Strong economic rebound amid high uncertainty about impact of Omicron variant

Economic outlook for Austria from 2021 to 2024 (December 2021)

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In the course of 2021, the Austrian economy recovered more strongly than expected from the sharp contraction recorded in 2020. With the onset of the fourth wave of COVID-19 infections, however, this rebound will slow down again in late 2021 and early 2022. GDP growth for 2021 as a whole will come to 4.9% and will only be affected slightly by the recent slowdown. In early 2022, growth will still be driven by the negative effects of the fourth wave on domestic tourism and by persistent global supply disruptions. Once these effects wear off, we expect the Austrian economy to recover quickly and expand by 4.3% in 2022. In 2023 and 2024, economic growth will decelerate to 2.6% and 1.8%, respectively. This means that in the first half of 2022, Austria's economic output will reach pre-crisis levels and by the end of the forecast horizon, it will almost be back in line with its pre-crisis trend. The Austrian labor market recovered swiftly from the disruptions caused by the pandemic. In recent months, it actually recorded labor supply shortages. The unemployment rate as defined by Public Employment Service Austria (AMS) went down to 8.2% in 2021 after having risen to 10.1% in 2020. It is expected to decline to 6.0% by 2024. On the back of higher energy prices and global supply disruptions, HICP inflation increased to 2.7% in 2021. In 2022, it will climb further to 3.2%, spurred by energy price developments, the introduction of the CO_2 tax as of July 1, 2022, and higher nonenergy commodity prices. With supply-side bottlenecks dissolving and energy prices subsiding, inflation will be down to 2.3% in 2023 and 2.0% in 2024. Thanks to the economic upturn, Austria's budget deficit improved markedly in 2021, coming to 5.9% of GDP. For 2022, we expect it to decline further to 2.1% as the economy continues to recover and discretionary COVID-19-related measures will be discontinued. The eco-social tax reform will hardly impair Austria's positive fiscal performance. Austria's government debt ratio is expected to reach 75.5% in 2024, following a gradual decline from its historic high of 83.2% recorded in 2020.

1 Summary

1.1 Pandemic dominates economic performance in late 2021 and in early 2022

Initial progress in COVID-19 vaccination in Austria was swift in 2021. In the summer, the pandemic appeared to have been largely overcome. As the cold season approached, however, vaccination rates turned out to be too low, and vaccine protection began to wane for those vaccinated early on. The combination of these factors resulted in a pronounced fourth wave of COVID-19 infections which, in turn, prompted new containment measures that dampened economic activity.

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1.2 Global economy: supply disruptions and capacity constraints slow down worldwide recovery

Following a pandemic-induced slump in 2020, the global economy saw a strong rebound in 2021. Economic recovery differed markedly across regions, however. In the course of the year, supply disruptions and sharp rises in commodity and energy prices had an increasingly dampening effect, thereby driving inflation across large parts of the global economy.

1.3 Partial loss of 2021/22 winter season and resolution of supply disruptions determine Austrian exports

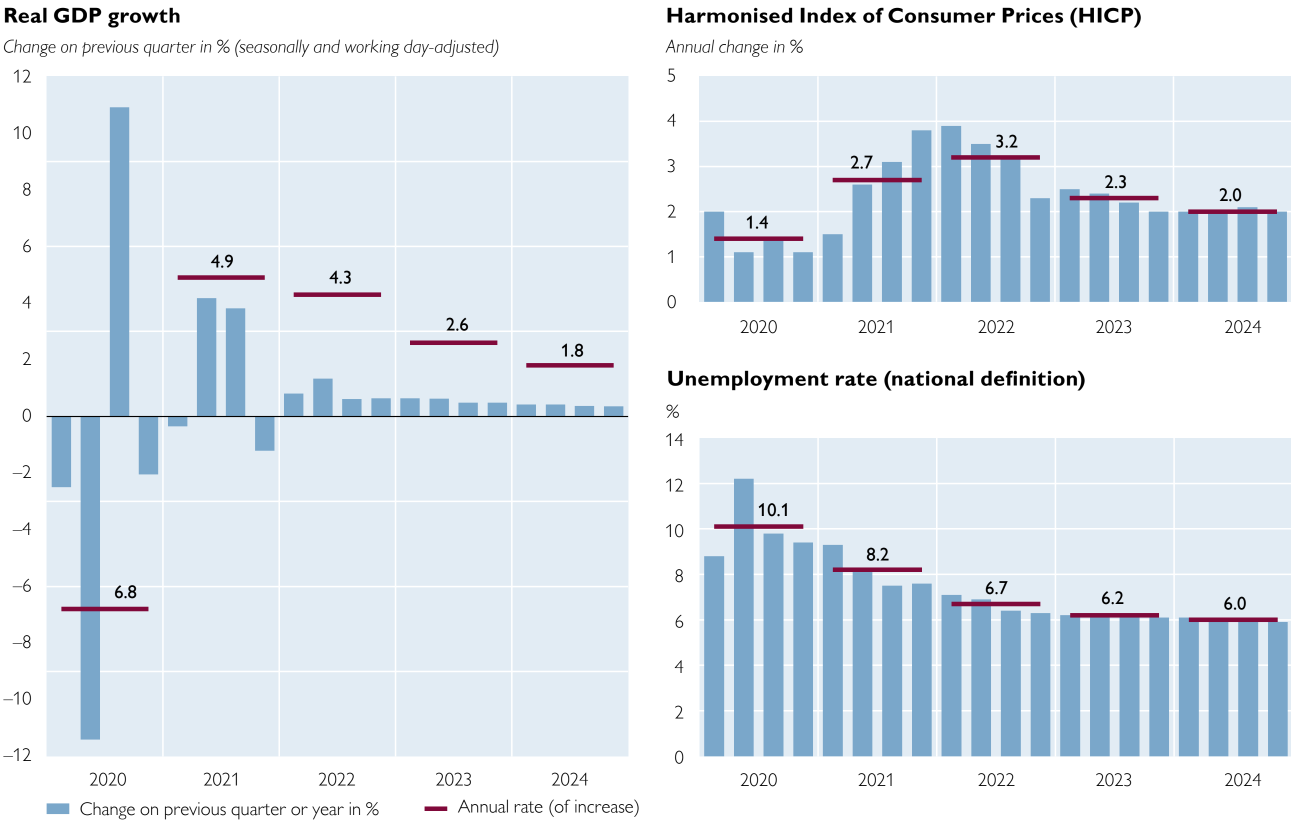
Strong global growth caused Austrian goods exports to clearly exceed pre-crisis levels by mid-2021 and to reach a historic peak. In the second half of the year, global supply disruptions dampened Austrian export activity, however. These disruptions are expected to resolve gradually from the second quarter of 2022 onward. The fourth wave of COVID-19 infections and German travel warnings for Austria put a heavy strain on Austrian tourism in the 2021/22 winter season. As a consequence, we expect overnight stays by foreign tourists to decline by 50% against pre-crisis levels. Driven by catch-up processes, exports of goods and services grew strongly, by 10.5%, in 2021. For the years from 2022 to 2024, we expect export growth rates of 3.2%, 4.5% and 2.4%, respectively.

1.4 Lockdown postpones recovery of private consumption

The strong influence of the pandemic on private consumption in Austria persisted in 2021. While consumer spending picked up strongly in the summer, following the third lockdown, this uptrend was interrupted by the fourth wave of COVID-19 infections and the related containment measures. Growing at a rate of 1.8% in 2021, private consumption will only be able to offset parts of its 2020 slump. A 5.7% rise in household spending following the fourth lockdown in November and December 2021 will support domestic growth in 2022. Another important factor apart from households meeting pent-up demand and reducing the excess savings accumulated during the pandemic will be the current Austrian tax reform. In 2023 and 2024, consumption growth will remain robust at 3.4% and 2.4%, respectively.

Chart 1

OeNB December 2021 outlook for Austria – main results



Source: WIFO, Statistics Austria, OeNB December 2021 outlook.

1.5 Expiration of investment premium will dampen investment growth from 2022 onward

Investment had already recovered in the second half of 2020 after a steep decline during the first lockdown. On the back of robust industrial production and supported by the investment premium instrument, investment in Austria grew by 5.7% in 2021, thus exceeding 2019 levels. When this instrument is discontinued and export dynamics weaken, the investment cycle will be slowing down visibly in response.

1.6 Labor market largely unaffected by fourth lockdown

In 2020, the short-time work scheme played a key role in stabilizing the labor market. As the recovery picked up speed, this instrument began to be used less frequently. 2021 saw employment expanding vigorously while skill shortages became more pronounced and the number of job vacancies reached record highs. Given its short duration, the fourth nation-wide lockdown did not have any significant effects on employment and unemployment in Austria. The unemployment rate (national definition) decreased to 8.2% in 2021, down from a previous rate of 10.1%. We expect it to decline further to 6.0% by 2024 and thus to drop to a level significantly below the pre-crisis rate of 7.4% in 2019. The unemployment rate as defined by Eurostat is expected to decrease from 6.3% in 2021 to 4.7% in 2024. A comparison with pre-crisis figures is not useful here because of changes in the underlying methodology.

1.7 Wages increase in line with inflation and productivity

Reflecting the pronounced economic upswing around mid-2021 and rising inflation in the second half of the year, the fall round of wage settlement negotiations ended with a 3.2% rise, on average, of collectively agreed wages for 2022. For 2023 and 2024, collective wage growth is expected to slow down to 3.1% and 2.7%, respectively. This means that cumulated wage growth for the period from 2021 to 2024 corresponds to the sum of cumulated productivity growth and cumulated inflation. Therefore, wage growth will not generate additional pressure on prices over the forecast horizon.

1.8 Energy price-induced inflationary pressure will ease in late 2022

Inflation has accelerated significantly in 2021 to date on the back of energy price developments and global supply disruptions. For 2021 as a whole, HICP inflation will come to 2.7%. In 2022, it will climb further to 3.2%, mirroring the pass-through to end users of higher wholesale prices for gas and electricity, the introduction of the CO_2 tax as of July 1, 2022, as well as rises in nonenergy commodity prices. In 2023 and 2024, inflation will slow down to 2.3% and 2.0%, respectively, as supply-side bottlenecks dissolve and energy futures prices will decline.

1.9 Budget deficit back below 3% of GDP in 2022

Thanks to the economic recovery, the Austrian budget deficit improved substantially in 2021 against 2020 figures. It still remains elevated, however, at 5.9% of GDP. With recovery progressing and discretionary COVID-19-related measures being discontinued, the budget deficit is expected to contract to 2.1% already in 2022 and thus to drop clearly below the Maastricht deficit threshold of 3%. The ecological and socially balanced ("eco-social") tax reform, which will start to take effect in 2022, will hardly impair the positive course of Austria's fiscal performance. On the back of high economic growth, Austria's government debt ratio will, already in 2021, decline slightly from the historic high of 83.2% of GDP recorded in 2020. It will then decrease continuously to 75.5% of GDP in 2024.

Table 1

OeNB December 2021 outlook for Austria – main results[1]

	2020	2021	2022	2023	2024
Economic activity	*Annual change in % (real)*				
Gross domestic product (GDP)	–6.8	+4.9	+4.3	+2.6	+1.8
Private consumption	–8.4	+1.8	+5.7	+3.4	+2.4
Government consumption	–0.4	+5.3	–0.9	+0.3	+0.7
Gross fixed capital formation	–5.0	+5.7	+2.7	+1.9	+1.3
Exports of goods and services	–11.5	+10.5	+3.2	+4.8	+2.5
Imports of goods and services	–9.3	+11.3	+1.9	+4.5	+2.4
	% of nominal GDP				
Current account balance	1.9	–1.3	–0.5	1.0	1.3
Import-adjusted contributions to real GDP growth[2]	*Percentage points*				
Private consumption	–3.2	+0.6	+2.0	+1.2	+0.8
Government consumption	–0.1	+0.9	–0.2	+0.0	+0.1
Gross fixed capital formation	–0.7	+0.8	+0.4	+0.3	+0.2
Domestic demand (excluding changes in inventories)	–4.0	+2.3	+2.2	+1.5	+1.2
Exports	–3.6	+2.9	+0.9	+1.4	+0.8
Changes in inventories (including statistical discrepancy)	+0.4	+0.9	+0.0	+0.0	+0.0
Prices	*Annual change in %*				
Harmonised Index of Consumer Prices (HICP)	+1.4	+2.7	+3.2	+2.3	+2.0
Private consumption expenditure deflator	+1.4	+2.5	+2.9	+2.2	+2.0
GDP deflator	+2.3	+2.3	+2.3	+2.5	+1.9
Unit labor costs (whole economy)	+7.7	–0.2	+0.9	+2.0	+1.6
Compensation per employee (nominal)	+1.9	+3.0	+3.5	+3.3	+2.6
Compensation per hour worked (nominal)	+10.4	–1.9	+2.8	+2.1	+2.5
Import prices	–1.8	+4.9	+3.9	+1.8	+1.9
Export prices	–0.8	+2.6	+2.8	+2.3	+1.8
Terms of trade	+1.0	–2.2	–1.1	+0.4	–0.1
Income and savings					
Real disposable household income	–2.0	–2.8	+3.3	+3.6	+2.5
	% of nominal disposable household income				
Saving ratio	14.3	9.6	7.1	7.3	7.4
Labor market	*Annual change in %*				
Payroll employment	–2.0	+1.6	+1.7	+1.4	+0.8
Hours worked (payroll employment)	–9.4	+6.4	+2.4	+2.5	+0.9
	% of labor supply				
Unemployment rate (Eurostat definition)	6.1	6.3	5.4	5.0	4.7
Unemployment rate (national definition)	10.1	8.2	6.7	6.2	6.0
Public finances	*% of nominal GDP*				
Budget balance	–8.3	–5.9	–2.1	–1.4	–1.1
Government debt	83.2	82.7	79.5	77.0	75.5

Source: 2020: Statistics Austria; 2021 to 2024: OeNB December 2021 outlook.

[1] *This outlook was drawn up on the basis of seasonally and working day-adjusted national accounts data (as available for Q3 21).*

[2] *The import-adjusted growth contributions were calculated by offsetting each final demand component with the corresponding imports, which were obtained from input-output tables.*

2 Assumptions

2.1 General assumptions

This outlook for the Austrian economy is the OeNB's contribution to the December 2021 Eurosystem staff macroeconomic projections. The forecast horizon ranges from the fourth quarter of 2021 to the fourth quarter of 2024. The cutoff date for all assumptions on global economic performance, interest rates, exchange rates and crude oil prices was November 26, 2021. This outlook was prepared on the basis of the OeNB's macroeconomic quarterly model. The seasonally and working day-adjusted national accounts data calculated by Statistics Austria were available up to and including the third quarter of 2021.

2.2 Global economy: supply disruptions and capacity constraints slow down worldwide recovery

In 2021, the global economy recovered from the effects of the first waves of the COVID-19 pandemic in 2020. In the course of the year, however, the recovery lost some of its momentum and became increasingly heterogeneous. While economic activity has meanwhile reached pre-crisis levels or levels just below pre-crisis levels in most developed economies, low vaccination rates in many developing economies make them a lot more vulnerable to the pandemic. With the significantly more infectious Delta variant of the coronavirus spreading around the globe, however, new waves of infections also occurred in the developed economies. In the USA, for instance, the current wave already peaked in August 2021. In the United Kingdom, the number of new infections has been at elevated levels since the summer, and the countries of the European Union have been hit by the fourth wave of the pandemic since the fall, albeit to differing degrees. The situation differs significantly also within individual economies. High-contact sectors and low-income households have felt the impact of containment measures most strongly. By expanding global vaccine production, it should become possible to reduce the economic and social impact of the pandemic substantially. Rising vaccination rates would help contain the spreading of the coronavirus; in addition, disease progression would be mitigated, which means that the number of hospitalizations and deaths would go down and, consequently, containment measures could be reduced. In this context, the new Omicron variant constitutes a substantial risk factor as it is highly contagious.

In the course of 2021, the supply of commodities and goods was not able to keep up with the strong rise in demand during the economic recovery. Apart from hikes in crude oil and natural gas prices, the prices of industrial metals soared as well. Global value chains were affected by disruptions of major transport nodes (Suez Canal obstruction, closure of Chinese ports, etc.), which led to considerable price increases within production processes and to interruptions in production. Moreover, inflation was spurred by rising prices for CO_2 certificates. Rising inflation rates prompted debates on an unwinding of accommodative monetary policies in a number of economies.

Backed by vigorous consumption growth, the *US economy* expanded strongly in the first half of 2021. Meanwhile, most fiscal support measures (e.g. stimulus checks) have been discontinued. Savings accumulated during the pandemic will continue to support consumption also in the near future. In the third quarter of 2021, a new wave of the COVID-19 pandemic and supply bottlenecks put a brake on economic

Table 2

Underlying global economic conditions

	2020	2021	2022	2023	2024
Gross domestic product	*Annual change in % (real)*				
World excluding the euro area	–2.3	+6.0	+4.5	+3.9	+3.7
USA	–3.4	+5.5	+4.2	+3.0	+2.5
China	+2.2	+7.9	+5.0	+5.3	+5.3
India	–7.1	+7.1	+8.3	+7.1	+6.9
Japan	–4.7	+1.7	+2.6	+1.3	+1.0
Latin America	–7.2	+6.9	+2.8	+2.7	+2.5
United Kingdom	–9.7	+6.9	+4.0	+1.6	+1.2
CESEE EU member states[1]	–3.8	+5.2	+4.2	+3.4	+3.3
Switzerland	–2.5	+2.9	+2.5	+1.9	+1.9
Euro area[2]	–6.5	+5.1	+4.2	+2.9	+1.6
World trade (imports of goods and services)					
World	–8.3	+10.2	+4.5	+4.9	+3.7
World excluding the euro area	–8.0	+11.1	+3.9	+4.4	+4.0
Growth of euro area export markets (real)	–9.3	+8.9	+4.0	+4.3	+3.9
Growth of Austrian export markets (real)	–8.9	+8.5	+5.0	+6.5	+3.2
Prices	*Absolute figures*				
Oil price in USD/barrel (Brent)	41.5	71.8	77.5	72.3	69.4
Three-month interest rate in %	–0.4	–0.5	–0.5	–0.2	0.0
Long-term interest rate in %	–0.2	–0.1	0.2	0.3	0.5
USD/EUR exchange rate	1.1	1.2	1.1	1.1	1.1
Nominal effective exchange rate of the euro (euro area index)	119.3	120.7	118.3	118.3	118.3

Source: Eurosystem.

[1] *Bulgaria, Croatia, Czechia, Hungary, Poland and Romania.*
[2] *2020: Eurostat; 2021 to 2024: results of the Eurosystem's December 2021 projections.*

activity in the United States. Consumer price inflation accelerated considerably throughout 2021 and came to 6.2% in October. The country's vaccination rate, which is low compared with rates in most other advanced economies, might continue to dampen recovery during the winter of 2021/22. While the labor market has been recovering noticeably, labor participation is still around 2 percentage points below pre-pandemic levels. In November 2021, consumer confidence hit the lowest level since the financial crisis of 2008 and 2009. Rising inflation, in particular with regard to real estate, consumer goods and vehicles, was quoted as the main reason for the decrease in consumer confidence. In early November 2021, the US Federal Reserve announced the gradual tapering of its government bond purchase program; purchases are to be wound down by June 2022. The fiscal packages adopted by the Biden administration will provide a major growth stimulus in the coming years.

Economic growth in *China* will come to just under 8.0% in 2021, relying on strongly expanding exports as the main driver of growth even though the pace of expansion slowed down in the course of the year. This deceleration is not least due to the zero-COVID-19 strategy adopted by the Chinese government, which implies that production sites and ports are closed down when even a single person is diagnosed with COVID-19. Over the last few months, the Chinese government has significantly tightened regulations concerning both the real estate sector and lending. The looming insolvency of the real estate group Evergrande constitutes a perceptible risk, given the group's size and possible contagion effects. The fact that production sites had to be closed down because of energy shortages also contributed to the slowdown in growth dynamics.

India witnessed a 12% slump in economic performance in the second quarter of 2021 as a result of a massive wave of COVID-19 infections and the drastic containment measures taken to combat it; in the third quarter, however, as restrictions were loosened, the economy largely recovered. We expect growth in India to come to 7.4% in 2021 and 8.9% in 2022. The *Russian* economy is fueled by private consumption and the strong global demand for commodities, which has caused prices to climb. Recovery across the other transition economies differs widely.

The *United Kingdom* lifted most of its pandemic-related restrictions in July 2021, given high vaccination coverage. These steps supported private consumption. Growth dynamics have been losing momentum in the second half of 2021, however. What burdens the UK economy apart from global supply disruptions are pronounced labor shortages resulting from the country's withdrawal from the European Union. The lack of workers is most apparent in transportation and the catering and restaurant sector. Even though growth will slow down in 2022 compared with 2021 (+6.9%), it will continue at a high level of 4.0%.

As in 2020, the pandemic and its economic implications continued to dominate the situation in the *euro area* in 2021. The containment measures implemented in many euro area countries in the winter of 2020/21 caused households' consumer spending to decline. While demand for services went down, industry and the construction sector expanded noticeably. The broad-based lifting of containment measures in many euro area countries in spring 2021 caused private consumption to rise sharply in the second and third quarters, based on significant labor market improvements and declining saving ratios. Industrial activity slowed down, however, mainly due to supply-side bottlenecks and a strong increase in the prices for energy and commodities. Again, developments differed widely across countries.

Economic developments in *Germany* are largely connected to the size and structure of the country's industrial sector. While export orders reached historic highs, industrial production has been decreasing continuously since the fourth quarter of 2020 because of supply disruptions. Most prominently, the shortage of microchips caused production sites to be closed down in the automotive industry, a major pillar of German industry. While the current wave of COVID-19 infections hit Germany later than Austria, it is still expected to impair economic activity in the winter of 2021/22. For 2021 as a whole, growth in Germany will remain moderate. For 2022, we expect a robust recovery which, in combination with growing labor shortages, will lead to a further rise in inflation rates. Fueled by robust investment activity and strong consumer demand, the *French* economy was a lot more dynamic in 2021 than the German economy. Consumption growth will peak in 2022 on the basis of favorable labor market developments while the investment cycle will be nearing completion. GDP growth will reach pre-crisis levels as the pace of export growth moderates. *Italy* recorded an above-average economic slump in 2020 when compared to its euro area peers. The ensuing upturn was backed essentially by a comprehensive fiscal package. In *Spain,* the economic impact of the pandemic was particularly strong in 2020, with GDP contracting more sharply than in any other euro area country. Given the country's very high vaccination coverage, however, the current wave of COVID-19 infections has been mild by comparison; still, the number of foreign tourists during the summer season was no more than about half of pre-crisis figures.

2.3 Pandemic-related assumptions for Austria

Pandemic-related assumptions are a key factor in predicting short-term economic developments. The cutoff date for data used to prepare this economic outlook (December 1, 2021) was right in the middle of the full lockdown imposed in Austria from November 22 to December 11, 2021.[2] Since no specific details about the reopening process were available at that time, we had to make a series of assumptions. Figure 1 gives an overview and summarizes the assumptions made. First, we assumed that the economy would be reopened at different speeds across Austrian provinces. For instance, we assumed that in Upper Austria the lockdown would be in effect one week longer than in the other provinces. For Vienna, we assumed that restrictions would be stricter for hotels and restaurants (2G+, i.e. full vaccination or recovery plus negative PCR test). Moreover, we assumed the lockdown for the unvaccinated to remain in place until the vaccine mandate will enter into force on February 1, 2022.

Information on the reopening process that was available at the time of writing (December 9, 2021) largely confirms our assumptions. In some Austrian provinces, hotels and restaurants will reopen later than in others, while in Upper Austria, the lockdown will end two days sooner than assumed. This means that compared with our assumptions of December 1, 2021, we do not expect any major changes in economic impact.

Our assumptions for the winter season of 2021/22 are based on a decline in the number of foreign tourists to 50% of pre-crisis figures, with German travel warnings featuring as a key determinant. With regard to the number of domestic

Figure 1

Pandemic-related assumptions (as at December 1, 2021)

Short-term assumptions (as at December 1, 2021)	Actual reopening (as at December 9, 2021)
November 22 to December 12, 2021: **Full lockdown**	✓
From December 12, 2021: **Reopening at different speeds** (lockdown until December 19, 2021, in Upper Austria; 2G+ for access to hotels and restaurants in Vienna)	**Reopening at different speeds** ✓ Mostly as expected; Upper Austria two days ahead of assumption
Full lockdown for the unvaccinated	– Delayed reopening of hotels and restaurants in some regions (Lower Austria, Salzburg, Styria from December 17, 2021; Vienna from December 20, 2021) Nightclubs remain closed
From February 1, 2022: **Vaccine mandate** takes effect	
From April 1, 2022: **General reopening**	✓ **Full lockdown for the unvaccinated**
Additional assumptions	
Winter season 2021/22: overnight stays at 45% of pre-crisis levels (foreign tourists 50%, domestic tourists 75%)	
No restrictions for industrial production and construction	
No further infection waves over the remaining forecast horizon	

Source: Authors' compilation.

Note: 2G+ = proof of full vaccination or recovery plus negative PCR test.

[2] *A number of measures had already been implemented before the full lockdown was imposed. On September 8, 2021, for example, the government had presented a phased plan of containment measures. In a first step on September 15, 2021, some measures were tightened (FFP2 masks became mandatory again in certain areas; the validity period of COVID-19 tests was shortened), and on November 8, 2021, 2G restrictions (full vaccination or recovery) were introduced for many areas of life. Until November 7, 2021, high-risk areas could only be left with a negative COVID-19 test. Since mid-November, measures have been tightened drastically. Movement restrictions have been in place for the unvaccinated since November 15, 2021.*

tourists, we assume a 75% decline. Moreover, we assume that like during the second and third lockdowns, there will not be any restrictions to industry and the construction sector. For the remainder of the forecast horizon, we assume that there will not be any further large-scale waves of COVID-19 infections.

3 Exports and consumption drive economic growth

3.1 Partial loss of 2021/22 winter season and resolution of supply disruptions determine Austrian exports

The first lockdown in spring 2020 affected not only high-contact services but also the output of export-oriented industries. In the second quarter of 2020, Austrian exports of goods and services contracted by 22.5% year on year in real terms. While tourism exports continued to feel the impact of the pandemic during subsequent quarters, goods exports already recovered in the third quarter of 2020 on the back of high international demand. In 2020 as a whole, total exports went down by 11.5%, with services exports declining by twice as much (–17.8%) as goods exports (–8.6%). Strong global growth caused Austrian goods exports to exceed pre-crises levels (i.e. Q4 19 figures) by 9% in the second quarter of 2021 and to reach a historic peak. In the second half of 2021, the effects of global supply disruptions began to show. The close economic ties of Austrian exporters with German industry acted as an aggravating factor, and real goods exports declined in the third quarter of 2021. If the global supply disruptions resolve during 2022 as assumed, goods exports will recover gradually. What will be decisive in this respect is the expected rise in import demand by the German industrial sector.

The fourth wave of the pandemic and the related containment measures place a heavy burden on Austrian tourism, also in the 2021/22 winter season. The outlook for the Austrian winter tourist season is affected in particular by the travel warnings and other containment measures in place in Germany. Under the assumption of a cautious reopening at different speeds in different regions, we do not expect the winter season to be a total loss (like in 2020/21); instead, we assume that the number of overnight stays by foreign tourists will decline by 50% against pre-crisis levels. For 2021 as a whole, we thus expect exports of goods and services to expand by 10.5%.

In the first quarter of 2022, the combined effect of the expected partial loss of the winter season and the dampening of goods exports by bottlenecks in supply will cause a further decline in total exports. In the second quarter of 2022, export dynamics will gain speed as tourism will recover and supply disruptions start resolving. In 2022 as a whole, export growth will be considerably weaker, at 3.2%, than in 2021; this moderation will be attributable to a slowdown in the second half of 2021 and the related negative carry-over effect in combination with a weak performance in the first quarter of 2022. In 2023, Austrian exports will expand by 4.8% before the export cycle will near its end in 2024 (+2.5%).

The total loss of the 2020/21 winter tourist season left its mark on Austria's current account. The balance on the travel account deteriorated markedly in the first half of 2021, posting a surplus of no more than EUR 340 million – down from EUR 6.3 billion in the first half of 2019. This contraction affects the balance of services, whose surplus will shrink from 2.1% of GDP in 2020 to 0.4% in 2021. While we expect some improvement in 2022, the surplus on the services balance will come to no more than 1.5% of GDP and will thus remain clearly below the

Table 3

Austria's exports and imports and price competitiveness

	2020	2021	2022	2023	2024
Exports	*Annual change in %*				
Competitor prices on Austria's export markets	–2.4	+6.7	+5.4	+1.2	+1.3
Export deflator	–0.8	+2.6	+2.8	+2.3	+1.8
Changes in price competitiveness[1]	–1.7	+4.1	+2.6	–1.1	–0.5
Import demand on Austria's export markets (real)	–8.9	+8.5	+5.0	+6.5	+3.2
Austrian exports of goods and services (real)	–11.5	+10.5	+3.2	+4.8	+2.5
Austrian market share	–2.5	+2.1	–1.8	–1.6	–0.7
Imports	*Annual change in %*				
International competitor prices on the Austrian market	–1.6	+5.9	+5.4	+1.3	+1.4
Import deflator	–1.8	+4.9	+3.9	+1.8	+1.9
Austrian imports of goods and services (real)	–9.3	+11.3	+1.9	+4.5	+2.4
Terms of trade	+1.0	–2.2	–1.1	+0.4	–0.1
	Percentage points of real GDP				
Contribution of net exports to GDP growth	–1.6	–0.1	+0.8	+0.4	+0.2
	% of nominal GDP				
Export ratio	51.2	54.1	53.8	54.9	55.2
Import ratio	48.6	52.9	52.5	53.1	53.4

Source: 2020: Statistics Austria, Eurosystem; 2021 to 2024: OeNB December 2021 outlook.

[1] *Changes in price competitiveness are defined as the difference between changes in competitor prices on Austria's export markets and changes in the export deflator.*

figure recorded in 2019 (2.4%). A return to pre-crisis figures can only be expected for 2023.

Austria's goods trade balance remained largely stable in 2020, as both exports and imports slumped. In 2021, however, the rise in prices for energy and commodities caused terms of trade to deteriorate and the balance of goods to turn negative as a consequence. Austria's goods balance will turn positive again in 2023 on the back of the expected recovery of exports and an assumed moderation of energy and commodity prices. This means that the total current account balance will gradually improve but will remain below pre-crisis levels until the end of the forecast horizon.

Table 4

Austria's current account

	2020	2021	2022	2023	2024
	% of nominal GDP				
Balance of trade	2.9	0.3	1.2	2.5	2.9
Balance of goods	*0.8*	*–0.1*	*–0.3*	*0.1*	*0.4*
Balance of services	*2.1*	*0.4*	*1.5*	*2.4*	*2.5*
Balance of primary income[1]	–0.1	–0.9	–0.9	–0.8	–0.8
Balance of secondary income[2]	–0.9	–0.8	–0.8	–0.7	–0.8
Current account balance	1.9	–1.3	–0.5	1.0	1.3

Source: 2020: OeNB, Statistics Austria; 2021 to 2024: OeNB December 2021 outlook.

[1] *Balance of income (e.g. compensation of labor, investment income).*
[2] *Balance of current transfers.*

3.2 Lockdown postpones recovery of private consumption

After the outbreak of the COVID-19 pandemic in 2020, real private consumption in Austria contracted by 8.3% and, given its high share in GDP, contributed essentially to the major economic downturn (–6.8%). The measures taken to contain the spreading of the coronavirus, such as the shutdown of retail outlets, hotels and restaurants, strongly limited consumer spending, in particular on close-contact or tourist services, and led to forced saving. At the same time, government support measures like the short-time work scheme prevented a sharp decline in real disposable household income (–2.0%). As a consequence, the saving ratio jumped by 5.8 percentage points to 14.3%.

During Austria's second and third lockdowns (fall 2020 and winter 2020/21), household spending and disposable household income declined steadily in late 2020 and early 2021. As businesses began to reopen gradually, consumer spending recovered strongly, rising by 4.0% in the second and 7.0% in the third quarter of 2021 (quarter on quarter). Given the strong rise in the number of infections and the high occupancy of intensive care beds at Austrian hospitals during the fourth wave of the pandemic, the Austrian government imposed a fourth lockdown for an initial period of three weeks (November 22 to December 12, 2021). Preceding this had been a partial lockdown for unvaccinated persons from November 15 to November 21, 2021.

According to the weekly OeNB GDP indicator[3], Austria's economic output in this single week was about 2% higher than in the comparable week of 2019, i.e. higher than pre-crisis levels, and also higher than in the weeks before the partial lockdown. This rise was attributable in particular to higher retail sales, which implies that consumers were frontloading purchases in anticipation of a full lockdown. In the first week of the fourth lockdown, Austria's economic output remained around 9% below pre-crisis levels, which translates into a EUR 700 million weekly loss in value added. This means that the decline in weekly output was considerably weaker than during the first lockdown in spring 2020 (–20% or –EUR 2 billion) and during the second and third lockdowns in the winter of 2020/21 (–12% or –EUR 900 million). The relatively moderate decline in output recorded during the fourth lockdown can be traced to two reasons. Measures imposed during the fourth lockdown have been limited to sectors directly affected by healthcare measures (like during the second and third lockdowns); unlike during the first lockdown, the current measures do not apply to manufacturing enterprises and the construction sector. The sectors concerned also profit from their previous lockdown experience and have developed alternative sales channels such as click and collect, e-commerce or takeaway options. For these reasons, sales losses in retail trade and the hotel and restaurant business have been smaller than during previous lockdowns. In total, however, they are still considerable and account for just under three-quarters of the slump in Austria's GDP, with the remainder being attributable to losses in tourism exports.

[3] *Weekly OeNB GDP indicator (detailed information in German, tables and charts also available in English): https://www.oenb.at/Publikationen/corona/bip-indikator-der-oenb.html.*

On the basis of these estimations, in preparing this outlook we assume that one week of the current lockdown[4] will cause consumer spending to decline by EUR 525 million (= 75% * EUR 700 million). According to government announcements, the three-week full lockdown will be followed by a partial lockdown for the unvaccinated (comparable to the week preceding the fourth lockdown). To estimate the drop in consumption during one week of partial lockdown, we assume that this drop will not correspond to the share of unvaccinated persons in the total population, but will be lower. After all, measures might be bypassed to a degree, and purchases could be made by vaccinated persons instead. We therefore expect effects to be reduced by one-quarter. Starting from the assumption that one-third of the total population are not vaccinated, this means that one week of partial lockdown for the unvaccinated would translate into a decline in household consumption of around EUR 130 million (= EUR 525 million * ⅓ * ¼). As an additional containment measure, the Austrian government announced that vaccination will be mandatory as of February 1, 2022. We assume that as a result the share of unvaccinated persons in the total population will decline over the coming months. Moreover, we assume that the partial lockdown will remain in place until the end of January 2022 and that further restrictions will continue to apply for the unvaccinated beyond January. All in all, these assumptions result in an expected decline in real household spending by 4.5% in the fourth quarter of 2021, followed by a 3.8% rise in the first quarter of 2022 as containment measures will be eased.

The future path of consumption will not only depend on the current containment measures but also on consumers' use of excess savings accumulated during the pandemic. Schneider and Sellner (2021)[5] estimate the volume of excess savings Austrian households accumulated between the first quarter of 2020 and the second quarter of 2021 to come to EUR 10.8 billion. Our outlook is based on the assumption that households will use one-third (EUR 3.6 billion) of this amount for consumption purposes in the second half of 2021 and in 2022.

In 2020, government support prevented household income from declining sharply. Over the forecast horizon, these transfer payments will be reduced in line with economic recovery, which means that developments in disposable household income will depend on the growth rate of employee compensation. In view of strong productivity growth and elevated inflation rates, the collective wage agreements concluded for 2022 were relatively high. In addition, the strong economic rebound and skill shortages contribute to growth via a positive wage drift. Moreover, the reduction of the tax rate in the second and third income brackets (as of July 2022 and July 2023, respectively) under the eco-social tax reform will strengthen people's purchasing power. Compared with the 2016 tax reform, this reduction is small, however, and in addition, it will be minimized further by the unwinding of pandemic-related support measures.

[4] *To account for the extension of the lockdown in Upper Austria until December 19, 2021, as announced by the provincial government, we scaled the effects on consumption by Upper Austria's share in Austrian value added (17.2%). For Vienna, we assume tighter restrictions for hotels and restaurants.*

[5] *Schneider, M. and R. Sellner (2021). Private consumption and savings during the COVID-19 pandemic in Austria, in Monetary Policy and the Economy Q4/21.*

Table 5

Determinants of nominal household income and private consumption growth in Austria

	2020	2021	2022	2023	2024
	Annual change in %				
Payroll employment	–2.0	+1.6	+1.7	+1.4	+0.8
Wages and salaries per employee	+1.9	+3.0	+3.5	+3.3	+2.6
Compensation of employees	–0.1	+4.6	+5.3	+4.7	+3.5
Investment income	–41.4	–33.3	+34.7	+20.5	+17.7
Self-employment income and operating surpluses (net)	–2.6	+1.8	+6.2	+4.8	+2.5
Contributions to disposable household income growth	*Percentage points*				
Compensation of employees	–0.1	+4.0	+4.8	+4.3	+3.1
Investment income	–4.9	–2.3	+1.6	+1.2	+1.2
Self-employment income and operating surpluses (net)	–0.4	+0.3	+1.0	+0.8	+0.4
Net transfers less direct taxes[1]	+4.7	–2.3	–1.1	–0.3	–0.2
	Annual change in %				
Disposable household income (nominal)	–0.7	–0.5	+6.2	+5.9	+4.5
Consumption deflator	+1.4	+2.5	+2.9	+2.2	+2.0
Disposable household income (real)	–2.0	–2.8	+3.3	+3.6	+2.5
Private consumption (real)	–8.4	+1.8	+5.7	+3.4	+2.4
	% of disposable household income				
Saving ratio	14.3	9.6	7.1	7.3	7.4

Source: 2020: Statistics Austria; 2021 to 2024: OeNB December 2021 outlook.

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

Capital income contracted sharply in 2020 as limits were imposed on profit distributions by enterprises that had received government support. After a brief recovery, this downtrend continued in early 2021, causing capital income to make a negative contribution to household income growth yet again. In total, nominal household income in Austria therefore declined somewhat in 2021. For 2022, we expect disposable household income to grow vigorously as capital income recovers; over the remaining forecast horizon, household income growth is set to slow down again.

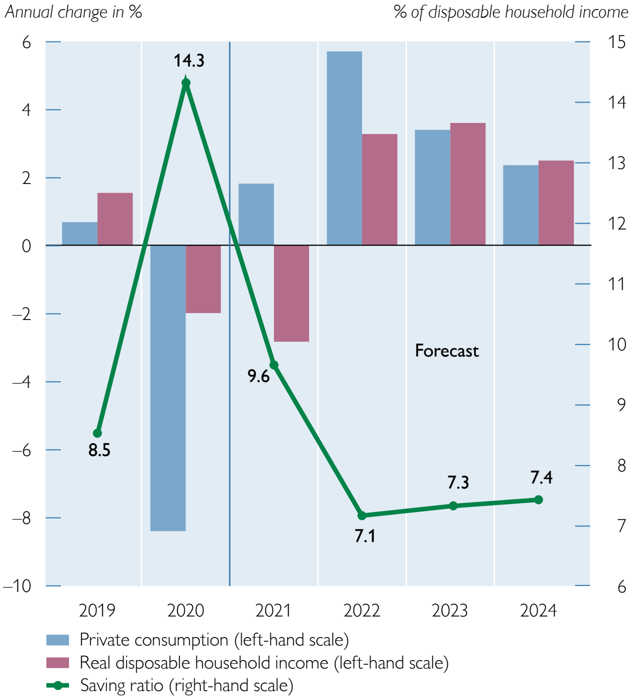
In 2022, 2023 and 2024, overall disposable household income in Austria will augment by 3.3%, 3.6% and 2.5%, respectively. Real private consumption is expected to increase by no more than 1.8% in 2021 owing to the effects of the third and fourth lockdowns. It will only begin to recover fully in 2022 at a growth rate of 5.7%. After that, its pace will slow down to 3.4% in 2023 and 2.4% in 2024. Over the forecast horizon, private consumption will act as a key growth driver in Austria.

With businesses reopening and consumption recovering accordingly, savings from current income will be swift to reach pre-crisis levels. The partial reduction of excess savings accumulated during the pandemic will cause the saving ratio to fall below its pre-crisis level of 7.6% (2015 to 2019) temporarily before gradually resuming this level.

Chart 2

Household income, saving and spending in Austria

Disposable household income, private consumption and saving ratio



Contribution to growth of real disposable net household income

Source: Statistics Austria, OeNB.

3.3 Investment growth to return to normal levels by 2024 on the back of investment premiums

In the years preceding the COVID-19 pandemic (2016 to 2019), real gross fixed capital formation in Austria expanded at an annual rate of 4.4% and thus contributed substantially to economic growth (2012 to 2015: +1.3%). Robust investment dynamics relied on all investment components, with real investment in research and development augmenting at a particularly strong pace (+5.5%). When compared with the 2009 recession (–6.3%) in the wake of the global financial crisis, the decline in real gross fixed capital formation was visibly smaller (–5.0%) during the pandemic, although the overall economic downturn would have suggested otherwise. Already in the second half of 2020, industrial and export activities began to accelerate markedly, preparing the ground for a strong catch-up process. Capacity utilization in industry climbed steadily from its pandemic-induced low of around 74% in the second quarter of 2020 to just under 90% in the second half of 2021 – a level clearly above its long-term average. Firms' funding situation continues to be favorable, and the debt ratio of the corporate sector has been declining lately. Corporate insolvencies went up during the past few months and have been hovering more or less around the level recorded before the crisis. So far, there have not been any signs of a larger wave of insolvencies.

Table 6

Investment activity in Austria

	2020	2021	2022	2023	2024
	Annual change in %				
Total gross fixed capital formation (real)	–5.0	+5.7	+2.7	+1.9	+1.3
of which:					
investment in plant and equipment	*–8.3*	*+9.0*	*+2.5*	*+1.7*	*+1.6*
residential construction investment	*+1.8*	*+2.9*	*–0.4*	*+1.9*	*+1.5*
nonresidential construction investment and other investment	*–7.0*	*+5.7*	*+6.7*	*+2.1*	*+0.8*
investment in research and development	*–3.3*	*+3.7*	*+0.9*	*+2.2*	*+1.3*
public sector investment	*+0.6*	*+2.0*	*+2.7*	*+2.4*	*+1.0*
private investment	*–5.8*	*+6.3*	*+2.7*	*+1.9*	*+1.4*
Contributions to the growth of real gross fixed capital formation	*Percentage points*				
Investment in plant and equipment	–2.8	+2.9	+0.8	+0.6	+0.5
Residential construction investment	+0.3	+0.6	–0.1	+0.3	+0.3
Nonresidential construction investment and other investment	–1.8	+1.5	+1.7	+0.5	+0.2
Investment in research and development	–0.7	+0.8	+0.2	+0.5	+0.3
Public sector investment	+0.1	+0.3	+0.3	+0.3	+0.1
Private investment	–5.0	+5.5	+2.3	+1.6	+1.2
Contributions to real GDP growth					
Total gross fixed capital formation	–1.2	+1.4	+0.7	+0.5	+0.3
Changes in inventories	+0.1	+1.0	+0.3	+0.1	+0.0
	% of nominal GDP				
Investment ratio	25.3	25.7	25.4	25.2	25.2

Source: 2020: Statistics Austria; 2021 to 2024: OeNB December 2021 outlook.

The strong growth of real investment in plant and equipment, in particular, in the spring of 2021 was attributable to the pandemic-related investment premium instrument. With the global economy recovering vigorously, disruptions in the supply of intermediate goods became a lot more frequent over the year, dampening global industrial production and the trade in goods. Delivery times for products in the plant and equipment segment lengthened accordingly, thus impairing investment activity. New orders in the domestic manufacturing sector have been on the decline since mid-2021, and output growth has slowed. Given its strong growth in the first half of the year, real investment in plant and equipment will grow by 9.0% in 2021 despite supply disruptions. With the effects of the investment premium[6] petering out, investment growth in Austria will slow down in 2022 and decline gradually to 1.6% toward the end of the forecast horizon.

Real estate prices augmented by 7.0% in 2020 and by 10% (year on year) in the first three quarters of 2021. Real housing investment was highly dynamic in 2020 and continued at a strong pace in the spring of 2021 before dropping sharply in the third quarter of 2021. Given these strong intra-year dynamics, real housing investment will augment by 2.9% in 2021, while we expect a decline by 0.4% for 2022, followed by a rise by 1.9% and 1.5% in 2023 and 2024, respectively.

In total, real gross capital formation will grow by a robust 5.7% in 2021 and thus slightly exceed its 2019 level. Backed by investment premiums, it is set to

[6] *To qualify for investment premiums, investment projects had to be submitted by February 28, 2021, started by May 31, 2021, and will have to be concluded by February 28, 2023.*

augment by 2.7% in 2022. As we can safely assume that part of the investment projects that had been scheduled for 2023 and 2024 were frontloaded to qualify for the investment premium, investment growth is likely to slow down again in 2023 (1.9%) and 2024 (1.3%). With supply disruptions likely to resolve from the second half of 2022, we expect inventories to be replenished. Over the forecast horizon, the investment-to-GDP ratio will decline to 25.2% from 25.7% in 2020.

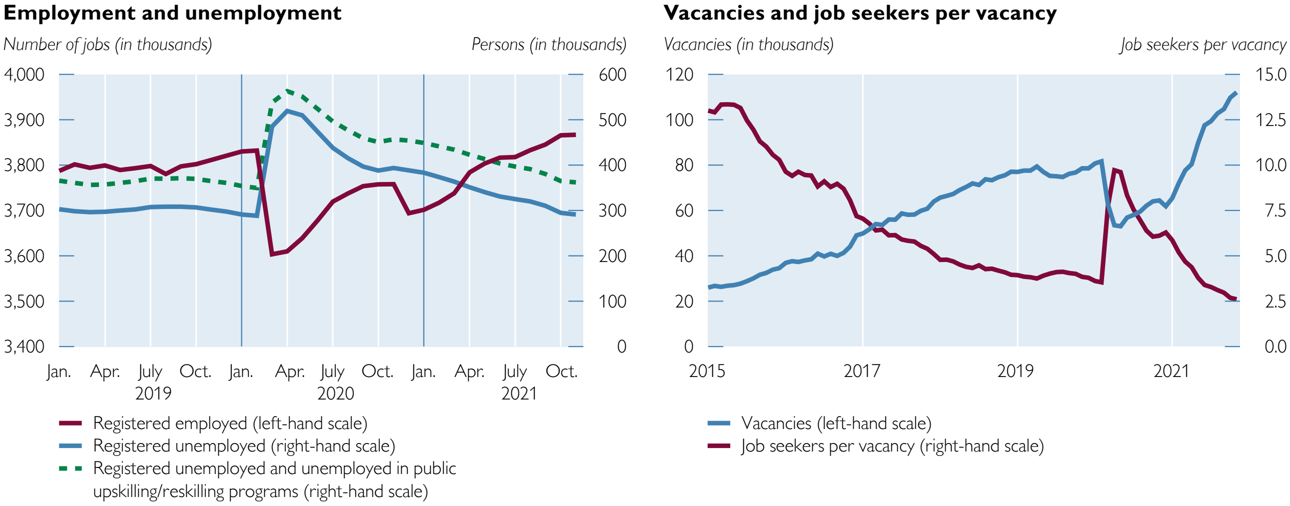
4 Tight labor market dodges fourth lockdown

During Austria's first lockdown in the spring of 2020, the number of unemployed people jumped by about 200,000 to more than 500,000 in May (chart 5, left-hand panel). On top of that, firms had registered more than 1.3 million employees for COVID-19 short-time work support. Once the economy started to reopen in May, the labor market recovered fast, with the number of unemployed persons dropping to below 400,000 in October 2020. The rapid recovery slowed down, however, amid the second and third lockdowns in late 2020. Austrian employment figures returned to pre-crisis levels (as recorded in February 2020) in August 2021, following a gradual recovery after the easing of restrictions in early 2021. During the summer of 2021, the number of employees registered for the short-time work scheme dropped from about 300,000 at the end of June to about 50,000 at the end of August. With the fourth lockdown imposed in mid-November 2021, the number of unemployed people rose again somewhat, but actually remained slightly below the figure observed for November 2019. The number of people registered for short-time work support came to some 80,000 in late November.

Provided the pandemic situation will not require the current measures to be prolonged, the fourth lockdown is not going to leave a major negative impact on employment in Austria. In November 2021, employment figures remained stable despite one week of partial lockdown and one week of full lockdown, and unem-

Chart 3

Employment, unemployment and job seekers per vacancy in Austria



Source: Public Employment Service Austria (AMS), Federation of Austrian Social Security Institutions (DSV), Eurostat, OeNB.

Note: Seasonally adjusted data.

Source: Public Employment Service Austria (AMS).

Note: Seasonally adjusted data up to and including November 30, 2021.

ployment figures even continued to go down. To a degree, these developments can be explained with the skills gaps and mismatches that continue tightening the labor market. Since the beginning of the year, 2021 has been characterized by a sharp increase in the number of job vacancies (chart 5, left-hand panel) and declining unemployment figures. The number of job seekers per job opening dropped to a historical low in fall 2021. Moreover, the historically high number of available jobs given current unemployment levels implies that the skills mismatch in the labor market has been increasing.

Over time, the list of "shortage occupations" has grown to more than 70 in Austria.[7] At present, the occupations for which vacancies are difficult to fill include above all jobs in tourism, skilled crafts and trades, transport and retail trade, health care and long-term care, IT and public security. By now, such jobs account for about 50% of all job vacancies. Labor shortages have also become more frequently mentioned in business surveys as factors limiting production. The shortages have hit industrial companies but even more so service providers. Both sectors have lately been experiencing bigger labor shortages than before the pandemic-driven crisis.

We now forecast the unemployment rate (national definition) to drop visibly to 8.2% in 2021, after having risen from 7.4% in 2019 to 10.1% in 2020. Beyond 2021, we expect the unemployment rate to keep sinking to 6.7% (2022), 6.2% (2023) and 6.0% (2024), based on the assumption that the pandemic situation will not require another lockdown and that the government will continue to provide short-time work support. Thus, the unemployment rate will have dropped below pre-crisis (2019) levels by the end of the forecast horizon, continuing the unemployment absorption trend seen since 2017.[8]

Table 7

The Austrian labor market

	2020	2021	2022	2023	2024
	Annual change in %				
Total employment (heads)	–1.6	+1.7	+1.7	+1.3	+0.8
Payroll employment	*–2.0*	*+1.6*	*+1.7*	*+1.4*	*+0.8*
of which: public sector employees	*+1.1*	*+1.0*	*+0.5*	*+0.1*	*+0.1*
Self-employment	*+1.3*	*+2.7*	*+1.8*	*+0.8*	*+0.5*
Total hours worked	–8.7	+5.8	+2.3	+2.2	+0.9
Payroll employment	*–9.4*	*+6.4*	*+2.4*	*+2.5*	*+0.9*
Self-employment	*–5.1*	*+2.7*	*+1.8*	*+0.8*	*+0.7*
Labor supply	–0.4	+0.5	+0.9	+0.9	+0.7
Registered unemployment	+14.5	–30.1	–15.0	–5.1	–1.3
Unemployment rate	*% of labor supply*				
Eurostat definition	6.1	6.3	5.4	5.0	4.7
National definition	10.1	8.2	6.7	6.2	6.0

Source: 2020: Statistics Austria; 2021 to 2024: OeNB December 2021 outlook.

[7] *A shortage occupation is defined as an occupation for which the number of job seekers per job is less than or equal to 1.5; moreover, at least 100 jobs must be available in a particular field throughout Austria.*

[8] *Under the new Integrated European Social Statistics Framework Regulation adopted on October 19, 2019, which has been applicable to labor force survey data collection since January 1, 2021, the Austrian labor force survey had to be adjusted, which affects employment and unemployment statistics. These methodological changes limit the meaningfulness of comparisons of the current unemployment rate as defined by Eurostat with data compiled before 2021.*

5 Wages increase in line with inflation and productivity

Given the pandemic-related economic contraction amid low inflation rates, the wage increases for 2021 negotiated by the social partners in the fall of 2020 had remained rather moderate at 1.7%. In view of the strong economic rebound toward mid-2021 and the rise in inflation in the second half of the year, the fall 2021 negotiation round ended with a 3.2% rise, on average, for collectively agreed wages for 2022. 2023 is expected to see a similarly strong increase in collectively agreed wages (+3.1%). The outlook for 2024 is somewhat lower wage growth at 2.7%.

Against the backdrop of the prevailing skills shortages and in line with the economic recovery, employers stand increasingly ready to overpay employees, and overtime work has become more common again. These phenomena will lead to a positive (but declining) wage drift until 2023. We forecast the nominal compensation of employees to rise by 3.0% in 2021, by 3.5% in 2022, by 3.3% in 2023 and by 2.6% in 2024. The cumulated wage growth for the period from 2021 to 2024 is close to the sum of cumulated productivity growth and cumulated inflation. This means that over the forecast horizon, wage growth will not generate additional pressure on prices. Given high inflation rates, net real wages are going to increase only slightly over the forecast horizon. The wage share of GDP, which increased by 2.3 percentage points to 50.8% in 2020 given the slump in GDP, will continually drop and is forecast to reach pre-crisis levels at 48.6% in 2024.

Table 8

Compensation of employees

	2020	2021	2022	2023	2024
	Annual change in %				
Gross wages and salaries[1]					
In nominal terms	*–0.1*	*+4.6*	*+5.3*	*+4.7*	*+3.5*
Consumption deflator	*+1.4*	*+2.5*	*+2.9*	*+2.2*	*+2.0*
In real terms	*–1.5*	*+2.2*	*+2.4*	*+2.5*	*+1.5*
Collectively agreed wages and salaries[1]	+2.4	+1.7	+3.2	+3.1	+2.7
Wage drift	–0.4	+1.3	+0.3	+0.2	–0.1
Compensation per employee					
Gross[2] compensation (nominal)	+1.9	+3.0	+3.5	+3.3	+2.6
Gross compensation (real)	+0.6	+0.5	+0.7	+1.1	+0.6
Net[3] compensation (real)	+0.3	+0.1	+0.1	+0.6	+0.2
Compensation per hour worked					
Gross compensation (nominal)	+10.4	–1.9	+2.8	+2.1	+2.5
Gross compensation (real)	+9.1	–4.3	+0.0	–0.1	+0.5
	% of nominal GDP				
Wage share	50.8	49.5	48.9	48.7	48.6

Source: 2020: Statistics Austria; 2021 to 2024: OeNB December 2021 outlook.

[1] *Overall economy.*
[2] *Including employers' social security contributions.*
[3] *After tax and social security contributions.*

6 Energy price-induced inflationary pressure will ease in late 2022

We project the HICP inflation rate in Austria to reach 2.7% in 2021 and rise further to 3.2% in 2022 before dropping to 2.3% in 2023 and 2% in 2024. The projections for core inflation, which excludes energy and food prices, yielded a rate of 2.3% for 2021. In 2022, we expect continued supply-side shortages together with the economic recovery to drive up core inflation somewhat further to 2.5%. Even though we assume that the supply-side shortages will largely resolve in the second half of 2022, Austria's core inflation rate will continue to surpass its long-term average of 1.8% in 2023 (2.4%) and 2024 (2.1%).

Based on the assumption that crude oil prices will evolve in line with current crude oil futures prices, the oil price assumptions underlying this forecast, in euro terms, have been revised upward by about 20% compared with the June 2021 outlook. In recent months, we have seen not only crude oil prices rise, and hence the price of transport fuels and residential heating oil in the HICP, but also consumer prices for electricity and gas. Together with base effects from the sharp crude oil price slump in 2020, these energy price increases have been pushing up annual energy inflation to 10.9% in 2021 (2020: −5.9%). While futures prices imply that crude oil prices may recede slightly from early 2022 onward, some of the major electricity and gas suppliers have announced price increases for December 2021 and January 2022. Moreover, CO_2 taxation, which is to be implemented in July

Table 9

HICP developments in Austria

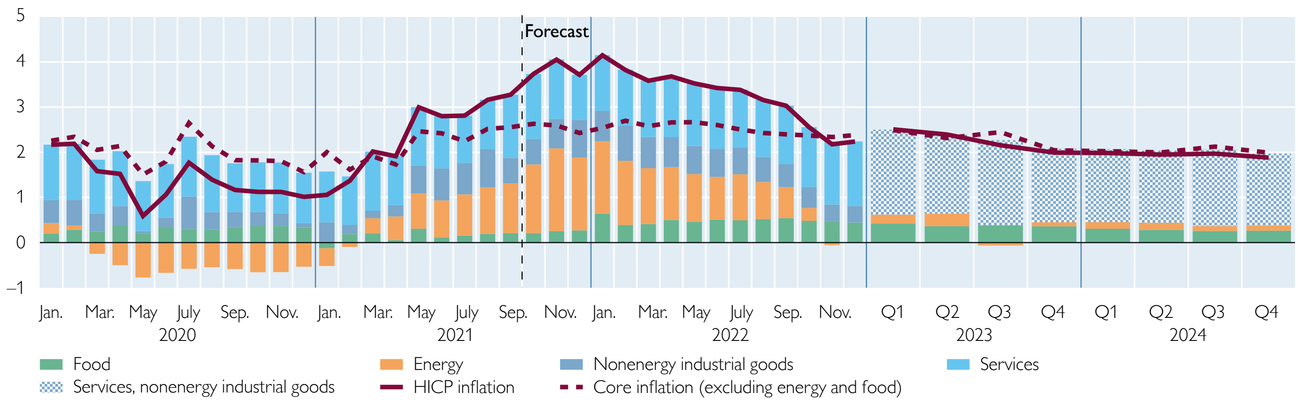
	2020	2021	2022	2023	2024
	Annual change in %				
Harmonised Index of Consumer Prices (HICP)	+1.4	+2.7	+3.2	+2.3	+2.0
HICP including energy	–5.9	+10.9	+10.5	+1.7	+1.8
HICP excluding energy	+2.0	+2.3	+2.5	+2.4	+2.1

Source: 2020: Statistics Austria; 2021 to 2024: OeNB December 2021 outlook.

Chart 4

Contributions to Austrian HICP inflation and core inflation

Inflation in %; inflation contributions in percentage points



Source: OeNB, Statistics Austria.

2022, will add to the rise of consumer prices for gasoline, diesel, residential heating oil and gas. Hence, we forecast annual energy inflation to level off at 10.5% in 2022, before dropping to 1.7% in 2023.

The inflation rate for *nonenergy industrial* goods has been rising considerably since the summer of 2021 and is set to rise to 1.8% in 2021, thus coming in well above its long-term average of 0.9%. The inflation uptick has been driven mainly by the prices for shoes and apparel, furniture and furnishings, motor vehicles as well as computers, consumer electronics and electric household appliances. Durable consumer goods in particular are likely to become more expensive as high raw material costs feed through to end user prices to some extent. Moreover, base effects and shifts in the pattern of clearance sales in 2020 led to inflation spikes in some months in 2021. Supply bottlenecks (for instance for semiconductors) and transportation chain disruptions continue to create price pressures. As the existing supply shortages are unlikely to start resolving before mid-2022 according to our assumptions, we expect the annual inflation rate for nonenergy industrial goods to rise to 1.9% in 2022.

Box 1

Energy prices skyrocket

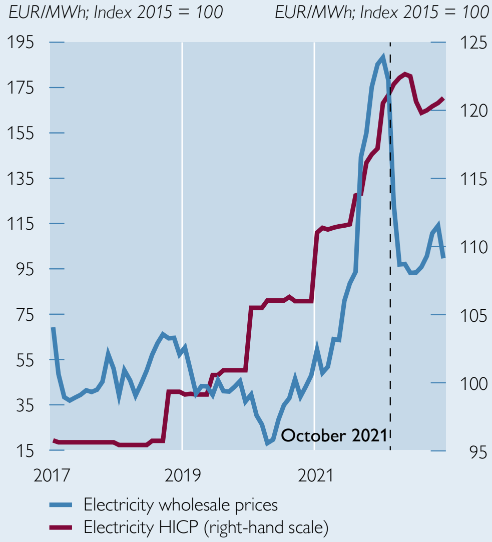
Prices in wholesale gas and electricity markets have been rising sharply in recent months. Gas wholesale prices increased by about 350% from the start of 2021 until October, thus having reached unprecedented levels. The underlying price drivers were strong demand from Asia and relatively low stocks in Europe. During the same period, electricity wholesale prices jumped by about 160%. These changes are attributable to rising cyclical demand for electricity and to rising prices for fossil fuels, such as gas, required for the production of electricity. In Austria, fossil fuels account for about one-quarter of electricity production. Gas and electricity apart, crude oil prices have also continued to rise higher and higher. OPEC's decision to expand crude oil production just somewhat did not suffice to close the global demand-and-supply gap.

Judging from current futures prices, crude oil is the only segment in which we will see prices ease in the coming months.[9] Wholesale prices for gas and electricity will remain elevated or keep rising even further; there is no evidence of futures trading at a discount before the second quarter of 2022. The pace at which wholesale prices feed through to end user prices has been accelerating visibly since fall 2020. In general, the pass-through rate has been higher for gas prices than for electricity prices. Empirical data show that gas wholesale prices have been feeding through to end user prices with a lag of one month since April 2020; before that, the time lag used to be almost one year. In the case of electricity, we have lately observed a pass-through time lag of about four months, whereas wholesale and consumer electricity prices were broadly uncorrelated before the rapid acceleration of electricity prices in fall 2020. In the case of gas prices in particular, the close correlation between wholesale and end user prices may reflect the growing market shares of smaller gas suppliers in eastern Austria.

Chart B1

Energy price developments in Austria

Electricity prices



Gas prices

Source: OeNB, ECB, Statistics Austria.

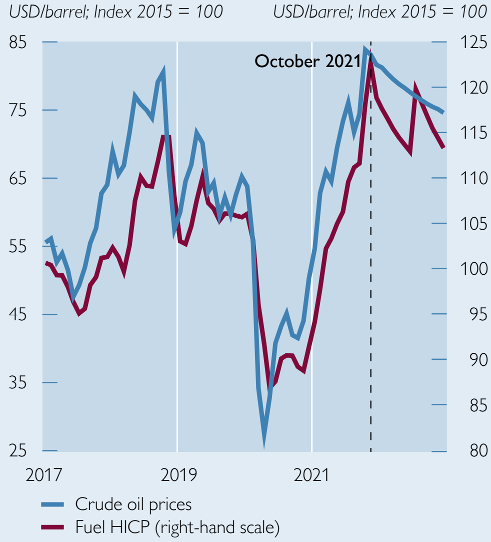
[9] *Crude oil prices contracted sharply in early December 2021, after the assumptions underlying the December outlook had been defined.*

With a view to upcoming changes in gas and electricity consumer prices, energy suppliers have already announced sharp price increases for the coming months. In the case of electricity, these increases will be partly offset in 2022 by the announced temporary suspension of the green energy tax on consumers' energy bills. At the same time, a CO_2 tax[10] on household energy and fuels will be payable from July 1, 2022, onward. Since household energy and transport fuels are characterized by low short-term price elasticities, this tax is likely to be passed through to households in full. Thus, the CO_2 tax is likely to raise gas and residential heating oil prices for end users by about 8% and 14%, respectively, and to push up transport fuel prices for end users by between 6% and 7% (see right-hand panel). At the same time, the government's tax reform package envisages a "climate bonus" for households, i.e. a bonus payment ranging from EUR 100 (in regions with good public transport) to EUR 200 (in regions with poor public transport).

Chart B1 continued

Energy price developments in Austria

Oil and fuel prices



Source: OeNB, ECB, Statistics Austria.

Turning to *services,* we project inflation in this segment to reach 2.5% in 2021, thus remaining broadly unchanged from 2020. While rental prices have been going down during the year, hotel and other accommodation prices as well as restaurant prices went up considerably in the second half of 2021. For the time being, the renewed lockdowns in November and December 2021 and Germany's current travel warnings for Austria are likely to slow down the acceleration of inflation in these sectors, at least temporarily. We do not expect the inflation rate for tourism-related services to start rising again until containment measures will be lifted early next year. To provide financial support to the hospitality industry, the VAT rate for food and accommodation services was cut to 5% for the period from July 2020 to December 2021. For our December 2021 outlook, we assume that the VAT rate cut will not feed through to consumer prices, in line with government intentions.

With regard to *food* (including alcohol and tobacco), we expect the inflation rate to reach 1.0% in 2021 and to accelerate to 2.9% in 2022. This increase is mainly attributable to rising price expectations for global agricultural commodities, which are putting pressure on imported food prices. The tobacco tax increase is expected to add another 0.2 percentage points to the inflation rate for food including tobacco in 2022. In 2023, food price inflation should drop to 2.2%, as effects on inflation brought about by the tobacco tax hike bottom out. Downward pressures on food prices will also come from a decline in global agricultural commodity prices anticipated for 2023 in line with our forecast assumptions.

[10] *The draft bill, which is currently in the consultation stage, provides for a levy of EUR 30 per ton of CO_2 emission. Until 2025, this rate is to be raised to EUR 55.*

7 Budget deficit back below 3% of GDP in 2022 despite extension of COVID-19-related measures and eco-social tax reform

Thanks to the economic recovery, we see the Austrian budget deficit improving substantially in 2021 against 2020 figures. The deficit will remain elevated, however, at 5.9% of GDP. With the recovery progressing and discretionary COVID-19-related measures being discontinued, the budget deficit is expected to fall to 2.1% and thus to drop clearly below the Maastricht deficit threshold of 3% already in 2022. The eco-social tax reform, which will start to take effect in 2022, will hardly impair the positive course of Austria's fiscal performance. On the back of high economic growth, Austria's government debt ratio will, already in 2021, decline slightly from the historic high of 83.2% of GDP recorded in 2020. It will then decrease continuously to 75.5% of GDP in 2024.

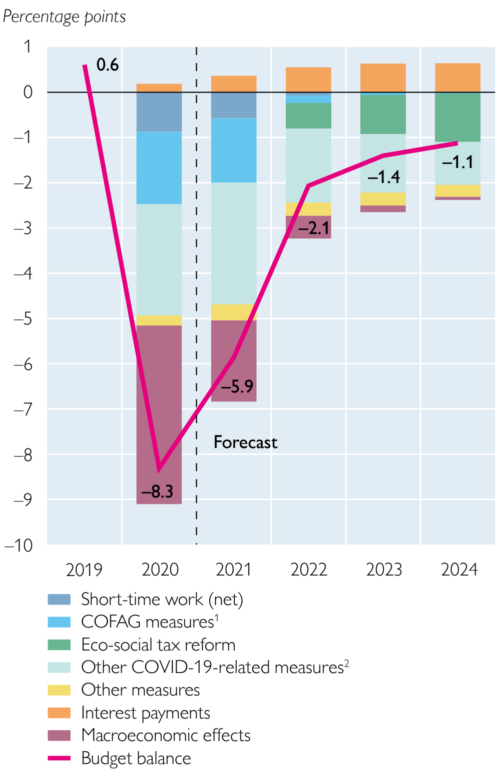
Due to the COVID-19 pandemic, the budget balance deteriorated by about 9 percentage points to –8.3% of GDP in 2020 (pink line in chart 5). This decline was essentially driven by automatic stabilizers kicking in as the economy slowed down, which in turn considerably weakened the cyclically dependent tax revenues while driving up cyclical spending, such as unemployment payments (red bars). At the same time, the comprehensive fiscal support measures adopted in response to the COVID-19 pandemic markedly drove up expenditure while driving down revenues through tax deferrals and tax cuts (bars in different shades of blue).

In 2021, we also expect to see a budget deficit that is very high by historical standards, but not as high as in 2020. Specifically, we project the budget balance to improve to –5.9% of GDP in line with the visible economic recovery and the shrinking volume of subsidies for short-time work, lost revenues and fixed costs. The significant decline in subsidies will not be reversed by the fourth nation-wide lockdown (from November 22 to December 12) and the accompanying fiscal support measures (extending the short-time work scheme, hardship funding, compensation for lost turnover and related bonus, support for nonprofit organizations and artists). These fiscal measures add up to some EUR 0.4 billion per week, judging from the costs of the full lockdowns in late 2020 and early 2021.

The cost of other expansionary fiscal measures in the context of the COVID-19 crisis (turquoise bars) will go up slightly, however. These measures

Chart 5

Change in Austria's budget balance since 2019



Source: OeNB.

Note: COFAG = Austrian COVID-19 funding agency.

[1] Fixed cost grants, compensation for forgone revenues, guarantees.
[2] Including economic stimulus packages and tax deferrals.

include, above all, investment incentives for the private sector intended to stimulate economic activity, tax cuts and additional spending on medical equipment, tests and vaccination. Lower prepayments for corporate and personal income tax as well as tax deferrals will cease to play a role in 2021. Finally, the budget will be supported by windfall tax revenues, e.g. from the capital gains tax on dividends.

In the years ahead, the respective budget deficit is expected to be considerably lower. Already in 2022, Austria's budget deficit is forecast to go back to below 3% of GDP and thus fulfill the Maastricht criterion again. This deficit improvement will be facilitated by the continued cyclical upswing and, above all, by the much smaller contribution of discretionary COVID-19-related measures. The subsidies for short-time work, compensation for lost turnover and income support for the self-employed and nonprofit organizations will have dropped to around ¼% of GDP; moreover, the temporary VAT cut for hotels and restaurants will no longer apply.

The eco-social tax reform, which will gradually take effect in 2022, will hardly impair the positive course of Austria's fiscal performance. As many of the measures will not take effect until mid-2022 or 2023/24, the rising overall volume (green bars in chart 5) will be compensated for mainly by lower expenditure for investment incentives. Essentially, the tax reform includes carbon pricing, a bonus payment designed to compensate households for carbon pricing ("climate bonus"), the reduction of health insurance contributions for low-income earners, and lower wage tax, personal tax and corporate income tax rates (see table 10). Additional minor climate-related measures and measures to protect the environment include subsidies for energy-efficiency renovation and for switching to greener heating systems as well as a green investment premium. Finally, the contribution from shrinking interest payments (orange bars) will continue to rise – compared with 2019 levels – at least until 2023.

Table 10

Parameter changes due to eco-social tax reform

	2021	2022	2023	2024	2025
	EUR				
CO_2 price per ton of CO_2 equivalent[1]	0	30	35	45	55
Higher tax relief per child for families (up to age 18)[2]	1,500	2,000	2,000	2,000	2,000
Higher tax relief per child for families (aged 18+)[2]	500	650	650	650	650
Tax relief per child for single-income families/single parents[2]	250	450	450	450	450
Taxfree employee gainsharing	0	3,000	3,000	3,000	3,000
Instant asset write-off threshold	800	1,000	1,000	1,000	1,000
Climate bonus per person[3]	0	100–200	Offsetting CO_2 tax revenues		
	%				
Personal income tax rate: income bracket EUR 18,000–31,000[4]	35	30	30	30	30
Personal income tax rate: income bracket EUR 31,000–60,000[5]	42	42	40	40	40
No personal income tax on the first EUR 30,000 of profit[6]	13	15	15	15	15
Corporate income tax rate	25	25	24	23	23
Reduction of employees' health insurance contribution	3.87	Progressive reduction for low-income earners			

Source: Austrian finance ministry, OeNB compilation.

[1] To be introduced on July 1, 2022.
[2] To be increased on July 1, 2022.
[3] Depending on place of residence; 50% for children.
[4] To be lowered on July 1, 2022.
[5] To be lowered on July 1, 2023.
[6] Applying to self-employed in the income tax scheme.

The measures to be financed from the EU's Recovery and Resilience Fund, under the *NextGenerationEU* initiative, are not relevant from a fiscal perspective, as these measures will be financed via the EU and therefore do not affect national budget balances. In sum, the overall volume of these additional investment and structural measures is comparatively low, adding up to just 1% of GDP over seven years.

The rise of the debt ratio by close to 13 percentage points to 83.2% of GDP in 2020 is attributable to the contraction of the economy and the high budget deficit. Given the strong rebounding of economic activity in 2021, we forecast the debt ratio to go down slightly already in 2021 and to drop to about 75% of GDP by 2024, also on account of the declining budget deficit.

8 Risks to outlook determined by Omicron mutation

The largest downside risk to this outlook emerges from the future course and consequences of the pandemic. In this respect, the newly detected Omicron mutation of the coronavirus gives rise to a high degree of uncertainty. All we know for the time being is that the new mutation is considerably more infectious than the previous mutations. If Omicron were to lead to more frequent breakthrough infections, more severe conditions or higher rates of patients needing intensive care unit treatment, more stringent global containment measures might have to be imposed, which would have corresponding negative repercussions. Renewed shutdowns of sea port hubs crucial for world trade following renewed waves of infection would delay the clearing up of supply chain backlogs. Moreover, entry bans and travel warnings might bring global tourism to a halt once again, thus slowing down the reversal of the demand shift from goods to services, which would increase the strain on global supply chains and add to price pressures.

Another international downside risk is linked to the risk of China plunging into a real estate crisis. As residential construction investment used to be a key pillar of the Chinese economy, an insolvency crisis in the real estate sector might have a knock-on effect on other sectors of the economy and on other Asian countries. Furthermore, shutting down further power stations with a view to meeting China's emissions goals might dampen output, with short-term growth goals competing with longer-term climate goals. If the Chinese economy were to grow at a lower rate, the international framework conditions on which this forecast is based would be worse than assumed, which would have an adverse impact on exports.

By contrast, we consider a faster availability of COVID-19 vaccines in emerging economies as the key upside risk to our outlook. Furthermore, the global supply bottlenecks might ease earlier than expected (i.e. before the summer of 2022), which would improve the growth outlook for production, goods exports and investment.

The domestic risks to this outlook are also mostly related to the pandemic. A renewed spike of infections might lead to further movement restrictions in the winter of 2021/22, which would mainly affect tourism as well as the retail sector and high-contact services. Apart from this downside risk, we also see upside risks to Austrian growth, above all in 2022. The rebound after the fourth lockdown, for instance, might be stronger than expected. There is also a chance that the unwinding of excess savings accumulated during the pandemic might be accelerated, which would contribute to a faster rebound.

With regard to inflation, the risks to this outlook are predominantly to the upside across the forecast horizon. For 2022, upside risks may arise from a potential pass-through of discontinued VAT cuts to consumer prices for accommodation and restaurant services. Likewise, the inflation rate for nonenergy industrial goods might run higher than projected if the dynamic growth of industrial producer prices were to continue. In the medium run, additional measures needed to secure the achievement of emissions goals (CO_2 neutrality) might drive further energy price increases, in particular for oil and gas. Higher inflation expectations and labor shortages (in some sectors) might support wage growth and create additional price pressure.

9 Past outlook revisions driven by stronger growth around mid-2021

The upward revision of Austrian GDP growth, compared with the June 2021 outlook, to 4.9% was mainly driven by the unexpected strength of the economy in mid-2021. The upward revision was offsetting the impact of the downward revision of GDP growth until the first quarter of 2021 and the fourth wave of the pandemic, causing output growth to be 1.0 percentage point higher than expected in the June 2021 outlook. The outlook for 2022 was, ultimately, subject to just a slight upward revision (+0.1 percentage point). The higher statistical overhang from 2021 and a positive effect from external assumptions given the easing of global supply bottlenecks[11] would have called for a substantial upward revision. These positive effects were, however, compensated by the negative effects of the fourth wave of COVID-19 infections. Furthermore, we expect easing supply bottlenecks to contribute 1.2 percentage points to GDP growth in 2023. However, given stronger growth in 2021 and 2022, the economic catching-up process will have progressed further by the start of 2023 than expected in the June 2021 outlook. To take this frontloading effect into account, we therefore added an offsetting impact of 0.5 percentage points.

Finally, the inflation rate has been subject to a significant upward revision for the entire forecast horizon, but above all for 2022, compared with the June 2021 outlook. The upward revisions were 0.7 percentage points for 2021, about 1.4 percentage points for 2022 and 0.5 percentage points for 2023. The revisions for 2021 and 2022 were above all driven by rising crude oil prices. Other factors include higher-than-expected price increases for gas and electricity, the introduction of CO_2 taxation and persistent supply-side bottlenecks.

Table 11

Breakdown of revisions to the outlook

	GDP			HICP		
	2021	2022	2023	2021	2022	2023
	Annual change in %					
December 2021 outlook	+4.9	+4.3	+2.6	+2.7	+3.2	+2.3
June 2021 outlook	+3.9	+4.2	+1.9	+2.0	+1.8	+1.8
Difference	+1.0	+0.1	+0.7	+0.7	+1.4	+0.5
Caused by:	*Percentage points*					
External assumptions	–0.2	+0.3	+1.2	+0.1	+0.7	+0.2
New data[1]	+1.6	+1.2	+0.0	+0.6	+0.4	+0.1
of which: revisions to historical data up to Q1 21	*–0.6*	*+0.0*	*+0.0*	*+0.0*	*+0.0*	*+0.0*
projection errors for Q2 21 and Q3 21	*+2.3*	*+1.2*	*+0.0*	*+0.6*	*+0.4*	*+0.1*
Other reasons[2]	–0.5	–1.4	–0.5	+0.0	+0.3	+0.2

Source: OeNB June 2021 and December 2021 outlooks.

Note: The sum of growth contributions subject to individual revisions may differ from the overall revision due to rounding.

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

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

[11] *The supply bottlenecks were considerably stronger and more persistent than expected in June. Therefore, the impact from the easing of the relevant shortages will materialize at a later point and will also be stronger than initially expected.*

Table 12

December 2021 outlook and revisions since the June 2021 outlook

	December 2021				Revisions to June 2021 outlook		
	2021	2022	2023	2024	2021	2022	2023
Economic activity	*Annual change in % (real)*						
Gross domestic product (GDP)	+4.9	+4.3	+2.6	+1.8	1.0	0.1	0.7
Private consumption	+1.8	+5.7	+3.4	+2.4	–2.2	–0.1	1.6
Government consumption	+5.3	–0.9	+0.3	+0.7	3.2	–1.4	–0.5
Gross fixed capital formation	+5.7	+2.7	+1.9	+1.3	1.0	–0.6	0.1
Exports of goods and services	+10.5	+3.2	+4.8	+2.5	3.4	–3.2	1.4
Imports of goods and services	+11.3	+1.9	+4.5	+2.4	3.9	–4.4	1.5
Current account balance	–1.3	–0.5	+1.0	+1.3	–3.4	–2.7	–1.4
Import-adjusted contributions to real GDP growth[1]	*Percentage points*						
Private consumption	+0.6	+2.0	+1.2	+0.8	–1.1	0.3	0.5
Government consumption	+0.9	–0.2	+0.0	+0.1	0.5	–0.2	–0.1
Gross fixed capital formation	+0.8	+0.4	+0.3	+0.2	–0.1	0.2	0.0
Domestic demand (excluding changes in inventories)	+2.3	+2.2	+1.5	+1.2	–0.6	0.2	0.4
Exports	+2.9	+0.9	+1.4	+0.8	0.4	–0.3	0.3
Changes in inventories (including statistical discrepancy)	+0.9	+0.0	+0.0	+0.0	1.0	0.0	0.0
Prices	*Annual change in %*						
Harmonised Index of Consumer Prices (HICP)	+2.7	+3.2	+2.3	+2.0	0.7	1.4	0.5
Private consumption expenditure deflator	+2.5	+2.9	+2.2	+2.0	0.4	1.1	0.5
GDP deflator	+2.3	+2.3	+2.5	+1.9	0.0	0.4	0.9
Unit labor costs (whole economy)	–0.2	+0.9	+2.0	+1.6	0.4	0.8	0.6
Compensation per employee (nominal)	+3.0	+3.5	+3.3	+2.6	0.8	0.6	0.7
Compensation per hour worked (nominal)	–1.9	+2.8	+2.1	+2.5	–0.5	2.5	0.3
Import prices	+4.9	+3.9	+1.8	+1.9	3.3	2.0	–0.1
Export prices	+2.6	+2.8	+2.3	+1.8	0.9	0.8	0.8
Terms of trade	–2.2	–1.1	+0.4	–0.1	–2.3	–1.2	0.7
Income and savings							
Real disposable household income	–2.8	+3.3	+3.6	+2.5	–3.4	0.9	2.2
	% of nominal disposable household income						
Saving ratio	+9.6	+7.1	+7.3	+7.4	–1.4	–1.0	–0.5
Labor market	*Annual change in %*						
Payroll employment	+1.6	+1.7	+1.4	+0.8	0.4	0.1	0.5
Hours worked (payroll employment)	+6.4	+2.4	+2.5	+0.9	1.7	–1.7	0.8
	% of labor supply						
Unemployment rate (Eurostat definition)	6.3	5.4	5.0	4.7	1.1	0.6	0.4
Public finances	*% of nominal GDP*						
Budget balance (Maastricht definition)	–5.9	–2.1	–1.4	–1.1	1.0	0.7	0.6
Government debt	82.7	79.5	77.0	75.5	–2.4	–3.3	–4.9

Source: 2020 (actual figures): WIFO, Statistics Austria, OeNB; OeNB June 2021 and December 2021 outlooks.

[1] The import-adjusted growth contributions were calculated by offsetting each final demand component with the corresponding imports, which were obtained from input-output tables.

Annex of tables: detailed results

Table 13

Demand components (real)

Chained volume data (reference year = 2015)

	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
	EUR million					*Annual change in %*				
Private consumption	175,110	178,289	188,475	194,880	199,481	–8.4	+1.8	+5.7	+3.4	+2.4
Government consumption	71,467	75,236	74,536	74,750	75,242	–0.4	+5.3	–0.9	+0.3	+0.7
Gross fixed capital formation	88,278	93,320	95,808	97,666	98,945	–5.0	+5.7	+2.7	+1.9	+1.3
of which: investment in plant and equipment	*28,502*	*31,064*	*31,847*	*32,384*	*32,893*	*–8.3*	*+9.0*	*+2.5*	*+1.7*	*+1.6*
residential construction investment	*17,212*	*17,705*	*17,631*	*17,962*	*18,233*	*+1.8*	*+2.9*	*–0.4*	*+1.9*	*+1.5*
nonresidential construction investment and other investment	*22,681*	*23,975*	*25,588*	*26,114*	*26,324*	*–7.0*	*+5.7*	*+6.7*	*+2.1*	*+0.8*
Changes in inventories (including statistical discrepancy)	3,254	8,839	9,802	9,941	9,951	×	×	×	×	×
Domestic demand	338,109	355,684	368,621	377,237	383,618	–5.4	+5.2	+3.6	+2.3	+1.7
Exports of goods and services	190,465	210,544	217,191	227,717	233,425	–11.5	+10.5	+3.2	+4.8	+2.5
Imports of goods and services	180,545	200,993	204,877	214,053	219,161	–9.3	+11.3	+1.9	+4.5	+2.4
Net exports	9,920	9,551	12,313	13,664	14,264	×	×	×	×	×
Gross domestic product	348,029	365,235	380,935	390,901	397,882	–6.8	+4.9	+4.3	+2.6	+1.8

Source: 2020: Statistics Austria; 2021 to 2024: OeNB December 2021 outlook.

Table 14

Demand components (nominal)

	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
	EUR million					*Annual change in %*				
Private consumption	190,212	198,450	215,738	228,080	238,105	–7.2	+4.3	+8.7	+5.7	+4.4
Government consumption	80,318	86,117	87,034	89,673	92,215	+3.9	+7.2	+1.1	+3.0	+2.8
Gross fixed capital formation	95,818	104,371	110,149	115,150	119,413	–3.3	+8.9	+5.5	+4.5	+3.7
Changes in inventories (including statistical discrepancy)	2,412	12,455	15,083	15,240	14,788	×	×	×	×	×
Domestic demand	368,759	401,393	428,005	448,143	464,521	–3.7	+8.8	+6.6	+4.7	+3.7
Exports of goods and services	193,997	220,099	233,394	250,297	261,197	–12.2	+13.5	+6.0	+7.2	+4.4
Imports of goods and services	184,153	214,902	227,621	242,197	252,581	–10.9	+16.7	+5.9	+6.4	+4.3
Net exports	9,844	5,197	5,773	8,100	8,616	×	×	×	×	×
Gross domestic product	378,603	406,590	433,778	456,242	473,137	–4.7	+7.4	+6.7	+5.2	+3.7

Source: 2020: Statistics Austria; 2021 to 2024: OeNB December 2021 outlook.

Table 15

Demand components (deflators)

	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
	2010 = 100					*Annual change in %*				
Private consumption	108.6	111.3	114.5	117.0	119.4	+1.4	+2.5	+2.9	+2.2	+2.0
Government consumption	112.4	114.5	116.8	120.0	122.6	+4.3	+1.8	+2.0	+2.7	+2.2
Gross fixed capital formation	108.5	111.8	115.0	117.9	120.7	+1.8	+3.1	+2.8	+2.6	+2.4
Domestic demand (excluding changes in inventories)	109.4	112.1	115.1	117.9	120.4	+2.1	+2.5	+2.6	+2.4	+2.1
Exports of goods and services	101.9	104.5	107.4	109.9	111.9	–0.8	+2.6	+2.8	+2.3	+1.8
Imports of goods and services	101.9	106.9	111.1	113.1	115.2	–1.8	+4.9	+3.9	+1.8	+1.9
Terms of trade	99.9	97.7	96.7	97.1	97.1	+1.0	–2.2	–1.1	+0.4	–0.1
Gross domestic product	108.8	111.3	113.9	116.7	118.9	+2.3	+2.3	+2.3	+2.5	+1.9

Source: 2020: Statistics Austria; 2021 to 2024: OeNB December 2021 outlook.

Table 16

Labor market

	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
	Thousands					*Annual change in %*				
Total employment	4,466.0	4,542.8	4,621.7	4,681.2	4,718	–1.6	+1.7	+1.7	+1.3	+0.8
of which: private sector	*3,700.0*	*3,769.1*	*3,844.1*	*3,902.7*	*3,939*	*–2.1*	*+1.9*	*+2.0*	*+1.5*	*+0.9*
Payroll employment (national accounts definition)	3,918.8	3,980.8	4,049.4	4,104.2	4,138	–2.0	+1.6	+1.7	+1.4	+0.8
	% of labor supply									
Unemployment rate (Eurostat definition)	6.1	6.3	5.4	5.0	4.7	×	×	×	×	×
	EUR per real unit of output x 100									
Unit labor costs (whole economy)[1]	63.1	63.0	63.5	64.8	65.8	+7.7	–0.2	+0.9	+2.0	+1.6
	EUR thousand per employee									
Labor productivity (whole economy)[2]	77.9	80.4	82.4	83.5	84.3	–5.4	+3.2	+2.5	+1.3	+1.0
	EUR thousand									
Compensation per employee (real)[3]	45.2	45.5	45.8	46.2	46.5	+0.5	+0.5	+0.6	+1.0	+0.6
	EUR thousand (nominal)									
Compensation per employee (gross)	49.1	50.6	52.4	54.1	55.5	+1.9	+3.0	+3.5	+3.3	+2.6
	EUR million (nominal)									
Total compensation of employees (gross)	192,519	201,420	212,074	222,052	229,759	–0.1	+4.6	+5.3	+4.7	+3.5

Source: 2020: Statistics Austria; 2021 to 2024: OeNB December 2021 outlook.

[1] *Gross wages and salaries divided by real GDP.*
[2] *Real GDP divided by total employment.*
[3] *Gross wages and salaries per employee divided by private consumption expenditure deflator.*

Table 17

Current account balance

	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
	EUR million					*% of nominal GDP*				
Balance of trade	10,899.0	1,361.2	5,241.0	11,221.4	13,839.0	2.9	0.3	1.2	2.5	2.9
Balance of goods	*3,032.0*	*–247.2*	*–1,190.9*	*454.2*	*1,994.8*	*0.8*	*–0.1*	*–0.3*	*0.1*	*0.4*
Balance of services	*7,867.0*	*1,608.4*	*6,431.9*	*10,767.2*	*11,844.0*	*2.1*	*0.4*	*1.5*	*2.4*	*2.5*
Balance of primary income	–426.0	–3,480.0	–4,072.0	–3,696.6	–3,718.3	–0.1	–0.9	–0.9	–0.8	–0.8
Balance of secondary income	–3,271.0	–3,330.1	–3,340.3	–3,080.8	–3,745.6	–0.9	–0.8	–0.8	–0.7	–0.8
Current account balance	7,202.0	–5,448.9	–2,171.3	4,444.0	6,374.6	1.9	–1.3	–0.5	1.0	1.3

Source: 2020: Statistics Austria; 2021 to 2024: OeNB December 2021 outlook.

Table 18

Quarterly outlook results

	2021	2022	2023	2024	2021				2022				2023				2024			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Prices, wages, costs	*Annual change in %*																			
HICP	+2.7	+3.2	+2.3	+2.0	+1.5	+2.6	+3.1	+3.8	+3.9	+3.5	+3.2	+2.3	+2.5	+2.4	+2.2	+2.0	+2.0	+2.0	+2.1	+2.0
HICP excluding energy	+2.3	+2.5	+2.4	+2.1	+1.8	+2.2	+2.4	+2.6	+2.6	+2.6	+2.4	+2.4	+2.5	+2.3	+2.5	+2.1	+2.0	+2.0	+2.3	+2.2
Private consumption expenditure deflator	+2.5	+2.9	+2.2	+2.0	+1.5	+2.4	+2.3	+3.6	+3.2	+3.1	+3.0	+2.2	+2.3	+2.3	+2.2	+2.1	+1.9	+1.9	+2.0	+2.1
Gross fixed capital formation deflator	+3.1	+2.8	+2.6	+2.4	+1.6	+3.2	+4.0	+3.3	+3.6	+2.6	+2.0	+3.0	+2.7	+2.6	+2.5	+2.4	+2.4	+2.4	+2.4	+2.3
GDP deflator	+2.3	+2.3	+2.5	+1.9	+2.0	+0.9	+2.1	+4.2	+3.1	+3.1	+2.4	+0.7	+2.2	+2.4	+2.7	+2.6	+2.2	+2.0	+1.7	+1.7
Unit labor costs	–0.2	+0.9	+2.0	+1.6	+3.8	–2.6	+0.7	–2.6	–1.2	+0.1	+2.3	+2.6	+2.1	+2.0	+1.7	+2.1	+2.2	+2.0	+1.5	+0.7
Compensation per employee (nominal)	+3.0	+3.5	+3.3	+2.6	+1.4	+5.4	+3.6	+1.7	+3.1	+3.4	+3.2	+4.3	+3.9	+3.1	+3.0	+3.3	+3.3	+3.1	+2.5	+1.6
Productivity	+3.2	+2.5	+1.3	+1.0	–2.3	+8.2	+2.9	+4.4	+4.4	+3.3	+0.9	+1.6	+1.7	+1.1	+1.2	+1.2	+1.1	+1.0	+1.0	+0.9
Compensation per employee (real)	+0.5	+0.6	+1.0	+0.6	–0.1	+3.0	+1.2	–1.8	–0.1	+0.3	+0.2	+2.1	+1.5	+0.8	+0.7	+1.2	+1.4	+1.1	+0.5	–0.5
Import deflator	+4.9	+3.9	+1.8	+1.9	+1.2	+5.6	+6.3	+6.6	+5.6	+4.5	+3.2	+2.4	+1.8	+1.8	+1.9	+1.9	+2.0	+1.9	+1.8	+1.7
Export deflator	+2.6	+2.8	+2.3	+1.8	+0.9	+2.2	+3.2	+4.1	+3.5	+2.9	+2.5	+2.4	+2.4	+2.4	+2.3	+2.1	+1.9	+1.8	+1.8	+1.7
Terms of trade	–2.2	–1.1	+0.4	–0.1	–0.3	–3.2	–2.9	–2.3	–2.0	–1.5	–0.7	+0.0	+0.6	+0.6	+0.4	+0.1	+0.0	–0.1	–0.1	+0.0
Economic activity	*Annual or quarterly changes in % (real)*																			
GDP	+4.9	+4.3	+2.6	+1.8	–0.4	+4.2	+3.8	–1.2	+0.8	+1.3	+0.6	+0.6	+0.6	+0.6	+0.5	+0.5	+0.4	+0.4	+0.4	+0.4
Private consumption	+1.8	+5.7	+3.4	+2.4	–3.5	+4.0	+7.0	–4.5	+3.8	+0.7	+0.5	+1.3	+0.9	+0.8	+0.7	+0.7	+0.6	+0.5	+0.4	+0.3
Government consumption	+5.3	–0.9	+0.3	+0.7	+0.5	+1.7	+0.5	–0.6	–0.9	–0.4	–0.1	+0.1	+0.3	+0.1	+0.0	+0.0	+0.1	+0.3	+0.3	+0.4
Gross fixed capital formation	+5.7	+2.7	+1.9	+1.3	+4.7	+0.8	–2.8	+1.9	+1.8	+0.5	+0.5	+0.4	+0.6	+0.5	+0.4	+0.4	+0.5	+0.2	+0.1	+0.1
Exports	+10.5	+3.2	+4.8	+2.5	–1.6	+13.5	–2.3	–1.7	–1.5	+3.6	+2.0	+1.2	+0.8	+0.8	+0.8	+0.7	+0.5	+0.6	+0.6	+0.6
Imports	+11.3	+1.9	+4.5	+2.4	+5.9	+3.4	–2.1	–2.6	+1.1	+2.6	+1.6	+1.5	+0.8	+0.7	+0.7	+0.7	+0.6	+0.5	+0.5	+0.5
	Contribution to real GDP growth in percentage points																			
Domestic demand	+3.4	+3.3	+2.2	+1.6	–0.4	+2.5	+2.8	–1.9	+2.1	+0.4	+0.3	+0.8	+0.6	+0.5	+0.5	+0.5	+0.4	+0.4	+0.3	+0.3
Net exports	–0.1	+0.8	+0.4	+0.2	–4.1	+5.6	–0.2	+0.4	–1.4	+0.6	+0.3	–0.1	+0.0	+0.1	+0.0	+0.0	+0.0	+0.1	+0.1	+0.1
Changes in inventories	+1.6	+0.3	+0.0	+0.0	+4.2	–3.9	+1.2	+0.3	+0.1	+0.3	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
Labor market	*% of labor supply*																			
Unemployment rate (Eurostat definition)	6.3	5.4	5.0	4.7	7.0	6.7	5.7	5.6	5.8	5.4	5.3	5.2	5.1	5.0	5.0	4.9	4.8	4.8	4.7	4.7
	Annual or quarterly changes in %																			
Total employment	+1.7	+1.7	+1.3	+0.8	–0.7	+2.1	+1.4	–0.8	+0.5	+0.4	+0.5	+0.3	+0.2	+0.3	+0.3	+0.2	+0.1	+0.2	+0.2	+0.2
of which: private sector	*+1.9*	*+2.0*	*+1.5*	*+0.9*	*–0.8*	*+2.5*	*+1.6*	*–1.0*	*+0.6*	*+0.5*	*+0.6*	*+0.4*	*+0.3*	*+0.4*	*+0.3*	*+0.3*	*+0.1*	*+0.2*	*+0.2*	*+0.3*
Payroll employment	+1.6	+1.7	+1.4	+0.8	–0.9	+2.2	+1.3	–0.9	+0.5	+0.5	+0.6	+0.3	+0.2	+0.3	+0.3	+0.2	+0.1	+0.2	+0.2	+0.2
Additional variables	*Annual or quarterly changes in % (real)*																			
Disposable household income	–2.8	+3.3	+3.6	+2.5	–10.6	+2.4	+3.6	–2.1	+1.0	+1.0	+1.0	+0.9	+0.8	+0.8	+1.0	+1.1	+0.8	+0.3	+0.1	–0.3
	% of real GDP																			
Output gap	–3.2	–0.8	+0.1	+0.3	–7.0	–3.6	–0.3	–2.0	–1.7	–0.8	–0.6	–0.4	–0.1	+0.1	+0.2	+0.3	+0.3	+0.3	+0.3	+0.2

Source: OeNB December 2021 outlook.

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

Table 19

Comparison of current economic forecasts for Austria

	OeNB				WIFO			IHS		
	December 2021				December 2021			December 2021		
	2021	2022	2023	2024	2021	2022	2023	2021	2022	2023
Main results	*Annual change in %*									
GDP (real)	+4.9	+4.3	+2.6	+1.8	+4.1	+5.2	+2.5	+4.3	+4.2	+2.6
Private consumption (real)	+1.8	+5.7	+3.4	+2.4	+3.4	+6.3	+2.9	+3.2	+5.1	+3.0
Government consumption (real)	+5.3	–0.9	+0.3	+0.7	+5.3	–2.0	–0.4	+4.0	–0.5	+0.2
Gross fixed capital formation (real)	+5.7	+2.7	+1.9	+1.3	+5.7	+4.8	+1.8	+6.4	+4.0	+3.0
Exports (real)	+10.5	+3.2	+4.8	+2.5	+10.2	+8.5	+4.2	+9.2	+7.1	+4.3
Imports (real)	+11.3	+1.9	+4.5	+2.4	+12.6	+6.1	+3.9	+10.4	+6.7	+4.1
Labor productivity[1]	+3.2	+2.5	+1.3	+1.0	–2.4	+0.7	+0.5	+1.9	+2.2	+1.5
GDP deflator	+2.3	+2.3	+2.5	+1.9	+1.6	+2.8	+2.1	+1.5	+2.4	+2.0
Consumer price index	×	×	×	×	+2.8	+3.3	+2.2	+2.8	+2.8	+1.9
HICP	+2.7	+3.2	+2.3	+2.0	+2.8	+3.4	+2.2	+2.8	+2.8	+1.9
Unit labor costs	–0.2	+0.9	+2.0	+1.6	+1.1	–0.1	+2.6	+0.2	+1.0	+1.2
Payroll employment[2]	+1.7	+1.7	+1.3	+0.8	+2.4	+1.9	+1.7	+2.3	+2.0	+1.1
	% of labor supply									
Unemployment rate[3] (Eurostat definition)	6.3	5.4	5.0	4.7	6.4	4.8	4.4	6.4	5.5	5.3
	% of nominal GDP									
Current account balance	–1.3	–0.5	1.0	1.3	–0.8	0.8	0.8	×	×	×
Budget balance (Maastricht definition)	–5.9	–2.1	–1.4	–1.1	–6.2	–1.8	–0.6	–5.9	–1.9	–1.3
Technical assumptions										
Oil price in USD/barrel (Brent)	71.8	77.5	72.3	69.4	71.0	69.0	66.0	71.0	68.0	65.0
Short-term interest rate in %	–0.5	–0.5	–0.2	0.0	–0.6	–0.4	0.4	–0.5	–0.5	–0.1
USD/EUR exchange rate	1.20	1.10	1.10	1.10	1.18	1.12	1.08	1.18	1.13	1.14
	Annual change in %									
Euro area GDP (real)	+5.1	+4.2	+2.9	+1.6	+5.2	+4.2	+2.4	+5.0	+4.3	+2.2
US GDP (real)	+5.5	+4.2	+3.0	+2.5	+5.5	+4.4	+2.2	+5.8	+4.0	+2.0
World GDP (real)	+5.9	+4.4	+3.8	+3.4	×	×	×	+5.6	+4.4	+3.0
World trade[4]	+10.2	+4.5	+4.9	+3.7	×	×	×	+9.5	+3.2	+3.2

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

Note: x = no data available.

[1] *OeNB, WIFO: productivity per hour worked; IHS, OECD, European Commission: productivity per employee.*
[2] *WIFO, IHS: based on active payroll.*
[3] *WIFO: % of persons in payroll employment (national definition).*
[4] *IHS: goods according to CPB; European Commission: world imports.*

Table 19 continued

Comparison of current economic forecasts for Austria

	OECD			IMF		European Commission		
	December 2021			October 2021		November 2021		
	2021	2022	2023	2021	2022	2021	2022	2023
Main results	*Annual change in %*							
GDP (real)	+4.1	+4.6	+2.5	+3.9	+4.5	+4.4	+4.9	+1.9
Private consumption (real)	+3.7	+5.8	+2.6	×	×	+4.2	+6.3	+2.4
Government consumption (real)	+3.1	+0.2	+0.5	×	×	+3.4	–0.1	+0.4
Gross fixed capital formation (real)	+7.9	+4.4	+2.9	×	×	+8.3	+4.2	+2.3
Exports (real)	+10.4	+8.1	+5.6	+7.7	+5.3	+8.4	+9.0	+5.4
Imports (real)	+11.6	+6.9	+5.3	+8.4	+4.6	+9.9	+8.1	+5.7
Labor productivity[1]	×	×	×	×	×	+2.6	+3.0	+1.2
GDP deflator	+1.6	+2.8	+2.1	+2.3	+2.3	+1.8	+2.2	+2.1
Consumer price index	×	×	×	×	×	×	×	×
HICP	+2.8	+3.0	+2.3	+2.5	+2.4	+2.7	+2.5	+2.0
Unit labor costs	×	×	×	×	×	–0.5	–0.7	+1.8
Payroll employment[2]	×	×	×	+0.6	+1.0	+1.7	+1.9	+0.6
	% of labor supply							
Unemployment rate[3] (Eurostat definition)	5.0	4.7	4.5	6.4	6.0	5.0	4.6	4.5
	% of nominal GDP							
Current account balance	–0.2	0.1	0.3	1.6	2.0	–0.1	–0.2	–0.5
Budget balance (Maastricht definition)	–6.3	–2.3	–1.1	–5.8	–2.9	–5.9	–2.3	–1.3
Technical assumptions								
Oil price in USD/barrel (Brent)	80.0	80.0	80.0	65.7	64.5	71.6	78.9	72.3
Short-term interest rate in %	×	×	×	–0.5	–0.5	–0.5	–0.5	–0.3
USD/EUR exchange rate	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
	Annual change in %							
Euro area GDP (real)	+5.2	+4.3	+2.5	+5.0	+4.3	+5.0	+4.3	+2.4
US GDP (real)	+5.6	+3.7	+2.4	+6.0	+5.2	+5.8	+4.5	+2.4
World GDP (real)	+5.6	+4.5	+3.2	+5.9	+4.9	+5.7	+4.5	+3.5
World trade[4]	+9.3	+4.9	+4.5	+9.7	+6.7	+9.1	+6.4	+4.7

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

Note: x = no data available.

[1] OeNB, WIFO: productivity per hour worked; IHS, OECD, European Commission: productivity per employee.
[2] WIFO, IHS: based on active payroll.
[3] WIFO: % of persons in payroll employment (national definition).
[4] IHS: goods according to CPB; European Commission: world imports.