Annual assessment of implementation of stability and convergence programmes

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The Council presents its opinion on the updated stability programme for Austria which covers the period 2003 to 2007. It notes that the submission was late as compared to the date required in the revised 'code of conduct on the content and format of stability and converge programmes', and therefore the update complies only partly with the requirement of the code. On the other hand, the Council notes with satisfaction that, in spite of lower-than-projected growth, government finances in 2001 improved more rapidly than expected, although this favourable result was brought about mainly by a strong increase in tax revenues. However, in 2002 government finances weakened noticeably and deviated from the target, reaching a deficit of 0,6 % in cyclically-adjusted terms according to Commission calculations. The Council also notes that the debt ratio which is above 60% of GDP reference value, increased substantially in 2001 and 2002, mostly due to a reclassification in the Austrian gross debt reporting. The budgetary projections of the programme are based on a macro-economic scenario expecting economic activity to gradually resume from its current cyclical weakness. Real GDP growth is forecast to accelerate from 1,0 % in 2002 to 2,5 % by 2005 and thereafter, amounting to annual average growth of 2,1 % over the entire programme period. Although somewhat above trend, the Council considers this growth outlook feasible, given that no significant macroeconomic imbalances prevail in the Austrian economy and provided that the external environment improves as projected. The Council regrets that the Austrian government will not reach its previous target of maintaining budgetary balance and moving to a small surplus in 2004 and 2005. Indeed, on the basis of current policies, the risk of unsustainable public finances in light of ageing populations can not be excluded. In this context, the Council welcomes the attention paid to longer-term issues, as demonstrated by the fundamental pension reform which is being prepared to tackle financial and economic pressures from population ageing. The Council strongly encourages the Austrian government to implement with determination the ambitious reform projects in the fields of pensions and health care, addressing many of the key problems in these areas. The Council emphasised repeatedly, also in its opinion on the last update and in the Broad Economic Policy Guidelines, the importance of raising the low effective retirement age in Austria and encouraging labour force participation, in particular of older workers and women. The Council notes the Austrian government's intention to reduce, as recommended, the high tax burden significantly. In particular, the Council invites the Austrian government to implement the reduction in non-wage labour cost, already postponed several times. The Council, therefore, considers that the expenditure cuts need to be implemented as planned. In addition, the envisaged tax relief ought to be accompanied by additional expenditure restraint in order to avoid the risk of budgetary slippage and to allow Austria to return earlier than foreseen to a budgetary position close to balance.