



Decide with Confidence

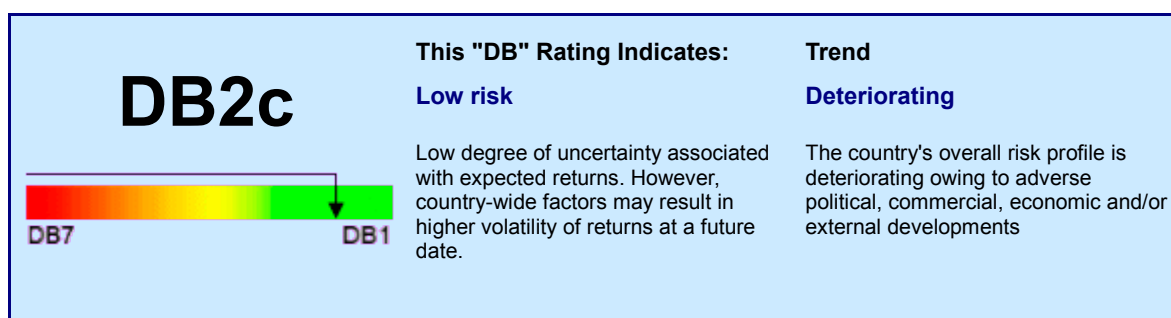
D&B Country RiskLine Report

AUSTRIA

Region : Western Europe

Edition : December 2012

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	8.4m
Surface area (sq km):	83,870
Capital:	Vienna
Timezone:	GMT +01:00
Official language:	German
Head of government:	Chancellor Werner FAYMANN
GDP (USD):	381.6bn
GDP per capita (USD):	45,499
Life expectancy (years):	80
Literacy (% of adult pop.):	98.0

Country Overview:

Landlocked Austria is a small republic in the eastern Alps. German is the national language, and Germany (Austria's neighbour to the north) remains the country's largest trading partner. Since the fall of communism in Europe in 1989, Austria has leveraged its geographic proximity and common cultural heritage with Central and Eastern Europe to forge economic ties with these emerging markets. Although an EU member since 1995, Austria has maintained its traditional neutrality in security and defence policy. Domestic politics have become more confrontational in recent years following the rise of far-right populist parties, but consensus-seeking remains important, with coalition governments the norm.

Austria is an advanced, productive economy with elevated standards of living and a functioning welfare state. While services account for over two-thirds of output (alpine tourism is a key sector), the country also boasts a well-developed manufacturing sector, specialising in niche capital goods and industrial inputs, many of which are exported to neighbouring Germany, Italy and Switzerland. However, the euro zone crisis seriously is undermining vital foreign demand.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	OA
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	SD
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:	0-30 days
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-1 month
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays:

0-1 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

Trade & Commercial Environment

Austria is ranked the world's 16th most competitive economy (out of 144 countries surveyed) according to the *Global Competitiveness Report 2012-13*, published by the World Economic Forum. Although this is an improvement by two positions compared with the previous year, several problems still remain when doing business with Austria-based companies. The biggest obstacles are restrictive labour markets, inefficient government bureaucracy, and an inadequately-educated workforce. On a more positive note, Austria's infrastructure is excellent (ranked 8th) and the degree of business sophistication is very high. In particular, the quality and quantity of local suppliers (mostly focussed on manufacturing) is among the best in the world.

Export Credit Agencies

US Eximbank	Full cover available
Atradius	Full cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

Economic Indicators

	2010	2011	2012	2013f	2014f
Real GDP growth, %	2.1	2.7	0.5	0.6	1.4
Inflation, annual ave, %	1.7	3.6	2.1	1.8	2.1
Govt balance, % GDP	-4.5	-2.5	-3.0	-2.5	-2.5
Unemployment, %	4.4	4.2	4.3	4.8	4.4
C/A balance, % GDP	3.1	1.9	2.2	2.5	3.0

The EU's Economic Sentiment Indicator tracks confidence for: industry, services, consumers, construction, retail trade. Inflation and unemployment are based on EU-harmonised data.

Currency Information

Exchange Rates

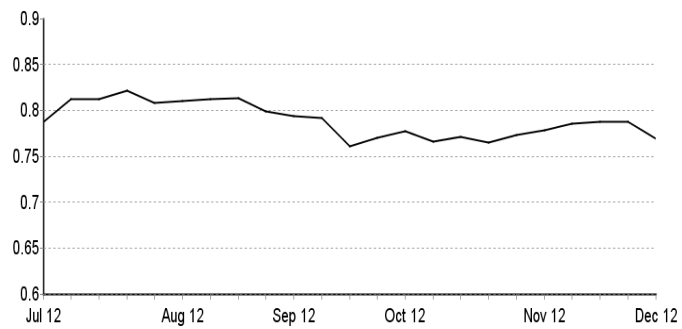
(London, 03 Dec 12)

GBP	1.2323
JPY*	0.9323
USD	0.7689

*(x 100)

Local Currency

(Euro [EUR]:USD)

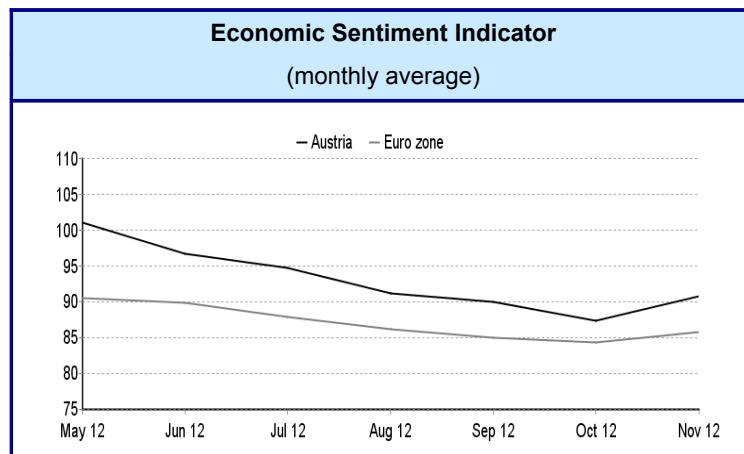


Local Currency

(Euro [EUR]:USD)

	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12
Week 1	0.788	0.810	0.793	0.777	0.778	0.769
Week 2	0.812	0.812	0.792	0.766	0.786	
Week 3	0.812	0.813	0.761	0.771	0.787	
Week 4	0.822	0.799	0.770	0.765	0.787	
Week 5	0.808			0.773		

Economic Sentiment Indicator



Data Table						
May 12	Jun 12	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12
101.1	96.7	94.7	91.2	90.0	87.4	90.8
90.5	89.9	87.9	86.1	85.0	84.3	85.7

Risk Factor

On the back of disappointing macroeconomic data and a gloomy regional and domestic outlook, D&B downgraded Austria's country risk ranking by one quartile to DB2c. After a downgrade from DB2a to DB2b in September, this is the second downgrade in less than half a year. GDP figures from Eurostat supported our forecast that the Austrian economy is facing a slowdown: real GDP contracted by 0.1% in quarter on quarter terms in Q3 and we expect this sluggish development to last well into 2013. Against this backdrop and the challenging outlook for the euro zone but also the Balkan region (with which Austria has close trade and financial links) we have downgraded our real GDP growth forecast for 2013: we now expect the economy to grow by only 0.6%, down from a previous 1.1%. Although the unemployment rate is still low and far below the euro zone average of 11.7%, we expect it to increase quite considerably to 4.8% in 2013 with negative repercussions on private consumption and profit margins of domestically-orientated businesses. As a consequence, we expect credit and payment risks in Austria to increase throughout most sectors as export-orientated businesses (mainly tourism and manufacturing) will also suffer from lower demand.

Meanwhile, the country's political risk outlook is also gloomy. Less than nine months before the scheduled parliamentary elections, four out of the five parties currently represented in the parliament are involved in high profile corruption scandals. This again highlights the country's persistent problems in the field of fighting corruption. Worryingly, the bribing scandals reduce support for the current centre-left/centre-right coalition government and it seems possible that a renewal of the coalition will not be possible due to a lack of a majority in the parliament. As a consequence, the far-right and euro-sceptic Freedom Party (currently in opposition) could become kingmaker after the elections; this would lead to a shift of the policy agenda, probably undermining the country's relatively business-friendly commercial environment (besides the elevated degree of corruption).

However, the country also produces good news: although Austria lost its Triple A rating at rating agency S&P in January 2012, Austria's government is able to refinance itself at very low cost. The country continues to act as a safe haven and yields on 10 year government bonds fell to 1.76% in November 2012, an all time low. The private sector also gave some reason for optimism in November: the Manufacturing Sector's *Purchasing Managers' Index* (compiled by Markit) rose to its highest level since June. For the first time since summer, a strong new order inflow has been pushing up production levels. However, we believe that this recovery will be short-lived and advise caution.

Glossary & Definitions

DEFINITIONS

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C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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