Austria Prevails in Bleak Environment

Economic Outlook for Austria from 2012 to 2014 (December 2012)

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1 Summary: International Crisis Ripples through Austrian Economy

In its economic outlook of December 2012, the Oesterreichische Nationalbank (OeNB) significantly revised downward the growth prospects for the Austrian economy owing to the – in some cases, marked – economic downturn in a number of Austria's key export markets. The OeNB projects real GDP growth of a mere 0.4% for 2012, signifying a downward revision of ½ percentage point on its outlook of June 2012. The OeNB revised its forecast for real GDP growth even more sharply for 2013, i.e. from 1.7% to just 0.5%. It does not expect growth to accelerate before 2014 (+1.7%).

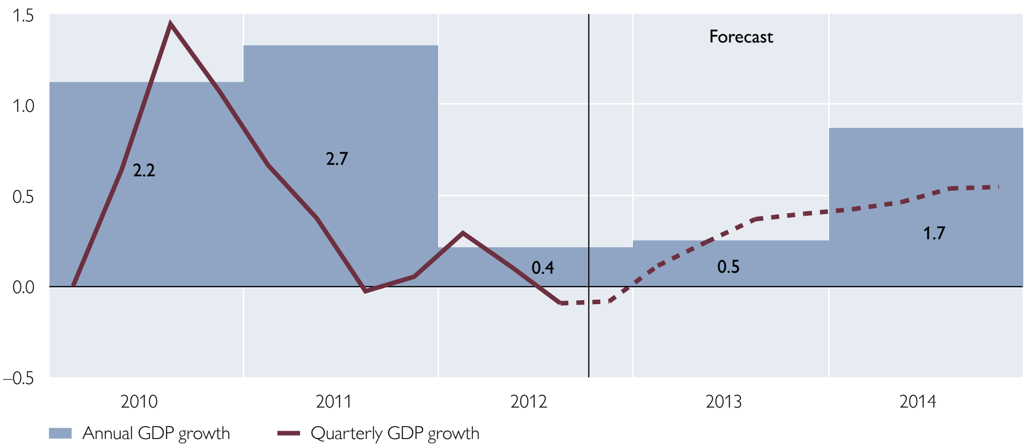
Inflation, which has risen again since mid-2012, will ease significantly over the forecast horizon. After rising by 2.5% in 2012, HICP inflation will fluctuate within the ECB's price stability target range of just below 2% in both 2013 and 2014 (2013: 1.7%, 2014: 1.6%).The budget balance will stand at –3.0% in 2012. Owing to the government's consolidation measures implemented in early 2012 and a relative reduction in government financial assistance to (partly) nationalized banks, the budget balance will improve appreciably to –2.1% (2013) and –1.8% (2014) of GDP despite the weak economy.

The recovery, which emerged in 2011 following the financial and economic crisis, has lost considerable momentum in most parts of the world. The crisis in the euro area is rippling across to other regions, dampening their growth prospects. Countries particularly badly hit are Austria's neighbors in Central and Eastern Europe. Prospects for the U.S.A. are muted

Chart 1

Real GDP Growth (Seasonally and Working-Day Adjusted)

Quarterly change in %



Source: Eurostat, OeNB.

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owing to the potential consolidation in early 2013 (“fiscal cliff”), which also implies negative repercussions for global exports. The growth momentum of emerging economies in Asia will therefore be curbed by the sluggish demand of their two most important export markets. Although Asian emerging market growth is high by European standards, it has already lost much steam.

The *euro area* is currently in recession. Owing to flagging domestic demand, total output has been down since the fourth quarter of 2011. Of the countries particularly badly hit by the sovereign debt crisis, only Ireland seems to have reversed the trend. The other countries are suffering losses of output, which are dramatic in some cases. Future prospects depend on further crisis management at a European level and on the implementation of the necessary structural reforms and consolidation measures. Of the major euro area economies, only Germany has a positive growth outlook over the entire forecast horizon while the other heavyweights should expect economic output to contract in 2013. Although several smaller euro area countries are likely to expect (in part) robust growth, the latter is basically attributable to economic catching-up processes.

Owing to booming export demand, *Austria* managed to offset the decline in GDP growth suffered during the financial and economic crisis in the two years thereafter. Since mid-2011, however, Austrian GDP growth has come almost to a halt. Domestic demand components did not sufficiently offset flagging export momentum. Despite favorable internal and external financing conditions, sluggish sales expectations and below-average capacity utilization dampened the propensity of companies to invest. Weak investment activity is set to continue into the first half of 2013. As in 2012, investment in equipment will therefore continue to almost stagnate in 2013. Improved external macroeconomic conditions will not have a knock-on effect on investment activity until 2014. Owing to fewer orders being placed by quasi-public infrastructure companies, investment activity in civil engineering will also remain subdued. Investment activity will be fueled by housing investment, which will receive impetus from low interest rates and rising house prices.

Current sluggish consumption is surprising in view of the Austrian labor market situation, which is favorable by international standards. Although relatively robust employment growth was seen in 2012, weak real wage growth dampened household income growth as in recent years. Real household income growth will remain subdued in 2013. Higher real wage growth will not offset far weaker employment growth. In both 2012 and 2013, private consumption will therefore grow by only about ½%. In 2014, somewhat stronger household income growth will not flow into private consumption in its entirety but be partly used to increase the saving ratio.

Economic momentum, which has been slowing since mid-2011, is increasingly revealing its impact on the labor market. Owing to momentum in early 2012, employment is expected to grow by a robust 1.1% (+45,000 persons) for the year as a whole. In 2013, however, employment growth will prove to be significantly more sluggish (+16,000 persons). The Austrian labor market’s full liberalization in May 2011 for workers from eight new EU Member States has led to robust labor supply growth. The unemployment rate will increase in 2012 (from 4.2% to 4.4%)

Table 1

OeNB December 2012 Outlook for Austria – Key Results[1]

	2011	2012	2013	2014
Economic activity	*Annual change in % (real)*			
Gross domestic product	+2.7	+0.4	+0.5	+1.7
Private consumption	+0.9	+0.3	+0.5	+1.1
Government consumption	+0.5	+0.8	+0.9	+1.0
Gross fixed capital formation	+6.3	+1.0	+0.8	+2.5
Exports of goods and services	+7.1	+1.8	+2.7	+5.6
Imports of goods and services	+7.0	+1.7	+3.0	+5.4
	% of nominal GDP			
Current account balance	+0.6	+1.7	+1.5	+1.9
Contribution to real GDP growth	*Percentage points*			
Private consumption	+0.5	+0.2	+0.2	+0.6
Government consumption	+0.1	+0.2	+0.2	+0.2
Gross fixed capital formation	+1.3	+0.2	+0.2	+0.5
Domestic demand (excluding changes in inventories)	+1.8	+0.5	+0.6	+1.3
Net exports	+0.4	+0.2	+0.0	+0.4
Changes in inventories (including statistical discrepancy)	+0.4	–0.2	–0.1	+0.1
Prices	*Annual change in %*			
Harmonised Index of Consumer Prices (HICP)	+3.6	+2.5	+1.7	+1.6
Private consumption expenditure (PCE) deflator	+3.5	+2.8	+1.8	+1.6
GDP deflator	+2.4	+2.2	+1.5	+1.5
Unit labor costs in the total economy	+0.9	+3.7	+2.3	+1.1
Compensation per employee (at current prices)	+1.9	+3.1	+2.4	+2.2
Productivity (whole economy)	+0.9	–0.7	+0.1	+1.0
Compensation per employee (real)	–1.5	+0.2	+0.6	+0.6
Import prices	+5.7	+1.6	+1.6	+1.6
Export prices	+3.7	+1.4	+1.5	+1.7
Terms of trade	–2.0	–0.2	+0.0	+0.0
Income and savings				
Real disposable household income	–0.8	+0.4	+0.3	+1.4
	% of nominal disposable household income			
Saving ratio	7.4	7.4	7.3	7.6
Labor market	*Annual change in %*			
Payroll employment	+2.0	+1.2	+0.4	+0.7
	% of labor supply			
Unemployment rate (Eurostat definition)	4.2	4.4	4.7	4.7
Budget	*% of nominal GDP*			
Budget balance (Maastricht definition)	–2.5	–3.0	–2.1	–1.8
Government debt	72.4	74.6	75.7	75.4

Source: 2011: Eurostat, Statistics Austria; 2012 to 2014: OeNB December 2012 outlook.

[1] The outlook was drawn up on the basis of seasonally adjusted and working-day adjusted national accounts data. Therefore, the values for 2011 may deviate from the nonadjusted data released by Statistics Austria.

and in 2013 (to 4.7%). The jobless rate is expected to remain unchanged in 2014.

Inflation will come to 2.5% in 2012. The weakness of the international economy will induce commodity prices to fall over the forecast horizon. In combination with a favorable development of unit labor costs, production prices will not come under any notable pressure, leading inflation to ease to 1.7% in 2013. A further slight downtick in inflation to 1.6% is expected in 2014.

The budget balance will deteriorate to –3.0% of GDP in 2012, primarily owing to a steep increase in government financial assistance to (partly) nationalized banks. A reduction in this financial assistance and a comprehensive package of consolidation measures will substantially improve the budget balance to –2.1% of GDP in 2013 despite weak economic activity. A further slight improvement to –1.8% of GDP is expected for 2014.

2 Technical Assumptions

This forecast for Austria is the OeNB's contribution to the Eurosystem's December 2012 staff projections. The forecast horizon ranges from the fourth quarter of 2012 to the fourth quarter of 2014. November 16, 2012, was the cut-off date for data underlying 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 the projections for Austria. The key data source comprised seasonally and working day-adjusted national accounts data computed by the Austrian Institute of Economic Research (WIFO), which were fully available up to the second quarter of 2012. The data for the third quarter of 2012 are based on GDP flash 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, namely 0.6% in 2012, 0.2% in 2013 and 0.4% in 2014. Long-term interest rates, which are based on market expectations for ten-year government bonds, are set at 2.4% (2012), 2.3% (2013) and 2.7% (2014). The exchange rate of the euro vis-à-vis the U.S. dollar is assumed to stay constant at USD 1.28. The projected development of crude oil prices is based on futures prices. The oil price assumed for 2012 is USD 111.7 per barrel of Brent, while the prices for 2013 and 2014 are set at USD 105.0 and USD 100.5 per barrel of Brent, respectively. The prices of commodities excluding energy are also based on futures prices over the forecast horizon.

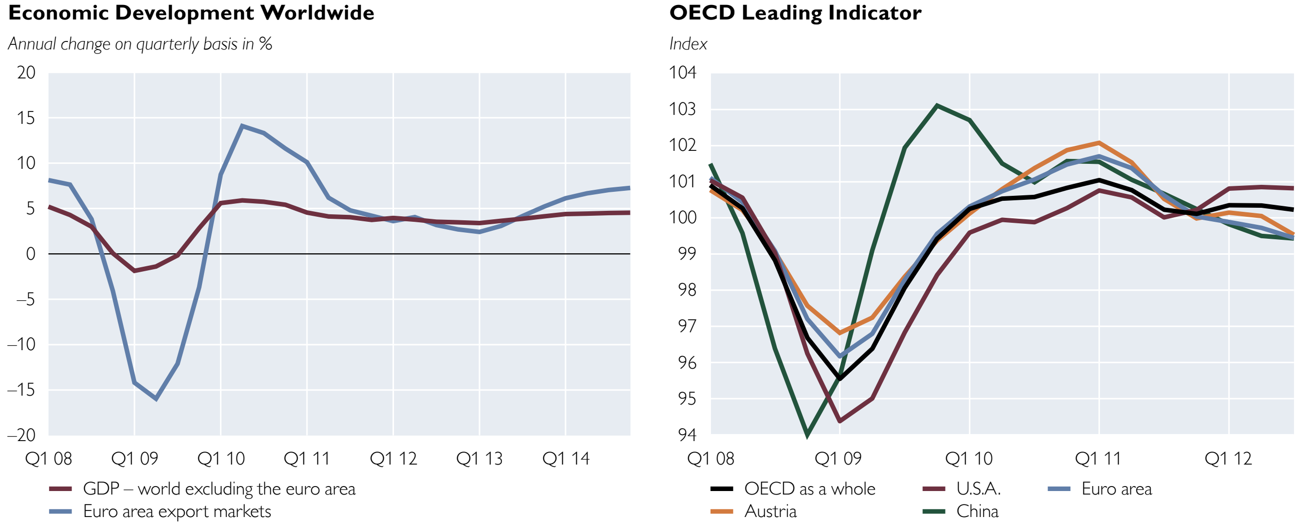
3 Euro Area Crisis and U.S. Fiscal Policy Dampen World Economic Outlook

The recovery which emerged in 2011 following the financial and economic crisis has lost considerable momentum in most parts of the world. The crisis in the euro area is spilling over to other regions, dampening their growth prospects. Countries particularly badly hit are Austria's neighbors in Central and Eastern Europe. The outlook for the U.S. economy is muted owing to potential consolidation in early 2013 ("fiscal cliff"), which also implies negative repercussions for both global demand and exports. As a result, the growth momentum of Asian emerging economies will be curbed by the sluggish demand of their two most important export markets. Although Asian emerging market growth is high by European standards, it has already lost much steam.

World trade growth slowed significantly in the course of both 2011 and 2012 and is not expected to recover until early 2013 (chart 2, left-hand image). Key leading indicators such as the OECD leading indicator corroborate this assumption of a merely gradual recovery. However, for some regions of the global economy, this indicator has already bottomed out. While the indicator for the OECD as a whole is pointing toward a stabilization and that for the U.S. is already suggesting a recovery, the indicator for the euro area and that for China are still pointing down.

Chart 2

Has the World Economy Bottomed Out?



Source: Eurosystem, OECD.

Accordingly, the recovery of the world economy is likely to be uneven across regions and weak on the whole.

In the *U.S.A.,* growth momentum slowed in the first half of 2012. In the third quarter of 2012, however, GDP growth accelerated to +0.7% (on a quarterly basis). Growth was fueled by domestic demand. In particular, government consumption, but also private consumption and investment, expanded whereas exports declined. The labor market situation improved in the course of 2012, with the speed of job creation accelerating steadily. The jobless rate, which still stood at 9.0% in 2011, had fallen to 7.9% by October 2012. Improved labor market prospects are reflected in a more favorable consumer assessment. Stabilization in the real estate market is forging ahead. In August 2012, the S&P/Case Shiller Index (20 Cities) climbed for the seventh month in a row after having fallen for 20 months previously. Housing investment made a positive contribution to growth for the sixth quarter in succession. Fiscal policy currently poses the greatest risk to the U.S. economy. If the U.S. Congress does not reach agreement by end-2012, tax increases will automatically enter into force in early 2013. In addition, automatic expenditure cuts would take effect without an increase in the debt ceiling. Although the situation described as a "fiscal cliff" by Ben Bernanke (Governor of the Federal Reserve System) would improve the budget deficit by 4% of GDP, it would also place pressure on the U.S. economy. This forecast is based on the assumption that budget cuts amounting to 3½% of GDP will take effect in early 2013. As a result, U.S. GDP growth will slow to 1.9% in 2013. The GDP effect which is relatively small in view of the scale of consolidation can be explained by the fact that primarily high-income population groups are affected.

Japan currently stands on the brink of recession. Owing to a decline in exports, GDP fell by 0.9% in the third quarter of 2012. In addition to slackening global demand, the appreciation of the Japanese yen was also responsible for this phenomenon. Furthermore, impetus from the reconstruction program following the disaster in March 2011, which fueled growth in the first half of 2012, is receding. Since global momentum will continue to slow, further contraction cannot be excluded in the fourth quarter of 2012, which means the Japanese economy will start 2013 in an unfavorable position. As a result, Japan will not provide any notable stimuli to world trade over the forecast horizon. In *China,* by contrast, economic momentum gathered some steam in the course of 2012. The latest economic indicators also signal an end to the phase of decelerating growth. Compared with 2011, however, growth will slow in 2012 and will fall short of the trend seen in recent years in 2013 and 2014. Besides the fact that the working population is growing more slowly, the steady increase in wage costs is primarily responsible for this situation. Growth stimuli from both fiscal and monetary policy, to which falling inflation will offer some scope, are however expected. *India* is suffering high inflation, which is considerably restricting the scope of its monetary policy. In addition, crop failures will dampen growth in 2012. All in all, the Asian emerging economies will remain the global economy's engine of growth. Their growth rates will accelerate over the forecast horizon, although they will not reach their pre-crisis levels.

The growth outlook for *Central, Eastern and Southeastern European (CESEE) countries* is subdued owing to the unfavorable outlook for the euro area. After two healthy years, GDP growth will slow down markedly in 2012. Only Russia – and, with certain qualifications, Poland – will escape this development thanks to robust domestic demand. The *United Kingdom* registered strong growth in the third quarter of 2012, which came as a pleasant surprise after three quarters of shrinking output. High levels of household debt and budget consolidation, however, suggest only a hesitant economic recovery.

The *euro area* is currently in recession. Total output fell for the first time in the fourth quarter of 2011. After stagnating in the second quarter of 2012, the euro area again registered negative growth in the third quarter (–0.1%) on the back of flagging domestic demand. Companies are cautious about investing in view of the high levels of uncertainty surrounding future sales potential. The slump in construction investment is particularly sharp. Growing joblessness and the related downward pressure on wages as well as government consolidation efforts are dampening net household income. Private consumption has been contracting since end-2011, which means it cannot drive the economy. Only net exports are currently making a positive contribution to growth although, for some euro area countries, this phenomenon is attributable not to a strong export performance but to weakening imports on the back of sluggish domestic demand. A further marked decline in economic output is anticipated for the fourth quarter of 2012. A gradual recovery is not expected before spring 2013. Owing to growth-tempering factors arising from the debt crisis, this recovery will prove to be very subdued, however. Growth differentials will remain high over the entire forecast horizon, as countries that are particularly badly hit by the crisis (Greece, Italy, Spain, Portugal, Slovenia and Cyprus) should expect to see a slump in growth – which will be steep, in some cases – for both 2012 and 2013. Overall, the euro area will suffer negative growth for the second time in a row in 2013, as also forecast by the OECD.

The crisis is now starting to spill over to central euro area countries. This said, growth in the core of the euro area will still be much more favorable than that in the periphery. In *Germany,* exports are currently experiencing significant cooling. Thinning order intakes indicate a decrease in exports and investment in equipment in the fourth quarter of 2012, which is likely to induce a decline in GDP. The German economy's fundamentals remain intact, however. German exporters have steadily improved their competitiveness in recent years, benefitting from strong regional diversification. Private consumption growth is very robust owing to favorable rises in both employment and wages. Construction investment is another pillar supporting the German economy.

As for *France,* the outlook is marked by fiscal consolidation and a stagnating economic environment. High levels of uncertainty are dampening investment activity. In view of the tax increases in early 2013, private consumption will be maintained only via a reduction in the saving ratio. Owing to the consolidation measures and the anticipated rise in unemployment, economic recovery cannot be expected until 2014.

In *Italy,* economic output is steadily shrinking. Although the contraction of the economy was somewhat weaker than expected in the third quarter of 2012, GDP fell for the seventh quarter in a row. In addition to the consolidation measures taken, the major factors depressing the economy are the high

Table 2

Underlying Global Economic Conditions

	2011	2012	2013	2014
	Annual change in % (real)			
Gross domestic product				
World GDP growth outside the euro area	+4.1	+3.7	+3.8	+4.5
U.S.A.	+1.8	+2.2	+1.9	+2.6
Japan	–0.7	+1.6	+0.4	+1.3
Asia excluding Japan	+7.6	+6.0	+6.7	+7.4
Latin America	+4.5	+3.1	+3.6	+4.1
United Kingdom	+0.9	+0.0	+1.4	+2.0
New EU Member States[1]	+3.2	+1.1	+1.3	+2.6
Switzerland	+1.9	+1.0	+1.5	+1.7
Euro area[2]	+1.5	–0.6 to –0.4	–0.9 to +0.3	+0.2 to +2.2
World trade (imports of goods and services)				
World economy	+6.3	+3.0	+4.1	+7.0
Non-euro area countries	+7.0	+4.0	+4.3	+7.7
Real growth of euro area export markets	+6.3	+3.4	+3.7	+6.8
Real growth of Austrian export markets	+6.4	+1.3	+2.7	+5.9
Prices				
Oil price in USD/barrel (Brent)	111.0	111.7	105.0	100.5
Three-month interest rate in %	1.4	0.6	0.2	0.3
Long-term interest rate in %	3.3	2.4	2.1	2.5
USD/EUR exchange rate	1.39	1.28	1.28	1.28
Nominal effective exchange rate (euro area index)	103.39	97.67	96.82	96.82

Source: Eurosystem.

[1] *Bulgaria, Czech Republic, Hungary, Latvia, Lithuania, Poland and Romania.*
[2] *2012 to 2014: Results of the Eurosystem's December 2012 projections. The ECB publishes the projections as ranges based on historical forecast errors.*

levels of jitters. Moreover, interest rates that rose in the wake of the sovereign debt crisis are making the refinancing of the banking sector more difficult, which has made lending to the private sector suffer. In view of this tough situation, the Italian economy will not be on track to modest growth before 2014.

In addition to the sluggish international environment, *Spain* is suffering from a number of domestic factors tempering GDP growth. For instance, the reduction of high levels of private debt accumulated in the wake of the housing bubble, the government consolidation measures and the restrictive lending conditions are having a negative impact on growth. Economic output is expected to contract both in 2012 and 2013.

Greece is still in a deep recession. In the third quarter of 2012, GDP slumped by 7.2% (compared with the same period a year ago), which was an even steeper fall than in the two previous quarters. The necessary adjustment measures are weighing heavily on the Greek economy. In addition to the deep cuts made in the course of fiscal consolidation, household income is being squeezed by rising unemployment. Furthermore, both lending restrictions and high levels of uncertainty have led to a steady reduction in total investment. In view of the unfavorable international environment, sluggish exports will not provide any stimuli for growth. As a result, Greek economic output will decline for the fifth and sixth year in succession in 2012 and 2013, respectively.

Portugal, like Greece, is struggling with adjustment problems. *Ireland,* however, seems to have adjusted best of all the EU-IMF program countries. Although growth will only be slightly positive in 2012, strong exports will provide sufficient stimuli for Ireland to boost its growth despite continued domestic demand problems.

4 Global Economic Downturn Affects Austrian Economy

4.1 Exports Suffer from Europe's Crisis in Confidence

The years 2010 and 2011 were marked by strong catching-up effects following the sharp slump in 2009. Since early 2011, however, the European debt crisis has led to steadily slowing momentum of Austrian export markets in the euro area. Although Austrian export markets outside the euro area also lost momentum in 2012, this development was much more marked in the euro area.

In both 2009 and 2010, Austria lost export market shares primarily owing to the structure of goods exported. Machinery and transport equipment (SITC 7), which are particularly cyclically-sensitive exports, play a major role in the structure of Austrian exports, accounting for 37% of total goods exported in 2011. Hence, Austrian exports slumped more sharply than aggregate export market growth. This trend of losses in market shares has come to an end.

In the period from 2010 to 2012, the prices of Austrian exporters climbed more slowly than those of their competitors in the international markets, which improved their price competitiveness. Against this backdrop, Austrian exports even made slight gains in market share in 2011 and 2012.

Current export development is being determined primarily by weak growth in Austrian export markets. In 2012, Austrian export markets in the euro area even contracted slightly. In the light of this situation, modest Austrian export growth in the first three quarters of 2012 (+0.4%, +0.6%,

Table 3

Growth and Price Developments in Austria's Foreign Trade

	2011	2012	2013	2014
	Annual change in %			
Exports				
Competitor prices in Austria's export markets	+4.1	+3.1	+1.6	+1.5
Export deflator	+3.7	+1.4	+1.5	+1.7
Changes in price competitiveness	+0.4	+1.7	+0.1	–0.1
Import demand in Austria's export markets (real)	+6.4	+1.3	+2.7	+5.9
Austrian exports of goods and services (real)	+7.1	+1.8	+2.7	+5.6
Austrian market share	+0.8	+0.5	+0.0	–0.4
Imports				
International competitor prices in the Austrian market	+3.9	+2.2	+1.4	+1.5
Import deflator	+5.7	+1.6	+1.6	+1.6
Austrian imports of goods and services (real)	+7.0	+1.7	+3.0	+5.4
Terms of trade	–2.0	–0.2	+0.0	+0.0
	Percentage points of real GDP			
Contribution of net exports to GDP growth	+0.4	+0.2	+0.0	+0.4

Source: 2011: Eurostat; 2012 to 2014: OeNB December 2012 outlook, Eurosystem.

+0.9% on a quarterly basis) should be assessed quite favorably.

Export growth is expected to have reached its low in the fourth quarter of 2012, with exports almost stagnating. For 2012 as a whole, the OeNB projects export growth of just 1.8%. In line with this forecast's underlying assumptions about the growth in Austrian export markets, export momentum is expected to accelerate steadily, albeit weakly, from early 2013. It will not be until 2014, however, that the international economy will have regained enough momentum for Austrian export market growth to trend close to its long-term average values (at almost 6%).

The development of imports is determined primarily by export growth. Of domestic demand components, investment in equipment shows the highest degree of import penetration. In view of sluggish export and investment growth, import growth of +1.7% will also prove to be very muted in 2012. Over the forecast horizon, imports will grow roughly as strongly as exports.

Owing to surpluses in trade in services, Austria has consistently had trade balance surpluses since 1998. Prior to the financial and economic crisis, even

Table 4

Austria's Current Account

	2011	2012	2013	2014
	% of nominal GDP			
Balance of trade	2.0	1.7	1.9	2.3
Balance on goods	–2.5	–3.0	–3.0	–2.9
Balance on services	4.5	4.7	4.9	5.2
Balance on income	–0.8	0.1	0.1	0.1
Balance on current transfers	–0.6	–0.1	–0.4	–0.4
Current account	0.6	1.7	1.5	1.9

Source: 2011: OeNB; 2012 to 2014: OeNB December 2012 outlook.

the traditionally negative goods balance moved back into the black on occasion. As a result of the crisis and Austria's better growth performance relative to other euro area countries, the goods balance has suffered sustained deterioration. By contrast, the services balance appears to be unaffected and is following a steady uptrend. The initial estimate of the income balance for 2011 (–EUR 2.5 billion or –0.8% of GDP) is likely to be revised upward on the strength of currently available information, which means the current account for 2011 is also likely to improve by around ½% to 1% of GDP. The OeNB projects a current account surplus ranging from 1½% to 2% of GDP over the forecast horizon.

4.2 Poor Sales Expectations Dampen Corporate Investment Activity

Austrian companies expanded their investment activity significantly in 2011. Gross fixed capital formation increased by 6.3% in real terms, i.e. as strongly as last in 1996; investment in equipment grew by as much as 10.4%. By end-2011, however, investment activity had cooled considerably, and since early 2012 investment in equipment has been declining. By contrast, housing has registered positive developments.

Given the difficult economic environment, the positive effects one might expect of the current internal and external financing conditions, which are extraordinarily favorable by historical comparison, cannot fully materialize. External financing costs are extremely low; real interest rates for corporate loans are close to zero. Under these conditions, there are currently no significant signs of a supply-side tightening in lending volumes although banks in the Bank Lending Survey recently announced a slight tightening in lending conditions. On the contrary, given sluggish GDP growth, bank lending to companies has been growing fairly vigorously at around 3% during 2012 so far, i.e. far more steeply than in the euro area, which even registered a drop in the previous two quarters. Companies currently have at their disposal considerable funds for internal financing despite – in operating surplus terms – recently falling profit growth. According to statistics on financial assets, corporate deposits amount to more than EUR 56 billion, which is roughly equivalent to the total annual investment of Austrian companies. Despite these favorable financing conditions, investment activity is likely to remain sluggish into the first half of 2013. Companies are cancelling, cutting or postponing their investment projects owing to poor sales expectations, which are reflected in recently sharply thinning order intakes. Although this slump is not as marked as during the financial and economic crisis in 2008 and 2009, it is quite comparable with the recession in 2001. Far fewer new orders were registered from abroad, in particular. The European debt crisis and the recession in some Central and Eastern European countries will further impair the sales potential of Austrian exporters in the next few months. Investment activity will recover as external macroeconomic conditions improve gradually as expected. This recovery will however prove to be unusually subdued and occur only relatively late in the upswing in view of the currently below-average capacity utilization. Against this backdrop, growth in investment in equipment is expected to decelerate markedly to 0.8% (2012) and 0.2% (2013).

Investment activity in civil engineering will also remain subdued ow-

Table 5

Investment Activity in Austria

	2011	2012	2013	2014
	Annual change in %			
Total gross fixed capital formation (real)	+6.3	+1.0	+0.8	+2.5
of which: Investment in plant and equipment	*+10.4*	*+0.8*	*+0.2*	*+3.4*
Residential construction investment	*+1.9*	*+3.7*	*+1.5*	*+2.0*
Nonresidential construction investment and other investment	*+4.7*	*+0.1*	*+1.5*	*+1.8*
Government investment	*–8.6*	*+2.9*	*+1.5*	*+1.5*
Private investment	*+7.1*	*+0.9*	*+0.8*	*+2.5*
	Contribution to real gross fixed capital formation growth in percentage points			
Investment in plant and equipment	+4.1	+0.3	+0.1	+1.4
Residential construction investment	+0.4	+0.7	+0.3	+0.4
Nonresidential construction investment and other investment	+1.9	+0.0	+0.6	+0.7
Government investment	–0.4	+0.1	+0.1	+0.1
Private investment	+6.7	+0.9	+0.7	+2.4
	Contribution to real GDP growth in percentage points			
Inventory changes	+0.4	–0.3	–0.2	+0.1

Source: 2011: Eurostat; 2012 to 2014: OeNB December 2012 outlook.

ing to fewer orders being placed by quasi-public infrastructure companies. Total gross fixed capital formation will be fueled by housing investment. Although the very steep increase in building permits in 2011 has slowed somewhat recently, very low interest rates and rising house prices should provide impetus to the housing sector in the medium term. Following steep declines in previous years, government investment will expand by an annual average of 2% over the forecast horizon. At around 5%, however, its share in total investment is very small. Investment demand is not expected to revive until the end of the forecast horizon. Driven by cyclically sensitive investment in equipment, total gross fixed capital formation will advance by 2½% in 2014.

4.3 Sluggish Consumption Continues

Current sluggish consumption is unexpected in view of the (by international standards) favorable Austrian labor market situation. Real private consumer spending has been stagnating since early 2012. For 2012 as a whole, growth of only 0.3% is projected. Although relatively robust employment growth has been recorded for 2012, weak real wage growth dampened household income growth as in recent years. At +3.1%, compensation per employee will show an increase for 2012, albeit a somewhat less pronounced one than negotiated wages (+3.3%). The negative wage drift is attributable to a variety of factors: a shift in employment to low wage sectors, a growing share of part-time employees, falling overpayments and a smaller number of hours taken as overtime. In 2012, inflation as measured by the private consumption deflator and HICP inflation will stand at 2.8% and 2.5%, respectively. The effects of the “bracket creep” amount to some 0.5 percentage points. Minus inflation and the effects of the “bracket creep,” compensation per employee in real terms will even fall slightly. In 2012, mixed

Table 6

Determinants of Nominal Household Income in Austria

	2011	2012	2013	2014
	Annual change in %			
Payroll employment	+2.0	+1.2	+0.4	+0.7
Wages per employee	+1.9	+3.1	+2.4	+2.2
Compensation of employees	+3.9	+4.3	+2.9	+2.9
Investment income	–2.2	+1.3	+3.4	+3.8
Mixed income and operating surplus, net	+6.3	+3.1	+2.8	+3.3
	Contribution to disposable household income growth in percentage points			
Compensation of employees	+3.2	+3.6	+2.4	+2.5
Investment income	–0.2	+0.1	+0.3	+0.4
Mixed income and operating surplus, net	+1.2	+0.6	+0.6	+0.7
Net transfers minus direct taxes[1]	–1.6	–1.1	–1.0	–0.5
Disposable household income (nominal)	+2.7	+3.2	+2.1	+3.0

Source: 2011: Eurostat; 2012 to 2014: OeNB December 2012 outlook.

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

income will also turn out to have grown at a far slower pace than in 2011. Although property income will no longer fall in 2012 as it did in the previous three years, it will not make a notable contribution to household income growth. Overall, real household income will therefore increase by just 0.4% in 2012. As a result, the sluggish growth seen in previous years will continue. Hence, in 2012 real disposable household income will still fall slightly short of the 2007 level. This means average consumption growth seen in the previous five years of almost 1% per year was achieved only by a correspondingly sharp reduction in the saving ratio from 11.7% (2007) to 7.4% (2012). The decline in the saving ratio in this period is closely related to changes in the composition of household income. Since the crisis, income shares with a small marginal propensity to consume have become less important in relative terms – especially property income. Although the motive of intertemporal consumption smoothing also contributed to the decline in the saving ratio, it plays a secondary role compared with the impact of income composition.

In 2013, real household income will continue to grow sluggishly at a mere +0.3%. Although real wages will rise more rapidly than in 2012, employment growth will be much slower. Other income components will develop much like in 2012. In 2013, growth in household expenditure will be 0.5% in real terms. After declining sharply in previous years, the saving ratio will stabilize at just below 7½% in 2012 and 2013, as property income will stop falling. Toward the end of the forecast horizon, consumption growth will accelerate to 1.1% and the saving ratio will increase marginally to 7.6%.

Table 7

Private Consumption in Austria

	2011	2012	2013	2014
	Annual change in %			
Disposable household income (nominal)	+2.7	+3.2	+2.1	+3.0
Private consumption expenditure (PCE) deflator	+3.5	+2.8	+1.8	+1.6
Disposable household income (real)	–0.8	+0.4	+0.3	+1.4
Private consumption (real)	+0.9	+0.3	+0.5	+1.1
	% of nominal disposable household income			
Saving ratio	7.4	7.4	7.3	7.6

Source: 2011: Eurostat; 2012 to 2014: OeNB December 2012 outlook.

Box 1

Budget Forecast Marked by High Level of Uncertainty[1]

Budget Balance Develops Relatively Well Despite Weak Economy

Despite weak real GDP growth, the general government budget balance is expected to further improve over the forecast horizon. Budgetary improvement is favored by the composition of GDP growth, as particularly robust payroll growth will contribute to a relatively steep increase in receipts from wage income tax, social security contributions and payroll taxes in 2012 and 2013.

The improvement in the budget balance is however attributable primarily to the comprehensive package of consolidation measures. The latter also imply a further improvement of the structural budget balance. This structural improvement is being helped, however, not only by the explicit measures outlined in the consolidation package of early 2012 (increase in social contributions, tax on capital gains from real estate, wage freeze in 2013, pension increases below the rate of inflation etc.) but also by "implicit measures" such as the nonindexing of income tax brackets ("bracket creep") as well as various nominally fixed social benefits (family allowance, nursing allowance etc.). In addition, expected continued low growth in discretionary expenditure (investment, intermediate consumption etc.) should favor the structural improvement of the budget balance.

Uncertainty about Economic Outlook and Fiscal Policy Strategy

The budget forecast is however marked by very high levels of uncertainty, which is attributable to various factors. For instance, uncertainty about the macroeconomic outlook is comparatively high. Past experience shows that it is extremely difficult to estimate how strongly worse-than-anticipated GDP growth impacts on public sector finances. In 2009, wage tax growth, for example, was much better than expected given the strength of the slump; at the same time, corporate tax receipts fell by more than one-third – likewise more sharply than expected based on past experience.

Austrian regional governments and local authorities have in recent years pursued a relatively tight expenditure policy so that it is doubtful in view of the aforementioned environment whether this restrictive course will be continued. Overall, intermediate consumption and investment were nominally down in both 2010 and 2011, compared with the year before. This had contributed to the fact that the Maastricht deficit of regional governments and local authorities was only slightly below 0.3% of GDP in 2011. As a result, the latter are already relatively close to their target under the Austrian debt brake of 0.1% of GDP (by 2017).[2] What is more, their need to consolidate will also be reduced because they will gain additional receipts from already implemented fiscal consolidation measures and "bracket creep" in coming years on the basis of revenue sharing.

[1] *Compiled by Lukas Reiss, Economic Analysis Division, lukas.reiss@oenb.at.*

[2] *For regional governments and local authorities, both the cyclical component and the scale of one-off effects were close to zero in 2011, as a result of which the headline budget balance of 2011 roughly corresponds to the structural budget balance.*

Uncertainty about "Bank Stabilization Package" and Euro Area Crisis Management

The support measures to the financial sector represent a further factor of uncertainty for the forecast. As the table below shows, the baseline scenario of the forecast already includes comparatively large capital transfers ("lost" capital injections and a reduction in participation capital) to (partly) nationalized banks. However, there are further risks to the projection of the budget balance, e.g. in relation to recording the federal guarantee for a subordinated bond of EUR 1 billion issued by Hypo Alpe-Adria Bank AG.

Measures taken to manage the euro area crisis impact on Austria's debt and deficit performance. The current budget forecast includes the (disbursed and committed) bilateral loans to Greece, the EFSF (European Financial Stability Facility) loans to Greece, Ireland and Portugal, as well as the payments into the European Stability Mechanism (ESM). The latter will amount to EUR 2.2 billion for Austria and be allocated in tranches in the period from 2012 to 2014. New bailout programs (e.g. the recapitalization of Spanish banks) will most probably be processed via the ESM and should therefore not have any additional effect on Austria's sovereign debt. The re-negotiation of Greece's rescue package does not have a direct impact on Austria's debt ratio, but will cause a slight deterioration of the budget balance from 2013.

Effects of the "Bank Stabilization Package" and Euro Area Crisis Management in the OeNB Outlook

	2008	2009	2010	2011	2012	2013
"Bank stabilization package"	*% of GDP*					
Gross savings[1]	0.0	0.0	0.1	0.1	0.1	0.1
Capital transfers[2]	0.0	0.0	0.6	0.2	1.0	0.4
Stock flow adjustment[3]	0.3	1.7	0.0	–0.2	–0.2	0.0
Budget balance	0.0	–0.0	–0.5	–0.1	–0.9	–0.3
Debt (total)[2,4]	0.3	2.1	2.5	2.2	2.9	3.1
Euro crisis management[5,6]						
Debt	×	×	0.2	0.7	2.2	2.7

Source: OeNB, Federal Ministry of Finance (2013 Federal Budget), Statistics Austria, Eurostat, ECB.

[1] *Dividends + guarantee fees – interest payments.*
[2] *Assumption: guarantee for subordinated bond issued by Hypo Alpe-Adria-Bank AG is both deficit and debt neutral.*
[3] *Factors influencing only deficit (reduction in participation capital) or only debt (e. g. capital provided to private banks).*
[4] *Cumulative. Includes indirect effect of gross savings on debt.*
[5] *Bilateral loans, EFSF loans, payments into ESM. Assumption: capitalization of Spanish banks via ESM.*
[6] *The losses incurred by KA Finanz AG from the Greek PSI are assigned to the "bank stabilization package."*

5 Labor Market Situation Deteriorates

The slowdown in economic momentum observed since mid-2012 is increasingly revealing its impact on the labor market. Though employment continued to rise in the third quarter of 2012, it did so at a markedly slower pace than in 2011 and the first half of 2012. In the first three quarters of 2012, employment climbed by an average of 48,000 persons year on year. In September and October 2012, however, employment grew by only 26,000 and 29,000 persons year on year, respectively. The number of reported vacancies, which had peaked in early 2011, continued to fall steadily, signaling further cooling in the labor market. This development is also reflected in the number of jobless leasing workers, who have a higher degree of cyclical sensitivity than other employees. Owing to momentum in early 2012, employment is expected to still have grown robustly by 1.1% (+45,000 persons) for the year as a whole. In 2013, however, employment growth

Table 8

Labor Market Developments in Austria

	2011	2012	2013	2014
	Annual change in %			
Total employment	+1.7	+1.1	+0.4	+0.7
of which: Payroll employment	+2.0	+1.2	+0.4	+0.7
Self-employment	+0.0	+0.4	+0.2	+0.6
Public sector employment	+0.1	–0.1	–0.1	–0.1
Registered unemployment	–5.1	+7.6	+7.0	+2.0
Labor supply	+1.4	+1.4	+0.7	+0.8
	% of labor supply			
Unemployment rate (Eurostat definition)	4.2	4.4	4.7	4.7

Source: 2011: Eurostat; 2012 to 2014: OeNB December 2012 outlook.

will prove to be slower by two-thirds (+16,000 persons, +0.4%). Since the projected recovery in 2014 will only be muted with GDP growth of 1.7%, employment momentum will likewise pick up only marginally (+29,000, +0.7%).

Labor supply grew vigorously in both 2011 and 2012 (+60,000 persons, respectively). A major factor behind this phenomenon is the full liberalization of the Austrian labor market in May 2011 for workers from eight new EU Member States.[2] From April 2011 to October 2012, labor supply from these countries increased by 50,000 persons, with foreign labor supply up by a total of 70,000 persons. The impact of the labor market's liberalization will lessen significantly over the forecast horizon. An average of 15,000 additional employees from the countries concerned is expected per year. Domestic labor supply recently grew relatively sluggishly, expanding by a mere 40,000 persons in the period from April 2011 to October 2012. A key factor for the increase in domestic labor supply has been the greater labor force participation of mature workers. In the second quarter of 2012, the share of those gainfully employed aged 55 to 64 rose to 43.6%, thereby surpassing the comparable period a year ago by 1.5 percentage points.

As a result of the aforementioned development in labor demand and labor supply, the unemployment rate will increase in both 2012 (from 4.2% to 4.4%) and 2013 (to 4.7%). In 2014, the jobless rate is expected to remain unchanged.

6 Inflation Expected to Ease Significantly

Austria's HICP inflation, after peaking at 3.9% in September 2011, eased to 2.1% by July 2012. Although a further rise has since been registered, this should be merely of a temporary nature. Inflation stood at 2.9% in October 2012. The main inflationary drivers in recent months were industrial goods (primarily, clothing and shoes). Furthermore, rising oil prices and accelerated wage growth have resulted in both energy and services making larger contributions to inflation.

Over the forecast horizon, the inflationary profile will – in line with our

[2] *The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.*

underlying assumptions – be marked by two factors: falling crude oil prices and the resumption of a slowdown in wage growth from fall 2012. Until end-2013, the public sector will make a largely steady contribution to inflation. The measures entering into force in this period (price increase of highway toll stickers and a cut in air travel tax) will have only a modest impact on overall inflation. Food will also show a flat inflationary trend. Rising world market prices for some agricultural commodities (primarily, wheat) will be offset by a smaller rise in wage costs. The price growth of industrial goods will decelerate owing to smaller increases in unit labor costs.

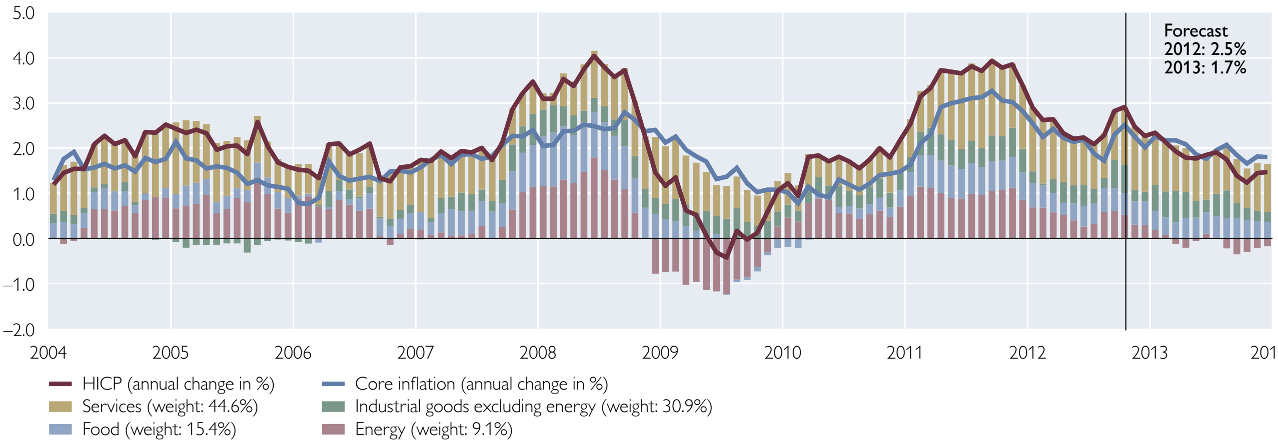
For 2012, the current outlook projects a rise in HICP by 2.5%. The anticipated sharp drop in inflation means it will fall below the 2% threshold by mid-2013. For 2013 as a whole, inflation will ease to 1.7%. A further slight downtick to 1.6% is expected for 2014.

Only some results of the fall 2012 bargaining round were available at the time this forecast was prepared. The wage settlements made so far suggest an average increase in negotiated private-sector wages of around 3%. For the public sector, in the wake of the 2012 consolidation package, a wage freeze and a very modest wage increase were agreed for 2013 and 2014, respectively. On the strength of this information, total negotiated wages are expected to increase by 2.6% for 2013. Owing to the stuttering economy, overpayments are expected to decline, resulting in a negative wage drift of 0.2 percentage points. With a projected increase in compensation per employee of 2.4%, real wage growth will come to 0.7%. As in 2012, this means corporate profit margins will also narrow in 2013. Owing to easing inflation, overall wage settlements of only +2.3% are anticipated for 2014. Since growth in unit wage costs will fall short of the increase in the GDP deflator in 2014, companies will see profit margins widen again. Price pressures are not expected on the production front, as the output gap will remain negative over the entire forecast horizon.

Chart 3

HICP Inflation Rate and Contributions of Subcomponents

Contributions to growth in percentage points *Last observation: October 2012*



Source: OeNB, Statistics Austria.

Table 9

Selected Price and Cost Indicators for Austria

	2011	2012	2013	2014
	Annual change in %			
Harmonised Index of Consumer Prices (HICP)	+3.6	+2.5	+1.7	+1.6
HICP energy	+11.3	+5.2	–1.2	–1.0
HICP excluding energy	+2.8	+2.2	+2.0	+1.8
Private consumption expenditure (PCE) deflator	+3.5	+2.8	+1.8	+1.6
Investment deflator	+2.3	+2.1	+1.2	+1.5
Import deflator	+5.7	+1.6	+1.6	+1.6
Export deflator	+3.7	+1.4	+1.5	+1.7
Terms of trade	–2.0	–0.2	+0.0	+0.0
GDP at factor cost deflator	+2.2	+2.2	+1.8	+1.5
Unit labor costs	+0.9	+3.7	+2.3	+1.1
Compensation per employee	+1.9	+3.1	+2.4	+2.2
Labor productivity	+0.9	–0.7	+0.1	+1.0
Collectively agreed wage settlements	+2.0	+3.3	+2.6	+2.3
Profit margins[1]	+1.3	–1.5	–0.5	+0.4

Source: 2011: Eurostat, Statistics Austria; 2012 to 2014: OeNB December 2012 outlook.

[1] GDP deflator divided by unit labor costs.

7 External Downside Risks Outweigh Domestic Upside Risks

This forecast describes the most likely way, from a current perspective, the Austrian economy will develop in the period from 2012 to 2014. There exist, however, a number of factors which together represent a downside risk to the economy.

From a global perspective, developments in the euro area still remain the most significant risk. In recent years, a number of countries have seen the implementation of many reforms that have been very painful in some cases. Recently, in the struggle to prevent imminent Greek bankruptcy, the situation was eased with the agreement to disburse the next few tranches. However, it cannot be considered guaranteed that the countries concerned will implement all the necessary structural reforms and consolidation measures in future. As a result, renewed uncertainty on the part of the financial markets could increase risk premiums again and make the refinancing of the countries concerned more expensive. By contrast, speedy reform in the countries concerned may bring about a faster-than-expected recovery.

A further external risk is associated with the potential repercussions of the "fiscal cliff" for the U.S. economy. Although the fiscal cliff is included in a good part of this forecast, the calculation of the impact is based on a low fiscal multiplier of 0.3. However, the fiscal contraction might also have larger repercussions on the U.S. economy. If, by contrast, Congress agrees by end-2012 to further extend the tax break measures and lift the debt ceiling, U.S. growth may prove stronger than expected by this forecast. Further risks to the global economy are posed by a number of potential geopolitical hotspots. In addition to the unstable political situation in the Middle East and in Arab Spring countries, the conflict between China and Japan concerning the Senkaku (Japanese name) or Diaoyu (Chinese name) archipelago is the latest to be admitted to the category of geopolitical risks. The outlook for the euro area is based on a "muddling through" scenario, according to which it is assumed that the sovereign debt crisis in the euro area will neither get worse nor find a fast solution. Domestic demand in Austria also poses upside risks. Owing to an excellent corporate profit situation, investment growth may quite possibly turn out higher if sales expectations rise. If consumer sentiment looks up, consumers could finance higher consumption growth by lowering the saving ratio.

Most short to medium-term risks to inflation currently point to the downside. The downside risk to the global economy also means a downside risk to prices since overcapacity currently prevails worldwide. Should geopolitical risks become applicable, this situation may fuel inflation via higher commodity prices. In the medium term, currently low inflation expectations could climb to a higher level, giving rise to an uptick in inflation.

8 Forecast Revised Primarily owing to Slacker Export Demand

The external environment has significantly deteriorated since the OeNB June 2012 outlook. The underlying assumptions on the growth of global trade had to be sharply revised downward. We have lowered our growth expectations for Austria's export markets by a total of 5.8 percentage points over the forecast horizon. The weaker global economy is also reflected in lower oil prices. Expansionary monetary policy induced a dip in both short-term and long-term interest rates, compared with the June 2012 outlook. Compared with the OeNB June 2012 outlook, the underlying assumptions on exchange rate developments remain almost unchanged.

The effects of these new external assumptions were simulated using the OeNB macroeconomic model. Table 11

Table 10

Change in the External Economic Conditions since the OeNB June 2012 Outlook

	December 2012			June 2012			Difference		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
	Annual change in %								
Growth of Austria's export markets	+1.3	+2.7	+5.9	+3.1	+6.1	+6.5	–1.8	–3.4	–0.6
Competitor prices in Austria's export markets	+3.1	+1.6	+1.5	+3.4	+1.8	+1.7	–0.3	–0.2	–0.2
Competitor prices in Austria's import markets	+2.2	+1.4	+1.5	+2.6	+1.9	+1.8	–0.4	–0.5	–0.3
	USD per barrel (Brent)								
Oil price	111.7	105.0	100.5	115.7	109.3	103.1	–4.0	–4.3	–2.6
	Annual change in %								
Nominal effective exchange rate (exports)	+1.5	+0.3	+0.0	+1.1	+0.1	+0.0	+0.4	+0.2	+0.0
Nominal effective exchange rate (imports)	+0.7	+0.2	+0.0	+0.6	+0.1	+0.0	+0.1	+0.1	+0.0
	%								
Three-month interest rate	0.6	0.2	0.3	0.8	0.7	1.0	–0.2	–0.5	–0.7
Long-term interest rate	2.4	2.1	2.5	2.9	3.1	3.5	–0.5	–1.0	–1.0
	Annual change in %								
U.S. GDP (real)	+2.2	+1.9	+2.6	+2.2	+2.2	+2.8	+0.0	–0.3	–0.2
	USD/EUR								
USD/EUR exchange rate	1.28	1.28	1.28	1.31	1.31	1.31	–0.03	–0.03	–0.03

Source: Eurosystem.

Table 11

Breakdown of Forecast Revisions

	GDP			HICP		
	2012	2013	2014	2012	2013	2014
	Annual change in %					
December 2012 outlook	+0.4	+0.5	+1.7	+2.5	+1.7	+1.6
June 2012 outlook	+0.9	+1.7	+2.1	+2.4	+1.7	+1.9
Difference	–0.5	–1.2	–0.4	+0.1	+0.0	–0.3
	Percentage points					
Due to:						
External assumptions	–0.1	–0.6	–0.3	+0.0	+0.0	–0.2
New data	–0.3	–0.3	+0.0	+0.1	+0.0	+0.0
of which: Revision of historical data until Q1 12	*–0.1*	*+0.0*	*+0.0*	*+0.0*	*x*	*x*
Projection errors for Q2 12 and Q3 12	*–0.2*	*–0.2*	*+0.0*	*+0.1*	*x*	*x*
Other[1]	–0.1	–0.3	–0.1	+0.0	+0.0	–0.1

Source: OeNB December 2012 and June 2012 outlooks.

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

lists the reasons for revising the outlook in detail. Apart from the effects 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 2012) 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 2012). 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.

The downward revision of 0.5 percentage points for 2012 is explicable primarily by the effect of new data. First, historical data up to the first quarter of 2012 were revised down. Second, growth in the second and third quarter of 2012 was lower than had been expected in June 2012. The more unfavorable external assumptions go only half way to explaining the sharp downward revision of growth by 1.2 percentage points for 2013. One-fourth of the revision (0.3 percentage points) is explained by the lower statistical overhang from 2012 owing to the June 2012 outlook overestimating growth in the second and third quarter. The residual difference of 0.3 percentage points is explicable neither by new data nor by external assumptions and reflects the effect of deteriorating domestic demand sentiment. External assumptions largely explain the revisions for 2014.

The inflation outlook has barely changed despite the sharp revision of the growth outlook. The downward revision for 2014 is largely explicable by lower commodity prices.

Box 2

OeNB-BOFIT Outlook for Selected CESEE Countries: Renewed Slowdown Followed By Modest Recovery[1]

Weak euro area growth in the first half of 2012 and dim prospects for the remainder of the year will deeply affect the CESEE-7[2] region. Following moderately strong growth between 2% and 3% in 2010 and 2011, GDP in the region will expand by only 1.2% in 2012. Growth is projected to pick up slightly to 2.2% in 2013 and 2.8% in 2014, backed by a moderate revival of domestic demand. Individual growth rates across the region will remain diverse over the entire forecast horizon, but all countries are expected to enter positive territory from 2013 onward.

For Russia, we maintain our forecast that annual GDP growth will moderate from 4.3% in 2011 to 3.7% both in 2012 and 2013, before reaching 3.4% in 2014. This assessment is based on the expectation that oil[3] and commodity prices will slightly decline over the forecasting period against the background of persisting global weaknesses.

Croatia will only come out of recession slowly, with GDP growth rising from –1.8% in 2012 up to 0.5% and 1.4%, respectively, in 2013 and 2014.

GDP Projections for the Period from 2012 to 2014

	OeNB-BOFIT Outlook			IMF World Economic Outlook		
	2012	2013	2014	2012	2013	2014
	Year-on-year GDP growth in %					
CESEE-7	**1.2**	**2.2**	**2.8**	**1.2**	**1.8**	**2.7**
Bulgaria	0.8	1.6	2.1	1.0	1.5	2.5
Czech Republic	–0.7	1.5	2.3	–1.0	0.8	2.8
Hungary	–1.2	0.5	1.1	–1.0	0.8	1.6
Poland	2.5	2.8	3.4	2.4	2.1	2.7
Romania	0.8	2.4	2.7	0.9	2.5	3.0
Croatia	–1.8	0.5	1.4	–1.1	1.0	1.5
Russia	3.7	3.7	3.4	3.7	3.8	3.9

Source: OeNB, BOFIT, IMF.

Note: CESEE-7 = Bulgaria, the Czech Republic, Hungary, Latvia, Lithuania, Poland and Romania.

Risks to these projections continue to hinge on developments in the euro area and are still biased downward. Even though recent policy moves and ongoing work to improve the institutional foundations of the monetary union have mitigated some of the downside risks, negative spillover risks from the euro area periphery remain elevated. Through its general impact on Europe, a weakening of global growth would also affect the region. On the other hand, swift political decisions leading toward the implementation of a European banking union, the avoidance of the fiscal cliff in the U.S. and a thus more favorable global economic development would pose upside risks to our projections.

The projections for the CESEE-7 countries hinge on growth developments in the euro area. Based on earlier simulation results, a further reduction of euro area growth by ½ percentage point in both 2012 and 2013 against our baseline scenario would most likely bring down CESEE-7 growth to about 1% in 2012 and slightly below 2% in 2013.

[1] *Compiled by Julia Wörz, Foreign Research Division, julia.woerz@oenb.at.*

[2] *Bulgaria, the Czech Republic, Hungary, Latvia, Lithuania, Poland and Romania.*

[2] *Compared to the 2011 average, the oil price is expected to decrease by less than 10% until end-2014, based on oil futures.*

Bulgaria, the Czech Republic, Hungary, Poland and Romania: Weak Domestic and External Demand Is Denting Growth in 2012, Growth Will Pick Up Slowly in 2013 and 2014

External as well as internal factors will dampen GDP growth considerably in 2012. Lackluster external demand as implied by the current assumptions of a slight recession in the euro area in 2012, coupled with domestic factors that hold back growth in the region (such as ongoing consolidation efforts, deteriorating sentiment, tight credit and slack labor markets and country-specific domestic factors), will halve GDP growth in most countries as compared to 2011. In the Czech Republic and Hungary, GDP will even contract. Given a gradual improvement in net exports, which has been primarily driven by stagnating or even falling import demand rather than by (still moderate) export dynamics, the trough in growth dynamics should have been reached in mid-2012. However, growth will not pick up before the beginning of 2013, when domestic demand will slowly recover.

Given historically low levels of capacity utilization in most countries, no strong impetus is expected from gross fixed capital formation in 2012. However, prospective developments are diverse across countries: We expect investments to stagnate in Bulgaria and the Czech Republic, to fall further in Hungary, and to expand at a lower rate than in 2011 in Poland. Romania is the only country that will show a pronounced rise in gross fixed capital formation in 2012 thanks to a strong performance in the first half of the year.

Export and import growth rates are expected to fall markedly in 2012 and the contribution of net exports is forecast to diminish in all countries except Poland. Over the projection horizon, exports and imports will recover modestly. Their joint growth contribution, however, will decline further.

The risks to this outlook continue to be tilted downward and mainly result from various spillover risks arising from the euro area crisis countries. The risk of a turn in investor confidence due to a deepening of the euro area crisis remains, even if it does not seem imminent at the moment as recent institutional steps within the euro area and improvements in the regulatory framework for the banking sector can be seen to reduce this risk. However, further negative repercussions could arise from the global economy. The possibility of a sharp fiscal correction in the U.S. and the current slowdown of the recovery in Japan may dampen emerging countries' growth on a global scale and thus create an environment for prolonged anemic growth in Europe.

On the other hand, swift political decisions leading toward the implementation of a European banking union, the avoidance of the fiscal cliff in the U.S. and a thus more favorable global economic development would pose upside risks to our projections.

Russia: Economic Expansion Affected By Weakening External Environment

GDP growth in Russia is anticipated to slow to 3.7% for 2012 as a whole. Downward effects stem from heightened uncertainty in the global economy and trade, a leveling-off of the oil price and a drought-stricken harvest, while upward effects emanate from increased government expenditure. In 2013 and 2014, the downward impact of the slightly declining oil price will continue. However, economic growth in 2013 should keep up with the pace of 2012, as it is expected to be supported by a recovery of the global economy and a normalization of Russian farm output. For 2014, we foresee no particular forces that might offset the further weakening of the oil price, which explains the expected slight dip in the growth rate (to 3.4%).

Private consumption will remain the main driver of economic growth and import expansion. However, there are signs that consumption growth is losing its strong momentum again as households' expectations have become somewhat less optimistic. A re-invigoration of capital formation is hampered by economic uncertainty. In 2013 and 2014, though, fixed investment growth should gain ground again as uncertainties in the global economy subside. Rising demand will also start calling for larger additions to capacity. The low growth of *export volumes is projected to continue in the forecast period. Exports of crude oil and petroleum products remain limited by constrained production growth, while domestic demand for these goods is growing briskly. Growth estimates of Russian gas exports have been revised down, given mounting competition through the production of shale gas and the transport of gas in liquefied form.*

Our forecast is mostly saddled with downside risks relating to uncertainty in the global economy. An aggravation of looming problems could affect demand and depress oil prices as well as the volume of Russian exports. However, the development of global oil supplies is also uncertain, which could lead to an oil price rise that would benefit Russia. A deterioration of the global economy could impair Russian consumer confidence and delay the anticipated strengthening of fixed investments.

Croatia: Sagging Domestic Demand Continues to Depress Economic Activity

Following stagnation in 2011, economic output in Croatia will decline by 1.8% in 2012. In particular, private consumption will continue to recede due to persistent structural problems. At the same time, the necessary consolidation of public finances will put a strain on public consumption. Given the gloomy economic environment, investments will further decline. In combination with strongly falling private consumption, this will also bring down imports. As exports will decline more slowly than imports, the contribution of net exports to GDP growth will remain slightly positive in 2012.

In 2013, GDP growth is expected to remain subdued (0.5%) owing to depressed economic activity at the beginning of the year, followed by some positive signs of economic easing throughout the remaining year. Private consumption will remain weak due to ongoing structural problems, but will slightly pick up in the course of 2013 thanks to base effects arising from the VAT hike and positive consumer sentiment related to EU accession on July 1, 2013. As consolidation needs remain, there will be no leeway for public consumption to strengthen GDP growth. By contrast, investments in the private sector are expected to revive after having contracted for many years. A slight recovery in domestic demand will contribute to positive import growth; exports will recover more slowly, resulting in a minor negative contribution of net exports to GDP growth in 2013.

In 2014, economic activity is expected to pick up, with GDP growth amounting to 1.4%. The main growth drivers will be private consumption, provided that structural problems are addressed by policymakers and that investments gain ground. Public consumption, on the other hand, will remain depressed. The contribution of net exports to GDP growth will remain negative and prevent a more vivid recovery.

Annex: Detailed Result Tables

Table 12

Demand Components (Real Prices)

Chained volume data (reference year = 2005)

	2011	2012	2013	2014	2011	2012	2013	2014
	EUR million				*Annual change in %*			
Private consumption	144,294	144,705	145,360	146,910	+0.9	+0.3	+0.5	+1.1
Government consumption	49,798	50,212	50,670	51,195	+0.5	+0.8	+0.9	+1.0
Gross fixed capital formation	55,998	56,577	57,028	58,441	+6.3	+1.0	+0.8	+2.5
of which: Investment in plant and equipment	23,027	23,206	23,252	24,033	+10.4	+0.8	+0.2	+3.4
Residential construction investment	11,113	11,523	11,696	11,929	+1.9	+3.7	+1.5	+2.0
Investment in other construction	21,881	21,894	22,217	22,620	+4.7	+0.1	+1.5	+1.8
Changes in inventories (including statistical discrepancy)	5,137	4,492	4,230	4,476	×	×	×	×
Domestic demand	255,226	255,986	257,288	261,022	+2.3	+0.3	+0.5	+1.5
Exports of goods and services	153,432	156,203	160,487	169,395	+7.1	+1.8	+2.7	+5.6
Imports of goods and services	139,172	141,524	145,727	153,632	+7.0	+1.7	+3.0	+5.4
Net exports	14,261	14,679	14,761	15,764	×	×	×	×
Gross domestic product	269,487	270,665	272,049	276,785	+2.7	+0.4	+0.5	+1.7

Source: 2011: Eurostat; 2012 to 2014: OeNB December 2012 outlook.

Table 13

Demand Components (Current Prices)

	2011	2012	2013	2014	2011	2012	2013	2014
	EUR million				*Annual change in %*			
Private consumption	163,428	168,527	172,322	176,900	+4.4	+3.1	+2.3	+2.7
Government consumption	56,814	58,761	59,945	61,538	+2.5	+3.4	+2.0	+2.7
Gross fixed capital formation	64,229	66,265	67,617	70,345	+8.7	+3.2	+2.0	+4.0
Changes in inventories (including statistical discrepancy)	7,426	6,145	5,901	6,347	×	×	×	×
Domestic demand	291,896	299,697	305,785	315,130	+5.9	+2.7	+2.0	+3.1
Exports of goods and services	171,030	176,549	184,202	197,642	+11.0	+3.2	+4.3	+7.3
Imports of goods and services	161,790	167,185	174,829	187,349	+13.0	+3.3	+4.6	+7.2
Net exports	9,240	9,364	9,372	10,293	×	×	×	×
Gross domestic product	301,136	309,061	315,157	325,423	+5.1	+2.6	+2.0	+3.3

Source: 2011: Eurostat; 2012 to 2014: OeNB December 2012 outlook.

Table 14

Deflators of Demand Components

	2011	2012	2013	2014	2011	2012	2013	2014
	2005 = 100				*Annual change in %*			
Private consumption	113.3	116.5	118.5	120.4	+3.5	+2.8	+1.8	+1.6
Government consumption	114.1	117.0	118.3	120.2	+2.1	+2.6	+1.1	+1.6
Gross fixed capital formation	114.7	117.1	118.6	120.4	+2.3	+2.1	+1.2	+1.5
Domestic demand (excluding changes in inventories)	113.7	116.7	118.5	120.4	+2.9	+2.6	+1.5	+1.6
Exports of goods and services	111.5	113.0	114.8	116.7	+3.7	+1.4	+1.5	+1.7
Imports of goods and services	116.2	118.1	120.0	121.9	+5.7	+1.6	+1.6	+1.6
Terms of trade	95.9	95.7	95.7	95.7	–2.0	–0.2	+0.0	+0.0
Gross domestic product	111.7	114.2	115.8	117.6	+2.4	+2.2	+1.5	+1.5

Source: 2011: Eurostat; 2012 to 2014: OeNB December 2012 outlook.

Table 15

Labor Market

	2011	2012	2013	2014	2011	2012	2013	2014
	Thousands				*Annual change in %*			
Total employment	4,138.9	4,184.4	4,200.2	4,229.1	+1.7	+1.1	+0.4	+0.7
of which: Private sector employment	*3,607.1*	*3,653.3*	*3,669.8*	*3,699.4*	*+2.0*	*+1.3*	*+0.5*	*+0.8*
Payroll employment (national accounts definition)	3,591.3	3,634.7	3,649.4	3,675.0	+2.0	+1.2	+0.4	+0.7
	% of labor supply							
Unemployment rate (Eurostat definition)	4.2	4.4	4.7	4.7	×	×	×	×
	EUR per real output unit x 100							
Unit labor costs (whole economy)[1]	63.4	65.7	67.2	68.0	+0.9	+3.7	+2.3	+1.1
	EUR thousand per employee							
Labor productivity (whole economy)[2]	65.1	64.7	64.8	65.4	+0.9	–0.7	+0.1	+1.0
	EUR thousand							
Real compensation per employee[3]	36.4	36.5	36.7	37.0	–1.5	+0.2	+0.6	+0.6
	At current prices in EUR thousand							
Gross compensation per employee	41.3	42.5	43.6	44.5	+1.9	+3.1	+2.4	+2.2
	At current prices in EUR million							
Total gross compensation of employees	148,165	154,546	158,959	163,549	+3.9	+4.3	+2.9	+2.9

Source: 2011: Eurostat; 2012 to 2014: OeNB December 2012 outlook.

[1] *Gross wages divided by real GDP.*
[2] *Real GDP divided by total employment.*
[3] *Gross wages per employee divided by the private consumption expenditure (PCE) deflator.*

Table 16

Current Account

	2011	2012	2013	2014	2011	2012	2013	2014
	EUR million				*% of nominal GDP*			
Balance of trade	6,149.0	5,333.3	5,910.3	7,424.8	2.0	1.7	1.9	2.3
Balance on goods	–7,501.0	–9,292.0	–9,396.4	–9,438.6	–2.5	–3.0	–3.0	–2.9
Balance on services	13,650.0	14,625.3	15,306.7	16,863.4	4.5	4.7	4.9	5.2
Balance on income	–2,489.0	309.1	223.4	272.5	–0.8	0.1	0.1	0.1
Balance on transfers	–1,919.0	–293.8	–1,301.3	–1,394.3	–0.6	–0.1	–0.4	–0.4
Current account	1,741.0	5,348.6	4,832.5	6,303.1	0.6	1.7	1.5	1.9

Source: 2011: OeNB; 2012 to 2014: OeNB December 2012 outlook.

Table 17

Quarterly Outlook Results

	2012	2013	2014	2012				2013				2014			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Prices, wages and costs	*Annual change in %*														
HICP	+2.5	+1.7	+1.6	+2.7	+2.3	+2.4	+2.6	+2.1	+1.8	+1.7	+1.4	+1.5	+1.6	+1.6	+1.6
HICP (excluding energy)	+2.2	+2.0	+1.8	+2.3	+2.1	+2.1	+2.4	+2.3	+2.0	+2.1	+1.8	+1.8	+1.8	+1.8	+1.9
Private consumption expenditure (PCE) deflator	+2.8	+1.8	+1.6	+3.0	+2.8	+3.0	+2.6	+2.2	+1.9	+1.4	+1.6	+1.7	+1.6	+1.6	+1.5
Gross fixed capital formation deflator	+2.1	+1.2	+1.5	+2.2	+2.8	+1.8	+1.7	+1.3	+0.6	+1.5	+1.5	+1.5	+1.5	+1.5	+1.5
GDP deflator	+2.2	+1.5	+1.5	+2.2	+2.2	+2.3	+2.0	+1.8	+1.5	+1.2	+1.3	+1.4	+1.5	+1.5	+1.5
Unit labor costs	+3.7	+2.3	+1.1	+3.3	+3.7	+4.0	+3.9	+3.4	+2.8	+1.8	+1.2	+0.9	+0.9	+1.2	+1.4
Nominal wages per employee	+3.1	+2.4	+2.2	+2.5	+2.9	+3.4	+3.4	+3.0	+2.6	+2.1	+2.0	+1.9	+2.0	+2.3	+2.5
Productivity	–0.7	+0.1	+1.0	–0.8	–0.8	–0.6	–0.5	–0.4	–0.2	+0.3	+0.8	+1.0	+1.1	+1.1	+1.0
Real wages per employee	+0.2	+0.6	+0.6	–0.5	+0.2	+0.5	+0.8	+0.8	+0.7	+0.7	+0.4	+0.3	+0.4	+0.7	+1.0
Import deflator	+1.6	+1.6	+1.6	+2.5	+1.5	+1.2	+1.4	+1.3	+1.6	+1.7	+1.6	+1.6	+1.6	+1.7	+1.7
Export deflator	+1.4	+1.5	+1.7	+2.1	+1.4	+1.0	+1.0	+1.3	+1.5	+1.7	+1.7	+1.6	+1.6	+1.7	+1.8
Terms of trade	–0.2	+0.0	+0.0	–0.4	+0.0	–0.1	–0.3	–0.1	–0.1	+0.0	+0.1	–0.1	+0.0	+0.0	+0.1
Economic activity	*Annual and/or quarterly changes in % (real)*														
GDP	+0.4	+0.5	+1.7	+0.3	+0.1	–0.1	–0.1	+0.1	+0.2	+0.4	+0.4	+0.4	+0.5	+0.5	+0.5
Private consumption	+0.3	+0.5	+1.1	+0.0	+0.0	+0.0	+0.2	+0.1	+0.1	+0.1	+0.2	+0.3	+0.3	+0.4	+0.4
Government consumption	+0.8	+0.9	+1.0	+0.2	+0.4	+0.5	–0.8	+0.6	+0.5	+0.4	+0.3	+0.2	+0.2	+0.2	+0.2
Gross fixed capital formation	+1.0	+0.8	+2.5	+0.0	–0.3	–0.2	–0.1	+0.2	+0.5	+0.6	+0.6	+0.6	+0.6	+0.6	+0.6
Exports	+1.8	+2.7	+5.6	+0.4	+0.6	+0.9	+0.2	+0.4	+0.9	+1.1	+1.2	+1.4	+1.5	+1.6	+1.6
Imports	+1.7	+3.0	+5.4	+0.1	+0.7	+1.2	+0.1	+0.5	+1.0	+1.0	+1.2	+1.4	+1.5	+1.5	+1.5
	Contribution to real GDP growth in percentage points														
Domestic demand	+0.5	+0.6	+1.3	+0.1	+0.0	+0.1	–0.1	+0.2	+0.2	+0.3	+0.3	+0.3	+0.3	+0.4	+0.4
Net exports	+0.2	+0.0	+0.4	+0.2	+0.0	–0.1	+0.0	+0.0	+0.0	+0.1	+0.1	+0.1	+0.1	+0.1	+0.2
Changes in inventories	–0.2	–0.1	+0.1	+0.1	+0.1	–0.1	+0.0	–0.1	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
Labor market	*% of labor supply*														
Unemployment rate (Eurostat definition)	4.4	4.7	4.7	4.2	4.3	4.5	4.6	4.7	4.7	4.7	4.7	4.8	4.7	4.7	4.7
	Annual and/or quarterly changes in %														
Total employment	+1.1	+0.4	+0.7	+0.3	+0.1	+0.2	+0.1	+0.1	+0.1	+0.1	+0.1	+0.2	+0.2	+0.3	+0.3
of which: Private sector employment	*+1.3*	*+0.5*	*+0.8*	*+0.4*	*+0.2*	*+0.2*	*+0.1*	*+0.1*	*+0.1*	*+0.1*	*+0.1*	*+0.2*	*+0.3*	*+0.3*	*+0.4*
Payroll employment	+1.2	+0.4	+0.7	+0.3	+0.3	+0.2	+0.1	+0.1	+0.1	+0.1	+0.1	+0.2	+0.2	+0.3	+0.3
Additional variables	*Annual and/or quarterly changes in % (real)*														
Real disposable household income	+0.4	+0.3	+1.4	–0.9	+0.9	–2.5	+0.3	+0.5	+0.4	+0.6	+0.4	+0.2	+0.3	+0.3	+0.5
	% of real GDP														
Output gap	–0.7	–1.5	–1.3	–0.1	–0.3	–0.8	–1.3	–1.6	–1.6	–1.5	–1.3	–1.3	–1.3	–1.3	–1.2

Source: OeNB December 2012 outlook (based on seasonally and working-day adjusted data).

Table 18

Comparison of Current Economic Forecasts for Austria

Indicator	OeNB			WIFO		IHS		OECD			IMF		European Commission		
	December 2012			September 2012		September 2012		November 2012			October 2012		November 2012		
	2012	2013	2014	2012	2013	2012	2013	2012	2013	2014	2012	2013	2012	2013	2014
Key results	*Annual change in %*														
GDP (real)	+0.4	+0.5	+1.7	+0.6	+1.0	+0.8	+1.3	+0.6	+0.8	+1.8	+0.9	+1.1	+0.8	+0.9	+2.1
Private consumption (real)	+0.3	+0.5	+1.1	+0.6	+0.7	+0.8	+1.1	+0.2	+0.4	+1.0	×	×	+0.2	+0.5	+1.1
Government consumption (real)	+0.8	+0.9	+1.0	+1.5	+0.0	+0.3	+0.0	+1.2	+0.2	+0.1	×	×	+1.3	+0.8	+1.3
Gross fixed capital formation (real)	+1.0	+0.8	+2.5	+1.1	+1.5	+1.2	+1.4	+1.6	+1.2	+3.0	×	×	+1.6	+0.9	+2.9
Exports (real)	+1.8	+2.7	+5.6	+0.8	+4.2	+1.6	+4.0	+1.7	+3.5	+6.9	+1.2	+2.6	+1.5	+3.9	+5.9
Imports (real)	+1.7	+3.0	+5.4	+0.5	+3.7	+1.1	+3.6	+1.0	+2.9	+6.1	+1.0	+3.3	+1.1	+3.4	+5.6
GDP per employee	–0.7	+0.1	+1.0	–0.9	+0.3	–0.6	+0.8	×	×	×	×	×	–0.3	+0.2	+1.2
GDP deflator	+2.2	+1.5	+1.5	+1.9	+1.5	+2.0	+1.7	+2.0	+1.7	+1.4	×	×	+2.0	+1.6	+2.2
CPI	×	×	×	+2.3	+2.1	+2.3	+2.0	×	×	×	×	×	×	×	×
HICP	+2.5	+1.7	+1.6	+2.4	+2.2	×	×	+2.4	+1.9	+1.6	+2.3	+1.9	+2.4	+1.8	+1.9
Unit labor costs	+3.7	+2.3	+1.1	+4.1	+1.8	×	×	×	×	×	×	×	+3.2	+1.9	+0.8
Payroll employment	+1.1	+0.4	+0.7	+1.5	+0.5	+1.4	+0.5	×	×	×	+1.3	+0.4	+1.1	+0.7	+0.9
	% of labor supply														
Unemployment rate (Eurostat definition)	4.4	4.7	4.7	4.4	4.8	4.4	4.6	4.4	4.7	4.7	4.3	4.5	4.5	4.7	4.2
	% of nominal GDP														
Current account	1.7	1.5	1.9	2.3	2.6	×	×	1.8	2.0	2.5	1.9	1.6	1.1	1.2	1.6
Budget balance (Maastricht definition)	–3.0	–2.1	–1.8	–2.9	–2.6	–2.9	–2.3	–3.1	–2.7	–2.1	–2.9	–2.1	–3.2	–2.7	–1.9
External assumptions															
Oil price in USD/barrel (Brent)	111.7	105.0	100.5	110.0	110.0	112.0	117.0	110.0	115.0	120.0	106.2	105.1	112.5	109.1	103.1
Short-term interest rate in %	0.6	0.2	0.3	0.7	0.7	0.6	0.5	0.6	0.2	0.1	0.6	0.2	0.6	0.3	0.5
USD/EUR exchange rate	1.28	1.28	1.28	1.25	1.25	1.27	1.24	1.27	1.27	1.27	1.27	1.24	1.29	1.30	1.30
	Annual change in %														
Euro area GDP (real)	–0.6 to –0.4	–0.9 to +0.3	+0.2 to +2.2	–0.4	+0.4	–0.4	+0.5	–0.4	–0.1	+1.3	–0.4	+0.2	–0.4	+0.1	+1.4
U.S. GDP (real)	+2.2	+1.9	+2.6	+2.2	+1.8	+2.3	+2.0	+2.2	+2.0	+2.8	+2.2	+2.1	+2.1	+2.3	+2.6
World GDP (real)	+3.1	+3.3	+4.0	+3.1	+3.3	×	×	+2.9	+3.4	+4.2	+3.3	+3.6	+3.1	+3.3	+3.9
World trade	+3.0	+4.1	+7.0	+3.5	+4.8	+2.8	+4.0	+2.8	+4.7	+6.8	+3.2	+4.5	+3.5	+4.3	+5.9

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