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78th Euroconstruct Conference: European Construction Market Outlook until 2017 – Slowdown in New Residential Construction from 2014 Onwards

Country Report Austria

Michael Klien, Michael Weingärtler

November 2014

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ÖSTERREICHISCHES INSTITUT FÜR WIRTSCHAFTSFORSCHUNG
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Abstract

Austria's overall economic outlook continues to be stable but it is weaker than expected half a year ago. GDP growth will be similar to the performance in the Euro area average. The main reason for the downward revision was the repeated dampening of world trade which was the limiting factor of an export driven recovery in Austria. This dampens investment and puts pressure on non-residential construction, whose outlook is positive but the least favourable within the three main construction sectors. On the other hand, housing is still a key driver. Currently, a slowdown in growth in new residential construction can be observed which puts pressure on the total construction industry and related industries because of its dominance. The Euroconstruct Country Report for Austria gives in-depth information on the Austrian construction market until 2016. It covers in detail the housing market, the non-residential sector and civil engineering (new and renovation, respectively). Additionally, essential background information and an overview of the macroeconomic situation are provided until 2017.

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European Construction: Market Trends until 2017

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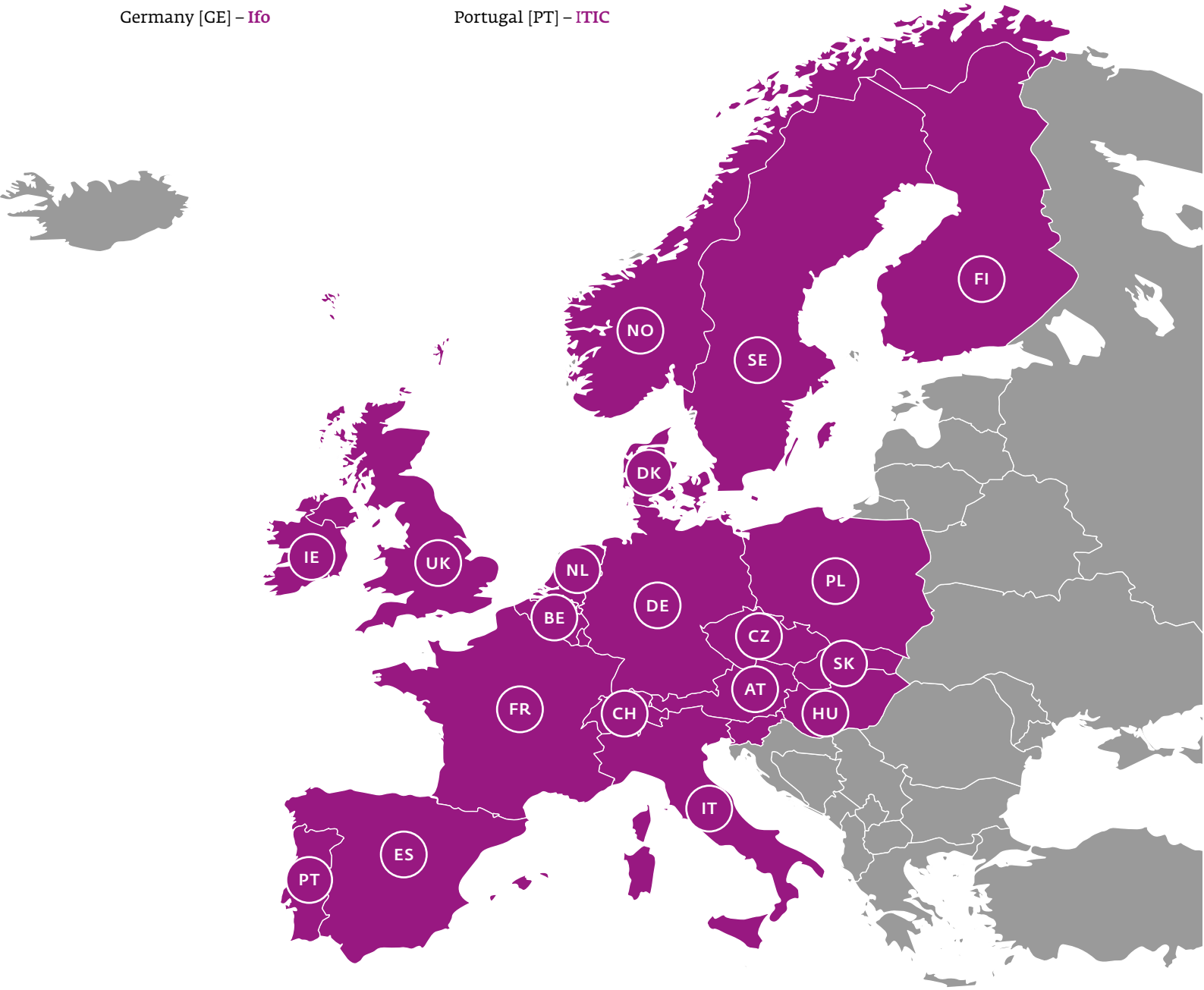

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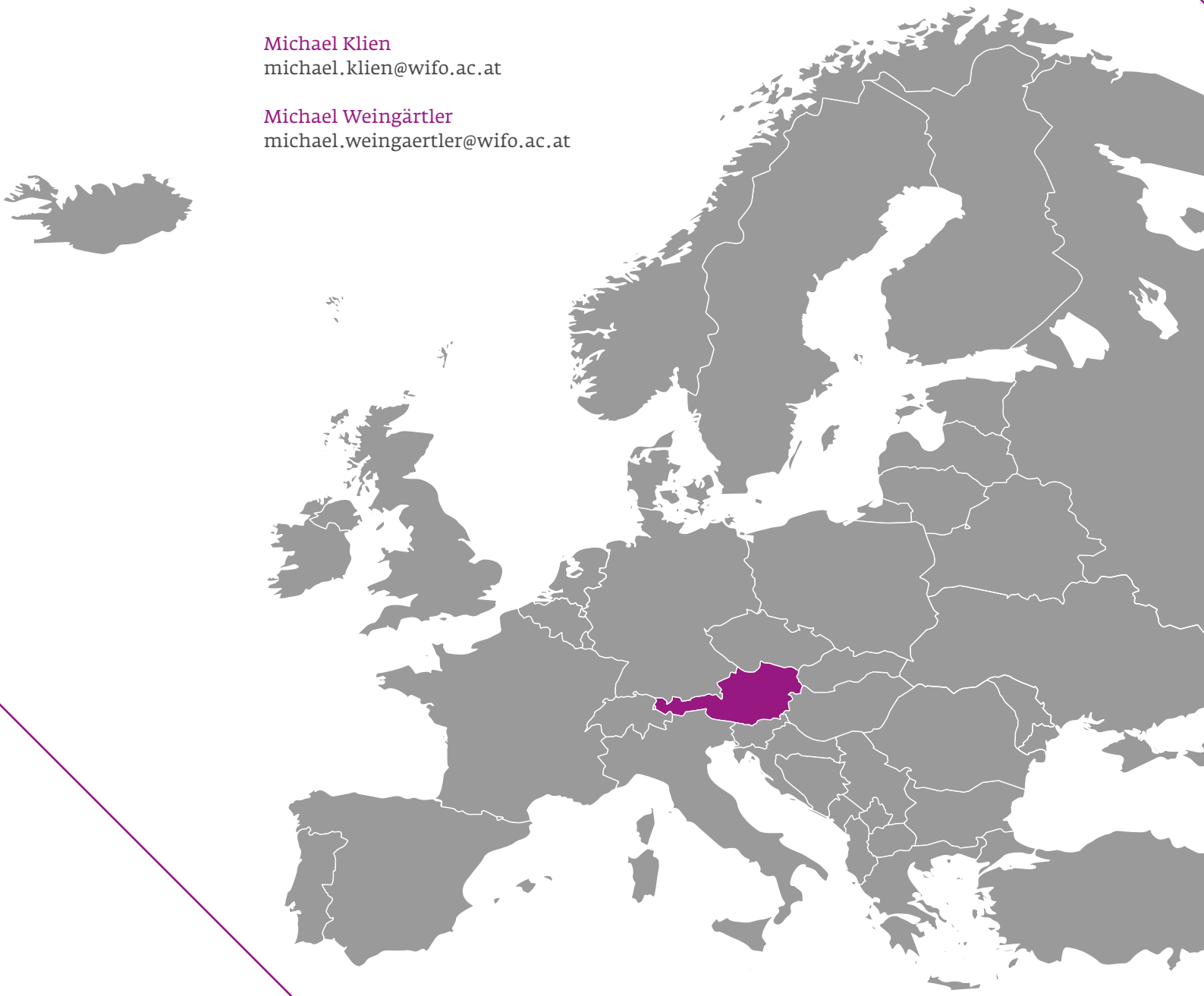
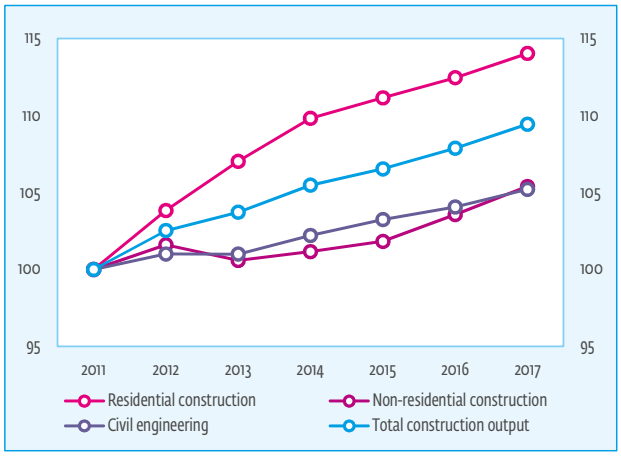


1. Summary and Conclusions

Austria's GDP is forecasted to grow by 0.8 percent in 2014, which will be similar to the expected average growth of the EU-18 (Euro area) countries. The current GDP growth had to be significantly revised downwards compared to the forecasts in June 2014. The main reason for the downward revision was the repeated dampening of world trade which was the limiting factor of an export driven recovery in Austria. Foreign trade declined significantly especially in the manufacturing sector leading to a decline in work volume. This put pressure on the labour market where unemployment is increasing – also because of ongoing demographic trends. The relatively tense situation on the labour market in combination with declining net wages has adversely affected private consumption. Investment impulses from public households are also scarce. New budget balancing guidelines led to a higher Maastricht relevant deficit and the liquidation of the Hypo bank charges additionally the budget. GDP growth in 2014 and 2015 stems therefore solely from increases in productivity. The expected growth of GDP in 2016 by 1.4 percent and in 2017 by 1.7 percent requires an increase in world trade and also higher demand within the European community. The latter could be achieved by an economic stimulus program, which is currently discussed by the EU commission.

Total Construction Output by Sector from 2011 to 2017

Index 2011=100



Source: EUROCONSTRUCT (78th Conference)

After continuous growth of almost 3 percent annually since 2011, the **housing market** will remain strong and is expected to grow by 2.6 percent in 2014. The low interest rate environment, rising house prices and growing demand through demographic changes favour new housing production. As these factors are expected to prevail over the next years, the segment will continue to grow within the forecasting period. However, there are several signs indicating that residential construction has already reached its peak and will grow less strong from 2014 onwards. On the one hand, a number of economic stimulus measures are about to phase out. This is particularly relevant for restoration activities, which benefited largely from public investment subsidies. On the other hand, the envisaged fiscal consolidation, affecting both the federal as well as state governments, could lead to a retrenchment of the housing subsidy scheme. Because housing subsidy and the public sector play an important role for new construction and renovation activities, a contraction in public activity will inevitably exert adverse effects on housing construction output.

The repeated deferral of economic recovery in Europe is the main hindrance for **non-residential construction** in Austria. After the strong growth in 2011 and 2012, the faltering economic upswing has led firms to postpone investments, resulting in a 1.0 percent decline in 2013 and a forecast of almost zero growth in 2014 and 2015. Given that additional impulses from the public in terms of health and education construction is highly unlikely, the situation of moderate growth rates in non-residential construction is poised to remain until 2016. The forecasts for 2016 and 2017 predict a more dynamic development, with growth rates by 1.7 percent in 2016 and by 1.8 percent in 2017, but are highly conditional on actual improvements of economic conditions, particularly exports.

Civil engineering is expected to increase by around 1.0 percent in 2014 and 2015 which is mainly based on growth in road and railway construction. Impulses from the telecom sector can be expected in 2016 and 2017 because of public investment aid for broadband network expansion. Nevertheless, the higher construction volume in telecom cannot outbalance the expected reduction in traffic infrastructure investments. Civil engineering is therefore expected to grow at a minor rate of 0.8 percent in 2016. Investments in energy will be low throughout the forecasting period because of the sufficient electricity capacity. Investments in water works are forecasted to decline on average because large investments into new systems were already made in the last decades and public subsidy programmes are likely to phase out. To sum up, the outlook for civil engineering will mainly depend on the realisation of the big transport infrastructure programs. Given the current situation total civil engineering will grow slightly above one percent in 2017.

All in all, **total construction** is forecasted to grow by 1.7 percent in 2014. The lower growth in 2015

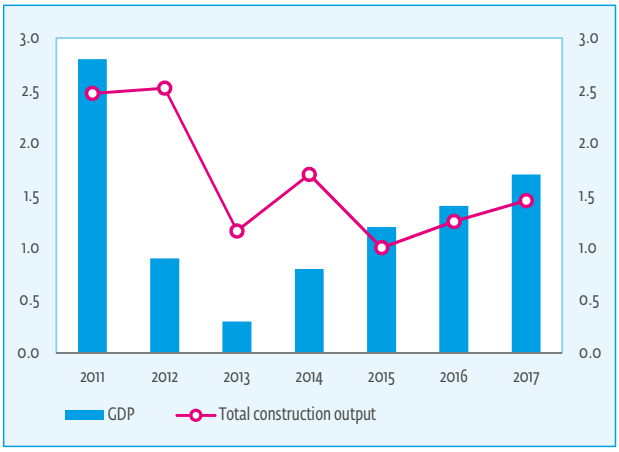
(1.0 percent) stems from weakening dynamics in housing output. Non-residential construction is expected to grow but only at a minor rate because of the sluggish economic environment. Given a tight public budget no significant impulses can be expected from civil engineering within the next years. Under the condition of an increasing foreign trade it is likely that construction output in Austria grow slightly stronger in 2016 and 2017 with growth rates of about 1.3 percent and 1.5 percent respectively.

2. Macro-economic Outlook

In 2013 Austria's economy grew marginally by 0.3 percent in real terms and the outlook continues to be weak. World trade seemed to have picked up only temporarily in 2013 and weakened again in 2014 mainly because of capital withdrawal in the emerging countries. Overall economic growth was therefore revised downwards compared to the spring analysis. In 2014 GDP is expected to grow by 0.8 percent according to recent projections[1] and a further slight improvement of the economic framework is expected in 2015 leading to a GDP growth by 1.2 percent.

GDP and Total Construction Output from 2011 to 2017

year to year change in %



Source: EUROCONSTRUCT (78th Conference)

Foreign trade. One of the limiting factors is international demand, which is not sufficient for an export driven economic upswing in Austria. The weak demand within the Euro area puts additional pressure on the economy. It is expected that the European Central Bank continues to ease access to credits but this does not solve the problem of the low demand in Europe, which is responsible for the lower growth expectations. Austria's foreign trade is therefore expected to grow only marginally. Exports are forecasted to increase by 1.5 percent in 2014 and by 3.3 percent in 2015.

Investment. Investment in equipment increased at the beginning of 2014, because of a dynamic expansion of vehicle investment, which were only preponed purchases before the increase of the car registration tax ("Normverbrauchsabgabe"). On the other hand investment in machines declined in the current year. Investment in equipment will therefore stagnate in 2014 and are expected to grow only by 2.0 percent in 2015. Long term interest rates are on a low level and are expected to decrease further in 2015 because of quantitative easing by the ECB. Nevertheless, investment performance cannot benefit further from the favourable financing conditions and it will remain weak because of steady sales expectations.

Labour. The unfavourable international framework in combination with weak domestic demand put pressure on the labour market. Manufacturing is affected most, with decreasing employment and work time per capita are decreasing. Employment in the service sector is expanding but only because of increasing part-time contracts. All in all the volume of work is declining and economic growth is mainly based on increases in productivity. Labour supply is growing but simultaneously also the number of unemployed. In 2014 around 320.000 persons will be without occupation in Austria leading to an unemployment rate of 5.0 percent according to Eurostat definition. The weak demand for labour faces a growing labour supply mainly because of immigration and cross-border commuters. Unemployment rate is therefore expected increase further and will reach a rate of 5.2 percent in 2015.

Private demand. The tense situation on the labour market in combination with lower work volume limits wage increases. In 2014 gross wage in current prices will increase by about 1.7 percent and by 2.5 percent in 2015. Relatively high increases in consumer prices (1.8 percent in 2014 and 2015) together with an increasing tax ratio (49.1 percent in 2013 on wages) led to a decline in real net wages which will hold on during the forecasting period. The demand for durable consumer goods is also expected to shrink in 2014. Private consumption will therefore decline at rates by 0.4 percent in 2014 and by 0.8 percent in 2015. A dampening factor is also private debt, which did not decline since the financial crises in 2009.

Public demand. The financial means for supporting Austrian banks (4.4 bn €) put pressure on the public budget in 2014. On the other hand savings within the pension system as well as cuts in discretionary spending, one time revenues from the tax

1 Schiman, S., "Economic Forecasts for 2014 and 2015: International demand for export driven recovery is too weak", WIFO, 2014.

AT

agreement with Liechtenstein and the ongoing low interest rates support the public household. Overall, the forecasts for the Maastricht-deficit remain unchanged (2014: 2.9 percent of GDP) despite the less favourable economic framework.

Downside risks. The current macro-economic forecast bears several risks. A further financial support of the partly nationalised banks above the estimated volume inherits a negative forecast risk for the Maastricht relevant deficit. The currently discussed tax cuts on labour could also increase the budget deficit, depending on the implementation. While the positive effects of this measure could lead to higher employment and private expenditure in the long term, it must be considered that the short term effects are low compared to the loss in tax revenue. The impact of the 'Ukraine crises' on the domestic economy was minor in the first half 2014. On 1 August 2014 the EU took measures, which restricted trade in the area of financial services, military equipment and oil technology. The countermeasures of Russia bear further risks for the Austrian domestic economic situation.

In general, positive foreign trade and improved investment conditions are needed for economic growth in Austria. This requires acceleration in economic activity in the Euro area. Wage increases in Germany (introduction of the minimum wage in 2015) and higher public investments could give positive impulses. It is also expected that the newly constituted European Commission will implement measures to stimulate the economy. In combination with a recovery in world trade Austria's GDP is expected to increase by 1.4 percent in 2016 and by 1.7 percent in 2017.

Macroeconomic Key Indicators in Austria 2011 to 2017
annual percentage change, real terms

	2011	2012	2013	2014	2015	2016	2017
GDP	2.8	0.9	0.3	0.8	1.2	1.4	1.7
Private consumption	0.8	0.5	-0.2	0.4	0.8	0.9	1.0
Investment (GFCF)	8.5	1.6	-0.8	0.9	1.5	1.6	2.1
Unemployment Rate	4.2	4.3	4.9	5.0	5.2	5.2	5.1
Inflation	3.2	2.5	2.0	1.8	1.8	1.8	1.8

Source: EUROCONSTRUCT (78th Conference)
Statistics Austria, EUROSTAT Labor Force Survey, WIFO-forecasts.

3. Housing Market

The housing market has been a major stabilizing force for overall construction output since the economic slowdown in 2009. While other construction segments reacted more sensitive and followed the downward trend of the overall economy, residential construction remained robust and even picked up pace in the aftermath of the crisis. Apart from private households, expansionary policies by the public sector have been key to this development.

The ripple effects of these countercyclical measures, which were initiated by state governments, affect housing construction in two ways. Firstly, construction activity up to 2014 has strongly profited from the housing subsidy scheme both in new housing but also in renovation and modernisation. The preliminary data for the year 2013 and forecasts for 2014 show that residential construction is expected to expand by 2.3 and 1.6 percent, hence stronger than the economy as a whole.

Regarding the outlook for the coming years, a number of positive as well as negative factors will determine the development of construction:

Positive influencing factors
- Interest rates
- Increasing housing prices
- Demographic change
- Climate and energy targets

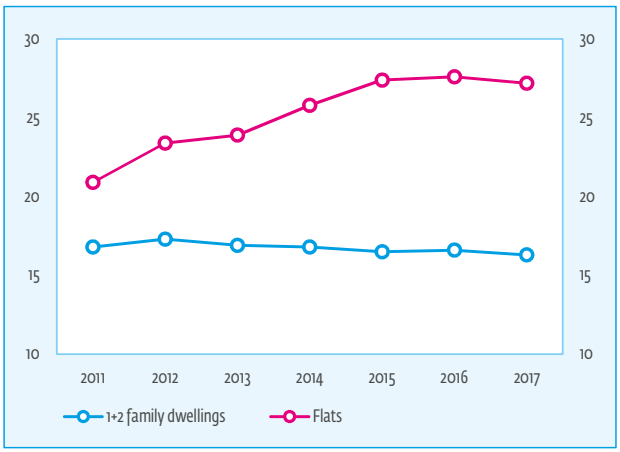
Negative influencing factors
- Fiscal consolidation
- Slowdown of building permits
- Economic outlook

3.1 New Housing

Compared to the 77th EUROCONSTRUCT conference held in Oslo in June 2014, a slight revision concerns the speed of the expected downward adjustment in housing. Unlike the previous forecast, it now appears that the boom of the post-crisis years will be prolonged and the year 2014 will still exhibit relatively strong growth of about 2.6 percent. The anticipated correction will therefore not occur before 2015. At the same time, the drop in construction output will be more pronounced than previously forecasted. After this relatively sharp setback, annual output growth is expected to level off at roughly 1.2 percent to 1.4 percent for the years 2015 to 2017.

Interest rates. Due to the interest rate policy of the ECB, also interest for mortgage loans in Austria are at a historical low. According to the Austrian National Bank, in July 2014, private housing loans with a duration of 5 to 10 years were available at an

Housing Completions from 2011 to 2017
in thousands



Source: EUROCONSTRUCT (78th Conference)

interest rate below 3 percent. While it is unclear if these steps can spark further housing investment, credit supply at favourable conditions should ensure that housing construction is not constrained from the finance side. However, mortgage loan outtake has reduced slightly in recent years, which might signal the end of the recent housing boom.

Housing permits. In the same vein, the decline of construction permits in the first half of 2014 might be interpreted as a sign that building permits have peaked in 2013 and now start reversing. The correction in 2012 aside, building permits have increased strongly since 2010. This can be attributed to the fact that public and non-profit housing associations strengthened their activity. A number of large projects like Seestadt Aspern in the proximity of Vienna have been detrimental to this increase. Facing the current situation with mounting fiscal pressure and since a number of the housing projects initiated after the crisis have recently been completed, it is unlikely that building permits will evolve very dynamic in coming years. Although further housing demand in and around densely populated areas is almost certain, constraints on housing supply are expected to lead to an overall lower number of building permits: while the decline is expected to be rather smooth, current forecasts show a successive decline in building permits from 46,100 units in 2014 to 42,400 units in 2017.

Demographic trends. Recent updates of population forecasts from Statistics Austria not only confirm the long standing trend of decreasing household size, but also highlight that a select number of metropolitan areas will experience a substantial inflow of population, from within Austrian but also other EU member states. Consequently, the cumulated population increase in Austria of more than 1.1 percent over the next four years will be distributed very heterogeneously among regions. Vienna alone is expected to grow by 230,000 inhabitants until 2030.

Housing prices. The strong increase in demand coupled with slowly changing supply had a strong impact on housing prices. Prices for used flats have increased by 24 percent on average between 2010 and 2013 m2 according to the Austrian Chamber of Commerce. At the same time increases were much stronger in urban agglomerations: for instance Vienna experienced a double digit annual house price growth over the last four years.

Fiscal consolidation. Private housing construction in Austria is to a large extent limited to 1 and 2 family dwellings, whose development is very stable. Thus, the main impulses in housing construction can be traced to the public sector. The traditional instrument of government activity in housing is the housing construction subsidy scheme. Unlike other countries, the scheme focuses on granting loans or interest subsidies on mortgage loans for private households in the area of 1 and two family housing and for non-profit companies in the area of multi-family buildings. Direct (social) subsidies to individual households have gained in importance over the last decade, but still represent less than 20 percent of total outlays. Given the preeminent role of public sector funding for housing construction, the envisaged budget consolidation is of prime importance for future developments. To comply with EU fiscal pact targets and especially the structural balance, Austria is required to revise its budgets for the coming years to close a gap of several billion Euro.

Against this backdrop, a number of significant budget cuts seem inevitable. Although the areas in which both the federal but also the state governments will consolidate are not yet official, it is more likely that public investment rather than social transfers or subsidies will be reduced. Moreover, given that the funds in the housing construction subsidy scheme, that are transferred from the federal to state governments, are no longer earmarked for housing construction purposes, this part of the budget represents a potential candidate for retrenchment. The in 2013 discussed additional special public program for housing (Sonderwohnbauprogramm) with a volume of 276 mn Euro (2014-2015) for stimulating the economy was cut to a total of 180 mn Euro. Above that the payment will be made until 2018 instead from 2014 to 2015.

The budgetary pressure may not only affect the overall amount of housing construction output, but also affect its quality and composition. As an alternative to cut the number of produced housing units, the public debate about affordable housing has led to an increased pressure to reduce construction costs per unit. In some cases, this has led to increasing building density in social housing. On the other hand, in its manifesto, the current government lists a review of construction regulations as a main lever

to decrease construction costs. To summarize, the envisaged budget cuts will have an adverse effect on housing construction in the coming years.

3.2 Housing renovation

In recent years, renovation activities have been dominated by climate and energy targets. However, despite several government measures to incentivize thermal renovation, the volume remained rather stable and represents with a volume of 5 billion Euro in 2014 roughly 1/3 of total residential construction output. Related to the discussion of the imminent fiscal consolidation, it is unlikely that this segment will benefit from additional subsidies. Even if baseline expenditures governed by the housing construction subsidy scheme remain in place, a number of measures that were instituted over the last year will phase out (e.g. the 'Renovation Cheque'). As a result, the forecasts for renovation activities are rather conservative, with modest growth rates of 0.6 percent to 1.2 percent from 2015 to 2017.

4. Non-residential Market

A major driving force of the non-residential market in Austria is the business cycle. As the economic outlook for Austria has been revised repeatedly in 2014 (WIFO short term forecast), the prospects for non-residential construction remain very subdued. Overall, non-residential construction is expected to stagnate at 0.6 percent and 0.7 percent growth in 2014 and 2015. If the economy picks up pace in 2016 and 2017 as projected, the segment will react accordingly and it is forecasted to grow by about 2.0 percent. The forecasts depend, however, to a large extent on entrepreneurs expectations of the economic recovery, which have worsened considerably in recent months (WIFO Economic sentiment indicators).

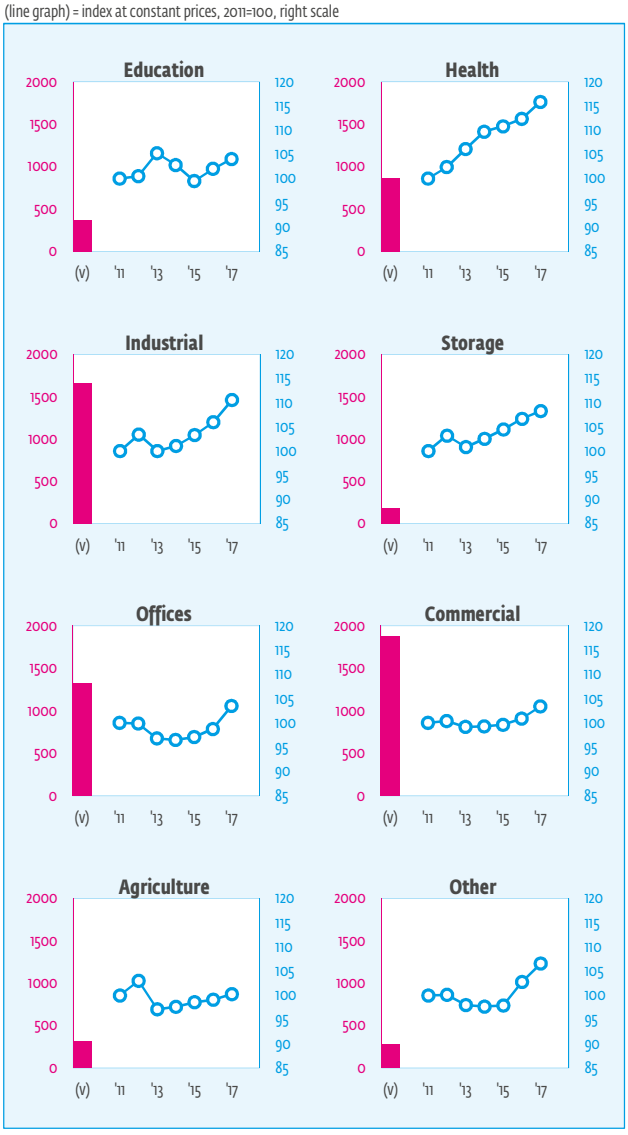
Despite the dominant role of the business cycle, company revenues, interest rates, public fiscal consolidation and the current existing stock and vacancy are expected to shape the evolution of the sector in the short and medium term.

Buildings for education. Public investment in schools is governed by a program launched in 2008, which led to a significant uptake in school construction output in the consecutive years. After the initial phase of the program, with a number of new constructions as well as renovation and modernisation all over Austria, the segment has tended sideways in 2011 and 2012. The large increase in 2013, as well as the correction in 2014, are related to the expansion of child care facilities, which temporarily received an additional subsidy from the federal government. In 2014 and 2015, construction output for educational buildings is expected to contract. Due to budgetary pressures as well as the fact that schools received substantial investments in the past, the segment is not expected to grow before 2016.

Buildings for health. In Austria about 34 billion Euro were spent on health care in 2012. Expenses grew significantly over the last years. While health expenses increased by only 2.9 percent in 2010 and by 2.5 percent in 2011, growth in expenditure picked up speed in 2012 (+4.7 percent), but remained below the long term average annual growth rate of 5.1 percent (between 1990 and 2012). The investment volume (construction and renovation) accounted for 2.1 billion Euro in 2012 (Statistics Austria). Around 280 hospitals are in operation, half of them are non-profit organizations. One of the currently biggest construction projects in this area is the Vienna Hospital North, with a project volume of more than a billion Euro, which will be completed in 2015/16. Demographic changes (particularly population growth and ageing) will be the main driver for health

Non-residential: breakdown by subsectors

(v) = volume 2013, million €, left scale;
(line graph) = index at constant prices, 2011=100, right scale



Source: EUROCONSTRUCT (78th Conference)

investments within the next years. Construction output in this sector is therefore expected to grow by around 3.4 percent in 2014.

Nevertheless, growth in health investments might have reached its temporary peak. The share of public investments already declined slightly from 59 percent in 2011 to 56 percent in 2012 according to the latest available figures from Statistics Austria. Also the tight public budgets will remain a constraint in the next years. Annual growth rates in the area of health buildings are therefore expected to slow down to around 1.0 percent per annum until 2016. After 2016, construction output for health buildings is forecasted to recover as budgetary pressures weaken and the investment backlog will make additional facilities indispensable.

Industrial buildings. New industrial construction is expected to turn around in 2014 and grow by 1.1 percent. As industrial buildings are most exposed to the business cycle, the segment will be the first to pick up once economic activity increases in the coming years. The forecasts for 2015 to 2017 – 2.2 percent, 2.6 percent and 4.3 percent – exhibit a strong expansionary pattern that is poised to benefit from the projected uptake in export activity. An indication that the recovery is still lacking momentum, however, is reflected by the evolution of land prices for industrial purposes: prices grew by almost 4 percent in 2012 and 2013 whereas the increases are expected to diminish to roughly 2 percent in 2014 (Austrian Chamber of Commerce).

Office buildings. Since 2008, office construction in Vienna, which represents more than half of total office space, has declined continuously from 220,000 to 120,000 additional m2 office space in 2014. Although this overall downward trend applied also to Austria as a whole, demand varies widely depending on the quality of a location. According to the main real estate agencies, demand shifts to prime locations but vacancies have kept rising until 2014, despite the already reduced inflow of new office space. Also the latest figures on building permits for offices from Statistics Austria suggest that construction of new offices will not expand significantly in the near future. To summarize, while 2014 is predicted to exhibit a small contraction, construction output for new office buildings is forecasted to recover at a slow pace over the coming years.

Commercial buildings. Austria is characterized by one of the highest densities in retailing all over Europe according to the analysis of Regiodata. This is particularly the case for grocery related retailing and supermarkets. Partially as a result of this situation in combination with a weak development of private consumption, construction activity for new commercial buildings is less dynamic than other segments and it developed poorly after an initial expansion in 2011. In 2014, commercial building growth is expected to be virtually zero. The strong connection with private consumption leads to a continuation of the sluggish development, with a forecasted growth by 0.3 percent in 2015 and by 1.3 percent in 2016. While still highly uncertain, commercial buildings activity is expected to benefit from improved economic conditions only with a lag, surpassing 2 percent not before 2017.

One of the biggest risks for this segment is still competition from online retailing, which is expected to grow at a stable rate and also shows in the forecast for storage buildings. While in the past persistent reductions in demand and vacancy growth were limited to low-grade premises, also higher quality locations experience such trends (EHL Retail Market Report). In contrast, premium premises are still considered as prime investments and demand concentrates in such top locations.

5. Civil Engineering Market

Austria's civil engineering market is dominated by public investments and therefore highly dependent from the public budget. Production output which stems from public sector projects was over 60 percent in 2013. This was significantly higher than in building construction (20 percent). The forecasts for civil engineering are therefore mainly based on public infrastructure framework plans but also reflect surveys on spending of federal states, municipalities and economic sentiment indicators within the construction sector.

Analyses show that civil engineering will only grow at rates of about 1.0 percent from 2014 to 2015. The outlook for civil engineering is limited by several factors:

- Maastricht relevant deficit amounts to 2.9 percent of GDP in 2014 (limit 3 percent) which indicates that there is hardly any financial leeway. Moreover, the European Commission expects Austria to reduce its structural balance significantly in 2015.
- Further budget constraints could arise if the banking support (mainly Hypo Alpe Adria Bank) has to be increased above the current budgeted volume.
- Tax revenue which also influences public infrastructure spending will depend on the implementation of the planned tax relief on labour in 2015, which could be a further limiting factor.
- Tunnel projects take a large share of the volume within the infrastructure framework plan. Given the above mentioned budget constraints a delay of big infrastructure projects would lead to a significant downward revision in traffic infrastructure.

On the other hand, civil engineering could be influenced more positively (than expected) by

- the announced public support for broadband extension projects, which could boost investments in the telecom sector, especially if new player will enter the market.
- Austria's climate target in combination with EU funds, which could stimulate measures in renewable energy.
- higher renovation of infrastructure investments e.g. in the railway sector which bears a large need for investment.

Road construction. Austrian road construction is dominated by the higher-level network, which accounts for roughly 40 percent of total investment. ASFiNAG – Austria's highway financing stock co-operation – is responsible for planning, financing, building and maintaining, as well as toll collection of the Austrian highway system. Beside the highway network, nearly one quarter of the road investments in the lower-level street networks are taken by the federal states.

In 2013 road construction growth originated to a large extent from a higher rate of investments on the municipal level as well as additional highway investment. Road infrastructure investment in Austria is expected to grow by 2.1 percent in 2014 and by 2.8 percent in 2015. The forecasted growth is mainly based on the projected investment into the higher road network. While in 2014 growth will be equally distributed between new construction and renovation/ modernisation, in 2015 growth will mainly stems from new projects.

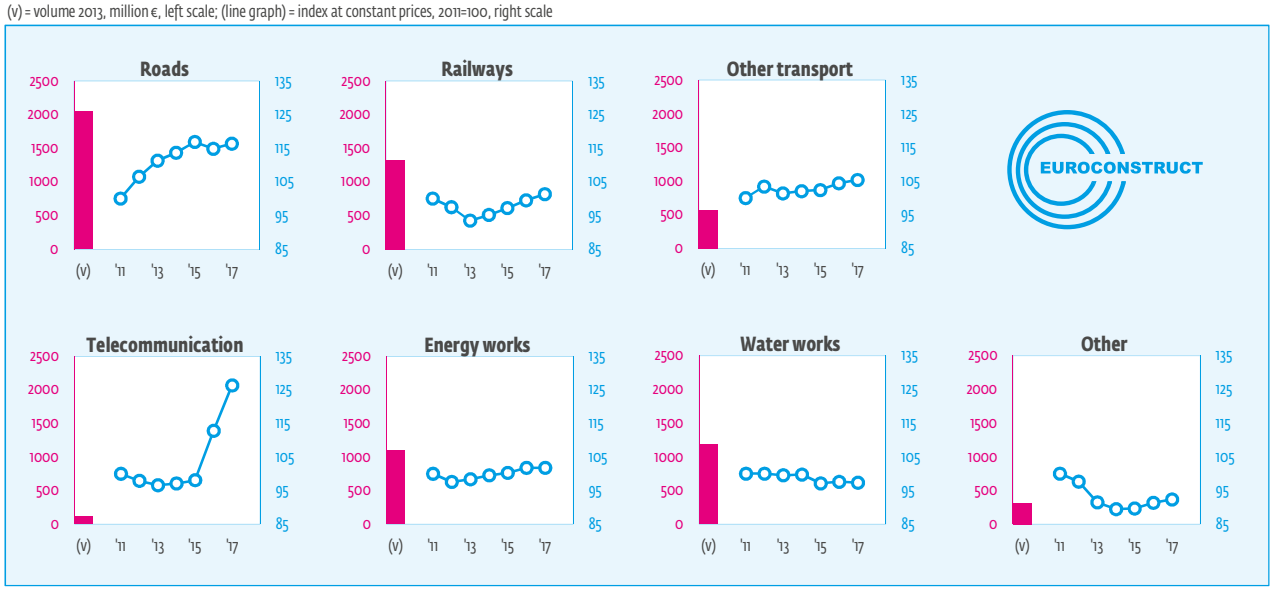
Rail construction. The recent framework plan for the extension of the Austrian railway network from 2014 to 2019 amounts to a volume of about 13.2 bn Euro.

Investments of the federal railway into the rail network affected the public budget only to an amount of 75 percent of the volume until 2013. From 2014 onwards 100 percent of the yearly investments of the Austrian Federal Railways will be Maastricht relevant. This change in national accounting also affects the outstanding (infrastructure) liabilities which will lead to an increasing public debt level. Despite the public constraints it is expected that investments in railway infrastructure will increase to achieve the so called railway net target 2025+. Therefore construction output is expected to grow almost throughout the whole forecasting period. In 2014 railway infrastructure construction growth is forecasted from 1.8 percent up to 2.4 percent by the end of 2016. Beside new construction and extension of the main routes (e.g. 4-track extension of the western route), renovation also plays an important role. Major parts of the Austrian railway infrastructure are more than 100 years old. In the last decades railway investments into the existing infrastructure were minor compared to other western European countries (e.g. Germany). Renovation and maintenance will therefore gain in importance in the upcoming years. The forecasted growth in railway construction bears some project risks and will mainly depend on timely realization of the big tunnel projects, which bear the main forecasts risks in the railway construction.

Telecom. Construction relevant investments in telecommunication performed weak because of the hard competition between the telecom providers in Austrian. In 2014 a minor growth by 0.5 percent and further growth by only 1.0 percent in 2015

Civil engineering: breakdown by subsectors

(v) = volume 2013, million €, left scale; (line graph) = index at constant prices, 2011=100, right scale



Source: EUROCONSTRUCT (78th Conference)

is projected. By the end of the forecasting period a significant increase in construction output is expected in this sector. Within the period 2016 to 2020 public subsidies with a volume of about 1 bn Euro are 'reserved' for the expansion of the broadband network. This implies yearly subsidies of 200 mn Euro from 2016 on. The governmental meeting in September 2014 decided to give incentives for a faster extension of the broadband network. Therefore a tranche of 100 mn Euro (construction and it-infrastructure), which was budgeted for 2017, will be already available in 2016. The subsidies will support three areas: the funding program 'Broadband Austria', the empty ducts for cables and special broadband applications. Fibreglass cables should be laid where possible to decrease distance to households. The budget for this public initiative stems from the revenues of LTE-frequency auctions which created a revenue of over 2bn Euro in 2013.

Energy. Investments in the area of energy will be minor during the forecasting period. Especially in the area of new power plants no impulses are expected. Austria's power production capacities are more than sufficient according to analyses of energy regulator E-control with a capacity reserve of 130 percent – Austria's peak load in Winter is around 10,000 megawatt while the total capacity is about 23.000 megawatt. Austria belongs also to the top three nations with the lowest CO2 pollution in the energy producing process within the European Union. About 45 percent of the produced electric current is generated by river power stations, 22 percent results from storage power plants, 21 percent from thermal power plants and 12 percent from wind, photovoltaic, geothermal and biomass power plants. The production of conventional energy declined while the production output of wind power rose considerably, by nearly 10 percent in 2013. The increasing share of renewable energy generation raises the requirements for the electricity networks, which will lead to further investments in this area. In 2014 an increase in investments of about 1.2 percent is expected. Several water power projects have been postponed until 2020 because of the sufficient supply and because of environmental impact assessments, which will lead to lower growth rates during the forecasting period 2015 to 2017.

Water works. Construction output in water works declined in 2013 (-0.5 percent) and are expected to almost stagnate (+0.2 percent) in 2014. The outlook in the upcoming years is also restrained. Investments in the areas of water works will decline on average throughout the period 2015 to 2017. This corresponds to the overall decline in municipal investment. A survey of Kommunalkredit public consulting showed that at least one in four municipalities plan to cut new investments in general. Moreover, the need for new investments in the area of water works has declined over time. This leads to a decrease in the share of new freshwater works from 17 percent in 2014 to 13 percent in 2020, additionally the share of new waste water projects are expected shrink from 35 percent to 18 percent within this period – both in relationship to total water works according to analysis of Kommunalkredit. In contrast, the need for renovation, especially in the area of waste water, is slightly increasing in the short term. It can, however, not compensate for the decline in new construction. In general the focus of water works is sewage, where 60 percent of the construction output arises. Additional investments result from flood control measures, which were built mainly along the Danube. These measures are supported by public means with a volume of over 10 million Euros. The impact on the total volume is limited, and since new construction loses in importance, water works will hardly contribute to the growth in civil engineering within the next years.

Total civil engineering is expected to grow by 1.2 percent in 2014 which remains unchanged compared to the June 2014 forecasts. The forecasts for 2015 were revised downwards because of the weak investment volumes, which are expected in the area of water works, leading to a growth of total civil engineering of 1 percent. The public consolidation pressure and the goal of the government of a balanced budget in 2016 put additional pressure on this construction area, which is reflected by a weak performance in road construction, resulting in a total growth of 0.8 percent. On the basis of a slight economic upswing in 2017 civil engineering is likely to expand stronger by 1.1 percent.

APPENDIX – DEFINITIONS

Table 1

- **Population:** Statistics Austria, main scenario, on 1st January.
- **Households:** Statistics Austria, on 1st January.
- **Unemployed:** Austrian Public Employment Service (AMS), WIFO-forecasts.
- **Unemployment rate:** Labor Force Survey, EUROSTAT, WIFO-forecasts.
- Economic forecasts are based on the September 2014 WIFO forecasts (preliminary data for 2013, forecasts for 2014 and 2017). All national account data (historic and forecasts) are based on ESA 95 system.

Table 2

Construction output includes own production (do-it-yourself), black economy and exports. Volumes in mn Euro are based on the revision of the national accounts (ESA 2010). Non-intensive private repair and maintenance measures were estimated by WIFO. The forecasts of growth rates reflect the WIFO September 2014 forecasts based on ESA 95 (correspondently also Tables 4a and 4b).

In general the main input stems from data on the quarterly nation accounts and the latest ÖPRODCOM production figures as well as short term statistics in industries and construction provided by Statistics Austria.

Table 3

- Permits, starts and completions refer to new dwellings in new residential buildings.
- Permitted dwellings until 2013 are based on the official figures (October 2014) from Statistics Austria.
- **1+2 family houses:** Buildings with one or two dwellings (in previous reports buildings with one dwelling only).
- Flats: Buildings with three and more dwellings (in previous reports they referred to buildings with two and more dwellings).
- Building starts: No official statistics are available for Austria. The provided number is based on estimates considering a delay and drop out between permits and housing starts.
- Building completions: No official statistics are available for Austria. Data included in the report is based on housing permits and historical rates of completions.
- **Housing stock:** Annual average. The housing stock is a forward projection of the register based census 2011. Significant methodological changes in the 2011 census resulted in a higher housing stock.
- **Second homes, Vacancies:** WIFO-forecasts based on Statistics Austria.
- **Home ownership rate:** WIFO-forecasts based on Statistics Austria; share of dwellings owned by the occupier/relatives of the occupier.

Table 4a

- **Offices:** They include also other buildings for administration.
- **Miscellaneous:** e.g. buildings for sports and leisure time.

Table 4b

- **Other transport** includes mostly airport infrastructure as well as public transport (mainly underground transportation).
- **Energy works** includes construction of distribution lines for electricity as well as integral parts (e.g. related buildings such as power plants).
- **Water works** includes the construction of distribution lines for transportation of fluids (e.g. water utility lines, sewage) and related buildings (pumping stations), water well drilling and also the construction of river works, dams, etc.

Table 5

- Information is based on the WIFO forecast (preliminary for 2013, forecasts for 2014 to 2017). Data stems from the national accounts based on ESA 95 system.
- Volumes of each GDP component are at market prices, VAT included.

Country/Pays/Land: Austria — Table 1

MAIN DEMOGRAPHIC AND ECONOMIC INDICATORS
PRINCIPAUX INDICATEURS DÉMOGRAPHIQUES ET ÉCONOMIQUES
WICHTIGE DEMOGRAPHISCHE UND ÖKONOMISCHE INDIKATOREN

				Est.	Forecast		Outlook
	2011	2012	2013	2014	2015	2016	2017
Population ('0000s) **Population** **Bevölkerung**	8 375	8 408	8 452	8 485	8 521	8 556	8 588
Households ('0000s) **Ménages** **Haushalte**	3 621	3 648	3 675	3 698	3 722	3 745	3 768
Unemployed ('0000s) **Chômeurs** **Arbeitslose**	247	261	287	320	340	347	349
Unemployment rate (%) **Taux de chômage** **Arbeitslosenquote**	4.2	4.3	4.9	5.0	5.2	5.2	5.1
Change of GDP **Variation du PIB** **Veränderung des BIP** **(% change in real terms)**	2.8	0.9	0.3	0.8	1.2	1.4	1.7
Consumer prices (% change) **Prix à la consommation** **Verbraucherpreise**	3.2	2.5	2.0	1.8	1.8	1.8	1.8
Construction prices (% change) [1] **Prix de la construction** **Baupreise**	0.8	1.3	1.2	1.2	1.3	1.4	1.4
Short term interest rate [2] **Taux d' intérêt à court terme** **Kurzfristiger Zinssatz**	1.4	0.6	0.2	0.2	0.2	0.2	0.4
Long term interest rate [3] **Taux d' intérêt à long terme** **Langfristiger Zinssatz**	3.3	2.4	2.0	1.5	1.3	1.1	1.2

1) Refers to new construction only.
2) 3-month interbank rate (or equivalent).
3) 10-year government bonds (or equivalent).

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Country/Pays/Land: Austria — Table 2

CONSTRUCTION BY TYPE
PAR TYPE D'OUVRAGE
BAUPRODUKTION NACH BAUARTEN

		Volume mill. euro[1]	% change in real terms (volume)						
						Est.	Forecast		Outlook
		2013	2011	2012	2013	2014	2015	2016	2017
Residential construction **Logement** **Wohnungsbau**	New	10 416	3.4	4.5	4.0	3.2	1.5	1.3	1.5
	Renovation	5 005	1.8	2.5	1.2	1.4	0.6	0.9	1.2
	Total	**15 422**	**2.9**	**3.8**	**3.1**	**2.6**	**1.2**	**1.2**	**1.4**
Non-residential construction **Bâtiments non résidentiels** **übriger Hochbau**	New	6 863	4.3	1.4	-1.5	0.6	0.8	1.9	3.4
	Renovation	2 722	1.0	2.1	0.3	0.5	0.3	1.2	-2.4
	Total	**9 585**	**3.4**	**1.6**	**-1.0**	**0.6**	**0.7**	**1.7**	**1.8**
Building **Bâtiment** **Hochbau**	New	17 279	3.8	3.2	1.7	2.2	1.2	1.5	2.2
	Renovation	7 728	1.5	2.4	0.9	1.1	0.5	1.0	-0.1
	Total	**25 007**	**3.1**	**2.9**	**1.5**	**1.8**	**1.0**	**1.4**	**1.5**
Civil engineering **Génie civil** **Tiefbau**	New	5 318	0.3	0.9	-0.2	1.4	1.2	0.6	1.3
	Renovation	1 330	0.8	1.4	0.8	0.4	0.2	1.6	0.3
	Total	**6 647**	**0.4**	**1.0**	**-0.0**	**1.2**	**1.0**	**0.8**	**1.1**
TOTAL CONSTRUCTION OUTPUT		**31 654**	**2.5**	**2.5**	**1.2**	**1.7**	**1.0**	**1.3**	**1.5**

	2013				Est.	Forecasts		Outlook
	Volume mill. tons	2011	2012	2013	2014	2015	2016	2017
Domestic cement consumption **Consommation intérieure de ciment** **Inländischer Zementverbrauch**	4.90	-2.0	-4.4	0.0	1.1	1.1	2.2	2.0

Renovation covers repair and maintenance, refurbishment and reconstruction.
1) At 2013 prices, excluding taxes.

Country/Pays/Land: Austria — Table 3

RESIDENTIAL CONSTRUCTION
CONSTRUCTION DE LOGEMENTS
WOHNUNGSBAU

		Thousands dwellings						
					Est.	Forecast		Outlook
		2011	2012	2013	2014	2015	2016	2017
Building permits **Logements autorisés** **Baugenehmigungen**	1+2 family dwellings Individuels 1+2-Familienhäuser	18.0	16.5	16.5	16.1	16.7	15.9	16.1
	Flats Collectifs Mehrfamilienhäuser	27.7	23.3	29.6	29.0	27.7	27.1	26.3
	Total	**45.7**	**39.8**	**46.1**	**45.1**	**44.4**	**43.0**	**42.4**
Housing starts **Logements commencés** **Baubeginne**	1+2 family dwellings Individuels 1+2-Familienhäuser	16.7	16.4	15.7	15.5	15.6	15.5	15.2
	Flats Collectifs Mehrfamilienhäuser	23.0	24.2	25.1	27.8	26.9	26.0	25.4
	Total	**39.7**	**40.6**	**40.8**	**43.3**	**42.5**	**41.5**	**40.6**
Housing completions **Logements terminés** **Baufertigstellungen**	1+2 family dwellings Individuels 1+2-Familienhäuser	16.8	17.3	16.9	16.8	16.5	16.6	16.3
	Flats Collectifs Mehrfamilienhäuser	20.9	23.4	23.9	25.8	27.4	27.6	27.2
	Total	**37.7**	**40.7**	**40.8**	**42.6**	**43.9**	**44.2**	**43.5**
Housing stock **Logements existants** **Wohnungsbestand**	**Total**	**4 441**	**4 480**	**4 519**	**4 560**	**4 602**	**4 645**	**4 686**
	thereof second homes dont résid. secondaires davon Zweitwohnungen	322	257	259	262	264	266	269
	thereof vacancies dont inoccupés davon leerstehend	222	224	226	228	230	232	234
	share of family dwellings (%) part des maisons individuelles Anteil 1+2-Familienhäuser	48.5	48.5	48.4	48.2	48.0	47.8	47.6
Home ownership rate [1] **Taux de propriétaires occupants** **Wohneigentumsquote**		55.8	55.8	56.3	56.5	56.3	56.1	55.9

1) Cf. Appendix to the individual country report.

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Country/Pays/Land: Austria — Table 4a

NEW NON-RESIDENTIAL CONSTRUCTION (PUBLIC AND PRIVATE)
CONSTRUCTION NEUVE NON RÉSIDENTIELLE (PUBLIQUE ET PRIVÉE)
NEUER NICHTWOHNHOCHBAU (ÖFFENTLICH UND PRIVAT)

	Volume mill. euro[1)]	m2 x 1000	% change in real terms (volume)						
						Est.	Forecast		Outlook
	2013	2013	2011	2012	2013	2014	2015	2016	2017
Buildings for education **Bâtiments de l'éducation et de la recherche** **Gebäude des Bildungswesens**	364		0.0	0.5	4.7	-2.3	-3.2	2.5	2.0
Buildings for health **Bâtiments de santé** **Gebäude des Gesundheitswesens**	869		2.8	2.4	3.6	3.4	1.0	1.4	3.1
Industrial buildings **Bâtiments industriels** **Industriegebäude**	1 663		7.8	3.4	-3.3	1.1	2.2	2.6	4.3
Storage buildings **Bâtiments de stockage** **Lagergebäude**	178		5.1	3.2	-2.3	1.7	1.9	2.1	1.5
Office buildings **Bureaux** **Bürogebäude**	1 325		5.9	-0.1	-3.1	-0.3	0.6	1.7	4.8
Commercial buildings **Commerces** **Geschäftsgebäude**	1 875		3.2	0.4	-1.2	0.1	0.3	1.3	2.5
Agricultural buildings **Bâtiments agricoles** **Landwirtschaftsgebäude**	317		-3.0	3.0	-5.7	0.5	1.0	0.5	1.2
Miscellaneous **Autres** **Sonstiges**	274		2.6	0.1	-2.1	-0.3	0.2	5.0	3.7
TOTAL	**6 863**		**4.3**	**1.4**	**-1.5**	**0.6**	**0.8**	**1.9**	**3.4**

1) At 2013 prices, excluding taxes.

Country/Pays/Land: Austria — Table 4b

TOTAL CIVIL ENGINEERING
ENSEMBLE DU GÉNIE CIVIL
TIEFBAU INSGESAMT

		Volume mill. euro[1]	% change in real terms (volume)						
						Est.	Forecast		Outlook
		2013	2011	2012	2013	2014	2015	2016	2017
Transport infrastructure **Infrastructures de transport** **Verkehrsinfrastruktur**	Roads Réseau routier Straßen	2 045	0.3	6.5	4.5	2.1	2.8	-1.7	1.3
	Railways Voies ferrées Bahnanlagen	1 328	1.2	-2.5	-4.1	1.8	2.1	2.4	1.8
	Other transport Autres réseaux Übrige Verkehrsinfrastruktur	573	0.8	3.4	-2.0	0.7	0.3	2.0	0.9
	Total	**3 946**	**0.7**	**2.7**	**0.5**	**1.8**	**2.2**	**0.2**	**1.4**
Telecommunications **Télécommunications** **Telekommunikation**		115	1.1	-2.1	-1.3	0.5	1.0	15.0	12.0
Energy works **Réseaux d'énergie** **Energieversorgung**		1 097	-2.9	-2.4	0.8	1.2	0.7	1.5	0.0
Water works **Réseaux d'eau** **Wasserversorgung**		1 180	1.4	0.0	-0.5	0.2	-2.6	0.5	-0.3
Other **Autres** **Sonstiges**		310	4.7	-2.4	-6.3	-2.2	0.2	1.9	1.1
TOTAL		**6 647**	**0.4**	**1.0**	**-0.0**	**1.2**	**1.0**	**0.8**	**1.1**

1) At 2013 prices, excluding taxes.

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Country/Pays/Land: Austria — Table 5

GROSS DOMESTIC PRODUCT
PRODUIT INTÉRIEUR BRUT
BRUTTOINLANDSPRODUKT

	Volume bill. euro[1]	% change in real terms (volume)						
					Est.	Forecast		Outlook
	2013	2011	2012	2013	2014	2015	2016	2017
Private consumption[2] **Consommation privée** **Privater Verbrauch**	169.0	0.8	0.5	-0.2	0.4	0.8	0.9	1.0
Public consumption **Consommation publique** **Staatsverbrauch**	58.4	0.3	0.2	2.5	1.6	1.2	1.1	1.1
Gross fixed capital formation **Formation brute de capital fixe** **Bruttoanlageinvestitionen**								
Total	65.8	8.5	1.6	-0.8	0.9	1.5	1.6	2.1
of which construction	34.7	2.5	2.5	1.2	1.7	1.0	1.5	1.8
Stocks (contribution as % of GDP)[3] **Variations de stocks** **Vorratsveränderungen**	3.8	1.8	1.2	0.0	-0.1	0.0	0.1	0.2
Exports **Exportations** **Exporte**	175.6	6.6	1.2	2.7	1.5	3.3	4.0	4.4
Imports **Importations** **Importe**	165.7	7.6	-0.3	0.5	1.7	3.4	3.8	3.9
GDP **PIB** **BIP**	**307.0**	**2.8**	**0.9**	**0.3**	**0.8**	**1.2**	**1.4**	**1.7**

Standard National Accounts, gross figures.
1) At 2013 prices.
2) Including final consumption expenditure of NPISH's, ISBLM inclus, einschließlich POoE.
3) Including net aquisitions of valuables, net aquisitions d'objets de valeur inclus, inkl. Nettozugang an Wertsachen.

Notes


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