



**Deloitte Radar 2018**

Attractiveness of Austria  
as business location

Fifth Edition

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# Executive Summary

For five years, Deloitte has analysed the business location of Austria in an international comparison. This meta-study is based on Deloitte's evaluations of standardised global rankings as well as studies and expert know-how. Above all, it demonstrates one thing: Austria is on a solid footing, but comparable countries are developing better. In this edition of Deloitte Radar we look at some of the causes.

For some time now, Austrian economic figures have been coming on very well: growth rates are above the average, unemployment is falling, companies are investing and living standards are still high. In its liberal economic programme, the new federal government is focusing closely on Austria as a business location. That is the current snapshot.

However, the business location Austria has fallen back in all of the main country comparisons in recent years. Ten years ago the Austrian economy was in the top 15 countries worldwide and in the top 5 countries in Europe in all location rankings. In recent years, these placings have been around position 20 on a global scale and just around the top 10 for Europe. Even though the downwards trend lasting several years after the financial and economic crisis was halted, Austria has been trending sideways for years – despite the economic upturn and the positive economic data.

We should not let ourselves be blinded by the good economic figures – these should not belie the fact that other economies are developing more dynamically and more actively, and sometimes adapt more quickly to global developments.

Long-term prosperity in Austria depends both on Europe's role in the world and on the strengths and agility of Austria itself within the European Union.

To maintain the high level of prosperity, Austria must aspire to be one of the leading countries in Europe and to play a discernible role in global location competition. Successful countries set clear goals and follow corresponding strategies – implementing these consistently is vital for the sustainable development of our business location.

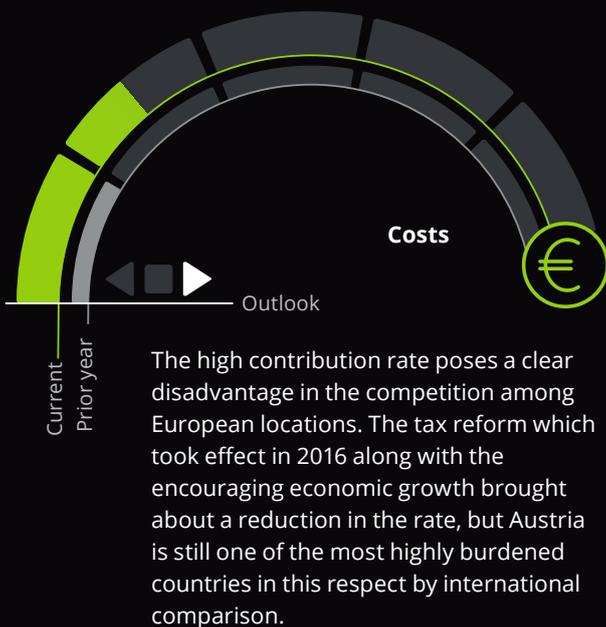
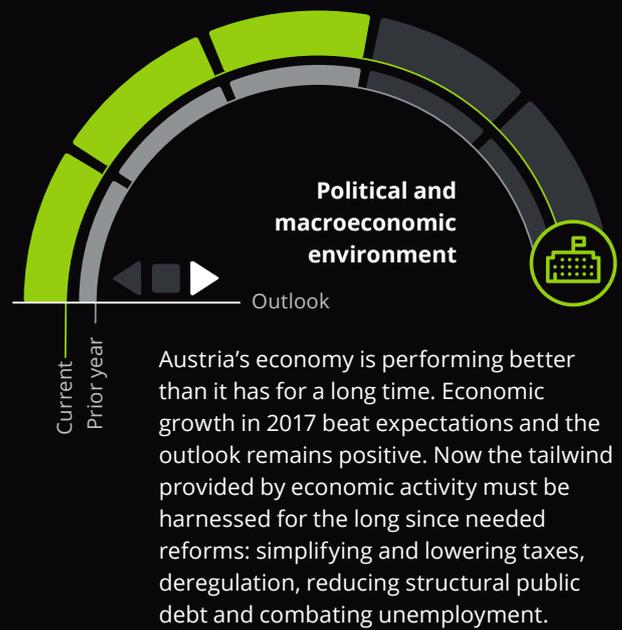
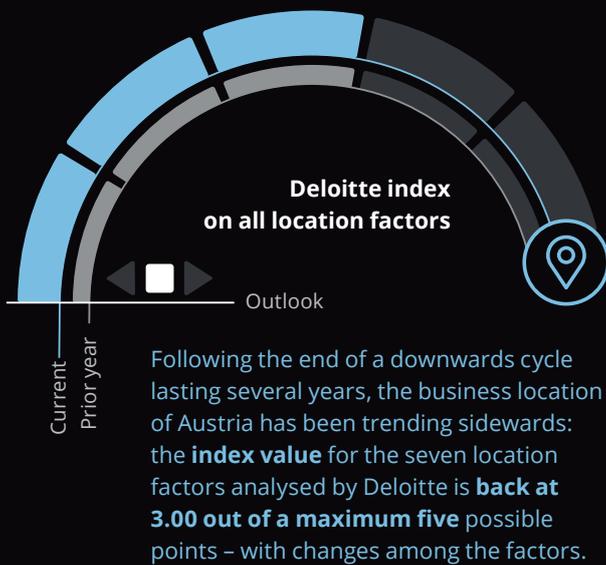


**Bernhard Gröhs**  
Partner | CEO



**Karin Mair**  
Partner | Clients & Industries

# Cockpit





Acute need for action



Need for action



Solid foundation for necessary improvement



Locational advantage with potential for improvement



Clear locational advantage



### Corporate infrastructure and environment

Current  
Prior year

Investments in infrastructure are currently very popular. The expansion of broadband is to be continued, the centennial projects of the Semmering and Brenner Base Tunnels are making progress, while the energy supply is to become more sustainable. Austria is quite busy in this context.



### Regulatory environment

Current  
Prior year

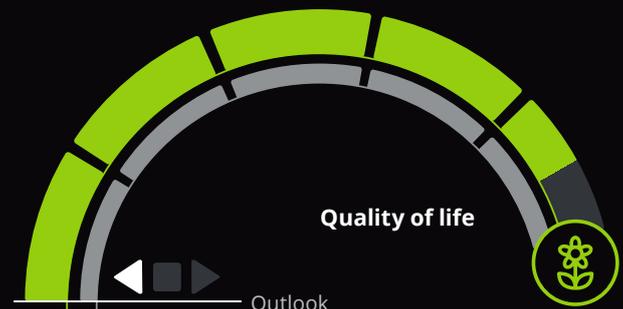
The level of regulation in Austria has been extremely high for years. Companies struggle with enormous amounts of regulatory requirements. This creates a high level of bureaucracy which is a business risk and an obstacle to innovation.



### Availability of labour

Current  
Prior year

The innovative strength and sustainability of each society depends on the capabilities and talents, commitment and creativity of the people. Well-trained and motivated workers are another crucial location factor. Austria finds itself very challenged in this context.



### Quality of life

Current  
Prior year

Austria is a country with a very high quality of life. The "Island of the Blessed" has stood out for many years thanks to its rising material prosperity, social security, unspoiled environment and high life satisfaction. This remains a key asset of the country.

# Austria in the global competition among business locations

Business locations are constantly competing. Our globalised world economy is working on a more short-term basis than ever before. Digitalisation is accelerating this trend. The investment decisions of international companies and investors are based on facts and analyses of these facts. Countries are compared in the form of rankings. For a decade now, Austria has lagged well behind the front runners in these.

Austria's economic success is based to a large extent on the export strength of its businesses – more than half of the country's prosperity depends on this. The variety of hidden champions and global market leaders among Austrian companies indicate the potential competitiveness.

The recent global upheavals and uncertainties have increasingly turned on the warning lights in the cockpits of decision makers: how will the reformed tax and trade policy in the USA have an impact? How will China develop? Will global trade become more protectionist and international tax competition tougher? What do the impending Brexit and the tense relations with Russia mean for this export-oriented economy? How capable of action will Europe actually be in the future?

Suitable conditions are prerequisites for competitiveness. There are often passionate discussions and disputes about the right measures to take for the right environment – and unfortunately these are frequently rooted in emotions and ideology instead of being fact-based. This is why it is important to take an objective look at the topic every now and again. Location rankings help here with international comparisons.

Decision-makers at companies and public institutions compare location data, produce profiles of strengths and weaknesses, and ultimately make decisions that have repercussions for countries and regions over many years. The analyses of established institutions constitute an important basis for this.

## Middle of the pack for Austria in Europe

As part of the Deloitte Radar, Deloitte has compared renowned indices and economic data for the last five years and expanded this with its own studies as well as evaluations from its consulting work. This meta-perspective offers an integrated look at Austria's position in international competition.

One development crops up again and again: there is a whole range of comparable countries that have performed much better than Austria for years.

The Scandinavian countries, Switzerland, Germany, the Netherlands and Great Britain in Europe, the USA and Canada overseas – they are all regularly found among the top 10 nations, while Austria has continuously ceded places over several years. In the two main rankings (Global Competitiveness Index and World Competitiveness Index), Austria is currently

ranked 18th and 25th. If we look only at the European arena (EU, Switzerland, Norway and Iceland), Austria finds itself in positions 9 and 13 – right in the middle again. At the same time, Austria ranks 6th in Europe in terms of per capita income according to Statista. There is a risk that Austria is living too much from its reserves, and not enough important decisions for the future have yet been made.

Innovation and digitalisation are the main drivers of competition among locations. This is why Deloitte also included three specific international rankings in the analysis: the Global Innovation Index, the Network Readiness Index and the IMD World Digital Competitiveness Ranking. In the first two Austria is ranked in 20th position, while in the IMD ranking it is 16th. A similar picture thus emerges regarding future fields: mediocrity.

Looking at all of the underlying rankings together, the only movement noted is sideways. While there were some fragile signs of an amelioration in the 2017 Deloitte Radar, generally speaking there has been no improvement for Austria as a business location since then.

Quality of life is another key location factor for those engaged in business and for the working population. This is why the OECD's Better Life Index was included in the evaluation as well. In this respect, despite its generally acknowledged high quality of life, Austria currently only finds itself in position 17, sliding down two spots in comparison to the previous year.

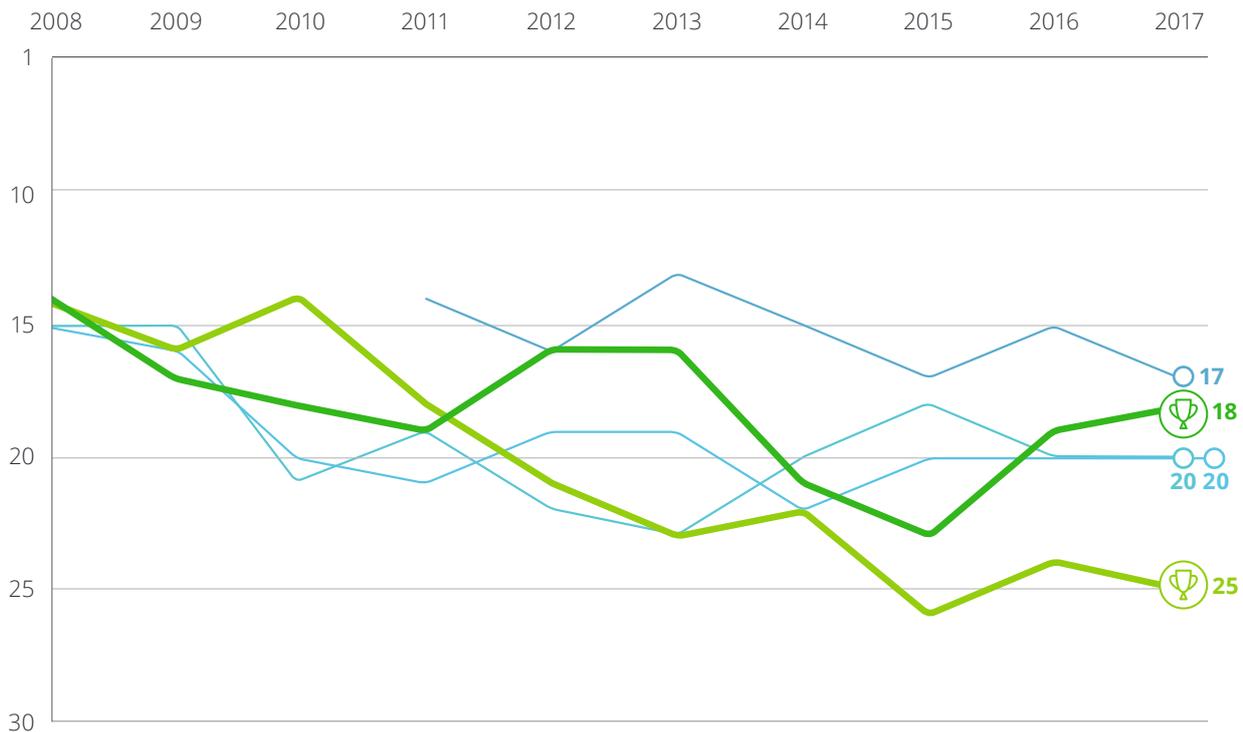
**Focusing on Europe's best**

Looking ahead, Austria should be measuring itself against the best in Europe (Switzerland, Sweden, Norway, Denmark, the Netherlands and Germany) and targeting a place in the European top 3 to the top 5 in the medium term. This would bring the parameters of "real prosperity" and "expected future viability" closer together. The concepts for this are available after years of

location debates. However, the confidence in a business location as expressed in the rankings can only be increased through deeds and reforms.

To propel Austria back among the European frontrunners there is a need not only for vision but also, and primarily, structure in the form of the right conditions and an open-minded culture focused on success.

**Index rankings for Austria, 2008–2017**



2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
14	17	18	19	16	16	21	23	19	18	<b>Global Competitiveness Index</b> 🏆
14	16	14	18	21	23	22	26	24	25	<b>World Competitiveness Index</b> 🏆
15	15	21	19	22	23	20	18	20	20	<b>Global Innovation Index</b> ○
15	16	20	21	19	19	22	20	20	20	<b>Networked Readiness Index</b> ○
			14	16	13	15	17	15	17	<b>Better Life Index</b> ○

Top countries in international location rankings

					
Rank	<b>Global Competitiveness Index (WEF) 2017-18</b>	<b>World Competitiveness Index (IMD) 2017</b>	<b>Global Innovation Index (INSEAD) 2017</b>	<b>The Networked Readiness Index (WEF) 2016</b>	<b>Better Life Index (OECD) 2017</b>
1	Switzerland 1*	Hong Kong 1*	Switzerland 1*	Singapore 1*	Norway 1*
2	USA 3*	Switzerland 2*	Sweden 2*	Finland 2*	Denmark 3*
3	Singapore 2*	Singapore 4*	Netherlands 9*	Sweden 3*	Australia 2*
4	Netherlands 4*	USA 3*	USA 4*	Norway 5*	Sweden 6*
5	Germany 5*	Netherlands 8*	UK 3*	USA 7*	Canada 5*
6	Hong Kong 9*	Ireland 7*	Denmark 8*	Netherlands 4*	Switzerland 4*
7	Sweden 6*	Denmark 6*	Singapore 6*	Switzerland 6*	Iceland 10*
8	UK 7*	Luxembourg 11*	Finland 5*	UK 8*	USA 9*
9	Japan 8*	Sweden 5*	Germany 10*	Luxembourg 9*	Finland 8*
10	Finland 10*	United Arab Emirates 15*	Ireland 7*	Japan 10*	Netherlands 11*
11	Norway 11*	Norway 9*	South Korea 11*	Denmark 15*	New Zealand 7*
12	Denmark 12*	Canada 10*	Luxembourg 12*	Hong Kong 14*	Belgium 14*
13	New Zealand 13*	Germany 12*	Iceland 13*	South Korea 12*	Germany 12*
14	Canada 15*	Taiwan, China 14*	Japan 16*	Canada 11*	Luxembourg 13*
15	Taiwan, China 14*	Finland 20*	France 18*	Germany 13*	Ireland 17*
16	Israel 24*	New Zealand 16*	Hong Kong 14*	Iceland 19*	UK 16*
17	United Arab Emirates 16*	Qatar 13*	Israel 21*	New Zealand 17*	<b>Austria 15*</b>
18	<b>Austria 19*</b>	China 25*	Canada 15*	Australia 16*	France 18*
19	Luxembourg 20*	UK 18*	Norway 22*	Taiwan, China 18*	Spain 19*
20	Belgium 17*	Iceland 23*	<b>Austria 20*</b>	<b>Austria 20*</b>	Slovenia 20*
25		<b>Austria 24*</b>			

\* previous year's ranking

**Publisher:** World Economic Forum / WEF (Switzerland)  
**Number of countries analysed:** 137 economies  
**Publication:** Since 1979, annually, most recently in September 2017  
**Data collection method:** Comprehensive executive opinion survey (roughly 14,000 participants) as well as statistical data from international institutions (e.g. OECD, International Monetary Fund, WHO)

**Publisher:** International Institute for Management Development / IMD (Switzerland)  
**Number of countries analysed:** 63 industrialised countries  
**Publication:** Since 1989, annually, most recently in May 2017  
**Data collection method:** Comprehensive executive opinion survey (roughly 6,200 participants) as well as statistical data from international institutions (e.g. OECD, World Bank)

**Publisher:** Cornell University (USA), INSEAD (France), and World Intellectual Property Organization (Switzerland)  
**Number of countries analysed:** 127 economies  
**Publication:** Since 2007, annually, most recently in June 2017  
**Data collection method:** Analysis of the capacity and support for innovation based on various indicators in areas such as infrastructure, education, knowledge, capacities, and innovation output. Focus this year: agriculture and food systems

**Publisher:** World Economic Forum / WEF (Switzerland)  
**Number of countries analysed:** 139 economies  
**Publication:** Since 2001, annually, most recently in July 2016  
**Data collection method:** Comprehensive executive opinion survey (roughly 14,000 participants) as well as statistical data from international institutions (e.g. International Telecommunications Union, UNESCO, World Bank)

**Publisher:** Organisation for Economic Cooperation and Development/OECD (France)  
**Number of countries analysed:** 36 (OECD countries plus Brazil, Russia)  
**Publication:** Since 2011, annually, most recently in May 2017  
**Data collection method:** Description of the general quality of life based on composite indicators, calculation using official data sources (e.g. OECD, United Nations Statistics)



**Focus: European comparison of top countries**

Rank	Global Competitiveness Index (WEF) 2017-18	World Competitiveness Index (IMD) 2017	Global Innovation Index (INSEAD) 2017	The Networked Readiness Index (WEF) 2016	Better Life Index (OECD) 2017
1	Switzerland 1*	Switzerland 1*	Switzerland 1*	Finland 1*	Norway 1*
2	Netherlands 2*	Netherlands 5*	Sweden 2*	Sweden 2*	Denmark 2*
3	Germany 3*	Ireland 4*	Netherlands 7*	Norway 3*	Sweden 4*
4	Sweden 4*	Denmark 3*	UK 3*	Netherlands 4*	Switzerland 3*
5	UK 5*	Luxembourg 7*	Denmark 6*	Switzerland 5*	Iceland 6*
6	Finland 6*	Sweden 2*	Finland 4*	UK 6*	Finland 5*
7	Norway 7*	Norway 6*	Germany 8*	Luxembourg 7*	Netherlands 7*
8	Denmark 8*	Germany 8*	Ireland 5*	Denmark 8*	Belgium 10*
9	<b>Austria 10*</b>	Finland 10*	Luxembourg 9*	Germany 9*	Germany 8*
10	Luxembourg 11*	UK 9*	Iceland 10*	Iceland 10*	Luxembourg 9*
11	Belgium	Iceland 11*	France 11*	<b>Austria 11*</b>	Ireland 13*
12	France 12*	Belgium 12*	Norway 13*	Estonia 12*	UK 12*
13	Ireland 13*	<b>Austria 13*</b>	<b>Austria 12*</b>	Belgium 13*	<b>Austria 11*</b>
14	Iceland 14*	Czech Republic 14*	Czech Republic 17*	France 15*	France 14*
15	Estonia 15*	Estonia 16*	Estonia 15*	Ireland 14*	Spain 15*

\* previous year's ranking

Number of placings in 2017 ("Medal Count")					
1	Switzerland		15	Canada	
2	Sweden		16	Iceland	
3	USA		17	United Arab Emirates*	
4	Finland		18	New Zealand	
5	Singapore*		<b>19</b>	<b>Austria</b>	
6	Netherlands		20	Taiwan, China*	
7	Denmark		21	Belgium	
8	UK		22	South Korea	
9	Germany		23	France	
10	Luxembourg		24	Qatar*	
11	Norway		25	Australia	
12	Hong Kong*		26	Spain	
13	Japan		27	Slovenia	
14	Ireland				

\* not evaluated in the Better Life Index

Sources: Global Competitiveness Index 2017, World Competitiveness Index 2017, Global Innovation Index 2017, Networked Readiness Index 2017, Better Life Index 2017



# Analysis of the location factors

This analysis and assessment of the attractiveness of Austria as a business location are based on international indices, topical studies and Deloitte's own expertise from its consulting activities.

Entrepreneurs, managers, investors and policymakers evaluate company and business locations based on quantitative and qualitative factors. To evaluate the attractiveness of the location, Deloitte has analysed, compared and consolidated a wide range of sources since 2014 as part of this meta-study to obtain a reliable and thorough picture:

- Analysis and assessment of comprehensive and multi-year location rankings compiled by respected international organisations (WEF, IMD, INSEAD, OECD)
- Quantitative data from recognised institutions and websites (EUROSTAT, OECD, Statistics Austria, WKO, Statista)
- Additional location rankings on the topic of digitalisation (UN, European Commission)
- Internal studies on selected topics
- Evaluations and recommendations by Deloitte experts

By combining international analyses with internal studies and expert opinions, the Deloitte Radar also accounts for the specific characteristics of Austria, such as its highly SME-oriented economy and a corporate environment geared towards social partnership.

## Indicators and location factors

Economic data, legal conditions, the availability of resources as well as estimates and expectations regarding future developments provide the basis for the evaluation of 41 selected indicators.

Multiple indicators are then combined into seven key location factors:

- 1. Political and macroeconomic environment**
- 2. Corporate infrastructure and environment**
- 3. Regulatory environment**
- 4. Costs**
- 5. Digitalisation, innovation, research and technology**
- 6. Availability of labour**
- 7. Quality of life**

The outlook presented for each individual location factor is based on the development of the indicators in recent years as well as the current developments.

**Deloitte Vienna**

Renngasse 1/ Freyung  
1010 Vienna  
+43 1 537 00-0  
office@deloitte.at

**Deloitte Styria**

Paulustorgasse 10  
8010 Graz  
+43 316 37 30 37  
graz@deloitte.at

**Deloitte Lower Austria**

Neue Herrengasse 10/4  
3100 St. Pölten  
+43 2742 25 86 71-0  
stpaelten@deloitte.at

**Deloitte Salzburg**

Ignaz-Rieder-Kai 13a  
5020 Salzburg  
+43 662 63 00 62  
salzburg@deloitte.at

**Hauptplatz 6**

2020 Hollabrunn  
+43 1 537 00-0  
office@deloitte.at

**Deloitte Tyrol**

Wilhelm-Greil-Straße 15  
6020 Innsbruck  
+43 512 582 555  
tirol@deloitte.at

**Deloitte Upper Austria**

Johann-Konrad-Vogel-Straße 7-9  
4020 Linz  
+43 732 675290  
oberoesterreich@deloitte.at

**Pfarrgasse 5-7**

6460 Imst  
+43 5412 64450  
tirol@deloitte.at

**Stelzhamerstraße 14a**

4400 Steyr  
+43 7252 5810  
steyr@deloitte.at

**Im Gries 22**

6580 St. Anton am Arlberg  
+43 5446 2850  
tirol@deloitte.at



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