

Weak global trade darkens growth outlook for Austria

Economic outlook for Austria from 2019 to 2022
(December 2019)

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Cut-off date: November 19, 2019

1 Executive summary

The Oesterreichische Nationalbank (OeNB) expects economic growth in Austria to slow down visibly amid weakening international growth, with the decline being most pronounced in the internationally oriented sectors of the economy. Export growth has eased markedly, and the domestic manufacturing industry slipped into a recession in mid-2019. The setback has been cushioned by domestic demand, above all consumer demand and the thriving construction industry. Given strong economic activity in early 2019, the OeNB expects annual GDP growth to reach 1.6% after all, yet no more than 1.1% thereafter in 2020. This represents a downward revision by 0.5 percentage points for 2020 compared to the last OeNB outlook, published in June 2019. As a result of the assumed gradual recovery of the world economy, output growth in Austria is projected to rebound to 1½% over the following years. In line with cyclical conditions, the unemployment rate as defined by Eurostat will inch up from 4.6% in 2019 to 4.8% in 2021. The harmonized index of consumer prices (HICP) is expected to uptrend slightly and average 1.5% from 2019 to 2022. The general government is forecast to achieve a surplus every year from 2019 to 2022. In parallel, the debt-to-GDP ratio is expected to drop to 63.4% by 2022, from 74.0% in 2018. However, until a new government takes office, the fiscal forecast is subject to a high degree of uncertainty. In general, the risks to this forecast are pointing to the downside.

The international economy lost considerable momentum in the course of 2019, above all in the manufacturing sector. The cyclical downturn of global industrial production has been reinforced by a number of dampening factors, which are expected to fade only gradually. These factors mainly relate to trade tensions sparked by U.S. tariffs on imports from China in particular, Brexit-related uncertainties as well as the struggles of the automotive industry to meet climate goals and to catch up on e-mobility. The problems experienced by the automotive industry has been a key driver of the protracted industrial recession in Germany. The global economy will grow by no more than close to 3% per year over the forecast horizon.

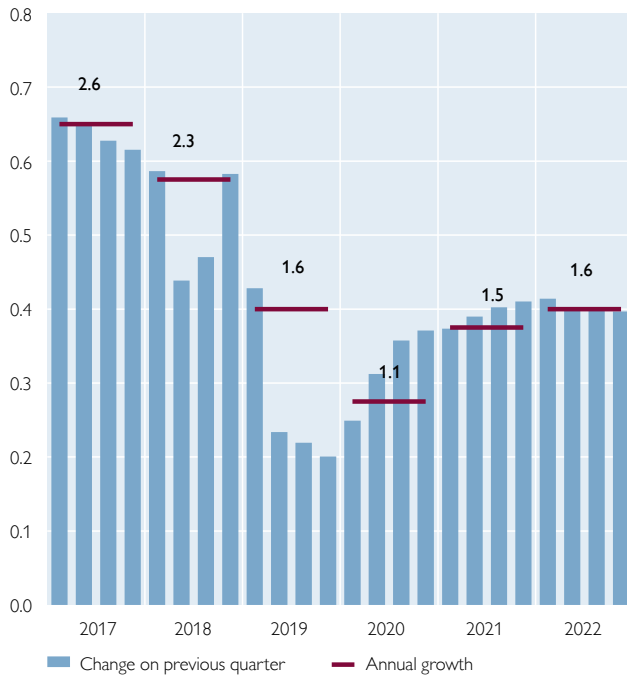
Global trade, which has been particularly hard hit by the global industrial weakness, contracted in the first half of 2019. With regard to the assumptions on which this forecast is based, the outlook for export growth had to be revised downward visibly for all major countries and regions. The global economic climate is even affecting the Central, Eastern and Southeastern European (CESEE) economies,

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Main results of the forecast

Real GDP growth

Change on previous quarter in %

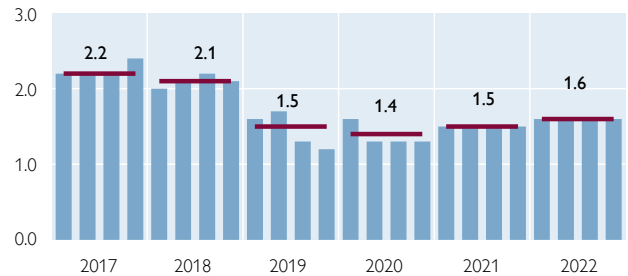


Source: WIFO, Statistics Austria. OeNB December 2019 outlook.

Note: The GDP data are seasonally and working day-adjusted (trend-cycle component).

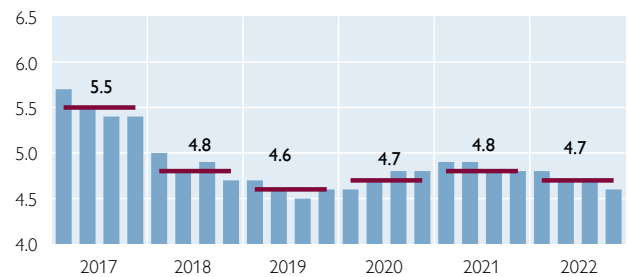
Harmonised Index of Consumer Prices (HICP)

Annual change in %



Unemployment rate (Eurostat definition)

%



which continue to outperform the euro area economy. Global trade is set to broadly stagnate in 2019, before rebounding and catching up with global growth figures by the end of the forecast horizon.

The internationally oriented sectors of the Austrian economy already suffer from the global demand setback. Growth of nominal goods exports has virtually stagnated in recent months and, judging from the leading indicators, the tide is unlikely to turn in the months ahead. Hence, export growth is set to decelerate visibly in real terms in 2019, before bottoming out at 1.7% in 2020. In Austria's exported-oriented manufacturing industry, growth turned negative already in mid-2019, causing the boom cycle that had started in 2015 to come to a rather abrupt end. The long and pronounced cycle of investment in equipment finally ran its course during the current industrial recession. Austrian firms stopped raising their spending on equipment in the third quarter of 2019. Capacity utilization dropped to 85.3% during the fourth quarter, but continues to remain near the long-term average. Hence, there are currently no signs of a drop in investment spending. Still, investment in equipment is expected to grow by just 0.3% in 2020. As global trade is expected to recover thereafter, with the promise of newly improving industrial sales prospects, growth of investment in equipment stands to rebound to up to 1½% in 2021 and 2022. In this process, the continued favorable financing conditions are going to play an important role.

The domestically focused sectors of the Austrian economy have been benefiting from stable consumer demand and the thriving construction industry, thus

Table 1

OeNB December 2019 outlook for Austria – main results¹

	2018	2019	2020	2021	2022
Economic activity					
<i>Annual change in % (real)</i>					
Gross domestic product (GDP)	+2.3	+1.6	+1.1	+1.5	+1.6
Private consumption	+1.1	+1.2	+1.3	+1.3	+1.4
Government consumption	+0.7	+0.1	+1.1	+1.0	+1.0
Gross fixed capital formation	+4.2	+2.9	+1.0	+1.3	+1.5
Exports of goods and services	+5.9	+3.1	+1.7	+2.8	+2.9
Imports of goods and services	+4.3	+3.4	+1.8	+2.4	+2.5
<i>% of nominal GDP</i>					
Current account balance	2.3	2.2	2.3	2.5	2.9
Import-adjusted contribution to real GDP growth²					
<i>Percentage points</i>					
Private consumption	+0.3	+0.4	+0.4	+0.4	+0.5
Government consumption	+0.1	+0.0	+0.2	+0.2	+0.2
Gross fixed capital formation	+0.5	+0.3	+0.1	+0.2	+0.2
Domestic demand (excluding changes in inventories)	+0.9	+0.7	+0.7	+0.7	+0.9
Exports	+1.6	+0.8	+0.4	+0.7	+0.8
Changes in inventories (including statistical discrepancy)	-0.3	+0.0	+0.0	+0.0	+0.0
Prices					
<i>Annual change in %</i>					
Harmonised Index of Consumer Prices (HICP)	+2.1	+1.5	+1.4	+1.5	+1.6
Private consumption expenditure (PCE) deflator	+2.1	+1.7	+1.5	+1.5	+1.6
GDP deflator	+1.6	+1.8	+1.6	+1.5	+1.7
Unit labor costs (whole economy)	+2.3	+2.4	+1.7	+1.2	+1.5
Compensation per employee (nominal)	+2.8	+2.8	+2.1	+2.1	+2.3
Compensation per hour worked (nominal)	+2.9	+2.9	+2.3	+2.0	+2.2
Import prices	+2.2	+0.7	+1.6	+1.8	+1.7
Export prices	+1.5	+0.6	+1.7	+1.8	+1.8
Terms of trade	-0.7	-0.1	+0.2	+0.0	+0.1
Income and savings					
<i>% of nominal disposable household income</i>					
Real disposable household income	+1.4	+1.1	+1.7	+1.3	+1.3
<i>% of nominal disposable household income</i>					
Saving ratio	7.7	7.5	7.8	7.8	7.7
Labor market					
<i>Annual change in %</i>					
Payroll employment	+2.2	+1.5	+0.9	+0.9	+1.0
Hours worked (payroll employment)	+2.1	+1.4	+0.7	+1.0	+1.1
<i>% of labor supply</i>					
Unemployment rate (Eurostat definition)	4.8	4.6	4.7	4.8	4.7
Public finances					
<i>% of nominal GDP</i>					
Budget balance	0.2	0.5	0.2	0.2	0.6
Government debt	74.0	70.4	68.2	66.0	63.4

Source: 2018: WIFO, Eurostat, Statistics Austria; 2019 to 2022: OeNB December 2019 outlook.

¹ The outlook was drawn up on the basis of seasonally and working day-adjusted national accounts data (trend-cycle component: flash estimate for Q3 19). The data differ, in the method of seasonal adjustment, from the quarterly data published by Eurostat following the switch to the ESA 2010 framework in fall 2014 (the data published by Eurostat are much more volatile and do not facilitate detailed economic interpretation). The values for 2018 deviate also from the data released by Statistics Austria, which have not been seasonally adjusted.

² Contributions to GDP growth adjusted for their import content according to input-output-tables.

offsetting the cyclical downturn to some extent. Unlike growth of investment in equipment, growth of investment in residential construction has remained strong in 2019 to date. For 2019 as a whole, residential construction investment is expected to grow by 4.0%, before decelerating somewhat in the following years, as signaled by the declining number of residential building permits. The other key

growth driver beyond the construction industry has been consumer spending, based on stable household income growth rates. While the growth rate of compensation of employees stands to drop from 4.4% in 2019 to 3% in the subsequent years in line with cyclical conditions, the delayed impact of the higher tax relief for families with children and additional legislative measures adopted in July and September are going to support household income above all in 2020. These additional measures are going to benefit in particular households with below-average average incomes and a high marginal propensity to consume. Last but not least, real incomes have been benefiting from the comparatively low inflation rates. Inflation as measured by the HICP is expected to inch up slightly, averaging 1.5% from 2019 to 2022.

The persistent improvement of labor market conditions observed in recent years will not continue over the forecast horizon. Employment growth is set to drop to around 1%, while labor supply growth remains high. Consequently, the unemployment rate as defined by Eurostat will rise from 4.6% in 2019 to 4.8% in 2021, before dipping to 4.7% in 2022.

The general government surplus achieved in 2018 – the first one after a string of deficits since the 1970s – will be followed by another and even higher surplus in 2019 (about 0.5%). This result is mainly attributable to an environment that is conducive to tax revenue generation (above all a thriving labor market). Moreover, the ongoing decline in interest expenditures is set to continue at least until 2022, as the sovereign bonds maturing until 2022 come with comparatively high yields. However, the impact of the cooling economy and new expansionary measures taking effect in 2020 and 2021 will cause the budget surplus to drop to about 0.2% of GDP in those two years. Thereafter, the brightening economic outlook and the absence of additional measures will drive up the surplus to 0.6% of GDP in 2022. As always, these projections are based on a no-policy-change assumption. Based on the current structural deficit target of –0.5% of GDP, higher potential output growth than in the early 2010s and the strong decline in interest expenditures do create significant fiscal leeway for expansionary measures until 2022. The government debt ratio is forecast to fall to about 63% of GDP by 2022. This will be the lowest level in several decades.

2 Technical assumptions

This forecast for the Austrian economy is the OeNB's contribution to the December 2019 Eurosystem staff macroeconomic projections. The forecast horizon ranges from the fourth quarter of 2019 to the fourth quarter of 2022. The cutoff date for all assumptions on the performance of the global economy, interest rates, exchange rates and crude oil prices was November 19, 2019. To prepare these projections, the OeNB used its macroeconomic quarterly model and national accounts data, adjusted for seasonal and working-day effects (trend-cycle component), provided by the Austrian Institute of Economic Research (WIFO). The data used by the OeNB differ from the quarterly series published by Eurostat since the changeover to the European System of Accounts (ESA 2010) in fall 2014. While also seasonally and working-day adjusted, the Eurostat data include irregular fluctuations that cannot be fully mapped to specific economic fundamentals. The values for 2018 also differ from the data published by Statistics Austria, which are not seasonally adjusted. Detailed national accounts data are based on the flash estimate for the

third quarter of 2019. Short-term interest rates are based on market expectations for the three-month EURIBOR, which market participants expect to remain negative throughout all three forecasting years. Long-term interest rates, which reflect market expectations for ten-year government bonds, are expected to rise from -0.3% in the third quarter of 2019 to 0.3% by the fourth quarter of 2022. The exchange rate of the euro vis-à-vis the U.S. dollar is assumed to remain at a constant USD/EUR 1.10. This projected path of crude oil prices is based on futures prices, which are characterized by a slight downward trend. The price of a barrel of Brent crude oil is expected to decrease from USD 63.8 in 2019 to USD 56.8 in 2022. The prices of nonenergy commodities are also assumed to move in line with futures prices.

3 Global trade affected by trade tensions

The global economy lost considerable momentum in the course of 2019, with the growth setback being particularly pronounced in the manufacturing sector. While industrial production contracted in a number of advanced economies, robust consumer demand has been supporting the services sector in many regions. The industrial weakness has affected above all global trade, which declined as a result in the first half of 2019. The cyclical downturn of global industrial production has been reinforced by a number of dampening factors. These factors mainly relate to trade tensions sparked by U.S. tariffs on imports from China in particular, the ongoing Brexit-related uncertainties as well as the struggles of the automotive industry to meet climate goals and to catch up on e-mobility. In this climate of uncertainty, firms have been investing less, thus creating a further drag on international trade.

The cyclical downturn prompted a number of central banks to take further accommodative monetary policy action. The U.S. Federal Reserve System cut the federal funds rate a second and third time this year in September and October 2019. The ECB adopted a comprehensive package of measures in September, providing further monetary easing. Essentially, the ECB redefined its forward guidance, announced its decision to restart net purchases under its asset purchase programme (APP) in November 2019 and decreased the interest rate on the deposit facility by 10 basis points to -0.5% . At the same time, however, the ECB introduced a two-tier system for reserve remuneration, thus offsetting the direct impact of negative interest rates on banks' profitability.

The *U.S. economy* has been going surprisingly strong, despite the global headwinds and trade tensions with China. The contribution from exports has been negative, though. Exports to China alone dropped by 19% in the first seven months of 2019 compared with the same period of 2018. Alongside exports, business investment has also had a dampening impact on growth, whereas private consumption fueled economic activity. Thus, output growth declined in the course of 2019, but remained fairly robust with 0.5% growth in the third quarter. The U.S. Congress suspended government borrowing limits until the end of July 2021, thus averting the risk of another budget showdown during the forthcoming presidential elections in November 2020. Despite the negative signals emanating from an inverse yield curve, the OeNB's projections entail only a slight decline of U.S. growth over the forecast horizon, to 1.7% by 2022.

The *Chinese economy* has been losing steam, given geopolitical trade tensions and a number of domestic factors. These factors include unfavorable demographic

developments, the shift to a growth model that relies more on consumption and less on investment, and the high debt levels of the private sector. Demand for vehicles dropped off when subsidies for electric and hybrid vehicles were phased out. The government has been seeking to take offsetting stimulus measures, including tax cuts, an easing of monetary policy conditions and credit standards as well as incentives for municipalities to invest in infrastructure. Yet, the impact of these measures has been limited so far. The OeNB expects China to see a further modest slowdown in growth, with substantial downside risks arising from a possible escalation of the trade disputes and the overheated property market.

The *Japanese economy* stagnated in the third quarter of 2019, following robust growth in the first half of 2019. First-half growth was driven by purchases consumers made in anticipation of the VAT increase from 8% to 10% announced for October 2019. Such frontloading led to a temporary stimulation of household spending, whereas exports declined. Exports have been suffering from weak global trade and from trade tensions with South Korea. At the same time, investment has been going up in view of the Summer Olympics that will place in Tokyo in 2020. The expected setback in consumption is projected to result in a contraction of GDP in the fourth quarter of 2019. In 2020, the Japanese economy is unlikely to grow much on account of subdued exports and consumer spending. The outlook for growth remains weak for Japan in 2021 and 2022 as well.

The *Central, Eastern and Southeastern European (CESEE) economies* continue to be a bright spot in the global economy, posting robust growth rates despite the global economic weakness. In 2019, growth has above all been driven by investment supported by EU structural funds. The uptake of these funds, and hence related growth, will decline somewhat in 2020. Consumption has been fueled by strong employment and wage growth and stands to remain the backbone of the CESEE economies. In addition, growth has been fueled by expansionary fiscal policies. Imports to CESEE are going to rise by about 4% in the coming years, which means that the CESEE economies will remain a stabilizing factor for Austrian exports.

Firms in the *United Kingdom* were building up inventories in the first quarter of 2019 ahead of the initial EU exit date agreed for March 29. Accordingly, imports jumped in the first quarter and dropped off in the second quarter. Weak private investment and modest export activity resulting from the uncertainty surrounding Brexit has, to some extent, been offset by public investment. Private consumption has been benefiting from expansionary fiscal policies and strong real wage gains. Since the Brexit date has been moved forward again, thus prolonging the climate of uncertainty, investment spending is expected to remain subdued. Hence, fiscal stimulus and private consumption will remain the key drivers of growth throughout the forecast horizon.

The *euro area economies* are currently characterized by weak industrial growth. The trade dispute between the United States and China and the ongoing uncertainty over Brexit continue to be a burden for the euro area's export-oriented manufacturing industries. Since manufacturing plays a bigger role in some euro area countries than in others, developments have been mixed. While economies such as France, Spain and Greece have been thriving, other euro area economies have been hit by stagnating growth. Growth has been stalling, for instance, in Germany, but even more so in Italy, which has been struggling with weak growth for a very long time. The services sector and the labor market have been robust in

most euro area economies, thus compensating the cooling of the economy to some extent. Euro area GDP is projected to grow by 1.1% in 2020, almost as much as in 2019 (+1.2%), before accelerating to 1.4% in both 2021 and 2022 on the assumption of rebounding world trade. Inflation in the euro area has been falling short of the Eurosystem's price stability goal of a medium-term increase of below, but close to, 2% for an extended period of time. Underlying factors include the development of energy prices and declines in the nonenergy industrial goods and services price components of HICP inflation.

The weakness of the euro area's manufacturing industry is essentially a reflection of developments in *Germany*. As a sought-after producer of machinery and other capital goods, the German manufacturing industry has been particularly hard hit by the global investment slowdown. The manufacturing industry slipped into a recession already one-and-a-half years ago, as a result of the weakening of world trade, but also as a result of the problems facing vehicle manufacturing. Compared with mid-2018 figures, vehicle production dropped by as much as 20%. With 0.1% output growth measured in the third quarter of 2019, the German economy technically avoided falling into a recession, defined as two successive quarters of negative output growth. In 2019 as a whole, output will, however, expand by no more than around ½%. On a more positive note, short-term indicators have been signaling initial signs of a stabilization of manufacturing output. While having declined since mid-2018, capacity utilization is only slightly below the long-term average. Based on these indicators, the manufacturing recession is expected to end in early 2020. In combination with ongoing employment growth, robust wage growth and fiscal stimulus (higher pensions, higher transfer payments and income tax relief), these prospects fuel assumptions of a recovery of GDP growth during 2020. Given the unfavorable growth conditions in 2019 and the carry-over effect from the weaker growth in 2019, annual growth in 2020 is projected to remain rather modest. Near-potential growth rates will not come within reach until 2021.

The *French economy* has been visibly outperforming the German economy of late because it is less dependent on the manufacturing industry than Germany. Supported by strong domestic growth, GDP grew by 0.3% in the third quarter of 2019. Reacting to "yellow vest protests," the government adopted a number of expansionary fiscal measures, which supported private consumption in 2019, but also caused the deficit to widen. The government plans to achieve a much smaller deficit in 2020. Exports are expected to benefit from growing export demand in the years ahead but also from visible price competitiveness gains. At the same time investment spending, which was very lively in recent years, will grow at a much smaller rate from 2020 onward, thus dampening GDP growth. The French economy will grow at potential over the forecast horizon.

The *Italian economy* has been an outlier among the crisis-affected economies: it has yet to recover from the economic and financial crisis. Adding to persistently subdued growth, manufacturing output has been declining since early 2018. Meanwhile, the services sector has started to weaken as well. Thus, GDP growth all but stagnated in the first three quarters of 2019. While the public sector has been stepping in with transfers to low-income earners and public investment projects, weak private sector investment and the modest export outlook do not bode well for growth in the years ahead.

Table 2

Underlying global economic conditions

	2018	2019	2020	2021	2022
Gross domestic product					
<i>Annual change in % (real)</i>					
World excluding the euro area	+3.8	+2.9	+3.1	+3.3	+3.4
U.S.A.	+2.9	+2.3	+2.0	+1.8	+1.7
Japan	+0.8	+0.9	+0.2	+0.6	+0.5
Asia excluding Japan	+6.1	+5.2	+5.0	+5.2	+5.3
Latin America	+0.6	-0.4	+1.3	+2.0	+2.4
United Kingdom	+1.4	+1.3	+1.0	+1.0	+1.0
CESEE EU Member States ¹	+4.4	+4.0	+3.4	+3.3	+3.2
Switzerland	+2.8	+0.8	+1.2	+1.7	+1.9
Euro area ²	+1.9	+1.2	+1.1	+1.4	+1.4
World trade (imports of goods and services)					
<i>Annual change in %</i>					
World	+4.2	+0.6	+1.4	+2.6	+2.9
World excluding the euro area	+4.6	+0.0	+0.8	+2.4	+2.7
Growth of euro area export markets (real)	+3.8	+0.7	+1.0	+2.3	+2.6
Growth of Austrian export markets (real)	+3.9	+1.8	+1.9	+2.7	+2.9
Prices					
Oil price in USD/barrel (Brent)	71.1	63.8	59.6	57.4	56.8
Three-month interest rate in %	-0.3	-0.4	-0.4	-0.4	-0.3
Long-term interest rate in %	0.7	0.1	0.0	0.2	0.3
USD/EUR exchange rate	1.18	1.12	1.10	1.10	1.10
Nominal effective exchange rate of the euro (euro area index)	117.9	116.7	115.9	115.9	115.9

Source: Eurosystem.

¹ Bulgaria, Croatia, Czechia, Hungary, Poland and Romania.² 2018: Eurostat; 2019 to 2022: results of the Eurosystem's December 2019 projections.

The *Spanish economy* has been growing at a healthy pace in 2019 despite the subdued international conditions. At the same time, the health of the Spanish economy is attributable, among other things, to the very low contribution of imports to final demand, given weak demand for consumer durables and capital goods, which typically have a high import content. Following a real estate boom, the Spanish property market started to moderate in mid-2018. This moderation has since been reinforced by new mortgage legislation that took effect in mid-2019. These developments have had a dampening effect on residential construction investment. Since neither investment in equipment nor exports are going to add real momentum in the near future, growth rates will continue to drop further. The lengthy and difficult negotiations to form a new government have been adding to forecast uncertainty.

4 Austrian economy under pressure from weak global trade

4.1 Major downtrend in export growth

Austria's export industry performed remarkably well in the first three quarters of 2019 given global headwinds. In part, the good results stem from services exports, which have gone up sharply since early 2019 and were able to offset weakening goods exports to some extent. Furthermore, Austrian exporters continue to benefit from the health of the CESEE economies, which have been compensating some of the negative impact resulting from the manufacturing recession in Germany. In the third quarter, real exports to the CESEE region continued to grow by as much

as 0.7% against the second quarter. However, the good figures mask the fact that Austrian exporters compromised on prices to refuel weakening demand. Nominal export growth was markedly weaker at 0.4%. Beyond the third quarter of 2019, the outlook is much bleaker, though. While purchasing managers polled for Bank Austria's Purchasing Managers' Index (PMI) see early signs of stabilizing export orders, a value of 43.8 points for October 2019 is still well below the expansion threshold of 50. The European Commission's business survey, while indicating a continued decline in export volume expectations, also implies that export activities should bottom out in the fourth quarter of 2019 and the first quarter of 2020. The OeNB projects Austrian exports of goods and services to grow by 3.1% in 2019. In line with the assumed recovery of world trade, exports should accelerate again in the second quarter of 2020 and thereafter. In 2020, exports are expected to grow by 1.7%, i.e. below the 2019 rate, reflecting subdued growth in early 2020 and low carry-over volumes from 2019. Thereafter, export growth is projected to accelerate to 2.8% in 2021, and to 2.9% in 2022.

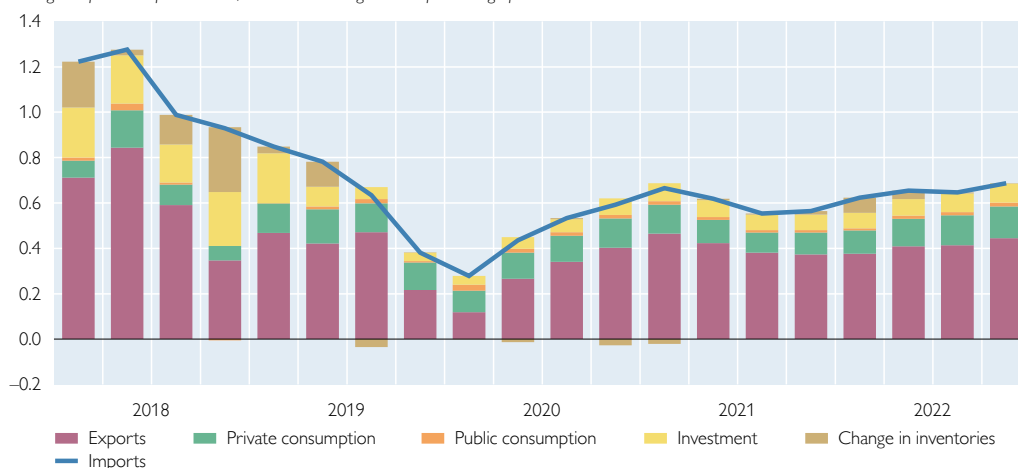
Austrian exporters kept their prices broadly stable in 2019 except for minor increases, thus improving their price competitiveness and gaining market shares. The price competitiveness gains will be sustained over the forecast horizon, but there will be no further room for market share gains. In fact, in line with the ongoing integration of emerging markets into the global economy, advanced economies like Austria can be expected to keep losing some market shares to emerging economies.

Import growth has also been slowing down markedly since mid-2018. See chart 2 for more detailed information on the contributions of the individual demand components to total import demand. The contributions were calculated on the basis of input-output tables (see box 1). The breakdown shows that the decline was driven above all by contracting business investment and changes in inventories in the first three quarters of 2019. Anemic exports are the main culprit of the drop in import growth in the fourth quarter of 2019 and the first quarter of 2020. As exports recover, imports are going to rebound as well over the forecast horizon.

Chart 2

Contributions of demand components to import growth

Change on previous quarter in %; contributions to growth in percentage points



Source: Q1 18–Q3 19: Statistics Austria, WIFO; Q4 19–Q4 22: OeNB December 2019 outlook.

Table 3

Growth and price developments in Austria's foreign trade

	2018	2019	2020	2021	2022
Exports					
<i>Annual change in %</i>					
Competitor prices on Austria's export markets	+0.9	+2.1	+1.9	+1.9	+1.9
Export deflator	+1.5	+0.6	+1.7	+1.8	+1.8
Changes in price competitiveness	-0.7	+1.5	+0.2	+0.2	+0.1
Import demand on Austria's export markets (real)	+3.9	+1.8	+1.9	+2.7	+2.9
Austrian exports of goods and services (real)	+5.9	+3.1	+1.7	+2.8	+2.9
Austrian market share	+2.0	+1.3	-0.2	+0.0	-0.1
Imports					
<i>Annual change in %</i>					
International competitor prices on the Austrian market	+0.7	+1.7	+1.6	+1.9	+1.7
Import deflator	+2.2	+0.7	+1.6	+1.8	+1.7
Austrian imports of goods and services (real)	+4.3	+3.4	+1.8	+2.4	+2.5
Terms of trade					
<i>Percentage points of real GDP</i>					
Contribution of net exports to GDP growth	+1.0	+0.0	+0.0	+0.3	+0.3
<i>% of nominal GDP</i>					
Export ratio	55.9	56.0	56.4	57.3	58.0
Import ratio	51.8	52.2	52.5	53.1	53.6

Source: 2018: WIFO, Eurosystem; 2019 to 2022: OeNB December 2019 outlook.

In 2019, Austria's balance of trade surplus increased to 0.9% of nominal GDP. The balance of services surplus deteriorated slightly in 2019, from 2.7% of GDP to 2.5% of GDP, reflecting the weakening growth rates of services exports. As global trade and hence Austrian exports improve, Austria's balance of trade is also going to improve again over the forecast horizon. With broadly unchanged balances of primary and secondary income, the current account balance is expected to improve from 2.2% of GDP in 2019 to 2.9% of GDP in 2022.

Table 4

Austria's current account

	2018	2019	2020	2021	2022
<i>% of nominal GDP</i>					
Balance of trade	3.6	3.4	3.6	3.8	4.2
Balance of goods	0.9	0.9	1.1	1.3	1.6
Balance of services	2.7	2.5	2.6	2.6	2.6
Balance of primary income¹	-0.3	-0.3	-0.3	-0.3	-0.3
Balance of secondary income²	-1.0	-1.0	-1.0	-1.0	-1.0
Current account balance	2.3	2.2	2.3	2.5	2.9

Source: 2018: OeNB; 2019 to 2022: OeNB December 2019 outlook.

¹ Balance of primary income flows between resident and nonresident institutional units (compensation of employees, investment income, etc.)

² Balance of current transfers between residents and nonresidents.

Import-adjusted growth contributions and their calculation

The individual demand components and their significance for GDP growth can be illustrated by means of growth contributions. Such breakdowns typically include domestic demand components (private consumption, public consumption, investment), net exports (exports minus imports) and changes in inventories. The relevant calculation is simple; the only inputs required are the figures for GDP and for the individual demand components. Alas, the informative value of such an analysis is very limited, as import demand is not exclusively driven by exports, but – albeit to very differing degrees – by all the other demand components as well. For the sake of identifying economically meaningful growth contributions, import demand should be broken down by individual demand components. Then, the respective import share should be deducted from the final demand component to obtain import-adjusted components of demand.

The calculation of import shares is based on the input-output tables published by Statistics Austria. Within a given final demand component, the import share is divided into two parts, i.e. the share of direct imports and the share of indirect imports. The share of direct imports consists of imported goods intended to satisfy final demand without undergoing further processing in Austria. These goods are directly included in the input-output tables, broken down by demand component and by product (CPA-64). The share of indirect imports consists of imported goods needed as inputs for domestic production. The input-output tables show the demand for domestically produced goods, also broken down by demand component and by product (CPA-64). The share of imports required as production inputs is obtained by multiplying the demand for domestically produced goods by the import multipliers (also published by Statistics Austria). The aggregate import share for each final demand component is the sum total of the two subshares.

However, when added up, the import shares calculated according to this method for all demand components do not fully match the import figures evident from the national accounts statistics. The difference can be attributed to the fact that our analysis relies on real GDP growth and real final demand components, whereas the input-output tables show nominal

Table B1

Import shares of final demand components

	Total share of imports					Direct share of imports ¹					Indirect share of imports ²				
	1995	2000	2005	2010	2015	1995	2000	2005	2010	2015	1995	2000	2005	2010	2015
Private consumption	0.21	0.25	0.25	0.25	0.27	0.12	0.14	0.13	0.14	0.15	0.10	0.11	0.12	0.11	0.12
Government consumption	0.08	0.08	0.10	0.10	0.11	0.01	0.02	0.02	0.02	0.03	0.07	0.06	0.08	0.08	0.08
Investment	0.33	0.39	0.38	0.37	0.37	0.19	0.26	0.22	0.20	0.19	0.15	0.13	0.16	0.16	0.18
Residential construction					0.22					0.03					0.19
Other construction					0.22					0.01					0.21
R&D					0.20					0.07					0.13
Equipment					0.68					0.54					0.15
Machinery					0.61					0.43					0.18
Vehicles					0.81					0.73					0.08
Cultivated assets					0.35					0.11					0.23
Exports	0.35	0.34	0.42	0.44	0.45	0.09	0.06	0.15	0.16	0.13	0.26	0.28	0.27	0.28	0.33
Changes in inventories	0.44	0.36	0.38	0.61	0.69	0.26	0.23	0.15	0.59	0.49	0.18	0.14	0.23	0.02	0.21

Source: Statistics Austria, OeNB calculations.

¹ Goods or services imported directly.

² Imports made by domestic producers.

values. Once published, input-output tables, are moreover not subject to later revisions, which leads to inconsistencies with later releases of national accounts data. For this reason, the annual weights were rescaled in such a way that the import demand calculated as explained above is consistent with real imports according to the national accounts. However, the necessary correction factor is small and came to a mere 3.2% in 2015. The table in this box shows the import shares computed by this method. Over time, a continuous increase can be observed. In 2015, the highest import share was reported for exports (45%), followed by investment (37%) and private consumption (27%). Public consumption had the lowest import share (11%). The import share of changes in inventories and its significance cannot be interpreted in a meaningful way, as these changes are a net figure (additions to and subtractions from inventory) and imports are only relevant when building up inventories.

For lack of data, the breakdown of import shares for the investment component is limited to 2015. Rather high import shares for investment in vehicles (0.81) and in machinery (0.61) compare with clearly less-than-average shares for construction investment (0.22) and investment in intangibles (0.20).

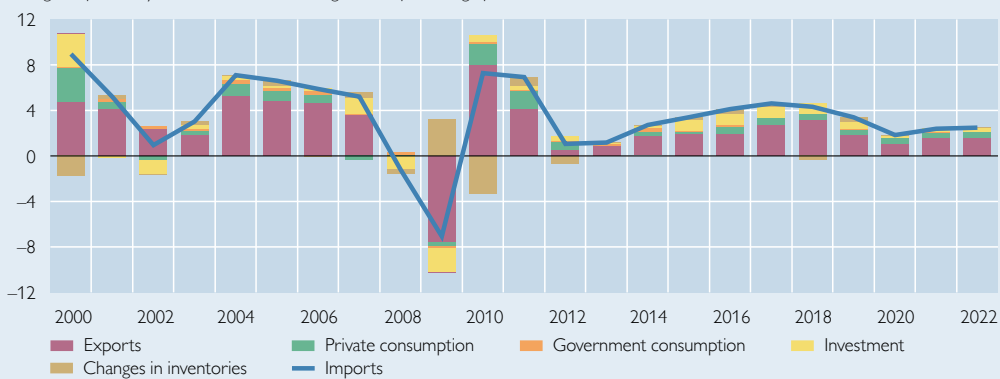
Using these import shares to calculate aggregate import demand (see chart 1-B1) illustrates that, although import growth is mostly driven by exports, the other components are relevant as well. From 2004 to 2006, the export-induced share of import demand totaled 75% and was thus particularly high. The 2013–2017 average amounted to 61%.

Chart 2-B1 compares the contributions to growth of import-adjusted demand components (right panel) with those computed according to the traditional method (left panel), both for the period from 2015 to the end of the forecast horizon in 2022. According to the import-adjusted figures, exports contribute as much as 50% to domestic value added in the period from 2019 to 2022. Based on traditional measures, the contribution of net exports is as small as 10%. These percentages are more or less equivalent to the historical averages since 1995. Thus, the use of net exports in this context leads to a massive understatement of exports' significance for value added and economic growth in Austria. By contrast, an analysis based on import-adjusted figures provides a far more realistic picture of the contributions of GDP growth and, what is more, a correct description of the role of exports.

Chart 1 – B1

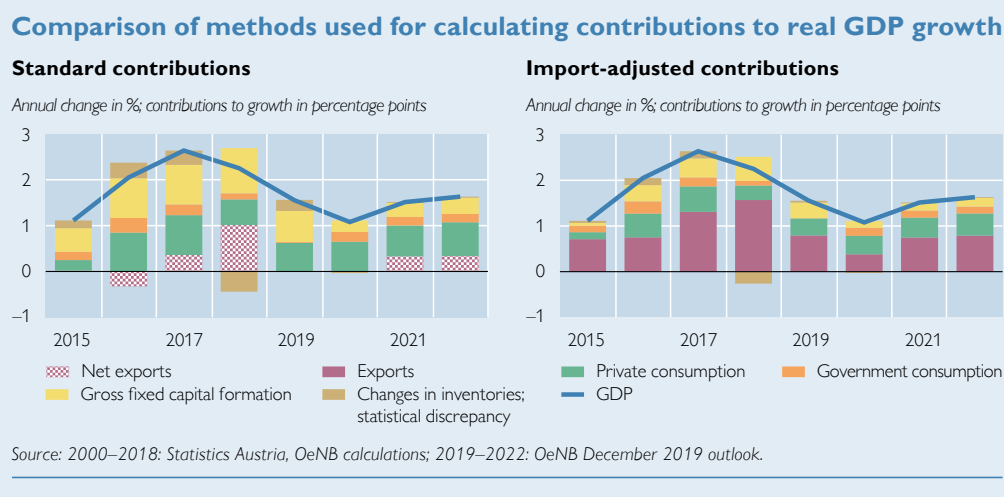
Contributions of demand components to import demand

Change on previous year in %; contributions to growth in percentage points



Source: 2000–2018: Statistics Austria, OeNB calculations; 2019–2022: OeNB December 2019 economic outlook.

Chart 2 – B1



4.2 Unusually strong equipment investment cycle ending amid manufacturing recession

Investment, and heavy investment in equipment in particular, was a key pillar of the Austrian economy in recent years. Investment in equipment jumped by slightly more than 30% between the end of 2014 and the summer of 2019. This means that the current investment cycle was exceptionally long and strong compared with previous cycles. Robust investment growth was fueled by an extended boom of manufacturing in Austria. In the period between the fourth quarter of 2014 and the first quarter of 2019, manufacturing output rose by almost 20%. In early 2019, Austrian manufacturers were still surprisingly resilient to Germany's ongoing manufacturing recession. Whereas Germany's manufacturing industry has been challenged above all by the struggles of car makers to meet earlier manufacturing levels, export-oriented manufacturers in Austria were benefiting from robust growth in the CESEE economies and full order books from the previous boom years.

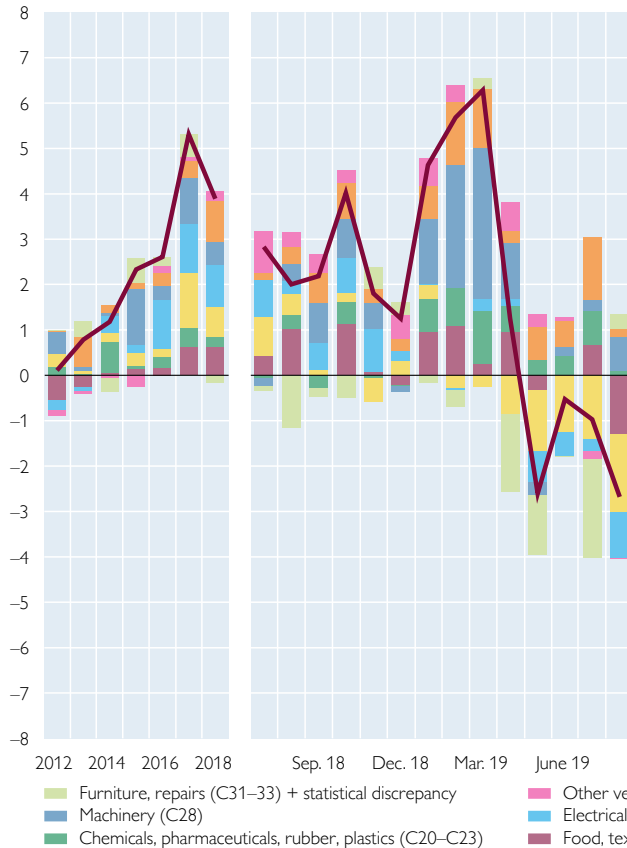
When these partly temporary factors subsided in the second quarter of 2019, manufacturing growth turned negative in Austria and the long and pronounced equipment investment cycle came to an end. Given the ongoing manufacturing recession in Austria and the continued headwinds from the global economy, investment in equipment stagnated also in the third quarter of 2019. Capacity utilization dropped to 85.3% during the fourth quarter, which is near the long-term average. Below-average order book levels do not signal a need for major expansions of existing investment, but neither are there signs of a sharp drop in investment spending. Continued positive growth of imports of machinery and transport equipment implies that domestic firms keep investing, even though the pace of expansion has slowed down visibly. As global trade is expected to recover in 2021 and 2022, with the promise of newly improving industrial sales prospects, investment in equipment stands to rebound gradually in 2020, not least because of the continued benign financing conditions. Still, the 2020 growth rate for investment in equipment will be no more than 0.3%, before faster acceleration to 1.2% in 2021 and 1.5% and 2022.

While investment in equipment is fundamentally driven by cyclical conditions, investment in residential construction is much less dependent on cyclical conditions

Sectoral growth contributions to manufacturing production

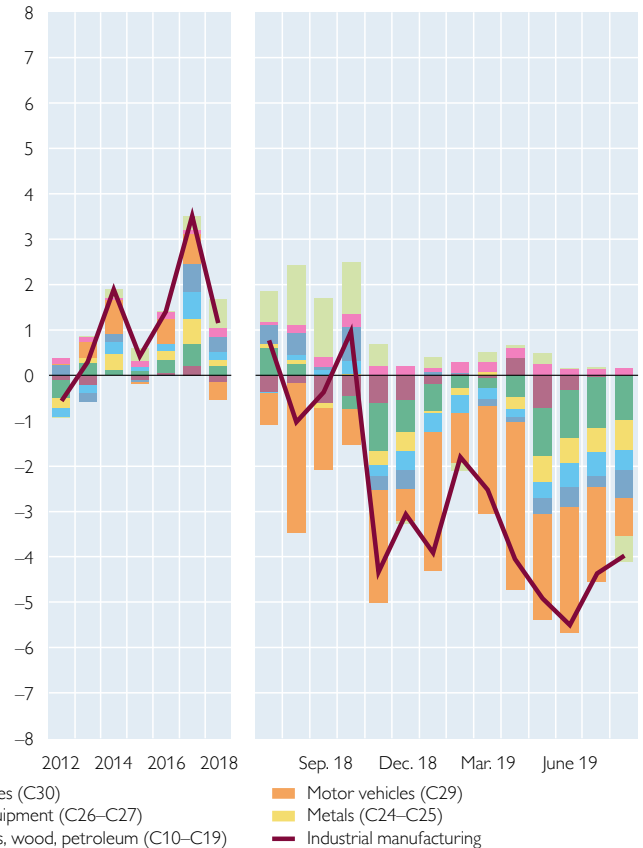
Austria

Annual change in %; contributions to growth in percentage points



Germany

Annual change in %; contributions to growth in percentage points



Source: Eurostat.

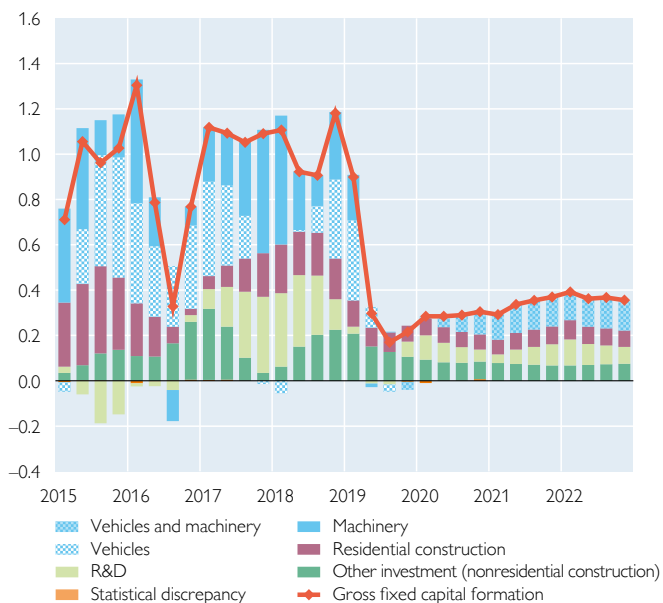
and typically follows a longer cycle. Following an extended period of weakness, residential construction investment has been growing at a healthy pace, exceeding 3% on average, since 2016. Unlike growth of investment in equipment, growth of investment in residential construction has remained strong in 2019 to date. Construction has thus remained one of the key pillars of growth. For 2019 as a whole, residential investment is expected to grow by 4.0%, before decelerating somewhat in the following years. Residential building permits – which typically lead building completions two years ahead – have been declining, albeit from high levels, which is why the growth of residential construction investment is projected to gradually decline to 1.5% on average in the period from 2020 to 2022. The future development of civil engineering investment, which is dominated by the public sector, is subject to a high degree of uncertainty in the absence of a long-term government program. These projections are based on the assumption that civil engineering investment will grow at an annual rate of 1% on average.

These figures add up to a growth of total gross fixed capital formation of 2.9% for 2019, reflecting still robust growth in late 2018 and early 2019. Thereafter, the OeNB projects investment growth to weaken to 1.0% in 2020, and to re-accelerate

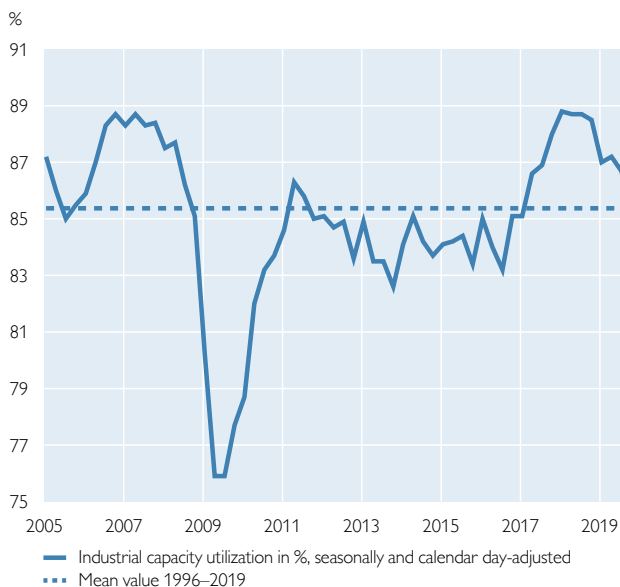
Business investment in Austria

Quarterly investment growth

Change from previous quarter %, contributions to growth in percentage points



Industrial capacity utilization



Source: Q1 05–Q3 19: WIFO, Eurostat; Q4 19–Q4 22: OeNB December 2019 outlook.

Table 5

Investment activity in Austria

	2018	2019	2020	2021	2022
<i>Annual change in %</i>					
Total gross fixed capital formation (real)	+4.2	+2.9	+1.0	+1.3	+1.5
of which: Investment in plant and equipment	+5.3	+3.7	+0.3	+1.2	+1.5
Residential construction investment	+2.5	+4.0	+2.1	+1.6	+1.5
Nonresidential construction investment and other investment	+4.5	+1.3	+1.0	+1.0	+1.4
Investment in research and development	+3.6	+2.5	+1.4	+1.4	+1.5
Public sector investment	-1.8	+1.2	+1.2	+1.1	+1.1
Private investment	+5.1	+3.1	+1.0	+1.3	+1.5
<i>Percentage points</i>					
Contribution to the growth of real gross fixed capital formation					
Investment in plant and equipment	+1.8	+1.3	+0.1	+0.4	+0.5
Residential construction investment	+0.5	+0.7	+0.4	+0.3	+0.3
Nonresidential construction investment and other investment	+1.2	+0.3	+0.3	+0.2	+0.4
Investment in research and development	+0.8	+0.5	+0.3	+0.3	+0.3
Public sector investment	-0.2	+0.1	+0.1	+0.1	+0.1
Private investment	+4.5	+2.7	+0.9	+1.1	+1.3
<i>Percentage points</i>					
Contribution to real GDP growth					
Total gross fixed capital formation	+1.0	+0.7	+0.3	+0.3	+0.4
Changes in inventories	-0.3	+0.3	+0.0	+0.0	+0.0
<i>% of nominal GDP</i>					
Investment ratio	23.9	24.3	24.3	24.2	24.2

Source: 2018: WIFO; 2019 to 2022: OeNB December 2019 outlook.

to 1.3% in 2021, and to 1.5% in 2022. The investment-to-GDP ratio is expected to remain stable at around 24% from 2019 to 2022.

4.3 Private consumption as a stabilizing factor for growth

Households continued to benefit from strong growth of compensation of employees in 2019. Employment growth weakened during the year in line with cyclical conditions, but remained rather high at 1.5%. Real wages grew by 1.1%, a figure last seen ten years ago. New tax relief measures for families with children took effect in January 2019, replacing the current regime of child tax exemption and child care cost deductibility. This measure is expected to have a phasing-in net effect of EUR 0.5 billion in 2019, before reaching its full effect (adding EUR 1.2 billion, or 0.5%, to household income) in 2020. In line with cyclical conditions, self-employment income also posted positive growth in 2019. At the same time, investment income dropped by 7% in 2019, which had a dampening effect on household income. The impact on consumer spending should be limited, however, as the marginal propensity to consume is much lower for income generated through investment than for labor income. Given strong income growth, the current national accounts calculations for the first three quarters of the current year reflect only weak annual consumption growth of 1.2% on average. Consumer growth spending was weaker than expected already in 2018. In 2019, consumer spending is expected to grow by 1.2%, and the saving ratio is projected to drop by 0.2 percentage points, to 7.5%.

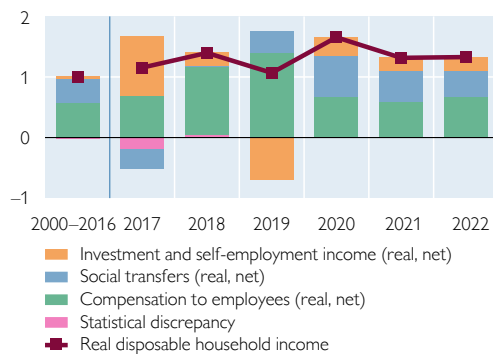
Private consumption will remain a key pillar of economic activity over the forecast horizon. While the growth rate of compensation of employees stands to drop to 3% on average, from 4.4% in 2019, the staggered impact of the higher tax relief for families with children and additional measures adopted by parliament in

Chart 5

Private consumption

Contributions to growth of real disposable net household income

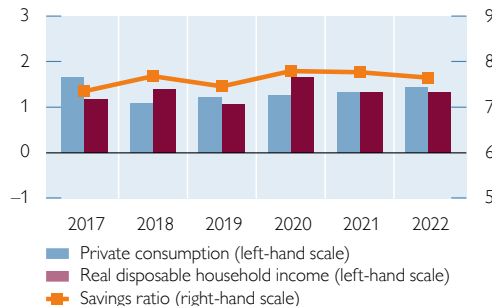
Annual change in %; contributions to growth in percentage points



Disposable household income, private consumption and saving ratio

Annual change in %

% of disposable household income



Source: 2000–2018: WIFO, Statistics Austria; 2019–2022: OeNB December 2019 economic outlook.

July and September² is going to support household income above all in 2020. These additional measures are going to benefit in particular households with below-average average incomes and a high marginal propensity to consume. Self-employment income will grow in line with cyclical conditions, i.e. drop visibly in 2020 and not recover markedly until 2022. Investment income growth is not expected to drop any further. The inflation rate is projected to remain at around 1½% until the end of the forecast horizon. In the bottom line, real disposable household income is projected to grow by 1.7% in 2020, and by 1.3% in 2021 and 2022. Growth of real private consumption will reach 1.3% in 2020 and 2021, and 1.4% in 2022.

Box 2

Public finances from 2019 to 2022³

The OeNB's fiscal projections are based on a no-policy-change assumption.

Budget surpluses expected for the entire forecast horizon. The general government surplus has continued to grow from 0.2% of GDP in 2018 to 0.5% in 2019. The improvement compared with 2018 is above all attributable to a further decline in interest expenditure and robust growth of income-related taxes. These factors compensate the slight negative impact of discretionary fiscal measures on the budget balance (above all higher tax relief for families with children and lower unemployment and accident insurance contributions) in 2019.

Thereafter, the budget balance will decline, but remain positive, in 2020 and 2021. The weaker economic activity will constitute a drag on revenue growth; moreover, new expansionary measures will become effective in 2020 and 2021, including tax relief for low-income earners and pensioners through higher tax deductibles and credits as well as pension adjustments well above inflation in 2020. Outlays for pensions are also on the rise in view of the baby boomer generation reaching the age of statutory retirement and as a result of some minor measures, such as the abolition of pension adjustment delays for new pensioners. For 2022, the OeNB expects the budget balance to improve again, in the absence of further expansionary measures (from today's perspective) and in anticipation of an economic recovery. Last but not least, interest expenditure is set to keep dropping sharply as sovereign bonds with comparatively high yields are about to mature.

Government debt levels declining significantly. The debt ratio will decline noticeably over the forecast horizon, mainly on account of successive budget surpluses and high nominal GDP growth rates. The debt reductions by publicly owned bad banks will be visibly smaller than in the 2016–2018 period. The debt ratio is expected to drop to about 63% of GDP in 2022.

Compliance with fiscal rules. Adjusted for cyclical and one-off effects, the budget will be broadly balanced in 2019 and (increasingly) in surplus thereafter. In other words, Austria is going to overachieve the medium-term budgetary objective (currently –0.5% of GDP) applicable under EU fiscal rules and the budgetary objective defined in the context of the Austrian stability and growth pact (–0.45%, without chambers of commerce and industry). However, the improvements that will emerge over the forecast horizon include above all a visible drop in interest expenditure and a marked increase in potential GDP growth compared with the early 2010s (estimate based on the methodology of the European Commission). Overall, the projections imply comparatively large fiscal room for maneuver for the new government until 2022.

² These measures include one-off pension adjustments, higher tax deductibles and tax credits for low-income earners and pensioners, the abolition of pension adjustment delays for new pensioners, receipt of full pension entitlement with 62 years after 45 contribution years, adjustment of long-term care benefits for inflation, recognition of previous service credit for civil servants, and lower health insurance contributions for self-employed persons and farmers. These measures were not covered by the OeNB's June 2019 economic outlook.

³ Author: Lukas Reiss, Oesterreichische Nationalbank, Economic Analysis Division, lukas.reiss@oenb.at.

Table 6

Determinants of nominal household income and private consumption growth in Austria

	2018	2019	2020	2021	2022
<i>Annual change in %</i>					
Payroll employment	+2.2	+1.5	+0.9	+0.9	+1.0
Wages and salaries per employee	+2.8	+2.8	+2.1	+2.1	+2.3
Compensation of employees	+5.1	+4.4	+3.0	+2.9	+3.3
Property income	+4.0	-7.1	+0.8	+0.7	+2.4
Self-employment income and operating surpluses (net)	+4.1	+4.2	+2.0	+2.1	+3.1
<i>Percentage points</i>					
Contribution to household disposable income growth					
Compensation of employees	+4.3	+3.8	+2.6	+2.6	+2.9
Property income	+0.5	-0.8	+0.1	+0.1	+0.2
Self-employment income and operating surpluses (net)	+0.7	+0.7	+0.3	+0.4	+0.5
Net transfers less direct taxes ¹	-1.9	-0.9	+0.1	-0.1	-0.6
<i>Annual change in %</i>					
Disposable household income (nominal)	+3.5	+2.8	+3.1	+2.9	+3.0
Consumption deflator	+2.1	+1.7	+1.5	+1.5	+1.6
Disposable household income (real)	+1.4	+1.1	+1.7	+1.3	+1.3
Private consumption (real)	+1.1	+1.2	+1.3	+1.3	+1.4
<i>% of nominal disposable household income growth</i>					
Saving ratio	7.7	7.5	7.8	7.8	7.7
<i>% of nominal GDP</i>					
Consumption ratio	51.8	51.6	51.6	51.5	51.4

Source: 2018: WIFO. Statistics Austria; 2019 to 2022: OeNB December 2019 outlook.

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

5 Unemployment rate slightly on the rise in 2020 and 2021

The ending cyclical cycle was characterized by particularly strong employment growth. Payroll employment levels increased by 1.8% on average since 2016, lagging only slightly behind GDP growth of 2.3%. Employment growth peaked in 2018 at close to 2¼%. However, with the economy starting to cool in late 2018/early 2019, the labor market dynamics have been affected as well with the usual lag of one to two quarters. Leading indicators, such as the number of registered vacancies and leased employees had been signaling these developments well ahead. The growth rates for leased employees were going down gradually from mid-2018 and almost stagnated in the third quarter of 2019. These developments also mirror the recession in the domestic manufacturing industry, which is the main employer for leased staff. Since the manufacturing industry offers hardly any part-time jobs, this means that the growth of hours worked declined more strongly than the growth of job numbers. Payroll employment had increased by 2.2% in 2018 and is expected to rise by only 1.5% in 2019. The number of hours worked will grow by 1.4% in 2019. However, the growth rates observed in the course of 2019 signal a further decline in employment growth, which will depress the growth path for the remainder of the forecast horizon in line with expectations for GDP growth. Payroll employment will increase by 0.9% in 2020 and 2021, before inching up to 1.0% in 2022. The number of hours worked by payroll employees will grow by 0.7% in 2020, i.e. at a slower rate than the number of jobs. In 2021 and 2022, the number

Table 7

Labor market growth in Austria

	2018	2019	2020	2021	2022
	<i>Annual change in %</i>				
Total employment (heads)	+1.7	+1.1	+0.7	+0.7	+0.8
Payroll employment	+2.2	+1.5	+0.9	+0.9	+1.0
of which: public sector employees	+1.1	+0.5	+0.3	+0.1	+0.1
Self-employment	-1.6	-1.7	-0.8	-0.6	-0.3
Total hours worked	+1.9	+0.9	+0.4	+0.7	+0.8
Payroll employment	+2.1	+1.4	+0.7	+1.0	+1.1
Self-employment	+1.0	-1.7	-1.1	-0.8	-0.6
Labor supply	+1.0	+0.9	+0.8	+0.8	+0.7
Registered unemployment	-11.8	-3.6	+2.5	+3.1	-2.0
	<i>% of labor supply</i>				
Unemployment rate (Eurostat definition)	4.8	4.6	4.7	4.8	4.7

Source: 2018: WIFO, Statistics Austria; 2019 to 2022: OeNB December 2019 outlook.

of jobs and the number of hours worked will grow in sync again. The Austrian labor market has been suffering from a high and increasing skills mismatch for some time. Together with skills shortages in a number of trades, the skills mismatch has prevented employment from growing at a faster rate.

Despite much weaker economic activity over the forecast horizon than in recent years, labor supply growth will drop only marginally. On average, up to 40,000 individuals will be actively joining the Austrian labor market per year in the period from 2019 to 2022.⁴ Labor supply growth will be fueled by migration, the rising labor force participation rate of older workers and the procyclical response of the labor market supply (idle labor capacity). Net migration will hover around 30,000 individuals per year. As Croatian citizens become eligible to work in Austria, the labor supply will go up by close to 7,000 individuals per year in 2020, 2021 and 2022. Another 15,000 workers on average are attributable to rising labor force participation rates among older employees in particular. At the same time, the demographic change (excluding migration) is going to lower the labor supply over the forecast horizon. This impact will be particularly pronounced in 2022, with a minus of 30,000 individuals.

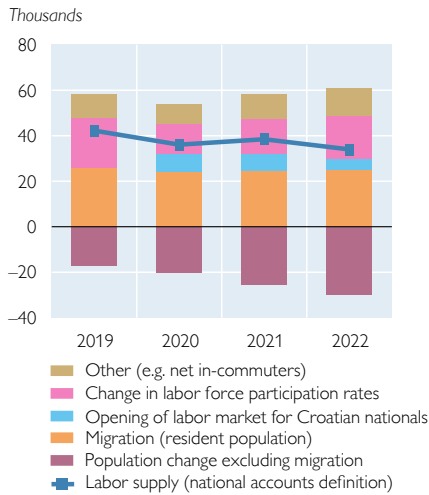
Austria's unemployment rate (Eurostat definition) decreased from a peak of 6.0% in 2016 to 4.8% in 2018, followed by a slight decline to 4.6% in 2019. Until 2021, the unemployment rate will go back up to 4.8%. The expected economic recovery and the weaker growth of the labor supply will cause the unemployment rate to drop slightly to 4.7% by the end of the forecast horizon.

⁴ The change in labor supply may be broken down into a population effect (change in population with unchanged participation rates) and a participation effect (change in participation rates with unchanged population figures). The population effect, in turn, may be decomposed into a change in population excluding immigration (based on population statistics underlying the Statistics Austria forecast excluding migrations) and a change in population including immigration (Statistics Austria – baseline forecast minus forecast excluding migration effects).

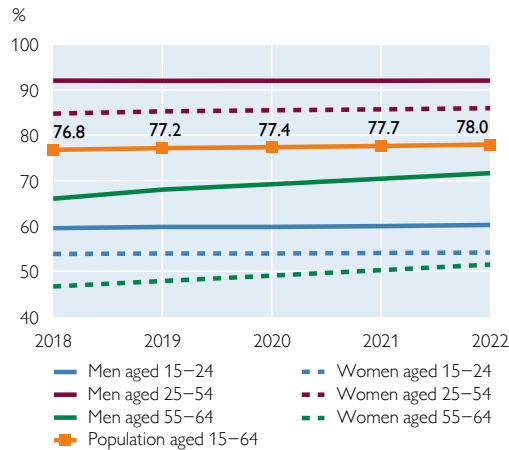
Chart 6

Structure of labor supply

Labor supply growth (resident population aged 15–64)¹



Labor force participation (resident population)



Source: OeNB, Statistics Austria.

¹ Resident population: Domestic households according to microcensus data, forecast extrapolated from trend labor force participation rates and Statistics Austria's November 2018 population forecast (adjusted for actual population figures for 2018). The projections for total population growth are based on the baseline scenario, whereas the projections for "population change excluding migration" are based on the "no migration" scenario. The data on labor supply used in the forecast (national accounts definition) may differ from the microcensus-based equivalent.

6 Inflation to run to 1.5% over the forecast horizon

Austrian inflation is currently marked by a downward trend. Having come to 2.1% in 2018, HICP inflation decreased to an average of 1.6% in the first half of 2019, dropping further to 1.3% in the third quarter. This trend is expected to continue in the fourth quarter of 2019, which will see inflation bottoming out at 1.2%. For 2019 as a whole, inflation will come to 1.5%. The observed changes in HICP inflation are largely driven by the energy component, whose contribution to inflation has decreased gradually during the year and has recently reached slightly negative levels. Core inflation (HICP excluding energy), in contrast, has remained stable in 2019, with quarterly values ranging from 1.5% to 1.6%.

For the first quarter of 2020, HICP inflation is projected to climb to 1.6%, before decreasing to 1.3% later in the year. The temporary increase in headline inflation in the first quarter of 2020 is attributable to base effects associated with past fluctuations in energy prices. Once these effects have faded, HICP inflation is projected to decrease for the remainder of 2020, driven by the change in energy prices. Core inflation (excluding energy and food), however, will climb to 1.7% in early 2020 and will continue to exceed HICP inflation until the end of the year (see chart 7). This pattern will be driven by unit labor costs, which continue to be characterized by above-average growth rates that are projected to slow down over the course of 2020. For the full year 2020, HICP inflation is expected to come to 1.4%, with core inflation running to 1.7%. In subsequent years, the energy component's contribution to inflation is set to turn slightly positive again. Due to the assumed moderate cyclical upswing, wage pressures on inflation are not expected to intensify markedly. Overall, the OeNB projects HICP inflation to increase only

Table 8

Price, cost, productivity and profit indicators for Austria

	2018	2019	2020	2021	2022
	Annual change in %				
Harmonised Index of Consumer Prices (HICP)	+2.1	+1.5	+1.4	+1.5	+1.6
HICP energy	+5.3	+0.6	-1.7	+0.5	+0.8
HICP excluding energy	+1.8	+1.6	+1.7	+1.5	+1.7
Private consumption expenditure (PCE) deflator	+2.1	+1.7	+1.5	+1.5	+1.6
Investment deflator	+2.0	+2.1	+1.5	+1.6	+1.6
Import deflator	+2.2	+0.7	+1.6	+1.8	+1.7
Export deflator	+1.5	+0.6	+1.7	+1.8	+1.8
Terms of trade	-0.7	-0.1	+0.2	+0.0	+0.1
GDP deflator at factor cost	+1.6	+1.8	+1.7	+1.5	+1.6
Collective wage and salary settlements	+2.6	+3.0	+2.4	+2.2	+2.3
Compensation per employee	+2.8	+2.8	+2.1	+2.1	+2.3
Compensation per hour worked	+2.9	+2.9	+2.3	+2.0	+2.2
Labor productivity per employee	+0.6	+0.4	+0.4	+0.8	+0.8
Labor productivity per hour worked	+0.3	+0.7	+0.7	+0.8	+0.8
Unit labor costs	+2.3	+2.4	+1.7	+1.2	+1.5
Profit margins ¹	-0.7	-0.6	+0.1	+0.3	+0.1

Source: 2018: WIFO, Statistics Austria; 2019 to 2022: OeNB December 2019 outlook.

¹ GDP deflator divided by unit labor costs.

moderately to 1.5% in 2021 and to 1.6% in 2022, while core inflation is forecast to remain broadly stable.

The public sector's contribution to inflation (as measured by developments in administered prices and indirect taxes) is assumed to range between 0.2 and 0.4 percentage points from 2019 to 2022. The 2019 tax reform package, which included measures to increase the tobacco tax and to reduce the VAT rate on electronic publications, has only had minor effects on HICP inflation.

Wage settlements in the metals industry, which tend to set the tone for the pay deals for other industries, were concluded before the cut-off date for this forecast. As of November 1, 2019, wages in the metals industry were raised by 2.7%. This is 0.8 percentage points lower than the previous year's raise, which is attributable to both markedly lower inflation over the past 12 months (1.8%, compared to 2.2%) and the slowdown in the manufacturing sector. Based on those settlements, we expect overall collectively agreed wages to increase by 2.4% (2019: 3.0%). The continued decline in inflation is expected to lead to lower wage settlements in 2021 (+2.2%, down 0.2 percentage points from 2020). In 2022, moderately rising inflation and an expected cyclical upswing will result in a slight increase in collectively agreed wages (+2.3%). The slowdown in industrial production will lead to an increasing number of well-paid full-time jobs being lost, which is why we arrive at a negative wage drift (-0.3%) for 2020. In subsequent years, actual wages and collectively agreed wages should increase at approximately the same rate. Thus, the expansion of gross wages including employers' contributions is expected to recede from 2.8% in 2019 to 2.1% in 2020 and 2021, and to 2.3% in 2022. Real take-home pay (after inflation and taxes) is projected to increase by 0.7% in 2019. In subsequent years, this growth is expected to be markedly smaller, averaging 0.3%.

Table 9

Compensation of employees

	2018	2019	2020	2021	2022
	<i>Annual change in %</i>				
Gross wages and salaries¹					
In nominal terms	+5.1	+4.4	+3.0	+2.9	+3.3
Consumption deflator	+2.1	+1.7	+1.5	+1.5	+1.6
In real terms	+2.9	+2.7	+1.5	+1.4	+1.7
Collectively agreed wages and salaries²	+2.6	+3.0	+2.4	+2.2	+2.3
Wage drift	+0.3	-0.2	-0.3	-0.1	+0.0
Compensation of employees per person employed					
Gross ² compensation (nominal)	+2.8	+2.8	+2.1	+2.1	+2.3
Gross, in real terms	+0.7	+1.1	+0.6	+0.5	+0.7
Net, ³ in real terms	+0.3	+0.7	+0.3	+0.2	+0.3
Compensation of employees per hour worked					
Gross ² , in nominal terms	+2.9	+2.9	+2.3	+2.0	+2.2
Gross, in real terms	+0.7	+1.2	+0.8	+0.4	+0.6
	<i>% of nominal GDP</i>				
Wage share	48.0	48.4	48.5	48.5	48.5

Source: 2018: WIFO, Statistics Austria; 2019 to 2022: OeNB December 2019 outlook.

¹ Overall economy.

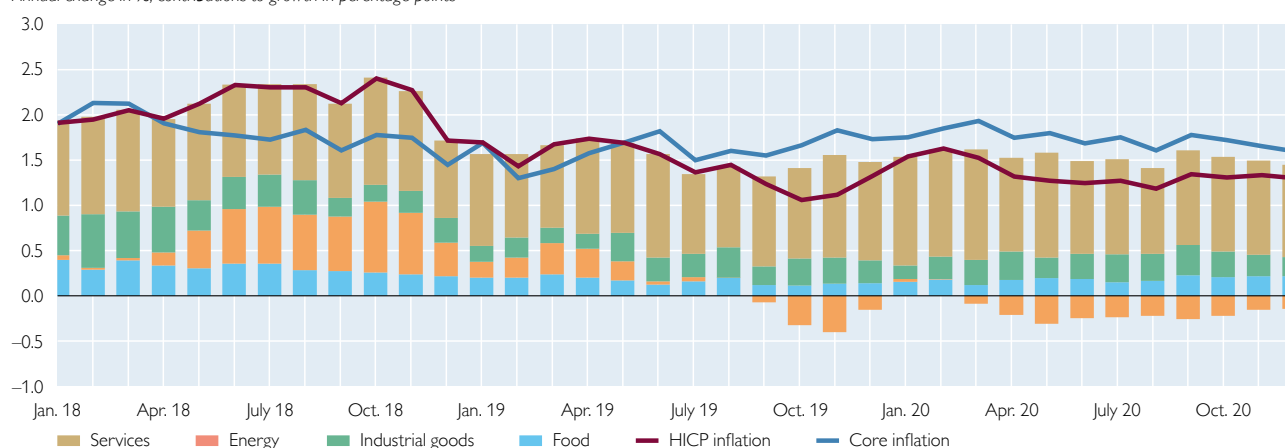
² Including employers' social security contributions.

³ After tax and social security contributions.

Chart 7

Contributions to HICP inflation

Annual change in %; contributions to growth in percentage points



Source: Jan. 2018–Oct. 2019: Eurostat; Nov. 19–Dec. 2020: OeNB December 2019 economic outlook.

7 Risks to the outlook are tilted toward the downside

The risks to this outlook are clearly tilted toward the downside and primarily concern external factors. The forecast is based on the assumption that Brexit will happen in an orderly fashion in early 2020. While Austria has fewer direct trade links with the U.K. than other European countries, a no-deal Brexit poses a significant downward risk to this forecast, primarily via third-country effects. Further escalation of international trade conflicts, geopolitical tensions or a stronger economic downturn in China could also lead to a more pronounced cooling of the

Austrian economy. Based on current national accounts data, the German economy managed to technically avoid dipping into a recession in 2019. Germany's manufacturing industry has, however, been in deep recession since the third quarter of 2019. While the manufacturing industry in Austria was able to evade this downward trend for longer than expected, industrial production started to decrease in mid-2019 after temporary factors, such as a large backlog of existing orders, ceased to apply. In the upcoming months, stronger spillover effects on Austria are possible if the German manufacturing industry remains mired in recession. The longer it takes the externally oriented industry to recover, the higher the risk that the manufacturing weakness will have a knock-on effect on the domestically oriented part of the economy. Thanks to strong employment growth and rising real wages, domestic demand in Austria has been resilient so far, and may continue to be resilient for a longer period. In Germany, domestic demand has been growing consistently even though the manufacturing industry has been in recession for over one-and-a-half years. At some point in the medium term, however, persistently weak exports and industrial production will start to spill over to domestic demand.

Fiscal policy is one of few upside risks to this forecast, given that Austria's future government can be expected to take measures in this field. However, this forecast is based on a no-policy-change assumption. Measures can only be taken into account if they have been laid out in detail and are likely to be implemented. A more expansionary fiscal policy, however, would imply an upward revision of the growth outlook.

The risks to inflation are balanced. A more severe economic downturn would be accompanied by weaker inflationary pressures. A de-anchoring of medium-term inflation expectations, driven by too prolonged a period of a low inflation, also constitutes a downward risk to inflation. Higher crude oil prices, on the contrary, would add to inflation. Labor shortages, as faced by many companies, can put higher upward pressure on wage formation than assumed in this forecast.

8 Major downward revision of the outlook for 2020

The external environment has deteriorated distinctly since the June 2019 outlook. While global economic growth was subject to only minor downward revisions over the forecast horizon, expectations for global trade had to be revised downward markedly. The trade conflict between the United States and China will dampen international trade throughout the forecasting horizon, without having immediate adverse repercussions for Austria – provided that the conflict remains geographically limited. At the same time, Austrian exporters will be affected by weakened import demand Germany, and to a lesser extent in the CESEE economies. Around half of all Austrian exports go to these countries. However, growth expectations also had to be revised downward for all other countries. Projections for Austrian export growth from 2019 to 2021 therefore had to be revised downward by 0.7 percentage points (2019), 1.2 percentage points (2020) and 0.8 percentage points (2021) compared to the June 2019 outlook, dampening real GDP growth by 0.3 percentage points in 2020 and 0.2 percentage points in 2021.

The nominal figures have also changed substantially compared to the June outlook. Markets currently expect oil prices to reach USD 59.6 per barrel Brent in 2020, about USD 6.2 below the level projected in June. Market expectations for short- and long-term interest rates had to be revised downward yet again. This is

due to more subdued economic prospects, interest rate cuts in countries such as the U.S.A. as well as action taken by the ECB in September to increase the degree of monetary policy accommodation. In sum, the revised assumptions for 2020 and 2021 have led to marked downward revisions to both the outlook for GDP growth and for inflation.

Table 11 provides a detailed overview of the reasons why revisions were made to the outlook. The revisions are attributable to the impact of changed external assumptions as well as to the impact of new data and a residual. The influence of new data includes the effects of the revisions of both historical data already available at the time of the OeNB's June 2019 economic outlook (i.e. data up to the first quarter of 2019) and forecasting errors for the periods now covered for the first time (i.e. new data releases for the second and third quarters of 2019). The residual includes new expert assessments regarding domestic variables, such as government consumption or wage settlements, as well as any changes to the forecasting model.

For 2019, GDP growth has been revised upward by 0.1 percentage points. However, this is entirely attributable to an upward revision of historical data up to the first quarter of 2019. In the second and third quarter of 2019, by contrast, growth was less dynamic than projected in June, and this slowdown is expected to continue in the fourth quarter.

At -0.5 percentage points, the downward revision for 2020 is significantly higher. The largest share of the revision (-0.3 percentage points) stems from increasingly adverse external conditions. A carry-over effect stemming from the weaker growth rates during 2019 adds another -0.1 percentage point to the downward revision of GDP growth in 2020. The outlook for 2021 was subject to minor revisions only (-0.1 percentage point).

Compared to the OeNB's June 2019 outlook, the HICP inflation forecast also had to be revised due to a slump in crude oil prices and weakening output growth. The June figure was revised downward by 0.3 percentage points for 2020 and downward by 0.1 percentage points for 2021.

Table 10

Change in external economic conditions since the June 2019 outlook

	December 2019				June 2019			Difference		
	2019	2020	2021	2022	2019	2020	2021	2019	2020	2021
	<i>Annual change in %</i>									
Growth of Austria's export markets	+1.8	+1.9	+2.7	+2.9	+2.5	+3.1	+3.5	-0.7	-1.2	-0.8
Competitor prices on Austria's export markets	+2.1	+1.9	+1.9	+1.9	+2.9	+2.2	+2.1	-0.8	-0.3	-0.2
Competitor prices on Austria's import markets	+1.7	+1.6	+1.9	+1.7	+2.3	+1.9	+2.0	-0.6	-0.3	-0.1
	<i>USD per barrel (Brent)</i>									
Oil price	63.8	59.6	57.4	56.8	68.1	65.8	62.7	-4.3	-6.2	-5.3
	<i>Annual change in %</i>									
Nominal effective exchange rate (exports)	+0.6	+0.3	+0.0	+0.0	+0.5	+0.0	+0.0	+0.1	+0.3	+0.0
Nominal effective exchange rate (imports)	+0.4	+0.2	+0.0	+0.0	+0.3	+0.0	+0.0	+0.1	+0.2	+0.0
	<i>%</i>									
Three-month interest rate	-0.4	-0.4	-0.4	-0.3	-0.3	-0.3	-0.2	-0.1	-0.1	-0.2
Long-term interest rate	0.1	0.0	0.2	0.3	0.3	0.4	0.6	-0.2	-0.4	-0.4
	<i>Annual change in %</i>									
U.S. GDP (real)	+2.3	+2.0	+1.8	+1.7	+2.5	+2.0	+1.8	-0.2	+0.0	+0.0
	<i>USD/EUR</i>									
USD/EUR exchange rate	1.12	1.10	1.10	1.10	1.12	1.12	1.12	+0.00	-0.02	-0.02

Source: Eurosystem.

Table 11

Breakdown of revisions to the outlook

	GDP			HICP		
	2019	2020	2021	2019	2020	2021
	<i>Annual change in %</i>					
December 2019 outlook	+1.6	+1.1	+1.5	+1.5	+1.4	+1.5
June 2019 outlook	+1.5	+1.6	+1.6	+1.7	+1.7	+1.7
Difference	+0.1	-0.5	-0.1	-0.2	-0.3	-0.2
	<i>Percentage points</i>					
Caused by:						
External assumptions	+0.0	-0.3	-0.2	+0.0	-0.3	-0.1
New data ¹	+0.1	-0.1	+0.0	-0.2	x	x
of which: revisions to historical data up to Q1 19	+0.3	x	x	+0.0	x	x
projection errors for Q2 19 and Q3 19	-0.2	-0.1	x	-0.2	x	x
Other changes ²	+0.0	-0.1	+0.1	+0.0	+0.0	-0.1

Source: OeNB June 2019 and December 2019 outlooks. Note: Due to rounding, the sum of growth contributions subject to individual revisions may differ from the total revision.

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.

Table 12

Comparison of the OeNB December 2019 outlook and the June 2019 outlook

	Actual figures	December 2019 outlook			Revision since June 2019 outlook		
	2018	2019	2020	2021	2019	2020	2021
Economic activity							
<i>Annual change in % (real)</i>							
Gross domestic product (GDP)	+2.3	+1.6	+1.1	+1.5	+0.1	-0.5	-0.1
Private consumption	+1.1	+1.2	+1.3	+1.3	-0.4	-0.1	+0.0
Government consumption	+0.7	+0.1	+1.1	+1.0	-1.4	-0.1	-0.1
Gross fixed capital formation	+4.2	+2.9	+1.0	+1.3	+0.2	-0.9	-0.5
Exports of goods and services	+5.9	+3.1	+1.7	+2.8	+1.1	-1.1	-0.6
Imports of goods and services	+4.3	+3.4	+1.8	+2.4	+1.4	-0.8	-0.6
<i>% of nominal GDP</i>							
Current account balance	2.3	2.2	2.3	2.5	+0.0	+0.0	-0.1
Contribution to real GDP growth¹							
<i>Percentage points</i>							
Private consumption	+0.6	+0.6	+0.6	+0.6	-0.2	-0.1	-0.1
Government consumption	+0.1	+0.0	+0.2	+0.2	-0.3	+0.0	+0.0
Gross fixed capital formation	+1.0	+0.7	+0.3	+0.3	+0.1	-0.2	-0.1
Domestic demand (excluding changes in inventories)	+1.7	+1.3	+1.1	+1.1	-0.4	-0.3	-0.2
Net exports	+1.0	+0.0	+0.0	+0.3	-0.1	-0.3	-0.1
Changes in inventories (including statistical discrepancy)	-0.4	+0.2	+0.0	+0.0	+0.5	+0.0	+0.0
Prices							
<i>Annual change in %</i>							
Harmonised Index of Consumer Prices (HICP)	+2.1	+1.5	+1.4	+1.5	-0.2	-0.3	-0.2
Private consumption expenditure (PCE) deflator	+2.1	+1.7	+1.5	+1.5	-0.1	-0.1	-0.1
GDP deflator	+1.6	+1.8	+1.6	+1.5	+0.3	+0.0	-0.1
Unit labor costs (whole economy)	+2.3	+2.4	+1.7	+1.2	-0.1	+0.2	+0.1
Compensation per employee (nominal)	+2.8	+2.8	+2.1	+2.1	+0.1	+0.0	+0.3
Compensation per hour worked (nominal)	+2.9	+2.9	+2.3	+2.0	+0.0	+0.0	+0.1
Import prices	+2.2	+0.7	+1.6	+1.8	-0.9	-0.3	+0.0
Export prices	+1.5	+0.6	+1.7	+1.8	-0.7	-0.3	-0.1
Terms of trade	-0.7	-0.1	+0.2	+0.0	+0.3	+0.1	-0.1
Income and savings							
<i>% of nominal disposable household income</i>							
Real disposable household income	+1.4	+1.1	+1.7	+1.3	-1.1	+0.3	+0.4
<i>% of nominal disposable household income</i>							
Saving ratio	7.7	7.5	7.8	7.8	-0.1	+0.4	+0.6
Labor market							
<i>Annual change in %</i>							
Payroll employment	+2.2	+1.5	+0.9	+0.9	-0.1	-0.3	-0.2
Hours worked (payroll employment)	+2.1	+1.4	+0.7	+1.0	+0.0	-0.3	+0.1
<i>% of labor supply</i>							
Unemployment rate (Eurostat definition)	4.8	4.6	4.7	4.8	-0.1	+0.0	+0.1
Public finances							
<i>% of nominal GDP</i>							
Budget balance (Maastricht definition)	0.2	0.5	0.2	0.2	+0.2	-0.2	-0.3
Government debt	74.0	70.4	68.2	66.0	-0.3	0.2	0.7

Source: 2018 (actual figures): WIFO, Statistics Austria, OeNB; OeNB December 2019 and June 2019 outlooks.

¹ Since the OeNB's June 2019 economic outlook was based on standard measures for GDP growth contributions (i.e. not adjusted for imports), this comparison is based on unadjusted contributions.

Annex: detailed result tables

Table 13

Demand components (real)

Chained volume data (reference year = 2015)

	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
	EUR million					Annual change in %				
Private consumption	189,308	191,609	194,040	196,607	199,437	1.1	1.2	1.3	1.3	1.4
Government consumption	70,475	70,544	71,338	72,038	72,735	0.7	0.1	1.1	1.0	1.0
Gross fixed capital formation	87,839	90,344	91,286	92,441	93,812	4.2	2.9	1.0	1.3	1.5
of which: Investment in plant and equipment	30,449	31,568	31,651	32,046	32,522	5.3	3.7	0.3	1.2	1.5
Residential construction investment	16,158	16,798	17,154	17,432	17,692	2.5	4.0	2.1	1.6	1.5
Nonresidential construction investment and other investment	23,043	23,340	23,575	23,800	24,144	4.5	1.3	1.0	1.0	1.4
Changes in inventories (including statistical discrepancy)	4,103	4,989	4,904	4,979	5,062	1.6	2.8	2.3	2.2	1.8
Domestic demand	351,726	357,486	361,568	366,065	371,046	1.3	1.6	1.1	1.2	1.4
Exports of goods and services	209,982	216,490	220,093	226,174	232,631	5.9	3.1	1.7	2.8	2.9
Imports of goods and services	192,637	199,176	202,820	207,665	212,831	4.3	3.4	1.8	2.4	2.5
Net exports	17,345	17,314	17,273	18,509	19,801	3.6	4.6	4.1	3.5	3.6
Gross domestic product	369,071	374,801	378,841	384,574	390,846	2.3	1.6	1.1	1.5	1.6

Source: 2018: Eurostat; 2019 to 2022: OeNB December 2019 outlook.

Table 14

Demand components (current prices)

	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
	EUR million					Annual change in %				
Private consumption	199,863	205,719	211,390	217,498	224,174	+3.2	+2.9	+2.8	+2.9	+3.1
Government consumption	74,411	77,042	79,559	81,652	83,789	+3.0	+3.5	+3.3	+2.6	+2.6
Gross fixed capital formation	92,328	96,904	99,414	102,246	105,412	+6.3	+5.0	+2.6	+2.8	+3.1
Changes in inventories (including statistical discrepancy)	3,572	3,690	3,238	3,298	3,414	+5.2	6.8	+4.7	+3.7	+3.5
Domestic demand	370,175	383,355	393,601	404,694	416,788	+3.4	+3.6	+2.7	+2.8	+3.0
Exports of goods and services	215,517	223,529	231,227	241,841	253,145	+7.5	+3.7	+3.4	+4.6	+4.7
Imports of goods and services	199,924	208,079	215,197	224,328	233,748	+6.6	+4.1	+3.4	+4.2	+4.2
Net exports	15,593	15,450	16,030	17,513	19,397	+2.5	7.1	+5.3	+5.3	+5.4
Gross domestic product	385,767	398,805	409,631	422,207	436,185	+3.9	+3.4	+2.7	+3.1	+3.3

Source: 2018: Eurostat; 2019 to 2022: OeNB December 2019 outlook.

Table 15

Demand components (deflators)

	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
	2010 = 100					Annual change in %				
Private consumption	105.6	107.4	108.9	110.6	112.4	+2.1	+1.7	+1.5	+1.5	+1.6
Government consumption	105.6	109.2	111.5	113.3	115.2	+2.3	+3.4	+2.1	+1.6	+1.6
Gross fixed capital formation	105.1	107.3	108.9	110.6	112.4	+2.0	+2.1	+1.5	+1.6	+1.6
Domestic demand (excluding changes in inventories)	105.5	107.7	109.4	111.2	112.9	+2.1	+2.1	+1.6	+1.6	+1.6
Exports of goods and services	102.6	103.3	105.1	106.9	108.8	+1.5	+0.6	+1.7	+1.8	+1.8
Imports of goods and services	103.8	104.5	106.1	108.0	109.8	+2.2	+0.7	+1.6	+1.8	+1.7
Terms of trade	98.9	98.8	99.0	99.0	99.1	-0.7	-0.1	+0.2	+0.0	+0.1
Gross domestic product	104.5	106.4	108.1	109.8	111.6	+1.6	+1.8	+1.6	+1.5	+1.7

Source: 2018: Eurostat; 2019 to 2022: OeNB December 2019 outlook.

Table 16

Labor market

	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
	<i>Thousands</i>					<i>Annual change in %</i>				
Total employment	4,489.9	4,540.0	4,570.8	4,602.4	4,640.8	+1.7	+1.1	+0.7	+0.7	+0.8
of which: private sector	3,737.9	3,784.5	3,812.8	3,843.7	3,881.4	+1.8	+1.2	+0.7	+0.8	+1.0
Payroll employment (national accounts definition)	3,945.7	4,004.9	4,040.0	4,074.7	4,114.9	+2.2	+1.5	+0.9	+0.9	+1.0
	<i>% of labor supply</i>									
Unemployment rate (Eurostat definition)	4.8	4.6	4.7	4.8	4.7	x	x	x	x	x
	<i>EUR per real unit of output x 100</i>									
Unit labor costs (whole economy) ¹	57.1	58.4	59.4	60.1	61.0	+2.3	+2.4	+1.7	+1.2	+1.5
	<i>EUR thousand per employee</i>									
Labor productivity (whole economy) ²	82.2	82.6	82.9	83.6	84.2	+0.6	+0.4	+0.4	+0.8	+0.8
	<i>EUR thousand</i>									
Compensation per employee (real) ³	44.4	44.9	45.2	45.4	45.7	+0.7	+1.1	+0.6	+0.5	+0.7
	<i>At current prices in EUR thousand</i>									
Compensation per employee (gross)	46.9	48.2	49.2	50.2	51.4	+2.8	+2.8	+2.1	+2.1	+2.3
	<i>At current prices in EUR million</i>									
Total compensation of employees (gross)	185,057	193,144	198,866	204,727	211,442	+5.1	+4.4	+3.0	+2.9	+3.3

Source: 2018: Eurostat; 2019 to 2022: OeNB December 2019 outlook.

¹Gross wages and salaries divided by real GDP.

²Real GDP divided by total employment.

³Gross wages and salaries per employee divided by private consumption expenditure deflator.

Table 17

Current account balance

	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
	<i>EUR million</i>					<i>% of nominal GDP</i>				
Balance of trade	13,905.0	13,693.9	14,812.0	16,078.9	18,198.2	3.6	3.4	3.6	3.8	4.2
Balance of goods	3,633.0	3,574.8	4,332.5	5,312.6	6,816.2	0.9	0.9	1.1	1.3	1.6
Balance of services	10,272.0	10,119.2	10,479.5	10,766.3	11,382.0	2.7	2.5	2.6	2.6	2.6
Balance of primary income	-1,059.0	-1,224.1	-1,224.1	-1,224.1	-1,224.1	-0.3	-0.3	-0.3	-0.3	-0.3
Balance of secondary income	-3,861.0	-3,848.9	-3,968.9	-4,316.9	-4,516.9	-1.0	-1.0	-1.0	-1.0	-1.0
Current account balance	8,985.0	8,620.9	9,618.9	10,537.8	12,457.1	2.3	2.2	2.3	2.5	2.9

Source: 2018: Eurostat; 2019 to 2022: OeNB December 2019 outlook.

Quarterly outlook results

	2019	2020	2021	2022	2019				2020				2021				2022			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Prices, wages, costs	<i>Annual change in %</i>																			
HICP	+1.5	+1.4	+1.5	+1.6	+1.6	+1.7	+1.3	+1.2	+1.6	+1.3	+1.3	+1.3	+1.5	+1.5	+1.5	+1.5	+1.6	+1.6	+1.7	+1.6
HICP excluding energy	+1.6	+1.7	+1.5	+1.7	+1.5	+1.7	+1.6	+1.7	+1.8	+1.7	+1.7	+1.7	+1.5	+1.5	+1.5	+1.6	+1.7	+1.7	+1.7	+1.7
Private consumption expenditure deflator	+1.7	+1.5	+1.5	+1.6	+1.9	+1.7	+1.6	+1.5	+1.5	+1.5	+1.5	+1.5	+1.5	+1.5	+1.6	+1.6	+1.6	+1.6	+1.6	+1.6
Gross fixed capital formation deflator	+2.1	+1.5	+1.6	+1.6	+2.2	+2.1	+2.0	+1.9	+1.7	+1.5	+1.5	+1.5	+1.5	+1.6	+1.6	+1.6	+1.6	+1.6	+1.6	+1.6
GDP deflator	+1.8	+1.6	+1.5	+1.7	+1.8	+1.8	+1.8	+1.9	+1.8	+1.7	+1.6	+1.4	+1.5	+1.5	+1.6	+1.6	+1.6	+1.7	+1.7	+1.6
Unit labor costs	+2.4	+1.7	+1.2	+1.5	+2.5	+2.3	+2.4	+2.3	+2.1	+1.8	+1.5	+1.3	+1.2	+1.2	+1.3	+1.3	+1.4	+1.4	+1.5	+1.6
Compensation per employee (nominal)	+2.8	+2.1	+2.1	+2.3	+2.9	+2.9	+2.8	+2.7	+2.3	+2.1	+1.9	+1.9	+2.0	+2.1	+2.1	+2.1	+2.2	+2.2	+2.3	+2.3
Productivity	+0.4	+0.4	+0.8	+0.8	+0.5	+0.6	+0.3	+0.4	+0.2	+0.3	+0.4	+0.6	+0.8	+0.8	+0.8	+0.8	+0.8	+0.8	+0.8	+0.7
Compensation per employee (real)	+1.1	+0.6	+0.5	+0.7	+1.0	+1.1	+1.2	+1.2	+0.9	+0.7	+0.4	+0.4	+0.5	+0.5	+0.5	+0.5	+0.6	+0.6	+0.7	+0.7
Import deflator	+0.7	+1.6	+1.8	+1.7	+1.5	+0.9	-0.1	+0.4	+0.8	+1.3	+2.1	+2.0	+1.9	+1.8	+1.8	+1.8	+1.7	+1.7	+1.7	+1.6
Export deflator	+0.6	+1.7	+1.8	+1.8	+1.1	+0.6	+0.1	+0.6	+1.1	+1.6	+2.3	+2.1	+1.9	+1.8	+1.7	+1.7	+1.7	+1.8	+1.8	+1.7
Terms of trade	-0.1	+0.2	+0.0	+0.1	-0.4	-0.2	+0.2	+0.2	+0.3	+0.2	+0.2	+0.1	+0.0	+0.0	-0.1	-0.1	+0.0	+0.1	+0.1	+0.1
Economic activity	<i>Annual and/or quarterly changes in % (real)</i>																			
GDP	+1.6	+1.1	+1.5	+1.6	+0.4	+0.2	+0.2	+0.2	+0.2	+0.3	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4
Private consumption	+1.2	+1.3	+1.3	+1.4	+0.4	+0.3	+0.2	+0.3	+0.3	+0.3	+0.4	+0.4	+0.3	+0.3	+0.3	+0.3	+0.4	+0.4	+0.4	+0.4
Government consumption	+0.1	+1.1	+1.0	+1.0	-0.1	+0.0	+0.2	+0.0	+0.6	+0.3	+0.3	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.3	+0.3	+0.3
Gross fixed capital formation	+2.9	+1.0	+1.3	+1.5	+0.9	+0.3	+0.2	+0.2	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4
Exports	+3.1	+1.7	+2.8	+2.9	+0.8	+0.6	+0.7	+0.3	+0.2	+0.4	+0.6	+0.7	+0.8	+0.7	+0.7	+0.7	+0.7	+0.7	+0.7	+0.7
Imports	+3.4	+1.8	+2.4	+2.5	+0.8	+0.8	+0.6	+0.4	+0.3	+0.4	+0.5	+0.6	+0.7	+0.6	+0.6	+0.6	+0.6	+0.7	+0.6	+0.7
	<i>Contribution to real GDP growth in percentage points</i>																			
Domestic demand	+1.3	+1.1	+1.2	+1.3	+0.4	+0.2	+0.2	+0.2	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3
Net exports	+0.0	+0.0	+0.3	+0.3	+0.0	-0.1	+0.1	+0.0	+0.0	+0.0	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1
Changes in inventories	+0.2	+0.0	+0.0	+0.0	+0.0	+0.1	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
Labor market	<i>% of labor supply</i>																			
Unemployment rate (Eurostat definition)	4.6	4.7	4.8	4.7	4.7	4.6	4.5	4.6	4.6	4.7	4.8	4.8	4.9	4.9	4.8	4.8	4.8	4.7	4.7	4.6
	<i>Annual and/or quarterly changes in %</i>																			
Total employment	+1.1	+0.7	+0.7	+0.8	+0.2	+0.2	+0.2	+0.1	+0.2	+0.2	+0.1	+0.1	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2
of which: private sector	+1.2	+0.7	+0.8	+1.0	+0.3	+0.2	+0.2	+0.1	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.3	+0.3	+0.3
Payroll employment	+1.5	+0.9	+0.9	+1.0	+0.4	+0.4	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.3	+0.3	+0.3
Additional variables	<i>Annual and/or quarterly changes in % (real)</i>																			
Disposable household income	+1.1	+1.7	+1.3	+1.3	+0.0	+0.0	+0.1	+0.9	+0.4	+0.4	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.4	+0.4
	<i>% of real GDP</i>																			
Output gap	0.7	0.1	0.0	0.1	1.0	0.8	0.6	0.3	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2

Source: OeNB December 2019 outlook. Quarterly values based on seasonally and working day-adjusted data.

Table 19

Comparison of current economic forecasts for Austria

	OeNB				WIFO		IHS		OECD			IMF		European Commission		
	December 2019				October 2019		October 2019		November 2019			October 2019		November 2019		
	2019	2020	2021	2022	2019	2020	2019	2020	2019	2020	2021	2019	2020	2019	2020	2021
	<i>Annual change in %</i>															
Main results																
GDP (real)	+1.6	+1.1	+1.5	+1.6	+1.7	+1.4	+1.5	+1.3	+1.5	+1.3	+1.3	+1.6	+1.7	+1.5	+1.4	+1.4
Private consumption (real)	+1.2	+1.3	+1.3	+1.4	+1.5	+1.6	+1.5	+1.3	+1.3	+1.6	+1.6	x	x	+1.5	+1.5	+1.3
Government consumption (real)	+0.1	+1.1	+1.0	+1.0	+1.3	+0.9	+0.5	+1.0	+0.1	+0.2	+0.9	x	x	+0.9	+1.3	+1.1
Gross fixed capital formation (real)	+2.9	+1.0	+1.3	+1.5	+2.9	+1.5	+2.5	+1.1	+2.9	+1.7	+1.5	x	x	+2.9	+1.2	+1.1
Exports (real)	+3.1	+1.7	+2.8	+2.9	+2.3	+2.3	+2.2	+1.7	+3.3	+1.4	+1.3	+1.8	+1.3	+2.3	+2.3	+2.3
Imports (real)	+3.4	+1.8	+2.4	+2.5	+2.4	+2.5	+2.2	+1.5	+3.4	+2.0	+1.5	+1.2	+1.1	+2.6	+2.3	+2.0
GDP per employee ¹	+0.4	+0.4	+0.8	+0.8	+0.5	+0.4	+0.0	+0.5	+0.5	+0.6	+0.5	x	x	+0.5	+0.7	+0.8
GDP deflator	+1.8	+1.6	+1.5	+1.7	+1.9	+1.7	+1.9	+1.6	+1.6	+1.4	+1.4	+1.6	+1.8	+1.9	+1.7	+1.7
CPI	x	x	x	x	+1.6	+1.7	+1.5	+1.5	x	x	x	x	x	x	x	x
HICP	+1.5	+1.4	+1.5	+1.6	+1.6	+1.7	+1.5	+1.5	+1.6	+1.5	+1.4	+1.5	+1.9	+1.5	+1.6	+1.6
Unit labor costs	+2.4	+1.7	+1.2	+1.5	+2.4	+1.5	+2.6	+1.6	x	x	x	x	x	+2.3	+1.3	+1.1
Payroll employment	+1.5	+0.9	+0.9	+1.0	+1.6	+1.0	+1.6	+0.8	+0.9	+0.8	+0.8	+0.7	+1.1	+1.1	+0.7	+0.6
	<i>% of labor supply</i>															
Unemployment rate (Eurostat definition)	4.6	4.7	4.8	4.7	4.6	4.6	4.6	4.8	4.6	4.5	4.6	5.1	5.0	4.6	4.6	4.6
	<i>% of nominal GDP</i>															
Current account balance	2.2	2.3	2.5	2.9	2.5	2.3	x	x	1.4	0.7	0.6	1.6	1.8	2.2	2.1	2.2
Budget balance (Maastricht definition)	0.5	0.2	0.2	0.6	0.6	0.4	0.3	0.3	0.3	0.4	0.3	0.1	-0.2	0.4	0.2	0.4
External assumptions																
Oil price in USD/barrel (Brent)	63.8	59.6	57.4	56.8	66.0	63.0	64.0	60.0	63.4	60.0	60.0	61.8	57.9	63.3	57.4	56.1
Short-term interest rate in %	-0.4	-0.4	-0.4	-0.3	-0.4	-0.5	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.6	-0.4	-0.5	-0.5
USD/EUR exchange rate	1.12	1.10	1.10	1.10	1.12	1.10	1.12	1.11	1.12	1.11	1.11	1.12	1.12	1.12	1.11	1.11
	<i>Annual change in %</i>															
Euro area GDP (real)	+1.2	+1.1	+1.4	+1.4	+1.2	+1.3	+1.1	+1.2	+1.2	+1.1	+1.2	+1.2	+1.4	+1.1	+1.2	+1.2
U.S. GDP (real)	+2.3	+2.0	+1.8	+1.7	+2.3	+1.8	+2.3	+1.7	+2.3	+2.0	+2.0	+2.4	+2.1	+2.3	+1.8	+1.6
World GDP (real)	+2.7	+2.9	+3.1	+3.1	x	x	+3.0	+3.1	+2.9	+2.9	+3.0	+3.0	+3.4	+2.9	+3.0	+3.1
World trade ²	+0.6	+1.4	+2.6	+2.9	x	x	-0.5	+1.3	+1.2	+1.6	+2.3	+1.2	+3.2	+1.4	+2.3	+2.6

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

¹ WIFO: GDP per hour worked.² Institute for Advanced Studies (IHS): Goods as published by the CPB Netherlands Bureau for Economic Policy Analysis; European Commission: Global imports.