

Austrian Economy Recovers from Two-Year Weak Patch

Economic Outlook for Austria from 2013 to 2015
(December 2013)

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1 Summary: Growth Becomes More Broad-Based

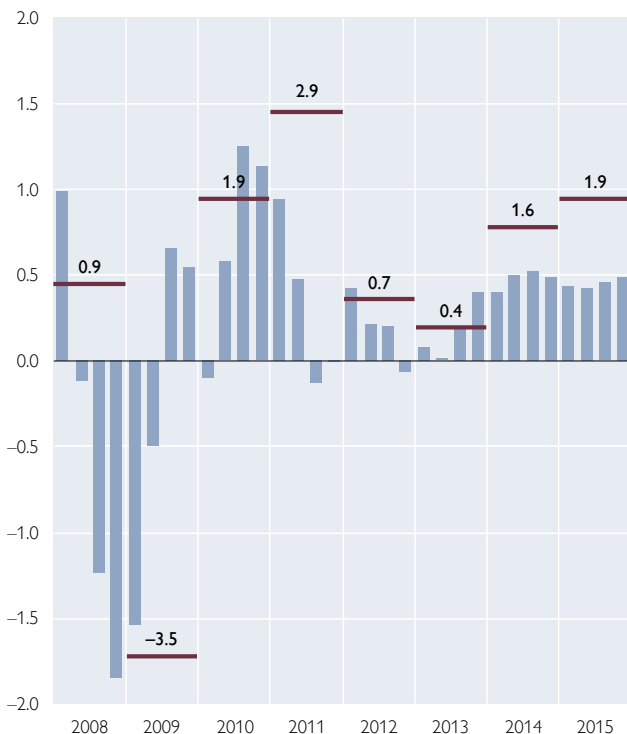
In its economic outlook of December 2013, the Oesterreichische Nationalbank (OeNB) projects the Austrian economy to grow by a modest 0.4% in 2013. Following stagnating output in the first half of 2013, the economy is gradually recovering in the second half of the year. Growth will accelerate to 1.6% and 1.9% in 2014 and 2015, respectively. In addition to the recovery of

the world economy, domestic demand components are also increasingly contributing to the recovery. Private consumption is benefiting from healthy employment growth and a moderate rise in real wages, and investment activity is being driven by improved sales prospects and deferred replacement investments that will be realized. As a result, Austria's growth prospects look virtually unchanged on the economic outlook of June 2013.

Chart 1

Real GDP Growth (Seasonally and Working Day-Adjusted)

Quarterly change in % (seasonally and working day-adjusted)



Source: Eurostat, OeNB.

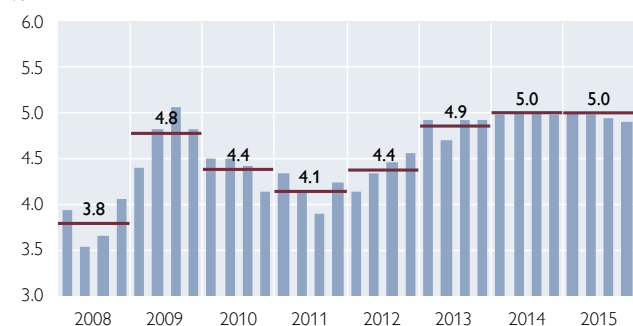
Harmonized Index of Consumer Prices

Annual change in %



Unemployment Rate

%



Cutoff date:
November 20, 2013

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The labor market has been characterized by a sharp rise in labor supply, which means unemployment will climb to 5% despite sustained employment growth. Inflation, which was high in 2011 and 2012, is easing and, at 2.1%, will only just exceed the price stability target in 2013. Inflation is expected to continue falling to 1.7% and to 1.6% in 2014 and 2015, respectively. The general government budget balance will improve significantly in 2013 (−1.6% of GDP) compared with 2012 (−2.5%) but – especially owing to necessary bank transfers – will deteriorate during the rest of the forecast period (2014 and 2015: −2.2% in each year). The current account surplus will widen steadily from 3.0% of GDP in 2013 to 3.5% in 2015.

The world economy is recovering after two years of sluggish growth and is currently on track to modest growth. Economic activity in industrialized nations is gaining momentum while growth forces in emerging economies are slowing down. The subdued growth momentum of emerging economies is attributable to two factors: first, existing structural problems and, second, tighter financing conditions resulting from the anticipated tapering announcement of the U.S. Federal Reserve. Developed economies, by contrast, are visibly gaining steam due to the weakening of factors related to the financial crisis. The U.S. economy is witnessing a robust uptrend; the euro area succeeded in leaving recession behind in the second quarter of 2013. However, aggregated growth in the euro area is concealing a high level of heterogeneity. While core countries such as Germany and Austria will end 2013 with positive GDP growth, the economic output of peripheral euro area countries is contracting so sharply again that annual euro area growth will remain negative in 2013. The euro area

economy is set to expand in 2014 and 2015, however.

The recovery of the international economy is making a crucial contribution to the projected upturn in the Austrian economy. The year 2012 and the first three quarters of 2013 registered very muted export growth. For the fourth quarter of 2013, by contrast, the order book is signaling a considerable improvement in export growth. Still, growth in Austrian export markets will prove to be lower than before the crisis. In addition, price competitiveness poses a challenge to Austrian exports. After declining for cyclical reasons in 2013, import growth will reaccelerate on the back of a revival in domestic demand. Despite sluggish export growth, slowing import growth in 2013 will result in a substantial improvement in Austria's current account. The current account surplus will widen from 1.6% of GDP in 2012 to 3.0% in 2013 and is expected to further improve to 3.5% by 2015.

Owing to prevailing uncertainty, companies have been curbing their investment activity since spring 2012. The marked improvement in sentiment indicates however that investment activity will recover soon. Excellent financing conditions and the need for replacement investment suggest, above all, a pronounced cycle of investment in equipment. The negative contributions of inventory changes in 2012 and 2013 will give rise to an inventory build-up over the rest of the forecast period that will support economic growth. High housing demand reflected in the steep rise in real estate prices will trigger an acceleration in housing investment. However, momentum in civil engineering investment currently remains subdued owing to fewer public sector orders. Consumption growth was very muted recently because of faltering real house-

hold income. Private consumption will contract slightly in 2013 as a whole. Sustained employment growth and rising real wages will however result in positive consumption growth in subsequent years.

The labor market situation is mixed. On the one hand, employment is ex-

panding despite sluggish economic activity in 2012 and 2013. On the other hand, joblessness is also rising. This development is attributable to a rise in – particularly foreign – labor supply. Following the liberalization of the Austrian labor market in May 2011 for

Table 1

OeNB December 2013 Outlook for Austria – Key Results¹

	2012	2013	2014	2015
Economic activity				
<i>Annual change in % (real)</i>				
Gross domestic product	+0.7	+0.4	+1.6	+1.9
Private consumption	+0.4	+0.0	+0.7	+1.1
Government consumption	-0.3	+0.7	+1.3	+1.3
Gross fixed capital formation	+1.9	-0.7	+2.2	+2.4
Exports of goods and services	+1.7	+1.6	+3.7	+5.2
Imports of goods and services	+0.0	+0.1	+3.7	+5.2
<i>% of nominal GDP</i>				
Current account balance	+1.6	+3.0	+3.3	+3.5
Contribution to real GDP growth				
<i>Percentage points</i>				
Private consumption	+0.2	+0.0	+0.4	+0.6
Government consumption	-0.1	+0.1	+0.2	+0.2
Gross fixed capital formation	+0.4	-0.2	+0.4	+0.5
Domestic demand (excluding changes in inventories)	+0.5	+0.0	+1.1	+1.3
Net exports	+0.9	+0.9	+0.2	+0.4
Changes in inventories (including statistical discrepancy)	-0.7	-0.5	+0.3	+0.2
Prices				
<i>Annual change in %</i>				
Harmonised Index of Consumer Prices (HICP)	+2.6	+2.1	+1.7	+1.6
Private consumption expenditure (PCE) deflator	+2.6	+2.2	+1.7	+1.7
GDP deflator	+1.8	+1.8	+1.6	+1.6
Unit labor costs in the total economy	+3.0	+2.8	+1.4	+1.0
Compensation per employee (at current prices)	+2.5	+2.5	+2.3	+2.2
Productivity (whole economy)	-0.5	-0.3	+0.9	+1.1
Compensation per employee (real)	-0.2	+0.3	+0.6	+0.5
Import prices	+2.3	-0.9	+0.4	+1.1
Export prices	+1.1	-0.3	+0.7	+1.4
Terms of trade	-1.1	+0.6	+0.3	+0.3
Income and savings				
<i>% of nominal disposable household income</i>				
Real disposable household income	+1.1	-1.0	+0.8	+1.4
<i>% of nominal disposable household income</i>				
Saving ratio	7.4	6.5	6.7	7.0
Labor market				
<i>Annual change in %</i>				
Payroll employment	+1.5	+0.7	+0.6	+0.7
<i>% of labor supply</i>				
Unemployment rate (Eurostat definition)	4.4	4.9	5.0	5.0
Budget²				
<i>% of nominal GDP</i>				
Budget balance (Maastricht definition)	-2.5	-1.6	-1.6 (-2.2)	-1.6 (-2.2)
Government debt	74.0	74.2	73.7 (74.3)	72.8 (74.0)

Source: 2012: Eurostat, Statistics Austria; 2013 to 2015: OeNB December 2013 outlook.

¹ The outlook was drawn up on the basis of seasonally adjusted and working-day adjusted national accounts data. Therefore, the values for 2012 may deviate from the nonadjusted data released by Statistics Austria.

² Values in brackets include potential bank aid.

workers from eight Central and Eastern European countries, the Austrian labor market will be opened also to workers from Romania and Bulgaria on January 1, 2014. Furthermore, the rising labor force participation rate of both older people and women are also supporting labor supply growth. As a result, the unemployment rate (Eurostat definition) climbed from 4.4% in 2012 to 4.9% in 2013. The unemployment rate will stand at 5.0% in both 2014 and 2015.

Inflation almost halved in Austria during the previous twelve months. Falling energy and food prices will trigger a further deceleration in inflation momentum. Overall, the HICP inflation rate will ease from 2.1% in 2013 to 1.7% in 2014 and 1.6% in 2015.

The OeNB's budget forecast is based on a no-policy-change assumption, i.e. only already adopted discretionary measures are included in the forecast. The general government balance will be determined by one-off effects over the forecast horizon. In 2013, positive one-off effects – revenues from the auction of mobile licenses and from the tax agreement with Switzerland – will more than outweigh the negative effects arising from the government's support for the financial sector. As a result, the general government budget balance will improve to –1.6% of GDP in 2013. In 2014 and 2015, however, the budget balance is expected to deteriorate to –2.2% of GDP owing to further possible government assistance to the financial sector. Excluding the assumption of bank aid, the general government deficit ratio would remain at 1.6% of GDP in both 2014 and 2015.

2 Technical Assumptions

This forecast is the OeNB's contribution to the Eurosystem's December 2013 staff projections. The forecast horizon ranges from the fourth quarter of 2013

to the fourth quarter of 2015. November 20, 2013, was the cutoff date for data underlying the assumptions on global growth as well as interest rates, exchange rates and crude oil prices. The OeNB used its macroeconomic quarterly model to prepare the projections for Austria. The key data source comprises seasonally and working day-adjusted national accounts data computed by the Austrian Institute of Economic Research (WIFO), which were fully available up to the second quarter of 2013. The data for the third quarter of 2013 are based on GDP flash estimate estimates, which cover only part of the aggregates in the national accounts, however. The short-term interest rates used for the forecast horizon are based on market expectations for the three-month EURIBOR, namely 0.2% (2013), 0.3% (2014) and 0.5% (2015). The long-term interest rates, which are based on market expectations for ten-year government bonds, are set at 2.0% (2013), 2.3% (2014) and 2.7% (2015). The exchange rate of the euro vis-à-vis the U.S. dollar is assumed to stay constant at USD 1.34. The projected development of crude oil prices is based on futures prices. The oil price assumed for 2013 is USD 108.2 per barrel of Brent, while the prices for 2014 and 2015 are set at USD 103.9 and USD 99.2, respectively. The prices of commodities excluding energy are also based on futures prices over the forecast horizon.

3 Moderate Recovery of Global Economy – European Debt Crisis Still Hampers Growth

The world economy is gaining momentum after two years of weaker growth, with a regional shift in growth momentum becoming evident. While economic activity in industrialized nations is gaining visible pace, growth in emerging economies is slowing down. A

crucial factor for further growth is the future course of U.S. monetary policy. The rise in U.S. government bond yields since early 2013 has triggered strong capital inflows to the U.S.A. This phenomenon placed the currencies of some emerging economies under strong depreciation pressures, to which the central banks of these countries were forced to react by raising interest rates. In conjunction with existing structural problems, this tightening of financing conditions has led to decelerating growth momentum in key emerging economies.

At the same time, the factors that curbed the momentum of developed economies in the wake of the economic and financial crisis are weakening noticeably. The macroeconomic imbalances prevailing before the crisis were significantly reduced, which crucially contributed to the improvement of sentiment indicators. Despite the strained fiscal situation, the U.S.A. is recovering thanks to robust domestic demand; the euro area started to expand again in the second quarter of 2013. The growth differential between emerging and developed economies is narrowing increasingly.

The U.S.A. is currently on track to growth. GDP growth steadily accelerated in the first three quarters of 2013, reaching 0.7% in the third quarter (quarter on quarter). With the exception of government consumption, every demand component contributed to growth. The real estate market revived, and household debt fell substantially. The labor market situation is visibly improving, but the pace of job growth and the decline in unemployment have been slowing recently. This latter factor is likely to defer the exit from the expansionary monetary policy since, besides inflation, the unemployment rate is the most important target for the Federal Reserve. Fiscal policy is

currently having a dampening effect on growth. The political deadlock between Democrats and Republicans led to a temporary spending freeze in October 2013, resulting in 800,000 civil servants having to take compulsory leave for a brief period. In mid-October 2013, the debt ceiling was raised to permit the U.S.A. to remain liquid at least until early February 2014. However, a political solution to the budget dispute is still outstanding, which is why the growth outlook for the U.S. economy is subject to corresponding downside risks.

In *Japan*, the economy – fueled by an expansionary economic policy – fared very well in the first half of 2013. Vigorous monetary policy stimuli induced a further reduction in lending rates and weakened the yen, thereby stimulating both private consumption and exports. Fiscal policy is also crucially shaping the way the economy is evolving. The year 2013 was marked by an expansionary fiscal policy in the wake of the reconstruction measures following the natural disaster in March 2011. In the medium term, however, the Japanese government will pursue a policy of fiscal consolidation. The increase in VAT – to take effect in early 2014 – is triggering anticipatory effects fueling private consumption in the second half of 2013. In 2014, however, this boost to demand will be absent, which means growth will also be significantly lower than in 2013.

In *Asian emerging market economies*, growth continued to undershoot expectations recently. Although rising U.S. yields resulted in capital outflows to the U.S.A. as well as in currency depreciations, growth in the region is still strong. In *China*, growth remains at a high level despite having slowed significantly in both 2011 and 2012 (from +11.6% in 2010 to +7.8% in 2012). The slowdown is largely based

on slackening export demand. Owing to a number of factors, however, medium-term growth prospects will also fall short of past levels. The greatest challenge for the Chinese economy lies in transforming its current focus on exports and investment into a more consumer goods-based one. Furthermore, the incipient tightening in labor supply and declining income from investment projects will dampen potential growth. In addition, China faces challenges stemming from the overheating phenomena seen in recent years (strong growth in lending and real estate prices, overinvestment).

In the *euro area*, economic developments are currently very mixed. While core countries such as Germany and Austria are likely to end the year 2013 with positive GDP growth, economic output in the region's peripheral countries is still contracting. However, two core euro area countries – Finland and the Netherlands – were also hit by recession. The years 2014 and 2015 will see the euro area return to growth. Internal devaluations to restore price competitiveness in peripheral countries and falling energy prices have led to a sharp drop in inflation in these countries. As a result, inflation in the euro area will be below the inflation target of just under 2.0%.

Germany is maintaining its role as the engine of economic growth in the euro area. Although the sluggish international economy hit German exports in 2013, affecting investment in addition to exports, domestic demand grew sufficiently steadily in order to facilitate modest growth. With the recovery of the global economy, exports will regain their role as the mainstay of growth, supported by robust domestic demand. Private consumption will be fueled by vigorous growth in real wages, steady employment growth and low interest rates.

Better sales expectations and favorable financing conditions are driving corporate investment activity. Construction investment is benefiting from the catch-up processes following weather-related losses incurred in the first quarter of 2013 as well as from real estate prices that have risen considerably especially in urban agglomerations. With the strengthening of domestic demand, the high current account surplus will also narrow to some extent.

In *France*, owing to feeble export growth and falling investment, the economy will almost stagnate in 2013. Both private and government consumption will fuel the economy, however. Reforms to strengthen international competitiveness, which were implemented against a backdrop of falling market share in external trade, should prove effective, leading to the stabilization of market shares in this sector. French companies' sluggish profit growth is restricting the potential for the internal financing of investment, which means investment activity is unlikely to recover before 2015. As a result, the French economy will not provide any significant impetus to the euro area economy.

In *Italy*, the economy will continue to contract considerably in 2013. In conjunction with faltering real household income, both the tight budgetary situation and restrictive credit supply conditions are dampening domestic demand. As in 2012, slackening import demand implies a substantial improvement in the current account. The economic indicators available are signaling an end to the recession in the fourth quarter of 2013. Financing conditions will remain difficult owing to the continued need to consolidate bank balance sheets in 2014 as well. The past saw considerable government payment arrears owed to the corporate sector. The repayment of these outstanding

claims should have a positive effect on Italian companies' liquidity situation in 2014. In conjunction with a pick-up in exports, this factor should also fuel investment activity. However, stimuli from private consumption are unlikely, as households are responding to the difficult economic situation by stepping up precautionary saving.

Although peripheral euro area countries achieved considerable progress in making the necessary adjustments, the situation still looks mixed. *Ireland* carried out many successful adjustment measures in the implementation of its reforms, registering growth as early as the second quarter of 2013. *Portugal* – fueled by robust export growth – also exited recession in the second quarter of 2013. In 2013 as a whole, however, growth will remain negative owing to negative growth in previous quarters. Although *Spain* also sees the first posi-

tive results of its reforms, the Spanish economy is still feeling the repercussions arising from the correction of macroeconomic imbalances, continued fiscal consolidation and unfavorable financing conditions. Recovery will therefore unfold only gradually over the next few years. The shift from domestic demand to exports as a driver of economic growth will continue. In *Greece*, the economy will contract for the sixth time in a row in 2013. The recession weakened in the first half of 2013, however. Tourism registered a very healthy performance in the summer of 2013. In 2014, the economy should return to modest growth thanks to expanding exports and the implementation of investment projects sponsored with international funds. Owing to the continued decline in income, however, stimuli from private consumption cannot be anticipated.

Table 2

Underlying Global Economic Conditions

	2012	2013	2014	2015
	Annual change in % (real)			
Gross domestic product				
World GDP growth outside the euro area	+3.8	+3.3	+3.9	+4.1
U.S.A.	+2.8	+1.7	+2.6	+3.2
Japan	+1.9	+1.8	+1.3	+0.9
Asia excluding Japan	+5.9	+5.6	+6.1	+6.0
Latin America	+2.9	+2.8	+3.0	+3.5
United Kingdom	+0.1	+1.4	+2.4	+2.1
CESEE EU Member States ¹	+0.7	+1.0	+2.2	+2.7
Switzerland	+1.0	+1.9	+1.9	+1.9
Euro area ²	-0.6	-0.4	+1.1	+1.5
World trade (imports of goods and services)				
World economy	+3.1	+2.8	+5.2	+6.1
Non-euro area countries	+4.5	+3.9	+5.6	+6.4
Real growth of euro area export markets	+4.0	+3.0	+5.0	+5.7
Real growth of Austrian export markets	+1.3	+1.3	+4.4	+5.3
Prices				
Oil price in USD/barrel (Brent)	112.0	108.2	103.9	99.2
Three-month interest rate in %	0.6	0.2	0.3	0.5
Long-term interest rate in %	2.4	2.0	2.3	2.7
USD/EUR exchange rate	1.28	1.33	1.34	1.34
Nominal effective exchange rate (euro area index)	98.91	100.32	102.34	102.29

Source: Eurosystem.

¹ Bulgaria, Czech Republic, Hungary, Latvia, Lithuania, Poland and Romania.

² 2013 to 2015: Results of the Eurosystem's December 2013 projections.

The year 2013 was very muted in most *Central, Eastern and Southeastern European (CESEE) countries*. While GDP shrank in the Czech Republic and in Croatia, it expanded only marginally in the other countries of the region. With the gradual recovery of key export markets, recently sluggish domestic demand in this region will be a major pillar of growth in 2014 and 2015. The positive growth differential vis-à-vis the euro area will remain but no longer reach its pre-crisis level. In the *U.K.*, the economy regained momentum in 2013. In 2014 and 2015, however, the recovery will prove rather subdued owing to the consolidation measures required in both the private and public sector.

4 Moderate Upturn in Austria Increasingly Fueled by Domestic Demand

4.1 Stagnation in External Trade to Come to an End

According to current data compiled by Statistics Austria, domestic exports have so far been very subdued in 2013. Goods exports grew nominally by a mere

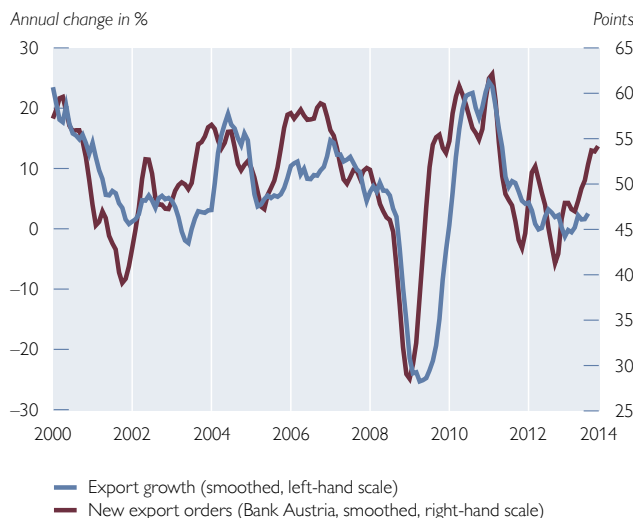
0.6% in the first eight months of 2013. Owing to falling export prices, however, this increase was about 1 percentage point higher in real terms. Order books indicate a significant improvement in export demand for the fourth quarter of 2013. New export orders, which are a component of the Bank Austria Purchasing Managers Index, reached 54.5 points in October 2013, i.e. above the expansion threshold of 50 points for the sixth time in succession.

The weak performance of Austrian exports in 2012 and 2013 was driven by sluggish and, in some cases, negative growth in key export markets. The non-euro area CESEE EU countries, which are important for Austria, did not make a positive contribution to export market growth in these two years (chart 2, right-hand panel). Furthermore, the reduction of the current account deficit in Greece, Spain, Ireland and Italy dampened export market growth. However, these processes have already peaked and will depress export growth to an increasingly lesser extent over the forecast horizon.

Chart 2

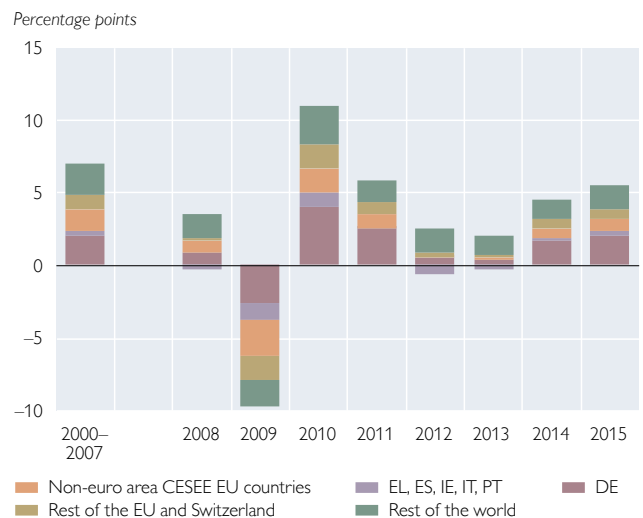
Exports and Export Market Growth

Goods Exports and New Export Orders



Source: Statistics Austria.

Contributions to Growth of Austrian Export Markets



Source: Eurosystem (December 2013 BMPE).

Against this backdrop and in view of the anticipated global economic upturn, Austrian export market growth will recover gradually in 2014 and 2015. The contribution of the non-euro area CESEE EU countries to the growth of Austrian export markets will also increase again, but in the medium term it will remain well below pre-crisis levels. At an average 4.7%, real import growth of these countries will be 6 percentage points lower in the period from 2014 to 2015 than in the period from 2000 to 2007, dampening Austrian GDP growth by an average 0.3 percentage points per year. While the relative importance of the non-euro area CESEE EU countries for Austrian export growth is diminishing compared with the pre-crisis period, that of Germany, Austria's major trading partner, is increasing. The vigorous domestic economy of Germany – Europe's economic powerhouse – will induce a steep increase in German import demand, from which Austrian exporters will also derive benefit. Growth in the Austrian export market as a whole will accelerate from 1.3% in 2013 to

5.3% in 2015 over the forecast horizon. Growth rates such as those before the crisis are not anticipated to be reached in the forecast period, though.

In addition to more sluggish market growth, price competitiveness will also pose a challenge to Austrian exporters in the forecast period. Owing to sustained wage moderation since the mid-1990s, Austria managed to improve its price competitiveness considerably until the outbreak of the crisis. However, growth in unit labor costs has been accelerating since then. In conjunction with falling unit labor costs in several crisis countries, this situation gives rise to price competition pressures on domestic suppliers. Owing to the excellent profit situation and the high levels of non-price competitiveness, however, this phenomenon will incur only marginal losses of market share over the forecast horizon.

After declining for cyclical reasons in 2013, imports will return to more vigorous growth in 2014 and 2015 owing to a revival in domestic demand and, in particular, to healthy investment activity. This resurgence will reduce

Table 3

Growth and Price Developments in Austria's Foreign Trade

	2012	2013	2014	2015
<i>Annual change in %</i>				
Exports				
Competitor prices in Austria's export markets	+2.9	-1.3	+0.4	+1.3
Export deflator	+1.1	-0.3	+0.7	+1.4
Changes in price competitiveness	+1.8	-0.9	-0.3	-0.1
Import demand in Austria's export markets (real)	+1.3	+1.3	+4.4	+5.3
Austrian exports of goods and services (real)	+1.7	+1.6	+3.7	+5.2
Austrian market share	+0.3	+0.3	-0.8	-0.2
Imports				
International competitor prices in the Austrian market	+2.2	-0.9	+0.6	+1.4
Import deflator	+2.3	-0.9	+0.4	+1.1
Austrian imports of goods and services (real)	+0.0	+0.1	+3.7	+5.2
Terms of trade	-1.1	+0.6	+0.3	+0.3
<i>Percentage points of real GDP growth</i>				
Contribution of net exports to GDP growth	+0.9	+0.9	+0.2	+0.4

Source: 2012: Eurostat; 2013 to 2015: OeNB December 2013 outlook, Eurosystem.

Table 4

Austria's Current Account

	2012	2013	2014	2015
	% of nominal GDP			
Balance of trade	2.3	3.9	4.2	4.4
Balance of goods	-2.3	-1.3	-1.3	-1.2
Balance of services	4.6	5.2	5.4	5.5
Balance on income	0.0	0.0	0.1	0.2
Balance on current transfers	-0.7	-0.9	-1.0	-1.0
Current account	1.6	3.0	3.3	3.5

Source: 2012: Eurostat; 2013 to 2015: OeNB December 2013 outlook.

net exports' contribution to growth from 0.9% in 2013 to 0.2% in 2014 and 0.4% in 2015.

Slowing import growth in 2013 will mean a significant improvement in Austria's current account, despite sluggish export growth. The current account surplus will widen from 1.6% of GDP in 2012 to 3.0% in 2013. A further modest improvement to 3.5% is expected by 2015.

4.2 Surge in Investment Activity Expected

As the second most important domestic demand component after private consumption, investment activity was very sluggishly up to the third quarter of 2013. The level of real gross fixed capital formation had declined by more than 1.0% since early 2012. Cyclically sensitive investment in equipment was particularly badly hit (-3.6%), while housing investment performed somewhat better in this period (+1.8%). Many prevailing factors would have provided the basis for much stronger investment growth, though: Owing to the steep increase in companies' financial assets thanks to their healthy profit situation in recent years, the potential for the internal financing of investment is very good. The extremely low level of interest rates is also making debt financing easier. The results of the bank

lending survey show moreover that banks have recently eased their lending conditions to some extent. Investment restraint to date is therefore attributable to low sales expectations.

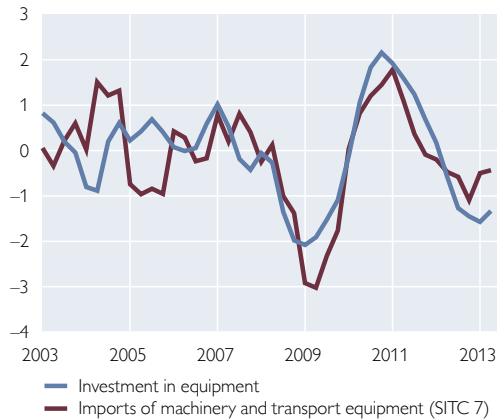
With the recently marked improvement in sentiment, however, we anticipate a surge in investment activity shortly. This phenomenon is most clearly reflected in the sharp increase in new export orders but also imports of machines and vehicles – which largely constitute investment goods – are already showing initial uptrends (see chart 3). Improved sales expectations are a necessary requirement for favorable investment conditions to take their full effect in the forecast period.

Investment in equipment, which will benefit also from the need to carry out replacement investment after a long period of investment restraint, is expected to have a particularly pronounced investment cycle. Housing investment follows a far longer cycle compared with general economic developments. With a share of some 6.5% of GDP, it peaked in the mid-1990s, falling to just above 4.0% by the time the crisis broke out. However, housing investment has trended slightly upward since the crisis. Favorable financing conditions and rising real estate prices should help accelerate growth in housing activity in the forecast period.

Determinants of Investment in Equipment

Imports of Machinery and Transport Equipment

Annual change in %, standardized



Financing Conditions

Annual change in %, standardized



Source: Statistics Austria.

However, momentum in civil engineering investment will remain subdued owing to fewer public sector orders.

Major growth impetus will also come from the inventory cycle in the coming quarters. Inventory rundown dampened GDP growth in the period

from 2011 to 2013. Leading indicators such as the inventory indicator, which measures purchasing managers' assessment of new orders in relation to stocks of finished products, are signaling the need for companies to build up their inventories again in the anticipated

Table 5

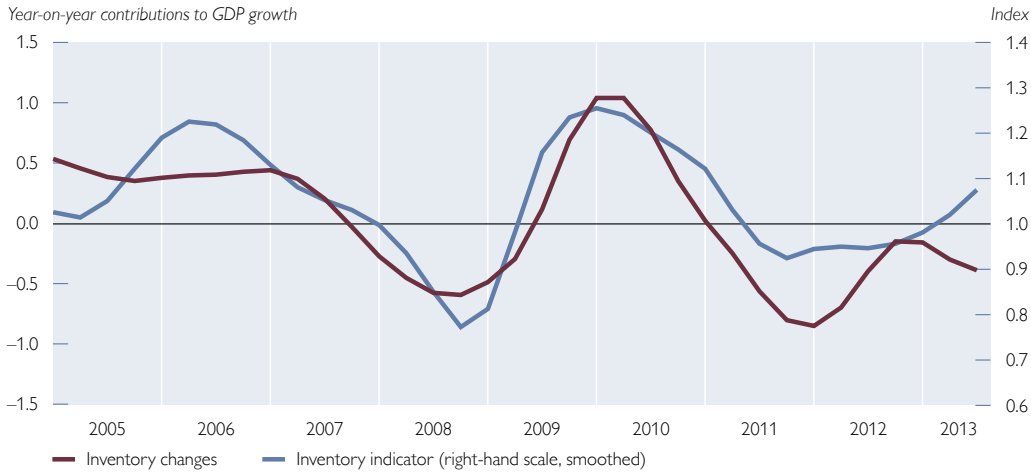
Investment Activity in Austria

	2012	2013	2014	2015
Annual change in %				
Total gross fixed capital formation	+1.9	-0.7	+2.2	+2.4
of which: investment in plant and equipment	+2.1	-2.0	+3.4	+3.2
residential construction investment	+1.0	+1.2	+1.8	+2.5
nonresidential construction investment and other investment	+1.8	-0.2	+1.1	+1.5
government investment	+1.3	+3.9	+3.9	+3.9
private investment	+1.9	-1.0	+2.1	+2.3
Contribution to total gross fixed capital formation growth in percentage points				
Investment in plant and equipment	+0.9	-0.8	+1.4	+1.3
Residential construction investment	+0.2	+0.3	+0.4	+0.5
Nonresidential construction investment and other investment	+0.7	-0.1	+0.4	+0.6
Government investment	+0.1	+0.2	+0.2	+0.2
Private investment	+1.8	-0.9	+2.0	+2.2
Contribution to real GDP growth in percentage points				
Inventory changes	-0.5	-0.3	+0.2	+0.2

Source: 2012: Eurostat; 2013 to 2015: OeNB December 2013 outlook.

Chart 4

Inventory Changes



Source: Statistics Austria, Bank Austria.

economic upturn. After -0.3 percentage points in 2013, this means that at $+0.2$ percentage points the contribution of changes in inventories to GDP growth will move back into the black in both 2014 and 2015.

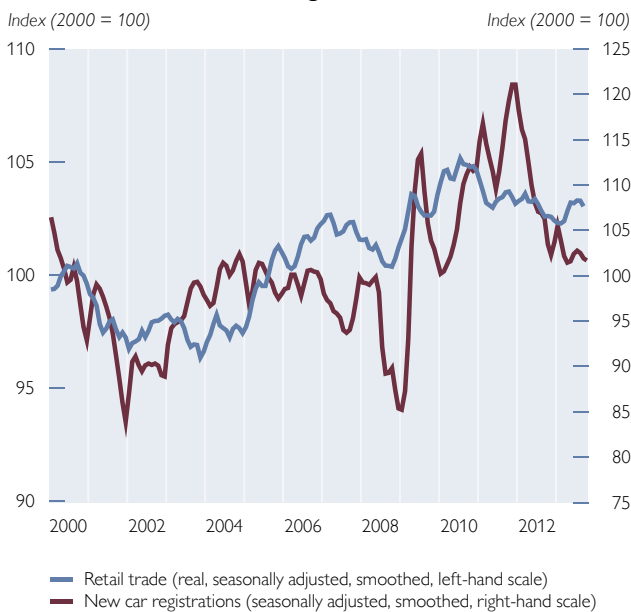
4.3 Revival in Consumer Demand

Household consumer spending was very muted owing to declining household income. For instance, real disposable household income was down by 5.0% year on year in the first half of

Chart 5

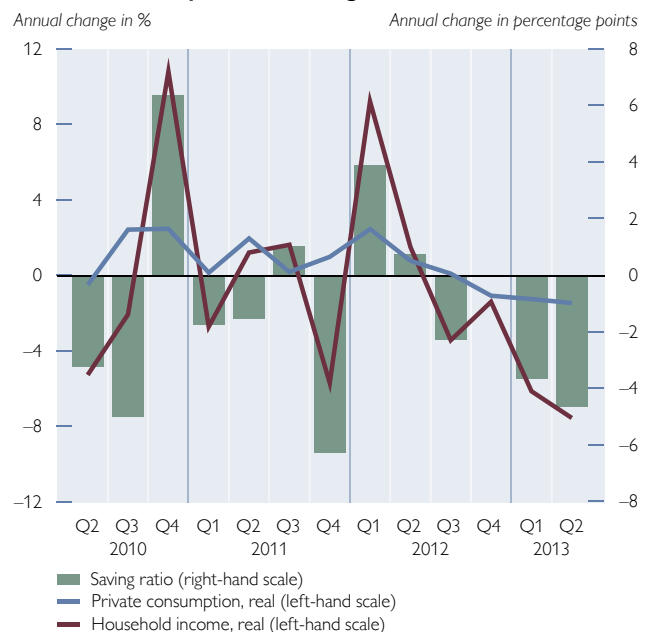
Private Consumption

Retail Trade and New Car Registrations



Source: Statistics Austria.

Income, Consumption and Saving Ratio



Source: Statistics Austria, WIFO.

2013. However, households reacted to this loss of income only to some extent by reducing consumer spending (−0.2%). Consumption levels were financed by a decline in the saving ratio, which plummeted sharply in the first half of 2013.

Financial account data currently available up to the third quarter of 2013 indicate a continued slide in financial investment, thereby signaling a further drop in the saving ratio. However, these data are difficult to reconcile with the available information on consumer spending and income growth. Although consumption growth was positive in the third quarter of 2013, at +0.1% it was still very modest compared with the previous quarter. In addition, key income components such as the compensation of employees grew more strongly than private consumption, suggesting rather a slight increase in the saving ratio. New car registrations and retail trade point to a modest acceleration in consumption growth in the coming months. Given the subdued growth in private consumption in 2013, however, the OeNB anticipates real household consumer spending will stagnate in 2013 as a whole.

Nominal household income in 2014 will be fueled by comparatively high collective wage settlements (+2.5%). At +2.3%, gross compensation per employee will accelerate somewhat more slowly. The slightly negative wage drift (−0.2 percentage points) will stem from a shift of employment to low-wage sectors and from a growing share of part-time employees. “Bracket creep” will result in net compensation of employees per employee of 1.9%, down by almost 0.4 percentage points. For the first time since 2009, on the back of falling inflation, in 2014 net real wages will grow – albeit by a modest 0.2% – in the year as a whole.

In line with the economic recovery, other income components will also make a higher contribution to household income growth from 2014. After falling unexpectedly sharply in 2013, investment income is expected to grow in line with its long-term average. As in the past, self-employment income has been following general economic developments; it is expected to evolve similarly in 2015.

Overall, real disposable household income will climb by 0.8% in 2014 and

Table 6

Determinants of Nominal Household Income in Austria

	2012	2013	2014	2015
<i>Annual change in %</i>				
Payroll employment	+1.5	+0.7	+0.6	+0.7
Wages per employee	+2.5	+2.5	+2.3	+2.2
Compensation of employees	+4.0	+3.2	+2.9	+2.9
Property income	+13.8	−5.1	+3.6	+4.5
Self-employment income and operating surplus (net)	+3.2	+3.2	+5.1	+4.8
<i>Contribution to disposable household income growth in percentage points</i>				
Compensation of employees	+3.4	+2.7	+2.5	+2.5
Property income	+1.3	−0.5	+0.3	+0.4
Self-employment income and operating surplus (net)	+0.7	+0.6	+1.0	+1.0
Net transfers minus direct taxes ¹	−1.8	−1.0	−0.9	−0.8
Disposable household income (nominal)	+3.7	+1.2	+2.5	+3.1

Source: 2012: Eurostat; 2013 to 2015: OeNB December 2013 outlook.

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

Table 7

Private Consumption in Austria

	2012	2013	2014	2015
<i>Annual change in %</i>				
Disposable household income (nominal)	+3.7	+1.2	+2.5	+3.1
Private consumption expenditure (PCE) deflator	+2.6	+2.2	+1.7	+1.7
Disposable household income (real)	+1.1	-1.0	+0.8	+1.4
Private consumption (real)	+0.4	+0.0	+0.7	+1.1
<i>% of nominal disposable household income</i>				
Saving ratio	7.4	6.5	6.7	7.0

Source: 2012: Eurostat; 2013 to 2015: OeNB December 2013 outlook.

by 1.5% in 2015. Households will not however increase their consumer spending to the same extent but use a portion of the income growth to boost their total savings, which have shrunk significantly in the last few years. The saving ratio will increase gradually from 6.5% in 2013 to 7.0% in 2015.

5 Unemployment Rate Stabilizes at 5.0%

In view of the previous quarters' sluggish economic developments, current employment growth continues to be

unexpectedly positive. According to the national accounts, the number of those in payroll employment rose by 28,000 persons (0.75%) year on year in the first three quarters of 2013. Employment is expected to rise at a similar pace in 2013 as a whole.

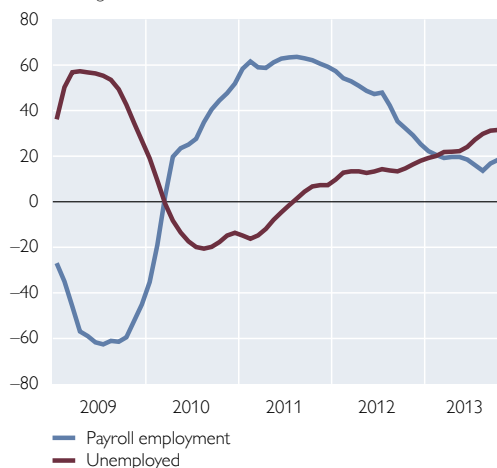
The relatively robust increase in payroll employment clearly overstates underlying employment momentum, however. As in previous years, labor market adjustments are increasingly taking place through changes in working hours. Total hours worked will grow by

Chart 6

Labor Market

Employment and Unemployment

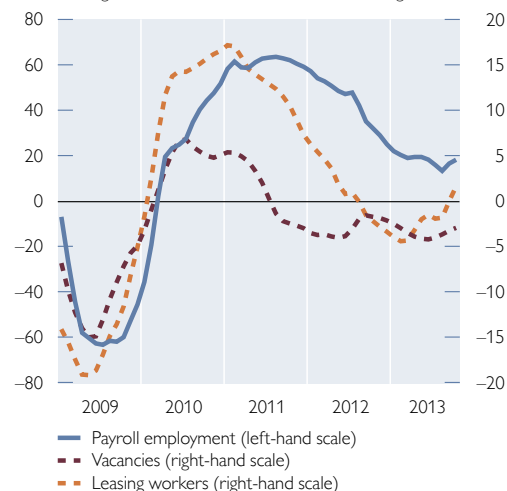
Annual change in thousands



Employment Leading Indicators

Annual change in thousands

Annual change in thousands



Source: Statistics Austria.

Table 8

Labor Market Developments in Austria

	2012	2013	2014	2015
	<i>Annual change in %</i>			
Total employment	+1.3	+0.7	+0.7	+0.7
of which: payroll employment	+1.5	+0.7	+0.6	+0.7
self-employment	-0.2	+0.6	+1.1	+0.8
public sector employment	-0.2	-0.1	-0.1	-0.1
Registered unemployment	+6.2	+12.6	+4.1	+0.0
Labor supply	+1.5	+1.2	+0.8	+0.7
	<i>% of labor supply</i>			
Unemployment rate (Eurostat definition)	4.4	4.9	5.0	5.0

Source: 2012: Eurostat; 2013 to 2015: OeNB December 2013 outlook.

only 0.2% in 2013, i.e. far less steeply than the number of those in payroll employment.

The available leading indicators for the labor market are currently not giving a clear signal. The number of reported vacancies is falling steadily, signaling a further cooling of the labor market. By contrast, the employment growth of leasing workers, which typically leads employment momentum by some months, seems to have already bottomed out. Employment growth is therefore expected to stabilize at the current level in the coming quarters. Since the labor market responds with a lag to economic developments, employment growth at +0.6% will prove somewhat weaker overall in 2014 than in 2013 and will accelerate to +0.7% only in 2015.

Despite positive employment growth, jobless numbers have risen steeply in 2013 so far (+25,000). This development is attributable to growth in labor supply – in particular, the supply of foreign labor. Since the Austrian labor market was fully liberalized in May 2011 for workers from eight Member States that joined the EU in 2004, 67,000 additional workers (as of September 2013) from this region found employment in Austria. This figure

corresponds to about 80% of total employment growth. The inflow was still some 20,000 persons in the first nine months of 2013 (year on year). Although it will decrease in the forecast period, at least 5,000 additional Romanian and Bulgarian workers, to whom the Austrian market will be opened on January 1, 2014, are also expected annually. We expect total foreign labor supply growth of +23,000 and +17,000 persons for 2014 and 2015, respectively. In addition, owing to rising labor force participation rates of both women and older persons, domestic labor supply will increase by the order of some +15,000 persons per year.

After rising by ½ percentage point to 4.9% in 2013, unemployment will stabilize at around 5.0% in both 2014 and 2015 owing to relatively steady employment growth and weaker labor supply growth.

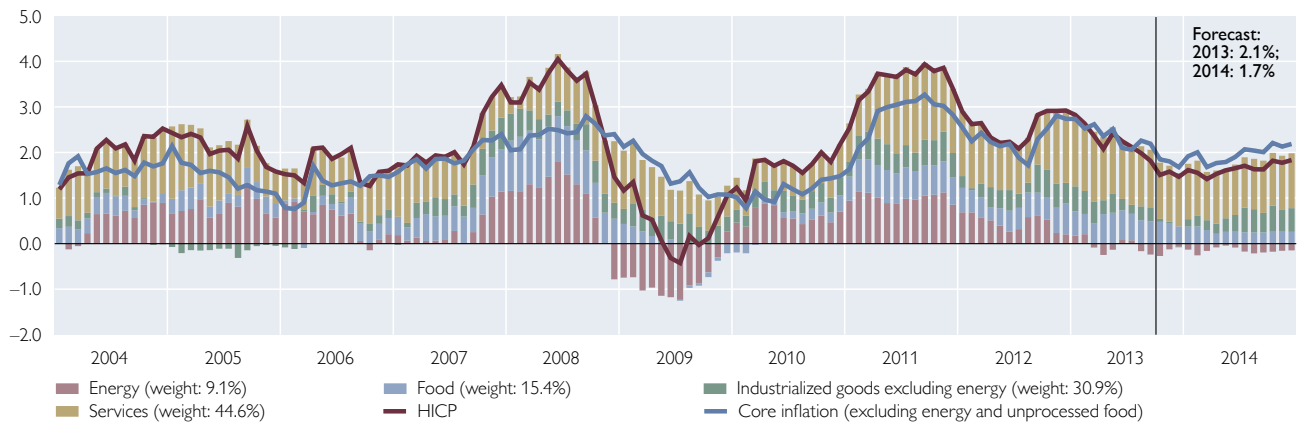
6 Inflation Falls below 2.0% Mark

Inflation in Austria almost halved in the previous twelve months. HICP inflation stood at 1.5% in October 2013, i.e. 1.4 percentage points lower than the same month a year ago. Core inflation (excluding energy and unprocessed food) was 1.9%. This decline was primarily attributable to falling energy

Austrian HICP Inflation and Contributions of Subcomponents

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

Latest observation: September 2013



Source: OeNB, Statistics Austria.

prices and the slowing rate of price increases in the services sector.

A further modest drop in inflation is expected by end-2013. Oil prices will fall marginally over the forecast period as a whole in line with market expectations, dampening price growth. Inflation in the services sector will be heavily influenced by wage costs. In view of only marginally decelerating

wage growth in 2014 and 2015, inflation in this sector will hover fairly steadily around the 2.5% mark. Conversely, inflation in industrial goods excluding energy will reaccelerate in 2014 – from a very low current level – owing to base effects and improved demand for consumer durables.

Overall, the HICP inflation rate will ease from 2.1% in 2013 to 1.7% in

Table 9

Selected Price and Cost Indicators for Austria

	2012	2013	2014	2015
<i>Annual change in %</i>				
Harmonised Index of Consumer Prices (HICP)	+2.6	+2.1	+1.7	+1.6
HICP energy	+5.1	-1.0	-1.6	-0.3
HICP excluding energy	+2.3	+2.4	+2.0	+1.8
Private consumption expenditure (PCE) deflator	+2.6	+2.2	+1.7	+1.7
Investment deflator	+2.0	+1.4	+1.1	+1.2
Import deflator	+2.3	-0.9	+0.4	+1.1
Export deflator	+1.1	-0.3	+0.7	+1.4
Terms of trade	-1.1	+0.6	+0.3	+0.3
GDP at factor cost deflator	+1.7	+1.7	+1.9	+1.6
Unit labor costs	+3.0	+2.8	+1.4	+1.0
Compensation per employee	+2.5	+2.5	+2.3	+2.2
Labor productivity	-0.5	-0.3	+0.9	+1.1
Collective wage agreements	+3.3	+2.6	+2.5	+2.3
Profit margins ¹	-1.4	-1.1	+0.5	+0.6

Source: 2011: Eurostat, Statistics Austria; 2013 to 2015: OeNB December 2013 outlook.

¹ GDP deflator divided by unit labor costs.

2014 and 1.6% in 2015. Core inflation excluding energy will exceed HICP inflation by around $\frac{1}{4}$ percentage point over the forecast horizon. The positive inflation differential between Austria and Germany narrowed to 0.3 percentage points as early as October 2013 and will almost entirely close in the forecast period. Owing to improved growth prospects and to related higher wage settlements, an average inflation differential of $\frac{1}{2}$ percentage point will persist compared with the euro area.

7 External Downside Risks and Balanced Domestic Risks

Most external risks to growth remain pointed to the downside. Although progress in reducing macroeconomic imbalances was evident in the euro area and in CESEE countries, the risk of setbacks remains high in view of elevated unemployment levels, the fragmentation of European financial markets and the necessary reduction in debt levels in many countries and sectors. Another deterioration in the European debt crisis therefore still represents the central downside risk to the forecast. Potential negative consequences stemming from the U.S. budget dispute also represent an external risk. Moreover, renewed market turmoil might arise in some emerging economies in the event the nonstandard U.S. monetary policy measures are discontinued.

Domestic economic risks are considered to be largely balanced. The recent sharp drop in the saving ratio involves the risk that consumers reduce spending in order to boost their saving levels. However, the current data situation relating to the saving ratio is subject to some uncertainty. Conversely, the investment cycle may prove far more pronounced than assumed in the forecast. In the event of further im-

proving sales expectations, we see scope for additional investment in equipment in the short term. In addition, the recent sharp rise in real estate prices and the favorable financing opportunities may be reflected in an increase in construction activity that is stronger than assumed in the forecast.

Whereas the forecast risks to growth remain tilted to the downside on the whole, the risks to inflation are considered to be largely balanced. Only accelerating commodity price inflation represents an upside risk.

8 No Significant Forecast Revisions

The external environment has barely changed since the OeNB June 2013 outlook. The underlying assumptions on the growth of global trade had to be marginally revised downward. The growth of Austrian export markets is expected to be 0.4 and 0.3 percentage points lower in 2014 and 2015, respectively. Oil futures prices are up slightly: by USD 3.9 per barrel of Brent in 2014 and by USD 3.0 in 2015. The assumptions on the exchange rate of the euro vis-à-vis the U.S. dollar and the nominal effective exchange rate imply a modest appreciation. Short-term interest rates are almost unchanged and long-term interest rates are 20 to 30 basis points higher on the June 2013 outlook.

The effects of these new external assumptions were simulated using the OeNB macroeconomic model. Table 11 lists the reasons for revising the outlook in detail. Apart from the impact of changed external assumptions, the impact of new data and a residual have played a role. The influence of new data includes the effects of the revisions of both the historical data already available at the time of the previous economic outlook (i.e. data up to the first quarter of 2013) and the forecasting

Table 10

Change in the External Economic Conditions since the OeNB June 2013 Outlook

	December 2013			June 2013			Difference		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
	<i>Annual change in %</i>								
Growth of Austria's export markets	+1.3	+4.4	+5.3	+1.6	+4.9	+5.8	-0.3	-0.5	-0.5
Competitor prices in Austria's export markets	-1.3	+0.4	+1.3	-0.3	+1.2	+1.5	-1.0	-0.8	-0.2
Competitor prices in Austria's import markets	-0.9	+0.6	+1.4	-0.1	+1.3	+1.6	-0.8	-0.7	-0.2
	<i>USD per barrel (Brent)</i>								
Oil price	108.2	103.9	99.2	105.5	100.0	96.2	+2.7	+3.9	+3.0
	<i>Annual change in %</i>								
Nominal effective exchange rate (exports)	-1.2	-0.3	+0.0	-0.9	+0.0	+0.0	-0.3	-0.3	+0.0
Nominal effective exchange rate (imports)	-0.7	-0.2	+0.0	-0.5	+0.0	+0.0	-0.2	-0.2	+0.0
	%								
Three-month interest rate	0.2	0.3	0.5	0.2	0.3	0.5	+0.0	+0.0	+0.0
Long-term interest rate	2.0	2.3	2.7	1.8	2.1	2.4	+0.2	+0.2	+0.3
	<i>Annual change in %</i>								
U.S. GDP (real)	+1.7	+2.6	+3.2	+1.9	+2.6	+3.0	-0.2	+0.0	+0.2
	<i>USD/EUR</i>								
USD/EUR exchange rate	1.33	1.34	1.34	1.31	1.31	1.31	+0.02	+0.03	+0.03

Source: Eurosystem.

errors of the previous outlook for the periods now published for the first time (i.e. data for the second and third quarters of 2013). The residual includes new expert opinions regarding the development of domestic variables, such as government consumption or wage set-

tlements, as well as any changes to the model.

The marginal upward revision of growth prospects for 2013 (+0.1 percentage points) is explicable by the publication of new data. The upward revision of historical data up to the first

Table 11

Breakdown of Forecast Revisions

	GDP			HICP		
	2013	2014	2015	2013	2014	2015
	<i>Annual change in %</i>					
December 2013 outlook	+0.4	+1.6	+1.9	+2.1	+1.7	+1.6
June 2014 outlook	+0.3	+1.5	+1.8	+2.0	+1.7	+1.8
Difference	+0.1	+0.1	+0.1	+0.1	+0.0	-0.2
	<i>Percentage points</i>					
Due to:						
External assumptions	+0.0	-0.3	-0.3	+0.0	+0.0	-0.1
New data	+0.1	-0.1	+0.0	+0.0	+0.0	+0.0
of which: Revision of historical data until Q1 13	+0.3	+0.0	x	+0.0	+0.0	x
Projection errors for Q2 and Q3 13	-0.2	-0.1	x	+0.0	+0.0	x
Other ¹	+0.0	+0.5	+0.4	+0.1	+0.0	-0.1

Source: OeNB June 2013 and December 2013 outlooks.

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

quarter of 2013 has resulted in higher growth for 2013 as a whole; for the second and third quarters of 2013, GDP growth has proved to be weaker than was expected in June 2013. Projected GDP growth for 2014 and 2015 was slightly revised upward despite slightly worse external economic conditions. Owing to lower demand, 2014 and 2015 export growth was revised

downward on the June 2013 outlook. However, this revision is offset by the assumption of brisker investment activity. In view of very sluggish investment growth recently, replacement investment should also be carried out over the next two years. The modest downward revisions of the inflation forecast for 2015 are essentially based on the effects of the new external assumptions.

Appendix

Table 12

Demand Components (Real Prices)

Chained volume data (reference year = 2005)

	2012	2013	2014	2015	2012	2013	2014	2015
	EUR million				Annual change in %			
Private consumption	145,377	145,425	146,464	148,080	+0.4	+0.0	+0.7	+1.1
Government consumption	49,723	50,085	50,724	51,399	-0.3	+0.7	+1.3	+1.3
Gross fixed capital formation	56,365	55,949	57,159	58,539	+1.9	-0.7	+2.2	+2.4
of which: Investment in plant and equipment	23,132	22,668	23,437	24,193	+2.1	-2.0	+3.4	+3.2
Residential construction investment	11,351	11,493	11,703	12,000	+1.0	+1.2	+1.8	+2.5
Investment in other construction	22,070	22,019	22,270	22,597	+1.8	-0.2	+1.1	+1.5
Changes in inventories (including statistical discrepancy)	2,480	1,220	1,991	2,514	x	x	x	x
Domestic demand	253,946	252,678	256,339	260,532	-0.2	-0.5	+1.4	+1.6
Exports of goods and services	156,930	159,375	165,193	173,734	+1.7	+1.6	+3.7	+5.2
Imports of goods and services	139,447	139,561	144,750	152,319	+0.0	+0.1	+3.7	+5.2
Net exports	17,483	19,814	20,444	21,415	x	x	x	x
Gross domestic product	271,428	272,492	276,783	281,946	+0.7	+0.4	+1.6	+1.9

Source: 2012: Eurostat; 2013 to 2015: OeNB December 2013 outlook.

Table 13

Demand Components (Current Prices)

	2012	2013	2014	2015	2012	2013	2014	2015
	EUR million				Annual change in %			
Private consumption	168,736	172,457	176,633	181,552	+3.0	+2.2	+2.4	+2.8
Government consumption	58,160	59,419	61,220	63,158	+2.1	+2.2	+3.0	+3.2
Gross fixed capital formation	65,617	66,071	68,254	70,718	+3.9	+0.7	+3.3	+3.6
Changes in inventories (including statistical discrepancy)	3,979	1,840	2,905	3,383	x	x	x	x
Domestic demand	296,492	299,787	309,013	318,811	+2.2	+1.1	+3.1	+3.2
Exports of goods and services	176,049	178,210	186,016	198,346	+2.8	+1.2	+4.4	+6.6
Imports of goods and services	165,671	164,267	171,138	182,008	+2.3	-0.8	+4.2	+6.4
Net exports	10,378	13,943	14,878	16,338	x	x	x	x
Gross domestic product	306,870	313,731	323,891	335,149	+2.5	+2.2	+3.2	+3.5

Source: 2012: Eurostat; 2013 to 2015: OeNB December 2013 outlook.

Table 14

Deflators of Demand Components

	2012	2013	2014	2015	2012	2013	2014	2015
	2005 = 100				Annual change in %			
Private consumption	116.1	118.6	120.6	122.6	+2.6	+2.2	+1.7	+1.7
Government consumption	117.0	118.6	120.7	122.9	+2.5	+1.4	+1.7	+1.8
Gross fixed capital formation	116.4	118.1	119.4	120.8	+2.0	+1.4	+1.1	+1.2
Domestic demand (excluding changes in inventories)	116.3	118.5	120.4	122.3	+2.5	+1.9	+1.6	+1.6
Exports of goods and services	112.2	111.8	112.6	114.2	+1.1	-0.3	+0.7	+1.4
Imports of goods and services	118.8	117.7	118.2	119.5	+2.3	-0.9	+0.4	+1.1
Terms of trade	94.4	95.0	95.2	95.5	-1.1	+0.6	+0.3	+0.3
Gross domestic product	113.1	115.1	117.0	118.9	+1.8	+1.8	+1.6	+1.6

Source: 2012: Eurostat; 2013 to 2015: OeNB December 2013 outlook.

Table 15

Labor Market

	2012	2013	2014	2015	2012	2013	2014	2015
	Thousands				Annual change in %			
Total employment	4,197.2	4,226.8	4,254.4	4,286.2	+1.3	+0.7	+0.7	+0.7
of which: Private sector employment	3,669.5	3,699.7	3,727.9	3,760.0	+1.5	+0.8	+0.8	+0.9
Payroll employment (national accounts definition)	3,648.9	3,675.2	3,696.7	3,724.0	+1.5	+0.7	+0.6	+0.7
	% of labor supply							
Unemployment rate (Eurostat definition)	4.4	4.9	5.0	5.0	x	x	x	x
	EUR per real output unit x 100							
Unit labor costs (whole economy) ¹	65.3	67.2	68.1	68.8	+3.0	+2.8	+1.4	+1.0
	EUR thousand per employee							
Labor productivity (whole economy) ²	64.7	64.5	65.1	65.8	-0.5	-0.3	+0.9	+1.1
	EUR thousand							
Real compensation per employee ³	36.4	36.5	36.7	36.9	-0.2	+0.3	+0.6	+0.5
	At current prices in EUR thousand							
Gross compensation per employee	42.2	43.3	44.3	45.3	+2.5	+2.5	+2.3	+2.2
	At current prices in EUR million							
Total gross compensation of employees	154,166	159,124	163,769	168,536	+4.0	+3.2	+2.9	+2.9

Source: 2012: Eurostat; 2013 to 2015: OeNB December 2013 outlook.

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

Table 16

Current Account

	2012	2013	2014	2015	2012	2013	2014	2015
	EUR million				% of nominal GDP			
Balance of trade	6,933.0	12,132.5	13,524.2	14,580.5	2.3	3.9	4.2	4.4
Balance of goods	-7,162.0	-4,202.7	-4,077.6	-3,940.8	-2.3	-1.3	-1.3	-1.2
Balance of services	14,095.0	16,335.3	17,601.8	18,521.3	4.6	5.2	5.4	5.5
Balance on income	102.0	126.5	405.7	506.5	0.0	0.0	0.1	0.2
Balance on transfers	-2,106.0	-2,926.4	-3,240.2	-3,351.4	-0.7	-0.9	-1.0	-1.0
Current account	4,929.0	9,332.6	10,689.7	11,735.5	1.6	3.0	3.3	3.5

Source: 2012: OeNB; 2013 to 2015: OeNB December 2013 outlook.

Table 17

Quarterly Outlook Results

	2013	2014	2015	2013				2014				2015			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Prices, wages and costs	<i>Annual change in %</i>														
HICP	+2.1	+1.7	+1.6	+2.6	+2.2	+2.0	+1.4	+1.5	+1.6	+1.7	+2.0	+1.6	+1.6	+1.7	+1.7
HICP (excluding energy)	+2.4	+2.0	+1.8	+2.8	+2.6	+2.3	+1.8	+1.9	+1.9	+2.1	+2.3	+1.8	+1.8	+1.9	+1.9
Private consumption expenditure (PCE) deflator	+2.2	+1.7	+1.7	+2.6	+2.3	+2.1	+1.7	+1.6	+1.7	+1.7	+1.8	+1.8	+1.7	+1.6	+1.6
Gross fixed capital formation deflator	+1.4	+1.1	+1.2	+1.9	+1.5	+1.3	+1.1	+1.1	+1.1	+1.1	+1.1	+1.1	+1.1	+1.2	+1.2
GDP deflator	+1.8	+1.6	+1.6	+2.0	+1.8	+1.6	+1.9	+1.8	+1.8	+1.8	+1.2	+1.5	+1.6	+1.6	+1.6
Unit labor costs	+2.8	+1.4	+1.0	+2.7	+2.9	+3.0	+2.5	+2.1	+1.5	+1.0	+0.9	+0.9	+1.0	+1.1	+1.2
Nominal wages per employee	+2.5	+2.3	+2.2	+2.6	+2.5	+2.4	+2.4	+2.3	+2.3	+2.3	+2.3	+2.2	+2.2	+2.1	+2.1
Productivity	-0.3	+0.9	+1.1	-0.1	-0.4	-0.6	-0.1	+0.2	+0.8	+1.3	+1.3	+1.3	+1.2	+1.0	+0.9
Real wages per employee	+0.3	+0.6	+0.5	+0.0	+0.2	+0.4	+0.7	+0.7	+0.6	+0.6	+0.5	+0.4	+0.5	+0.5	+0.5
Import deflator	-0.9	+0.4	+1.1	-0.3	-1.2	-1.3	-0.9	-0.2	+0.4	+0.7	+0.8	+1.0	+1.0	+1.1	+1.2
Export deflator	-0.3	+0.7	+1.4	+0.1	-0.4	-0.6	-0.4	+0.1	+0.6	+1.0	+1.1	+1.3	+1.4	+1.4	+1.5
Terms of trade	+0.6	+0.3	+0.3	+0.4	+0.8	+0.7	+0.5	+0.3	+0.2	+0.3	+0.3	+0.3	+0.4	+0.3	+0.3
Economic activity	<i>Annual and/or quarterly changes in % (real)</i>														
GDP	+0.4	+1.6	+1.9	+0.1	+0.0	+0.2	+0.4	+0.4	+0.5	+0.5	+0.5	+0.4	+0.4	+0.5	+0.5
Private consumption	+0.0	+0.7	+1.1	+0.0	+0.1	+0.1	+0.2	+0.2	+0.2	+0.2	+0.3	+0.3	+0.3	+0.3	+0.3
Government consumption	+0.7	+1.3	+1.3	+0.1	+0.2	+0.4	+2.2	-0.7	-0.2	+0.1	+0.4	+0.6	+0.3	+0.3	+0.2
Gross fixed capital formation	-0.7	+2.2	+2.4	-0.5	+0.0	+0.1	+0.6	+0.6	+0.7	+0.7	+0.6	+0.5	+0.6	+0.6	+0.7
Exports	+1.6	+3.7	+5.2	+0.4	+0.3	+0.2	+0.9	+1.0	+1.1	+1.2	+1.2	+1.3	+1.3	+1.4	+1.5
Imports	+0.1	+3.7	+5.2	+0.0	+0.1	+0.1	+0.8	+1.2	+1.2	+1.2	+1.2	+1.2	+1.4	+1.4	+1.4
	<i>Contribution to real GDP growth in percentage points</i>														
Domestic demand	+0.0	+1.1	+1.3	-0.1	+0.1	+0.2	+0.7	+0.1	+0.2	+0.3	+0.3	+0.4	+0.3	+0.3	+0.3
Net exports	+0.9	+0.2	+0.4	+0.2	+0.1	+0.1	+0.1	+0.0	+0.0	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1
Changes in inventories	-0.5	+0.3	+0.2	-0.1	-0.2	+0.0	-0.4	+0.3	+0.2	+0.2	+0.1	+0.0	+0.0	+0.0	+0.0
Labor market	<i>% of labor supply</i>														
Unemployment rate (Eurostat definition)	4.9	5.0	5.0	4.9	4.7	4.9	4.9	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.9
	<i>Annual and/or quarterly changes in %</i>														
Total employment	+0.7	+0.7	+0.7	+0.2	+0.2	+0.3	+0.1	+0.1	+0.1	+0.1	+0.2	+0.2	+0.2	+0.3	+0.3
of which: Private sector employment	+0.8	+0.8	+0.9	+0.2	+0.2	+0.3	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.3	+0.3
Payroll employment	+0.7	+0.6	+0.7	+0.2	+0.1	+0.2	+0.1	+0.1	+0.1	+0.1	+0.1	+0.2	+0.2	+0.3	+0.3
Additional variables	<i>Annual and/or quarterly changes in % (real)</i>														
Real disposable household income	-1.0	+0.8	+1.4	-1.4	-2.2	+6.2	+0.9	-1.2	-0.9	-0.7	-0.1	+0.8	+0.7	+0.9	+1.0
	<i>% of real GDP</i>														
Output gap	-1.2	-1.1	-0.8	-0.9	-1.2	-1.4	-1.3	-1.3	-1.2	-1.0	-0.9	-0.9	-0.8	-0.7	-0.6

Source: OeNB December 2013 outlook (based on seasonally and working-day adjusted data).

Comparison of Current Economic Forecasts for Austria

Indicator	OeNB			WIFO		IHS		OECD			IMF		European Commission		
	December 2013			October 2013		October 2013		November 2013			October 2013		November 2013		
	2013	2014	2015	2013	2014	2013	2014	2013	2014	2015	2013	2014	2013	2014	2015
Key results	<i>Annual change in %</i>														
GDP (real)	+0.4	+1.6	+1.9	+0.4	+1.7	+0.5	+1.8	+0.4	+1.7	+2.2	+0.4	+1.6	+0.4	+1.6	+1.8
Private consumption (real)	+0.0	+0.7	+1.1	+0.0	+0.9	-0.2	+0.9	-0.2	+0.5	+1.1	x	x	+0.0	+0.9	+1.0
Government consumption (real)	+0.7	+1.3	+1.3	+0.5	+1.0	+0.5	+0.5	+0.8	+0.5	+0.4	x	x	+0.9	+0.8	+0.8
Gross fixed capital formation (real)	-0.7	+2.2	+2.4	-1.4	+3.0	-1.6	+2.5	-2.5	+2.6	+4.5	x	x	-1.7	+2.2	+3.0
Exports (real)	+1.6	+3.7	+5.2	+2.7	+5.2	+3.0	+6.2	+1.5	+4.0	+5.6	+2.1	+4.8	+1.6	+4.7	+5.8
Imports (real)	+0.1	+3.7	+5.2	+0.7	+5.1	+0.5	+5.8	-0.5	+2.7	+5.0	+0.6	+5.9	+0.4	+4.5	+5.6
GDP per employee	-0.3	+0.9	+1.1	-0.2	+0.8	-0.1	+1.0	x	x	x	x	x	-0.1	+0.9	+1.0
GDP deflator	+1.8	+1.6	+1.6	+2.1	+2.0	+2.1	+1.7	+1.9	+1.3	+1.4	x	x	+2.1	+1.7	+1.7
CPI	x	x	x	+2.0	+1.9	+2.1	+1.9	x	x	x	x	x	x	x	x
HICP	+2.1	+1.7	+1.6	+2.1	+1.9	x	x	+2.0	+1.6	+1.7	+2.2	+1.8	+2.2	+1.8	+1.8
Unit labor costs	+2.8	+1.4	+1.0	+2.3	+1.3	x	x	x	x	x	x	x	+2.5	+0.9	+0.8
Payroll employment	+0.7	+0.7	+0.7	+0.7	+0.8	+0.6	+0.8	x	x	x	+0.5	+0.5	+0.5	+0.7	+0.8
	<i>% of labor supply</i>														
Unemployment rate (Eurostat definition)	4.9	5.0	5.0	5.1	5.2	4.9	4.9	4.8	4.7	4.3	+4.8	+4.8	+5.1	+5.0	+4.7
	<i>% of nominal GDP</i>														
Current account	3.0	3.3	3.5	3.1	3.4	x	x	3.1	3.4	3.8	2.8	2.4	2.5	2.8	3.1
Budget balance (Maastricht definition)	-1.6	-2.2	-2.2	-2.6	-1.6	-2.2	-1.7	-2.3	-1.9	-1.2	-2.6	-2.4	-2.5	-1.9	-1.5
External assumptions															
Oil price in USD/barrel (Brent)	108.2	103.9	99.2	108.0	105.0	110.0	112.0	110.0	115.0	120.0	104.5	101.4	108.8	105.8	99.7
Short-term interest rate in %	0.2	0.3	0.5	0.2	0.2	0.2	0.4	0.2	0.1	0.3	0.2	0.5	0.2	0.4	0.7
USD/EUR exchange rate	1.33	1.34	1.34	1.30	1.30	1.32	1.30	1.38	1.38	1.38	1.33	1.35	1.33	1.36	1.36
	<i>Annual change in %</i>														
Euro area GDP (real)	-0.4	+1.1	+1.5	-0.4	+1.1	-0.5	+1.2	-0.4	+1.0	+1.6	-0.4	+1.0	-0.4	+1.1	+1.7
U.S. GDP (real)	+1.7	+2.6	+3.2	+1.8	+2.5	+1.8	+2.5	+1.7	+2.9	+3.4	+1.6	+2.6	+1.6	+2.6	+3.1
World GDP (real)	+2.8	+3.5	+3.7	+3.2	+3.8	x	x	+2.7	+3.6	+3.9	+2.9	+3.6	+3.2	+4.0	+4.3
World trade	+2.8	+5.2	+6.1	+2.5	+5.0	+2.3	+5.0	+3.0	+4.8	+5.9	+2.9	+4.9	+2.8	+5.2	+6.0

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