

# Austria's economy set to recover after period of stagflation

Economic outlook for Austria from 2023 to 2025 (June 2023)

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Cutoff date: May 31, 2023

Austria's economic recovery following the COVID-19 pandemic came to a complete halt in the second half of 2022. Since then, we have seen a period of stagflation triggered by uncertainties related to Russia's war against Ukraine, the weaker momentum in the international economic environment and the sharp rise in inflation triggered by soaring energy prices. This means that stagnating economic growth has been accompanied by high inflation rates. Unlike in Germany, however, there is currently no risk of a recession in Austria for 2023 as a whole.

In the course of 2023, global economic activity will be recovering slowly, but domestic inflationary pressures will remain high. We do not expect notable real GDP growth in Austria before the second half of 2023. For 2023 as a whole, Austria's economy is set to grow by a weak 0.5%. Inflationary pressures will weaken in 2024, and domestic activity will become the main economic driver. Given the particularities of the wage-setting process in Austria, there is an inherent lag in wage compensation for inflation. This, in turn, leads to a sharp rise in real wages and thus in private consumption. Consequently, economic growth will accelerate to 1.7%. Economic growth in Austria (1.6%) will continue to be driven by strong consumption in 2025 as well. The Austrian labor market continues to be characterized by persistent labor shortages. Therefore, despite the weak economic situation, we do not expect any significant effects on the unemployment rate in 2023 (6.4%). In 2024 and 2025, we expect the unemployment rate to decline again. Inflation as measured by the Harmonized Index of Consumer Prices (HICP) peaked at 8.6% in 2022, driven by energy prices. Inflation will ease between 2023 and 2025 but will still remain well above its long-term average in 2025 (2.9%). Despite stagflation, Austria's budget balance will decline to -2.6% of GDP in 2023, reflecting the phasing-out of temporary fiscal measures (and COVID-19-related measures in particular). The expected further improve-

Table 1

## OeNB June 2023 outlook for Austria – main results

	2022	2023	2024	2025
Annual change in % (real)				
Gross domestic product (GDP)	4.9	0.5	1.7	1.6
Harmonised Index of Consumer Prices (HICP)	8.6	7.4	4.1	2.9
Unemployment rate (national definition)	6.3	6.4	6.2	6.1
% of nominal GDP				
Current account balance	0.7	1.3	1.9	2.3
Budget balance	-3.2	-2.6	-1.9	-1.9
Government debt	78.4	75.2	72.7	70.9

Source: 2022: Statistics Austria; 2023 to 2025: OeNB June 2023 outlook.

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ment of the budget balance to  $-1.9\%$  of GDP in 2024 can be attributed to the rebound in economic activity and the phasing-out of Austria's energy relief packages. The debt-to-GDP ratio will fall from  $78.4\%$  in 2022 to  $70.9\%$  in 2025, mainly because of high growth in nominal GDP due to inflation.

## 1 Export growth loses considerable momentum and remains below average

Global monetary policy tightening to contain inflation, the uncertainty stemming from the continuing war in Ukraine and increasing geo-economic fragmentation are reflected in the weak growth of both the global economy and global trade flows. Growth dynamics will be slowing down significantly in 2023 in almost all advanced economies around the world; in the United States, for instance, economic growth will halve from  $2.1\%$  in 2022 to  $1\%$  in 2023. By contrast, China's growth rate will double in 2023, coming to  $6\%$  year on year, following the relaxation of the country's strict COVID-19-related measures. However, this high annual figure masks the fact that, following a strong first quarter, the pace of economic activity in China will weaken significantly in the coming quarters. Overall, at  $3.1\%$ , the global economy excluding the euro area will grow somewhat more slowly in 2023 than in 2022 ( $3.3\%$ ) and will not gain much momentum in the years ahead, either. In the euro area, economic activity is also set to lose considerable momentum in 2023 ( $0.9\%$ ). After that, however, and despite rising interest rates, euro area growth will pick up again (2024:  $1.5\%$ , 2025:  $1.6\%$ ).

Most of the above developments were expected in very similar terms in the OeNB's economic outlook of December 2022. Growth in Austria's export markets will be somewhat weaker in 2023 and 2025 than anticipated in our previous outlook, the euro has appreciated somewhat, and oil prices are expected to be somewhat lower and interest rates slightly higher over the forecast horizon. Overall, the changed external environment has only a small impact on the OeNB's current outlook. Our assumption here is that Russia's war against Ukraine will not escalate further and that the supply of natural gas to Austria will not be disrupted over the forecast horizon.

A number of leading export indicators point to a slowdown in the first half of 2023. Order backlogs are declining, given that new orders are dwindling and pent-up export orders have been reduced after supply chain problems have largely dissolved. However, the winter tourism season of 2022/2023 was successful, remaining only around  $5\%$  below the 2019 peak season. Exports of services currently

Table 2

### Austria's foreign trade and current account

	2022	2023	2024	2025
	Annual change in %			
Exports (real)	13.0	2.9	2.7	3.0
Imports (real)	7.8	2.7	2.2	2.6
	% of nominal GDP			
Current account balance	0.7	1.3	1.9	2.3

Source: 2022: Statistics Austria; 2023 to 2025: OeNB June 2023 outlook.

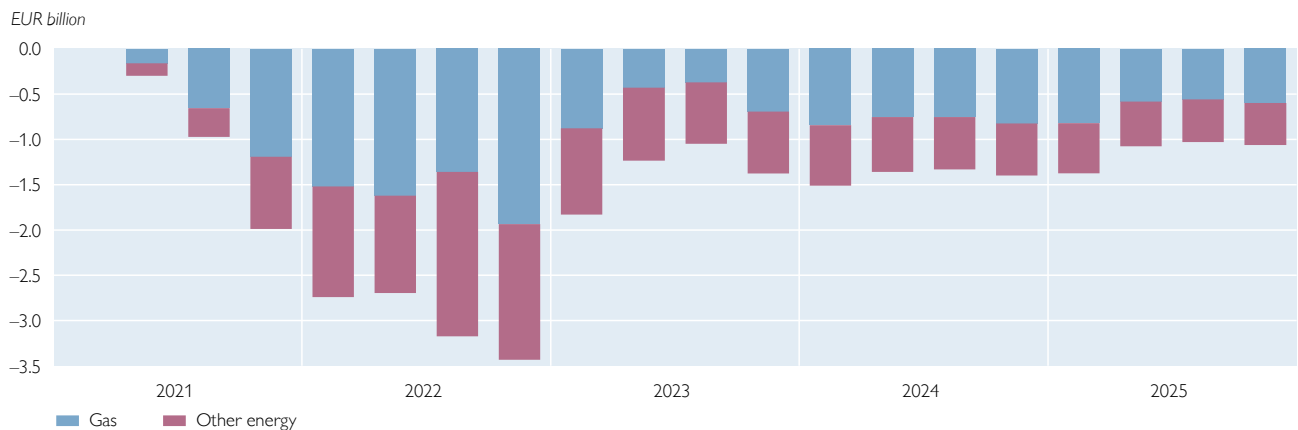
play a greater role in the development of Austria's overall exports than in recent years. Following exceptionally high post-pandemic growth of  $13\%$ , driven by catch-up effects, in 2022, Austria's real export growth is projected to slow to  $2.9\%$  in 2023. Over the next two years, export growth will be supported by a rebound in export demand in the second half of 2023 and the recovery of inbound tourism from overseas. Overall, however, Austrian export growth rates

will remain well below the long-term average observed prior to the COVID-19 pandemic (2000 to 2019: 4.4%). Growth in exports and the significant recovery in domestic demand will lead to stronger import growth from the second half of 2023. Starting from the low level reached in 2021 due to the pandemic, Austria's current account balance is set to improve over the entire forecast horizon, which attests to the high degree of competitiveness of the Austrian economy. However, the rather significant increase in relative unit labor costs poses a downside risk to our outlook, especially if wage moderation does not materialize in 2024 and 2025 as assumed.

Although net exports will make a slightly positive contribution to economic growth from 2021 until the end of the forecast horizon, Austria's high dependence on energy imports has led to significant outflows of income to the rest of the world since 2021. Global energy prices had already been rising above pre-pandemic levels during the second half of 2021. 2022 saw a further surge as a result of Russia's war of aggression against Ukraine. Consequently, the price of Austria's energy imports went up significantly. Chart 1 shows the income losses in the foreign trade balance caused by the higher prices of energy goods from the beginning of 2021 until the end of the forecast horizon in 2025. The expected decline in energy prices will cause income outflows from Austria to slow down, but they will remain negative over the entire forecast horizon. In the fourth quarter of 2022, income outflows peaked at –EUR 3.4 billion against Q1 21. In cumulative terms, we expect an income outflow of just over EUR 30 billion over the entire forecast horizon (2021–2025). This corresponds to an average annual outflow of around 1.5% of nominal GDP.

Chart 1

### Income terms-of-trade effect (energy) relative to Q1 21



Source: OeNB, Eurosystem, Statistics Austria.

## 2 Investment activity in Austria is very subdued

While the Austrian economy grew at a very dynamic pace in 2022, gross fixed capital formation virtually stagnated. The deterioration in business sentiment triggered by Russia's war against Ukraine, high energy costs and rising financing costs left their mark. Many of these factors will continue to weigh on investment decisions over the forecast horizon.

Having completed a pronounced cycle, housing investment plays a special role. Housing construction activity in Austria peaked in 2021 with 71,200 completed dwellings. Together with a slowdown in population growth, this has helped reduce the previous housing shortage and establish a relatively high degree of equilibrium in Austria's housing market. Over the forecast horizon, higher interest rates on housing loans will impact the affordability of and, consequently, the demand for housing loans. Tighter lending standards for residential real estate financing, high

land and construction costs as well as labor shortages will put an additional brake on housing investment. However, according to the current euro area bank lending survey, relevant and restrictive effects on lending much rather stem from demand-side than from supply-side developments (chart 2). Trends in building permits indicate a decline in housing construction activity in 2023 and 2024.

Total gross fixed capital formation will practically stagnate again, at 0.4%, in 2023, while being fraught with a

Table 3

### Investment activity in Austria

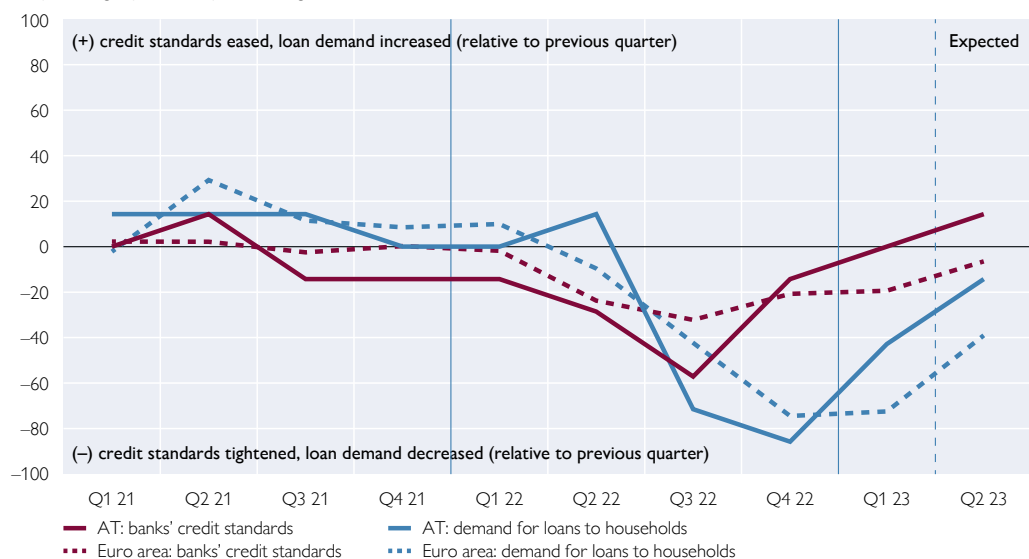
	2022	2023	2024	2025
	Annual change in %			
Gross fixed capital formation (real)	0.4	0.4	0.6	1.4
Investment in plant and equipment	-1.2	-1.3	0.9	1.6
Residential construction investment	-3.2	-4.7	-3.3	0.8
Nonresidential construction investment and other investment	0.5	3.1	1.2	0.9
Investment in research and development	5.8	3.1	2.1	2.2

Source: 2022: Statistics Austria; 2023 to 2025: OeNB June 2023 outlook.

Chart 2

### Euro area bank lending survey – housing loans to households

Net percentage, quarter-on-quarter change



Source: ECB.

considerable downside risk. Despite a slight pickup in economic activity in the next two years, real gross fixed capital formation growth will remain well below its long-term pre-pandemic average in 2024 (0.6%) and 2025 (1.4%) (2000 to 2019: 1.7%). For both years, we expect weak growth in all subsectors of investment with the exception of residential investment, which will continue to decline in 2024. The investment-to-GDP ratio is forecast to decline from 26.1% in 2023 to 25.3% in 2025.

### 3 Robust labor market amid inflation-induced high wage gains

Total employment growth (employed and self-employed persons) in Austria is set to decelerate significantly, to 0.8% in 2023, from the very high levels recorded in 2022 (2.6%). In 2024 and 2025 (at 1.0% in both years), it will also continue to be in line with the long-term average. However, the number of total hours worked will fall by 0.1% (see box 1 for details on trends in hours worked), as firms try to maintain employment levels in particular in view of the continued labor shortages.

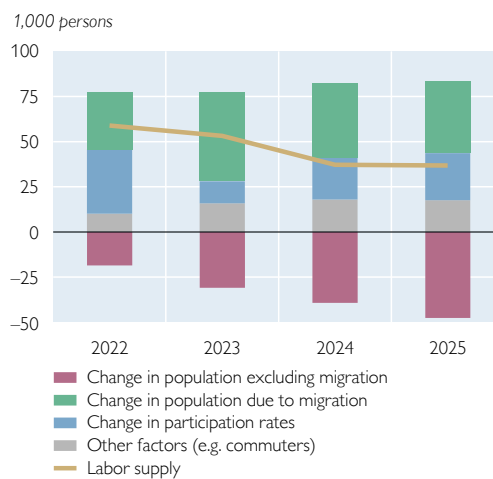
Labor supply growth will moderate slightly over the forecast horizon (chart 3). Austria's labor force will stagnate in 2024 and decline slightly in 2025. The participation rate will increase marginally, mainly because the statutory retirement age for women will be raised. So far, the integration of Ukrainian refugees into the Austrian labor market has contributed only a small share (15,000 persons) to the growth of labor supply.

Despite the marked slowdown in economic activity, the unemployment rate (national definition) will rise only slightly in 2023, from 6.3% to 6.4%, while the unemployment rate according to Eurostat's definition will increase from 4.8% to 5%. In 2024 and 2025, Austria's unemployment rate will decline as the economy is set to recover (figures for 2025, national definition: 6.1%; Eurostat definition: 4.6%).

We expect collective wages to be raised by 7.6% in 2023, 6.5% in 2024 and 4.2% in 2025 (see box 2 for details

Chart 3

#### Change in labor supply in Austria (resident population aged 15 to 64 years)



Source: Statistics Austria, OeNB.

Table 4

#### Labor market and wage developments in Austria

	2022	2023	2024	2025
	Annual change in %			
Total employment (persons)	2.6	0.8	1.0	1.0
Total hours worked	3.0	-0.1	0.9	0.9
<b>Compensation per employee</b>				
Gross <sup>1</sup> compensation (nominal)	4.6	7.6	6.6	4.3
Collectively agreed wages and salaries <sup>2</sup>	3.1	7.6	6.5	4.2
Wage drift	1.5	0.0	0.1	0.1
Private consumption deflator	8.6	7.4	4.1	2.9
Gross <sup>1</sup> compensation, real (HICP)	-3.7	0.2	2.4	1.3
Net <sup>3</sup> compensation, real (HICP)	-3.1	0.9	3.3	1.4
<b>Unemployment rate</b>				
	% of labor supply			
Eurostat definition	4.8	5.0	4.8	4.6
National definition	6.3	6.4	6.2	6.1

Source: 2022: Statistics Austria; 2023 to 2025: OeNB June 2023 outlook.

<sup>1</sup> Including employers' social security contributions.

<sup>2</sup> Overall economy.

<sup>3</sup> After tax and social security contributions.

on the wage-setting process in Austria). Nominal gross compensation per employee will rise at a similar rate as negotiated wages and we do not expect any significant overpayment.

Gross real wages per employee (deflated by the Harmonised Index of Consumer Prices) will hardly increase in 2023, following a pronounced decline in 2022. Net real wages will go up by 0.7% in 2023. We expect gross and net real wages to rise significantly in 2024 and 2025. The wage share of GDP will increase in 2023 and 2024, and hover around ½ percentage point above its 2019 pre-crisis level in 2025.

Box 1

### Average working hours have gone down sharply since COVID-19 crisis

Growth in total hours<sup>2</sup> worked in Austria has remained well below the comparable euro area rate since the pandemic. In 2022, it had not even reached the pre-crisis level of 2019. The table below shows the average annual change in labor volume (total hours worked) in Austria for selected periods, broken down into the part that is attributable to changes in average hours worked per employed person (at constant employment numbers) and the part that is attributable to changes in the number of employed persons (at constant average hours worked).

The number of total hours worked in Austria decreased by an average of –0.5% per year between 2020 and 2022 (euro area +0.1; table B1, top section), which is mainly attributable to the strong decline in average hours worked, namely by –1.5%. This decline was significantly stronger in Austria than in the euro area as a whole (–0.7%) and well above the average decline in hours worked per employee recorded in the period from 1999 to 2019 (table B1, middle section; –0.5%). This sharp contraction in average hours worked is remarkable also because average real GDP growth between 2020 and 2022 was even higher in Austria, at 0.9%, than in the euro area (0.7%).

Table B1

#### Average annual change in total hours worked in Austria

	Austria	Euro area
<b>2020 to 2022</b>		
Change in total hours worked	–0.5	0.1
of which: change in average working hours	–1.5	–0.7
of which: change in number of employees	1.0	0.8
<b>1999 to 2019</b>		
Change in total hours worked	0.5	0.5
of which: change in average working hours	–0.5	–0.3
of which: change in number of employees	1.0	0.8
<b>2023 to 2025</b>		
Change in total hours worked	0.6	0.9
of which: change in average working hours	–0.3	0.2
of which: change in number of employees	0.9	0.6

Source: Eurostat (national accounts), OeNB.

According to the European Union Labour Force Survey (LFS), positive employment growth in Austria has been exclusively attributable to part-time work since 2019. While the number of full-time employees declined somewhat, that of persons working part-time has gone up significantly. By comparison, full-time employment growth in the euro area, which also stands at +2% according to LFS data, is almost entirely attributable to full-time employment. The part-time employment rate in Austria reached 30.3% at end-2022 (women: 50.3%, men: 12.5%), a historic high that is well above the euro area average of 21.4% (women: 34.1%, men 10.1%). A disaggregated analysis by age groups also shows that the largest increase in part-time work between 2019 and 2022 can be observed among persons aged 50 to 64. With regard to education levels, part-time work among men is found to have risen at about equal rates among those who have completed secondary and those who have completed tertiary

<sup>2</sup> All figures refer to total employment (employed and self-employed persons).

education. For women, by contrast, part-time employment has risen predominantly among those who have completed tertiary education.

In the present outlook, we assume that, until the end of the forecast period in 2025, the average number of hours worked per employee will continue to decline in Austria, albeit at a somewhat slower pace than the long-term average (−0.3%). The Eurosystem staff macro-economic projections for the euro area, by contrast, even point to a slight increase in average hours worked (+0.2%), which means that total hours worked are expected to grow more strongly in the euro area than in Austria (see table B1, bottom section).

Box 2

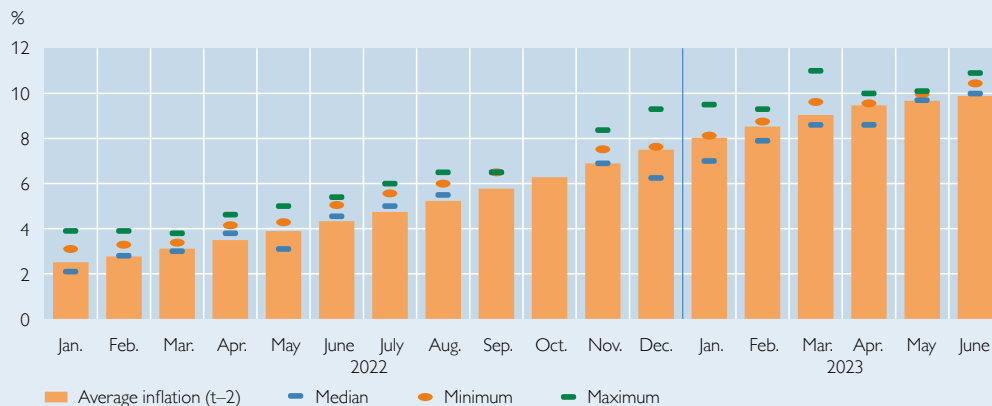
### How wage-setting works in Austria

In Austria, collectively agreed wages are quasi-automatically indexed to inflation. It is common practice to base collective wage bargaining on the average rate of consumer price growth observed over the past 12 months. And indeed, since the beginning of 2022, average collectively agreed wages in Austria have increased in line with average inflation (chart B2.1).

Wage settlements thus roughly follow the rule that wage increases should equal past inflation plus the growth rate of labor productivity. This rule aims at keeping the wage share constant. Usually “past inflation” is interpreted as consumer price inflation. (As we have seen, wage settlements in the past two years indeed followed consumer prices.) However, the defining equation of the wage share implies that to keep the wage share constant, wages should rise in accordance with output prices (i.e. the growth rate of the GDP deflator) rather than in accordance with consumer price inflation. In the past, these two price measures – consumer price inflation and the GDP deflator – have differed only marginally. However, as a result of the strongly negative terms-of-trade shock caused by the rise in import prices (mainly energy), the two measures have begun to diverge strongly (chart B2.2). For instance, if next fall's wage settlement round for metal workers (traditionally the trendsetters for negotiations in other areas) considered consumer price inflation – including medium-term aggregate productivity growth – that would imply a rise in agreed wages by around 10%. If, by contrast, negotiations were based on the GDP deflator, this would result in a lower rise, by 7.6%.

Chart B2.1

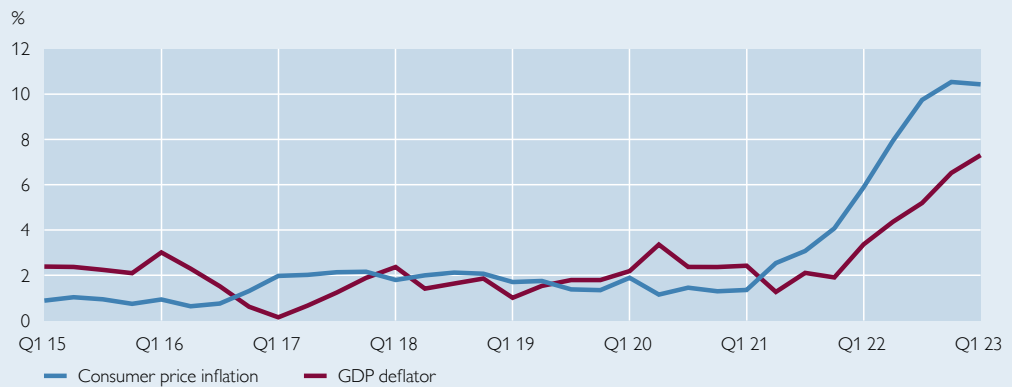
### Collective wage settlements and inflation in Austria since January 2022



Source: ÖGB, Statistics Austria, OeNB.

Note: Average inflation: moving average of consumer price inflation over the last 12 months, with a two-month lag. Wage settlements are assigned to individual months according to ÖGB publication dates. In September 2022, only one settlement was reached; in October 2022 none. Latest observation: June 6, 2023.

Chart B2.2

**Consumer price inflation vs. GDP deflator**

Source: Statistics Austria.

The OeNB's present economic outlook for Austria assumes a certain degree of wage moderation for the collective agreements. We thus assume that the negotiations in the upcoming wage rounds will be based on the GDP deflator as a price measure and not on consumer price developments. Consequently, the growth of negotiated wages, viewed in terms of the overall economy, is projected to decline from a rate of 7.6% in 2023 to 6.5% in 2024.

**4 Wage increases lead to sharp rise in private consumption**

At 3.1%, the agreed rise in wages for 2022 was well below the inflation rate measured that year. However, strong employment growth and government support measures dampened the resulting income losses, which meant that real disposable household income rose by 0.6%.<sup>3</sup> Wage settlements for 2023 are very high by

historical standards. However, many pandemic-related measures are being phased out (temporary payments to pensioners and the unemployed, "climate bonus" and inflation compensation). As a result, government net transfers have dampened disposable household income. Overall, real income growth is expected to be negative in 2023. Household consumption will decline a lot less strongly, however, as parts of consumption are financed through savings. Compared

Table 5

**Household income and consumption in Austria**

	2022	2023	2024	2025
	Annual change in %			
Disposable household income (real)	0.6	-0.9	3.3	2.5
Private consumption (real)	4.9	-0.2	2.3	1.6
	% of nominal disposable household income			
Saving ratio	8.4	7.4	8.2	9.0

Source: 2022: Statistics Austria; 2023 to 2025: OeNB June 2023 outlook.

<sup>3</sup> In the OeNB outlook, disposable household income is based on national accounts and sector accounts data. To ensure consistency with other national accounts data, the OeNB uses the consumption deflator to deflate nominal household income, even though consumers rather rely on the consumer price index (or the HICP). Normally, the dynamics of the consumption deflator and the HICP are very similar. However, they began to differ significantly in 2022 and the first quarter of 2023, meaning that the consumption deflator will grow more strongly than HICP inflation in 2023. Chart 4 therefore also shows the growth in real disposable household income deflated by HICP inflation. Real disposable household income growth deflated by HICP inflation will be slightly positive in 2023.



with 2022, the saving ratio in Austria will fall.

In 2024, real wage growth is expected to be very strong, reflecting the expected decline in inflation and continued high wage settlements. Developments in real disposable household income are further supported by continued high employment growth and an increase in pension payments. For similar reasons, real disposable household income will continue to rise strongly in 2025, albeit at a slower pace than in 2024. Households will use only some of these income gains for consumption purposes and will, instead, return to saving more. The saving ratio will rise to 9% of nominal disposable household income by the end of the forecast horizon, almost reaching its historic pre-pandemic average (2000–2019: 9.4%).

## 5 HICP inflation will come to 7.4% in 2023 and is expected to fall to just below 3% by 2025

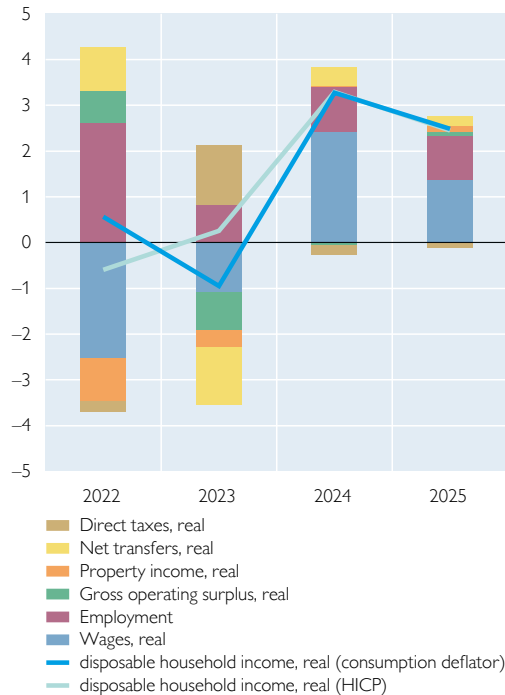
Inflation in Austria rose to 8.6% in 2022. While initially, energy prices were the main driver of this marked rise in prices, in the second half of the year contributions also came from all other subcomponents. The expected decline in the inflation rate in 2023 will mainly be attributable to the weaker upward pressure on energy prices, but the dynamic price increase recorded in 2022 also has a dampening effect on annual inflation rates in 2023 as these are calculated in relation to the previous year's prices. The futures prices for crude oil underlying this outlook will decline steadily until the end of 2025. Household energy prices on international wholesale markets have fallen sharply in recent months. This should dampen end user prices, especially from the second half of 2023 onward. However, as of mid-2024, the phasing-out of anti-inflationary measures (in particular the electricity price cap) will exert upward pressure on inflation. According to OeNB calculations, the direct downward impact of fiscal policy measures on HICP inflation in 2023 will amount to 1 percentage point (2022: 0.4 percentage points). The phasing-out of anti-inflationary measures will drive up inflation by 1 percentage point in 2024 and 0.4 percentage points in 2025.<sup>4</sup>

Core inflation (excluding energy and food) is expected to increase to 7.1% in 2023 (2022: 5.1%). The main reason for this is the sharp rise in wage costs due to lags in wage compensation for inflation. In 2024 and 2025, core inflation will fall to 5.1% and 2.8%, respectively, thus remaining above the long-term average over

Chart 4

### Composition of real disposable household income growth

Disposable income in %, contributions in percentage points

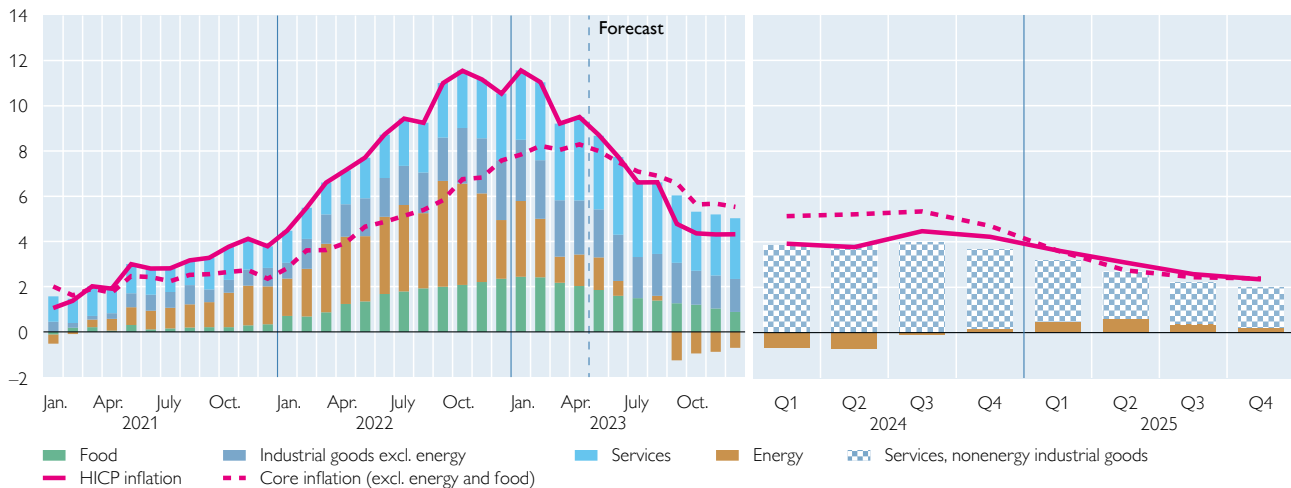


Source: Statistics Austria, OeNB.

<sup>4</sup> Only direct inflation effects are taken into account.

### Contributions to HICP inflation in Austria

Inflation in %, contributions in percentage points



Source: OeNB, Statistics Austria.

Table 6

### Inflation in Austria

	June 2023 outlook				Revision to March 2023 outlook		
	2022	2023	2024	2025	2022	2023	2024
	Annual change in %				Percentage points		
HICP	8.6	7.4	4.1	2.9	0.5	0.1	-0.2
Food	9.0	9.8	3.9	2.3	0.7	-1.4	-0.7
Unprocessed food	10.3	6.8	x	x	0.2	x	x
Processed food	8.7	10.5	x	x	0.8	x	x
Industrial goods excluding energy	5.8	6.7	x	x	1.3	x	x
Energy	39.8	5.6	-3.7	4.6	-3.8	-3.3	1.4
Services	4.6	7.2	x	x	0.8	x	x
HICP excluding energy	5.8	7.6	4.9	2.7	0.9	0.5	-0.4
HICP excluding energy und food	5.1	7.1	5.1	2.8	1.0	0.8	-0.3

Source: 2022: Statistics Austria; 2023 to 2025: OeNB June 2023 outlook.

the entire forecast horizon. Core inflation has accelerated to date, which – together with the expected strong wage increases – caused our current projection exercise to produce higher results than projected in our latest exercise in March 2023 (table 6).

Stronger food price inflation in 2023 is partly attributable to rising price pressures stemming from wage increases. In addition, the decline in production costs is passed on to end user prices with a time lag. The decline in agricultural commodity prices and the marked fall in energy prices (fuels, gas and electricity) have so far been reflected only moderately in producer prices but should have an impact over the remainder of the forecast horizon. We expect food price inflation to slow down to 3.9% in 2024 and 2.3% in 2025. This means that, in 2025, inflation

in this segment will only be slightly above the long-term average observed in the period from 1999 to 2019 (2.2%).

Box 3

### Austria's fiscal energy relief measures only reduce inflation with a lag and by a small margin

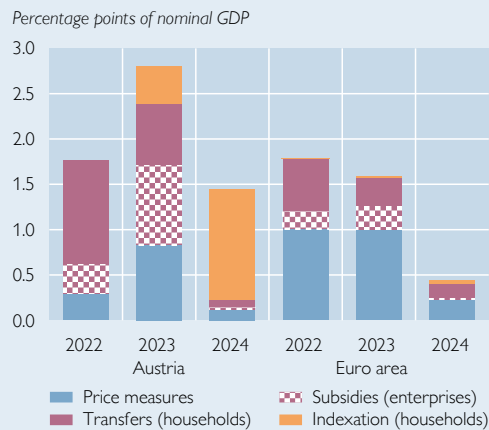
This box shows what impact the fiscal energy relief measures the Austrian government took to support households and businesses had on inflation in Austria. It also presents a hypothetical scenario for Austria, based on the calculated impact we would have seen if Austria had implemented the same measures (in terms of size and structure) as the euro area.<sup>5, 6</sup>

With regard to the total volume of measures over the period from 2022 to 2024,<sup>7</sup> we find that – in relation to GDP – the packages Austria adopted to mitigate the effects of inflation on households are around 50% larger than the euro area average (6% vs 3.8%, exclusive of financing measures). A key factor explaining this difference is that, in Austria, wage tax, income tax and family benefits are now automatically indexed to inflation, and these components account for just under one-quarter of Austria's support measures.

Indexation also plays an important role when comparing the structure of measures: Here, we must distinguish between price-related interventions (e.g. via indirect taxes), income-related measures (via direct transfers to households and income taxes) and subsidies to enterprises. For the period from 2022 to 2024, we see that Austria increasingly concentrates on income support measures (chart B3.1, purple/orange columns), whereas the euro area on average relies much more heavily on price measures (blue columns).

Chart B3.1

#### Size and composition of fiscal measures



Source: OeNB.

<sup>5</sup> This analysis expands and updates the assessment presented in “Österreichs Fiskal-Maßnahmen zur Inflationsbekämpfung unterschieden sich 2022 deutlich von jenen des Euroraum-Schnitts” (in German only). For the purpose of this analysis, we also took into account support measures for businesses and used information provided by the national central banks and the ECB that allow for higher precision in assigning time- and content-related information. As these are internal Eurosystem data, they are only comparable with the euro area aggregate.

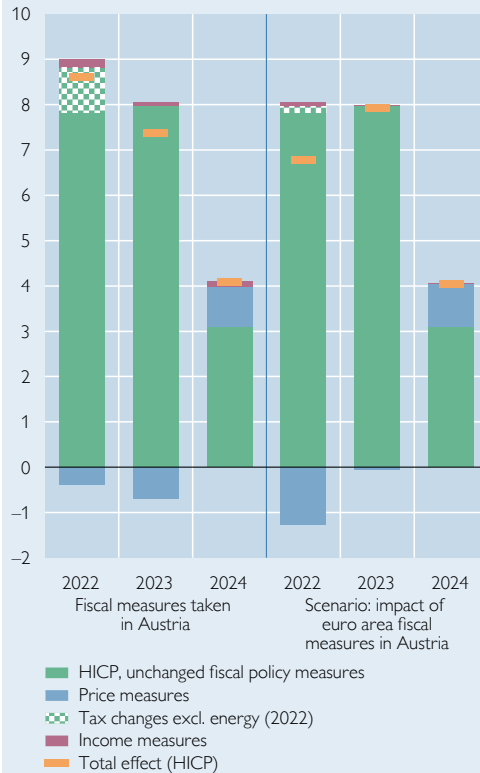
<sup>6</sup> Our analysis is limited to the impact of fiscal measures. Price caps are only taken into account if they trigger government expenditure (to directly subsidize prices and/or to cover losses incurred by energy producers). Purely government-imposed price caps without budgetary effects are therefore not considered, for example.

<sup>7</sup> A small proportion of the measures taken in the euro area began to be effective already in 2021, and their effects have been added to the results for 2022 to improve comparability. Germany's electricity and gas price caps are classified as price measures in line with Bankowski et al. (2023).

Chart B3.2

### HICP inflation effects of fiscal policy measures

HICP inflation (year-on-year change in percentage points)



Source: OeNB.

The effect of Austria's fiscal energy relief measures on the HICP was around  $-0.2$  percentage points in 2022 as the dampening effect of price measures (chart B3.2, blue columns) was significantly stronger than the upward effect of income measures (purple columns) of the same size. This contrasts strongly with our hypothetical scenario considering the impact the euro area measures would have had on Austria, as the euro area measures relied much less on transfer payments and much more on price measures in 2022. Moreover, in 2022 the fact that the temporary reduction of the value-added tax (VAT) rate on hotel, restaurant and cultural services expired in Austria had an effect of around  $+1$  percentage point (chart B3.2, hatched green columns);<sup>8</sup> the euro area aggregate did not show any comparable effect.<sup>9</sup> Overall, Austria's inflation rate would have been 1.8 percentage points lower in 2022 if Austria had applied the same measures as the euro area average, or 1 percentage point lower if we exclude the expiry of the temporary VAT rate cut (COVID-19-related measures).

In 2023, thanks to the electricity price cap and subsidies on energy bills, the overall downward impact of Austria's fiscal measures on the HICP ( $-0.6$  percentage points) will be stronger than in the hypothetical scenario. In 2024, under a "no policy change" assumption in both scenarios, many price measures can

be expected to be dropped, which will result in a clear rebound effect. This effect will be marginally reinforced by the elimination of bracket creep in Austria (chart B3.2, included in the purple columns).

<sup>8</sup> Tax cuts expiring in 2022 are shown separately in the hatched green columns in chart B3.2, given their direct relevance for the HICP, and are not subsumed under "HICP, unchanged fiscal policy measures" (green columns), although technically speaking they are not discretionary measures taken in response to the energy and inflation crises. The green columns therefore show the residual resulting from expiring tax cuts plus energy relief measures and thus also include the effects of other fiscal measures, e.g. the discontinuation of the remaining COVID-19-related income support measures.

<sup>9</sup> According to Eurostat data, the direct contribution of nonenergy tax changes to HICP inflation was 1 percentage point in Austria and 0.1 percentage point in the euro area.

### Corporate profits contributed heavily to domestic price pressures in 2022, with strong second-round effects in subsequent years<sup>10</sup>

This box discusses whether corporate profits have fueled inflation in Austria in recent years. We look at the contribution of corporate profits to the increase in the value-added deflator, which is a measure of domestic price pressures that excludes imported or domestically purchased intermediate goods.<sup>11</sup>

Corporate profits typically display a procyclical pattern: They rise during economic upturns and slow down during downturns. This pattern has also been observed over the past three years. In 2020, following the outbreak of the COVID-19 pandemic, corporate profits in Austria fell sharply (–14% year on year) and dampened inflation by 1.5 percentage points (as measured by the value-added deflator, inflation in Austria stood at 2% at the time, see below). This was followed by a recovery in 2021, when corporate profits went up by 10%, accounting for 1.2 percentage points of headline inflation (2.9%). In the 2022 boom year, when GDP grew by almost 5%, corporate profits soared (+24%) and thus contributed 4 percentage points (i.e. almost two-thirds) to the 6.4% increase in the value-added deflator. This is remarkable even though the economy expanded strongly in that year, as energy import prices rose sharply in the wake of the war in Ukraine and the resulting deterioration in terms of trade weighed on corporate profits. Corporate profits therefore played a key role in domestic price pressures in 2022. Over the period from 2020 to 2022, around one-third of headline inflation was attributable to corporate profits, which is a slightly higher share than the one-quarter share of profits in total value added.

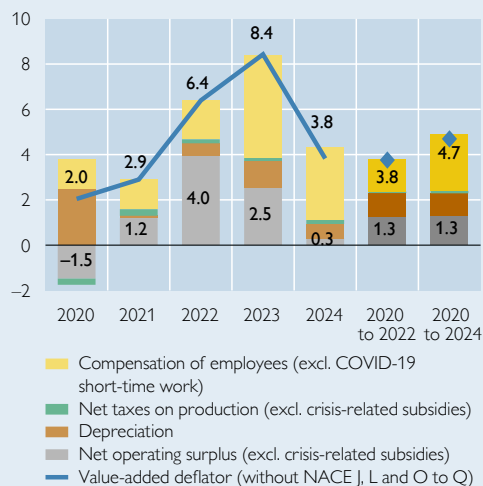
#### Huge differences across sectors

The above result masks the high degree of heterogeneity across sectors observable in 2022. A small number of sectors have significantly increased their profits, while this rise is partly offset by developments in other sectors. The largest price increases were recorded in the energy, mining and water supply (NACE BDE) sectors (+35%), followed by construction (NACE F, +13%), agriculture and forestry (NACE A, +14%) and the transportation and storage sector (NACE H, +4.2%). In these sectors, inflation developments are almost entirely attributable to

Chart 4.1

#### Contributions to change in value-added deflator

Change on previous year in %, growth contribution in percentage points



Source: Statistics Austria, OeNB calculations.

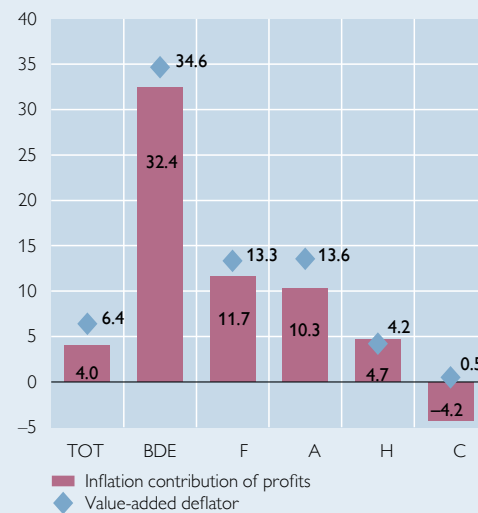
<sup>10</sup> Authors: [friedrich.fritzer@oenb.at](mailto:friedrich.fritzer@oenb.at), [lukas.reiss@oenb.at](mailto:lukas.reiss@oenb.at) and [martin.schneider@oenb.at](mailto:martin.schneider@oenb.at), Business Cycle Analysis Section, OeNB.

<sup>11</sup> The contributions of corporate profits to this inflation measure are carefully adjusted for depreciation and amortization, taxes on production and subsidies. For reasons of data availability, the real estate sector, the information and communication sector and the public sector were excluded from the calculation.

Chart B4.2

### Profit contributions to change in value-added deflator on a sectoral basis (2022)

Growth in % (deflator); contributions in percentage points



Source: Statistics Austria, OeNB calculations.

Note: TOT: Total economy (without NACE J, L and O to Q);  
BDE: Mining, energy, water supply; F: Construction;  
A: Agriculture and forestry; H: Transportation and storage;  
C: Manufacturing

profits. By contrast, the manufacturing sector (NACE C), which is strongly exposed to international competition, was unable to pass on cost increases in full and thus recorded a marked decline in profits by 18% in 2022. Given high, energy price-driven inflation in 2022, a significant share of profits was shifted within the corporate sector.

### 2023–2024: Corporate profits no longer drive inflation, but strong second-round effects make inflation highly persistent

In the first quarter of 2023, the value-added deflator continued to rise more quickly, by 10.7% compared to 8.6% in Q4 22. About half of this increase is attributable to corporate profits. Like the energy, mining, water supply, construction, agriculture and forestry sectors, financial and insurance services also saw a strong, profit-driven rise in the value-added deflator. We expect corporate profits in Austria to come under pressure during the remainder of 2023 and in 2024. The fact that inflation was high in 2022 (due to energy price developments and corporate profits) will lead to second-round effects in 2023 and 2024 via stronger (delayed) wage increases and sharply rising replacement costs of capital stock depreciation. As a result,

according to the OeNB's present outlook, corporate profits will no longer be the main direct driver of inflation in 2023 and 2024.

## 6 Budget deficit well below 3% of GDP as temporary measures are being phased out

Over the forecast horizon, Austria's budget balance is expected to improve gradually to  $-2.6\%$  of GDP in 2023 and  $-1.9\%$  of GDP in 2024 and 2025, respectively (from  $-3.2\%$  of GDP in 2022). To illustrate the underlying factors, chart 6 breaks down the change in the budget balance vis-à-vis 2019 ( $+0.6\%$  of GDP) into the contributions of various sets of discretionary measures, of changes in interest expenditure and of economic activity (other macroeconomic and windfall effects).

We find that the expected further improvements in the budget balance over the forecast horizon will be attributable to the phasing-out of a series of temporary fiscal measures. In 2023, these will be, in particular, COVID-19-related measures, such as subsidies paid out by the Austrian COVID-19 financing agency (COFAG) and COVID-19 testing (chart 6, blue columns), while energy relief packages (green columns) will be discontinued during 2024 and 2025. The slowdown in economic activity and the lagged impact of the rise in inflation on government expenditure will worsen macroeconomic effects (chart 6, purple columns). The elimination of bracket creep will contribute to a deterioration of the budget balance in 2024 and 2025: In 2024, the inflation reference value for raising tax brackets and tax allow-

ances will be close to 10%, but increases in pensions and, in particular, wages will be significantly lower. As a result, revenue from wage and income tax will grow at a clearly slower pace than the tax base (the orange columns in chart 6 indicate this net effect).

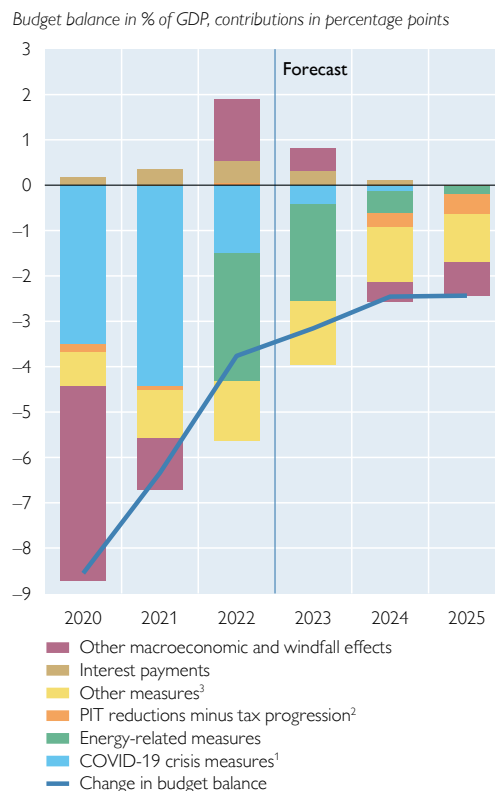
Thanks to lower budget deficits and very high nominal economic growth, Austria's debt-to-GDP ratio will fall sharply over the forecast horizon, to just under 71% of GDP in 2025. However, the strong rise in the yield curve leads to a marked increase in interest payments (chart 6, brown columns).

From 2023 onward, the volume of discretionary measures is not only set to decline strongly (sum of green, blue and yellow columns in chart 6, blue marks in chart 7), but there will also be a sizeable shift in the structure of these measures. COVID-19-related measures consisted mostly of payments to companies (mainly funds paid out by COFAG) and expenditure on goods and services (especially on COVID-19 testing). When these measures began to expire and the energy crisis started to evolve, government measures shifted toward supporting real household incomes. These measures

comprised measures increasing nominal household income (mainly one-off payments; orange columns in chart 7) and measures reducing energy prices (mainly reduction of energy taxes and electricity price cap; green columns).<sup>12</sup> These measures offset part of the terms-of-trade losses for households discussed in section 1. Chart 8 shows that, despite the macroeconomic recovery, real disposable household income would have been around 5% (6%) below pre-crisis levels in 2022 (2023) in the absence of fiscal measures (purple columns<sup>13</sup>). Given that these measures offset most of the losses incurred (around 90% in 2022 and around two-thirds in 2023), household incomes came in at only just below pre-crisis levels in both years. The strong real growth in wages and pensions expected for 2024 and 2025 will lead to a recovery of household incomes, but at the same time measures will be diminishing. This particularly concerns price measures such as the temporary reduction of energy taxes and the

Chart 6

### Change in Austria's budget balance since 2019



Source: OeNB, Statistics Austria.

<sup>1</sup> Subsidies, income support, testing, etc.

<sup>2</sup> Income tax cuts minus tax progression due to income growth

<sup>3</sup> COVID-19 stimulus, eco-social tax reform, etc.

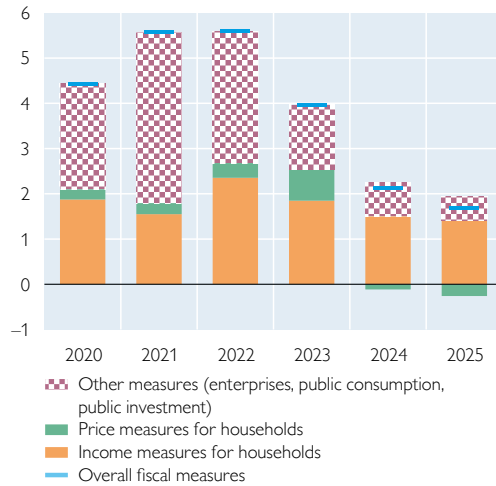
<sup>12</sup> However, the energy relief packages also comprised two other major measures, namely the setting up of a strategic gas reserve in 2022 (around 0.8% of GDP) and energy bill subsidies for companies for 2022 and 2023.

<sup>13</sup> In the calculation of real income excluding fiscal measures, second-round effects were not taken into account, i.e. the volumes of measures were simply subtracted from actual developments in real income.

Chart 7

### Total volume of fiscal measures in Austria

Change on 2019 in % of GDP



Source: OeNB.

Chart 8

### Effect on real disposable household income

Change on previous year in %; contribution in percentage points



Source: OeNB.

electricity price cap, while the CO<sub>2</sub> tax, which has been in force since end-2022, will be increasing gradually.



## 7 Annex of tables

Table A1

## Main results of the forecast

	June 2023				Revisions since Dec. 2022			
	2022	2023	2024	2025	2022	2023	2024	2025
<b>Economic activity</b>								
<i>Annual change in % (real)</i>								
Gross domestic product (GDP)	4.9	0.5	1.7	1.6	0.1	-0.1	-0.1	0.1
Private consumption	4.9	-0.2	2.3	1.6	0.3	-0.3	0.2	0.2
Government consumption	3.6	-0.3	0.0	0.7	2.5	0.2	-0.4	0.1
Gross fixed capital formation	0.4	0.4	0.6	1.4	2.6	1.8	-1.1	-0.6
Exports of goods and services	13.0	2.9	2.7	3.0	4.3	1.2	-0.6	-0.7
Imports of goods and services	7.8	2.7	2.2	2.6	5.6	2.2	-0.9	-1.0
<i>% of nominal GDP</i>								
Current account balance	0.7	1.3	1.9	2.3	0.2	0.4	0.3	-0.2
<b>Import-adjusted contributions to real GDP growth<sup>1</sup></b>								
<i>Percentage points</i>								
Private consumption	1.6	-0.2	0.8	0.5	-0.4	-0.3	0.1	0.1
Government consumption	0.6	-0.1	0.0	0.1	0.4	0.0	-0.1	0.0
Gross fixed capital formation	0.0	0.0	0.1	0.2	-0.1	0.2	-0.1	0.0
Domestic demand (excluding changes in inventories)	2.3	-0.3	0.9	0.8	-0.1	-0.1	0.0	0.1
Exports	3.5	0.5	0.8	0.9	0.3	-0.1	-0.1	0.0
Changes in inventories (including statistical discrepancy)	-0.8	0.3	0.0	0.0	-0.2	0.2	0.0	0.0
<b>Prices</b>								
<i>Annual change in %</i>								
Harmonised Index of Consumer Prices (HICP)	8.6	7.4	4.1	2.9	0.0	0.9	0.5	0.0
Private consumption expenditure (PCE) deflator	7.4	8.7	4.1	2.9	-1.1	2.3	0.3	-0.2
GDP deflator	4.9	7.7	4.7	3.7	-1.8	1.9	0.7	0.1
Unit labor costs (overall economy)	2.2	7.9	5.9	3.6	0.4	1.1	0.6	0.6
Compensation per employee (nominal)	4.6	7.6	6.6	4.3	0.3	0.4	0.5	0.7
Compensation per hour worked (nominal)	4.5	8.4	6.6	4.3	0.8	0.3	0.6	0.9
Import prices	11.7	3.1	2.5	2.2	-0.8	-2.4	0.2	0.2
Export prices	7.9	3.8	3.6	3.0	-0.6	-0.1	0.3	-0.2
Terms of trade	-3.4	0.7	1.0	0.8	0.1	2.2	0.0	-0.4
<b>Income and savings</b>								
Real disposable household income	0.6	-0.9	3.3	2.5	3.0	-0.7	-0.8	0.5
<i>% of nominal disposable household income</i>								
Saving ratio	8.4	7.4	8.2	9.0	2.8	2.2	1.3	1.6
<b>Labor market</b>								
<i>Annual change in %</i>								
Payroll employment	2.9	1.1	1.1	1.0	0.0	0.6	0.1	0.1
Hours worked (payroll employment)	3.0	0.3	1.1	1.0	-0.6	0.7	0.0	-0.1
<i>% of labor supply</i>								
Unemployment rate (Eurostat definition)	4.8	5.0	4.8	4.6	-0.1	0.1	0.1	0.0
Unemployment rate (national definition)	6.3	6.4	6.2	6.1	0.0	-0.2	-0.2	-0.2
<b>Public finances</b>								
<i>% of nominal GDP</i>								
Budget balance	-3.2	-2.6	-1.9	-1.9	-0.3	-0.6	0.3	0.3
Government debt	78.4	75.2	72.7	70.9	1.2	0.8	0.2	-0.2

Source: 2022: Statistics Austria; 2023 to 2025: OeNB June 2023 outlook.

<sup>1</sup> The import-adjusted growth contributions were calculated by offsetting each final demand component with corresponding imports, which were obtained from input-output tables.

Tabelle A2

**Underlying global economic conditions**

	2022	2023	2024	2025
Gross domestic product	Annual change in % (real)			
World excluding the euro area	3.3	3.1	3.1	3.3
USA	2.1	1.0	0.6	1.6
China	3.0	6.0	4.7	4.5
India	6.8	5.6	6.5	6.8
Japan	1.0	1.1	1.1	1.0
Latin America	3.8	1.8	2.1	2.4
United Kingdom	4.1	0.2	0.7	1.1
CESEE EU member states <sup>1</sup>	-2.8	0.9	2.0	2.0
Switzerland	2.1	0.7	1.2	1.4
Euro area <sup>2</sup>	3.5	0.9	1.5	1.6
<b>World trade (imports of goods and services)</b>	Annual change in % (real)			
World	6.0	1.5	3.4	3.3
World excluding the euro area	5.3	1.3	3.4	3.4
Growth of euro area export markets (real)	6.3	0.5	3.1	3.1
Growth of Austrian export markets (real)	7.1	1.0	3.3	3.1
<b>Prices</b>				
Oil price, USD/barrel (Brent)	103.7	78.0	72.6	70.4
Three-month interest rate, %	0.3	3.4	3.4	2.9
Long-term interest rate, %	1.7	3.1	3.2	3.3
USD/EUR exchange rate	1.1	1.1	1.1	1.1
Nominal effective exchange rate of the euro (euro area index)	116.8	121.2	121.5	121.5

Source: Eurosystem.

<sup>1</sup> Bulgaria, Croatia, Czechia, Hungary, Poland and Romania.<sup>2</sup> 2022: Eurostat; 2023 to 2025: results of the Eurosystem staff macroeconomic projections for the euro area of June 2023.

Table A3

**Foreign trade**

	2022	2023	2024	2025
<b>Exports</b>	Annual change in %			
Competitor prices in Austria's export markets	16.2	0.0	2.8	2.4
Export deflator	7.9	3.8	3.6	3.0
Changes in price competitiveness <sup>1</sup>	8.3	-3.8	-0.8	-0.6
Import demand in Austria's export markets (real)	7.1	1.0	3.3	3.1
Austrian exports of goods and services (real)	13.0	2.9	2.7	3.0
Austrian market share	5.9	1.8	-0.6	-0.1
<b>Imports</b>	Annual change in %			
International competitor prices in the Austrian market	14.3	1.3	3.1	2.4
Import deflator	11.7	3.1	2.5	2.2
Austrian imports of goods and services (real)	7.8	2.7	2.2	2.6
Terms of trade	-3.4	0.7	1.0	0.8
	Percentage points of real GDP			
Contribution of net exports to GDP growth	3.1	0.2	0.4	0.4
	% of nominal GDP			
Export ratio	61.8	61.0	60.9	61.3
Import ratio	60.4	59.0	58.1	57.8

Source: 2022: Statistics Austria; 2023 to 2025: OeNB June 2023 outlook.

<sup>1</sup> Changes in price competitiveness are defined as the difference between changes in competitor prices in Austria's export markets and changes in the export deflator.

Table A4

**Current account**

	2022	2023	2024	2025
	<i>% of nominal GDP</i>			
Balance of trade	1.4	2.1	2.7	3.1
Balance of goods	-0.1	0.2	0.5	0.7
Balance of services	1.6	1.8	2.2	2.5
Balance of primary income <sup>1</sup>	-0.2	-0.2	-0.2	-0.2
Balance of secondary income <sup>2</sup>	-0.5	-0.6	-0.6	-0.6
Current account balance	0.7	1.3	1.9	2.3

Source: 2022: Statistics Austria; 2023 to 2025: OeNB June 2023 outlook.

<sup>1</sup> Balance of income (e.g. labor compensation, investment income).

<sup>2</sup> Balance of current transfers.

Table A5

**Household income and private consumption**

	2022	2023	2024	2025
	<i>Annual change in %</i>			
Payroll employment	2.9	1.1	1.1	1.0
Wages and salaries per employee	4.6	7.6	6.6	4.3
Compensation of employees	7.6	8.7	7.8	5.4
Property income	-4.1	3.7	4.4	4.8
Self-employment income and operating surpluses (net)	12.0	3.2	3.8	3.4
	<i>Contribution to household disposable income growth in percentage points</i>			
Compensation of employees	6.7	7.6	6.9	4.8
Property income	-0.4	0.3	0.3	0.3
Self-employment income and operating surpluses (net)	1.9	0.5	0.6	0.5
Net transfers less direct taxes <sup>1</sup>	-0.1	-0.9	-0.2	-0.2
	<i>Annual change in %</i>			
Disposable household income (nominal)	8.0	7.6	7.5	5.4
Consumption deflator	7.4	8.7	4.1	2.9
Disposable household income (real)	0.6	-0.9	3.3	2.5
Private consumption (real)	4.9	-0.2	2.3	1.6
	<i>% of nominal disposable household income growth</i>			
Saving ratio	8.4	7.4	8.2	9.0

Source: 2022: Statistics Austria; 2023 to 2025: OeNB June 2023 outlook.

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

Table A6

**Investment**

	2022	2023	2024	2025
	<i>Annual change in %</i>			
<b>Total gross fixed capital formation (real)</b>	0.4	0.4	0.6	1.4
of which:				
<i>investment in plant and equipment</i>	-1.2	-1.3	0.9	1.6
<i>residential construction investment</i>	-3.2	-4.7	-3.3	0.8
<i>nonresidential construction investment and other investment</i>	0.5	3.1	1.2	0.9
<i>investment in research and development</i>	5.8	3.1	2.1	2.2
<i>public sector investment</i>	-3.4	6.1	2.2	1.6
<i>private investment</i>	1.0	-0.4	0.4	1.4
<b>Contribution to real gross fixed capital formation growth</b>	<i>Percentage points</i>			
Investment in plant and equipment	-0.4	-0.4	0.3	0.5
Residential construction investment	-0.6	-0.8	-0.6	0.1
Nonresidential construction investment and other investment	0.1	0.8	0.3	0.2
Investment in research and development	1.3	0.7	0.5	0.5
	<i>Percentage points</i>			
Total gross fixed capital formation	0.1	0.1	0.1	0.3
Changes in inventories	-0.8	0.0	-0.1	0.0
	<i>% of nominal GDP</i>			
Investment ratio	26.1	25.9	25.4	25.3

Source: 2022: Statistics Austria; 2023 to 2025: OeNB June 2023 outlook.

Table A7

**Labor market**

	2022	2023	2024	2025
	<i>Annual change in %</i>			
<b>Employment</b>				
Total employment (persons)	2.6	0.8	1.0	1.0
Payroll employmen (persons)	2.9	1.1	1.1	1.0
<i>of which: public sector employees</i>	1.0	0.4	0.4	0.4
Self-employment (persons)	0.5	-1.1	0.2	0.4
Total hours worked	3.0	-0.1	0.9	0.9
Payroll employment (hours)	3.0	0.3	1.1	1.0
Self-employment (hours)	3.0	-1.8	0.1	0.2
Labor supply	1.2	1.1	0.8	0.7
Registered unemployment	-21.5	7.2	-3.9	-3.9
	<i>% of labor supply</i>			
<b>Unemployment rate</b>				
Eurostat definition	4.8	5.0	4.8	4.6
National definition	6.3	6.4	6.2	6.1

Source: 2022: Statistics Austria; 2023 to 2025: OeNB June 2023 outlook.

Table A8

**Compensation of employees**

	2022	2023	2024	2025
	Annual change in %			
<b>Gross wages and salaries<sup>1</sup></b>				
In nominal terms	7.6	8.7	7.8	5.4
Consumption deflator	7.4	8.7	4.1	2.9
In real terms	0.3	0.0	3.7	2.5
Collectively agreed wages and salaries <sup>1</sup>	3.1	7.6	6.5	4.2
Wage drift	1.5	0.0	0.1	0.1
<b>Compensation per employee</b>				
Gross <sup>2</sup> compensation (nominal)	4.6	7.6	6.6	4.3
Gross compensation (real, private consumption expenditure deflator)	-2.5	-1.1	2.4	1.4
Net <sup>3</sup> compensation (real, private consumption expenditure deflator)	-2.0	-0.3	3.3	1.5
<b>Compensation per hour worked</b>				
Gross compensation (nominal)	4.5	8.4	6.6	4.3
Gross compensation (real, private consumption expenditure deflator)	-2.7	-0.2	2.4	1.4
	% of nominal GDP			
Wage share	48.4	48.6	49.2	49.2

Source: 2022: Statistics Austria; 2023 to 2025: OeNB June 2023 outlook.

<sup>1</sup> Overall economy.

<sup>2</sup> Including employers' social security contributions.

<sup>3</sup> After tax and social security contributions.

Table A9

**Prices**

	2022	2023	2024	2025
	Annual change in %			
<b>HICP and subcomponents</b>				
Harmonised Index of Consumer Prices (HICP)	8.6	7.4	4.1	2.9
Food	9.0	9.8	3.9	2.3
Unprocessed food	10.2	5.4	x	x
Processed food	8.5	8.6	x	x
Industrial goods excluding energy	5.6	5.3	x	x
Energy	39.8	5.6	-3.7	4.6
Electricity	11.1	1.5	19.1	8.1
Natural gas	80.9	28.9	-2.8	-17.2
Liquid fuels	47.8	-11.8	-5.9	-2.8
Services	4.6	5.9	x	x
HICP excluding energy	5.8	7.6	4.9	2.7
HICP excluding energy and unprocessed food	5.1	7.1	5.1	2.8
<b>Deflators (national accounts)</b>				
Private consumption expenditure (PCE) deflator	7.4	8.7	4.1	2.9
Investment deflator	8.3	6.8	4.0	3.5
Import deflator	11.7	3.1	2.5	2.2
Export deflator	7.9	3.8	3.6	3.0
Terms of trade	-3.4	0.7	1.0	0.8
GDP deflator at factor costs	4.8	6.4	4.7	3.7

Source: 2022: Statistics Austria; 2023 to 2025: OeNB June 2023 outlook.

Table A10

**Breakdown of revisions to the outlook**

	2023	2024	2025	2023	2024	2025
	<i>Annual change in %</i>					
June 2023 outlook	0.5	1.7	1.6	7.4	4.1	2.9
December 2022 outlook	0.6	1.7	1.6	6.5	3.6	2.9
Difference	-0.1	-0.1	0.1	0.9	0.5	0.0
<b>Caused by:</b>	<i>Percentage points</i>					
External assumptions	0.1	0.0	-0.1	-0.6	0.2	0.0
New data <sup>1</sup>	0.3	0.0	0.0	0.0	0.0	0.0
of which:						
revisions to historical data up to Q3 22	-0.1	0.0	0.0	0.0	0.0	0.0
projection errors for Q4 22 and Q1 23	0.5	0.0	0.0	0.6	0.0	0.0
Other reasons <sup>2</sup>	-0.4	-0.1	0.2	0.9	0.3	0.0

Source: 2022: OeNB June 2023 and December 2023 outlook. The sum of growth contributions subject to individual revisions may differ from the overall revision due to differences in rounding.

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

<sup>2</sup> Different assumptions about trends in domestic variables such as wages, government consumption, effects of tax measures, other changes in assessments and model changes.

Table A11

**Comparison of current economic forecasts for Austria**

	OeNB			WIFO		IHS		OECD		IMF		European Commission	
	June 2023			March 2023		March 2023		June 2023		April 2023		May 2023	
	2023	2024	2025	2023	2024	2023	2025	2023	2024	2023	2024	2023	2024
<b>Main results</b>	<i>Annual change in %</i>												
GDP (real)	0.5	1.7	1.6	0.3	1.8	0.5	1.4	0.2	1.6	0.4	1.1	0.4	1.6
Private consumption (real)	-0.2	2.3	1.6	1.3	2.0	0.6	1.8	-0.2	2.3	x	x	1.4	2.1
Government consumption (real)	-0.3	0.0	0.7	0.2	0.6	-1.3	-0.8	-0.2	0.6	x	x	-0.4	0.3
Gross fixed capital formation (real)	0.4	0.6	1.4	0.0	1.0	-0.7	1.0	0.3	1.1	x	x	0.0	1.1
Exports (real)	2.9	2.7	3.0	2.0	3.3	1.7	3.2	3.2	2.7	5.9	2.1	1.5	2.5
Imports (real)	2.7	2.2	2.6	2.1	3.2	1.1	3.2	2.8	2.7	4.6	1.7	2.0	2.3
Labor productivity <sup>1</sup>	-0.3	0.7	0.7	-0.1	0.8	-0.5	0.5	1.0	1.0	x	x	-0.2	0.7
GDP deflator	7.7	4.7	3.7	7.1	4.2	6.4	3.7	7.5	3.5	7.8	2.6	7.2	4.2
CPI	x	x	x	7.1	3.8	7.5	3.5	x	x	x	x	x	x
HICP	7.4	4.1	2.9	7.3	3.5	7.5	3.5	8.0	3.9	8.2	3.0	7.1	3.8
Unit labor costs	7.9	5.9	3.6	8.7	7.2	8.1	5.7	1.3	1.3	x	x	8.5	5.9
Payroll employment <sup>2</sup>	0.8	1.0	1.0	0.8	1.3	1.0	0.9	1.4	0.6	-0.1	0.3	0.6	0.9
	<i>% of labor supply</i>												
Unemployment rate <sup>3</sup> (Eurostat definition)	5.0	4.8	4.6	4.7	4.5	4.9	4.8	5.0	5.1	5.3	5.6	4.9	5.0
	<i>% of nominal GDP</i>												
Current account balance	1.3	1.9	2.3	1.6	2.1	x	x	1.4	1.3	1.2	0.6	0.8	1.2
Budget balance (Maastricht definition)	-2.6	-1.9	-1.9	-1.8	-0.4	-2.9	-2.3	-3.2	-1.6	-2.7	-1.5	-2.4	-1.3
<b>Technical assumptions</b>													
Oil price, USD/barrel (Brent)	78.0	72.6	70.4	84.0	80.0	82.0	77.0	77.4	75.0	73.1	68.9	85.0	78.0
Short-term interest rate, %	3.4	3.4	2.9	3.9	4.7	3.6	3.9	3.2	3.4	2.8	3.0	3.3	3.3
USD/EUR exchange rate	1.08	1.09	1.09	1.09	1.20	1.08	1.08	1.04	1.04	1.06	1.05	1.09	1.10
	<i>Annual change in %</i>												
Euro area GDP (real)	0.9	1.5	1.6	0.7	1.6	0.6	1.5	0.9	1.5	0.8	1.4	1.1	1.6
US GDP (real)	1.0	0.6	1.6	1.0	1.5	1.1	1.3	1.6	1.0	1.6	1.1	1.4	1.0
World GDP (real)	2.9	2.9	3.1	x	x	2.6	2.9	2.7	2.9	2.8	3.0	2.8	3.1
World trade <sup>4</sup>	1.5	3.4	3.3	x	x	1.3	3.7	1.6	3.8	2.4	3.5	1.6	3.1

Source: OeNB, WIFO, IHS, OECD, IMF, European Commission. Note: x = no data available.

<sup>1</sup> OeNB, WIFO: GDP per hour worked. IHS, OECD, European Commission: GDP per employee.

<sup>2</sup> WIFO, IHS: based on active payroll.

<sup>3</sup> WIFO: percentage of persons in payroll employment (national definition).

<sup>4</sup> IHS: goods according to CPB; European Commission: world imports.

## Quarterly outlook results

	2022	2023	2024	2025	2022				2023	
					Q1	Q2	Q3	Q4	Q1	Q2
<b>Prices, wages and costs</b>	<i>Annual change in %</i>									
HICP	8.6	7.4	4.1	2.9	5.5	7.9	9.9	11.1	10.6	8.8
HICP excluding energy and food	5.8	7.6	4.9	2.7	3.5	5.2	6.5	8.1	9.1	8.5
Private consumption expenditure deflator	7.4	8.7	4.1	2.9	4.3	6.6	8.7	9.7	11.1	9.5
Gross fixed capital formation deflator	8.3	6.8	4.0	3.5	7.0	8.3	8.9	8.9	8.6	6.9
GDP deflator	4.9	7.7	4.7	3.7	3.4	4.4	5.2	6.5	7.3	8.3
Unit labor costs	2.2	7.9	5.9	3.6	0.8	1.6	3.6	3.0	4.5	8.9
Nominal wages per employee	4.6	7.6	6.6	4.3	4.9	5.0	4.2	4.4	4.9	7.9
Productivity	2.3	-0.3	0.7	0.7	4.0	3.3	0.6	1.4	0.4	-0.8
Real wages per employee	-2.5	-1.1	2.4	1.4	0.5	-1.6	-4.1	-4.9	-5.6	-1.4
Import deflator	11.7	3.1	2.5	2.2	11.4	13.1	12.4	9.9	5.3	2.3
Export deflator	7.9	3.8	3.6	3.0	7.6	8.7	8.3	6.9	4.4	3.0
Terms of trade	-3.4	0.7	1.0	0.8	-3.4	-3.9	-3.6	-2.7	-0.9	0.6
<b>Economic activity</b>	<i>Annual and/or quarterly changes in % (real)</i>									
GDP	4.9	0.5	1.7	1.6	1.3	1.7	0.0	-0.1	0.1	-0.2
Private consumption	4.9	-0.2	2.3	1.6	2.9	-0.5	-0.6	-1.5	0.4	0.7
Government consumption	3.6	-0.3	0.0	0.7	0.3	0.8	0.2	3.0	-2.7	0.0
Gross fixed capital formation	0.4	0.4	0.6	1.4	2.2	-1.7	-0.4	3.8	-1.5	-0.4
Exports	13.0	2.9	2.7	3.0	1.9	4.3	1.5	0.3	0.9	-0.5
Imports	7.8	2.7	2.2	2.6	2.4	0.2	0.9	-0.1	1.9	-0.2
	<i>Contribution to real GDP growth in percentage points</i>									
Domestic demand	2.3	-0.3	0.9	0.8	0.8	0.4	-0.4	0.3	-0.6	0.1
Net exports	3.5	0.5	0.8	0.9	0.0	1.9	0.3	0.1	0.0	-0.3
Changes in inventories	-0.8	0.3	0.0	0.0	0.4	-0.6	0.2	-0.5	0.7	0.0
<b>Labor market</b>	<i>% of labor supply</i>									
Unemployment rate (Eurostat definition)	4.8	5.0	4.8	4.6	4.6	4.4	5.0	5.0	4.8	5.0
	<i>Annual and/or quarterly changes in %</i>									
Total employment	2.6	0.8	1.0	1.0	0.7	0.4	0.1	0.3	0.5	-0.2
of which: private sector	2.9	0.9	1.1	1.1	0.8	0.4	0.1	0.4	0.6	-0.3
Payroll employment	2.9	1.1	1.1	1.0	0.7	0.5	0.2	0.5	0.6	-0.1
<b>Additional variables</b>	<i>Annual and/or quarterly changes in % (real)</i>									
Disposable household income	0.6	-0.9	3.3	2.5	-0.9	-2.0	10.2	-10.3	-0.1	4.3
	<i>% of real GDP</i>									
Output gap	0.4	-0.5	-0.3	0.0	-0.3	1.0	0.7	0.3	0.0	-0.6

Source: 2022: Statistics Austria; 2023 to 2025: OeNB June 2023 outlook. Note: Quarterly values based on seasonally and working day-adjusted data.



Table A12 continued

## Quarterly outlook results

	2023		2024				2025			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Prices, wages and costs</b>	<i>Annual change in %</i>									
HICP	6.0	4.4	3.9	3.8	4.5	4.2	3.6	3.1	2.6	2.3
HICP excluding energy and food	7.1	5.8	5.1	5.0	5.0	4.4	3.4	2.7	2.4	2.3
Private consumption expenditure deflator	7.7	6.6	5.0	4.0	3.7	3.9	3.5	3.2	2.6	2.3
Gross fixed capital formation deflator	6.1	5.6	4.5	4.1	3.8	3.6	3.5	3.5	3.5	3.4
GDP deflator	8.0	7.3	5.7	4.4	4.4	4.5	4.2	3.9	3.5	3.1
Unit labor costs	9.3	9.0	8.6	5.3	5.0	4.8	4.4	3.8	3.2	2.8
Nominal wages per employee	8.5	8.8	9.3	6.0	5.8	5.6	4.9	4.5	3.9	3.7
Productivity	-0.7	-0.2	0.6	0.7	0.7	0.7	0.5	0.7	0.7	0.9
Real wages per employee	0.8	2.1	4.1	2.0	2.0	1.6	1.4	1.3	1.3	1.4
Import deflator	2.1	2.6	2.9	2.6	2.3	2.3	2.5	2.4	2.1	1.7
Export deflator	3.2	4.8	4.1	3.7	3.3	3.2	3.1	3.1	3.0	2.8
Terms of trade	1.1	2.1	1.2	1.0	1.0	0.9	0.7	0.6	0.8	1.0
<b>Economic activity</b>	<i>Annual and/or quarterly changes in % (real)</i>									
GDP	0.1	0.4	0.6	0.5	0.5	0.4	0.4	0.4	0.3	0.3
Private consumption	0.7	0.6	0.6	0.6	0.6	0.5	0.4	0.3	0.3	0.3
Government consumption	-0.1	0.0	0.0	0.1	0.0	0.2	0.3	0.2	0.2	0.1
Gross fixed capital formation	-0.1	0.2	0.2	0.2	0.3	0.4	0.4	0.3	0.3	0.3
Exports	0.3	0.8	1.0	0.8	0.7	0.7	0.8	0.8	0.7	0.7
Imports	0.6	0.7	0.5	0.6	0.6	0.7	0.7	0.6	0.6	0.6
	<i>Contribution to real GDP growth in percentage points</i>									
Domestic demand	0.1	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.1
Net exports	0.0	0.2	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Changes in inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Labor market</b>	<i>% of labor supply</i>									
Unemployment rate (Eurostat definition)	5.1	5.0	5.0	4.8	4.7	4.6	4.6	4.6	4.5	4.6
	<i>Annual and/or quarterly changes in %</i>									
Total employment	0.0	0.3	0.3	0.4	0.3	0.3	0.2	0.1	0.1	0.1
of which: private sector	0.0	0.3	0.3	0.5	0.4	0.4	0.3	0.1	0.1	0.1
Payroll employment	-0.1	0.2	0.3	0.5	0.5	0.4	0.2	0.1	0.1	0.0
<b>Additional variables</b>	<i>Annual and/or quarterly changes in % (real)</i>									
Disposable household income	-0.6	0.3	0.8	1.1	0.9	0.9	0.6	0.4	0.1	0.2
	<i>% of real GDP</i>									
Output gap	-0.8	-0.8	-0.5	-0.3	-0.2	-0.1	-0.1	0.0	0.0	0.0

Source: 2022: Statistics Austria; 2023 to 2025: OeNB June 2023 outlook. Note: Quarterly values based on seasonally and working day-adjusted data.