

Analyses

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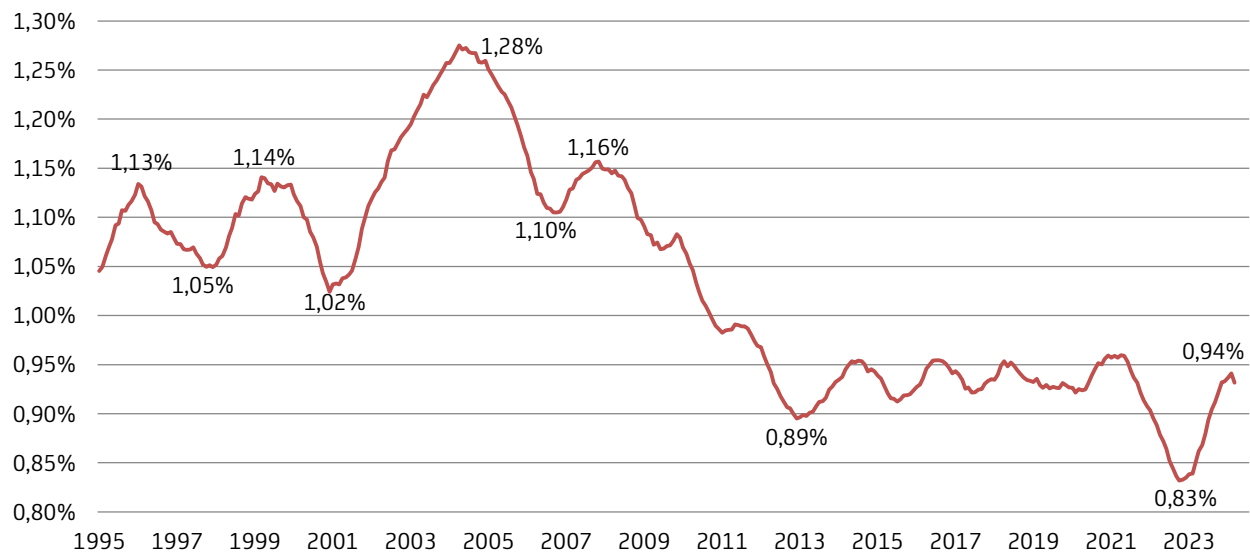
**Fighting windmills? -
Austria's strong export
position under pressure**

A hand holding a magnifying glass over a stylized mountain range. The magnifying glass is held by a hand from the right side of the frame, focusing on a circular area of a blue-toned mountain range. The background is a soft-focus landscape with a warm, golden light.

THE HIGH GLOBAL MARKET SHARE OF AUSTRIAN EXPORTS WILL HARDLY BE MAINTAINED

Global market share

(Austria, in %)



Source: DoT IMF, UniCredit Research. Share of Austria's merchandise exports in global imports

- The Austrian export industry has been able to maintain its share of the global market largely stable over the past decade. Setbacks during the euro crisis and the Corona pandemic were overcome, but the high values from the 2000s remain unmatched.
- Over the past 25 years, globalization and the economic catch-up process of the emerging markets have led to significant market share losses of the industrialized nations in favor of the emerging markets, such as China. However, the Austrian export industry suffered significantly smaller market share losses compared to the United States and the euro area.
- Austria's most successful global export products include rail vehicles including signaling devices, the production of wood and wood products and the manufacture of metal goods.
- A relatively low level of exposure to the dynamic emerging markets and the loss of competitiveness pose major challenges for the Austrian export industry. The risk of a reduction in the global market share of Austrian exports in the coming years has clearly increased.

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as by July 2024

Austria's share of world trade almost ten times higher than the share of the population

Austria with an above-average position in global trade

In the course of globalization, foreign trade has become increasingly important for the Austrian economy over the past 30 years and has been instrumental in increasing prosperity. Since 1995, Austria's real exports of goods have more than tripled. Real economic growth rose by "only" 55 percent during this period. Domestic exports of goods exceeded the 200-billion-euro mark for the first time in 2023. This corresponded to a share of the total GDP of over 40 percent. Together with service exports, the share was almost 60 percent of Austria's economic output. With an export value of 22,000 euros per capita, Austria is one of the top export nations in the world. According to the Austria Chamber of Commerce, around 10 percent of all Austrian companies are active in foreign business and around 1.2 million jobs depend on the export industry.

Austrian exports of goods rose again to 0.94 percent of global imports after the Corona crisis

While Austria, with around 9 million inhabitants, is home to only about 0.1 percent of the world's population, almost one percent – almost ten times the value – of global goods imports come from Austria. Until 2010, the global market share was always over one percent, with a peak of almost 1.3 percent in the mid-2000s. However, with the financial crisis of 2008/2009, Austria's share of the world market tended to decline. After a stabilization phase in the 2010s, the Corona crisis led to a rapid decline to a historic low of just over 0.8 percent, which was quickly overcome. In the first quarter of 2024, the share of Austrian exports in global imports was 0.94 percent, catching up with the average value of the past ten years.

Globalization caused the relative importance of industrialized countries to decline

Market share of industrialized countries fell from almost 75 percent to only 55 percent within 25 years

Globalization with the expansion of value chains to new markets to take advantage of cost advantages has fundamentally changed world trade in recent decades. The industrialized countries, which in 2000 were still responsible for around 75 percent of global exports, lost a lot of relative importance compared to the emerging countries, which were increasingly integrated into global value chains. In 2023, the share of goods exports from industrialized countries was only 55 percent of global imports. In turn, the share of exports from emerging markets rose from just over 25 percent in 2000 to almost 45 percent in 2023. The economic opening of the Chinese economy played a significant role in this. The share of Chinese exports in global imports alone rose from 5.7 percent to 13.3 percent in 2023. In contrast, the importance of the world's largest economic power, the United States, in international trade declined rapidly. The share of exports of the current countries of the European Union in world imports (measured without trade between EU countries) has also declined significantly over the past 25 years. However, with a decline from 13.4 percent in 2000 to 11.8 percent in 2023, this was significantly lower than that of the United States.

Chart 1: Share of global trade
(Share of exports of goods in global imports in %)

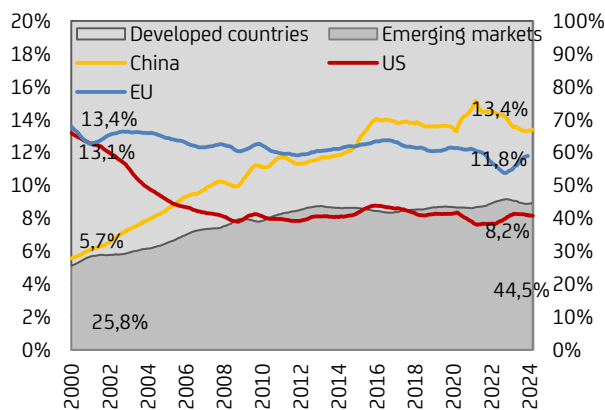
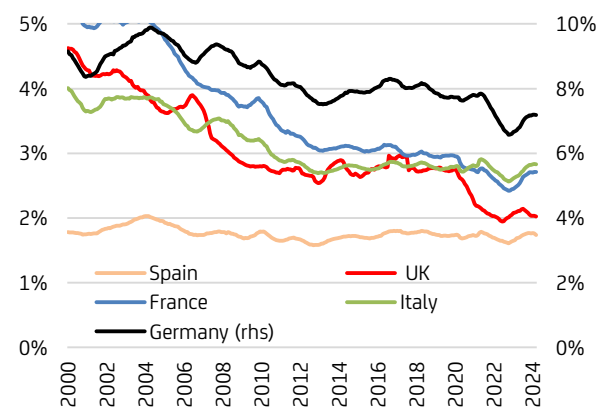


Chart 2: Share of global trade
(Share of exports of goods in global imports in %)



Source: DoT IMF, UniCredit Research

Market share losses of US higher than the one of EU

Within the European Union, there is a decline in market shares in all major trading nations. Germany's world market share has fallen from over 9 percent in 2000 to only 7.2 percent today (including EU trade). This corresponds to a decline of over 20 percent in this period. The losses of Italy (minus 29.3 percent) and especially France with 50.9 percent were much more pronounced to a world market share of only 2.7 percent. In contrast, the decline in Spanish exports of goods in relation to global imports of only 2 percent in this period was comparatively small. The decline in Austria's world market share from 1.1 percent in 2000 to 0.93 percent at present was 17 percent, slightly lower than that of the main European trading partners Germany and above all Italy and France. The United Kingdom suffered a particularly sharp loss of importance in international trade, with a decline in world market share of more than 50 percent. In contrast to the other countries, the United Kingdom was also unable to come close to compensating for the decline in world market share during the Corona pandemic, obviously burdened by the consequences of Brexit for foreign trade.

Below-average losses of the Austrian export industry

Successes in industrialized countries limit loss of market share of Austrian export industry

Compared to other export-oriented industrialized countries, Austria was able to hold up relatively well. The decline in world market share in recent years has been only below average. This was partly due to the fact that the Austrian export industry was even able to improve its position in industrialized countries. The market share rose to over 1.2 percent in the first quarter of 2024, an increase of almost 4 percent compared to the average value in the period from 2011 to 2020. This was due, among other things, to a sustained upward trend in market share in the United States. The Austrian economy now accounts for 0.54 percent of US imports, doubling compared to the years 2000 to 2010 and an increase of 30 percent compared to the years 2011 to 2020. Austria's market share in the United Kingdom has also risen again in recent years and has now reached 0.9 percent, an increase of over 20 percent compared to the average in the years 2011 to 2020. Although relatively modest at not quite one percent, the increase in the share of Austrian goods exports in German imports in the same period is not negligible in view of the strong trade link with Germany with a market share of 4.4 percent.

In the emerging markets, especially China, the Austrian export industry has lost market share in recent years. Austria's market share in emerging markets was only 0.5 percent in the first quarter of 2024 and only 0.22 percent in China. The difference between

Chart 3: Share of world trade (Austria)
(Share of goods exports in global imports in %)

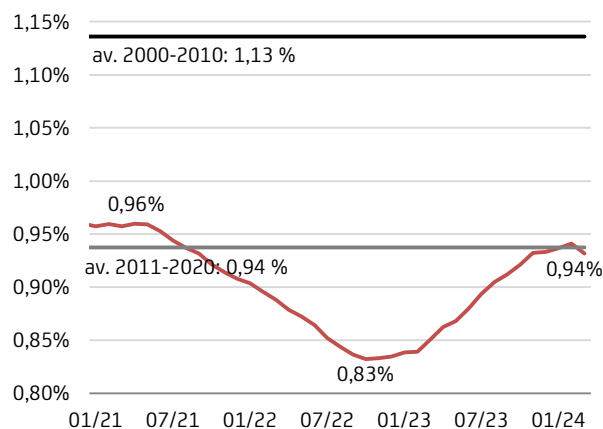
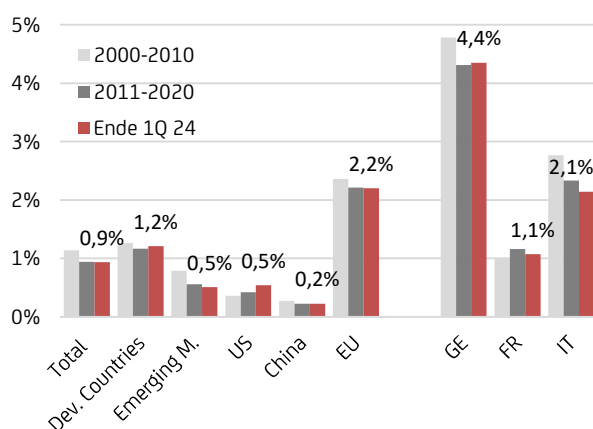


Chart 4: Austria's trade shares
(Share of exports in imports of partner regions in %)



Source: DoT IMF, UniCredit Research

Room for improvement in the emerging markets for Austria

Austria's market shares in the emerging markets and the global average of 0.94 percent is thus very significant. Due to the below-average presence in these rapidly growing markets with increasing foreign trade orientation, the risk increases that the Austrian economy will continue to lose ground in global trade.

Austria's highest world market share in exports of rail vehicles

Which Austrian products are particularly in demand on the world market?

The Austrian export industry is particularly successful on the world market with a large number of products. With 40 product groups of the so-called Combined Nomenclature at the two-digit level, the share of domestic exports in global imports is above the overall average. The Austrian export industry has the highest world market share in the product group rail vehicles including signaling devices with over 4.5 percent. Contrary to the general trend, the global market share in this sector has decreased significantly since the Corona crisis. However, due to large orders, there is a high level of volatility in this area. The top 3 domestic successful products also include wood and wood products with a world market share of 3.6 percent in 2023 and the manufacture of metal goods with 3.3 percent.

The strong position on the world market in individual product groups is not always due to a general strength of the Austrian economy due to general comparative locational advantages, but often the result of the success of a few or sometimes even only a single company. This can be assumed, among other things, for the high world market share in the field of artificial textiles, beverages or glass and glassware.

Austria's strong position in international trade

Summary and outlook

Domestic exports of goods amounted to an average of 0.94 percent of global imports in the first quarter of 2024. This means that Austria plays a far greater role in global trade than would be expected based on the country's population and economic performance. The world market share in trade is ten times higher than the share of the population and almost twice as high as the share of Austrian GDP in global economic output.

With the economic rise of the emerging markets and globalization, Austria's share of world trade, as of all industrialized countries, has tended to decline. However, from the financial crisis of 2008/2009 until the outbreak of the Corona pandemic, Austria's share of the world market stabilized at just under one percent. In contrast to other industrialized countries, such as Germany or the United Kingdom, the Austrian export industry was able to make up for the slump during the corona-related lockdowns by gaining market share.

Chart 5: Market shares by industry in 2023

(Top 12 in %; harmonized system)

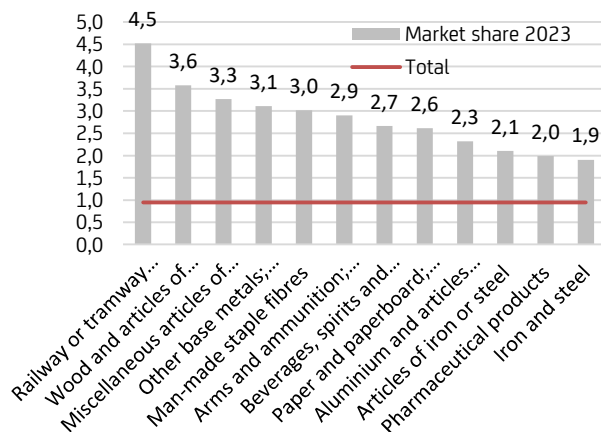
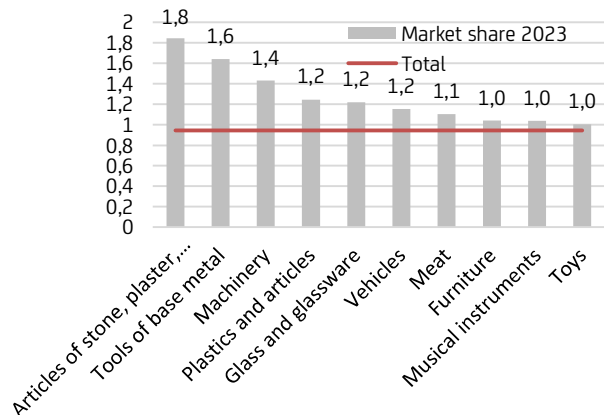


Chart 6: Market shares by industry in 2023

(Other selected industries above average in %; HS)



Source: ITC Database, UniCredit Research

Relatively low exposure to emerging markets and loss of competitiveness suggest a decline in world market share

However, it is to be feared that this was only an interim success that is unlikely to last. On the one hand, the strong growth of the emerging markets, in which domestic exporters participate only below average, speaks for a long-term decline in the importance of the domestic economy in global trade. On the other hand, the challenges for domestic export companies have increased sharply in the short term. The high wage settlements as a result of high inflation in Austria are weighing on the international competitiveness of the export-oriented economy, which is already reflected in a weakening industrial and export economy. The domestic economy has lost competitiveness since 2022. Since then, wage costs per employee have risen by around 15 percent, and by 9.5 percent in the euro area. In addition, there was a decline in labor productivity in Austria, as qualified workers were retained in companies despite production restrictions. Unit labor costs have risen by almost 9 percent in Austria since 2022, by almost 7 percent in the euro area and by 6.3 percent in Germany.¹ In addition to the higher wage costs due to inflation, the comparatively higher energy costs compared to the United States and other countries are also a factor that reduces competition for the Austrian business location.

In both the short and long term, the Austrian export industry faces major challenges in order to maintain its strong position in international trade. From today's perspective, the risk of a tendency to reduce the world market share of Austrian exports has clearly increased in the coming years.

¹ See also: Bruckbauer, Stefan: "Austria's competitiveness challenged", UniCredit Bank Austria Analysis, July 2024

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