Austria's economic freedom score is 73.9, making its economy the 25th freest in the 2021 Index. Its overall score has increased by 0.6 point, primarily because of an improvement in judicial effectiveness. Austria is ranked 13th among 45 countries in the Europe region, and its overall score is above the regional and world averages.

Austria’s economic freedom scores have remained at the low end of the mostly free category for 15 years, primarily because of a consistently high tax burden and high government spending. In fact, the Index indicator score on the latter is one of the world’s worst (29.1 out of 100). For Austria to rise higher in the rankings, the government would need to prioritize a reduction in government spending.

IMPACT OF COVID-19: As of December 1, 2020, 3,325 deaths had been attributed to the pandemic in Austria, and the economy was forecast to contract by 6.7 percent for the year.

BACKGROUND: Austria regained full sovereignty from the World War II victors in 1955. Alexander Van der Bellen, a Green Party member running as an independent, was elected to the largely ceremonial presidency in 2016. Chancellor Sebastian Kurz’s conservative People’s Party (OVP) gained seats in September 2019 snap elections but fell short of a majority. The OVP formed a coalition government with the Austrian Green Party in January 2020. Austria has large services and industrial sectors and a small, highly developed agricultural sector. The government is pursuing significant upgrades to its telecommunications infrastructure with the goal of achieving nationwide 5G coverage by 2025. Challenges include assimilation of migrants and strains on labor markets and public finances caused by the aging of the population.
The legal system provides an effective means for protecting the property and contractual rights of both nationals and foreigners. The land registry is reliable and accessible to the public. The investment climate benefits from stability and the strong rule of law. The judiciary is independent and operates without political influence or interference. Austria was ranked the 12th least corrupt nation out of 180 countries in Transparency International’s 2019 Corruption Perceptions Index.

The top individual income tax rate is 55 percent, and the top corporate tax rate is 25 percent. High social security contributions are shared by employers and employees. The overall tax burden equals 42.2 percent of total domestic income. Government spending has amounted to 48.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.02 percent of GDP. Public debt is equivalent to 70.8 percent of GDP.

Both the price of electricity and the cost of resolving insolvency have increased. Terms of employment are tightly regulated. Non-wage labor costs are high. Austria has a small but highly developed agricultural sector and a large services sector. To maintain high prices for farmers, the government subsidizes surplus agricultural exports. Subsidies for the purchase of electric vehicles remain in place.

As a member of the EU, Austria has 45 preferential trade agreements in force. The trade-weighted average tariff rate (common among EU members) is 3 percent, and 639 EU-mandated nontariff measures are in force. In general, government policies do not interfere significantly with foreign investment. The relatively well-capitalized banking sector is dominated by five large banking groups and offers a wide range of financial services.