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ECONOMIC ANALYSIS AND RESEARCH DEPARTMENT
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ECONOMIC OUTLOOK for Austria from 2022 to 2024

Economic recovery dampened by war in Ukraine and inflation

June 2022

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Economic outlook for Austria from 2022 to 2024 (June 2022)

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Cutoff date: May 27, 2022

Russia's invasion of Ukraine has propelled already high energy prices even higher and has markedly pushed up the cost of energy and nonenergy commodities as well as food. It has also increased uncertainty and amplified supply disruptions. Consequently, we foresee HICP inflation at 6.2% in 2022, 3.6% in 2023 and 2.7% in 2024. Core inflation, which excludes energy and food prices, is projected to reach 3.7% in 2022, and to edge up to 3.9% in 2023 due to higher wage settlements. Thanks to the fade-out of the COVID-19 pandemic, the economy rebounded strongly in early 2022, but the recovery came to an abrupt halt once Russia invaded Ukraine. Soaring prices are weighing on disposable household incomes, and the difficult external environment is slowing down export activities. For the rest of 2022, we therefore anticipate only very moderate economic growth. The economy will nevertheless grow at a pace of 4.1% in 2022 as a whole. Assuming that the war will not continue into 2023 and that energy prices will decrease slightly, we expect Austria's real GDP to augment by 2.0% in 2023 and 1.9% in 2024. Compared with our December 2021 outlook, we had to revise the growth prospects down by 0.2 percentage points for 2022 and 0.7 percentage points for 2023. Labor market conditions have tightened given the intensifying shortage of skilled labor and a regional mismatch between demand and supply. This notwithstanding, employment is expected to increase by a visible 2.6% in 2022. After 8.0% in 2021, the unemployment rate (national definition) is projected to drop to 5.9% in 2022 and to 5.1% in 2024. The budget deficit is set to equal some 2.7% of GDP in 2022, and will then go down to reach 0.6% in 2024. The decrease will be above all attributable to the economic recovery and unwinding of pandemic-related fiscal measures. The debt ratio is going to contract over the entire forecast horizon and will run to slightly less than 75% of GDP in 2024.

May 27, 2022 was the cutoff date for the data underlying the present economic outlook of the OeNB, which has also fed into the Eurosystem staff macroeconomic projections of June 2022. We start off by estimating a scenario, based on the June outlook, in which we consider data released until June 5, 2022 (box 1). After that, we are zeroing in on the results of the June outlook (cutoff date: May 27, 2022).

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Box 1

Scenario: assessment of economic conditions based on the OeNB's June outlook and recent data releases

This scenario draws on the Eurosystem's assumptions about the global economic environment until May 17, national accounts data including Statistics Austria's release of the first quarterly GDP estimate for 2022 on June 2, as well as data of the June 1 flash estimate of the inflation rate in May 2022. When we include these data updates, we arrive at lower GDP growth and higher HICP inflation than in our June outlook.

Inflation to rise to 7% in 2022 overall

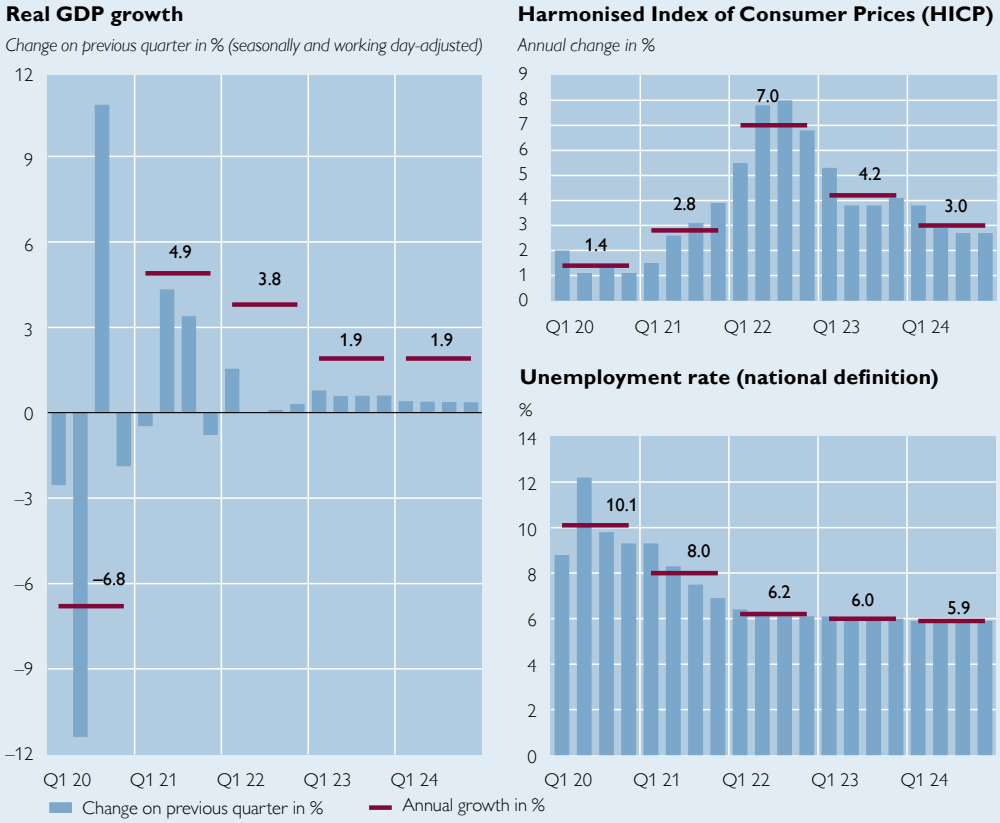
The war in Ukraine has significantly pushed up the cost of energy and nonenergy commodities, driving up HICP inflation to 8.1% in May 2022. In the first five months of the year, inflation rose by 4.3 percentage points, fueled mostly by energy prices (+1.5 percentage points), followed by food (+1.2 percentage points) and nonenergy industrial goods (+0.9 percentage points). As a consequence, HICP inflation in Austria is set to climb to 7.0% in 2022 as a whole. Wage settlements are therefore likely to be higher still especially in 2023, but also in 2024. In light of this, the inflation rate is projected to remain well above average (2000 to 2021: 1.9%) also in 2023 (4.2%) and 2024 (3.0%) even though energy prices are expected to be declining slightly.

Economy to grow only modestly until end-2022

While the year began with strong economic growth, we anticipate the further development in 2022 to be very subdued. Even in 2023 and 2024, the pace of economic growth will accelerate just slightly, the assumed end of the war in Ukraine by the close of 2022 notwithstanding.

Chart B1

OeNB assessment of economic conditions in Austria in June 2022 – main results



Source: WIFO, Statistics Austria, OeNB assessment of economic conditions in Austria in June 2022.

Uncertainty will keep a lid on catching-up effects. We expect economic output to expand by 3.8% in 2022 and by 1.9% each in 2023 and 2024.

Employment to expand strongly despite economic slowdown
Given high employment growth in early 2022, we expect another notable rise in the year as a whole (2.6%) absent any lockdown in the hospitality industry, i.e. tourism and restaurants. Moving in sync with the economic slowdown, employment growth is forecast to decelerate to 1.0% by 2024, but it will not dip below the long-term average. Labor supply growth will weaken until 2024 because of demographic changes. We expect the unemployment rate (national definition) to sink to 5.9% until 2024.

Private consumption to reach pre-crisis level only in mid-2023
Tax relief and solid employment growth cannot fully offset the dampening effects from high inflation. We nevertheless project private consumption to grow markedly in 2022 (3.9%), up from a sluggish 2021, which was weighed down by several lockdowns and forced saving. Growth will remain slightly above average at 2.0% in both 2023 and 2024; but it will take until mid-2023 for private consumption to reach its pre-crisis level. Private consumption will thus clearly lag behind other important demand components.

Global economy dampens exports and investments
Having rebounded strongly at the beginning of the year, exports are forecast to post a growth rate of as much as 7.1% in 2022 as a whole, which will mask weakening export activity in the months remaining until year-end. Still, exports will also rise in 2023, namely by 2.9%, before picking up some speed in 2024 (3.3%). At 1.6%, real gross fixed capital formation is set to grow at a modest pace only in 2022. The uncertainty surrounding the war in Ukraine and materials shortages are due to keep a lid on investment in plant and equipment this year. The prospects for residential construction investment are also weak for 2022, as the boom in housing construction is petering out slowly and activity toward the end of 2021 was poor. Both exports and investments are expected to improve in 2023, with gross fixed capital formation growing at a quicker pace of 2.6%.

Budget deficit back below 3% of GDP in 2022
After –5.9% of GDP in 2021, the budget balance is set to narrow to –2.6% of GDP in 2022, as the impact of automatic stabilizers will increase strongly against 2021 thanks to the economic recovery. At the same time, the reduction of discretionary COVID-19-related fiscal measures will have a much bigger effect than the entry into force of the eco-social tax reform and a set of measures ("energy package") meant to offer relief in the face of high energy costs. Discretionary fiscal measures will continue to decline in volume in 2023 and 2024, which will shrink the budget balance further to about –0.7% of GDP in 2024. The impact of the economic recovery is set to remain more or less unchanged against 2022, but interest expenditure is forecast to edge up again bit by bit from 2023 onward. We expect the public debt ratio to drop just below 80% of GDP in 2022 and contract to around 73% of GDP by 2024. This development will be due to very high nominal GDP growth and lower budget deficits.

Additional downside scenario: impact of the mounting tensions between Russia and the West on the Austrian economy
As part of the June 2022 Eurosystem staff macroeconomic projections, each euro area country came up with a downside scenario based on harmonized assumptions. In the downside scenario, the intense phase of the war in Ukraine is assumed to extend beyond 2022 and well into 2023. This will be associated with mounting geopolitical tensions and broader sanctions. In addition, the scenario assumes a temporary suspension of Russian gas deliveries to the European Union. We consider the following transmission channels: (1) trade (weaker demand for Austrian goods and services), (2) commodity prices (price hikes for oil, gas and nonenergy commodities), (3) financial market conditions and confidence (impact of uncertainty and rising lending interest rates on consumption and investment), (4) cut in gas deliveries (complete stop or embargo) and (5) spillover effects from disruptions in Russian energy supply to Austria's major trading partners.

Compared with the March scenario devised by the OeNB (2022a), the assumptions have changed significantly regarding cuts in gas deliveries, i.e. the fourth channel. We now assume that starting from the third quarter of 2022 no Russian gas will be delivered for four quarters in a row (March scenario: only in the second half of 2022). In the subsequent quarters, catch-up effects will not fully offset previous losses, as deliveries will not be completely resumed at once and some disruptions may continue even in the fourth quarter of 2024. A new channel we simulated concerns the impact on the Austrian economy caused by the spillover effects from disruptions in Russian energy supply to important Austrian trading partners. In this scenario, the negative effect on GDP growth proves even stronger than what we assumed in March. The biggest difference is evident for 2023, for which we expect a clear negative GDP effect on account of international spillover effects. Only in 2024 do we project a catch-up process again. In the downside scenario, the OeNB expects GDP growth in Austria to shrink by 0.6% in 2022 and by 1.4% in 2023 and to grow by 6.4% in 2024. Over the same three-year horizon, HICP inflation is forecast to come to 8.5%, 5.1% and 2.9%.

Table B1

OeNB assessment of economic conditions in Austria in June 2022 – main results[1]

	2021	2022	2023	2024
Economic activity	*Annual change in % (real)*			
Gross domestic product (GDP)	4.9	3.8	1.9	1.9
Private consumption	3.3	3.9	2.0	2.0
Government consumption	8.3	–0.2	0.7	0.1
Gross fixed capital formation	4.2	1.6	2.6	2.1
Exports of goods and services	14.5	7.1	2.9	3.3
Imports of goods and services	16.4	5.2	2.8	2.9
	% of nominal GDP			
Current account balance	–0.5	0.5	1.1	1.3
Prices	*Annual change in %*			
Harmonised Index of Consumer Prices (HICP)	2.8	7.0	4.2	3.0
Private consumption expenditure deflator	2.2	6.8	4.0	2.9
GDP deflator	1.3	5.1	4.2	2.9
Unit labor costs (whole economy)	0.3	2.4	4.8	2.7
Compensation per employee (nominal)	3.1	3.7	5.4	3.7
Compensation per hour worked (nominal)	–0.8	2.4	4.6	3.6
Import prices	5.3	9.3	3.3	1.9
Export prices	2.6	7.6	4.6	1.9
Terms of trade	–2.5	–1.7	1.3	0.0
Income and savings				
Real disposable household income	0.5	0.2	1.7	1.9
	% of nominal disposable household income			
Saving ratio	11.8	8.4	7.9	7.6
Labor market	*Annual change in %*			
Payroll employment	2.1	2.6	1.4	1.0
Hours worked (payroll employment)	5.9	4.0	2.3	1.1
	% of labor supply			
Unemployment rate (Eurostat definition)	6.2	4.5	4.4	4.3
Unemployment rate (national definition)	8.0	6.2	6.0	5.9
Öffentliche Finanzen	*% of nominal GDP*			
Budgetsaldo	–5.9	–2.6	–1.2	–0.7
Schuldenstand	82.8	79.3	75.9	73.1

Source: 2021: Statistics Austria; 2022 to 2024: OeNB assessment of economic conditions in Austria in June 2022.

[1] *This assessment was made on the basis of seasonally and working day-adjusted national accounts data (as published by Statistics Austria for Q1 22 on June 2, 2022).*

1 OeNB June 2022 economic outlook:[2] GDP expansion set to drop off considerably following growth spurt in early 2022

2021 was a year of strong economic recovery, with 4.6% GDP growth, despite the ongoing COVID-19 pandemic. Following a dip in output growth in the fourth quarter of 2021 (–0.8% compared with the third quarter) as a result of another

Table 1

OeNB June 2022 outlook for Austria – main results[1]

	2021	2022	2023	2024
Economic activity	*Annual change in % (real)*			
Gross domestic product (GDP)	4.6	4.1	2.0	1.9
Private consumption	3.2	3.5	2.1	2.0
Government consumption	6.8	–0.2	0.7	0.1
Gross fixed capital formation	4.0	2.3	2.2	2.1
Exports of goods and services	13.3	5.6	2.8	3.3
Imports of goods and services	13.8	3.5	2.7	2.9
	% of nominal GDP			
Current account balance	–0.5	0.3	0.8	1.1
Import-adjusted contributions to real GDP growth[2]	*Percentage points*			
Private consumption	0.6	1.4	0.7	0.7
Government consumption	1.1	0.0	0.1	0.0
Gross fixed capital formation	0.2	0.4	0.3	0.3
Domestic demand (excluding changes in inventories)	1.9	1.8	1.2	0.9
Exports	2.6	2.0	0.9	0.9
Changes in inventories (including statistical discrepancy)	0.1	0.3	–0.1	0.0
Prices	*Annual change in %*			
Harmonised Index of Consumer Prices (HICP)	2.8	6.2	3.6	2.7
Private consumption expenditure deflator	2.4	6.3	3.7	2.7
GDP deflator	1.7	3.3	4.1	2.5
Unit labor costs (whole economy)	0.6	2.0	4.6	2.7
Compensation per employee (nominal)	3.2	3.6	5.3	3.6
Compensation per hour worked (nominal)	–0.6	2.6	4.3	3.4
Import prices	5.3	9.8	3.4	1.9
Export prices	2.6	7.1	4.3	1.6
Terms of trade	–2.5	–2.5	0.9	–0.3
Income and savings				
Real disposable household income	0.4	–0.6	1.3	2.0
	% of nominal disposable household income			
Saving ratio	11.8	8.2	7.4	7.4
Labor market	*Annual change in %*			
Payroll employment	2.0	2.6	1.4	1.0
Hours worked (payroll employment)	5.7	3.7	2.4	1.2
	% of labor supply			
Unemployment rate (Eurostat definition)	6.2	5.1	4.9	4.6
Unemployment rate (national definition)	8.0	5.9	5.4	5.1
Public finances	*% of nominal GDP*			
Budget balance	–5.9	–2.7	–1.2	–0.6
Government debt	82.8	80.6	77.1	74.4

Source: 2021: Statistics Austria; 2022 to 2024: OeNB June 2022 outlook.

[1] *This outlook is based on seasonally and working day-adjusted national accounts data as published by WIFO for Q1 22 on April 29, 2022 (flash estimate of GDP growth).*

[2] *The import-adjusted growth contributions were calculated by offsetting each final demand component with the corresponding imports, which were obtained from input-output tables.*

[2] *Cutoff date: May 27, 2022.*

round of lockdowns, the Austrian economy experienced strong real GDP growth in the first quarter of 2022 (+2.5%). Employment figures visibly exceeded pre-crisis levels, and unemployment figures remained considerably below pre-crisis levels. In April 2022, the unemployment rate hit a low point last seen in 2008. Thus, the economic outlook for 2022 is heavily driven by data realized in the first quarter of the year, which mask the weak dynamics projected from the second quarter onward. Early 2023 should see a return to slightly above-average quarterly growth rates, on the assumption that the military conflict in Ukraine will have been resolved by then. Overall, we forecast Austria to achieve real GDP growth of 4.1% in 2022, 2.0% in 2023 and 1.9% growth in 2024. While these projections have been revised downward for 2022 and 2023 compared with the December 2021 economic outlook (2022: –0.2 percentage points, 2023: –0.6 percentage points), GDP growth rates still exceed the long-term average (1995 to 2021) of 1.7% over the three-year forecast horizon. Despite exceptionally high HICP inflation rates, the annual growth of real GDP stands to be driven above all by domestic demand in all three years. This notwithstanding, the contribution of net exports to GDP growth will remain positive throughout the forecast horizon despite the weak international environment.

2 Technical assumptions

This forecast for the Austrian economy is the OeNB's contribution to the June 2022 Eurosystem staff macroeconomic projections for the euro area. The forecast horizon ranges from the second quarter of 2022 to the fourth quarter of 2024. The cutoff date for all assumptions on the performance of the global economy, interest rates, exchange rates and crude oil prices was May 17, 2022. This outlook was prepared on the basis of the OeNB's macroeconomic quarterly model. The outlook is based on seasonally and working day-adjusted national accounts data provided by the Austrian Institute of Economic Research (WIFO), which were available until the first quarter of 2022 (flash estimate of GDP growth on April 29, 2022).

Short-term interest rates, which are based on market expectations, were assumed to average zero in 2022 (on the back of positive figures from the third quarter of 2022) and to reach 1.3% in 2023 and 1.6% in 2024. Thus, the short-term interest rate would reach the highest level in 2024 registered since 2008, when it hit 4.6% following the onset of the great financial and economic crisis. Long-term interest rates, which reflect market expectations for ten-year government bonds, were assumed to rise from 1.3% in 2022 to 1.8% in 2024. In other words, long-term interest rates are expected to rise to their highest levels in ten years (2013: 2.0%). In short, both short-term and long-term interest rates were revised upward considerably for all years in the forecast horizon. For 2024, the upward revision amounts to 1.5 percentage points for short-term interest rates and 1.3 percentage points for long-term interest rates. The exchange rate of the euro vis-à-vis the US dollar is assumed to remain constant at USD 1.05 per euro over the forecast horizon. The projected path of crude oil prices is based on futures prices, which have been revised upward considerably compared with the December 2021 outlook. In the context of the June 2022 outlook, the crude oil price was assumed to jump from USD 71.1 per barrel Brent (2021 average) to USD 105.8 per barrel Brent in 2022 (with a peak in the second quarter at USD 109.5). Thereafter, we assumed the price of one barrel Brent to recede somewhat in 2023 (USD 93.4) and 2024 (USD 84.3), in line with crude oil futures prices. The prices of nonenergy commodities are also assumed to

move in line with futures prices during the forecast horizon. The pressure on energy prices (oil, gas, electricity) should ease somewhat in the forecast horizon, judging from market expectations as reflected by futures prices.

As a result of Russia's war on Ukraine and issues such as the resurgence of COVID-19 and the ensuing lockdown measures in China, the assumptions underlying the OeNB's June 2022 outlook regarding the development of the global real economy were revised downward considerably compared with the December 2021 outlook. For Austrian exporters this means that demand from export markets will ease notably, reaching 3% growth in 2022 (revised downward by 2 percentage points compared with the December 2021 outlook), 2.7% in 2023 (–3.8 percentage points) and 3.3% in 2024 (+0.1 percentage points). This scenario is based on the assumption that global supply chain shortages will unwind by and by and will largely have been resolved by the end of 2023.

Regarding the further development of the war in Ukraine, the OeNB's latest economic outlook is based on the assumption that the phase of intense warfare in Ukraine will end in late 2022 but that the sanctions put in place by the economies in the West will remain in place until 2024. Furthermore, we assumed that Russian gas deliveries to Europe will not be suspended despite the war in Ukraine.[3] The planned EU embargo on Russian oil and oil products had not been adopted at the cutoff date for this forecast, which is why it was not taken into account explicitly

Table 2

Underlying global economic conditions

	2021	2022	2023	2024
Gross domestic product	*Annual change in % (real)*			
World excluding the euro area	6.4	3.0	3.4	3.6
USA	5.7	2.5	1.9	2.0
China	8.1	4.1	5.2	5.2
India	8.2	8.1	6.0	6.9
Japan	1.7	1.7	1.9	1.1
Latin America	6.7	2.3	2.3	2.5
United Kingdom	7.4	3.7	0.8	1.3
CESEE EU member states[1]	5.6	4.1	2.8	3.5
Switzerland	3.7	1.8	1.3	1.8
Euro area[2]	5.4	2.8	2.1	2.1
World trade (imports of goods and services)				
World	11.4	4.3	3.2	3.6
World excluding the euro area	12.3	4.3	3.1	3.7
Growth of euro area export markets (real)	10.4	3.4	2.2	3.5
Growth of Austrian export markets (real)	10.1	3.0	2.7	3.3
Prices	*Absolute figures*			
Oil price in USD/barrel (Brent)	71.1	105.8	93.4	84.3
Three-month interest rate in %	–0.5	0.0	1.3	1.6
Long-term interest rate in %	–0.1	1.3	1.7	1.8
USD/EUR exchange rate	1.2	1.1	1.1	1.1
Nominal effective exchange rate of the euro (euro area index)	120.8	116.7	116.1	116.1

Source: Eurosystem.

[1] *Bulgaria, Croatia, Czechia, Hungary, Poland and Romania.*
[2] *2021: Eurostat; 2022 to 2024: results of the Eurosystem's June 2022 projections.*

[3] *These assumptions were eased in a scenario analysis. See box 1 for the results.*

for the projections at hand in line with Eurosystem rules. Of course, the embargo plans feed into the projections through market expectations about the future path of oil prices.

Furthermore, the present outlook is based on the assumption that health care infrastructures will not be overburdened in any of the three forecast years by new coronavirus mutations. In other words, the assumption was that no further lockdowns would have to be imposed during the forecast period.

3 Global economy: energy prices, supply shortages and uncertainty given the war in Ukraine decelerate global recovery

Russia's invasion of Ukraine on February 24, 2022, shattered the hitherto relatively stable order that had been maintained in Europe following the end of World War II. The humanitarian crisis faced by the people of Ukraine apart, the war caused geopolitical tensions between the economies of the West and Russia to surge. The EU has so far adopted five packages of sanctions against Russia and individuals considered close to the Kremlin. The sanctions include a ban on trading with Russia and engaging in direct investments with Russia (technology products and energy production), a ban on access to SWIFT for Russian banks and a freeze on assets invested by Russia's central bank abroad. Plans for a sixth sanctions package extended to the gradual rollout of an embargo on oil and oil products. Apart from the official sanctions, numerous international firms have suspended their business activities in Russia. In this context, the Russian ruble first depreciated sharply, before stabilizing on the back of rising policy rates, capital controls and the high energy prices. In sum, we expect Russia to be in for a deep recession in 2022 and, over the medium term, for markedly lower growth rates than expected initially as a result of the sanctions (which we assumed to remain in place throughout the forecast horizon).

With widespread dependency on Russian gas and oil, uncertainty about energy provision has been rising strongly, adding to already high energy inflation rates in EU countries. If Russia were to suspend its gas supplies to the EU or if the EU were to implement an embargo or high tariffs, energy prices may surge further and production sites may be closed down temporarily. Both the UK and the USA have also been suffering from soaring prices. In the UK, consumer sentiment has hit historic lows, which would point toward a recession being imminent. In the USA, likewise, fears have been mounting of a potential recession, which could be driven, among other things, by sharp policy rate increases.

Warfare and sanctions have been exacerbating supply bottlenecks, which have been particularly pronounced in the CESEE economies given their strong economic ties with both Ukraine and Russia. Further victims downstream of the geopolitical tides turned include the European car industry and notably Germany's car industry, which has strong ties with the CESEE economies. Last but not least, China is likely to create additional supply chain problems following the implementation of lockdowns in many major Chinese cities in spring 2022 in view of the country's zero-Covid strategy. In the second quarter of 2022, said lockdowns caused China's GDP growth rates to drop sharply, above all in the important real estate sector.

In sum, the international environment for the Austrian economy and for the euro area economy is a lot bleaker than it used to be. The high energy prices, mounting supply chain problems and the high degree of uncertainty about the war

in Ukraine are a severe drag on the economic outlook, having also led to downward revisions of growth in almost all euro area economies.

4 Current crisis impacts demand side differently

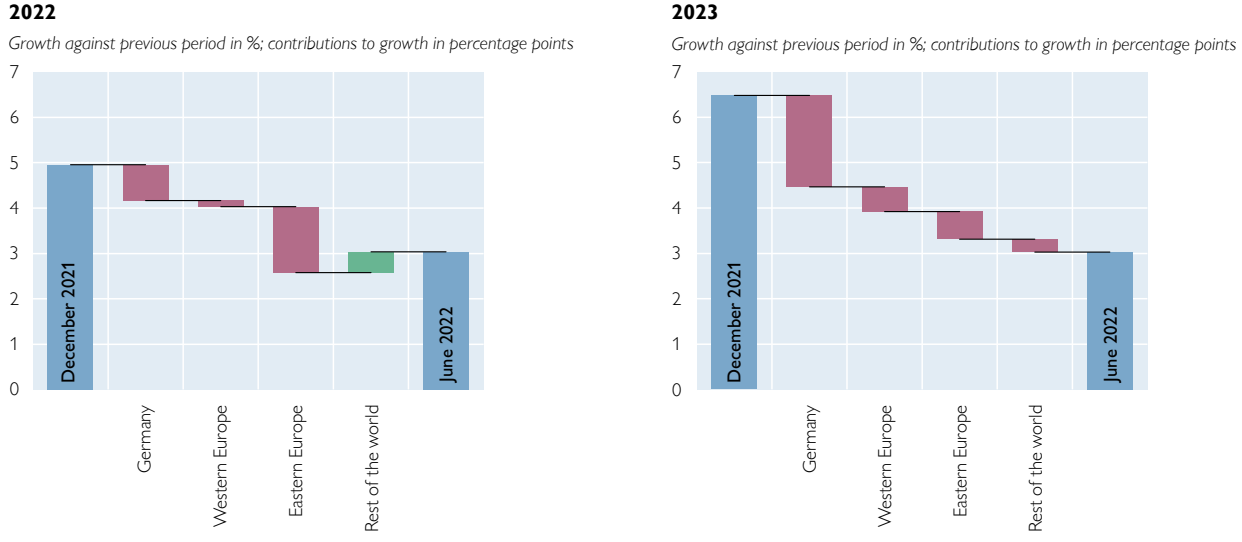
4.1 Tourism is returning to pre-pandemic levels and supply bottlenecks are resolving, but export demand is plummeting

Pandemic-related lockdowns had a considerably weaker economic impact in 2021 than the year earlier. No shutdowns weighed on the export-oriented industry; in addition, retailers and restaurants were partly able to resort to alternative distribution channels. Pandemic-related restrictions, however, still continued to dampen, apart from restaurants, above all tourism and events. Furthermore, the adverse consequences of international supply shortages increasingly came to the fore in 2021. Nevertheless, 2021 saw an intense process of catch-up, with real total exports expanding by 13.3% (2020: –11.5%). The increase was driven by goods exports (+17.8% in real terms), whereas exports of services merely recovered slightly (+2.4%).

As a result of Russia's invasion of Ukraine, but also because of specific problems such as the sweeping lockdown measures in China given the government's zero-Covid strategy, we expect the global real economy to grow at a visibly weaker rate from 2022 to 2024 (compared with our December 2021 outlook). Against our assumptions in December 2021, Austria's export markets will expand much more slowly now, with growth of 3% in 2022 dropping off to 2.7% in 2023 and picking up again in 2024, to reach 3.3%. This scenario is based on the assumption that global supply chain shortages will unwind by and by and will largely have been resolved by end-2023. The war in Ukraine is dampening foreign demand for Austrian exports differently in different regions. In 2022, demand will weaken in particular in the CESEE countries. The downward revision for 2023, by contrast, is mostly due to

Chart 1

Revisions to growth contributions of Austrian export demand since the OeNB December 2021 outlook



Source: ECB, OeNB: compilation and calculations.

Germany's lessening demand. Given that Russia only accounts for a minor share, its economic slump hardly contributes to the overall weakening of demand for Austrian exports.

We assume that, throughout the forecast horizon, neither Austria nor its main trading partners will need to impose COVID-19-related lockdowns. While tourism will recover, the catch-up process will be slowed down by high inflation and pandemic-induced structural effects: on the demand side, the way people travel has changed, and on the supply side, the hospitality industry suffers from labor shortages.

Price competitiveness is set to improve slightly over the forecast horizon, but it will not significantly impact on exports from 2022 to 2024 given that overall export demand has changed dramatically. We forecast exports to grow by 5.6% in 2022, by 2.8% in 2023 and by 3.3% in 2024. The high growth rate in 2022 is carried by the momentum evident in 2021 and robust growth in the first quarter. While goods experts (annual figures) exceeded pre-pandemic levels already in 2021, exports of services will fail to do so throughout the forecast horizon.

The total loss of the 2020/21 winter season and the lockdown at year-end 2021 clearly left their mark on Austria's current account (for details, see OeNB, 2022b). In 2021, the pandemic caused the first current account deficit in over 20 years (–EUR 2.1 billion). The main drivers were tourism, which continued to be severely affected, and the negative goods trade balance, which was influenced by rising energy prices. By contrast, foreign demand for Austrian technology services has been on the rise; in fact, this sector has now replaced tourism as Austria's most important exporter of services. From 2022 to 2024, we again expect a positive current account balance that will improve gradually.

Table 3

Austria's exports and imports and price competitiveness

	2021	2022	2023	2024
Exports	*Annual change in %*			
Competitor prices on Austria's export markets	7.7	13.5	2.9	1.2
Export deflator	2.6	7.1	4.3	1.6
Changes in price competitiveness[1]	5.1	6.4	–1.4	–0.5
Import demand on Austria's export markets (real)	10.1	3.0	2.7	3.3
Austrian exports of goods and services (real)	13.3	5.6	2.8	3.3
Austrian market share	3.2	2.6	0.1	0.0
Imports	*Annual change in %*			
International competitor prices on the Austrian market	6.6	11.4	2.9	1.3
Import deflator	5.3	9.8	3.4	1.9
Austrian imports of goods and services (real)	13.8	3.5	2.7	2.9
Terms of trade	–2.5	–2.5	0.9	–0.3
	Percentage points of real GDP			
Contribution of net exports to GDP growth	0.1	1.3	0.2	0.3
	% of nominal GDP			
Export ratio	55.9	58.8	59.4	59.7
Import ratio	54.7	57.8	57.8	58.0

Source: 2021: Statistics Austria, Eurosystem; 2022 to 2024: OeNB June 2022 outlook.

[1] *Changes in price competitiveness are defined as the difference between changes in competitor prices on Austria's export markets and changes in the export deflator.*

Table 4

Austria's current account

	2021	2022	2023	2024
	% of nominal GDP			
Balance of trade	0.2	1.1	1.6	2.2
Balance of goods	*–0.4*	*–0.8*	*–0.9*	*–0.4*
Balance of services	*0.7*	*1.9*	*2.4*	*2.6*
Balance of primary income[1]	–0.1	–0.2	–0.2	–0.3
Balance of secondary income[2]	–0.7	–0.5	–0.6	–0.8
Current account balance	–0.5	0.3	0.8	1.1

Source: 2021: OeNB, Statistics Austria; 2022 to 2024: OeNB June 2022 outlook.

[1] *Balance of income (e.g. compensation of labor, investment income).*
[2] *Balance of current transfers.*

4.2 Private consumption weighed down by extraordinarily high inflation

In 2021, private consumption grew at a strong rate of 3.2% in real terms, although the lockdowns in the first and fourth quarter primarily restricted services. Aggregate private consumption was, on the one hand, driven by a cyclical increase in nominal household incomes and, on the other, funded by savings accumulated in the first year of the pandemic in 2020.[4]

Table 5

Determinants of nominal household income and private consumption growth in Austria

	2021	2022	2023	2024
	Annual change in %			
Payroll employment	2.0	2.6	1.4	1.0
Wages and salaries per employee	3.2	3.6	5.3	3.6
Compensation of employees	5.3	6.4	6.7	4.7
Investment income	7.8	0.1	7.2	8.0
Self-employment income and operating surpluses (net)	1.3	0.6	3.2	3.9
Contributions to disposable household income growth	*Percentage points*			
Compensation of employees	4.6	5.7	6.1	4.3
Investment income	0.5	0.0	0.5	0.6
Self-employment income and operating surpluses (net)	0.2	0.1	0.5	0.6
Net transfers less direct taxes[1]	–2.4	–0.8	–1.7	–0.7
	Annual change in %			
Disposable household income (nominal)	2.7	5.6	5.0	4.7
Consumption deflator	2.4	6.3	3.7	2.7
Disposable household income (real)	0.4	–0.6	1.3	2.0
Private consumption (real)	3.2	3.5	2.1	2.0
	% of disposable household income growth			
Saving ratio	11.8	8.2	7.4	7.4

Source: 2021: Statistics Austria; 2022 to 2024: OeNB June 2022 outlook.

[1] *Negative values indicate an increase in (negative) net transfers less direct taxes; positive values indicate a decrease.*

[4] *Schneider and Sellner (2021) estimate the volume of excess savings that Austrian households accumulated between the first quarter of 2020 and the second quarter of 2021 to come to EUR 10.8 billion.*

For 2022, we anticipate growth of aggregated nominal household incomes to more than double (+5.6%) over 2021 (+2.7%). Three factors are driving this development. First, employment and wage growth will accelerate even more strongly than in 2021. Second, the negative contribution to growth of net government transfers will be notably lower year on year. Third, investment income, self-employed income and operating surpluses – while considerably affected by the war in Ukraine – are nevertheless set to rise slightly. In 2023 and 2024, compensation of employees will be further uplifted by procyclical wage drift and higher wage settlements, which react to the inflation path with a time lag. In addition, investment income, self-employed income and operating surpluses will again recover somewhat. As a result, nominal disposable household incomes will grow at above-average rates of 5.0% in 2023 and 4.7% in 2024 (2000–2021 average: 2.8%).

Despite the strong growth of nominal household incomes, the exceptionally high HICP inflation rates will considerably weigh on real disposable household incomes over the forecast horizon. Note that this relates to aggregated household income as reported in the national accounts. Of course, individual households consume different baskets of goods and therefore face different inflation rates; we will explore this in box 2. Overall, real disposable household incomes are set to shrink in 2022 (–0.6%) and expand both in 2023 (+1.3%) and 2024 (+2.0%). Real private consumption continues in 2022 to be funded by excess savings accumulated during the pandemic. At 3.5%, it will grow even more strongly than in 2021. While slowing down somewhat in 2023 (2.1%) and 2024 (2.0%), the expansion will remain high by historical standards (2000–2021: 0.9%). The high growth rates notwithstanding, consumption will stay below pre-pandemic levels until end-2023. In 2022, the saving ratio will drop below the 2021 figure, but – at 7.4% – it will roughly return to its pre-pandemic level (2015–2019: 7.6%).

Box 2

Distribution of inflation rates at the household level[5]

Inflation measures if and how much the purchasing power of money changes over time. However, some constraints exist. Relative price changes between goods may not be clearly separated from a loss in purchasing power. Plus, it is impossible to fully account for changes in the quality of goods and services. In "A Treatise on Money" published in 1930, John Maynard Keynes already pointed out that it is only possible to aggregate changes in purchasing power by making very arbitrary assumptions.

Data from both consumer surveys and price surveys help calculate the inflation rate in the aggregate. Because the weight of each household's consumption expenditures feeds into calculating the aggregate consumer price index, households with higher spending carry higher weights in the aggregated inflation rate. In reality, households account for individual consumption baskets and therefore face different inflation rates. In this box, we illustrate the differing inflation rates Austrian households faced in 2020 and 2021. The empirical basis consists in household-specific baskets of goods and inflation rates based on the 2019/2020 consumer survey and price data of 2020/2021.[6]

[5] *Oesterreichische Nationalbank, Research Section, pirmin.fessler@oenb.at, Business Cycle Analysis Section, friedrich.fritzer@oenb.at and Monetary Policy Section, mirjam.salish@oenb.at.*

[6] *The consumer survey was carried out before and during the first months of the COVID-19 pandemic; the data therefore comprise both periods. For background information and details about this approach, see Fessler and Fritzer (2013).*

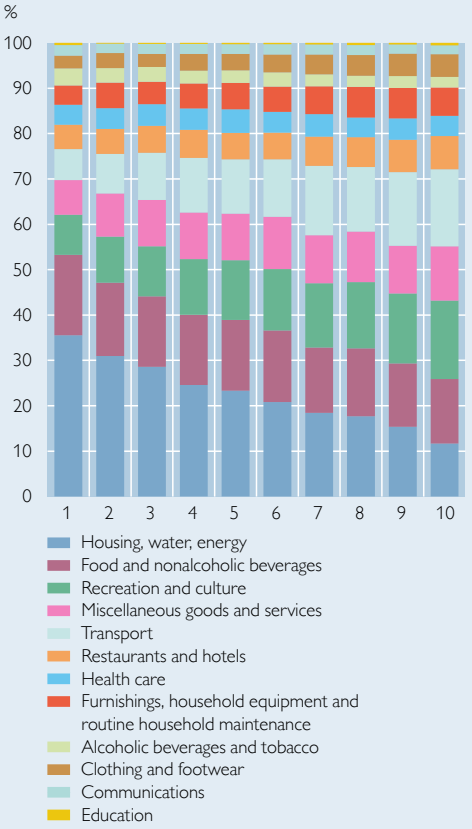
The left panel of chart B2 shows households' baskets of goods and services, or consumption baskets, broken down by net income deciles. The composition of the consumption baskets differs markedly among the individual income deciles. For instance, in the first income decile, housing, water and energy account for around 35% of household expenditures, while the 10% of households with the highest incomes spend less than 12% on average on this category. The weights we applied to the aggregate, which captures additional data, used for measuring inflation in this category came to 14.1% for 2020 and 15.3% for 2021. These percentages are well below the share of expenditures of low-income households and above that of high-income households. Transport expenditures tend to be small in the lowest income decile (below 7%), while amounting to some 17% of overall expenditures in the highest decile. The varying composition at the level of deciles alone drives home that inflation rates faced by individual households may differ greatly depending on the current situation and the expenditure profile that comes with it. As a case in point, lower-income households are affected much more strongly than the rest by the marked hikes in household energy, i.e. electricity, gas and heating oil. While the inflation rate for housing, water and energy decreased slightly in 2020, averaging out at an annual 2.1%, it increased from 2.3% to 5.1% in 2021, with the annual average equaling 3.2%. By contrast, the high inflation rates currently observed for fuels or international long-distance trips hit in particular high-income households given their spending habits. At –1.9%, the inflation rate for transport was negative still in 2020, but averaged 5.9% in 2021.

The right panel of chart B2 illustrates the big differences in inflation rates faced by Austrian households. In this panel, we sort households by their individual inflation rate and map them

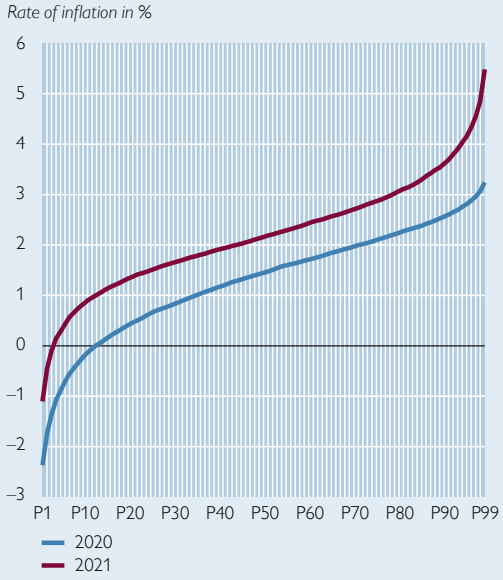
Chart B2

Inflation rates at the household level

Baskets of goods broken down by net household income deciles



Distribution of inflation rates at the household level



Source: OeNB.

to 100 same-size groups by percentile.[7] It is obvious that, in 2021, inflation was generally much higher than in 2020. The median ran to 1.4% in 2020 and to 2.2% in 2021. Inflation rates among individual households differ much more strongly in the same year than the aggregated rates in a yearly comparison.

The variation of inflation rates is remarkable. Moreover, analyses purely focusing on incomes fail to give a full picture. It would be wrong to assume that all lower-income households were hit less hard by the high rates of price increases in 2021 than medium- or high-income households, simply because lower-income households on average spend less on transport. To come up with highly potent support measures for households grappling with especially high inflation, we must specifically identify and consider relevant socioeconomic characteristics, such as household composition, housing and working conditions, region.[8]

4.3 While still robust, investment growth slows because of war in Ukraine

In 2021, real gross fixed capital formation grew by 4.0% thanks to the catch-up process after the pandemic-related slump in 2020. The increase was carried by equipment (+4.1%), nonresidential construction (+4.2%), investment in research and development (+5.0%) and public sector investment (+7.4%). Residential construction investment, which is less sensitive to the economic cycle, grew at a slower but still robust pace (+2.3%).

Investment in equipment benefited from buoyant exports and the investment premium; the latter instrument will continue to support investment also in 2022. Industrial activity boomed still in early 2022. In the meantime, it has, however, started to slow down in light of high energy prices, overall uncertainty surrounding the war in Ukraine, an anticipated rise in financing costs and renewed friction in supply chains.[9] An accelerated transition to alternative sources of energy for production processes might push up the need for replacement investment. All in all, we still expect investment in plant and equipment to expand at a robust, albeit decelerating pace. Following weaker dynamics in 2022 in the face of high uncertainty, we anticipate the rate of growth of real R&D investment to pick up speed in line with the long-term growth trend.

Residential construction investment posted a solid growth rate of 2.3% in real terms in 2021. The fundamental residential property price indicator compiled by the OeNB (2022c) suggests that the deviation of prices from fundamentals has continued to widen at an increasing pace. In addition, the boom in housing construction, which has prevailed in recent years, is gradually subsiding.[10] As a result of this and weaker population growth, we already observe an oversupply of close to 30,000 apartments in Austria in 2022. Given construction materials shortages, the tightening of lending standards for housing loans as well as increasing interest rates, we assume that the boom in housing construction will peter out. In the same

[7] *This means that 1% of households faced an inflation rate smaller than the first percentile (P1), while 10% of households registered a rate of inflation that was higher than that of P90.*

[8] *Such an analysis is underway and will be published in fall 2022 in a special issue of the OeNB's publication Monetary Policy & the Economy Q4/22–Q1/23 (Fessler et al., 2022, forthcoming).*

[9] *According to estimates by the OeNB (Sellner, 2022), the disruptions in international supply chains caused a loss in Austria's total economic output of some EUR 2 billion, which translated into a 0.5-percentage-point decrease of Austria's GDP in 2021.*

[10] *The record high of housing completions in 2019 and 2020 was topped once more in 2021, but we expect the number to decrease in 2022.*

Table 6

Investment activity in Austria

	2021	2022	2023	2024
	Annual change in %			
Total gross fixed capital formation (real)	4.0	2.3	2.2	2.1
of which:				
investment in plant and equipment	*4.1*	*3.8*	*2.9*	*2.4*
residential construction investment	*2.3*	*1.3*	*1.2*	*1.0*
nonresidential construction investment and other investment	*4.2*	*1.6*	*1.6*	*1.6*
investment in research and development	*5.0*	*2.1*	*2.6*	*3.0*
public sector investment	*7.4*	*–0.9*	*2.1*	*2.1*
private investment	*3.5*	*2.8*	*2.2*	*2.1*
Contributions to the growth of real gross fixed capital formation	*Percentage points*			
Investment in plant and equipment	1.3	1.2	0.9	0.8
Residential construction investment	0.5	0.3	0.2	0.2
Nonresidential construction investment and other investment	1.1	0.4	0.4	0.4
Investment in research and development	1.1	0.5	0.6	0.7
Public sector investment	1.0	–0.1	0.3	0.3
Private investment	3.0	2.5	1.9	1.8
Contributions to real GDP growth				
Total gross fixed capital formation	1.0	0.6	0.5	0.5
Changes in inventories	0.5	0.4	0.2	0.0
	% of nominal GDP			
Investment ratio	25.6	25.6	25.6	25.6

Source: 2021: Statistics Austria; 2022 to 2024: OeNB June 2022 outlook.

vein, nonresidential construction is expected to grow at a lesser pace in 2022 year on year.

On balance, real gross fixed capital formation is set to grow by 2.3% in 2022, and to decline slightly thereafter. In the five years leading up to the COVID-19 pandemic, investment growth was exceptionally strong (2015–2019 average: 4.0%). Compared with that, investment growth is now subdued, but still high relative to its long-term average. Over the forecast horizon, the investment-to-GDP ratio will remain at the high level of 25.6% recorded in 2021.

5 Marked real wage losses in 2022, unemployment continues downtrend

In 2021, employment rose notably and unemployment declined in parallel. In fact, by August 2021, employment had reached its February 2020 level again. At the same time, the labor market started to suffer from an intensifying shortage of skilled labor and regional mismatch between demand and supply (Stiglbauer, 2022). These two phenomena were exacerbated, among other things, by demographics and COVID-19-related structural changes. This amplified the existing labor market imbalances and caused job vacancies to hit a record high. Total employment as reported in the national accounts went up by a solid 2.1% in 2021; payroll employment by 2.0%. At the beginning of the second quarter of 2022, labor market performance showed a sideways movement.

We expect another notable rise of employment in 2022 as a whole (+2.6%) absent any lockdown in the hospitality industry, i.e. tourism and restaurants. While we assume that this trend will slow down over the forecast horizon, employment growth will not fall below its long-term average, registering +1.0% in 2024.

Table 7

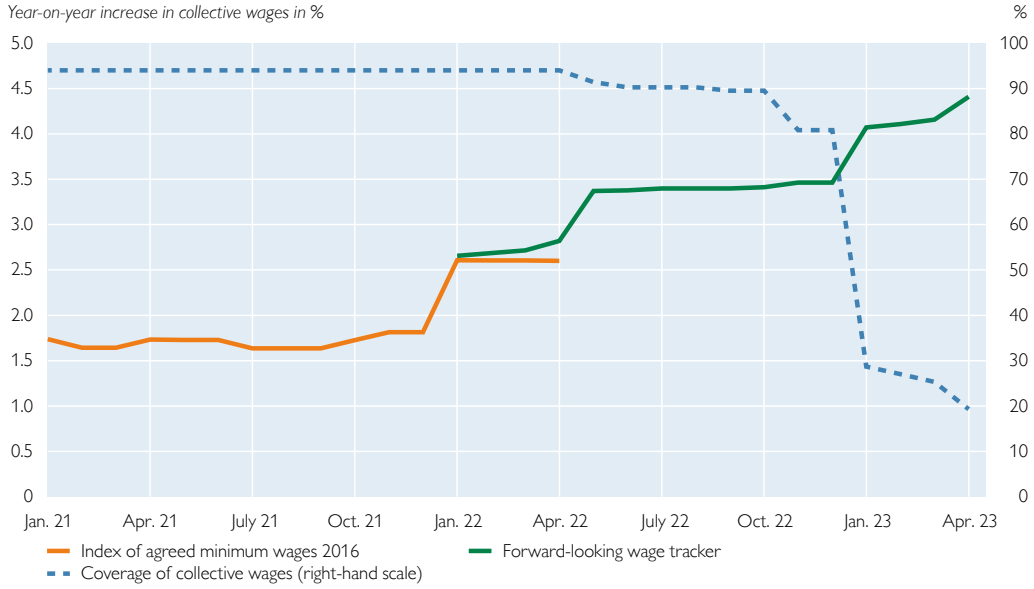
The Austrian labor market

	2021	2022	2023	2024
	Annual change in %			
Total employment (heads)	2.1	2.6	1.3	1.0
Payroll employment	*2.0*	*2.6*	*1.4*	*1.0*
of which: public sector employees	*0.5*	*0.5*	*0.1*	*0.1*
Self-employment	*2.6*	*1.9*	*0.9*	*0.6*
Total hours worked	5.0	3.4	2.2	1.1
Payroll employment	*5.7*	*3.7*	*2.4*	*1.2*
Self-employment	*1.8*	*2.0*	*1.3*	*0.6*
Labor supply	2.1	1.5	1.0	0.7
Registered unemployment	3.2	–15.7	–4.7	–4.5
Unemployment rate	*% of labor supply*			
Eurostat definition	6.2	5.1	4.9	4.6
National definition	8.0	5.9	5.4	5.1

Source: 2021: Statistics Austria; 2022 to 2024: OeNB June 2022 outlook.

Chart 2

Negotiated wages and "wage tracker"



Source: Statistics Austria, Federal Ministry of Labour, Austrian Trade Union Federation, OeNB.

In light of the demographic trend, labor supply is set to lose some momentum until 2024. The working-age population (excluding migration) is declining in Austria. This decline continues to be more than offset by migration and increasing participation rates. From 2022 to 2024, labor supply will additionally swell by 38,000 refugees from Ukraine, who will seek jobs in Austria but only marginally impact the aggregate.[11] The situation on the labor market is set to remain tight amid sinking unemployment. The unemployment rate (national definition), which ran to 8.0% in 2021, is forecast to shrink noticeably in 2022 (5.9%) and continue

[11] *At end-May 2022, some 72,000 Ukrainian refugees had registered in Austria according to the Federal Ministry of the Interior. Of that number, 51,000 persons received basic welfare support.*

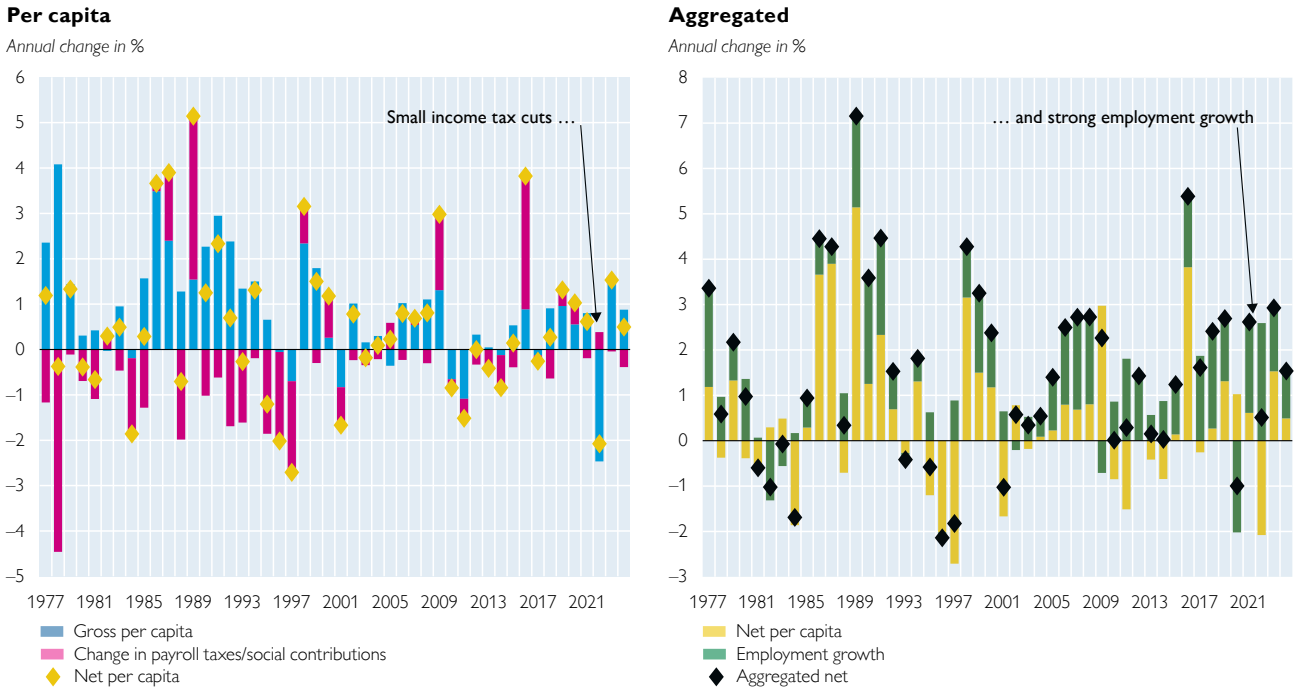
to contract until 2024 (5.1%). In other words, by the end of the forecast horizon, the unemployment rate will stand well below the pre-crisis level (2019: 7.4%).

Given the pandemic-related economic contraction amid low inflation rates, the wage increases for 2021 negotiated in the fall of 2020 had remained rather moderate at 1.7%. In 2022, wages rose by an average 3.2% (see the OeNB "wage tracker"[12] in chart 2) given the strong economic recovery in 2021 and inflation rate increases in the second half of 2021. Driven by inflation, wage agreements in 2023 will be markedly higher. The wage tracker points to a rise by some 4.5% for April 2023, but we expect wage settlements to be even higher (+5.1%). In 2024, collective wage growth is set to slow down again.

Amid the ongoing skilled labor shortage, wages above market value and overtime are still on the up. This phenomenon will lead to a positive, but declining, wage drift until 2024. We forecast the nominal compensation of employees to rise by 3.6% in 2022, by 5.3% in 2023 and by 3.6% in 2024. Very high inflation rates cause net real wages in 2022 to sink by 2.1% per capita. In historical terms, the last time that net real wages decreased at a faster pace per employee (2.7%) was in 1997 (see left panel of chart 3). In that year and on several other occasions up to 2000, the decline was, among other things, ascribable to rising payroll taxes and other tax hikes. In 2022, by contrast, taxes and similar charges help dampen the decrease in net real wages. When we also consider the strong employment growth observed in 2022, real compensation of employees increases overall by 0.5% (see right panel of chart 3).

Chart 3

Real compensation of employees



Source: Statistics Austria, OeNB.

[12] *For the OeNB wage tracker, we extrapolate average monthly collective wage increases for the upcoming 12 months. The wage tracker is based on 126 collective wage agreements concluded since the fall 2021 bargaining round. Employment is weighted in line with the 4-digit NACE system.*

Table 8

Compensation of employees

	2021	2022	2023	2024
	Annual change in %			
Gross wages and salaries[1]				
In nominal terms	*5.3*	*6.4*	*6.7*	*4.7*
Consumption deflator	*2.4*	*6.3*	*3.7*	*2.7*
In real terms	*2.9*	*0.1*	*3.1*	*2.0*
Collectively agreed wages and salaries[1]	1.7	3.2	5.1	3.5
Wage drift	1.5	0.4	0.2	0.1
Compensation per employee				
Gross[2] compensation (nominal)	3.2	3.6	5.3	3.6
Gross compensation (real)	0.9	–2.6	1.6	0.9
Net[3] compensation (real)	0.6	–2.1	1.5	0.5
Compensation per hour worked				
Gross compensation (nominal)	–0.6	2.6	4.3	3.4
Gross compensation (real)	–3.1	–3.7	0.6	0.7
	% of nominal GDP			
Wage share	50.3	49.7	50.0	50.1

Source: 2021: Statistics Austria; 2022 to 2024: OeNB June 2022 outlook.

[1] *Overall economy.*
[2] *Including employers' social security contributions.*
[3] *After tax and social security contributions.*

Net real wages per capita will go up again in 2023 (+1.5%) and 2024 (+0.5%); they are also due to increase slightly per hour. The wage share of GDP, which amounted to 50.3% in 2021, is set to drop to 49.7% in 2022 and will also remain slightly below the 2021 level in 2024.

6 Inflation to reach 6.2% in 2022 followed by decreasing rates, yet above the 2.0% target until 2024

Since February 2022, Russia's war against Ukraine has notably driven up the prices of energy and nonenergy commodities – and food commodity prices in particular. Both consumer confidence and business sentiment have weakened. The economic effects of the military aggression hinge on the conflict's duration and the sanctions imposed on Russia. For the current outlook, the war is assumed to rage on until the end of 2022, but energy sources will not have to be rationed. Moreover, global supply chain shortages should have been resolved by end-2023. The risks to the inflation outlook are mostly to the upside. The greatest risks emanate from intensifying warfare in Ukraine, possible cuts in the energy supply or even a complete stop. For this reason, we calculated a downside scenario that captures possible implications of these risk factors (see box 1).

In the baseline scenario of the June 2022 outlook, HICP inflation is expected to go up to 6.2% in 2022, drop to 3.6% in 2023 and to 2.7% in 2024 (chart 4, table 9). In other words, we had to revise inflation upward against the December 2021 outlook, namely by 3.0 percentage points (2022), 1.3 percentage points (2023) and 0.7 percentage points (2024). We also had to carry out upward revisions for the entire forecast horizon against the most recent OeNB forecast (April 2022)[13]: 0.6 percentage points (2022), 0.7 percentage points (2023) and 0.5 percentage points (2024).

[13] *The interim update of the OeNB's economic outlook in early April 2022 still envisaged the inflation rate at 5.6% in 2022, 2.9% in 2023 and 2.2% in 2024 (Fritzer and Salish, 2022).*

In 2022, the upward revisions to the projections are traceable to the increasing prices of food commodities and the intensifying supply bottlenecks amid the war in Ukraine. In 2023 and 2024, especially higher wage settlements are set to push up core inflation beyond the recently projected figure.

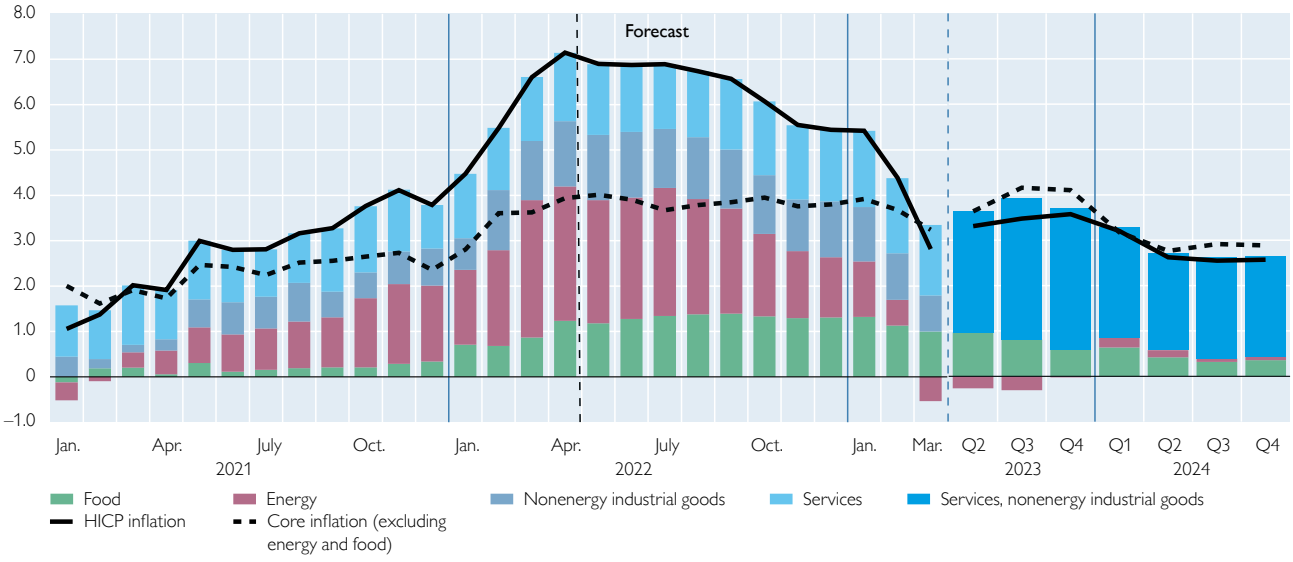
Agricultural commodity prices have soared worldwide because of the military conflict in Ukraine, which is why the inflation rates for food are expected to be well above average both in 2022 and 2023. Nonenergy industrial goods will likewise face unrelenting price pressures, as no letup is in sight for producer prices in the manufacturing industry. Increasing services prices have been driven by rising demand and indirect effects resulting from the energy price development. In addition, higher rental prices are expected to push up the inflation rate in the services sector. The expected weaker consumer confidence, as a consequence of the war in Ukraine, will not even come close to offsetting inflationary pressures in 2022. Core inflation, which excludes energy and food prices, is projected to reach 3.7% in 2022, and to edge up to 3.9% in 2023 due to higher wage settlements. In 2024, while falling to 2.9%, core inflation will still remain well above the long-term average.[14] Compared with the most recent forecast, the core inflation rate was revised upward by 0.4 percentage points for 2022, by 1.0 percentage point for 2023 and by 0.7 percentage points for 2024.

In line with current assumptions, crude oil futures prices will peak in June 2022. The wholesale futures prices of gas and electricity are expected to decline somewhat until 2024, but they will remain well above the long-term average. Hence, we forecast annual energy inflation to amount to 27.9% in 2022, to drop to –0.7% in 2023 and to run to 1.5% in 2024 (table 9). The package of energy relief measures adopted by the Austrian parliament in March 2022 comprises electricity

Chart 4

Contributions to Austrian HICP inflation

Inflation in %; inflation contributions in percentage points



Source: OeNB, Statistics Austria.

[14] *From 1999 to 2019, core inflation (excluding energy and food) averaged out at 1.7%.*

and gas tax cuts that will be in effect until mid-2023. All fiscal policy measures combined are expected to dampen HICP inflation in 2022 by some 0.2 percentage points (energy inflation by around 2.4 percentage points). The measures are (1) electricity and gas tax cuts effective until mid-2023, (2) suspension of the flat-rate renewable electricity surcharge and of the green levy on the energy bill in both 2022 and 2023, and (3) increased carbon pricing. In 2023 and 2024, these measures are likely to push up HICP inflation by 0.3 percentage points each year (energy inflation by 3.2 percentage points in 2023 and 3.5 percentage points in 2024).

Services inflation, which edged up from 3.1% in January 2022 to 3.4% in April, is set to accelerate further in the next months. The short-term price expectations of service providers, which in part clearly exceed the long-term average, confirm this trend. Restaurant owners' price expectations for the next three months have recently reached historical highs. Service providers are increasingly passing on the high energy costs to the consumers. In addition, as pandemic-related restrictions have been lifted, businesses may raise their prices in response to the anticipated strong demand. Besides, regulated rents and rents based on housing categories were scheduled to increase in April, which will also drive up services inflation. Consequently, we expect services inflation to increase by about 0.2 percentage points; HICP inflation by about 0.1 percentage point.[15] The inflation rate in the services sector is forecast to amount to 3.4% in 2022 as a whole.

Industrial goods inflation excluding energy went up to 4.7% in April 2022, which is almost six times the long-term average (1999–2019: 0.8%). The price increases were mostly driven by the earlier stages of production and the high cost of energy. Nonenergy industrial goods are expected to record an annual inflation

Table 9

OeNB inflation outlook in June 2022

		Outlook			Revisions against March 2022		
	2021	2022	2023	2024	2022	2023	2024
	%				*Percentage points*		
HCPI inflation	2.8	6.2	3.6	2.7	0.6	0.8	0.5
Food, total	1.1	6.7	5.0	2.5	2.2	0.3	0.2
of which: unprocessed food	*2.2*	*7.3*	*x*	*x*	*3.7*	*x*	*x*
of which: processed food	*0.8*	*6.6*	*x*	*x*	*1.8*	*x*	*x*
Industrial goods excluding energy	1.9	4.2	x	x	1.0	x	x
Energy	10.8	27.9	–0.7	1.5	–0.9	–0.8	–0.7
Services	2.5	3.4	x	x	0.0	x	x
HICP excluding energy	2.1	4.3	4.1	2.8	0.8	0.9	0.6
HICP excluding energy and food	2.3	3.7	3.9	2.9	0.4	1.0	0.7
Inflation contribution of the public sector	*Percentage points*				*Change in Percentage points*		
Total	0.2	0.1	0.5	0.5	–0.2	–0.2	0.3
of which: indirect taxes	*0.0*	*–0.2*	*0.3*	*0.3*	*–0.3*	*0.2*	*0.2*
of which: administered prices	*0.2*	*0.3*	*0.2*	*0.2*	*0.0*	*0.0*	*0.0*

Source: OeNB, Statistics Austria.

Note: The inflation contribution of the public sector was calculated on the basis of rounded figures.

[15] *Such increases feed into the HICP with a time lag because rents are taken from the microcensus housing survey. Roughly speaking, the results of the quarterly microcensus survey become available three months after the survey's completion.*

rate of 4.2% in 2022. Price pressures are likely to persist above all for consumer durables such as vehicles and furniture. The war in Ukraine will amplify supply-side bottlenecks. With demand strong, businesses are likely to pass on higher costs to end consumers at a faster pace and to a greater extent. Demand is also buoyed by excess savings people accumulated during the COVID-19 pandemic.

The inflation rate of food, including alcohol and tobacco, is expected to increase from 1.1% in 2021 to 6.7% in 2022; in other words, the long-term average will more than triple. In 2023, food prices will likewise grow at an above-average pace of 5.0%. Food inflation will go down only in 2024, dropping to 2.5%, which is only slightly above the long-term average. The increase in inflation in 2022 and 2023 is attributable to rising price expectations for global agricultural commodities and high energy costs. Also, fertilizers have become much more expensive, as the chemical industry is particularly affected by producer price increases and supply bottlenecks. With Russia's war against Ukraine weighing on the supply of agricultural commodities, producer prices for food and, by extension, consumer prices will continue their uptrend.

Box 3

Are we in for 1970s-style stagflation? [16]

Do today's substantial price pressures, marked energy price shocks and heightened uncertainty herald a stagflation for Austria in 2022 and a déjà vu of the 1970s and early 1980s? In the public memory, these two decades are, indeed, associated with stagflationary tendencies. Yet, this narrative seems to reflect experiences made in regions beyond Austria, such as the USA. Austria was, after all, in a very different situation in the 1970s and early 1980s.

When we look at the stagflation index – which reflects the sum of the annual inflation rate and the respective unemployment rate – we see that the Austrian economy performed much better in the period between 1969 and 1981 than, for instance, the OECD countries taken together (see chart B3). Austria started to increasingly and steadily diverge from the OECD countries especially from 1974 onward, when the first oil price shock had battered global economic activity. From 1974 to 1981, the index divergence amounted to almost 60 percentage points.

So, why did Austria apparently not experience a marked stagflation in the 1970s and early 1980s? According to Seidel (1982), a specific economic policy mix dubbed "Austro-Keynesianism" helped ward off strong stagflation in Austria. Austro-Keynesianism essentially combined Keynesian anticyclical deficit spending, a hard currency policy (a strong schilling with a stable exchange rate) and an income policy shepherded by the social partners and characterized by restraint.

In the 1970s, this policy mix was meant to stimulate demand to counter both a major economic downturn and unemployment (deficit spending), without triggering second-round effects or wage-price spirals (income policy). At the same time, a fixed, relatively strong exchange rate was to cushion imported energy price spikes (hard currency policy). On the downside, Austro-Keynesianism resulted in higher budget deficits and increased government spending (above all funded abroad) as well as a deteriorating current account balance (indirectly tackled with income policy).[17]

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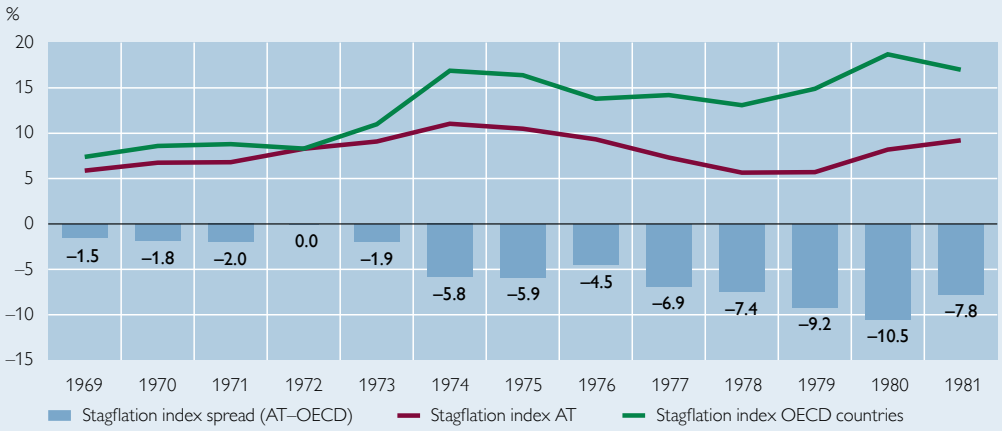
[17] *For lack of a convincing counterfactual scenario, it is difficult to explain the alleged success of Austro-Keynesianism. The negative/low wage drift evident from 1974 to 1981, however, suggests a modest wage policy (Butschek, 1982). A comparison of forecasts with economic growth rates achieved in years in which Austro-Keynesianism was particularly strong (especially 1975) could also be seen as an indicator of a positive effect of Austria's economic policy (Lehner, 1982).*

Chart B3

Stagflation index (CPI inflation rate + unemployment rate)



Source: OeNB.

Instead of an alleged stagflation scenario, Austria's economic history raises the following issue. How high are our chances of preventing a period of stagflation reminiscent of the 1970s and early 1980s in Austria? Several considerations are important in this context. In general, stagflationary shocks along the lines of the shock in the 1970s are assumed to have a lesser impact today for various reasons. Compared with the 1970s, the energy intensity of the economy has fallen and the credibility of central banks has risen. For central banks' credibility to remain high, it is necessary that they take monetary policy action in a timely fashion when persistently high inflation rates, which we have started to observe, cause medium- and long-term inflationary expectations to increase well above the inflation target.

At the same time, clearly Austria can do less today, as an integral part of the euro area, to counter imported inflation than in the 1970s when it was able to pursue a hard currency policy – which is still an effective strategy today, judging from evidence for Switzerland (Kaufmann, 2022). In addition, Austria's income policy may no longer be as consensual as in the past; it remains to be seen if and to what extent the social partners may contribute to second-round effects in the near future.

7 Despite the war in Ukraine: budget deficit back below 3% of GDP in 2022

In 2021, the budget deficit improved by about 2 percentage points to –5.9% of GDP (black line in chart 5). The improvement was mostly due to the effect of the automatic stabilizers as the economy started to recover (red columns). The scope of discretionary fiscal measures even rose slightly against 2020 (dark blue, light blue and yellow columns).

In 2022, the budget deficit will again dip below 3% of GDP – thanks to the effects of continued economic expansion. In addition, the energy relief packages (pink columns) and the eco-social tax reform (green columns) will be more than offset by a decrease in COVID-19-related fiscal measures (blue columns). In particular, expenditure is declining for income support, above all short-time work, fixed cost subsidies, turnover loss bonus and hardship funding, as well as for COVID-19

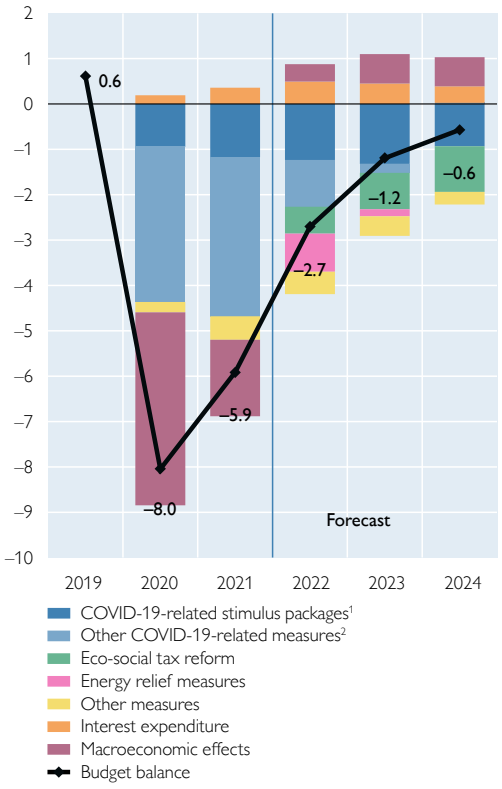
tests. What is more, the continued downtrend of these measures significantly improves the budget balance both in 2023 and 2024. Moreover, the temporary energy relief packages will be discontinued. The contribution of the automatic stabilizers will even be slightly higher than in 2022; at the same time, interest expense will rise marginally, too (orange columns). Additional revenues from the enhanced EU budget (above all from the Recovery and Resilience Facility) are going to play a comparatively limited role for the development of the fiscal balance, as these revenues will probably be spread over six years, and as they may also be used, to some extent, to cover additional expenditure.

Thanks to lower budget balances and continued high nominal GDP growth, the public debt ratio is set to contract relatively strongly from 2022 to 2024. We expect the public debt ratio to drop to just slightly above 80% of GDP in 2022 and to decrease to less than 75% of GDP by 2024. This development will be due to very high nominal GDP growth and lower budget deficits.

Chart 5

Change in Austria's budget balance since 2019

% of GDP; contributions in percentage points



Source: OeNB, Statistics Austria.

[1] *Tax cuts, investment premium, etc.*
[2] *Subsidies, income support, tests, etc.*

8 Key risks to outlook: how the war in Ukraine and the pandemic will play out

The globally determined growth risks clearly remain on the downside, with the war in Ukraine figuring most prominently. At the beginning of this article (box 1), we have already shown the possible implications for Austria should the war in Ukraine and the tensions between the West and Russia intensify. Another downward risk is the further path of the COVID-19 pandemic. Having been labeled as variants of concern by the *European Centre for Disease Prevention and Control*, the Omicron variants BA.4 and BA.5 of the coronavirus are currently surrounded by great uncertainty. If Omicron or other mutations push up hospitalization and intensive care admissions, many countries might tighten containment measures despite very high vaccination coverage, which would impact on the economy. A third important global downside risk stems from developments in China. Extreme lockdowns currently imposed under China's zero-Covid strategy could remain in place longer than expected, which would dampen its economic activity even more strongly than

anticipated and exacerbate the existing international supply chain problems. A fourth risk emanates from a potential economic slowdown in the *emerging markets*, which could result from the monetary tightening in the USA, which started in the spring. On the upside, the global supply disruption might be resolved faster, which would improve the growth outlook for production, goods exports and investment.

The growth risks specific to Austria are mostly balanced. A downside risk concerns the COVID-19 pandemic and trends in hospitalization occupancy going forward, and whether there will be a need for renewed health-related restrictions. At the same time, various additional fiscal policy measures are being discussed, which are meant to cushion the effect of price increases and to shore up people's purchasing power.

With regard to inflation, the risks to this outlook are predominantly to the upside across the forecast horizon. In the medium term in particular, measures necessary to accomplish the exit from Russian gas and oil and to reach emission targets (carbon neutrality) might further drive up energy price increases. Rising inflationary expectations and additional wage pressures amid the labor crunch could also trigger price hikes that have not been considered in this outlook.

9 Revisions to outlook driven by stronger growth in early 2022 and weaker external environment

Despite the war in Ukraine and the inflationary spurt, we revised the economic forecast for 2022 downward only minimally (by 0.2 percentage points). After all, economic activity in the fourth quarter of 2021 and in the first quarter of 2022 was markedly stronger than expected in the December 2021 outlook. From a purely technical perspective, the new national accounts data that have been released since the December outlook (and the revision of the data underlying the December outlook) would imply an upward revision of GDP growth in 2022 by 0.9 percentage points. Real GDP growth would thus stand at an exceptionally high rate of 5.2%. Such an upward revision was, however, thwarted by the negative impact of the war in Ukraine and the rise in inflation. All told, the worsened environment leads to a

Table 10

Breakdown of revisions to the outlook

	GDP			HICP		
	2022	2023	2024	2022	2023	2024
	Annual change in %					
June 2022 outlook	4.1	2.0	1.9	6.2	3.6	2.7
December 2021 outlook	4.3	2.6	1.8	3.2	2.3	2.0
Difference	–0.2	–0.7	0.1	3.0	1.3	0.7
Caused by:	*Percentage points*					
External assumptions	–1.6	–1.2	0.2	2.0	0.4	0.0
New data[1]	0.9	0.0	0.0	1.0	0.0	0.0
of which: revisions to historical data up to Q3 21	*–0.2*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
projection errors for Q4 21 and Q1 22	*1.1*	*0.0*	*0.0*	*1.0*	*0.0*	*0.0*
Other reasons[2]	0.1	0.7	–0.1	0.0	0.9	0.7

Source: OeNB June 2022 and Decemberr 2021 outlooks.

Note: The sum of growth contributions subject to individual revisions may differ from the overall revision due to rounding.

[1] *"New data" refer to data on GDP and/or inflation that have become available since the publication of the preceding OeNB outlook.*

[2] *Different assumptions about trends in domestic variables such as wages, government consumption, effects of tax measures, other changes in assessments and model changes.*

downward revision of GDP growth in 2022 (by 0.2 percentage points) and in 2023 (by 0.7 percentage points).

The inflation rate has been subject to a significant upward revision for the entire forecast horizon, but above all for 2022 and 2023, compared with the December 2021 outlook. The upward revisions are 3.0 percentage points for 2022, 1.3 percentage points for 2023 and 0.7 percentage points for 2024. The additional price pressures in 2022 are largely imported, resulting above all from increased energy prices and existing supply bottlenecks. From 2023 onward, high wage settlements will drive up unit labor costs and, by extension, inflation.

Table 11

June 2022 outlook and revisions since the December 2021 outlook

	June 2022				Revisions to December 2021 outlook		
	2021	2022	2023	2024	2022	2023	2024
Economic activity	*Annual change in % (real)*						
Gross domestic product (GDP)	4.6	4.1	2.0	1.9	–0.2	–0.6	0.1
Private consumption	3.2	3.5	2.1	2.0	–2.2	–1.3	–0.4
Government consumption	6.8	–0.2	0.7	0.1	0.7	0.4	–0.6
Gross fixed capital formation	4.0	2.3	2.2	2.1	–0.4	0.3	0.8
Exports of goods and services	13.3	5.6	2.8	3.3	2.4	–2.0	0.8
Imports of goods and services	13.8	3.5	2.7	2.9	1.6	–1.8	0.5
Current account balance	–0.5	0.3	0.8	1.1	0.8	–0.2	–0.2
Import-adjusted contributions to real GDP growth[1]	*Percentage points*						
Private consumption	0.6	1.4	0.7	0.7	–0.9	–0.4	–0.1
Government consumption	1.1	0.0	0.1	0.0	0.1	0.1	–0.1
Gross fixed capital formation	0.2	0.4	0.3	0.3	–0.2	0.1	0.1
Domestic demand (excluding changes in inventories)	1.9	1.8	1.2	0.9	–1.0	–0.2	–0.2
Exports	2.6	2.0	0.9	0.9	0.5	–0.4	0.2
Changes in inventories (including statistical discrepancy)	0.1	0.3	–0.1	0.0	0.2	–0.1	0.0
Prices	*Annual change in %*						
Harmonised Index of Consumer Prices (HICP)	2.8	6.2	3.6	2.7	3.0	1.3	0.7
Private consumption expenditure deflator	2.4	6.3	3.7	2.7	3.4	1.5	0.7
GDP deflator	1.7	3.3	4.1	2.5	1.0	1.6	0.6
Unit labor costs (whole economy)	0.6	2.0	4.6	2.7	1.1	2.6	1.1
Compensation per employee (nominal)	3.2	3.6	5.3	3.6	0.1	2.0	1.0
Compensation per hour worked (nominal)	–0.6	2.6	4.3	3.4	–0.2	2.2	0.9
Import prices	5.3	9.8	3.4	1.9	5.9	1.6	0.0
Export prices	2.6	7.1	4.3	1.6	4.3	2.0	–0.2
Terms of trade	–2.5	–2.5	0.9	–0.3	–1.4	0.5	–0.2
Income and savings							
Real disposable household income	0.4	–0.6	1.3	2.0	–3.9	–2.3	–0.5
	% of nominal disposable household income						
Saving ratio	11.8	8.2	7.4	7.4	1.1	0.1	0.0
Labor market	*Annual change in %*						
Payroll employment	2.0	2.6	1.4	1.0	0.9	0.0	0.2
Hours worked (payroll employment)	5.7	3.7	2.4	1.2	1.3	–0.1	0.3
	% of labor supply						
Unemployment rate (Eurostat definition)	6.2	5.1	4.9	4.6	–0.3	–0.1	–0.1
Public finances	*% of nominal GDP*						
Budget balance (Maastricht definition)	–5.9	–2.7	–1.2	–0.6	–0.6	0.2	0.5
Government debt	82.8	80.6	77.1	74.4	1.1	0.1	–1.1

Source: 2021 (actual figures): WIFO, Statistics Austria, OeNB; OeNB June 2022 and December 2021 outlooks.

[1] *The import-adjusted growth contributions were calculated by offsetting each final demand component with the corresponding imports, which were obtained from input-output tables.*

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Annex of tables: detailed results

Table 12

Demand components (real)

Chained volume data (reference year = 2015)

	2021	2022	2023	2024	2021	2022	2023	2024
	EUR million				*Annual change in %*			
Private consumption	180,714	187,028	190,998	194,822	+3.2	+3.5	+2.1	+2.0
Government consumption	76,331	76,166	76,678	76,738	+6.8	–0.2	+0.7	+0.1
Gross fixed capital formation	91,832	93,967	96,013	98,016	+4.0	+2.3	+2.2	+2.1
of which: investment in plant and equipment	*29,705*	*30,827*	*31,707*	*32,473*	*+4.1*	*+3.8*	*+2.9*	*+2.4*
residential construction investment	*17,622*	*17,857*	*18,074*	*18,263*	*+2.3*	*+1.3*	*+1.2*	*+1.0*
nonresidential construction investment and other investment	*23,634*	*24,001*	*24,393*	*24,784*	*+4.2*	*+1.6*	*+1.6*	*+1.6*
Changes in inventories (including statistical discrepancy)	4,895	6,763	6,937	6,993	x	x	x	x
Domestic demand	353,771	363,923	370,626	376,568	4.6	2.9	1.8	1.6
Exports of goods and services	215,692	227,772	234,231	241,905	+13.3	+5.6	+2.8	+3.3
Imports of goods and services	205,403	212,662	218,429	224,795	+13.8	+3.5	+2.7	+2.9
Net exports	10,289	15,110	15,803	17,110	x	x	x	x
Gross domestic product	364,061	379,034	386,429	393,678	+4.6	+4.1	+2.0	+1.9

Source: 2021: Statistics Austria; 2022 to 2024: OeNB June 2022 outlook.

Note: x = no data available.

Table 13

Demand components (nominal)

	2021	2022	2023	2024	2021	2022	2023	2024
	EUR million				*Annual change in %*			
Private consumption	200,971	220,944	233,903	244,984	+5.7	+9.9	+5.9	+4.7
Government consumption	86,611	88,617	92,795	96,098	+7.8	+2.3	+4.7	+3.6
Gross fixed capital formation	103,012	111,019	117,669	123,217	+7.4	+7.8	+6.0	+4.7
Changes in inventories (including statistical discrepancy)	7,360	8,630	8,439	8,422	x	x	x	x
Domestic demand	397,954	429,211	452,807	472,720	+7.9	+7.9	+5.5	+4.4
Exports of goods and services	225,482	254,749	273,224	286,766	+16.3	+13.0	+7.3	+5.0
Imports of goods and services	220,421	250,428	265,913	278,835	+19.8	+13.6	+6.2	+4.9
Net exports	5,061	4,321	7,310	7,931	x	x	x	x
Gross domestic product	403,015	433,531	460,117	480,651	+6.4	+7.6	+6.1	+4.5

Source: 2021: Statistics Austria; 2022 to 2024: OeNB June 2022 outlook.

Note: x = no data available.

Table 14

Demand components (deflators)

	2021	2022	2023	2024	2021	2022	2023	2024
	2010 = 100				*Annual change in %*			
Private consumption	111.2	118.1	122.5	125.7	+2.4	+6.3	+3.7	+2.7
Government consumption	113.5	116.4	121.0	125.2	+0.9	+2.6	+4.0	+3.5
Gross fixed capital formation	112.2	118.1	122.5	125.7	+3.4	+5.3	+3.7	+2.6
Domestic demand (excluding changes in inventories)	112.0	117.8	122.2	125.6	+2.3	+5.2	+3.8	+2.8
Exports of goods and services	104.5	111.9	116.6	118.5	+2.6	+7.1	+4.3	+1.6
Imports of goods and services	107.3	117.8	121.7	124.0	+5.3	+9.8	+3.4	+1.9
Terms of trade	97.4	95.0	95.8	95.6	–2.5	–2.5	+0.9	–0.3
Gross domestic product	110.7	114.4	119.1	122.1	+1.7	+3.3	+4.1	+2.5

Source: 2021: Statistics Austria; 2022 to 2024: OeNB June 2022 outlook.

Table 15

Labor market

	2021	2022	2023	2024	2021	2022	2023	2024
	Thousands				*Annual change in %*			
Total employment	4,557.7	4,674.0	4,735.9	4,782.5	+2.1	+2.6	+1.3	+1.0
of which: private sector	*3,787.9*	*3,900.3*	*3,961.3*	*4,007.1*	*+2.4*	*+3.0*	*+1.6*	*+1.2*
Payroll employment (national accounts definition)	3,996.9	4,102.7	4,159.3	4,202.5	+2.0	+2.6	+1.4	+1.0
	% of labor supply							
Unemployment rate (Eurostat definition)	6.2	5.1	4.9	4.6	x	x	x	x
	EUR per real unit of output x 100							
Unit labor costs (whole economy)[1]	63.5	64.8	67.8	69.6	+0.6	+2.0	+4.6	+2.7
	EUR thousand per employee							
Labor productivity (whole economy)[2]	79.9	81.1	81.6	82.3	+2.5	+1.5	+0.6	+0.9
	EUR thousand							
Compensation per employee (real)[3]	45.6	44.5	45.2	45.6	+0.8	–2.5	+1.6	+0.9
	At current prices in EUR thousand							
Compensation per employee (gross)	50.7	52.5	55.3	57.3	+3.2	+3.6	+5.3	+3.6
	At current prices in EUR million							
Total compensation of employees (gross)	202,630	215,498	230,036	240,759	+5.3	+6.4	+6.7	+4.7

Source: 2021: Statistics Austria; 2022 to 2024: OeNB June 2022 outlook.

Note: x = no data available.

[1] *Gross wages and salaries divided by real GDP.*
[2] *Real GDP divided by total employment.*
[3] *Gross wages and salaries per employee divided by private consumption expenditure deflator.*

Table 16

Current account balance

	2021	2022	2023	2024	2021	2022	2023	2024
	EUR million				*% of nominal GDP*			
Balance of trade	999.0	4,698.0	7,274.1	10,776.2	0.2	1.1	1.6	2.2
Balance of goods	*–1,726.0*	*–3,598.1*	*–3,923.3*	*–1,772.5*	*–0.4*	*–0.8*	*–0.9*	*–0.4*
Balance of services	*2,725.0*	*8,296.1*	*11,197.4*	*12,548.6*	*0.7*	*1.9*	*2.4*	*2.6*
Balance of primary income	–363.0	–1,070.0	–1,000.0	–1,400.0	–0.1	–0.2	–0.2	–0.3
Balance of secondary income	–2,746.0	–2,304.6	–2,600.0	–4,000.0	–0.7	–0.5	–0.6	–0.8
Current account balance	–2,110.0	1,323.4	3,674.1	5,376.2	–0.5	0.3	0.8	1.1

Source: 2021: Statistics Austria; 2022 to 2024: OeNB June 2022 outlook.

Table 17

Quarterly outlook results

	2022	2023	2024	2022				2023				2024			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Prices, wages, costs	*Annual change in %*														
HICP	+6.2	+3.6	+2.7	+5.5	+7.0	+6.7	+5.7	+4.2	+3.3	+3.5	+3.6	+3.2	+2.6	+2.6	+2.6
HICP excluding energy	+3.7	+3.9	+2.9	+3.3	+4.0	+3.8	+3.8	+3.6	+3.6	+4.2	+4.1	+3.2	+2.8	+2.9	+2.9
Private consumption expenditure deflator	+6.3	+3.7	+2.7	+4.5	+6.4	+7.0	+7.1	+5.5	+3.5	+2.9	+2.9	+2.8	+2.8	+2.6	+2.5
Gross fixed capital formation deflator	+5.3	+3.7	+2.6	+5.0	+5.4	+5.6	+5.2	+5.3	+3.8	+3.1	+2.9	+2.8	+2.7	+2.5	+2.4
GDP deflator	+3.3	+4.1	+2.5	+1.7	+2.7	+3.8	+5.1	+5.7	+4.7	+3.4	+2.7	+2.7	+2.7	+2.5	+2.3
Unit labor costs	+2.0	+4.6	+2.7	–0.4	+1.6	+4.2	+2.8	+5.3	+4.9	+4.3	+4.1	+3.6	+3.1	+2.4	+1.6
Compensation per employee (nominal)	+3.6	+5.3	+3.6	+3.6	+3.2	+3.6	+4.1	+5.0	+5.4	+5.4	+5.5	+4.8	+4.1	+3.2	+2.3
Productivity	+1.5	+0.6	+0.9	+4.0	+1.6	–0.6	+1.3	–0.3	+0.5	+1.0	+1.3	+1.1	+0.9	+0.8	+0.7
Compensation per employee (real)	–2.5	+1.6	+0.9	–0.8	–3.0	–3.2	–2.9	–0.5	+1.8	+2.4	+2.5	+1.9	+1.3	+0.5	–0.2
Import deflator	+9.8	+3.4	+1.9	+9.9	+10.8	+9.9	+8.6	+5.3	+3.1	+2.7	+2.4	+2.2	+2.0	+1.8	+1.5
Export deflator	+7.1	+4.3	+1.6	+4.9	+6.9	+7.9	+8.5	+7.2	+4.6	+3.1	+2.3	+1.8	+1.7	+1.6	+1.4
Terms of trade	–2.5	+0.9	–0.3	–4.5	–3.5	–1.8	–0.1	+1.8	+1.5	+0.5	–0.1	–0.3	–0.3	–0.3	–0.1
Economic activity	*Annual or quarterly changes in % (real)*														
GDP	+4.1	+2.0	+1.9	+2.5	–0.2	+0.1	+0.3	+0.7	+0.7	+0.6	+0.6	+0.4	+0.4	+0.4	+0.4
Private consumption	+3.5	+2.1	+2.0	+0.1	+0.2	+0.6	+0.6	+0.5	+0.5	+0.5	+0.5	+0.5	+0.5	+0.4	+0.4
Government consumption	–0.2	+0.7	+0.1	–1.0	–1.6	–1.7	–1.4	+1.7	+1.4	+0.5	–0.1	–0.6	+0.1	+0.1	+0.2
Gross fixed capital formation	+2.3	+2.2	+2.1	+4.2	–0.1	+0.3	+0.4	+0.6	+0.8	+0.7	+0.6	+0.5	+0.4	+0.4	+0.4
Exports	+5.6	+2.8	+3.3	+4.1	–2.2	+0.0	+0.7	+1.2	+1.2	+1.1	+0.9	+0.8	+0.6	+0.6	+0.6
Imports	+3.5	+2.7	+2.9	+5.5	–2.2	–0.3	+0.4	+1.4	+1.4	+1.1	+0.6	+0.7	+0.6	+0.6	+0.5
	Contribution to real GDP growth in percentage points														
Domestic demand	+1.8	+1.2	+0.9	–0.1	+0.2	+0.1	+0.1	+0.5	+0.4	+0.3	+0.3	+0.1	+0.2	+0.2	+0.2
Net exports	+2.0	+0.9	+0.9	+0.6	–0.2	+0.1	+0.2	+0.3	+0.2	+0.3	+0.3	+0.2	+0.2	+0.2	+0.2
Changes in inventories	+0.3	–0.1	+0.0	+2.1	–0.2	–0.1	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
Labor market	*% of labor supply*														
Unemployment rate (Eurostat definition)	5.1	4.9	4.6	5.2	5.1	5.1	5.1	4.9	4.9	4.8	4.8	4.7	4.7	4.6	4.6
	Annual or quarterly changes in %														
Total employment	+2.6	+1.3	+1.0	+0.6	+0.2	+0.3	+0.3	+0.4	+0.3	+0.3	+0.3	+0.2	+0.2	+0.2	+0.2
of which: private sector	*+3.0*	*+1.6*	*+1.2*	*+0.7*	*+0.2*	*+0.4*	*+0.4*	*+0.5*	*+0.4*	*+0.4*	*+0.3*	*+0.3*	*+0.2*	*+0.2*	*+0.2*
Payroll employment	+2.6	+1.4	+1.0	+0.6	+0.2	+0.3	+0.3	+0.4	+0.3	+0.3	+0.3	+0.3	+0.2	+0.2	+0.2
Additional variables	*Annual or quarterly changes in % (real)*														
Disposable household income	–0.6	+1.3	+2.0	–3.5	–2.1	+0.1	+0.5	+0.5	+0.5	+0.7	+0.8	+0.7	+0.2	+0.2	+0.1
	% of real GDP														
Output gap	–0.4	–0.1	0.3	0.3	–0.3	–0.6	–0.7	–0.4	–0.2	0.1	0.3	0.3	0.3	0.3	+0.3

Source: OeNB June 2022 outlook.

Note: Quarterly values based on seasonally and working day-adjusted data.

Table 18

Comparison of the latest economic forecasts for Austria

	OeNB			WIFO		IHS		OECD		IWF		European Commission	
	June 2022			March 2022		March 2022		June 2022		April 2022		May 2022	
	2022	2023	2024	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Main results	*Annual change in %*												
GDP (real)	+4.1	+2.0	+1.9	+3.9	+2.0	+3.6	+2.3	+3.6	+1.4	+2.6	+3.0	+3.9	+1.9
Private consumption (real)	+3.5	+2.1	+2.0	+3.9	+2.3	+4.7	+2.7	+4.0	+1.1	x	x	+4.1	+2.3
Government consumption (real)	–0.2	+0.7	+0.1	–1.6	+0.1	–2.0	+0.2	–1.2	+0.6	x	x	–1.2	+0.7
Gross fixed capital formation (real)	+2.3	+2.2	+2.1	+3.5	+2.5	+3.1	+2.3	+4.2	+2.0	x	x	+3.7	+2.3
Exports (real)	+5.6	+2.8	+3.3	+6.1	+3.9	+5.5	+4.4	+8.5	+4.4	+2.6	+3.7	+6.3	+3.8
Imports (real)	+3.5	+2.7	+2.9	+4.6	+3.8	+3.9	+4.1	+7.4	+4.1	+1.3	+4.0	+4.6	+3.8
Labor productivity[1]	+1.5	+0.6	+0.9	+0.0	+0.5	+0.6	+1.2	+1.8	+0.9	x	x	+1.0	+1.0
GDP deflator	+3.3	+4.1	+2.5	+3.5	+3.5	+3.1	+2.5	+3.5	+3.4	+4.0	+3.5	+3.4	+3.2
Consumer price index	x	x	x	+5.8	+3.2	+5.5	+2.3	x	x	x	x	x	x
HICP	+6.2	+3.6	+2.7	+5.7	+3.2	+5.3	+2.2	+6.7	+4.7	+5.6	+2.2	+6.0	+3.0
Unit labor costs	+2.0	+4.6	+2.7	+1.8	+4.0	+2.8	+3.3	+3.9	+4.7	x	x	+0.5	+1.6
Payroll employment[2]	+2.6	+1.3	+1.0	+2.1	+1.2	+3.0	+1.1	+1.5	+0.4	+1.6	+0.8	+2.9	+0.9
	% of labor supply												
Unemployment rate (Eurostat definition)	5.1	4.9	4.6	4.9	4.7	5.0	4.8	5.2	5.0	5.2	4.9	5.0	4.8
	% of nominal GDP												
Current account balance	0.3	0.8	1.1	–0.4	–0.1	x	x	–0.3	–0.9	–0.6	0.8	–1.0	–0.8
Budget balance (Maastricht definition)	–2.7	–1.2	–0.6	–2.4	–1.1	–2.3	–1.7	–3.1	–1.6	–3.9	–2.4	–3.1	–1.5
Technical assumptions													
Oil price in USD/Barrel Brent	105.8	93.4	84.3	110.0	96.0	104.0	90.0	107.4	121.9	106.8	92.6	103.6	93.5
Short-term interest rate in %	0.0	1.3	1.6	–0.4	0.3	–0.2	0.5	–0.2	0.9	–0.7	0.0	–0.1	1.3
USD/EUR exchange rate	1.07	1.05	1.05	1.12	1.10	1.10	1.10	1.07	1.05	1.11	1.13	1.09	1.08
	Annual change in %												
Euro area GDP (real)	+2.8	+2.1	+2.1	+3.2	+2.7	+3.3	+2.7	+2.6	+1.6	+2.8	+2.3	+2.7	+2.3
US GDP (real)	+2.5	+1.9	+2.0	+3.4	+2.1	+3.4	+2.0	+2.5	+1.2	+3.7	+2.3	+2.9	+2.3
World GDP (real)	+3.0	+3.3	+3.4	x	x	+3.7	+3.2	+3.0	+2.8	+3.6	+3.6	+3.2	+3.5
World trade[3]	+4.3	+3.2	+3.6	x	x	+3.0	+3.5	+4.9	+3.9	+5.0	+4.4	+4.9	+4.4

Source: OeNB, WIFO, IHS, OECD, IMF, European Commission.

Note: x = no data available.

[1] *OeNB, WIFO: productivity per hour worked. IHS, OECD, European Commission: productivity per employee.*
[2] *WIFO, IHS: based on active payroll.*
[3] *IHS: goods according to CPB, European Commission: world imports.*