Austria

Lost empire

The Austrian Empire was reformed in the 19th century into Austria-Hungary, which, by 1900, was the second-largest country in Europe. It comprised modern-day Austria, Bosnia-Herzegovina, Croatia, Czech Republic, Hungary, Slovakia, Slovenia; large parts of Romania and Serbia; and small parts of Italy, Montenegro, Poland, and Ukraine. At the end of WWI and the break-up of the Habsburg Empire, the first Austrian republic was established.

Although Austria did not pay reparations after WWI, the country suffered hyperinflation during 1921–22 similar to that of Germany, In 1938, there was a union with Germany, and Austria ceased to exist as an independent country until after WWII. In 1955, Austria became an independent sovereign state, becoming a member of the European Union in 1995, and a member of the Eurozone in 1999. Today, Austria is prosperous, enjoying the highest per capita GDP out of all countries in the EU.

Bonds were traded on the Wiener Börse from 1771 and shares from 1818 onward. Trading was interrupted by the world wars and, after the stock exchange reopened in 1948, share trading was sluggish – there was not a single IPO in the 1960s or 1970s. From the mid-1980s, building on Austria's gateway to Eastern Europe, the Exchange's activity expanded. Still, over the last 113 years, real stock market returns (0.6% per year) have been lower for Austria than for any other country with records from 1900 to date.

At the start of 2013, the largest Austrian company is Erste Group Bank (23% of the market), followed by DMV, Voestalpine, Anditz, and Immofinanz.

Capital market returns for Austria

Figure 1 shows that, over the last 113 years, the real value of equities, with income reinvested, grew by a factor of 2.0 as compared to 0.009 for bonds and 0.00006 for bills. Figure 2 displays the long-term real index levels as annualized returns, with equities giving 0.6%, bonds –4.0%, and bills –8.2% since 1900. Figure 3 expresses the annualized long-term real returns as premia. Since 1900, the annualized equity risk premium relative to bills has been 5.6%. The premia in Figure 3 omit 1921–22. For additional explanations of these figures, see page 35.

Figure 1

Cumulative real returns from 1900 to 2012

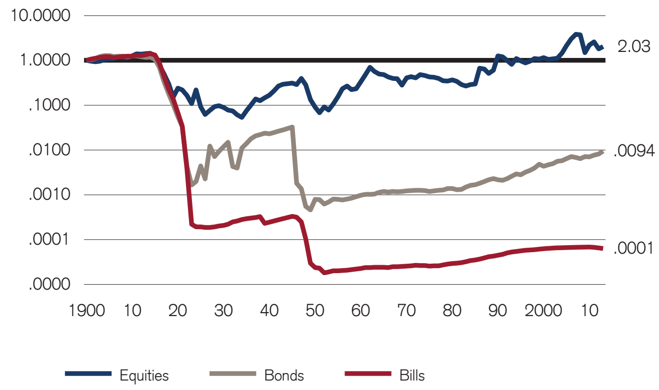


Figure 2

Annualized real returns on major asset classes (%)

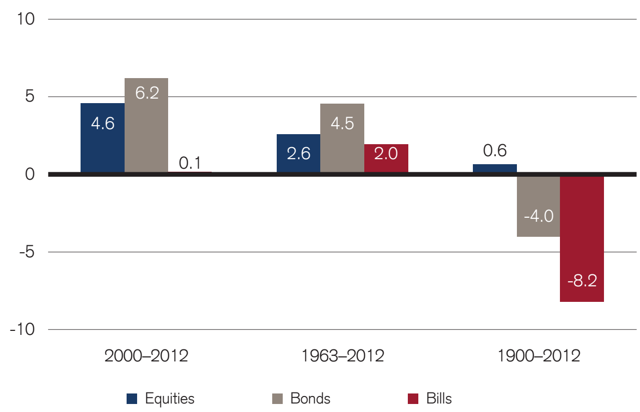
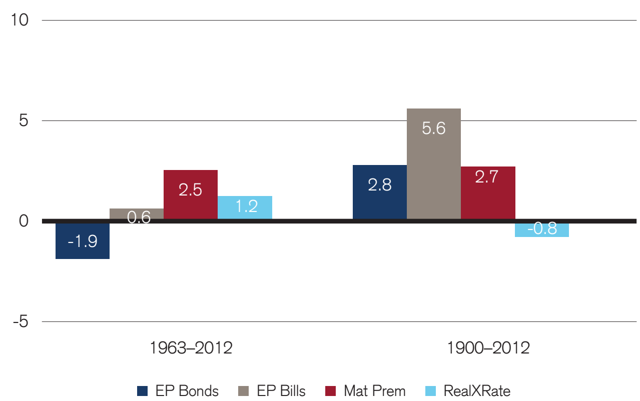


Figure 3

Annualized equity, bond, and currency premia (%)



Note: EP Bonds denotes the equity premium relative to long-term government bonds; EP Bills denotes the equity premium relative to Treasury bills; Mat Prem denotes the maturity premium for government bond returns relative to bill returns; and RealXRate denotes the real (inflation adjusted) change in the exchange rate against the US dollar.

Source: Elroy Dimson, Paul Marsh, and Mike Staunton, Credit Suisse Global Investment Returns Sourcebook 2013.