

Four-year economic downturn to end in 2016

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

Christian Ragacs,
Klaus Vondra¹

1 Summary

According to its June 2015 economic outlook, the Oesterreichische Nationalbank (OeNB) expects – as in December 2014 – the Austrian economy to grow by 0.7% in 2015. For 2016 and 2017, it anticipates growth to accelerate to +1.9% and +1.8%, respectively.

At a mere +0.4%, Austrian GDP growth was disappointing in 2014, being not only lower than in the euro area (+0.9%), but also considerably lower than in Germany (+1.6%). The economic downturn was induced by sluggish export demand and uncertainties about future economic developments, which were caused by geopolitical tensions – in particular, the conflict between Russia and Ukraine – and dampened companies' propensity to invest. Furthermore, comparatively high inflation meant very weak growth in real income and, thus, private consumption.

Growth in the *world economy* will remain well below pre-crisis levels in 2015 – six years after the Great Recession. In emerging Asian and Latin American market economies, GDP growth has slowed noticeably, and Russia is mired in recession. As a result, industrialized nations are fueling global GDP growth – unlike in previous years.

In early 2015, monetary policy in almost every part of the world had an extraordinarily expansionary effect, but individual regions were in different phases of their respective monetary policy cycles. While the U.S.A. ended its large-scale asset purchases in October 2014 after three years of vibrant GDP growth, in January 2015, the

Governing Council of the European Central Bank (ECB) approved a broad-based program to purchase government bonds in order to combat deflationary risks. In Japan, monetary policy makers are also pursuing an expansionary strategy with the purchase of domestic government bonds. The different stages of monetary policy measures are triggering high levels of volatility on global currency markets, stock markets and bond markets.

The recession particularly in the *euro area* had a dampening impact on the global economy in 2012 and 2013. Nevertheless, GDP growth in the euro area stabilized in 2014 and will accelerate in the next few years. The euro area has been benefiting from several factors fueling growth since the end of 2014. The price of crude oil, which fell sharply during 2014, is having a positive impact on both companies and consumers. The Eurosystem's expanded asset purchase programme (APP) further reduced financing costs and should prompt a rise in inflation expectations and a weakening in real interest rates. The announcement of the APP resulted in the softening of the euro, which was accompanied by an improvement in short-term price competitiveness. In view of well-advanced consolidation, fiscal policy will no longer have a dampening effect on GDP growth. Growth in the euro area has so far been very uneven, however. Whereas GDP growth in early 2015 reached pre-2008 crisis levels in the former EU-IMF program countries of Ireland and Spain, other countries such as Italy and Finland are still struggling with structural prob-

Cutoff date:
May 20, 2015

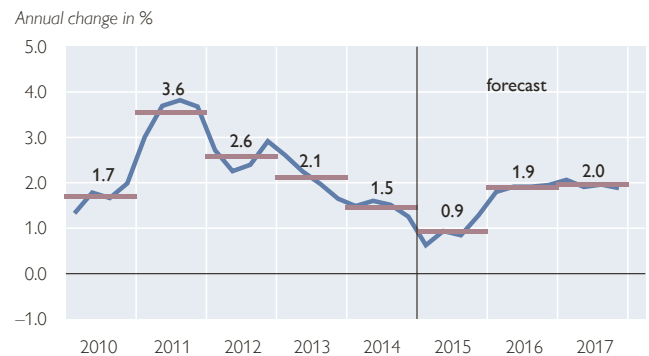
¹ Oesterreichische Nationalbank, Economic Analysis Division, christian.ragacs@oenb.at, klaus.vondra@oenb.at. In collaboration with Friedrich Fritzer, Ernest Gnan, Walpurga Köhler-Töglhofer, Claudia Kwopil, Doris Prammer, Lukas Reiss, Doris Ritzberger-Grünwald, Martin Schneider and Alfred Stiglbauer.

OeNB June 2015 outlook for Austria – key results

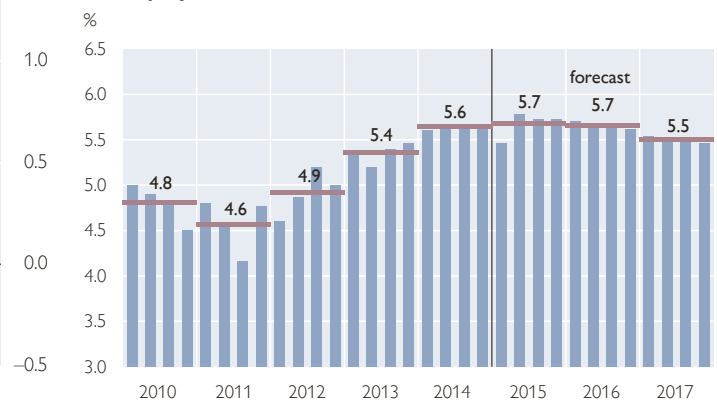
Real GDP growth (seasonally and working day-adjusted)



Harmonised Index of Consumer Prices



Unemployment rate



Source: Statistics Austria, WIFO, OeNB June 2015 outlook.

lems hampering more buoyant growth. In addition, uncertainty about future developments in Greece has further increased significantly since the end of 2014.

Austrian exporters have registered deteriorating price competitiveness in recent years, suffering noticeable losses in market shares for domestic exports. For instance, Austrian exporters in the German market have been crowded out by exporters from other countries (Slovakia, the Czech Republic, Poland and Hungary) in key segments such as motor vehicle parts and accessories. Further losses in market shares are expected in the years to come. Nevertheless, increasing export momentum will accelerate export growth from +2.8% in 2015 to +4.8% each in both 2016

and 2017 when the Austrian economy will above all be driven by domestic demand. Domestic import growth is also picking up significant pace on the back of strengthening domestic demand. This is why net exports will make only a minimal contribution to GDP growth in 2016 and 2017.

The reasons for the current downturn in investment are twofold: low aggregate demand and a pronounced uncertainty about future profitability. Although investment will contract in 2015 as a whole (–1.9% year on year), for the second half of 2015, a drop in uncertainty levels and a slow recovery in investment activity are expected. Investment activity will be fueled primarily by investment in equipment.

Private consumption will be determined by growth in real disposable household income. The key stimulus for growth in real disposable household income will come from lower inflation in 2015 and from the tax reform package in 2016. The latter will provide significant relief for households from 2016, boosting disposable household income growth by 1.6 percentage points in 2016 and by 0.4 percentage points in 2017. At +1.8% (2015), +2.8% (2016) and +1.6% (2017), growth in real disposable household income will consequently be considerably higher than in previous years. For private consumption, this means a significant acceleration after several years of only modest growth.

HICP inflation eased to +1.5% in 2014 (2013: +2.1%) and has so far continued to decline sharply in the course of 2015. This drop in inflation was attributable to sharply falling energy prices and the collapse in oil prices. However, Austria has recorded higher inflation rates than the euro area as a whole for a number of years now. In 2015 as a whole, HICP inflation will be historically very low, rising by just 0.9%. The pickup in economic activity and the dissipation of the dampening effects of energy prices will see inflation climb back to +1.9% (2016) and +2.0% (2017).

Employment growth, despite the frail economy, will slow only slightly to +0.7% in 2015 (2014: +0.8%). For both 2016 and 2017, employment growth is expected to accelerate markedly for cyclical reasons. Labor supply

will further expand over the forecast horizon as a whole since the labor force participation rate of older workers will continue to increase and the influx of foreign labor will remain high. In view of weak economic momentum and sustained growth in the labor supply, the unemployment rate (Eurostat definition) will further climb to 5.7% in 2015. As in the past, unemployment will follow GDP growth with a lag and is expected to drop slightly to 5.5% only in 2017.

The general government budget balance will improve significantly to -1.8% of GDP in 2015 (2014: -2.4% of GDP). This improvement is attributable particularly to a decline in capital transfers to banks, which more than offsets the impact of weak economic activity. Compared with 2015, the budget deficit will remain almost unchanged in 2016, as a further decrease in capital transfers to banks and the implications of improved economic activity will be offset to some extent by the impact of the tax reform package. In light of continued healthy GDP growth, a further improvement in the budget balance is expected for 2017. The government debt ratio will register a trend reversal in 2016 and decrease to some 81½% of GDP by 2017. In view of the applicable ESCB guidelines, some of the planned counterfinancing measures (primarily those against tax evasion) are not included in the OeNB's June 2015 economic outlook, which means the budget deficit leans toward being overestimated here.

Table 1

OeNB June 2015 outlook for Austria – key results¹

	2014	2015	2016	2017
Economic activity				
<i>Annual change in % (real)</i>				
Gross domestic product (GDP)	+0.4	+0.7	+1.9	+1.8
Private consumption	+0.2	+0.7	+1.8	+1.6
Government consumption	+1.0	+0.9	+0.9	+1.1
Gross fixed capital formation	-0.1	-1.9	+1.7	+2.6
Exports of goods and services	+1.8	+2.8	+4.8	+4.8
Imports of goods and services	+2.2	+2.0	+4.7	+5.1
<i>% of nominal GDP</i>				
Current account balance	+0.8	+1.3	+2.1	+2.8
Contribution to real GDP growth				
<i>Percentage points</i>				
Private consumption	+0.1	+0.4	+1.0	+0.8
Government consumption	+0.2	+0.2	+0.2	+0.2
Gross fixed capital formation	+0.0	-0.4	+0.4	+0.5
Domestic demand (excluding changes in inventories)	+0.3	+0.1	+1.5	+1.6
Net exports	-0.1	+0.5	+0.2	+0.1
Changes in inventories (including statistical discrepancy)	+0.3	+0.0	+0.1	+0.1
Prices				
<i>Annual change in %</i>				
Harmonised Index of Consumer Prices (HICP)	+1.5	+0.9	+1.9	+2.0
Private consumption expenditure (PCE) deflator	+1.7	+1.0	+1.8	+1.9
GDP deflator	+1.7	+1.3	+1.8	+1.9
Unit labor costs in the total economy	+2.2	+1.9	+1.2	+1.5
Compensation per employee (at current prices)	+1.8	+1.9	+2.0	+2.3
Compensation per hour worked (at current prices)	+1.9	+2.0	+2.1	+2.4
Import prices	-0.5	+0.4	+1.8	+1.9
Export prices	+0.5	+1.2	+1.9	+1.9
Terms of trade	+1.0	+0.7	+0.0	+0.0
Income and savings				
<i>% of nominal disposable household income</i>				
Real disposable household income	+0.4	+1.8	+2.8	+1.6
<i>% of nominal disposable household income</i>				
Saving ratio	7.5	7.9	8.6	8.6
Labor market				
<i>Annual change in %</i>				
Payroll employment	+0.8	+0.8	+1.1	+1.0
Hours worked (payroll employees)	+0.7	+0.7	+1.0	+0.9
<i>% of labor supply</i>				
Unemployment rate (Eurostat definition)	5.6	5.7	5.7	5.5
Public finances				
<i>% of nominal GDP</i>				
Budget balance	-2.4	-1.8	-1.8	-1.4
Government debt	84.5	85.7	83.8	81.6

Source: 2014: Eurostat, Statistics Austria; 2015 to 2017: OeNB June 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 in 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 also deviate from the nonadjusted data released by Statistics Austria. The figures on real GDP are based on a flash estimate of the national accounts for the first quarter of 2015, while the expenditure-side GDP components are partly based on the full set of national accounts data released for the fourth quarter of 2014.

2 Technical assumptions

This forecast is the OeNB's contribution to the Eurosystem's June 2015 staff projections. The forecast horizon ranges from the first quarter of 2015 to the fourth quarter of 2017. May 13, 2015, 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 macro-economic quarterly model to prepare the projections for Austria, which are based on national accounts data adjusted for seasonal and working-day effects (trend-cycle component; prepared by the Austrian Institute of Economic Research – WIFO). The data used for this forecast differ in their method of seasonal adjustment from the quarterly series published by Eurostat since the changeover to the European System of Accounts (ESA 2010) in fall 2014. The data published by Eurostat are far more volatile and, in part, cannot be clearly mapped to specific economic fundamentals. Values for 2014 also differ from the nonseasonally adjusted data published by Statistics Austria. The national accounts data were fully available up to the fourth quarter of 2014. The data for the first quarter of 2015 are based on the GDP flash estimate, which covers 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, namely 0.01% in 2015, 0.05% in 2016 and 0.21% in 2017. Long-term interest rates, which are based on market expectations for ten-year government bonds, are set at 0.8% (2015), 1.1% (2016) and 1.3% (2017). The exchange rate of the euro relative to the U.S. dollar is assumed to stay constant at USD 1.12. The projected development of crude oil prices is based on futures prices. The crude oil price assumed for

2015 is USD 63.8 per barrel of Brent, while the prices for 2016 and 2017 are set at USD 71.0 and USD 73.1, respectively. The prices of commodities excluding energy are also based on futures prices over the forecast horizon.

3 Economic recovery in the euro area forges ahead

Growth in the *world economy* will not accelerate in 2015, i.e. six years after the Great Recession. In 2012 and 2013, the recession particularly in the euro area had a dampening impact on the global economy. At +0.9%, growth in the euro area stabilized again in 2014, however. By contrast, the GDP growth of emerging Asian and Latin American market economies slowed, as did that of Russia. GDP growth will persist just below +3.5% in 2015, as key stimuli are neither visible nor anticipated.

Monetary policy in almost every part of the world had an extraordinarily expansionary effect in early 2015, but individual regions were in different phases of their respective monetary policy cycles. While the U.K., Canada and the U.S.A. have already ended their asset purchase programs after three years of vibrant GDP growth, in the wake of low inflation the Eurosystem approved a broad-based expanded asset purchase programme (APP) in January 2015 (box 1). Japan's economic policy is alternating between expansionary and contractionary fiscal measures while pursuing a very expansionary monetary policy at the same time. Currently sharp fluctuations on the global currency markets, stock markets and bond markets are a direct consequence of these monetary policy measures. Coupled with a marked oil price shock, the global economy found itself in a state of heightened uncertainty in early 2015.

Unlike in previous years, global GDP growth is currently being fueled by industrialized nations. The *U.S.A.* is experiencing solid growth momentum – apart from the first quarter of 2015, which remained weak owing to temporary factors. Private consumption and gross capital formation are the cornerstones of U.S. GDP growth. At the same time, the *U.S.A.* has seen a one-year period of appreciation of the U.S. dollar against the euro (March 2014: USD/EUR 1.38; April 2015: USD/EUR 1.08), causing American exporters' competitiveness to deteriorate. The steep slump in the price of oil is generating severe losses primarily for shale oil producers in the *U.S.A.* – and in Canada – and is thus inducing a market correction. Overall, positive signals continue to prevail, however. As a result, the Federal Reserve System ended its large-scale asset purchase program in October 2014; anticipated sound GDP growth and labor market improvements should trigger a reversal in interest rates in the course of 2015.

In *Japan*, large-scale fiscal and monetary policy measures were undertaken in the previous two years in a bid to boost the economy and rekindle inflation over the long term. At least, the turn of the year 2014/15 saw the economy register two quarters of positive growth in succession. However, growth in early 2015 was primarily attributable to inventory buildup, and there is a risk that a countermovement will occur in the event that inventories are drawn down in the second quarter of 2015. In addition to persistent structural problems, the Japanese economy is currently also affected by slowing growth in China and emerging Asian market economies. In particular, China has for some time now been witnessing the emergence of a downturn in growth and a „soft landing“ of the economy. Its

growth outlook was downgraded to less than 7% for the forecast horizon as a whole – its weakest growth outlook in the last 15 years. Growth in other Asian countries is subject to country-specific factors, and its profile is increasingly uneven. For instance, *India* recently registered higher GDP growth than the Chinese economy, making *India* currently Asia's fastest growing economy. Overall, this region's growth exceeds 6%. By contrast, the recession in Brazil and the stagnation in Argentina are tempering growth on the entire *Latin American continent*.

Russia is another major economy that registered very high levels of growth prior to the Great Recession. The Russian economy is currently in deep recession for a number of reasons: the collapse in the price of oil; the conflict with Ukraine; the resulting economic sanctions by Western industrialized nations; and long-existing structural problems (Dutch disease). Capital outflows, high inflation resulting from the devaluation of the Russian ruble at the end of 2014 and major uncertainties are dampening both investment and consumption. Positive growth is not expected to return before 2017. The economic crisis in Russia is also curbing growth in Eastern European countries whose external trade is closely integrated with that of Russia. At the same time, *Central, Eastern and South-eastern European (CESEE) countries* are benefiting from economic expansion in the euro area. Aggregating the quite uneven development of these countries together, the overall growth of this region is just below 3%, which is more robust than that of the euro area. Compared with the pre-crisis period, however, the growth differential has narrowed significantly.

The *euro area* has been benefiting from several factors driving significant

growth since the end of 2014. First, the sharp fall in the price of oil in 2014 is having a positive impact on both companies and consumers and, second, the monetary policy measures of the Eurosystem (box 1) are lowering the level of interest rates. In markets where direct interventions are made, securities prices are climbing and yields are falling in turn. Lower yields are prompting investors to shift to other market segments, which should pass on the yield effects to broad segments of the financial market and reduce the financing costs for companies, governments and banks accordingly. In addition, the expanded asset purchase programme countered the de-anchoring of inflation expectations. The aforementioned effects when combined are having a dampening impact on the level of real interest rates. If passed on by banks to their borrowers, lower real interest rates

should generate both higher consumption growth and higher investment growth, thereby boosting the economy. Third, the announcement of the APP triggered the devaluation of the euro against most major currencies, as a result of which the short-term price competitiveness of European exporters is improving. Fourth, consolidation in the euro area is so well advanced that no further comprehensive cost-cutting efforts are envisaged during the forecast horizon. Fiscal policy will therefore no longer have a dampening effect on GDP growth. Fifth, following the necessary preparatory work for creating the banking union (comprehensive assessment) and the actual launch of the banking union in 2014 – the supervision of the most important and largest banks of the euro area is now in the ECB's hands –, confidence in the financial markets should have increased.

Box 1

The new asset purchase program of the Eurosystem¹

Despite several years of expansionary monetary policy, HICP inflation in the euro area has been in a clear downtrend since 2011, which was amplified in 2014. Although the euro area was in recession in 2012 and 2013, the euro appreciated significantly in value against the currencies of key trading partners between mid-2012 and early 2014. This phenomenon dampened the prices of imported goods. In addition, the drop in inflation was closely linked to the global development in energy and food prices. Whereas inflation stood just below 1% in early 2014, it further eased to -0.2% by the end of 2014 and dropped to -0.6% in January 2015. The decline was much sharper than predicted. In addition, inflation expectations also abated appreciably. Falling inflation expectations are driving the level of real interest rates up and are exerting a contractionary effect at a time when the monetary policy stance is intended to be expansionary.

In response to the falling inflation expectations and to medium-term inflation forecasts that were well below the price stability target of below, but close to, 2%, the Governing Council of the ECB approved an expanded asset purchase programme (APP) on January 22, 2015, whereby financial assets totaling EUR 60 billion are purchased on a monthly basis. Although government bonds of euro area countries are the main focus of the APP, purchases also comprise covered bonds and asset-backed securities of banks in the euro area as well as bonds of both European entities classified as agencies and European institutions. The purchases will be made at least until September 2016 and, at all events, until a sustained correction in the inflation trend toward +2% materializes.

Under the APP, the OeNB purchases a portion of the overall asset portfolio in accordance with its capital key share, acquiring both covered bonds and Austrian government bonds with a residual maturity of between two and 30 years.

¹ Prepared by Claudia Kwapil, Economic Analysis Division, claudia.kwapil@oenb.at.

Table 2

Underlying global economic conditions

	2014	2015	2016	2017
	<i>Annual change in % (real)</i>			
Gross domestic product				
World excluding the euro area	+3.7	+3.4	+4.1	+4.1
U.S.A.	+2.4	+2.6	+3.1	+2.7
Japan	-0.1	+0.5	+1.5	+0.7
Asia excluding Japan	+6.5	+6.2	+6.6	+6.3
Latin America	+1.2	+0.7	+2.1	+2.7
United Kingdom	+2.8	+2.3	+2.5	+2.5
CESEE EU Member States ¹	+2.8	+2.9	+2.8	+2.9
Switzerland	+2.0	+1.0	+1.4	+1.9
Euro area	+0.9	+1.5	+1.9	+2.0
World trade (imports of goods and services)				
World	+2.9	+2.6	+5.0	+5.3
World excluding the euro area	+2.7	+2.0	+4.8	+5.2
Growth of euro area export markets (real)	+2.9	+2.2	+4.6	+5.0
Growth of Austrian export markets (real)	+3.4	+3.8	+5.3	+5.5
Prices				
Oil price in USD/barrel (Brent)	98.9	63.8	71.0	73.1
Three-month interest rate in %	0.2	0.0	0.0	0.2
Long-term interest rate in %	1.5	0.8	1.1	1.3
USD/EUR exchange rate	1.33	1.12	1.12	1.12
Nominal effective exchange rate (euro area index)	102.29	92.57	92.38	92.38

Source: Eurosystem (June 2015 staff macroeconomic projections for the euro area).

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

The euro area will register growth of +1.5% in 2015. The fact that real GDP growth is not currently manifesting relatively stronger momentum despite all the expansionary effects is a consequence of still very uneven growth in the euro area countries. Whereas GDP growth in early 2015 was back at pre-crisis levels in the former EU-IMF program countries of Ireland and Spain, other countries such as Italy and Finland are still struggling with structural problems hampering more buoyant growth. In addition, uncertainty about future developments in Greece has further heightened considerably since the end of 2014. Another factor dampening GDP growth remains the Russia-Ukraine conflict and the related economic sanctions.

Growth in the euro area is currently accelerating on the back of increasingly robust domestic demand.

On a quarterly basis, growth has been in positive territory since the second quarter of 2013, accelerating in the previous four quarters from +0.1% in the second quarter of 2014 to most recently +0.4% in the first quarter of 2015. Growth is being driven primarily by private consumption and – with the exception of the second quarter of 2014 – by gross fixed capital formation. Net exports are not making any significant contributions to GDP growth. A regional analysis of GDP growth in the euro area shows primarily the dynamic growth of Spain, Slovakia and Ireland outstripping the other euro area countries. Although GDP growth in Germany was subject to major fluctuations, it advanced considerably at the turn of 2014/15. In addition, France and Italy registered very positive GDP growth in the first quarter of 2015. By contrast, the Finnish economy is making a very

sluggish recovery. Greece slid back into recession, given the uncertainties about future developments. Its growth outlook for 2015 was significantly downgraded recently.

According to its current June 2015 projections, the Eurosystem expects growth to accelerate to +1.5% (2015), +1.9% (2016) and +2.0% (2017) for the euro area as a whole. This increase, the rising price of oil and the narrowing output gap will trigger a sharp uptick in HICP inflation to +1.5% in 2016 (2015: +0.3%). HICP inflation should be back just under the 2 percent mark as early as 2017, thereby meeting the price stability target. With modest labor supply growth, employment will climb steeply by about +1% year on year, reducing the unemployment rate (Eurostat definition) from some 11½% in 2014 to 10% in 2017. The fiscal balance will improve from -2.4% in 2014 to -1.5% in 2017, which will result in a decrease in total government debt to less than 90% of GDP at the end of the forecast horizon.

4 Austria: economy will recover only in 2016

4.1 Although export growth is accelerating, Austria is increasingly losing market shares

Austrian export growth has been extremely subdued since 2012. The lines in chart 2 (left panel) indicate growth in *Austrian export markets*², actual export growth and the resulting *market share development*. External demand for Austrian products has been exceedingly sluggish since 2012. Actual export growth was lower still, and Austrian exporters lost market shares (yellow line; market shares as an index with

2007 as the base year). The columns in the left-hand panel also indicate from which group of countries demand for Austrian products is originating. The strongest demand for Austrian exports comes from Germany, western euro area countries and CESEE countries. Both external demand for Austrian products (primarily from Germany) and Austrian export growth should resume steady acceleration until 2017. The right-hand panel in chart 2 shows the revisions of export demand since the OeNB's December outlook for 2015, broken down by individual groups of countries. The previous six months saw an improvement particularly in the outlook for Europe, especially for the euro area (and of relevance for Austria: above all, for Germany), while the Russia-Ukraine conflict was curbing the GDP growth of CESEE countries, and both Asia and America experienced a certain slowdown in economic momentum and thus also in import growth. In addition to export market growth, the left-hand panel also shows the export growth outlook, which will lag behind export market growth, which means Austrian exports will continue to lose market shares in the future.

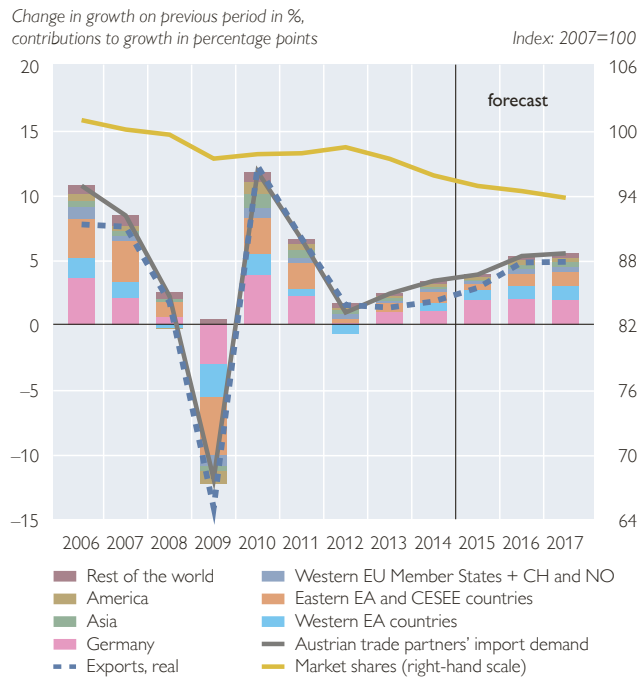
Whereas service exports driven by tourism and by exports in the high-tech sector (e.g. IT and R&D services) are registering above-average growth, growth in goods exports is being dampened in the euro area. As a case in point, goods exports to Italy have been declining sharply since 2012 and those to Germany have been stagnating. Above all, the exports of manufactured goods accounting for a share in total exports exceeding 20% and constitut-

² Growth in the demand for Austrian products is measured as the weighted import growth of Austria's trading partners.

Chart 2

Exports

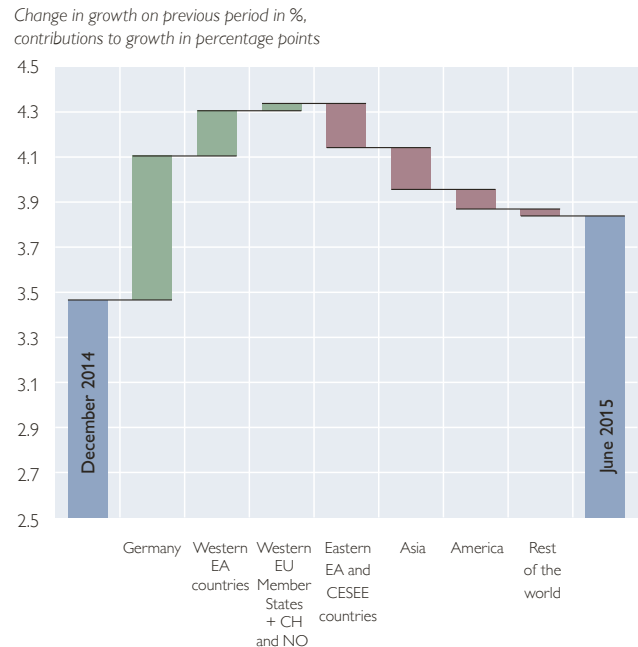
Export growth and external demand



Source: ECB, OeNB (presentation and calculation).

Note: EA=euro area.

Revisions of contributions to growth of Austrian export markets since the OeNB December 2014 outlook for 2015



ing a core component of Austrian exports were affected.

The loss of market shares is being accompanied by a decline in price competitiveness. Relative unit labor costs in Austria have deteriorated considerably in the past few years (+3% on 2011).³ While hourly compensation in the Austrian economy as a whole has risen more strongly than in the euro area from 2012 onward, the reverse was true in the manufacturing sector. The development in hourly productivity was, however, worse in both the Austrian economy as a whole and the country's manufacturing sector than in the euro area.

Exporters from other countries (Poland, Hungary and the Czech Republic) have crowded out Austrian exporters particularly in their core German market and core export segments such as motor vehicle parts and accessories. In view of this structural change, the OeNB expects that Austria will continue to lose market shares in the coming years, albeit to a smaller extent. Despite the loss of market shares in the forecast period, the OeNB anticipates export growth to accelerate from +2.8% in 2015 to +4.8% in 2016 without any further increase in 2017. As a result, export momentum will remain well below the historical average rate of

³ Compared with 36 industrialized countries. Source: AMECO database.

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	+3.5	+2.0	+2.0
Export deflator	+0.5	+1.2	+1.9	+1.9
Changes in price competitiveness	-1.5	+2.3	+0.1	+0.0
Import demand on Austria's export markets (real)	+3.4	+3.8	+5.3	+5.5
Austrian exports of goods and services (real)	+1.8	+2.8	+4.8	+4.8
Austrian market share	-1.6	-1.0	-0.5	-0.6
Imports				
International competitor prices on the Austrian market	-0.8	+3.4	+1.7	+1.7
Import deflator	-0.5	+0.4	+1.8	+1.9
Austrian imports of goods and services (real)	+2.2	+2.0	+4.7	+5.1
Terms of Trade	+1.0	+0.7	+0.0	+0.0
	<i>Percentage points of real GDP growth</i>			
Contribution of net exports to GDP growth	-0.1	+0.5	+0.2	+0.1
	<i>% of nominal GDP</i>			
Foreign trade ratios				
Export ratio	53.5	54.6	56.2	57.8
Import ratio	49.8	50.0	51.4	53.0

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

Austrian export growth. Import growth will accelerate in tandem with expanding domestic demand in 2016/17. Net exports will therefore make only a very small contribution to GDP growth.

Although the Austrian current account has steadily deteriorated since 2010, at +0.8%, its balance was still in positive territory in 2014. At constant

balances of primary income (formerly, balance on income) and secondary income (formerly, balance on transfers), the improvement in the balance of goods and services – resulting from an acceleration in exports – is putting an end to the downtrend in the current account's development. The current account surplus will climb to 2.8% of GDP by 2017.

Table 4

Austria's current account

	2014	2015	2016	2017
	<i>% of nominal GDP</i>			
Balance of trade	2.4	3.0	3.8	4.6
Balance of goods	-0.7	-0.1	0.1	0.5
Balance of services	3.1	3.1	3.7	4.1
Balance of primary income	-0.6	-0.6	-0.6	-0.6
Balance of secondary income	-1.1	-1.1	-1.1	-1.1
Current account	0.8	1.3	2.1	2.8

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

4.2 Investment is making a slow recovery

Austrian companies began to retrench their investment activity very severely in the second quarter of 2014. In the third and fourth quarter of 2014, gross fixed capital formation contracted in real terms by around -1.1% on the previous quarter. The decline in the fourth quarter of 2014 covered every investment component. Investment in equipment was the worst hit (-2.4% on the previous quarter). Residential construction investment was down by -1.1% , with other nonresidential construction falling by -0.5% . R&D investment stagnated.

The background to the current slowdown in investment is only partially understandable using traditional macroeconomic models. Although standard investment models such as the accelerator model, which ascribes investment activity primarily to GDP/export growth, explain the weak investment growth in 2012 and 2013 very well, they significantly overestimate the investment growth of the previous three quarters. Furthermore, other explanatory approaches such as the exist-

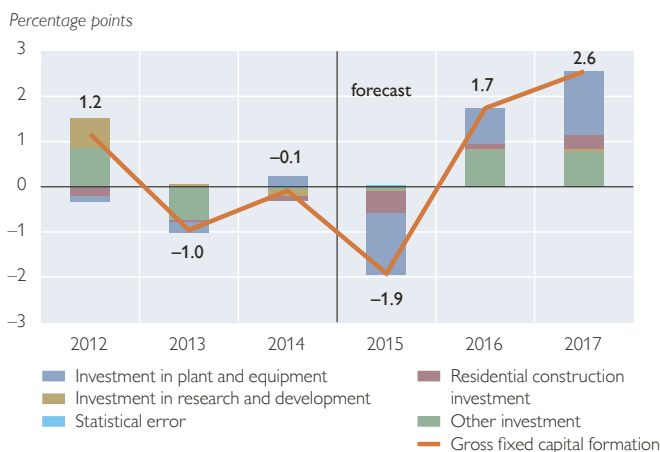
tence of financing bottlenecks do not offer any additional adequate explanation: corporate financial asset levels are high and financing conditions are exceptionally favorable; quantitative lending restraints are not likely to have had a significant dampening effect on investment in Austria, and there exist furthermore no signs of financial investment crowding out real investment, which would give rise to weaker investment activity. Current investment restraint is therefore likely to be associated with high uncertainty about future sales opportunities, which is particularly pronounced in Austria. Several factors are contributing to this feeling of insecurity. For instance, the Russia-Ukraine conflict and Austria's special focus on Eastern Europe are still likely to be key factors.

This confidence shock specific to Austria is expected to slowly dissipate in line with the economic recovery of Austria's most important export partner countries, the devaluation of the euro, the Eurosystem's growth-stimulating economic policy measures and increasing Austrian consumer demand. Nonetheless, in view of the negative

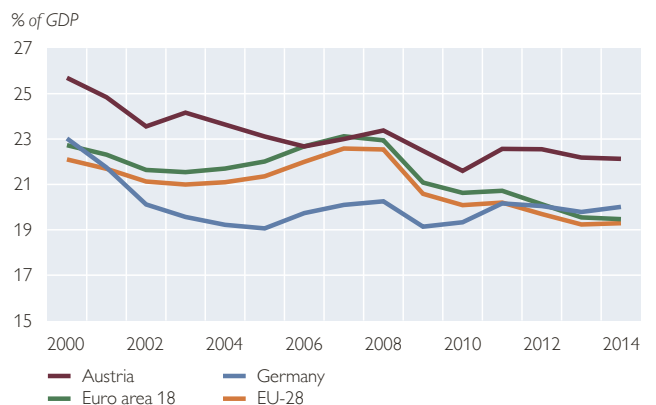
Chart 3

Investment

Contributions to investment growth



Investment ratios of EU Member States



Source: Eurostat, OeNB.

Table 5

Investment activity in Austria

	2014	2015	2016	2017
<i>Annual change in %</i>				
Total gross fixed capital formation (real)	-0.1	-1.9	+1.7	+2.6
<i>of which: investment in plant and equipment</i>	+0.7	-4.1	+2.4	+4.3
<i>residential construction investment</i>	-0.5	-2.5	+0.5	+1.6
<i>nonresidential construction investment and other investment</i>	-0.1	-0.3	+2.9	+2.7
<i>investment in research and development</i>	-0.8	-0.1	+0.2	+0.4
<i>public sector investment</i>	-3.5	+0.6	+1.0	+1.0
<i>private sector investment</i>	+0.4	-2.3	+1.9	+2.8
<i>Contribution to the growth of gross fixed capital formation in percentage points</i>				
Investment in plant and equipment	+0.2	-1.4	+0.8	+1.4
Residential construction investment	-0.1	-0.5	+0.1	+0.3
Nonresidential construction investment and other investment	+0.0	-0.1	+0.8	+0.8
Public sector investment	-0.5	+0.1	+0.1	+0.1
Private sector investment	+0.4	-2.0	+1.6	+2.4
<i>Contribution to real GDP growth in percentage points</i>				
Total gross fixed capital formation	+0.0	-0.4	+0.4	+0.5
Changes in inventories	-0.2	-0.1	+0.2	+0.1
<i>% of nominal GDP</i>				
Investment ratio	22.0	21.4	21.3	21.4

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

carry-over effect from 2014 and negative growth in the first quarter of 2015, investment will contract significantly in 2015 as a whole (-1.9% year on year). Investment activity is, however, expected to recover slowly in the second half of 2015. In 2016, investment will grow roughly in parallel with the expansion of the economy. Investment momentum is not expected to resume more significant pace before 2017. As past experience shows, the investment cycle will be fueled primarily by investment in equipment. In view of persistently low financing costs and an increased need for housing, residential construction investment is also expected to tick up toward the end of the forecast period. Although growth in civil engineering investment should gather pace again, its share of aggregate investment will remain below the historical average. Overall, the investment outlook is moderately cautious.

The investment-to-GDP ratio in Austria fell by some 4 percentage points between 1995 and 2014, reflecting the international trend. At around 22% of GDP in 2014, the level of Austrian investment is still one of the highest internationally, however. Only five EU Member States have a higher investment ratio than that of Austria, which is expected to drop slightly and then stabilize at around 21.4% in 2015.

4.3 Low inflation and tax reform package fuel private consumption

Austrian households have just emerged from a prolonged period of weak and, in some cases, falling real disposable household income, accompanied by sluggish consumption growth. Despite robust employment growth of +1.3%, real disposable household income shrank by -2.1% and private consumption by -0.2% in 2013. Growth in household income and consumption stagnated

in 2014 (+0.4% and +0.2%, respectively). In both 2013 and 2014, growth in disposable household income was badly affected by inflation, in particular.

At +1.8%, real disposable household income, as fueled by low inflation, is expected to rise sharply in 2015, with consumption growth edging up slightly to +0.4%. Nominal compensation per employee will climb slightly more steeply in 2015 than in 2014. Although wages per employee will increase somewhat more sharply for cyclical reasons in 2016 and particularly in 2017, inflation will also tick up considerably again. In view of the economic recovery anticipated for 2016 and 2017, employment growth will accelerate from +0.8% in 2015 to around +1.0%. Despite the economic upswing, invest-

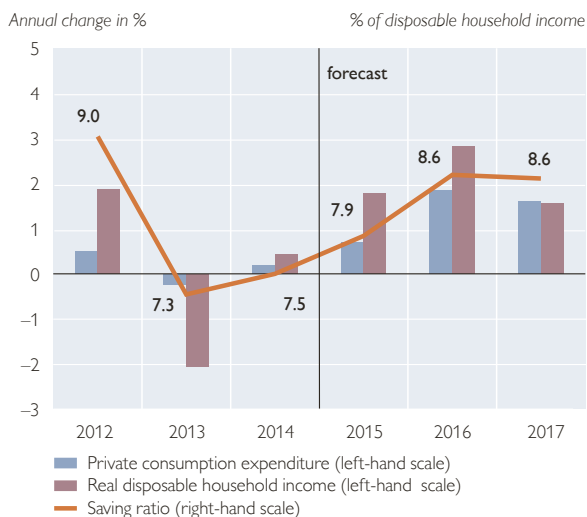
ment income and mixed income accruing to self-employed households will increase relatively weakly over the forecast period. The level of interest rates is historically extremely low, and companies are expected to undertake major replacement investment.

The most important stimulus for the development of both disposable household income and private consumption will come from the tax reform package in 2016 (box 2), which will provide substantial tax relief on real net income. Real disposable household income is expected to rise by 2.8%. This increase is much steeper than average growth in real disposable household income before the financial crisis (1995–2008 average: +2.2%).

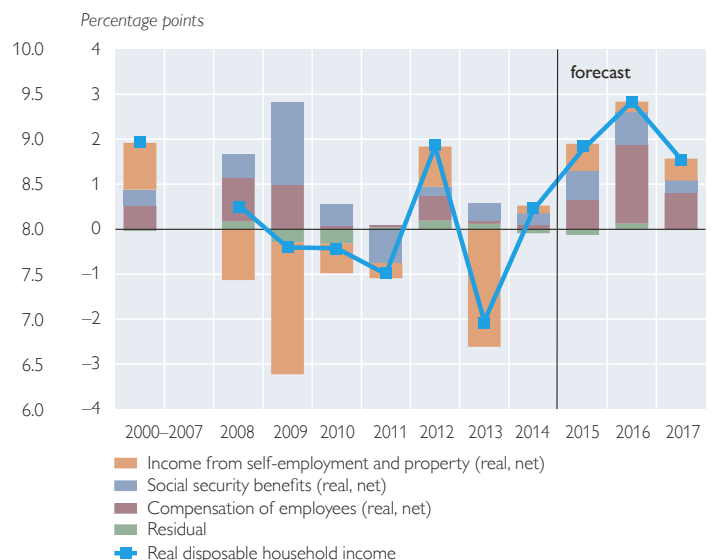
Chart 4

Private consumption¹

Households' consumption expenditure



Contributions to the growth of real disposable household income



Source: Eurostat, Statistics Austria, OeNB.

¹ Explanatory notes and data sources relating to chart 4, right-hand panel, "Compensation of employees (real, net)": compensation of employees less social contributions (actual and imputed, to government and private entities) of employers and employees as well as other wage-related taxes payable by employees (Statistics Austria data up to and including 2013, from 2014 onward update based on 2014 tax data and the OeNB outlook). "Social security benefits (real, net)": difference between monetary social security benefits 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 comprising property income (including interest) and mixed income accruing to self-employed households less withholding taxes on households' property income, assessed income tax and social security contributions of self-employed households (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).

Fiscal developments from 2014 to 2017¹

The general government budget deficit grew by around 1 percentage point to just under 2½% of GDP in 2014. This increase was primarily attributable to two factors: first, the reorganization of Hypo Alpe-Adria-Bank International AG (HBIInt, overall deficit effect including capital increase in spring 2014 totaling 1.4% of GDP) and, second, the dissipation of the one-off effect arising from the mobile spectrum auction in 2013 (0.6% of GDP). Nonetheless, very subdued growth in current outlays and minor tax increases led to a relatively strong structural improvement in the budget balance. According to the European Commission, Austria marginally overfulfilled its medium-term budgetary objective of a structural balance of –0.45% of GDP in 2014. However, the reorganization of HBIInt translated into a further increase in the government debt ratio to some 84½% of GDP.

A roughly neutral fiscal policy strategy should be expected in 2015, as barely any new consolidation measures will enter into force and only some minor “offensive measures” (e.g. reduction in employers’ social contributions) will take effect. In view of the decline in capital transfers to banks (to ½% of GDP)², however, the headline budget balance is expected to improve quite considerably despite cyclically weak growth in revenues. Nevertheless, the government debt ratio is expected to continue to rise as a result of a capital transfer from Kommunalkredit Austria AG to KA Finanz AG (“bad bank”), which is classified in the general government sector.

In the period from 2010 to 2014, the effect from the nominal fixing of wage and income tax brackets (“bracket creep”) made a critical contribution to consolidation. In 2016, in contrast, wage and income tax will be fairly substantially cut by the restructuring of tax brackets and by the increase in tax credits (together with higher negative taxes), which are to be counterfinanced by various minor tax increases, by spending cuts and measures against both tax and welfare fraud. In the main scenario of the OeNB’s June 2015 economic outlook, this tax reform package will generate a level effect for real GDP of somewhat below ½% for both 2016 and 2017, while the effect on the budget deficit (including “self-financing” through the play of automatic stabilizers) will stand at somewhat above ½% of GDP. The latter is primarily due to fact that, in view of an ESCB-wide guideline for fiscal projections, measures against tax and welfare fraud were not included in the OeNB’s June 2015 economic outlook.

Overall, a budget balance that is more or less constant (compared with 2015) is anticipated for 2016 and one that will improve to more than –1½% of GDP is expected for 2017 since positive cyclical effects and a further decline in capital transfers to banks will more than offset the negative budgetary effects of the tax reform package. The government debt ratio should decrease significantly in the same period thanks to higher nominal growth, the reduction in the debt levels of “bad banks” and to relatively low deficits.

¹ Prepared by Lukas Reiss, Economic Analysis Division, lukas.reiss@oenb.at.

² The projections of capital transfers to banks were taken from the Austrian Federal Ministry of Finance (strategy report on the federal medium-term expenditure framework)..

At +1.8% (2015), +2.8% (2016) and +1.6% (2017), growth in real disposable household income will be on the whole significantly higher in the forecast period than in previous years. A similar very robust growth profile is also anticipated for private consumption (2015: +0.7%; 2016: +1.8%; 2017: +1.6%).

The development in the saving ratio is being fueled by several factors. First,

consumers have the notion of an (even with the passage of time) “optimal” relationship between saving and consumption. Second, the saving ratio is also determined by the composition of disposable household income (investment income has a higher marginal saving ratio than earned income). In 2013, real disposable household income contracted more sharply than consumption, which was partly financed from

Table 6

Private consumption in Austria

	2014	2015	2016	2017
<i>Annual change in %</i>				
Households' disposable income (nominal)	+2.2	+2.8	+4.7	+3.5
Consumption deflator	+1.7	+1.0	+1.8	+1.9
Households' disposable income (real)	+0.4	+1.8	+2.8	+1.6
Private consumption (real)	+0.2	+0.7	+1.8	+1.6
<i>Contribution to real GDP growth in percentage points</i>				
Private consumption	+0.1	+0.4	+1.0	+0.8
<i>% of households' nominal disposable income</i>				
Saving ratio	7.5	7.9	8.6	8.6
<i>% of nominal GDP</i>				
Consumption ratio	53.7	53.6	53.6	53.4

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

savings. The saving ratio declined from 9.0% in 2012 to 7.3% in 2013. 2014 saw an increase in real disposable household income (+0.4%), private consumption (+0.2%) and the saving ratio (+0.2 percentage points). For 2015 and 2016, the saving ratio is expected to rise to 7.9% and 8.6%, respectively. In 2016, the increase in the saving ratio – induced by the tax re-

form package – will be somewhat more vigorous than growth in the income components would imply. It is assumed that households will increase their total savings slightly disproportionately in view of their experience in recent years and thus will save part of their additional disposable household income generated by the tax reform package.

Table 7

Determinants of Austrian households' nominal income

	2014	2015	2016	2017
<i>Annual change in %</i>				
Payroll employment	+0.8	+0.8	+1.1	+1.0
Wages and salaries per employee	+1.8	+1.9	+2.0	+2.3
Compensation of employees	+2.6	+2.7	+3.1	+3.4
Property income	+4.3	+2.9	+3.9	+4.0
Self-employment income and operating surpluses (net)	+2.4	+3.2	+3.6	+3.7
<i>Contribution to households' disposable income in percentage points</i>				
Compensation of employees	+2.1	+2.2	+2.6	+2.8
Property income	+0.5	+0.4	+0.5	+0.5
Self-employment income and operating surpluses (net)	+0.4	+0.5	+0.6	+0.6
Net transfers less direct taxes ¹	-0.9	-0.2	+1.0	-0.4
Households' disposable income (nominal)	+2.2	+2.8	+4.7	+3.5

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

¹ Negative figures indicate an increase in (negative) net transfers less direct taxes, while positive figures indicate a decrease.

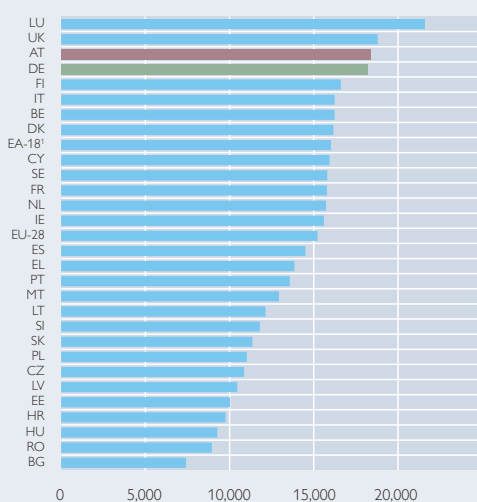
Private consumption in Germany and Austria: Austria falls behind amid higher inflation¹

Austria and Germany both have a very high level of consumption spending by international standards. In 2013, the two countries were in third and fourth position within the EU in terms of per capita consumption as measured in purchasing power parities. In the period from 2001 to 2010, private consumption in Austria grew 1 percentage point faster per year than in Germany. Since 2011, however, consumption growth has almost come to a standstill in Austria while accelerating in Germany, where it is now 1 percentage point higher than in Austria.

International comparison of private consumption

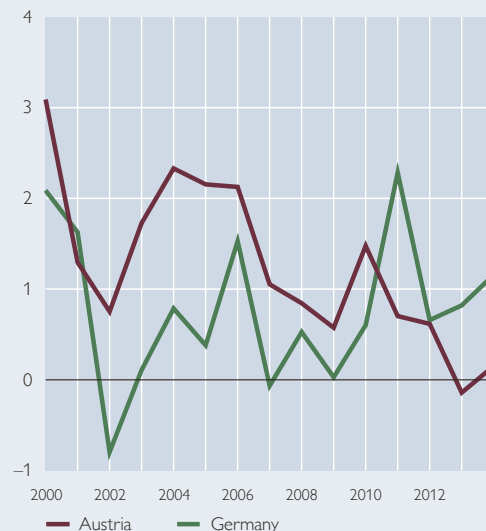
Consumption per inhabitant (2013)

EUR per capita at PPPs



Development of real private consumption

Annual change in %

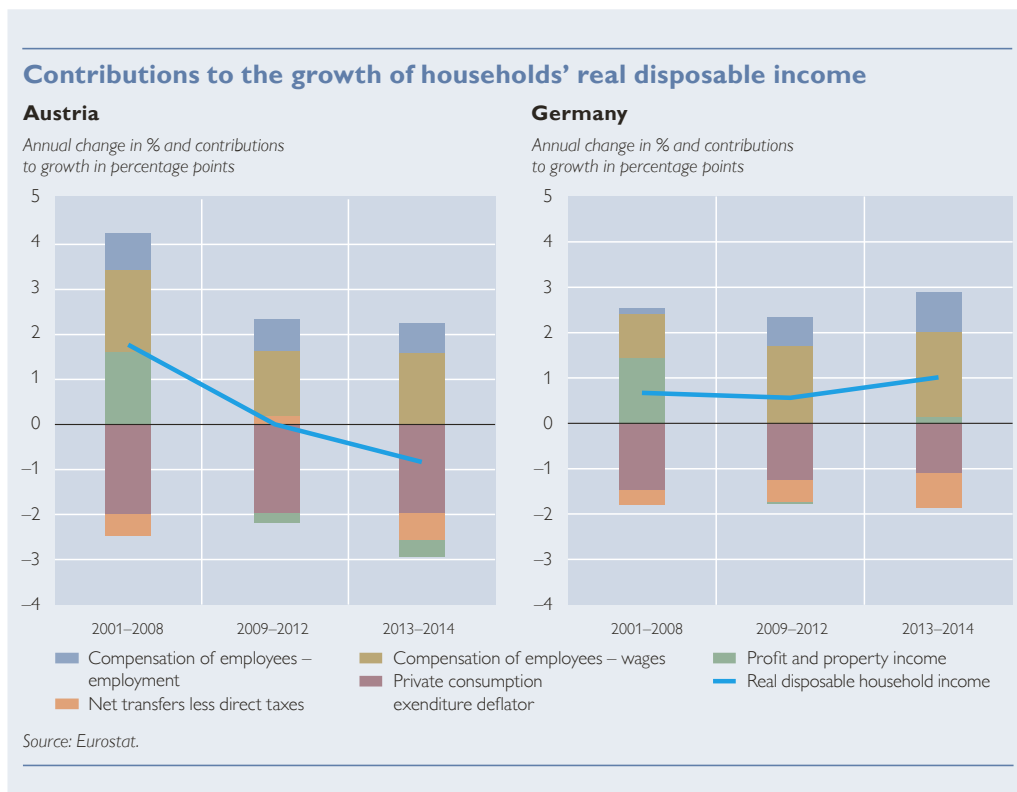


Source: Eurostat.

¹ EA=euro area.

Between 2001 and 2008, real disposable household income almost stagnated in Germany while registering robust growth in Austria. During the economic and financial crisis and the period of economic recovery from 2009 to 2012, growth in real disposable household income dried up in Austria while recording an annual average rate of +0.6% in Germany. The growth differential is wholly explicable by higher inflation in Austria, as income components developed on a very similar track in both countries. In the previous two years (2013 and 2014), real disposable household income contracted in Austria (-0.8% per year), whereas it accelerated to +1.0% per year in Germany. In addition to weaker wage growth, the inflation gap (almost 1 percentage point) between Austria and Germany continued to play a critical role.

¹ Prepared by Martin Schneider, Economic Analysis Division, martin.schneider@oenb.at.



5 Unemployment remains elevated

As in previous years, employment – despite the fragile economy – grew surprisingly robustly in 2014, with a further rise in both the number of employees (+0.8% year on year) and the annual hours worked (+0.7% year on year). According to the national accounts, around 3.7 million persons overall were payroll employees (some +28,600 persons year on year). In 2014, the number of annual hours worked by payroll employees exceeded the pre-crisis level of 2008 for the first time since the crisis. At the same time, the number of unemployed persons also reached a historical high, with some

246,000 persons unemployed (national accounts definition). The unemployment rate (Eurostat definition) climbed to 5.6% in 2014 (2013: 5.4%).⁴

In 2015, the growth rate of the number of payroll employees will remain unchanged from 2014 at +0.8%. Although employment growth is expected to accelerate considerably to +1.1% in 2016 for cyclical reasons, it will decelerate to +1.0% in 2017.

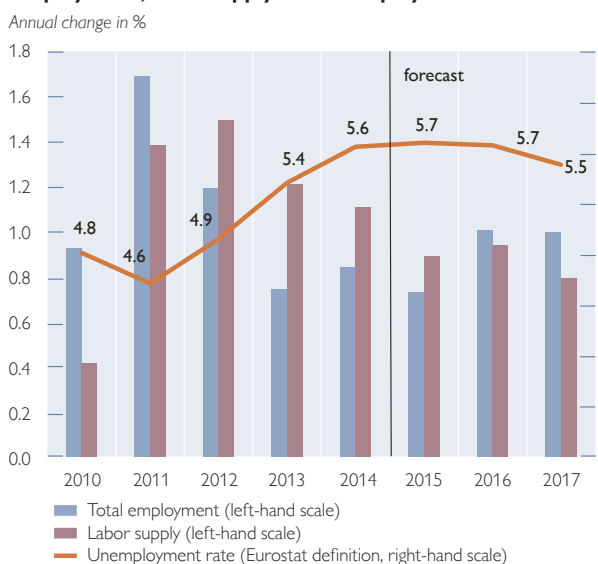
Labor supply will continue to climb in each year of the forecast period. Although growth momentum will be somewhat more sluggish unlike recent years, it will still remain high overall at around +0.9% per year. In addition to cyclical factors, structural factors are

⁴ The unemployment rate (Eurostat definition) was sharply revised upward in March 2015. The data used to calculate the unemployment rate were derived from the European labor force survey, which was carried out in Austria as part of the Austrian microcensus. The projections from this survey were subject to revisions, which go as far back as 2004. The “nonresponses” were reclassified and reweighted. Before the revision, the Austrian unemployment rate stood at 5.0% in 2014. After the revision, the Austrian unemployment rate in 2013 and 2014 was no longer the lowest in the EU but the second-lowest after the German rate (5.2% and 5.0%, respectively).

Chart 5

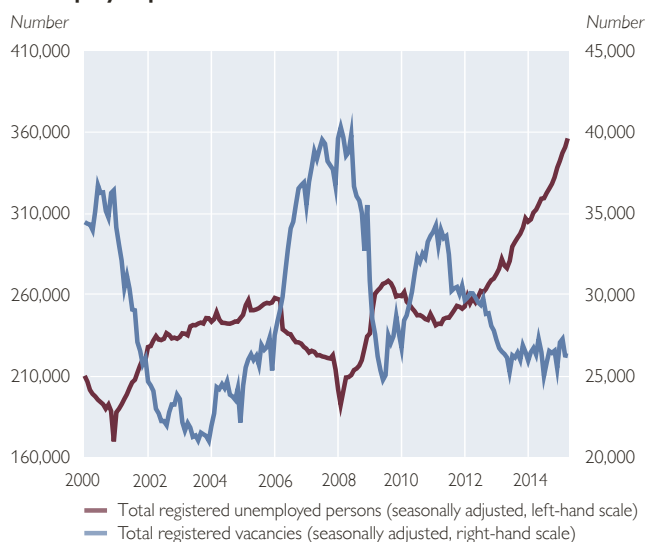
Labor market

Employment, labor supply and unemployment rate



Source: OeNB, Statistics Austria.

Unemployed persons and vacancies



Source: Public Employment Service Austria, OeNB.

also playing a key role. Since 2012, overall employment growth in Austria has been driven by part-time jobs, while the number of full-time jobs has been falling. The labor force participation rate of older employees continues to increase. Although the influx of foreign labor will slow, it will remain high overall. In 2015, the unemployment

rate (Eurostat definition) will further climb (+5.7%) on the back of weak economic momentum and expanding labor supply. As in the past, unemployment will follow GDP growth with a lag, which means a modest decline in unemployment is not expected before 2017 (+5.5%).

Table 8

Labor market developments in Austria

	2014	2015	2016	2017
<i>Annual change in %</i>				
Total employment	+0.8	+0.7	+1.0	+1.0
of which: payroll employees	+0.8	+0.8	+1.1	+1.0
public sector employees	+0.0	+0.0	+0.0	+0.0
self-employed	+1.2	+0.4	+0.6	+0.9
Total hours worked	+0.7	+0.6	+0.9	+0.9
of which: payroll employees	+0.7	+0.7	+1.0	+0.9
self-employed	+1.0	+0.1	+0.8	+0.6
Labor supply	+1.1	+0.9	+0.9	+0.8
Registered unemployed	+6.0	+3.6	-0.2	-2.6
<i>% of labor supply</i>				
Unemployment rate (Eurostat definition)	5.6	5.7	5.7	5.5

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

6 Inflation much weaker in 2015 than in previous years but expected to rise in 2016 and 2017

Inflation eased to +1.5% in 2014 (2013: +2.1%) and has so far continued to fall in 2015. This drop was primarily attributable to declining energy prices. HICP inflation stood at +0.9% in April 2015 (HICP, preliminary data), thereby falling well below its annual level for 2014. Despite this low value, however, Austria had the second-highest inflation rate in the euro area after Malta. The average price level flatlined in the euro area (HICP: 0.0%) and climbed by a mere +0.3% in Germany. Austria's inflation gap vis-à-vis the euro area – and vis-à-vis Germany – has now persisted for quite some time and is a major explanatory factor for the country's relatively poor growth performance.

Starting from around USD 100 per barrel Brent in 2014, oil prices – whose projected development is based on futures prices – will tumble sharply to

some USD 64 in 2015, recover slightly to about USD 70 in 2016 and remain almost unchanged in 2017. The economy will only regain momentum from 2016, triggering a modest increase in domestic price pressures. Although this means HICP inflation will register a (by Austrian standards) very small rise of +0.9% in 2015, it will stand at +1.9% in 2016 and +2.0% in 2017.

Although gross compensation per employee grew by +1.8% in nominal terms in 2014, it fell by –0.2% in real terms. Owing to negative wage drift, gross compensation per employee grew much more slowly than collective wage agreements (+2.4%) would have led one to expect. Wage drift is being induced by sectoral shifts in employment to low-wage sectors and by a growing share of part-time employees. Wage settlements for 2015 (public sector: +1.8%, commercial sector: +2.0%, metal sector: +2.0%) suggest growth in collectively agreed wages of +2.3%. Since the development in collectively

Table 9

Price, cost, productivity and profit indicators for Austria

	2014	2015	2016	2017
<i>Annual change in %</i>				
Harmonised Index of Consumer Prices (HICP)	+1.5	+0.9	+1.9	+2.0
HICP energy	–2.2	–5.8	+1.9	+2.1
HICP excluding energy	+1.8	+1.6	+1.9	+1.9
Private consumption expenditure deflator	+1.7	+1.0	+1.8	+1.9
Investment deflator	+1.3	+1.1	+1.5	+1.6
Import deflator	–0.5	+0.4	+1.8	+1.9
Export deflator	+0.5	+1.2	+1.9	+1.9
Terms of trade	+1.0	+0.7	+0.0	+0.0
GDP deflator at factor cost	+1.8	+1.2	+1.7	+1.8
Collective wage and salary settlements	+2.4	+2.3	+2.3	+2.5
Compensation per employee	+1.8	+1.9	+2.0	+2.3
Hourly compensation per employee	+1.9	+2.0	+2.1	+2.4
Labor productivity per employee	–0.4	+0.0	+0.9	+0.8
Labor productivity per hour	–0.3	+0.1	+0.9	+0.9
Unit labor costs	+2.2	+1.9	+1.2	+1.5
Profit margins ¹	–0.4	–0.7	+0.5	+0.3

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

¹ GDP deflator divided by unit labor costs.

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	+2.3	+2.3	+2.5
Wage drift	-0.6	-0.4	-0.3	-0.2
Compensation per employee (gross) ²	+1.8	+1.9	+2.0	+2.3
Compensation per employee (net)	+1.1	+1.6	+4.5	+2.6
Per person employed (real)				
Compensation per employee (gross)	+0.0	+0.8	+0.2	+0.5
Compensation per employee (net)	-0.6	+0.6	+2.7	+0.7
Per hour (nominal)				
Compensation per hour (gross)	+1.9	+2.0	+2.1	+2.4
Compensation per hour (net)	+1.2	+1.7	+4.6	+2.7
Per hour (real)				
Compensation per hour (gross)	+0.1	+0.9	+0.4	+0.6
Compensation per hour (net)	-0.5	+0.7	+2.8	+0.8
<i>% of nominal GDP</i>				
Wage share	48.1	48.4	48.2	48.0

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

¹ Overall economy.

² Including employers' social security contributions.

agreed wages is also influenced by past inflation, an increase of equal proportions is forecast for 2016 despite a significant acceleration of the economy; the further uptick in inflation and the upswing in the economy signal more vigorous growth in collectively agreed

wages (+2.5%) in 2017. Although wage drift is exhibiting a negative long-term trend, it is procyclical and will gradually shrink in the forecast period.

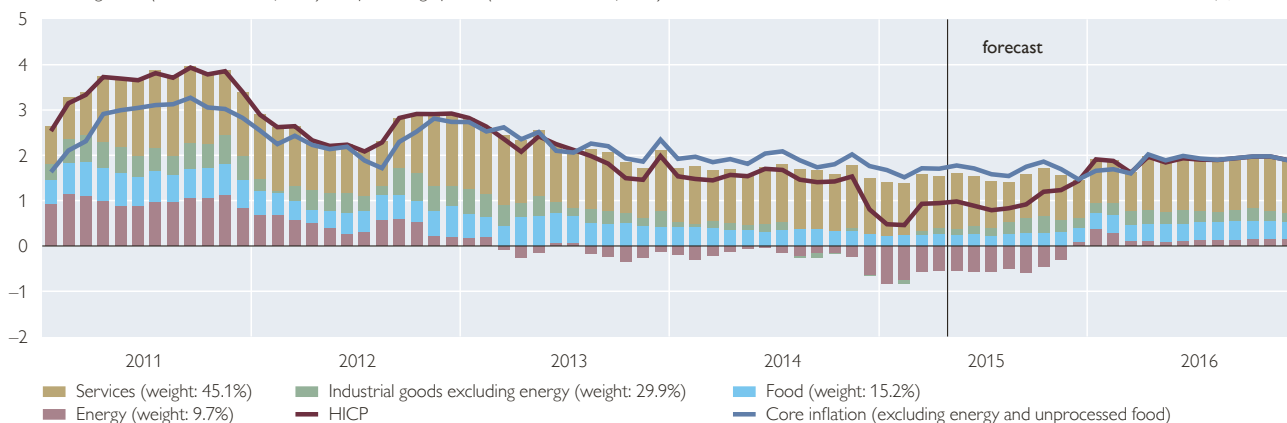
Including the effects of bracket creep, net compensation per employee fell by -0.6% and hourly pay by -0.5%

Chart 6

Austrian HICP inflation rate and contributions of subcomponents

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

Last observation: 0.9% (April 2015)



Source: OeNB, Statistics Austria, Eurostat.

in 2014. Net real wages are expected to climb back in view of lower inflation in 2015 and the tax reform package in 2016. Despite the economy forging ahead in 2016 and 2017, a policy of wage moderation is assumed during the economic recovery. The wage share of GDP will consequently decrease from 48.4% in 2015 to 48.0% in 2017.

7 Risks at a high level, pointing down in 2015 and balanced in 2016

This forecast is subject to a number of risks. The most significant domestic risk to GDP growth in 2015 depends on whether the crisis of confidence in Austria will actually dissipate in the course of 2015 – as assumed by this forecast – and if the economy will recover in line with developments in the

global macroeconomic environment and with real income growth. These two factors will affect particularly the investment cycle and private consumption growth. In 2016 and 2017, the most significant domestic risk will come from the impact arising from the introduction of the tax reform package. Consumers could be so unsettled by their experience of declining real income in the past few years that they save a share of their additional disposable real household income that exceeds that supposed in this forecast. A further downside risk exists in that the loss of competitiveness assumed in the forecast period as a whole could be more severe than expected.

The most significant risks to this forecast arising from the global macroeconomic environment still stem from

Table 11

Change in the external economic conditions since the OeNB December 2014 outlook

	June 2015			December 2014		Difference	
	2015	2016	2017	2015	2016	2015	2016
<i>Annual change in %</i>							
Growth of Austria's export markets	+3.8	+5.3	+5.5	+3.4	+5.0	+0.4	+0.3
Competitor prices on Austria's export markets	+3.5	+2.0	+2.0	+0.6	+1.3	+2.9	+0.7
Competitor prices on Austria's import markets	+3.4	+1.7	+1.7	+0.9	+1.2	+2.5	+0.5
<i>USD per barrel (Brent)</i>							
Oil price	63.8	71.0	73.1	85.6	88.5	-21.8	-17.5
<i>Annual change in %</i>							
Nominal effective exchange rate (exports)	+2.9	+0.2	+0.0	+0.5	+0.0	+2.4	+0.2
Nominal effective exchange rate (imports)	+2.7	+0.1	+0.0	+0.5	+0.0	+2.2	+0.1
<i>%</i>							
Three-month interest rate	0.0	0.0	0.2	0.1	0.1	-0.1	-0.1
Long-term interest rate	0.8	1.1	1.3	1.1	1.4	-0.3	-0.3
<i>Annual change in %</i>							
U.S. GDP (real)	+2.6	+3.1	+2.7	+2.8	+3.0	-0.2	+0.1
<i>USD/EUR</i>							
USD/EUR exchange rate	1.12	1.12	1.12	1.25	1.25	-0.13	-0.13

Source: Eurosystem.

the aggravation of persisting geopolitical tensions. In this context, a further escalation of the conflict between Russia and Ukraine represents the greatest risk to the economy. Although the current sanctions are not directly impacting Austrian external trade, an escalation of the situation could jeopardize economic activity in Europe and thus further influence business confidence in Austria unfavorably. Likewise, future developments in Greece constitute a risk. Outside of Europe, the most significant risk is that of a faster interest-rate tightening cycle, i.e. U.S. interest rate hikes occurring more quickly than expected, which could trigger capital outflows from developing countries.

8 Forecast unchanged on December outlook for 2015 but revised up for 2016

The assumptions about the global macroeconomic environment underlying this outlook have improved since December 2014. Austrian export growth will be 0.4 percentage points higher in 2015 than anticipated in December

2014. Competitor prices in Austrian export markets rose steeply (+2.9 percentage points) compared with the December 2014 economic outlook. The fragility of the global economy, in conjunction with substantial supply-side growth, triggered considerably lower oil prices. Quantitative monetary easing – in this context, particularly the Eurosystem’s new asset purchase program – resulted in further historical lows for interest rates. Furthermore, the Eurosystem’s measures induced a sharp devaluation of the euro.

The effects of these new external assumptions were simulated using the OeNB macroeconomic model. Table 12 lists the reasons for revising the outlook in detail. Apart from the effects of changed external assumptions, the revisions 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 third quarter of 2014) and the forecasting errors of the previous outlook for the periods now published for the

Table 12

Breakdown of revisions to the OeNB outlook

	GDP		HICP	
	2015	2016	2015	2016
<i>Annual change in %</i>				
Outlook of June 2015	+0.7	+1.9	+0.9	+1.9
Outlook of December 2014	+0.7	+1.6	+1.4	+1.5
Difference	0.0	+0.3	-0.5	+0.4
<i>Percentage points</i>				
Caused by:				
External assumptions	+0.2	+0.2	-0.5	+0.0
New data ¹	-0.1	+0.0	+0.0	+0.0
of which: revisions to historical data up to Q3 14	+0.0		+0.0	
projection errors for Q4 14 and Q1 15	-0.1		+0.0	
Other changes ²	-0.1	+0.1	+0.0	+0.4

Source: OeNB outlooks of June 2015 and December 2014.

¹ „New data“ refer to data on GDP growth and/or inflation that have become available since the publication of the preceding OeNB outlook.

² Different assumptions with respect to trends in domestic variables, such as wages and salaries, public sector consumption, effects of tax measures, other changes to assessments and model changes.

first time (i.e. data for the fourth quarter of 2014 and the first quarter of 2015). The residual includes revised expert opinions regarding the development of domestic variables such as government consumption or wage settlements, as well as any changes to the model.

The growth prospects for 2015 were left unchanged on the previous outlook of December 2014. The global macroeconomic environment has since improved considerably both on the demand and price side. In purely technical terms, this improvement would mean an upward revision of GDP growth in 2015 by some +0.2 percentage points. The GDP growth outlook for the first quarter of 2015 stood at +0.2% in December 2014. At around +0.1%, GDP growth continued to lag behind expectations, however. This situation mirrors the deterioration in economic sentiment in Austria, compared with most other euro area countries. In view of this confidence shock, GDP growth for 2015 as a whole is expected to decline by some 0.1 percentage points. Data realization will have a neg-

ative effect of about 0.1 percentage points on GDP growth in 2015 (only rounded figures are shown in table 12).

From a purely technical perspective, the development of external assumptions compared with the previous outlook would result in an upward revision of +0.2 percentage points for 2016. In view of current experience (crisis of confidence, trend of the investment cycle, losses in market shares in Austrian export markets), however, these assumptions were not included in the present outlook. The previous outlook did not include the growth-stimulating effects of the tax reform package, which ultimately led to the upward revision of GDP growth compared with the December outlook of +0.3 percentage points.

The downward revision of inflation in 2015 can be explained by lower commodity prices. The upward revision of inflation in 2016 is driven by two factors: first, the tax reform package whose effects are now included unlike in the previous outlook and, second, brighter prospects for the economy.

Comparison of the OeNB outlook of June 2015 with the OeNB outlook of December 2014

	Actual figures	Outlook of June 2015			Outlook of December 2014		
	2014	2015	2016	2017	2014	2015	2016
Economic activity							
<i>Annual change in % (real)</i>							
Gross domestic product (GDP)	+0.4	+0.7	+1.9	+1.8	+0.4	+0.7	+1.6
Private consumption	+0.2	+0.7	+1.8	+1.6	+0.5	+0.7	+1.3
Public sector consumption	+1.0	+0.9	+0.9	+1.1	+1.0	+1.4	+1.3
Gross fixed capital formation	-0.1	-1.9	+1.7	+2.6	-0.1	+0.8	+2.3
Exports of goods and services	+1.8	+2.8	+4.8	+4.8	+0.8	+2.4	+4.6
Imports of goods and services	+2.2	+2.0	+4.7	+5.1	+0.5	+2.5	+4.7
<i>% of nominal GDP</i>							
Current account balance	+0.8	+1.3	+2.1	+2.8	+0.4	+0.6	+0.8
Contribution to real GDP growth							
<i>Percentage points</i>							
Private consumption	+0.1	+0.4	+1.0	+0.8	+0.3	+0.4	+0.7
Public sector consumption	+0.2	+0.2	+0.2	+0.2	+0.2	+0.3	+0.3
Gross fixed capital formation	+0.0	-0.4	+0.4	+0.5	+0.0	+0.2	+0.5
Domestic demand (excl. changes in inventories)	+0.3	+0.1	+1.5	+1.6	+0.5	+0.8	+1.4
Net exports	-0.1	+0.5	+0.2	+0.1	+0.2	+0.1	+0.2
Changes in inventories (incl. statistical discrepancies)	+0.3	+0.0	+0.1	+0.1	-0.2	-0.2	+0.0
Prices							
<i>Annual change in %</i>							
Harmonised Index of Consumer Prices (HICP)	+1.5	+0.9	+1.9	+2.0	+1.5	+1.4	+1.5
Private consumption expenditure (PCE) deflator	+1.7	+1.0	+1.8	+1.9	+1.7	+1.4	+1.5
GDP deflator	+1.7	+1.3	+1.8	+1.9	+1.8	+1.6	+1.3
Unit labor costs in the overall economy	+2.2	+1.9	+1.2	+1.5	+2.4	+1.3	+1.2
Compensation per employee (at current prices)	+1.8	+1.9	+2.0	+2.3	+2.0	+1.5	+2.2
Compensation per hour worked (at current prices)	+1.9	+2.0	+2.1	+2.4	+2.2	+1.7	+2.3
Import prices	-0.5	+0.4	+1.8	+1.9	-0.6	+1.0	+1.6
Export prices	+0.5	+1.2	+1.9	+1.9	+0.8	+1.1	+1.5
Terms of trade	+1.0	+0.7	+0.0	+0.0	+1.4	+0.0	-0.1
Income and savings							
Real disposable household income	+0.4	+1.8	+2.8	+1.6	+0.1	+1.1	+1.4
<i>% of households' nominal disposable income</i>							
Saving ratio	7.5	7.9	8.6	8.6	6.8	7.1	7.2
Labor market							
<i>Annual change in %</i>							
Payroll employment	+0.8	+0.8	+1.1	+1.0	+0.7	+0.4	+0.6
Hours worked (payroll employees)	+0.7	+0.7	+1.0	+0.9	+0.5	+0.2	+0.5
<i>% of labor supply</i>							
Unemployment rate (Eurostat definition) ¹	5.6	5.7	5.7	5.5	5.1	5.3	5.3
Public finances							
<i>% of nominal GDP</i>							
Budget balance	-2.4	-1.8	-1.8	-1.4	-2.4	-1.8	-1.4
Government debt	84.5	85.7	83.8	81.6	85.4	84.6	82.9

Source: 2014: Eurostat; 2015 to 2016: OeNB outlooks of June 2015 and December 2014.

¹ Following the backward revision of the Austrian microcensus labor force survey data and the resulting shift in the unemployment rate levels in March 2015, the forecast unemployment rates are no longer comparable.

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	161,100	162,208	165,206	167,873	0.2	0.7	1.8	1.6
Government consumption	61,312	61,894	62,480	63,197	1.0	0.9	0.9	1.1
Gross fixed capital formation	67,360	66,068	67,218	68,933	-0.1	-1.9	1.7	2.6
of which: investment in plant and equipment	22,521	21,602	22,122	23,071	0.7	-4.1	2.4	4.3
residential construction investment	12,908	12,580	12,648	12,846	-0.5	-2.5	0.5	1.6
nonresidential construction investment and other investment	18,634	18,583	19,123	19,634	-0.1	-0.3	2.9	2.7
Changes in inventories (incl. statistical discrepancies)	5,718	5,847	6,218	6,576	x	x	x	x
Domestic demand	295,491	296,016	301,122	306,579	0.6	0.2	1.7	1.8
Exports of goods and services	166,318	170,989	179,144	187,776	1.8	2.8	4.8	4.8
Imports of goods and services	153,212	156,288	163,680	171,972	2.2	2.0	4.7	5.1
Net exports	13,106	14,701	15,464	15,804	x	x	x	x
Gross domestic product	308,597	310,717	316,586	322,383	0.4	0.7	1.9	1.8

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

Table 15

Demand components (current prices)

	2014	2015	2016	2017	2014	2015	2016	2017
	EUR million				Annual change in %			
Private consumption	177,124	180,163	186,783	193,341	+1.9	+1.7	+3.7	+3.5
Government consumption	65,403	67,000	68,507	70,373	+2.3	+2.4	+2.2	+2.7
Gross fixed capital formation	72,651	72,062	74,434	77,547	+1.2	-0.8	+3.3	+4.2
Changes in inventories (incl. statistical discrepancies)	2,156	1,567	2,439	3,240	x	x	x	x
Domestic demand	317,334	320,793	332,162	344,502	+1.9	+1.1	+3.5	+3.7
Exports of goods and services	176,422	183,500	195,816	209,169	+2.2	+4.0	+6.7	+6.8
Imports of goods and services	164,147	168,146	179,302	191,894	+1.6	+2.4	+6.6	+7.0
Net exports	12,275	15,354	16,513	17,274	x	x	x	x
Gross domestic product	329,609	336,147	348,675	361,776	+2.2	+2.0	+3.7	+3.8

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

Table 16

Demand components (deflators)

	2014	2015	2016	2017	2014	2015	2016	2017
	2010 = 100				Annual change in %			
Private consumption	109.9	111.1	113.1	115.2	+1.7	+1.0	+1.8	+1.9
Government consumption	106.7	108.2	109.6	111.4	+1.3	+1.5	+1.3	+1.6
Gross fixed capital formation	107.9	109.1	110.7	112.5	+1.3	+1.1	+1.5	+1.6
Domestic demand (excl. changes in inventories)	108.8	110.0	111.8	113.8	+1.5	+1.1	+1.6	+1.7
Exports of goods and services	106.1	107.3	109.3	111.4	+0.5	+1.2	+1.9	+1.9
Imports of goods and services	107.1	107.6	109.5	111.6	-0.5	+0.4	+1.8	+1.9
Terms of trade	99.0	99.7	99.8	99.8	+1.0	+0.7	+0.0	+0.0
Gross domestic product	106.8	108.2	110.1	112.2	+1.7	+1.3	+1.8	+1.9

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

Table 17

Labor market

	2014	2015	2016	2017	2014	2015	2016	2017
	Thousands				Annual change in %			
Total employment	4,296.4	4,327.7	4,371.1	4,414.5	+0.8	+0.7	+1.0	+1.0
of which: private sector	3,626.8	3,658.1	3,701.8	3,745.5	+1.0	+0.9	+1.2	+1.2
Payroll employment (national accounts definition)	3,699.7	3,728.6	3,768.3	3,806.2	+0.8	+0.8	+1.1	+1.0
	% of the labor supply							
Unemployment rate (Eurostat definition)	5.6	5.7	5.7	5.5	x	x	x	x
	EUR per real unit of output x 100							
Unit labor costs (economy as a whole) ¹	59.7	60.8	61.5	62.5	+2.2	+1.9	+1.2	+1.5
	EUR thousand per employee							
Labor productivity (economy as a whole) ²	71.8	71.8	72.4	73.0	-0.4	+0.0	+0.9	+0.8
	EUR thousand							
Compensation per employee (real) ³	39.0	39.3	39.4	39.6	+0.0	+0.8	+0.2	+0.5
	At current prices in EUR thousand							
Compensation per employee (gross)	42.9	43.7	44.6	45.6	+1.8	+1.9	+2.0	+2.3
	At current prices in EUR million							
Total gross compensation of employees	158,646	162,852	167,947	173,613	+2.6	+2.7	+3.1	+3.4

Source: 2014: Eurostat, 2015 to 2017: OeNB June 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
	EUR million				% of nominal GDP			
Balance of trade	8,014.0	9,983.7	13,262.0	16,512.4	2.4	3.0	3.8	4.6
Balance of goods	-2,346.0	-366.8	366.3	1,834.7	-0.7	-0.1	0.1	0.5
Balance of services	10,360.0	10,350.6	12,895.6	14,677.7	3.1	3.1	3.7	4.1
Balance on income	-1,905.0	-1,955.5	-2,191.6	-2,191.6	-0.6	-0.6	-0.6	-0.6
Balance of transfer payments	-3,553.0	-3,779.3	-3,779.3	-4,051.0	-1.1	-1.1	-1.1	-1.1
Balance on current account	2,556.0	4,249.0	7,291.1	10,269.9	0.8	1.3	2.1	2.8

Source: 2014: Eurostat, 2015 bis 2017: OeNB June 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	+0.9	+1.9	+2.0	+0.6	+0.9	+0.8	+1.3	+1.8	+1.9	+1.9	+1.9	+2.1	+1.9	+2.0	+1.9
HICP (excluding energy)	+1.6	+1.9	+1.9	+1.6	+1.7	+1.6	+1.7	+1.7	+2.0	+1.9	+2.0	+2.1	+1.9	+2.0	+1.9
Private consumption expenditure (PCE) deflator	+1.0	+1.8	+1.9	+1.1	+1.0	+0.9	+1.1	+1.6	+1.8	+1.9	+1.9	+1.9	+1.9	+1.9	+1.9
Gross fixed capital formation deflator	+1.1	+1.5	+1.6	+1.1	+1.1	+1.1	+1.2	+1.3	+1.5	+1.6	+1.6	+1.6	+1.6	+1.6	+1.6
GDP deflator	+1.3	+1.8	+1.9	+1.4	+1.2	+1.2	+1.3	+1.5	+1.7	+1.9	+2.0	+1.9	+1.9	+1.9	+1.9
Unit labor costs	+1.9	+1.2	+1.5	+1.8	+2.1	+2.0	+1.8	+1.7	+1.1	+0.9	+0.9	+1.1	+1.3	+1.7	+1.9
Nominal wages per employee	+1.9	+2.0	+2.3	+1.2	+2.0	+2.0	+2.2	+2.6	+1.9	+1.8	+1.9	+2.1	+2.3	+2.4	+2.5
Productivity	+0.0	+0.9	+0.8	-0.5	-0.1	+0.1	+0.4	+0.8	+0.8	+0.9	+1.0	+1.0	+0.9	+0.8	+0.6
Real wages per employee	+0.8	+0.2	+0.5	+0.2	+1.0	+1.1	+1.1	+1.0	+0.1	+0.0	+0.0	+0.3	+0.4	+0.6	+0.6
Import deflator	+0.4	+1.8	+1.9	-0.5	+0.2	+0.7	+1.4	+1.9	+1.8	+1.8	+1.8	+1.8	+1.8	+1.9	+1.9
Export deflator	+1.2	+1.9	+1.9	+0.9	+1.1	+1.3	+1.4	+1.7	+1.8	+1.9	+2.0	+2.0	+1.9	+1.9	+1.8
Terms of trade	+0.7	+0.0	+0.0	+1.4	+0.9	+0.6	+0.1	-0.2	+0.1	+0.1	+0.2	+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	+0.1	+0.3	+0.4	+0.4	+0.5	+0.5	+0.6	+0.6	+0.5	+0.4	+0.3	+0.3
Private sector consumption	+0.7	+1.8	+1.6	+0.1	+0.2	+0.3	+0.4	+0.5	+0.5	+0.5	+0.5	+0.3	+0.3	+0.3	+0.3
Public sector consumption	+0.9	+0.9	+1.1	+0.3	+0.1	+0.2	+0.2	+0.1	+0.3	+0.4	+0.5	+0.3	+0.2	+0.1	+0.0
Gross fixed capital formation	-1.9	+1.7	+2.6	-0.6	-0.1	+0.2	+0.4	+0.5	+0.5	+0.7	+0.7	+0.7	+0.6	+0.5	+0.5
Exports	+2.8	+4.8	+4.8	+0.7	+0.9	+1.0	+1.2	+1.2	+1.3	+1.3	+1.2	+1.2	+1.1	+1.2	+1.2
Imports	+2.0	+4.7	+5.1	+0.8	+0.6	+1.0	+1.1	+1.2	+1.3	+1.3	+1.3	+1.2	+1.2	+1.2	+1.2
<i>Contribution to real GDP growth in percentage points</i>															
Domestic demand	+0.1	+1.5	+1.6	+0.0	+0.1	+0.3	+0.3	+0.4	+0.4	+0.5	+0.5	+0.4	+0.3	+0.3	+0.3
Net exports	+0.5	+0.2	+0.1	+0.0	+0.2	+0.0	+0.1	+0.1	+0.0	+0.1	+0.0	+0.0	+0.0	+0.0	+0.0
Changes in inventories	+0.0	+0.1	+0.1	+0.1	+0.1	+0.1	+0.0	+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)	5.7	5.7	5.5	5.5	5.8	5.7	5.7	5.7	5.7	5.6	5.6	5.5	5.5	5.5	5.5
<i>Annual and/or quarterly changes in %</i>															
Total employment	+0.7	+1.0	+1.0	+0.3	+0.1	+0.2	+0.2	+0.3	+0.3	+0.3	+0.3	+0.2	+0.2	+0.2	+0.2
of which: private sector	+0.9	+1.2	+1.2	+0.4	+0.1	+0.2	+0.2	+0.3	+0.4	+0.3	+0.3	+0.3	+0.3	+0.3	+0.2
Payroll employment	+0.8	+1.1	+1.0	+0.5	-0.3	+0.2	+0.3	+0.3	+0.3	+0.3	+0.3	+0.2	+0.2	+0.2	+0.2
<i>Additional variables</i>															
<i>Annual and/or quarterly changes in % (real)</i>															
Real disposable household income	+1.8	+2.8	+1.6	-0.4	+0.8	+0.3	+0.6	+0.6	+1.0	+0.8	+0.8	+0.4	+0.0	-0.1	-0.3
<i>% of real GDP</i>															
Output gap	-0.8	-0.1	0.4	-1.0	-0.9	-0.8	-0.7	-0.5	-0.3	0.0	0.2	0.4	0.4	0.5	0.5

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

Note: Deemed to be too high, the Q1 15 growth rate of payroll employment (national accounts definition) was revised down in the second quarter of 2015.

Table 20

Comparison of current economic forecasts for Austria

	OeNB			WIFO		IHS		OECD		IMF		European Commission	
	June 2015			March 2015		March 2015		June 2015		April 2015		May 2015	
	2015	2016	2017	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Key results	<i>Annual change in %</i>												
GDP (real)	+0.7	+1.9	+1.8	+0.5	+1.3	+0.8	+1.6	+0.6	+1.7	+0.9	+1.6	+0.8	+1.5
Private consumption (real)	+0.7	+1.8	+1.6	+0.4	+0.9	+0.9	+0.9	+0.8	+1.8	x	x	+0.6	+1.0
Government consumption (real)	+0.9	+0.9	+1.1	+1.1	+1.0	+0.5	+0.5	+1.0	-0.6	x	x	+1.1	+0.6
Gross fixed capital formation (real)	-1.9	+1.7	+2.6	+1.0	+1.5	+1.0	+2.7	-1.9	+2.5	x	x	+0.9	+3.2
Exports (real)	+2.8	+4.8	+4.8	+2.0	+3.2	+3.4	+5.1	+3.3	+5.9	+2.7	+5.1	+2.1	+3.9
Imports (real)	+2.0	+4.7	+5.1	+2.3	+3.4	+3.8	+5.0	+4.2	+5.4	+2.7	+5.1	+2.1	+4.0
GDP per employee ¹	+0.0	+0.9	+0.8	+0.6	+1.2	+0.0	+0.5	+0.2	+0.8	x	x	+0.2	+0.6
GDP deflator	+1.3	+1.8	+1.9	+1.4	+1.5	+1.2	+1.7	+1.1	+1.5	+1.3	+1.5	+0.9	+1.6
CPI	x	x	x	+1.3	+1.5	+1.2	+1.8	x	x	x	x	x	x
HICP	+0.9	+1.9	+2.0	+1.2	+1.5	+1.1	+1.8	+0.6	+1.6	+1.1	+1.5	+0.8	+1.9
Unit labor costs	+1.9	+1.2	+1.5	+1.8	+1.4	+1.8	+1.5	+0.7	+0.0	x	x	+1.3	+0.7
Payroll employment	+0.7	+1.0	+1.0	+0.5	+0.7	+0.8	+1.1	+0.4	+1.0	+0.5	+0.7	+0.6	+0.8
	<i>% of labor supply</i>												
Unemployment rate ²	5.7	5.7	5.5	x	x	x	x	+5.8	+5.7	x	x	+5.8	+5.7
	<i>% of nominal GDP</i>												
Leistungsbilanz	1.3	2.1	2.8	1.4	1.0	x	x	+0.9	+1.4	1.9	1.8	2.4	2.4
Current account (Maastricht definition)	-1.8	-1.8	-1.4	-2.2	-1.9	-2.1	-1.8	-2.3	-2.1	-1.7	-1.7	-2.0	-2.0
External assumptions													
Oil price in USD/barrel (Brent)	63.8	71.0	73.1	70.0	80.0	65.0	68.0	65.0	65.0	58.1	65.7	59.4	66.0
Short-term interest rate in %	0.0	0.0	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
USD/EUR exchange rate	1.12	1.12	1.12	1.15	1.15	1.14	1.14	1.12	1.12	1.13	1.13	1.08	1.07
	<i>Annual change in %</i>												
Euro area GDP (real)	+1.5	+1.9	+2.0	+1.1	+1.3	+1.2	+1.5	+1.4	+2.1	+1.5	+1.6	+1.5	+1.9
U.S. GDP (real)	+2.6	+3.1	+2.7	+2.9	+2.8	+2.9	+2.8	+2.0	+2.8	+3.1	+3.1	+3.1	+3.0
World GDP (real)	+3.2	+3.8	+3.8	+3.7	+3.7	x	x	+3.1	+3.8	+3.5	+3.8	+3.5	+3.9
World trade	+2.6	+5.0	+5.3	+4.1	+4.2	+4.3	+5.5	+3.9	+5.3	+3.7	+4.7	+3.8	+5.1

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

¹ Excluding WIFO: productivity per hour.

² Following the backward revision of the Austrian microcensus labor force survey data and the resulting shift in the unemployment rate levels in March 2015, the WIFO, IHS and IMF unemployment rate forecasts are no longer comparable.