

ALFRED NOBEL UNIVERSITY
DEPARTMENT OF GLOBAL ECONOMICS

Bachelor's Thesis

«Development and Ways of Implementation
of International Investment Project
“Café “Fantasie” in Austria»

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Group: MEB-17a

Specialty: 292 International economic relations

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**ALFRED NOBEL UNIVERSITY
DEPARTMENT OF GLOBAL ECONOMICS**

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The Bachelor's Thesis Assignment

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4. Aim of the paper The paper aims to examine the state of the Austrian economy during the past 15 years, its international trade and investment climate so as to further develop an international investment project, which will be implemented there.

5. Thesis outline (list of issues to be developed):

- Examine the economy of the selected country;
- Analyse social aspects and relationship between economic growth and human development;
- Analyse impact of international migration on unemployment in Austria;
- Evaluate the international trade profile and investment climate;
- Develop the investment project for opening of a café;
- Analyse café market, main competitors and risks;
- Evaluate the attractiveness of the investment project conducting necessary calculations.

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2	Chapter 2	15.04.2021	13.04.2021
3	Chapter 3	15.05.2021	07.05.2021
4	The whole paper	01.06.2021	24.05.2021

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Abstract

Klochko O.O. «Development and Ways of Implementation of International Investment Project “Café “Fantasie” in Austria»

The paper investigates into the state of the Austrian economy during the past 15 years. The thesis examines a relationship between human development and economic growth. At the same time, international migration phenomenon makes us wonder whether there is a real impact of migration on the current state of unemployment in Austria. The results of the research demonstrate that there is weak relationship between them, though migrants are exposed to unemployment more than Austrians are. This aspect and favourable conditions created for businesses and investment along with economic stability make this destination attractive for an investor, who can not only get a profit but also provide new work places. An international investment project of opening the café in Innsbruck was developed, main rivals were analysed and a legal form and a source of investment were defined. All necessary calculations were conducted, which allow evaluating the attractiveness of the investment project.

Keywords: human development, international migration, investment climate of Austria, NPV, attractiveness of the investment project

Анотація

Klochko O.O. «Розробка та шляхи реалізації міжнародного інвестиційного проекту «Кафе «Фантазія» в Австрії»

У роботі проведено дослідження стану Австрійської економіки протягом останніх 15-ти років. Дипломна робота досліджує взаємозв'язок між людським розвитком та економічним зростанням. В той же час, феномен міжнародної міграції породжує інтерес до того, чи впливає міграція на сучасний стан безробіття в Австрії. Результати дослідження демонструють, що спостерігається слабкий взаємозв'язок між ними, хоча іммігранти переживають більше безробіття, ніж жителі Австрії. Цей аспект та сприятливі умови, створені для бізнесу та інвестування, разом із економічною стабільністю роблять цей напрямок привабливим для інвесторів. Був розроблений міжнародний інвестиційний проект відкриття кафе в Інсбруку, були проаналізовані головні конкуренти, а також були визначені форма створення бізнесу та джерело інвестування. Були виконані всі необхідні підрахунки, які дозволяють правильно оцінити привабливість інвестиційного проекту.

Ключові слова: людський розвиток, міжнародна міграція, інвестиційний клімат Австрії, NPV, привабливість інвестиційного проекту

LIST OF SYMBOLS AND ABBREVIATIONS

<i>DPP</i>	Discounted payback period
<i>EEA</i>	European Economic Area
<i>EU</i>	European Union
<i>EUR</i>	Euro
<i>FDI</i>	Foreign direct investment
<i>GDP</i>	Gross domestic product
<i>HDI</i>	Human development index
<i>HoReCa</i>	Hotel/Restaurant/Café
<i>NPV</i>	Net present value
<i>OECD</i>	Organisation for Economic Cooperation and Development
<i>PI</i>	Profitability index
<i>PP</i>	Payback period
<i>UN</i>	United Nations
<i>USA</i>	United States of America
<i>USD</i>	United States dollar
<i>VAT</i>	Value added tax

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INTRODUCTION

Austria is a country with rich history, located in the Central Europe, is now in the cohort of the developed countries. Despite being a landlocked country and having predominant mountainous territory, Austria is located in the Central Europe and its beneficial geographical position along with natural resources contributed to the flourishing of the economy. The country is highly integrated in the world community, being the member of various international organisations including the EU. The relatively stable economy even in times of crises and relatively fast recovery, in contrast to some other EU member states, make us wonder how the Austrian government manages to tackle the challenges of the past fifteen years.

The scientific works of various researchers were considered and analysed. The analysis revealed that there is a lack of research in the field of a relationship between human and economic development in Austria. The same applies to the effect of immigration on unemployment in the country, the topic which is widely used by populists since Austria was in the centre of attention during the migration crisis due to being in the cohort of accepting immigrants and refugees. However, a relationship was not proved by scientific research. Similar researches were conducted by Sciences Po (2017), Wadsworth, J. (2015), McCormick, A. (2012); however, they are related to both other periods omitting the case of the migration crisis, and countries. Even more interest to this issue is contributed by Dellinger, F. et al. (2019) who divulge that there are high levels of unemployment among immigrants.

Indeed, deeper understanding of the economic processes inside the country allows developing the investment project which will be consistent with the country's objectives, namely employment and usefulness for the country. In addition, there is a shortage of works on how to develop a business plan appropriately and estimate economic efficiency and attractiveness of the project.

The aim of the thesis is to introduce in-depth analysis of the economy, international trade and investment climate of Austria for further development of the investment project. External and internal factors affecting the economy have been analysed. The response of the Austrian government to the faced challenges is considered

along with its impact on investment climate and economy to present as clearest picture as possible.

The objectives of the term paper are to:

- Study economic history of Austria for a better understanding of its economic development (analysis);
- Disclose general characteristics of the Austrian economy;
- Analyse social aspects and a relationship between economic growth and development and human development;
- Conduct analysis regarding migration patterns and measure their influence on unemployment in Austria;
- Evaluate the international trade profile of Austria;
- Evaluate investment climate and attractiveness of the chosen destination;
- Develop the investment project for opening of a café;
- Investigate into the café market, main competitors and risks;
- Examine the attractiveness of the investment project via calculations.

The objects of the study are the economy and international economic relations.

The subject of the study is the Austrian economy and international economic profile including FDI and trade.

Research methods for the first and second chapters include economic and statistical analysis, deduction, induction, regression and correlation analysis, hypothesis and comparison methods. For the third section, comparison, analysis and synthesis were used.

The thesis was based on the works of foreign and domestic institutions and scientists. Reports of international organisations, articles from journals, books of foreign academics and economists were used for analysing issues during the study. There were used reports of IMF, World Economic Forum, WKO, Austrian Investment Agency – Invest in Austria and scientific works of Verbytska, I., Jelili, R. B. and others.

Practical applications. The study will be handy for various specialists. Managers can use the latest insights in the economy, international positions of Austria and the hospitality industry. The thesis may well be useful for policy officers who are willing to

develop effective and efficient state policy using the example of the given country, especially taking into consideration human development and improvement of investment climate and international trade positions. Scientists might use the outcomes of the research for their further findings. In addition, the diploma paper can serve as a guide on the development of the investment project.

Approbation of the thesis. The abstract “Trends and Prospects of Economic Development of Austria” was published in the collection of abstracts devoted to the 30th Annual International Conference for Students and Young Scientists “Transformation of economic systems and institutions in the new geostrategic realities”. The other publication “Impact of Covid-19 on Tourism and Prospects of Tourism Development in Austria” devoted to tourism trends the current state of the HoReCa industry in Austria was developed in the framework of the 1st International Conference of Degree Seekers and Young Researchers “Development of Tourism and Hospitality Industry: Problems, Prospects, Competitiveness”.

CHAPTER 1.

ECONOMY OF AUSTRIA: ECONOMIC HISTORY, CURRENT TRENDS AND MAIN CHALLENGES

1.1. Economic history of Austria

It was the 14th century when under the Habsburgs, the Austrian Empire started to prosper, being in the centre of Europe. Only four centuries later, the process of industrialisation began, opening new opportunities in front of the empire.

Komlos (1983, p. 92) defines three stages of the industrialisation of Austria:

- 1) A proto-industrial stage having lasted until the mid-1790s. The beginning of mechanisation started. In 1796, an English spinning machine was built and by 1799, three cotton-spinning machines functioned.
- 2) Transition having lasted until the mid-1820s. During this period, the first stretch of horse-drawn railroad was built.
- 3) The industrial phase. Within this period, the Austrian Empire resumed processing the Bohemian glassware and started producing shawls, processing sugar beets and worsted-yarn spinning.

During 1828-1841, the number of factories increased from 1,700 to 4,400 enterprises thanks to urbanisation. The textile industry was developing and there were substantial exports of wool and cotton to Hungary. At the same time, urbanisation, a shift in the income of the population and a shift from agriculture to industry increased demand for Hungarian grains (Komlos, 1983, pp. 101-102).

After the establishment of a dual monarchy with Hungary, technology only accelerated the growth of industrialisation and urbanisation. In 1873, however, the crisis transpired, from which some regions of the Austrian Empire drastically suffered including Lower Austria, industrial Bohemia and Moravia that underwent a steady contraction in GDP until 1879. It took them more than a decade to return to the pre-crisis levels (Ciccarelli and Missiaia, 2014). There was no such a detrimental effect of the crisis on the agricultural regions, Galicia and Dalmatia.

Since the 1890s, the Empire had been growing rapidly. Komlos (1983, p. 91) compared Austrian industrialisation to the French pattern, calling it “a gradual, albeit persistent, rate of growth with deep roots in the eighteenth century and without any identifiable period of discontinuity”. There was also an increase in the inequality of the states; Bukovina, Galicia, Dalmatia and Carniola were underdeveloped and poor compared to the rest of the regions. In the 1890s, the first hydroelectric power plant was built in the Tyrol region, thus helping the region to stop the economic decline and turn into a positive direction.

In the 1880s–early 1890s, the market integration took place, although being uneven across regions. Not only did economic factors contribute to this problem, but also cultural aspects, ethnolinguistic in particular, were important. Therefore, national conflicts in the Empire occurred, which is in line with the inequality of the regions.

The Habsburg Empire generated 10.00% of the total European GDP and had 13.00% of inhabitants of entire Europe at the beginning of the 20th century. Until the onset of World War I, Austria-Hungary actively invested in industrial activities, which were an integral part of its international trade. Engineering and metallurgy commenced developing gradually, thus symbolising the priority of the authorities regarding the war industries. Conversely, the primary sector felt the lack of support from the state, and food shortages occurred (Broadberry and Harrison, 2005).

After World War I, by the Treaty of Saint-Germain 1919, the Allied Powers made Austria accept responsibility for the war; refuse 60.00% of its pre-war territories and thus, recognise the independence of Hungary, Romania and other Eastern European countries; pay reparations. These measures, in turn, had serious repercussions on the economy, when economic turmoil resulted in massive unemployment, isolation from foreign financial markets and hyperinflation. The reconstruction programme of the League of Nations was developed to tackle the problem and alleviate the consequences by means of giving a loan, establishing a central bank and other measures that assisted in recovery, albeit restricted by requirements to run its finances conservatively (Macher, 2018).

In the second half of 1929, the economy fell into recession. Two years later, in May 1931, the serious mismatch in the financial institutions' foreign currency caused the crisis. The unemployment rate reached 40.00% by 1930. The collapse of the Creditanstalt, the Austrian largest bank, was followed by financial anxiety of some other European countries such as Germany, Great Britain and other; devaluation transpired, the gold exchange standard was destroyed, trade blocs emerged. However, Macher (2018) argues that the government was trying to find a way to stimulate economic growth being under constant pressure from the side of the international organisations, which controlled borrowings and expenditures of the Austrian government. It, in turn, had to pursue economic stability, thus having to rely on the banking system. Both banks and the government were unanimous on saving the industrial structure by any means.

In 1938, Austria was occupied by Nazi Germany as a result of Anschluss. It is noteworthy that Austrian's great deposits of iron ore compensated for its shortage in Germany. The annexation lasted until 1945 when after the end of World War II democracy was restored. In 1955, the Austrian State Treaty fixed the sovereign state status of Austria, and the perpetual neutrality of the country was declared. Since then, Austria has started its integration in the world community, becoming a member of various international organisations such as the European Union (1995), OECD, Schengen Area (1995), Euro area etc. The process of integration and globalisation has contributed significantly to the current position of Austria, which is to be considered in this chapter.

1.2. General characteristics of the Austrian economy over the past 15 years

Nowadays, Austria is mainly associated with economic stability, diversification, and its ability to alleviate crises. During the financial crisis of 2008-2009, the country managed to maintain relative stability particularly thanks to the measures in monetary and fiscal policy.

The country, however, faced other issues later, which, indeed, affected the economy to a certain extent. The corruption scandal of 2012 triggered Austria, when

Chancellor Werner Faymann, former Minister of Transport, was accused of making the state railroad and highway agency pay for positive media reports (Freedom House, 2013). The migration crisis of 2015 was another external challenge in that Austria was the largest acceptant of Syrian, Iraqi and Afghan refugees. This, in turn, required more spending from the government on the support of the migrants. The unemployment rate was 6.01%, the record one over the past several decades (World Bank, 2021).

The latest and the newest challenge for Austria and the rest of the countries is the crisis caused by COVID-19. The preventive measures such as the quarantine and lockdown have their downside in that they threaten to business operating, consequently, to employment and overall economic performance of the country.

All of these and other factors are mirrored in the economic indicators of the country. In 2019, the nominal GDP of Austria equalled 445.08 billion USD, accounting for the 29th largest economy in the world (World Bank, 2021). Its debt-to-GDP ratio is 88.90% (OECD, 2021). The population equals 8,877,067 people.

Economic growth is affected by monetary, fiscal and other economic policies and indicators, inter alia, inflation rate. There was studied a relationship between these two parameters by many economists, and the studies revealed the positive, negative and neutral relationship. For instance, Karahan and Çolak (2020) found a negative relationship between GDP growth and inflation rate in the long run in Turkey. Both positive and negative correlation was found in Bangladesh economy, depending on the inflation rate (Asaduzzaman, 2021). Sidrauski (1967) in his research suggested that the relationship is absent. In the study of Behera (2014), six South Asian countries were analysed and a high positive relationship took place. According to Kearny, Paul and Chowdhury (1997), there was no causality relationship between inflation and GDP growth in 40.00% of 70 analysed countries including Austria, bidirectional causality in 20.00% of countries and unidirectional causality in the rest of the states. With this, it is worth analysing whether there is any relationship between economic growth and inflation in Austria.

It is worth noting that real GDP growth was quite unstable during the last 14 years (Fig.1.1). With a positive tendency in 2005-2007 reaching 3.73%, the Austrian growth

rate dropped to 1.46% in the next year and plummeted below zero to -3.77% in 2009 due to repercussions of the global crisis (World Bank, 2021). However, the economy recovered fast. After 2011 (2.92%), the country suffered from weak real economic growth (0.68% and 0.03% in 2012-2013 respectively) during the next two years. In general, both of these factors affected the economy to a certain extent.

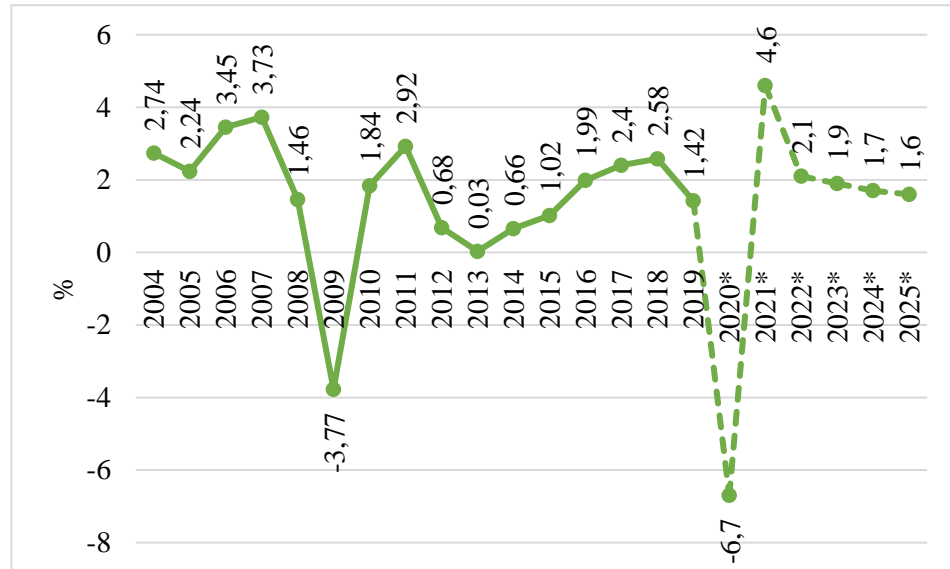


Fig. 1.1. Real GDP growth during 2004-2019, with projections for 2020-2025

Source: built by the author, World Bank (2021), IMF (2020)

International Monetary Fund projected that in 2020, there was a drastic decline in GDP growth by -6.70% due to the global crisis, which was harsher than in 2009. After this, the recovery of the economy will follow, with 4.60%, and a slight decrease to 2.10-1.60% in the years 2022-2025.

The inflation rate has been relatively low in Austria since 2005 (Fig. 1.2). The peaks of inflation in 2008 and 2011 can be explained by the fact that in the first case, the global financial crisis took place and after that, the European debt crisis affected the Austrian economy. The consumer price index was forecast to be 1.20% in 2020 and is anticipated to be 1.80-2.00% during the five following years.

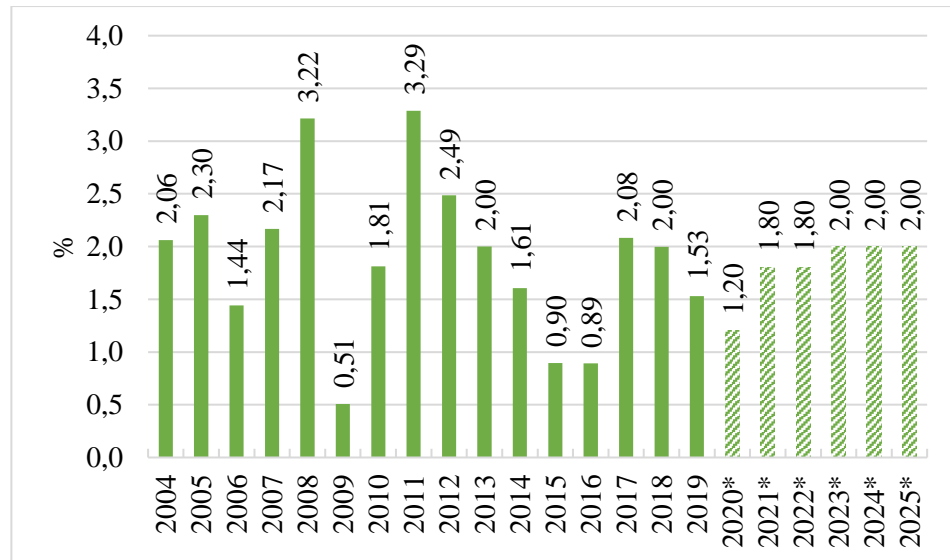


Fig. 1.2. Annual inflation rate during 2005-2019, with projections for 2020-2025

Source: built by the author, World Bank (2021), IMF (2020)

One can observe that a low inflation rate does not always coincide with positive GDP growth, e.g. some setbacks take place, for instance, in 2009. Another situation transpires in 2007 and 2013, when even despite the same inflation level, economic growth was lower in the former case, and higher in the latter.

In the following scatter plot, one can observe the correlation analysis of GDP growth and inflation in Austria during the past 15 years (Fig. 1.3). Forecast figures are intentionally omitted not to distort the research. It is visible from the coefficient of determination which equals 0.21 that the relationship is weak.

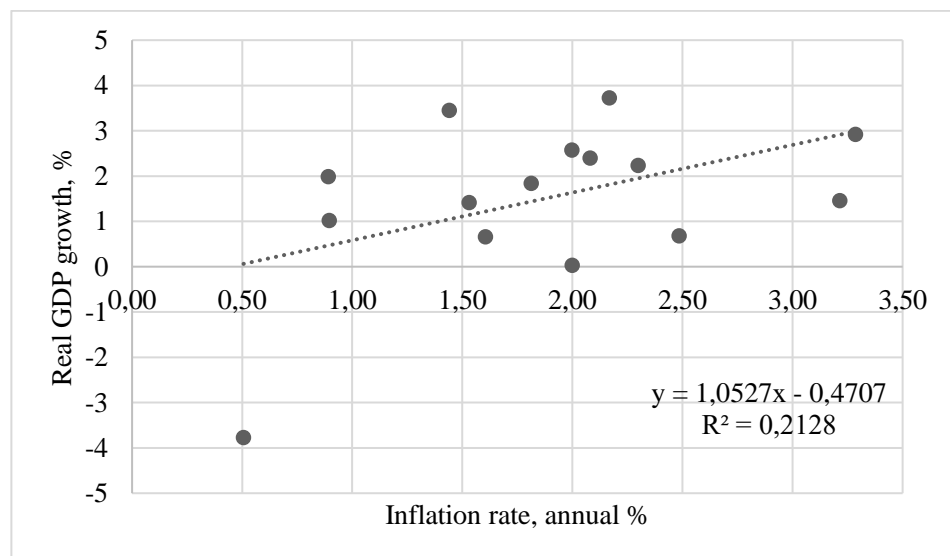


Fig. 1.3. Scatter plot of the inflation rate and GDP growth during 2005-2019

Source: built by the author, World Bank (2021)

The regression analysis demonstrates that there is no significant impact of inflation on economic growth (*Appendix A*). Inflation explains 21.28% of GDP growth, while the other 78.72% can be elucidated by other factors not included in the analysis. Ergo, inflation needs to be considered in relation to economic growth, but a low inflation rate does not guarantee GDP growth.

Real GDP per capita demonstrates the volatility of the Austrian economy during the past 15 years (Fig. 1.4). As it can be seen from the chart below, the figure shows a downward trend in 2009, plummeting approximately by USD 2,000. A slight decrease took place in 2013. After this period, the situation has stabilised and reached a peak of USD 50,552.91 in 2019.

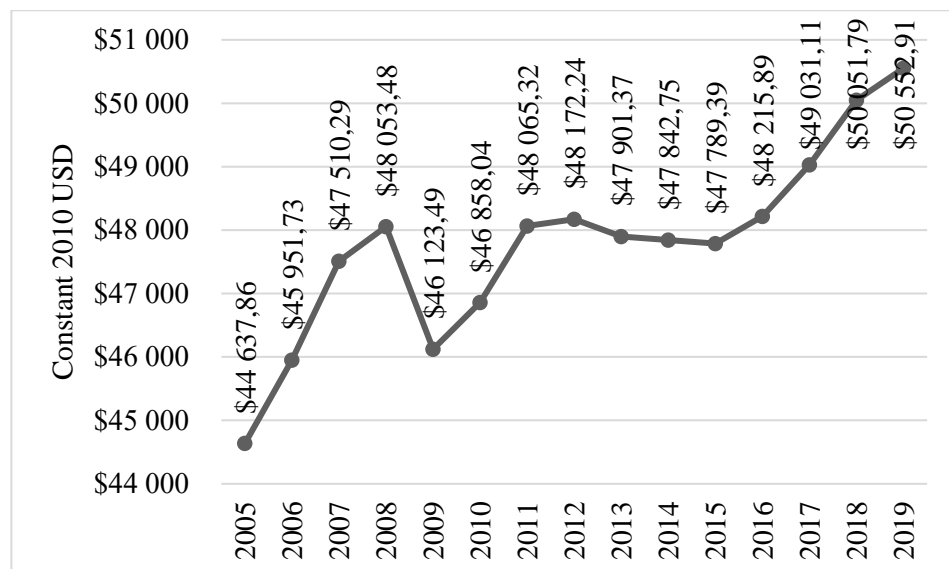


Fig. 1.4. Real GDP per capita during 2005-2019

Source: built by the author, World Bank (2021)

Real GDP per capita PPP (purchasing power parity) has the identical tendency, though the values are higher in comparison to the previously considered indicator. It amounted to 56,187.58 constant international 2017 dollars in 2019. It makes Austria the 17th on the list of PPP (World Bank, 2021).

The GDP structure of Austria based on the latest data of 2019 (*Appendix B*) demonstrates that the primary sector including agriculture, forestry and fishing, amounts to the lowest share of total economic activity with 4.85 billion USD or 1.09%.

Industry takes second place after services and includes mining, quarrying and manufacturing (16.89%); electricity, water supply, sewerage and waste management (2.55%); and construction (6.08%). In general, the industry takes 25.52% of the total GDP in 2019, with 66,700 operating enterprises. Among the natural resources which are of high importance, are iron ore, non-ferrous metals, petroleum and natural gas.

As a developed country, Austria is focused on the tertiary sector providing services that equal 71.00% of total GDP structure, including market and non-market activities – wholesale, retail trade, restaurants, and hotels (14.98%); transport, storage, and communications (8.34%); real estate (8.88%); financial and insurance (3.71%); government activities.

Monetary and fiscal measures contribute to such an economic situation. In 1999, Austria became a member of the Economic and Monetary Union and adopted Euro, thus being involved in implementing the common monetary policy.

The principal objective of the Eurosystem's monetary policy is to maintain price stability. It analyses the HICP (Harmonised Index of Consumer Prices) which measures consumer price inflation; it should neither exceed 2.00% nor be excessively low across the euro area annually. This is how the monetary policy strategy is determined by the European Central Bank, which establishes the appropriate interest rate to make the economy stable. The comparison between the Austrian and EU HICP shows the volatility in both cases; it is especially visible in 2009, 2011 and 2015, during the financial, European debt and migration crises (*Appendix C*).

The Austrian fiscal policy was also influenced by the EMU (European Monetary Union). Each member has to fulfil three criteria, two of which are stated in the Maastricht Treaty (1997) and later became the basis for the Stability and Growth Pact (1997) (SGP) that establishes the major fiscal rules, with which each member state has to comply. If the criteria are not met, a country is supposed to introduce a more efficient fiscal policy. Among the requirements are:

- The budget deficit does not have to exceed 3.00% of GDP;
- The debt-to-GDP ratio should be less than 60.00% or gradually contracting;

- Medium-term budgetary objectives have to be attained, where countries have to adjust their structural budgets at a rate of 0.50% of GDP annually as a benchmark.

Austria's general government debt from GDP equalled 88.90%, which is almost the same as the average debt of the EU countries. Its debt increased in 2008-2009 by 16.60%, reaching 86.70%, and continued rising until 2016, reaching a historical maximum of 102.50% (OECD, 2021).

The budget deficit of Austria equalled +0.67% of GDP in 2019, which has been gradually improving since 2009 when it was -5.33%. Social security contributions account for 31.30% of total government revenues, whereas the tax on production and import makes 28.32% and income tax 27.89%. The largest share of the budget is spent on social benefits, 36.89%, and compensation of employees, 21.69% (*Appendix D*).

Thus, the figures (especially the debt-to-GDP ratio) are a sign of not effective enough fiscal policy. The problem, underlined by Fargnoli (2014), is coinciding competencies, which the different levels of the government have, regarding public services.

In 2011, the Austrian government introduced the AISP (Austrian Internal Stability Pact) aimed at reforming fiscal policy. The objective is to revise the budgetary framework and fiscal rules in order to provide better efficiency. Austrian Stability Programme for 2018-2023 mentions that the AISP is focused on the solution of the key issues such as structural general government deficit, which should not exceed -0.45% of GDP; a decrease of public debt; improvement of budgetary coordination and planning (Federal Ministry of Finance, 2019).

One of the fiscal instruments, taxation, was altered in 2016. In particular, the individual income tax rate was reconsidered, where tax levies on people with an annual salary up to EUR 90,000 were decreased, whereas those who earn more than EUR 1,000,000 have to pay 55.00%, which is 5.00% more compared to the previous rate (*Appendix E*).

The objective of the tax reform was to increase net salary income for low- and middle-income social groups. However, the study of Christl, Köppl-Turyna and Kucsera

(2017) reveals that there was not only an insignificant increase in net income but also growth in income inequality among men and women and worsening in the Gini index. Furthermore, apart from the decline in income tax rate, the increase in the negative income tax regarding social security contributions for low-income population up to 50.00% occurred (with a maximum of EUR 400 and EUR 110 for pensioners). The reform seems to be more beneficial for part-time employees in the end, since they are the low-income population, and brings no incentive to seek a full-time job.

In 2020, the EU agreed on the escape clause of the SGP, thus not restricting national fiscal deficits and general government debts, easing state-aid rules, and agreeing on joint debt issuance to finance a recovery plan worth EUR 750 billion (United Nations, 2021).

Generally, the tax-to-GDP ratio is 42.40% in 2019, which is well above average among the OECD countries. The share has been remaining stable for years. The current government elected in 2020 is focused on creating an amicable business environment and appropriate working conditions for employees. In the introduced government programme, it suggests cutting personal income tax rates for people with an income up to EUR 60,000. Changes in the corporate tax are also planned for the years 2023-2024, where the rate is reduced to 21.00% and the minimum tax rate is eliminated (Asen, Bunn and Weiss, 2020).

Austria uses fiscal policy within the framework of sustainable development. Environmental tax revenue equalled 6.72% of all tax revenues and 2.88% of GDP, making it the sixth among the OECD members. The government provides subsidies to the entities on renewable energy, water management, transportation and polluted sites in order to develop a green economy. According to Asen, Bunn and Weiss (2020), it is highly likely that there will be other actions in this direction, since apart from the Austrian People's Party the recent government is formed by the Green Party, too. In 2021, they are going to implement an increased environmental tax for aviation transport. Therefore, we may expect that there will be not only a change in tax revenue sources but also a restructuring in the budget revenues, where the share of taxes will be decreased.

1.3. Social aspects

Social strands' relation to economic growth and development has been considered by many researchers and institutions. The most prominent example is the UN and the World Bank, among whose objectives are the facilitation of economic growth and development worldwide via welfare programmes. Boozer et al. (2003) in their paper tend to believe that there is a strong relationship between people's well-being and economic performance. They consider it as a cycle where budget expenditures are equally distributed among governments of all levels, households and non-governmental organisations to invest in human development. This, in turn, accounts for ascending labour and entrepreneurial abilities and skills, innovativeness, domestic R&D (research and development), foreign and domestic saving and investment, and, subsequently, in GDP growth. However, their research regarding the relationship between these two parameters is based on the health, nutrition and education rates of the population.

On the contrary, HDI, suggested by the UN, comprises a set of factors which determine human development in each country, ergo, providing us with in-depth analysis in comparison to the three basic indicators mentioned before. Apart from these indices, HDI includes inequality, gender, poverty, work, trade and financial flows, mobility and communication, environmental sustainability, demography and socio-economic stability. All of this results in one of the highest HDI in the world in the case of Austria, whose index is 0.922 (UNDP, 2020).

At this stage, the question about the real impact of HDI on real GDP growth in Austria arises. That is why the relationship between the two variables will be further investigated. For the analysis, correlation and regression analyses will be used, along with Student's t-distribution, which will help to define the significance of data, P-value, F probability distribution, which will test the hypothesis about the linearity of the indicators, and average approximation error to disclose the quality of the regression.

In the following scatter plot, one can observe the correlation of HDI and the real GDP per capita for 2004-2019 (Fig. 1.5). It shows us the direct linear power between

the two indicators of a concern; the correlation coefficient is 0.90 and demonstrates a strong positive linear relationship.

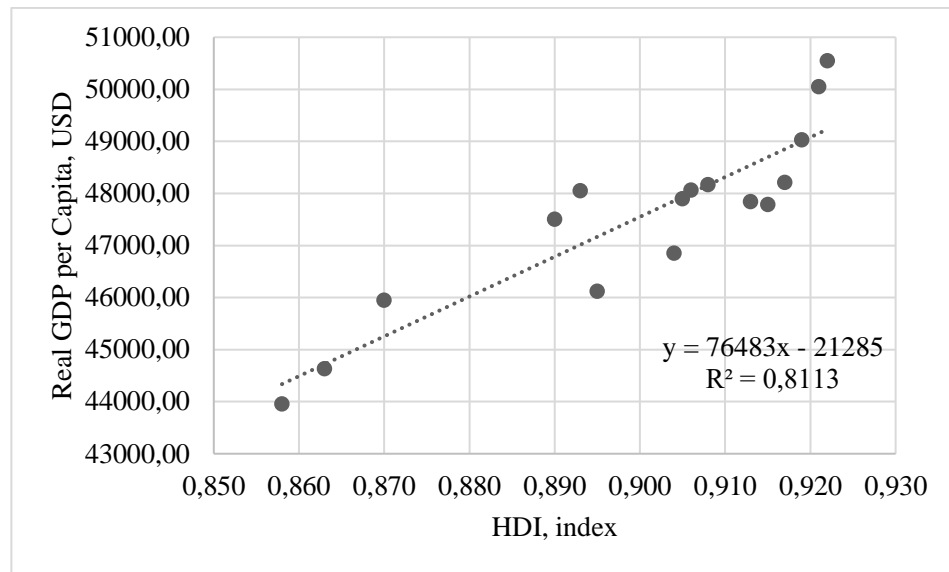


Fig. 1.5. Scatter Plot of HDI and real GDP per capita during 2004-2019

Source: built by the author, World Bank (2021), UNDP (2020)

For a more trustworthy analysis, the regression analysis was made with the help of other tests (*Appendix F*). Furthermore, 81.13% of real GDP growth are elucidated by the rate of HDI.

Therefore, the linkage between these parameters exists in the case of Austria. Human development is an important strand in the economic process, being not only output but also input in the Austrian economy thanks to sufficient investment in its citizens. In general, approximately half of public expenditure is spent on health and education services. In 2019, 10.40% of GDP was directed to the healthcare system. Interestingly, though, that Austrian expenditures on allowances for families and children are higher than on disability and sickness, hence, prioritising the improvement of the situation with fertility rate, which is below average across the OECD (OECD, 2021). The crude birth rate equals 9.7 per 1,000 people; the crude death rate totals 9.5 per 1,000 citizens. The number of citizens with the age of 65+ prevail the number of children 0-14 years by 4.00%, constituting 18.40%, thus, demonstrating that Austria has an ageing population. Life expectancy is 83.9 years for women and 79.2 years for men (UNDP, 2021). The figures regarding fertility are the same as in the majority of developed

countries; that is why the authorities pay attention to the problem of the ageing population and the need for fertility.

Education is another direction supported by the authorities, with 5.50% of GDP. The share of people with tertiary education has increased during the past two decades almost twice, standing for 19.80% of the total population in 2018. At the same time, the number of people who completed only compulsory studies (lower secondary education), has rapidly decreased by 12.50%, reaching 13.70%. 66.40% of the population hold a degree from upper-secondary, post-secondary and non-tertiary institutions (Statistik Austria, 2021). There is a support of education for all citizens, both children and adults, though Tiefenbacher and Vivona (2017) in their research prove that there are some drawbacks in the compulsory primary education process, which are the result of district allocation rule. On the other hand, there is a support of adult education from the government; the priority is digital education for all adults without exception since the older generation is the least educated in this area (Boiarska-Khomenko, 2019). Austria might want to improve the education system to encourage people to enrol on universities and colleges to obtain tertiary education since education has a profound impact on labour productivity. With the high demand for various specialists, the government should consider special incentives to motivate people to study these particular subjects to satisfy labour demand.

Special attention is paid to the inequality of income distribution. The Gini index equalled 0.30 in 2019 (where 0 is perfect equality, and 1 is perfect inequality). Austria improved its positions by 0.20 points since 2014 (UNDP, 2021). According to the CIA (2021), there were 3.00% of the population below the poverty line in 2017. Since the entrance of the EU, inequality in Austria worsened (Mayrhuber et al., 2015, as cited by Beer et al., 2017). On the other hand, a similar situation is observed in the OECD countries and the entire world. The research of Nguyen and Samarina (2019) reveals that there was a substantial increase in income inequality along with the rise in GDP per capita, though, remaining among the lowest in the Euro area. Transfer income (defined by the authors as pensions, regular social transfers, and unemployment benefits) exceeds labour and financial income (investments and dividends) received by 60.00% of the total

population; half of the total income is concentrated among the top 20.00% (*Appendix G*). Nevertheless, all the researchers, being unanimous with Lenza and Slačalek (2018) and Guerello (2018, as cited in Nguyen and Samarina), found that efficient monetary policy is essential to lower income inequality. An increase in wages and employment with regard to monetary shocks will reduce the impact of the shock on inequality.

1.4. Labour market and impact of migration on it

Work and employment is another set of indicators analysed in the framework of human development. The Austrian labour force equalled 4,559,400 people in 2019 and is continually rising. 3.66% of all employed population work in the agricultural sector, which is explained mostly by the focus on services and partially by the urbanisation rate equalling 58.20%. 25.36% are engaged in industry activities and the rest of the people, 70.99%, work in the tertiary sector. Looking at the individual industries, one can notice that manufacturing employs 16.20% of the total employed, then are wholesale and retail (14.40%) and human health and social work activities (10.60%) (Statistik Austria, 2021). Simultaneously, there is a lack of qualified workers for a range of occupations. Specialists in power engineering, data processing, agricultural equipment are required. Healthcare and social work activities also alarm that there is a serious demand for nurses, physicians, healthcare assistants and other (Migration.gv.at, 2021).

The employment-to-population ratio is estimated by 56.50% in 2020, having dropped by 1.50% compared to 2019 due to the COVID-19 crisis (Statistik Austria, 2021). Simultaneously, an increase in unemployment took place, ascending from 4.49% to 5.77%; however, it is expected to remain relatively stable during the following years (Fig. 1.6). While looking at the figures, we can observe fluctuations in the unemployment rate, albeit not rapid and drastic ones compared to some other EU countries (for instance, PIIGS). Having reached the second minimum of 4.13% over the past three decades in 2008, the Austrian unemployment rate increased by 1.17% in the following year as a repercussion of the global crisis.

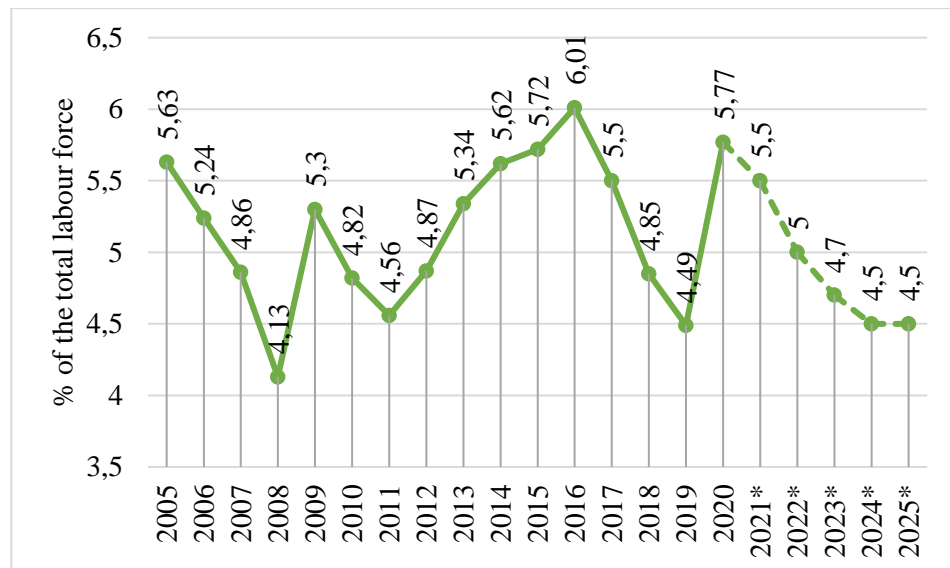


Fig. 1.6. Unemployment, total during 2005-2020 (modelled ILO estimate), with projections for 2021-2025

Source: built by the author, ILOSTAT (2021), IMF (2020)

Notably, the Austrian government supports the unemployed spending 1.03% of GDP; the figure has remained relatively stable over the past decade. Austria exceeds almost twice the average EU indicator (OECD, 2021).

A gradual rise during 2012-2016 can be explained by structural problems in transport, wholesale, construction and HoReCa industries in the Austrian economy due to both new rivals from Eastern Europe in construction and transportation, and a mismatch at the labour market because of lack of qualification and institutional factors (Christl, Köppl–Turyňa and Kucsera, 2016).

Another scenario takes place in 2020 when due to the COVID-19 crisis, quarantine, lockdown and whatsoever, businesses are compelled to restrict or cease their activities, therefore, forced to make their employees redundant. In 2019, 5,059 enterprises were insolvent; those related to financial and other activities, wholesale and construction industry suffered the most. Despite the fact that it takes a low percentage of the total number of active enterprises (approximately 0.90%), still, this is mirrored in the unemployment rate. In 2020, however, bankruptcies decreased by 38.00%; only 3,155 enterprises were in the state of insolvency (Statistik Austria, 2021).

Additionally, the migration crisis of 2015 in Europe also contributed to this problem, since the influx of refugees and migrants from Syria, Iraq and Afghanistan changed the demographic picture. The percentage of 6.01% during this period is low if to compare it to the majority of other countries in the EU; however, this is the highest unemployment rate since 1993 according to the Austrian calculations (Fehr-Duda et al., 1997). It was the third European country that received asylum applications, 1,000 per 1,000,000 citizens (Pew Research Center's Global Attitudes Project, 2016). By 2016, out of more than 1 million refugees arriving in Europe, Austria accepted a caseload of 136,208 refugees; this is 1.58% of the country's total population. EUR 1,566 billion or 0.46% of GDP were spent on the support of migrants, which made Austria the second largest European country by expenditures for asylum seekers after Sweden, accounting for 0.54% (Beresford et al, 2016). On the one hand, the intentions of the authorities to get a new labour force were tacit and justified because of the reluctance of the Europeans to be engaged in unskilled work (Dragostinova, 2016). On the downside, Dellinger et al. (2019) disclosed that many asylum seekers failed to find a job; only up to 30.00% of them managed to do this. Beer et al. (2017) share the same opinion. Indeed, Statistik Austria (2021) reveals that there is a lower integration of foreign migrants in Austria in 2014, in particular from Turkey and other countries outside the EU and Balkans. 14.60% of Turks are reported to have been unemployed in comparison to 10.30% of migrants from other countries. 75.00% of Syrians and 46.00% of Afghans of working age were unemployed in 2015.

In 2019, international migrants worked more in the HoReCa industry, construction, business activities, transportation and trade in comparison to the Austrian inhabitants. On the other hand, the Austrian population was engaged more than immigrants in healthcare and social activities, public administration and defence and education (*Appendix H*).

Although it was noticed that there was a simultaneous increase in unemployment and influx of foreign immigrants, the question arises whether the unemployment rate depends on international migration. Wadsworth (2015) in his study of the impact of migration in the UK (United Kingdom) found that there was no relation between the two

variables. No relationship was divulged during the study of Sciences Po (2017) where correlation among migration, unemployment and crime was analysed. McCormick (2012) analysed the cases of Germany and France and concluded that unemployment lowers while immigration increases. She suggests that migrants tend to choose the countries where there are working places. However, it is worth noting that, *inter alia*, other pull factors also influence the decision of migrants; for instance, high standards of living, welfare programmes, better climate, the geographical proximity of a country, family, high income and purchasing power parity. While immigrants from Balkans might choose Austria due to it being a neighbouring country with high quality of life, the refugees from Syria, Afghanistan and Iran may well have chosen Austria thanks to its high standards of living.

Still, the overlap of an increase in the unemployment rate and immigration flow occurs and should be further analysed. Therefore, it is suggested to analyse their relationship via two options:

1. Relationship between the two variables during 2005-2019.
2. Relationship between the two variables from the onset of the influx of refugees from Syria, Afghanistan and Iran to be more precise in the evaluation of the data.

It is worth considering the general picture of international migration patterns (Fig. 1.7). The total migration inflow in 2019 amounted to 150,419 people and outflow was 109,806 people. Net migration indicator has been positive for the last 14 years; immigration prevails emigration, and in 2019, equalled 40,613 people.

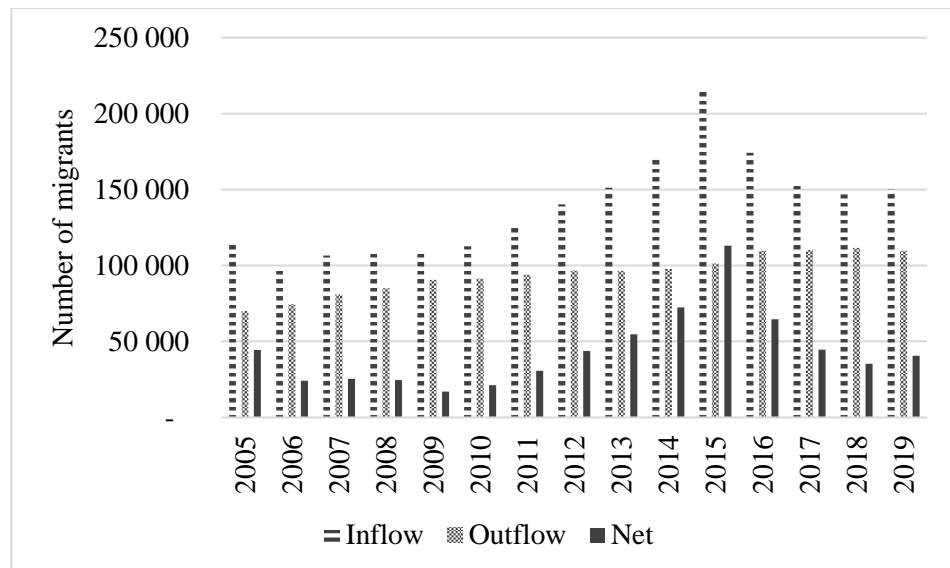


Fig. 1.7. International migration inflow, outflow and net during 2005-2019

Source: built by the author, Statistik Austria (2021)

The largest number of people migrated from the EU to Austria, 95,069 immigrants. 22,974 people came from other European countries, and 14,197 people from Asia. Top countries during the past years are Serbia (7,139), Bosnia and Herzegovina (4,279), Turkey (3,836), Russia (2,150) and China (1,860). At the same time, outflow destinations are almost the same: Serbia (5,183), Turkey (3,513), Bosnia and Herzegovina (2,342), Afghanistan (2,192) and Russia (1,755) (Statistik Austria, 2021). Looking at the migration patterns, it can be assumed that they are predominantly temporary migrant workers or economic migrants. It is noteworthy that USD 5.84 billion of remittances were paid in 2019 in contrast to USD 3.05 billion of remittances were received in 2019 (World Bank, 2021).

Two scatter plots were built to determine the relationship between the two indicators (Fig. 1.8, Fig. 1.9). Regarding the general tendency during the past 15 years, one can see that the relationship is weak enough; only 26.24% of unemployment can be explained by immigration; other 74.76% follow from other sources not considered in this analysis. The correlation is moderate equalling 0.51. However, according to the further calculations, they demonstrate statistical insignificance of data and the joint insignificance of variables (*Appendix I*).

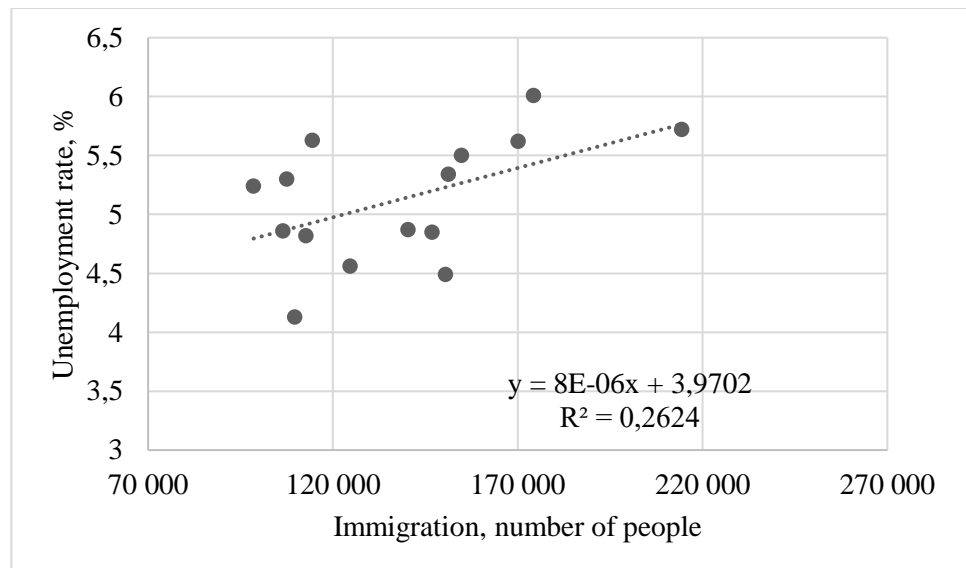


Fig. 1.8. Scatter plot of unemployment and immigration during 2005-2019

Source: ILOSTAT (2021), Statistik Austria (2021)

The analysis regarding the influx of migrants in 2012-2016 shows a strong correlation between the two variables. 47.21% of the situation on the labour market are elucidated by immigration; the other 52.79% are explained by other factors not mentioned in the analysis. The other correlation analysis shows the identical situation is as in the first case. The regression analysis confirms these findings (*Appendix I*).

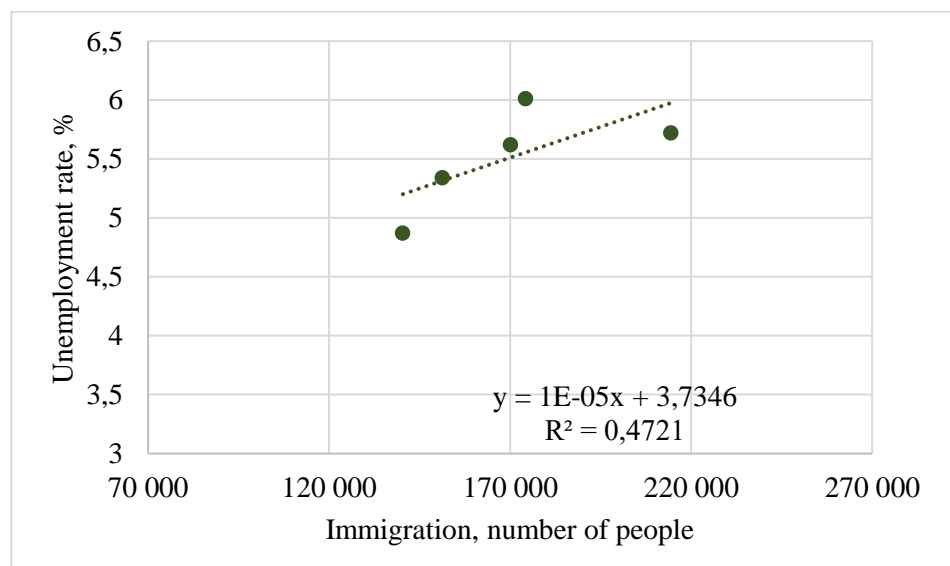


Fig. 1.9. Scatter plot of unemployment and immigration during 2012-2016

Source: ILOSTAT (2021), Statistik Austria (2021)

Therefore, while in the first case the relationship is obvious, albeit weak, the second case shows that the impact of immigration is hardly recognisable in this analysis and the model has to be reconsidered.

Beer et al. (2017) suggest that unemployment in 2012-2015 was induced mainly by the excess of supply. Christl (2019) during studying the Beveridge curve shift after 2014 found that from 2011 to 2012 unemployment rate was driven by supply. However, since 2013, a supply-side driver played a minor role in the existing situation, and there was a demand-side driver resulting in a shortage of labour demand, which caused cyclical unemployment. Additionally, there was a decline in matching efficiency, e.g., a mismatch of skills occurred. Regional mismatch also took place, having increased significantly since 2009, while sectoral mismatch had remained low. The problem of matching efficiency induced the unemployment rate to ascend by 0.50%. Moreover, if to deepen in the figures, one can find the contrast across Austria; while in certain regions unemployment is high due to a low number of vacancies, in other regions it does not exceed the natural rate of unemployment.

According to Statistik Austria (2021), the highest rate of unemployment was observed in Vienna, amounting up to 9.90% in 2015, and being the highest at all times. Carinthia has been having the second highest unemployment rate, while third place was taken by Tyrol until 2016 when it was changed by Lower Austria.

The positive prospects in the employment rate during the next several years allow us to believe that there will be a gradual recovery in the overall economy. The tendency in the population growth is positive, too, despite the fact that there is the prevalence of the ageing population over the young. Migrants, though, also contribute to the population pattern, especially if we take into account positive net migration. While previous migrants were predominantly men, now the whole families seek better living conditions in Austria, since the country has liberalised its labour market showing its openness to the world.

CHAPTER 2.

INTERNATIONAL PROFILE OF AUSTRIA: TRADE AND INVESTMENT CLIMATE

2.1. International Trade in Austria

Austria is a globalised country according to KOF Globalisation Index, politically, socially and, what is important for this paper, economically (KOF Swiss Economic Institute, 2019). This is directly related to international trade processes and investments.

Austrian integration into various institutions has a positive effect on its trade. For instance, the agreement between the EU-27 and Mercosur should be beneficial for Austria since it provides better access to these markets. Increased trade might well erode the trade deficit which Austria faced with Mercosur countries (Sinabell, Grübler and Reiter, 2020).

Austrian trade is characterised by the high complexity and variety of imported and exported goods; this is mirrored in the Economic Complexity Index, where Austria takes 7th place (Atlas of Economic Complexity, 2021). Naturally, it has an advantage in export competitiveness, too. Its foreign trade constitutes 107.78% of GDP; the overall net export position is positive since trade in services compensates the negative net exports in merchandise (Fig. 2.1):

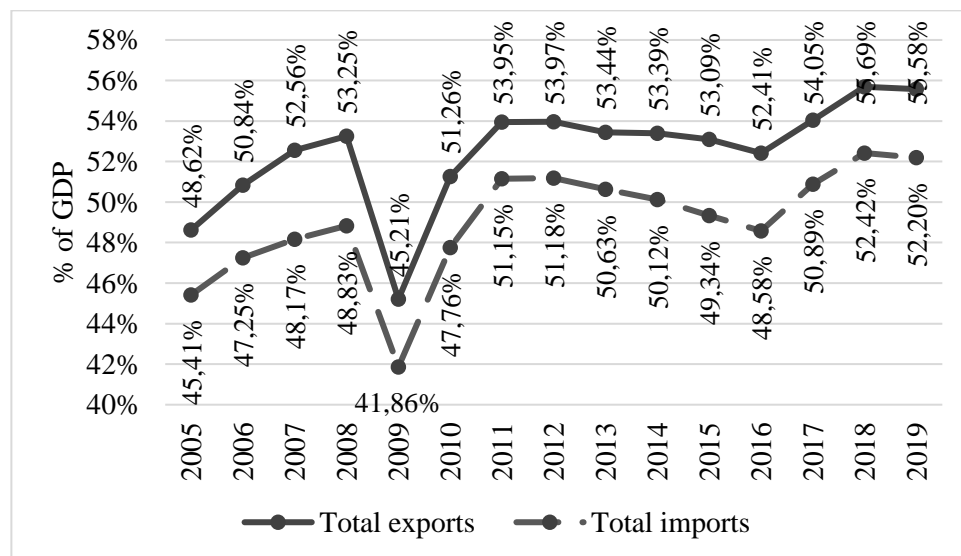


Fig 2.1. Comparison of total exports and imports during 2005-2019

Source: built by the author, World Bank (2021)

The relation between exports and GDP during the past 15 years was analysed. The regression analysis demonstrates that there is a strong direct relationship between the two variables where regression coefficient equals 0.91 (Fig. 2.2).

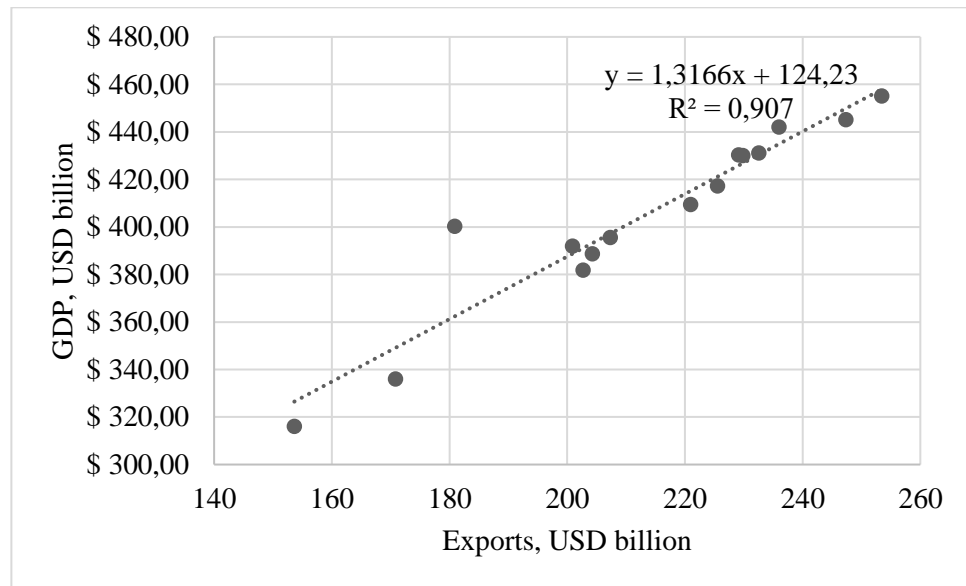


Fig. 2.2. Scatter Plot of GDP and Exports during 2005-2019

Source: built by the author, World Bank (2021)

Both variables are significant according to the T-Student analysis. The elasticity coefficient is 0.69, which means that an increase in exports by 1% will result in an increase in GDP by 0.69%. F_{table} is bigger than F_{crit} , $126.75 > 4.67$, which proves the presence of a linear relationship.

Therefore, the impact of exports on GDP is observed. Notably, that the Austrian export structure consists of finished products rather than raw materials. Main exports include nuclear reactors, boilers and machinery (16.90%), vehicles other than railway (11.50%), electrical machinery (9.38%), pharmaceutical products (6.50%) and plastics (4.38%). Imports comprise nuclear reactors, boilers and machinery (13.40%), vehicles other than railway (11.70%), electrical machinery (9.75%), mineral fuels and oils (7.79%) and pharmaceutical products (4.25%) (UNCTADSTAT, 2021).

70.00% of its merchandise trade is with the EU; Germany is the main trade partner and accounts for one-third of export and import activities. EU. Germany stands for 29.60% of Austrian exports; then go the USA (6.80%), Italy (6.30%), Switzerland (4.96%) and France (4.25%). Ukraine takes an insignificant share, amounting to 0.40%.

Import partners are somewhat different, where Italy (6.30%), China (5.90%), Switzerland (4.60%) and the Czech Republic (4.30%) are placed on the top. Ukrainian share is 0.50%, which makes it the 28th largest importer for Austria (*Appendix J*).

According to Doing Business 2020, Austria takes 1st place in the Trading Across Borders indicator (World Bank Group, 2019). Documentary and border compliances take the minimum amount of time and money to be engaged in international activities.

In 1995, Austria became a member of the World Trade Organisation and General Agreement on Tariffs and Trade in 1951. Being a member of the EU and the EEA, it complies with the foreign trade policy of the EU and partakes in all its agreements. With this, the country has no signed bilateral free trade agreements. Apart from agreements with other countries outside the EU, in 2014, Association Agreement and Deep and Comprehensive Free Trade Agreement between the EU and Ukraine was signed and entered into force in 2017, aimed at full liberalisation of the market, except for quotas.

Activities within the EEA are free of duties. The custom tariff of 5.00-14.00% is applied to industrial goods outside the EU, however, exceptions may apply. Common Agricultural Policy regulates customs duties on agricultural products. Customs duties are not imposed if the total value of imported goods does not exceed EUR 150 without shipping and insurance costs.

Products imported from outside the EU are subject to VAT. The EU introduces export control on vaccines and considers the opportunity to apply a reduced VAT. There was implemented a tariff reduction to medical equipment and vaccines and introduced licensing or permit requirements to export regarding vaccines until the 31st of March 2021 (International Trade Centre, 2021).

Tariffs vary depending on the product category. The average values are shown in the table (*Appendix K*). Some food products, which have the highest average tariffs, are dairy products (42.20%), sugar (26.90%), cereals and preparations (18.00%) and animal products (17.20%) (World Trade Organisation, 2019). Quotas are imposed on raw materials or certain parts. Import licenses for agricultural products, tobacco, pharmaceuticals and others are required.

Products imported from outside the EU, provided in Austria in exchange for payment are subject to VAT. The VAT rate is 20.00%, albeit 10.00% and 13.00% rates also exist. 10% rate applies to food and non-alcoholic beverages, electronic and printed books and newspapers, transportation and pharmacy. In the second half of 2020, the rate was decreased to 5.00% on accommodation and restaurant services due to COVID-19. 13.00% rate applies to internal flights, art, cultural and leisure events (KPMG, 2021).

VAT reliefs with 0.00% apply in case of exports, intra-community supplies, processing under contract on goods for export, cross-border transport of goods; the cross-border sea and air transport for passengers, mediation of above services, renting to diplomats (TPA Group, 2020). Additional tax exemptions can be provided in case of banking transactions, property sales, insurance services and others. There is a tax exemption for small entrepreneurs whose income does not exceed USD 33,000 (EUR 30,000) annually; however, they can refuse tax exemption since this leads to loss of the input tax deduction (Austrian Business Agency – Invest in Austria and Deloitte, 2018).

The excise tax applies to fuel, tobacco and alcohol products. In the case of the latter, the following tax rates are levied (Table 2.2):

Table 2.1

Excise Tax on Alcohol Drinks in Austria, 2019

Type of Alcohol Drink	Excise Tax (USD)
Beer	0.06
Spirits	13.48
Sparkling wine	1.12
Wine	0.00

Source: Tax Foundation (2020)

2.2. Dynamics of FDI

In the Global Foreign Direct Investment Competitiveness Index 2020 (Jelili, 2020), Austria took 15th place, thus, being stable during the past four years. The Global Competitiveness Report published by the World Economic Forum (2019), positions

Austria at 21st place out of 141 countries showing Austria as a country with an attractive environment, political and economic stability and overall openness of the economy.

DB (Doing Business) 2020 by the World Bank Group (2020) places it at 27th place out of 190. One can observe the comparison of DB performance by Austria, the EU and the OECD (Fig. 2.3). While Austria outperforms the average values of the EU and OECD in Trading across Borders (1st), Enforcing contracts (10th), Resolving insolvency (22nd), Protecting Minority Investors (37th), Getting Electricity (29th) and Registering Property (31st), it needs improvements in Starting a Business (127th) and Getting Credit (94th).

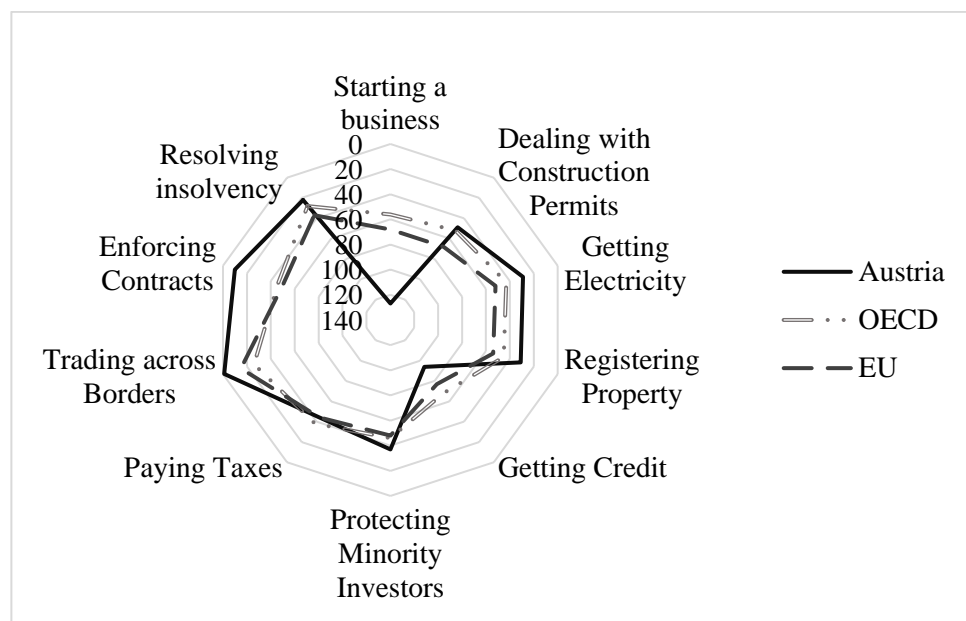


Fig. 2.3. Comparison of DB 2020 rankings of Austria, the EU and the OECD

Source: built by the author, World Bank Group (2020)

FDI stock of Austria equalled USD 205.634 billion in 2019. FDI inflows were USD 4.6 billion and outflows amounted to USD 10.6 billion. The share of Austrian inward investment in the world is 0.30%, while outward is 0.81%. The dynamics of FDI flows can be observed in the following chart (Fig. 2.4).

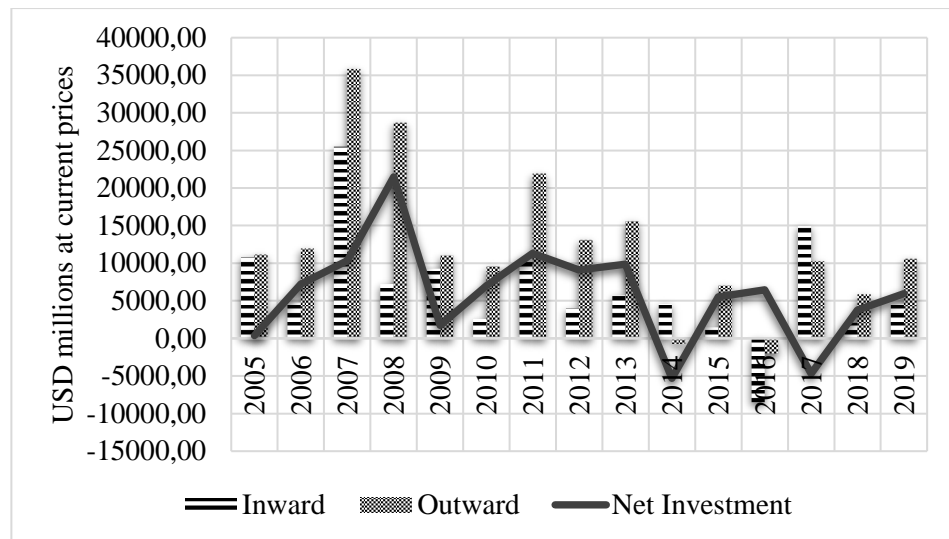


Fig. 2.4. FDI liabilities, assets and net FDI during 2005-2019

Source: built by the author, UNCTADSTAT (2021)

During the pre-crisis period of 2005-2007, inward FDI increases and reaches USD 25.5 billion in 2007, while outward reaches USD 35.8 billion. In the post-crisis period, FDI flows are rapidly declining and the minimum values are seen in 2010: inward FDI is USD 2.6 billion, outward is USD 9.6 billion. In spite of investment attractiveness, the dynamics show that Austria is a donor rather than a recipient of FDI.

Sharp changes in the dynamics of FDI can be observed in 2014 when its outward has rapidly decreased by three times, while the inward remained relatively the same. These changes can be explained by Austria's victory in the "Eurovision" Song Contest in 2014, and as a winner, Austria should have held this event in 2015. The organization of such a type of event requires large-scale preparation, infrastructure expenditure and capital investment. The Russian-Ukrainian war and low growth prospects in the countries of South-East Asia had also a negative impact on the dynamics of Austrian FDI in 2014. A decrease, compared to 2013, in 2015 and 2016, can be explained by the European migration crisis.

In the next chart, one can observe the share of FDI in GDP (Fig. 2.5). It can be seen that the country is not heavily dependent on either inward or outward flows; thus, sudden economic disorders and outflow of capital will not lead to a drastic decrease in overall performance.

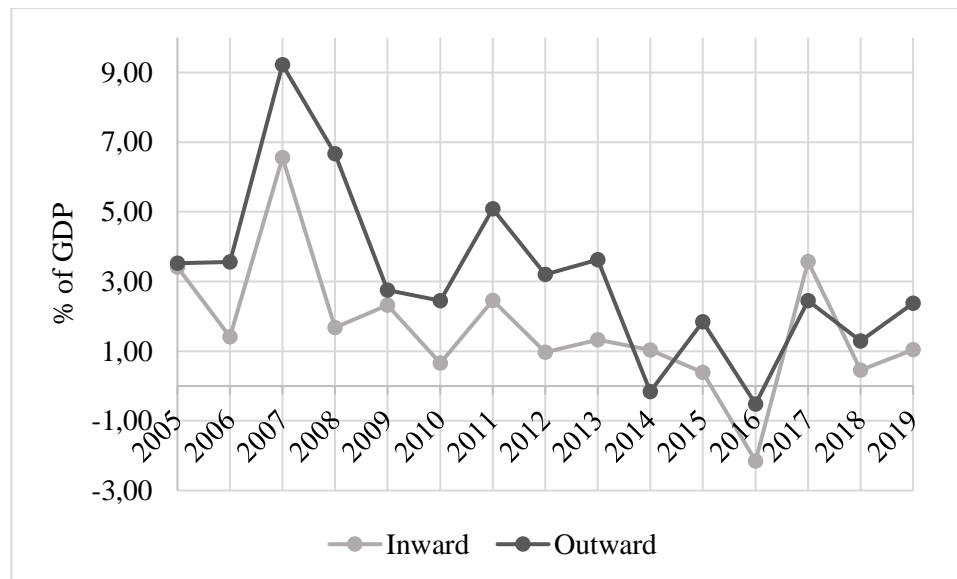


Fig. 2.5. FDI liabilities and assets during 2004-2019

Source: built by the author, UNCTADSTAT (2021)

Inward FDI per capita was USD 518.43, which makes it the 13th in the EU. It surpasses such countries as France, Germany, Denmark along with Luxembourg. At the same time, Austrian FDI per capita is less in marked contrast to Hungary, the UK, some Nordic countries and Ireland along with Cyprus. Outward FDI per capita equals USD 1,181.19 and makes the country the 10th among other EU members. Almost the same figure can be observed in Germany (USD 1,181.79); higher indicator is in, for instance, Luxembourg (USD 2,407.19) the Netherlands (USD 7,290.81) and Cyprus (USD 15,953.53) (*Appendix K*).

To divulge the dependency of the country on foreign capital, let us look at the following chart which demonstrates the percentage of FDI from the gross fixed capital formation (Fig. 2.6). One can notice during the six last years, the share was less than 10.00% with the exception in 2017 when 14.84% of the capital was of foreign origin. At the same time, it is almost twice lower in comparison to 2007, when it was equal to 28.26%.

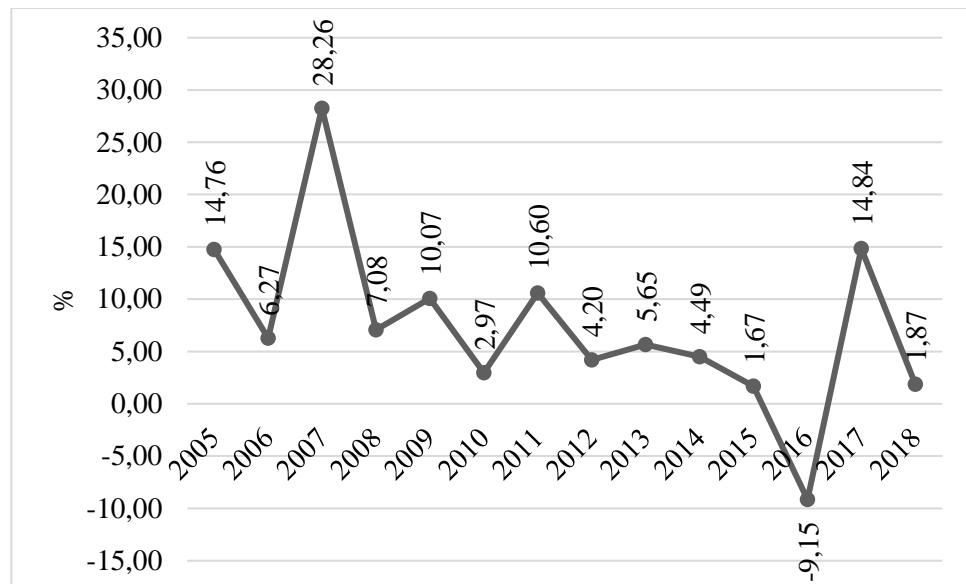


Fig. 2.6. FDI as a percentage of gross fixed capital formation

Source: built by the author, UNCTADSTAT (2021)

Among donors, Germany, the Russian Federation, the USA, Switzerland and Italy can be found. German inward FDI stocks equal 30.13% of total stock. The Netherlands, Germany, the Czech Republic, the USA and Romania are the main recipients of the Austrian capital.

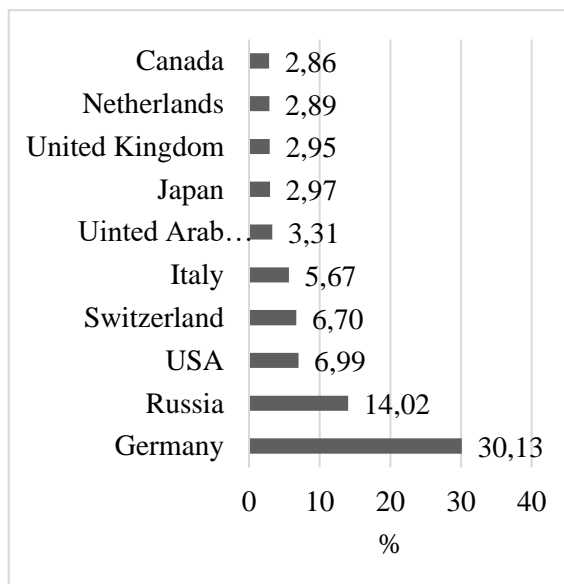


Fig. 2.7. Inward FDI Stock in 2019

Source: built by the author,
Oesterreichische Nationalbank
(2020a)

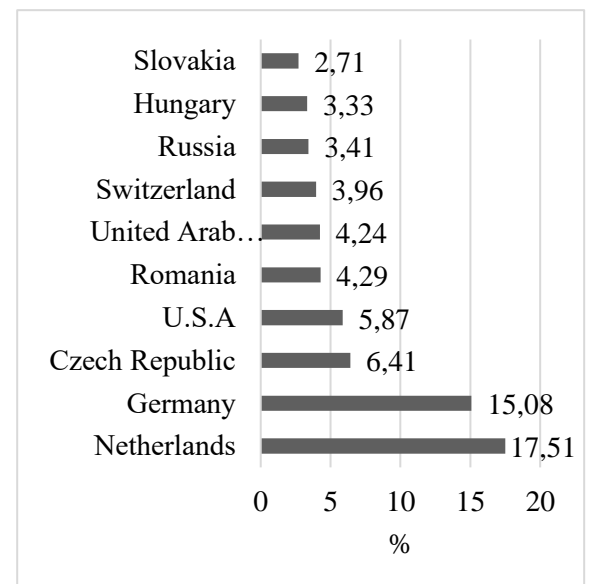


Fig. 2.8. Outward FDI Stock in 2019

Source: built by the author,
Oesterreichische Nationalbank
(2020a)

In 2018, the majority of FDI was directed into manufacturing amounting to 62.29% of FDI inflows (Table 2.3). The tertiary sector was the second recipient with 30.46%, among which the largest amount of investment was directed into professional, scientific and technical service activities (83.81%), real estate activities (51.25%) and administrative and support service activities got 16.87%. The rapid outflow of capital is observed in information and communication services and financial and insurance activities. Accommodation and food services receive one of the lowest shares of inflows amounting to -1.08% in 2018.

Table 2.2

FDI inflows by industry, 2017-2018

Economic Activity	Inflow as % of total investments
Total	100.00
Unspecified Total	-0.06
Primary Sector	7.30
Secondary sector	62.29
Tertiary sector, where:	30.46
Electricity, gas, steam and air conditioning supply	-0.23
Water supply; sewerage, waste management and remediation activities	-0.45
Construction	15.01
Wholesale and retail trade; repair of motor vehicles and motorcycles	4.93
Transportation and storage	2.10
Accommodation and food service activities	-1.08
Information and communication	-100.45
Financial and insurance activities	-39.01
Real estate activities	51.25
Professional, scientific and technical activities	83.81
Administrative and support service activities	16.87
Arts, entertainment and recreation	-2.21
Other service activities	-0.06

Source: built by the author, International Trade Centre (2018)

Due to the pandemic, FDI flows were likely to plummet in 2020 on account of the global economic turmoil, and there is a possible recovery in 2021 which may increase FDI assets and liabilities since now investors prefer to choose stable and advanced economies which will guarantee a return on investments.

2.3. Analysis of investment climate

Verbitska (2018) denotes that investment attractiveness is a system that comprises two components different by their nature:

- Basic components (geographical location, natural resources);
- Acquired components (legislation, encouraging business conditions).

The author draws our attention to the fact that if a country is supported only by basic components, it will fail to attract foreign investments. Therefore, special attention has to be paid to the acquired components.

Among basic components that Austria possess are:

- Geographical location, which gives access to Western and Eastern European markets;
- Natural resources such as iron ore, non-ferrous metals, petroleum and natural gas;

However, it is a land-locked country, where a significant part of the territory is covered by mountains, thus, the land is inappropriate for agricultural activities.

In this study, the focus will be on the criteria suggested by the US Chamber of Commerce; local market conditions, labour force, currency risk and repatriation of capital, protection of intellectual property, trade policy, state regulation, tax rates and exemptions and political stability are to be considered. Some required information was previously considered such as quality of labour, local market conditions, macroeconomic and trade policy. All the criteria can be referred to as acquired components since they are the direct result of actions of the Austrian government.

Austria is a federal parliamentary republic with nine states. The country is characterised as a politically stable destination. Since 1955, Austria has been in the

position of perpetual neutrality. The country has a full democracy regime according to the Democracy Index 2020, hence, having balance in politics, respect of political freedoms, transparent judiciary and freedom of speech (Economist Intelligence Unit, 2020).

Corruption is not a major issue here; it ranked 15th out of 180 countries in the Corruption Perception Index (Transparency International, 2020). Moreover, the country is a member of the Council of Europe's Group of States against Corruption; ratified the UN Convention against Corruption and the OECD Anti-Bribery Convention. Corruption involves punishment according to the Austrian Criminal Code, where criminal penalties from six months to ten years and fines up to USD 2 million are defined (United States Department of State, 2020).

Although it does not affect foreign investors, corruption still takes place among politicians. Apart from the scandal of 2013, other corruption issues transpired in 2017 and 2019, when the Freedom Party offered lucrative contracts for media support of the party, and gambling licenses in exchange for placing a person loyal to the party, in the company's executive board (Gady, 2019 and United States Department of State, 2020). This resulted in the resignation of the Chancellor and his cabinet and snap elections in 2019.

Austria ranked 1st in the Global Competitiveness Index in the Macroeconomic Stability indicator, since its inflation rate was acceptable and debt dynamics showed a decrease. The Euro, an official currency of Austria and other 18 European states since 2002, is freely convertible and protects investors from exchange rate risks in the Euro area. Due to fluctuations in the Ukrainian economy, the official currency exchange rate is unstable. The average exchange rate is 1 EUR per 32-34 UAH.

In 2020, Austria submitted an updated Austrian Stability Programme for 2019-2021 to ensure the macroeconomic stability of the country. In the document, the main measures against COVID-19 and further budgetary development are described. The first objective to be attained is a low rate of unemployment. With regard to this, opportunities for short-time labour are created. From three to six months, up to 90.00% of costs of short-time labour are covered by the government.

The second objective relates to aid to self-employed and solvent companies, which were severely affected by the economic outcomes, in the form of a decrease in income, corporate and consumption taxes, social security contributions and direct subsidies via the “Hardship Case Fund”. The Austrian authorities also support healthcare financially and implement social policy measures to eradicate the harmful impact of COVID-19 via the “COVID-19 Crisis Management Fund”.

Despite the positive tendency during the last several years, it was anticipated that in 2020, there was a structural balance deficit (-6.20% of GDP), a growth of public debt by 10.00% (reaching 81.40%), reduction in revenues (-5.40%) and increase in expenditure (+13.50%). The following year, though, is predicted to show positive figures (Federal Ministry of Finance, 2020).

Austria is a member of the WIPO (World Intellectual Property Organisation) since 1973, in the framework of which it became a signatory to various treaties aimed at the protection of intellectual property. Along with this, Austria has a Copyright Act, patent and trademark laws and a law protecting industrial designs and models; the Copyright Act also regulates digital media. Pirated goods are to be confiscated.

It is not included in the US Special 301 Report, where countries with insufficient intellectual property rights are considered. However, some companies were affected by the Austrian trade secrets regime, particularly in the degree of protection and the complication of adjudicating breaches. Austria, in turn, enacted the 2016 EU Directive on Trade Secrets and the 2019 Law against Unfair Competition. It is going to develop regulations on trade secrets theft and industrial espionage (United States Department of State, 2020). Thanks to permanent work in this area, Austria ranked 12th out of 129 and 8 out of 19 in Western Europe in the International Property Rights Index (2020).

There are no prohibitions or restrictions regarding FDI in Austria. However, the Austrian government extended the activities to which it takes a closer look in the strategic sectors of public safety and order such as energy, information and communication technology, defence, energy, financial activities, transportation, food security, robotics, chemicals and R&D in the medical sector. According to the new Investment Control Act, adopted in 2020, foreign investors outside the EU, EEA or

Switzerland must apply for approval for the right to acquire an interest in a company operating in one of the mentioned above sectors. Foreign investments are subject to approval if the shares which are acquired in the company reach or surpass voting rights of 10.00%, 25.00% or 50.00% thresholds. An exception can apply to small enterprises with less than 10 workers, start-ups and companies with an annual turnover or net assets less than EUR 2 million. In addition, Austria extended the approval requirement to direct and indirect acquisition schemes. (UNCTAD Investment Policy Hub, 2021).

Austria ratified numerous Bilateral Investment Agreements with different countries, including Ukraine, with the aim of supporting and protecting investment in both countries.

According to the World Intellectual Property Organisation (2020), Austria ranked 19th out of 131 in the Global Innovation Index. However, the organisation emphasises the complication of business and market conditions. The World Bank Group (2020) in its Doing Business 2020 report is unanimous with the WIPO with regard to the sophistication of starting a new business and getting credit in Austria. At the same time, Austria has actively invested in R&D, since 3.00% of GDP is spent on it, which is equal to expenditures of Singapore, Denmark, Germany and the USA. Simultaneously, 52.00% of R&D corporate expenditures are made by large foreign companies (Austrian Business Agency, 2021).

Such openness towards FDI allows investing in various activities in Austria. There were made 95 greenfield investments in the Austrian economy in 2019, with a total value of USD 2,47 million (UNCTADSTAT, 2021). Only 3.20% of the companies operating in Austria are owned by foreigners. Among the main foreign companies in Austria are Boeing, Mitsubishi, Toyota, General Motors, Johnson & Johnson, Ford, DuPont, McLanahan (Austrian Business Agency, 2021).

There are several ways to establish a venture in Austria:

- Sole proprietorship. This is considered to be the easiest way to launch a business, however, a person has full liability. Moreover, several limitations exist; a person has to be a citizen of Austria, Switzerland or the EEA or hold a residency permit for Austria.

- Partnership entity (Personengesellschaft), where at least two partners are required. General partnership (Offene Gesellschaft, OG) or Limited partnership (Kommanditgesellschaft, KG) can be established.

- Incorporated entity (Kapitalgesellschaft). LLC (limited liability company) (Gesellschaft mit beschränkter Haftung, GmbH) can be established by any person irrespective of nationality or residency with a minimum share capital of EUR 35,000. At first, a minimum share capital can be EUR 10,000, with the minimum contribution of each shareholder of EUR 5,000. In a joint stock company (Aktiengesellschaft, AG), the initial investment has to be at least EUR 70,000 and a board with at least three members. Some companies from different EU countries may choose European Company (Societas Europaea, SE) (Austrian Business Agency, 2018).

The corporate income tax rate is 25.00% with disregard to the fact whether it pays dividends or does not. Distribution of profit is levied by withholding tax of 25.00% for a corporation and 27.50% for a shareholder. There is always a minimum per cent rate, 5.00%, to be paid:

- EUR 875 for an AG (public joint-stock company) quarterly;
- EUR 437.5 for a GmbH (LLC) quarterly;
- EUR 1,500 for a SE.

The special incentive provides GmbHs launched after 30 June 2013 with tax reduction, when they pay fixed EUR 125 quarterly for the first five years and EUR 250 for the following five years (WKO, 2021).

Austria and Ukraine signed the Convention between the Government of Ukraine and the Government of the Republic of Austria on Avoidance of Double Taxation and Prevention of Tax Evasion with respect to Taxes on Income and Capital Gains. There were made some amendments regarding an increase in dividend tax rate from 10.00% to 15.00%; interest up to 5.00%; royalty tax which had been zero before, now constitutes 5.00% for the use of copyrights in works (Ministry of Finance of Ukraine, 2020).

There are other types of taxes among which salary taxes can be found, and the issue of salaries is quite sophisticated in the country and requires knowledge of certain nuances.

The Austrian legislation strictly defines the working time for employees. 8 hours per day and 40 hours per week are benchmark figures; however, exceptions exist in terms of flexibility. 12 hours per day and 60 hours per week are the maximum possible limits and allowed only if there is an increased demand in staff. At the same time, this may be applicable to no more than 24 weeks per annum with the interruption for 2 weeks after 8 weeks. When there are more than 48 hours per week, then the average time per week during 17 weeks (the period can be extended to 52 weeks under a collective agreement) in total must not exceed 48 hours. Sometimes the total number of hours per week can be less (Austrian Business Agency, 2018).

By collective agreements, the minimum wage is also defined, since there is no exact figure in the Austrian legislation. The social partners, however, have agreed upon the so-called national minimum wage for all industries, which is equal to EUR 1,500 (Eurofound, 2017). To avoid wage dumping, the Austrian Act Combating Wage and Social Dumping was enacted. It establishes equal wages for employees regardless of their origin. Average annual net income equals USD 33,541, slightly below average among the OECD countries. There is an income gap since the top 20.00% of the population get around four times as much as the bottom 20.00% (OECD, 2017). Wages vary depending on industry, experience and region; the average salary of certain positions is provided (Table 2.3):

Table 2.3

Average Monthly Salary Depending on the Position, EUR

Position	Monthly salary, EUR
Manager	4,500.00
Marketer	3,779.00
IT specialist	4,667.00
Waiter/barista	1,684.50
Housekeeper	1,684.50
Conditioner	2,189.30
Accountant	3,900.00

Source: built by the author, WKO (2021)

Notably, employees in Austria receive the 13th salary, a holiday bonus, and the 14th one, a Christmas bonus. The amount of salary is defined as follows (Eq. 2.1):

$$\text{Bonus salary} = \frac{\text{Total Salary Received during a Year}}{\text{Number of months from the start of the year}} \times 2 \quad (2.1)$$

Social security contributions are paid by both employers and employees and cover pension, accident, health and unemployment insurances. In total, employers pay 21.23% + 1.53% for severance fund. Tax burdens for the 13th and 14th salaries differ (Table 2.4):

Table 2.4

Tax burden on 13th and 14th salaries paid by an employer

For the first 620 EUR	0.00%
For next 24,380 EUR	6.00%
For next 25,000 EUR	27.00%
For next 33,333 EUR	35.75%
Over 33,333	According to the tariff

Source: WKO (2021)

Additionally, 3.00% municipal tax and 3.90% family burden equalisation levy on the payroll are introduced. If the salary does not exceed EUR 1,460, then EUR 1,095 are deducted from the salary, and from this amount, the tax is paid (WKO, 2021).

The interest rate for companies was 1.60% in January 2021. Sole proprietors can get a loan for 1.78% per annum. The deposit rate varies from -0.26% with agreed maturity up to 1 year to 0.10% over two years; for sole proprietors, it equals from 0.18% to 0.53% (Oesterreichische Nationalbank, 2020b). However, investors always have alternative ways of investing their money, for instance, in bonds, to get higher profit.

The risk of investment in Austria equals 0.90%. However, the degree of risk varies depending on sectors' resilience to various external factors. Thus, it can be assumed that the degree of risk in the HoReCa industry can be around 10.00% since it is vulnerable to economic downturns and has intense competition.

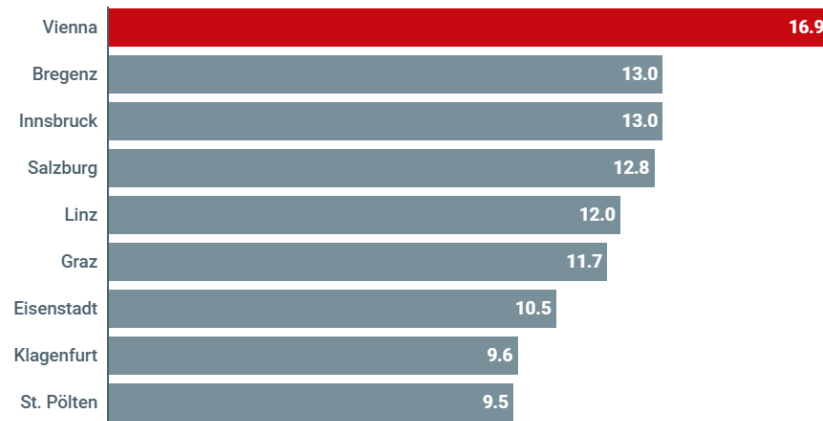
Austria has no limitations for both residents and non-residents on cross-border capital transactions, the repatriation of profits and proceeds from the sale of investments (United States Department of State, 2020).

Thanks to its geographical position, Austria became a connector between Western and Eastern Europe in terms of logistics and distribution. Road, rail, air and water infrastructure are well developed and of high capacity. 59.00% of commodities are transported by road vehicles, 37.00% via railways and 4.00% with the help of waterway in that Austria is a land-locked country (Austrian Business Agency – Invest in Austria, 2021).

There is a high efficiency of train services there; the country ranked 10th in the world (out of 141) (Schwab and World Economic Forum, 2019). The country heavily invests in railways with the amount of USD 283.8 per capita. The efficiency of air transport is under the EU average figure and positions Austria in 39th place in the world. Vienna airport provides us with flights to 37 destinations in the European countries and 240 destinations globally (Austrian Business Agency – Invest in Austria, 2021).

The country takes 6th place in quality of roadways and 89th place in seaport infrastructure due to being a land-locked country (Schwab and World Economic Forum, 2019). However, the Rhine-Main-Danube Canal comprises ports in Vienna, Linz, Enns and Krems, where 120 countries operate; it connects the North and Black Seas. Average truck transit times are from one to three days. In the framework of sustainable development goals, Austria encourages using electric-powered cars, suggesting to their owners corresponding infrastructure across Austria and various incentives (Austrian Business Agency – Invest in Austria, 2021).

According to the Austrian Business Agency – Invest in Austria (2021), an office at a good business location in the capital, Vienna, will cost EUR 366 per m² per year; this is one of the lowest prices among other European and world capitals. Rental costs per month vary depending on the state and city. The most expensive rent is in Vienna, EUR 16.9 on average, while the lowest is in St. Pölten, EUR 9.5 (Fig. 2.9).



Source: Austrian Association of Real Estate Trustees, 2019

Fig. 2.9. Monthly office rentals in main cities, EUR per m²

Source: Austrian Business Agency – Invest in Austria (2021)

Austria is aimed at attracting FDI that is why the Austrian Business Agency (ABA) – Invest in Austria was established. This is a national promotion agency aimed at providing free consulting services to the companies which want to launch a business in Austria. The EU also supports businesses willing to operate in Austria. It offers various grants and the programme Competitiveness of Small and Medium-sized enterprises, in the framework of which the company is provided with financial aid. During 2014-2017, the programme assisted 263,000 SMEs, 90.00% of which are micro-enterprises up to 10 employees; the average amount of guarantee was USD 52,360 per enterprise (Schreiber, 2020).

CHAPTER 3.

INTERNATIONAL INVESTMENT PROJECT

3.1. Concept of the project and analysis of the market

The main idea of the investment project is a modern café-studio for 30 people, where everyone will be able to drink a cup of coffee and taste a delicious dessert. At the same time, a part of the café will remind a gallery where handmade arts and crafts of Austrian artisans will be presented. Visitors will be able not only to have a drink and a cake or dessert but also look at and purchase handmade souvenirs from local crafters (for instance, ceramics, pottery, embroidery and others) with which the temporary agreement will be signed. In the long run, various tutorials may be held for those who crave creating décor, accessories and other handmade by themselves.

The mission of the café is to create an unforgettable experience of Innsbruck culture among tourists and locals via smelling and tasting high-quality tea, coffee and original deserts and touching and seeing one-of-a-kind crafts of locals. With this, the café supports local artisans which is a part of CSR (corporate social responsibility). Apart from this, minimum-wastage production is enhanced. CSR is important for any company since the research conducted by Cone Communications (2017) divulged that 87.00% of surveyed people prefer purchasing from the companies which are concerned about their employees, community and nature.

The core product of the menu is high-quality drinks and original cakes and desserts, albeit traditional desserts are also included. Some traditional cakes are bought from local conditioners. Seasonal dishes and drinks, which are limited offers, will be also considered. Thus, the business will be focused on a differentiation strategy. Additional services will be included such as takeaway and friendly to vegetarians being a part of the augmented product. Moreover, the cafe will offer traditional breakfasts and brunches to its customers; it is expected that they will be popular and demanded by office workers and students.

The location of the café is in Innsbruck, on the outskirts of the old city, near the park and an office centre; within a quarter, the educational institution is located. This enables the café to receive more customers with various demographic backgrounds such as tourists, office workers, businesspeople, students and other locals such as families, couples and others.

The product will be sold directly to a consumer, without any intermediaries. In future, delivery service may well be realised.

Indeed, an actual product has to be developed, e.g. brand name, design and serving, which has to be further promoted. Promotion will involve all points:

- Customer service. Customers will be provided with special offers and updates on social networks. Additionally, this makes interactive marketing feasible, since customers will be able to ask whatever they are interested in.
- Personal selling which is an integral part of any café and places alike.
- Advertising involving different media channels, both traditional and digital marketing, to reach more potential customers and increase brand awareness and sales. For instance, flyers can be hand-distributed; search engine, magazines and influencers can be considered as sources of digital marketing. This is extremely important at the outset of the café, which is obsolete to everyone; that is why more money will be spent on advertising than during the following period of the project.
- Sales promotion which comprises special offers, free samples, limited offers, loyalty programmes and others types.
- Public relations to keep retained customers and attract a new audience. News, special events will be announced on the website and social media.

Regarding the specifics of Austrian law, the most feasible solution is to establish a joint venture along with an Austrian entrepreneur. For an owner, it is mandatory to have a citizenship or residence permit, which also enables them to get a required competence certificate, license and permits for operating in the HoReCa industry. Thus, LLC (GmbH) can be established, which provides incentives in the form of reduced taxes for the first 10 years of the company's operations. The bank account will be open.

The period of project implementation is 3 years. Relatives will serve as a source of fund and money will be transferred to the bank account of the company in Austria.

3.2. Market characteristics and risks

In 2017, Austria had 8,935 cafes and 287 coffee focused shops. They earned EUR 2,839 million and EUR 91 million respectively (Ward, 2017). A lot of profit is generated thanks to developed tourism, since Austria is the 12th most visited country in the world (World Tourism Organisation, 2019).

In 2019, Innsbruck was among the most popular destinations in Austria, where 3.2 million nights were spent by both domestic and international tourists, which ten times exceeds the local population amounted to 311,428 people. Its geographic proximity to the Alps and impeccable scenery attract tens of thousands of tourists.

Innsbruck was chosen due to several factors:

- “Gap” in cafes with modern style; thus, there is an excellent opportunity to differentiate;
- Year-round tourist activity connected to vacation, business trips, studying migration;
- Lower fixed and variable costs in comparison to, for instance, Vienna;
- Many local events which are also attractive for tourists in terms of leisure and for businesses in terms of plausible participation in these events.
- Locals prefer having a rest in the cafes; this is a part of their culture. Austrians love drinking a cup of tea or coffee, complemented with a slice of cake.

Main competitors can be divided into two groups. One group comprises renowned McCafe and Starbucks, which have good reputation thanks to their quality, large variety of products and speed of service. The other group consists of various local cafes, coffee houses and confectioneries which offer not only great service but also a catchy atmosphere; among the most prominent cafes are Café Mundig, Strudel Café Kröll, Café-Konditorei Valier KG and Café Sacher. In general, Innsbruck is one of the most visited destinations by tourists who long for joining and experiencing the Austrian coffee

culture. Some cafes have been giving satisfaction to their customers for centuries while some of them are relatively new. In the following table, one can observe these cafes analysed according to several indicators (Table 2.1):

Table 2.1.

Analysis of main rivals

Competitor	Established	Location	Atmosphere	Best dishes	Competitive advantages
<i>Café Mundig</i>	200 years ago, the oldest in Tirol.	Old city, around the corner from the Golden Roof.	Classic style.	Breakfast, coffee and cakes.	DIY hot chocolate – a customer gets all the ingredients separately and then makes their hot chocolate.
<i>Strudel Café Kröll</i>	1976 as a bakery; 2005 as a café.	Old city, a minute walk away from the Golden roof and Sacher Café.	Minimalism with elements of classic stuff There is an outside seating zone with an incredible view of Old city.	Great variety of strudels, both sweet and salty.	Illy coffee which is grounded right before making a coffee to save its aroma; Tirol milk and Italian coffee machine; Gluten-free breakfast.
<i>Café-Konditorei Valier KG</i>	100 years ago.	Outskirts of the city centre.	Classic luxurious style.	Breakfast; Traditional Austrian Kaffee und Kuchen experience	Original desserts.
<i>Café Sacher Innsbruck</i>	1999.	In the city centre inside the Hofburg Imperial Palace, opposite of Strudel Café Kröll and Stiftskeller.	Classic luxurious style.	Sacher cake.	Sacher cake which is cooked according to the original technology.

Source: built by the author.

According to the desk research, some of the cafes are reported to be somewhat crowded owing to the flow of tourists; this, in turn, results in slow service and serving delays.

Many Innsbruck cafes are designed in a classical style which definitely makes them charming; however, this signals an opportunity to outstand with something more modern and simple. Moreover, the handicrafts of locals will add authenticity to the café and demonstrate how accomplished Austrians are in modern crafts. Permanent special offers will be aimed at attracting customers, namely tourists, office workers and other locals.

One had better not neglect risks which may well arise during doing business. In general, risks can be divided into external and internal types of origin.

External risks cannot be tackled or influenced by the company. Being a lucrative industry, HoReCa is not still resilient to various crises. The COVID-19 crisis is a prominent example of risks on the HoReCa market which is dependent on both domestic and international tourism and, thus, severely hurt by various global downturns and economic recessions, albeit supported by the government.

Additionally, currency fluctuations can be also risky for a business, since the price of imported goods may increase. Coffee and tea, which are imported to Austria, can increase in their price, hence, leading to raising of the average check value. Changing fashion and preferences of customers is another threat but also an opportunity.

Since the onset of the COVID-19 crisis, many businesses have attempted to conform to the current situation, commencing to offer delivery services and takeaway option to make a profit instead of becoming insolvent. However, even such reorientation in services cannot bring businesses to their pre-pandemic profits owing the fact that going to the café people want not only to taste some food but also to get satisfied with its atmosphere. The recent vaccination invention gives hope that as more people will be vaccinated, the quarantine measures will be weaker and businesses will gradually open their doors to everyone.

On the other hand, internal risks also exist, which are related to personnel, safety, equipment and customers:

- Injuries of personnel at work. There has to be safe equipment and a developed safety programme to ensure that employees will be treated appropriately. This can help the business not only to avoid legal riddles which might damage its reputation but also to boost morale of the personnel to a certain extent.

- Poor customer service. Comprehensive work and training with staff should take place.

- Food safety issue. It can have the harshest repercussions, including the café's closure. Therefore, the personnel should be trained and controlled in food handling, sanitation and health safety procedures. Suppliers must be double-checked and food quality control must be conducted before starting cooperation.

- Unexpected break of equipment. The café has to have a contact of a specialist who will be able to repair it as soon as possible.

- Burglaries. This might cause severe losses, that is why security system and cooperation with the company which provides security services is necessary.

- Fire safety. It should not be neglected in the café since otherwise, the customers and the personnel will be in peril. Thus, staff should be trained on how to tackle such a situation.

- Mismatch between customer preferences and dishes offered in the menu. hence, demand should be monitored to reveal visitors' preferences and meet them.

- Mismatch in supply and demand when one of them exceeds the other, and in both cases leads to losses. This should be controlled with regard to the demand of the customers so that the business can match their preferences and needs and enhance ample supply;

Ergo, there is a huge variety of risks, which always lead to losses of the business; however, a part of them can be eliminated thanks to the effective management of the company.

3.3. Calculation of the investment project expenditures and income.

The following table demonstrates the required one-time investment to establish a business (Table 3.1). All the prices are taken from Austrian websites and are average for the Austrian market.

Table 3.1.

Investment requirements		
No	Name	Price, EUR
1	Legal consultations	3000.00
2	Registration of the company	2000.00
3	Initial capital	10000.00
4	Rent per 1 month + deposit	3640.00
5	Rental insurance	100.00
6	Accounting services	2220.00
7	Security services	1900.00
8	Sign	279.00
9	Advertising expenses	3000.00
10	Reparation works	15805.00
11	Kitchen equipment	9805.79
12	Uniform	992.00
13	Bar equipment	13277.03
14	Cleaning equipment	282.00
15	Furniture	16054.80
16	WC renovation	944.33
17	Interior décor	1155.90
18	Tableware for serving	1909.42
19	Purchase of raw materials	4060.00
20	Internet rent	33.00
	Total:	<u>90458.26</u>

Source: own calculations

Apart from this, personnel needs to be hired. Considering the fact that the café will work six days per week and the capacity is 30 tables, several waiters and baristas have to be hired. Additionally, a conditioner, housekeeper, marketer and general manager need to be employed (Table 3.2). In the table, the total monthly payroll is calculated including social contributions paid by the employer, 21.23% + 1.53% for a severance fund. For the more realistic representation of payroll, salaries for each year are inflation-adjusted.

Table 3.2

Current expenses: payroll

	Year					
	1		2		3	
Position	EUR/ month	Total, EUR/ month	EUR/ month	Total, EUR/ month	EUR/ month	Total, EUR/ month
General Manager (x1)	4 500.00	4 500.00	4 581.00	4 581.00	4 672.62	4 672.62
Marketer (x1)	3 779.00	3 779.00	3 847.02	3 847.02	3 923.96	3 923.96
Conditioner (x1)	2 189.30	2 189.30	2 228.71	2 228.71	2 273.28	2 273.28
Waiter (x2)	1 684.50	3 369.00	1 714.82	3 429.64	1 749.12	3 498.23
Barista (x1)	1 684.50	1 684.50	1 714.82	1 714.82	1 749.12	1 749.12
Part time waiter/ barista (x1)	850.00	850.00	865.30	865.30	882.61	882.61
Housekeeper/ dishwasher (x1)	1 684.50	1 684.50	1 714.82	1 714.82	1 749.12	1 749.12
		18 056.30		18 381.31		18 748.94
<u>Total (incl. taxes)</u>		<u>22 165.91</u>		<u>22 564.90</u>		<u>23 016.20</u>

Source: own calculations, WKO (2021)

Other taxes on payroll also need to be paid; municipal tax amounts to 3.00% while family burden equalisation levy equals 3.90%, and both of them are deducted from gross salary. Other monthly expenses include rent, utilities, rental insurance, Internet rent,

accounting outsource services, advertising and purchase of raw materials for production (Table 3.3):

Table 3.3

Current expenses by month depending on the year

Monthly Expenses	EUR/month		
	1	2	3
Salary (incl. taxes)	22 165.91	22 564.90	23 016.20
Municipal tax (deducted from gross salary)	541.69	551.44	562.47
Family burden equalisation levy (deducted from gross salary)	704.20	716.87	731.21
Rent	1 820.00	1 852.76	1 889.82
Rental insurance	8.30	8.45	8.62
Accounting services	1 800.00	1 832.40	1 869.05
Advertising	500.00	509.00	519.18
Basic products	3 000.00	3 054.00	3 115.08
Other costs	300.00	305.40	311.51
Internet	33.00	33.59	34.27
Utilities	500.00	509.00	519.18
Security	100.00	101.80	103.84
Total:	<u>31 473.10</u>	<u>32 039.61</u>	<u>32 680.41</u>

Source: own calculations.

Since there is equipment such as a coffee machine, refrigerator, combi steamer and other kitchen equipment and furniture, depreciation has to be computed. For calculations, the straight-line method was used where the following formula is applicable (Eq. 3.1):

$$\text{Depreciation Charge} = \frac{\text{Cost} - \text{Salvage Value}}{\text{Estimated Service Life}} \quad (3.1)$$

Average numbers of years of products of such kind were taken. With the help of this formula, the depreciation charges are calculated (Table 3.4):

Table 3.4

Depreciation charges

Depreciation item	Cost of an asset, EUR	Years	Depreciation charge
Refrigerator	1 134.00	10	103.40
Combi steamer	1 572.00	8	177.75
Extractor hood	3 435.60	8	398.20
Blander/mixer	142.56	4	35.64
Induction cookers	477.60	8	47.20
Refrigerated display case	4 776.00	8	547.00
Coffee grinder	480.00	4	95.00
Coffee machine	3 441.60	8	392.70
Ice maker	1 908.00	8	226.00
Tableware for serving	1 566.60	3	505.53
Audio equipment	717.60	8	77.20
Wardrobe for clothes	1 194.00	10	99.40
Total:			<u>2 705.02</u>

Source: own calculations.

Now, annual expenditures can be calculated based on the previous figures (Table 3.5). It is noteworthy that Austrian employees receive 13th and 14th salaries which are taxed differently from usual ones, in our case, by 6.00%.

Table 3.5

Annual Expenses

Annual Expenses	EUR/Year		
	1	2	3
Payroll/year (*12 incl. taxes)	265 990.97	270 778.80	276 194.38
13+14 salary (incl. taxes)	38 279.36	38 968.38	39 747.75
Total payroll/year (*14)	304 270.32	309 747.19	315 942.13
Depreciation	2 705.02	2 705.02	2 705.02
Other expenditures	96 735.60	98 476.84	100 446.38
Total:	<u>403 710.95</u>	<u>410 929.05</u>	<u>419 093.53</u>

Source: own calculations.

Calculation of gross income is based on the assumption that there is a permanent flow of tourists, office workers and other locals although the inflow of the latter is hardly predictable. Additionally, the café is located near hotels, hostels, an office centre and a park which increases the potential number of visitors. It is projected that approximately 190 visitors per day will purchase a drink (either takeaway or staying at the café) with an average check of EUR 4 and with the peak in the morning. 110 of them will buy a cake or dessert with the same check value (in that Austrians prefer complement tea and coffee drinks with them) and 24 of them will order a breakfast or lunch spending EUR 12. Therefore, the daily income is approximately $190 \times 4 + 110 \times 4 + 24 \times 12 =$ EUR 1,488.

Additional, albeit insignificant in comparison to meals and drinks, revenue will come from the sale of crafts, e.g. its percentage (20.00%). The crafts' prices will not be exorbitant. The estimated revenue for the first year equals EUR 2,496 provided that several items of average EUR 20 are purchased each day.

Since the café works 6 days per week apart from Sunday, we can multiply these figures by 26 days and 12 months and obtain EUR 474,552 per year. In the two next years, somewhat higher attendance or average check is predicted (Table 3.6):

Table 3.6

Sales projections by year

Activity	Year		
	1	2	3
Coffee/tea/drinks	174 720.00	183 222.00	191 880.00
Drinks: Limited offers/seasonal menu	63 960.00	71 214.00	78 624.00
Cakes and desserts	87 360.00	94 770.00	99 777.60
Cakes: Limited offers/seasonal menu	52 416.00	59 670.00	64 396.80
Breakfast/lunch	93 600.00	104 832.00	113 568.00
Sale of handmade items	2 496.00	3 744.00	3 744.00
Total:	<u>474 552.00</u>	<u>517 452.00</u>	<u>551 990.40</u>

Source: own calculations.

Net profit is the next indicator to be calculated. From gross income, one has to deduct VAT tax which is 10%, and from profit before taxation, the corporate income tax

of EUR 500 should be deducted. During the first year, the profitability is EUR 22,885.85; during the second year, it is EUR 54,277.75; during the third year, the figure increases up to EUR 77,197.83 (Table 3.7):

Table 3.7

Net profit by year

Indicators	Year			
	0	1	2	3
Initial investment	90 458.26	-	-	-
Gross income	-	474 552.00	517 452.00	551 990.40
VAT, 10%	-	47 455.20	51 745.20	55 199.04
Income after VAT		427 096.80	465 706.80	496 791.36
Expenditures	-	403 710.95	410 929.05	419 093.53
Profit before taxation	-	23 385.85	54 777.75	77 697.83
Corporate income tax, EUR	-	500.00	500.00	500.00
<u>Net profit, EUR</u>	-	<u>22 885.85</u>	<u>54 277.75</u>	<u>77 197.83</u>

Source: own calculations.

Therefore, for a better understanding of expenditures, revenue and net profits, the chart was built (Figure 3.1):

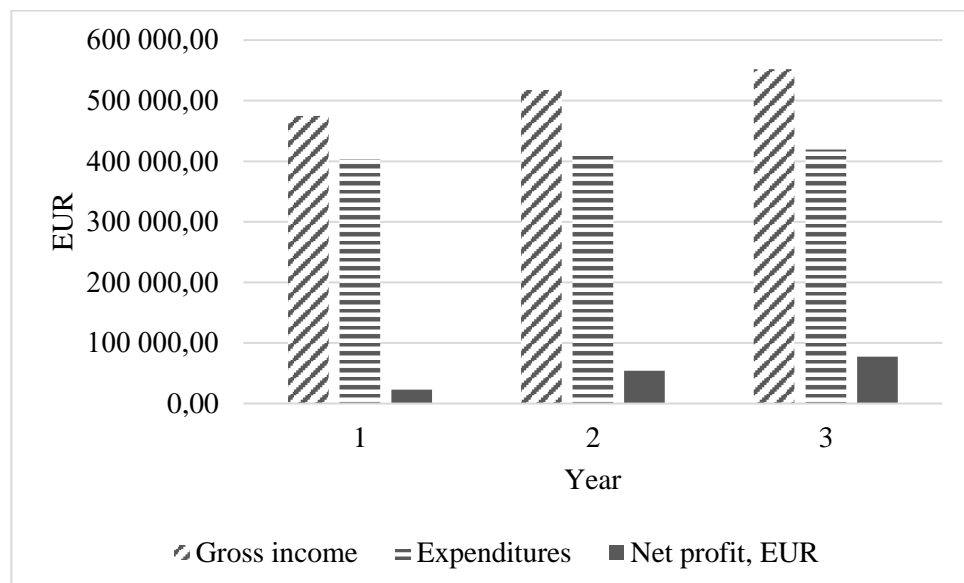


Figure 3.1. Comparison of expenditures, revenue and net profit

Source: own calculations

One should remember that the calculations are approximate and for providing the more comprehensive calculations, not only should desk research take place but also field research has to be conducted.

3.4. Estimation of economic efficiency of the project.

For the minimum acceptable return on invested capital, e.g. discount rate, one has to take the following estimations for computation (Table 3.8). While the inflation rate is forecast by the IMF, the deposit rate is going to have approximately 5.00% since an investor has other sources for investment apart from deposit in a bank such as bonds, securities, stocks and others. Risk within the hospitality industry will be around 9.00% - 10.00% in that the competition is fierce and the industry is susceptible to crises.

Table 3.8

Indicators for calculation of a discount rate

Indicator, %	2021	2022	2023
Inflation	1.80	1.80	2.00
Deposit interest rate	5.00	5.00	5.00
Risk adjusted	10.00	9.00	9.00

Source: built by the author, IMF (2021)

For the calculation, the formula is to be used:

$$i = (1 + H_n) \times (1 + \pi) \times (1 + r) - 1 \quad (3.2)$$

where i = discount rate;

H_n = Deposit rate for legal entities;

π = Inflation;

r = Adjusted risk.

Applying the formula, we compute the discount rate for three years:

$$\text{Discount rate}_1 = (1 + 0.05) \times (1 + 0.018) \times (1 + 0.10) - 1 = 0.18$$

$$\text{Discount rate}_2 = (1 + 0.05) \times (1 + 0.018) \times (1 + 0.09) - 1 = 0.17$$

$$\text{Discount rate}_3 = (1 + 0.05) \times (1 + 0.020) \times (1 + 0.09) - 1 = 0.17$$

From these results, discount index can be counted:

$$\text{Discount index}_1 = 1 / (1 + 0.18) = 0.85$$

$$\text{Discount index}_2 = 1 / ((1 + 0.18) \times (1 + 0.17)) = 0.73$$

$$\text{Discount index}_3 = 1 / ((1 + 0.18) \times (1 + 0.17) \times (1 + 0.17)) = 0.63$$

Cash inflows are calculated as the sum of net profit and depreciation. Therefore,

$$\text{Cash inflow}_1 = 22,885.85 + 2,705.02 = 25,590.88$$

$$\text{Cash inflow}_2 = 54,277.75 + 2,705.02 = 56,982.77$$

$$\text{Cash inflow}_3 = 77,197.83 + 2,705.02 = 79,902.85$$

Discounted cash inflow can be found as multiplication of cash inflows by discount index. We obtain:

$$\text{Discounted cash inflow}_1 = 25,590.88 \times 0.85 = 21,764.84$$

$$\text{Discounted cash inflow}_2 = 56,982.77 \times 0.73 = 41,595.87$$

$$\text{Discounted cash inflow}_3 = 79,902.85 \times 0.63 = 49,963.51$$

The obtained data is presented in the following table (Table 3.9):

Table 3.9

Computation of cash inflow, discount index and discounted cash inflow

Indicator	Year, EUR			
	0	1	2	3
Investment	90 458.26			
Net profit		22 885.85	54 277.75	77 197.83
Depreciation		2 705.02	2 705.02	2 705.02
Cash inflow		25 590.88	56 982.77	79 902.85
Discount index	1.00	0.85	0.73	0.63
Discounted cash inflow		21 764.84	41 595.87	49 963.51

Source: own calculations

NPV defines whether the international project is profitable and worth investing in. It can be found as a sum of discounted cash inflows minus total investment (Eq. 3.2):

$$\text{NPV} = \sum_{k=1}^n \frac{P_k}{(1+i)^k} - I \quad (3.2)$$

where n = Length of the international project;

k = Number of years of implementation of the international project;

P_k = Cash inflow in a k-th year of implementation of the international project;

i = Discount rate;

I = Initial investment.

Hence,

$$NPV = (21,764.84 + 41,595.87 + 49,963.51) - 90,458.26 = 22,865.96$$

Since $NPV > 0$, the project is effective.

The PI allows us to define the return of the international investment project. It is calculated as the sum of discount cash inflows divided by investment (Eq. 3.3):

$$PI = \left[\sum_{k=1}^n \frac{P_k}{(1+i)^k} \right] / I \quad (3.3)$$

where PI = Profitability index

n = Length of the international project;

k = Number of years of implementation of the international project;

P_k = Cash inflow in a k-th year of implementation of the international project;

i = Discount rate;

I = Initial investment.

Thus,

$$PI = (21,764.84 + 41,595.87 + 49,963.51) / 90,458.26 = 1.25$$

Profitability is 25.00%; therefore, the project should be accepted.

The PP calculation discloses the period during which the invested money will return from the project implementation. Hence, the static PP is calculated as a division of total investment by average net income from investment (Eq. 3.4):

$$PP = I / ([\sum_{k=1}^n P_k] / 3) \quad (3.4)$$

where PP = Payback Period

n = Length of the international project;

k = Number of years of implementation of the international project;

P_k = Cash inflow in a k-th year of implementation of the international project;

i = Discount rate;

I = Initial investment.

Hence,

$$PP = 90,458.26 / 54,158.83 = 1.67$$

years are needed so that the project gives a full return on investment.

However, the static PP is not as reliable as DPP, which gives a clearer picture. It can be calculated as follows (Eq. 3.5):

$$DPP = n + \left(- \frac{\text{the last negative income}}{\text{income in the following year}} \right) \quad (3.5)$$

Where DPP = Discounted payback period;

n = Years with negative income.

Therefore,

$$DPP = 2 + (- (-27,097.55) / 49,963.51 = 2.54 \text{ years}$$

Considering these indicators, one can observe that the project is profitable and worth investing in. NPV is positive, PI is 25.00% and PP is 2.54 years, which means that the project should be accepted.

CONCLUSIONS AND RECOMMENDATIONS

During the study, certain facets of the Austrian economy, investment climate and attractiveness were analysed, the investment project was developed and its effectiveness was assessed.

The Austrian economy is characterised by relative stability and orientation on society. Even though Austria experienced several downturns in the past fifteen years, its economy remained relatively anchored. Social benefits along with high expenditures on healthcare and education make Austria a country with equal opportunities for all people; it is mirrored in the nation's wealth. The research shows that there is a relationship between human development and economic growth. Human development is not only the outcome but also a driver for the economy.

Weak relationship is observed between the influx of migrants and the unemployment rate in Austria, which means that there are other factors which cause unemployment, namely cyclical unemployment, no matching efficiency and institutional factors. At the same time, the higher unemployment rates are observed among immigrants rather than locals.

Austria is highly integrated in the world community, especially the European one. As a member of the EMU, it has been affected by its requirements regarding monetary and fiscal policy. Euro currency is considered to be one of the most stable currencies in the world.

In terms of international trade in goods, the country is characterised by high complexity and versatility of products. The overall trade balance is positive since services compensate merchandise trade deficit. However, there is high dependency on international trade and some specific partners such as Germany. Tax system is complicated but transparent; moreover, investors and businesses in general are provided with incentives to conduct business in this country. Legislation base is comprehensive; investors are allowed to invest in any sphere they would like, albeit some sectors require preliminary approval by the authorities.

The investment climate is favourable enough for doing business in Austria, with amiable business environment. Firstly, basic components include beneficial

geographical position since it gives access to the rest of the Central and Eastern European countries. Infrastructure is considered to be among the best in the world and Europe, apart from marine transport, taking into account the absence of waterways such as seas, oceans or bays.

The development of the investment project of the café in Innsbruck and the required calculations revealed that the project is attractive and profitable with a short payback period. The competitive advantages are not only in authentic desserts and drinks, but also in handicrafts created by local artisans which are available to purchase. In future, some other services might well be provided in the café such as delivery, tutorials and some other activities. In the long run, other branches may appear with the purpose of expansion of the activities of the business on regional level.

The outcomes of the research and the investment project will be useful for managers, researchers and government institutions since it considers various strands of the Austrian national and international economy.

APPENDICES

Appendix A

Table A.1

Regression Analysis of Inflation and GDP Growth

SUMMARY
OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.461
R Square	0.213
Adjusted R Square	0.152
Standard Error	1.655
Observations	15.000

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	9.623	9.623	3.514	0.083
Residual	13	35.597	2.738		
Total	14	45.220			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	-0.471	1.140	-0.413	0.686	-2.933	1.991
Inflation rate, %	1.053	0.562	1.875	0.083	-0.160	2.266

RESIDUAL
OUTPUT

<i>Observation</i>	<i>Predicted GDP growth, %</i>	<i>Residuals</i>
1	1.950	0.290
2	1.047	2.403
3	1.812	1.918
4	2.915	-1.455
5	0.062	-3.832
6	1.438	0.402
7	2.989	-0.069
8	2.146	-1.466
9	1.635	-1.605
10	1.220	-0.560
11	0.473	0.547
12	0.468	1.522
13	1.720	0.680
14	1.633	0.947
15	1.141	0.279

Source: own calculations, World Bank (2021)

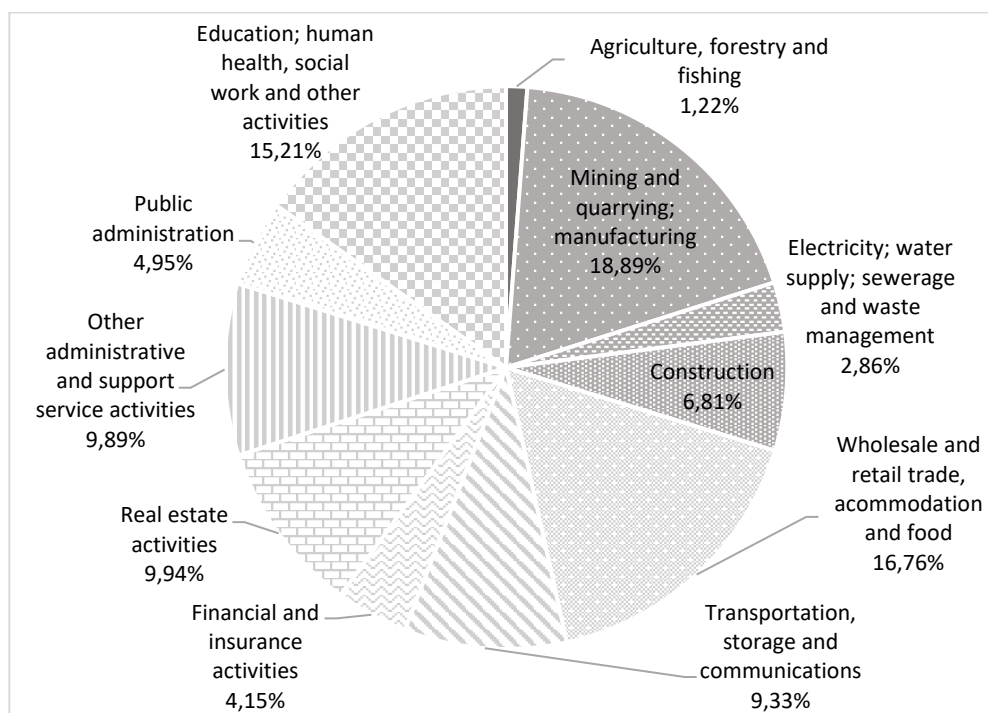


Fig. B.1. GDP Structure in 2019

Source: built by the author, Statistik Austria (2021)

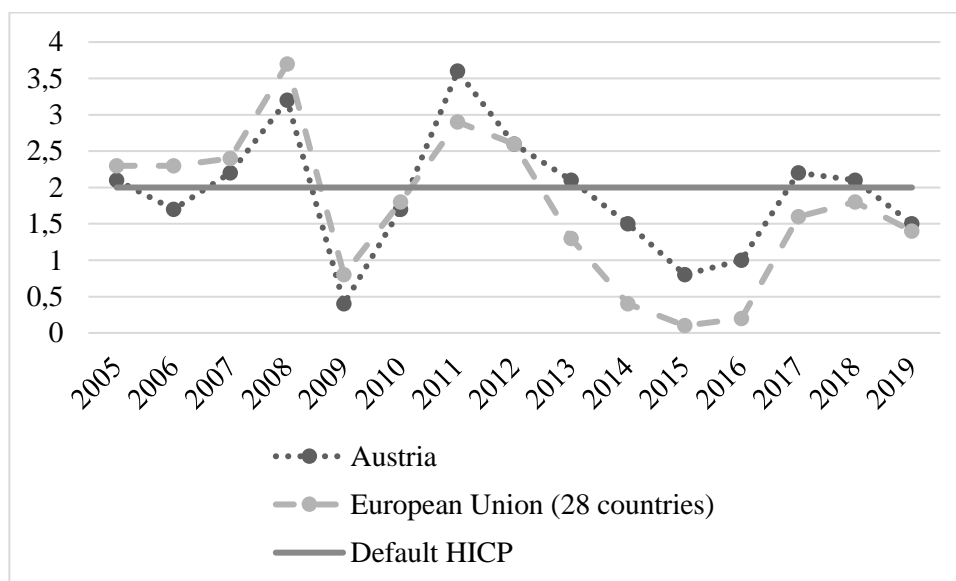


Fig. C.1. Comparison of the HICP of Austria and the EU, in %, 2005-2019

Source: built by the author, OECD (2021)

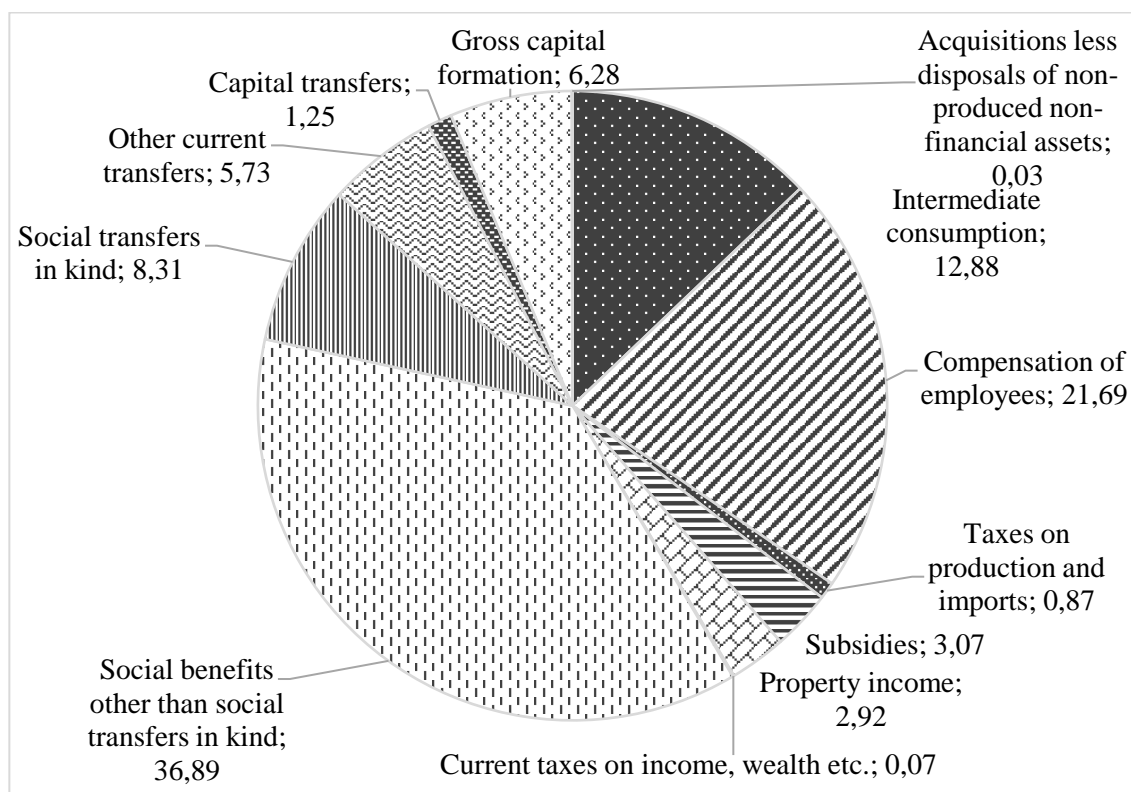


Fig. D.1. Government Spending in Austria, % of GDP, 2019

Source: built by the author, Statistik Austria (2021)

Table E.1

Comparison of Personal Income Tax Rate before and after the Reform

<u>Tax rate from</u> <u>2016</u>	<u>Tax rate</u> <u>2009-2015</u>	<u>Annual income</u> <u>(EUR)</u>
0%	0%	0-11,000
25%	36,5%	11,001-18,000
35%	36,5%	18,001-25,000
35%	43,2143%	25,001-31,000
42%	43,2143%	31,001-60,000
48%	50%	60,001-90,000
50%	50%	90,001-1,000,000
55%	50%	Over 1,000,000

Source: built by the author, KPMG (2021)

Appendix F

Table F.1

Regression Analysis of HDI and Real GDP Growth

Year	HDI index	Value GDP
2004	0.858	43956.58
2005	0.863	44637.86
2006	0.870	45951.73
2007	0.890	47510.29
2008	0.893	48053.48
2009	0.895	46123.49
2010	0.904	46858.04
2011	0.906	48065.32
2012	0.908	48172.24
2013	0.905	47901.37
2014	0.913	47842.75
2015	0.915	47789.39
2016	0.917	48215.89
2017	0.919	49031.11
2018	0.921	50051.79
2019	0.922	50552.91

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.901
R Square	0.811
Adjusted R Square	0.798
Standard Error	783.617
Observations	16.000

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	36951929.495	36951929.495	60.177	0.000
Residual	14	8596778.181	614055.584		
Total	15	45548707.676			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	-21285.337	8875.008	-2.398	0.031	-40320.335	-2250.339
HDI	76483.063	9859.402	7.757	0.000	55336.750	97629.376

RESIDUAL
OUTPUT

<i>Observation</i>	<i>Predicted GDP growth</i>	<i>Residuals</i>
1	44337.131	-380.551

2	44719.546	-81.690
3	45254.927	696.807
4	46784.589	725.705
5	47014.038	1039.445
6	47167.004	-1043.513
7	47855.352	-997.308
8	48008.318	56.999
9	48161.284	10.954
10	47931.835	-30.468
11	48543.699	-700.950
12	48696.665	-907.280
13	48849.631	-633.741
14	49002.597	28.510
15	49155.564	896.222
16	49232.047	1320.859

Student's T-distribution

H_{0_a} : $a = 0$ – data is statistically insignificant.

H_{1_a} : $a \neq 0$ – data is statistically significant.

$t_{critical} = 2.145$

<i>t Stat</i>
-2.398
7.757

$$|2.398| > 2.145$$

$$|7.757| > 2.145$$

H_0 is rejected.

P-value

H_{0_a} : $a = 0$ – data is statistically insignificant.

H_{1_a} : $a \neq 0$ – data is statistically significant.

<i>P-value</i>
0.031
0.000

$$0.031 < 0.050$$

$$0.000 < 0.050$$

H_0 is rejected.

The inverse of the right-tailed F Probability Distribution

H_0 : $b = 0$ – there is no linear relation between HDI and GDP growth.

H_1 : $b \neq 0$ – there is a linear relation between HDI and GDP growth.

F critical = 4.600

<i>F</i>
60.177

$$60.177 > 4.6$$

H_0 is rejected.

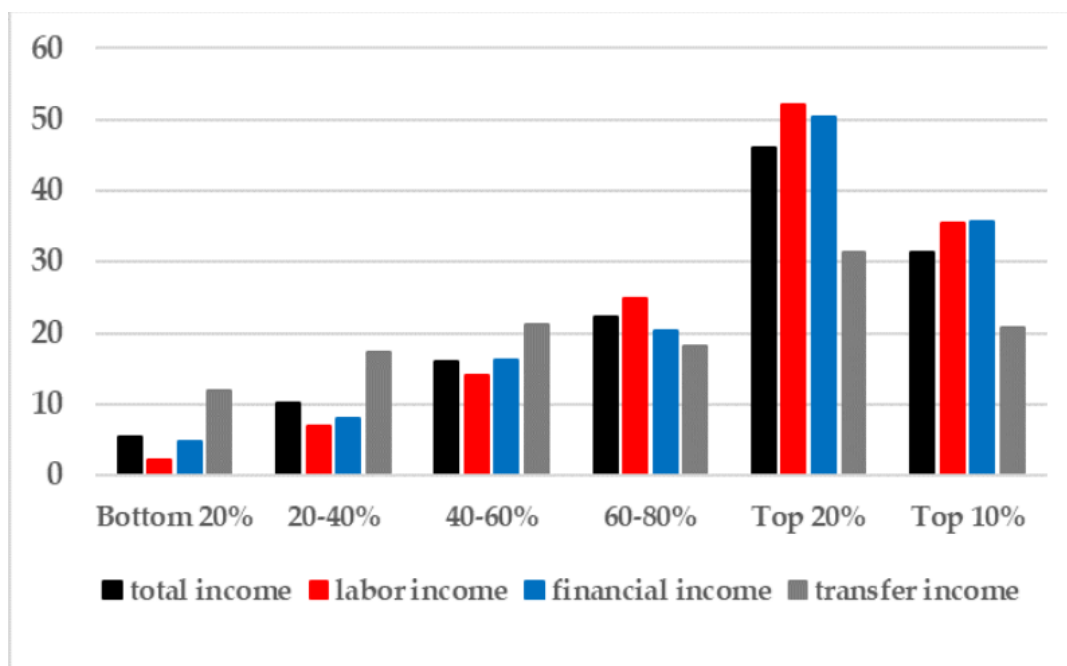
Average approximation error

<i>Observation</i>	<i>Predicted GDP growth</i>	<i>Residuals</i>	<i>A</i>
1	44337.131	-380.551	0.009
2	44719.546	-81.690	0.002
3	45254.927	696.807	0.015
4	46784.589	725.705	0.015
5	47014.038	1039.445	0.022
6	47167.004	-1043.513	0.023
7	47855.352	-997.308	0.021
8	48008.318	56.999	0.001
9	48161.284	10.954	0.000
10	47931.835	-30.468	0.001
11	48543.699	-700.950	0.015
12	48696.665	-907.280	0.019
13	48849.631	-633.741	0.013
14	49002.597	28.510	0.001
15	49155.564	896.222	0.018
16	49232.047	1320.859	0.026
Sum			0.200
Average approximation error			1.249

$$1.249 < 7.000$$

The quality of the model is high.

Source: own calculations, World Bank (2021), UNDP (2021)



Notes: Income quintiles are based on annual household gross income. Labour income includes employee income, self-employment income, and income from private business other than self-employment. Financial income is income from financial investments, such as interest and dividends. Transfer income includes pensions, regular social transfers, and unemployment benefits.

Fig. G.1. Income shares across the income distribution in %

Source: Nguyen and Samarina (2019)

Table H.1

Comparison of the number of immigrants and local population employed by sector

<i>Total population in mln</i>	<i>3,330,500</i>	<i>1,024,400</i>
Occupation/industry	% of immigrants in an occupation	% of local population in an occupation
Production	16.20%	15.80%
Trade	15.30%	14.10%
HoReCa	11.20%	4.60%
Healthcare and social activities	9.50%	11.10%
Construction	9.40%	7.80%
Transport	7.00%	4.50%
Business services	6.90%	2.50%
Education	5.20%	7.40%
Public administration and defence	2.20%	7.80%
Art and leisure activities	1.90%	1.70%

Source: built by the author, Statistik Austria (2020)

Appendix I

Table I.1

Regression Analysis of Immigration and Unemployment in 2005-2019

Year	Inflow	Unemployment
2005	114 465	5.63
2006	98 535	5.24
2007	106 470	4.86
2008	109 713	4.13
2009	107 523	5.3
2010	112 691	4.82
2011	124 619	4.56
2012	140 358	4.87
2013	151 280	5.34
2014	170 115	5.62
2015	214 410	5.72
2016	174 310	6.01
2017	154 749	5.5
2018	146 856	4.85
2019	150 419	4.49

SUMMARY
OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.512
R Square	0.262
Adjusted R Square	0.206
Standard Error	0.469
Observations	15.000

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	1.019	1.019	4.624	0.051
Residual	13	2.865	0.220		
Total	14	3.884			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	3.970	0.553	7.186	0.000	2.777	5.164
Inflow	0.000	0.000	2.150	0.051	0.000	0.000

RESIDUAL
OUTPUT

<i>Observation</i>	<i>Predicted Unemployment</i>	<i>Residuals</i>
1	4.929	0.701
2	4.795	0.445
3	4.862	-0.002
4	4.889	-0.759

5	4.871	0.429
6	4.914	-0.094
7	5.014	-0.454
8	5.145	-0.275
9	5.237	0.103
10	5.395	0.225
11	5.766	-0.046
12	5.430	0.580
13	5.266	0.234
14	5.200	-0.350
15	5.230	-0.740

Student's t-distribution

H_{0_a} : $a = 0$ – data is statistically insignificant.

H_{1_a} : $a \neq 0$ – data is statistically significant.

$t_{critical} = 2.160$

<i>t Stat</i>
7.186
2.150

$|7.186| > 2.160$

$|2.150| < 2.145$

H_0 is supported.

P-value

H_{0_a} : $a = 0$ – data is statistically insignificant.

H_{1_a} : $a \neq 0$ – data is statistically significant.

<i>P-value</i>
0.000
0.051

$0.000 < 0.050$

$0.051 > 0.050$

H_0 is supported.

The inverse of the right-tailed F Probability Distribution

H_0 : $b = 0$ – there is no linear relation between immigration and unemployment rate.

H_1 : $b \neq 0$ – there is a linear relation between immigration and unemployment rate.

F critical = 4.667

<i>F</i>
4.624

$4.624 < 4.667$

H_0 is supported.

Source: own calculations, ILOSTAT (2021), Statistik Austria (2021)

Table I.2

Regression Analysis of Immigration and Unemployment in 2012-2016

Year	Inflow	Unemployment
2012	140,358	4.87
2013	151,280	5.34
2014	170,115	5.62
2015	214,410	5.72
2016	174 310	6.01

SUMMARY
OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.687
R Square	0.472
Adjusted R Square	0.296
Standard Error	0.362
Observations	5.000

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0.352	0.352	2.683	0.200
Residual	3	0.393	0.131		
Total	4	0.745			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	3.735	1.097	3.404	0.042	0.243	7.226
Inflow	0.000	0.000	1.638	0.200	0.000	0.000

RESIDUAL
OUTPUT

<i>Observation</i>	<i>Predicted Unemployment</i>	<i>Residuals</i>
1	5.201	-0.331
2	5.315	0.025
3	5.512	0.108
4	5.975	-0.255
5	5.556	0.454

Student's t-distribution

H_{0_a} : $a = 0$ – data is statistically insignificant.

H_{1_a} : $a \neq 0$ – data is statistically significant.

$t_{\text{critical}} = 3.183$

<i>t Stat</i>
3.404
1.638

$$|3.404| > 3.183$$

$$|1.638| < 3.183$$

H_0 is supported.

P-value

H_{0_a} : $a = 0$ – data is statistically insignificant.

H_{1_a} : $a \neq 0$ – data is statistically significant.

<i>P-value</i>
0.042
0.200

$$0.042 < 0.050$$

$$0.200 > 0.050$$

H_0 is supported.

The inverse of the right-tailed F Probability Distribution

H_0 : $b = 0$ – there is no linear relation between immigration and unemployment rate.

H_1 : $b \neq 0$ – there is a linear relation between immigration and unemployment rate.

F critical =

<i>F</i>
2.683

$$2.683 < 10.128$$

H_0 is supported.

Source: own calculations, ILOSTAT (2021), Statistik Austria (2021)

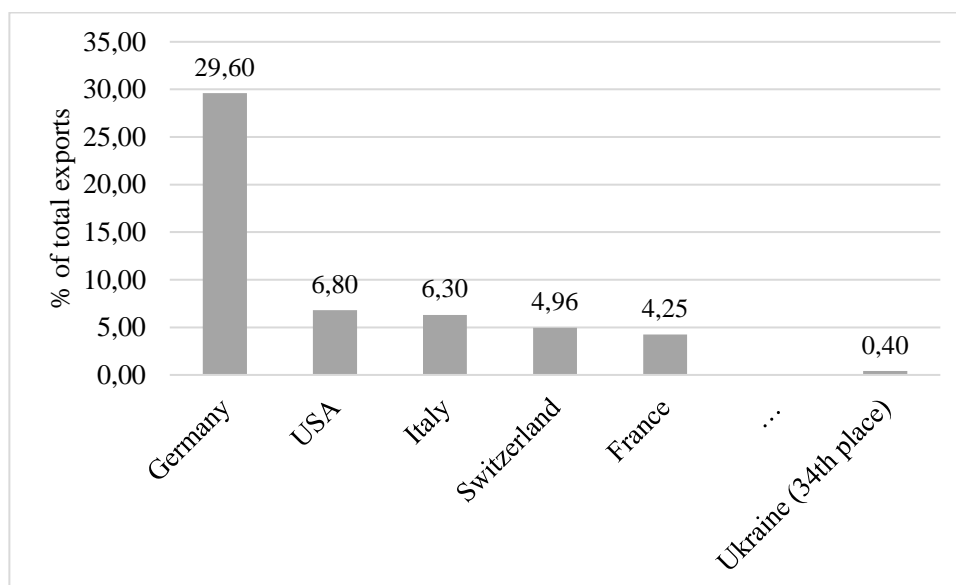


Fig. J.1. Export partners in 2019

Source: built by the author, UNCTADSTAT (2021)

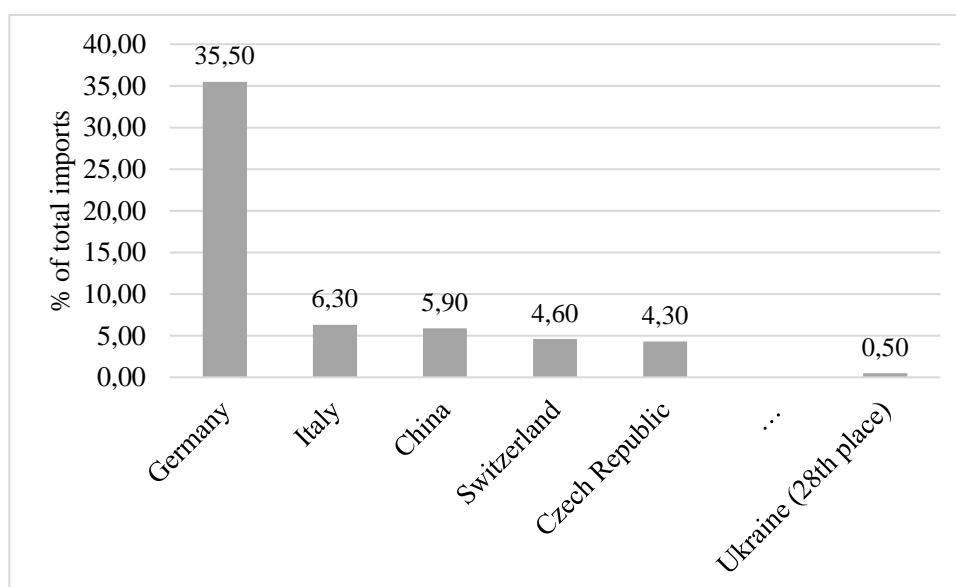


Fig. J.2. Import partners in 2019

Source: built by the author, UNCTADSTAT (2021)

Table K.1.

Tariffs in Austria by product category, 2019

Product Category	%, average	Minimum Rate (%)	Maximum Rate (%)
Ores and metals	2.89	0.00	10.00
Manufactured goods	4.22	0.00	22.00
Chemical products	5.42	0.00	19.00
Machinery and transport equipment	2.31	0.00	22.00
Other manufactured goods	4.54	0.00	17.00

Source: built by the author, UNCTADSTAT (2021)

Appendix L

Table L.1

FDI inflow per capita in the EU in 2019

No	Country	USD
1	Cyprus	27 526.76
2	Ireland	16 023.39
3	Malta	8 112.84
4	Netherlands	4 925.72
5	Estonia	2 296.60
6	Sweden	2 049.34
7	Finland	1 476.80
8	United Kingdom	872.40
9	Belgium	841.20
10	Portugal	805.23
11	Czechia	708.80
12	Hungary	537.40
13	<u>Austria</u>	<u>518.43</u>
14	France	504.00
15	Slovakia	448.73
16	Greece	442.19
17	Italy	438.80
18	Slovenia	437.67
19	Germany	435.34
20	Latvia	413.91
21	Lithuania	353.39
22	Poland	348.94
23	Croatia	330.39
24	Romania	308.36
25	Spain	265.43
26	Bulgaria	174.70
27	Denmark	161.16
28	Luxembourg	-18 548.44

Source: built by the author,
UNCTADSTAT (2021)

Table L.2

FDI outflow per capita in the EU in 2019

No	Country	USD
1	Cyprus	15953.53
2	Netherlands	7290.81
3	Ireland	3707.72
4	Denmark	2779.88
5	Luxembourg	2407.19
6	Sweden	2273.14
7	Belgium	1707.82
8	Estonia	1484.05
9	Germany	1181.79
10	Austria	1181.19
11	Finland	825.82
12	France	573.72
13	Spain	516.40
14	United Kingdom	464.40
15	Czechia	460.08
16	Italy	411.79
17	Hungary	271.10
18	Slovenia	65.13
19	Poland	56.28
20	Croatia	56.05
21	Lithuania	55.57
22	Bulgaria	47.41
23	Greece	41.82
24	Slovakia	28.08
25	Romania	1.97
26	Portugal	-45.93
27	Latvia	-84.54
28	Malta	-16265.86

Source: built by the author,
UNCTADSTAT (2021)

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