

## **Austria Inflation Dominates Final Parl Session Pre-Election**

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VIENNA - Inflation at a 15-year high and the global financial crisis have taken centre stage in a turbulent last session of Austria's parliament on Wednesday, days before an early election this Sunday.

Parliament discussed an 'anti-inflation' package proposed by new Social Democrat leader Werner Faymann, which wrong-footed the conservatives and helped the centre-left claw back the pole position in opinion polls in recent weeks.

Both main parties are set to lose in the election as voters are disappointed with their performance in an 18-month coalition paralysed by feuding.

The main element of Faymann's package is to cut the sales tax on food staples by half in a measure Faymann says would reduce taxes by 700 million euros (\$1 billion) and help poor families who spend a big chunk of their budget on food.

'This is about the prices that people are paying for food in the supermarket,' Faymann told parliament.

Conservative leader, Finance Minister Wilhelm Molterer, has tried to use the Wall Street crisis to regain the upper hand.

He emphasised the conservatives' reputation for stability in difficult times, saying the sales levy cut would threaten a planned broader tax reform and squander budgetary firepower needed to weather the economic downturn.

'We have to understand that this (financial markets) crisis can have consequences for our economic growth,' Molterer said in parliament. 'We need clear, reliable and predictable economic policy perspectives.

'Today's debt means tomorrow's lost opportunities,' he said.

Austrian inflation peaked at 4 percent in June, the highest rate since 1993, and is one of voters' main concerns, polls show. Growth will slow to just over 2 percent this year, above the euro zone average but below last year's 3.1 percent.

Faymann's sales tax cut is unlikely to pass in Wednesday's parliament session, even though Faymann secured support for it from the far-right Freedom Party.

Meanwhile the far right is seen surging to one in four votes and a fragmented parliament is likely.

Despite the big public fight over the sales tax during the campaign, differences between the Social Democrats' and the conservatives' economic policy are rather nuanced.

Both have agreed in principle on a 3 billion euro tax cut to relieve low and middle incomes, even though they have not yet hammered out the details or the timing. Both are committed in principle to a balanced budget.

And both are not addressing the real questions in their campaigns, according to Karl Aiginger, the head of Austria's main economic research institute WIFO.

'What I'm missing with both parties is to address the future, in particular the question how to secure Austria's competitiveness as a high-wage country,' Aiginger said.

**Source: Reuters**