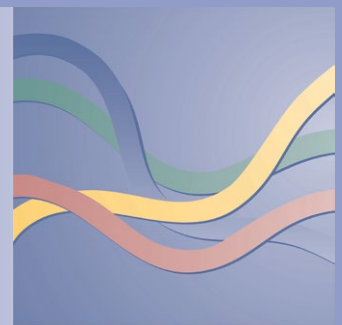


ECONOMIC OUTLOOK for Austria from 2020 to 2022

COVID-19-induced recession: biggest economic policy challenge for Austria in the “Second Republic”



COVID-19-induced recession: biggest economic policy challenge for Austria in the “Second Republic”

Economic outlook for Austria from 2020 to 2022 (June 2020)

Gerhard Fenz, Christian Ragacs, Martin Schneider and Klaus Vondra¹
Cutoff date: May 28, 2020

1 Summary

The lockdown measures adopted to contain the COVID-19 pandemic have sent economies worldwide into a deep recession. For the Austrian economy, the OeNB's projections imply a decline by about 13½% in the first half of 2020, but a visible revival already in the second half of the year. In general, the projections are based on two key assumptions: first, that we are not going to see a second wave of infections in the fall of 2020, and second, that coronavirus drugs or vaccines will be available by mid-2021. Based on these assumptions, real GDP in Austria is expected to contract by 7.2% in 2020, but to recover some lost ground thereafter with growth rates of 4.9% in 2021 and 2.7% in 2022. This means that it will take until 2022 for real GDP to return to pre-pandemic levels. The unemployment rate (Eurostat definition) is projected to rise to 6.8% in 2020 before dropping to 5.3% in 2022. HICP inflation is expected to sink to 0.8% in 2020, remain at this level in 2021 and re-accelerate to 1.5% in 2022. The general government deficit (Maastricht definition) is forecast to rise to 8.9% of GDP in 2020, reflecting comprehensive temporary fiscal stimulus packages and automatic stabilizers, before shrinking markedly to 1.5% of GDP in 2022.

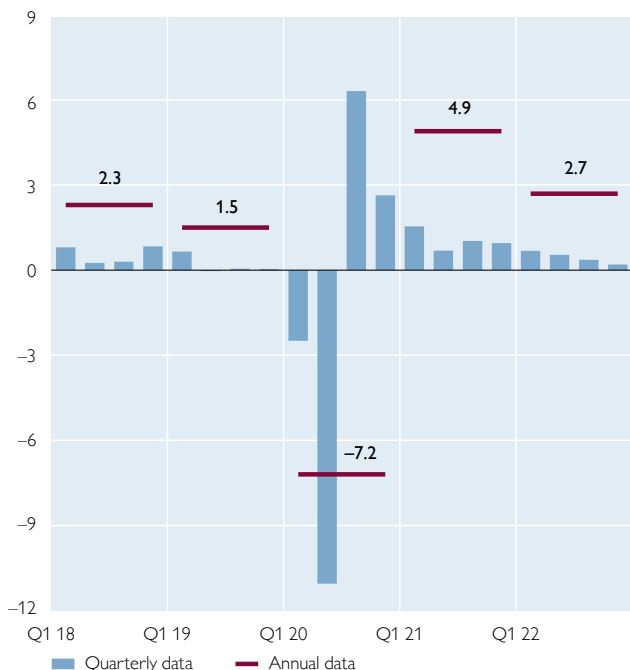
The measures taken all over the world to contain the spread of coronavirus severely harmed the economy in the first half of 2020, even grinding economic activity to a halt in many instances. Austria was no exception, having enforced stringent containment measures that led to a broad-based economic shutdown in mid-March. As a result, large numbers of the workforce and businesses suffered income, sales and job losses, which the government sought to cushion with a new short-time work scheme of unprecedented proportions. The first quarter of 2020 already saw a 2.5% decline in economic output against the previous quarter. For the second quarter, an even larger output loss (some –11%) is in the offing, even though the Austrian government started lifting lockdown measures in stages on April 13, 2020. The projections made for the remainder of 2020 are subject to a high degree of uncertainty as they were based on a number of assumptions of how the pandemic will evolve. This includes the assumption that we will continue to see new infections, but that the measures to prevent a broad-based resurgence will be effective. Hence, we expect stringent containment measures that prolong the demand- and supply-side shocks to be re-imposed only in cluster areas should the need arise. Another assumption is that coronavirus drugs or vaccines will be available by mid-2021, which will have a positive

¹ Oesterreichische Nationalbank, Economic Analysis Division, gerhard.fenz@oenb.at, christian.ragacs@oenb.at, martin.schneider@oenb.at, klaus.vondra@oenb.at. With contributions from Friedrich Fritzer, Ernst Glatzer, Ernest Gnan, Walpurga Köhler-Töglhofer, Doris Prammer, Beate Resch, Doris Ritzberger-Grünwald and Alfred Stiglbauer.

Main results of the forecast

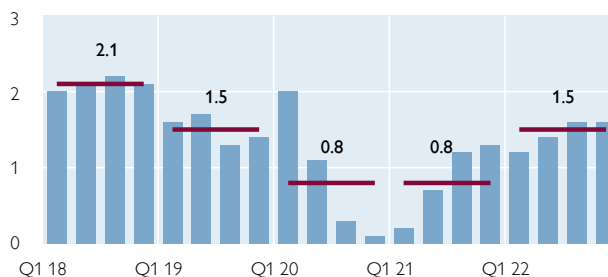
Real GDP growth

Change on previous period in % (seasonally and working day-adjusted)



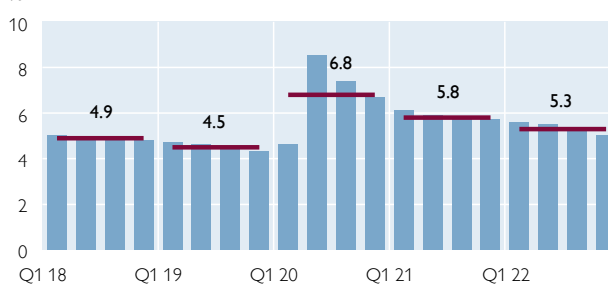
Harmonised Index of Consumer Prices (HICP)

Annual change in %



Unemployment rate

%



Source: WIFO, Statistics Austria, OeNB June 2020 outlook.

effect on economic sentiment. These key assumptions about the likely path of the economy are common to all national central bank forecasts feeding into the Eurosystem macroeconomic projections for the euro area. The assumptions about the evolution of the pandemic have also informed the outlook for the wider global economy.

In contrast to the financial and economic crisis of 2009, when the global economy excluding the euro area was inching along, GDP is expected to decline by 4% in this region in 2020. Thereafter, catch-up processes will fuel a strong recovery in 2021. Still, the plunge in global GDP is expected to pale in comparison with the setback in global trade, with the disruption of global production chains and border closures reinforcing spillover effects from weakening demand. Austria’s export markets are thus likely to shrink by as much as 12.7% in 2020, causing exports from Austria to plummet by 11.6%. Thereafter, exports are forecast to grow by 6.9% in 2021 and 4.7% in 2022. Sharp declines in 2020 are also expected for gross fixed capital formation (–6.7%) and private consumption (–5.8%). As investment is generally highly sensitive to the business cycle, this does not come as a big surprise. Consumption, however, used to have a stabilizing effect on the economy during “normal” crisis episodes, as households tended to dissave in such periods. Yet, the unprecedented lockdown measures proved to be a game changer. These measures highly limited or even prevented consumer spending, thus causing saving levels to rise considerably in the second quarter of 2020 even amid income losses. In 2021 and 2022, both gross fixed capital formation and private consumption are expected to provide new impetus for above-average growth rates, given catch-up effects and improved economic confidence.

HICP inflation is forecast to drop to 0.8% in 2020, reflecting above all the global plunge in demand for crude oil, which is set to almost halve oil prices in 2020. Excluding the impact of food and energy, the drop in HICP inflation to 0.8% is above all driven by the demand shock engineered by the lockdown. In 2021, inflation

Table 1

OeNB June 2020 outlook for Austria – main results¹

	2019	2020	2021	2022
Economic activity				
<i>Annual change in % (real)</i>				
Gross domestic product	+1.5	-7.2	+4.9	+2.7
Private consumption	+1.3	-5.8	+6.1	+2.6
Government consumption	+0.7	+1.2	+1.6	+0.8
Gross fixed capital formation	+2.8	-6.7	+4.7	+3.1
Exports of goods and services	+2.7	-11.6	+6.9	+4.7
Imports of goods and services	+2.7	-8.9	+5.7	+3.7
<i>% of nominal GDP</i>				
Current account balance	+2.6	+1.5	+2.2	+2.3
Import-adjusted contributions to real GDP growth²				
<i>Percentage points</i>				
Private consumption	+0.4	-2.2	+2.2	+1.0
Government consumption	+0.1	+0.2	+0.3	+0.1
Gross fixed capital formation	+0.4	-0.8	+0.5	+0.4
Domestic demand (excl. changes in inventories)	+0.9	-2.8	+3.0	+1.5
Exports	+0.7	-3.7	+1.9	+1.3
Changes in inventories (incl. statistical discrepancy)	-0.1	-0.3	-0.1	-0.1
Prices				
<i>Annual change in %</i>				
Harmonised Index of Consumer Prices	+1.5	+0.8	+0.8	+1.5
Private consumption expenditure deflator	+1.7	+0.9	+0.8	+1.5
GDP deflator	+1.7	+1.3	+0.1	+1.4
Unit labor costs (whole economy)	+2.5	+4.4	-1.3	+0.9
Compensation per employee (nominal)	+2.9	-1.0	+1.6	+2.3
Compensation per hour worked (nominal)	+2.9	+3.6	-0.4	+1.2
Import prices	+0.6	-0.5	+0.5	+1.3
Export prices	+0.4	-0.8	+0.6	+1.6
Terms of trade	-0.2	-0.3	+0.1	+0.3
Income and savings				
<i>% of nominal disposable household income</i>				
Real disposable household income	+2.2	-0.4	-0.4	+2.4
<i>% of nominal disposable household income</i>				
Saving ratio	8.3	13.4	7.7	7.4
Labor market				
<i>Annual change in %</i>				
Payroll employment	+1.4	-2.2	+2.2	+1.5
Hours worked (payroll employment)	+1.4	-6.5	+4.3	+2.6
<i>% of labor supply</i>				
Unemployment rate (Eurostat definition)	4.5	6.8	5.8	5.3
Public finances				
<i>% of nominal GDP</i>				
Budget balance	+0.7	-8.9	-3.9	-1.5
Government debt	70.4	84.4	83.7	81.4

Source: 2019: WIFO, Eurostat, Statistics Austria; 2020 to 2022: OeNB June 2020 outlook.

¹ The outlook was drawn up on the basis of seasonally and working day-adjusted national accounts data (in line with Eurostat requirements; data available up to the flash estimate for Q1 20). The figures for 2019 differ from the data published by Statistics Austria, which are not seasonally adjusted.

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

is expected to remain around 0.8%, as the presumed bounce-back of energy prices is likely to be offset by continued weak demand. Thus, it will take until 2022 for inflation to return to a level of 1.5%.

The comprehensive containment measures enforced between mid-March and mid-April caused the number of registered unemployed persons to soar from about 310,000 to more than 530,000. Were it not for the new short-time work scheme that was put in place, these figures would have climbed even higher. Nonetheless, unemployment (Eurostat definition) will go up to a comparatively high rate of 6.8% in 2020, before dropping below the 6% mark again in 2021 and 2022, when the economy is set to recover notably.

Constituting the largest economic policy challenge in decades, the COVID-19-related recession has prompted a substantial response from monetary, fiscal and labor market policymakers to support aggregate income and production capacity and to help cushion the fallout from the pandemic. The fiscal measures adopted by the Austrian government to contain the economic setback imply that the fiscal balance will reverse to a deficit of –8.9% of GDP in 2020, following two years with budget surpluses. The measures which the OeNB factored into its forecast as having an impact on the budget balance add up to an effect of more than 5% of GDP. The gradual lifting of such measures and the cyclical recovery from 2021 are going to lead to a marked improvement of the deficit, reducing it to –3.9% in 2021. In 2022, the budget deficit will drop to 1.5% of GDP and hence well below the 3% benchmark for the Maastricht deficit. In this context, the debt ratio is forecast to rise to 84.4% of GDP (+14 percentage points) in 2020, the second-highest level since Austria joined the EU, before starting to go down again in 2021 as output growth rebounds. The “general escape clause” activated by the European Commission suspends the adjustments Member States have to make to meet their fiscal targets under the EU’s fiscal rules. Even if the fiscal rules were to re-apply rather soon, Austria is unlikely to run into problems. From 2022 onward, Austria ought to be in a position to again meet the nominal Maastricht objectives, namely a reduction of the deficit ratio to below 3% and a sufficient reduction of the debt ratio.

Given the uncertainty about the evolution of the pandemic and the fallout from the containment response, all euro area central banks added, to the baseline for their respective countries, two alternative scenarios agreed within the Eurosystem. In a mild scenario assuming a more rapid and more successful worldwide containment of the virus than anticipated in the baseline scenario, Austria’s GDP is forecast to shrink by 4.6% in 2020 and virtually return to the level projected for end-2022 in the OeNB’s December 2019 economic outlook. In contrast, a severe scenario, with a (weaker) resurgence of infections in Austria in the fall of 2020, implies a setback of GDP by 9.2% in 2020 and a shortfall of some 7% from the December 2019 projection for 2022.

2 General and COVID-19-related assumptions

This forecast for the Austrian economy is the OeNB’s contribution to the June 2020 Eurosystem staff macroeconomic projections for the euro area. The forecast horizon ranges from the first quarter of 2020 to the fourth quarter of 2022. The cutoff date for all assumptions on the performance of the global economy, interest rates, exchange rates and crude oil prices was May 19, 2020. To prepare these projections, the OeNB used its macroeconomic quarterly model with national accounts data provided by

the Austrian Institute of Economic Research (WIFO), as adjusted for seasonal and working-day effects in line with Eurostat requirements.² The values used up to and including 2019 may differ from the data published by Statistics Austria, which are not seasonally adjusted. Detailed national accounts data are based on the flash estimate for the first quarter of 2020.

In view of the COVID-19 pandemic, the Eurosystem adopted a number of common assumptions regarding the spread of the coronavirus disease, its containment and the availability of drugs and/or vaccines. These assumptions are common to the national forecasts produced by all euro area central banks and they also relate to the forecasts for the economies of non-euro area trading partners. Specifically, the baseline assumes initial success in containing infections in the second quarter of 2020, with infections resurging in clusters over the coming quarters, which necessitates renewed but only regional containment measures. In other words, the expectation is that we will not see a second wave requiring another strict nationwide lockdown until drugs and/or vaccines become available, which is assumed to happen by mid-2021.

In response to the COVID-19 pandemic, more or less severe lockdown policies were imposed virtually across the globe, with the euro area countries moving into lockdown in March. By the end of May, all euro area countries had eased the severe lockdowns or announced plans for a gradual further easing. Therefore, this forecast contains country-specific estimates on the economic fallout from the lockdown measures rather than a common assumption on the length and intensity of the lockdown. The lockdown drove GDP down to very low levels, in many countries above all during the second quarter, but once the economy was gradually brought back to life, strong catch-up effects set in. These effects are going to become evident in the data for the third quarter in most countries.³ Nevertheless, some ongoing containment measures will continue to keep uncertainty at elevated levels and constrain economic activity until such time when drugs and/or vaccines become available. This implies that the real economic output of the euro area trading partners will remain below the levels anticipated in the Eurosystem's macroeconomic projections of December 2019. Likewise, potential output growth is unlikely to bounce back in full until the end of the forecast horizon for a number of reasons, as firms invest less, write off more capital investments immediately rather than spread the write-offs over time, or even go out of business.

The other external assumptions underlying the forecast are as follows: On account of the global economic crisis, demand for Austrian exports will drop by 12.7% in 2020 according to the Eurosystem's projections. Short-term interest rates are based on market expectations for the three-month EURIBOR, which market participants expect to remain negative throughout all three forecasting years. Long-term interest rates, which reflect market expectations for ten-year Austrian government bonds, are expected to rise from -0.15% in the first quarter

² Until the December 2019 forecast, the seasonally and working day-adjusted national accounts data feeding into the OeNB economic outlook were estimated on the basis of trend-cycle decomposition. This approach served to adjust the time series for its idiosyncratic component, thus smoothing the time series over time. Since this time series is no longer computed by WIFO, the OeNB now uses national accounts data adjusted for seasonal and working-day effects in line with Eurostat requirements. This time series includes the idiosyncratic component, which means that the individual GDP components and GDP appear to be more volatile.

³ The restart of the economy is concentrated above all on the manufacturing industry and the providers of certain services, whereas the hospitality industry (i.e. providers of accommodation and food services) and the arts, entertainment and recreation sector are going to be affected for comparatively longer periods.

Table 2

Underlying global economic conditions

	Actual figures	June 2020			Revisions since Dec. 2019		
	2019	2020	2021	2022	2020	2021	2022
Gross domestic product							
<i>Annual change in % (real)</i>							
World excluding the euro area	+3.0	-4.0	+6.0	+3.9	-7.1	+2.7	+0.5
U.S.A.	+2.3	-6.4	+3.6	+2.1	-8.4	+1.8	+0.4
Japan	+0.7	-5.5	+2.5	+1.1	-5.7	+1.9	+0.6
Asia excluding Japan	+5.3	-1.6	+8.4	+5.5	-6.6	+3.2	+0.2
Latin America	-0.4	-6.5	+4.0	+3.1	-7.8	+2.0	+0.7
United Kingdom	+1.4	-8.5	+4.3	+1.8	-9.5	+3.3	+0.8
CESEE EU Member States ¹	+3.8	-5.2	+4.5	+3.4	-8.6	+1.2	+0.2
Switzerland	+0.9	-6.5	+4.0	+1.7	-7.7	+2.3	-0.2
Euro area ²	+1.2	-8.7	+5.2	+3.3	-9.5	+3.9	+1.9
World trade (imports of goods and services)							
World	+0.7	-12.7	+7.9	+4.5	-14.1	+5.3	+1.6
World excluding the euro area	-0.3	-12.9	+8.0	+4.3	-13.7	+5.6	+1.6
Growth of euro area export markets (real)	+0.9	-15.1	+7.8	+4.2	-16.1	+5.5	+1.6
Growth of Austrian export markets (real)	+1.7	-12.7	+6.8	+4.7	-14.6	+4.1	+1.8
Prices							
<i>absolut</i>							
Oil price in USD/barrel (Brent)	64.0	36.0	37.2	40.7	-23.6	-20.2	-16.1
Three-month interest rate in %	-0.4	-0.4	-0.4	-0.4	+0.0	+0.0	-0.1
Long-term interest rate in %	0.10	-0.10	0.10	0.20	-0.10	0.10	-0.10
USD/EUR exchange rate	1.12	1.09	1.08	1.08	-0.01	-0.02	-0.02
Nominal effective exchange rate of the euro (euro area index)	116.7	118.3	118.8	118.8	+2.4	+2.9	+2.9

Source: Eurosystem.

¹ Bulgaria, Croatia, Czechia, Hungary, Poland and Romania.

² 2019: Eurostat; 2020 to 2022: Results of the Eurosystem's June 2020 projections.

of 2020 to +0.28% in the fourth quarter of 2022. The exchange rate of the euro vis-à-vis the U.S. dollar is assumed to remain constant at USD/EUR 1.08. This projected path of crude oil prices is based on futures prices, which are going to trend upward slightly following a major demand-driven setback in the first half of 2020. The price of a barrel of Brent crude oil is expected to decrease from USD 64.0 in 2019 to just USD 36.0 on average in 2020, before bouncing back to USD 40.7 in 2022. The prices of nonenergy commodities are also assumed to move in line with futures prices.

3 Spread of COVID-19 sends the global economy into a recession

In early 2020, news of a highly contagious disease later termed COVID-19 (coronavirus disease 2019) spread from the Wuhan metropolitan area in China's Hubei province. The novel coronavirus is associated with respiratory illness, as were two earlier coronavirus diseases, the severe acute respiratory syndrome SARS 2002 (which hit above all China and other Asian countries) and the Middle East respiratory syndrome MERS 2012 (which hit above all Saudi-Arabia). The World Health Organization declared the COVID-19 outbreak a public health emergency of international concern, to ensure an immediate and concerted international response aimed at containing the spread of the virus. China implemented heavy restrictions, which affected about 80% of the domestic economy and 90% of China's export

industry. Even before that, the outlook for China's growth had been revised downward to below 6% for 2020 in view of its trade tensions with the United States and economic restructuring. Now, the Chinese economy is expected to stagnate in 2020, given the sharp setback in the first quarter brought on by COVID-19. The outlook for 2021 is, however, a rapid re-acceleration of GDP growth to 9%.

All containment measures notwithstanding, the virus spread beyond China, first to other Asian countries and then to Europe, where Italy reported a surge in infections in late February, thus turning Europe into the second hot spot of the crisis. The northernmost provinces of Italy, above all Lombardy and Venetia, were hit hardest by the pandemic. Italy followed China's lead on coronavirus containment, which sent the Italian economy into a major downturn already in the first quarter of 2020. With the rest of Europe following suit only with a lag, coronavirus was quick to spread across the European continent. The measures subsequently adopted in March were instrumental in keeping infections from spiraling out of control, preventing healthcare infrastructures from being overburdened and mitigating the fatal effects of the virus. Alongside Italy, the United Kingdom, Spain and France were Europe's worst-hit countries. Several weeks of lockdown and economic shutdown virtually across Europe crushed GDP in all economies, with the losses being particularly significant in the second quarter of 2020.

Much like in the United Kingdom, public authorities in the United States, where COVID-19 infections flared up with a lag of one month, were hesitant to take drastic containment measures. The United States thus ended up turning into the third hot spot of the COVID-19 pandemic. The United States is expected to suffer a 6.4% decline in GDP in 2020, before seeing GDP growth returning to 3.6% in 2021. By mid-May, the pandemic had also started to sweep across large emerging economies, such as Brazil, Russia and India, which implies that these countries are also going to see a sharp decline in GDP in the second quarter of 2020.

In sum, the containment measures adopted worldwide engineered a global recession. The June 2020 outlook for the Austrian economy is based on the assumption that the global economy excluding the euro area will shrink by 4% in 2020 – compared with very moderate growth (0.2%) during the 2009 global financial and economic crisis. The recession of 2020 is hitting advanced and emerging economies alike, with the advanced economies taking a bigger blow to their GDP, as in 2009. The setback in global trade is expected to even exceed the plunge in GDP, as the disruption of global production chains and border closures have triggered a negative supply shock, which will reinforce spillover effects from weakening demand. Moreover, global trade tends to be more sensitive to the business cycle, and to downturns in particular, than domestic demand.

In the euro area, the pandemic has taken the biggest toll on the large economies of Italy, Spain and France in human and economic terms. The euro area economy as a whole is expected to shrink by 8.7% in 2020 – but the economic fallout in Europe and beyond would have been even larger in the absence of comprehensive government action to prevent lasting damage to livelihoods and productivity with stabilizing fiscal and economic policy measures, including measures to contain adverse labor market effects. In the euro area and in other currency areas, monetary policymakers adopted extensive measures to curb negative effects on financing conditions, and thus on aggregate demand, to harness inflation and to safeguard financial stability.

4 Austria falls into a deep recession in 2020

4.1 Coronavirus lockdown in 2020 followed by two catch-up processes

The measures adopted to contain COVID-19 not only changed the way we live and work, but also dealt a blow to economic activity that has been unprecedented in more recent economic history. In contrast to earlier recessions, we now see supply shocks converging with demand shocks, as the shutdown of services, plants and businesses and ensuing output reductions and supply chain disruptions, travel restrictions, border closures and quarantine rules reduce supply (while falling oil prices generate positive GDP effects) and as shrinking consumer and export demand, including the plunge in tourism exports, etc. hit demand. Both economic and consumer sentiment, as measured with the European Commission’s Economic Sentiment Indicator, deteriorated even further in April after an initial marked setback in March and recovered only marginally in May. It remains to be seen whether the pandemic will change economic agents’ behavior in a lasting way. Even so, recent behavioral changes such as more precautionary saving among households or investment restraint among businesses were expected to have an impact at least in the short term for the purpose of the OeNB’s June 2020 economic outlook.

The synchronicity of the shocks sent the economy into a particularly sharp tailspin, with sharply contracting oil prices remaining the only pillar of support, yet in the context of a demand shock. Thus, economic activity in Austria is expected to decline by 11.1% in the second quarter of 2020 from the first quarter, which had already witnessed a 2.5% slowdown. From an inflation perspective, the shocks are not mutually reinforcing: while the demand shock damps down inflation, the disruption of production chains exerts upward pressure on prices. On balance, the effects of reduced demand dominate the equation.

With an engineered lockdown resulting in a synchronous decline in supply and demand, it is too early for a conclusive assessment of the resulting impact on production capacity and hence on the output gap and the ensuing price pressures. Likewise, uncertainty abounds with regard to the extent to which contracting sales, liquidity shortages and debt servicing problems will cause firms to go out of business, and what this will mean for the future availability of goods and services. As is evident from the analysis in box 2, the spectrum of corporate risk and vulnerabilities is large and differs a lot across industries.

Uncertainty also extends to the impact the COVID-19 crisis may have on financial markets and financing conditions. After all, the crisis sent stock prices tumbling across the globe, drove up risk premiums on bond markets and caused asset prices to become more volatile. Negative wealth effects on households stemming, for instance, from crumbling stock and bond prices adversely affect consumption.

The Austrian government took swift and sweeping action to contain the pandemic on first signs that the coronavirus disease had spread to Austria. Initial measures included the cancellation of events and, from March 16, 2020, the shutdown of most retail outlets and of the hospitality industry. Together with movement restrictions including quarantine rules, these measures were instrumental in reducing the case reproduction number to below 1 fairly rapidly.⁴ The restrictions have been eased gradually since April 13. The economic fallout from coronavirus

⁴ For official epidemiological data for Austria, see the dashboard provided by the Ministry for Social Affairs, Health, Care and Consumer Protection at www.sozialministerium.at/en.html.

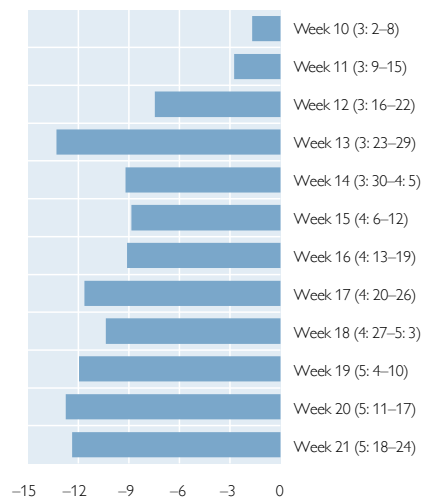
has been cushioned by a series of COVID-19-related fiscal policy measures and further monetary policy accommodation provided by the Eurosystem.

Chart 2

Lockdown impact

Electricity consumption

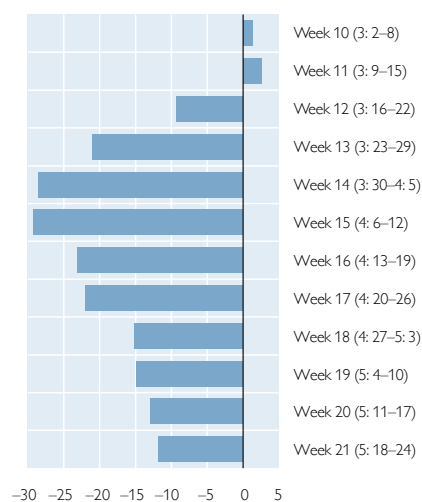
Change against same calendar week in 2019 (%)



Source: e-control, APG (national electricity grid operator), OeNB.
Note: Adjusted for weekend, holiday and temperature effects.

Truck mileage

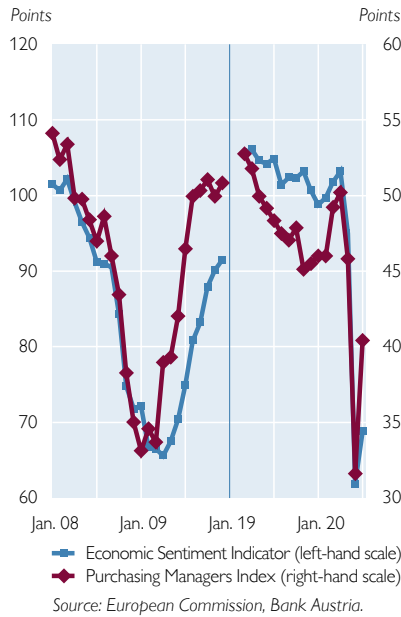
Change against same calendar week in 2019 (%)



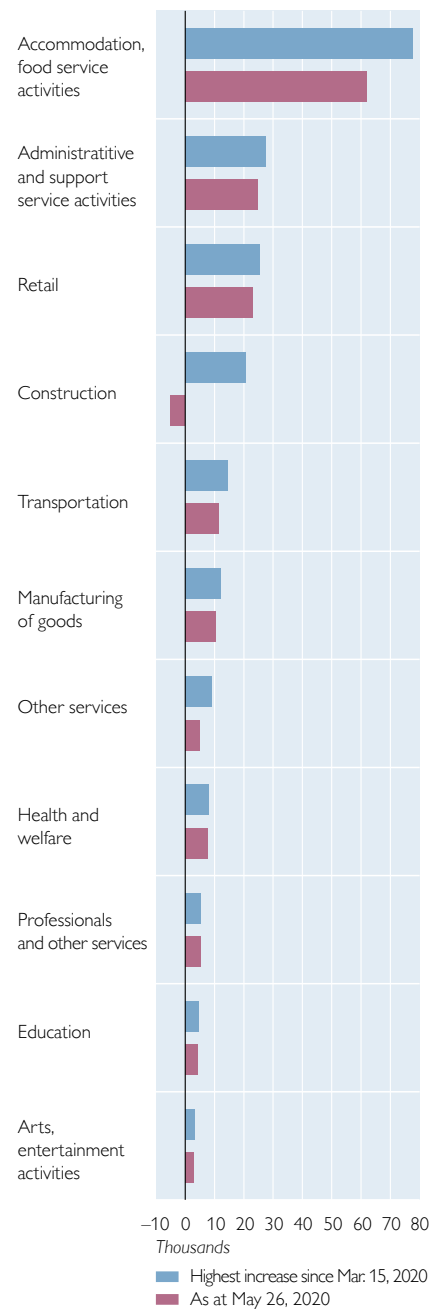
Source: ASFINAG (national highway operator), OeNB.

Note: Adjusted for holiday effects.

Sentiment indicators

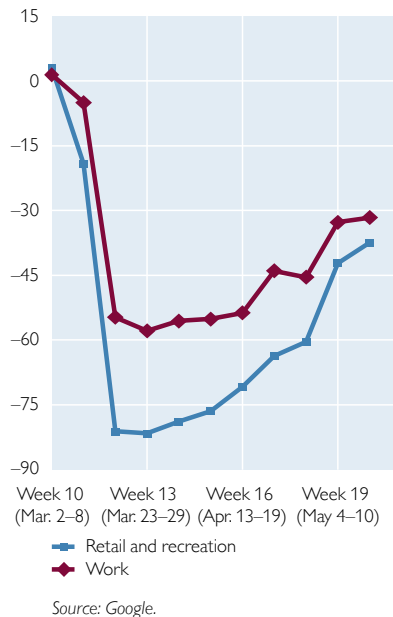


Changes in unemployment since March 15, 2020



Google mobility data

Change against the median value for the period Jan. 5-Feb 6, 2020 (%)



The short-term and sentiment indicators shown in chart 2 highlight the unusual slump in economic activity and the lockdown-driven surge in unemployment.

The measures adopted to contain the COVID-19 pandemic immediately sent Austria into the deepest recession in Austria’s more recent economic history. Within a mere two weeks, the OeNB’s weekly GDP indicator⁵ registered a decline by more than one-quarter compared with the same period one year earlier. Measured in terms of the demand components of GDP, the level of economic activity in Austria in the last week of March 2020 was 27% below the corresponding 2019 figure. This abrupt setback was driven at roughly equal rates by domestic demand and exports. What is particularly striking is the sharp drop in private consumption expenditure, because this component of GDP tends to be rather insensitive to the business cycle. However, this time was different as the shutdown measures slashed consumer demand for goods and personal services. The restrictions on what households could spend money on, in combination with fiscal support measures cushioning income losses, caused the saving ratio to increase.

Box 1

The OeNB’s weekly GDP indicator

For timely COVID-19 impact estimates, the OeNB now produces a weekly GDP indicator based on a set of economic indicators that are compiled on a daily or weekly basis. These indicators are derived from a broad range of sources, including truck mileage data (ASFINAG, Austria’s highway operator), payments data (several payment services providers), labor market data (AMS, Public Employment Service Austria) and electric power consumption (e-control, Austrian Power Grid). These short-term economic indicators are used to calculate an activity indicator reflecting the development of real GDP on a weekly basis. The demand-side GDP components are estimated using “bridge equations,” i.e. forecasting equations linking up variables based on mixed frequencies.

Household consumption expenditures are estimated based on domestic payment card transactions data and the amounts of cash flowing back to the OeNB. Truck mileage data are used as a gauge for export performance, in line with the practice for calculating the OeNB’s export indicator. Tourism exports are estimated based on credit card payments made by non-residents in Austria. Changes in construction investment are estimated using the daily reports of registered unemployment in the construction industry. In the absence of current daily data on investment other than construction investment, all other investment is assumed to track the weighted average of the other demand components. Public consumption and changes in inventories are assumed to develop at a stable rate. Given that all demand components mentioned are adjusted for the contribution of imports on the basis of input-output tables, the sum total of these demand components is equivalent to overall GDP. Other daily economic indicators which are not used directly for estimation serve to conduct plausibility checks on the estimates. This includes data on electricity consumption, mobility behavior, take-up of short-time work and financial market indicators.

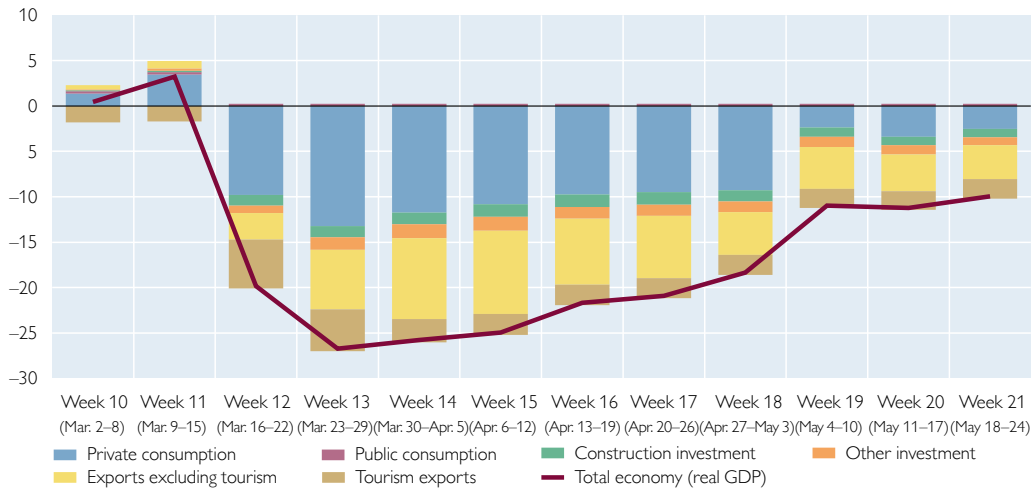
Following a flash recession in the second half of March, the downturn in economic activity started to flatten more and more in mid-April as the lockdown measures were lifted gradually. From mid-May, the recovery accelerated visibly. As most stores re-opened, personal consumer spending picked up as well. The GDP gap

⁵ The OeNB’s GDP indicator is published weekly on the OeNB’s website. See below for an updated report on the results of the OeNB’s weekly GDP indicator as published on May 28, 2020.

Chart 3

Weekly GDP indicator for Austria

Annual change in %; growth contributions in percentage points



Source: OeNB.

against the corresponding measure of 2019 narrowed to about 11%, after having been more than twice as high at the height of the lockdown. Yet, despite some post-lockdown spending catch-up of households, weekly data show private consumption to continue to be about 7% below the levels measured in 2019.

Private consumption remained at these lower levels also in weeks 20 and 21. While the catch-up effects seem to have weakened, the re-opening of restaurants prevented the gap in consumption expenditure from widening again. The gradual recovery of non-tourism exports and of construction investment continued but was also leveling off. Tourism exports, meanwhile, remained virtually nil given travel restrictions. On balance, the level of economic activity remained 10% below the corresponding 2019 figure in week 21. The significant recovery of the economy observed in early May strengthened in the course of the month.

During the lockdown, the output losses against the same weeks of 2019 ran to as much as EUR 2 billion, continuing to total almost EUR 1 billion in week 21 despite the marked recovery. From March 16 to May 24, 2020, the output losses added up to nearly EUR 14 billion, which corresponds to some 4% of overall economic output measured in 2019 (EUR 375 billion).

Table Chart 3

COVID-19 bedingte BIP-Verluste

	Loss per week in 2020	Cumulated loss in 2020
	% of same week in 2019	EUR billion against 2019
Week 12 (Mar. 16-22)	-19.9	-1.4
Week 13 (Mar. 23-29)	-26.7	-3.3
Week 14 (Mar. 30-Apr. 5)	-25.8	-5.2
Week 15 (Apr. 6-12)	-25.0	-7.0
Week 16 (Apr. 13-19)	-21.7	-8.6
Week 17 (Apr. 20-26)	-20.9	-10.1
Week 18 (Apr. 27-May 3)	-18.4	-11.4
Week 19 (May 4-10)	-11.0	-12.2
Week 20 (May 11-17)	-11.2	-13.0
Week 21 (May 18-24)	-10.0	-13.7

Source: OeNB.

The weekly assessments derived from the OeNB’s weekly GDP indicator were used to establish the short-term forecasts of GDP growth and GDP demand components on which the OeNB’s June 2020 economic outlook is based. Following a contraction of GDP in the first quarter of 2020 by 2.5% against the final quarter of 2019 as evident from national accounts data, GDP is expected to plunge by 11.1% against the first quarter in the second quarter, given projections of massive contractions for private consumption (–10.2%), investment (–12%) and exports (–17.2%).⁶ As things are reverting to normal and with the recovery starting from very low levels of activity, GDP growth is forecast to bounce back to 6.3% in the third quarter on the back of catch-up effects, to be followed by above-average, yet leveling off, growth rates in the subsequent quarters.

This forecast is based on the assumption that coronavirus drugs and/or vaccines will have become available by mid-2021 (section 2), which will thus constitute a positive shock to economic sentiment and fuel the growth momentum in the second half of 2021 and in early 2022.

All in all, the OeNB projects annual GDP growth to drop to –7.2% in 2020, recover to +4.9% in 2021 and revert to +2.7% in 2022. In other words, both the contraction in 2020 and the revival in 2021 are projected to exceed the recession and recovery we saw in 2009 and 2010. While the economy will come back strong in 2021 and 2022, we are not going to see a return to pre-pandemic GDP levels before 2022.

Box 2

How the lockdown hit corporate finances in Austria – a sectoral analysis⁷

Coronavirus turned out to hit both the demand side and the supply side of the economy. Firms have been coping with this crisis more or less well, depending on how sound their finances were at the start of the crisis. For the purpose of the OeNB’s June 2020 outlook, indicators for four different areas were used to capture the exposure and vulnerability of individual industries. First, we used the decline in demand and the plausibility of catch-up processes to capture the demand side. Second, we used the increase in unemployment to reflect labor market developments. Third, we used the share of enforced shutdowns, employee intensity, the share of nonresident labor and the degree of dependency on imported intermediate goods to display the supply side. Fourth, we used two solvency indicators (equity capital ratio and probability of default) and two liquidity ratios (net short-term liquidity position and undrawn credit lines) to capture the financing side. All results were calculated at NACE 2-digit levels for 64 different industries for the period from March 9 to April 12, i.e. for the period during which severe lockdown policies applied in Austria. The results for the 20 hardest-hit industries are summarized in the following table.

The hospitality sector recorded the heaviest toll by far, with an estimated decline in demand by 80%. Travel agencies and travel operators suffered a drastic blow from supply constraints and saw their sales evaporate almost completely (–88%). Other services, including hair styling salons, beauty salons, laundries, pedicure services, saunas, tanning salons and pools, are characterized by a high degree of face-to-face contact with clients and were therefore heavily affected from the shutdowns. The employee intensity of such establishments is very high, thus constituting another supply-side constraint. In terms of solvency and liquidity, these undertakings more or less tie in with the overall average.

⁶ See the annex for the quarterly forecasts.

⁷ Schneider, M. and W. Waschiczek. 2020. *Konjunktur Aktuell – Berichte und Analysen zur wirtschaftlichen Lage – special issue April 2020* (available in German at www.oenb.at/Publikationen/Volkswirtschaft/konjunktur-aktuell.html).

Table B2

Financial Exposure of Enterprises

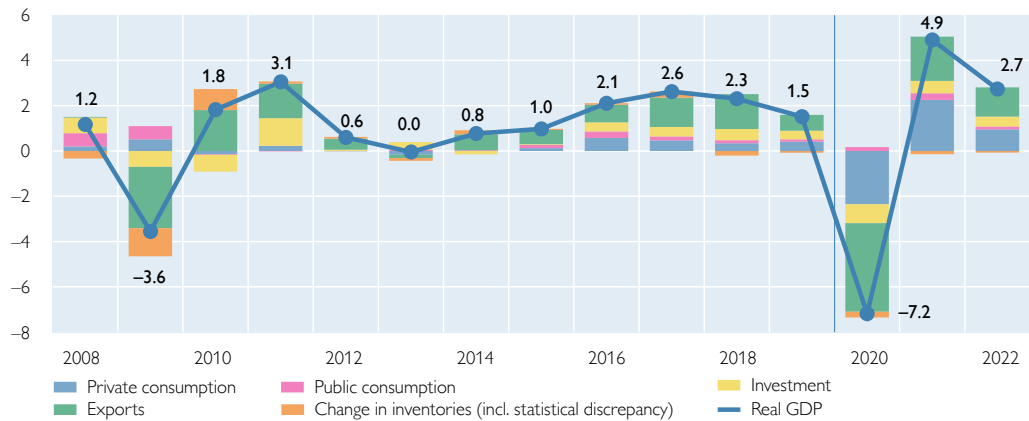
NACE code	Designation	Demand		Labor market		Supply		Financing/solvency			Financing/liquidity		Total
		Drop in demand in %	Potential catch-up effects	Rise in unemployment (% of employment)	Share attributable to shutdown	Staff intensity (employees per EUR million value added)	Share of nonresident labor (%)	Share of imported intermediate goods in gross manufacturing output	Equity capital ratio (inverted)	Probability of loan default (%)	Short-term net liquidity position (inverted)	Unused share of gross manufacturing output (% inverted)	
I	Accommodation, food service activities	80	0	25.9	1.00	12.9	55.0	7.1	15.8	3.2	2.1	2.8	1.00
N79	Travel agencies, tour operators	88	0	4.7	1.00	25.7	16.4	41.3	18.1	1.0	30.0	2.6	0.87
S96	Other services n.e.c.	74	13	17.3	0.88	15.5	29.6	4.4	29.5	1.4	20.9	4.2	0.83
H51	Air transport	90	10	0.6	1.00	10.8	24.7	29.0	22.4	1.6	27.4	0.4	0.81
R93	Sports activities, recreation activities	80	0	11.2	1.00	9.4	30.0	6.9	24.3	2.4	12.2	2.2	0.81
C31-C32	Manufacture of furniture, other manufacturing	81	50	1.1	0.00	13.9	16.8	38.8	32.3	0.8	17.5	3.7	0.74
R90-R92	Arts, entertainment activities	82	0	1.6	1.00	8.6	25.1	5.9	44.8	0.6	30.2	4.0	0.67
C29	Manufacture of motor vehicles	66	50	0.7	0.00	9.1	19.7	55.8	35.9	0.8	8.7	2.4	0.65
C13-C15	Manufacture of textile products, apparel, leather	70	50	0.7	0.00	14.9	31.2	41.1	34.0	2.6	19.7	4.7	0.65
G47	Retail trade	51	25	4.0	0.85	20.7	21.8	6.4	24.6	1.8	10.1	6.1	0.58
C18	Printing and reproduction	57	50	2.0	0.00	11.0	15.5	34.0	23.3	1.7	11.8	3.1	0.58
C19	Manufacture of coke and refined petroleum products	38	50	0.9	0.00	1.5	13.8	98.2	0.0	0.2	0.0	5.1	0.54
H49	Land transport	45	20	11.1	0.00	12.2	31.6	6.9	27.3	1.2	-0.2	3.5	0.54
N78	Employment activities	46	13	15.0	0.00	20.2	45.0	1.4	24.5	1.0	68.9	1.7	0.52
C30	Manufacture of other transport equipment	54	50	0.7	0.00	10.5	20.1	22.3	31.6	0.6	15.3	9.4	0.51
C33	Repair/installation of machinery	45	50	1.6	0.00	9.9	14.6	24.0	29.5	1.2	9.7	1.5	0.49
N	Administrative/support service activities	30	20	10.0	0.75	14.0	45.2	8.1	28.3	0.7	30.1	4.9	0.49
G	Trade	44	25	3.4	0.75	13.8	20.1	11.3	28.0	1.2	21.1	8.8	0.48
G45	Sale/repair of motor vehicles	42	25	3.7	0.75	13.5	16.5	16.6	24.0	1.9	8.2	9.2	0.47
F	Construction	37	25	11.5	0.25	10.7	30.1	11.0	24.7	1.6	11.1	10.3	0.47

Source: OeNB.

Chart 4

Import-adjusted contributions to real GDP growth

Annual change in %; growth contributions in percentage points



Source: OeNB, Eurostat.

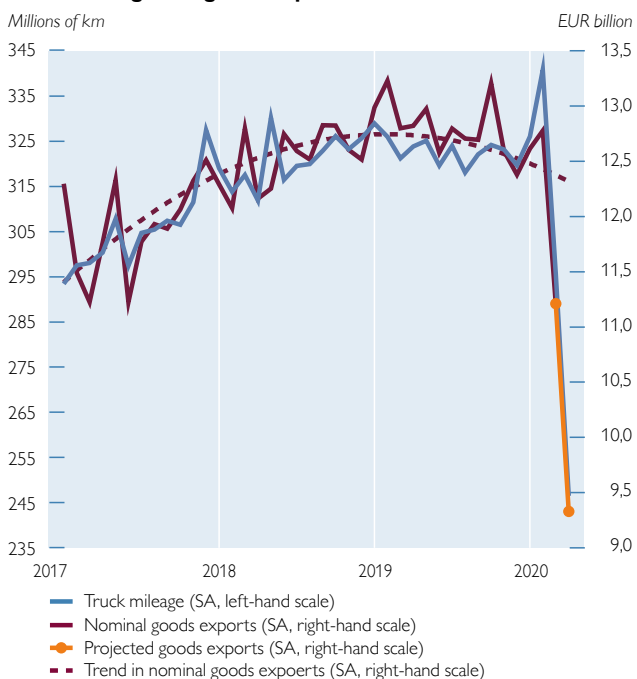
4.2 Austrian exports contract sharply due to global economic setback

Real exports from Austria started to weaken already in 2019, dropping to 2.7% annual growth following a 5.6% increase in 2018. This contraction reflects the economic weakening of Austria's number one trading partner, Germany, as well as spillover effects on global trade from the trade tensions between the U.S.A. and

Chart 5

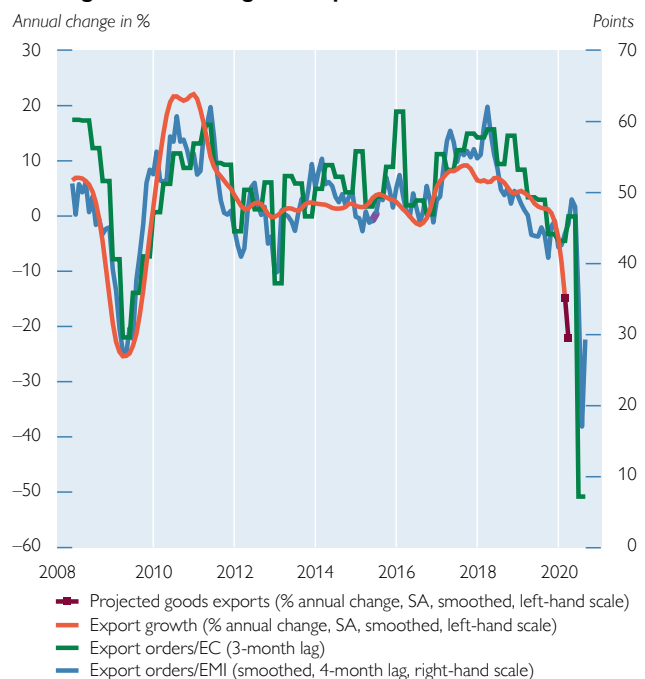
Short-term forecast of external trade

Truck mileage and goods exports



Source: ASFINAG, OeNB.

Leading indicators for goods exports



Source: Eurostat, Statistics Austria, ASFINAG, Bank Austria, OeNB.

China. The strong cyclical downturn in Asia and Italy following the outbreak of the COVID-19 pandemic started to have adverse effects on Austrian exports in the first quarter of 2020. With aggregate demand for Austrian exports dropping by 3.8% against the final quarter of 2019, Austrian exports shrank by 1.8% as evident from national accounts data. For the second quarter, a number of leading indicators signal a much sharper drop in exports. For instance, truck mileage dropped off by 9.5% quarter on quarter, and, according to the European Commission, incoming export orders contracted almost twice as much as during the 2009 crisis.

Total exports from Austria are expected to contract by 11.6% in real terms in 2020. The revival of trading partner economies anticipated for next year will drive demand for Austrian exports back up by 6.9% in 2021. With Austria’s key external markets normalizing during the next two years, domestic export growth is projected to reach 4.7% in real terms in 2022. Over the forecast horizon, changes in price competitiveness are unlikely to affect Austrian exports in a major way. The market shares of Austrian exports are expected to inch up in 2020 and to remain constant in 2021 and 2022. The current account surplus is forecast to decline to 1.5% of GDP in 2020 (2019: 2.6%) but is set to improve in 2021 and 2022.⁸

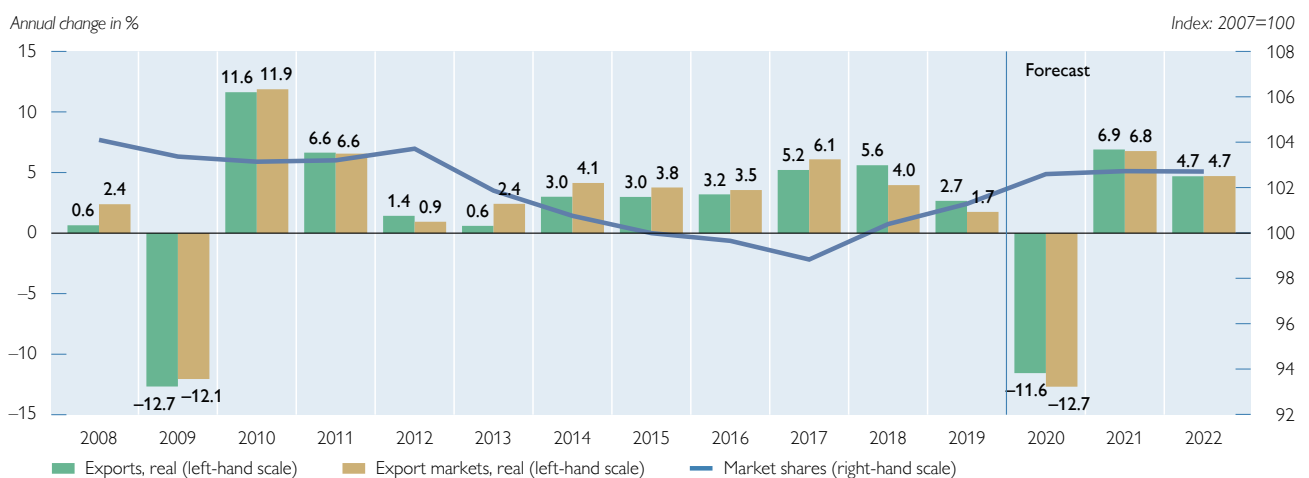
The setback in real exports in 2020 is roughly in line with the setback in 2009, but the recovery in 2021 and 2022 will be weaker than in 2010 and 2011.

Even without the lockdown measures imposed by the Austrian government, the OeNB’s December 2019 outlook would have been up for a major revision, as global external conditions weakened sharply in recent months, which is a game changer given the central relevance of exports for the domestic economy. This becomes evident from the information provided on the reasons for the revision in table 4.

Compared with the OeNB’s December 2019 outlook, the projections for GDP growth for 2020 were revised downward by 8.3 percentage points, which is without precedent in more recent economic history. According to OeNB simulations, as much as 4.0 percentage points thereof are attributable to the setback in demand

Chart 6

Exports, export markets and market shares



Source: OeNB, WIFO, Eurosystem.

⁸ See the table in the annex for details on current account developments.

Table 3

Austria's exports and imports and price competitiveness

	2019	2020	2021	2022
Exports				
<i>Annual change in %</i>				
Competitor prices on Austria's export markets	+1.7	-1.6	+0.7	+1.9
Export deflator	+0.4	-0.8	+0.6	+1.6
Changes in price competitiveness	+1.2	-0.8	+0.1	+0.3
Import demand on Austria's export markets (real)	+1.7	-12.7	+6.8	+4.7
Austrian exports of goods and services (real)	+2.7	-11.6	+6.9	+4.7
Austrian market share	+0.9	+1.1	+0.1	+0.0
Imports				
<i>Annual change in %</i>				
International competitor prices on the Austrian market	+1.3	-0.7	+0.8	+1.6
Import deflator	+0.6	-0.5	+0.5	+1.3
Austrian imports of goods and services (real)	+2.7	-8.9	+5.7	+3.7
Terms of Trade	-0.2	-0.3	+0.1	+0.3
<i>Percentage points of real GDP</i>				
Contribution of net exports to GDP growth	+0.1	-1.9	+0.8	+0.7
<i>% of nominal GDP</i>				
Export ratio	55.7	52.0	53.2	54.3
Import ratio	52.0	50.1	50.7	51.1

Source: 2019: WIFO, Eurosystem; 2020 bis 2022: OeNB June 2020 outlook.

Table 4

Breakdown of revisions to the outlook

	GDP		
	2020	2021	2022
<i>Annual change in %</i>			
June 2020 outlook	-7.2	+4.9	+2.7
December 2019 outlook	+1.1	+1.5	+1.6
Difference	-8.3	+3.4	+1.1
<i>Percentage points</i>			
Caused by:			
External assumptions	-4.0	+1.7	+0.9
New data ¹	-3.0	x	x
of which: Revision of historical data up to Q3 19	-0.2	x	x
Forecast errors for Q4 19 and Q1 20	-2.9	x	x
Other changes ²	-1.4	+1.7	+0.2

Source: OeNB June 2020 and December 2019 outlook. Note: Due to rounding, the sum of growth contributions subject to individual revisions may differ from the total revision.

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

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

for Austrian exports triggered by the assumptions of much weaker external conditions. Specifically, these simulations reflect the anticipated changes in nominal-effective exchange rates, oil prices and demand for Austrian exports. With losses stemming from the euro's nominal-effective appreciation (-0.14 percentage points) offsetting gains from lower oil prices (+0.27 percentage points) and with the impact of interest rate changes remaining limited, the 4.0 percentage point drop in Austrian GDP

(compared with December 2019) is solely driven by the drop in demand for domestic exports due to the decline of GDP of Austria's trading partners. The OeNB's December 2019 outlook was based on the assumption of 1.1% growth in 2020 for the Austrian economy. This means that the change in external assumptions alone would have implied negative GDP growth of about –3% in 2020. Additional revisions to the outlook can be pinpointed to information on actual data outcomes that came in after the December projections.⁹

4.3 Growth of private consumption shrinks almost as fast as business investment growth

In textbook economics, private consumption has a stabilizing impact on the business cycle in times of crisis, as has been the case in Austria during previous crisis episodes and cyclical setbacks. In contrast, business investment, and investment in equipment in particular, is highly sensitive to the cycle. If we look at what happened during the 2009 crisis, we see that growth of private consumption remained broadly stable whereas gross fixed capital formation contracted by 7.2% and investment in equipment plunged by 10.5%. In the consumption behavior of households, fixed costs

Table 5

Determinants of nominal household income and private consumption growth in Austria

	2019	2020	2021	2022
<i>Annual change in %</i>				
Payroll employment	+1.4	–2.2	+2.2	+1.5
Wages and salaries per employee	+2.9	–1.0	+1.6	+2.3
Compensation of employees	+4.3	–3.1	+3.8	+3.8
Investment income	+1.7	–18.2	–8.1	+13.9
Self-employment income and operating surpluses (net)	+4.9	–5.9	+1.0	+6.2
<i>Contribution to household disposable income growth</i>				
<i>Percentage points</i>				
Compensation of employees	+3.7	–2.7	+3.2	+3.3
Investment income	+0.2	–2.0	–0.7	+1.1
Self-employment income and operating surpluses (net)	+0.8	–1.0	+0.2	+1.0
Net transfers less direct taxes ¹	–0.8	+6.3	–2.2	–1.5
<i>Annual change in %</i>				
Disposable household income (nominal)	+3.9	+0.4	+0.5	+3.9
Consumption deflator	+1.7	+0.9	+0.8	+1.5
Disposable household income (real)	+2.2	–0.4	–0.4	+2.4
Private consumption (real)	+1.3	–5.8	+6.1	+2.6
<i>% of household disposable income growth</i>				
Saving ratio	8.3	13.4	7.7	7.4
<i>% of nominal GDP</i>				
Consumption ratio	51.6	52.2	53.1	53.1

Source: 2019: WIFO, Statistics Austria; 2020 to 2022: OeNB June 2020 outlook.

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

⁹ The break in the data series resulting from the new method for seasonal adjustments does not allow for a meaningful interpretation of these results for the time being.

are no small part of the equation, thus severely limiting the room for maneuver when income drops off. Basically, only demand for durable consumer goods is more sensitive to the business cycle. In the aggregate, income losses are offset by dissaving, thus making consumer demand a stabilizing factor in the business cycle. In contrast, gross capital formation in general and investment in equipment in particular are driven by financing conditions but even more so by the outlook for profit. Profit, however, is highly sensitive to the business cycle, and largely procyclical to be precise.

2019 was a good income year for Austrian households. The unemployment rate stood at 4.5%; compensation of employees increased by 4.3% in nominal terms, driven among other things by higher tax relief for families with children; and self-employment income and investment income benefited from economic conditions. Inflation totaled 1.5%, thus remaining at below-average levels in a long-term comparison. Wage income per employee increased by as much as 1.3% in real terms. In sum, these developments caused real disposable household income to rise by 2.2%, which is the strongest increase since 2007.

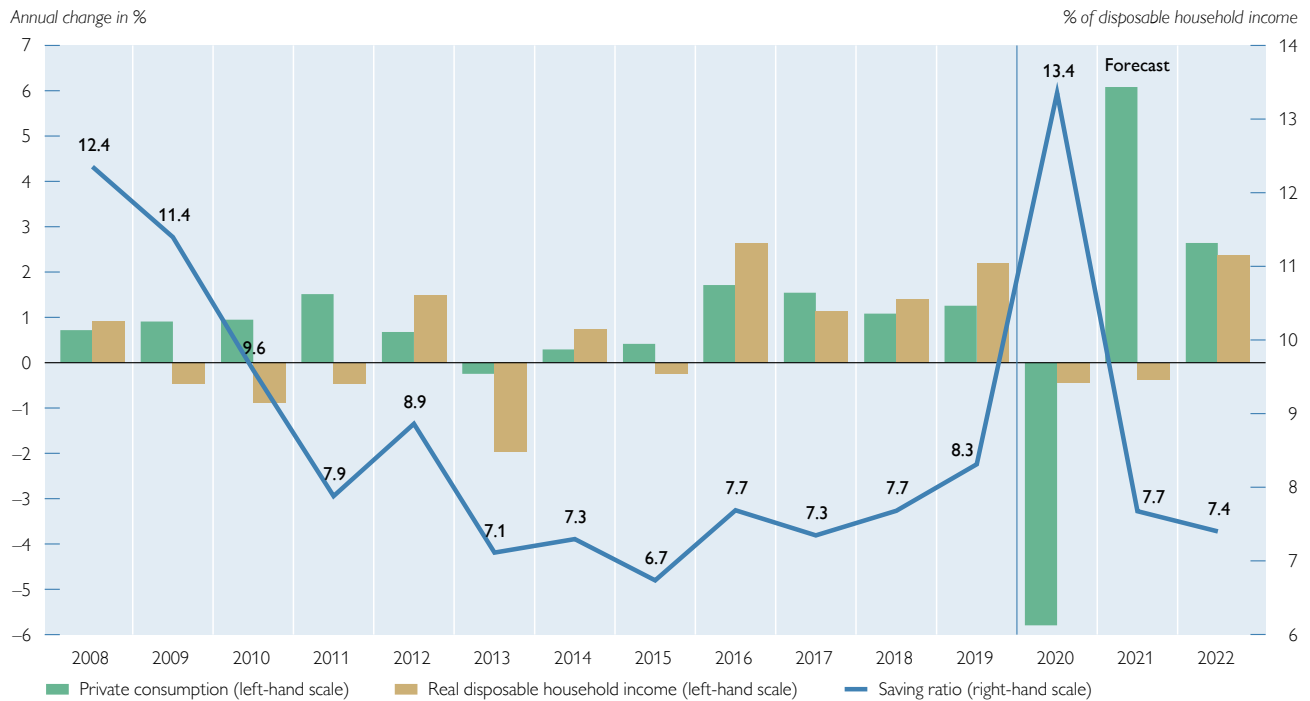
All this changed with the COVID-19 pandemic in 2020. The recession hit all types of incomes to an extent that is unprecedented in more recent economic history. This is true for capital income (−18.2%) as well as for self-employment income including operating surpluses generated by businesses (−5.9%). The impact of lower capital income on aggregate consumer demand should be below average, however, as the marginal propensity to consume is much lower for income generated through investment than for employee compensation. To some extent, employee compensation in 2020 continues to benefit from collective wage agreements reached in 2019. Yet, the economic downturn triggered a significant decrease of employment and an unprecedented increase of unemployment and caused the wage drift to become clearly negative (table 8). Despite high budgetary support for short-time work schemes (box 4), which qualifies as subsidies to businesses under national accounts rules and thus add to compensation of employees rather than to transfers to households, the OeNB expects nominal compensation of employees to shrink by 3.1%. Net government transfers beyond spending on short-time work schemes (transfers less taxes) and the low inflation rate (consumption deflator: 0.9%) are projected to have a stabilizing impact on household income. In sum, nominal and real disposable household income is expected to more or less stagnate in 2020 and 2021 (between +0.5% and −0.4%) and to rise again in 2022 amid the economic recovery.

At the same time, consumer behavior is characterized by two additional unprecedented factors in 2020: First, the lockdown measures severely limited consumer spending (“forced saving”). Second, negative sentiment effects fueled by sharply increased unemployment levels and uncertainty about economic conditions increased the propensity to save as the crisis progressed (precautionary saving). As a result of these two effects, the saving ratio jumps from 8.3% in 2019 to 13.4% in 2020. The forecast for 2021 and 2022 is driven by the assumed positive shock resulting from the availability of coronavirus drugs and/or vaccines, which is expected to improve economic sentiment, thus leading to a normalization of saving behavior and a drop in the saving ratio.

On balance, the OeNB forecasts real consumption to contract by about 6% in 2020, or by almost as much as economic output. When we compare this situation

Chart 7

Real disposable household income, private consumption and saving ratio



Source: WIFO, OeNB.

with the 2009 crisis, we find that the decline of real disposable household income measured in 2009 roughly matches the decline projected for 2020, but that this decline was accompanied by a significant drop of the saving ratio at the time, as a result of which real private consumption continued to grow by 0.9% in 2009. In 2021 and 2022, private consumption is expected to see catch-up processes leading to above-average growth rates (6.1% and 2.6%, respectively).

Box 3

Fiscal outlook for 2020 to 2022¹⁰

Amid the COVID-19 pandemic, the budget surplus achieved in 2019 is set to melt away in 2020, which heralds deficits for years to come. Following general government budget surpluses of 0.2% and 0.7% of GDP in 2018 and 2019, the coronavirus-related cyclical downturn and the fiscal measures adopted temporarily by the government to prevent lasting damage to the economy are going to generate a deficit of 8.9% of GDP in 2020. Once these measures have been lifted and the economy recovers next year, the deficit should improve substantially and drop to 3.9% in 2021. In 2022, the budget deficit should decline to 1.5% of GDP and hence well below the 3% benchmark for the Maastricht deficit.

The fiscal measures announced so far by the Austrian government to cushion the pandemic fallout add up to some EUR 50 billion (or 13.3% of GDP). Most of the measures are aimed at safeguarding the production potential: liquidity-strengthening measures, transfers and subsidies for short-time work are meant to keep businesses running, save jobs

¹⁰ Author: Doris Prammer, Oesterreichische Nationalbank, Economic Analysis Division, doris.prammer@oenb.at.

and compensate for crisis-related drop-offs in income. Another goal of the measures is to ensure that production and economic activity can be resumed smoothly following the exit from the containment measures.

All in all, EUR 12 billion have been appropriated for the new short-term work scheme, EUR 10 billion for deferrals for tax liabilities and EUR 28 billion for the COVID-19 Crisis Management Fund. The EUR 28 billion-strong COVID-19 Crisis Management Fund (5th COVID Act) covers resources allocated to the original COVID-19 fund (EUR 4 billion), emergency aid for the hardest-hit industries and firms (EUR 15 billion; also referred to as coronavirus relief fund) and other guarantees (EUR 9 billion). As part of the coronavirus relief fund, up to EUR 8 billion will be granted as subsidies to help firms with major coronavirus-related liquidity constraints to cover their fixed costs. The remainder of the coronavirus relief fund (EUR 7 billion) has been earmarked for guarantees (covering up to 100% of emergency loans). The budgetary impact of these measures is very heterogeneous. Loans and guarantees are going to have an impact on the budget balance (i.e. will increase spending) only if loans become nonperforming or guarantees are called. Deferrals for tax liabilities and/or social security contributions do not feed through in full to the general government balance for 2020 according to the ESA 2010 accounting rules.

The OeNB's June 2020 outlook is based on the assumption that the government measures are going to impact the budget for 2020 by an amount that slightly exceeds 5% of GDP. Specifically, the COVID-19 fund (which also includes the hardship fund for micro businesses, self-employed individuals and professionals) is expected to be exhausted in full. Likewise, the resources set aside for subsidies to help firms cover their fixed costs are expected to be used up in full. Since subsidy requests may be made until the end of August 2021, part of the budgetary effect will not materialize until 2021. The take-up of deferral options for tax and advance tax liabilities and of the funds earmarked for financing short-time work is linked to the expectations about the recovery of the economy. The OeNB's fiscal outlook is based on the assumption that the exit from the deferrals for tax liabilities will not be complete until 2022 and that the COVID-19-related short-time work program will after six months be replaced by the former, less generous program. This means that the COVID-19 measures will increase the budget deficit by close to 1.5% in 2021 and by 0.1% of GDP in 2022 (with most of the impact in 2022 related to tax relief and support measures for restaurants). As the OeNB's fiscal forecast is Austria's contribution to the Eurosystem staff macroeconomic projections for the euro area, it covers only measures that have already been adopted by parliament or by the government or that have at least been adequately specified, which is in line with ESCB requirements. This is why this forecast includes neither potential future stimulus packages nor the income tax reform that has been announced in the media but without the provision of adequate details. Furthermore, the potential cost of state guarantees has not been quantified for the purpose of this forecast.

Apart from discretionary measures, it is above all automatic stabilizers that drive the budget balance. In Austria, automatic stabilizers have a comparatively strong effect, driven by support granted in lieu of unemployment benefits and wage and income tax progressivity. With regard to the budget balance for 2020, some 3% of the deterioration are due to the automatic stabilizers. As the economy is expected to bounce back strongly in 2021 and 2022, the working of these stabilizers is going to automatically improve the exceptionally high budget deficit of 2020.

The surge in the debt ratio to 84.4% of GDP (+14 percentage points) drives up Austria's debt ratio to the second-highest level since its EU accession.¹¹ This increase reflects the very high primary deficit clocked up in 2020 (about 7.5% of GDP) but also the decline in GDP, which reduces the nominator of the GDP ratio. The debt ratio will revert to its declining trend already in 2021, above all on account of clearly positive GDP growth, while the negative primary balance continues to drive up the debt ratio, if at a lower rate.

¹¹ Austria's debt ratio peaked at 84.9% of GDP in 2015. This is the highest rate during the period (starting in 1995) for which meaningful comparisons of the debt ratio can be made.

The general escape clause activated by the European Commission suspends the adjustments Member States have to make to meet their fiscal targets under the EU's fiscal rules. Even if the EU's fiscal rules were to re-apply rather soon, Austria is unlikely to run into problems. Austria ought to be in a position to again meet at least the nominal Maastricht objectives, namely a reduction of the deficit ratio to below 3% and a sufficient reduction of debt ratio, from 2022 onward.

In recent years, business investment was a key pillar of the economy, as the most recent investment cycle was exceptionally long and strong by historical standards. In 2019, investment growth had decreased against 2018, but still totaled as much as 2.8% and continued to be broad based. Construction investment, which is considerably less sensitive to the business cycle than other forms of investment, made a significant contribution to the growth of gross fixed capital formation.

The lockdown caused corporate profits and industrial production to take a plunge. Capacity utilization dropped from 84.8% in January 2020 to 73.9% in April 2020. Furthermore, the supply of intermediate goods was constrained due to disruptions in international production chains and the supply of labor was reduced temporarily on account of border closures. This caused investment projects to be reviewed, canceled or rescheduled.

Unlike in the case of private consumption, the lockdown-engineered sharp downturn in corporate investment demand in some industries can be reverted fairly rapidly, above all in the construction sector, unless supply-side restrictions were to kick in, i.e. prevent nonresident workers from resuming their jobs in

Table 6

Investment activity in Austria

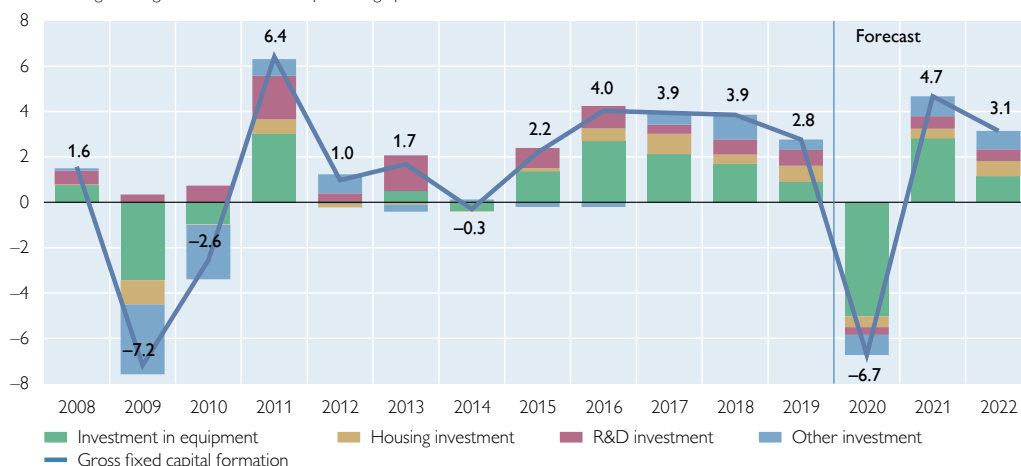
	2019	2020	2021	2022
	<i>Annual change in %</i>			
Total gross fixed capital formation (real)	+2.8	-6.7	+4.7	+3.1
<i>of which:</i>				
Investment in plant and equipment	+2.6	-14.5	+8.8	+3.5
Housing investment	+3.9	-2.6	+2.3	+3.6
Nonhousing investment and other investment	+1.7	-3.4	+3.3	+3.1
Investment in research and development	+3.4	-1.6	+2.5	+2.4
Public sector investment	-1.6	-1.7	+3.2	+3.1
Private investment	+3.4	-7.4	+4.9	+3.2
	<i>Percentage points</i>			
Contribution to the growth of real gross fixed capital formation				
Investment in plant and equipment	+0.9	-5.0	+2.8	+1.1
Housing investment	+0.7	-0.5	+0.4	+0.7
Nonhousing investment and other investment	+0.5	-0.9	+0.9	+0.8
Investment in research and development	+0.7	-0.3	+0.5	+0.5
Public sector investment	-0.2	-0.2	+0.4	+0.4
Private investment	+3.0	-6.5	+4.3	+2.8
Contribution to real GDP growth				
Total gross fixed capital formation	+0.7	-1.6	+1.1	+0.8
Changes in inventories	+0.1	-0.9	-0.6	-0.3
	<i>% of nominal GDP</i>			
Investment ratio	24.3	24.3	24.3	24.4

Source: 2019: WIFO; 2020 to 2022: OeNB June 2020 outlook.

Chart 8

Contributions to investment growth

Annual change in %; growth contributions in percentage points



Source: OeNB, WIFO, Statistics Austria.

Austria due to border closures. Investment activity is expected to be fueled by catch-up effects in the second half of 2020. In sum, investment is projected to decline by 6.7% in 2020 as a whole, which roughly matches the drop in gross fixed capital formation registered in 2009.

As global trade is expected to recover in 2021, with the promise of newly improving industrial sales prospects, investment in equipment stands to rebound considerably in 2021. On top of that, persistently favorable financing conditions should support investment activity, and catch-up effects ought to spill over to 2021 as well. Additional stimulus will come from the assumed positive supply shock (availability of coronavirus drugs or vaccines) and its uplifting impact on business sentiment in 2021 and 2022. Last but not least, construction investment is a lot less sensitive to the business cycle than investment in equipment. Hence, construction investment remains a pillar of growth throughout the forecast horizon.

As the downturn in GDP growth in 2020 is also driven by private consumption and exports, the investment ratio is going to remain unchanged at about 24% in 2020 compared with 2019, and the same holds true for 2021 and 2022.

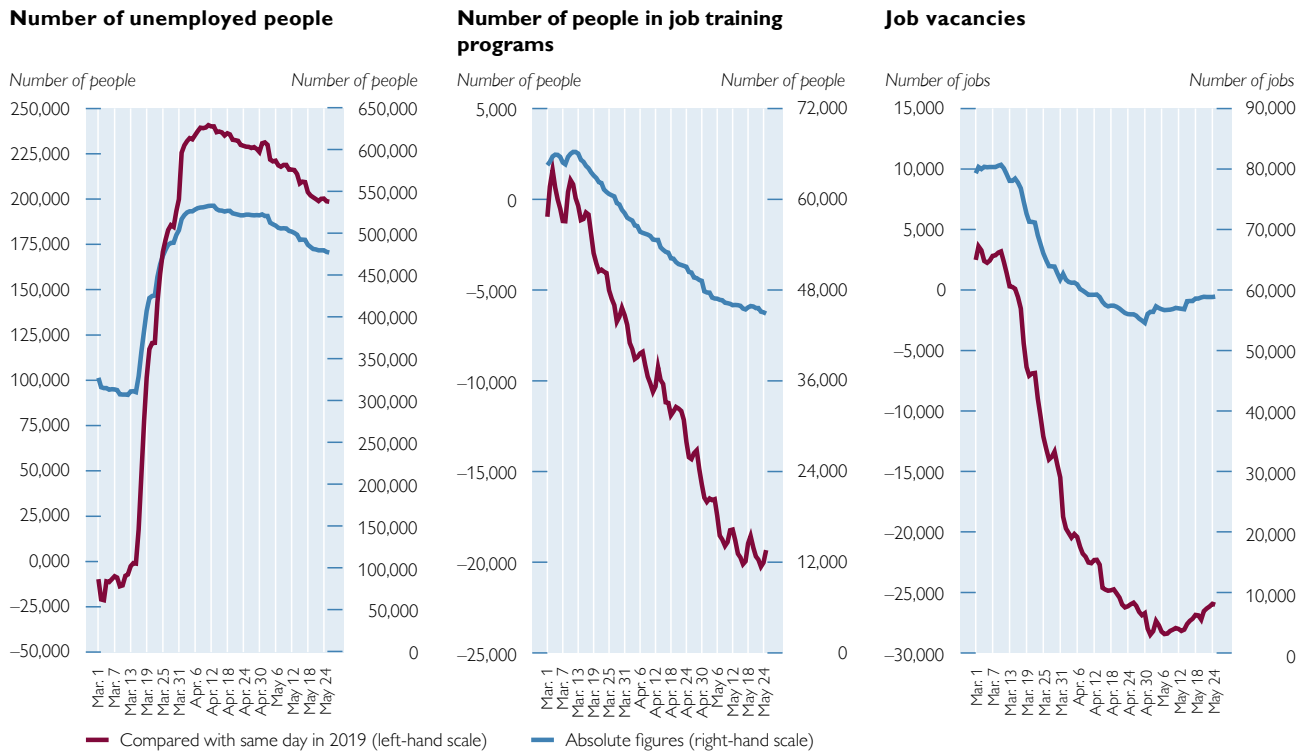
4.4 Unemployment hits record high despite new short-time work scheme

Before the COVID-19 outbreak, labor market conditions in Austria were highly favorable by international standards, with the number of payroll employees having grown by an annual 1.7% on average since 2016. Unlike in the past, these increases did not go hand in hand with weaker growth of total hours worked. Instead, at a growth rate of 1.7%, the average number of hours worked grew in sync with the number of payroll employees. Over the past years, Austria’s unemployment rate declined steadily, reaching 4.5% in 2019, the lowest level since 2008.

However, in March 2020, the crisis brought about by the COVID-19 pandemic led to a massive surge in unemployment. Within a mere two and a half weeks, the number of registered unemployed persons jumped from 310,000 to 522,000 and stood at 534,000 in mid-April. Since mid-April, when lockdown measures started

Chart 9

Labor market changes since early March 2020



Source: AMS.

to be eased, unemployment figures have declined slightly. This development is in line with the results obtained by the OeNB's weekly GDP indicator, which points to a moderate narrowing of the GDP gap (see section 4.1). Increases in unemployment were especially pronounced in sectors directly affected by national containment measures, such as the hospitality industry, administrative and support services, wholesale and retail trade as well as employee leasing, which is highly procyclical. While unemployment in construction likewise rose strongly at the onset of the pandemic, it has meanwhile returned to below pre-pandemic levels. Yet, against the previous year, unemployment increased markedly also in construction, which is a sector with strong seasonal fluctuations. The number of persons participating in training programs offered by the Public Employment Service Austria (AMS), i.e. persons not deemed to be unemployed, decreased, coming to about 55,000 in mid-April. At the height of the labor market crisis, the number of vacancies declined by some 25,000, with the decline having decelerated significantly since April, however.

One labor market policy measure that has proven crucial for current labor market developments is short-time work, which is aimed at maintaining employment levels in times of crisis (see box 4). The number of employees on short-time work is in all sectors higher than that of jobless persons, which has picked up due to containment measures. This is particularly evident in the manufacturing industry, wholesale and retail trade as well as construction. Yet in the hospitality industry, take-up of short-time working arrangements has more or less matched the increase in unemployment. In total, applications for short-time work arrangements were filed for

Table 7

Labor market growth in Austria

	2019	2020	2021	2022
	Annual change in %			
Total employment (heads)	+1.1	-2.2	+2.0	+1.4
Payroll employment	+1.4	-2.2	+2.2	+1.5
of which: public sector employees	+0.0	+0.3	+0.1	+0.1
Self-employment	-0.7	-2.9	+0.4	+0.4
Total hours worked	+1.1	-6.5	+3.9	+2.4
Payroll employment	+1.4	-6.5	+4.3	+2.6
Self-employment	-0.5	-7.0	+2.0	+1.2
Labor supply	+0.7	+0.1	+1.0	+0.8
Unemployed	-7.1	+51.8	-13.7	-8.5
	% of labor supply			
Unemployment rate (Eurostat definition)	4.5	6.8	5.8	5.3

Source: 2019: WIFO, Statistics Austria; 2020 to 2022: OeNB June 2020 outlook.

more than 1.3 million employees. Assuming that these employees saw their working hours cut by 70% on average (which most likely constitutes an upper limit), implicit unemployment due to short-time work would come to about 938,000 full-time equivalents. Adding up this figure with the above-mentioned numbers of registered unemployed persons and persons in training brings the total number of jobless persons at the peak of the crisis to around 1.5 million, which corresponds to 37% of payroll employees or 33% of overall employment in 2019.

For the full year 2020, the OeNB expects the total number of employees to drop by 2.2%, which does not reveal the true extent of the crisis, however. The number of hours worked is forecast to decrease by 6.5% in 2020, due to short-time working arrangements coupled with underutilized production capacity and the associated reduction in overtime. Both in 2021 and 2022, the number of hours worked will grow at above-average rates on the back of anticipated catch-up processes.

Box 4

Assessing the role of short-time work in tackling the labor market crisis¹²

In Austria, short-time working arrangements have long proven an effective tool to curb unemployment in times of crisis. Instead of having to lay off parts of their staff, such arrangements allow firms experiencing “temporary economic difficulties”¹³ to reduce employees’ working hours evenly and equitably. Firms thus pay salary for reduced working hours only; in addition, employees are compensated for part of their loss in earnings due to the temporary cut in work time by the Public Employment Service Austria (AMS). During the financial and economic crisis in 2009, short-time work was effective in retaining employment, with an average 26,000 covered workers throughout the year (see left-hand panel of chart B4). It thus helped prevent a surge in unemployment.

Pre-pandemic short-time working arrangements provided for an income replacement rate of 55% of previous net earnings, with firms being able to apply for a cut in working hours of up to 50%. This “old” short-time work program, which was mainly used by large manufacturing companies, was found to be inadequate to address the severe labor market crisis sparked by the lockdown in mid-March. Therefore, the Austrian government, in cooperation with the social

¹² Author: Alfred Stiglbauer, Oesterreichische Nationalbank, Economic Analysis Division, alfred.stiglbauer@oenb.at.

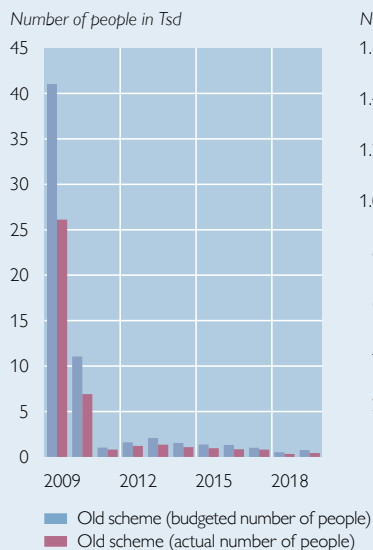
¹³ Federal guideline on short-time working subsidies/qualification subsidies and training cost subsidies of May 1, 2016.

partners, decided to launch a new short-time work program.¹⁴ According to the new scheme, short-time working subsidies are granted for a period of three months, which may be extended by another three months. Work time may be cut by as much as 90%, and income replacement rates were revised upward markedly. Subsidies may now amount to 80%, 85% or 90% of employees' previous net earnings depending on their salary. The new scheme became attractive also for smaller firms operating in any sector, with applications being processed in an unbureaucratic fashion and subsidies being disbursed more quickly. Current data show that a great number of firms applied for short-time work – for more than 1.3 million employees to be precise (see middle panel of chart B4). Applications were particularly high in the manufacturing industry, followed by wholesale and retail trade, construction and the hospitality industry.

Chart B4

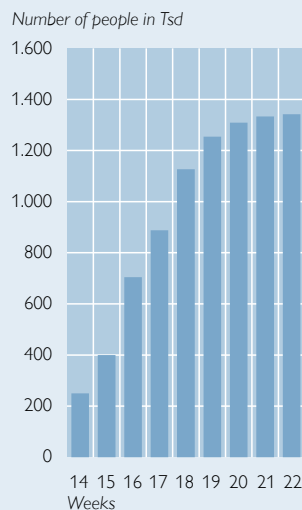
Old and new short-time work schemes – impact on compensation of employees over forecast horizon

Number of employees in old short-time work program (2009–2019)



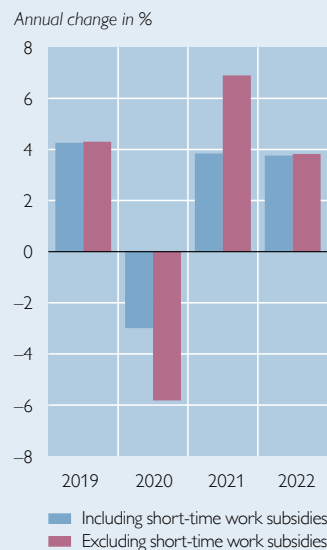
Source: AMS.

Number of employees in new short-time work program (Mar. 31 – May 25, 2020)



Source: BMAFJ.

Compensation of employees



Source: OeNB.

There is a lack of meaningful data on the actual uptake of short-time work as applications may also be filed retroactively. Moreover, the average reduction in working hours by around 70%, as indicated by the applications, appears to be high. In view of these findings, we based the OeNB's economic outlook on the following assumptions: Considering the lessons learned from the 2009 recession (see left-hand panel of chart B4), we assume that actual uptake of short-time work falls about 35% short of what is suggested by the applications filed. In addition, we expect the number of covered workers to decrease notably by September 2020. We also assume that the new short-time work scheme implemented in the context of COVID-19 will expire after six months, and that working hours will have been cut by an average 50%. As a result, the OeNB expects the number of employees on short-time work to average 214,000 (107,000 full-time equivalent positions) in 2020, and related budgetary costs or expenditures to amount to an estimated EUR 5.5 billion. Under ESA 2010 rules, disbursed short-time work subsidies are recorded as part of employee compensation. Without short-time work subsidies, aggregate compensation of employees would decline even more strongly in 2020 as is evident from the right-hand panel of chart B4.

¹⁴ Federal guideline on short-time working subsidies effective from March 1, 2020.

Labor supply growth has dropped only marginally in recent years, fueled by migration, the rising labor force participation rate specifically of older workers, and the procyclical response of the labor market supply (idle labor capacity). In 2020, labor supply growth is projected to slow to a mere 0.1%, given this year’s slump in economic activity and the procyclicality of labor market supply. At 1.0% in 2021 and 0.8% in 2022, labor supply is expected to increase at a slightly slower pace than in the pre-pandemic period.

Austria’s unemployment rate (Eurostat definition) decreased steadily from a peak of 6.0% in 2016 to 4.5% in 2019. For 2020, the OeNB forecasts a crisis-induced increase to 6.8%, which means that unemployment will be significantly higher than in the crisis year 2009 and subsequent years. Despite the anticipated

Table 8

Compensation of employees

	2019	2020	2021	2022
<i>Annual change in %</i>				
Gross wages and salaries ¹				
In nominal terms	+4.3	-3.1	+3.8	+3.8
Consumption deflator	+1.7	+0.9	+0.8	+1.5
In real terms	+2.7	-3.9	+3.0	+2.3
Collectively agreed wages and salaries ¹	+3.1	+2.1	+0.8	+1.9
Wage share	-0.1	-3.1	+0.8	+0.4
Compensation per employee				
Gross ² compensation (nominal)	+2.9	-1.0	+1.6	+2.3
Gross compensation (real)	+1.3	-1.8	+0.8	+0.8
Net ³ compensation (real)	+0.8	-1.7	+0.5	+0.5
Compensation per hour worked				
Gross compensation (nominal)	+2.9	+3.6	-0.4	+1.2
Gross compensation (real)	+1.2	+2.8	-1.2	-0.3
<i>% of nominal GDP</i>				
Wage share	48.4	50.0	49.4	49.2

Source: 2019: WIFO, Statistics Austria; 2020 to 2022: OeNB June 2020 outlook.

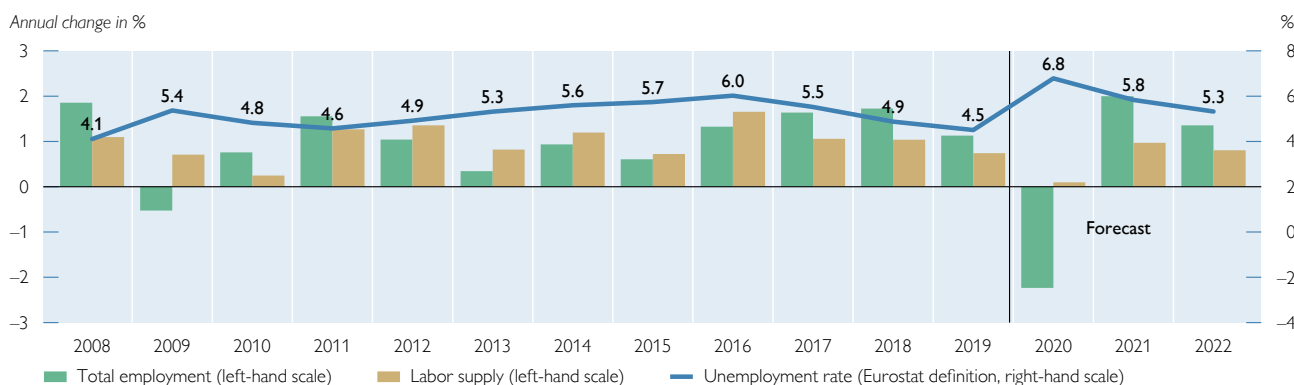
¹ Overall economy.

² Including employers’ social security contributions.

³ After tax and social security contributions.

Chart 10

Labor supply, employment and unemployment rate



Source: WIFO, Statistics Austria, OeNB.

economic recovery, the unemployment rate will dip only slightly, to 5.8% in 2021, and edge down to 5.3% in 2022, thus roughly reaching levels last observed in 2009.

4.5 Energy prices and COVID-19 crisis damp down inflation¹⁵

Based on the OeNB's most recent inflation forecast, we expect HICP inflation to stand at 0.8% in both 2020 and 2021, before increasing to 1.5% in 2022.

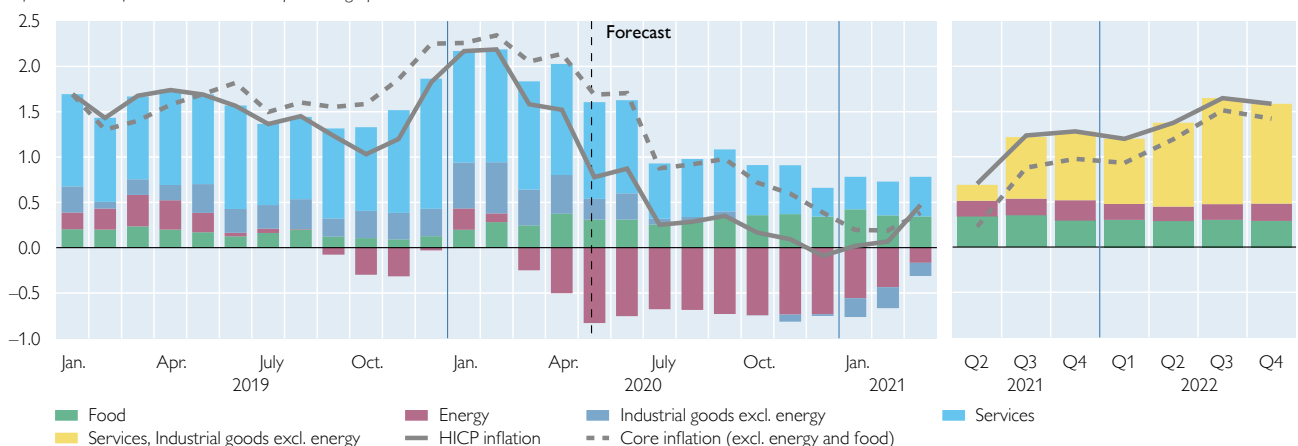
Inflation developments observed in the course of 2020 signal a rapid decline until the end of the year, which will be succeeded by a moderate, yet continuous, rise. Until early 2021, the OeNB expects the HICP's energy component to damp inflation. The massive pandemic-induced setback in demand will particularly impact on core inflation, i.e. services and nonenergy industrial goods. In the second quarter of 2021, energy price effects driven by the exceptionally sharp drop in crude oil prices from March 2020 onward will bottom out, and downward effects on inflation brought about by the COVID-19 pandemic will ease gradually. Until the close of 2022 or the end of the forecast horizon, HICP inflation is projected to climb to 1.6%, and will thus remain below its long-term average of 1.9%. This is primarily attributable to the still negative output gap. Even though capacity utilization is set to steadily increase, it is unlikely that production factors will be used to their full capacity by end-2022.

Setbacks in demand resulting from COVID-19 containment measures affect above all services and nonenergy industrial goods. As a result, core inflation, as measured by the HICP excluding energy and food, is projected to drop from 1.4% in 2020 to 0.6% in 2021, before re-accelerating to 1.3% in 2022. Core inflation will thus trail HICP inflation in 2021 and 2022.

Chart 11

Contributions to HICP inflation

Inflation in %; inflation contributions in percentage points



Source: OeNB, Statistics Austria.

¹⁵ Author: Friedrich Fritzer, Oesterreichische Nationalbank, Economic Analysis Division, friedrich.fritzer@oenb.at.

Core inflation components and energy inflation are set to decline

Plummeting oil prices observed since March 2020 reached a recent low at the end of April and are now expected to follow a moderate upward trend. The recovery in oil prices is likely to have been fueled by OPEC+ agreeing to a cut in oil output by approximately 10 million barrels of oil a day through May and June 2020.¹⁶ Nevertheless, energy inflation is projected to remain visibly negative until early 2021, climbing into positive territory only thereafter. In 2020, the HICP’s energy component will depress inflation by around ½ percentage point. The assumption of lower crude oil prices is expected to put downward pressures on fuel prices in particular, which account for around 46% of the HICP’s energy component. Increases in electricity and gas prices that were implemented in 2019 are projected to weigh on the annual inflation rate in 2020, barring a further increase in electricity and gas prices. In 2021 and 2022, energy price inflation will have returned to positive territory.

Nonenergy industrial goods inflation is forecast to average out at 0.7% for the full year 2020. In 2021, it is projected to drop to 0.1% due to a massive slump in demand caused by the COVID-19-induced recession. This demand shock affects almost all subcomponents of nonenergy industrial goods, with heavy discounts being expected on clothing and footwear in particular, which make up some 23% of nonenergy industrial goods. Also, in view of the increased uncertainty and the sharp increase in unemployment, consumers are likely to postpone purchases of durable consumer goods such as vehicles or furniture, which will weigh on inflation in these product groups. On the other hand, COVID-19-related measures may

Table 9

Price, cost, productivity and profit indicators for Austria

	2019	2020	2021	2022
	Annual change in %			
Harmonised Index of Consumer Prices	+1.5	+0.8	+0.8	+1.5
HICP energy	+0.7	-6.9	+0.4	+2.3
HICP excluding energy	+1.7	+1.4	+0.6	+1.3
Private consumption expenditure deflator	+1.7	+0.9	+0.8	+1.5
Investment deflator	+2.1	+0.8	+0.6	+1.3
Import deflator	+0.6	-0.5	+0.5	+1.3
Export deflator	+0.4	-0.8	+0.6	+1.6
Terms of trade	-0.2	-0.3	+0.1	+0.3
GDP deflator at factor cost	+1.8	+1.1	-0.2	+1.4
Collective wage and salary settlements	+3.1	+2.1	+0.8	+1.9
Compensation per employee	+2.9	-1.0	+1.6	+2.3
Compensation per hour worked	+2.9	+3.6	-0.4	+1.2
Labor productivity per employee	+0.4	-5.1	+2.9	+1.4
Labor productivity per hour worked	+0.4	-0.7	+1.0	+0.4
Unit labor costs	+2.5	+4.4	-1.3	+0.9
Profit margins ¹	-0.8	-3.3	+1.0	+0.5

Source: 2019: WIFO, Statistics Austria; 2020 to 2022: OeNB June 2020 outlook.

¹ GDP deflator divided by unit labor costs.

¹⁶ On April 12, 2020, OPEC+ (OPEC members including important non-OPEC crude oil suppliers such as Russia) pulled off a historic deal to cut global oil output.

lead to major disruptions in domestic and global value chains, which may result in certain products being in short supply. As a consequence, industries affected by constraints on production may see their prices go up. This possibility poses an upside risk to inflation.

The OeNB expects services inflation to decrease from 1.8% in 2020 to 0.8% in 2021, again mainly due to the COVID-19-induced setback in demand affecting roughly 70% of services. It may take quite some time for demand levels to recover, particularly as regards demand for air transport services, package holidays and hospitality services. Moreover, the safety measures implemented to contain the spread of COVID-19, including physical distancing and hygiene requirements, are expected to partly drive up costs. Given the above-mentioned slump in demand, however, these costs will probably not be passed on to consumers, or at least not fully.

Inflation of food prices, including alcohol and tobacco, has been on the rise recently, albeit from low levels. This is mainly attributable to increases in agricultural commodity prices, which have resulted in upward pressures on imported food prices. Food price inflation is expected to come to 2.0% in 2020, and to increase thereafter to 2.3% in 2021, before dipping back to 2.0% in 2022. Tobacco tax hikes announced for the fall of 2020 and the spring of 2021 and 2022 will cause food price inflation to edge up by 0.2 percentage points each in 2021 and 2022. In 2020, food price inflation will remain in a basis point range, as the hikes in taxes on tobacco will only start in October 2020.¹⁷

Box 5

Inflation measurement in times of COVID-19

Mandatory business closures implemented to contain the COVID-19 pandemic have had a significant impact on inflation measurement. As numerous shops were closed, it was no longer possible to collect many of the prices usually recorded in stores across Austria. Moreover, due to safety concerns, data on prices were, for the most part, not gathered on site in April 2020. Instead, prices were collected using other sources of information, such as telephone surveys and online data – e.g. for clothing, footwear, sporting goods and furniture – as well as scanner data – e.g. for food products and drugstore goods.

Since prices are usually recorded in the first half of the month, Austrian inflation rate compilations for March 2020 were hardly affected by collection challenges. However, this was no longer the case for inflation measurements in April, which were heavily compromised by the above-mentioned difficulties. According to Eurostat, 31% of prices as measured by their weight in the HICP basket were not, or only partly, available when compiling the Austrian HICP for April. This percentage roughly corresponded to the euro area average. It proved particularly difficult to collect prices for package holidays (100% unavailable), new vehicles (100%), the hospitality industry (92.7%) and recreational and cultural services (89%). In line with agreements at the European level, Statistics Austria therefore carried forward prices from the previous month, particularly for goods that are not subject to strong price fluctuations such as new vehicles. Alternatively, prices subject to strong seasonal variation, e.g. package holiday prices, were carried forward according to their seasonal patterns from the previous year. In case not all prices of an aggregate are unavailable, the missing prices may be replaced with available subindices¹⁸

The quality of price statistics is not only impaired by difficulties in price collection but also by shifts in consumption patterns. During the lockdown, consumption seems to have shifted toward

¹⁷ The 2019 tax reform package envisages gradual tobacco tax hikes in the years from 2020 to 2022.

¹⁸ See the methodological notes published by Statistics Austria at www.statistik.at/web_de/statistiken/wirtschaft/preise/verbraucherpreisindex_vpi_hvpi/index.html (available in German only).

food products and health services, away from recreational and cultural services and the services offered by the hospitality industry as well as fuels, which seem to have been consumed to a much lesser extent than suggested by their weight in the official HICP basket. The HICP is compiled on the basis of constant consumption weights within a given calendar year. If consumption patterns change temporarily owing to a sharp economic contraction, these adjustments will not be reflected in the HICP. The COVID-19-related economic developments therefore pose significant challenges for inflation analysts.

5 Assessing the risks to the OeNB’s June outlook: alternative scenarios point to a drop in GDP ranging from –5% to –9% in 2020

The present economic outlook is subject to a high degree of uncertainty surrounding the further spread of COVID-19, the need for and effectiveness of containment measures and the availability of drugs and/or vaccines. To better capture the broad range of possible economic effects caused by the COVID-19 pandemic, each euro area national central bank was tasked with calculating two additional scenarios – given a mild or a severe economic downturn – for the June 2020 Eurosystem staff macroeconomic projections for the euro area.¹⁹ Like the economic outlook, both scenarios are based on a set of commonly agreed assumptions for all euro area countries and their respective external environment. Each national central bank in the euro area took it upon itself to incorporate these assumptions into the corresponding scenario.

Assumptions

The assumptions underlying the two additional scenarios differ from those underlying the economic outlook with respect to epidemiological developments, the economic fallout from the lockdown, the timeline for easing lockdown restrictions, expected GDP levels by the end of the forecast horizon and effects on long-term production capacity (potential output). In the mild scenario, which assumes a relatively lower GDP contraction, rapid advances in medical treatments succeed in containing the spread of COVID-19 after lockdown measures were eased, thus enabling a relatively swift return to normal economic activity. The mild scenario as implemented by the OeNB does not include any additional assumptions specific to Austria. By contrast, in the severe scenario, which projects a relatively stronger GDP contraction, the adopted measures have only limited success in containing the spread of the virus, which necessitates renewed and more stringent lockdown measures. This depresses economic activity in a more pronounced and sustained way. The OeNB’s severe scenario is moreover based on the assumption that there will be a second wave of infections in the fall of 2020, which will be contained more swiftly, however, as a result of lessons learned during the first peak of infections and where lockdown measures will be imposed only locally. We thus assume that the second lockdown will remain in place for only three weeks before being gradually lifted over another three weeks. Benefiting from local containment, the economic impact of each three-week period is forecast to be only half the size of that observed during the first wave of infections. Moreover, we expect the second flare-up to only emerge in Austria, which means that demand for Austrian exports remains

¹⁹ Owing to space constraints, we can only list the most important assumptions agreed by the Eurosystem.

unchanged. At the same time, however, the resurgence of infections again leads to supply-side constraints, causing exports from Austria to stagnate over this period.

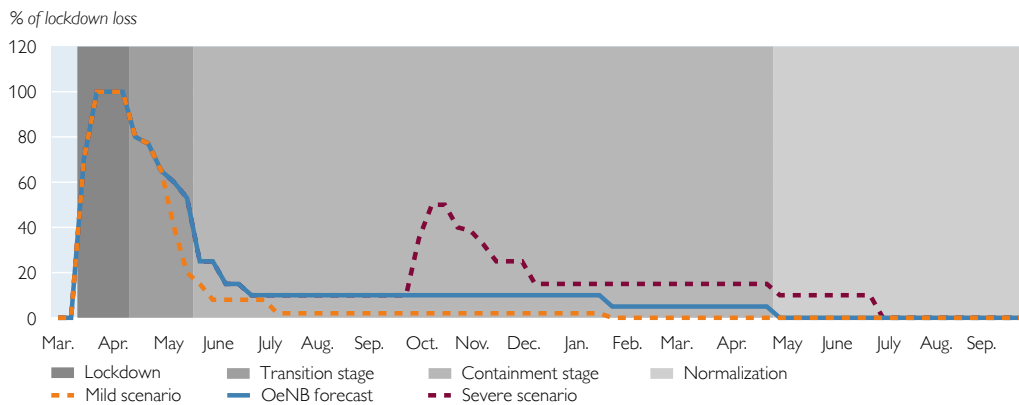
Comparing economic outlook results and scenario results

The upper panel of chart 12 presents a stylized view, for the OeNB's forecast as well as the mild and severe scenarios, of the direct economic fallout, i.e. GDP losses, caused by the COVID-19 pandemic over time. Until mid-May 2020, all three forecasts show the same impact. In line with the underlying assumptions, direct negative effects on economic activity triggered by the second wave of infections are considerably smaller than those brought about by the lockdown in spring, thanks to "learning effects" observed for Austria.

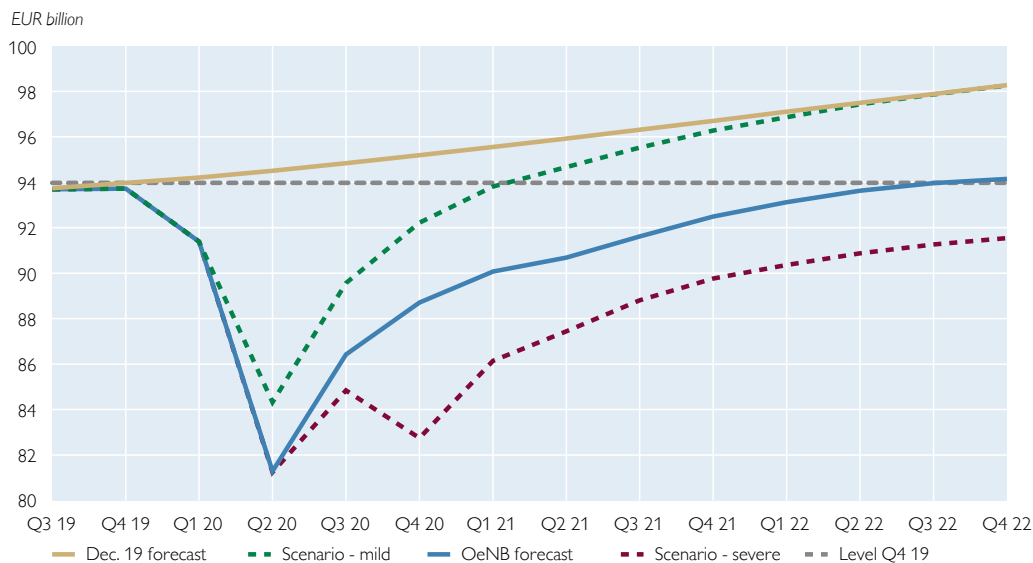
Chart 12

OeNB economic outlook and alternative scenarios

Stylized view of output loss due to containment measures: OeNB forecast plus two alternative scenarios



Level of Real GDP



Source: OeNB.

Note: Stages as assumed in the OeNB's economic outlook.

The lower panel of chart 12 shows the paths of real GDP projections according to the OeNB’s June 2020 outlook, its December 2019 outlook and the two alternative scenarios. In the mild scenario, Austria’s GDP as estimated using quarterly data is forecast to return to the level projected for 2022 in the OeNB’s December 2019 outlook. Yet even in the mild scenario, it is only in early 2021 that economic activity will bounce back to its pre-pandemic level. According to the OeNB’s June 2020 outlook, GDP will fall a good 4% short of the level forecast for end-2022 in the OeNB’s December 2019 outlook, returning to the level recorded before the pandemic only in the same year. In the severe scenario, stricter containment measures imply a permanent loss in economic output, with GDP remaining well below pre-pandemic levels even toward the end of 2022. Like the first wave of infections in spring 2020, the second spike is also expected to trigger simultaneous supply and demand shocks. Related effects will only emerge in Austria, however, and will, in the fourth quarter of 2020, lead to a renewed 2.5% drop in GDP quarter on quarter. Strong declines are then also projected for private consumption (–5.1%) and gross fixed capital formation (–6.1%). Compared with the OeNB’s June outlook, GDP growth projections for 2020 were revised downward by another 2 percentage points in the severe scenario, resulting in an overall plunge of –9.2%. At a 3.5% growth rate, the recovery of the Austrian economy will be substantially weaker in 2021 than anticipated in the present outlook (4.9%).

Potential output

According to the OeNB’s economic outlook and its alternative scenarios, potential output growth is forecast to slow considerably in 2020 compared with 2019 growth levels. While potential output is projected to re-accelerate in 2021 in the mild scenario, it is expected to lose further momentum according to the OeNB’s June outlook. It even turns slightly negative in the severe scenario. In 2022, potential output growth is projected to recover, albeit at a varying pace depending on the forecast, and will catch up with the growth levels anticipated in the OeNB’s December 2019 outlook only in the mild scenario.

Inflation forecast

According to the alternative scenarios, the annual inflation rate will range between 1.1% and 0.7% in 2020, 1.2% and 0.2% in 2021, as well as 1.7% and 1.3% in 2022. At 1.9% in the fourth quarter of 2022, HICP inflation is expected to revert to its long-term trend in the mild scenario only. This is due to the output gap being closed, or turning positive, at the end of the forecast horizon under the mild scenario. By contrast, in both the severe scenario and the OeNB’s June outlook, production factors are expected to remain underutilized over the entire forecast horizon. Moreover, the forecasts differ with respect to the timing and the extent of inflation bottoming out. In the severe scenario, inflation is expected to reach its lowest level in the first quarter of 2021, i.e. later than anticipated in the mild scenario and the OeNB’s June outlook, which project inflation to bottom out in the fourth quarter of 2020. Moreover, the severe scenario projects inflation to turn negative in the first quarter of 2021, with the Austrian economy experiencing a deflation of 0.7%. At 0.3% and 0.1%, respectively, the mild scenario and the OeNB’s June outlook project inflation to remain positive throughout the entire forecasting horizon.

Fiscal forecast

The fiscal forecasts under the alternative scenarios differ from the OeNB's regular fiscal outlook in two aspects: First, different cyclical developments will result in different budget balances due to the impact of automatic stabilizers. Second, the take-up of the fiscal stimulus package is assumed to vary depending on the scenario used, as different cyclical developments require different support measures. If we assume lower (higher) spending e.g. on short-time work schemes or fixed cost subsidies than projected in the June 2020 outlook, we arrive at utilization rates of discretionary fiscal measures in the amount of 3.5% of GDP (7.0% of GDP) in the mild (severe) scenario.

What both scenarios have in common is that they point to a high budget deficit in 2020 (mild scenario: –6.0% of GDP; severe scenario: –11.5% of GDP), followed by a gradual recovery. While the mild scenario expects Austria to achieve a balanced budget in nominal terms in 2022, this achievement is not in the cards in the severe scenario, which projects Austria's deficit to remain above the reference value of 3% of GDP also in 2022. Finally, debt ratio dynamics indicated by the mild scenario deviate significantly from those assumed in the severe scenario: following a rapid increase in 2020, the debt ratio is forecast to go down again notably in 2021 in the mild scenario. According to the severe scenario, it will take until 2022 for the debt ratio to stabilize, which is attributable to sustained large primary deficits.

Table 10

OeNB December 2019 and June 2020 outlook (plus alternative scenarios) – main results

	December 2019 outlook				Scenario mild			June 2020 outlook			Scenario severe		
	2019	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
<i>Annual change in %</i>													
Economic activity													
Gross domestic product	+1.5	+1.1	+1.5	+1.6	–4.6	+6.4	+2.7	–7.2	+4.9	+2.7	–9.2	+3.5	+3.4
Private consumption	+1.3	+1.3	+1.3	+1.4	–4.8	+6.2	+2.8	–5.8	+6.1	+2.6	–8.3	+3.3	+3.6
Gross fixed capital formation	+2.8	+1.0	+1.3	+1.5	–4.7	+4.6	+3.5	–6.7	+4.7	+3.1	–9.8	–1.9	+3.2
Exports	+2.7	+1.7	+2.8	+2.9	–6.1	+8.5	+3.7	–11.6	+6.9	+4.7	–12.5	+5.6	+4.5
Potential output	+1.5	+1.6	+1.6	+1.5	+0.8	+1.0	+1.6	+0.6	+0.2	+1.0	+0.2	–0.1	+0.8
Labor market													
Payroll employment	+1.4	+0.9	+0.9	+1.0	–1.5	+2.6	+1.4	–2.2	+2.2	+1.5	–2.7	+1.5	+1.6
Hours worked	+1.4	+0.7	+1.0	+1.1	–4.1	+4.3	+2.3	–6.5	+4.3	+2.6	–8.2	+3.0	+2.9
Unemployment rate	+4.5	+4.7	+4.8	+4.7	+6.3	+5.1	+4.7	+6.8	+5.8	+5.3	+7.3	+6.6	+5.9
Prices													
Harmonised Index of Consumer Prices	+1.5	+1.4	+1.5	+1.6	+1.1	+1.2	+1.7	+0.8	+0.8	+1.5	+0.7	+0.2	+1.3
HICP excluding energy and food	+1.7	+1.7	+1.5	+1.7	+1.6	+0.9	+1.6	+1.4	+0.6	+1.3	+1.1	–0.3	+1.0
Unit labor costs (whole economy)	+2.5	+1.7	+1.2	+1.5	+3.7	–1.5	+1.3	+4.4	–1.3	+0.9	+5.6	–1.2	+0.1
Compensation per employee	+2.9	+2.1	+2.1	+2.3	+0.5	+2.4	+2.7	–1.0	+1.6	+2.3	–1.4	+1.0	+2.0
Compensation per hour worked	+2.9	+2.3	+2.0	+2.2	+3.2	+0.7	+1.8	+3.6	–0.4	+1.2	+4.6	–0.5	+0.6
Public finances	<i>% of nominal GDP</i>												
Budget balance	0.7	0.2	0.2	0.6	–6.0	–1.7	0.0	–8.9	–3.9	–1.5	–11.5	–6.6	–3.3
Government debt	70.4	68.2	66.0	63.4	78.8	74.8	71.4	84.4	83.7	81.4	88.9	93.5	92.2

Source: OeNB.

Table 11

Comparison of the OeNB June 2020 and December 2019 outlook

	Actual figures	June 2020			Revisions since December 2019		
		2019	2020	2021	2022	2020	2021
Economic activity							
<i>Annual change in % (real)</i>							
Gross domestic product	+1.5	-7.2	+4.9	+2.7	-8.3	+3.4	+1.1
Private consumption	+1.3	-5.8	+6.1	+2.6	-7.1	+4.8	+1.2
Government consumption	+0.7	+1.2	+1.6	+0.8	-0.3	+0.6	-0.2
Gross fixed capital formation	+2.8	-6.7	+4.7	+3.1	-7.8	+3.4	+1.6
Exports of goods and services	+2.7	-11.6	+6.9	+4.7	-12.9	+4.1	+1.8
Imports of goods and services	+2.7	-8.9	+5.7	+3.7	-10.3	+3.3	+1.2
<i>% of nominal GDP</i>							
Current account balance	+2.6	+1.5	+2.2	+2.3	-0.9	-0.3	-0.6
Import-adjusted contribution to real GDP growth¹							
<i>Percentage Points</i>							
Private consumption	+0.4	-2.2	+2.2	+1.0	-2.6	+1.8	+0.5
Public consumption	+0.1	+0.2	+0.3	+0.1	+0.0	+0.1	-0.1
Gross fixed capital formation	+0.4	-0.8	+0.5	+0.4	-1.0	+0.3	+0.2
Domestic demand (excl. changes in inventories)	+0.9	-2.8	+3.0	+1.5	-3.6	+2.3	+0.6
Exports	+0.7	-3.7	+1.9	+1.3	-4.0	+1.2	+0.5
Changes in inventories (inkl. statistical discrepancy)	-0.1	-0.3	-0.1	-0.1	-0.2	-0.1	-0.1
<i>Annual change in %</i>							
Harmonised Index of Consumer Prices	+1.5	+0.8	+0.8	+1.5	-0.6	-0.7	-0.1
Private consumption expenditure deflator of GDP deflator	+1.7	+0.9	+0.8	+1.5	-0.6	-0.7	-0.1
Unit labor costs (whole economy)	+1.7	+1.3	+0.1	+1.4	-0.2	-1.4	-0.3
Compensation per employee (nominal)	+2.5	+4.4	-1.3	+0.9	+2.7	-2.5	-0.6
Compensation per hour worked (nominal)	+2.9	-1.0	+1.6	+2.3	-3.1	-0.5	+0.0
Import prices	+2.9	+3.6	-0.4	+1.2	+1.4	-2.4	-1.0
Export prices	+0.6	-0.5	+0.5	+1.3	-1.7	-1.3	-0.4
Terms of trade	+0.4	-0.8	+0.6	+1.6	-2.0	-1.2	-0.2
	-0.2	-0.3	+0.1	+0.3	-0.2	+0.1	+0.2
Income and savings							
Real disposable household income	+2.2	-0.4	-0.4	+2.4	-2.0	-1.7	+1.1
<i>% of nominal disposable household income</i>							
Savings ratio	8.3	13.4	7.7	7.4	+5.6	-0.1	-0.3
Labor market							
<i>Annual change in %</i>							
Payroll employment	+1.4	-2.2	+2.2	+1.5	-3.1	+1.3	+0.5
Hours worked (payroll employment)	+1.4	-6.5	+4.3	+2.6	-7.2	+3.3	+1.5
<i>% of labor supply</i>							
Unemployment rate (Eurostat definition)	4.5	6.8	5.8	5.3	+2.1	+1.0	+0.6
Public finances							
<i>% of nominal GDP</i>							
Budget balance (Maastricht definition)	+0.7	-8.9	-3.9	-1.5	-9.1	-4.1	-2.1
Government debt	70.4	84.4	83.7	81.4	+16.2	+17.7	+18.0

Source: 2019 (actual figures): WIFO, Statistics Austria, OeNB; OeNB June 2020 and December 2019 outlook.

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

Annex: detailed result tables

Table 12

Demand components (real)

Chained volume data (reference year = 2015)

	2019	2020	2021	2022	2019	2020	2021	2022
	EUR million				Annual change in %			
Private consumption	191,601	180,498	191,482	196,544	+1.3	-5.8	+6.1	+2.6
Government consumption	71,075	71,934	73,089	73,638	+0.7	+1.2	+1.6	+0.8
Gross fixed capital formation	90,139	84,068	87,996	90,767	+2.8	-6.7	+4.7	+3.1
of which: Investment in plant and equipment	31,184	26,654	29,011	30,015	+2.6	-14.5	+8.8	+3.5
Housing investment	16,770	16,335	16,707	17,302	+3.9	-2.6	+2.3	+3.6
Nonhousing investment and other investment	23,416	22,612	23,349	24,066	+1.7	-3.4	+3.3	+3.1
Changes in inventories (incl. statistical discrepancy)	4,890	1,553	-345	-1,300	x	x	x	x
Domestic demand	357,705	338,053	352,221	359,648	1.5	-5.5	4.2	2.1
Exports of goods and services	215,312	190,416	203,565	213,118	+2.7	-11.6	+6.9	+4.7
Imports of goods and services	198,305	180,671	190,922	197,917	+2.7	-8.9	+5.7	+3.7
Net exports	17,008	9,745	12,643	15,201	x	x	x	x
Gross domestic product	374,713	347,798	364,864	374,849	+1.5	-7.2	+4.9	+2.7

Source: 2019: Eurostat; 2020 to 2022: OeNB June 2020 outlook.

Table 13

Demand components (current prices)

	2019	2020	2021	2022	2019	2020	2021	2022
	EUR million				Annual change in %			
Private consumption	205,671	195,425	209,080	217,760	+2.9	-5.0	+7.0	+4.2
Government consumption	76,788	80,549	80,636	81,879	+3.1	+4.9	+0.1	+1.5
Gross fixed capital formation	96,730	90,949	95,787	100,081	+4.9	-6.0	+5.3	+4.5
Changes in inventory (incl. statistical discrepancy)	4,534	639	-1,904	-2,998	x	x	x	x
Domestic demand	383,724	367,563	383,598	396,722	+3.4	-4.2	+4.4	+3.4
Exports of goods and services	221,939	194,774	209,333	222,620	+3.1	-12.2	+7.5	+6.3
Imports of goods and services	207,104	187,797	199,445	209,413	+3.3	-9.3	+6.2	+5.0
Net exports	14,835	6,978	9,888	13,207	x	x	x	x
Gross domestic product	398,559	374,541	393,486	409,929	+3.3	-6.0	+5.1	+4.2

Source: 2019: Eurostat; 2020 to 2022: OeNB June 2020 outlook.

Table 14

Demand components (deflators)

	2019	2020	2021	2022	2019	2020	2021	2022
	2010 = 100				Annual change in %			
Private consumption	107,3	108,3	109,2	110,8	+1,7	+0,9	+0,8	+1,5
Government consumption	108,0	112,0	110,3	111,2	+2,4	+3,6	-1,5	+0,8
Gross fixed capital formation	107,3	108,2	108,9	110,3	+2,1	+0,8	+0,6	+1,3
Domestic demand (excl. changes in inventories)	107,5	109,0	109,3	110,7	+1,9	+1,5	+0,3	+1,3
Exports of goods and services	103,1	102,2	102,8	104,5	+0,4	-0,8	+0,6	+1,6
Imports of goods and services	104,4	103,9	104,5	105,8	+0,6	-0,5	+0,5	+1,3
Terms of trade	98,7	98,4	98,4	98,7	-0,2	-0,3	+0,1	+0,3
Gross domestic product	106,4	107,7	107,8	109,4	+1,7	+1,3	+0,1	+1,4

Source: 2019: Eurostat; 2020 to 2022: OeNB June 2020 outlook.

Table 15

Labor market

	2019	2020	2021	2022	2019	2020	2021	2022
	<i>Thousands</i>				<i>Annual change in %</i>			
Total employment	4,540.5	4,439.1	4,527.9	4,589.3	+1.1	-2.2	+2.0	+1.4
of which: private sector	3,788.5	3,684.6	3,772.7	3,833.4	+1.4	-2.7	+2.4	+1.6
Payroll employment (national accounts definition)	4,000.1	3,914.1	4,001.0	4,060.2	+1.4	-2.2	+2.2	+1.5
	<i>% of labor supply</i>							
Unemployment rate (Eurostat definition)	4.5	6.8	5.8	5.3	x	x	x	x
	<i>EUR per real output unit x 100</i>							
Unit labor costs (whole economy) ¹	58.5	61.0	60.3	60.8	+2.5	+4.4	-1.3	+0.9
	<i>EUR thousand per employee</i>							
Labor productivity (whole economy) ²	82.5	78.3	80.6	81.7	+0.4	-5.1	+2.9	+1.4
	<i>EUR thousand</i>							
Compensation per employee (real) ³	45.0	44.1	44.5	44.8	+1.2	-1.8	+0.8	+0.8
	<i>EUR thousand at current prices</i>							
Compensation per employee (gross)	48.3	47.8	48.6	49.7	+2.9	-1.0	+1.6	+2.3
	<i>EUR million at current prices</i>							
Total compensation of employees (gross)	193,071	187,141	194,343	201,734	+4.3	-3.1	+3.8	+3.8

Source: 2019: OeNB; 2020 to 2022: OeNB June 2020 outlook.

¹ Gross wages and salaries divided by real GDP.

² Real GDP divided by total employment.

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

Table 16

Current account balance

	2019	2020	2021	2022	2019	2020	2021	2022
	<i>EUR million</i>				<i>% of nominal GDP</i>			
Balance of trade	14,160.0	8,640.9	11,679.7	12,858.9	3.6	2.3	3.0	3.1
Balance of goods	3,784.0	-489.2	1,357.5	2,697.1	0.9	-0.1	0.3	0.7
Balance of services	10,376.0	9,130.1	10,322.3	10,161.9	2.6	2.4	2.6	2.5
Balance of primary income	-199.0	-296.1	-303.3	-303.3	0.0	-0.1	-0.1	-0.1
Balance of secondary income	-3,502.0	-2,672.7	-2,907.1	-3,041.8	-0.9	-0.7	-0.7	-0.7
Current account balance	10,459.0	5,672.0	8,469.3	9,513.8	2.6	1.5	2.2	2.3

Source: 2019: OeNB; 2020 to 2022: OeNB June 2020 outlook.

Table 17

Quarterly outlook results

	2020	2021	2022	2020				2021				2022			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Prices, wages, costs															
<i>Annual change in %</i>															
HICP	+0.8	+0.8	+1.5	+2.0	+1.1	+0.3	+0.1	+0.2	+0.7	+1.2	+1.3	+1.2	+1.4	+1.6	+1.6
HICP excl. energy	+1.4	+0.6	+1.3	+2.2	+1.8	+0.9	+0.6	+0.3	+0.2	+0.9	+1.0	+0.9	+1.2	+1.5	+1.4
Private consumption expenditure deflator	+0.9	+0.8	+1.5	+1.7	+1.3	+0.5	+0.1	+0.0	+0.4	+1.3	+1.7	+1.7	+1.5	+1.4	+1.3
Gross fixed capital formation deflator	+0.8	+0.6	+1.3	+1.6	+1.1	+0.5	+0.0	+0.0	+0.4	+0.9	+1.2	+1.3	+1.3	+1.3	+1.2
GDP deflator	+1.3	+0.1	+1.4	+1.5	+2.3	+0.8	+0.4	+0.0	-0.9	+0.5	+0.9	+1.3	+1.5	+1.4	+1.4
Unit labor costs	+4.4	-1.3	+0.9	+4.4	+6.1	+4.2	+2.8	+0.6	-2.0	-1.7	-1.9	-1.3	-0.3	+1.7	+3.7
Compensation per employee (nominal)	-1.0	+1.6	+2.3	+1.5	-4.2	-0.9	-0.3	+0.4	+5.4	+1.1	-0.2	+0.2	+1.5	+3.1	+4.4
Productivity	-5.1	+2.9	+1.4	-2.8	-9.7	-4.9	-3.0	-0.2	+7.6	+2.8	+1.7	+1.5	+1.8	+1.4	+0.7
Compensation per employee (real)	-1.8	+0.8	+0.8	-0.1	-5.4	-1.4	-0.3	+0.4	+5.0	-0.3	-1.9	-1.5	+0.0	+1.7	+3.0
Import deflator	-0.5	+0.5	+1.3	+0.0	-0.8	-0.4	-0.6	-0.4	+0.5	+0.8	+1.1	+1.2	+1.2	+1.3	+1.4
Export deflator	-0.8	+0.6	+1.6	+0.5	-1.5	-1.3	-1.0	-1.4	+0.7	+1.4	+1.5	+1.6	+1.6	+1.6	+1.6
Terms of trade	-0.3	+0.1	+0.3	+0.6	-0.6	-0.8	-0.4	-0.9	+0.2	+0.6	+0.4	+0.4	+0.4	+0.2	+0.2
Economic activity															
<i>Annual and/or quarterly changes in % (real)</i>															
GDP	-7.2	+4.9	+2.7	-2.5	-11.1	+6.3	+2.6	+1.5	+0.7	+1.0	+1.0	+0.7	+0.5	+0.4	+0.2
Private consumption	-5.8	+6.1	+2.6	-3.1	-10.2	+8.5	+3.0	+1.5	+0.5	+0.7	+0.8	+0.7	+0.6	+0.5	+0.4
Public consumption	+1.2	+1.6	+0.8	+0.6	-0.2	+0.2	+0.3	+0.5	+0.6	+0.5	+0.3	+0.1	+0.0	+0.0	+0.0
Gross fixed capital formation	-6.7	+4.7	+3.1	-0.9	-12.0	+5.3	+3.7	+1.7	+0.4	+0.8	+0.9	+0.8	+0.8	+0.7	+0.7
Exports	-11.6	+6.9	+4.7	-1.8	-17.2	+6.4	+3.7	+3.0	+2.2	+1.8	+1.3	+1.0	+0.9	+0.7	+0.6
Imports	-8.9	+5.7	+3.7	-2.3	-12.6	+7.0	+3.5	+1.8	+0.8	+0.9	+1.0	+0.9	+0.9	+0.9	+0.9
<i>Contribution to real GDP growth in percentage points</i>															
Domestic demand	-4.4	+4.6	+2.3	-1.7	-8.2	+5.7	+2.5	+1.3	+0.5	+0.7	+0.7	+0.6	+0.5	+0.4	+0.4
Net exports	-1.9	+0.8	+0.7	+0.2	-3.3	-0.2	+0.1	+0.7	+0.8	+0.6	+0.2	+0.1	+0.0	-0.1	-0.1
Changes in inventories	-0.9	-0.5	-0.3	-1.0	+0.4	+0.8	+0.0	-0.4	-0.6	-0.2	+0.0	+0.0	+0.0	+0.0	+0.0
Labor market															
<i>% of labor supply</i>															
Unemployment rate (Eurostat definition)	6.8	5.8	5.3	4.6	8.5	7.4	6.7	6.1	5.9	5.7	5.7	5.6	5.5	5.3	5.0
<i>Annual and/or quarterly changes in %</i>															
Total employment	-2.2	+2.0	+1.4	-0.2	-4.1	+1.1	+0.9	+1.0	+0.7	+0.5	+0.3	+0.3	+0.2	+0.3	+0.3
of which: private sector	-2.7	+2.4	+1.6	-0.3	-5.0	+1.3	+1.1	+1.2	+0.8	+0.6	+0.4	+0.3	+0.3	+0.3	+0.4
Payroll employment	-2.2	+2.2	+1.5	-0.4	-3.9	+1.2	+1.0	+1.0	+0.7	+0.6	+0.4	+0.3	+0.3	+0.3	+0.3
Additional variables															
<i>Annual and/or quarterly changes in % (real)</i>															
Disposable household income	-0.4	-0.4	+2.4	-1.2	-4.5	+4.3	+0.5	-0.5	-1.0	-0.9	+0.1	+1.2	+1.3	+1.1	+1.1
<i>% of real GDP</i>															
Output gap	-7.5	-3.2	-1.5	-2.8	-13.6	-8.1	-5.7	-4.2	-3.6	-2.8	-2.1	-1.7	-1.4	-1.3	-1.5

Source: OeNB June 2020 outlook. Quarterly values based on seasonally and working day-adjusted data.

Table 18

Comparison of current economic forecasts for Austria

	OeNB			WIFO		IMF		European Commission	
	June 2020			April 2020		April 2020		May 2020	
	2020	2021	2022	2020	2021	2020	2021	2020	2021
Main results									
<i>Annual change in %</i>									
GDP (real)	-7.2	+4.9	+2.7	-5.2	+3.5	-7.0	+4.5	-5.5	+5.0
Private consumption (real)	-5.8	+6.1	+2.6	-2.9	+3.1	x	x	-4.8	+4.9
Government consumption (real)	+1.2	+1.6	+0.8	+5.3	-1.0	x	x	+3.0	+0.1
Gross fixed capital formation (real)	-6.7	+4.7	+3.1	-8.7	+4.5	x	x	-9.5	+6.9
Exports (real)	-11.6	+6.9	+4.7	-12.0	+8.8	x	x	-12.5	+10.3
Imports (real)	-8.9	+5.7	+3.7	-9.7	+6.9	x	x	-10.8	+9.0
GDP per employee ¹	-5.1	+2.9	+1.4	-3.6	+2.4	x	x	-4.2	+3.6
BIP deflator	+1.3	-0.1	+1.3	+1.2	+0.6	x	x	+1.2	+1.1
CPI	x	x	x	+0.9	+1.3	x	x	x	x
HICP	+0.8	+0.8	+1.5	x	x	+0.4	+1.7	+1.1	+1.5
Unit labor costs	+4.4	-1.3	+0.9	+2.3	+2.4	x	x	+5.1	-2.3
Payroll employment	-2.2	+2.2	+1.5	-1.7	+1.4	x	x	-1.4	+1.4
<i>% of labor supply</i>									
Unemployment rate (Eurostat definition)	6.8	5.8	5.3	5.5	5.0	5.5	5.0	5.8	4.9
<i>% of nominal GDP</i>									
Current account balance	1.5	2.2	2.3	x	x	1.9	2.0	0.9	1.6
Budget balance (Maastricht definition)	-8.9	-3.9	-1.5	-7.4	-3.3	-7.1	-1.6	-6.1	-1.9
External assumptions									
Oil price in USD/Barrel (Brent)	36.0	37.2	40.7	40.0	45.0	35.6	37.9	38.4	40.2
Short-term interest rate in %	-0.4	-0.4	-0.4	x	x	-0.4	-0.4	-0.3	-0.4
USD/EUR exchange rate	1.09	1.08	1.08	1.12	1.12	1.12	1.13	1.10	1.10
<i>Annual change in %</i>									
Euro area GDP (real)	-8.7	+5.2	+3.3	-6.1	+2.9	-7.5	+4.7	-7.7	+6.3
U.S. GDP (real)	-6.4	+3.6	+2.1	-5.2	+5.1	-5.9	+4.7	-6.5	+4.9
World GDP (real)	-4.5	+6.0	+3.8	x	x	-3.0	+5.8	-3.5	+5.2
World trade	-12.7	+7.9	+4.5	x	x	-11.0	+8.4	-11.0	+7.5

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

¹ WIFO: GPD per hour worked.