

The logo consists of the lowercase letters 'iv' in a white, sans-serif font, set against a dark blue rectangular background.

FEDERATION OF  
**AUSTRIAN INDUSTRIES**



# Austrian Industry –

A Unique Success Story



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The Second Austrian Economic Miracle ■  
Industry as the Driving Force of Success ■

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# The Second Austrian Economic Miracle

The concept of the 'Austrian economic miracle' has long found its way into the history books and refers to the period of rapid economic growth that quickly made Austria into a wealthy nation again after the Second World War.

The fall of the 'Iron Curtain' and above all the expansion of the European Union by the former Communist countries of Central and Eastern Europe finally laid the foundations for the 'second Austrian economic miracle'.

- FROM 2002 TO 2008, AT 2.5 PERCENT AUSTRIAN ECONOMIC GROWTH WAS FASTER THAN THAT OF THE 25 MEMBER-STATES OF THE EU (2.14 PERCENT). THE COUNTRY IS HOME TO ONLY 2 PERCENT OF THE EU POPULATION, BUT DEALS WITH ALMOST A TENTH OF THE ENTIRE TRADE WITH THE NEW MEMBER STATES.
- NOW EVERY SECOND EURO OF AUSTRIAN PROSPERITY IS EARNED FROM EXPORTS. IN TERMS OF EXPORT GROWTH, AUSTRIA IS EVEN EUROPEAN CHAMPION.
- ACCORDING TO THE WORLD COMPETITIVENESS REPORT OF 2007 (WCR), AUSTRIA HAS THE BEST AVAILABILITY IN THE WORLD OF SKILLED LABOUR AND SENIOR MANAGEMENT AND, AFTER DENMARK, THE MOST HIGHLY MOTIVATED EMPLOYEES.
- ALTOGETHER, WITH A PER CAPITA GDP OF EURO 35,600 FOR THE WORKING POPULATION AUSTRIA IS ALREADY THE FOURTH-RICHEST COUNTRY IN THE EU.
- THE TRADITION OF THE SOCIAL PARTNERSHIP BETWEEN EMPLOYERS AND EMPLOYEES MAKES A SIGNIFICANT CONTRIBUTION TO SOCIAL PEACE IN AUSTRIA.
- ACCORDING TO THE WCR, FOR MANY YEARS AUSTRIA HAS UNINTERRUPTEDLY TAKEN THE FIRST RANKING POSITION IN TERMS OF LIVING QUALITY WORLD-WIDE.

There are many reasons for the 'second economic miracle'. Apart from the fact that Austria has seized its opportunities as the link between the 'old' and 'new' EU countries, Austria implemented proactive structural reforms in time, so that it will continue to rank among the most prosperous countries with a good social system and a high employment rate in the future. The EU Commission has stressed that above all the reforms to safeguard and sustain the Austrian pension system in view of demographic shifts have exemplary nature.

It is all the more important not 'to turn back' these reforms. The labour market has been successfully liberalized, budget expenditure on active labour market policies has been doubled since 1994, public finances consolidated, state-run enterprises effectively privatized and Austria has been strengthened as a business location by a tax reform. But there is more behind the 'second Austrian economic miracle', a powerful and reliable driving force: Austrian industry!

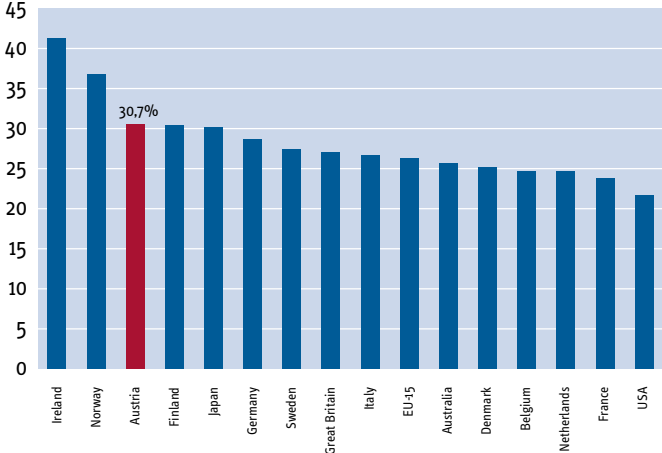


# Industry as the Driving Force of Success

The facts speak a clear language. Especially since the opening of the Eastern European countries and the increased integration of the economy in world markets, industry has been the driving force for innovation and growth in our country. Directly and indirectly industry produces about 59 percent of Austria's added value, exports goods to the value of about Euro 12,000 per capita every year, safeguards jobs for more than 2.25 million people in the country and thus pays more than 55 percent of employee salaries in Austria.

# AUSTRIA AS AN INDUSTRIAL COUNTRY

None of the leading industrial nations has a higher industrial quota than Austria: the proportion of Austria's added value that is directly earned by the narrowest sector of industry alone comes to 30.7 percent. Only in Ireland, Norway and a few former planned economies in Central and Eastern Europe is the proportion of industry in gross added value higher than in Austria.

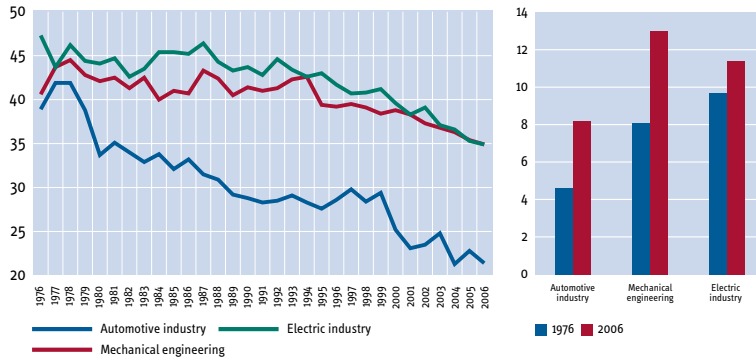


INDUSTRIAL QUOTAS IN AN INTERNATIONAL COMPARISON (PROPORTION OF INDUSTRIAL ADDED VALUE IN NATIONAL ADDED VALUE IN PERCENT)

(Source: OECD, ISIC 2005)

## A MODEL FOR THE PROCESS OF GLOBALIZATION

As the most exposed sector globally, industry has quickly learned that one of the keys to success is an efficient division of labour with other sectors. This makes it possible to improve competitiveness and safeguard market shares. The success of this strategy becomes particularly clear in the highly competitive industrial sectors of engineering, the automotive industry and electronics. Over the past thirty years these very ‘national flagships’ have carried out a substantial division of labour (cf. table on the left) and have simultaneously evinced above-average growth within overall industry (cf. table on the right). Their proportion of overall added value from the production of material goods has increased from 22 to 33 percent over the past three decades.



LEFT: PROPORTION OF ADDED VALUE IN THE PRODUCTION VALUE OF THE 3 ‘NATIONAL FLAGSHIPS’ IN PERCENT 1976 - 2006

RIGHT: PROPORTION OF THE THREE ‘NATIONAL FLAGSHIPS’ IN TOTAL ADDED VALUE

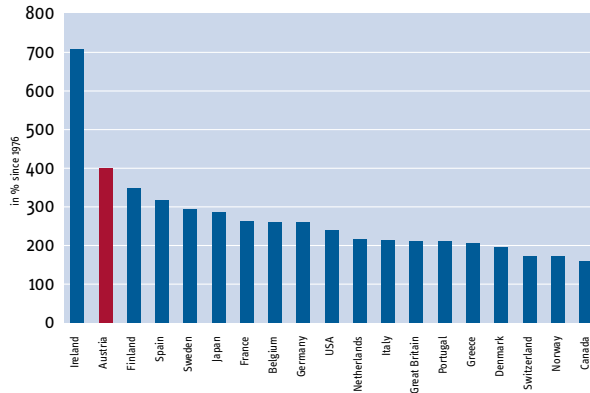
(Source: Statistik Austria, VGR 2006)

## INDUSTRY AS THE DRIVING FORCE FOR EXPORTS

Every second Euro of Austrian prosperity is already earned from exports. Here industry is the driving force. Since accession to the EU the volume of industrial sales has doubled to more than Euro 77 billion and the intensity of industrial exports (proportion of foreign sales in total sales) has increased from 44 to 56 percent.

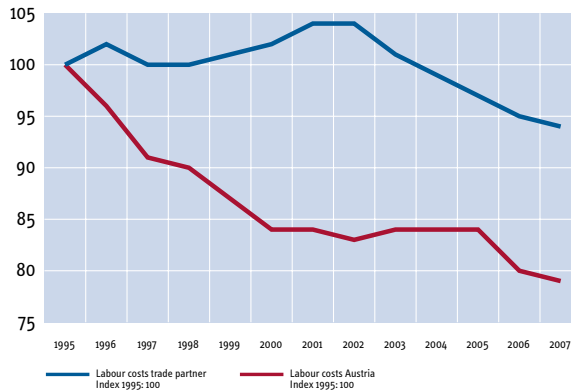
## INDUSTRY AS THE DRIVING FORCE FOR PRODUCTIVITY

Globalization has led to industry especially becoming exposed to constantly growing competition. At an early date Austrian industry realized that only productivity increases through product and process innovations, progressive automation or the efficient division of labour can guarantee its competitiveness. In terms of production performance per working hour, from 1976 to 2006 Austrian industry managed to reach the second-highest productivity increases world-wide with an efficiency growth of 400 percent.



**CHANGES IN PRODUCTIVITY PER HOUR (MATERIAL GOODS PRODUCTION) SINCE 1976**

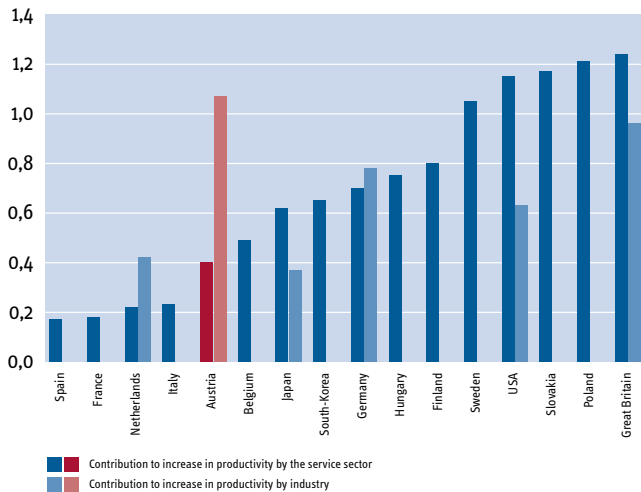
(Source: WIFO)



**CHANGES IN UNIT LABOUR COSTS FOR EMPLOYEES IN MATERIAL GOODS PRODUCTION IN AUSTRIA AND AUSTRIAN TRADING PARTNERS 1995 – 2007**

(Source: WIFO)

Thus, under conditions of intensified global competition Austrian industry has become more efficient and modern. Nevertheless, productivity in the services sector still counts as one of the traditional problem areas in the annual OECD reports on Austria, not least due to the large public sector. If productivity growth in the services sector were in keeping with that of industry, average productivity growth in Austria would be 46 percent above the current level. A comparison shows: in no other economy is the industrial contribution to productivity growth as high as in Austria.



CONTRIBUTIONS OF THE INDUSTRIAL AND SERVICES SECTORS TO PRODUCTIVITY GROWTH SINCE 1980 IN PERCENTAGE POINTS

(Source: OECD)

## A PIONEER IN CAPITAL STRUCTURE

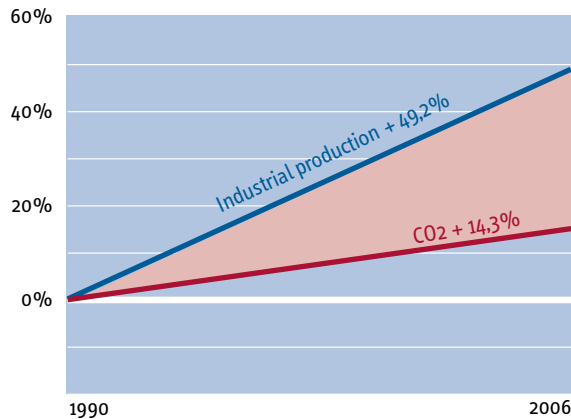
**A** reinforced equity position is becoming more important for every enterprise in the light of Basel II. Although the equity capital of Austrian companies had been inadequate for decades, after the late 1980s industry managed radically to reverse the trend of diminishing equity capital quotas. With 28.4 percent the equity capital quota in material goods production is today significantly higher than that of the market-oriented economy with 22.6 percent. However, Finland, which ranked second-last in the EU ahead of Austria with 35 percent in 1995, remains the paradigm and is top of Europe with 56 percent today.

## INDUSTRY IS THE FUTURE

**E**ducation, research and innovativeness are of salient significance for the sustainable competitiveness of an economy. In Austria 44 percent of total expenditure on research comes from industrial enterprises. Thus, industry is not only the dynamo behind Austria's success story, it also creates the basis for this success story to go on!

## AN IMPORTANT TRAILBLAZER IN ENVIRONMENTAL PROTECTION AND EFFICIENT USE OF ENERGY

Due to the impressive growth of industry, its CO<sub>2</sub> emissions have increased by 14.3 percent since 1990, but industrial production has grown by more than 49 percent over the same period. This means that with a reduction of its energy intensity by more than 13 percent industry has surpassed all the other sectors in terms of the continuous improvement of the efficient use of energy. The active contribution of industry to environmental protection can also be seen in the weighting of energy sources. Since 1990 the proportion of coal and oil in final energy consumption has dropped by 35 and 28 percent respectively, whereas the proportion of renewable energy has risen by 24 percent.

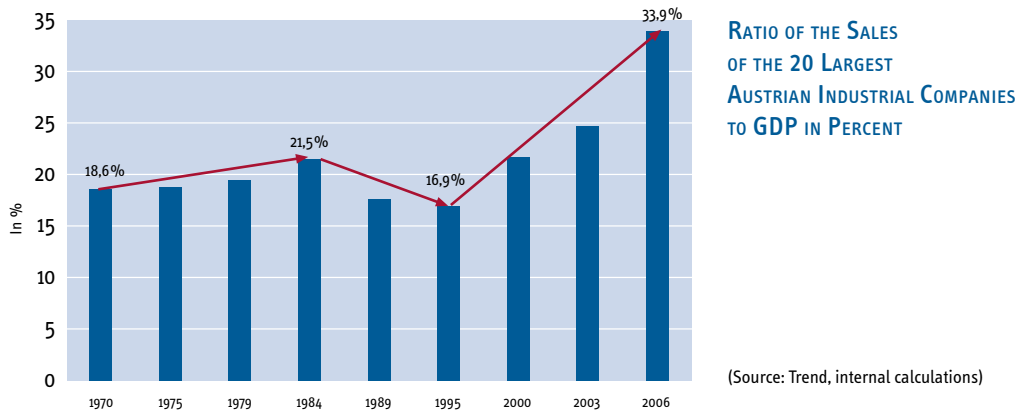


COMPARISON OF THE DEVELOPMENTS  
OF INDUSTRIAL PRODUCTION  
AND CO<sub>2</sub> EMISSIONS  
FROM 1990 TO 2006 IN PERCENT

(Source: UBA, Climate Protection Report 2008)

## GROWTH ACCELERATES INTERNATIONALIZATION

The privatization of state-run enterprises, the liquidation of bank-owned industries, the opening up of foreign markets and complete liberalization have initiated an impressive trend of growth in major enterprises. The sales of the 20 largest industrial concerns in Austria alone have doubled from 16.9 to 33.9 percent between 1995 and 2006, measured as a percentage of GDP. The establishment of major leading enterprises has significantly accelerated the process of internationalization and growth of the Austrian economy.



## THE SUCCESS STORY AS SEEN IN THE EXAMPLE OF AN INDUSTRIAL WORKER

The success story of Austrian industry is also the success story of industrial workers, who can afford considerably more with their net hourly wages, including bonuses, than 27 years ago.

### TRENDS IN THE PURCHASING POWER OF INDUSTRIAL WORKERS 1980 – 2007 (Source: WIFO)

**Explanation: So as to be able to buy the following products, an industrial worker had to produce the following working performance (in hours and minutes) in the years 1980, 1995 and 2007:**

		1980	1995	2007
1L	WHOLE MILK	8.8 M	4.3 M	4.2 M
1KG	FINE CRYSTAL SUGAR	10.8 M	6.5 M	5.4 M
250G	PURE COFFEE	31.1 M	15.6 M	8.7 M
1KG	PORK, CUTLET	1 H 32.7 M	48.9 M	43.8 M
1	LADIES' DRESS	19 H 2.8 M	13 H 25.0 M	7 H 32.0 M
1	COLOUR TELEVISION	229 H 7.0 M	90 H 24.0 M	64 H 56.2 M
1L	NORMAL PETROL	7.5 M	4.6 M	5.3 M

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