

# Robust Recovery Remains Elusive

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

Christian Ragacs,  
Klaus Vondra<sup>1</sup>

## 1 Summary

In its economic outlook of June 2013, the Oesterreichische Nationalbank (OeNB) slightly revised downward the growth prospects for the Austrian economy largely owing to weaker demand for Austrian exports. The OeNB currently projects real GDP growth of 0.3% for 2013 and 1.5% for 2014, signifying a downward revision by 0.2 percentage points for each year from its outlook of December 2012. The OeNB does not expect the Austrian economy to return to long-term average growth of 1.8% before 2015.

Inflation, which rose during the second half of 2012, will ease over the coming months. After 2.0% in 2013, HICP inflation will hover just below 2% in the years to follow (2014: 1.7%; 2015: 1.8%). In 2013, the general government budget deficit will improve to 1.7% of GDP (2012: 2.5%) despite the sluggish economy (excluding any addi-

tional costs incurred by the “bank bailout package”). The OeNB expects a further reduction in general government deficit to 1.2% of GDP by 2015.

The crisis in the euro area rippled across to other regions in 2012, with a spillover effect on world GDP growth. In the U.S.A., automatic across-the-board spending cuts (also called “fiscal cliff”) took effect in early 2013. Although the growth momentum of Asian emerging economies also slowed in early 2013, they will continue to drive the growth of the world economy over the forecast horizon. In Japan, comprehensive measures for stimulating economic activity were implemented, which should strengthen both domestic and global growth in the forecast period. The crisis in the euro area affected countries in Central, Eastern and Southeastern Europe particularly badly.

Economic output in the euro area has been steadily contracting since the

Chart 1

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

Quarterly change in %



Source: Eurostat, OeNB.

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<sup>1</sup> Oesterreichische Nationalbank, Economic Analysis Division, christian.ragacs@oenb.at, klaus.vondra@oenb.at. In collaboration with Friedrich Fritzer, Ernest Gnan, Walpurga Köhler-Töglhofer, Lukas Reiss, Doris Ritzberger-Grünwald and Alfred Stiglbauer.

fourth quarter of 2011. This means the euro area slipped back into recession after the deep recession in 2009. In 2012, the continued crisis in southern euro area countries also spread to euro area members in Central and Northern Europe, causing an unexpected recession in some of these countries (the Netherlands, Belgium, Finland). But also the GDP growth of other European economies was adversely affected owing to their close economic integration with the euro area. Germany registered positive, albeit historically very low, real GDP growth in 2012 and the French economy stagnated. The “Cypriot crisis” and the temporary political deadlock stemming from the parliamentary elections in Italy triggered a renewed deterioration in sentiment in early 2013, which resulted in a further dampening of real economic momentum. Of the major European economies, only Germany currently has a positive growth outlook over the entire forecast period whereas France, Italy and Spain should expect economic output to contract at least in 2013. In addition, the economic outlook for many smaller euro area countries has markedly deteriorated in recent months (and also compared with the December 2012 outlook).

Austria was unable to avoid this development in Europe. Its economy has stopped growing since the second quarter of 2012. Sagging export growth was not sufficiently offset by domestic demand. The little export growth was primarily driven by services exports. Private consumption stagnated, and gross fixed capital formation – which is particularly sensitive to the economic cycle – shrank. This decline was fueled primarily by three factors: the European debt crisis, the related recession in Austria’s key sales countries and the resulting continued uncertainty about future

sales opportunities. By contrast, both domestic and external financing conditions developed extraordinarily favorably. With external conditions gradually improving, exports and investment will see a pronounced recovery from mid-2013 and, notably, in 2014 and 2015.

Despite unexpectedly dynamic employment growth when compared internationally, real private consumption in Austria stagnated in 2012, registering growth of just 0.2%. This phenomenon was attributable to inflation-induced weak real wage growth, which – as in previous years – dampened household income growth. This trend will continue also in 2013, which is why growth in private consumption demand is not expected to accelerate. Private consumption demand will not drive GDP growth again until real household income growth reaccelerates in the next few years. Household income growth did not in its entirety feed into consumption in 2012: households used a portion of this growth to increase the saving ratio, which had fallen in previous years. The saving ratio will remain at its 2012 level until end-2015.

Employment has further continued to grow robustly despite real GDP growth stagnating since spring 2012. Although growth in aggregate employment remained at 1.1% in 2012, its momentum has slowed recently. Despite the fragile economy, a further increase in payroll employment is projected for 2013, although it will be comparatively weak at 0.6%. In 2014, employment growth will be similarly dampened as in 2013 for economic reasons. Employment is not expected to regain momentum before 2015. Altogether (EU-8 as well as Bulgaria and Romania), a relatively smaller degree of inward migration is anticipated over the forecast period than has been registered since the liberalization of the labor market in

2011. Despite employment growth, unemployment also rose in 2012 owing to expanding labor supply. The unemployment rate will inch up slightly to 4.8% (2013) and 4.9% (2014), still boasting the lowest level in both the EU and the euro area.

The downtrend in HICP inflation evident since early 2013 will continue until year-end. The key factors for this decline remain, above all, steadily falling crude oil prices and sharply slowing wage cost growth. HICP inflation of 2.0% is projected for 2013. Inflation

Table 1

### OeNB June 2013 Outlook for Austria – Key Results<sup>1</sup>

	2012	2013	2014	2015
<b>Economic activity</b>				
<i>Annual change in % (real)</i>				
Gross domestic product	+0.8	+0.3	+1.5	+1.8
Private consumption	+0.2	+0.2	+0.9	+1.2
Government consumption	+1.0	+0.7	+1.3	+1.2
Gross fixed capital formation	+1.4	-0.5	+2.2	+2.7
Exports of goods and services	+1.4	+1.7	+4.4	+5.5
Imports of goods and services	+1.1	+1.3	+4.2	+5.4
<i>% of nominal GDP</i>				
Current account balance	+1.8	+2.3	+2.5	+2.7
<b>Contribution to real GDP growth</b>				
<i>Percentage points</i>				
Private consumption	+0.1	+0.1	+0.5	+0.6
Government consumption	+0.2	+0.1	+0.2	+0.2
Gross fixed capital formation	+0.3	-0.1	+0.4	+0.6
Domestic demand (excluding changes in inventories)	+0.6	+0.1	+1.2	+1.4
Net exports	+0.3	+0.3	+0.4	+0.4
Changes in inventories (including statistical discrepancy)	-0.1	-0.1	+0.0	+0.0
<b>Prices</b>				
<i>Annual change in %</i>				
Harmonised Index of Consumer Prices (HICP)	+2.6	+2.0	+1.7	+1.8
Private consumption expenditure (PCE) deflator	+2.9	+2.2	+1.6	+1.8
GDP deflator	+2.0	+1.8	+1.3	+1.6
Unit labor costs in the total economy	+3.3	+2.7	+0.9	+1.2
Compensation per employee (at current prices)	+2.9	+2.4	+2.0	+2.3
Productivity (whole economy)	-0.3	-0.2	+1.1	+1.1
Compensation per employee (real)	+0.1	+0.2	+0.4	+0.5
Import prices	+1.4	+0.6	+1.4	+1.5
Export prices	+1.3	+0.8	+1.3	+1.6
Terms of trade	-0.1	+0.2	-0.1	+0.1
<b>Income and savings</b>				
Real disposable household income	+0.7	+0.2	+0.9	+1.3
<i>% of nominal disposable household income</i>				
Saving ratio	7.7	7.7	7.7	7.7
<b>Labor market</b>				
<i>Annual change in %</i>				
Payroll employment	+1.2	+0.6	+0.4	+0.7
<i>% of labor supply</i>				
Unemployment rate (Eurostat definition)	4.4	4.8	4.9	4.9
<b>Budget</b>				
<i>% of nominal GDP</i>				
Budget balance (Maastricht definition)	-2.5	-1.7	-1.4	-1.2
Government debt	73.7	74.4	74.0	72.8

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

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

will ease to 1.7% in 2014 before ticking up slightly again to 1.8% in 2015 owing to cyclical developments.

The general government budget deficit remained constant at 2.5% of GDP in 2012. The rise in capital transfers to banks and the relatively vigorous increase in social benefits were almost offset by subdued growth in other expenditure and by a fairly sharp increase in receipts. Further structural improvements in the budget balance are expected over the forecast horizon, with the structural balance likely to stand at some –1% of GDP in 2015 (2012: some –1.5% of GDP).

## 2 Technical Assumptions

This forecast for Austria is the OeNB's contribution to the Eurosystem's June 2013 staff projections. The forecast horizon ranges from the first quarter of 2013 to the fourth quarter of 2015. May 15, 2013, was the cutoff date for data underlying the assumptions on global growth as well as interest rates, exchange rates and crude oil prices. The OeNB used its macroeconomic quarterly model to prepare the projections for Austria. The key data source comprised seasonally and working day-adjusted national accounts data computed by the Austrian Institute of Economic Research (WIFO), which were fully available up to the fourth quarter of 2012. The data for the first quarter of 2013 are based on GDP flash estimates, which cover only part of the aggregates in the national accounts, however. The short-term interest rates used for the forecast horizon are based on market expectations for the three-month EURIBOR, namely 0.2% in 2013, 0.3% in 2014 and 0.5% in 2015. Long-term interest rates, which are based on market expectations for ten-year government bonds, come to 1.8% (2013), 2.1% (2014) and 2.4% (2015).

The exchange rate of the euro vis-à-vis the U.S. dollar is assumed to stay constant at USD 1.31. The projected development of crude oil prices is based on futures prices. The oil price assumed for 2013 is therefore USD 105.5 per barrel of Brent, while the prices for 2014 and 2015 are set at USD 100.0 and USD 96.2, respectively. The prices of commodities excluding energy are also based on futures prices over the forecast period.

## 3 Euro Area Crisis Still Dampens World Economy

The euro area crisis again had a knock-on effect on the global economy in 2012, with global GDP growth (excluding the euro area) slowing from 4.3% (2011) to 3.6% (2012). Renewed financial distortions meant that the implemented monetary policy measures did not achieve their desired outcomes in many euro area countries. The Governing Council of the ECB therefore approved a program of outright monetary transactions (OMTs) in late summer 2012. Within the framework of OMTs, the Eurosystem – subject to strict conditionality – can make unlimited purchases in secondary sovereign bond markets of bonds issued by euro area countries. This program, together with other stabilization measures at a European level, brought a growing measure of calm on the financial markets. In particular, the sovereign bond markets steadied and both confidence and leading indicators improved. In early 2013, however, the political uncertainties stemming from Italy's parliamentary elections and the negotiations surrounding the Cypriot crisis triggered a renewed deterioration in sentiment. To counter the problems in the monetary policy transmission process that are still prevailing in certain Southern European countries (supply-side credit restrictions),

the ECB agreed on May 2, 2013, to lower its key interest rate by 0.25 percentage points to a historically low 0.5% and to contemplate further “unconventional monetary policy measures.” The economic upturn in Europe expected for mid-2013 remains marked by major uncertainties, however. The recovery of the global economy is proceeding at a modest pace and is being driven primarily by the emerging economies, as well as by the U.S.A. and Japan. GDP growth of the global economy excluding the euro area is not expected to gather significant momentum in 2013 as a whole (3.6%) and will not resume growing at a faster pace until 2014 (4.2%).

The U.S. economy – just like Europe – is hampered by fiscal consolidation constraints. The across-the-board U.S. government budget cuts, which took automatic effect in spring 2013, are currently dampening not only the U.S. economy but also global export demand. While the U.S. economy had regained momentum in the course of 2012 – accompanied by the real estate and labor market’s growing recovery – a slack fourth quarter in 2012 that was marked by a decline in defense expenditure briefly dampened this development. In the first quarter of 2013, however, the U.S. economy returned to relatively strong growth. The U.S. economic outlook for 2013 will be marked by muted consumption demand (both in the private and government sector) owing to the consolidation measures (GDP growth: 1.9%). For the next few years, however, forecasts predict a marked acceleration in growth (2014: 2.6%, 2015: 3.0%).

In addition to the aftermath of the tsunami disaster, Japan’s economy suffered from a strong yen and from sluggish international demand in 2011/12. In early 2013, the Japanese economy

staged a robust recovery following a temporary slump in growth in mid-2012. The unexpectedly high growth is attributable to the announcement of several economic stimulus packages and to the easing of monetary policy, resulting in a sharp depreciation of the yen. The Bank of Japan (BoJ) upgraded its inflation target from 1% (“goal”) to 2% (“target”) and announced an asset purchase program for buying securities as well as the introduction of quantitative and qualitative monetary easing. BoJ intends to meet the new price stability target as early as possible and no later than in two years’ time.

The Chinese and Indian economies unexpectedly lost steam in early 2013. This sluggishness is attributed to temporary factors, however. Structurally, both countries are still able to generate annual growth of 6% to 8%. In China, growth should regain momentum in the course of 2013, driven by housing investment, robust consumption growth and rapid credit growth. An upward growth path over the forecast period is also expected for India.

In 2012, economic momentum in Central, Eastern and Southeastern European (CESEE) countries lost considerable steam in view of Europe’s bleak economic climate. The recession in the euro area and tough international financing conditions dampened the economy markedly. Real GDP growth in the CESEE region slumped to only 1.1% and will fall just below 1% in 2013. However, this development diverges greatly, depending on the specific country concerned. While, for instance, the Baltic states, Slovakia and Poland generated positive growth, other CESEE countries (Hungary, Slovenia and the Czech Republic) were in recession. Growth in this region will reaccelerate in conjunction with the recovery of the euro area economy.

In the United Kingdom, the economy grew modestly in the first quarter of 2013 and is expected to recover only gradually, given still tight lending conditions, the need to reduce high levels of household debt and fiscal consolidation.

Owing to the sovereign debt crisis in Europe, the euro area slipped back into recession in 2012 (GDP growth:  $-0.5\%$ )<sup>2</sup>. Since mid-2011, the number of jobless persons has been rising steadily, with the unemployment rate standing at 12.1% in March 2013. The recession in peripheral countries is, however, also accompanied by a reduction in current account deficits. In view of the high level of uncertainty, companies in the euro area curtailed their investment considerably in 2012 and ran down their inventories. In addition to fiscal consolidation efforts, high unemployment and the related downward pressure on wages are dampening net household income. This is why even real consumer demand visibly plummeted again. Positive growth impetus came from net exports only. Growth remained negative in the first quarter of 2013 ( $-0.2\%$  on a quarterly basis). From the second half of 2013, GDP growth is expected to recover modestly, driven by domestic demand and growing import demand from countries outside the euro area. The recovery in domestic demand will be fueled by two factors: First, real income growth will accelerate owing to lower inflation. Second, historically extraordinarily low interest rates, an expected removal of supply-side credit restrictions and a looser fiscal policy compared with previous years should further the recovery of euro area economies. The OeNB there-

fore stands by its expectation of a gentle upturn from the second half of 2013. However, this upturn will prove to be only very modest and – as in previous years – remain dogged by vast disparities. In particular, the very high levels of unemployment in the countries especially badly hit by the crisis (Greece, Italy, Portugal, Slovenia, Spain and Cyprus) will barely fall – and in some instances even continue to rise.

In 2012, the crisis in the European periphery also spread to Central and Northern European countries, unexpectedly triggering recession in some countries (the Netherlands, Belgium, Finland). Neither Germany nor France – the two major euro area economies – managed to escape the effects of this development. Although Germany generated real GDP growth of 0.7% in 2012, economic output shrank unexpectedly sharply in the fourth quarter of 2012. The first quarter of 2013 was also unexpectedly weak owing to an excessively cold winter. Despite the European fiscal crisis, fundamental indicators of the German economy have continued to improve in recent years: competitiveness has increased, employment has been further boosted and unemployment has fallen steeply. Accordingly, the engine of current German GDP growth is private consumption. In 2013, Germany's economy will register positive, albeit historically low, GDP growth. With the recovery of the international economy and the related demand stimuli for exports, the German economy will regain momentum in the course of the year.

In France – unlike Germany – the economy stagnated in 2012 and even contracted in early 2013. Necessary

<sup>2</sup> Data relating to GDP growth, contributions to GDP growth, employment (national accounts, in real terms, seasonally adjusted and change against previous period) and inflation (change against same period of previous year) for the euro area and euro area countries are data provided by Eurostat unless specified otherwise.



fiscal consolidation measures are dampening the country's economic outlook. Sentiment barometers, as well as production data, are currently signaling a recession in 2013. A modest recovery is expected for 2014, nevertheless.

In Italy, economic output has been steadily declining since the third quarter of 2011 and it experienced a further pronounced drop in the first quarter of 2013. In addition to consolidation measures, political uncertainty is also likely to have dampened the economy. In view of this difficult situation, the Italian economy will not return to a positive – albeit only modest – growth path before 2014.

Spain was in recession in 2012 and is still suffering from a number of factors sapping domestic demand, in addition to the bleak international economic climate. The reduction of high levels of private debt accumulated in the wake

of the property bubble, necessary fiscal consolidation measures and the stringent lending policy of Spanish banks are having a negative impact on both short-term growth and medium-term growth prospects, as is particularly high (youth) unemployment. The recession is therefore expected to persist in 2013.

Greece was in deep recession for the fifth year in a row in 2012. Almost a quarter of its annual economic output has been lost since the start of the crisis in 2008. The adjustment process required is weighing heavily on the Greek economy. In addition to cuts in the wake of fiscal consolidation, the development of real household income was affected by falling wages and sharply rising unemployment. Youth unemployment has grown extraordinarily steeply in recent years. High levels of uncertainty and lending restrictions imply a further decline in investment.

Table 2

### Underlying Global Economic Conditions

	2012	2013	2014	2015
<b>Gross domestic product</b>				
<i>Annual change in % (real)</i>				
World GDP growth outside the euro area	+3.6	+3.6	+4.2	+4.4
U.S.A.	+2.2	+1.9	+2.6	+3.0
Japan	+2.0	+1.5	+1.4	+0.9
Asia excluding Japan	+5.9	+6.3	+6.9	+6.8
Latin America	+2.9	+3.2	+3.7	+3.8
United Kingdom	+0.3	+1.0	+1.8	+2.1
New EU Member States <sup>1</sup>	+1.1	+0.8	+2.2	+2.8
Switzerland	+1.0	+1.3	+1.6	+2.0
Euro area <sup>2</sup>	-0.5	-0.6	+1.1	x
<b>World trade (imports of goods and services)</b>				
World economy	+2.9	+3.1	+5.9	+6.8
Non-euro area countries	+4.2	+4.1	+6.5	+7.3
Real growth of euro area export markets	+3.6	+2.7	+5.6	+6.5
Real growth of Austrian export markets	+1.3	+1.6	+4.9	+5.8
<b>Prices</b>				
Oil price in USD/barrel (Brent)	112.0	105.5	100.0	96.2
Three-month interest rate in %	0.6	0.2	0.3	0.5
Long-term interest rate in %	2.4	1.8	2.1	2.4
USD/EUR exchange rate	1.28	1.31	1.31	1.31
Nominal effective exchange rate (euro area index)	98.91	99.92	100.57	100.57

Source: Eurosystem.

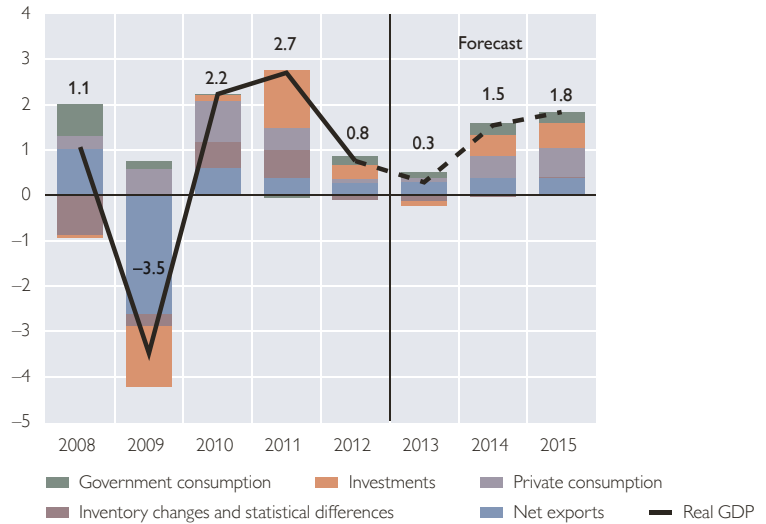
<sup>1</sup> Bulgaria, Czech Republic, Hungary, Latvia, Lithuania, Poland and Romania.

<sup>2</sup> 2013 to 2015: Results of the Eurosystem's June 2013 projections. The ECB publishes the projections as ranges based on historical forecast errors.

Chart 2

### Growth in 2014 and 2015 Driven by Domestic Demand and Net Exports

Real annual GDP growth and contributions to growth in percentage points



Source: Eurostat, OeNB.

This downward momentum is expected to lose steam by end-2013, however. Greek GDP will nevertheless shrink in 2013 and possibly continue to do so in 2014.

Portugal, like Greece, is struggling with adjustment problems, albeit comparatively smaller ones. 2012 saw the country in recession for the second year in a row. A ruling by Portugal's Constitutional Court struck down elements of the country's austerity package in spring 2013, which temporarily fanned even greater uncertainty. In view of further consolidation requirements, the recession is expected to persist in 2013 as well.

Ireland is likely to have the most painful adjustment measures behind it already: in 2012, the Irish economy registered growth for the second year in a row. Growth momentum is even expected to accelerate significantly by the end of the forecast horizon.

Cyprus applied for EU aid as early as summer 2012. Owing to the national elections in February 2013, however, it was not until end-March 2013 that there was political agreement at a European level about the size and form of the rescue package for Cyprus.

#### 4 Austria Can No Longer Avoid the Effects of the International Economic Downturn

In the wake of the economic crisis in Europe, Austrian GDP growth has stagnated since the second quarter of 2012. Sluggish export growth has not been sufficiently offset by domestic demand. This means the Austrian economy has been stagnating de facto for one year. Since the second quarter of 2012, quarterly growth has been fluctuating between +0.1% and -0.1%. Annual growth in 2012 nevertheless came to 0.8% thanks to still strong momentum at the start of year. From a demand-side

perspective, the first quarter of 2013 did not see any notable economic impetus from either domestic demand or net exports. Private consumption stagnated and gross fixed capital formation, which is sensitive to the economic cycle, shrank. By contrast, government consumption spending rose slightly. Export growth, which at least was still slightly positive (0.3%), seems to be primarily attributable to services exports. Goods exports have been stagnating since mid-2011. The OeNB projects very sluggish GDP growth of 0.3% for 2013 as a whole. In 2014 (1.5%) and 2015 (1.8%), GDP growth will be fueled by both domestic demand (all components) and net exports (see chart 2 and the remarks below).

#### 4.1 Austrian Exports Suffer from Slack European Demand

The dampening impact of Europe's sovereign debt crisis is reflected in domestic export growth, in particular. Real exports grew by only 1.4% in 2012. Export growth was fueled primarily by services exports, which have



proved to be relatively immune to the crisis. The breakdown of exports by region shows that demand from the euro area shrank in 2012. While both the intra- and extra-euro area exports of Austria developed along very similar lines in the crisis year of 2008/09 and in the subsequent upturn of 2010, intra-euro area exports have been stagnating since early 2011 and recently even declined. For 2014 and 2015, however, demand from the euro area for Austrian goods is expected to accelerate owing to the expected improvement in the economic situation.

In 2012, Austria gained minimal market shares owing to, inter alia, increased price competitiveness: the prices of Austrian exporters rose more slowly than those of their competitors in the international markets. For 2013, however, Austria is expected to win only a very small slice of the market. Over the remaining forecast period, however, the market shares won in 2012 and 2013 will shrink again primarily owing to a loss in price competitiveness with a lagged effect. The slump in com-

petitor prices is relatively sharp owing to the economic crisis.

On the strength of the current outlook, the OeNB expects export growth to have bottomed out in the fourth quarter of 2012. Exports should recover again, albeit at a slow pace. Still, for 2013 as a whole, the OeNB projects growth of only 1.7% (2012: 1.4%). Domestic export momentum is not expected to gain significant pace before end-2013 in tandem with the anticipated international recovery. In 2015, the international economy will have regained enough momentum to generate relatively robust export growth of 5.5%.

Import growth is largely determined by the development of exports and investment in equipment. In the light of sluggish export and investment growth, only very modest import growth of 1.3% is expected in 2013. Imports will continue to expand at a somewhat slower pace than exports over the remaining forecast period. As in 2011 and 2012, net exports will therefore make a positive contribution to GDP growth over the entire forecast period.

Table 3

### Growth and Price Developments in Austria's Foreign Trade

	2012	2013	2014	2015
<i>Annual change in %</i>				
<b>Exports</b>				
Competitor prices in Austria's export markets	+2.9	-0.3	+1.2	+1.5
Export deflator	+1.3	+0.8	+1.3	+1.6
Changes in price competitiveness	+1.5	-1.2	-0.1	-0.1
Import demand in Austria's export markets (real)	+1.3	+1.6	+4.9	+5.8
Austrian exports of goods and services (real)	+1.4	+1.7	+4.4	+5.5
Austrian market share	+0.2	+0.1	-0.4	-0.3
<b>Imports</b>				
International competitor prices in the Austrian market	+2.0	-0.1	+1.3	+1.6
Import deflator	+1.4	+0.6	+1.4	+1.5
Austrian imports of goods and services (real)	+1.1	+1.3	+4.2	+5.4
<b>Terms of trade</b>	-0.1	+0.2	-0.1	+0.1
<i>Percentage points of real GDP</i>				
<b>Contribution of net exports to GDP growth</b>	+0.3	+0.3	+0.4	+0.4

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

Table 4

### Austria's Current Account

	2012	2013	2014	2015
	% of nominal GDP			
<b>Balance of trade</b>	2.5	2.8	2.8	3.0
Balance of goods	-2.2	-2.1	-2.1	-1.8
Balance of services	4.7	4.9	4.9	4.8
<b>Balance on income</b>	-0.1	0.2	0.3	0.4
<b>Balance on current transfers</b>	-0.6	-0.7	-0.6	-0.6
<b>Current account</b>	1.8	2.3	2.5	2.7

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

Owing to surpluses in trade in services, Austria has consistently recorded surpluses in the trade balance since 1998. Prior to the financial and economic crisis, even the traditionally negative balance of goods had at times moved into the black. However, the balance of goods suffered a significant and sustained deterioration owing to weak demand for goods exports in the wake of the crisis. By contrast, the services balance looks conspicuously immune to crisis and is following a steady uptrend. This is in part owed to the Austrian tourist sector's excellent growth.<sup>3</sup> The contribution of business-related services to the services balance (+EUR 7.8 billion) was even larger than that of tourism (+EUR 6.8 billion) in 2012. Overall, a current account surplus of 1.8% of GDP was generated in 2012. Furthermore, net external financial liabilities, which had historically accumulated, were completely settled for the first time in 2012. In other words, this means Austria has a small amount of net external assets (positive net external asset position) of EUR 1.5 billion. The anticipated pick-up in export activity will further strengthen the current account in con-

junction with the reduction of the deficit in the balance of goods.

#### 4.2 Investment will Contract in 2013

In 2011, real gross fixed capital formation – fueled primarily by investments of the automotive industry which were driven by the investment backlog following the crisis – generated growth of 6.3%, its highest level since 1988. In early 2012, however, investment momentum slowed significantly owing to the tough economic climate. Since the second quarter of 2012, investment activity has declined on a quarterly basis. In 2012 as a whole, however, gross fixed capital formation registered growth of 1.4%. The contraction of gross capital formation during 2012 was driven by particularly cyclically-sensitive investment in equipment. By contrast, housing investment registered positive, albeit extremely sluggish, growth. Gross fixed capital formation continued to contract in the first quarter of 2013.

This contraction was driven primarily by three factors: the European debt crisis, the accompanying recession in Austria's key sales countries and the resulting continued uncertainty about

<sup>3</sup> The best performance to date since records began was registered in the winter season of 2012/13 (November 2012 to April 2013). All current account data: preliminary OeNB calculations.

future sales opportunities. By contrast, both internal and external financing conditions developed extraordinarily favorably.<sup>4</sup> This situation suggests investment activity will bounce back quickly as the international economic environment improves. Average interest rates for corporate loans already fell markedly in 2012 and, at a nominal average of 2.1%, led to real interest rates around zero in the second half of 2012. In addition, major domestic companies can also finance themselves via securities issues, which accounted for 45% of total external financing in 2012. Austrian companies also have considerable funds for internal financing purposes. The corporate sector posted a financing surplus of EUR 0.5 billion in 2012 and has been a net provider of capital since 2009. According to financial asset statistics, deposits have reached nearly EUR 60 billion. Although banks have steadily slightly tightened their

credit standards for corporate loans since mid-2011, this behavior has so far been reflected primarily in lending conditions (interest margin, required collateral and additional/ancillary agreements) and not in the lending volumes. Growth in corporate lending slowed significantly during 2012, yet remained positive.

Despite continued favorable financing conditions in 2013, sluggish investment activity is likely to persist in the first half of 2013. The order books expanded toward the middle of the year. With the expected gradual improvement in external macroeconomic conditions, investment activity will also recover in the second half of 2013 and, especially, in 2014 and 2015. Owing to still below-average capacity utilization, gross fixed capital investment is expected to contract in 2013 as a whole (–0.5%). However, it will expand substantially again in 2014 (2.2%) and

Table 5

### Investment Activity in Austria

	2012	2013	2014	2015
<i>Annual change in %</i>				
Total gross fixed capital formation	+1.4	–0.5	+2.2	+2.7
<i>of which: Investment in plant and equipment</i>	+1.0	+0.1	+3.0	+3.4
Residential construction investment	+3.1	+0.4	+1.2	+1.1
Nonresidential construction investment and other investment	+1.1	–0.7	+1.8	+2.7
Government investment	+1.3	+3.9	+3.9	+3.9
Private investment	+1.4	–0.7	+2.1	+2.6
<i>Contribution to total gross fixed capital formation growth in percentage points</i>				
Investment in plant and equipment	+0.4	+0.1	+1.2	+1.4
Residential construction investment	+0.6	+0.1	+0.2	+0.2
Nonresidential construction investment and other investment	+0.4	–0.3	+0.7	+1.0
Government investment	+0.1	+0.2	+0.2	+0.2
Private investment	+1.4	–0.7	+2.0	+2.5
<i>Contribution to real GDP growth in percentage points</i>				
Inventory changes	–0.1	+0.0	+0.0	+0.0

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

<sup>4</sup> For a detailed overview of the financing situation, see Andreasch, M. 2013. Geldvermögensbildung und Finanzierung des privaten Sektors im Jahr 2012. In: Statistiken – Daten und Analysen Q2/13. OeNB. 30–38.

2015 (2.7%). While cyclically sensitive investment in equipment will stagnate in 2013, civil engineering will decline fairly sharply by comparison, owing to the small order book of quasi-public infrastructure companies. Following sharp slumps in previous years, government investment will grow by almost 4% per year over the forecast period. At around 5%, however, its share as a percentage of total investment is very small. In 2014, investment momentum will be fueled by investment in equipment and civil engineering. Housing approvals do not currently indicate any

appreciable increase in housing investment. Despite very low interest rates and rising house prices, housing investment momentum will remain fairly modest over the forecast period.

### 4.3 Private Consumption Remains Sluggish

Payroll employment rose by 1.1% in 2012. Given the favorable employment situation by international comparison, the sluggish private consumption that has been observed for one year now is surprising. In real terms, private consumption grew by a mere 0.2% in 2012

Box 1

#### Development of Public Sector Finances from 2012 to 2015<sup>1</sup>

As in 2011, the general government budget deficit also stood at 2.5% of GDP in 2012. The extremely steep rise in capital transfers to banks (from 0.2% to 0.9% of GDP) and the relatively vigorous increase in social benefits were offset by subdued growth in other expenditure and by a good development receipts despite the sluggish economy. This robust growth in receipts was fueled by some smaller measures stipulated under the previous two consolidation packages and, particularly, by a sizeable increase in income from VAT and wage-related taxes arising from the high wage agreements and continued strong employment growth.

Further structural improvements in the budget balance are anticipated over the forecast period; this projection applies to the current year, in particular. In 2015, Austria should therefore be only some ½% of GDP off the target value of -0.45% of GDP for the structural budget balance. This phenomenon is attributable to two factors: first, consolidation measures implemented in 2012 such as wage freeze in large parts of the public sector, the indexation of pensions below the previous rate of inflation as well as various smaller measures on the revenue side and, second, the nominal fixing of both wage and income tax brackets (“bracket creep”).

However, the forecast of headline budget balance development is subject to considerable uncertainty. In addition to economic risks, key factors for this uncertainty are particularly the financial and statistical effects of potential financial stabilization measures (“bank bailout package”). The headline budget balance forecast presented in table 1 only includes the EUR 1.15 billion (~0.4% of GDP) already accounted for in the 2013 federal budget. The time<sup>2</sup> and amount of potential additional transfers to banks were still not assessable at the time of this publication’s editorial deadline.

The bailout programs for Spain and Cyprus are financed via the European Stability Mechanism (ESM). Austria’s payments into the ESM were already included in the OeNB December forecast of 2012. The impact of the management of the euro area crisis on Austria’s deficit and debt thus remains almost unchanged compared with the OeNB forecast of December 2012.

<sup>1</sup> Prepared by Lukas Reiss, Economic Analysis Division, lukas.reiss@oenb.at.

<sup>2</sup> The time of recording a transfer in the national accounts may differ from that of recording a transfer on bank balance sheets. The debtor warrant by KA Finanz AG, which was reflected in its balance sheet in 2009, was recorded in Austria’s federal budget deficit and debt only in 2010, while the measures implemented due to the Greek PSI (capital increase, shareholder contribution and guarantees), which were reflected on the balance sheet in 2011, were recorded only in 2012.

as a whole (2011: 0.9%).<sup>6</sup> On a quarterly basis, real private consumer spending has been stagnating for five quarters. If one looks at the fragile development of real disposable household income, which has barely risen since 2009, this situation is no longer surprising, however. Real disposable household income stagnated in 2009 and then declined in the subsequent two years. It did not return to growth until 2012 and then at a below-average rate of 0.7% (average growth from 2000 to 2011: 1.2%). This development was primarily attributable to sluggish real wage growth, which was negative in both 2010 and 2011 and only marginally positive in 2012 (0.2%).<sup>5</sup> Including so-called bracket creep, real wages per employee also fell in 2012.

Though inflation will ease in 2013, owing to the economic crisis, also all income components will grow more sluggishly than in 2012 (compensation, property income, mixed income and

operating surpluses).<sup>6</sup> In particular, investment income growth is projected to slow significantly owing to historically low interest rates. This means real disposable household income will also virtually stagnate in 2013 (0.2%). A return to growth in 2014 will almost wholly result from a drop in inflation and not from a rise in nominal income. Real disposable household income is not expected to approach historically average values again until 2015.

Given the expectation that real disposable household income will almost stagnate, growth in private real consumer spending is not projected to accelerate in 2013. Only once both real disposable household income and employment increase substantially will private consumption fuel GDP growth again in 2014 and 2015. Since the outbreak of the global financial and economic crisis, forms of income with a small marginal propensity to consume have become less important in relative

Table 6

### Determinants of Nominal Household Income in Austria

	2012	2013	2014	2015
<i>Annual change in %</i>				
Payroll employment	+1.2	+0.6	+0.4	+0.7
Wages per employee	+2.9	+2.4	+2.0	+2.3
Compensation of employees	+4.2	+3.0	+2.5	+3.0
Property income	+9.9	+1.7	+3.8	+3.9
Mixed income and operating surplus, net	+3.0	+2.1	+4.9	+4.8
<i>Contribution to disposable household income growth in percentage points</i>				
Compensation of employees	+3.5	+2.6	+2.1	+2.6
Investment income	+0.9	+0.2	+0.4	+0.4
Mixed income and operating surplus, net	+0.6	+0.4	+1.0	+1.0
Net transfers minus direct taxes <sup>1</sup>	-1.6	-0.8	-1.0	-0.8
Disposable household income (nominal)	+3.5	+2.4	+2.5	+3.1

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

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

<sup>5</sup> *Negative wage drift, which is derived from the differences between collective wage agreements and actually disbursed wages owing to shifts in employment to differently remunerated economic sectors, changes in the share of part-time employees, changes in overpayments and changes in overtime worked, is taken into consideration here. Negative wage drift occurs when growth in negotiated wages exceeds growth in actual wages.*

<sup>6</sup> *For the projected development in payroll income, see section 6.*

Table 7

### Private Consumption in Austria

	2012	2013	2014	2015
<i>Annual change in %</i>				
Disposable household income (nominal)	+3.5	+2.4	+2.5	+3.1
Private consumption expenditure (PCE) deflator	+2.9	+2.2	+1.6	+1.8
Disposable household income (real)	+0.7	+0.2	+0.9	+1.3
Private consumption (real)	+0.2	+0.2	+0.9	+1.2
<i>% of nominal disposable household income</i>				
Saving ratio	7.7	7.7	7.7	7.7

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

terms, especially property income. This situation led to a notable decrease in the saving ratio to 7.4% by 2011. In 2012, both investment income and the saving ratio (7.7%) were up once more. This increase is also likely to have been induced by higher precautionary saving. The saving ratio is expected to develop steadily for the period from 2013 to 2015.

### 5 Very Healthy Labor Market Situation Deteriorates Slightly

Robust employment growth, which had commenced with the liberalization of the labor market vis-à-vis Eastern European EU Member States (except for Bulgaria and Romania), continued

despite real GDP stagnating since spring 2012. Although employment growth increasingly lost steam compared with 2011, aggregate employment growth stood at a still healthy 1.1% (some +45,000 persons) in 2012 as a whole<sup>7</sup> and the number of payroll employees rose by 1.1% (some +44,000 persons). This development also continued in the first quarter of 2013. Companies are reacting to the economic slowdown primarily by laying off temporary workers, whose numbers have been steadily falling since April 2012. The number of jobless persons (+14,000) and persons currently undergoing occupational re-training (+3,400) increased in parallel with the rise in employment.

Table 8

### Labor Market Developments in Austria

	2012	2013	2014	2015
<i>Annual change in %</i>				
<b>Total employment</b>	+1.1	+0.5	+0.5	+0.7
of which: Payroll employment	+1.2	+0.6	+0.4	+0.7
Self-employment	+0.2	+0.1	+0.7	+1.0
Public sector employment	-0.2	-0.1	-0.1	-0.1
Registered unemployment	+6.8	+11.1	+3.3	-0.7
Labor supply	+1.4	+1.0	+0.6	+0.6
<i>% of labor supply</i>				
<b>Unemployment rate (Eurostat definition)</b>	4.4	4.8	4.9	4.9

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

<sup>7</sup> 2012 also saw a steep rise in the number of hours worked (+0.8%), which means employment growth is not only attributable to the increase in the number of part-time employees or to the reduction in overtime or time credits.



In the first few months of 2013, unemployment continued to grow, in part, for weather-related reasons. The number of vacancies reported fell, thereby signaling a further cooling on the labor market. At 4.4%, however, the Austrian unemployment rate (Eurostat definition) remained the lowest in the EU in 2012 – despite the 0.2 percentage point rise on the previous year.

Despite the still weak economy, further payroll employment growth, which will however be comparatively weak, is expected for 2013 (0.6%; +21,000 persons). In 2014, employment growth will be similarly subdued because of the economic development (0.4%; +16,000 persons). Somewhat more robust growth is not anticipated again before 2015 (0.7%; +25,000 persons).

Labor supply (the number of people in employment plus the registered unemployed) rose steeply in both 2011 and 2012 (+60,000 persons, respectively). A key factor behind this phenomenon was the complete opening up of the Austrian labor market in May 2011 to workers from the eight new EU Member States (EU-8).<sup>8</sup> From April 2011 to March 2013, labor supply from these countries increased by some 60,000 persons, with external labor supply expanding by a total of some 90,000.<sup>9</sup> The momentum of inward migration from these countries is expected to slow over the rest of the forecast period. On January 1, 2014, the Austrian labor market will be opened up to workers from Bulgaria and Romania. Since a daily commute from these two countries is not feasible and the currently much weaker economy is limiting demand for additional labor, labor supply growth expected from this liberalization measure is forecast to be lower

than that generated by workers coming from Austria's immediate Eastern neighbors. This forecast estimates the effects of the second labor market opening with labor supply growing by 10,000 persons (in 2014 and 2015). Altogether (EU-8 plus Bulgaria and Romania), the impact of labor market liberalization in 2014 and 2015 will be smaller than in 2011 and 2012. Labor supply will, additionally, be influenced by the growing labor force participation of more mature domestic workers over the forecast period.

As a result of the aforementioned developments in labor supply and demand, the unemployment rate will climb markedly to 4.8% (2013) and 4.9% (2014), at which level it will remain in 2015.

## 6 Inflation Eases Significantly

Austria's HICP inflation, which had peaked at 3.6% during 2011, eased to 2.6% in 2012 and stood most recently (April 2013) at 2.1%. This decline was primarily attributable to both the energy and food sector. All other HICP core components (services and industrial goods excluding energy) have also exhibited falling inflation rates since the end of 2012, although their influence on the way inflation developed was less pronounced.

The downtrend in HICP inflation evident since early 2013 will persist until year-end. This is primarily attributable to the still steadily tumbling crude oil prices as well as considerably slowing wage cost growth. In addition, GDP growth will develop below potential over the forecast period. Energy, services and food (among other sectors) are forecast to make smaller contributions to inflation in the next few years. HICP inflation is expected to ease to

<sup>8</sup> Slovenia, Slovakia, Poland, the Czech Republic, Hungary, Estonia, Latvia and Lithuania.

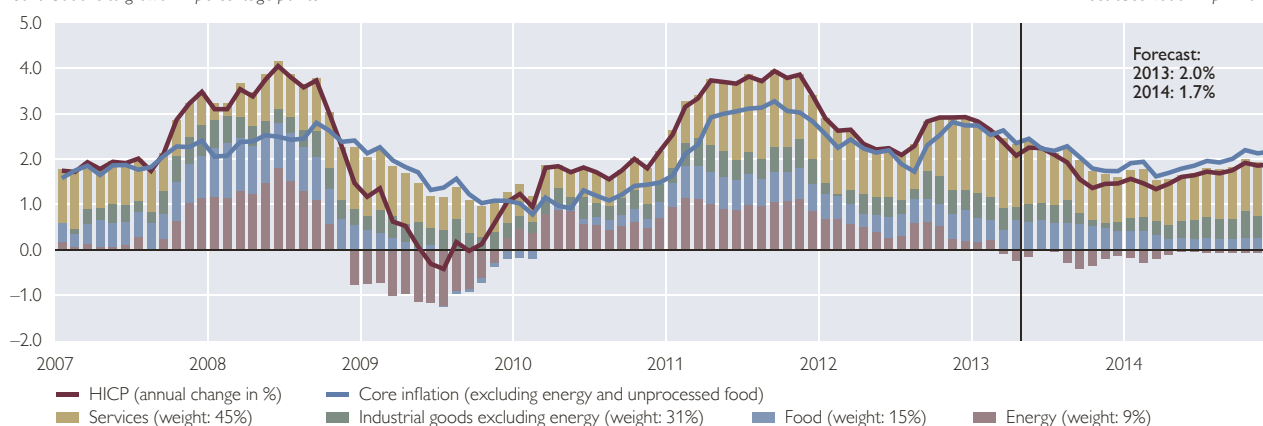
<sup>9</sup> Source: BALI database, not seasonally adjusted.

Chart 3

### HICP Inflation and Contributions of Subcomponents

Contributions to growth in percentage points

Last observation: April 2013



Source: OeNB (June 2013 NIPE), Statistics Austria.

2.0% in 2013 and to 1.7% in 2014 before slightly ticking up again to 1.8% in 2015 owing to the health of economy. Core inflation (excluding energy and unprocessed food) will drop from 2.2% (2013) to 1.9% (2014) and will exceed headline inflation. This phenomenon is attributable to (in the medium term) above-average inflation in the services

sector, which is currently largely unaffected by the crisis. The surge in prices in the services sector also explains the current difference vis-à-vis the development of inflation in Germany.

Wage agreements for 2013 indicate an average increase in collectively agreed private-sector wages of 3.0%, thus falling short of the level for 2012 (3.4%).

Table 9

### Selected Price and Cost Indicators for Austria

	2012	2013	2014	2015
Annual change in %				
Harmonised Index of Consumer Prices (HICP)	+2.6	+2.0	+1.7	+1.8
HICP energy	+5.1	-1.4	-1.2	-0.1
HICP excluding energy	+2.3	+2.4	+1.9	+2.0
Private consumption expenditure (PCE) deflator	+2.9	+2.2	+1.6	+1.8
Investment deflator	+1.8	+1.5	+1.2	+1.3
Import deflator	+1.4	+0.6	+1.4	+1.5
Export deflator	+1.3	+0.8	+1.3	+1.6
Terms of trade	-0.1	+0.2	-0.1	+0.1
GDP at factor cost deflator	+2.0	+0.8	+1.4	+1.6
Unit labor costs	+3.3	+2.7	+0.9	+1.2
Compensation per employee	+2.9	+2.4	+2.0	+2.3
Labor productivity	-0.3	-0.2	+1.1	+1.1
Collectively agreed wage settlements	+3.3	+2.6	+2.1	+2.3
Profit margins <sup>1</sup>	-1.3	-1.9	+0.4	+0.4

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

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

For the public sector, a wage freeze agreed under the consolidation package entered into force in 2013. For the economy as a whole, therefore, collectively agreed wages are assumed to rise by 2.6% in 2013. Since overpayments are dependent on the economy, they are forecast to decline in 2013, resulting in a negative wage drift of 0.3 percentage points. With a projected increase in compensation per employee by 2.4%, real wage growth will amount to 0.4%, resulting in a considerable narrowing of corporate profit margins. Owing to a downtick in inflation, aggregate wage settlements of only 2.1% are projected for 2014. Collectively agreed wages should rise again slightly in 2015. Growth in unit labor costs will decelerate markedly and fall short of the increase in the GDP deflator in 2014 and 2015, which means corporate profit margins will turn positive again. The output gap will remain negative over the entire forecast horizon, which means no price pressures should arise on the domestic production front.

## **7 Broadly Balanced Forecast Risks**

This forecast represents the most likely way, from a current perspective, the Austrian economy will develop in the period from 2013 to 2015. There are, however, a number of factors which represent upside and downside risks to the economy. As with the OeNB December 2012 outlook, the outlook for the euro area – and therefore also partly for the world economy – is based on a “muddling through” scenario. The sovereign debt crisis in the euro area is not expected to worsen or be quickly resolved in the short term. As with the OeNB December 2012 outlook, developments in the euro area still remain the most significant risk, however. Since July 2012 and, especially, since

the implementation of the OMT program, the markets hardly see any risk of a dramatic deterioration in the euro area situation anymore. As a result, the financial markets – especially, the sovereign bond markets – have stabilized considerably, and refinancing costs on the bond markets have fallen accordingly. Nonetheless, it cannot be ruled out that the European countries affected by the crisis are not implementing the necessary structural reforms and consolidation measures in their entirety or that extraordinarily high unemployment in many of the countries concerned will give rise to further problems. As a consequence renewed investor uncertainty could raise risk premiums again.

By contrast, speedier reform in the countries concerned may also bring about a faster-than-expected recovery. Apart from a number of potential geopolitical hotspots, the most significant external risk is currently posed by the U.S.A. Although the effects of the fiscal cliff are included in a good part of this forecast, fiscal contraction might also have larger negative repercussions on the U.S. economy.

Domestic demand in Austria also poses slight upside risks. Owing to the healthy corporate profit situation, investment growth may also prove faster and higher if sales expectations rise. This situation also poses an upside risk to employment. In addition, consumers, in response to easing inflation, could more strongly boost their private consumption growth by lowering the saving ratio.

The short to medium-term risks to inflation are balanced. The balanced risk to the global economy means a balanced risk to price development. Should geopolitical risks materialize, they might fuel inflation via higher commodity prices.

## 8 New External Assumptions since the December 2012 Outlook Tending to Curb Growth

The external economic environment has further deteriorated since the OeNB December 2012 outlook. The underlying assumptions on the growth of both Austrian export markets and world trade had to be significantly revised downward (2013: –1.1 percentage points, 2014: –1.0 percentage points). Although oil prices changed only slightly against December 2012, the ECB’s expansionary monetary policy resulted in lower long-term interest rates compared with December, which in turn had an energizing effect on the economy. Compared with OeNB December 2012 outlook, the underlying assumptions on exchange rate developments remained almost unchanged.

The effects of these new external assumptions were simulated using the OeNB macroeconomic model. Table 11

lists the reasons for revising the outlook in detail. Apart from the effects of changed external assumptions, they are attributable to the impact of new data and to a residual. The influence of new data includes the effects of the revisions of both the historical data already available at the time of the previous economic outlook (i.e. data up to the third quarter of 2012) and the forecasting errors of the previous outlook for the periods now published for the first time (i.e. data for the fourth quarter of 2012 and the first quarter of 2013). The residual includes new expert opinions regarding the development of domestic variables, such as government consumption or wage settlements, as well as any changes to the model.

The downward revision for 2013 by 0.2 percentage points is explicable by new data, changed external assumptions and the short-term forecast. The carry-over effect is now slightly negative, and growth in the first quarter of 2013

Table 10

### Change in the External Economic Conditions since the OeNB December 2012 Outlook

	June 2013		December 2012		Difference	
	2013	2014	2013	2014	2013	2014
<i>Annual change in %</i>						
Growth of Austria's export markets	+1.6	+4.9	+2.7	+5.9	–1.1	–1.0
Competitor prices in Austria's export markets	–0.3	+1.2	+1.6	+1.5	–1.9	–0.3
Competitor prices in Austria's import markets	–0.1	+1.3	+1.4	+1.5	–1.5	–0.2
<i>USD per barrel (Brent)</i>						
Oil price	105.5	100.0	105.0	100.5	+0.5	–0.5
<i>Annual change in %</i>						
Nominal effective exchange rate (exports)	–0.9	+0.0	+0.3	+0.0	–1.2	+0.0
Nominal effective exchange rate (imports)	–0.5	+0.0	+0.2	+0.0	–0.7	+0.0
%						
Three-month interest rate	0.2	0.3	0.2	0.3	+0.0	+0.0
Long-term interest rate	1.8	2.1	2.1	2.5	–0.3	–0.4
<i>Annual change in %</i>						
U.S. GDP (real)	+1.9	+2.6	+1.9	+2.6	+0.0	+0.0
<i>USD/EUR</i>						
USD/EUR exchange rate	1.31	1.31	1.28	1.28	+0.03	+0.03

Source: Eurosystem.

is marginally weaker than had been expected in December 2012. From a purely technical perspective, the external assumptions alone would induce a downward revision by 0.3 percentage points. By contrast, the short-term forecast is almost unchanged, however. The downward revision of growth for 2014 by also 0.2 percentage points is

partly attributable to the more unfavorable external assumptions (–0.4 percentage points). The inflation outlook has deteriorated slightly despite the downward revision of the growth outlook. The upward revision for 2013 is explicable primarily by unexpectedly higher inflation in the services sector in early 2013.

Table 11

### Breakdown of Forecast Revisions

	GDP		HICP	
	2013	2014	2013	2014
	<i>Annual change in %</i>			
June 2013 outlook	+0.3	+1.5	+2.0	+1.7
December 2012 outlook	+0.5	+1.7	+1.7	+1.6
Difference	–0.2	–0.2	+0.3	+0.1
	<i>Percentage points</i>			
Due to:				
External assumptions	–0.3	–0.4	+0.0	+0.0
New data	–0.1	+0.0	+0.2	+0.0
of which: Revision of historical data until Q3 12	+0.0	+0.0	+0.0	+0.0
Projection errors for Q4 11 and Q1 13	–0.1	+0.0	+0.2	+0.0
Other <sup>1</sup>	+0.2	+0.2	+0.1	+0.1

Source: OeNB June 2013 and December 2012 outlooks.

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

## Annex: Detailed Result Tables

Table 12

### Demand Components (Real Prices)

Chained volume data (reference year = 2005)

	2012	2013	2014	2015	2012	2013	2014	2015
	EUR million				Annual change in %			
Private consumption	144,569	144,855	146,223	147,987	+0.2	+0.2	+0.9	+1.2
Government consumption	49,914	50,262	50,936	51,571	+1.0	+0.7	+1.3	+1.2
Gross fixed capital formation	56,804	56,530	57,755	59,296	+1.4	-0.5	+2.2	+2.7
of which: Investment in plant and equipment	23,201	23,232	23,924	24,730	+1.0	+0.1	+3.0	+3.4
Residential construction investment	11,447	11,493	11,625	11,759	+3.1	+0.4	+1.2	+1.1
Investment in other construction	22,138	21,976	22,378	22,978	+1.1	-0.7	+1.8	+2.7
Changes in inventories (including statistical discrepancy)	4,468	4,103	4,015	4,104	x	x	x	x
Domestic demand	255,754	255,747	258,925	262,955	+0.5	+0.0	+1.2	+1.6
Exports of goods and services	156,638	159,304	166,383	175,496	+1.4	+1.7	+4.4	+5.5
Imports of goods and services	140,690	142,577	148,633	156,698	+1.1	+1.3	+4.2	+5.4
Net exports	15,948	16,719	17,741	18,789	x	x	x	x
<b>Gross domestic product</b>	<b>271,702</b>	<b>272,482</b>	<b>276,682</b>	<b>281,760</b>	<b>+0.8</b>	<b>+0.3</b>	<b>+1.5</b>	<b>+1.8</b>

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

Table 13

### Demand Components (Current Prices)

	2012	2013	2014	2015	2012	2013	2014	2015
	EUR million				Annual change in %			
Private consumption	168,512	172,596	176,932	182,275	+3.1	+2.4	+2.5	+3.0
Government consumption	58,444	59,709	61,514	63,392	+3.7	+2.2	+3.0	+3.1
Gross fixed capital formation	66,340	66,985	69,267	72,008	+3.3	+1.0	+3.4	+4.0
Changes in inventories (including statistical discrepancy)	4,752	4,062	3,991	4,154	x	x	x	x
Domestic demand	298,048	303,353	311,704	321,829	+2.6	+1.8	+2.8	+3.2
Exports of goods and services	176,898	181,368	191,866	205,596	+2.8	+2.5	+5.8	+7.2
Imports of goods and services	165,916	169,091	178,750	191,347	+2.5	+1.9	+5.7	+7.0
Net exports	10,982	12,276	13,116	14,250	x	x	x	x
<b>Gross domestic product</b>	<b>309,030</b>	<b>315,629</b>	<b>324,820</b>	<b>336,078</b>	<b>+2.8</b>	<b>+2.1</b>	<b>+2.9</b>	<b>+3.5</b>

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



Table 14

## Deflators of Demand Components

	2012	2013	2014	2015	2012	2013	2014	2015
	2005 = 100				Annual change in %			
Private consumption	116.6	119.1	121.0	123.2	+2.9	+2.2	+1.6	+1.8
Government consumption	117.1	118.8	120.8	122.9	+2.7	+1.5	+1.7	+1.8
Gross fixed capital formation	116.8	118.5	119.9	121.4	+1.8	+1.5	+1.2	+1.3
Domestic demand (excluding changes in inventories)	116.7	118.9	120.7	122.7	+2.6	+1.9	+1.5	+1.7
Exports of goods and services	112.9	113.8	115.3	117.1	+1.3	+0.8	+1.3	+1.6
Imports of goods and services	117.9	118.6	120.3	122.1	+1.4	+0.6	+1.4	+1.5
Terms of trade	95.8	96.0	95.9	95.9	-0.1	+0.2	-0.1	+0.1
<b>Gross domestic product</b>	<b>113.7</b>	<b>115.8</b>	<b>117.4</b>	<b>119.3</b>	<b>+2.0</b>	<b>+1.8</b>	<b>+1.3</b>	<b>+1.6</b>

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

Table 15

## Labor Market

	2012	2013	2014	2015	2012	2013	2014	2015
	Thousands				Annual change in %			
Total employment	4,184.3	4,205.6	4,225.5	4,255.4	+1.1	+0.5	+0.5	+0.7
of which: Private sector employment	3,653.4	3,675.2	3,695.9	3,726.3	+1.3	+0.6	+0.6	+0.8
Payroll employment (national accounts definition)	3,635.5	3,656.1	3,672.3	3,696.8	+1.2	+0.6	+0.4	+0.7
	% of labor supply							
Unemployment rate (Eurostat definition)	4.4	4.8	4.9	4.9	x	x	x	x
	EUR per real output unit x 100							
Unit labor costs (whole economy) <sup>1</sup>	65.4	67.1	67.8	68.6	+3.3	+2.7	+0.9	+1.2
	EUR thousand per employee							
Labor productivity (whole economy) <sup>2</sup>	64.9	64.8	65.5	66.2	-0.3	-0.2	+1.1	+1.1
	EUR thousand							
Real compensation per employee <sup>3</sup>	36.4	36.5	36.7	36.9	+0.1	+0.2	+0.4	+0.5
	At current prices in EUR thousand							
Gross compensation per employee	42.5	43.5	44.4	45.4	+2.9	+2.4	+2.0	+2.3
	At current prices in EUR million							
Total gross compensation of employees	154,388	159,055	162,966	167,876	+4.2	+3.0	+2.5	+3.0

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

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

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

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

Table 16

## Current Account

	2012	2013	2014	2015	2012	2013	2014	2015
	EUR million				% of nominal GDP			
<b>Balance of trade</b>	7,737.0	8,971.4	9,162.3	9,995.9	2.5	2.8	2.8	3.0
Balance of goods	-6,931.0	-6,550.5	-6,792.6	-6,148.9	-2.2	-2.1	-2.1	-1.8
Balance of services	14,668.0	15,521.9	15,954.8	16,144.8	4.7	4.9	4.9	4.8
<b>Balance on income</b>	-279.0	555.8	930.1	1,226.6	-0.1	0.2	0.3	0.4
<b>Balance on transfers</b>	-1,992.0	-2,136.1	-2,084.2	-2,128.1	-0.6	-0.7	-0.6	-0.6
<b>Current account</b>	5,466.0	7,391.1	8,008.2	9,094.4	1.8	2.3	2.5	2.7

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

Table 17

## Quarterly Outlook Results

	2013	2014	2015	2013				2014				2015			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Prices, wages and costs</b>															
<i>Annual change in %</i>															
HICP	+2.0	+1.7	+1.8	+2.6	+2.2	+1.9	+1.4	+1.5	+1.6	+1.7	+1.9	+1.7	+1.8	+1.8	+1.8
HICP (excluding energy)	+2.4	+1.9	+2.0	+2.8	+2.5	+2.3	+1.8	+1.8	+1.8	+2.0	+2.2	+1.9	+2.0	+2.0	+2.0
Private consumption expenditure (PCE) deflator	+2.2	+1.6	+1.8	+2.8	+2.4	+2.0	+1.7	+1.4	+1.5	+1.6	+1.7	+1.7	+1.8	+1.8	+1.9
Gross fixed capital formation deflator	+1.5	+1.2	+1.3	+1.7	+1.5	+1.4	+1.3	+1.2	+1.2	+1.2	+1.2	+1.2	+1.2	+1.3	+1.3
GDP deflator	+1.8	+1.3	+1.6	+2.8	+1.8	+1.6	+1.1	+0.6	+1.5	+1.6	+1.6	+1.6	+1.6	+1.6	+1.6
Unit labor costs	+2.7	+0.9	+1.2	+3.7	+3.0	+2.4	+1.7	+0.8	+0.9	+1.0	+1.0	+1.1	+1.2	+1.2	+1.3
Nominal wages per employee	+2.4	+2.0	+2.3	+2.9	+2.5	+2.3	+2.1	+1.9	+2.0	+2.1	+2.1	+2.2	+2.3	+2.4	+2.4
Productivity	-0.2	+1.1	+1.1	-0.7	-0.4	-0.1	+0.4	+1.1	+1.0	+1.1	+1.1	+1.1	+1.1	+1.1	+1.1
Real wages per employee	+0.2	+0.4	+0.5	+0.2	+0.1	+0.2	+0.4	+0.4	+0.5	+0.5	+0.4	+0.5	+0.5	+0.5	+0.5
Import deflator	+0.6	+1.4	+1.5	-0.2	+0.5	+0.7	+1.2	+1.8	+1.2	+1.2	+1.3	+1.4	+1.5	+1.6	+1.6
Export deflator	+0.8	+1.3	+1.6	+0.8	+0.8	+0.8	+0.9	+1.1	+1.3	+1.4	+1.4	+1.5	+1.6	+1.6	+1.7
Terms of trade	+0.2	-0.1	+0.1	+1.0	+0.2	+0.1	-0.3	-0.7	+0.1	+0.1	+0.1	+0.1	+0.1	+0.0	+0.0
<b>Economic activity</b>															
<i>Annual and/or quarterly changes in % (real)</i>															
GDP	+0.3	+1.5	+1.8	+0.0	+0.2	+0.3	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4	+0.5	+0.5	+0.5
Private consumption	+0.2	+0.9	+1.2	+0.0	+0.2	+0.2	+0.2	+0.2	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3
Government consumption	+0.7	+1.3	+1.2	+0.5	-0.1	+0.0	+0.1	+0.5	+0.5	+0.5	+0.4	+0.2	+0.2	+0.2	+0.2
Gross fixed capital formation	-0.5	+2.2	+2.7	-0.5	+0.0	+0.5	+0.7	+0.6	+0.5	+0.5	+0.6	+0.6	+0.7	+0.8	+0.8
Exports	+1.7	+4.4	+5.5	+0.3	+0.5	+0.8	+1.1	+1.2	+1.3	+1.3	+1.3	+1.3	+1.4	+1.5	+1.5
Imports	+1.3	+4.2	+5.4	+0.3	+0.3	+0.8	+1.0	+1.1	+1.2	+1.3	+1.3	+1.3	+1.3	+1.5	+1.5
<i>Contribution to real GDP growth in percentage points</i>															
Domestic demand	+0.1	+1.2	+1.4	+0.0	+0.1	+0.2	+0.3	+0.3	+0.3	+0.3	+0.4	+0.3	+0.3	+0.4	+0.4
Net exports	+0.3	+0.4	+0.4	+0.0	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1
Changes in inventories	-0.1	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
<b>Labor market</b>															
<i>% of labor supply</i>															
Unemployment rate (Eurostat definition)	4.8	4.9	4.9	4.8	4.8	4.9	4.9	5.0	5.0	5.0	4.9	4.9	4.9	4.9	4.8
<i>Annual and/or quarterly changes in %</i>															
Total employment	+0.5	+0.5	+0.7	+0.3	-0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.2	+0.2	+0.2	+0.2	+0.2
of which: Private sector employment	+0.6	+0.6	+0.8	+0.4	-0.1	+0.1	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.3
Payroll employment	+0.6	+0.4	+0.7	+0.3	-0.2	+0.1	+0.1	+0.1	+0.1	+0.1	+0.2	+0.2	+0.2	+0.2	+0.2
<b>Additional variables</b>															
<i>Annual and/or quarterly changes in % (real)</i>															
Real disposable household income	+0.2	+0.9	+1.3	-0.2	+0.0	+0.5	+0.4	+0.2	+0.1	+0.0	+0.0	+0.4	+0.5	+0.6	+0.6
<i>% of real GDP</i>															
Output gap	-1.4	-1.3	-1.1	-1.5	-1.4	-1.4	-1.4	-1.4	-1.3	-1.3	-1.2	-1.2	-1.1	-1.1	-1.0

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

Table 18

### Comparison of Current Economic Forecasts for Austria

Indicator	OeNB			WIFO		IAS		OECD		IMF		European Commission	
	June 2013			March 2013		March 2013		May 2013		April 2013		May 2013	
	2013	2014	2015	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
<b>Key results</b>													
<i>Annual change in %</i>													
GDP (real)	+0.3	+1.5	+1.8	+1.0	+1.8	+0.8	+1.8	+0.5	+1.7	+0.8	+1.6	+0.6	+1.8
Private consumption (real)	+0.2	+0.9	+1.2	+0.6	+0.9	+0.5	+1.1	+0.1	+0.8	x	x	+0.4	+1.0
Government consumption (real)	+0.7	+1.3	+1.2	+0.7	+1.0	+0.3	+0.3	+0.4	+0.1	x	x	+0.8	+1.0
Gross fixed capital formation (real)	-0.5	+2.2	+2.7	+1.5	+2.0	+1.0	+2.5	+0.6	+2.8	x	x	+1.1	+2.5
Exports (real)	+1.7	+4.4	+5.5	+3.3	+5.8	+2.6	+6.2	+2.1	+5.9	+2.7	+4.7	+2.8	+5.6
Imports (real)	+1.3	+4.2	+5.4	+3.6	+5.4	+2.2	+6.0	+1.5	+5.1	+2.8	+5.0	+2.2	+5.4
GDP per employee	-0.2	+1.1	+1.1	+0.1	+0.7	+0.3	+0.9	x	x	x	x	-0.1	+0.8
GDP deflator	+1.8	+1.3	+1.6	+2.0	+1.8	+1.8	+1.8	+1.5	+1.3	x	x	+2.0	+1.7
CPI	x	x	x	+2.2	+2.0	+2.1	+1.9	x	x	x	x	x	x
HICP	+2.0	+1.7	+1.8	+2.3	+2.0	x	x	+2.0	+1.5	+2.2	+1.9	+2.0	+1.8
Unit labor costs	+2.7	+0.9	+1.2	+2.2	+1.8	x	x	x	x	x	x	+2.2	+1.1
Payroll employment	+0.5	+0.5	+0.7	+0.7	+0.9	+0.5	+0.9	x	x	+0.4	+0.6	+0.7	+1.0
<i>% of labor supply</i>													
Unemployment rate (Eurostat definition)	4.8	4.9	4.9	4.8	4.8	4.7	4.6	4.7	4.7	4.6	4.5	4.7	4.7
<i>% of nominal GDP</i>													
Current account	2.3	2.5	2.7	2.6	2.9	x	x	2.4	2.9	2.2	2.3	3.1	3.2
Budget balance (Maastricht definition)	-1.7	-1.4	-1.2	-2.6	-2.0	-2.5	-1.5	-2.3	-1.7	-2.2	-1.5	-2.2	-1.8
<b>External assumptions</b>													
Oil price in USD/barrel (Brent)	105.5	100.0	96.2	105.0	108.0	112.0	117.0	100.0	105.0	102.6	97.6	104.9	99.2
Short-term interest rate in %	0.2	0.3	0.5	0.4	0.7	0.3	0.5	0.1	0.0	0.2	0.4	0.2	0.3
USD/EUR exchange rate	1.31	1.31	1.31	1.30	1.30	1.30	1.29	1.32	1.32	1.33	1.32	1.31	1.31
<i>Annual change in %</i>													
Euro area GDP (real)	-0.6	+1.1	x	+0.0	+1.4	-0.3	+1.4	-0.6	+1.1	-0.3	+1.1	-0.4	+1.2
U.S. GDP (real)	+1.9	+2.6	+3.0	+1.8	+2.4	+2.0	+2.5	+1.9	+2.8	+1.9	+3.0	+1.9	+2.6
World GDP (real)	+3.0	+3.8	+4.0	+3.3	+4.0	x	x	+3.1	+4.0	+3.3	+4.0	+3.1	+3.8
World trade	+3.1	+5.9	+6.8	+3.8	+6.0	+3.8	+6.8	+3.6	+5.8	+3.6	+5.3	+3.2	+5.8

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