

# Economic upturn fueled by investment and consumer spending

Economic outlook for Austria from 2016 to 2019  
(December 2016)

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## 1 Executive summary

The Austrian economy is currently experiencing an upturn driven by domestic demand. Real GDP growth will accelerate to 1.4% in 2016 after expanding by less than 1% for four years in a row. This expansion is being fueled by private consumption, which has benefited from the income tax reform that entered into force in January 2016, as well as by investment in equipment. The Oesterreichische Nationalbank

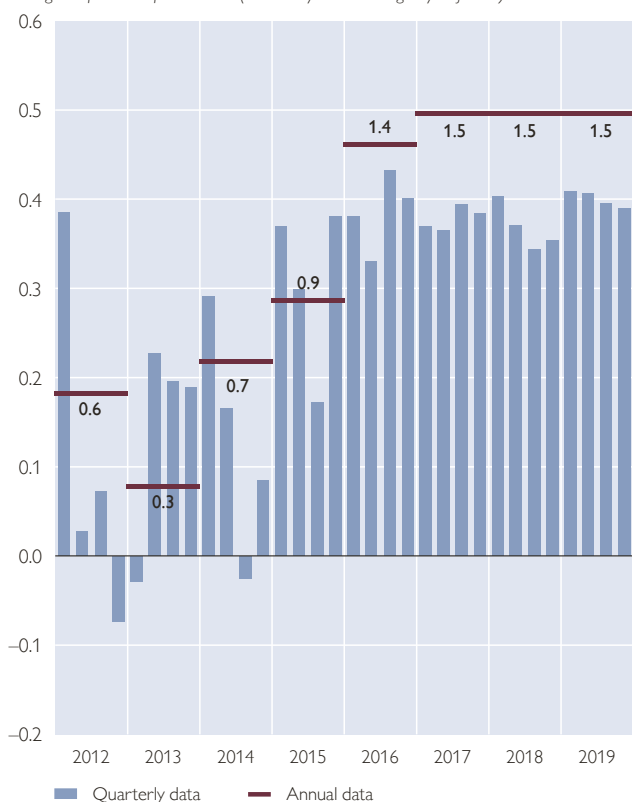
(OeNB) projects annual GDP growth of 1.5% for Austria in the period from 2017 to 2019. Notwithstanding robust employment growth, the unemployment rate (Eurostat definition) will climb from 5.7% in 2015 to 6.3% in both 2017 and 2018 and is expected to drop slightly to 6.2% only in 2019. While continuing to remain low at 0.9% in 2016, inflation will accelerate to 1.8% by 2019.

Chart 1

## Main results of the forecast

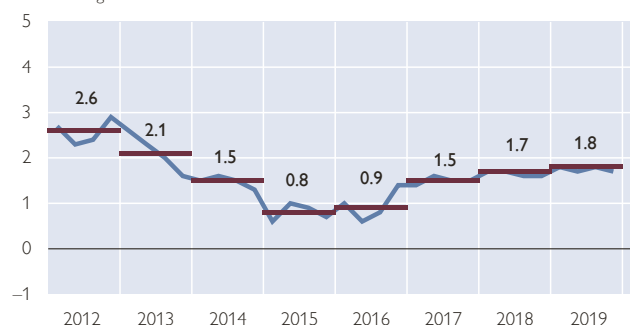
### Real GDP growth

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

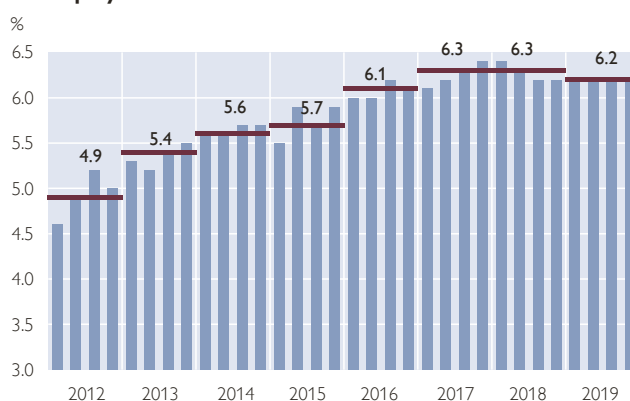


### Harmonised Index of Consumer Prices (HICP)

Annual change in %



### Unemployment rate



Source: WIFO, Statistics Austria, OeNB December 2016 outlook.

Cutoff date for data:  
November 24, 2016

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The world economy is currently experiencing a modest upturn. This rebound in economic activity is strengthening in the industrialized economies. Furthermore, the situation in the emerging economies stabilized in the course of 2016. After a sluggish first half of 2016, the U.S. economy picked up steam in the third quarter. In China and Japan, growth is fueled by expansionary economic policies. In Russia and Brazil, rebounding commodity prices contributed to more stable economic conditions. The pace of global GDP growth is nevertheless proving to be slower than in the period before the economic and financial crisis. This phenomenon is attributable to two key factors: decelerating productivity growth and lower rates of expansion in global trade. The world economy is currently marked by a number of uncertainties, which include the future stance of U.S. economic policy, the upcoming exit of the United Kingdom from the EU (“Brexit”), growing nationalist and protectionist currents within the EU and its neighbors (e.g. Turkey), the difficult geopolitical situation (civil war in Syria, tensions between Russia and the EU, ISIS terrorism) and refugee migration.

In view of stable GDP growth in Europe, Austrian goods exports to the euro area have been steadily advancing in 2016 so far whereas goods exports to non-EU destinations, above all to Turkey, the Russian Federation and U.S.A., registered a decline. In addition, Austria’s tourism sector achieved unprecedented results in the summer of 2016. At 2.3%, export growth was on the whole somewhat weaker in 2016 than in 2015. Given this forecast’s underlying assumption of a gradual recovery in global trade, exports to countries outside the euro area are likely to regain momentum. As for total

exports, this situation means export growth will accelerate to 3.5% in 2017 and is expected to further increase to 3.9% in 2018 and to 4.1% in 2019. Austrian companies have vigorously expanded their investment in equipment – particularly, in transport and machinery – since early 2015. Total investment in equipment will climb by 6.1% in 2016. Given that the cycle of investment in equipment tends to be short, it is expected to end as early as 2017. Momentum in housing investment remains subdued but is expected to accelerate slightly in the coming years. Growth in total gross fixed capital formation will rise to 3.6% (2016) and drop to 1.6% in 2019, following growth of 1.8% in 2017 and 1.5% in 2018.

The income situation of Austrian households will significantly improve in 2016 thanks to three main factors: the income tax reform, government expenditure for asylum seekers and recognized refugees and improved labor market conditions. Real disposable household income will climb by 3.0%. Private consumption growth will accelerate to 1.1% in 2016. In addition, the saving ratio will jump from 7.3% in 2015 to 8.9% in 2016. For the period from 2017 to 2019, annual private consumption growth of 1.1% is anticipated, with softer growth in real disposable household income following the tax reform being offset by a gradual decline in the saving ratio.

The economic recovery seen in 2015 has now fed through to the labor market. Growth in industrial employment was back in positive territory in the first half of 2016 as was the increase in the number of full-time positions. This has driven up the number of employees, as well as (albeit to a somewhat lesser extent) the number of hours worked. For 2016 a whole,

Table 1

### OeNB December 2016 outlook for Austria – key results<sup>1</sup>

	2015	2016	2017	2018	2019
<b>Economic activity</b>					
<i>Annual change in % (real)</i>					
Gross domestic product (GDP)	+0.9	+1.4	+1.5	+1.5	+1.5
Private consumption	+0.0	+1.1	+1.1	+1.1	+1.1
Government consumption	+1.8	+1.5	+0.9	+1.3	+1.1
Gross fixed capital formation	+0.5	+3.6	+1.8	+1.5	+1.6
Exports of goods and services	+3.5	+2.3	+3.5	+3.9	+4.1
Imports of goods and services	+3.0	+3.8	+3.1	+3.6	+3.6
<i>% of nominal GDP</i>					
Current account balance	1.8	2.1	2.5	2.7	3.0
<b>Contribution to real GDP growth</b>					
<i>Percentage points</i>					
Private consumption	+0.0	+0.6	+0.6	+0.5	+0.5
Government consumption	+0.4	+0.3	+0.2	+0.3	+0.2
Gross fixed capital formation	+0.1	+0.8	+0.4	+0.4	+0.4
Domestic demand (excluding changes in inventories)	+0.5	+1.7	+1.2	+1.2	+1.1
Net exports	+0.4	-0.6	+0.3	+0.3	+0.4
Changes in inventories (including statistical discrepancy)	+0.0	+0.3	+0.1	+0.0	+0.0
<b>Prices</b>					
<i>Annual change in %</i>					
Harmonised Index of Consumer Prices (HICP)	+0.8	+0.9	+1.5	+1.7	+1.8
Private consumption expenditure (PCE) deflator	+1.4	+1.2	+1.6	+1.7	+1.8
GDP deflator	+2.0	+1.3	+1.4	+1.6	+1.7
Unit labor costs in the total economy	+1.6	+1.1	+0.8	+1.1	+1.1
Compensation per employee (at current prices)	+1.9	+1.3	+1.4	+1.8	+1.9
Compensation per hour worked (at current prices)	+3.3	+1.8	+1.6	+2.1	+2.1
Import prices	-1.8	-1.2	+1.8	+1.7	+1.7
Export prices	-0.6	-0.3	+1.5	+1.6	+1.7
Terms of trade	+1.2	+0.9	-0.3	-0.1	+0.0
<b>Income and savings</b>					
<i>% of nominal disposable household income</i>					
Real disposable household income	+0.2	+3.0	+1.0	+0.9	+0.8
<i>% of nominal disposable household income</i>					
Saving ratio	7.3	8.9	8.9	8.7	8.4
<b>Labor market</b>					
<i>Annual change in %</i>					
Payroll employment	+1.1	+1.5	+1.1	+1.0	+0.9
Hours worked (payroll employees)	-0.3	+0.9	+0.9	+0.7	+0.7
<i>% of labor supply</i>					
Unemployment rate (Eurostat definition)	5.7	6.1	6.3	6.3	6.2
<b>Public finances</b>					
<i>% of nominal GDP</i>					
Budget balance (Maastricht definition)	-1.0	-1.6	-1.2	-0.9	-0.6
Government debt	85.5	83.5	81.6	79.7	77.5

Source: 2015: Eurostat, Statistics Austria; 2016 to 2019: OeNB December 2016 outlook.

<sup>1</sup> The outlook was drawn up on the basis of seasonally adjusted and working day-adjusted national accounts data (trend-cycle component: flash-estimate Q3 16). The data differ, in the method of seasonal adjustment, from the quarterly data published by Eurostat following the switch to the ESA 2010 framework in fall 2014 (the data published by Eurostat are much more volatile and do not facilitate detailed economic interpretation). The measures for 2015 deviate also from the data released by Statistics Austria, which have not been seasonally adjusted.

the OeNB therefore expects robust growth of 1.5% in the number of payroll employees and a 0.9% increase in the number of hours worked. For the subsequent years, the OeNB projects

employment growth of 1.1% (2017), 1.0% (2018) and 0.9% (2019). The unemployment rate will climb by 0.4 percentage points to 6.1 % in 2016. It is expected to inch up further to 6.3% in

2017 and will edge down slightly to 6.2% only in 2019.

The inflation rate as measured by the Harmonized Index of Consumer Prices (HICP) will be only marginally higher, at 0.9%, in 2016 than in 2015 and will tick up to 1.5% in 2017, with commodity prices being the key driver of change. HICP inflation will climb to 1.7% in 2018 and to 1.8% in 2019. Unlike in 2016 and 2017, the inflationary pressures stemming from domestic sources of inflation will be moderate in 2018 and 2019.

The general government budget balance will temporarily deteriorate to  $-1.6\%$  of GDP in 2016 (2015:  $-1.0\%$  of GDP) due to one-off effects, above all in the context of the tax reform; in addition, expenditure related to refugee migration will increase in 2016. The reduction in the budget deficit in the period from 2017 to 2019 will be attributable to the improved economic situation, lower interest payments and the discontinuation of one-off effects; measures against tax and social security fraud were not included in this forecast due to ESCB directives.

The government debt ratio will register a trend reversal in 2016 and decline to some  $77\frac{1}{2}\%$  of GDP by 2019, reflecting lower general government deficits and relatively high nominal GDP growth in the coming years as well as the debt reduction measures the bad banks Immigon, KA Finanz and HETA are assumed to undertake.

Since Austria significantly over-achieved its medium-term budgetary target (i.e. a structural budget balance of about  $-\frac{1}{2}\%$  of GDP) in 2015, the Austrian structural deficit will worsen considerably to around 1% of GDP in 2016 owing to special factors. A largely neutral fiscal policy stance is anticipated for the period from 2017 to 2019, as the improvements in the structural

balance will be attributable to lower interest payments.

## 2 Technical assumptions

This forecast is the OeNB's contribution to the December 2016 Eurosystem staff macroeconomic projections. The forecast horizon ranges from the fourth quarter of 2016 to the fourth quarter of 2019. This is the first time the OeNB is preparing projections for Austria over a four year-period. November 24, 2016 was the cutoff date for the assumptions on global growth as well as interest rates, exchange rates and crude oil prices. 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 switch to the European System of Accounts (ESA) 2010 framework in fall 2014 in that the latter are solely seasonal and working-day adjusted and therefore include irregular fluctuations that cannot be fully mapped to specific economic fundamentals. The annual growth measures for 2015 also differ from the non-seasonally-adjusted data published by Statistics Austria. National accounts data were fully available up to the second quarter of 2016. The data for the third quarter of 2016 are based on GDP flash estimate estimates, which cover only part of the aggregates in the national accounts, however. The short-term interest rates used for the forecast horizon are based on market expectations for the three-month EURIBOR:  $-0.3\%$  in 2016,  $-0.3\%$  in 2017,  $-0.2\%$  in 2018 and  $0.0\%$  in 2019. Long-term interest rates, which are in tune with market expectations for government bonds with an agreed maturity of ten

years, will climb from 0.4% (2016) to 1.1% (2019). The exchange rate of the euro vis-à-vis the U.S. dollar is assumed to remain at a constant USD/EUR 1.09 for the period from 2017 to 2019. The projected path of crude oil prices is based on futures prices, as a result of which the price of crude will increase from USD 43.1 per barrel Brent in 2016 to USD 54.6 in 2019. The prices of commodities excluding energy are also based on future prices over the forecast horizon.

### 3 Brighter prospects for the world economy

The world economy is currently experiencing a modest upturn. This rebound in economic activity is strengthening in the industrialized economies. Furthermore, the situation in the emerging economies stabilized in the course of 2016. After a sluggish first half of 2016, the U.S. economy picked up steam in the third quarter. The euro area economy is growing at a steady pace. In China and Japan, expansionary economic policies are fueling growth. In Russia and Brazil, rebounding commodity prices led to a stabilization of the economy. The pace of global GDP growth is however proving to be slower than in the period before the economic and financial crisis. This phenomenon is attributable to two key factors: decelerating productivity growth and lower rates of expansion in global trade. The world economy is currently marked by a number of uncertainties, which include the future stance of U.S. economic policy following the unexpected election of Donald Trump as U.S. President, the upcoming exit of the United Kingdom from the EU (“Brexit”), growing nationalist and protectionist currents within the EU and its neighbors (e.g. Turkey), the difficult geopolitical situation (civil war in Syria, ten-

sions between Russia and the EU), ISIS terrorism and the migration of refugees.

In the U.S.A., growth was disappointing in the first half of 2016. The main culprit was lackluster investment activity, primarily in the oil industry. However, the third quarter of 2016 saw a sharp acceleration in GDP growth to 0.7% on a quarterly basis. Besides a steep expansion in goods exports, growth was also driven by investment. This forecast’s underlying assumptions about short-term and medium-term U.S. economic growth were not revised in light of the outcome of the U.S. presidential elections since reliable information about the potential impact of the Trump government’s economic policy remains unavailable. U.S. GDP growth will amount to 1½% in 2016, rising to 2% in the period from 2017 to 2019. Data currently available indicate a broad fiscal stimulus in the short term. The negative effects of potential protectionist measures on the U.S. economy will emerge only in the medium to long term. The reactions of the financial markets anticipating the financial stimulus triggered a rally in stock prices and bond yields.

In China, the economy bounced back after a weak start to 2016 in the wake of the stock market slump, driven by accelerating export growth on the back of the devaluation of the renminbi and vigorous expansion in public-sector investment. Softer private investment growth had a downward impact, however. This phenomenon should be seen in the light of the structural reform aiming to move away from investment toward strengthening private consumption, as investment is becoming increasingly unprofitable due to existing overcapacity. This structural reform will result in slowing

import growth and a downturn in global trade.

In Japan, the economy has been registering positive quarterly growth since early 2016, reaching 0.5% in the third quarter of 2016 (on a quarterly basis) – a level last seen in 2013. Growth was fueled by both private and public sector consumption while investment was down. Japanese GDP growth was underpinned by expansionary monetary and fiscal policies. The VAT increase, which was planned for 2017, has now been postponed. However, structural problems such as the country's unfavorable demographic trend and labor market rigidities mean that Japan's economy will grow by a mere ½% to 1% per year over the forecast horizon.

In Russia, the economy slid into deep recession in 2015 owing to the slump in oil prices and to sanctions. The contraction in economic output will continue in 2016, albeit not as severely as in 2015. An additional contributory factor was the increase in oil prices in early 2016. 2017 should see the Russian economy revive. Owing to existing structural problems and tight monetary and fiscal policies, growth will remain modest, however. Central and Eastern European countries (CEECs) are currently on track to robust growth, with annual growth rates of around 3%. This expansion will be primarily fueled by private consumption, with all demand components making a positive contribution to growth.

In the United Kingdom, the economy will expand by 2.1% in 2016. However, the Brexit vote significantly dented growth expectations for 2017 and 2018. The growth outlook was revised by around 1 percentage point to 1.3% for both years, on the assumption that the negotiations between the

EU and the United Kingdom will achieve a result comparable to EFTA membership by 2019. The political uncertainties connected with the Brexit negotiations are curbing companies' propensity to invest. The depreciation of pound sterling will only partly offset this phenomenon.

As for the euro area, the recovery of its economy continues to forge ahead, with GDP growth being driven by domestic demand, which in turn is benefiting from the euro area's highly expansionary monetary policy. In addition to historically very low key interest rates, the Eurosystem's expanded asset purchase program is helping to restore the flow of credit to the euro area economy and to anchor long-term inflationary expectations. Private consumption is also benefiting from low energy prices and improved labor market conditions. Employment growth and the accompanying decline in unemployment have recently picked up pace. The clear improvement in confidence indicators suggests that this positive growth trend will continue. Investment growth, which is currently benefiting from low financing costs, increased as well thanks to more upbeat sales expectations. The lackluster growth in global trade is reflected in euro area exports stagnating in the first quarter of 2016. In view of the recovery in global trade seen in the third quarter of 2016, euro area exports will however resume making a larger contribution to growth in the next few years. Despite positive growth in investment in the first half of 2016, the fact that total investment in most countries is still well below pre-crisis levels should not be overlooked.

A very heterogeneous picture is evident within the euro area. Although every euro area country is benefiting



Table 2

### Underlying global economic conditions

	2015	2016	2017	2018	2019
<b>Gross domestic product</b>					
World excluding the euro area	+3.2	+3.0	+3.5	+3.7	+3.8
U.S.A.	+2.6	+1.5	+2.0	+2.0	+2.0
Japan	+0.6	+0.7	+0.9	+0.8	+0.7
Asia excluding Japan	+6.2	+6.0	+6.0	+5.9	+5.8
Latin America	-0.1	-0.9	+1.2	+2.5	+2.9
United Kingdom	+2.2	+2.1	+1.3	+1.3	+1.6
CESEE EU Member States <sup>1</sup>	+3.6	+2.8	+2.8	+3.0	+3.0
Switzerland	+0.8	+1.5	+1.4	+1.7	+1.9
Euro area <sup>2</sup>	+1.9	+1.7	+1.7	+1.6	+1.6
<b>World trade (imports of goods and services)</b>					
World	+1.9	+1.5	+3.2	+3.9	+4.0
World excluding the euro area	+0.6	+0.9	+2.8	+3.7	+3.8
Growth of euro area export markets (real)	+0.5	+1.5	+2.4	+3.4	+3.6
Growth of Austrian export markets (real)	+3.2	+2.7	+3.5	+4.0	+4.0
<b>Prices</b>					
Oil price in USD/barrel (Brent)	52.4	43.1	49.3	52.6	54.6
Three-month interest rate in %	0.0	-0.3	-0.3	-0.2	0.0
Long-term interest rate in %	0.7	0.4	0.7	0.9	1.1
USD/EUR exchange rate	1.11	1.11	1.09	1.09	1.09
Nominal effective exchange rate (euro area index)	106.5	110.6	110.7	110.7	110.7

Source: Eurosystem.

<sup>1</sup> Bulgaria, Croatia, Czech Republic, Hungary, Poland and Romania.

<sup>2</sup> 2015: Eurostat; 2016 to 2019: Results of the Eurosystem's December 2016 projections.

from the current upturn, there are marked national differences in growth. The former EU-IMF program countries of Spain and Ireland – together with Malta, Slovakia and Luxembourg – have the highest growth rates whereas Italy, Finland and Cyprus have the lowest rates.

In Germany, the economy is growing robustly. Strong employment growth and rising real wages are fueling private consumption. The construction industry is benefiting from a surge in house prices and from favorable financing conditions. At +0.2%, however, GDP growth lagged behind expectations in the third quarter of 2016. Given weak investment in equipment and exports, growth effects came only from private consumption and construction investment. Improved export expectations suggest that exports will stabilize in the fourth quarter of 2016, with Brexit

representing a significant risk factor for German exports. In Spain, the economy has been reviving vigorously since 2015. The upturn is being supported by the progress achieved in reducing imbalances, as well as by robust employment growth and improved financing conditions. Low energy prices and an expansionary fiscal policy have also driven growth. The economic recovery will continue over the forecast horizon although it is likely to lose some steam from 2017 onward. France has been experiencing a sustained period of sluggish growth since 2012. A shift away from private consumption toward investment will emerge in 2016. However, net exports will typically remain a factor for dampening growth. The French economy will therefore not significantly step up its pace of growth on 2015 (+1.3%). In Italy, GDP growth will be tempered by a number of structural

problems. Both the labor and product markets are stringently regulated, and bank balance sheets are still burdened by nonperforming loans, adversely affecting lending. After stagnating in the second quarter of 2016, growth moved into positive territory in the third quarter of 2016. Tax incentives and the Eurosystem's expanded asset purchase program are intended to spur investment activity in 2017. Still, annual growth is unlikely to inch above 1% over the forecast horizon.

In Portugal, the economy rebounded relatively vigorously, registering growth of 1.6% in 2015. In the first half of 2016, however, GDP growth slowed again owing to lackluster investment and sluggish exports. From 2017 onward, the EU's investment subsidies should boost investment activity and thus growth. Persistent problems in the banking sector and the latest increase in yields do however represent fairly significant risk factors. Greece will not register growth in 2016 either after a mild contraction in economic output in 2015. However, developments in the second half of 2016 point to a major acceleration in growth from 2017 onward.

#### **4 Austria: Economic upturn fueled by investment and consumer spending**

##### **4.1 Export growth driven by recovery in the euro area**

The weakness of Austrian exports in the period from 2012 to 2014 was primarily attributable to sluggish growth in the euro area. Exports to non-euro area countries performed considerably better, however. As the euro area economy's recovery began to take off, Austrian exports started to gain momentum in the course of 2015. Moreover, the regional composition of Austrian export growth altered in 2016. In the

first three quarters of 2016, exports to non-euro area countries shrank while exports to the euro area accelerated. This development was primarily attributable to the decline in goods exports to Russia, Turkey and the U.S.A. The slide in exports to Turkey and the U.S.A. should be seen as a rebound effect after healthy growth in 2015 (+16% and +17%, respectively) whereas exports to Russia slumped far more markedly in 2015 (-38%). Services exports mirrored the pattern of goods exports in the first half of 2016, with services exports to the euro area up sharply while services exports to non-euro area countries were down. As a result, the momentum of real exports of goods and services will slow from +3.5% in 2015 to +2.3% in 2016. In view of the projected recovery in global trade, exports to non-euro area countries should also return to stronger growth. On balance, export growth will therefore accelerate to 3.5% in 2017 and is expected to further increase to 3.9% and 4.1% in 2018 and 2019, respectively. Since export growth largely follows growth in Austrian export markets, significant shifts in market shares are not likely to occur over the forecast horizon. Likewise, there are no signs of substantial changes with regard to the price competitiveness of Austrian exports.

The strengthening of domestic demand – and, particularly, of investment in equipment – led to import growth accelerating to 3.8% in 2016. As a result, net exports will dampen GDP growth in 2016. With the investment cycle ending in 2017, import growth will then slow to 3.1% and fall behind export growth, which means net exports will make a renewed positive contribution to growth. This pattern will be repeated in both 2018 and 2019.



Table 3

### Growth and price developments in Austria's foreign trade

	2015	2016	2017	2018	2019
	<i>Annual change in %</i>				
<b>Exports</b>					
Competitor prices in Austria's export markets	+2.0	-3.0	+2.2	+2.0	+1.9
Export deflator	-0.6	-0.3	+1.5	+1.6	+1.7
Changes in price competitiveness	+2.6	-2.7	+0.7	+0.3	+0.2
Import demand on Austria's export markets (real)	+3.2	+2.7	+3.5	+4.0	+4.0
Austrian exports of goods and services (real)	+3.5	+2.3	+3.5	+3.9	+4.1
Austrian market share	+0.3	-0.4	+0.0	-0.1	+0.1
<b>Imports</b>					
International competitor prices on the Austrian market	+2.4	-2.3	+1.7	+1.8	+1.8
Import deflator	-1.8	-1.2	+1.8	+1.7	+1.7
Austrian imports of goods and services (real)	+3.0	+3.8	+3.1	+3.6	+3.6
<b>Terms of trade</b>	+1.2	+0.9	-0.3	-0.1	+0.0
	<i>Percentage points of real GDP</i>				
<b>Contribution of net exports to GDP growth</b>	+0.4	-0.6	+0.3	+0.3	+0.4
	<i>% of nominal GDP</i>				
Export ratio	53.1	52.6	53.7	55.0	56.4
Import ratio	48.9	48.8	49.8	50.9	51.9

Source: 2015: WIFO, Eurosystem; 2016 to 2019: OeNB December 2016 outlook.

The current account balance came to 1.8% of GDP in 2015, i.e. down by 0.6 percentage points on 2014. This situation was attributable to the development in the primary income account (income received by residents directly participating in the production process and by owners of financial or tangible nonproduced assets), which slipped from a surplus of 0.2% of GDP in 2014 to a deficit of 0.5% in 2015. The main trigger for this event was the decline in net income from foreign direct in-

vestment (FDI). In conjunction with healthy investment growth and rebounding energy prices, the sluggish growth in exports was reflected in the deterioration in the goods balance in the first half of 2016. The goods balance, however, was more than offset by an improvement in the services balance driven by positive growth in Austria's tourism industry. In view of these developments, a current account surplus of 2.1% of GDP is anticipated for 2016. Given the anticipated acceleration in

Table 4

### Austria's current account

	2015	2016	2017	2018	2019
	<i>% of nominal GDP</i>				
<b>Balance of trade</b>	3.4	3.4	3.8	4.0	4.2
Balance of goods	0.4	0.2	0.7	0.8	0.8
Balance of services	2.9	3.1	3.1	3.2	3.4
<b>Balance of primary income</b>	-0.5	-0.3	-0.4	-0.4	-0.4
<b>Balance of secondary income</b>	-1.0	-0.9	-0.9	-0.8	-0.8
<b>Current account balance</b>	1.8	2.1	2.5	2.7	3.0

Source: 2015: OeNB; 2016 to 2019: OeNB December 2016 outlook.

export growth, the current account surplus is expected to widen in the coming years, reaching 3.0% in 2019.

#### 4.2 Cycle of investment in equipment will peak in 2016

Austrian industrial output has so far gained significant momentum in 2016. At +0.8% on the previous quarter, the real added value of Austrian industry grew twice as strongly as GDP in the third quarter of 2016. Increased uncertainty triggered by the Brexit vote in mid-2016 has now given way to a visible improvement in sentiment. The Bank Austria Purchasing Managers' Index continued its ascent in October 2016, signaling healthy industrial growth in Austria at the end of 2016. Robust industrial output and improved prospects had a positive impact on Austrian companies' willingness to invest. Since early 2015, Austrian companies have vigorously expanded their investment in equipment – mainly, in transport and machinery. Investment activity was fueled by excellent funding conditions. Austrian companies have

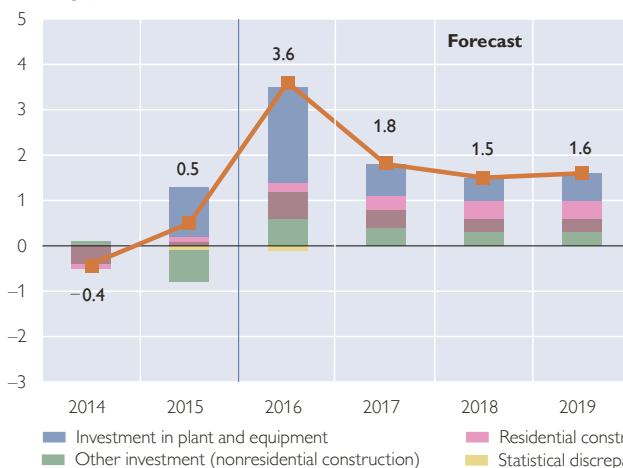
considerable financial assets, their internal funding abilities have increased, and external funding conditions are extraordinarily favorable in historical terms. Furthermore, restrictions on lending are unlikely to play a major role. Indicators such as capacity utilization and production capacity assessments suggest sustained robust growth in investment in equipment for the fourth quarter of 2016. Growth in investment in equipment of 6.1% is therefore expected in 2016. Including growth in 2015, investment in equipment expanded by almost 10% within a period of two years. This phenomenon corresponds to an average investment cycle seen in the previous two decades. This is why investment activity is expected to slacken from early 2017 onward. For the subsequent years, investment in equipment is projected to grow by 2.0% (2017), 1.5% (2018) and 1.8% (2019). In both 2015 and 2016, investment in research and development exhibited a similar trend as investment in equipment although its cycle was somewhat less pronounced. Levels of invest-

Chart 2

### Investment

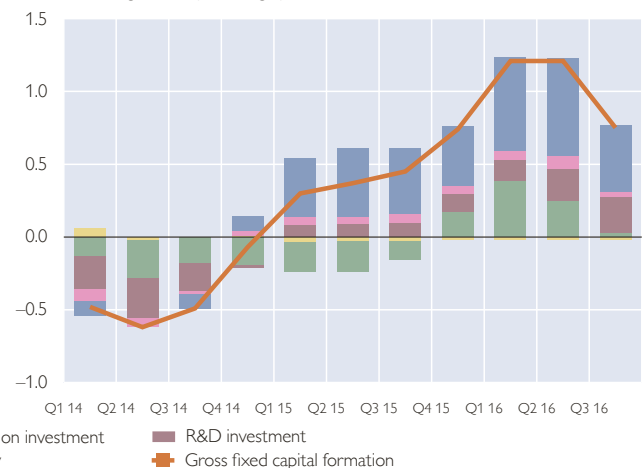
#### Contributions to investment growth

Percentage points



#### Quarterly investment growth

Contributions to growth in percentage points



Source: Eurostat, OeNB.

ment in research and development are also anticipated to decline for the period from 2017 to 2019.

The investment stimulus package launched by the Austrian central government at the end of October 2016 includes an investment growth subsidy for small and medium-sized companies for 2017 and 2018. Investments that exceed the average investment level of the previous three years will be subsidized. The subsidy is 10% for medium-sized companies and 15% for small-sized companies, with a cap of EUR 70,000 for medium-sized companies and EUR 67,500 for small-sized ones. With total subsidies of EUR 175 million, this measure should trigger aggregate investment of EUR 1.2 billion. The OeNB expects the investment growth subsidy to boost investment growth by 0.3 percentage points in 2017 and by 0.1 percentage points in 2018, followed by

negative growth contributions in 2019 owing to frontloading effects. The investment stimulus package includes investment incentives for local authorities of EUR 175 million for 2017. The aggregate effect of the overall investment stimulus package for GDP growth is estimated to be +0.08 percentage points for 2017 and +0.03 percentage points for 2018, but -0.05 percentage points for 2019.

Growth in housing remains subdued. According to the June 2016 revision of the national accounts, real housing investment has been trending up since the second half of 2014 after data had previously shown a decline that cannot be mapped to economic fundamentals. In view of the macroeconomic environment with soaring house prices, strong population growth and historically low lending rates, growth remains subdued however. The second quarter

Table 5

### Investment activity in Austria

	2015	2016	2017	2018	2019
<i>Annual change in %</i>					
<b>Total gross fixed capital formation (real)</b>	+0.5	+3.6	+1.8	+1.5	+1.6
<i>of which: investment in plant and equipment</i>	+3.3	+6.1	+2.0	+1.5	+1.8
<i>residential construction investment</i>	+0.7	+1.2	+1.6	+2.0	+2.0
<i>nonresidential construction investment and other investment</i>	-2.4	+2.4	+1.6	+1.3	+1.1
<i>investment in research and development</i>	+0.3	+3.1	+2.1	+1.5	+1.3
<i>public sector investment</i>	+0.1	+1.3	+1.2	+0.8	+0.8
<i>private sector investment</i>	+0.6	+3.9	+1.9	+1.7	+1.7
<i>Contribution to the growth of gross fixed capital formation in percentage points</i>					
Investment in plant and equipment	+1.1	+2.1	+0.7	+0.5	+0.6
Residential construction investment	+0.1	+0.2	+0.3	+0.4	+0.4
Nonresidential construction investment and other investment	-0.7	+0.6	+0.4	+0.3	+0.3
Investment in research and development	+0.1	+0.6	+0.4	+0.3	+0.3
Public sector investment	+0.0	+0.2	+0.2	+0.1	+0.1
Private sector investment	+0.5	+3.4	+1.7	+1.4	+1.5
<i>Contribution to real GDP growth in percentage points</i>					
Total gross fixed capital formation	+0.1	+0.8	+0.4	+0.4	+0.4
Changes in inventories	-0.2	+0.2	+0.0	+0.0	+0.0
<i>% of nominal GDP</i>					
<b>Investment ratio</b>	22.6	23.0	23.1	23.1	23.1

Source: 2015: WIFO; 2016 to 2019: OeNB December 2016 outlook.

of 2016 saw real housing investment growth at 0.5% (on a quarterly basis) – its highest level in the previous five years. Growth in housing investment – as in the construction sector as a whole – slowed somewhat in the third quarter of 2016 but is expected to accelerate slightly in the coming years. In addition to currently prevailing favorable macroeconomic conditions, the housing initiative should provide impetus until 2020. The launch of the initiative was delayed compared with the original plans. The housing investment bank which is responsible for funding became operational in September 2016. According to the OeNB’s December 2016 outlook, which is based on modest growth in housing investment of 0.7% in 2015, the latter will accelerate steadily to 2.0% by 2019. This positive assessment is supported by the favorable development of both construction approvals and construction sentiment. Nonhousing investment is currently growing at a somewhat faster pace than

housing investment. In the medium term, however, growth in nonhousing investment is expected to fall behind that in housing investment.

### 4.3 Rebounding private consumption as a new driver of growth

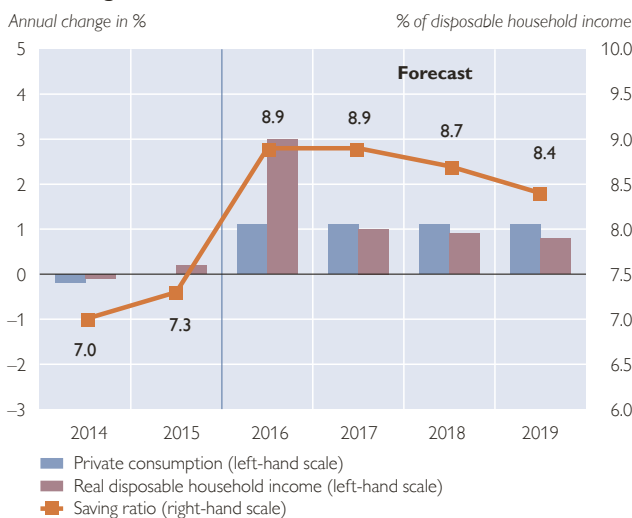
Real disposable household income was marginally down in the period from 2012 to 2015 (–0.5%). Real consumer spending stagnated in this period, which was only made possible by the decline in the saving ratio from 8.6% to 7.3%. In per capita terms, real consumer spending dipped by almost 3% in this four-year period. High inflation compared with other European countries, bracket creep and the fact that new jobs were largely created in the form of part-time jobs in the comparatively more poorly paid services sector, were responsible for the sluggish growth.

The household income situation, however, improved in 2016 for several reasons. First, the tax reform, which

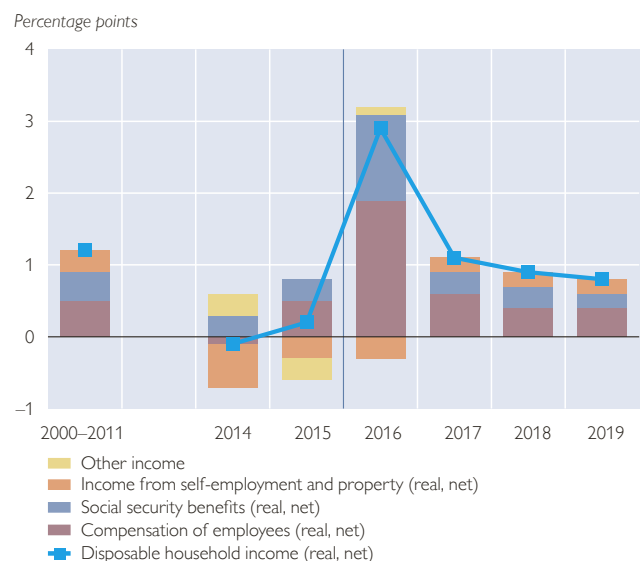
Chart 3

## Private consumption

### Disposable household income, private consumption and saving ratio



### Contributions to growth of real disposable household income



Source: WIFO, Eurostat, Statistics Austria, OeNB.

entered into force in early 2016, generated tax relief of around EUR 4 billion in 2016.<sup>2</sup> Second, government expenditure for asylum seekers and recognized refugees in the form of transfer payments boosted household incomes. Third, the economic recovery, which commenced as early as 2015, led to an improvement in the labor market situation. The increase in hours worked, industrial employment and Austrian employee numbers was back in positive territory in the first half of 2016. Robust growth in real disposable household income of 3.0% is therefore projected for 2016.

Strong income growth is already reflected in revived consumer spending. Real consumption grew by 0.3% (on a

quarterly basis) in the first two quarters of 2016. In the third quarter of 2016, real consumption growth advanced to 0.4%. The OeNB projects real private consumption growth of 1.1% for 2016 as a whole. In view of the buoyant stimuli, private consumption growth is still fairly modest, however. As already seen in the past, consumers will react with a time lag to strong income growth resulting from the tax reform. This is why the saving ratio will jump from 7.3% to 8.9% in 2016. This situation is noteworthy insofar as a large portion of income growth is attributable to net earned income with a relatively low propensity to save whereas income categories with a high propensity to save such as investment income are register-

Table 6

### Determinants of Austrian households' nominal income and development of private consumption in Austria

	2015	2016	2017	2018	2019
<i>Annual change in %</i>					
Payroll employment	+1.1	+1.5	+1.1	+1.0	+0.9
Wages and salaries per employee	+1.9	+1.3	+1.4	+1.8	+1.9
Compensation of employees	+3.0	+2.7	+2.5	+2.8	+2.8
Property income	+1.6	-4.7	+2.0	+2.6	+3.3
Self-employment income and operating surpluses (net)	+3.3	+2.1	+3.8	+3.2	+3.1
<i>Contribution to households' disposable income in percentage points</i>					
Compensation of employees	+2.5	+2.3	+2.1	+2.4	+2.4
Property income	+0.2	-0.6	+0.2	+0.3	+0.4
Self-employment income and operating surpluses (net)	+0.5	+0.4	+0.6	+0.5	+0.5
Net transfers less direct taxes <sup>1</sup>	-1.2	+2.1	-0.3	-0.6	-0.7
<i>Annual change in %</i>					
Disposable household income (nominal)	+1.6	+4.2	+2.7	+2.6	+2.6
Consumption deflator	+1.4	+1.2	+1.6	+1.7	+1.8
Disposable household income (real)	+0.2	+3.0	+1.0	+0.9	+0.8
Private consumption (real)	+0.0	+1.1	+1.1	+1.1	+1.1
<i>% of nominal disposable household income</i>					
Saving ratio	7.3	8.9	8.9	8.7	8.4
<i>% of nominal GDP</i>					
Consumption ratio	52.7	52.4	52.3	52.2	52.0

Source: 2015: WIFO, Statistics Austria; 2016 to 2019: OeNB December 2016 outlook.

<sup>1</sup> Negative values indicate an increase in (negative) net transfers less direct taxes, positive values indicate a decrease.

<sup>2</sup> The total volume earmarked by the tax reform amounts to EUR 5 billion. Since assessed income tax will not be transferred until the following year, total tax relief will amount to only EUR 4 billion in the first year.

ing below-average growth rates. The historically very high unemployment rate and political uncertainty factors, as well as low consumer confidence, clearly offset more robust consumption growth.

Full income tax relief totaling EUR 5 billion from the income tax reform will materialize in 2017. Furthermore, both employment and wage growth will remain favorable. Although real household income will not rise as steeply in the subsequent years as in 2016, it will well exceed the level of the previous four years, registering annual growth of around 1% in the period from 2017 to 2019. The OeNB December 2016 outlook is based on the assumption that the saving ratio will continue to remain high in 2017 in view of currently prevailing uncertainties. A drop in the saving ratio, which will offset marginally slowing growth in real disposable household income, is not expected before 2018. Annual private consumption growth will therefore stand at 1.1% in the period from 2017 to 2019. Overall, this means private consumption will become an important pillar of the economy.

## 5 Jobless rate will further increase until 2017 despite strong employment growth

The previous few years have been characterized by a rise in the number of both employed and unemployed persons. At 0.7% in the previous four years, average growth in (payroll and nonpayroll) employment has been unusually high given the frail economy. This measure appears in a somewhat different light, however, if we look at the number of hours worked. The latter have declined by an annual average of 0.3% in the previous four years. The difference is explicable by the steep rise in the share of part-time employees, which peaked at 28.2% in 2015 while the number of full-time positions shrank. New jobs were created in the services sector while industrial employment almost stagnated. An analysis of the number of hours worked shows that the labor market has been growing at a tempered pace in line with the weak economy in recent years.

The economic recovery, which commenced in 2015, has now fed through to the labor market. Growth in industrial employment was back in

Table 7

### Labor market development in Austria

	2015	2016	2017	2018	2019
	<i>Annual change in %</i>				
<b>Total employment (heads)</b>	+0.6	+1.3	+0.9	+0.8	+0.8
Payroll employees	+1.1	+1.5	+1.1	+1.0	+0.9
of which: Public sector employees	+0.7	+0.4	+0.0	+0.0	+0.0
Self-employed	-2.3	-0.2	-0.1	-0.3	-0.3
<b>Total hours worked</b>	-0.6	+0.5	+0.6	+0.5	+0.5
Payroll employees	-0.3	+0.9	+0.9	+0.7	+0.7
Self-employed	-1.9	-1.4	-0.7	-0.6	-0.5
Labor supply	+0.8	+1.7	+1.1	+0.8	+0.7
Registered unemployed	+3.0	+8.6	+4.5	+0.7	-0.7
	<i>% of labor supply</i>				
<b>Unemployment rate (Eurostat definition)</b>	5.7	6.1	6.3	6.3	6.2

Source: 2015: WIFO; 2016 to 2019: OeNB December 2016 outlook.



positive territory in the first half of 2016 as was the increase in the number of full-time positions. As a result, we have seen an increase in the number of jobs as well as (albeit to a somewhat lesser extent) in the number of hours worked. The number of Austrian payroll employees, which was recently in decline, is now also back on the rise. For 2016 as a whole, the OeNB therefore projects strong employment growth of 1.3%, with the number of hours worked up by 0.5%. In other words, the difference in growth between the two measures of employment has thus contracted sharply compared with 2015.

In the period from 2017 to 2019, the number of hours worked will increase as sharply as in 2016, i.e. at approximately ½% per year, in line with expected GDP growth. Although the share of part-time employees will continue to expand, it will fail to be of the

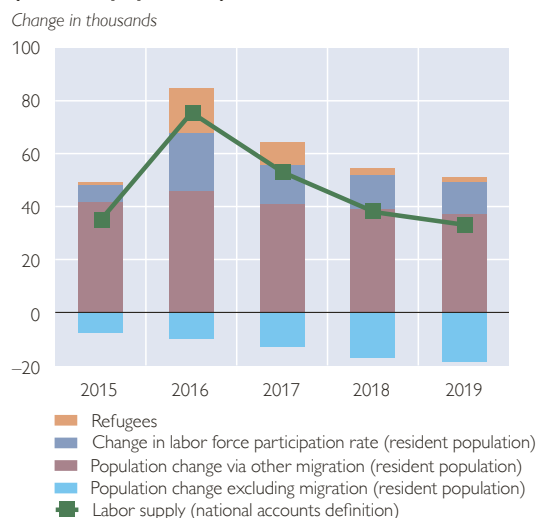
same magnitude as recently. At 0.8%, employment growth will therefore only slightly exceed the increase in the number of hours worked over the forecast horizon.

Despite robust employment growth, the unemployment rate will remain high over the forecast horizon, as labor supply continues to expand strongly. Although the demographic trend in Austria's residential population will bring about a decline in the number of employees by some 65,000 persons over the forecast horizon, due to the previous pensions reforms and the increasing labor force participation of women the growing employment rate of older workers will boost the labor supply by a total of 60,000 persons, thereby largely offsetting the negative demographic impact. Excluding migration, labor supply would however fall by 5,000 persons by 2019. In accordance with the population forecast pre-

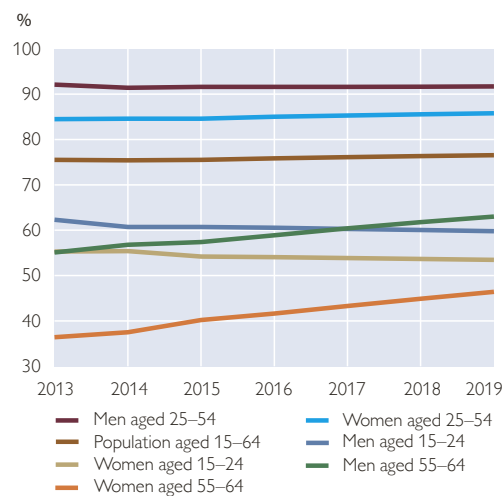
Chart 4

### Structure of labor supply over the forecast horizon

#### Contributions to the change in labor supply (resident population)<sup>1</sup>



#### Labor force participation (resident population)<sup>1</sup>



Source: Statistics Austria, OeNB.

<sup>1</sup> Resident population: domestic households according to microcensus data; forecast extrapolated from projected labor force participation rates and the population forecast of Statistics Austria (main scenario, November 2015). The projected labor supply (national accounts definition) may differ from the microcensus-based equivalent.

pared by Statistics Austria, the number of economically active persons will rise by 160,000 due to migration in the period from 2016 to 2019. This forecast only partly includes the current migration of refugees, however. The OeNB December 2016 outlook is based on the assumption that the number of asylum seekers over the forecast horizon will match the politically imposed target of 37,500 (2016), 35,000 (2017), 30,000 (2018) and 25,000 (2019) persons and only marginally exceed at the end of this four-year period the historical average before the current refugee migrations began (21,000). Compared with the population forecast prepared by Statistics Austria, this would imply some 30,000 recognized refugees added to the labor supply by 2019. As a result, an additional 185,000 persons in total will be active in the Austrian labor market in the period from 2016 to 2019. The employment rate will rise from 75.5% in 2015 to a range of 75.9% to 76.5% in 2019.

At 1.7%, labor supply growth will be particularly strong in 2016 but will gradually recede in the subsequent years, reaching 0.7% in 2019. The unemployment rate (Eurostat definition) will climb by 0.4 percentage points to 6.1% in 2016 and continue to rise to 6.3% in 2017. It is expected to drop slightly to 6.2% only in 2019.<sup>3</sup>

## 6 Inflation will tick up to 1.8% by 2019

After easing in the first three months of 2016, Austrian HICP inflation remained at 0.6% from April to August 2016. It then climbed to 1.1% and 1.4%

in September and October 2016, respectively, reflecting, in particular, the impact of energy and industrial goods excluding energy and services. Energy inflation is still negative, albeit to a far lesser extent than in recent months. At 0.9%, HICP inflation will be only slightly higher for 2016 as a whole than in 2015 (0.8%).

HICP inflation will tick up to 1.5% in 2017. This development will be primarily attributable to the rise in commodity prices. Domestic determinants of the trend in inflation will only provide a modest inflationary stimulus in 2017, however. Although the VAT increase under the tax reform has an inflation-boosting effect, it will be offset by weaker growth in unit wage costs. In light of low inflation in 2016 and the historically still high jobless rate, the wage agreements already concluded for 2017 are more or less in line with the 2016 agreements. Specifically, an increase in collectively agreed wages by 1.7% (2016: 1.5%) has been agreed for the metalworking industry, as well as a hike by 1.3% (2016: 1.5%) for wholesale/retail trade. At +1.5%, average collectively agreed wages are likely to grow at a marginally slower pace in 2017, compared with 2016 (1.6%). The recent resurgence in the number of persons employed in industry and the fact that, unlike in previous years, employment growth is mostly accounted for by full-time positions are both indicative of a less negative wage drift in 2017. At 1.4% in nominal terms, growth in gross compensation per employee will be almost as strong as the rise in collectively agreed

<sup>3</sup> Due to Eurostat's survey-based method to record jobless numbers, it is unclear however how fast and to what extent unemployment among recognized asylum seekers will actually influence the unemployment rate as defined by Eurostat. By contrast, Austria's national unemployment rate is based on data compiled by Public Employment Service Austria relating to the number of persons registered unemployed. The increase in the national unemployment rate (which is not included in the OeNB's December 2016 economic outlook) will therefore far exceed growth in the unemployment rate as defined by Eurostat.

wages in 2017. In view of the uptick in inflation, this corresponds to a modest 0.2% decline in real terms. According to the OeNB's December 2016 economic outlook, core inflation (excluding energy and unprocessed foods) will continue to remain at 1.5% in 2017, i.e. at the same level as in 2016.

In both 2018 and 2019, collective wage agreements will be higher not only because of higher inflation but also due to procyclical productivity growth. Collectively agreed wage growth will be 2.0% in 2018 and 2.1% in 2019. After taking inflation and a slightly negative wage drift of –0.2 percentage points in both 2018 and 2019 into consideration, marginal growth in real compensation per employee of 0.1% will remain for 2018 and 2019.

The spike in commodity and energy prices will accelerate modestly in 2018 and 2019, resulting in a further increase in HICP inflation to 1.7% (2018) and 1.8% (2019).

Austria has long had a positive inflation differential vis-à-vis the euro area

and Germany. In 2016, HICP inflation in Austria will be higher by 0.6 percentage points and 0.5 percentage points than in the euro area and Germany, respectively. Stronger price pressures in the services sector and higher contributions to inflation by the public sector (via administered services prices and indirect taxes) will be responsible for this development. In the period from 2016 to 2019, however, unit wage costs will rise somewhat more steeply in Germany and the euro area than in Austria. As a result, the inflation differential vis-à-vis the euro area will narrow to 0.2 percentage points and disappear entirely vis-à-vis Germany by 2019.

The wage share of GDP measured as the share of gross compensation of employees in GDP exhibits a typical anticyclical trend. In the period from 2011 to 2015 when annual real GDP growth was below 1%, the wage share of GDP rose from 46.8% to 48%. Over the forecast horizon, however, it is expected to gradually recede to 47.5%.

Table 8

### Price, cost, productivity and profit indicators for Austria

	2015	2016	2017	2018	2019
<i>Annual change in %</i>					
Harmonised Index of Consumer Prices (HICP)	+0.8	+0.9	+1.5	+1.7	+1.8
HICP energy	–7.5	–4.8	+1.4	+1.5	+1.6
HICP excluding energy	+1.7	+1.5	+1.5	+1.7	+1.8
Private consumption expenditure deflator	+1.4	+1.2	+1.6	+1.7	+1.8
Investment deflator	+1.6	+1.0	+1.4	+1.6	+1.7
Import deflator	–1.8	–1.2	+1.8	+1.7	+1.7
Export deflator	–0.6	–0.3	+1.5	+1.6	+1.7
Terms of trade	+1.2	+0.9	–0.3	–0.1	+0.0
GDP deflator at factor cost	+2.0	+1.3	+1.5	+1.6	+1.8
Collective wage and salary settlements	+2.2	+1.6	+1.5	+2.0	+2.1
Compensation per employee	+1.9	+1.3	+1.4	+1.8	+1.9
Hourly compensation per employee	+3.3	+1.8	+1.6	+2.1	+2.1
Labor productivity per employee	+0.2	+0.1	+0.6	+0.7	+0.8
Labor productivity per hour	+1.5	+0.9	+0.9	+1.0	+1.0
Unit labor costs	+1.6	+1.1	+0.8	+1.1	+1.1
Profit margins <sup>1</sup>	+0.4	+0.2	+0.7	+0.5	+0.7

Source: 2015: WIFO, Statistics Austria; 2016 to 2019: OeNB December 2016 outlook, Eurosystem.

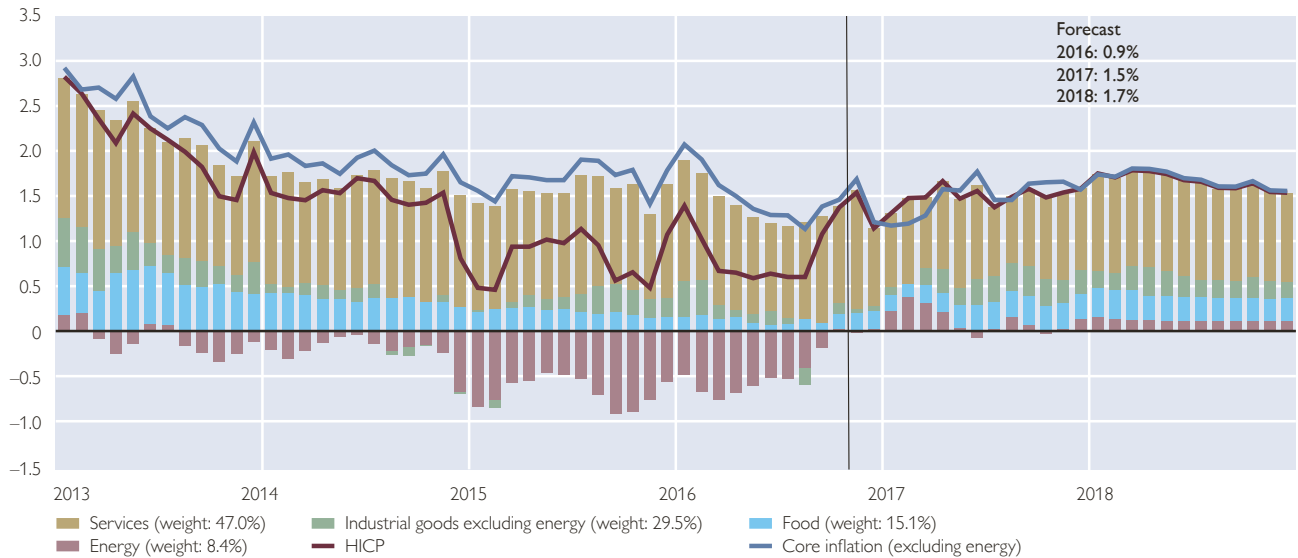
<sup>1</sup> GDP deflator divided by unit labor costs.

Chart 5

### Austrian HICP inflation rate and contributions of subcomponents

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

Last observation: 1.4% (October 2016)



Source: OeNB, Statistics Austria.

Table 9

### Compensation of employees

	2015	2016	2017	2018	2019
Annual change in %					
<b>Gross wages and salaries<sup>1</sup></b>					
In nominal terms	+3.0	+2.7	+2.5	+2.8	+2.8
Consumption deflator	+1.4	+1.2	+1.6	+1.7	+1.8
In real terms	+1.6	+1.5	+0.9	+1.1	+1.0
<b>Per person employed (nominal)</b>					
Collectively agreed wages and salaries <sup>1</sup>	+2.2	+1.6	+1.5	+2.0	+2.1
Wage drift	-0.3	-0.3	-0.1	-0.2	-0.2
Per person employed (gross) <sup>2</sup>	+1.9	+1.3	+1.4	+1.8	+1.9
<b>Per person employed (gross, real)</b>	+0.5	+0.1	-0.2	+0.1	+0.1
<b>Per hour (gross, nominal)</b>	+3.3	+1.8	+1.6	+2.1	+2.1
<b>Per hour (gross, real)</b>	+1.9	+0.6	+0.0	+0.3	+0.3
% of nominal GDP					
<b>Wage ratio</b>	48.1	48.0	47.8	47.7	47.5

Source: 2015: WIFO, Statistics Austria; 2016 to 2019: OeNB December 2016 outlook.

<sup>1</sup> Overall economy.

<sup>2</sup> Including employers' social security contributions.

## 7 External factors represent downside risks to growth

The external risks to this forecast point to the downside. An intensification of existing geopolitical tensions (Syria

conflict, Turkey, ISIS terrorism) represents a serious risk to the performance of the world economy. In this context, the further development of refugee migration entails considerable

uncertainty. In economic terms, a sudden correction of the imbalances in both the lending and housing markets might trigger lower growth in China and, subsequently, in emerging economies in Asia and worldwide. Risks to the industrialized economies are closely linked to the latest political decisions and elections. In light of the Brexit referendum of June 23, 2016, growth expectations for the United Kingdom were downgraded by approximately 1 percentage point to 1.3% for both 2017 and 2018. The OeNB's December 2016 economic outlook is based on the assumption that negotiations between the European Union and the United Kingdom will achieve a result that is comparable to EFTA membership by 2019. If, however, future bilateral trade relations are governed by the rules of the World Trade Organization (WTO) in the wake of a hard Brexit, a more negative impact would be likely. Following the unexpected election of Donald Trump as U.S. President, the future stance of U.S. economic policy is highly uncertain. The announcement to pursue a more expansionary fiscal policy – Trump's election campaign announced measures amounting to almost 3% of GDP – would have a positive impact on U.S. GDP growth in both the short and medium term. Growth will however be offset by the more negative impact arising from a restrictive U.S. trade policy. Measures such as withdrawing from the Transpacific Partnership (TPP) and introducing import duties would lead to higher inflation and lower growth in the U.S. and its trading partners.

Domestic risks, by contrast, are pointing slightly to the upside. The OeNB's December 2016 economic outlook anticipates a pronounced cycle of investment in equipment with visibly slowing investment growth in both

2017 and 2018. Companies may be willing to invest more in creating new production capacity on the strength of improved sales expectations. A modest upside risk is also seen for housing investment since the latter may benefit much more than assumed from spikes in house prices, the high housing demand and the housing initiative approved by the Austrian Federal government. The saving ratio of households will soar on the back of the income tax reform and economic recovery. The OeNB's December 2016 economic outlook is based on the assumption that the saving ratio will continue to remain high in 2017, as households will use income growth only partly for additional consumer spending because of poor consumer sentiment. If consumer confidence improves at a faster rate than expected in the wake of the economic recovery, private consumption growth might also prove to be higher. Given an ESCB-wide directive on fiscal forecasts, the OeNB's December 2016 economic outlook could not include some of the compensatory measures planned to finance the tax reform (in particular, administrative savings and measures against both tax and social security fraud), which entered into force in 2016. If these measures were to be fully effective, GDP growth would be somewhat weaker in 2017.

All in all, however, the external risk factors are likely to predominate, which means a slight downside risk to the GDP forecast.

## **8 No change to growth outlook compared with June 2016**

Since the OeNB's June 2016 outlook, the forecast's underlying assumptions about global economic conditions have changed only slightly. Although the assessment for global GDP growth has barely changed, somewhat weaker

Table 10

### Change in the external economic conditions since the OeNB June 2016 outlook

	December 2016			June 2016			Difference		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
<i>Annual change in %</i>									
Growth of Austria's export markets	+2.7	+3.5	+4.0	+3.1	+4.2	+4.5	-0.4	-0.7	-0.5
Competitor prices on Austria's export markets	-3.0	+2.2	+2.0	-2.6	+2.1	+2.0	-0.4	+0.1	+0.0
Competitor prices on Austria's import markets	-2.3	+1.7	+1.8	-2.0	+1.6	+1.6	-0.3	+0.1	+0.2
<i>USD per barrel (Brent)</i>									
Oil price	43.1	49.3	52.6	43.4	49.1	51.3	-0.3	+0.2	+1.3
<i>Annual change in %</i>									
Nominal effective exchange rate (exports)	-1.5	+0.2	+0.0	-1.8	+0.0	+0.0	+0.3	+0.2	+0.0
Nominal effective exchange rate (imports)	-0.9	+0.0	+0.0	-1.1	-0.1	+0.0	+0.2	+0.1	+0.0
<i>%</i>									
Three-month interest rate	-0.3	-0.3	-0.2	-0.3	-0.3	-0.3	+0.0	+0.0	+0.1
Long-term interest rate	0.4	0.7	0.9	0.5	0.7	0.9	-0.1	+0.0	+0.0
<i>Annual change in %</i>									
U.S. GDP (real)	+1.5	+2.0	+2.0	+1.9	+2.5	+2.3	-0.4	-0.5	-0.3
<i>USD/EUR</i>									
USD/EUR exchange rate	1.11	1.09	1.09	1.13	1.14	1.14	-0.02	-0.05	-0.05

Source: Eurosystem.

growth in global trade is anticipated primarily due to the Brexit vote. As regards the expansion of Austrian export markets, this will mean a downward revision by about a ½ percentage point per year. In conjunction with a somewhat higher euro exchange rate, this correction will dampen Austrian export growth by 0.2 percentage points in 2017 and by 0.3 percentage points in 2018. The assumptions for oil prices and interest rates have remained virtually unchanged. All in all, these revised assumptions mean that GDP growth will be 0.1 percentage point lower in both 2017 and 2018.

Table 11 lists the reasons for revising the outlook in detail. Apart from the impact of changed external assumptions, they are attributable to the impact of new data and to a residual. 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 2016) 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 quarter of 2016). The residual includes new expert opinions regarding the development of domestic variables, such as government consumption or wage settlements, as well as any changes to the model.

GDP growth for 2016 was revised down by 0.2 percentage points. This downgrade was largely attributable to sluggish growth in the second quarter of 2016, which at 0.3% was weaker than expected in June 2016. The cause of this situation was slack private con-



sumption growth in the wake of the tax reform. As a result, the carry-over effect will be somewhat lower, thereby slightly dampening also growth in 2017. In conjunction with the somewhat bleaker international environment, this phenomenon will cut growth expectations for 2017 by 0.2 percent-

age points. The GDP forecast for 2017 remained unchanged however due to a somewhat lower imports forecast.

The downward revision of inflation in 2017 is basically explicable by the lower wage agreements compared with the June 2016 forecast.

Table 11

### Breakdown of revisions to the outlook

	GDP			HICP		
	2016	2017	2018	2016	2017	2018
<i>Annual change in %</i>						
<b>December 2016 outlook</b>	+1.4	+1.5	+1.5	+0.9	+1.5	+1.7
<b>June 2016 outlook</b>	+1.6	+1.5	+1.5	+1.0	+1.7	+1.9
<b>Difference</b>	-0.2	+0.0	+0.0	-0.1	-0.2	-0.2
<i>Percentage points</i>						
<b>Caused by:</b>						
External assumptions	+0.0	-0.1	-0.1	-0.1	-0.2	-0.2
New data <sup>1</sup>	-0.2	-0.1	x	+0.0	x	x
of which: revisions of historical data up to Q1 16	+0.0	+0.0	x	+0.0	x	x
projection errors for Q2 16 and Q3 16	-0.2	-0.1	+0.0	+0.0	+0.0	+0.0
Other changes <sup>2</sup>	+0.0	+0.2	+0.1	+0.0	+0.0	+0.0

Source: OeNB December 2016 and June 2016 outlooks.

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

<sup>2</sup> Different assumptions about trends in domestic variables such as wages, government consumption, effects of tax measures, other changes in assessment and model changes.

Table 12

### Comparison of the OeNB December 2016 outlook and the June 2016 outlook

	Actual figures	December 2016 outlook			Revision since June 2016		
	2015	2016	2017	2018	2016	2017	2018
<b>Economic activity</b>							
<i>Annual change in % (real)</i>							
Gross domestic product (GDP)	+0.9	+1.4	+1.5	+1.5	-0.1	+0.0	+0.0
Private consumption	+0.0	+1.1	+1.1	+1.1	+0.0	+0.2	+0.2
Government consumption	+1.8	+1.5	+0.9	+1.3	+0.5	-0.2	+0.2
Gross fixed capital formation	+0.5	+3.6	+1.8	+1.5	+1.6	+0.0	-0.3
Exports of goods and services	+3.5	+2.3	+3.5	+3.9	-1.6	-0.7	-0.3
Imports of goods and services	+3.0	+3.8	+3.1	+3.6	+0.2	-0.8	-0.3
<i>% of nominal GDP</i>							
Current account balance	+1.8	+2.1	+2.5	+2.7	-1.0	-0.9	-0.7
<b>Contribution to real GDP growth</b>							
<i>Percentage points</i>							
Private consumption	+0.0	+0.6	+0.6	+0.5	+0.0	+0.1	+0.0
Government consumption	+0.4	+0.3	+0.2	+0.3	+0.1	+0.0	+0.1
Gross fixed capital formation	+0.1	+0.8	+0.4	+0.4	+0.3	+0.0	+0.0
Domestic demand (excl. changes in inventories)	+0.5	+1.7	+1.2	+1.2	+0.5	+0.1	+0.1
Net exports	+0.4	-0.6	+0.3	+0.3	-0.9	+0.0	+0.0
Changes in inventories (incl. statistical discrepancies)	+0.0	+0.3	+0.1	+0.0	+0.3	+0.1	+0.0
<b>Prices</b>							
<i>Annual change in %</i>							
Harmonised Index of Consumer Prices (HICP)	+0.8	+0.9	+1.5	+1.7	-0.8	-0.4	-0.2
Private consumption expenditure (PCE) deflator	+1.4	+1.2	+1.6	+1.7	-0.6	-0.3	-0.2
GDP deflator	+2.0	+1.3	+1.4	+1.6	-0.4	-0.5	-0.3
Unit labor costs in the overall economy	+1.6	+1.1	+0.8	+1.1	+0.2	-0.6	-0.3
Compensation per employee (at current prices)	+1.9	+1.3	+1.4	+1.8	-0.2	-0.6	-0.2
Compensation per hour worked (at current prices)	+3.3	+1.8	+1.6	+2.1	+0.1	-0.7	-0.2
Import prices	-1.8	-1.2	+1.8	+1.7	-2.8	+0.1	+0.0
Export prices	-0.6	-0.3	+1.5	+1.6	-1.9	-0.3	-0.2
Terms of trade	+1.2	+0.9	-0.3	-0.1	+0.9	-0.5	-0.3
<b>Income and savings</b>							
Real disposable household income	+0.2	+3.0	+1.0	+0.9	+2.1	+0.3	+0.2
<i>% of households' nominal disposable income</i>							
Saving ratio	7.3	8.9	8.9	8.7	+1.6	+1.8	1.6
<b>Labor market</b>							
<i>Annual change in %</i>							
Payroll employment	+1.1	+1.5	+1.1	+1.0	+0.4	+0.1	+0.0
Hours worked (payroll employees)	-0.3	+0.9	+0.9	+0.7	+0.0	+0.2	+0.0
<i>% of labor supply</i>							
Unemployment rate (Eurostat definition)	5.7	6.1	6.3	6.3	+0.0	+0.3	0.3
<b>Public finances</b>							
<i>% of nominal GDP</i>							
Budget balance	-1.0	-1.6	-1.2	-0.9	-0.1	-0.1	+0.2
Government debt	85.5	83.5	81.6	79.7	+0.7	+0.7	-1.2

Source: 2015 (actual figures): WIFO, Statistics Austria, OeNB; OeNB December 2016 and June 2016 outlooks.

## Annex: detailed result tables

Table 13

### Demand components (real)

Chained volume data (reference year = 2010)

	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
	EUR million					Annual change in %				
Private consumption	160,277	162,097	163,863	165,616	167,376	0.0	1.1	1.1	1.1	1.1
Government consumption	62,212	63,166	63,752	64,590	65,279	1.8	1.5	0.9	1.3	1.1
Gross fixed capital formation	70,425	72,930	74,260	75,406	76,575	0.5	3.6	1.8	1.5	1.6
of which: investment in plant and equipment	24,467	25,967	26,486	26,884	27,367	3.3	6.1	2.0	1.5	1.8
residential construction investment	13,031	13,194	13,405	13,680	13,953	0.7	1.2	1.6	2.0	2.0
nonresidential construction investment and other investment	18,817	19,275	19,583	19,838	20,056	-2.4	2.4	1.6	1.3	1.1
Changes in inventories (incl. statistical discrepancies)	4,150	5,233	5,456	5,552	5,525	x	x	x	x	x
Domestic demand	297,065	303,425	307,330	311,164	314,755	0.5	2.1	1.3	1.2	1.2
Exports of goods and services	172,430	176,403	182,527	189,677	197,386	3.5	2.3	3.5	3.9	4.1
Imports of goods and services	158,690	164,677	169,835	175,933	182,206	3.0	3.8	3.1	3.6	3.6
Net exports	13,740	11,726	12,692	13,745	15,180	x	x	x	x	x
<b>Gross domestic product</b>	<b>310,805</b>	<b>315,152</b>	<b>320,022</b>	<b>324,908</b>	<b>329,935</b>	<b>0.9</b>	<b>1.4</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>

Source: 2015: Eurostat; 2016 to 2019: OeNB December 2016 outlook.

Table 14

### Demand components (nominal)

	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
	EUR million					Annual change in %				
Private consumption	179,073	183,264	188,297	193,612	199,181	+1.4	+2.3	+2.7	+2.8	+2.9
Government consumption	67,596	69,518	70,811	72,604	74,562	+3.4	+2.8	+1.9	+2.5	+2.7
Gross fixed capital formation	76,913	80,407	82,985	85,624	88,440	+2.1	+4.5	+3.2	+3.2	+3.3
Changes in inventories (incl. statistical discrepancies)	2,473	2,863	3,560	3,727	3,745	x	x	x	x	x
Domestic demand	326,055	336,052	345,653	355,567	365,928	+1.9	+3.1	+2.9	+2.9	+2.9
Exports of goods and services	180,423	183,951	193,265	204,142	216,153	+2.9	+2.0	+5.1	+5.6	+5.9
Imports of goods and services	166,392	170,573	179,101	188,698	198,777	+1.2	+2.5	+5.0	+5.4	+5.3
Net exports	14,031	13,378	14,164	15,444	17,376	x	x	x	x	x
<b>Gross domestic product</b>	<b>340,086</b>	<b>349,430</b>	<b>359,817</b>	<b>371,011</b>	<b>383,304</b>	<b>+2.9</b>	<b>+2.7</b>	<b>+3.0</b>	<b>+3.1</b>	<b>+3.3</b>

Source: 2015: Eurostat; 2016 to 2019: OeNB December 2016 outlook.

Table 15

### Demand components (deflators)

	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
	2010 = 100					Annual change in %				
Private consumption	111.7	113.1	114.9	116.9	119.0	+1.4	+1.2	+1.6	+1.7	+1.8
Government consumption	108.7	110.1	111.1	112.4	114.2	+1.6	+1.3	+0.9	+1.2	+1.6
Gross fixed capital formation	109.2	110.3	111.7	113.5	115.5	+1.6	+1.0	+1.4	+1.6	+1.7
Domestic demand (excl. changes in inventories)	110.5	111.7	113.3	115.1	117.1	+1.5	+1.1	+1.4	+1.6	+1.7
Exports of goods and services	104.6	104.3	105.9	107.6	109.5	-0.6	-0.3	+1.5	+1.6	+1.7
Imports of goods and services	104.9	103.6	105.5	107.3	109.1	-1.8	-1.2	+1.8	+1.7	+1.7
Terms of trade	99.8	100.7	100.4	100.3	100.4	+1.2	+0.9	-0.3	-0.1	+0.0
<b>Gross domestic product</b>	<b>109.4</b>	<b>110.9</b>	<b>112.4</b>	<b>114.2</b>	<b>116.2</b>	<b>+2.0</b>	<b>+1.3</b>	<b>+1.4</b>	<b>+1.6</b>	<b>+1.7</b>

Source: 2015: Eurostat; 2016 to 2019: OeNB December 2016 outlook.

Table 16

### Labor market

	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
	Thousands					Annual change in %				
Total employment	4,290.9	4,344.7	4,385.3	4,421.2	4,456.1	+0.6	+1.3	+0.9	+0.8	+0.8
of which: private sector	3,607.0	3,658.3	3,698.8	3,734.7	3,769.7	+0.6	+1.4	+1.1	+1.0	+0.9
Payroll employment (national accounts definition)	3,737.2	3,791.9	3,833.0	3,870.8	3,907.1	+1.1	+1.5	+1.1	+1.0	+0.9
	% of labor supply									
Unemployment rate (Eurostat definition)	5.7	6.1	6.3	6.3	6.2	x	x	x	x	x
	EUR per real output unit x 100									
Unit labor costs (whole economy) <sup>1</sup>	60.4	61.0	61.5	62.2	62.9	+1.6	+1.1	+0.8	+1.1	+1.1
	EUR thousand per employee									
Labor productivity (whole economy) <sup>2</sup>	72.4	72.5	73.0	73.5	74.0	+0.2	+0.1	+0.6	+0.7	+0.8
	EUR thousand									
Compensation per employee (real) <sup>3</sup>	39.1	39.2	39.1	39.1	39.1	+0.5	+0.1	-0.2	+0.1	+0.1
	At current prices in EUR thousand									
Compensation per employee (gross)	43.7	44.3	44.9	45.7	46.6	+1.9	+1.3	+1.4	+1.8	+1.9
	At current prices in EUR million									
Total gross compensation of employees	163,415	167,891	172,160	177,001	182,000	+3.0	+2.7	+2.5	+2.8	+2.8

Source: 2015: Eurostat; 2016 to 2019: OeNB December 2016 outlook.

<sup>1</sup> Gross wages and salaries divided by real GDP.

<sup>2</sup> Real GDP divided by total employment.

<sup>3</sup> Gross wages and salaries per employee divided by the private consumption expenditure deflator.

Table 17

## Current account

	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
	<i>in Mio EUR</i>					<i>% of nominal GDP</i>				
<b>Balance of trade</b>	11,512.0	11,801.9	13,736.1	14,704.0	16,181.2	3.4	3.4	3.8	4.0	4.2
Balance of goods	1,496.0	829.6	2,509.6	2,810.3	3,242.1	0.4	0.2	0.7	0.8	0.8
Balance of services	10,016.0	10,972.3	11,226.4	11,893.7	12,939.1	2.9	3.1	3.1	3.2	3.4
<b>Balance of primary income</b>	-1,852.0	-1,177.7	-1,506.8	-1,506.3	-1,508.0	-0.5	-0.3	-0.4	-0.4	-0.4
<b>Balance of secondary income</b>	-3,384.0	-3,231.3	-3,124.2	-3,123.1	-3,126.6	-1.0	-0.9	-0.9	-0.8	-0.8
<b>Balance on current account</b>	6,276.0	7,392.8	9,105.1	10,074.6	11,546.6	1.8	2.1	2.5	2.7	3.0

Source: 2015: OeNB; 2016 to 2019: OeNB December 2016 outlook.

Table 18

## Quarterly outlook results

	2016	2017	2018	2019	2016				2017				2018				2019			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Prices, wages and costs</b>	<i>Annual change in %</i>																			
HICP	+0.9	+1.5	+1.7	+1.8	+1.0	+0.6	+0.8	+1.4	+1.4	+1.6	+1.5	+1.5	+1.7	+1.7	+1.6	+1.6	+1.8	+1.7	+1.8	+1.7
HICP (excluding energy)	+1.5	+1.5	+1.7	+1.8	+1.9	+1.4	+1.3	+1.5	+1.2	+1.6	+1.5	+1.6	+1.8	+1.8	+1.6	+1.6	+1.8	+1.7	+1.8	+1.7
Private consumption expenditure deflator	+1.2	+1.6	+1.7	+1.8	+1.1	+1.1	+1.2	+1.4	+1.5	+1.6	+1.7	+1.7	+1.7	+1.7	+1.7	+1.7	+1.8	+1.8	+1.8	+1.8
Gross fixed capital formation deflator	+1.0	+1.4	+1.6	+1.7	+1.1	+0.9	+0.9	+1.0	+1.1	+1.3	+1.5	+1.6	+1.6	+1.6	+1.6	+1.7	+1.7	+1.7	+1.7	+1.7
GDP deflator	+1.3	+1.4	+1.6	+1.7	+1.4	+1.3	+1.2	+1.4	+1.5	+1.3	+1.4	+1.5	+1.5	+1.5	+1.6	+1.6	+1.7	+1.7	+1.8	+1.8
Unit labor costs	+1.1	+0.8	+1.1	+1.1	+1.5	+1.3	+0.9	+0.8	+0.8	+0.8	+0.8	+0.9	+0.9	+1.0	+1.2	+1.2	+1.2	+1.2	+1.1	+1.0
Nominal wages per employee	+1.3	+1.4	+1.8	+1.9	+1.6	+1.4	+1.0	+1.0	+1.2	+1.4	+1.6	+1.7	+1.7	+1.8	+1.8	+1.9	+1.8	+1.9	+1.9	+1.9
Productivity	+0.1	+0.6	+0.7	+0.8	+0.1	+0.1	+0.2	+0.2	+0.4	+0.5	+0.7	+0.8	+0.8	+0.8	+0.7	+0.6	+0.6	+0.7	+0.8	+0.9
Real wages per employee	+0.1	-0.2	+0.1	+0.1	+0.5	+0.3	-0.2	-0.3	-0.3	-0.3	-0.1	+0.0	+0.0	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1
Import deflator	-1.2	+1.8	+1.7	+1.7	-2.4	-2.2	-0.9	+0.6	+1.6	+1.9	+1.8	+1.9	+1.8	+1.7	+1.6	+1.6	+1.7	+1.7	+1.7	+1.7
Export deflator	-0.3	+1.5	+1.6	+1.7	-0.8	-0.8	-0.3	+0.5	+1.2	+1.6	+1.7	+1.7	+1.7	+1.6	+1.6	+1.6	+1.7	+1.7	+1.8	+1.8
Terms of trade	+0.9	-0.3	-0.1	+0.0	+1.7	+1.4	+0.6	-0.1	-0.4	-0.3	-0.2	-0.2	-0.2	-0.1	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
<b>Economic activity</b>	<i>Annual and/or quarterly changes in % (real)</i>																			
GDP	+1.4	+1.5	+1.5	+1.5	+0.4	+0.3	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4	+0.3	+0.4	+0.4	+0.4	+0.4	+0.4
Private sector consumption	+1.1	+1.1	+1.1	+1.1	+0.3	+0.3	+0.4	+0.3	+0.2	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3
Public sector consumption	+1.5	+0.9	+1.3	+1.1	+0.4	+0.3	+0.2	+0.7	+0.0	+0.1	+0.2	+0.3	+0.4	+0.4	+0.3	+0.3	+0.2	+0.2	+0.2	+0.2
Gross fixed capital formation	+3.6	+1.8	+1.5	+1.6	+1.2	+1.2	+0.8	+0.6	+0.3	+0.3	+0.3	+0.3	+0.4	+0.4	+0.5	+0.5	+0.4	+0.3	+0.3	+0.3
Exports	+2.3	+3.5	+3.9	+4.1	+0.3	+0.6	+0.4	+0.8	+1.0	+1.0	+1.0	+1.0	+1.0	+1.0	+1.0	+0.9	+1.0	+1.0	+1.0	+1.0
Imports	+3.8	+3.1	+3.6	+3.6	+0.6	+1.0	+0.7	+0.8	+0.7	+0.8	+0.8	+0.9	+0.9	+0.9	+1.0	+0.9	+0.8	+0.8	+0.9	+0.9
	<i>Contribution to real GDP growth in percentage points</i>																			
Domestic demand	+1.7	+1.2	+1.2	+1.1	+0.5	+0.5	+0.4	+0.4	+0.2	+0.2	+0.2	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.2
Net exports	-0.6	+0.3	+0.3	+0.4	-0.2	-0.2	-0.1	+0.0	+0.2	+0.1	+0.1	+0.1	+0.1	+0.1	+0.0	+0.0	+0.1	+0.2	+0.1	+0.1
Changes in inventories	+0.3	+0.1	+0.0	+0.0	+0.0	+0.0	+0.1	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
<b>Labor market</b>	<i>% of labor supply</i>																			
Unemployment rate (Eurostat definition)	6.1	6.3	6.3	6.2	6.0	6.0	6.2	6.1	6.1	6.2	6.3	6.4	6.4	6.3	6.2	6.2	6.2	6.2	6.2	6.2
	<i>Annual and/or quarterly changes in %</i>																			
Total employment	+1.3	+0.9	+0.8	+0.8	+0.4	+0.3	+0.4	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2
of which: private sector	+1.4	+1.1	+1.0	+0.9	+0.4	+0.4	+0.5	+0.3	+0.2	+0.2	+0.2	+0.2	+0.2	+0.3	+0.3	+0.3	+0.2	+0.2	+0.2	+0.2
Payroll employment	+1.5	+1.1	+1.0	+0.9	+0.4	+0.3	+0.4	+0.3	+0.3	+0.2	+0.2	+0.2	+0.2	+0.3	+0.3	+0.3	+0.2	+0.2	+0.2	+0.2
<b>Additional variables</b>	<i>Annual and/or quarterly changes in % (real)</i>																			
Real disposable household income	+3.0	+1.0	+0.9	+0.8	+0.5	+1.0	+1.2	+0.4	-0.1	-0.1	-0.1	+0.0	+0.3	+0.4	+0.4	+0.4	+0.2	+0.0	-0.1	+0.0
	<i>% of real GDP</i>																			
Output gap	-0.4	-0.2	-0.1	-0.1	-0.5	-0.5	-0.3	-0.3	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1

Source: OeNB December 2016 outlook.

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



Table 19

## Comparison of current economic forecasts for Austria

	OeNB				WIFO		IHS		OECD			IMF		European Commission		
	December 2016				September 2016		September 2016		November 2016			October 2016		November 2016		
	2016	2017	2018	2019	2016	2017	2016	2017	2016	2017	2018	2016	2017	2016	2017	2018
<i>Annual change in %</i>																
<b>Key results</b>																
GDP (real)	+1.4	+1.5	+1.5	+1.5	+1.7	+1.5	+1.5	+1.3	+1.5	+1.5	+1.3	+1.4	+1.2	+1.5	+1.6	+1.6
Private consumption (real)	+1.1	+1.1	+1.1	+1.1	+1.5	+1.2	+1.5	+1.1	+1.1	+1.1	+0.9	x	x	+1.3	+1.2	+1.1
Government consumption (real)	+1.5	+0.9	+1.3	+1.1	+1.6	+0.9	+1.0	+0.5	+1.8	+0.5	+0.8	x	x	+1.2	+0.9	+0.7
Gross fixed capital formation (real)	+3.6	+1.8	+1.5	+1.6	+3.4	+2.3	+2.7	+2.2	+3.8	+3.4	+3.0	x	x	+3.1	+2.3	+1.7
Exports (real)	+2.3	+3.5	+3.9	+4.1	+2.8	+2.8	+2.7	+3.2	+1.8	+3.1	+3.6	+2.6	+1.3	+2.7	+2.9	+3.2
Imports (real)	+3.8	+3.1	+3.6	+3.6	+3.8	+3.0	+3.3	+3.5	+3.6	+3.8	+3.9	+2.8	+1.6	+3.3	+2.7	+2.5
GDP per employee <sup>1</sup>	+0.1	+0.6	+0.7	+0.8	+1.0	+0.9	+0.0	+0.2	+0.3	-0.1	+0.0	x	x	+0.7	+0.8	+0.7
GDP deflator	+1.3	+1.4	+1.6	+1.7	+1.9	+1.5	+1.6	+1.4	+1.4	+1.9	+2.2	+1.5	+1.4	+1.9	+1.7	+1.7
CPI	x	x	x	x	+1.0	+1.7	+0.9	+1.6	x	x	x	x	x	x	x	x
HICP	+0.9	+1.5	+1.7	+1.8	+1.0	+1.7	+0.9	+1.6	+0.9	+1.7	+1.8	+0.9	+1.5	+1.0	+1.8	+1.6
Unit labor costs	+1.1	+0.8	+1.1	+1.1	+1.0	+1.2	+1.4	+1.4	+1.3	+1.7	+1.3	x	x	+0.8	+0.8	+0.9
Payroll employment	+1.3	+0.9	+0.8	+0.8	+1.4	+1.1	+1.5	+1.1	+1.8	+1.6	+1.3	+1.1	+0.7	+0.8	+0.8	+0.9
<i>% of labor supply</i>																
Unemployment rate (Eurostat definition)	6.1	6.3	6.3	6.2	6.0	6.1	6.1	6.2	6.3	6.6	6.6	+6.2	+6.4	+5.9	+6.1	+6.1
<i>% of nominal GDP</i>																
Current account	2.1	2.5	2.7	3.0	2.8	2.6	x	x	2.7	2.2	2.2	2.6	2.7	2.8	2.9	3.3
Budget balance (Maastricht definition)	-1.6	-1.2	-0.9	-0.6	-1.6	-1.5	-1.8	-1.4	-1.5	-1	-0.6	-1.6	-1.5	-1.5	-1.3	-1.1
<b>External assumptions</b>																
Oil price in USD/barrel (Brent)	43.1	49.3	52.6	54.6	45.0	57.0	44.0	52.0	42.9	45.0	45.0	43.0	50.6	45.2	54.7	56.8
Short-term interest rate in %	-0.3	-0.3	-0.2	0.0	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.40	-0.3	-0.3	-0.3
USD/EUR exchange rate	1.11	1.09	1.09	1.09	+1.1	+1.1	+1.1	+1.1	1.11	1.09	1.09	+1.1	+1.1	+1.1	+1.1	+1.1
<i>Annual change in %</i>																
Euro area GDP (real)	+1.7	+1.7	+1.6	+1.6	+1.6	+1.5	+1.6	+1.4	+1.7	+1.6	+1.7	+1.7	+1.5	+1.7	+1.5	+1.7
U.S. GDP (real)	+1.5	+2.0	+2.0	+2.0	+1.5	+2.2	+1.6	+2.3	+1.5	+2.3	+3.0	+1.6	+2.2	+1.6	+2.1	+1.9
World GDP (real)	+2.9	+3.3	+3.4	+3.5	+3.0	+3.3	x	x	+2.9	+3.3	+3.6	+3.1	+3.4	+3.0	+3.4	+3.5
World trade	+1.5	+3.2	+3.9	+4.0	+0.5	+2.0	+1.0	+2.8	+1.9	+2.9	+3.2	+2.3	+3.8	+1.9	+3.2	+3.6

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

<sup>1</sup> WIFO: GDP per hour worked.