



# SIX YEARS AFTER EU ENLARGEMENT – AUSTRIA AND ITS EASTERN NEIGHBOURS

Comments on Competitiveness  
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# Is Austria always better off? Felix Austria?

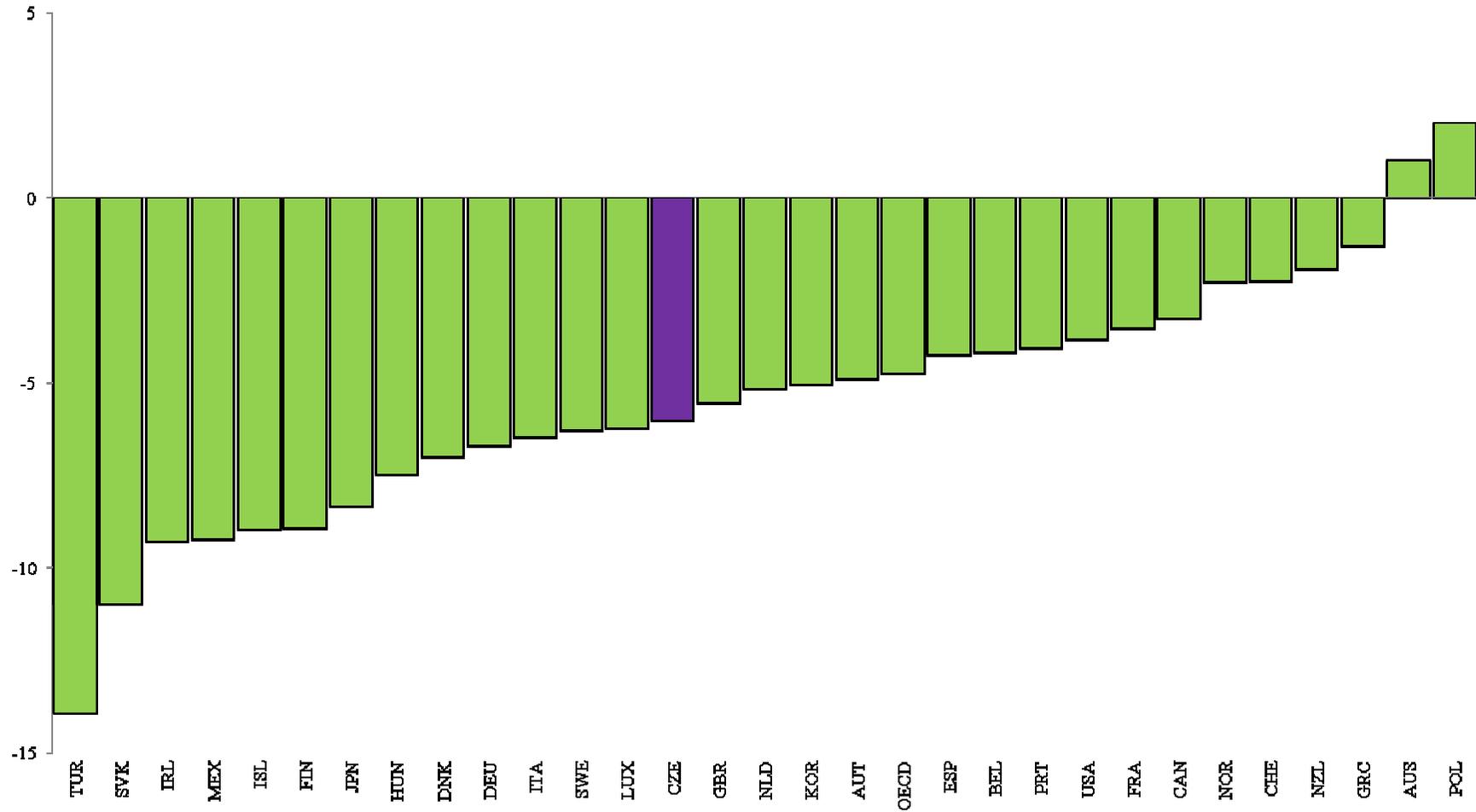
- Excellent economic performance (gdp/per capita in PPPs), steady catching up, now behind Netherlands, ahead of Denmark, Sweden, Finland, Belgium
- Is this good performance a consequence of good policies?  
a sequence of positive shocks?

# GDP per Capita/OECD

Land	2005	2006	2007	2008
OECD	100	100	100	100
Austria	112	112	111	112
Belgium	108	106	105	105
Denmark	111	112	110	109
Finland	103	104	107	107
Germany	105	105	105	105
Netherlands	118	118	120	122
Sweden	108	109	111	109
Switzerland	119	121	126	127



# Even the crisis has hit Austria only average (% of GDP from peak to trough)





# What to learn from the studies?

- Austria (after Germany) has the lowest real exchange rate of the euro zone
- Structural break in export/import trends around mid 90ies
- Greece and Austria benefited in similar way from eastern opening
- Most important structural shift in favour of real estate dwelling and business services
- Positive gdp effects only if crisis year is excluded

# Open questions

- Why are enlargement effects for Austria so small/invisible? Potential growth has even fallen after EU Enlargement. Has EU enlargement just compensated for other deficiencies of the Austrian economy?
- How to explain the increase of real estate/business services? Is it sustainable?
- What are the consequences of the boom/bust cycles in which Austria participated as creditor for the Austrian economy? In variable rate foreign currency loans?

# An unproven hypothesis

- Austria has used the benefits from Eastern Enlargement to substitute for necessary reforms of its economy:

Fiscal Federalism remains excessively expensive

Product market regulation remains heavy

Government services are expensive and inefficient

Banks are heavily invested in an unsustainable business model (at home and abroad)