

Second wave of COVID-19 pandemic delays economic recovery

Economic outlook for Austria from 2020 to 2023
(December 2020)

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Cutoff date for data: December 1, 2020.

Over the summer months, the Austrian economy recovered faster than expected from the deep slump observed in the first half of 2020. However, the current second wave of coronavirus infections in Austria caused a renewed downturn in the fourth quarter of 2020. Still, this downturn is likely to be only half as severe as the spring 2020 contraction. The further course of the COVID-19 pandemic will have a substantial impact on the future growth path of the Austrian economy. The Oesterreichische Nationalbank (OeNB) expects a strong economic recovery that rests on the following assumptions: a third wave of coronavirus infections in spring 2021 can be prevented; the related health policy measures will be phased out gradually over the first half of 2021; and a medical solution will be successfully implemented by end-2021. After real GDP growth decreased by 7.1% in Austria in 2020, the OeNB expects growth rates of 3.6% in 2021, 4.0% in 2022 and 2.2% in 2023. In the second half of 2022, Austrian real GDP growth is expected to be back at pre-crisis levels. After having surged in 2020, the saving ratio in Austria is expected to decline again quickly, thus fostering the recovery of private consumption. As a result, Austria's growth outlook for 2020 appears virtually unchanged against the OeNB's economic outlook of June 2020. Growth figures for 2021, in contrast, must be revised downward by 1.3 percentage points in view of the strong second wave of the COVID-19 pandemic and the related second lockdown. On the other hand, growth rates for 2022 are revised upward by 1.3 percentage points as the economic upturn is now projected to begin later in 2021 than forecast in the June 2020 outlook. The unemployment rate (national definition) will climb to 10.2% in 2020 and go down only marginally to 8.9% by 2023. A stronger rise in unemployment will be prevented by short-time work schemes. Despite the massive economic slump, HICP inflation in 2020 will decrease only moderately to 1.3%. Over the remaining forecast horizon, it will increase to 1.7%. The general government deficit (Maastricht definition) is forecast to rise to 9.2% of GDP in 2020, reflecting comprehensive fiscal stimulus packages and the effect of automatic stabilizers, before shrinking markedly to 1.4% of GDP by 2023.

1 Summary

1.1 Progress of COVID-19 pandemic will determine economic growth

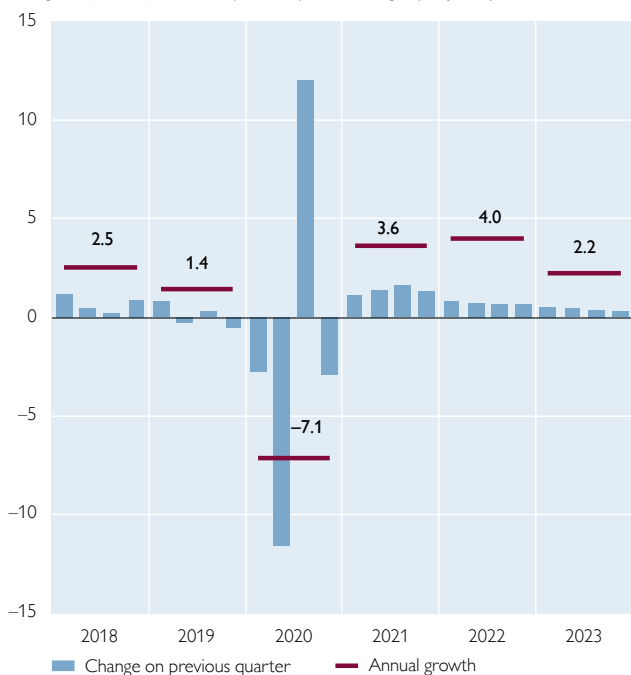
The spring 2020 downturn in economic activity was less pronounced, and economic recovery since May 2020 has been stronger, than expected. The current second wave of COVID-19 infections and the related health policy measures many countries had to take to contain the pandemic have temporarily slowed economic recovery, however. Although a medical solution (vaccination) will be available by the beginning of 2021, its effective implementation at a global scale is not likely to be completed before early 2022. We therefore assume that containment measures

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Main results of the forecast

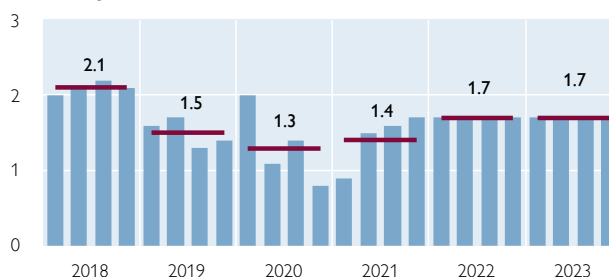
Real GDP growth

Change on previous period in % (seasonally and working day-adjusted)



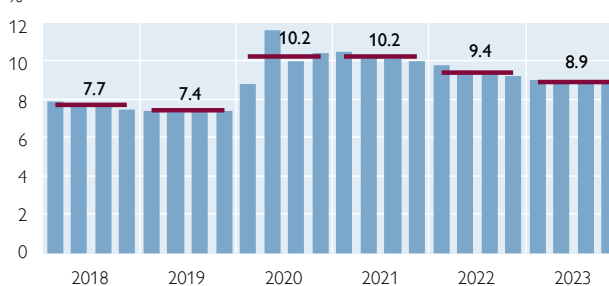
Harmonised Index of Consumer Prices (HICP)

Annual change in %



Unemployment rate (AMS definition)

%



Source: WIFO, Statistics Austria, Public Employment Service Austria (AMS), OeNB December 2020 outlook.

will be eased only gradually. In the first quarter of 2021, and to a lesser degree also in the second quarter, economic activity in Austria and abroad will thus still be impaired by the COVID-19 pandemic.

1.2 Growth losses during second lockdown only half as large as in spring 2020

The reduction in economic output in Austria will be significantly smaller during the second lockdown than during the first lockdown in spring 2020. We expect Austrian GDP during the second lockdown to decline by 13% against the comparable period of the previous year; the slump observed in spring 2020 was almost twice as strong (-25%). The impact of the second lockdown will be less pronounced mainly because there are fewer disruptions in global value chains, production facilities have not been shut down, learning effects come into play, uncertainty is lower and confidence is stronger as a medical solution is imminent.

1.3 Upward trend in goods exports, but another slump in tourism

In the second quarter of 2020, Austrian exports felt the full impact of the COVID-19 pandemic. In the third quarter, however, the gradual easing of containment measures in Austria and its major trading partners caused a quick recovery. The second wave of coronavirus infections is not likely to trigger another sharp decline in the trade in goods; rather, it will probably just cause a slight deceleration. For tourism exports, however, we expect another round of high losses. In

total, Austria's exports of goods and services are likely to go down by more than 10% in the full year 2020. We expect economic activity in all major destinations of Austrian exports to recover strongly in the course of 2021.

1.4 Forced saving and precautionary saving significantly drive down private consumption

Private consumption in Austria was badly affected by the two lockdowns in 2020. With the related restrictions in place, possibilities for consumer spending were limited and the saving ratio surged. In addition to this forced saving, precautionary saving has increased as people feel increasingly insecure about their income situation. Households' real disposable income was supported by massive government transfers and therefore went down by no more than 3.0%, which is comparably moderate given the deep recession. Private consumption, by comparison, will decline sharply by 8.8% in 2020. Mirroring this development, the saving ratio will rise from 8.2% in 2019 to 13.7% in 2020. We expect real disposable income to stagnate but private consumption will pick up by 3.9% in 2021 on the back of a decrease in the saving ratio. Consumption growth will support employment and household income during the general economic recovery and will help reduce uncertainties; in 2022, it will accelerate to 4.7%.

Unlike other recessions, the 2020 recession had relatively little impact on investment activity in Austria. Gross fixed capital formation in 2020 will decline by 4.1% and thus by less than overall economic activity (−7.1%). In the course of 2021, investment activity will accelerate significantly on the back of the expected global recovery. Persistently favorable financing conditions should also provide support. Following a 4.0% growth rate in 2021, the investment cycle will peak at 4.7% growth in 2022.

1.5 Short-time work prevents stronger rise in unemployment

Hours worked by payroll employees will go down by 8.8% in 2020 because of the economic slump. Thanks to the extensive utilization of short-time work schemes, the reduction in employment will be relatively moderate at −2.3%. In 2021, a slight rise in employment can be expected. At the beginning of 2022, employment is likely to reach pre-crisis levels, and we forecast a strong increase (+2.1%) in 2022 in line with the predicted cyclical recovery. Unemployment as recorded by the Public Employment Service Austria (AMS) will climb by 2.8 percentage points to 10.2% in 2020 and will remain at this level in 2021. In 2022 and 2023, as the economy will recover, we expect the unemployment rate in Austria to decrease slightly to 9.4% and 8.9%, respectively.

1.6 Relatively moderate decline in inflation despite massive economic slump

According to the OeNB's inflation forecast of December 2020, HICP inflation in Austria will decrease somewhat in 2020 year on year, coming to 1.3%. The COVID-19 pandemic and the related demand shortfall in the overall economy have dampened the prices of nonenergy industrial goods and services. In addition, low energy prices have a dampening effect on inflation. In 2021, HICP inflation will increase only moderately to 1.4%, given continued spare production capacities; in 2022 and 2023, it will come to 1.7%.

Table 1

OeNB December 2020 outlook for Austria – main results

	2019	2020	2021	2022	2023
Economic activity	<i>Annual change in %</i>				
Gross domestic product (GDP)	+1.4	-7.1	+3.6	+4.0	+2.2
Private consumption	+0.8	-8.8	+3.9	+4.7	+2.0
Government consumption	+1.4	+0.7	+1.2	+0.8	+0.9
Gross fixed capital formation	+3.9	-4.1	+4.0	+4.7	+2.7
Exports of goods and services	+2.9	-11.8	+5.4	+5.5	+3.7
Imports of goods and services	+2.5	-11.0	+4.1	+5.8	+3.8
	<i>% of nominal GDP</i>				
Current account balance	2.8	2.4	2.4	2.3	2.4
Contribution to real GDP growth¹	<i>Percentage points</i>				
Private consumption	+0.2	-3.3	+1.4	+1.7	+0.7
Government consumption	+0.2	+0.1	+0.2	+0.1	+0.1
Gross fixed capital formation	+0.5	-0.5	+0.6	+0.6	+0.4
Domestic demand (excluding changes in inventories)	+1.0	-3.7	+2.1	+2.4	+1.3
Exports	+0.7	-3.7	+1.5	+1.5	+1.1
Changes in inventories (including statistical discrepancy)	+0.0	-0.2	-0.3	+0.1	+0.1
Prices	<i>Annual change in %</i>				
Harmonised Index of Consumer Prices (HICP)	+1.5	+1.3	+1.4	+1.7	+1.7
Private consumption expenditure (PCE) deflator	+1.9	+0.9	+1.0	+1.7	+1.8
GDP deflator	+1.7	+0.9	+0.2	+1.5	+1.7
Unit labor costs (whole economy)	+2.4	+5.8	-0.7	+0.2	+1.9
Compensation per employee (nominal)	+2.7	+0.1	+2.1	+2.3	+2.6
Compensation per hour worked (nominal)	+2.2	+7.5	-0.8	+0.8	+2.6
Import prices	+0.3	-1.7	+1.4	+1.9	+1.7
Export prices	+0.0	-0.3	+1.5	+1.7	+1.8
Terms of trade	-0.3	+1.4	+0.0	-0.1	+0.0
Income and savings	<i>% of nominal disposable household income</i>				
Real disposable household income	+1.3	-3.0	+0.2	+2.3	+1.8
	<i>% of nominal disposable household income</i>				
Saving ratio	8.2	13.7	10.0	7.9	7.7
Labor market	<i>Annual change in %</i>				
Payroll employment	+1.4	-2.3	+0.7	+2.1	+1.6
Hours worked (payroll employment)	+1.9	-8.8	+3.5	+3.5	+1.6
	<i>% of labor supply</i>				
Unemployment rate (Eurostat definition)	4.5	5.3	5.6	5.1	4.8
Unemployment rate (AMS definition)	7.4	10.2	10.2	9.4	8.9
Public finances	<i>% of nominal GDP</i>				
Budget balance	+0.7	-9.2	-6.3	-2.9	-1.4
Government debt	70.5	83.3	86.4	84.4	82.5

Source: 2019: WIFO, Eurostat, Statistics Austria; 2020 to 2023: OeNB December 2020 outlook.

¹ The import-adjusted growth contributions were calculated by adjusting all final demand components for their corresponding import shares, which were obtained from input-output tables.

1.7 COVID-19 pandemic causes massive budget deficit in 2020 followed by a gradual deficit reduction over the next few years

Given the sharp economic downturn and the comprehensive fiscal support measures, Austria's budget balance will deteriorate to -9.2% of GDP in 2020 (following $+0.7\%$ of GDP in 2019). Over the subsequent years, the expiration of a number of discretionary measures (in particular short-time work schemes, fixed cost grants and compensation for sales losses) and the cyclical recovery will help to gradually reduce the deficit; for 2023, we expect the budget balance to come to -1.4% of GDP. With budget deficits running high and GDP growth remaining subdued, the government debt ratio will increase sharply in 2020 and 2021 (to 83.3% and 86.4% of GDP, respectively), before receding slightly to 82.5% of GDP by 2023.

2 Assumptions on the further progress of the COVID-19 pandemic and on the international environment

This forecast for the Austrian economy is the OeNB's contribution to the December 2020 Eurosystem staff macroeconomic projections. The forecast horizon ranges from the fourth quarter of 2020 to the fourth quarter of 2023. The cutoff date for all assumptions on the performance of the global economy, interest rates, exchange rates and crude oil prices was November 18, 2020. To prepare these projections, the OeNB used its macroeconomic quarterly model and national accounts data adjusted for seasonal and working-day effects in line with Eurostat requirements. The national accounts data published by Statistics Austria on December 1, 2020, are available up to the third quarter of 2020.

The Eurosystem's projections are based on common assumptions on the further progress of the COVID-19 pandemic. These assumptions are common to the national forecasts produced by all euro area central banks and they also relate to the forecasts for the economies of non-euro area trading partners.

We assume that the lockdown measures imposed in many countries since fall 2020 will successfully contain the second wave of coronavirus infections in the fourth quarter of 2020, but that coronavirus clusters are likely to occur repeatedly over the coming months. We do not assume that a third lockdown will be imposed in the first half of 2021, but further containment measures will continue to be necessary to limit a rise in COVID-19 infections. These measures will gradually be phased out in the course of 2021. Although a medical solution (vaccination) will be available by the beginning of 2021, we do not expect it to be fully and effectively implemented before early 2022. This means that the process of economic recovery will continue to be impaired in 2021.

For Austria, we expect that the second hard lockdown, which entered into force on November 17, 2020, will help to significantly reduce the number of new COVID-19 infections but that this reduction will not be sufficient for all lockdown measures to be lifted on December 7, 2020. We assume that the COVID-19 containment measures will be eased gradually, which means that they will continue to weigh on economic activity in Austria in particular in the first quarter of 2021, and to a lesser extent also in the second quarter. Austrian tourism in particular will continue to be strongly affected. Although we assume that hotels in Austria will be able to reopen for most of the winter tourist season, the travel warnings issued for Austria by many countries will remain in force for quite some time, resulting in a

Oxford Stringency Index for Austria



Source: University of Oxford, OeNB.

decline in overnight stays by foreign tourists of more than 60% year on year in the 2020/2021 winter tourist season.

Chart 2 shows developments in the *Oxford Stringency Index for Austria*². This index captures the scope of COVID-19 containment measures. It consists of eight individual indicators (school closures, workplace closures, cancellation of public events, bans on assemblies, restrictions on public transport, curfews, domestic travel restrictions, international travel restrictions) and reaches a value of 100 if all restrictive measures captured are fully implemented. During the first and second lockdown periods, the indicator reached levels of just over 80. Values up to November 27, 2020, have been published by the University of Oxford; values for later dates reflect the assumptions made in this outlook for the further evolution of the COVID-19 pandemic.

Further external assumptions of this outlook expect a decline in demand for Austrian exports by 10.1% in 2020 as a result of the global economic crisis as projected by the Eurosystem. For the period from 2021 to 2023, the average growth of export markets is expected to come to around 5%. The short-term interest rate considered for the forecast horizon is based on market expectations for the three-month EURIBOR, which will almost constantly read -0.5% over the forecast horizon. Long-term interest rates, which reflect market expectations for ten-year government bonds, are expected to rise from -0.39% in the fourth quarter of 2020 to -0.10% in the fourth quarter of 2023. We expect the exchange rate of the euro vis-à-vis the US dollar to remain constant at USD/EUR 1.18. The projected path of crude oil prices is based on futures prices, which are going to trend upward slightly, following a major demand-driven setback in 2020. After coming to USD

² The Oxford Stringency Index is a subindex of the Oxford COVID-19 Government Response Tracker developed by the University of Oxford. This tracker contains information on government measures taken in response to the COVID-19 pandemic. It comprises 19 indicators for more than 180 countries. See Hale, T. et al. (2020): Variation in government responses to COVID-19. Blavatnik School of Government-WP 2020/032. October.

41.6 per barrel (Brent) in the fourth quarter of 2021, the price for crude oil will rise gradually over the remainder of the forecast horizon to USD 47.3 in the fourth quarter of 2023. The prices of nonenergy commodities are also assumed to move in line with futures prices.

Over the forecast horizon, global economic growth will be determined essentially by the course of the COVID-19 pandemic. The spring 2020 downturn in global economic activity was less pronounced, and economic recovery since May 2020 has been stronger, than expected. But recent economic data suggest a loss in momentum around the turn of the year 2020/2021 as a result of the second wave of COVID-19 infections.

Following a 3.1% decline in the first quarter of 2020, global GDP (excluding the euro area) went down by another 5.7% in the second quarter. At +6.1%, the recovery in the third quarter of 2020 was stronger than expected, but dynamics will slow down markedly in the final quarter of the year owing to the containment measures currently imposed by many countries. For 2020 as a whole, we expect a deep global recession. Global GDP excluding the euro area will shrink by 3.0% in 2020 – compared with very moderate growth (0.2%) during the 2009 global financial and economic crisis. For the period from 2021 to 2023, a strong upswing can be expected, given expectations of a medical solution and the support of expansive monetary and fiscal policies; growth rates will range between 4% and 6% over this period. World trade excluding the euro area will record an even deeper slump than global GDP, namely by 9.2% in 2020, owing to disruptions in

Table 2

Underlying global economic conditions

	2019	2020	2021	2022	2023
	<i>Annual change in % (real)</i>				
Gross domestic product					
World excluding the euro area	+2.9	-3.0	+5.8	+3.9	+3.6
U.S.A.	+2.2	-3.6	+3.8	+2.2	+1.8
Japan	+0.7	-5.3	+2.8	+1.3	+0.8
Asia excluding Japan	+5.1	-0.8	+8.4	+5.4	+5.4
Latin America	-0.3	-7.8	+5.5	+3.0	+2.7
United Kingdom	+1.3	-11.3	+3.8	+2.1	+1.3
CESEE EU Member States ¹	+3.9	-4.8	+3.4	+4.4	+3.3
Switzerland	+1.1	-4.5	+2.9	+1.9	+1.7
Euro area ²	+1.3	-7.3	+3.9	+4.2	+2.1
	<i>Annual change in %</i>				
World trade (imports of goods and services)					
World	+0.6	-9.5	+7.1	+4.3	+3.6
World excluding the euro area	-0.4	-9.2	+7.1	+3.9	+3.4
Growth of euro area export markets (real)	+0.6	-10.7	+6.6	+4.1	+3.2
Growth of Austrian export markets (real)	+2.1	-10.1	+6.3	+5.5	+3.8
	Prices				
Oil price in USD/barrel (Brent)	64.0	41.6	44.0	45.7	46.9
Three-month interest rate in %	-0.4	-0.4	-0.5	-0.5	-0.5
Long-term interest rate in %	0.1	-0.2	-0.3	-0.2	-0.1
USD/EUR exchange rate	1.12	1.14	1.18	1.18	1.18
Nominal effective exchange rate of the euro (euro area index)	115.5	119.2	121.6	121.6	121.6

Source: Eurosystem.

¹ Bulgaria, Croatia, Czechia, Hungary, Poland and Romania.

² 2019: Eurostat; 2020 to 2023: Results of the Eurosystem's December 2020 projections.

international production and supply chains; over the remaining forecast horizon, world trade will recover at only slightly stronger rates than the global economy.

The 2020 recession is hitting advanced and emerging economies alike, with the advanced economies taking a bigger blow to their GDP. Developments across the emerging economies are very heterogeneous. China, for instance, which had started to ease containment measures earlier than other countries, will be the only large economy in the world to record positive growth in 2020 (+1.8%); the Chinese economy is also set to grow more rapidly than the world economy over the next few years. Other emerging economies, such as India or Latin America, where the health situation is a lot tighter and economic policy has less scope for supporting the economy, will take longer to get back to pre-crisis levels after the pronounced setback in economic output recorded in 2020.

Backed by accommodative monetary and fiscal policies and pent-up demand in private consumption, recovery was strong in the advanced economies over the summer of 2020, following a deep recession in the first half of the year. The current second wave of coronavirus infections will slow down this recovery temporarily in the fourth quarter of 2020 and in early 2021.

At –3.6% in 2020, the economic downturn will be less pronounced in the USA than in Europe. A potential set of measures by the new US administration constitutes an upward risk to the growth outlook for 2021 (+3.8%). The outlook for the United Kingdom is based on the assumption that, after the transition period, trade between the UK and the EU as of 2021 will be governed by the WTO's most-favoured nation (MFN) rules. Over the forecast horizon, this "hard Brexit" will markedly slow down the British economy, which is already set to decline by more than 10% because of the severe course the COVID-19 pandemic has taken in the UK. All in all, economic growth in the UK in the period from 2021 to 2023 will be by more than 2 percentage points lower than if the negotiated settlement had been closer to the CETA agreement between Canada and the EU.

According to the current Eurosystem projections, the euro area will also experience a deep recession in 2020 as a result of the COVID-19 pandemic. Economic output will shrink by around 7½%. Measures to contain the second wave of COVID-19 infections will continue to impair the economy also in 2021, albeit to a lesser degree. On the back of considerable support from fiscal, labor market and monetary policies, sound growth of around 4% can be expected for both 2021 and 2022, however. The euro area countries have felt the impact of the COVID-19 pandemic to different degrees. Of the major economies, Italy, Spain and France recorded exceptionally high economic losses; Austria's most important trading partner, Germany, on the other hand, saw below-average losses.

Economic developments in the central and eastern European countries are strongly linked to those in the euro area and have been characterized by a continued catching-up process over the last few years. In 2020, growth in the region will still be more than 2 percentage points higher than that in the euro area. The COVID-19 pandemic and the related uncertainties about the future EU budget (including the NextGenerationEU (NGEU) recovery plan), which will weigh on public sector investment activities in the region, will put a halt to this catching-up process over the remainder of the forecast horizon.

3 Slump in consumption and exports triggers recession in Austria

3.1 Austrian exports contract sharply due to global economic setback

Austrian export activity had begun to cool off substantially already in the course of 2019 as a result of difficulties in the German automotive industry and the trade conflict between the USA and China. In 2020, the impact of the COVID-19 pandemic hit Austrian exports particularly hard. Real exports slumped by almost 20% year on year in the second quarter of 2020. Production and supply disruptions in all major regions of the world as well as difficulties in the cross-border trade in goods led to interruptions in global value chains. Border closures and travel warnings brought international travel to a halt.

Export dynamics began to recover again in the third quarter of 2020 as containment measures in Austria and its major trading partners were gradually being eased. The massive disruptions in global production processes were corrected more quickly and comprehensively than had largely been expected. For the first time since the outbreak of the COVID-19 pandemic, the value of Austrian goods exports reached pre-crisis levels again in October 2020. Austria's summer tourist season also went slightly better than expected, in particular when compared to that in other European countries. Following a decline by almost 100% during the lockdown in spring 2020, the number of overnight stays by foreign tourists was "only" around one-fourth below the previous year's level in the summer months.

The second lockdown, which entered into force in Austria on November 17, 2020, is not likely to cause a second slump in the domestic trade in goods (see box 1). Austrian tourism, however, will have to expect very high losses once again. Already in October 2020, the travel warnings for Austria issued by many countries caused overnight stays by foreign tourists to drop by two-thirds. As accommodation establishments were closed for anything but business travel at the beginning of November 2020, losses of almost 100% are to be expected, much like in spring 2020. In total, Austria's real exports are likely to shrink by 11.8% in the full year 2020.

We expect economic activity in all major destinations of Austrian exports to recover strongly in 2021. Demand in Austria's export markets will increase by 6.3% in 2021 and will continue to expand dynamically (+5.5% in 2022 and +3.8% in 2023). At 5.4%, the growth of Austrian exports will remain slightly below growth in Austria's export markets in 2021 and will correspond to export market growth in 2022 and 2023. Losses in market shares of 0.9 percentage points are expected for 2021; these are attributable to two factors: On the one hand, as Austrian export prices went up more sharply than those of Austria's trading partners in 2020, price competitiveness deteriorated by 2.6%, which will feed through to external trade with some lag. On the other hand, a difficult first half of the year is ahead for Austrian tourism in 2021. Our outlook is based on the assumption that the number of overnight stays by foreign tourists will be more than 60% lower than 2020 figures in the first quarter of 2021. In the remainder of the year, tourism will recover gradually, but not fully – in line with our assumptions on the further progress of the COVID-19 pandemic.

Table 3

Austria's exports and imports and price competitiveness

	2019	2020	2021	2022	2023
Exports					
<i>Annual change in %</i>					
Competitor prices on Austria's export markets	+1.8	-2.9	+0.7	+1.9	+1.8
Export deflator	+0.0	-0.3	+1.5	+1.7	+1.8
Changes in price competitiveness ¹	+1.7	-2.6	-0.7	+0.1	+0.0
Import demand on Austria's export markets (real)	+2.1	-10.1	+6.3	+5.5	+3.8
Austrian exports of goods and services (real)	+2.9	-11.8	+5.4	+5.5	+3.7
Austrian market share	+0.9	-1.7	-0.9	+0.0	-0.1
Imports					
<i>Annual change in %</i>					
International competitor prices on the Austrian market	+1.3	-1.8	+1.5	+1.8	+1.8
Import deflator	+0.3	-1.7	+1.4	+1.9	+1.7
Austrian imports of goods and services (real)	+2.5	-11.0	+4.1	+5.8	+3.8
Terms of Trade	-0.3	+1.4	+0.0	-0.1	+0.0
<i>Percentage points of real GDP</i>					
Contribution of net exports to GDP growth	+0.3	-0.9	+0.9	+0.0	+0.1
<i>% of nominal GDP</i>					
Export ratio	55.7	52.3	53.9	54.7	55.6
Import ratio	52.2	48.7	49.6	50.6	51.4

Source: 2019: Statistics Austria, Eurosystem; 2020 to 2023: OeNB December 2020 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

	2019	2020	2021	2022	2023
<i>% of nominal GDP</i>					
Balance of trade	3.2	3.6	3.4	3.4	3.4
Balance of goods	0.8	1.7	1.8	1.5	1.5
Balance of services	2.5	1.9	1.6	1.8	1.9
Balance of primary income ¹	0.5	-0.2	-0.2	-0.2	-0.2
Balance of secondary income ²	-0.9	-0.9	-0.9	-0.9	-0.8
Current account balance	2.8	2.4	2.4	2.3	2.4

Source: 2019: OeNB; 2020 to 2023: OeNB December 2020 outlook.

¹ Balance of income (compensation of labor, investment income, etc.).

² Balance of current transfers.

When compared with the global financial and economic crisis of 2009, the decline in real exports in 2020 is smaller by around 2 percentage points; correspondingly, the recovery after the crisis will also be less pronounced. Austria's current account surplus will decrease to 2.4% in 2020 and will remain at this level throughout the forecast horizon.

Box 1

Second lockdown brings smaller growth losses

The reduction in economic output in Austria will be significantly smaller during the second hard lockdown that entered into force on November 17, 2020, than during the first lockdown in spring 2020. We expect Austrian GDP during the second lockdown to decline by 13% against the comparable period of the previous year; the slump observed in spring 2020 was almost twice as strong (–25%). The impact of the second lockdown will be less pronounced mainly because there are fewer disruptions in global value chains, production facilities have not been shut down (entirely), learning effects come into play, uncertainty is lower and confidence is stronger as a medical solution is imminent.

Private consumption is likely to decline to a similar extent as recorded in spring 2020. The closure of shops (except for those in the basic supply sector), hotels, restaurants as well as cultural institutions and sports and recreational facilities has again strongly limited the options for consumer spending. Drawing on their experience from the first lockdown, enterprises and consumers have, however, been able to adjust more flexibly and quickly to the new conditions and have been making better use of alternative sales and purchase options. Still, private consumption is likely to drop by almost 25% during the weeks of the second lockdown, which is just slightly less dramatic than in spring 2020 (–30%). Again, the impact of the lockdown varies strongly across economic sectors. Individual areas, such as the accommodation and restaurant business as well as recreational and cultural services, will probably see losses of more than 75%. Like in spring, food retailers, by contrast, will record higher sales.

Table B1

Growth losses during lockdowns in Austria

	Second lockdown (from Nov. 17)	Partial lockdown (from Nov. 3)	First lockdown (from March 16)
Change on same period of previous year in %			
GDP	–13	–7	–25
Private consumption	–23	–12	–31
of which: selected categories of consumption			
Food	18	18	20
Recreational and cultural services	–85	–85	–90
Accommodation and food services	–75	–75	–80
Exports	–12	–7	–36
Goods and services excluding tourism	–5	0	–30
Tourism	–90	–85	–95
Investment	–6	–5	–21
Construction	–5	–5	–17
Research and development	0	0	–10
Investment in plant and equipment	–10	–8	–32
Government consumption	1	1	1

Source: OeNB.

Apart from private consumption, also exports, the second major demand component, were substantially affected during the first lockdown. Nontourism exports went down by 30% in real terms. In spring 2020, many countries imposed lockdown measures at around the same time, and the international trade in goods faced closed borders and trade barriers. The related production and supply disruptions caused interruptions in global value chains. Owing to (initial) difficulties in fulfilling health policy measures, such as the duty to wear face masks and to observe physical distancing, Austria also recorded constraints on production in export-oriented industries. All these difficulties played no role, or a significantly smaller role, during the second lockdown. Nontourism exports will therefore only shrink by 5%. Tourism exports, on the other hand, are likely to fail almost completely, however (as during the first lockdown in spring 2020).

Temporary production shutdowns during the first lockdown drove down construction investment by just under 20%. During the second lockdown, construction activity is expected to see only minor restrictions (resulting in a 5% decline) for the reason given above. Also investment in equipment, a cyclically responsive demand component, will probably drop to a lesser extent during the second lockdown. Investment in equipment is the demand component with the highest import content and therefore is particularly sensitive to disturbances in international trade. We expect such disturbances to play a subordinate role during the second lockdown. In addition, uncertainties about the further progress of the COVID-19 pandemic have clearly subsided since spring. As a medical solution is now within reach, fewer enterprises will postpone their investment projects during the second lockdown.

3.2 Lacking options for consumer spending during lockdowns force households to save

The COVID-19 pandemic and the related containment measures have significantly dampened household income. Real disposable household income went down by 6.5% year on year in the first half of 2020. Apart from reduced compensation of employees, the main reason for this decline was a 46% fall in investment income. This was primarily attributable to the fact that the distribution of profits and dividends was prohibited for businesses that made use of the fixed cost grant.³ For 2020 as a whole, we expect real disposable household income to shrink by 3.0%. An even stronger decline has been prevented by massive government transfers (unemployment benefits, short-time work subsidies, higher pension benefits, one-off payments, etc.), which have supported household income to the extent of 4 percentage points in total.

Private consumption in Austria in 2020 was deeply affected by the COVID-19 pandemic. The two lockdown periods clearly limited households' options for consumer spending. During the five weeks of the spring 2020 lockdown, private consumption slumped by 31% year on year according to OeNB estimations (see box 1). In the national accounts, this is reflected in a 11.2% decline in private consumption in the second quarter of 2020 (against the previous quarter), following a 4.5% decrease in the first quarter. The easing of measures at the end of the first lockdown triggered a significant recovery in private consumption (+12.9%) in the third quarter of 2020. The second lockdown was slightly less severe than the first lockdown, with regard to both its (announced) duration and its effects on private consumption. For the full year 2020, we expect private consumption to shrink by 8.8% in total.

As a consequence of the substantial decline in consumption, the saving ratio went up significantly in 2020. After coming to 8.2% in 2019, it is expected to reach 13.7% in 2020. The further development of private consumption will primarily depend on the extent to which households will readjust their saving behavior. For this reason, we quantified the two major motives for the observed change in the saving ratio, i.e. precautionary saving owing to higher income insecurity and forced saving as a result of the lockdowns (see box 2). What we find is that half of

³ *In addition, Article 82 paragraph 5 of the Austrian Limited Liability Company Act contains a more general rule that might have a dampening effect on dividend and profit distributions: If a company's assets are reduced substantially and probably permanently through losses or impairments between the balance sheet date and the adoption of the annual accounts, the profit for the year that may be distributed must be reduced by the amount of the materialized impairments.*

the strong rise in the saving ratio in the second quarter of 2020 can be traced to forced saving and one-fifth to precautionary saving.

Precautionary saving is likely to play a role as a motive for saving also in the first half of 2021, given people's persistently higher insecurity about their income situation. As regards forced saving, we assume that it will gradually go down to zero as containment measures are being lifted, and that consumption dynamics will then be quick to accelerate. Chart 2 B2 also hints at a quick recovery of consumption. It shows planned major purchases – at present and during the next 12 months – according to the European Commission's business and consumer survey for Austria. In normal times, the two estimates are mostly congruent. Also during the slump observed in April and May 2020, the two indicators developed in parallel. Since then, however, figures for major purchases planned in the next 12 months have been rising a lot more strongly, while those for major purchases planned at present have stagnated. As the economic effects of the COVID-19 pandemic will still be felt far into the year 2021, we expect the saving ratio to remain elevated at 10.0% also for the full year 2021. Only in 2022 will the saving ratio in Austria decline to its pre-crisis level. Real disposable household income will stagnate in 2021 owing to continually declining investment income and the phasing-out of numerous supportive public sector measures. According to our assumptions, consumers' propensity to save will go down and consumer demand will increase significantly (+3.9%) when compared to 2020. In 2022, household income will again expand vigorously and the saving ratio will continue to decline, making it possible for consumption growth to accelerate to 4.7%.

This outlook is subject to substantial uncertainties. An upward risk to the saving ratio (and thus a downward risk to consumption) arises from the fact that households might expect tax rises for the time after the crisis, aimed at reducing government debt incurred during the crisis. A downward risk to the saving ratio (and thus an upward risk to consumption) might arise from stronger-than-expected pent-up demand in private consumption as well as shifts in the composition of household income. The share of investment income – a type of income with an above-average saving component – in total household income came to 5½% in the first half of 2020, only half the average recorded in the period from 2015 to 2019.

Box 2

Higher saving ratio in the second quarter of 2020: the role of forced saving

In the second quarter of 2020, the household saving ratio increased significantly to 15.6% from 8.3% in the first quarter (seasonally adjusted). With shops shut down and curfews in place during the first lockdown in spring 2020, options for consumer spending were widely limited. At the same time, unemployment – and thus also the uncertainty about future income developments – increased substantially. The rise in the saving ratio is therefore likely to be attributable to a combination of forced saving and precautionary saving. This box aims to quantify these two saving motives. To this end, we estimate an equation in which the saving ratio is determined by the following factors: first, by precautionary saving. We use two proxy variables: 1) the change in the unemployment rate as an indicator for income uncertainty; 2) current “optimal saving” according to the European Commission's business and consumer survey.⁴ Second, we use two variables to control for further factors – namely household sector

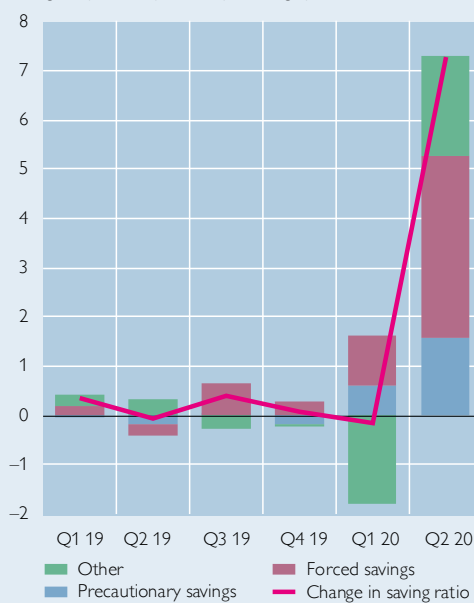
⁴ Question 10: Do you feel it is advisable to save under the current economic conditions?

wealth⁵ (as a percentage of GDP) as a proxy for a desired saving level and growth of households' real disposable income – to account for saving options. Estimation results are consistently significant at the 1% level. Our equation explains 78% of the variation in the saving ratio. For the first two quarters of 2020, its residual goes up sharply. We interpret this rise as evidence of forced saving. Around half (51%) of the strong increase in the saving ratio by 7.3 percentage points in the second quarter of 2020 can be attributed to forced saving and around one-fifth (22%) to precautionary saving (chart 1 B2).⁶

Chart 1 B2

Determinants of changes in the saving ratio

Change on previous quarter in percentage points

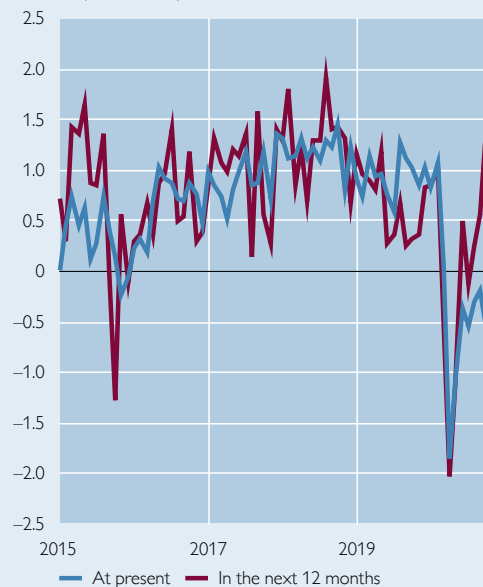


Source: Statistics Austria, OeNB calculations.

Chart 2 B2

Planned major purchases

Balance of respondents who plan to spend more/less in the period indicated (standardized)



Source: European Commission, November 2020 business and consumer survey.

Because of the strong rise in the saving ratio, households' financial investment doubled in the first half of 2020 year on year, to EUR 13.5 billion. What is striking here is a visible change in the composition of financial investment. Investments in "equity excluding quoted shares as well as cash and other receivables" increased from EUR 0.7 billion in the first half of 2019 to EUR 6.1 billion in the first half of 2020. The key driver of this development were capital increases by the household sector to enterprises that encountered economic distress because of the COVID-19 pandemic (around EUR 3 billion). Gold purchases also went up. Household sector gross fixed capital formation went down by 5%, thus releasing funds for other types of investment.

⁵ The wealth variable we use is composed of the capital stock, government debt and the net international investment position.

⁶ This means that our results are similar to those of an estimation performed by the European Commission in its November 2020 forecast. In this estimation, the GDP forecast was decomposed according to the global multi-country model, a New Keynesian macroeconomic model. According to this estimation, around half of the economic slump of 2020 can be traced to saving. Two-thirds of saving in 2020 are identified as forced saving. (European Economic Forecast Autumn 2020, European Commission, Institutional Paper 136, November 2020).

Table 5

Determinants of nominal household income and private consumption growth in Austria

	2019	2020	2021	2022	2023
	<i>Annual change in %</i>				
Payroll employment	+1.4	-2.3	+0.7	+2.1	+1.6
Wages and salaries per employee	+2.7	+0.1	+2.1	+2.3	+2.6
Compensation of employees	+4.1	-2.1	+2.9	+4.4	+4.2
Property income	+2.3	-38.4	-14.1	+10.2	+5.1
Self-employment income and operating surpluses (net)	+2.7	-6.6	+2.4	+5.9	+5.0
	<i>Percentage points</i>				
Contribution to household disposable income growth					
Compensation of employees	+3.6	-1.8	+2.5	+3.9	+3.7
Property income	+0.3	-4.4	-1.0	+0.6	+0.3
Self-employment income and operating surpluses (net)	+0.5	-1.1	+0.4	+0.9	+0.8
Net transfers less direct taxes ¹	-1.1	+5.1	-0.8	-1.5	-1.2
	<i>Annual change in %</i>				
Disposable household income (nominal)	+3.2	-2.1	+1.2	+4.0	+3.6
Consumption deflator	+1.9	+0.9	+1.0	+1.7	+1.8
Disposable household income (real)	+1.3	-3.0	+0.2	+2.3	+1.8
Private consumption (real)	+0.8	-8.8	+3.9	+4.7	+2.0
	<i>% of nominal disposable household income growth</i>				
Saving ratio	8.2	13.7	10.0	7.9	7.7

Source: 2019: Statistics Austria; 2020 to 2023: OeNB December 2020 outlook.

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

3.3 Pandemic puts end to long investment cycle

The outbreak of the COVID-19 pandemic brought to an end an unusually long and pronounced investment cycle. From 2015 to 2019, gross fixed capital formation increased by an average 4% each year. Initially driven by investment in plant and equipment and R&D, the investment cycle was also increasingly supported by construction investment in the past three years.

In 2020, above all in the first half of the year, the exceptionally high level of uncertainty caused by the pandemic prompted many businesses to halt or postpone investment projects. In some cases, interruptions or shortfalls in delivery or production made it impossible to fully complete ongoing investment projects. This affected primarily cyclically sensitive investment in plant and equipment, which was more than 20% below the previous year's level in the second quarter of 2020. For the full year of 2020, we expect a decline by 8.9%.

Construction, by contrast, has been showing a more stable and better performance than the economy as a whole. Significantly negative effects on construction output were observed only at the beginning of the first lockdown, when there was a lack of labor and construction sites had to be closed. Rising property prices are signaling ongoing high demand, and favorable funding conditions are having an additional stimulating effect. Overall, investment in residential construction is expected to decline by "only" 3.7% in 2020, while nonresidential construction investment is forecast to drop by 2.6%.

Investment in intellectual property products is the only investment sector growing in 2020 (+1.4%). That said, investment in computer software and research

Table 6

Investment activity in Austria

	2019	2020	2021	2022	2023
	<i>Annual change in %</i>				
Total gross fixed capital formation (real)	+3.9	-4.1	+4.0	+4.7	+2.7
<i>of which:</i>					
<i>investment in plant and equipment</i>	+4.1	-8.9	+4.9	+7.9	+2.6
<i>residential construction investment</i>	+3.6	-3.7	+1.8	+2.7	+2.4
<i>nonresidential construction investment and other investment</i>	+3.9	-2.6	+6.3	+3.7	+3.4
<i>investment in research and development</i>	+3.7	+1.4	+1.8	+3.1	+2.1
<i>public sector investment</i>	+0.5	-1.2	+1.9	+1.9	+0.9
<i>private investment</i>	+4.4	-4.5	+4.3	+5.1	+2.9
	<i>Percentage points</i>				
Contribution to the growth of real gross fixed capital formation					
Investment in plant and equipment	+1.4	-3.1	+1.6	+2.6	+0.9
Residential construction investment	+0.7	-0.7	+0.3	+0.5	+0.4
Nonresidential construction investment and other investment	+1.0	-0.7	+1.6	+1.0	+0.9
Investment in research and development	+0.8	+0.3	+0.4	+0.7	+0.5
Public sector investment	+0.1	-0.1	+0.2	+0.2	+0.1
Private investment	+3.8	-3.9	+3.7	+4.5	+2.6
	<i>Percentage points</i>				
Contribution to real GDP growth					
Total gross fixed capital formation	+0.9	-1.0	+1.0	+1.2	+0.7
Changes in inventories	-0.7	-0.9	-0.3	+0.3	+0.2
	<i>% of nominal GDP</i>				
Investment ratio	24.6	25.6	26.0	26.1	26.2

Source: 2019: Statistics Austria; 2020 to 2023: OeNB December 2020 outlook.

and development had been expanding rapidly already in the years before the crisis. The pandemic has, if anything, increased the necessity to invest in these areas. What is more, lockdown measures are no big obstacle to such investment compared to other categories.

In sum, gross fixed capital formation is set to decrease by 4.1% in 2020, i.e. less than overall economic activity (-7.1%). This is remarkable in that investment activity usually tends to be much more volatile than GDP growth. Historical fluctuations of overall investment measured by the standard deviation are double as high as historical GDP fluctuations, those of investment in plant and equipment are even three times as high. The comparatively moderate current decline in investment activity reflects the – pandemic-related – unusually steep drop in private consumption, which under normal conditions has a stabilizing effect; this is one of the special characteristics of the current recession.

The impact of the second lockdown will continue to weigh on investment activity in early 2021. Now that vaccines against COVID-19 are starting to be rolled out, the uncertainty about the outlook for the Austrian and the global economy is set to diminish considerably, which means that the influence of the factor that has been particularly strongly depressing the propensity to invest will be weakening. The global recovery expected for 2021 will visibly push up investment, additionally supported by ongoing favorable funding conditions. Investment growth will accelerate to 4.0% in 2021 before the investment cycle will peak at 4.7% in 2022.

The investment ratio is set to increase to more than 25% in 2020 given the sharp contraction in private consumption and exports, thereby reaching a level around 2 percentage points above the long-term average. For the years to come, we expect a further rise to a level beyond 26%.

Box 3

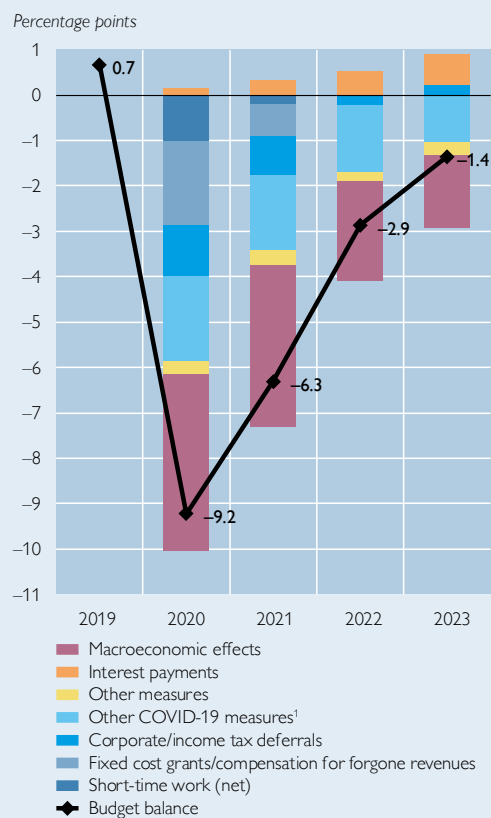
Substantial 2020 budget deficit caused by COVID-19 to be reduced gradually over following years⁷

The small budget surplus of 0.7% recorded in 2019 is set to turn into a substantial deficit of 9.2% of GDP in 2020; for the years 2021 to 2023, we expect the budget balance to improve gradually. Chart 1 B3 illustrates which components have been driving the current deterioration, with the four different blue bars showing the effects of the discretionary fiscal response to the pandemic. The subsidies for short-time work schemes, fixed cost grants and compensation for foregone revenue feed through above all in 2020 and less so in 2021. Extensive deferrals of assessed personal and corporate income taxes are reducing government revenues by a significant amount in 2020 and 2021 compared with 2019 (also through loss carrybacks); parts of these losses in revenues will be offset by higher revenues in the following years, though. Other fiscal measures taken in response to the COVID-19 crisis will have a more sustained effect lasting beyond the forecast horizon. This is true above all for the permanent cut in personal income taxes as well as the measures to encourage real investment, which have an effect over a relatively long term. Additional spending on medical equipment, tests and vaccinations will no longer have a significant effect in 2023, and they even do not have a substantial impact on the budget in 2020 and 2021. The yellow bars in the chart show the effect of measures adopted before 2020 (in particular the cuts in personal income taxes and the rise in pensions adopted in summer 2019; the latter was partly taken back in part in November 2020, though). Deposit insurance payouts triggered by the insolvency of *Commerzbank Mattersburg* are playing a marginal role, as are additional revenues, expected to materialize from 2021 onward, from the expanded EU budget (above all from the Recovery and Resilience Facility).

The red bars show the effect of automatic stabilizers, which is particularly strong in 2020 and 2021 and is projected to remain clearly negative until 2023, given that in 2023 real GDP will still be only around 2% above the level of 2019. In 2020 and 2021, the macro effects also include the pandemic-related temporary reduction in certain components of expenditure on goods and services (including rehabilitation and overtime remuneration for civil servants out-

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Chart 1 B3
Change in budget balance since 2019



⁷ Author: Lukas Reiss, Oesterreichische Nationalbank, Economic Analysis Division, Lukas.reiss@oenb.at.

side health care) and income from production activity (including public transport and cultural establishments).

The high budget deficits and weak GDP growth will cause the government debt ratio to increase sharply in 2020 and 2021, before dropping slightly thereafter. Given that the high amount of new debt will be financed, on average, at marginally negative interest rates, interest expenses are projected to decline over the forecast horizon despite the sharp increase in the debt ratio. This also supports our current expectations that the fiscal consolidation needs after the pandemic will be significantly lower than after the recession of 2008/09.

3.4 Only small decrease in employment in 2020 thanks to short-time work schemes

The unprecedented 25% year-on-year drop in economic activity recorded in spring 2020 also had a visible impact on the labor market. The number of unemployed people increased by more than 200,000 within only 2½ weeks. Thanks to the large-scale use of short-time work schemes, a further rise in unemployment could be avoided and employment was kept at broadly stable levels. The left-hand panel of chart 3 shows the increase in (seasonally-adjusted) unemployment compared with the fourth quarter of 2019 according to Public Employment Service Austria (AMS) figures. In the second quarter of 2020, the average increase in joblessness was 153,000 persons.

In addition, 882,000 people were on short-time work over the same period. If we take into account the 43.5% average reduction in working hours per person on short-time work in the second quarter, we arrive at an additional reduction in total hours worked that corresponds to 394,000 full-time equivalents. This figure can also be interpreted as the maximum number of jobs saved through short-time work schemes, since it is unlikely that enterprises would have made redundant as many employees as they have put on short-time work schemes. Adding up the actual rise in joblessness and the maximum number of jobs saved by short-time work schemes, we see that, in sum, the pandemic caused unemployment to rise by 547,000 in the second quarter of 2020. Owing to the quick recovery after the end of the first lockdown in spring, the number of both unemployed people and those on short-time work dropped significantly. The latter reached a high of 1.04 million in May; in July, only 268,000 were on short-time work. In September, when the second phase of short-time work schemes expired, this number stood at 140,000 according to own estimates. In the fourth quarter, new infections were surging again, and the government imposed a second lockdown. As a result, unemployment and short-time work figures increased again, albeit considerably less strongly than during the first lockdown. The current short-time work scheme (no. III) remains in force until the end of March 2021. However, the federal government has already announced that short-time work schemes will continue to be available for certain sectors until September 2021, if necessary. The number of people on short-time work is expected to decrease from the first quarter of 2021 onward. Unemployment is forecast to reach a high at the end of the year and decline only gradually in the course of 2021. In addition to the generally lagged response of the labor market

to changes in economic activity, we expect that the deferral of taxes and social security contributions will be discontinued in 2021, which will lead to an increase in corporate insolvencies and, consequently, unemployment.⁸

The right-hand panel of chart 3 shows the change in total hours worked since the fourth quarter of 2019. The second quarter of 2020 saw a 16% decrease, but the rate of decline abated quickly as the economy recovered in the third quarter. Two-thirds of the decrease in the second quarter were attributable to a reduction in working hours under short-time work schemes, the remaining third was due to job cuts as well as cuts in working hours per employed person.

The sharp increase in unemployment – by 153,000 persons – between the fourth quarter of 2019 and the second quarter of 2020 shown by AMS data is reflected only to a very small degree in the unemployment rate published by Eurostat. The latter rose by no more than 1.2 percentage points, that is, much less than the unemployment rate according to the national definition (4.2 percentage points). This gap is due to differences in computation: While the unemployment rate according to the national definition is based on the number of unemployed persons registered with the AMS, Eurostat’s unemployment rate uses data from the EU Labour Force Survey. The latter counts as unemployed only those who are actively searching for a job. During the first lockdown, a large number of jobless people did not actively look for employment because they had been given re-employment guarantees by their employers or because they considered a job search futile under the given circumstances. These people were not included in EU unemployment figures.

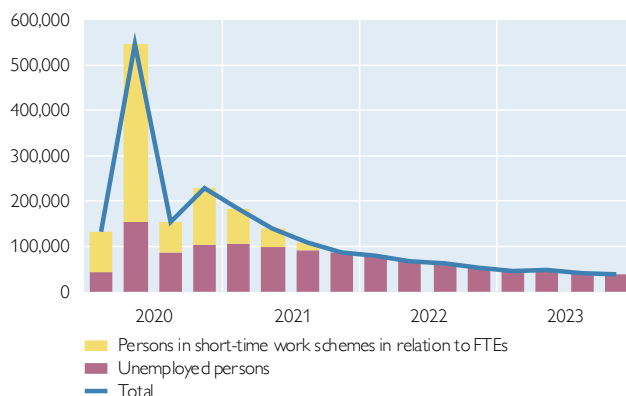
The total number of hours worked is projected to be 7.8% down in 2020 compared to the previous year. At –1.9%, the drop in employment is moderate, by comparison, thanks to extensive short-time work schemes. We expect employment

Chart 3

Impact of COVID-19 pandemic on unemployment and hours worked in Austria

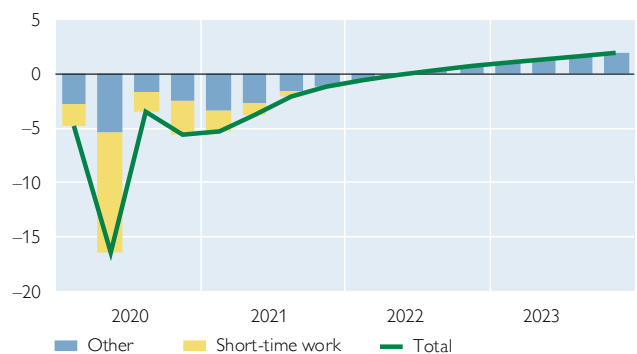
Unemployment and short-time work

Change on Q4 19, number of persons



Hours worked

Change on Q4 19, %



Source: Public Employment Service Austria (AMS), Statistics Austria, OeNB.

Note: FTEs = full-time equivalents.

⁸ Guth, M., C. Lipp, C. Puhr and M. Schneider. 2020). *Modeling the COVID-19 effects on the Austrian economy and banking system*. In: *Financial Stability Report 40*. OeNB. 63–86. Puhr, C. and M. Schneider. 2020. *Have mitigating measures helped prevent insolvencies in Austria amid the COVID-19 pandemic?* In: *Monetary Policy & the Economy Q4/20–Q1/21*. OeNB. Forthcoming.

Table 7

Labor market growth in Austria

	2019	2020	2021	2022	2023
	<i>Annual change in %</i>				
Total employment (heads)	+1.1	-1.9	+0.9	+1.9	+1.5
Payroll employment	+1.4	-2.3	+0.7	+2.1	+1.6
of which: public sector employees	+0.7	+0.3	+0.1	+0.1	+0.1
Self-employment	-0.5	+0.7	+1.7	+0.9	+0.6
Total hours worked	+1.5	-7.8	+4.2	+3.2	+1.4
Payroll employment	+1.9	-8.8	+3.5	+3.5	+1.6
Self-employment	-0.2	-2.7	+7.2	+1.8	+0.7
Labor supply	+0.7	-1.2	+0.9	+1.4	+1.1
Registered unemployment	-7.4	+17.8	+5.6	-7.4	-5.7
	<i>% of labor supply</i>				
Unemployment rate					
Eurostat definition	4.5	5.3	5.6	5.1	4.8
AMS definition	7.4	10.2	10.2	9.4	8.9

Source: 2019: Statistics Austria; 2020 to 2023: OeNB December 2020 outlook.

Table 8

Compensation of employees

	2019	2020	2021	2022	2023
	<i>Annual change in %</i>				
Gross wages and salaries¹					
In nominal terms	+4.1	-2.1	+2.9	+4.4	+4.2
Consumption deflator	+1.9	+0.9	+1.0	+1.7	+1.8
In real terms	+2.3	-3.0	+1.9	+2.7	+2.4
Collectively agreed wages and salaries¹	+3.1	+2.3	+1.5	+1.7	+2.5
Wage drift	-0.3	-2.2	+0.6	+0.6	+0.1
Compensation per employee					
Gross ² compensation (nominal)	+2.7	+0.1	+2.1	+2.3	+2.6
Gross compensation (real)	+0.9	-0.8	+1.1	+0.6	+0.8
Net ³ compensation (real)	+0.5	-0.8	+0.8	+0.3	+0.4
Compensation per hour worked					
Gross compensation (nominal)	+2.2	+7.5	-0.8	+0.8	+2.6
Gross compensation (real)	+0.4	+6.6	-1.8	-0.8	+0.8
	<i>% of nominal GDP</i>				
Wage share	48.5	50.7	50.2	49.6	49.8

Source: 2019: Statistics Austria; 2020 to 2023: OeNB December 2020 outlook.

¹ Overall economy.

² Including employers' social security contributions.

³ After tax and social security contributions.

to edge up somewhat in 2021, to reach pre-pandemic levels in early 2022 and to rise strongly in 2022 (+1.9%) on the back of the projected economic upswing. The unemployment rate according to the AMS is set to increase by 2.8 percentage points to 10.2% in 2020 and remain at this level in 2021. After that, the jobless rate is forecast to go back to 9.4% in 2022 and to 8.9% in 2023.

Wage growth benefited from a collectively bargained wage hike of +2.3% in 2020, which, in retrospect, can be considered relatively high. However, since the crisis can be expected to significantly reduce overtime pay and other payments in

excess of the collectively negotiated wages, the wage drift is likely to be starkly negative. Therefore, nominal gross wages are set to increase hardly at all in 2020 (+0.1%), leading to falling real wages (−0.8%). At the same time, hourly wages, and hence employers' costs, are increasing because of the strong decrease in hours worked (+7.5%).⁹

Based on the results of the wage bargaining round in the fall, collectively negotiated wages are forecast to increase by 1½% in 2021. Assuming that the wage drift will turn back positive, we predict nominal gross wages to rise by 2.1%, which would imply rising net real wages (+0.8%). In 2022 and 2023, the growth of compensation of employees is assumed to accelerate slightly.

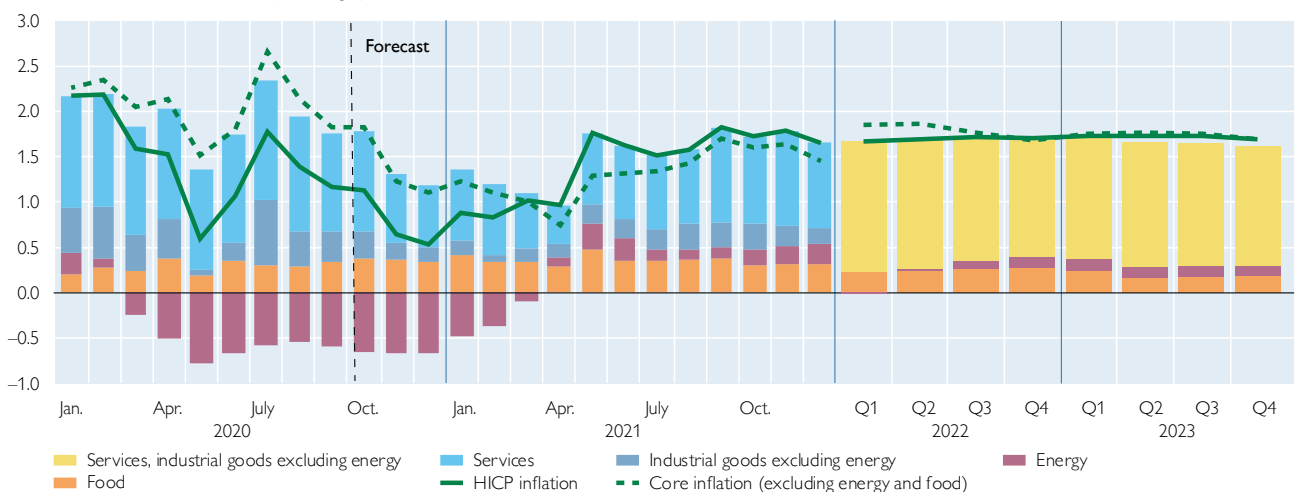
3.5 Gradual increase in inflation¹⁰

In line with the OeNB's inflation forecast of December 2020, HICP inflation is expected to reach 1.4% in 2021 and to climb to 1.7% in 2022 and 2023 (chart 1). We expect the energy component of the HICP to have a dampening impact until early 2021. Moreover, the COVID-19 pandemic and the ensuing fall in aggregate demand are likely to have a moderating impact on the components of core inflation (industrial goods excluding energy and services). The energy price effects of this year's slump in crude oil prices will peter out in the second quarter of 2021. As the inflation-reducing effect of the COVID-19 pandemic will be gradually weakening in 2021, HICP inflation will be rising progressively. Core inflation (i.e. inflation excluding energy and food) is expected to fall to 1.3%, a rate below HICP inflation. Over the remaining forecast horizon, we see core inflation climb to 1.8% and 1.7% in 2022 and 2023, respectively, as services and nonenergy industrial goods will be recovering.

Chart 4

Contributions to Austrian HICP inflation and core inflation

Inflation in %; inflation contributions in percentage points



Source: OeNB, Statistics Austria.

⁹ However, subsidies like funds for short-time work schemes are not deducted from wages as measured by national accounts data, which results in an overestimation of employers' actual costs.

¹⁰ Author: Friedrich Fritzer, Oesterreichische Nationalbank, Economic Analysis Division, friedrich.fritzer@oenb.at.

Energy and industrial goods and services determine path of inflation

The oil price slide that started in March 2020 hit bottom at end-April; since then, oil prices have been trending moderately upward. However, the recent rise notwithstanding, oil prices are still clearly below pre-pandemic levels, which is why energy inflation will remain negative into the first quarter of 2021. Only from the second quarter on will energy prices show moderately positive annual growth rates.

Nonenergy industrial goods inflation has been slowing recently, a trend expected to continue into the first months of 2021. Especially the growth of prices for consumer durables (e.g. vehicles, furniture) is likely to decelerate against the background of heightened uncertainty and high unemployment.

Services inflation did not fall as strongly as expected after the onset of the pandemic, which is attributable, in part, to a large proportion of prices having been computed by way of carryovers and imputations (especially for April and May 2020, but to some extent also for June and July). Moreover, price rigidities, which are frequently observed especially in the services sector, prevent prices from adjusting quickly to changes in demand. But after hitting a high of 2.8% in July 2020, services inflation has also been falling more recently. This trend is expected to continue over the coming months. According to the European Commission's business and consumer survey, businesses in the sectors hit particularly hard by the COVID-19 pandemic (passenger transport by air, hotels and restaurants) expect prices to grow at clearly below-average rates during the next few months. Services inflation will trend upward again only from the second quarter of 2021 on.

The growth of food prices (including alcohol and tobacco) is expected to accelerate in 2021, as global agricultural commodity prices, in particular, are predicted to pick up, which will contribute to upward pressures on imported food prices. Finally, the tobacco tax hike to enter into force in Austria in spring 2021 will push up food inflation (including tobacco) by 0.2 percentage points in 2021.

Table 9

Price, cost, productivity and profit indicators for Austria

	2019	2020	2021	2022	2023
	Annual change in %				
Harmonised Index of Consumer Prices (HICP)	+1.5	+1.3	+1.4	+1.7	+1.7
HICP energy	+0.7	-6.1	+0.5	+0.7	+1.5
HICP excluding energy	+1.7	+1.9	+1.3	+1.8	+1.7
Private consumption expenditure (PCE) deflator	+1.9	+0.9	+1.0	+1.7	+1.8
Investment deflator	+2.1	+1.6	+1.1	+1.6	+1.5
Import deflator	+0.3	-1.7	+1.4	+1.9	+1.7
Export deflator	+0.0	-0.3	+1.5	+1.7	+1.8
Terms of trade	-0.3	+1.4	+0.0	-0.1	+0.0
GDP deflator at factor cost	+1.8	+0.7	+0.4	+1.6	+1.7
Collective wage and salary settlements	+3.1	+2.3	+1.5	+1.7	+2.5
Compensation per employee	+2.7	+0.1	+2.1	+2.3	+2.6
Compensation per hour worked	+2.2	+7.5	-0.8	+0.8	+2.6
Labor productivity per employee	+0.3	-5.3	+2.7	+2.1	+0.7
Labor productivity per hour worked	-0.1	+0.8	-0.6	+0.8	+0.7
Unit labor costs	+2.4	+5.8	-0.7	+0.2	+1.9
Profit margins ¹	-0.7	-5.1	+1.1	+1.4	-0.2

Source: 2019: Statistics Austria; 2020 to 2023: OeNB December 2020 outlook.

¹ GDP deflator divided by unit labor costs.

4 Assessing the risks to the OeNB's outlook: 2021 growth forecast largely depends on assumptions about pandemic developments

The current economic outlook is fraught with a high degree of uncertainty, depending primarily on whether infection rates can be brought down to sustainably low levels. In the short run, the effectiveness of the second lockdown of November and December is decisive. Over the medium term, the availability of an effective vaccine will be key in containing the virus. Substantial progress has been reported in this respect in the past few weeks. As of end-November, three highly effective vaccines against COVID-19 were about to be approved for use. The USA is planning to begin vaccinations already as early as December 2020, while Europe, and hence also Austria, expects the first vaccines to be available from early 2021 onward. However, only after a sufficiently large part of the population has been immunized will it be possible to successfully stop the spread of the virus and lift all remaining containment measures. There is uncertainty above all as regards the availability of a sufficiently large number of vaccine doses and the take-up of vaccines. To take into account these uncertainties in this outlook, we calculated two scenarios that provide an illustrative range of outcomes that seem possible from today's perspective.

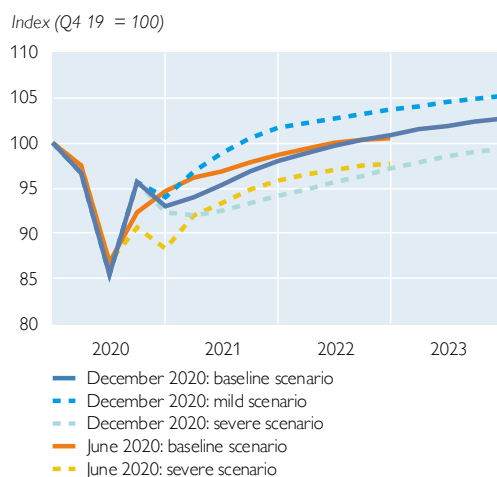
All central banks involved in preparing the joint Eurosystem staff projections calculated these two scenarios, which is why they reflect both domestic and international developments.

4.1 Mild scenario

The mild scenario assumes that the second lockdown in Austria from November 17 to December 6 suffices to significantly bring down infection numbers so that the majority of economic containment measures can be lifted. This implies that the tourism sector will be open for business – albeit with some restrictions – during the winter season. Furthermore, the mild scenario assumes that there will not be another lockdown in the course of the first quarter of 2021. Given recent positive news about the imminent availability of several effective coronavirus vaccines, the mild scenario moreover assumes that vaccinations will already start in early 2021 and that a sufficiently large proportion of the population will be immunized by mid-year. As regards the international macroeconomic environment, the mild scenario envisages a considerably better performance than the baseline scenario. Demand for Austrian exports is assumed to grow by 11.6% in 2021, a rate 4.9 percentage points up compared to the baseline.

Also, the recovery kicks in significantly earlier under the mild scenario. While for 2020, it assumes a contraction that, at -6.8% , is only slightly less severe than that envisaged in the baseline scenario (-7.1%), a much higher rate of expansion ($+7.0\%$) is expected for 2021. Hence, the mild scenario sees growth return to pre-pandemic levels already in the second half of 2021, i.e. one year earlier than the baseline scenario; in the period 2020 to 2023, cumulated growth is assumed to be 4.9% (baseline: 2.3%).

Chart 5

GDP paths in different scenarios

Source: OeNB.

4.2 Severe scenario

The severe scenario covers the risks associated with a more unfavorable course of the pandemic. It assumes that the second lockdown scheduled to last until December 6 will not suffice to bring infections under control. The containment measures will remain in place throughout the entire winter and lifted only gradually until mid-2021. Furthermore, it is assumed that only by mid-2022 will a sufficiently large proportion of the population be vaccinated against COVID-19. Delays in the delivery of vaccine doses and a slow take-up of the vaccine among the public could contribute to this. The severe scenario also envisages significantly

worse international macroeconomic conditions, with Austria's export markets stagnating in 2021 and growing again only in 2022.

In Austria, economic activity is expected to stagnate in the first half of 2021. For the second half of 2021, the severe scenario sees the economy back on a growth path, but given the strongly negative fourth quarter of 2020 and the resulting carry-over effect, the GDP growth rate for 2021 as a whole would also remain modest (+0.4%). In contrast to the baseline and the mild scenarios, the severe scenario does not see positive cumulated growth for the period 2020 to 2023; in other words, the economy will not have reached pre-pandemic levels by the end of the forecast horizon.

4.3 Additional risks

The mild and the severe scenarios together cover the uncertainties directly associated with the COVID-19 pandemic. In addition to that, there is a number of other risks to the outlook.

While uncertainty prevailing during the US presidential campaign has eased since the election, there is still a high degree of uncertainty regarding the future

Table 10

GDP growth under different scenarios

	December 2020			June 2020	
	Baseline scenario	Mild scenario	Severe scenario	Baseline scenario	Severe scenario
	<i>Annual change in %</i>				
2020	-7.1	-6.8	-7.2	-7.2	-9.2
2021	3.6	7.0	0.4	4.9	3.5
2022	4.0	3.5	3.3	2.7	3.4
2023	2.2	1.7	2.8	x	x
2020 to 2023 cumulated	2.3	4.9	-1.1	x	x

Source: OeNB.

course of US trade policies. A fiscal stimulus package that may be adopted by the new US administration represents an upside risk to the 2021 growth outlook (+3.8%). Furthermore, our outlook assumes a hard Brexit, which will adversely affect growth in the UK and in the euro area, primarily through trade channels. Should, in addition to that, disruptions occur in financial markets, the negative effects may be even larger than assumed. If, on the contrary, the Brexit talks result in a deal, growth will be higher. In Austria, the easing of insolvency law as well as social security institutions and tax authorities refraining from requesting the opening of insolvency proceedings resulted in a decline in the number of corporate insolvencies by one-third in the first three quarters of 2020. The expiry of these measures scheduled for 2021 entails the risk of higher insolvency numbers and represents a downside risk to the economic outlook.

5 Strong downward revision of outlook for 2021

We revised the outlook for 2020 up by 0.1 percentage points from our June outlook. This marginal revision is attributable to a combination of several factors. The downward revision of historical 2019 data led to a smaller carry-over effect, which dampened 2020 growth by 0.3 percentage points. Third-quarter growth, in turn, was significantly higher than expected in June, resulting in an upward revision by 1.4 percentage points. At the same time, the second wave of infections caused a significant downward revision of the growth forecast for the fourth quarter of 2020 so that the growth rate projected for 2020 as a whole was cut by 1.1 percentage points.

The revision of the outlook for 2021 was also due to several factors. The external environment, weakened by the second wave of COVID-19 infections, dampens growth expectations by 1.3 percentage points, and the containment measures implemented in Austria cut the outlook by another 2.5 percentage points. At the same time, the stronger-than-expected recovery in the third quarter of 2020

Table 11

Breakdown of revisions to the outlook

	GDP			HICP		
	2020	2021	2022	2020	2021	2022
<i>Annual change in %</i>						
December 2020 outlook	-7.1	+3.6	+4.0	+1.3	+1.4	+1.7
June 2020 outlook	-7.2	+4.9	+2.7	+0.8	+0.8	+1.5
Difference	+0.1	-1.3	+1.3	+0.5	+0.6	+0.2
<i>Percentage points</i>						
Caused by:						
External assumptions	-0.2	-1.3	+0.5	+0.0	+0.1	-0.1
New data ¹	+1.4	+2.5	x	+0.3	+0.3	x
of which: revisions to historical data up to Q1 20	-0.6	x	x	x	x	x
projection errors for Q2 and Q3 20	+2.1	+2.5	x	+0.3	+0.3	x
Other reasons ²	-1.1	-2.5	+0.8	+0.2	+0.2	+0.3

Source: OeNB December 2020 and June 2020 outlooks.

Note: Due to rounding, the sum of growth contributions subject to individual revisions may differ from the total revision.

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.

improved the outlook for 2021 by 2.5 percentage points. In sum, the growth outlook for 2021 was revised down by 1.3 percentage points. Given that the recovery expected for 2021 is anticipated to kick in later than forecast in June, the outlook for 2022 was significantly revised up (by 1.3 percentage points).

The inflation outlook was revised up for the entire forecast horizon. Due to an underestimation of inflation in the second half of 2020, we re-estimated our forecast models, which resulted in a higher inflation outlook. For 2022, the upward revision was additionally driven by a higher GDP outlook. Changes to external assumptions only had a marginal effect.

Table 12

Comparison of the OeNB December 2020 outlook and the June 2020 outlook

	December 2020				Revision since June 2020 outlook		
	2020	2021	2022	2023	2020	2021	2022
Economic activity							
<i>Annual change in % (real)</i>							
Gross domestic product (GDP)	-7.1	+3.6	+4.0	+2.2	+0.1	-1.3	+1.3
Private consumption	-8.8	+3.9	+4.7	+2.0	-3.0	-2.2	+2.1
Government consumption	+0.7	+1.2	+0.8	+0.9	-0.5	-0.4	+0.0
Gross fixed capital formation	-4.1	+4.0	+4.7	+2.7	+2.6	-0.7	+1.6
Exports of goods and services	-11.8	+5.4	+5.5	+3.7	-0.2	-1.5	+0.8
Imports of goods and services	-11.0	+4.1	+5.8	+3.8	-2.1	-1.6	+2.1
Current account balance	+2.4	+2.4	+2.3	+2.4	+0.9	+0.2	+0.0
Contribution to real GDP growth							
<i>Percentage points</i>							
Private consumption	-3.3	+1.4	+1.7	+0.7	-1.1	-0.8	+0.7
Government consumption	+0.1	+0.2	+0.1	+0.1	-0.1	-0.1	+0.0
Gross fixed capital formation	-0.5	+0.6	+0.6	+0.4	+0.3	+0.1	+0.2
Domestic demand (excluding changes in inventories)	-3.7	+2.1	+2.4	+1.3	-0.9	-0.9	+0.9
Net exports	-3.7	+1.5	+1.5	+1.1	+0.0	-0.4	+0.2
Changes in inventories (including statistical discrepancy)	-0.2	-0.3	+0.1	+0.1	+0.1	-0.2	+0.2
Prices							
<i>Annual change in %</i>							
Harmonised Index of Consumer Prices (HICP)	+1.3	+1.4	+1.7	+1.7	+0.5	+0.6	+0.2
Private consumption expenditure (PCE) deflator	+0.9	+1.0	+1.7	+1.8	+0.0	+0.2	+0.2
GDP deflator	+0.9	+0.2	+1.5	+1.7	-0.4	+0.1	+0.1
Unit labor costs (whole economy)	+5.8	-0.7	+0.2	+1.9	+1.4	+0.6	-0.7
Compensation per employee (nominal)	+0.1	+2.1	+2.3	+2.6	+1.1	+0.5	+0.0
Compensation per hour worked (nominal)	+7.5	-0.8	+0.8	+2.6	+3.9	-0.4	-0.4
Import prices	-1.7	+1.4	+1.9	+1.7	-1.2	+0.9	+0.6
Export prices	-0.3	+1.5	+1.7	+1.8	+0.5	+0.9	+0.1
Terms of trade	+1.4	+0.0	-0.1	+0.0	+1.7	-0.1	-0.4
Income and savings							
Real disposable household income	-3.0	+0.2	+2.3	+1.8	-2.6	+0.6	-0.1
<i>% of nominal disposable household income</i>							
Saving ratio	13.7	10.0	7.9	7.7	+0.3	+2.3	+0.5
Labor market							
<i>Annual change in %</i>							
Payroll employment	-2.3	+0.7	+2.1	+1.6	-0.1	-1.5	+0.6
Hours worked (payroll employment)	-8.8	+3.5	+3.5	+1.6	-2.3	-0.8	+0.9
<i>% of labor supply</i>							
Unemployment rate (Eurostat definition)	5.3	5.6	5.1	4.8	-1.5	-0.2	-0.2
Public finances							
<i>% of nominal GDP</i>							
Budget balance (Maastricht definition)	-9.2	-6.3	-2.9	-1.4	-0.3	-2.4	-1.4
Government debt	83.3	86.4	84.4	82.5	-1.1	2.7	3.0

Source: 2018 (actual figures): WIFO, Statistics Austria, OeNB; OeNB June 2019 and December 2018 outlooks.

Annex

Table 13

Demand components (real)

Chained volume data (reference year = 2015)

	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
	EUR million					Annual change in %				
Private consumption	191,292	174,488	181,358	189,816	193,681	+0.8	-8.8	+3.9	+4.7	2.0
Government consumption	71,787	72,316	73,179	73,753	74,405	+1.4	+0.7	+1.2	+0.8	0.9
Gross fixed capital formation	91,585	87,848	91,340	95,653	98,205	+3.9	-4.1	+4.0	+4.7	2.7
of which: investment in plant and equipment	31,665	28,832	30,255	32,657	33,510	+4.1	-8.9	+4.9	+7.9	2.6
residential construction investment	16,793	16,179	16,465	16,908	17,312	+3.6	-3.7	+1.8	+2.7	2.4
nonresidential construction investment and other investment	23,543	22,922	24,369	25,264	26,127	+3.9	-2.6	+6.3	+3.7	3.4
Changes in inventories (including statistical discrepancy)	4,444	1,388	-403	717	1,410					
Domestic demand	359,108	336,040	345,474	359,939	367,701	1.1	-6.4	2.8	4.2	2.2
Exports of goods and services	214,868	189,477	199,706	210,640	218,491	+2.9	-11.8	+5.4	+5.5	3.7
Imports of goods and services	199,744	177,747	185,000	195,818	203,295	+2.5	-11.0	+4.1	+5.8	3.8
Net exports	15,124	11,730	14,706	14,822	15,197					
Gross domestic product	374,232	347,770	360,180	374,761	382,897	+1.4	-7.1	+3.6	+4.0	2.2

Source: 2019: Eurostat; 2020 to 2023: OeNB December 2020 outlook.

Table 14

Demand components (nominal)

	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
	EUR million					Annual change in %				
Private consumption	205,326	188,981	198,364	211,055	219,190	+2.7	-8.0	+5.0	+6.4	+3.9
Government consumption	77,191	79,188	79,672	80,988	83,034	+3.7	+2.6	+0.6	+1.7	+2.5
Gross fixed capital formation	97,932	95,436	100,324	106,728	111,203	+6.0	-2.5	+5.1	+6.4	+4.2
Changes in inventories (including statistical discrepancy)	3,095	-4,257	-8,432	-7,329	-6,723	x	x	x	x	x
Domestic demand	383,544	359,348	369,927	391,442	406,704	+3.1	-6.3	+2.9	+5.8	+3.9
Exports of goods and services	221,313	194,643	208,159	223,355	235,745	+2.9	-12.1	+6.9	+7.3	+5.5
Imports of goods and services	207,458	181,534	191,589	206,604	218,198	+2.8	-12.5	+5.5	+7.8	+5.6
Net exports	13,855	13,109	16,570	16,751	17,547	x	x	x	x	x
Gross domestic product	397,399	372,458	386,498	408,193	424,251	+3.2	-6.3	+3.8	+5.6	+3.9

Source: 2019: Eurostat; 2020 to 2023: OeNB December 2020 outlook.

Table 15

Demand components (deflators)

	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
	2010 = 100					Annual change in %				
Private consumption	107.3	108.3	109.4	111.2	113.2	+1.9	+0.9	+1.0	+1.7	+1.8
Government consumption	107.5	109.5	108.9	109.8	111.6	+2.2	+1.8	-0.6	+0.9	+1.6
Gross fixed capital formation	106.9	108.6	109.8	111.6	113.2	+2.1	+1.6	+1.1	+1.6	+1.5
Domestic demand (excluding changes in inventories)	107.3	108.7	109.4	111.0	112.9	+2.0	+1.3	+0.7	+1.5	+1.7
Exports of goods and services	103.0	102.7	104.2	106.0	107.9	+0.0	-0.3	+1.5	+1.7	+1.8
Imports of goods and services	103.9	102.1	103.5	105.5	107.3	+0.3	-1.7	+1.4	+1.9	+1.7
Terms of trade	99.2	100.6	100.6	100.5	100.5	-0.3	+1.4	+0.0	-0.1	+0.0
Gross domestic product	106.2	107.1	107.3	108.9	110.8	+1.7	+0.9	+0.2	+1.5	+1.7

Source: 2019: Eurostat; 2020 to 2023: OeNB December 2020 outlook.

Table 16

Labor market

	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
	Thousands					Annual change in %				
Total employment	4,539.1	4,452.4	4,490.6	4,578.0	4,646.3	+1.1	-1.9	+0.9	+1.9	+1.5
of which: private sector	3,782.1	3,692.9	3,730.4	3,817.1	3,884.7	+1.2	-2.4	+1.0	+2.3	+1.8
Payroll employment (national accounts definition)	3,998.6	3,908.1	3,937.0	4,019.0	4,083.6	+1.4	-2.3	+0.7	+2.1	+1.6
	% of labor supply									
Unemployment rate (Eurostat definition)	4.5	5.3	5.6	5.1	4.8	x	x	x	x	x
	EUR per real unit of output x 100									
Unit labor costs (whole economy) ¹	58.5	61.9	61.5	61.6	62.7	+2.4	+5.8	-0.7	+0.2	+1.9
	EUR thousand per employee									
Labor productivity (whole economy) ²	82.4	78.1	80.2	81.9	82.4	+0.3	-5.3	+2.7	+2.1	+0.7
	EUR thousand									
Compensation per employee (real) ³	44.9	44.6	45.1	45.3	45.7	+0.9	-0.7	+1.1	+0.6	+0.8
	At current prices in EUR thousand									
Compensation per employee (gross)	48.2	48.3	49.3	50.4	51.7	+2.7	+0.1	+2.1	+2.3	+2.6
	At current prices in EUR million									
Total compensation of employees (gross)	192,769	188,687	194,128	202,638	211,171	+4.1	-2.1	+2.9	+4.4	+4.2

Source: 2019: Eurostat; 2020 to 2023: OeNB December 2020 outlook.

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 17

Current account balance

	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
	EUR million					% of nominal GDP				
Balance of trade	12,795.0	13,370.2	13,241.8	13,703.5	14,417.9	3.2	3.6	3.4	3.4	3.4
Balance of goods	2,981.0	6,339.8	7,139.4	6,246.8	6,169.6	0.8	1.7	1.8	1.5	1.5
Balance of services	9,814.0	7,030.4	6,102.4	7,456.7	8,248.2	2.5	1.9	1.6	1.8	1.9
Balance of primary income	1,983.0	-815.7	-671.4	-671.4	-671.4	0.5	-0.2	-0.2	-0.2	-0.2
Balance of secondary income	-3,479.0	-3,431.0	-3,437.1	-3,596.3	-3,596.3	-0.9	-0.9	-0.9	-0.9	-0.8
Current account balance	11,299.0	9,123.5	9,133.3	9,435.8	10,150.1	2.8	2.4	2.4	2.3	2.4

Source: 2019: Eurostat; 2020 to 2023: OeNB December 2020 outlook.

Table 18

Quarterly outlook results

	2020	2021	2022	2023	2020				2021				2022				2023			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Prices, wages, costs	<i>Annual change in %</i>																			
HICP	+1.3	+1.4	+1.7	+1.7	+2.0	+1.1	+1.4	+0.8	+0.9	+1.5	+1.6	+1.7	+1.7	+1.7	+1.7	+1.7	+1.7	+1.7	+1.7	+1.7
HICP excluding energy	+1.9	+1.3	+1.8	+1.7	+2.2	+1.8	+2.2	+1.4	+1.1	+1.1	+1.5	+1.6	+1.9	+1.9	+1.8	+1.7	+1.8	+1.8	+1.8	+1.7
Private consumption expenditure deflator	+0.9	+1.0	+1.7	+1.8	+1.5	+0.7	+1.1	+0.2	+0.4	+1.2	+0.7	+1.6	+1.6	+1.6	+1.7	+1.8	+1.8	+1.8	+1.8	+1.8
Gross fixed capital formation deflator	+1.6	+1.1	+1.6	+1.5	+1.8	+1.7	+1.7	+1.2	+1.0	+1.0	+1.0	+1.4	+1.6	+1.6	+1.6	+1.5	+1.5	+1.5	+1.5	+1.4
GDP deflator	+0.9	+0.2	+1.5	+1.7	+1.2	+1.4	+0.6	+0.3	+0.1	-0.4	+0.4	+0.6	+1.1	+1.4	+1.5	+2.0	+2.1	+1.9	+1.6	+1.3
Unit labor costs	+5.8	-0.7	+0.2	+1.9	+5.9	+10.0	+3.4	+4.0	-0.2	-4.4	+2.5	-0.3	+1.2	+0.2	-0.6	+0.0	+0.9	+1.5	+2.3	+2.9
Compensation per employee (nominal)	+0.1	+2.1	+2.3	+2.6	+2.2	-1.7	+0.2	-0.2	-1.0	+3.6	+3.1	+2.9	+3.8	+2.7	+1.3	+1.3	+2.0	+2.3	+2.8	+3.1
Productivity	-5.3	+2.7	+2.1	+0.7	-3.5	-10.6	-3.0	-4.0	-0.7	+8.3	+0.5	+3.2	+2.6	+2.5	+1.9	+1.3	+1.1	+0.8	+0.5	+0.2
Compensation per employee (real)	-0.7	+1.1	+0.6	+0.8	+0.6	-2.4	-0.8	-0.4	-1.4	+2.3	+2.3	+1.3	+2.2	+1.1	-0.4	-0.4	+0.2	+0.5	+1.0	+1.3
Import deflator	-1.7	+1.4	+1.9	+1.7	-0.6	-2.6	-1.8	-1.8	-0.5	+1.7	+1.9	+2.6	+2.2	+2.0	+1.8	+1.7	+1.7	+1.7	+1.7	+1.8
Export deflator	-0.3	+1.5	+1.7	+1.8	+0.0	-0.6	-0.3	-0.2	+0.4	+1.5	+1.8	+2.1	+1.9	+1.7	+1.7	+1.7	+1.7	+1.8	+1.8	+1.8
Terms of trade	+1.4	+0.0	-0.1	+0.0	+0.6	+2.1	+1.5	+1.6	+0.9	-0.2	-0.1	-0.5	-0.3	-0.2	-0.1	+0.0	+0.1	+0.1	+0.0	+0.0
Economic activity	<i>Annual and/or quarterly changes in % (real)</i>																			
GDP	-7.1	+3.6	+4.0	+2.2	-2.8	-11.6	+12.0	-2.9	+1.1	+1.4	+1.6	+1.3	+0.8	+0.7	+0.6	+0.6	+0.6	+0.5	+0.4	+0.3
Private consumption	-8.8	+3.9	+4.7	+2.0	-4.5	-11.2	+12.9	-4.8	+2.4	+1.4	+1.5	+1.4	+1.2	+0.9	+0.7	+0.5	+0.4	+0.4	+0.4	+0.4
Government consumption	+0.7	+1.2	+0.8	+0.9	+0.1	+0.5	+0.5	+0.3	+0.3	+0.2	+0.2	+0.3	+0.3	+0.1	+0.1	+0.1	+0.3	+0.3	+0.3	+0.3
Gross fixed capital formation	-4.1	+4.0	+4.7	+2.7	-0.2	-7.2	+7.9	-0.5	+0.6	+0.8	+1.5	+1.8	+1.3	+0.9	+0.6	+0.5	+0.7	+0.7	+0.7	+0.7
Exports	-11.8	+5.4	+5.5	+3.7	-4.2	-18.4	+16.1	-1.4	+0.1	+3.1	+2.9	+1.4	+0.8	+0.9	+0.8	+0.8	+0.7	+1.1	+1.1	+1.2
Imports	-11.0	+4.1	+5.8	+3.8	+0.1	-17.4	+12.1	-1.6	+0.9	+2.6	+2.6	+1.6	+1.3	+1.0	+0.8	+0.7	+0.7	+1.1	+1.3	+1.5
	<i>Contribution to real GDP growth in percentage points</i>																			
Domestic demand	-5.3	+3.2	+3.7	+1.9	-2.4	-7.3	+8.6	-2.5	+1.4	+0.9	+1.2	+1.2	+1.0	+0.7	+0.6	+0.4	+0.4	+0.4	+0.4	+0.4
Net exports	-0.9	+0.9	+0.0	+0.1	-2.5	-1.1	+2.4	+0.0	-0.4	+0.4	+0.3	-0.1	-0.2	+0.0	+0.0	+0.1	+0.1	+0.0	-0.1	-0.1
Changes in inventories	-0.8	-0.5	+0.3	+0.2	+2.1	-3.2	+1.0	-0.5	+0.1	+0.0	+0.1	+0.1	+0.0	+0.0	+0.0	+0.1	+0.0	+0.0	+0.0	+0.0
Labor market	<i>% of labor supply</i>																			
Unemployment rate (Eurostat definition)	5.3	5.6	5.1	4.8	4.5	5.5	5.5	5.8	5.8	5.7	5.6	5.5	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7
	<i>Annual and/or quarterly changes in %</i>																			
Total employment	-1.9	+0.9	+1.9	+1.5	-0.4	-4.0	+3.0	-1.1	+0.2	+0.8	+0.7	+0.5	+0.5	+0.3	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4
of which: private sector	-2.4	+1.0	+2.3	+1.8	-0.4	-4.9	+3.6	-1.3	+0.2	+1.0	+0.8	+0.6	+0.5	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4	+0.5
Payroll employment	-2.3	+0.7	+2.1	+1.6	-0.4	-4.5	+3.2	-1.3	+0.1	+0.9	+0.7	+0.6	+0.5	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4
Additional variables	<i>Annual and/or quarterly changes in % (real)</i>																			
Disposable household income	-3.0	+0.2	+2.3	+1.8	-7.1	-1.3	+13.4	-6.4	-1.9	+0.7	+1.1	+0.7	+0.6	+0.4	+0.1	+0.4	+0.7	+0.5	+0.4	+0.5
	<i>% of potential output</i>																			
Output-Gap	-7.3	-4.8	-2.3	-1.6	-3.3	-14.5	-4.3	-7.1	-6.4	-5.4	-4.2	-3.3	-2.8	-2.4	-2.1	-1.8	-1.6	-1.6	-1.6	-1.6

Source: OeNB December 2020 outlook. Quarterly values based on seasonally and working day-adjusted data.

Comparison of current economic forecasts for Austria

	OeNB				WIFO		IHS		OECD			IMF		European Commission		
	December 2020				November 2020		October 2020		December 2020			October 2020		November 2020		
	2020	2021	2022	2023	2020	2021	2020	2021	2020	2021	2022	2020	2021	2020	2021	2022
<i>Annual change in %</i>																
Main results																
GDP (real)	-7.1	+3.6	+4.0	+2.2	-7.7	+2.8	-6.7	+4.7	-8.0	+1.4	+2.3	-6.7	+4.6	-7.1	+4.1	+2.5
Private consumption (real)	-8.8	+3.9	+4.7	+2.0	-8.2	+3.4	-6.3	+5.4	-7.9	+2.9	+2.3	x	x	-7.2	+5.0	+2.5
Government consumption (real)	+0.7	+1.2	+0.8	+0.9	+1.1	+1.0	+1.0	+1.5	+1.2	+1.2	+1.2	x	x	+1.7	+1.5	+0.9
Gross fixed capital formation (real)	-4.1	+4.0	+4.7	+2.7	-6.4	+2.2	-6.7	+4.1	-7.0	+1.9	+3.2	x	x	-6.0	+3.2	+2.4
Exports (real)	-11.8	+5.4	+5.5	+3.7	-13.0	+4.7	-9.6	+6.7	-13.3	+4.0	+4.3	x	x	-11.5	+5.5	+3.8
Imports (real)	-11.0	+4.1	+5.8	+3.8	-11.5	+4.6	-7.9	+5.8	-12.7	+3.9	+4.5	x	x	-9.4	+4.8	+3.1
Labor productivity ¹	-5.3	+2.7	+2.1	+0.7	x	x	-5.2	+3.4	-5.4	+1.5	+0.8	x	x	-4.6	+2.6	+1.4
GDP deflator	+0.9	+0.2	+1.5	+1.7	+2.0	+1.4	+1.7	+1.3	+0.7	+1.1	+1.1	x	x	+2.0	+1.9	+1.6
CPI	x	x	x	x	+1.3	+1.3	+1.4	+1.6	x	x	x	x	x	x	x	x
HICP	+1.3	+1.4	+1.7	+1.7	x	x	+1.4	+1.6	+1.3	+1.3	+1.6	+1.2	+1.8	+1.5	+1.7	+1.7
Unit labor costs	+5.8	-0.7	+0.2	+1.9	x	x	+6.0	-2.5	+7.1	+5.8	+2.9	x	x	+6.0	-2.0	+0.6
Payroll employment ²	-1.9	+0.9	+1.9	+1.5	-2.0	+0.7	-1.6	+1.3	-2.6	+0.0	+1.5	x	x	-2.5	+1.5	+1.2
<i>% of labor supply</i>																
Unemployment rate (Eurostat definition)	5.3	5.6	5.1	4.8	5.5	5.6	5.4	5.3	+5.6	+5.6	+5.1	5.8	5.5	5.5	5.1	4.9
<i>% of nominal GDP</i>																
Current account balance	2.4	2.4	2.3	2.4	x	x	x	x	+2.9	+3.1	+3.2	2.4	2.5	2.3	2.9	3.2
Budget balance (Maastricht definition)	-9.2	-6.3	-2.9	-1.4	-10.4	-6.2	-11.7	-6.1	-10.5	-6.7	-2.6	-9.9	-3.9	-9.6	-6.4	-3.7
External assumptions																
Oil price in USD/barrel (Brent)	41.6	44.0	45.7	46.9	x	x	41.5	47.3	+40.6	+40.0	+40.0	41.7	46.7	42.6	44.6	46.4
Short-term interest rate in %	-0.4	-0.5	-0.5	-0.5	-0.5	-0.6	-0.4	-0.5	-0.4	-0.5	-0.5	-0.4	-0.5	-0.4	-0.5	-0.6
USD/EUR exchange rate	1.14	1.18	1.18	1.18	x	x	1.14	1.19	+1.10	+1.20	+1.20	1.14	1.23	1.14	1.18	1.18
<i>Annual change in %</i>																
Euro area GDP (real)	-7.3	+3.9	+4.2	+2.1	x	x	-7.4	+5.6	-7.5	+3.6	+3.3	-8.3	+5.2	-7.8	+4.2	+3.0
US GDP (real)	-3.6	+3.8	+2.2	+1.8	x	x	-4.0	+4.0	-3.7	+3.2	+3.5	-4.3	+3.1	-4.6	+3.7	+2.5
World GDP (real)	-3.5	+5.6	+3.9	+3.4	x	x	-4.0	+5.3	-4.2	+4.2	+3.7	-4.4	+5.2	-4.3	+4.6	+3.6
World trade ³	-9.5	+7.1	+4.3	+3.6	x	x	-8.5	+5.5	-10.3	+3.9	+4.4	-10.4	+8.3	-10.2	+6.2	+4.4

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

¹ OeNB, WIFO: productivity per hour worked; IHS, OECD, European Commission: productivity per employee.² WIFO: payroll employment.³ IHS: goods according to CPB; European Commission: world imports.