

ECONOMIC OVERVIEW

Austria's strong economic performance throughout the 1987-90 period continued in 1991, the fourth consecutive year in which the growth of Real Gross Domestic Product (GDP) (4.6% in 1990 and 3.0% in 1991) exceeded both the OECD and West European average. Preliminary information indicates that substantial growth continued throughout the first half of 1992 and real GDP is expected to have grown by 2.3% in 1992, and will increase by 3.1% in 1993, reflecting a combination of slower growth in important West European markets (particularly Germany) and a decline in consumer spending balanced to some extent by buoyant East European markets.

Industrial production in Austria slowed down considerably in 1991 (+6.8% in 1990; +1.4% in 1991) reflecting both a large decrease in domestic demand for capital equipment and a much less optimistic outlook for exports, the latter having been a major component of Austria's dynamic economy during the past several years. Both the unemployment level (5.8% in 1991) and the rate of inflation (3.3% in 1991) are expected to rise somewhat for 1992 figures to 6.0% and 3.8% respectively. Nevertheless, the overall picture is of a relatively strong economy buoyed up by a construction boom in Vienna, strong private consumption and a stable external sector.

As regards international trade, the volume of Austrian exports rose by 6.1% in 1991 (9.7% in 1990), and imports rose by 6.5% (9.7% in 1990). Both real export and import growth are expected to slow to about 4-5% for 1992 figures, reflecting continuing recessionary trends in Austria's West European trading partners and a shift in domestic demand towards less import-intensive areas (eg. towards construction and non-durable goods). Nevertheless, Canadian exports to Austria (which doubled during the 1987-90 period, then tapered off in 1991 at approximately the 1990 level), rebounded startlingly during the first half of 1992 to increase by some 49% over the comparable 1991 period, the largest increase of all 20 major West European destinations (and compared with an overall decrease of -6.7% to western Europe as a whole). Once again, the composition of Canadian exports to Austria was increasingly concentrated in advanced-technology, and higher-value-added merchandise.

Austria is a modern, industrialized country which is continuing to focus its economic policies and business practices on the "internationalization" of industry through such measures as privatization of former government-controlled firms and the rationalization of production. At the same time, individual Austrian companies continue to pursue joint-ventures, strategic alliances, technology and know-how transfer/exchange agreements, consulting, management and licensing agreements with firms in foreign countries. Consequently, the Canadian Embassy in Vienna will concentrate efforts in areas of investment promotion, technology transfer and business alliances which lead to job-creation and increased international competitiveness of Canadian goods and services.

Continuing economic and political changes in Austria's East European neighbouring countries and the drive towards EC membership have together focused much of Austria's trade and investment initiatives on its role in Central Europe as a bridge to both East and West. Consequently, the Canadian Embassy in Vienna will continue to be particularly active in a number of "niche" product areas ranging from specialty foods to environmental technology products and services. In addition, the Canadian Embassy intends to capitalize on the optimistic economic outlook for Austria for the next few years.