

P r e s s R e l e a s e

Vienna, 04 January 2007

BA-CA Sentiment Indicator:

Austria optimistic about 2007

- **Representative survey: majority of Austrians believe economy will improve in this year;**
- **BA-CA economists: private consumption will bolster economy;**
- **Young Austrians reckon their financial circumstances will improve 2007, older Austrians expect them to worsen.**

Austria is optimistic about 2007. 33 percent of all Austrians believe that the economic conditions of their country will be better this year than in 2006, contrasted with the 15 percent who believe the situation will get worse. 48 percent do not anticipate any major change (see *Graph 1*). This was a finding of the BA-CA Sentiment Indicator, a representative survey carried out by BA-CA Market Research in conjunction with the SPECTRA market research institute. According to Marianne Kager, chief economist at BA-CA: "The population have made a good assessment. We are moderately optimistic for the year 2007." BA-CA forecasts real economic growth in 2007 of 2.4 percent (albeit after 3.2 percent in 2006).

Austrians reckon their country is well positioned even by international comparison: 35 percent believe Austria is in a better economic position when compared on an international scale, while only 9 percent think that Austria is worse off. Kager continued: "Austria has benefited more than any other country from the emergence of new democracies in the east. In addition, our main trading partner Germany has recovered, which is also being felt by the population.

According to the BA-CA economists, the relatively good sentiment displayed by the general public also indicates that confidence will again lead to higher consumption in the future.

Private consumption to bolster local economy

"Private consumption is set to be one of the most important pillars of the Austrian economy this year", revealed Stefan Bruckbauer, deputy chief economist at BA-CA. Thus private consumption will be the only component of GDP which will grow more strongly in 2007 than in 2006. Private consumption growth in 2006 totalled an estimated 1.8 percent and therefore once again approximated its long-term average. However, there are promising signs that in 2007 consumption may surpass the 2% mark and hit 2.2 percent, for the first time since 2000. This is also confirmed by the regular consumer sentiment survey, which rose from -3 to +10 in the course of 2006.

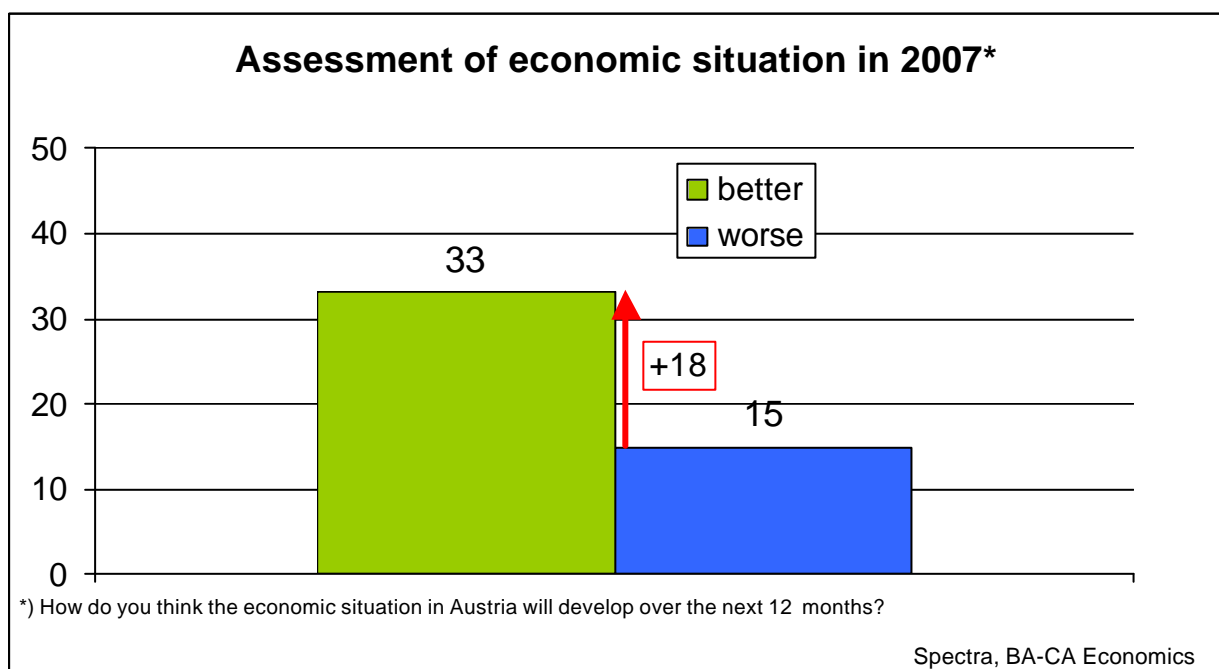
Austrians look forward to bright financial future in 2007

When asked about the impact on their personal economic situation (*see Graph 2*) "Austrians were generally upbeat about their financial prospects", revealed Bruckbauer, "Austria's economic optimists outnumber its economic pessimists." 16 percent reckon their financial situation will improve in 2007, as opposed to the 13 percent who forecast a deterioration. The majority (63 percent) predict a continuation of the status quo.

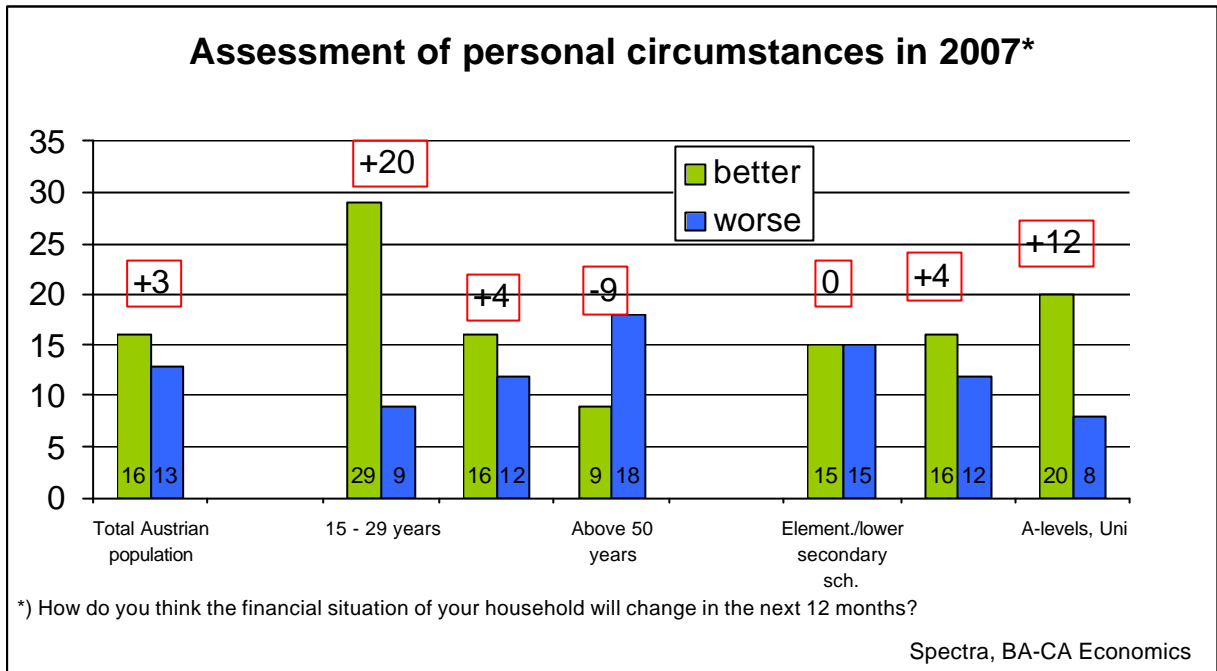
Young Austrians in particular are optimistic about an improvement in their own financial situations in 2007, while the category comprising those 50 years old and above is dominated by pessimists. Austrians with higher education qualifications and naturally those enjoying higher incomes also tend to be upbeat regarding their own financial circumstances in 2007, though admittedly, the ratios of the optimists and pessimists are more similar. "Age, and not education, is likely to be instrumental in whether someone is optimistic or pessimistic. Young Austrians are generally optimistic, while older Austrians tend to be pessimistic," concluded Bruckbauer, summing up the main findings of the population survey. There are only faint regional differences with regard to expectations of personal financial circumstances in 2007. "Those living in Vienna and Upper Austria in particular are more optimistic about 2007", said Bruckbauer (*see Graph 2a*).

The BA-CA Sentiment Indicator also enquires about the savings habits of Austrians. 45 percent of the economic optimists intimated their desire to save any additional money they have. 41 percent would prefer to buy something while 13 percent are still undecided. Young Austrians would rather spend than save, while there is a fine balance for the older generations between spending and saving. Middle-aged Austrians clearly seem to be more cautious as regards their prospects in 2007. On the one hand, the ratio of those painting an optimistic picture of Austria's overall economic situation in 2007 is lower in this age-group than in others, while on the other hand, the majority of this group would prefer to save any additional income as opposed to spending it. "People with average incomes tend to put money aside for pensions and save rather than spend for consumption needs", said chief economist Kager.

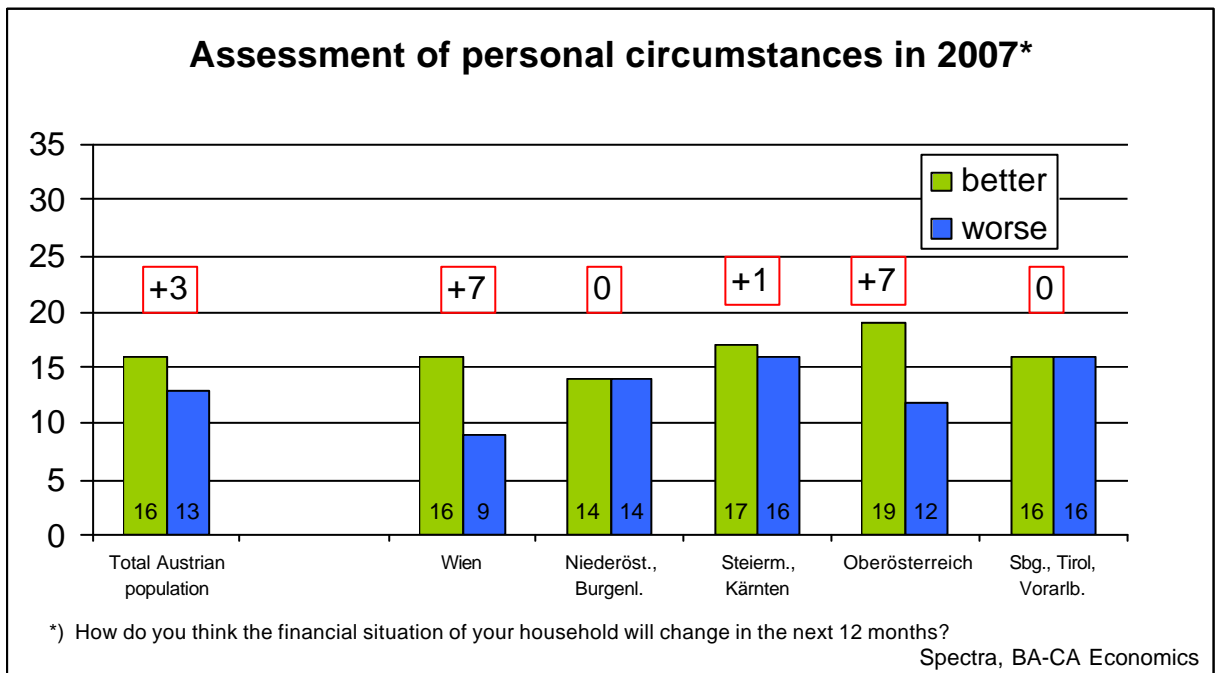
Graph 1: Austrians upbeat about 2007

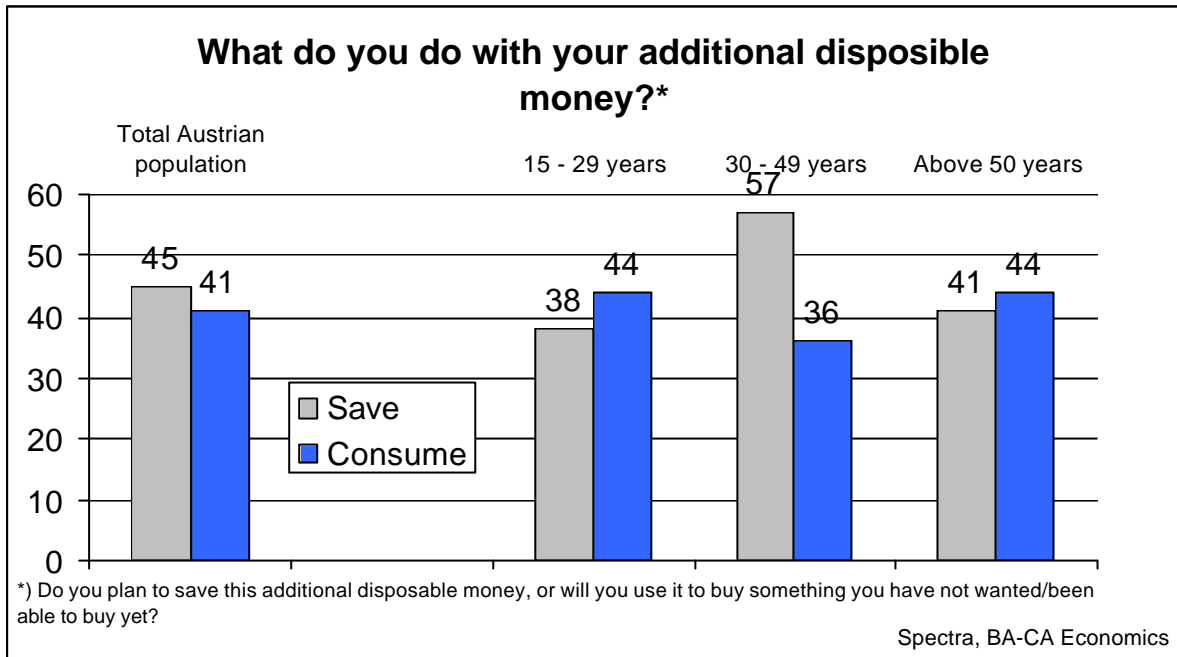


Graph 2: Impact on personal situations in 2007 by age and education



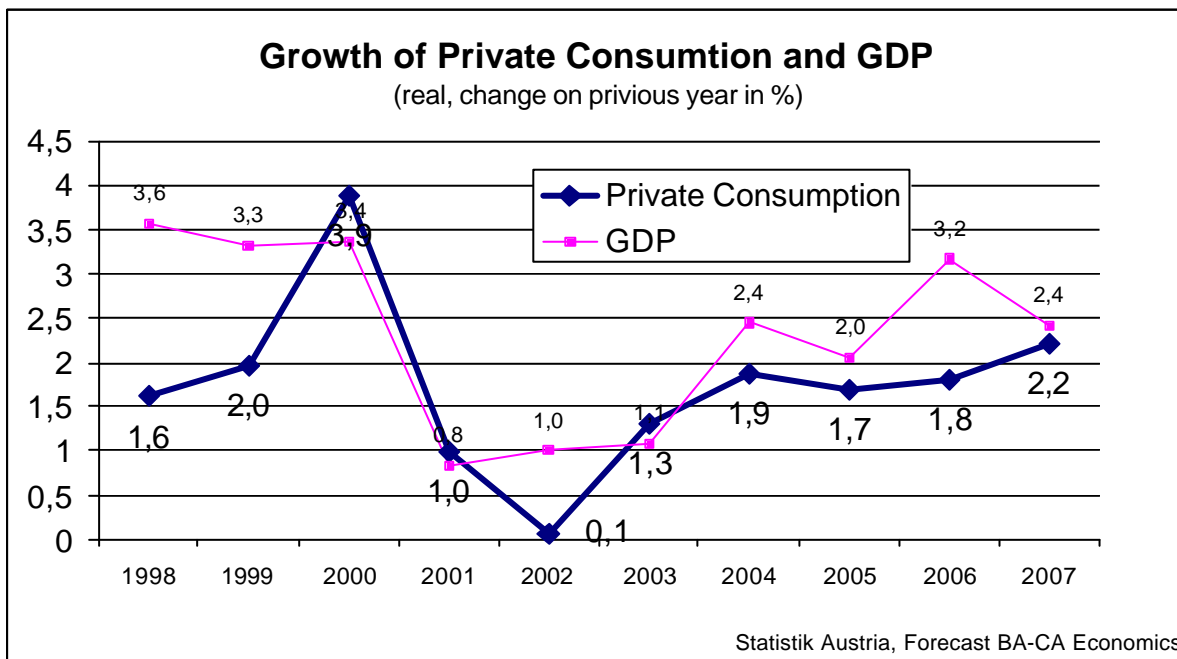
Graph 2a: Impact on personal situations in 2007 by federal province





Graph 3: Saving and spending tendencies of economic optimists

Graph 4: Consumption and GDP growth



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