

Austrian economy to grow at same pace as euro area economy in 2016 and 2017

Economic outlook for Austria from 2015 to 2017 (December 2015)

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1 Executive summary

In its December 2015 economic outlook, the Oesterreichische Nationalbank (OeNB) expects the Austrian economy to pick up moderately. While GDP growth will still be weak at 0.7% in 2015, it is set to accelerate to 1.9% in 2016 on the back of three one-off factors: the tax reform taking effect in

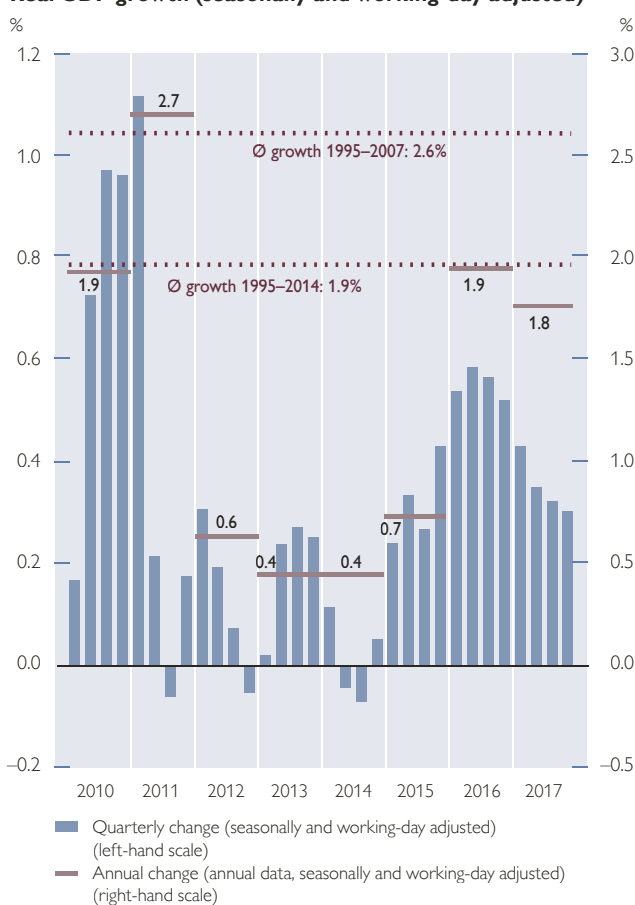
January 2016, expenditure on asylum-seekers and recognized refugees and a government housing stimulus package. In 2017, growth is expected to come in at 1.8%. This means that the outlook remains unchanged compared with the June 2015 outlook.

The growth outlook for the global economy deteriorated in the course of

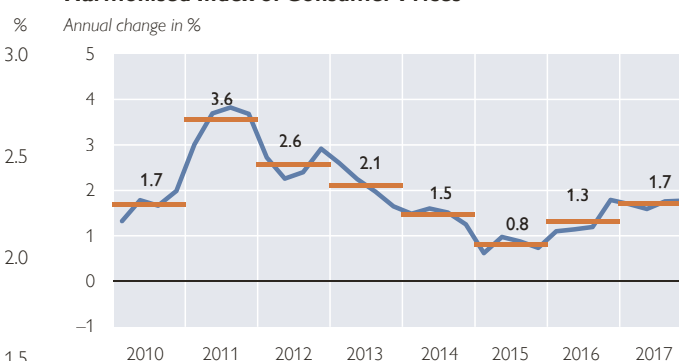
Chart 1

OeNB December 2015 outlook for Austria – key results

Real GDP growth (seasonally and working-day adjusted)



Harmonised Index of Consumer Prices



Unemployment rate



Source: Statistics Austria, WIFO, OeNB outlook (December 2015).

Cutoff date for data:
November 19, 2015

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2015. While developed economies were on a path of recovery, the pace of growth declined in a number of emerging economies. Brazil and Russia are deep in recession, and China saw a marked slowdown in growth. Global trade slumped in 2015. In addition to cyclical factors, this decline was mainly attributable to stagnation in the expansion of global production chains and to structural change in the Chinese economy toward a consumption- and services-led growth model. The developed economies, by contrast, consistently experienced a robust upswing, which remains subdued, however, in light of a great number of concurrent stimuli.

As the outlook for the world economy has become cloudier, Austrian exporters are expected to see slightly weaker growth rates in 2016 and 2017 compared with the June 2015 outlook. Although export growth gained momentum in the course of 2015 and is set to accelerate noticeably from 2.3% in 2015 to 4.5% in 2017, it will remain muted compared with previous upswings. Investment growth has been very weak over the past few years on the back of businesses' pessimistic sales expectations and decreasing investment in construction. In particular, the sluggishness in residential construction comes as quite a surprise given that housing demand is high, real estate prices have risen sharply and financing conditions have been benign. The housing stimulus package adopted by the federal government is set to provide important stimuli and support investment in residential construction, however. Growth in investment in equipment turned positive in 2015. Thanks to rising demand for replacement and expansion investment, businesses will considerably step up investment in equipment also in 2016 and 2017.

Private consumption will benefit from two supporting factors over the forecast horizon: The 2016 tax reform will result in substantially higher net incomes, and public expenditure on asylum-seekers and recognized refugees in the form of transfer payments will raise nominal household incomes. Although rising inflation is set to dampen real income growth, private consumption growth will accelerate to 1.6% and 1.4% in 2016 and 2017, respectively. At the same time, the saving ratio, which had been falling in recent years, will edge up by 1 percentage point to 8.1% in 2016.

The three one-off factors mentioned above will contribute a total of 0.8 percentage points (tax reform: 0.4 percentage points, expenditure on refugees: 0.3 percentage points; housing stimulus package: 0.1 percentage points) to GDP growth in 2016. Underlying cyclical GDP growth alone, i.e. excluding these one-off factors, would be only 1.1%. In 2017, the one-off factors will contribute 0.4 percentage points to growth.

The strong increase in labor supply in recent years will continue to shape the labor market over the entire forecast horizon. It is attributable not only to the recognition of refugees and other migrants, which gives them the right to work, but also to rising labor participation rates among older people and women. The unemployment rate is set to mount further in 2015 (+5.8%), mostly because of faltering economic momentum and the increase in overall labor supply. In 2016 and 2017, the jobless rate will be 6.1% and 6.3%, respectively, despite strong economic and employment growth.

HICP inflation is projected to accelerate from 0.8% in 2015 to 1.3% and 1.7% in 2016 and 2017, respectively. The rise in inflation can be

traced first and foremost to external cost factors. The prices of both commodity and goods imports have been pointing upward. Domestic factors, on the other hand, have been playing a less important role in the uptrend in the in-

Table 1

OeNB December 2015 outlook for Austria – key results¹

	2014	2015	2016	2017
Economic activity				
<i>Annual change in % (real)</i>				
Gross domestic product	0.4	0.7	1.9	1.8
Private consumption	0.1	0.2	1.6	1.4
Government consumption	0.8	0.8	1.3	1.1
Gross fixed capital formation	-0.1	0.5	2.3	2.2
Exports of goods and services	2.2	2.3	3.9	4.5
Imports of goods and services	1.1	1.8	3.6	4.3
<i>% of nominal GDP</i>				
Current account balance	2.0	2.7	2.8	3.1
Contribution to real GDP growth				
<i>Percentage points</i>				
Private consumption	0.0	0.1	0.9	0.7
Government consumption	0.2	0.2	0.3	0.2
Gross fixed capital formation	0.0	0.1	0.5	0.5
Domestic demand (excluding changes in inventories)	0.2	0.4	1.6	1.4
Net exports	0.6	0.4	0.3	0.3
Changes in inventories (including statistical discrepancy)	-0.3	0.0	0.0	0.0
Prices				
<i>Annual change in %</i>				
Harmonised Index of Consumer Prices	1.5	0.8	1.3	1.7
Private consumption expenditure (PCE) deflator	2.0	1.1	1.4	1.8
GDP deflator	1.6	1.6	1.6	1.6
Unit labor costs in the total economy	2.2	1.8	0.4	0.8
Compensation per employee (at current prices)	1.8	1.8	1.3	1.6
Compensation per hour worked (at current prices)	2.0	2.4	1.6	1.8
Import prices	-0.8	-0.1	1.0	1.6
Export prices	-0.1	1.1	1.3	1.7
Terms of trade	0.7	1.2	0.3	0.0
Income and savings				
<i>% of nominal disposable household income</i>				
Real disposable household income	0.6	-0.4	2.8	1.0
<i>% of nominal disposable household income</i>				
Saving ratio	7.8	7.1	8.1	7.7
Labor market				
<i>Annual change in %</i>				
Payroll employment	0.9	1.0	1.2	1.1
Hours worked (payroll employees)	0.6	0.4	0.9	0.9
<i>% of labor supply</i>				
Unemployment rate (Eurostat definition)	5.6	5.8	6.1	6.3
Public finances				
<i>% of nominal GDP</i>				
Budget balance (Maastricht definition)	-2.7	-1.6	-2.0	-1.7
Government debt	84.2	84.9	83.3	81.7

Source: 2014: Eurostat, Statistics Austria; 2015 to 2017: OeNB December 2015 outlook.

¹ The outlook was drawn up on the basis of seasonally and working-day adjusted national accounts data (trend-cycle component). The data differ, in the method of seasonal adjustment, from the quarterly data series published by Eurostat since fall 2014 following the switch to the ESA 2010. The data published by Eurostat are much more volatile and can in part not be interpreted from an economic perspective. The values for 2014 deviate also from the nonadjusted data released by Statistics Austria. Real GDP figures are based on a flash estimate of the national accounts for the third quarter of 2015, while the expenditure-side GDP components are partly based on the full set of national accounts data released for the second quarter of 2015.

flation rate. The VAT hike that is part of the tax reform package will contribute a cumulated 0.2 percentage points to headline inflation in 2016 and 2017.

The general government budget balance is set to improve considerably to -1.6% of GDP in 2015 (after -2.7% of GDP in 2014). A decline in capital transfers to banks is one of the reasons for the narrowing of the deficit. Also, an unexpected rise in tax revenues compensated for additional expenditure related to refugees. The latter plus the 2016 tax reform will cause the deficit to widen in 2016. It must be noted in this context that the measures to fight tax evasion and social welfare fraud that will be part of the tax reform package must not be included in the economic outlook according to ESCB rules. An improvement in the general government balance can be expected for 2017 on the back of relatively strong economic growth and a further decline in capital transfers to banks. The government debt ratio is forecast to fall below 82% of GDP by 2017. After amounting to about $\frac{1}{2}\%$ of GDP in 2015, the structural deficit will deteriorate significantly – to a little above 1% of GDP in both 2016 and 2017 – as a result of the tax reform and additional expenditure related to asylum-seekers and recognized refugees.

2 Technical Assumptions

This forecast for the Austrian economy is the OeNB's contribution to the December 2015 Eurosystem staff macroeconomic projections. The forecast horizon ranges from the fourth quarter of 2015 to the fourth quarter of 2017. The cutoff date for all assumptions on the performance of the global economy, interest rates, exchange rates and crude oil prices was November 19, 2015. The OeNB used its macroeconomic quarterly model to prepare

these projections, which are based on national accounts data adjusted for seasonal and working-day effects (trend-cycle component) provided by the Austrian Institute of Economic Research (WIFO). These data differ from the quarterly series published by Eurostat since the changeover to the European System of Accounts (ESA 2010) in fall 2014 in that the latter are solely seasonal and working-day adjusted and therefore include irregular fluctuations that – in part – cannot be mapped to specific economic fundamentals. The values for 2014 deviate also from the nonadjusted data released by Statistics Austria. National accounts data were fully available up to the second quarter of 2015. The data for the third quarter of 2015 are based on the GDP flash estimate, which covers only part of the national accounts aggregates, however. The short-term interest rate used for the forecast horizon is based on market expectations for the three-month EURIBOR: 0.0% , -0.2% and -0.1% for the years 2015 to 2017, respectively. Long-term interest rates reflect market expectations for ten-year government bonds, and have been set at 0.8% (2015), 1.0% (2016) and 1.3% (2017). The exchange rate of the euro vis-à-vis the U.S. dollar is assumed to remain at a constant USD/EUR 1.09. The projected path of crude oil prices is based on futures prices. For the years 2015 to 2017, an oil price of USD 53.8, 52.2 and 57.5, respectively, per barrel Brent is assumed. The prices of commodities excluding energy are also based on futures prices over the forecast horizon.

3 Global economic outlook deteriorates

The global economic outlook deteriorated in the course of 2015. While the developed economies were on a path of

recovery, the pace of growth slowed in a number of emerging economies.

The slump in energy prices has stimulated growth in industrialized countries but poses a great challenge to energy-exporting countries. Brazil and Russia are deep in recession, and China saw a marked slowdown in growth. The developed economies, by contrast, consistently experienced a robust upswing. Yet growth remained subdued in light of a great number of concurrent stimuli (low energy prices, a very expansive monetary policy, in part supportive exchange rate effects).

Global output grew only moderately, and world trade slumped, with Brazil and Russia in recession and the Chinese economy moving toward a consumption- and services-led growth model. In addition, the expansion of global production chains – a key driver of global trade – has come to a standstill in recent years.

The world economy is currently affected by a host of uncertainties. The upcoming tapering of the U.S. Federal Reserve's expansive monetary policy entails the risk of massive capital outflows from many emerging economies and disruptions in the global exchange rate system. The war in Syria and IS terrorism have unleashed a wave of refugees and caused uncertainty all over the world. The Paris terrorist attacks and the intensification of the campaign against IS are additional factors contributing to uncertainty.

The U.S. economy is on a robust growth path, with private consumption acting as the key driver. Private consumption, in turn, has been stimulated by rising employment, capital accumulation and low inflation, helped, in particular, by low energy prices and the appreciation of the U.S. dollar. Net exports, by contrast, have been a drag on growth. Public debt is high by histori-

cal standards, and the fiscal stance is currently considered to be neutral. The Fed's monetary policy remains very expansive, but a majority of observers expect a gradual hike in key interest rates starting toward end-2015. After a weak first quarter in 2015 due to one-off factors (weather, port strike), the U.S. economy gathered considerable momentum in the second quarter of the year. The upswing slowed down somewhat in the third quarter, as private consumption remained the sole driver of growth. Investment and net exports restrained growth. Despite these fluctuations, the U.S. economy is expected to continue to grow more strongly than most other developed economies. U.S. GDP growth is projected to be around 2½% each year over the forecast horizon.

In *China*, economic growth is losing its steam. The first half of 2015 saw the Chinese economy expand by 7% year on year. In the summer, a crash in stock prices triggered uncertainty. However, in view of the small share of stocks in households' wealth, the effects of the slump on the real economy can be expected to be limited. Against the background of a real-effective appreciation of the Chinese currency, export growth has been steadily slowing down for the past few years. In fact, exports contracted over recent months, as did imports because of the high import content of exports. The Chinese economy is currently undergoing a structural change from investment toward strengthening private consumption, a shift supported by the government. High production capacities and a high share of vacant housing have rendered investment increasingly unprofitable. This change has depressed import demand even further, as consumer spending has a considerably smaller import content than investment.

Japan has slipped into recession. After a strong expansion in the first quarter of 2015, the Japanese economy contracted somewhat in the succeeding two quarters. In the second quarter of 2015, the faltering economies of Japan's trading partners caused exports to decline. In addition, private consumption shrank slightly due to one-off factors. In the third quarter of 2015, gross fixed capital formation and destocking in the automotive industry induced a contraction in output. Given capacity bottlenecks, however, Japanese businesses can be expected to step up investment. At the same time, fiscal policies will be rather restrictive on account of the country's extraordinarily high public debt level. The VAT hike scheduled for 2017 will curb consumption.

Russia entered a deep recession in 2015 on the back of tumbling oil prices and the West's sanctions as well as the counter-sanctions imposed by the government in response. Both private consumption and investment have been hit by the sanctions, the former because of import restrictions on European food products and the latter because of restrictions on Russian businesses' access to European capital markets. These developments and a strong depreciation of the ruble caused imports to slump in 2015. Current structural problems such as the country's heavy dependence on energy exports and a low investment ratio, in conjunction with an extension of the sanctions, are the reasons why the Russian economy will continue to grow only very modestly in the coming years.

The countries of *Central and Eastern Europe* are on a path of strong growth, expanding by slightly more than 3% annually. Growth is being driven particularly by private consumption, but all demand components have made a positive contribution.

The *euro area* economy has benefited from a number of factors fueling growth. Historically low key interest rates and the Eurosystem's expanded asset purchase program are aimed at stimulating lending and firmly anchoring long-term inflation expectations in line with the Eurosystem's inflation target. This very expansionary monetary policy stance has stimulated private consumption and investment. As deleveraging in the private sector continues, growth has become increasingly less affected by indebtedness. Tumbling energy prices are increasing real disposable household incomes and supporting consumption. At the same time, the euro's depreciation has helped businesses' price competitiveness and stimulated exports. The large number of refugees entering, in particular, Germany and Austria is set to raise government spending, which in turn will drive growth. On the other hand, the slowdown in emerging economies has hampered euro area exports. Taken together, however, these factors are inducing a moderate upturn in the euro area. In the first three quarters of 2015, real GDP growth averaged 0.4% (quarter on quarter). In 2015, growth is expected to come in at 1.5%, clearly above the 2014 rate (+0.9%). Afterwards, the pace of expansion will pick up only slightly (2016: +1.7%, 2017: +1.9%). Consumer price growth will remain stagnant in 2015 (+0.1%), but as energy prices are set to rise (albeit from a low level), the depreciation of the euro will show its lagged effects and wages will increase on the back of the economic recovery, HICP inflation is expected to accelerate to 1.0% and 1.6% in 2016 and 2017, respectively.

The pace of the upswing has been very varied across the euro area economies. While the former program countries Ireland and Spain reached pre-crisis

sis growth rates already in early 2015, other countries are still struggling with structural problems that prevent them from achieving higher rates of expansion. In *Germany*, the upswing has continued, driven by benign labor market conditions and ensuing private consumption growth. In addition to an expansion in employment, strong real wage rises have supported consumers' purchasing power. In 2016 and 2017, private consumption will be fueled by cuts in the tax burden, pension hikes and the intake of refugees. Exports are further expanding strongly despite the slowdown in world trade. Investment activity, by contrast, has been very muted and is also expected to remain subdued in the near future, as there are currently no signs of an underutilization of production capacity.

Economic recovery in *Italy* is gradually gaining momentum on the back of

improving export growth. Investment has been depressed by a contraction in lending, a high level of underutilized production capacity and weak public investment. As a result, growth remains weak, a slip back into recession does not appear to be likely, however. In *France*, growth was very volatile throughout 2015. While business investment bounced back, construction investment continued to contract on the back of falling real estate prices. *Spain* has recovered well from the repercussions of the financial and economic crisis. Following a period of consolidation, the fiscal stance has been expansive and supportive of economic growth; this expansion is based above all on domestic demand but also on strong export growth. Even though growth will lose some momentum in 2016 and 2017, it will remain high enough to reduce unemployment,

Table 2

Underlying global economic conditions

	2014	2015	2016	2017
Gross domestic product				
World excluding the euro area	3.7	3.1	3.6	3.9
U.S.A.	2.4	2.4	2.7	2.6
Japan	-0.1	0.5	0.8	0.6
Asia excluding Japan	6.3	6.0	6.2	6.1
Latin America	1.3	0.1	0.5	2.3
United Kingdom	2.9	2.4	2.4	2.4
CESEE EU Member States ¹	2.9	3.3	3.0	3.1
Switzerland	1.9	0.9	1.3	1.8
Euro area ²	0.9	1.5	1.7	1.9
World trade (imports of goods and services)				
World	3.5	1.5	3.5	4.2
World excluding the euro area	3.2	0.5	2.9	3.8
Growth of euro area export markets (real)	3.3	-0.1	2.7	3.8
Growth of Austrian export markets (real)	3.7	2.9	3.8	4.6
Prices				
Oil price in USD/barrel (Brent)	98.9	53.8	52.2	57.5
Three-month interest rate in %	0.2	0.0	-0.2	-0.1
Long-term interest rate in %	1.5	0.8	1.0	1.3
USD/EUR exchange rate	1.33	1.11	1.09	1.09
Nominal effective exchange rate of the euro (euro area index)	101.82	92.32	91.71	91.71

Source: Eurosystem.

¹ Bulgaria, the Czech Republic, Hungary, Lithuania (until 2014), Poland and Romania.

² 2015 to 2017: Results of the Eurosystem's December 2015 projections.

which is very high by international standards. Greece slipped back into recession in 2015 owing to protracted negotiations with its creditors, temporary bank closures and a high level of uncertainty.

4 Austria: One-off factors support growth in 2016

4.1 Upswing in exports since mid-2015

Austrian export growth was very lackluster at around 1½% (in real terms) between 2012 and 2014, mainly owing to weak demand from Austria's main trading partners, in particular euro area countries. Austrian exporters even saw their market share shrink by 2.9% in 2013 and 2014. This loss in market share went hand in hand with losses in price competitiveness (–2.7%) in this period, which to some extent offset the gains achieved in the three previous years (+7.1%).

In the course of 2015, however, exports gathered considerable momentum, expanding by 1.4% (in real terms,

on the previous quarter) in the third quarter. This was the highest growth rate since mid-2010. The slump in exports to Russia was more than compensated for by exports to the U.S.A., Eastern Europe and a number of EU countries. This favorable trend is likely to continue – albeit at a slightly slower pace – in the next few quarters. Austrian exports are thus increasingly benefiting from the upturn in Europe, with export growth accelerating gradually to 4.5% by 2017. Compared to past upswings, export growth will still be muted, however.

Austria's current account improved in 2013 and 2014, mostly thanks to the balance on goods, which in 2014 posted a positive result for the first time since 2008. In 2015, an excellent performance in tourism is set to contribute to another improvement in the current account surplus, which will gradually expand further until 2017 in line with the anticipated acceleration in export growth.

Table 3

Growth and price developments in Austria's foreign trade

	2014	2015	2016	2017
<i>Annual change in %</i>				
Exports				
Competitor prices in Austria's export markets	–1.1	2.5	0.8	2.2
Export deflator	–0.1	1.1	1.3	1.7
Changes in price competitiveness	–1.0	1.4	–0.5	0.5
Import demand in Austria's export markets (real)	3.7	2.9	3.8	4.6
Austrian exports of goods and services (real)	2.2	2.3	3.9	4.5
Austrian market share	–1.6	–0.6	0.1	–0.2
Imports				
International competitor prices in the Austrian market	–0.8	2.7	0.8	1.9
Import deflator	–0.8	–0.1	1.0	1.6
Austrian imports of goods and services (real)	1.1	1.8	3.6	4.3
Terms of trade	0.7	1.2	0.3	0.0
<i>Percentage points of real GDP</i>				
Contribution of net exports to GDP growth	0.6	0.4	0.3	0.3
<i>% of nominal GDP</i>				
Export ratio	53.3	53.8	54.7	56.1
Import ratio	49.4	49.1	49.6	50.8

Source: 2014: Eurostat, Statistics Austria; 2015 to 2017: OeNB December 2015 outlook, Eurosystem.

Table 4

Austria's current account

	2014	2015	2016	2017
	% of nominal GDP			
Balance of trade	3.7	4.5	4.6	4.8
Balance of goods	0.5	1.1	1.2	1.3
Balance of services	3.2	3.4	3.4	3.5
Balance of primary income	-0.7	-0.7	-0.7	-0.6
Balance of secondary income	-1.0	-1.2	-1.1	-1.1
Current account	2.0	2.7	2.8	3.1

Source: 2014: Eurostat; 2015 to 2017: OeNB December 2015 outlook.

4.2 Investment growth mirrors moderate upswing

Investment growth returned to positive territory in early 2015 after two years of stagnant business investment activity. In the first quarter, gross fixed capital formation expanded by 0.3% (in real terms) on the previous quarter; in the two ensuing quarters, the growth rate was 0.5%. The historical growth rates for the past few quarters were – in some cases, significantly – revised upward. All in all, investment in the first three quarters of 2015 was 0.1% higher than in the same period of the previous year.

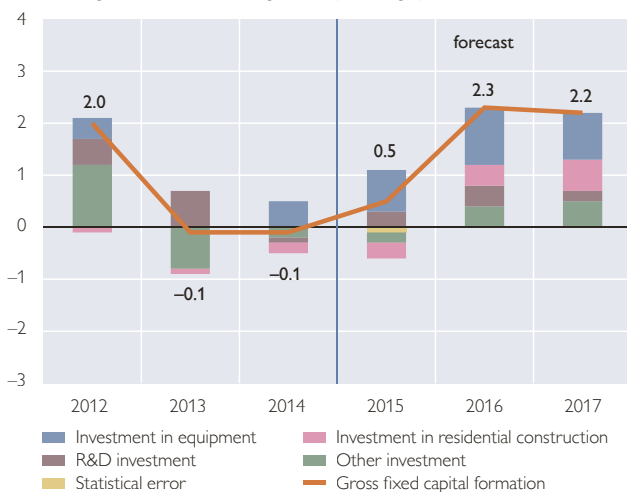
The recovery has not been even across all components of investment. In the first three quarters, investment in equipment, a cyclically responsive component, and investment in research and development expanded most markedly by 1.9% and 0.9% (year on year), respectively, whereas investment in residential construction (-2.1%) and non-residential construction (-1.0%) contracted.

The path of investment growth mirrors a moderate upswing. This picture is confirmed by the recovery of a number of leading indicators (order

Chart 2

Investment**Contributions to investment growth**

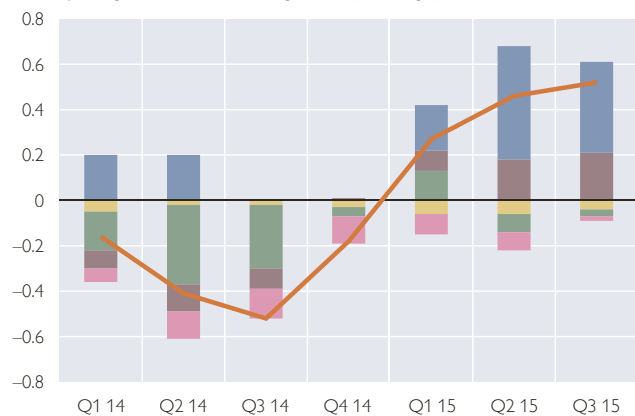
Annual change in %; contributions to growth in percentage points



Source: Eurostat, OeNB.

Quarterly change in investment growth

Quarterly change in %; contributions to growth in percentage points



books, confidence indicators); at the same time, the still-below-average level of these indicators signal protracted uncertainty regarding future developments.

In any case, the conditions for a sustained pick-up in investment growth are there. Businesses have a high level of financial assets, their internal financing capacity has improved, and external financing conditions are exceptionally benign by historical standards. Also, credit constraints are not expected to play a key role. Sales prospects should continue to improve with Austria's export markets and domestic demand both picking up.

Against this background and given the mixed signals from leading indicators, the investment cycle is anticipated to be moderate over the forecast horizon. Gross fixed capital formation growth will accelerate from 0.5% in

2015 to 2.3% and 2.2% in 2016 and 2017, respectively. Hence, investment activity will be only slightly brisker than overall economic growth. The ratio of investment to GDP will stabilize at slightly more than 22% over the forecast horizon.

Investment in equipment (machinery and vehicles) will contribute the largest share to investment growth in this entire period, with replacement and expansion being equally important reasons for investment. Civil engineering investment (accounting for the largest share of other investment, see chart 2) is set to expand comparatively hesitantly in light of strained public finances.

A trend reversal is likely for investment in residential construction. To date, residential construction has been unexpectedly muted despite rising real estate prices, benign financing conditions and an increased demand for

Table 5

Investment activity in Austria

	2014	2015	2016	2017
<i>Annual change in %</i>				
Total gross fixed capital formation (real)	-0.1	0.5	2.3	2.2
<i>of which:</i> Investment in equipment	1.5	2.4	3.2	2.5
Investment in residential construction	-1.1	-1.8	2.1	3.4
Nonresidential construction investment and other investment	-0.7	-0.6	1.5	1.7
Investment in research and development	-0.7	1.5	1.9	1.0
Public-sector investment	-3.5	0.9	0.9	1.1
Private-sector investment	0.4	0.5	2.5	2.3
<i>Contribution to the growth of real total gross fixed capital formation in percentage points</i>				
Investment in equipment	0.5	0.8	1.1	0.9
Investment in residential construction	-0.2	-0.3	0.4	0.6
Nonresidential construction investment and other investment	-0.2	-0.2	0.4	0.5
Investment in research and development	-0.1	0.3	0.4	0.2
Public-sector investment	-0.5	0.1	0.1	0.1
Private-sector investment	0.4	0.4	2.1	2.0
<i>Contribution to real GDP growth in percentage points</i>				
Total gross fixed capital formation	0.0	0.1	0.5	0.5
Changes in inventories	-0.4	-0.3	0.2	0.0
<i>% of nominal GDP</i>				
Investment ratio	22.4	22.2	22.1	22.2

Source: 2014: Eurostat; 2015 to 2017: OeNB December 2015 outlook.

housing. Due to the long cycle of residential construction investment, however, it is difficult to predict exactly when this trend reversal will take place. A major stimulus can nevertheless be expected from the housing package adopted by the federal government. While the housing stimulus package will show its effects only gradually and not generate the full amount of additional investment envisaged due to deadweight losses, it will contribute an additional 1½% to 2% a year to the growth of residential construction investment in 2016 and 2017. The effects on GDP growth will amount to just below 0.1 percentage points a year. In 2017, investment in residential construction will expand by more than 3%, i.e. faster than any other component of investment.

4.3 Tax reform and transfer payments for high number of asylum-seekers support private consumption

In 2015, private consumption entered its fourth consecutive year of weak growth. Real private consumption on a cumulated basis expanded by less than 1% in the period from 2012 to 2015, owing to several factors: First, inflation in Austria was 0.7 percentage points higher than the euro area average and 0.6% higher than in Germany in the past four years. Second, the number of full-time jobs in industry has been trending down, whereas job creation was largely limited to part-time jobs in the services sector, which has resulted in a sustained negative wage drift. Finally, the growth of employment seen in recent years was almost entirely attributable to foreign workers, whose domestic propensity to consume is lower; this is also due to the share of cross-border commuters having increased sharply.

Against this background, real disposable household income is expected to fall somewhat (–0.4%) in 2015. Consumer spending will increase only marginally, at +0.2%.

Employment will expand somewhat more strongly in 2016 and 2017 on the back of more vigorous economic growth, but wages per employee will grow at a more moderate rate in light of a relatively high unemployment rate and pay hikes that compensate for past inflation. All in all, the growth rates of the nominal compensation of employees will remain just below their 2015 value. Property income and self-employment income, by contrast, will rise far more strongly in 2016 and 2017 in line with the overall growth of the economy.

Two one-off effects will contribute to an above-average growth of nominal household income in 2016 and 2017: First, the tax reform entering into force in 2016 will result in higher net incomes, and second, public expenditure transfer payments for asylum-seekers and recognized refugees will increase nominal household incomes.

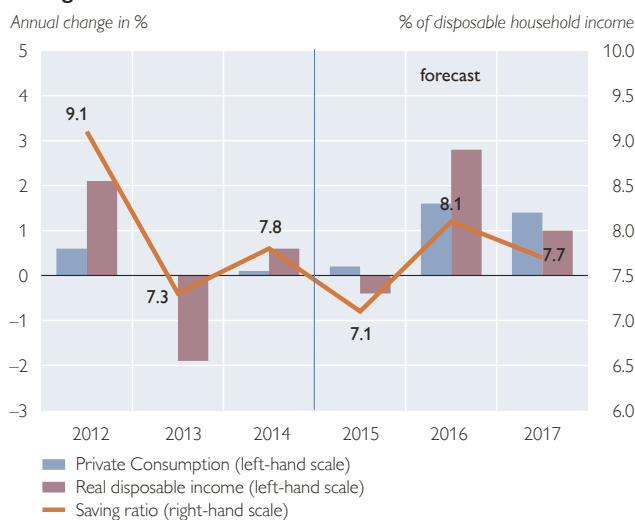
Inflation is expected to accelerate over the forecast horizon, depressing disposable household incomes in 2016 and 2017 more notably than in 2015. Overall, household income is set to rise considerably over the next two years. Growth in real disposable household income will turn positive in 2016 (+2.8%) and reach its average of the past ten years at +1.0% in 2017. The growth pattern of private consumption follows that of household income with a small lag; after four years of stagnation, private consumption will expand by 1.6% and 1.4% in 2016 and 2017, respectively.

After the outbreak of the financial crisis in 2008, household's propensity to save started to decline. The saving

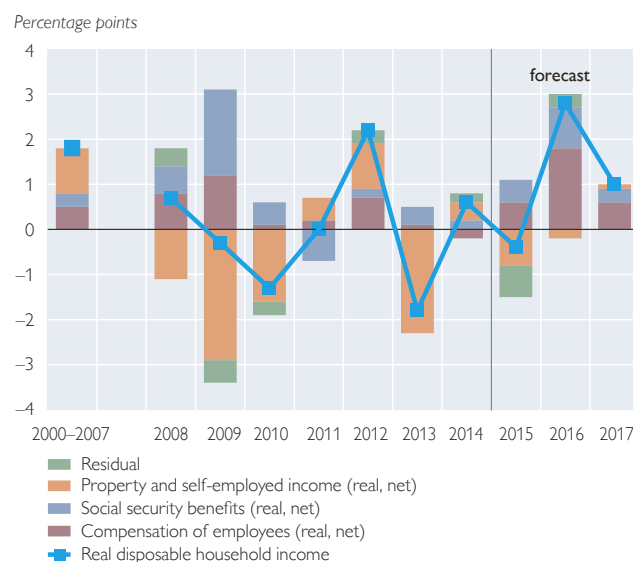
Chart 3

Private Consumption

Disposable household income, private consumption and saving ratio



Contributions to the growth of real disposable household income



Source: Eurostat, Statistik Austria, OeNB.

Note: Explanatory note and data sources relating to the right-hand panel of chart 3: "Compensation of employees (real, net):" compensation of employees less social security contributions (actual and imputed, to government and private entities) of employers and employees and other wage-related taxes payable by employees (Statistics Austria data up to and including 2014, from 2015 onward update based on the OeNB outlook). "Social security benefits (real, net):" Social security benefits other than in kind received by households (including transfers from the private sector) less wage tax and social security contributions on pensions (data for wage tax and social security contributions on pensions based on wage tax statistics, combined with the OeNB outlook). "Property and self-employment income (real, net):" sum of property income (including interest) and mixed income of the self-employed less withholding taxes on households' property income, assessed income tax and social security contributions of self-employed households (the latter based on OeNB estimates). "Residual:" primarily net contribution of other current transfers (e.g. nonlife insurance premiums and benefits, membership contributions, government grants to NPOs) as well as social security contributions and current direct taxes that were not taken into consideration above (in particular, motor vehicle taxes and parafiscal charges paid by households).

ratio fell by more than 4 percentage points to just above 7% in 2013 and has stabilized between 7% and 8% since then. This trend has been determined

essentially by the composition of disposable household income. Property income, which has a higher marginal saving ratio than labor income, became

Table 6

Private consumption in Austria

	2014	2015	2016	2017
<i>Annual change in %</i>				
Disposable household income (nominal)	2.6	0.7	4.2	2.8
Consumption deflator	2.0	1.1	1.4	1.8
Disposable household income (real)	0.6	-0.4	2.8	1.0
Private consumption (real)	0.1	0.2	1.6	1.4
<i>Contribution to real GDP growth in percentage points</i>				
Private consumption	0.0	0.1	0.9	0.7
<i>% of nominal disposable household income</i>				
Saving ratio	7.8	7.1	8.1	7.7
<i>% of nominal GDP</i>				
Consumption ratio	53.8	53.2	53.0	52.9

Source: 2014: Eurostat; 2015 to 2017: OeNB December 2015 outlook.

Economic impact of the current wave of refugees on Austria

Austria is currently faced with high numbers of asylum-seekers entering the country. The large number of people seeking shelter can be expected to have a substantial impact on the labor market, public finances and value added. An analysis of the impact of the current wave of refugees on Austria over the forecast horizon is subject to a high degree of uncertainty, however, and can be conducted only on the basis of a series of assumptions. In the analysis at hand, it is assumed that the number of asylum seekers will amount to 80,000, 85,000 and 50,000 in the years from 2015, 2016 and 2017, respectively. All related public expenditure is assumed to be deficit-funded. From an economic perspective, the effects on the Austrian real economy are similar to those of a deficit-funded, expansionary discretionary fiscal policy.

All other assumptions are based on Austria's and other countries' historical experience with flows of migrants and refugees and the current legal framework. The GDP multiplier for calculating effects on the real economy is 0.9. The budget sensitivity underlying the estimate of budgetary net costs (public expenditure adjusted for induced public revenues) is 0.4. Assuming that 47% of asylum applications are accepted and that the average length of the application procedure is 5.9 months, it can be expected that the number of recognized refugees in Austria will reach 99,300 by 2017. Additionally, 60,300 persons are assumed to arrive in the course of family unification by that time. In total, this amounts to 159,600 persons. 77% of asylum-seekers are of working age. All working-age persons who have been granted asylum increase the labor supply based on the eligibility criteria for the Austrian social security system. International experience shows that only a small percentage of recognized refugees succeed in the labor market in the first few years. On the basis of experiences in Sweden and Germany, it can be expected that just below 10% of newly arrived recognized refugees will be in employment in 2017.

The increase in labor supply raises the Austrian economy's growth potential; the extent of this rise depends on people's successful integration into the labor market. Persons finding jobs will partly crowd out resident (Austrian and foreign) workers from the labor market. Overall, however, induced higher economic growth results in an increase in both total employment and the employment rate among the resident population. Moreover, it boosts revenues from taxes and social security contributions, which to some extent offsets the government's original expenditure. According to simulations, GDP will be 0.7% higher and per-capita GDP will be 0.5% lower than in a scenario excluding the high number of asylum-seekers. The unemployment rate (national definition) is forecast to climb by a total of 1.0 percentage point, with joblessness among the resident population falling by 0.3 percentage points. Employment will rise by 21,600 persons (recognized refugees: +10,700; resident employees: +10,900). Fiscal costs will accumulate to EUR 2.7 billion by 2017.

less important. The path of the saving ratio over the forecast horizon is influenced by the impact of the tax reform. Past experience shows that households do not immediately spend for consumer purposes the entire part of additional income gained through the reform of the personal income tax regime. A part of this additional income is usually saved initially, i.e. the saving ratio increases temporarily. The saving ratio is thus expected to climb to 7.1% and 8.1% in 2015 and 2016, respectively.

Only in 2017 will the saving ratio fall slightly (7.7%), as households increasingly start to perceive their additional income to be permanent.

5 Unemployment continues to rise

Despite a faltering economy, employment continued to grow at a surprisingly healthy pace in 2015, as in previous years. The number of employees is set to rise by +0.7% on 2014. Analyzing the number of hours worked, which

Table 7

Determinants of nominal household income in Austria

	2014	2015	2016	2017
<i>Annual change in %</i>				
Payroll employment	0.9	1.0	1.2	1.1
Wages and salaries per employee	1.8	1.8	1.3	1.6
Compensation of employees	2.6	2.8	2.5	2.7
Property income	4.7	-2.4	1.6	2.7
Self-employment income and operating surplus (net)	3.7	0.1	1.9	2.2
<i>Contribution to disposable household income growth in percentage points</i>				
Compensation of employees	2.2	2.4	2.1	2.2
Property income	0.6	-0.3	0.2	0.3
Self-employment income and operating surplus (net)	0.6	0.0	0.3	0.4
Net transfers minus direct taxes ¹	-0.8	-0.7	1.6	-0.1
Disposable household income (nominal)	2.6	0.7	4.2	2.8

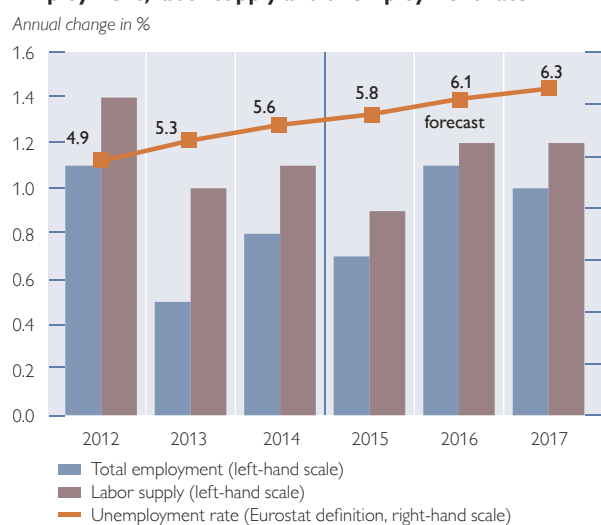
Source: 2014: Eurostat; 2015 to 2017: OeNB December 2015 outlook.

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

will almost stagnate in 2015 (+0.1%), is more compelling from an economic perspective, however. The difference between these two measures of employment is attributable primarily to the sharp increase in the share of part-time employment, which at 27.6% reached a new high in the second quarter of 2015. At the same time, full-time employment has been receding slightly.

With the economy recovering as expected, employment growth will also continue to edge up. This assessment is confirmed by the number of reported vacancies, which has been rising steeply recently. The share of new jobs to be created in 2016 and 2017 will be 1.1% and 1.0%, respectively, annual hours worked will increase at a slightly slower pace (+0.9%).

Chart 4

Labor market**Employment, labor supply and unemployment rate**

Source: Eurostat, Statistics Austria, OeNB.

Unemployed persons and vacancies

Source: AMS, OeNB.

Table 8

Labor market developments in Austria

	2014	2015	2016	2017
	Annual change in %			
Total employment (persons)	0.8	0.7	1.1	1.0
Payroll employees	0.9	1.0	1.2	1.1
of which: Public-sector employees	-0.3	0.0	0.1	0.0
Self-employed	0.8	-1.4	-0.1	0.5
Total hours worked	0.3	0.1	0.9	0.9
Payroll employees	0.6	0.4	0.9	0.9
Self-employed	-1.0	-1.2	0.7	0.8
Labor supply	1.1	0.9	1.2	1.2
Registered unemployed	5.7	4.6	3.8	5.0
	% of labor supply			
Unemployment rate (Eurostat definition)	5.6	5.8	6.1	6.3

Source: 2014: Eurostat; 2015 to 2017: OeNB December 2015 outlook.

Labor supply will continue to expand at a strong rate in the coming years. The increase by some 50,000 until 2017 is attributable to several factors: First, Austria can expect to see a sustained net inflow of foreign workers as a part of “regular” migration movements. The majority of foreign workers come from the younger EU Member States in CESEE; for them, the Austrian labor market has been fully open since 2011 and 2014, respectively. Net migration is set to decrease from 35,000 persons in 2014 to just below 20,000 in 2017. Second, the increasing employment ratio among older employees arising from previous reforms of the pension system and women’s growing labor participation rate will boost labor supply by some 15,000 persons each year. Third, the high number of new asylum-seekers will translate into almost 10,000 additional workers in the Austrian labor market in 2015; in 2016 and 2017, this figure is expected

to rise to more than 30,000. That said, demographic trends among the Austrian population would reduce labor supply by some 15,000 per year.

The unemployment rate will rise further in 2015 (5.8%), mainly because of the faltering economy and the increase in overall labor supply. Despite healthy economic growth, the unemployment rate will continue to climb also in 2016 and 2017 – to 6.1% and 6.3%, respectively – on the back of high net migration.²

6 External cost factors push up inflation from 0.8% in 2015 to 1.7% in 2017

HICP inflation rose from 0.6% in the first quarter of 2015 to 1.0% in the second quarter, before slowing down to 0.9% in the third quarter. In October 2015, inflation stood at 0.7%. Price growth was mostly determined by crude oil prices, which increased sharply in the first five months of the

² Given that Eurostat’s compilation of unemployment figures is survey-based, it is difficult to predict how quickly and to what extent unemployment among recognized asylum-seekers will actually be reflected in Eurostat’s unemployment rate. The national unemployment rate is based on data provided by the Austrian Public Employment Service (AMS), reflecting the number of registered unemployed people. This implies that the unemployment rate according to the national definition (which is not taken into account in this outlook) will increase more than the unemployment rate according to Eurostat.

Table 9

Price, cost, productivity and profit indicators

	2014	2015	2016	2017
	<i>Annual change in %</i>			
HICP	1.5	0.8	1.3	1.7
HICP energy	-2.2	-7.5	-3.2	0.8
HICP (excluding energy)	1.8	1.7	1.7	1.8
Private consumption expenditure deflator	2.0	1.1	1.4	1.8
Investment deflator	1.5	0.9	1.2	1.5
Import deflator	-0.8	-0.1	1.0	1.6
Export deflator	-0.1	1.1	1.3	1.7
Terms of trade	0.7	1.2	0.3	0.0
GDP deflator at factor cost	1.7	1.6	1.6	1.7
Collective wage agreements	2.4	2.2	1.5	1.7
Compensation per employee	1.8	1.8	1.3	1.6
Compensation per hour	2.0	2.4	1.6	1.8
Labor productivity per employee	-0.4	0.1	0.9	0.8
Labor productivity per hour	0.1	0.6	1.1	0.9
Unit labour costs	2.2	1.8	0.4	0.8
Profit margins ¹	-0.5	-0.2	1.2	0.9

Source: 2014: Eurostat, Statistics Austria; 2015 to 2017: OeNB December 2015 outlook.

¹ GDP deflator divided by unit labor costs.

year but afterward dropped almost to the low level seen in early 2015. Overall, import prices were up, the impact of which was felt in particular in the industrial goods sector (excluding energy). Mainly as a result of the latter, core inflation (HICP excluding energy and unprocessed food) quickened from 1.6% in the first quarter of 2015 to 1.9% in the third quarter.

HICP inflation is projected to accelerate from an average 0.8% in 2015 to 1.3% and 1.7% in 2016 and 2017, respectively. The rise in inflation over the forecast horizon can be traced first and foremost to external cost factors. The prices of both commodity and goods imports have been pointing upward. Domestic factors, by contrast, have been playing a less important role. The VAT hike that is part of the tax reform package will contribute a cumulated 0.2 percentage points to headline inflation in 2016 and 2017. At the same time, the upward contribution to inflation from the demand side is small. The

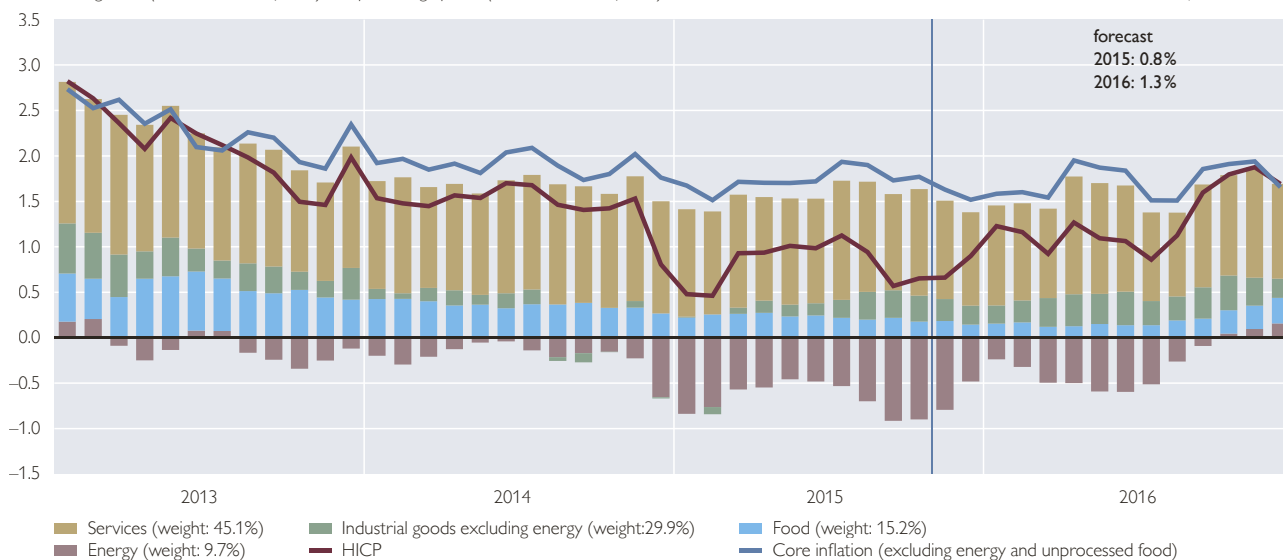
negative output gap and an underutilization of production factors reflect moderate aggregate demand. Accordingly, core inflation (excluding energy) will tick up only modestly, from 1.7% in both 2015 and 2016 to 1.8% in 2017.

Austrian HICP inflation is set to remain well above the euro area average of and also above inflation in Germany, Austria's major trading partner. In 2015, the Austrian economy's inflation differential vis-à-vis Germany and the euro area will average 0.7 and 0.8 percentage points, respectively. This discrepancy attributable primarily to divergent price movements in the services sector, which can, in turn, be traced to the public sector's contribution to inflation (through administered prices and indirect taxes) and to unit labor costs in the services sector. The inflation differentials are expected to narrow gradually over the forecast horizon. Wage growth predicted to be moderate compared with wage growth in Germany will be one factor contrib-

Austrian HICP inflation rate and contributions of subcomponents

Annual change in % (HICP and core inflation) and percentage points (contributions to inflation)

Latest observation: 0.7% (October 2015)



Source: OeNB, Statistics Austria.

uting to this contraction. Austria's inflation rate will still be slightly higher than Germany's in 2016, but in 2017, it will be already lower.

The slowdown in inflation from 1.5% in 2014 to 0.8% in 2015 was the key determining factor in the wage settlements for 2016 that have been concluded so far (public sector: +1.3%; retail trade: +1.5%, metal industry: +1.5%). These percentages suggest an average increase in collectively agreed wages of 1.5%, which would be clearly below the 2015 figure (+2.4%). Only a slight increase to 1.7% is expected for 2017, given that unemployment will remain high. Owing to sectoral shifts in employment toward low-wage jobs and an increasing share of part-time employment, the wage drift is negative. As a result, gross compensation per employee will rise by only 1.3% and 1.6% in nominal terms in 2016 and 2017, respectively, corresponding to a slight decrease in real terms.

Factoring in the effects of the tax reform generates on balance a sharp in-

crease for 2016. Compensation per employee after taxes will rise by 2.5% in real terms in 2016, but edge up only slightly – by 0.1% – in 2017.

7 Risks to growth clearly on the downside

The effects of the tax reform that enters into force in 2016 represents the largest domestic downward risk to the outlook for 2016 and 2017. In line with an ESCB-wide directive on fiscal projections, this outlook does not take into account a number of compensatory measures planned to finance the tax reform (such as measures fighting tax evasion and social welfare fraud; cuts in public administration). If these measures take full effect, economic growth would be 0.2 percentage points lower in 2016 than projected. In addition, it may well be that, given the sharp drop in households' saving ratio in recent years, households will save a larger-than-anticipated part of the increase in household incomes brought about by the cuts in taxes on wages and income.

Table 10

Compensation of employees

	2014	2015	2016	2017
<i>Annual change in %</i>				
Per person employed, nominal				
Collectively agreed wages and salaries ¹	2.4	2.2	1.5	1.7
Wage drift	-0.6	-0.3	-0.2	-0.1
Compensation of employees (gross) ²	1.8	1.8	1.3	1.6
Compensation of employees (net)	0.8	1.4	3.9	1.9
Per person employed (real)				
Compensation of employees (gross)	-0.3	0.7	-0.1	-0.2
Compensation of employees (net)	-1.2	0.3	2.5	0.1
Per hour (nominal)				
Compensation per hour (gross)	2.0	2.4	1.6	1.8
Compensation per hour (net)	1.1	2.0	4.2	2.1
Per hour (real)				
Compensation per hour (gross)	0.0	1.3	0.2	0.0
Compensation per hour (net)	-0.9	0.9	2.8	0.3
<i>% of nominal GDP</i>				
Wage share	48.1	48.3	47.8	47.5

Source: 2014: Eurostat; 2015 to 2017: OeNB December 2015 outlook.

¹ Whole economy.

² Including employers' social security contributions.

As regards investment, the trend reversal in residential construction is subject to high uncertainty. The trend reversal is expected to materialize in 2016 as a consequence of sharply increased real estate prices, high housing demand and the government's housing stimulus package. However, past experience shows that in residential construction, the investment cycle is long, making it difficult to predict the exact time of when the trend reversal will take place. Finally, Austrian consumer and business confidence is still below the international average. The assumption that confidence will improve soon in keeping with the benign external environment might prove to be too optimistic.

The majority of external risks to this outlook are also tilted toward the downside. A further aggravation of geopolitical tensions (war in Syria, the conflict between Russia and Ukraine, IS terrorism) represents a serious risk to global growth prospects. Another

big factor of uncertainty is how the migration of refugees will evolve in the near future. From an economic perspective, faltering growth in China and the ensuing slowdown in Asia's emerging economies are giving rise to concern. In this outlook, China is expected to see a soft landing, with growth coming in at 6%. A sharper deceleration could cause turbulence in the world economy. Finally, this outlook assumes a gradual hike in U.S. key interest rates to 1.5% in 2017. Given past experience, it remains to be seen whether this will not result in massive capital outflows from developing countries.

8 No revision to June outlook

The assumptions about the international environment that underlie this outlook have improved in nominal terms, but deteriorated in real terms since June 2015. The former is mostly due to lower oil prices. Current market expectations for crude oil prices for

2016 and 2017 are USD 19 and USD 16 per barrel Brent lower than they were in June 2015. Short-term interest rates fell again (by up to 30 basis points), long-term interest rates remained almost unchanged. Nominal exchange rates did not see any notable changes. The depreciation of the euro triggered by the Eurosystem's expanded asset purchase program took place already in the first half of 2015 and was therefore already included in the OeNB's June outlook.

Weaker global growth, in particular weaker global trade, are acting as a drag on growth. Austrian export markets are expected to grow by 1 percentage point less in 2015 and 2017 and by 1½ less in 2016. Competitors' prices in Austrian export markets have dropped compared with the June outlook,

which, however, is mainly the result of lower commodity prices and therefore does not impact on Austrian exporters' price competitiveness.

The effects of new external assumptions were simulated using the OeNB's macroeconomic model. Table 12 provides detailed reasons for revising the outlook. Apart from the impact of changed external assumptions, they are attributable to the impact of new data and other changes. The influence of new data includes the effects of the revisions of both the historical data already available at the time of the previous economic outlook (i.e. data up to the first quarter of 2015) and the forecasting errors of the previous outlook for the periods now published for the first time (i.e. data for the second and third quarters of 2015). The item

Table 11

Change in external economic conditions since the OeNB June 2015 outlook

	December 2015			June 2015			Difference		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
<i>Annual change in %</i>									
Growth of Austria's export markets	2.9	3.8	4.6	3.8	5.3	5.5	-0.9	-1.5	-0.9
Competitor prices in Austria's export markets	2.5	0.8	2.2	3.5	2.0	2.0	-1.0	-1.2	0.2
Competitor prices in Austria's import markets	2.7	0.8	1.9	3.4	1.7	1.7	-0.7	-0.9	0.2
<i>USD per barrel (Brent)</i>									
Oil price	53.8	52.2	57.5	63.8	71.0	73.1	-10.0	-18.8	-15.6
<i>Annual change in %</i>									
Nominal effective exchange rate (exports)	2.4	-0.2	0.0	2.9	0.2	0.0	-0.5	-0.4	0.0
Nominal effective exchange rate (imports)	2.5	-0.1	0.0	2.7	0.1	0.0	-0.2	-0.2	0.0
<i>%</i>									
Three-month interest rate	0.0	-0.2	-0.1	0.0	0.0	0.2	0.0	-0.2	-0.3
Long-term interest rate	0.8	1.0	1.3	0.8	1.1	1.3	0.0	-0.1	0.0
<i>Annual change in %</i>									
U.S. GDP (real)	2.4	2.7	2.6	2.6	3.1	2.7	-0.2	-0.4	-0.1
<i>USD/EUR</i>									
USD/EUR exchange rate	1.11	1.09	1.09	1.12	1.12	1.12	-0.01	-0.03	-0.03

Source: Eurosystem.

Table 12

Breakdown of revisions to the OeNB outlook

	GDP			HICP		
	2015	2016	2017	2015	2016	2017
<i>Annual change in %</i>						
December 2015 outlook	0.7	1.9	1.8	0.8	1.3	1.7
June 2015 outlook	0.7	1.9	1.8	0.9	1.9	2.0
Difference	0.0	0.0	0.0	-0.1	-0.6	-0.3
<i>Percentage points</i>						
Caused by:						
External assumptions	0.0	-0.2	-0.3	-0.1	-0.5	-0.4
New data ¹	0.1	0.0	0.0	0.0	0.0	0.0
of which: Revisions to historical data until Q1 15	0.1	0.0	0.0	0.0	0.0	0.0
Projection errors for Q2 15 and Q3 15	0.0	0.0	0.0	0.0	0.0	0.0
Other changes ²	-0.1	0.2	0.3	0.0	-0.1	0.1

Source: OeNB December 2015 and June 2015 outlooks.

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 assessment and model changes.

"Other changes" includes new expert assessments regarding domestic variables, such as government consumption or wage settlements, as well as any changes to the model.

The growth prospects for 2015 to 2017 remained unchanged on the June outlook. From a purely technical perspective, changes in the external environment would imply a downward revision of GDP growth in 2016 and 2017 by 0.2 and 0.3 percentage points, respectively. There was no need for revision arising from the revision of historical data and the forecast error for first-time released data. The main reason

why the growth outlook for 2016 and 2017 was left unchanged is additional government spending in connection with the high number of asylum-seekers that have entered Austria. This expenditure will contribute a total of 0.5 percentage points to growth in 2016 and 2017; the figures are shown under the item "Other changes" in table 12.

The downward revision of inflation in 2016 is primarily attributable to lower commodity prices, but wage settlements that were lower than anticipated in the June outlook have also played a role.

Comparison of the OeNB December 2015 and June 2015 outlooks

	Actual figures	December 2015 outlook			Revision to the June 2015 outlook		
	2014	2015	2016	2017	2015	2016	2017
Economic activity							
<i>Annual change in % (real)</i>							
Gross domestic product	0.4	0.7	1.9	1.8	0.0	0.0	0.0
Private consumption	0.1	0.2	1.6	1.4	-0.5	-0.2	-0.2
Government consumption	0.8	0.8	1.3	1.1	-0.1	0.4	0.0
Gross fixed capital formation	-0.1	0.5	2.3	2.2	2.4	0.6	-0.4
Exports of goods and services	2.2	2.3	3.9	4.5	-0.5	-0.9	-0.3
Imports of goods and services	1.1	1.8	3.6	4.3	-0.2	-1.1	-0.8
<i>% of nominal GDP</i>							
Current account balance	2.0	2.7	2.8	3.1	1.4	0.7	0.3
Contribution to real GDP growth							
<i>Percentage points</i>							
Private consumption	0.0	0.1	0.9	0.7	-0.3	-0.1	-0.1
Government consumption	0.2	0.2	0.3	0.2	0.0	0.1	0.0
Gross fixed capital formation	0.0	0.1	0.5	0.5	0.5	0.1	0.0
Domestic demand (excluding changes in inventories)	0.2	0.4	1.6	1.4	0.3	0.1	-0.2
Net exports	0.6	0.4	0.3	0.3	-0.1	0.1	0.2
Changes in inventories (including statistical discrepancy)	-0.3	0.0	0.0	0.0	0.0	-0.1	-0.1
Prices							
<i>Annual change in %</i>							
Harmonised Index of Consumer Prices	1.5	0.8	1.3	1.7	-0.1	-0.6	-0.3
Private consumption expenditure deflator	2.0	1.1	1.4	1.8	0.1	-0.4	-0.1
GDP deflator	1.6	1.6	1.6	1.6	0.3	-0.2	-0.3
Unit labor costs in the total economy	2.2	1.8	0.4	0.8	-0.1	-0.8	-0.7
Compensation per employee (at current prices)	1.8	1.8	1.3	1.6	-0.1	-0.7	-0.7
Compensation per hour worked (at current prices)	2.0	2.4	1.6	1.8	0.4	-0.5	-0.6
Import prices	-0.8	-0.1	1.0	1.6	-0.5	-0.8	-0.3
Export prices	-0.1	1.1	1.3	1.7	-0.1	-0.6	-0.2
Terms of trade	0.7	1.2	0.3	0.0	0.5	0.3	0.0
Income and savings							
Real disposable household income	0.6	-0.4	2.8	1.0	-2.2	0.0	-0.6
<i>% of nominal disposable household income</i>							
Saving ratio	7.8	7.1	8.1	7.7	-0.8	-0.5	-0.9
Labor market							
<i>Annual change in %</i>							
Payroll employees	0.9	1.0	1.2	1.1	0.2	0.1	0.1
Hours worked (payroll employees)	0.6	0.4	0.9	0.9	-0.3	-0.1	0.0
<i>% of labor supply</i>							
Unemployment rate (Eurostat definition)	5.6	5.8	6.1	6.3	0.1	0.4	0.8
Public finances							
<i>% of nominal GDP</i>							
Budget balance (Maastricht definition)	-2.7	-1.6	-2.0	-1.7	0.2	-0.2	-0.3
Government debt	84.2	84.9	83.3	81.7	-0.8	-0.5	0.1

Source: 2014 (actual figures): OeNB December 2015 and June 2015 outlooks.

Annex: detailed result tables

Table 14

Demand components (real prices)

Chained volume data (reference year = 2010)

	2014	2015	2016	2017	2014	2015	2016	2017
	EUR million				Annual change in %			
Private consumption	161,287	161,581	164,215	166,513	0.1	0.2	1.6	1.4
Government consumption	60,953	61,463	62,288	62,949	0.8	0.8	1.3	1.1
Gross fixed capital formation	68,698	69,058	70,625	72,148	-0.1	0.5	2.3	2.2
of which: Investment in plant and equipment	23,559	24,116	24,892	25,520	1.5	2.4	3.2	2.5
Residential construction investment	12,843	12,609	12,870	13,310	-1.1	-1.8	2.1	3.4
Nonresidential construction investment and other investment	18,683	18,569	18,849	19,167	-0.7	-0.6	1.5	1.7
Changes in inventories (incl. statistical discrepancies)	2,525	2,473	2,464	2,481	x	x	x	x
Domestic demand	293,463	294,574	299,592	304,091	-0.2	0.4	1.7	1.5
Exports of goods and services	166,900	170,756	177,384	185,343	2.2	2.3	3.9	4.5
Imports of goods and services	152,854	155,585	161,205	168,106	1.1	1.8	3.6	4.3
Net exports	14,046	15,172	16,178	17,237	x	x	x	x
Gross domestic product	307,509	309,746	315,771	321,328	0.4	0.7	1.9	1.8

Source: 2014: Eurostat; 2015 to 2017: OeNB December 2015 outlook.

Table 15

Demand components (current prices)

	2014	2015	2016	2017	2014	2015	2016	2017
	EUR million				Annual change in %			
Private consumption	177,318	179,637	185,143	191,117	2.1	1.3	3.1	3.2
Government consumption	65,612	67,401	69,200	70,611	2.8	2.7	2.7	2.0
Gross fixed capital formation	73,693	74,753	77,377	80,203	1.4	1.4	3.5	3.7
Changes in inventories (incl. statistical discrepancies)	404	-272	243	459	x	x	x	x
Domestic demand	317,026	321,520	331,964	342,391	1.1	1.4	3.2	3.1
Exports of goods and services	175,607	181,580	191,065	202,956	2.1	3.4	5.2	6.2
Imports of goods and services	162,920	165,656	173,424	183,816	0.3	1.7	4.7	6.0
Net exports	12,687	15,924	17,641	19,140	x	x	x	x
Gross domestic product	329,713	337,444	349,605	361,531	2.1	2.3	3.6	3.4

Source: 2014: Eurostat; 2015 to 2017: OeNB December 2015 outlook.

Table 16

Demand components (deflators)

	2014	2015	2016	2017	2014	2015	2016	2017
	2010 = 100				Annual change in %			
Private consumption	109.9	111.2	112.7	114.8	2.0	1.1	1.4	1.8
Government consumption	107.6	109.7	111.1	112.2	2.0	1.9	1.3	1.0
Gross fixed capital formation	107.3	108.2	109.6	111.2	1.5	0.9	1.2	1.5
Domestic demand (excl. changes in inventories)	108.8	110.2	111.6	113.4	1.9	1.2	1.3	1.5
Exports of goods and services	105.2	106.3	107.7	109.5	-0.1	1.1	1.3	1.7
Imports of goods and services	106.6	106.5	107.6	109.3	-0.8	-0.1	1.0	1.6
Terms of trade	98.7	99.9	100.1	100.1	0.7	1.2	0.3	0.0
Gross domestic product	107.2	108.9	110.7	112.5	1.6	1.6	1.6	1.6

Source: 2014: Eurostat; 2015 to 2017: OeNB December 2015 outlook.

Table 17

Labor market

	2014	2015	2016	2017	2014	2015	2016	2017
	<i>Thousands</i>				<i>Annual change in %</i>			
Total employment	4,267.2	4,295.5	4,341.6	4,384.9	0.8	0.7	1.1	1.0
of which: Private sector	3,590.2	3,618.5	3,664.1	3,707.4	1.1	0.8	1.3	1.2
Payroll employment (national accounts definition)	3,697.0	3,733.5	3,780.1	3,820.5	0.9	1.0	1.2	1.1
	<i>% of the labor supply</i>							
Unemployment rate (Eurostat definition)	5.6	5.8	6.1	6.3	x	x	x	x
	<i>EUR per real unit of output x 100</i>							
Unit labor costs (economy as a whole) ¹	59.5	60.6	60.8	61.3	2.2	1.8	0.4	0.8
	<i>EUR thousand per employee</i>							
Labor productivity (economy as a whole) ²	72.1	72.1	72.7	73.3	-0.4	0.1	0.9	0.8
	<i>EUR thousand</i>							
Compensation per employee (real) ³	39.0	39.3	39.2	39.2	-0.3	0.7	-0.1	-0.2
	<i>At current prices in EUR thousand</i>							
Compensation per employee (gross)	42.9	43.7	44.2	44.9	1.8	1.8	1.3	1.6
	<i>At current prices in EUR million</i>							
Total gross compensation of employees	158,627	163,115	167,233	171,679	2.6	2.8	2.5	2.7

Source: 2014: Eurostat, 2015 to 2017: OeNB December 2015 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 18

Current account

	2014	2015	2016	2017	2014	2015	2016	2017
	<i>EUR million</i>				<i>% of nominal GDP</i>			
Balance of trade	12,068.0	15,328.5	16,192.9	17,509.6	3.7	4.5	4.6	4.8
Balance of goods	1,557.0	3,769.6	4,285.4	4,806.1	0.5	1.1	1.2	1.3
Balance of services	10,511.0	11,558.9	11,907.5	12,703.5	3.2	3.4	3.4	3.5
Balance of income	-2,293.0	-2,290.6	-2,293.0	-2,293.0	-0.7	-0.7	-0.7	-0.6
Balance of transfer payments	-3,285.0	-3,884.0	-4,020.0	-4,140.0	-1.0	-1.2	-1.1	-1.1
Balance of current account	6,490.0	9,154.0	9,879.9	11,076.6	2.0	2.7	2.8	3.1

Source: 2014: Eurostat, 2015 bis 2017: OeNB December 2015 outlook.

Table 19

Quarterly outlook results

	2015	2016	2017	2015				2016				2017			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Prices, wages and costs	<i>Annual change in %</i>														
HICP	0.8	1.3	1.7	0.6	1.0	0.9	0.7	1.1	1.1	1.2	1.8	1.7	1.6	1.8	1.8
HICP (excluding energy)	1.7	1.7	1.8	1.6	1.7	1.8	1.6	1.6	1.9	1.6	1.8	1.8	1.7	1.8	1.8
Private consumption expenditure (PCE) deflator	1.1	1.4	1.8	1.4	1.1	1.0	0.9	1.1	1.3	1.5	1.7	1.8	1.8	1.8	1.8
Gross fixed capital formation deflator	0.9	1.2	1.5	1.2	0.9	0.8	0.7	0.9	1.1	1.3	1.5	1.5	1.5	1.4	1.4
GDP deflator	1.6	1.6	1.6	1.7	1.6	1.5	1.6	1.6	1.6	1.7	1.6	1.6	1.6	1.6	1.6
Unit labor costs	1.8	0.4	0.8	2.2	2.0	1.7	1.2	0.7	0.4	0.1	0.3	0.5	0.7	0.9	1.1
Nominal wages per employee	1.8	1.3	1.6	1.7	1.9	1.9	1.8	1.5	1.3	1.1	1.2	1.3	1.5	1.7	1.8
Productivity	0.1	0.9	0.8	-0.5	-0.1	0.2	0.6	0.8	0.8	1.0	0.9	0.8	0.8	0.7	0.7
Real wages per employee	0.7	-0.1	-0.2	0.3	0.7	0.9	0.9	0.4	-0.1	-0.4	-0.5	-0.5	-0.3	-0.1	0.0
Import deflator	-0.1	1.0	1.6	-0.5	0.1	-0.2	0.3	0.6	0.6	1.3	1.5	1.6	1.6	1.7	1.7
Export deflator	1.1	1.3	1.7	1.0	1.2	1.1	1.0	1.0	1.2	1.4	1.6	1.7	1.7	1.7	1.6
Terms of trade	1.2	0.3	0.0	1.5	1.1	1.4	0.7	0.4	0.5	0.0	0.1	0.1	0.1	0.0	-0.1
Economic activity	<i>Annual and/or quarterly changes in % (real)</i>														
GDP	0.7	1.9	1.8	0.2	0.3	0.3	0.4	0.5	0.6	0.6	0.5	0.4	0.3	0.3	0.3
Private sector consumption	0.2	1.6	1.4	0.0	0.0	0.0	0.3	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.4
Public sector consumption	0.8	1.3	1.1	0.2	0.2	0.2	1.1	-0.1	0.2	0.3	0.5	0.3	0.2	0.1	0.0
Gross fixed capital formation	0.5	2.3	2.2	0.3	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.4
Exports	2.3	3.9	4.5	0.2	1.0	1.4	1.0	0.6	1.0	1.1	1.1	1.2	1.1	1.1	1.1
Imports	1.8	3.6	4.3	0.4	0.9	1.6	1.0	0.5	0.8	0.9	1.0	1.1	1.1	1.1	1.2
	<i>Contribution to real GDP growth in percentage points</i>														
Domestic demand	0.4	1.6	1.4	0.1	0.2	0.2	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Net exports	0.4	0.3	0.3	-0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Changes in inventories	0.0	0.0	0.0	0.2	0.1	0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Labor market	<i>% of labor supply</i>														
Unemployment rate (Eurostat definition)	5.8	6.1	6.3	5.6	5.9	5.7	6.1	6.1	6.1	6.0	6.1	6.1	6.2	6.3	6.5
	<i>Annual and/or quarterly changes in %</i>														
Total employment	0.7	1.1	1.0	0.2	0.2	0.2	0.1	0.3	0.4	0.3	0.3	0.2	0.2	0.2	0.2
of which: Private sector	0.8	1.3	1.2	0.2	0.2	0.2	0.1	0.4	0.4	0.4	0.4	0.3	0.2	0.2	0.2
Payroll employment	1.0	1.2	1.1	0.3	0.2	0.3	0.2	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.2
Additional variables	<i>Annual and/or quarterly changes in % (real)</i>														
Real disposable household income	-0.4	2.8	1.0	-1.6	-0.3	2.9	-1.0	0.9	0.9	0.8	0.7	0.2	-0.2	-0.3	-0.4
	<i>% of real GDP</i>														
Output gap	-1.0	-0.5	-0.4	-0.9	-0.9	-1.0	-0.9	-0.8	-0.6	-0.4	-0.3	-0.4	-0.4	-0.4	-0.4

Source: OeNB December 2015 outlook. Quarterly figures adjusted for seasonal and working-day variations.

Table 20

Comparison of current economic forecasts for Austria

	OeNB			WIFO		IHS		OECD			IMF		European Commission		
	December 2015			September 2015		September 2015		November 2015			October 2015		November 2015		
	2015	2016	2017	2015	2016	2015	2016	2015	2016	2017	2015	2016	2015	2016	2017
<i>Annual change in %</i>															
Key results															
GDP (real)	0.7	1.9	1.8	0.7	1.4	0.7	1.6	0.8	1.3	1.7	0.8	1.6	0.6	1.5	1.4
Private consumption (real)	0.2	1.6	1.4	0.4	1.3	0.4	1.5	0.4	1.6	1.2	x	x	0.3	1.0	1.0
Government consumption (real)	0.8	1.3	1.1	0.8	0.5	0.5	0.3	0.8	-0.6	0.8	x	x	0.8	0.5	0.6
Gross fixed capital formation (real)	0.5	2.3	2.2	0.4	1.5	-0.5	1.7	-0.5	2.4	4.0	x	x	-0.1	2.6	2.7
Exports (real)	2.3	3.9	4.5	2.5	3.6	1.8	3.9	0.7	3.3	4.7	1.1	4.8	1.2	3.7	3.6
Imports (real)	1.8	3.6	4.3	2.3	3.4	0.9	3.9	0.2	3.6	5.1	0.6	4.7	1.0	3.6	3.7
GDP per employee ¹	0.1	0.9	0.8	0.7	1.1	-0.1	0.7	0.3	0.4	0.5	x	x	-0.1	0.7	0.6
GDP deflator	1.6	1.6	1.6	1.6	1.7	1.8	1.9	1.4	1.4	1.6	0.9	1.6	1.5	1.5	1.8
CPI	x	x	x	1.1	1.7	1.1	1.8	x	x	x	x	x	x	x	x
HICP	0.8	1.3	1.7	1.1	1.7	1.1	1.8	0.9	1.5	1.7	1.0	1.7	0.9	1.8	2.0
Unit labor costs	1.8	0.4	0.8	1.7	1.2	1.8	1.0	1.7	0.7	1.2	x	x	0.4	-0.4	-0.6
Payroll employment	0.7	1.1	1.0	0.9	1.0	0.8	0.9	0.4	0.8	1.2	0.7	0.8	0.7	0.8	0.8
<i>% of labor supply</i>															
Unemployment rate (Eurostat definition)	5.8	6.1	6.3	5.8	6.0	5.8	5.8	6.0	6.1	5.9	5.8	5.6	6.1	6.1	6.0
<i>% of nominal GDP</i>															
Current account	2.7	2.8	3.1	1.4	1.4	x	x	2.3	2.0	2.0	1.6	1.7	2.6	2.6	2.8
Budget balance (Maastricht definition)	-1.6	-2.0	-1.7	-1.9	-2.0	-1.7	-2.0	-1.8	-1.9	-1.3	-2.0	-1.7	-1.9	-1.6	-1.3
External assumptions															
Oil price in USD/barrel (Brent)	53.8	52.2	57.5	55.0	60.0	56.0	59.0	54.1	50.0	50.0	51.6	50.4	54.8	54.2	58.8
Short-term interest rate in %	0.0	-0.2	-0.1	0.10	0.10	0.0	0.10	0.0	0.0	0.10	-0.0	-0.0	0.0	-0.1	0.0
USD/EUR exchange rate	1.11	1.09	1.09	1.1	1.1	1.1	1.1	1.11	1.11	1.11	1.1	1.1	1.1	1.1	1.1
<i>Annual change in %</i>															
Euro area GDP (real)	1.5	1.7	1.9	1.5	1.5	1.4	1.7	1.5	1.8	1.9	1.5	1.6	1.6	1.8	1.9
U.S. GDP (real)	2.4	2.7	2.6	2.4	2.4	2.5	2.6	2.4	2.5	2.4	2.6	2.8	2.6	2.8	2.7
World GDP (real)	2.9	3.4	3.7	3.0	3.3	x	x	2.9	3.3	3.6	3.1	3.6	3.1	3.5	3.7
World trade	1.5	3.5	4.2	0.5	2.0	2.5	3.2	2.0	3.6	4.8	3.2	4.1	2.3	3.6	4.5

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

¹ Excluding WIFO: productivity per hour.