with adequate supply.

Finally, the question arises as to whether the statutory limitation of investment options is the best way to promote the necessary efficient diversification of risks. For instance, at present a mere six corporations from just three different industries account for some 60% of the index volume of the ATX and 65% of the volume of trading at the Vienna stock exchange.<sup>2)</sup> As the scope of stock markets on which assets accumulated under this scheme may be invested broadens in the process of EU enlargement, diversification possibilities improve, albeit at the cost of a higher exposure to risks (such as exchange rate and liquidity risks). Therefore, the prime objective should be to enhance the possibilities of diversification at the Vienna stock exchange or to ease the portfolio constraints of the *Zukunftsvorsorge* investment rules.

1 According to statutory provisions, 40% of the pension scheme assets must be invested in stocks which were initially listed at the stock exchange of an EEA member country – subject to the limitation that their market capitalization does not exceed 30% of the national GDP over a four-year period (the calculation is based on the annual averages of the past four years, excluding the year preceding the respective calendar year). By these standards, private pension plan assets may, at present, only be invested at the Vienna stock exchange; following EU enlargement the stock exchanges of the acceding countries will also qualify.

2 These companies account for roughly 52% of the Wiener Börse Index. Even when additional financial service providers (Generali Versicherung AG, Uniqa Versicherungen AG, BKS, BTV, etc.) and small caps with a low liquidity are taken into account, it appears difficult to achieve an optimum degree of diversification.