



Austria



Business Support on Your Doorstep

Enterprise Europe Network London Country Profile December 2007

Austria



Country's full name: Republic of Austria (Republik Österreich).

Capital City: Vienna (1.6 million).

Population: 8.2 million. Austrians 91.1%, former Yugoslavs 4% (includes Croats, Slovenes, Serbs, and Bosnians), Turks 1.6%, Germans 0.9%, other or unspecified 2.4%.

Official Language: German.

Currency: Euro (Since January 2002).

Religions: Roman Catholic 73.6%, Protestant 4.7%, Muslim 4.2%, other 3.5%, unspecified 2%, none 12%.

Area: 83,870 sq km.

Terrain: Mostly mountainous (Alps) in the west and south; with flat or gently sloping terrain in the north and west.

Climate: Temperate weather; cloudy; cold winters with frequent rain and some snow in lowlands and mountains; moderate summers with occasional showers.

Administrative divisions: 9 states (Bundesländer).

Weights and Measures: Metric.

Time Zone: GMT + one hour. From late March to late October, a daylight saving scheme is in operation which is two hours ahead of GMT.

International dialling code: 00 43.

Government: The Republic of Austria is a federal republic, composed of nine constituent federal states. The federal legislation is exercised by the National Council (Nationalrat) together with the Upper House of Parliament (Bundesrat) – the two chambers of Parliament. The latter chamber represents the interests of the federal states. The state parliaments exercise the legislative power of the federal states.

The 183 members of the Nationalrat are elected by popular vote every four years. The delegates of the federal parliaments are elected by the population of the federal state concerned. The members of the 'Bundesrat' - currently 62 - are nominated by the state parliaments. The supreme federal executive organs are the Federal President Dr Heinz Fischer elected in 2004 and the members of the Federal Government, headed by the Federal Chancellor Dr Alfred Gusenbauer elected in January 2007. The supreme state executive bodies are the State Governments, each headed by the State Governor.

ECONOMIC OVERVIEW

Austria's central location in Europe, making the country an ideal hub for East-West business relations, is undoubtedly one of the major advantages of Austria's economy at the moment. With its well-developed market economy and high standard of living, the alpine country is one of the wealthiest and most stable of the EU member states. The economy features a large service sector, a sound industrial sector, and a small, but highly developed agricultural sector. As an export-oriented country, Austria's leading industries are foodstuffs and luxury commodities, mechanical engineering, steel construction, chemicals and vehicle manufacturing.

Austria faces increased economic competition, particularly from Central and Eastern European countries. In order to remain competitive, the country must continue restructuring and promoting the knowledge-based sectors of its economy. Greater labour flexibility and participation in employment by Austria's ageing population would also be beneficial. Furthermore Austria has to converge its economic policy as closely as possible with common EU policies, most notably in the fields of trade, agriculture, regional development, taxation and monetary policy.

ECONOMIC INDICATORS	
Population (2006)	8,233,000
Unemployment rate (2006)	4.7%
GDP per head (euro) (2006)	30.200€
GDP average growth rate (2006)	3.3%
Inflation rate (2006)	1.7%
Total exports (billion) (2006)	103.7€
Total imports (billion) (2006)	104.2€
Internet users (2006)	52%

Sources: [Eurostat](#); www.statistik.at

INFRASTRUCTURE / ENVIRONMENT

Roads

There are 133,718 km (including 1,677 km of motorways) of roads in Austria. Motorways in Austria (also city motorways) are generally subject to toll payments.

Railways

Austria has an extensive rail network of 6,011 km, of which 5,388 km is state-owned. Fast and accessible rail links exist to all its surrounding countries.

Shipping

The Danube River (2,850 km) that flows through Austria is the second longest European river. An important connection between the North Sea and the Black Sea was built by constructing the Rhine-Main Danube channel. With a length of 350 km within this landlocked country, the Danube River is the only navigable waterway. It takes approximately one-fifth of the country's total trade, which equals 1,800 tons. Furthermore it is an important energy source, and there are over 70 commercial ships cruising regularly between Passau and the Danube delta. The main river ports are Linz, Vienna, Salzburg, Graz, Klagenfurt and Innsbruck.

Civil aviation

Austria has 55 civilian airports, and the main international airport is Schwechat, located in southeast Vienna. Other international flights use the airports in Graz, Innsbruck, Klagenfurt, Linz and Salzburg.

Energy

In the field of raw materials and energy generation Austria can draw on abundant resources, for example its deposits of iron ore, non-ferrous metals, important minerals and earths. However, the constant growth of the industrial sector necessitates supplementary imports to an ever increasing degree. This is also true of fuels and energy and of the electricity generating industry. Austria's most abundant sources of fossil energy are products (about 45%) such as heating oil, diesel, gasoline, etc., natural gas (18%) and coal (2%).

The production of the environmentally-friendly renewable energies has been steadily growing since the mid 1970's and today currently generates 63% of Austria's electricity. Seen as a whole, a quarter of the entire electricity consumption in Austria is covered by renewable energy sources, of which hydroelectricity (number 1 generator within the EU) and energy from biomass represent 50%.

Telecommunications

Austria has a highly developed and efficient telephone system, a full range of telephone applications and Internet services are available. In 2005 there were 45 main lines to every 100 people, a slightly proportion is slightly lower in Austria than in other European countries. There were 3.7 million internet subscribers in 2005. There are about 8 million mobile phone subscribers and the market is therefore almost saturated (2005). The Austrian telecommunication market is one of Europe's most competitive.

Environment

Austria faces some forest degradation caused by air and soil pollution. The latter results from the use of agricultural chemicals. Air pollution is caused by emissions of coal and oil-fired power stations and

industrial plants and also by lorries travelling through Austria between northern and southern Europe. In 2004 the majority of the 8.6 billion euro invested in the protection of the environment were spent on water protection (46%), waste management (22%), soil and groundwater protection (8.6%), protection of the biological diversity and the countryside (7.2%), prevention of air pollution and climate protection (6.8%) and noise protection (3.9%). Research and development, radiation protection and general protection of the environment represented 5.6% of expenditure.

MAJOR SECTORS OF THE ECONOMY

Ranking 21st in the world, Austria has one of the largest and most stable economies in the world, with its GDP per capita in 4th place in the EU and 12th in the world. Being a member state of the European Union since 1995, Austria is currently facing greater competition and increased foreign trade opportunities due to the EU's expansion to Eastern Europe and Austria's central geographic position.

Tourism

Austria is co-hosting the European Championship of Soccer in 2008 with Switzerland. It is famous for its unique combination of quality cultural offerings, tradition and unspoiled landscapes. Tourism plays a highly important economic role in this alpine country with 20 million foreign visitors, mostly European and American, in 2005. This accounts for 87.7 million overnight stays, three-quarters of the total. According to the World Travel & Tourism Council, Austria's Travel & Tourism Economy is expected to account for 16.7% of GDP, 807,000 jobs (19.3% of total employment) and to grow 2.5% in 2007.

Foodstuffs and Wood

5 million hectares of Austrian territory is used for local farm produce and with 18,500 organic farms throughout the country Austria is the top organic producer country within the EU. Besides famous specialities like Viennese Schnitzel, Sacher cake, apple strudel and sugared pancake with raisins Austria enjoys a good reputation for its wines. Consisting of almost 50% forest, the country is one of the most densely wooded in Europe and known as the 'green heart' of Central Europe. Wood is not only an important part of Austria's economy with respect to energy production, but also in the field of lumber production.

Luxury Goods

In the field of luxury commodities Austria is famous for its handicrafts - in particular fine hand-crafted items, costume jewellery, ceramic products and glassware and enjoys therefore worldwide respect. As a well known Austrian company Swarovski produces crystals featuring all kinds of jewellery, including rings, broaches and necklaces, as well as as chandeliers and vases.

Mechanical Engineering

One of the most important Austrian industrial sectors is represented by the mechanical and plant engineering (*Maschinen- und Anlagenbau*), which accounts for 11.8% of the total production of industrial goods in Austria in 2006 mostly assigned for exports (76%). Approximately 630 Austrian companies, flexible specialists offering tailor-made high tech solutions for international niche markets, currently employ 74,500 people.

Steel Industry

Ranking in 23rd place amongst the major steel-producing countries with 7.1 million metric tons crude steel production in 2006, and 3.8 million of metric tons in the first 6 months in 2007, there has been an increase of about 8.3% in Austria's steel production.

Chemicals

With about 11% of industrial production and a 9.9 million euro turnover in 2005, chemicals rank among Austria's foremost industries. The 300 domestic companies have a workforce of 41,000, which exports around 70% of its production. Austria is also, due to its geographical position, a location favoured by multinationals such as BASF, Beiersdorf and Henkel among the 1,000 international enterprises running their business towards Eastern Europe from Austria.

Vehicle Manufacturing

With 38,000 million euro revenue per annum, the Austrian automotive industry is steadily increasing and becoming more important as an international hub between East and West. Employing staff of 175,000 (2004), the 700 companies account for 2.1 million engines and gearboxes, 275,000

passenger cars, 56,000 motorcycles, 21,400 heavy goods vehicles, 15,600 trailers and 9,500 tractors annually. The Austrian vehicle manufacturing is full of history with the first automobile with a petrol-driven four cylinder engine and magnetic-electric ignition as well as the first car developed with front-wheel drive. Austria has traditionally attracted international automotive manufacturers such as BMW, Saab, Opel and others to run their Eastern European operations from Austria.

BANKING AND FINANCE

Banking

The Austrian banking system is a universal system, organized by category or sector. The independent banks are historically divided into seven sectors: joint stock banks, savings banks, state mortgage banks, Raiffeisen banks (agricultural credit cooperatives), Volksbanken (people's banks), 5 housing construction savings and loan associations and special purpose banks. Austria's largest banks are Bank Austria/Creditanstalt, Erste Bank der Österreichischen Sparkassen, Raiffeisen Zentral Bank, Postsparkasse and Bank für Arbeit und Wirtschaft. They offer close ties to Central and Eastern Europe and have mostly established subsidiaries in these emerging markets. Erste Bank is the leading financial service group in Central Europe, offering its 15.6 million retail and corporate clients in eight countries a variety of services from asset management, financing to insurance.

Österreichische Nationalbank

Otto-Wagner-Platz 3, 1090 Vienna, P.O.Box 61, A-1011 Vienna

T: 0043-1 404 20-0. F: 0043 404 20-2399

W: www.oenb.at

Vienna Stock Exchange

Wiener Börse AG Wallnerstraße 8, P.O.Box 192, A-1014 Vienna

T: 0043 1 531 65-0. F: 0043 1 532 97 40. E: info@wienerborse.at

W: www.wienerborse.at

Founded in 1771, Wiener Wertpapierbörse (Vienna Stock Exchange) is one of the world's oldest stock exchanges. Wiener Börse AG operates the Vienna Stock Exchange.

Insurance

The Austrian insurance industry has a total workforce of 26,000 employees. It is lead by the Vienna Insurance Group with a market share of 22.9% and a surplus in premium volume of approximately 200 million euro in 2006.

Austrian Insurance Association

(Verband der Versicherungsunternehmen Österreich)

Schwarzenbergplatz 7, A-1030 Vienna

T: 0043 (0)1/711 56-0. F: 043 (0)1/711 56-270. E: vvo@vvo.at

W: www.vvo.at

OPPORTUNITIES FOR UK EXPORTERS / INVESTORS

Overview

Austria's geographical location makes it an interesting place for investors to target the local market and the developing markets of Central and Eastern Europe. The country has a generally positive attitude towards the UK although it is operating internationally at a lower level than other European countries. Ranking 31st in Austria's import league table in 2005, visible UK exports to Austria totalled £1.32 billion. According to the Foreign and Commonwealth Office, Austrian imports from the EU account for 75% and 71.2% of Austrian exports are destined for the EU (both figures apply to 2005). Beside Germany and Italy, Austria's traditional and most important trading partners, there are also considerable trading connections to Scandinavia, Britain and Ireland. In addition, Austrians consider British goods and services to be high-quality and desirable if staying competitive in price and quality.

Clothing and footwear

Austrians are becoming increasingly trend-conscious. A growing demand particularly exists for fashion for ladies and younger customers. Due to the ball season, there is a particular need of eveningwear,

ball gowns and shoes. UK suppliers can seize their chance as demand for German and Italian goods gradually declines.

Telecommunications

The mobile phone market is almost saturated but the Austrian government intends to improve the infrastructure, especially in the most mountainous areas. UK companies enter the market as there is a need of services and content for 3G telephones.

Food and drink

There is a potential for UK imports of specialities, ethnic and convenience food, which currently ranked in 8th position. The demand for frozen foods and Private Label products is also growing. Compared to the European average of Private Label products of 22%, the Austrian sector needs to catch up with the world wide market which is itself extending its market share. In order to compete a high quality is demanded and the requirements concerning organic production have to be fulfilled by the products imported to Austria.

Gardening equipment and pet care products

DIY stores are currently made up of over 500 garden centres with a wide range of products including pet care products. As Austrian households spend €55.40 per month on buying DIY products, they are keen on saving money on doing so. UK companies will be confronted with stiff competition in this sector.

BUSINESS CULTURE

Business hours

Office hours are generally Monday-Friday from 8:30am to 5:00pm with a short break for lunch. Many offices and businesses close after lunch on Friday afternoons, reflecting the widely implemented 38.5-hour work week.

National holidays

2007

- Christmas Day (25 December)
- St. Stephen's Day (26 December)

2008

- New Year's Day (1 January)
- Epiphany (6 January)
- Good Friday (21 March)
- Easter Sunday (23 March)
- Easter Monday (24 March)
- Ascension Day and May Day (1 May)
- White Monday (12 May)
- Corpus Christi (22 May)
- Assumption Day (15 August)
- National Day (26 October)
- All Saints' Day (1 November)
- Immaculate Conception (8 December)
- Christmas Day (25 December)
- St. Stephen's Day (26 December)

Dress

In most businesses, the dress code will be suit-and-tie, depending on which type of business associate you are meeting. It is, however, custom for both men and women to dress in dark suits that are simple but elegant.

Business etiquette

Austrians are quite formal in their business dealings. A working knowledge of German is very advantageous even though most Austrian business people, especially the younger generation, are proficient in English. Business cards should always be double-side printed in German and English.

Austrians are scrupulously punctual and expect others to observe the same courtesy at all times. It is therefore essential to arrive on time for all meetings and other engagements. When meeting for the first time, it is expected that you shake hands and introduce yourself with your full name. In Austria, the use of first names is restricted to close friends and colleagues.. You are also expected to address the business partner with title both in written and oral communications. Drinks offered during a meeting should not be refused. Be aware of the uniqueness of Austria, recognising the clear distinction between Austrians and Germans.

SETTING UP A BUSINESS IN AUSTRIA

Setting up a business in Austria is very easy. There is plenty of office and industrial space for short and long term let and serviced office facilities available. Due to the complex regulations governing company law, seeking advice from a legal and tax consultant is highly recommended. Each company is obliged to register and needs to pay tax to the government as well as to meet the requirements of Austria's strict Gewerberecht (industrial law).

As Austria is an EU member state, there is free movement of both capital and earnings. Austria and Britain have a dual taxation agreement and the country belongs to the World Trade Organisation. Foreign investments are welcome if they do not have a negative impact on the environment. A variety of financial and tax incentives from regional and central government are available to business such as research and investment allowance, depending on area and size of business. Unique in Europe, Austria offers an advantageous provision for group taxation. Despite a corporate tax of 25% Austria charges no other trade or wealth taxes.

Information on how to set up a business in Austria and investment opportunities can be found at:

ABA-Invest in Austria, Opernring 3, A-1010 Vienna. T: 0043 1 588 58-0, F: 0043 1 586 86 59, E: office@aba.gv.at W: www.aba.gv.at/en/pages

FURTHER SOURCES OF INFORMATION / USEFUL ADDRESSES

Enterprise Europe Network London at London Chamber of Commerce and Industry

33 Queen Street, London, EC4R 1AP

T: +44 (0)20 74891992. F:+44 (0)20 72031812 E: europe@londonchamber.co.uk

The Enterprise Europe Network London brings together GLE, London Chamber of Commerce and London Technology Network. We provide practical, hands-on support and information for London's small and medium businesses seeking funding, hoping to expand their business into Europe, or wishing to develop (technology) partnerships with other European businesses.

W: www.een-london.co.uk

London Chamber of Commerce and Industry

33 Queen Street, London EC4R 1AP

T: 020 7248 4444, F: 020 7489 0391, E: lc@londonchamber.co.uk

London Chamber of Commerce's World Trade Team, Information Centre and Enterprise Europe Network can provide information or advice on many topics relating to international trade and overseas markets, including Austria. London Chamber of Commerce is a membership organisation but non-members can utilise certain services.

W: www.londonchamber.co.uk

UK Trade and Investment

Kingsgate House, 66-74 Victoria Street London SW1E 6SW

T: 020 7215 8000, E: enquiries@uktradeinvest.gov.uk, E: james.loederer@fco.gov.uk

UK Trade and Investment is the British government body responsible for helping UK companies secure overseas sales and investments. Their website has pages for each country in the world, including Austria.

W: www.uktradeinvest.gov.uk

Austro-British Chamber

Dominikanerbastei 4, Vienna A-1011, Austria

T.: 0043 1 890 7000, F: 0043 1 890 7000 15, E: info@abchamber.org

W: www.abchamber.org

Embassy of the Republic of Austria

18 Belgrave Mews West, London SW1X 8HU, UK

T: 020 7344 3250, F: 020 7344 0292, E: london-ob@bmeia.gv.at

W: www.bmeia.gv.at

British Embassy

Jaurèsgasse 10, A-1030 Vienna, Austria

T: 0043 (0)1 71613-5333, F 0043 (0)1 71613-5900, E: viennaconsularenquiries@fco.gov.uk

W: www.britishembassy.at

ABA-Invest in Austria

Operring 3, A-1010 Vienna, Austria

T: 0043 1 588 58-0, F: 0043 1 586 86 59, E: office@aba.gv.at

W: www.aba.gv.at/en/pages

Austrian Federal Economic Chamber

Wiedner Hauptstrasse 63, A-1045 Vienna, Austria

T: 0043 (0)5 90 900, E: callcenter@wko.at

W: www.wk.or.at



This country profile was produced by the Enterprise Europe Network London team at London Chamber of Commerce. The Enterprise Europe Network London brings together GLE, London Chamber of Commerce and London Technology Network. The Enterprise Europe Network London is funded by the European Commission and the London Development Agency.

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