

## How much confidence is there in Austria as a place to do business?

The 2008 financial crisis resulted in increased uncertainty. Almost seven years later this uncertainty has become a way of life. We all are witnessing the effects uncertainty has on our confidence in the economy, our willingness to invest as well as a number of other measures that have the potential to stimulate growth. When this happens we look to politicians and economists to act as "crisis managers". And how professionally we deal with these challenges reflects on how well we can expect to manage future development. Over 1,100 employees at Deloitte Austria engage with companies and institutions from various industries throughout the year. We have a deep understanding of problems that arise in business and have the expertise to examine the causes, analyse the circumstances and come up with possible solutions. We are also able to seize upon international trends and the experience of thousands of experts and specialists in our global network.

For this second edition of the Deloitte Radar we have pooled our experience and knowledge in the areas of audit, tax, consulting, financial advisory and human capital in order to assess the competitiveness of Austria as a business location. To do so we analysed international rankings as well as local and global in-house studies and combined this with our day-to-day experiences as business consultants to answer three central questions:

- How did Austria perform throughout the last year?
- Where do we see positive signals for a competitive future?
- What can everyone do to improve our business location?

We determined Austria's position by awarding points (1-5) in seven business-relevant areas, compared these results to last year's report and analysed the trends.

The competitiveness and attractiveness of Austria as a place to do business simultaneously reflects the view from outside and the drive within. Our common goal must be that external observers as well as we ourselves regain confidence in our economy thereby increasing trust, a willingness to invest and encouraging economic growth.

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## Deloitte.Radar 2015 Austria's standing as a key business location

### Summary

There is both good news and bad with regards to Austria's standing as a key business location

The bad news is that trust in Austria as an internationally competitive business location continues to fall. The good news, however, is that the need to address this negative trend is understood and numerous suggestions already exist to instigate a turnaround.

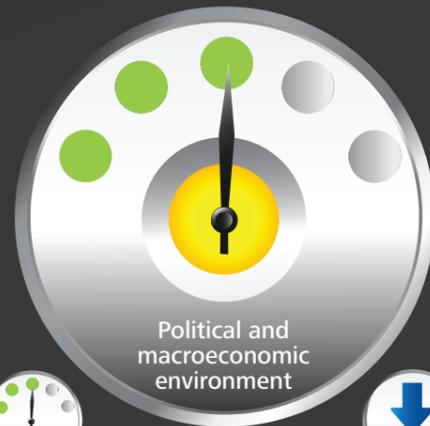
In order for Austria to return to its standing as a top location to do business everyone must play their part and be willing to accept some uncomfortable changes. The biggest danger lies in waiting and persevering. We cannot rely solely on politicians to instigate such changes. Companies, opinion leaders and the general public need to play a part too.

Through continued commitment to training and education, employment and innovation, companies invest heavily in internationally recognised and competitive products and services from Austria. The economy and its workforce form the cornerstone of our society's well-being. While this has enabled the development of a strong welfare state, we must also be wary of the threats to a sustainable financial system that inefficiencies within and abuses of this system can cause.

Increasingly necessary structural reforms and cost-saving measures can no longer be postponed. We need to maximise future investment in order to promote employment and growth. Legislation should be based on clear, concise and legally binding rules - not on strict regulation and retrospective punishment. Especially in the areas of education and taxation, ideological differences must be overcome to avoid stagnation. Against this background, the media and other opinion leaders have a key role to play in enabling and encouraging a willingness among the general population. By demonstrating positive examples, a spirit of optimism, taking the initiative and the individual's role in society can be promoted. Deloitte sees itself as a key driver in instigating such change in Austria.

# Cockpit

The trend analysis shows that Austria's competitiveness is still deteriorating: the Index value for all seven areas analysed by Deloitte dropped from 3.14 points to 3.00 (2015) out of a possible 5.00.



If Austria wishes to remain prosperous it must cut costs and increase the efficiency of state expenditure. Too much money is currently being wasted on retaining the status quo. In the face of weak economic forecasts and rising unemployment, the state needs to generate greater reserves in order to invest in the future.



Austria's provision of public services is among the world's best. Smart investments in infrastructure can help maintain Austria's position in this field as well as stimulate employment. Initiatives such as the roll-out of high-speed broadband can form the prerequisites for increases in productivity and economic growth



All over Europe companies are struggling with increasing and more complex regulation. The sheer amount of regulation often contradicts its intended effect and can dampen the drive and energy which are essential for economic growth. Simplifications, a reduction in bureaucracy and greater flexibility are the necessary countermeasures to overbearing regulation.



Reform efforts in Austria continue to be overshadowed by political ideology. Experts agree that key goals must include a reduction in the tax rate, a simplification of and greater legal stability in the taxation system as well as identifying other sources of state income. Prosperity can only be guaranteed through greater engagement and the willingness to invest.



Austria is able to benefit from a wide array of research and development incentives. Despite continual improvement, there is still more potential to enhance innovation efficiency (input vs. output). To achieve an internationally renowned position as a research and technology hot-spot, infrastructure, education, tax incentives and a strong investment climate all need to play a role.



On the one hand, the economy increasingly struggles with a lack of technically qualified and talented personnel (with insufficient migration of highly-skilled workers and the brain drain to blame). On the other hand, long term unemployment of low-skilled and older workers is rising. The themes of education and active employment policies become then more relevant than ever. Ideological political differences should not impede economic growth.



Austria's well-recognised high quality of living is a benefit to the country's population as well as to tourism. However, a tiresome and complex bureaucracy, a reduction in the level of income due to high taxation and a lack of immigrant-friendly political attitudes discourage skilled workers and international companies from relocating to Austria. Austria must do better!

- urgent need for action
- action necessary
- solid basis for required improvement
- advantage of business location with room for improvement
- top position