

# Growth Remains Weak in 2015

Economic Outlook for Austria from 2014 to 2016 (December 2014)

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## 1 Summary

In its economic outlook of December 2014, the Oesterreichische Nationalbank (OeNB) expects the growth of the Austrian economy in 2014 to amount to only 0.4%. And available leading indicators do not currently provide any clear signs that business activity will recover perceptibly in 2015. Growth next year will thus be only marginally higher (0.7%). The weakness of growth that started in 2012 will thus continue for the fourth year in succession. It is only in 2016 that the OeNB expects economic growth to pick up to 1.6%. The growth prospects given in the economic outlook of June 2014 have had to be revised significantly downward. The growth now forecast for 2014 and 2015 will be around 1 percentage point lower than that expected in June. The downward revision of the figure for 2016 is in the order of half a percentage point.

The current weakness of economic activity in Austria is due to a whole range of factors. The external factors that have had a negative impact are, in particular, the persistent weakness of the euro area economy and geopolitical tensions such as those between Ukraine and Russia, as well as the related loss of confidence in the prospects of the export industry. At home, uncertainty about future economic development has curbed enterprises' propensity to invest. The modest increase in real incomes has moreover left little room for additional consumer spending. The impact of growth-retarding factors will decline only slowly over the period

under review, so that the supportive effect of the expansionary monetary policy on business activity will take hold only gradually.

In view of the subdued growth prospects, unemployment is expected to rise to 5.3% in 2015. It is only in 2016 that no further deterioration of the situation on the labor market is anticipated, but the economic recovery will remain too weak for unemployment to decline. Inflation is likely to fluctuate around the mark of 1½% in the period from 2014 to 2016. The fact that the upward movement of prices has slowed down significantly in comparison with that recorded over the past two years will help considerably to return real income growth to positive territory in the period under review. Low HICP inflation will therefore be a key driver of business activity. Although the general government budget balance will deteriorate to –2.4% of GDP this year, it is set to improve significantly in 2015 and 2016, namely to –1.8% and –1.4% of GDP, respectively. The government debt ratio will rise to 85.4% of GDP in 2014, but next year will see a reversal of the trend, with the debt-to-GDP ratio for 2016 expected to be in the order of 82.9%.<sup>2</sup>

The global economy has developed along more subdued lines than expected over the course of the year to date. This was due, not least, to the weakness of economic activity in the euro area, weakness that will continue into the year 2015. The U.S.A. and the United Kingdom, by contrast, are two leading industrialized countries

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<sup>2</sup> Calculated in accordance with the ESA 2010 standards.

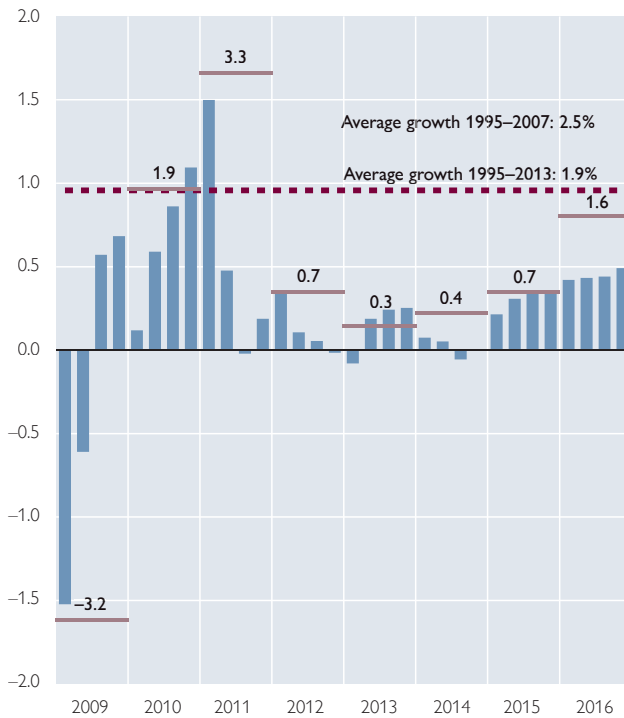
Cutoff date:  
November 28, 2014

Chart 1

## OeNB December 2014 Outlook for Austria – Key Results

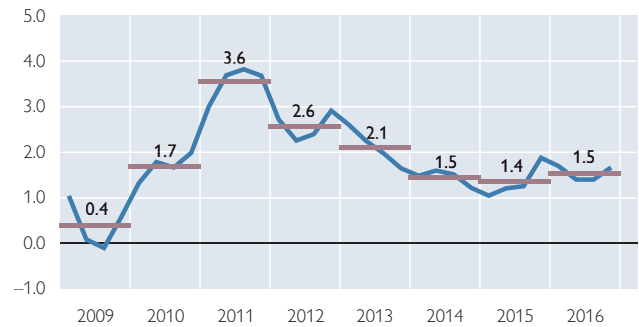
### Real GDP Growth (Seasonally and Working Day-Adjusted)

Quarterly change in % (bars)

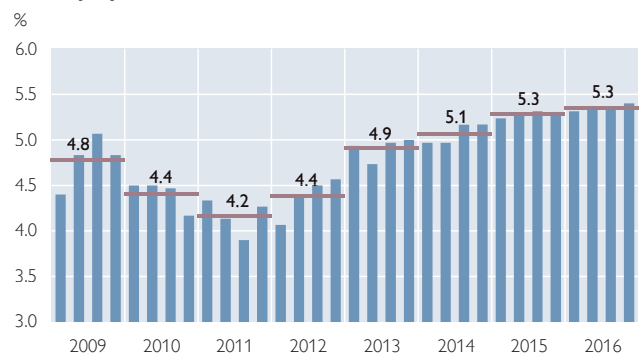


### Harmonised Index of Consumer Prices

Annual change in %



### Unemployment Rate



Source: Statistics Austria, WIFO, OeNB December 2014 outlook.

that are enjoying robust economic recoveries. Growth in emerging market economies remains significantly higher than that in the advanced countries, but the rates of increase recorded prior to the crisis are unlikely to be reached in the period under consideration. Gratifying is the fact that a number of peripheral countries in the euro area have achieved a trend reversal on the basis of implemented reforms. Spain and Ireland, in particular, have surprised to the upside in this respect. France and Italy, by contrast, are battling with structural problems. Prospects for Germany have turned gloomier since spring, not only as a result of the cloudier international environment, but also and in particular on account of persistently weak fixed capital formation.

Aside from the challenge of weak global growth, Austrian exporters are also having to deal with clearly below-average international trade dynamics. To this is added the fact that demand for Austrian exports remains muted on account of their regional and sectoral structure. Over the period under review, the pace of growth on Austrian export markets will pick up only gradually from 3.0% in 2014 to 5.0% in 2016, thus remaining far removed from the rate of 7.0% recorded prior to the crisis. The contribution of net exports to economic growth is thus likely to be small over the forecasting horizon.

Domestic demand will consequently have to play a greater role in driving growth. However, fixed capital formation will contribute less than in normal recovery. Accordingly, the high

uncertainty regarding sales prospects, both at home and abroad, is likely to decline only slowly, so that investment dynamics will thus, all in all, remain rather weak. The comparatively modest acceleration of real investment growth will be driven primarily by investment in plant and equipment, and by housing investment, with the latter benefiting from rising real estate prices, favorable terms and conditions for mortgages and higher demand for housing. Investment in civil engineering projects will remain below average in view of low public sector demand.

Consumer spending will develop along only very subdued lines in 2014 and 2015. The again stronger growth of real wages and salaries expected for 2016, however, will cause consumption to pick up slightly. A major role in connection with the improvement in real income trends will be played by inflation. The upward movement of prices slowed down in the course of 2014. In October this year, HICP inflation stood at 1.4%, clearly below the annual rate of 2.1% recorded for 2013. Over the period from 2014 to 2016, HICP inflation is set to hover around 1½%. This is due to weak economic growth, low global commodity prices and only moderately rising wage costs.

In the period under review, employment will – as in the past – follow cyclical developments with a lag. While payroll employment growth was 0.9% in 2014, it is expected to bottom out at 0.4% in 2015, and to rise to 0.6% as the economy picks up steam in 2016. The number of annual hours worked, however, will continue to develop along more muted lines. The unemployment rate will rise gradually over the forecasting horizon, from 4.9% in 2013 to 5.3% in 2016. In addition to cyclical effects, the job market also reflects the

impact of a growing labor participation rate among older workers and the influx of foreign workers.

The OeNB's budget forecast is based on the assumption of no change in policy, which means that solely already adopted discretionary measures are included. The tax reforms currently being debated are thus not covered here. The general government budget deficit will increase noticeably, to –2.4% of GDP in 2014, after –1.5% of GDP in the year before. This deterioration of the budget balance is due, in particular, to the significantly rising capital transfers to banks in the course of the reorganization of Hypo Group Alpe Adria. With these capital transfers decreasing in the years thereafter, the budget balance is set to improve to –1.8% and –1.4% of GDP in 2015 and 2016, respectively. The increase in the public debt ratio to 85.4% of GDP in 2014 was likewise driven by the reorganization of Hypo Group Alpe Adria. The public debt ratio will see a trend reversal in 2015 and fall to 82.9% of GDP by the end of 2016.

By contrast, the structural budget deficit, i.e. the general government budget balance excluding both cyclical components and the effects of one-off measures, is set to decrease in 2014, on account not only of measures taken on the revenue side and “bracket creep” (the automatic movement of taxpayers into higher tax brackets as their incomes increase over time), but also of spending restraint. Next year, however, will see a slight deterioration of the structural budget balance. In the OeNB's view, Austria's attainment of its specifically targeted structural budget deficit of –0.45% of GDP in 2015 requires additional consolidation measures in the order of around ¼% of GDP.

Table 1

## OeNB December 2014 Outlook for Austria – Key Results<sup>1</sup>

	2013	2014	2015	2016
<b>Economic activity</b>				
<i>Annual change in % (real)</i>				
Gross domestic product <sup>2</sup>	+0.3	+0.4	+0.7	+1.6
Private consumption	-0.1	+0.5	+0.7	+1.3
Government consumption	+0.4	+1.0	+1.4	+1.3
Gross fixed capital formation	-0.9	-0.1	+0.8	+2.3
Exports of goods and services <sup>3</sup>	+0.9	+0.8	+2.4	+4.6
Exports of goods and services <sup>3</sup>	-0.2	+0.5	+2.5	+4.7
<i>% of nominal GDP</i>				
Current account balance	+1.0	+0.4	+0.6	+0.8
<b>Contribution to real GDP growth</b>				
<i>Percentage points</i>				
Private consumption	-0.1	+0.3	+0.4	+0.7
Government consumption	+0.1	+0.2	+0.3	+0.3
Gross fixed capital formation	-0.2	+0.0	+0.2	+0.5
Domestic demand (excluding changes in inventories)	-0.2	+0.5	+0.8	+1.4
Net exports	+0.5	+0.2	+0.1	+0.2
Changes in inventories (including statistical discrepancy)	+0.0	-0.2	-0.2	+0.0
<b>Prices</b>				
<i>Annual change in %</i>				
Harmonised Index of Consumer Prices (HICP)	+2.1	+1.5	+1.4	+1.5
Private consumption expenditure (PCE) deflator	+2.2	+1.7	+1.4	+1.5
GDP deflator	+1.6	+1.8	+1.6	+1.3
Unit labor costs in the total economy	+2.6	+2.4	+1.3	+1.2
Compensation per employee (at current prices)	+2.2	+2.0	+1.5	+2.2
Compensation per hour worked (at current prices)	+2.7	+2.2	+1.7	+2.3
Import prices	-0.3	-0.6	+1.0	+1.6
Export prices	+0.1	+0.8	+1.1	+1.5
Terms of trade	+0.4	+1.4	+0.0	-0.1
<b>Income and savings</b>				
<i>% of nominal disposable household income</i>				
Real disposable household income	-2.0	+0.1	+1.1	+1.4
<i>% of nominal disposable household income</i>				
Saving ratio	7.3	6.8	7.1	7.2
<b>Labor market</b>				
<i>Annual change in %</i>				
Payroll employment	+0.8	+0.7	+0.4	+0.6
Hours worked (payroll employees)	+0.3	+0.5	+0.2	+0.5
<i>% of labor supply</i>				
Unemployment rate (Eurostat definition)	4.9	5.1	5.3	5.3
<b>Public finances</b>				
<i>% of nominal GDP</i>				
Budget balance	-1.5	-2.4	-1.8	-1.4
Government debt	81.2	85.4	84.6	82.9

Source: 2013: Eurostat, Statistics Austria; 2014 to 2016: OeNB December 2014 outlook.

<sup>1</sup> The outlook was drawn up on the basis of seasonally adjusted and working day-adjusted national accounts data. Therefore, the figures for 2013 deviate from the unadjusted data released by Statistics Austria. Calculated in accordance with the ESA 2010.

<sup>2</sup> The figures on real GDP are based on the first full set of quarterly national accounts data published for the third quarter of 2014, while the expenditure-side components of GDP are based on a flash estimate of the national accounts for the third quarter of 2014.

<sup>3</sup> With respect to Austria's foreign trade figures, the conversion of the national accounts to conform to ESA 2010 requirements brought discrepancies to light between the goods trade figures of Statistics Austria and the services trade figures of the OeNB. For that reason, the import and export figures were calculated on the basis of the respective data sources.

## 2 Technical Assumptions

This forecast for Austria is the OeNB's contribution to the Eurosystem's staff projections of December 2014. The forecasting horizon covers the period from the fourth quarter of 2014 to the fourth quarter of 2016. The cutoff date for data on which the assumptions on global growth, interest rates, exchange rates and crude oil prices are based was November 14, 2014. The forecast was compiled on the basis of the OeNB's macroeconomic quarterly model. This is the first forecast using quarterly series of seasonally and working day-adjusted data computed in accordance with the new European System of National and Regional Accounts (ESA 2010), which are available up to the second quarter of 2014. Data for the third quarter of 2014 are based on GDP flash estimate figures, which cover only part of the national accounts aggregates, however. The quarterly national accounts data are computed by

the Austrian Institute of Economic Research (WIFO). The short-term interest rates used over the forecasting horizon are based on market expectations for the three-month EURIBOR, namely 0.2% in 2014, 0.1% in 2015 and 0.1% in 2016. The long-term interest rates used, which are based on market expectations for ten-year government bonds, have been set at 1.5% in 2014, 1.1% in 2015 and 1.4% in 2016. The euro's exchange rate vis-à-vis the U.S. dollar is assumed to remain unchanged at USD 1.25 over the period from the fourth quarter of 2014 to the end of 2016. The projected development of crude oil prices is based on futures prices. The oil price in 2014 has been set at USD 101.2 per barrel of Brent, while the corresponding prices assumed for 2015 and 2016 are USD 85.6 and USD 88.5, respectively. Prices of commodities excluding energy are likewise based on futures prices over the forecasting horizon.

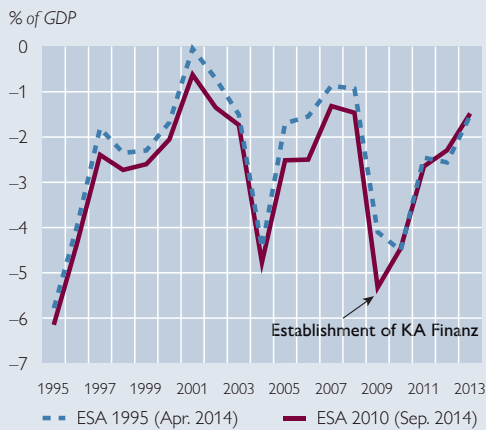
Box 1

### Conversion of the National Accounts Raises GDP by EUR 9.5 billion and the Debt Ratio by just under 7 Percentage Points

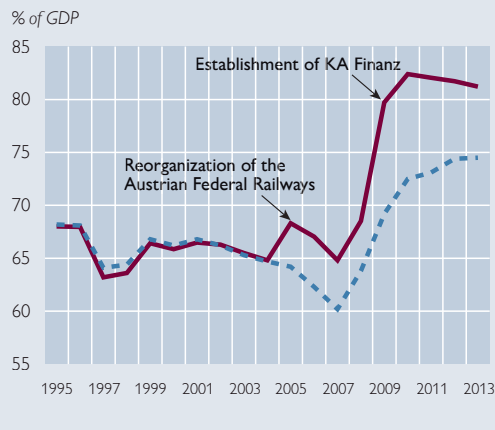
*At the end of September 2014, Statistics Austria presented annual figures for the period from 1995 to 2013 that were based, for the first time, on the revised European System of National and Regional Accounts (ESA 2010). The most important change against the previously applicable ESA 95 is to be found in the extended definition of investment. Spending on research and development (R&D) is no longer recorded under intermediate consumption, but is rather included in gross fixed capital expenditure, and thus increases GDP. Weapon systems and other military equipment are now treated as capital goods. The impact this has on GDP in Austria is not significant. Another new element is the breakdown of producing entities into market and non-market producers. Some entities, such as hospitals and the Austrian Federal Railways, that were previously classified as belonging to the private sector now fall under general government. This reclassification, too, raises GDP significantly because the value added by such entities is now measured in terms of the production cost. The changeover to the ESA 2010 consequently goes hand in hand with a noticeable increase in GDP, an increase amounting to EUR 12.1 billion in 2013. However, revisions to both the underlying statistics and the methodology used to calculate GDP for that year reduced it by EUR 2.6 billion, so that GDP for 2013 was ultimately raised by, all in all, EUR 9.5 billion or 3%.*

### ESA 95 versus ESA 2010: Impact on Fiscal Statistics

#### Budget Balance



#### Schuldenstand



Source: Statistics Austria.

Moreover, these reclassifications, together with the inclusion of R&D expenditure and the downward revision of estimates of the government's employer's social security contributions for civil servants, have led to marked changes in the patterns of public sector expenditure.

Expenditure items such as capital transfers, subsidies and social benefit payments in kind (to market producers), which had comprised mainly subsidies for the Austrian Federal Railways and hospitals under the ESA 95, have fallen sharply. At the same time, spending on compensation of employees, intermediate inputs, capital expenditure and interest payments, as well as revenues, have become far higher than before.

#### Effects of the ESA 2010 (using 2013 as an example)

	ESA		ESA	
	1995	2010	1995	2010
	EUR billion		% of GDP	
Budget balance (EDP <sup>1</sup> )	-4.8	-4.8	-1.5	-1.5
Debt level (EDP <sup>1</sup> )	233.3	262.0	74.5	81.2
Taxes (incl. EU)	142.1	139.9	45.4	43.4
GDP	313.2	322.6		
Subsidies and capital transfers	19.4	8.8	3.4	1.4
Gross fixed capital formation	3.2	9.5	1.0	3.0

Source: Statistics Austria.

<sup>1</sup> EDP = excessive deficit procedure.

### 3 Slow and Uneven Global Recovery

The global economy developed along more subdued lines than expected in the first half of 2014, which was due, not least, to the weakness of business activity in the euro area. Japan slipped back into recession in the third quarter. The U.S.A. and the United Kingdom, however, are two major industrialized countries that are enjoying a robust recovery. Viewed in terms of GDP, global

trade was perceptibly more muted in the first six months of 2014 than in the past. The most marked downturns in import growth were recorded by economies in Asia. Imports actually even declined in Russia, Brazil, Argentina and Turkey. This was a consequence not only of currency depreciation and increases in key interest rates, but also of special factors such as the conflict between Russia and Ukraine.

The situation on *financial markets* is currently favorable and supportive of world-wide economic development. Share prices have recently recorded gains, and risk premiums are low. Volatility on markets is muted. However, these trends also entail some risk because the low level of interest rates is inducing many investors to undertake risky investment. Monetary policies reflect the differences in the stages of the business cycle prevailing in individual countries. The U.S.A. and the United Kingdom have already taken first steps toward a reversal of the monetary policy stance, while monetary policy in both the euro area and Japan remains expansionary.

Growth in the *emerging market economies* is higher than that in the industrialized countries. There are, however, signs of a weakening of their growth potential. Growth rates such as those recorded both prior to the crisis and in the two years thereafter are unlikely to be attained in the next few years. Developments in individual countries are increasingly being driven by country-specific factors. The low commodity prices are having a dampening impact on growth prospects in emerging market economies where commodity exports are a major source of revenue.

Growth in *China* will be slightly lower in 2014 than it was in the year before. This marginal decline is due to a contraction of investment activity growth as a result of, *inter alia*, the slowdown in the real estate market. On the other hand, consumer spending is gaining ever greater importance on account of rising real wages and salaries. Moreover, the government has taken a number of measures to support business activity. Developments in the other Asian countries are very heterogeneous. All in all, however, economic

growth in the region is stable. Cyclical activity in *Latin America* is being driven by the sharp downturn of growth in Brazil and by the recession in Argentina.

The *U.S.A.* is experiencing sound growth dynamics – aside from a slowdown driven by temporary factors in the first quarter of 2014. Growth there is being supported by a number of favorable fundamentals. Although the Fed's bond purchasing program came to an end in October, increases in interest rates are expected only in the course of 2015. Monetary policy is thus still expansionary. The dampening impact of fiscal policy as a result of the automatic spending cuts ("sequester") that took effect in 2013 is subsiding. Consumer spending is benefiting from the recovery on the labor market and from households' declining indebtedness. Although activity on the real estate market is currently ebbing, it nonetheless remains robust. The decrease in energy prices triggered by the boom in shale gas extraction is supporting the recovery of industrial output.

The upswing in the *United Kingdom* is being driven by strong domestic demand. Consumer spending is benefiting from significant employment growth. The marked increase in capital expenditure is being supported by favorable sales expectations, good corporate profits and favorable terms and conditions for external financing. Construction investment is developing very dynamically, as is the real estate market as a whole. However, the overheated real estate market in London is showing first signs of cooling off as a result of the macroprudential measures taken to this end. Exports, by contrast, are curbing growth.

*Japan* slipped into recession in the third quarter of 2014. GDP fell yet again, after it had already declined in

the two preceding quarters, on account of value-added tax (VAT) being raised from 5% to 8% in the second quarter and as a result of the associated anticipatory effects in the first quarter. As a consequence thereof, the second stage of the increase in VAT, which was scheduled for October 2015, has been postponed to 2017.

Economic activity in *Russia*, which had already slowed down prior to the imposition of sanctions, will be stagnant in 2014. The geopolitical tensions generated by the conflict between Russia and Ukraine have thus far led to only relatively limited spillovers to other countries. Thanks to dynamic domestic demand, the economic development of countries in Central and Eastern Europe is very robust.

Cyclical activity in the *euro area* has yet to gain momentum, despite a number of factors that foster growth. The improvement of public finances has put

a damper on consolidation pressures, so that a major impediment to growth is gradually fading. The budgetary situation of, in particular, the countries hit especially hard by the crisis (Greece, Ireland, Portugal and Spain) has brightened significantly. Monetary policy in the euro area is currently highly expansionary. In addition to lowering its key interest rates to 0.05%, the ECB has implemented a number of unconventional measures aimed at revitalizing the extension of loans. These measures are having favorable effects on long-term interest rates. Yields on both government and corporate bonds have declined considerably over the course of the year. Greece is the only country to record rising government bond yields in the last few months. The growth of global trade – although only weak at present – and the depreciation of the euro have improved exporters' sales opportunities. Given prevailing uncer-

Table 2

## Underlying Global Economic Conditions

	2013	2014	2015	2016
	<i>Annual change in % (real)</i>			
<b>Gross domestic product</b>				
World excluding the euro area	+3.7	+3.6	+4.0	+4.2
U.S.A.	+2.2	+2.2	+2.9	+2.9
Japan	+1.5	+0.9	+1.2	+1.0
Asia excluding Japan	+6.0	+6.1	+6.3	+6.2
Latin America	+2.8	+1.3	+2.1	+3.0
United Kingdom	+1.7	+3.1	+2.8	+2.5
CESEE EU Member States <sup>1</sup>	+1.4	+2.7	+2.6	+2.8
Switzerland	+1.9	+1.6	+1.7	+2.0
Euro area	-0.4	+0.8	+1.0	+1.5
<b>World trade (imports of goods and services)</b>				
World trade (imports of goods and services)	+2.8	+2.9	+4.0	+5.2
World excluding the euro area	+3.4	+2.7	+3.9	+5.2
Euro area export markets (real)	+2.9	+2.3	+3.4	+4.9
Austrian export markets (real)	+2.3	+2.9	+3.4	+5.0
<b>Prices</b>				
Oil price in USD/barrel (Brent)	108.8	101.2	85.6	88.5
Three-month interest rate in %	0.2	0.2	0.1	0.1
Long-term interest rate in %	2.0	1.5	1.1	1.4
USD/EUR exchange rate	1.33	1.33	1.25	1.25
Nominal effective exchange rate (euro area index)	100.3	103.1	99.3	99.3

Source: Eurosystem (December 2014 staff macroeconomic projections).

<sup>1</sup> Bulgaria, Poland, Romania, Czech Republic and Hungary.



tainties, however, companies are currently very cautious with regard to real capital expenditure. As returns on real investment are deemed to be low and uncertain, many enterprises are taking recourse to financial investment instead. The determining factors behind this development include the geopolitical tensions between Russia and Ukraine, as well as developments in the Middle East. Developments in France and Italy are probably also influenced by dissatisfaction about the lack of progress made with reforms. The locational disadvantage Europe has on account of the significant drop in U.S. energy prices in the wake of shale gas production is yet another detrimental factor. Despite low financing costs, lending standards remain restrictive when compared over a longer period. Bank balance sheets are continuing to shrink, a fact that is reflected in a decline in lending. Ongoing corrections on the real estate markets of a number of countries are curbing construction activity. Moreover, business activity is continuing to suffer from the high levels of both private and public sector debt.

In the first three quarters of 2014, real GDP growth in the euro area averaged a mere 0.2%, quarter on quarter. As there are no signs of a recovery in the fourth quarter, growth over the year as a whole will amount to only 0.8%. The weakness of economic growth is likely to persist well into the first half of 2015. The year 2015 will thus not see any noticeable acceleration of growth, which is expected to be in the order of 1.0%. It is only in 2016 that the effects of growth-impeding factors will have faded to a degree that would allow business activity to pick up more markedly, namely by 1.6%.

Developments within the euro area are highly heterogeneous. A number of

peripheral countries have achieved a trend reversal as a result of the reforms implemented. Spain and Ireland, in particular, have surprised to the upside in this respect. France and Italy, by contrast, are battling with structural problems. The downturn in confidence indicators in these two countries reflect companies' declining faith in the respective government's ability to resolve these structural issues. Prospects for Germany have become significantly gloomier since spring, not only as a result of the cloudier international environment, but also and in particular on account of persistently weak fixed capital formation.

## **4 Next Year Marks Fourth Successive Year of Weak Economic Growth in Austria**

### **4.1 Subdued Exports Weigh on Growth**

International trade flows, and thus also demand for Austrian exports, have developed along very muted lines since 2012. This is probably due to both cyclical and structural factors. One of the cyclical factors to be mentioned in this context is a temporary weakness of demand for goods with a high import content, such as plant and equipment, as well as consumer durables. Such investment is currently declining in the euro area. Austria is very highly integrated into global value chains, which – together with its sectoral pattern of exports – makes the country extremely responsive to cyclical fluctuations, as also indicated by the sharp drop in exports in 2008 and 2009. The most important structural factor behind the more subdued growth of global trade is to be found in the global value chains. When these global value chains were built up in the course of the 1990s and in the first few years of the new millennium, trade flows in-

creased far more than production. This trend had already slowed down before the economic and financial crisis. Since 2011, global trade flows and global output have been expanding more or less in parallel.

Chart 2 (left-hand panel) shows the regional breakdown of Austria's export growth (measured in terms of imports by Austria's export partner countries). The decline of export dynamics in 2012 and 2013 was due primarily to the weakness of imports by Austria's trading partners in Europe. The direct effects of the conflict between Russia and Ukraine on Austrian exports have thus far been small. The outlook for the period from 2014 to 2016 shows that the recovery of Austria's export markets is proceeding along regional patterns similar to those prevailing prior to the

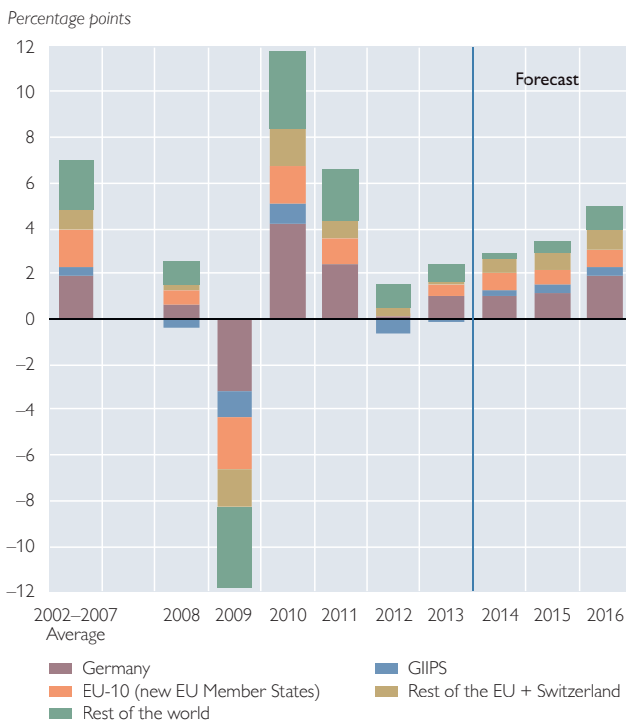
crisis. The pace of growth, however, is slower than that before the crisis.

Prices for Austrian exports have risen only slowly in recent years. However, given that the prices of competitors on Austria's export markets have fallen, Austria's price competitiveness has deteriorated in recent years. This is one of the reasons why Austrian exporters have lost market shares. In the course of 2014, exports have developed along very muted lines, growing by only 0.8% in real terms. Export growth is expected to accelerate in 2015. In 2016, the expansion of exports is likely to be in the order of 4.7%, thus again more or less equal to the growth of the export markets involved. Net exports will contribute only little to Austria's GDP growth over the forecasting horizon.

Chart 2

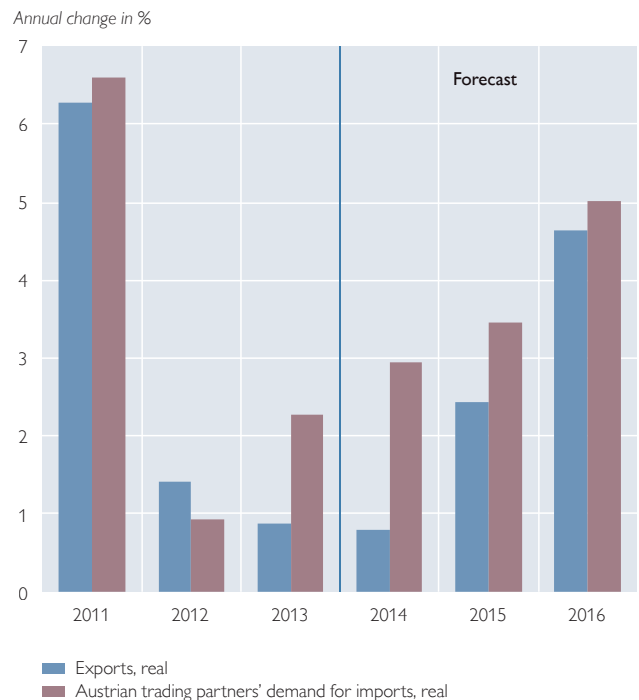
## Exports

### Contribution to the Growth of Austrian Export Markets



Source: Eurostat, Statistics Austria, Eurosystem, OeNB.  
Note: GIIPS = Greece, Ireland, Italy, Portugal and Spain.

### Exports and New Export Orders



Source: Eurostat, Eurosystem, OeNB.

Table 3

### Growth and Price Developments in Austria's Foreign Trade<sup>1</sup>

	2013	2014	2015	2016
<b>Exports</b>				
<i>Annual change in %</i>				
Competitor prices in Austria's export markets	-1.8	-1.2	+0.6	+1.3
Export deflator	+0.1	+0.8	+1.1	+1.5
Changes in price competitiveness	-1.9	-2.0	-0.5	-0.2
Import demand on Austria's export markets (real)	+2.3	+2.9	+3.4	+5.0
Austrian exports of goods and services (real)	+0.9	+0.8	+2.4	+4.6
Austrian market share	-1.4	-2.1	-1.0	-0.4
<b>Imports</b>				
International competitor prices on the Austrian market	-1.3	-0.9	+0.9	+1.2
Import deflator	-0.3	-0.6	+1.0	+1.6
Austrian imports of goods and services (real)	-0.2	+0.5	+2.5	+4.7
<b>Terms of Trade</b>				
	+0.4	+1.4	+0.0	-0.1
<i>Percentage points of real GDP growth</i>				
<b>Contribution of net exports to GDP growth</b>	+0.5	+0.2	+0.1	+0.2
<i>% of nominal GDP</i>				
<b>Foreign trade ratios</b>				
Export ratio	+53.3	+52.9	+53.6	+55.2
Import ratio	+49.9	+48.8	+49.3	+50.9

Source: 2013: Eurostat; 2014 to 2016: OeNB December 2014 outlook, Eurosystem.

<sup>1</sup> With respect to Austria's foreign trade figures, the conversion of the national accounts to conform to ESA 2010 requirements brought discrepancies to light between the goods trade figures of Statistics Austria and the services trade figures of the OeNB. For that reason, the import and export figures were calculated on the basis of the respective data sources.

With the publication of the data for the second quarter of 2014, Austria's current account was converted to bring it into line with the provisions of the sixth edition of the International Monetary Fund's Balance of Payments and International Investment Position Manual (BPM6). This move was, above all, meant to improve the statistical recording of data on global production and value chains in the wake of the outsourcing of parts of production to low-cost countries. The most important methodological changes were the shift of inward and outward processing from goods to services and the shift of transit trade from services to goods. The balance of trade in goods consequently improved, while the balance of trade in services deteriorated. The overall current account figures were largely unaffected by these reclassifications. Figures for past periods that have been

recalculated in line with the BPM6 are available up to 2006.

Austria's current account surplus had reached a record high at 3.4% of GDP in 2008. Since then, it has been in continuous decline, with the first half of 2014 seeing a balanced current account (0.2% of GDP) as a result of weak export growth. The reasons for this development are to be found not only in the worsening of the balance of trade in both goods and services, but also in the deterioration of the primary income account (formerly the income account). The secondary income account (formerly the transfer payments account) remained unchanged from January to June 2014 in comparison with the corresponding period of the year before. Although the pickup of exports expected for 2015 and 2016 will be moderate, it should lead to a slight improvement of the current account.

Table 4

## Austria's Current Account

	2013	2014	2015	2016
	% of nominal GDP			
Balance of trade	2.7	2.0	2.2	2.4
Balance of goods	-0.6	-1.1	-1.1	-0.6
Balance of services	3.3	3.1	3.3	3.0
Balance of primary income	-0.5	-0.5	-0.5	-0.5
Balance of secondary income	-1.2	-1.2	-1.1	-1.1
Current account	1.0	0.4	0.6	0.8

Source: 2013: Eurostat; 2014 to 2016: OeNB December 2014 outlook.

### 4.2 Enterprises' Propensity to Invest Remains Muted

Austrian companies have recently reduced their fixed capital expenditure to an unexpectedly marked degree. In the third quarter of 2014, real gross fixed capital formation fell by 1.1% against the preceding quarter. All major components of such investment are in decline. Particularly affected was investment in nonresidential real estate,

which shrank by 2.7%. Housing investment contracted only marginally (by 0.25%). Investment in plant and equipment, which is sensitive to cyclical fluctuations, declined by 0.7% in the third quarter, after having expanded strongly in the first quarter of 2014.

The current reluctance to invest in fixed assets is probably linked to the high uncertainty regarding future sales prospects. That uncertainty is driven

Table 5

## Investment Activity in Austria

	2013	2014	2015	2016
	Annual change in %			
Total gross fixed capital formation (real)	-0.9	-0.1	+0.8	+2.3
of which: investment in plant and equipment	-0.7	+1.4	+1.1	+3.0
residential construction investment	-0.3	+1.1	+1.2	+2.8
nonresidential construction investment and other investment	-1.4	-1.3	+0.5	+1.6
public sector investment	+3.6	+2.1	+1.7	+1.7
private sector investment	-1.6	-0.4	+0.7	+2.4
	Contribution to the growth of gross fixed capital formation in percentage points			
Investment in plant and equipment	-0.2	+0.5	+0.4	+1.0
Residential construction investment	-0.1	+0.2	+0.2	+0.5
Nonresidential construction investment and other investment	-0.6	-0.6	+0.2	+0.8
Public sector investment	+0.5	+0.3	+0.2	+0.2
Private sector investment	-1.4	-0.4	+0.6	+2.1
	Contribution to real GDP growth in percentage points			
Total gross fixed capital formation	-0.2	+0.0	+0.2	+0.5
Changes in inventories	+0.7	+0.2	+0.0	+0.0
	% of nominal GDP			
Investment ratio	+22.3	+22.1	+22.1	+22.2

Source: 2013: Eurostat; 2014 to 2015: OeNB December 2014 outlook.

by a whole range of factors. The persistent weakness of economic activity in the euro area and geopolitical tension such as that related to the conflict between Russia and Ukraine are leading to loss of confidence in foreign trade. The subdued development of real incomes in Austria is dampening sales expectations at home. These factors are being complemented by increasingly negative perceptions of the medium-term outlook for an expansion of global trade and domestic economic growth. Given the uncertainty of returns on fixed capital expenditure, many enterprises are turning to financial investment instead.

The effects of some of these investment-inhibiting factors will recede over the forecasting horizon. Growth in the euro area, for instance, will pick up and be more or less back to the long-term average in 2016. Demand for Austrian exports is gradually rising, but the growth rate of 5% expected for 2016 will remain below the precrisis annual

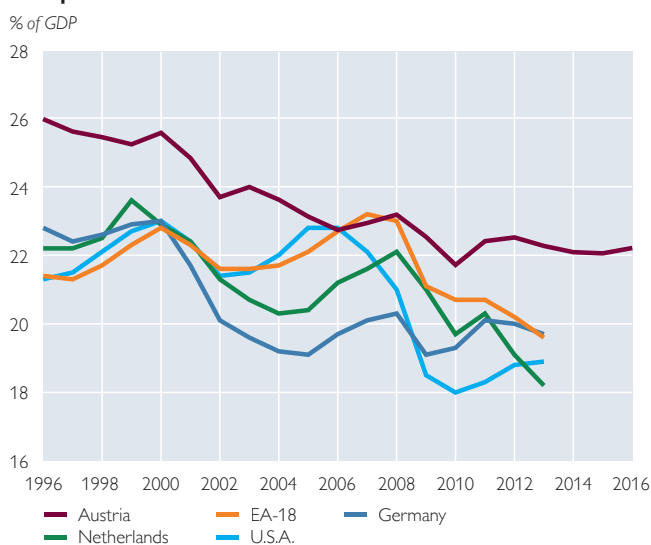
average of 7%. Consumer spending, too, will again have increasingly stronger stimulating effects in Austria. It is not likely, however, that this will all take place swiftly and simultaneously, so that fixed capital formation will gain momentum only hesitantly. In such circumstances, investment-supporting factors such as companies' significant holdings of financial assets and favorable financing conditions cannot take full effect.

On the basis of developments over the year to date, real gross fixed capital formation will decline slightly, by 0.1%, in 2014, and will rise by 0.8% in the year thereafter, thus at roughly the same rate as overall economic output. It is only in 2016 that, given an expected increase of 2.3%, the pattern of fixed capital formation will return to that seen in a "normal" cyclical recovery and be higher than GDP growth. The acceleration of fixed capital formation will be driven primarily by investment in plant and equipment and by

Chart 3

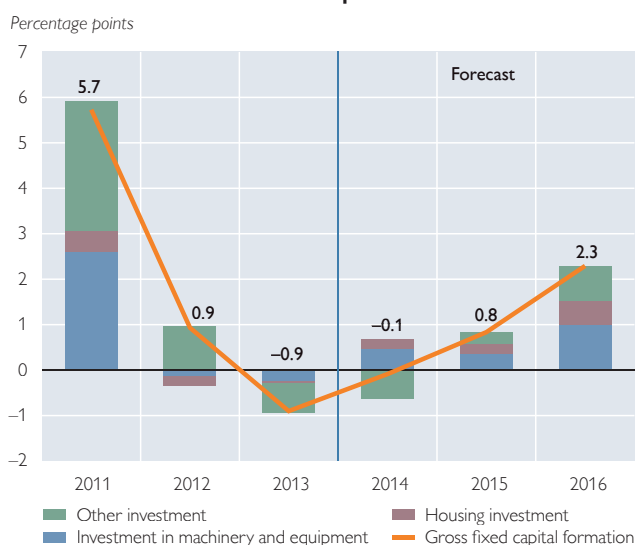
## Investment

### Comparison of Investment Ratios



Source: OeNB, Eurostat.

### Contributions to Gross Fixed Capital Formation Growth



housing investment, with the latter being supported by rising real estate prices, favorable terms and conditions for mortgages and high demand for housing. Civil engineering activity will remain subdued on account of only few public sector orders.

In the period from 1996 to 2010, the ratio of investment to GDP developed in line with international trends and fell by 4 percentage points to 22%. Since 2011, the investment ratio has stabilized at that level, with no further change being expected over the period under review.

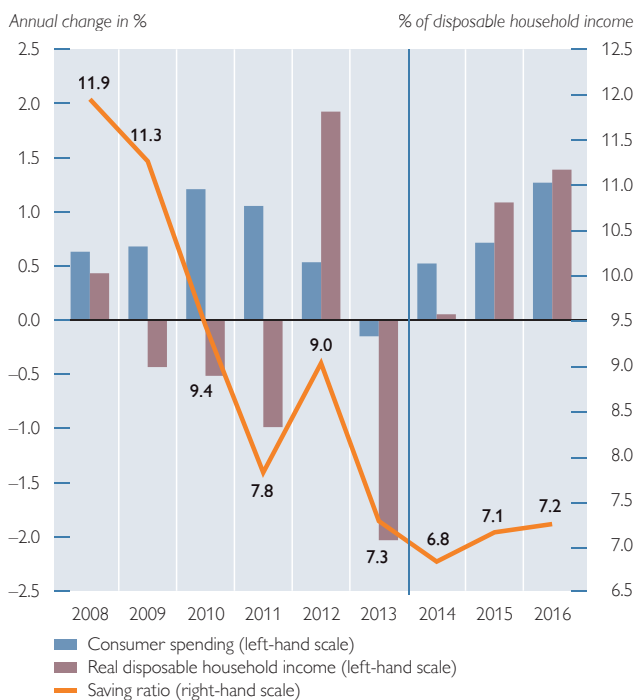
### 4.3 Low Inflation Supports Consumer Spending

After households had reduced their real consumption expenditure slightly in 2013 (by 0.1%), a return to a path of growth can be observed for the year to date, albeit only at a very subdued level. In the second quarter of 2014, real retail sales increased by 0.1% against the preceding quarter, while the expansion over the three-month period to August was even stronger at 1.1%. Car registrations are picking up after the sharp downturn recorded in the second quarter as a result of the March in-

Chart 4

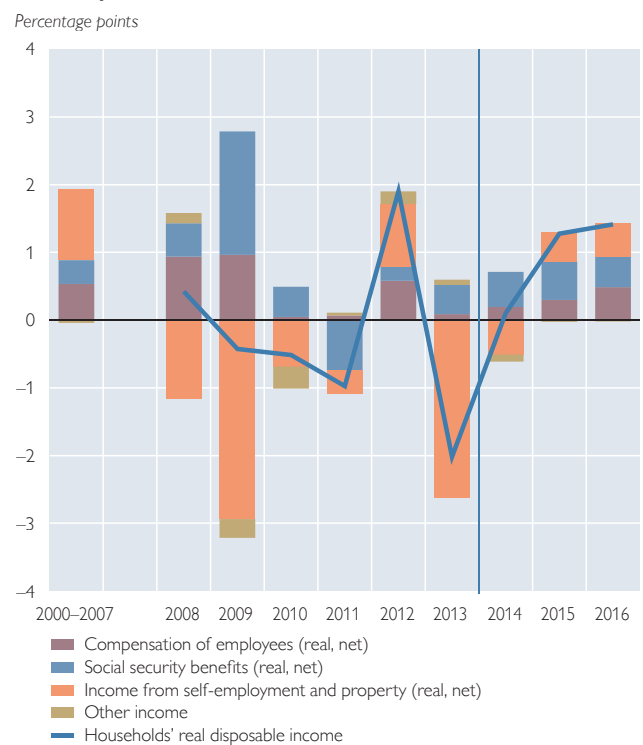
## Consumer Spending<sup>1</sup>

### Households' Consumption Expenditure



Source: Eurostat, Statistics Austria, OeNB.

### Contributions to the Growth of Households' Real Disposable Income



Source: Statistics Austria, OeNB.

<sup>1</sup> Explanatory notes and data sources relating to chart 4, right-hand panel: "Compensation of employees (real, net)": compensation of employees less social contributions (actual and imputed, to government and private entities) of employers and employees, as well as other wage-related taxes payable by employees (Statistics Austria data up to and including 2013; as from 2014, updates based on 2014 tax data and the OeNB outlook). "Social security benefits (real, net)": difference between monetary social benefits received by the household sector (including transfers from the private sector) less wage tax and social security contributions on pensions (data for wage tax and social security contributions on pensions based on wage tax statistics, combined with the OeNB outlook). "Income from self-employment and property (real, net)": sum total of property income (including interest) and mixed income accruing to self-employed households less withholding taxes on property income of the household sector, assessed income tax and social security contributions of self-employed households (latter based on own estimates). "Other income": primarily net contribution of other current transfers (e.g. nonlife insurance premiums and benefits, membership fees, state grants to nonprofit organizations) as well as social security contributions and current direct taxes that were not taken into consideration above (in particular, motor vehicle taxes and parafiscal charges paid by private households).

Table 6

### Consumer Spending in Austria

	2013	2014	2015	2016
<i>Annual change in %</i>				
Households' disposable income (nominal)	+0.1	+1.7	+2.5	+2.9
Consumption deflator	+2.2	+1.7	+1.4	+1.5
Households' disposable income (real)	-2.0	+0.1	+1.1	+1.4
Consumer spending (real)	-0.1	+0.5	+0.7	+1.3
<i>Contribution to real GDP growth in percentage points</i>				
Consumer spending	-0.1	+0.3	+0.4	+0.7
<i>% of households' nominal disposable income</i>				
Saving ratio	+7.3	+6.8	+7.1	+7.2
<i>% of nominal GDP</i>				
Consumption ratio	+53.9	+53.9	+53.7	+53.6

Source: 2013: Eurostat; 2014 to 2016: OeNB December 2014 outlook.

crease in motor vehicle registration tax (a drop of 12.2% in comparison with the first quarter) and have recently increased significantly (by 9.2% in the three months to October).

The modest acceleration of consumer spending in 2014 was due primarily to rising real incomes. Although the compensation per employee increased marginally less in 2014 than in the year before, this was more than offset by the fact that inflation was half a percentage point lower. The upward movement of prices will remain at around 1½% in the further course of the period under review, and will thus contribute to a moderate growth of real incomes and a gradual acceleration of consumer spending. Viewed over the whole forecasting horizon from 2014 to 2016, inflation will be just about 1 percentage point lower, year on year, than the average recorded over the past three years, while the growth of real incomes will be 0.7 percentage points higher.

2015 will see a decline in employment dynamics on cyclical grounds, so that the share of compensation of employees in households' incomes will fall. This will be compensated for by

rising property and self-employment income, as well as by increases in net transfer payments and a slower rise of direct taxes. In 2016, all types of income will benefit from the anticipated recovery of business activity. The growth of households' real disposable income will thus return to positive territory over the forecasting horizon, after the decrease of 2.0% as a result of investment losses in 2013, gradually rising from 0.1% in 2014 to 1.4% in 2016. Consumer spending is expected to increase along similar lines, namely by 0.5%, 0.7% and 1.3% in 2014, 2015 and 2016, respectively.

The saving ratio will remain stable at around 7% over the forecasting horizon, and will thus remain clearly below the multi-year average of 10% (1999–2013). Changes in Austria's saving ratio are determined predominantly by the composition of households' disposable income. The saving ratio increases in line with the share of property income in households' total income in view of a below-average marginal propensity to consume property income. Accordingly, the saving ratio declined from around 12.1% in 2007 to 7.3% in 2013. Over the same period, the share of

Table 7

### Determinants of Austrian Households' Nominal Income

	2013	2014	2015	2016
<i>Annual change in %</i>				
Payroll employment	+0.8	+0.7	+0.4	+0.6
Wages and salaries per employee	+2.2	+2.0	+1.5	+2.2
Compensation of employees	+3.0	+2.7	+1.9	+2.9
Property income	-16.5	+0.3	+1.3	+3.9
Self-employment income and operating surpluses (net)	+3.1	+1.2	+2.7	+3.5
<i>Contribution to households' disposable income in percentage points</i>				
Compensation of employees	+2.4	+2.2	+1.6	+2.4
Property income	-2.4	+0.0	+0.2	+0.5
Self-employment income and operating surpluses (net)	+0.5	+0.2	+0.4	+0.6
Net transfers less direct taxes <sup>1</sup>	-0.4	-0.8	+0.3	-0.6
Households' disposable income (nominal)	+0.1	+1.7	+2.5	+2.9

Source: 2013: Eurostat; 2014 to 2016: OeNB December 2014 outlook.

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

property income dropped from 20% to 12%. The years from 2014 to 2016 are unlikely to see any major change in the composition of households' income, and the saving ratio is expected to stabilize. It is only in 2014 that special factors will cause the saving ratio to decline temporarily to 6.8%. In the wake of the conclusion of tax agreements with Switzerland and Liechtenstein, there has recently been a signifi-

cant increase in the number of self-indictments by tax evaders. Under the provisions of the ESA 2010, payments of tax arrears in this context have a dampening effect on households' income and will reduce the saving ratio by around 0.3 percentage points in 2014. Once this special factor ceases to have an effect, the saving ratio will rise to 7.1% and 7.2% in 2015 and 2016, respectively.

Box 2

#### Development of Public Sector Finances<sup>1</sup>

The data revisions as a result of the changeover to the ESA 2010, as outlined in box 1, have implications for the forecast general government deficit and the public sector debt-to-GDP ratio. Although the deficit for 2013 has remained unchanged at 1.5% of GDP, the structure of expenditure, in particular, has changed significantly. The reclassification of various quasi-public sector companies and the KA Finanz, a "bad bank," as entities that are part of the general government sector has raised the public sector debt ratio to 81.2% of GDP.

The significant deterioration of this year's general government budget balance is due, above all, to comparatively high transfers of assets to banks and to the nullification of high one-off revenue enjoyed in 2013. The reorganization of the Hypo Group Alpe Adria, in particular, currently raises the deficit quite significantly. Thanks to robust payroll developments, the weakness of cyclical activity is reflected solely in subdued goods tax revenues (in particular, value-added tax) and in a marked increase in unemployment benefits. However, persistently weak business activity will have a major negative impact on budgetary developments next year. Nonetheless, the budget balance is expected to improve in both 2015 and the year thereafter, primarily on account of a decline in transfers to banks and lower interest payments. The reorganization of the Hypo Group Alpe Adria will also cause the public sector

<sup>1</sup> Prepared by Doris Prammer, Oesterreichische Nationalbank, Economic Analysis Division, [doris.prammer@oenb.at](mailto:doris.prammer@oenb.at).



debt ratio in 2014 to rise by more than 4 percentage points. As of 2015, reduced new borrowing, comparatively high nominal GDP growth and sales of assets by bad banks will lead to a reversal of the trend in general government debt. The public sector debt ratio will thus decrease to 82.9% of GDP by the end of 2016.

The most important factor of uncertainty in the current projection of developments in the nominal budget balance, and of the debt ratio, is to be found in the financial stabilization measures ("bank support package"). With respect to the budgetary impact of these measures, the OeNB's current budget balance forecast for 2014 and 2015 is based on information provided by the Austrian Federal Ministry of Finance (Austrian draft budgetary plan for 2015). Moreover, the tax reform being debated at the moment has not been considered since it has yet to be specified in detail.

Further improvements to the structure of the budget balance are expected over the forecasting horizon, especially in the current year. This year's significant improvements are due, above all, to several minor measures on the supply side, e.g. the increase in motor vehicle insurance tax and tobacco tax, as well as ongoing bracket creep, further pension adjustments in 2014 that remained below the inflation rate and the muted growth of both staff costs and discretionary spending. As of 2015, however, virtually no additional consolidation measures are likely, and smaller expansionary measures will become effective (the reduction of employers' social security contributions and a higher family allowance). 2015 will thus see a marginal structural deterioration of the budget balance. In the OeNB's view, Austria's attainment of its specific medium-term objective of a structural budget deficit of -0.45% of GDP in 2015 calls for additional consolidation measures in the order of around ¼% of GDP.

## 5 Unemployment Rises to 5.3%

Despite the weakness of economic growth that has persisted since 2012, Austria has experienced record employment levels year after year throughout this period. In 2014, payroll employment as defined by the national accounts will rise by some 25,000 persons year on year, to a new record high of just about 3.7 million persons. An analysis of the number of hours worked, however, presents a rather different picture of the Austrian labor market. Since 2011, the volume of work completed has de facto remained unchanged. At 6.99 billion hours worked in 2014, it will be only marginally higher (0.1%) than that in 2011.

There are several reasons why employment and hours worked have developed along different lines. On the one hand, cyclical adjustments on the Austrian labor market are frequently effected by way of cuts in working hours as companies often attempt to keep em-

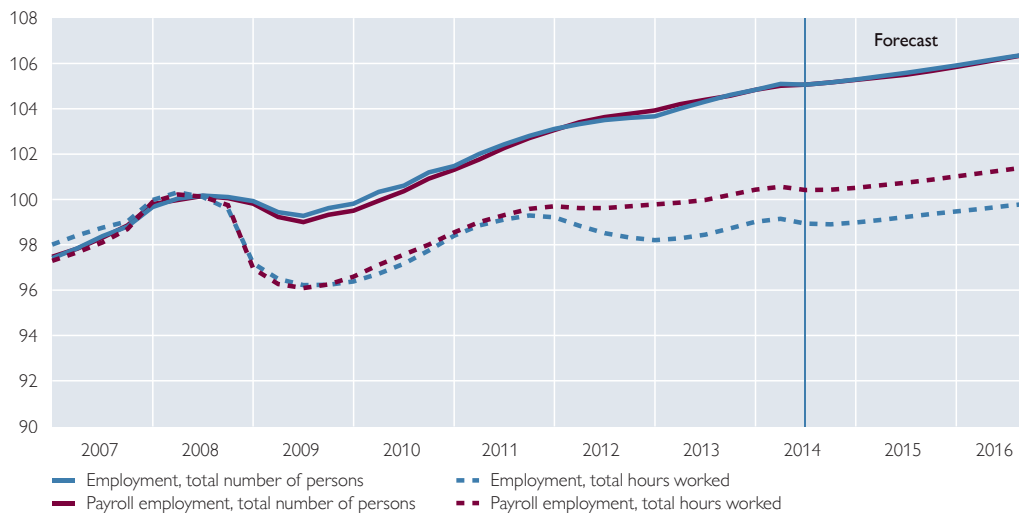
ployees on the payroll in a downturn. On the other hand, longer-term trends such as declining standard working hours and a rising proportion of part-time employees also play a role. These factors will continue to have an impact throughout the period from 2014 to 2016. Only toward the end of the forecasting horizon will the expected recovery of business activity cause the total number of hours worked to again rise at a rate similar to the increase in employment (see chart 5). The total number of hours worked in 2016 will thus still be slightly lower (0.3%) than the precrisis level of 2008. The number of persons employed in 2016, by contrast, will be 6% higher than the precrisis level, and thus conceals the negative consequences that the crisis has had for the Austrian labor market.

As in the past, employment in the years under review will follow the trend in business activity with a lag. The growth of 0.9% in payroll employ-

Chart 5

## Employment in Austria

Index, 2008=100



Source: OeNB, Eurostat.

ment in 2014 will be followed by a trough of 0.4% in 2015. 2016 is expected to see a cyclical acceleration of employment growth to 0.6%. The total number of hours worked is likely to develop less well. Compared with developments in 2011 and 2012, employment growth will be significantly lower over the forecasting horizon. This is due both to the muted economic growth and to the fading effects of the

opening-up of the Austrian labor market to employees from eastern European countries.

In the period under review, the unemployment rate will rise gradually from 4.9% in 2013 to 5.3% in 2016. Aside from cyclical factors, increasing labor force participation by older workers and the inflow of labor from abroad play a major role. The labor force participation rate of workers between

Table 8

## Labor Market Developments in Austria

	2013	2014	2015	2016
<i>Annual change in %</i>				
<b>Total employment</b>	+0.7	+0.9	+0.4	+0.6
of which: payroll employees	+0.8	+0.7	+0.4	+0.6
self-employed	-0.8	-0.1	+0.0	+0.0
public sector employees	+0.5	+1.7	+0.6	+0.5
<b>Total hours worked</b>	-0.3	+0.6	+0.2	+0.5
of which: Payroll employees	+0.3	+0.5	+0.2	+0.5
Self-employed	-3.0	+1.0	-0.1	+0.2
Labor supply	+1.3	+1.0	+0.7	+0.7
Registered unemployed	+13.4	+3.8	+5.8	+1.9
<i>% of labor supply</i>				
<b>Unemployment rate (Eurostat definition)</b>	4.9	5.1	5.3	5.3

Source: 2013: Eurostat; 2014 to 2016: OeNB December 2014 outlook.

50 and 64 years old has recently climbed to 63.9% (second quarter of 2014), so that it is now only just below the euro area average of 66%. However, it is still considerably lower than the levels in comparable countries such as Germany (75.6%) and Sweden (82.0%). Not least the pension reforms make it likely that the participation rate of older workers will continue to rise. Since the liberalization of the Austrian labor market, the supply of labor from the ten new EU Member States has increased, on average, by more than 30,000 workers per annum. However, the inflow is likely to gradually decline over the forecasting horizon.

## 6 Upward Movement of Prices Clearly Slower than in Past Years

The upward movement of prices has slowed down in comparison with 2013. In October this year, HICP inflation stood at 1.4%, and was thus clearly below the annual rate recorded for

2013 (2.1%). The decline is attributable to the subdued economic growth, falling global commodity prices, low import prices and the modest increase in labor costs.

Commodity prices will remain at currently low levels throughout the period under consideration, as indicated by futures prices, while collectively agreed wages and salaries will rise only moderately on account of high unemployment levels, and business activity will only gain momentum toward the end of the forecasting horizon. This means that there are no perceptible price pressures to be expected from either the supply side or the demand side. The rate of HICP inflation will consequently hover around 1½% throughout the period from 2014 to 2016. Core inflation will slowly decline over the forecasting horizon, from 1.8% in 2014 to 1.6% in 2016.

Despite declining in 2014, inflation in Austria will nonetheless continue to be considerably higher than the euro

Table 9

### Selected Price and Cost Indicators for Austria

	2013	2014	2015	2016
<i>Annual change in %</i>				
Harmonised Index of Consumer Prices (HICP)	+2.1	+1.5	+1.4	+1.5
HICP energy	-1.0	-2.0	-2.6	+0.6
HICP excluding energy	+2.4	+1.8	+1.8	+1.6
Private consumption expenditure (PCE) deflator	+2.2	+1.7	+1.4	+1.5
Investment deflator	+1.7	+1.5	+1.3	+1.4
Import deflator	-0.3	-0.6	+1.0	+1.6
Export deflator	+0.1	+0.8	+1.1	+1.5
Terms of trade	+0.4	+1.4	+0.0	-0.1
GDP deflator at factor cost	+1.3	+1.6	+1.8	+1.5
Collective wage and salary settlements	+2.6	+2.4	+1.9	+2.2
Compensation per employee	+2.2	+2.0	+1.5	+2.2
Hourly compensation per employee	+2.7	+2.2	+1.7	+2.3
Labor productivity per employee	-0.4	-0.4	+0.2	+1.0
Labor productivity per hour	+0.6	-0.2	+0.5	+1.1
Unit labor costs	+2.6	+2.4	+1.3	+1.2
Profit margins <sup>1</sup>	-1.4	-0.8	+0.5	+0.3

Source: 2013: Eurostat, Statistics Austria; 2014 to 2016: OeNB December 2014 outlook.

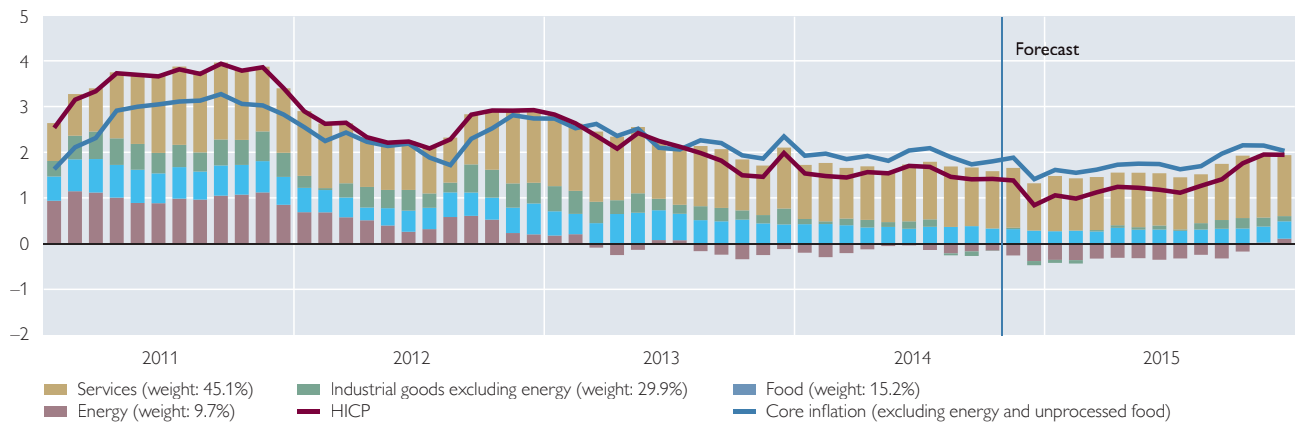
<sup>1</sup> GDP deflator divided by unit labor costs.

Chart 6

### Austrian HICP Inflation Rate and Contributions of Subcomponents

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

Last observation: 1.4% (October 2014)



Source: OeNB, Statistics Austria.

area average. According to provisional figures, the gap vis-à-vis the euro area was 1 percentage point in October 2014. The adjustment processes under way in countries covered by financial assistance programs, in particular, are resulting in low, at time even negative, rates of inflation there. But the HICP inflation gap vis-à-vis Germany, Austria's most important trading partner, has likewise remained in positive territory for some years now. At present, the difference between the Austrian and German inflation rates is the consequence of a higher contribution of Austrian service prices to inflation, which is due, on the one hand, to greater dynamics in wage and demand-sensitive sectors (e.g. restaurant and hotel services, as well as financial services) and, on the other, to a higher contribution of the Austrian public sector to inflation. The inflation gap vis-à-vis the euro area will therefore diminish slowly over the forecasting horizon and will virtually have disappeared at 0.2 percentage points in 2016. The upward movement of prices in Germany is likely to accelerate through the introduction of a minimum wage as of 2015,

so that German inflation in 2016 will probably be higher than that in Austria.

The pay settlements reached thus far (+1.8% in the public sector, +2.1% in the wholesale and retail trade, and +2.1% in the metal-working industry) indicate that collectively agreed wages and salaries are likely to increase by 1.9% in 2015. Given the recovery of business activity expected for 2016, wage growth is forecast to be slightly higher at 2.2% in that year.

Wage drift has been on a negative trend for quite some time now, which is due to structural shifts of employment to low-wage sectors and a rising proportion of part-time employees. Fluctuations around this underlying trend are, typically, procyclical in nature. Accordingly, the wage drift forecast for 2014 and 2015 is likely to be negative (−0.4 percentage points per annum). On account of the improvement of economic activity in 2016, wage drift is expected to be neutral in that year. If bracket creep is taken into account, net compensation per employee in 2015 and 2016 will rise by 1.3% and 1.9%, respectively. In real terms, net compensation per employee

Table 10

### Compensation of Employees<sup>1</sup>

	2013	2014	2015	2016
	<i>Annual change in %</i>			
<b>Per person employed (nominal)</b>				
Collectively agreed wages and salaries <sup>2</sup>	+2.6	+2.4	+1.9	+2.2
Wage drift	-0.4	-0.4	-0.4	+0.0
Compensation per employee (gross)	+2.2	+2.0	+1.5	+2.2
Bracket creep <sup>3</sup>	-0.3	-0.3	-0.2	-0.3
Compensation per employee (net)	+1.8	+1.7	+1.3	+1.9
<b>Per person employed (real)</b>				
Compensation per employee (gross)	+0.0	+0.3	+0.1	+0.8
Compensation per employee (net)	-0.3	+0.0	-0.1	+0.4
<b>Per hour (nominal)</b>				
Compensation per hour (gross)	+2.7	+2.2	+1.7	+2.3
Compensation per hour (net)	+2.3	+1.9	+1.4	+2.0
<b>Per hour (real)</b>				
Compensation per hour (gross)	+0.5	+0.5	+0.3	+0.9
Compensation per hour (net)	+0.1	+0.2	+0.1	+0.5
	<i>% of nominal GDP</i>			
<b>Wage share</b>	47.9	48.2	48.0	47.9

Source: 2013: Eurostat; 2014 to 2016: OeNB December 2014 outlook.

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

<sup>2</sup> Overall economy.

<sup>3</sup> Based, *ceteris paribus*, on average past developments.

will remain unchanged in 2014 and 2015. An increase (0.4%) is to be expected only in 2016. The share of compensation of employees in national income is expected to decline slightly over the forecasting horizon, namely from 48.2% in 2013 to 47.9% in 2016. It will thus be 2 percentage points higher than the level prior to the crisis, but 4 percentage points lower than in 1995.

### 7 Significant Risks to Global Business Activity, and thus also to Developments in Austria

The outlook presented here is subject to a number of risks, most of which are pointing toward the downside. The most significant risks to global economic developments currently emanate from geopolitical tensions. A further escalation of the conflict between Russia and Ukraine, and the associated sanctions imposed by both the European Union and the U.S.A., poses the

greatest threat to business activity. Although the sanctions currently in place have had hardly any direct impact on Austria's foreign trade, a disruption of Russian gas and oil supplies could undermine cyclical activity in Europe. Yet another geopolitical risk is to be found in a further proliferation of IS terror in the Middle East and the effects this may have on crude oil production in the area. Further moves in the U.S.A. to exit from the expansionary monetary policy pursued there could lead to outflows of capital from emerging market economies, with corresponding negative effects. The extended period of low interest rates has given rise to a search for yield that automatically entails higher risks. China is experiencing a real estate bubble, the bursting of which could pose a grave threat to economic development there. Given low inflation, the downside risks to business activity in the euro area are associated with a higher risk of defla-

tion. Risks to economic developments in Austria are seen to be generally balanced.

### 8 Clear Downward Revision of the OeNB Outlook of June 2014

The outlook presented here had to be revised significantly downward in comparison with that of June this year. However, the underlying assumptions with respect to the international environment only partially reflect factors of relevance to the revisions. The cumulative growth of Austrian export markets over the three years under review is 3½% lower than that expected in June. However, the geopolitical tensions currently undermining business activity in Europe are having an impact on countries that play an only minor role in

Austria's direct foreign trade relations. In addition, a number of external factors are currently better than in June. The weakness of global business activity, together with an increase in supply, has led to significantly lower crude oil prices. The accommodative monetary policy measures have brought interest rates down to record lows. The yields on ten-year government bonds over the forecasting horizon are up to 90 basis points lower than those given in the June outlook. In addition, the measures taken by the ECB have resulted in a depreciation of the euro.

The impact of the changed underlying external assumptions was simulated by way of the OeNB's macroeconomic model. Table 11 lists the individual reasons for revising the outlook. Aside

Table 11

### Change in the External Economic Conditions since the OeNB June 2014 Outlook

	December 2014			June 2014			Difference		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
<i>Annual change in %</i>									
Growth of Austria's export markets	+2.9	+3.4	+5.0	+4.0	+5.2	+5.6	-1.1	-1.8	-0.6
Competitor prices on Austria's export markets	-1.2	+0.6	+1.3	-1.8	+1.0	+1.4	+0.6	-0.4	-0.1
Competitor prices on Austria's import markets	-0.9	+0.9	+1.2	-1.3	+1.1	+1.6	+0.4	-0.2	-0.4
<i>USD per barrel (Brent)</i>									
Oil price	101.2	85.6	88.5	107.2	102.2	98.2	-6.0	-16.6	-9.7
<i>Annual change in %</i>									
Nominal effective exchange rate (exports)	-1.3	+0.5	+0.0	-1.9	+0.0	+0.0	+0.6	+0.5	+0.0
Nominal effective exchange rate (imports)	-0.9	+0.5	+0.0	-1.3	+0.0	+0.0	+0.4	+0.5	+0.0
<i>%</i>									
Three-month interest rate	0.2	0.1	0.1	0.3	0.3	0.4	-0.1	-0.2	-0.3
Long-term interest rate	1.5	1.1	1.4	1.8	2.1	2.4	-0.3	-1.0	-1.0
<i>Annual change in %</i>									
U.S. GDP (real)	+2.2	+2.9	+2.9	+2.4	+3.0	+3.0	-0.2	-0.1	-0.1
<i>USD/EUR</i>									
USD/EUR exchange rate	1.33	1.25	1.25	1.38	1.38	1.38	-0.05	-0.13	-0.13

Source: Eurosystem.

from the impact of updated external assumptions, the effects of new data and other changes played a role. The influence of new data covers the impact of revisions to both historical data available at the time of the publication of the OeNB's previous economic outlook (i.e. data up to the first quarter of 2014) and forecasting errors with respect to data on quarterly developments (in the second and third quarters of 2014) that have now been published for the first time. The other changes include new expert analyses of the development of domestic variables, such as public sector consumption and pay settlements, as well as any changes to the model.

The prospects for growth in 2014 were revised perceptibly downward (by 1.0 percentage point) in comparison with those given in the economic outlook of June this year, when the indicators available had suggested a marked recovery of both global and domestic business activity as of the second quarter of 2014. GDP growth had been forecast to be in the order of 0.5% in both the second and the third quarter. At 0.1% and 0.0% in the second and third quarter, respectively, actual GDP growth was significantly lower than expected. The forecasting errors with respect to these two quarters explain half the downward revision of the figures for 2014. Yet another factor was the downward revision of the national accounts for both the second half of 2013 and the first quarter of 2014. The resulting negative impact on GDP

growth in 2014 is 0.3 percentage points.

At –1.1 percentage points, the downward revision of the outlook for 2015 was even more marked than that for 2014. Just over one-quarter of that revision (–0.3 percentage points) is accounted for by the subdued growth recorded throughout 2014, which gives rise to a statistical overhang for 2015. The deterioration of the prospects for growth in 2015 is reflected only partially in the external assumptions underlying the economic outlook. Although the reduced growth on Austria's export markets dampens the prospects for sales there, domestic growth is supported by lower interest rates, reduced crude oil prices and the depreciation of the euro. The net effect on growth in Austria is relatively small, namely –0.2 percentage points in both 2015 and 2016. The most important channel of transmission, the downturn of sentiment, is not reflected in the external factors, however. That is why most of the downward revision for 2015 and 2016 cannot be explained either by the availability of new data or by changes in external assumptions. Instead, it reflects a significant clouding of sentiment, indicators of which cannot be incorporated into traditional macroeconomic models.

The downward revision of the outlook for inflation is due primarily to the decline in commodity prices. In addition, the weak outlook for economic activity is curbing price pressures.

Table 12

### Breakdown of Revisions to the OeNB Outlook

	GDP			HICP		
	2014	2015	2016	2014	2015	2016
	<i>Annual change in %</i>					
Outlook of December 2014	+0,4	+0,7	+1,6	+1,5	+1,4	+1,5
Outlook of June 2014	+1,6	+1,9	+2,1	+1,8	+1,7	+1,9
Difference	-1,2	-1,2	-0,5	-0,3	-0,3	-0,4
	<i>Percentage points</i>					
Caused by:						
External assumptions as of Q4 2014	+0,0	-0,2	-0,2	-0,2	-0,3	-0,1
New data <sup>1</sup>	-0,9	-0,4	x	-0,2	-0,1	x
of which: revisions to historical data up to Q1 2014	-0,3	+0,0	x	+0,0	+0,0	x
projection errors for Q2 and Q3 2014	-0,6	-0,4	x	-0,2	-0,1	x
Other changes <sup>2</sup>	-0,3	-0,6	-0,3	+0,1	+0,1	-0,3

Source: OeNB outlooks of June and December 2014.

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

<sup>2</sup> Different assumptions with respect to trends in domestic variables, such as wages and salaries, public sector consumption, effects of tax measures, other changes to assessments and model changes.



## Comparison of the OeNB Outlook of December 2014 with the OeNB Outlook of June 2014

	Outlook of December 2014				Outlook of June 2014			
	2013	2014	2015	2016	2013	2014	2015	2016
<b>Economic activity</b>	<i>Annual change in % (real)</i>							
Gross domestic product	+0.3	+0.4	+0.7	+1.6	+0.3	+1.6	+1.9	+2.1
Private consumption	-0.1	+0.5	+0.7	+1.3	+0.1	+0.7	+1.0	+1.4
Public sector consumption	+0.4	+1.0	+1.4	+1.3	+1.4	+0.8	+1.2	+1.1
Gross fixed capital formation	-0.9	-0.1	+0.8	+2.3	-0.9	+0.8	+2.6	+2.9
Exports of goods and services	+0.9	+0.8	+2.4	+4.6	+2.5	+5.4	+5.4	+5.7
Imports of goods and services	-0.2	+0.5	+2.5	+4.7	+0.5	+3.9	+5.4	+5.8
	<i>% of nominal GDP</i>							
Current account balance	+1.0	+0.4	+0.6	+0.8	+2.7	+3.1	+3.4	+3.6
<b>Contribution to real GDP growth</b>	<i>Percentage points</i>							
Private consumption	-0.1	+0.3	+0.4	+0.7	+0.0	+0.4	+0.5	+0.8
Public sector consumption	+0.1	+0.2	+0.3	+0.3	+0.3	+0.1	+0.2	+0.2
Gross fixed capital formation	-0.2	+0.0	+0.2	+0.5	-0.2	+0.2	+0.5	+0.6
Domestic demand (excl. changes in inventories)	-0.2	+0.5	+0.8	+1.4	+0.1	+0.7	+1.3	+1.6
Net exports	+0.5	+0.2	+0.1	+0.2	+1.2	+1.2	+0.5	+0.4
Changes in inventories (incl. statistical discrepancies)	+0.0	-0.2	-0.2	+0.0	-0.9	-0.3	+0.2	+0.1
<b>Prices</b>	<i>Annual change in %</i>							
Harmonised Index of Consumer Prices (HICP)	+2.1	+1.5	+1.4	+1.5	+2.1	+1.8	+1.7	+1.9
Private consumption expenditure (PCE) deflator	+2.2	+1.7	+1.4	+1.5	+2.2	+1.9	+1.6	+1.8
GDP deflator	+1.6	+1.8	+1.6	+1.3	+1.7	+1.5	+1.5	+1.8
Unit labor costs in the overall economy	+2.6	+2.4	+1.3	+1.2	+2.6	+1.6	+1.4	+1.7
Compensation per employee (at current prices)	+2.2	+2.0	+1.5	+2.2	+2.2	+2.1	+2.4	+2.8
Compensation per hour worked (at current prices)	+2.7	+2.2	+1.7	+2.3	+3.6	+2.6	+2.7	+2.8
Import prices	-0.3	-0.6	+1.0	+1.6	-0.8	+0.1	+1.3	+1.6
Export prices	+0.1	+0.8	+1.1	+1.5	-0.3	+0.4	+1.2	+1.5
Terms of trade	+0.4	+1.4	+0.0	-0.1	+0.5	+0.2	-0.1	-0.1
<b>Income and savings</b>	<i>% of households' nominal disposable income</i>							
Real disposable household income	-2.0	+0.1	+1.1	+1.4	-1.1	+0.7	+1.8	+2.3
Saving ratio	7.3	6.8	7.1	7.2	+6.6	+6.4	+7.1	+7.8
<b>Labor market</b>	<i>Annual change in %</i>							
Payroll employment	+0.8	+0.7	+0.4	+0.6	+0.8	+1.1	+0.9	+1.0
Hours worked (payroll employees)	+0.3	+0.5	+0.2	+0.5	-0.6	+0.5	+0.7	+1.0
	<i>% of labor supply</i>							
Unemployment rate (Eurostat definition)	4.9	5.1	5.3	5.3	+4.9	+5.0	+5.0	+4.9
<b>Public finances</b>	<i>% of nominal GDP</i>							
Budget balance	-1.5	-2.4	-1.8	-1.4	-1.5	-2.5	-1.2	-0.7
Government debt	81.2	85.4	84.6	82.9	74.5	79.2	77.5	75.3

Source: 2013: Eurostat. Statistics Austria; 2014 to 2016: OeNB December 2014 outlook.

<sup>1</sup> The outlook was drawn up on the basis of seasonally adjusted and working day-adjusted national accounts data. Therefore, the figures for 2013 deviate from the unadjusted data released by Statistics Austria. Calculated in accordance with the ESA 2010.

## Annex: Detailed Result Tables

Table 14

### Demand Components (Real Prices)

Chained volume data (reference year = 2005)

	2013	2014	2015	2016	2013	2014	2015	2016
	EUR million				Annual change in %			
Private sector consumption	160,980	161,823	162,978	165,046	-0.1	+0.5	+0.7	+1.3
Public sector consumption	60,630	61,266	62,109	62,927	+0.4	+1.0	+1.4	+1.3
Gross fixed capital formation	67,645	67,586	68,148	69,710	-0.9	-0.1	+0.8	+2.3
of which: investment in plant and equipment	22,362	22,682	22,923	23,599	-0.7	+1.4	+1.1	+3.0
residential construction investment	12,969	13,112	13,272	13,641	-0.3	+1.1	+1.2	+2.8
nonresidential construction investment and other investment	32,079	31,652	31,817	32,333	-1.4	-1.3	+0.5	+1.6
Changes in inventories (incl. statistical discrepancies)	5,062	4,519	3,845	3,752	x	x	x	x
Domestic demand	294,317	295,194	297,080	301,435	-0.3	+0.3	+0.6	+1.5
Exports of goods and services	162,679	163,979	167,952	175,758	+0.9	+0.8	+2.4	+4.6
Imports of goods and services	149,640	150,451	154,180	161,354	-0.2	+0.5	+2.5	+4.7
Net exports	13,039	13,528	13,773	14,404	x	x	x	x
<b>Gross domestic product</b>	<b>307,356</b>	<b>308,723</b>	<b>310,853</b>	<b>315,839</b>	<b>+0.3</b>	<b>+0.4</b>	<b>+0.7</b>	<b>+1.6</b>

Source: 2013: Eurostat; 2014 to 2016: OeNB December 2014 outlook.

Table 15

### Demand Components (Current Prices)

	2013	2014	2015	2016	2013	2014	2015	2016
	EUR million				Annual change in %			
Private sector consumption	173,783	177,610	181,336	186,347	+2.0	+2.2	+2.1	+2.8
Public sector consumption	63,866	65,534	67,338	68,996	+1.7	+2.6	+2.8	+2.5
Gross fixed capital formation	71,864	72,860	74,453	77,222	+0.8	+1.4	+2.2	+3.7
Changes in inventories (incl. statistical discrepancies)	2,269	10	163	18	x	x	x	x
Domestic demand	311,783	316,014	323,291	332,583	+1.2	+1.4	+2.3	+2.9
Exports of goods and services	171,846	174,594	180,777	191,994	+1.0	+1.6	+3.5	+6.2
Imports of goods and services	160,973	160,827	166,544	177,012	-0.4	-0.1	+3.6	+6.3
Net exports	10,873	13,767	14,232	14,982	x	x	x	x
<b>Gross domestic product</b>	<b>322,656</b>	<b>329,781</b>	<b>337,523</b>	<b>347,565</b>	<b>+1.9</b>	<b>+2.2</b>	<b>+2.3</b>	<b>+3.0</b>

Source: 2013: Eurostat; 2014 to 2016: OeNB December 2014 outlook.

Table 16

## Demand Components (Deflators)

	2013	2014	2015	2016	2013	2014	2015	2016
	2005 = 100				Annual change in %			
Private sector consumption	108.0	109.8	111.3	112.9	+2.2	+1.7	+1.4	+1.5
Public sector consumption	105.3	107.0	108.4	109.6	+1.3	+1.5	+1.4	+1.1
Gross fixed capital formation	106.2	107.8	109.2	110.8	+1.7	+1.5	+1.3	+1.4
Domestic demand (excl. changes in inventories)	107.0	108.7	110.2	111.7	+1.9	+1.6	+1.4	+1.4
Exports of goods and services	105.6	106.5	107.6	109.2	+0.1	+0.8	+1.1	+1.5
Imports of goods and services	107.6	106.9	108.0	109.7	-0.3	-0.6	+1.0	+1.6
Terms of trade	98.2	99.6	99.6	99.6	+0.4	+1.4	+0.0	-0.1
<b>Gross domestic product</b>	<b>105.0</b>	<b>106.8</b>	<b>108.6</b>	<b>110.0</b>	<b>+1.6</b>	<b>+1.8</b>	<b>+1.6</b>	<b>+1.3</b>

Source: 2013: Eurostat; 2014 to 2016: OeNB December 2014 outlook.

Table 17

## Labor Market

	2013	2014	2015	2016	2013	2014	2015	2016
	Thousands				Annual change in %			
Total employment	4,260.5	4,297.1	4,316.3	4,343.3	+0.7	+0.9	+0.4	+0.6
of which: private sector	3,591.0	3,628.1	3,647.3	3,674.6	+1.0	+1.0	+0.5	+0.7
Payroll employment (national accounts definition)	3,671.1	3,697.2	3,712.6	3,736.5	+0.8	+0.7	+0.4	+0.6
	% of the labor supply							
Unemployment rate (Eurostat definition)	4.9	5.1	5.3	5.3	x	x	x	x
	EUR per real unit of output x 100							
Unit labor costs (economy as a whole) <sup>1</sup>	58.4	59.8	60.6	61.3	+2.6	+2.4	+1.3	+1.2
	EUR thousand per employee							
Labor productivity (economy as a whole) <sup>2</sup>	72.1	71.8	72.0	72.7	-0.4	-0.4	+0.2	+1.0
	EUR thousand							
Compensation per employee (real) <sup>3</sup>	39.0	39.1	39.2	39.5	+0.0	+0.3	+0.1	+0.7
	At current prices in EUR thousand							
Compensation per employee (gross)	42.1	43.0	43.6	44.6	+2.2	+2.0	+1.5	+2.2
	At current prices in EUR million							
Total gross compensation of employees	154,694	158,849	161,933	166,605	+3.0	+2.7	+1.9	+2.9

Source: 2013: Eurostat; 2014 to 2016: OeNB December 2014 outlook.

<sup>1</sup> Gross wages and salaries divided by real GDP.

<sup>2</sup> Real GDP divided by total employment.

<sup>3</sup> Gross wages and salaries per employee divided by private consumption expenditure (PCE) deflator.

Table 18

### Balance on current account

	2013	2014	2015	2016	2013	2014	2015	2016
	EUR million				% of nominal GDP			
<b>Balance of trade</b>	8,869.0	6,724.2	7,464.1	8,243.9	2.7	2.0	2.2	2.4
Balance of goods	-1,909.0	-3,495.8	-3,618.9	-2,234.9	-0.6	-1.1	-1.1	-0.6
Balance of services	10,778.0	10,219.9	11,083.0	10,478.8	3.3	3.1	3.3	3.0
<b>Balance on income</b>	-1,708.0	-1,698.6	-1,742.5	-1,742.5	-0.5	-0.5	-0.5	-0.5
<b>Balance of transfer payments</b>	-3,837.0	-3,830.3	-3,815.9	-3,815.9	-1.2	-1.2	-1.1	-1.1
<b>Balance on current account</b>	3,324.0	1,195.3	1,905.7	2,685.5	1.0	0.4	0.6	0.8

Source: 2013: Eurostat; 2014 bis 2016: OeNB December 2014 outlook.

Table 19

### Quarterly Outlook Results

	2014	2015	2016	2014				2015				2016			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Prices, wages and costs</b>															
<i>Annual change in %</i>															
HICP	+1.5	+1.4	+1.5	+1.5	+1.6	+1.5	+1.2	+1.1	+1.2	+1.3	+1.9	+1.7	+1.4	+1.4	+1.7
HICP (excluding energy)	+1.8	+1.8	+1.6	+1.9	+1.8	+1.9	+1.7	+1.6	+1.7	+1.7	+2.1	+1.8	+1.5	+1.5	+1.8
Private consumption expenditure (PCE) deflator	+1.7	+1.4	+1.5	+1.7	+1.7	+1.7	+1.5	+1.4	+1.4	+1.3	+1.4	+1.5	+1.5	+1.5	+1.4
Gross fixed capital formation deflator	+1.5	+1.3	+1.4	+1.0	+1.3	+1.9	+1.7	+1.7	+1.6	+1.0	+1.0	+1.2	+1.4	+1.5	+1.5
GDP deflator	+1.8	+1.6	+1.3	+1.5	+1.7	+1.7	+2.1	+1.8	+1.8	+1.7	+1.2	+1.2	+1.3	+1.4	+1.4
Unit labor costs	+2.4	+1.3	+1.2	+2.3	+2.3	+2.4	+2.5	+2.0	+1.5	+1.0	+0.6	+0.9	+1.2	+1.4	+1.5
Nominal wages per employee	+2.0	+1.5	+2.2	+1.9	+1.9	+2.0	+2.1	+1.8	+1.6	+1.4	+1.2	+1.7	+2.1	+2.4	+2.7
Productivity	-0.4	+0.2	+1.0	-0.4	-0.4	-0.4	-0.5	-0.2	+0.1	+0.4	+0.7	+0.8	+0.9	+1.0	+1.1
Real wages per employee	+0.3	+0.1	+0.7	+0.3	+0.2	+0.2	+0.5	+0.4	+0.3	+0.1	-0.2	+0.2	+0.6	+1.0	+1.2
Import deflator	-0.6	+1.0	+1.6	-0.3	-0.7	-0.9	-0.6	+0.2	+1.1	+1.4	+1.5	+1.6	+1.6	+1.6	+1.6
Export deflator	+0.8	+1.1	+1.5	+0.3	+1.1	+1.1	+0.7	+0.8	+1.0	+1.2	+1.3	+1.4	+1.5	+1.5	+1.5
Terms of trade	+1.4	+0.0	-0.1	+0.6	+1.8	+2.0	+1.3	+0.6	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1	+0.0
<b>Economic activity</b>															
<i>Annual and/or quarterly changes in % (real)</i>															
GDP	+0.4	+0.7	+1.6	+0.1	+0.1	-0.1	+0.0	+0.2	+0.3	+0.3	+0.3	+0.4	+0.4	+0.4	+0.5
Private sector consumption	+0.5	+0.7	+1.3	+0.2	+0.1	+0.2	+0.1	+0.2	+0.2	+0.2	+0.2	+0.4	+0.4	+0.4	+0.4
Public sector consumption	+1.0	+1.4	+1.3	+0.2	+0.2	+0.2	+0.9	+0.1	+0.2	+0.3	+0.3	+0.4	+0.3	+0.3	+0.3
Gross fixed capital formation	-0.1	+0.8	+2.3	+0.4	-0.5	-1.1	-0.1	+0.6	+0.6	+0.6	+0.6	+0.5	+0.6	+0.6	+0.6
Exports	+0.8	+2.4	+4.6	+0.3	+0.2	+0.3	+0.4	+0.7	+0.8	+0.8	+1.0	+1.2	+1.3	+1.3	+1.3
Imports	+0.5	+2.5	+4.7	-0.3	+0.0	-0.1	+0.3	+0.8	+1.0	+1.0	+1.1	+1.2	+1.2	+1.2	+1.2
<i>Contribution to real GDP growth in percentage points</i>															
Domestic demand	+0.5	+0.8	+1.4	+0.2	+0.0	-0.1	+0.2	+0.3	+0.3	+0.3	+0.3	+0.4	+0.4	+0.4	+0.4
Net exports	+0.2	+0.1	+0.2	+0.3	+0.1	+0.2	+0.1	+0.0	-0.1	-0.1	+0.0	+0.1	+0.1	+0.1	+0.1
Changes in inventories	-0.2	-0.2	+0.0	-0.4	-0.1	-0.1	-0.3	+0.0	+0.1	+0.1	+0.0	-0.1	-0.1	-0.1	+0.0
<b>Labor market</b>															
<i>% of labor supply</i>															
Unemployment rate (Eurostat definition)	5.1	5.3	5.3	5.0	5.0	5.2	5.2	5.2	5.3	5.3	5.3	5.3	5.3	5.4	5.4
<i>Annual and/or quarterly changes in %</i>															
Total employment	+0.9	+0.4	+0.6	+0.2	+0.2	+0.0	+0.1	+0.1	+0.1	+0.1	+0.2	+0.2	+0.2	+0.2	+0.2
of which: private sector	+1.0	+0.5	+0.7	+0.3	+0.3	+0.0	+0.1	+0.1	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2
Payroll employment	+0.7	+0.4	+0.6	+0.2	+0.2	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.2	+0.2	+0.2	+0.2
<b>Additional variables</b>															
<i>Annual and/or quarterly changes in % (real)</i>															
Real disposable household income	+0.1	+1.1	+1.4	-0.7	-0.3	+0.1	+0.4	+0.1	+0.5	+0.5	+0.4	+0.3	+0.2	+0.2	+0.2
<i>% of real GDP</i>															
Output gap	-1.0	-1.4	-1.1	-0.6	-0.8	-1.1	-1.4	-1.5	-1.4	-1.4	-1.3	-1.2	-1.1	-1.1	-0.9

Source: OeNB December 2014 outlook. Quarterly figures adjusted for seasonal and working-day variations.

Table 20

### Comparison of Current Economic Forecasts for Austria

Indicator	OeNB			WIFO		IHS		OECD			IMF		European Commission		
	December 2014			September 2014		September 2014		November 2014			October 2014		November 2014		
	2014	2015	2016	2014	2015	2014	2015	2014	2015	2016	2014	2015	2014	2015	2016
<b>Key results</b>															
<i>Annual change in %</i>															
GDP (real)	+0.4	+0.7	+1.6	+0.8	+1.2	+0.8	+1.6	+0.5	+0.9	+1.6	+1.0	+1.9	+0.7	+1.2	+1.5
Private consumption (real)	+0.5	+0.7	+1.3	+0.4	+0.8	+0.5	+0.8	+0.5	+0.5	+1.0	x	x	+0.4	+0.6	+0.8
Government consumption (real)	+1.0	+1.4	+1.3	+1.6	+1.2	+0.8	+0.5	+0.7	+0.6	+1.1	x	x	+1.6	+0.9	+0.8
Gross fixed capital formation (real)	-0.1	+0.8	+2.3	+0.9	+1.5	+0.9	+2.7	+0.9	+0.6	+3.5	x	x	+0.5	+2.0	+3.2
Exports (real)	+0.8	+2.4	+4.6	+1.5	+3.3	+3.1	+4.9	-0.2	+2.5	+4.9	+2.7	+4.7	+2.2	+3.2	+4.7
Imports (real)	+0.5	+2.5	+4.7	+1.7	+3.4	+3.4	+4.8	+1.4	+2.7	+5.1	+2.7	+4.5	+2.4	+2.9	+4.8
GDP per employee <sup>1</sup>	-0.4	+0.2	+1.0	+0.8	+1.1	+0.1	+0.6	-0.6	+0.6	+0.6	x	x	-0.2	+0.6	+0.5
GDP deflator	+1.8	+1.6	+1.3	+1.6	+1.6	+1.4	+1.3	+1.7	+1.4	+1.4	x	x	+1.5	+1.6	+1.6
CPI	x	x	x	+1.8	+1.8	+1.8	+2.0	x	x	x	x	x	x	x	x
HICP	+1.5	+1.4	+1.5	+1.7	+1.8	+1.7	+2.0	+1.5	+1.6	+1.9	+1.7	+1.7	+1.5	+1.7	+1.8
Unit labor costs	+2.4	+1.3	+1.2	+1.8	+1.5	+2.1	+1.7	+1.9	+1.2	+1.2	x	x	+2.2	+1.5	+1.5
Payroll employment	+0.9	+0.4	+0.6	+0.7	+0.6	+0.6	+1.0	+0.9	+0.3	+1.0	x	x	+0.9	+0.6	+1.0
<i>% of labor supply</i>															
Unemployment rate (Eurostat definition)	5.1	5.3	5.3	5.0	5.2	5.0	5.0	5.0	5.2	5.1	5.0	4.9	5.3	5.4	5.0
<i>% of nominal GDP</i>															
Current account	0.4	0.6	0.8	2.4	2.5	x	x	1.6	1.7	1.5	3.0	3.2	2.4	2.7	2.8
Budget balance	-2.4	-1.8	-1.4	-2.9	-1.9	-2.8	-1.6	-3.0	-2.2	-1.8	-3.0	-1.5	-2.9	-1.8	-1.1
<b>External assumptions</b>															
Oil price in USD/barrel (Brent)	101.2	85.6	88.5	110.0	110.0	107.0	110.0	101.4	85.0	85.0	102.8	99.4	102.6	91.0	92.8
Short-term interest rate in %	0.2	0.1	0.1	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.2	0.1	0.2	0.1	0.2
USD/EUR exchange rate	1.33	1.25	1.25	1.35	1.30	1.34	1.27	1.33	1.24	1.24	1.35	1.34	1.33	1.27	1.27
<i>Annual change in %</i>															
Euro area GDP (real)	+0.8	+1.0	+1.5	+0.8	+1.1	+0.7	+1.4	+0.8	+1.1	+1.7	+0.8	+1.3	+0.8	+1.1	+1.7
U.S. GDP (real)	+2.2	+2.9	+2.9	+2.2	+3.1	+2.1	+2.8	+2.2	+3.1	+3.0	+2.2	+3.1	+2.2	+3.1	+3.2
World GDP (real)	+3.3	+3.7	+3.9	+3.1	+3.5	x	x	+3.3	+3.7	+3.9	+3.3	+3.8	+3.3	+3.8	+4.1
World trade <sup>2</sup>	+2.9	+4.0	+5.2	+3.5	+4.0	+3.3	+5.0	+3.0	+4.5	+5.5	+3.8	+5.0	+3.0	+4.6	+5.5

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

<sup>1</sup> Excluding WIFO: productivity per hour.

<sup>2</sup> European Commission: global imports.