



Business perspective and policy recommendations

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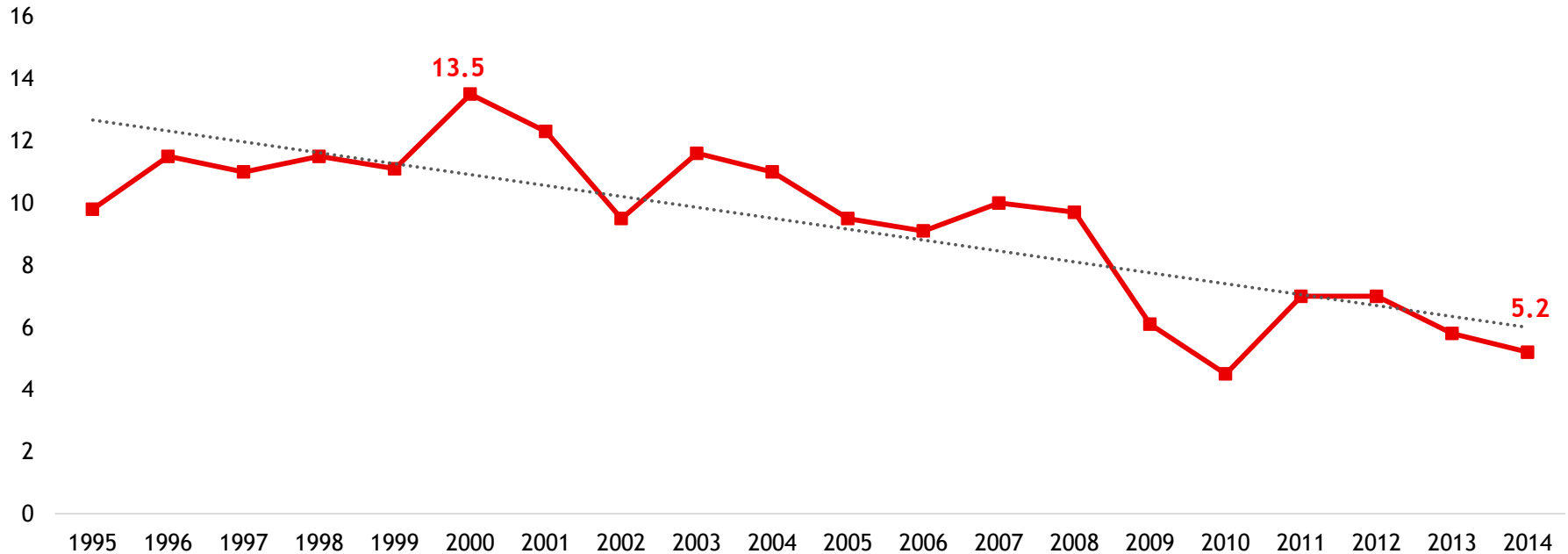
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Old assets on the books?

Austria: declining net investment ratio

Gross investment ratio minus depreciation, in relation to the gross production value of non-financial corporations, in %



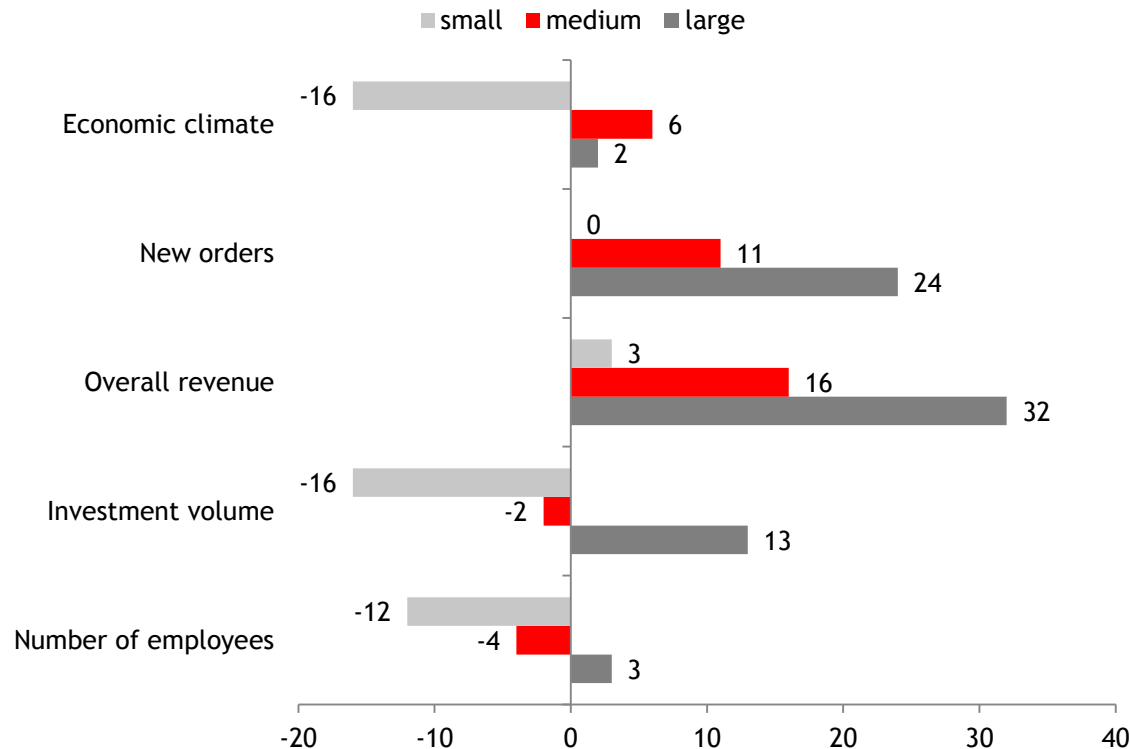
Significant drop in the net investment ratio since the year 2000: more than 60 %

Source: Statistics Austria

Business perspective



Expectations regarding the next 12 months according to firm size,
Net balance between positive and negative answers



Hard facts:

1,077 large corporates

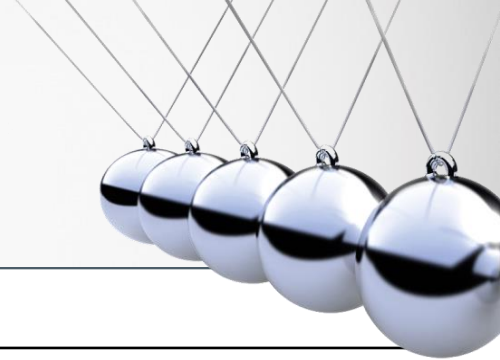
- represent 0.4 % of Austrian businesses
- account for 41 % of overall investments

SMEs

- represent 99.6 % of Austrian businesses
- 60 % of capital formation

Source: WKÖ, WBA

Maintenance vs. new investment



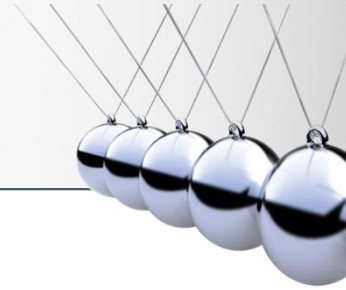
- Investment mainly serves **maintenance (57 %)** and only rarely comprises **new investment projects (39 %)**.
- 21 % have no investment plans
- Companies in manufacturing show more positive expectations for the next 12 months than those in services.
- Reasons against new investments: no investment needed, uncertainty
- Only 7 % of companies invest abroad

Reasons for new investment

Market Outlook	58 %
Innovation und Digitalization	55 %
Capacity Utilization	38 %
Profit expectations	36 %

Source: WKÖ, WBA

Framework conditions for investments



”In your opinion, which framework conditions would be necessary as incentive for investments?“

	Total	Small	Medium	Large
Further reduction in non-wage labor costs	77 %	83 %	80 %	71 %
Less business taxation, i.e. corporate tax	53 %	59 %	53 %	49 %
Cutting red-tape	52 %	51 %	58 %	50 %
Incentives for investment (i.e. introduce the declining-balance method of depreciation allowance, introduce an investment tax credit)	49 %	54 %	41 %	51 %
Lower administrative expenses	38 %	41 %	38 %	35 %
Direct subsidies	29 %	36 %	27 %	24 %

(multiple answers are possibles)

Source: WKÖ, WBA, 3,200 responses

WKO's area of focus

Improving framework conditions

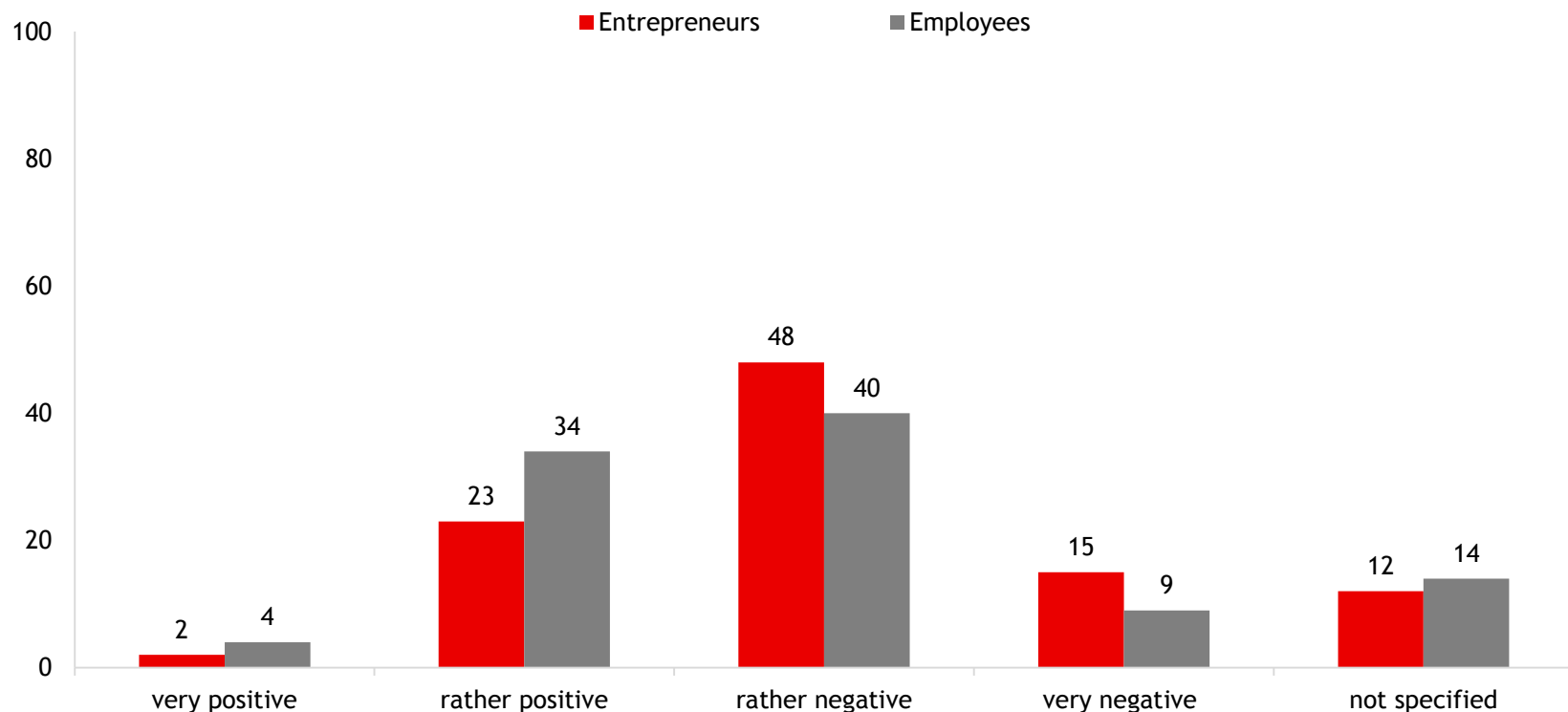
- lowering the effective average tax rate by 2 percentage points to 21 % (the average comparable EU tax rate) would free large amounts of additional investments:
 - Secondary sector: **EUR 120 million**
 - Tertiary sector: **EUR 470 million**
- Include flexible depreciation methods in the Austrian tax code
- With the ongoing digitalization of the economy, investments in intangibles are clearly on the rise.

WKO's area of focus - intangibles

- Completely new to many policymakers (in addition, intangibles involve many areas of public policy)
- Intangible-intensive firms are more productive than their counterparts
- Question on how to finance these specific investments
 - In this respect, the United States is far ahead of the European Union
 - World Bank has developed a set of criteria which should make the financing of intangibles easier
- WKO did a survey regarding investments of Austrian companies into intangibles (2015, n=1,177). Statistical projections of survey results: approximately 6.1% of GDP (2015)

Framework conditions: The view of Entrepreneurs and Employees

„How would you classify the framework conditions for private-sector investments in Austria?“
(in percent, n=508/1,505)



Source: Institut für Strategieanalysen



Stimuli for more private sector investments

Targeted investment incentives

- Tax credit
- Depreciation methods
- Raising the limit on low-value fixed assets from 400 to 1,500 Euro
- Utilize the chances presented by digitalization - accelerate the broadband internet access
- Implement measures to encourage venture capital
- Continue and expand EFSI and European/ national guarantee instruments

Less financial burden

- Further reduction of non-wage labor costs in the medium-term
- Cut corporate taxes to 20 % (or below)
- Abolish taxes that generate only minimal revenues

Cutting red tape

- Anchor the principle “advise rather than penalise” in all laws and prevent cumulative penalties
- Flexibilize working hours
- Simplify and accelerate applications for production facilities
- Easier processes for environmental impact studies

Questions & Discussion

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