



Decide with Confidence

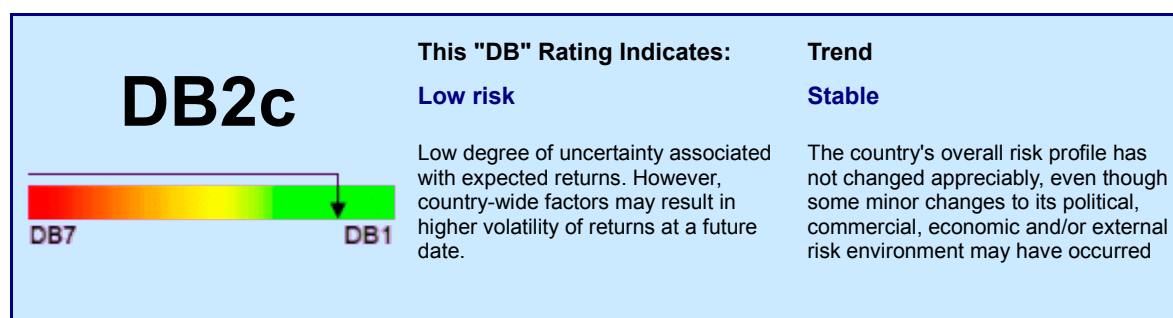
D&B Country RiskLine Report

AUSTRIA

Region : Western Europe

Edition : July 2013

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):	386.6bn
GDP per capita (USD):	45,885
Life expectancy (years):	80
Literacy (% of adult pop.):	99.8

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

Weak economic conditions have intensified pressure on firms. Retail and wholesale businesses saw their turnovers fall on average by 4.3% in year-on-year (y/y) nominal terms in Q1, while service firms saw theirs increase by just 1.7%. Favourably, corporate insolvencies declined by 9.2% y/y to 1,680 in Q1, according to data from Creditreform. However, caution is advised in sectors that face high rates of failure. Bankruptcies fell by 14.5% y/y in construction but the sector still posted the highest rates of failure (at 10.0%). Insolvencies rose by 17.8% y/y in the transportation and communication sector, which had the second-highest failure rate (at 9.4%). We advise customers to be vigilant when dealing with Austria-based counterparties and recommend the use of SD terms.

Export Credit Agencies

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

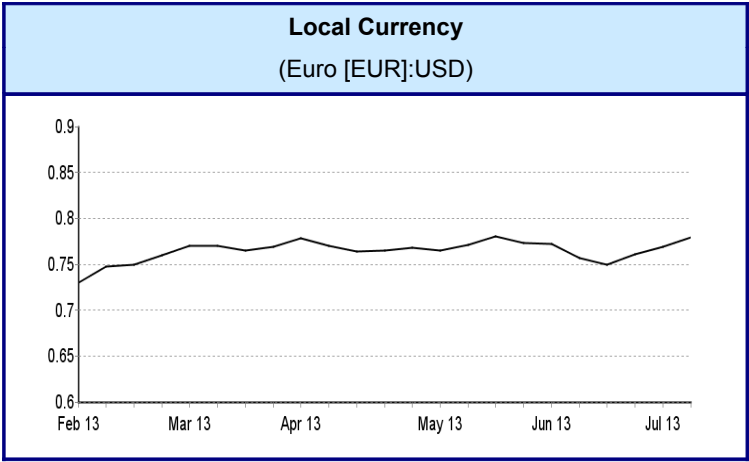
Economic Indicators

	2010	2011	2012	2013f	2014f
Real GDP growth, %	2.1	2.7	0.5	0.5	1.4
Inflation, annual ave, %	1.7	3.6	2.6	1.8	2.1
Govt balance, % GDP	-4.5	-2.5	-2.5	-2.5	-2.5
Unemployment, %	4.4	4.2	4.4	4.8	4.4
C/A balance, % GDP	3.1	1.9	2.1	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.

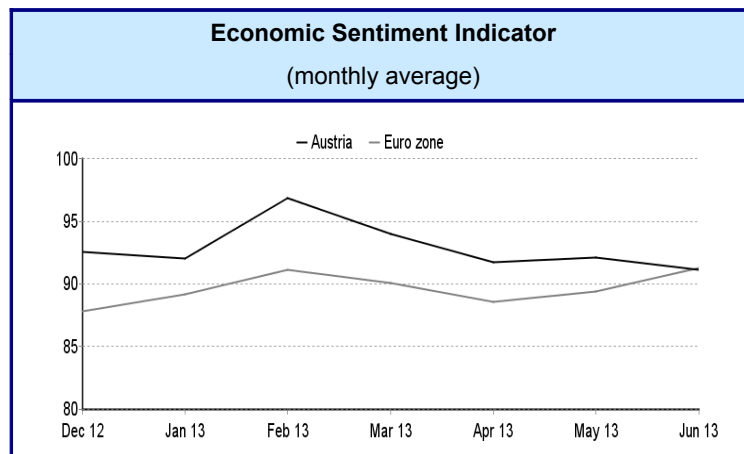
Currency Information

Exchange Rates	
(London, 08 Jul 13)	
GBP	1.1596
JPY*	0.7722
USD	0.7791
*(x 100)	



Local Currency						
(Euro [EUR]:USD)						
	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13
Week 1	0.730	0.770	0.778	0.765	0.772	0.769
Week 2	0.747	0.770	0.770	0.771	0.756	0.779
Week 3	0.750	0.765	0.764	0.780	0.750	
Week 4	0.760	0.769	0.764	0.773	0.761	
Week 5			0.768			

Economic Sentiment Indicator



Data Table						
Dec 12	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13
92.6	92.0	96.9	94.0	91.7	92.1	91.1
87.8	89.2	91.1	90.1	88.6	89.4	91.3

Risk Factor

The domestic economy is relatively healthy by the EU's generally weak standards. However, GDP growth has stalled since early 2012. Indeed, the economy again failed to expand in Q1 (i.e. registering 0.0% change) in both year-on-year (y/y) and quarter-on-quarter terms. Domestic demand is stagnant and external demand remains constrained by the ongoing euro-zone crisis. More recent economic indicators do not point towards any significant improvement. While unemployment figures are still the best in the euro-zone region, government data demonstrate that the unemployment rate rose to 6.5% in June from 6.3% in May. Meanwhile, forward-looking indicators are also unfavourable. The June manufacturing *Purchasing Managers Index* (PMI, compiled by Markit) remained below the benchmark 50-point growth threshold at 48.3, up slightly from 48.2 posted in May. The continued deterioration in business conditions was a result of falling output; production has now declined in ten out of the last 12 months. New orders increased for the second straight month, but growth was slim and new export orders were down as a consequence of muted demand from elsewhere in the EU. Backlogs of work fell for the sixth consecutive month. With inventories sufficient to meet output requirements, factories are unlikely to ramp up production in the months ahead. Given the generally weak economic data, D&B has revised down its GDP growth forecast for 2013 to 0.5% (from 0.6% previously).

In June the government unveiled a multi-year EUR1.6bn fiscal package to stimulate the construction sector, following the announcement of the failure of the country's second-largest construction company, Alpine Bau, and considerable flood damage earlier in the month. Worryingly, the insolvency of Alpine Bau is the country's largest in over 60 years; its failure will affect over 1,300 suppliers and over 7,000 domestic employees. With 17,750 construction workers already out of work, the government's plan to target the construction sector will undoubtedly provide a boost to the labour market. However, the immediate uplift will be limited. The fiscal package will be spread out over the next four years, with just EUR160m to be spent throughout the remainder of 2013 and EUR750m to be spent in 2014. Moreover, the finances that will be made immediately available are relatively small compared with the damage inflicted by recent flooding. Flood damage, concentrated around Salzburg region and the Danube River, has been estimated at EUR2.2bn (about 0.7% of GDP). The damage will undermine economic output in the immediate term. Supply chains were disrupted as a result of the closure of some firms and transport links. Moreover, the flooding damaged some crops and will also hurt agricultural output. By late-2013/early-2014, however, reconstruction and investments to repair the infrastructure should provide a much-needed boost to domestic demand.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

Local Delays:

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F/X Bank Delays:

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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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