

Decline in National Product Albeit by a Smaller Margin than in the Euro Area. Sharp Drop in Inflation

Economic Outlook for Austria
from 2008 to 2010 (December 2008)

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1 Summary: Austrian Economy Also Heading into Recession on the Back of Global Downturn

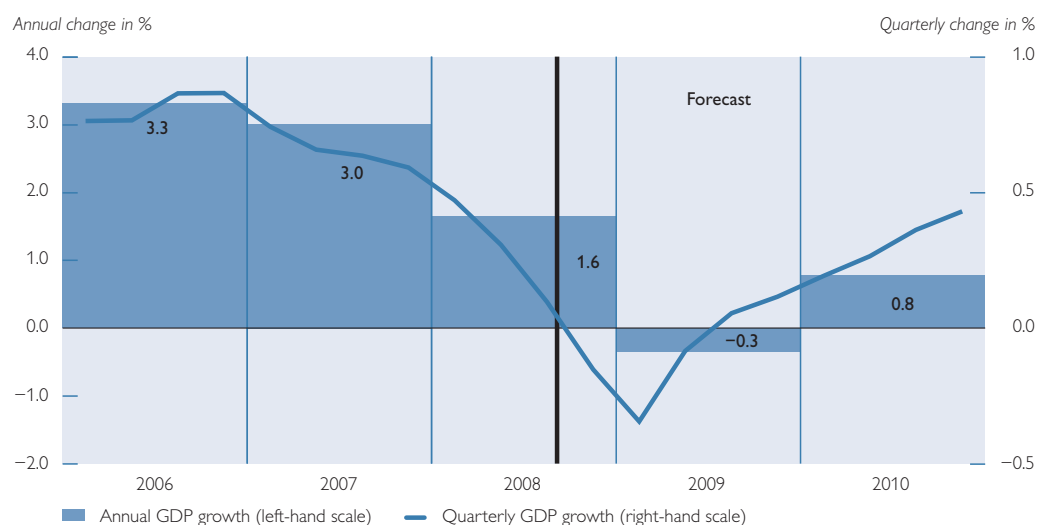
According to the December 2008 outlook of the Oesterreichische Nationalbank (OeNB), the Austrian economy is expected to enter into recession in 2009 as a result of the financial crisis and the global economic slump. On the strength of the buoyant first half of 2008, real GDP is projected to grow by 1.6% in 2008; in 2009, however, it will shrink by 0.3%. In 2010, the Austrian economy is expected to bounce back modestly, posting GDP growth of 0.8%. Compared with the OeNB June 2008 outlook, growth expectations for 2009 and 2010 were slashed by 2.0 and

1.6 percentage points, respectively. Owing to both commodity and oil price rises, inflation will reach a record annual high (since 1992) of 3.3% in 2008. In 2009 and 2010, however, it is expected to drop sharply to 1.4% and 1.6%, respectively.

The global financial crisis triggered by the U.S. subprime mortgage crisis is taking an increasingly heavy toll on the real economy. Although it was hoped only a few months ago that the negative effects would be concentrated mainly on the U.S.A., now, after a time lag of about one year, Western Europe and Japan are also affected. Likewise, the hitherto fast-growing Eastern European countries and emerging market

Chart 1

Real GDP Growth (Seasonally and Working-Day Adjusted)



Source: Eurostat, OeNB.

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Keywords:
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economies in Asia and Latin America are succumbing to a marked slowdown in growth. The economic downturn forecast in Austria is reflected in a slump in exports and a lower growth rate of domestic demand. While exports have consistently fueled growth in the past few years, they will shrink by 2.7%

in 2009. The last time Austria registered negative export growth was in 1993. The growth contribution of net exports to real GDP is –0.3 percentage points. Despite a marked decline in gross fixed capital formation (–1.6%), which is presently being led by plummeting equipment investment, and a

Table 1

OeNB December 2008 Outlook for Austria - Key Results¹

	2007	2008	2009	2010
Economic activity				
<i>Annual change in % (real)</i>				
Gross domestic product	+3.0	+1.6	–0.3	+0.8
Private consumption	+0.9	+1.2	+0.5	+0.5
Government consumption	+1.8	+1.9	+1.0	+1.5
Gross fixed capital formation	+3.9	+2.7	–1.6	–0.4
Exports of goods and services	+8.5	+2.5	–2.7	+2.1
Imports of goods and services	+7.0	+1.6	–2.5	+1.6
Contribution to real GDP growth				
<i>Percentage points of GDP</i>				
Private consumption	+0.5	+0.6	+0.3	+0.3
Government consumption	+0.3	+0.3	+0.2	+0.3
Gross fixed capital formation	+0.9	+0.6	–0.4	–0.1
Domestic demand (excluding changes in inventories)	+1.7	+1.6	+0.1	+0.4
Net exports	+1.2	+0.6	–0.3	+0.4
Changes in inventories (including statistical discrepancy)	+0.1	–0.6	–0.1	+0.0
Prices				
<i>Annual change in %</i>				
Harmonised Index of Consumer Prices (HICP)	+2.2	+3.3	+1.4	+1.6
Private consumption expenditure (PCE) deflator	+2.3	+2.9	+1.4	+1.5
GDP deflator	+2.2	+2.7	+1.5	+1.8
Unit labor costs in the total economy	+0.9	+2.7	+3.0	+0.9
Compensation per employee (at current prices)	+2.2	+2.8	+2.6	+1.9
Productivity (whole economy)	+1.3	+0.1	–0.5	+1.0
Compensation per employee (real)	+0.0	–0.1	+1.2	+0.4
Import prices	+1.8	+3.3	+1.7	+1.2
Export prices	+1.8	+1.5	+2.0	+1.8
Terms of trade	+0.0	–1.7	+0.3	+0.6
Income and savings				
<i>% of nominal disposable household income</i>				
Real disposable household income	+2.1	+2.3	+1.3	+0.7
<i>% of nominal disposable household income</i>				
Saving ratio	11.6	12.8	13.6	13.7
Labor market				
<i>Annual change in %</i>				
Payroll employment	+2.2	+2.0	+0.2	–0.2
<i>% of labor supply</i>				
Unemployment rate (Eurostat definition)	4.4	3.7	4.2	4.8
Budget				
<i>% of nominal GDP</i>				
Budget balance (Maastricht definition)	–0.4	–0.7	–1.9	–2.5
Government debt	59.5	59.3	61.2	63.1

Source: 2007: Eurostat, Statistics Austria; 2008 to 2010: OeNB December 2008 outlook.

¹ The outlook was drawn up on the basis of seasonally adjusted and working-day adjusted national accounts data. Therefore, the historical values for 2007 may deviate from the nonadjusted data released by Statistics Austria.

downgraded growth outlook for private consumption (+0.5%) compared with the OeNB June 2008 outlook, domestic demand (excluding inventory changes) is still making a modestly positive growth contribution of +0.1 percentage points. Since real disposable household income will increase by 1.3% in 2009 due to inflation-induced high wage settlements, the saving ratio is projected to rise over the forecast horizon (13.6% for 2009). This uptrend – hitherto untypical in times of crisis – is based on two factors. First, it is assumed that the historical trend of an increasing saving ratio continues. Second, it is expected that households will react to the slowdown in growth and to rising unemployment by precautionary saving.

Employment growth will decline to 0.2% in 2009 while the number of unemployed will climb by a total of some 45,000 in 2009 and 2010. As a result, the (seasonally-adjusted) unemployment rate (Eurostat definition) will rise to 4.2% (2009) and 4.8% (2010). Fueled by energy and commodity price increases, HICP inflation peaked at 4.0% in June 2008. By end-2008, however, HICP inflation will be near the 2% mark, resulting in a rate of 3.3% for 2008 as a whole. It will continue to drop on the back of sharply falling energy and commodity prices until the second half of 2009, averaging 1.4% in 2009. In 2010, the OeNB expects HICP inflation to edge up slightly to 1.6%.

The general government budget balance (Maastricht definition) will deteriorate slightly to –0.7% of GDP in 2008 and will significantly worsen to –1.9% and –2.5% of GDP in 2009 and 2010, respectively. However, this outlook does not take into account the tax reform agreed by the new Austrian

government and the latest economic stimulus package (their budget and growth effects are described in box 2), since it includes only measures that were approved in principle before the cutoff date for data (November 20, 2008) of the forecast.

2 Assumptions: Falling Money Market Rates, High Risk Premiums, Lower EUR Exchange Rates and Oil Prices

This forecast is the OeNB contribution to the Eurosystem's December 2008 projections. The forecast horizon ranges from the fourth quarter of 2008 to the fourth quarter of 2010. November 17, 2008, was the cutoff date for 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 outlook for Austria.

The key data source comprised seasonally and working day-adjusted national accounts data computed by the Austrian Institute for Economic Research (WIFO), which were fully available to the second quarter of 2008. The GDP flash estimate is available for the third quarter of 2008 but covers only part of the national accounts aggregates.

The underlying short-term interest rate is based on market expectations for the three-month EURIBOR. It is set at 4.7% (2008), 2.8% (2009) and 3.2% (2010), respectively. Long-term interest rates reflect market expectations for ten-year government bonds and are set at 4.4% (2008), 4.5% (2009) and 4.7% (2010), respectively. While an inverse yield curve was evident in 2008, the forecast horizon will see a normal trend in the yield curve. With the outbreak of the financial crisis, corporate loan spreads widened by 94 basis points

owing to high levels of uncertainty and mutual mistrust in the banking sector.² In addition, a spread of 72 basis points for loans to households³ is assumed for the first time. The current OeNB outlook is based on the assumption that these spreads will remain constant over the entire forecast horizon. The exchange rate of the euro against the U.S. dollar is assumed to be constant at 1.27 USD/EUR. The projected trend in crude oil prices is based on futures prices. For 2008 to 2010, oil prices of USD 99.9, USD 67.3 and USD 76.6 per barrel (Brent) in each successive year are assumed. This signifies a revision of USD -50.4 (2009) and USD -39.0 (2010), compared with the OeNB June 2008 economic outlook. The prices of commodities excluding energy are also based on futures prices over the forecast horizon. Market participants expect a further drop in commodity prices by mid-2009, followed by a modest rise afterwards. The budget forecast includes only those measures that had been agreed and suitably specified at the time that the current OeNB outlook was prepared. In addition to the first economic stimulus package, these measures also include the frontloading of various projects by the 100% government-owned real estate company Bundesimmobiliengesellschaft (BIG).⁴ Similar to the frontloaded investments by the federal railroad corporation ÖBB and ASFINAG, the state-owned highway construction and maintenance corporation, which were approved in the first economic stimulus package, the BIG's investments are also financed on an off-bud-

get basis. The income tax reform package set out in the new federal government's legislative agenda as well as the measures of the second economic stimulus package that affect the budget deficit or surplus are not included in this forecast.

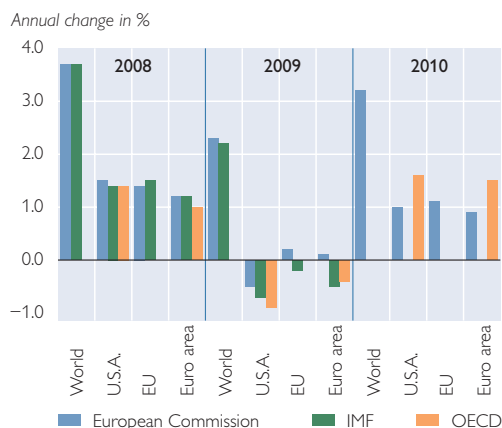
3 Financial Crisis Triggers Global Downturn

Since summer 2007, international financial markets have been shaken by various types of turmoil. The source of this turbulence came from products backed by U.S. subprime loans. In an initial wave, individual shocks spread to the money market, related mortgage loan segments and to the securitization market. After the erstwhile fourth-largest U.S. investment bank Lehman Brothers filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code, the situation in the international financial markets further escalated in mid-September 2008 owing to the significant role Lehman Brothers played in credit derivative and swap market trading. In many cases counterparty risk occurred. The financial turmoil reached Europe at end-September 2008. Uncertainty about banks' own liquidity needs and heightened fears about counterparties' credit quality have led to banks lending money only on a very short-term basis and/or against collateral and to banks hoarding liquidity. As a result, liquidity for maturities exceeding one week in the unsecured money market was low and, for longer-term maturities, was completely dried up. Since the refinancing of banks via the money market is much

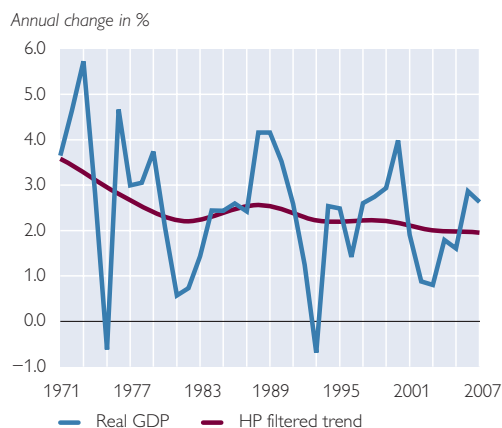
² The spread for corporate loans is defined as the difference between the average interest rate on corporate loans and the interest rate on ten-year government bonds.

³ The spread for consumer loans is defined as the difference between the average interest rate on housing loans and the interest rate on ten-year government bonds.

⁴ For further details on these economic measures, see box 2.

Real GDP Forecast 2008 to 2010

Source: European Commission, IMF, OECD.

Real GDP Growth in the Euro Area¹

Source: OECD: Euro area-12.

¹ Until 1991 including Western Germany.

more difficult, banks' lending policy is commensurately tighter. In particular, corporate customers have been hit by the impact of the financial crisis. As a result, the crisis, which was originally limited to the U.S. subprime credit market, finally spilled over to the global real economy in the second half of 2008.

While until September 2008 the ECB – in addition to the World Bank, the OECD and the European Commission – still had expected the global economy to remain relatively robust in 2009, the effects of the financial crisis on the real economy resulted in a significant deterioration in the forecasts in fall 2008 (see graph on the left in chart 2). A recession is anticipated for the U.S.A., major European economies and Japan, and a marked slowdown in growth is expected in Eastern European and Asian emerging market economies.

3.1 U.S. Financial Crisis Spreads to World Economy

Based on tax refunds designed to strengthen private consumption and on healthy net exports, the U.S.A. regis-

tered positive GDP growth until the second quarter of 2008. However, the problems in the U.S. real estate sector brought about marked disruptions in the financial industry. The slump in the value of mortgages, substantial stock price losses on international stock exchanges and the failure of 17 U.S. banks to date are only some features of the current financial crisis. In 2008, the crisis spread to the real economy. Massive retail sales slumps in October 2008 (–2.8% on a monthly basis) correspond to the fall in private consumption in the third quarter of 2008 (–3.1% on a quarterly basis, annualized). This decline is the steepest since the second quarter of 1980 and is attributable to the development in the labor market where 600,000 jobs have been shed since early 2008 and the unemployment rate has exceeded 6%. While residential construction investment retreated for 11 quarters in a row, in recent quarters investment in equipment registered negative growth. Despite positive stimuli – from net exports – U.S. economic performance shrank by 0.5% in the third quarter of 2008 (against the previous quarter, on

an annualized basis). Additional problems in the financial markets (credit card debt) and the real economy (automotive industry) suggest a marked economic downturn in 2009. This prospect is also signaled by current leading indicators and confidence indicators.

Non-Japan Asia remains the driving force of the global economy. Compared with 2007, however, growth is flagging noticeably. China and India's economies remain the engines of growth in this region. By contrast, *Japan's* economic performance shrank for the second time in a row in the third quarter of 2008 (-0.1% on a quarterly basis), thereby finding itself in a technical recession (for the definition, see box 1). This situation is primarily attributable to weakening investment and exports whereas private consumption continues to contribute positively to GDP growth.

However, recently robust industrial production data and a stable construction sector suggest the country's economic performance will weaken only slightly in 2009.

The economic outlook for the *United Kingdom* is still determined by developments in its real estate and financial markets. The financial crisis hit the U.K particularly badly owing to London's position as a global financial centre. In the third quarter of 2008, British economic output contracted by 0.3%. The medium-term outlook indicates a sustained recession over several quarters.

Switzerland, too, was unable to decouple itself from the international financial crisis. UBS and Credit Suisse, the country's two major banks, have been particularly affected. The Swiss economy is expected to stagnate in 2009.

Table 2

Underlying Global Economic Conditions

	2007	2008	2009	2010
<i>Annual change in % (real)</i>				
Gross domestic product				
World GDP growth outside the euro area	+5.1	+3.9	+2.4	+3.6
U.S.A.	+2.0	+1.4	-0.7	+0.9
Japan	+2.0	+0.5	-0.2	+1.1
Asia excluding Japan	+9.2	+7.4	+6.3	+7.5
Latin America	+5.4	+4.1	+2.5	+3.5
United Kingdom	+3.0	+0.8	-1.0	+0.8
New EU Member States ¹	+5.9	+4.9	+2.8	+3.1
Switzerland	+3.3	+1.7	+0.2	+1.6
Euro area ²	x	+0.8 to +1.2	-1.0 to +0.0	+0.5 to +1.5
World trade (imports of goods and services)				
World economy	+6.5	+4.3	+2.2	+5.1
Non-euro area countries	+6.9	+5.0	+3.1	+5.7
Real growth of euro area export markets	+6.6	+4.7	+2.5	+5.0
Real growth of Austrian export markets	+6.6	+4.1	+1.4	+4.5
Prices				
Oil price in USD/barrel (Brent)	72.7	99.9	67.3	76.6
Three-month interest rate in %	4.3	4.7	2.8	3.2
Long-term interest rate in %	4.3	4.4	4.5	4.7
USD/EUR exchange rate	1.37	1.46	1.27	1.27
Nominal effective exchange rate (euro area index)	107.69	112.15	106.02	106.02

Source: Eurosystem.

¹ New EU Member States still to introduce the euro: Czech Republic, Hungary, Poland, Romania, Bulgaria, Estonia, Latvia, Lithuania.

² Results of the Eurosystem's December 2008 projections. The ECB presents the result in ranges based upon average differences between actual outcomes and previous projections.

The *new EU Member States* still to introduce the euro (Czech Republic, Hungary, Poland, Romania, Bulgaria, Estonia, Latvia, Lithuania), are expected to continue to post positive growth on average compared with the euro area over the forecast horizon, but developments and risk assessments vary widely from country to country. While recession looks inevitable for Hungary, Estonia and Latvia in 2009, continued growth of 3% or a rate well above this figure is projected for most of the other countries in this group.

3.2 Euro Area Expects Weakest GDP Growth since Its Creation

In the euro area, real GDP growth shrank by 0.2% on a quarterly basis in both the second and third quarter of 2008. In the second (third) quarter of 2008, *Germany's* economic performance shrank by 0.4% (0.5%) on a quarterly basis. Whereas the slump in the second quarter of 2008 is partly explicable as a reaction to the extremely buoyant first quarter, the decline in the second half of 2008 is attributable to the negative contribution by net exports to growth as well as to negative investment growth. Private consumption has been in decline since the fourth quarter of 2007. However, the sharpest fall in private consumption is projected for the fourth quarter of 2008. The extremely negative values of current leading indicators (ifo business climate index, economic sentiment indicator, ZEW economic expectations) were recently confirmed by a strongly negative order intake. In September 2008, the latter slimmed by 8.0% month-on-month and will be accompanied by further automobile plant Christmas shutdowns. In addition, the chemicals sector was hit by a significant slump in demand. This prompts the fear that the current problems besetting the real

economy will spread far beyond the automotive industry. Despite these downbeat prospects, however, the labor market has posted favorable growth to date. In October 2008, the number of registered unemployed fell to just below 3 million (nonseasonally-adjusted) – the lowest level since 1992. In 2009 and 2010, however, the labor market will clearly mirror the further deepening economic downturn.

Furthermore, Austria's second-largest trading partner *Italy* posted negative growth in the second and third quarters of 2008. However, since very sluggish growth also marked the first quarter of 2008, a recession is anticipated for the entire year 2008, which will persist into 2009 as well.

After a negative second quarter in 2008, *France* unexpectedly registered modestly positive real GDP growth in the third quarter of 2008 (+0.1%). Recently, however, an anemic order intake signaled a more prolonged period of declining industrial production. France, therefore, is also expected to enter into recession in 2009.

In *Spain* and *Ireland*, the current downturn is being aggravated by the bursting of a real estate bubble. This is deepening the slump in investment and intensifying the negative momentum in the labor market. *Slovenia* and *Slovakia* both anticipate robust growth in 2009. The two countries are still in a "catch-up process" and are benefiting from exceptionally high domestic demand.

The Eurosystem anticipates GDP growth of +0.8% to +1.2% for 2008 and a slump to -0.1% to +0.0% for 2009; in 2010, GDP growth is expected to recover to +0.5% to +1.5%. As chart 2 (graph on the right) shows, such a prospect would signify the first recession in the euro area since the introduction of the euro. In particular, invest-

ment and exports had to be significantly downgraded on previous forecasts.

4 Global Downturn Also Spells Recession in Austria

4.1 International Financial Crisis Spreads to Austria

The Austrian economy succeeded in decoupling itself from some international developments well into 2008. Whereas its largest trading partners, Germany and Italy, have been in recession since the second quarter of 2008 already, Austrian real GDP growth remained mildly positive in the third quarter of 2008 (+0.1%). However, Austria has been severely hit by the financial crisis – at the very latest, since Lehman Brothers filed for bankruptcy. The crisis is taking its toll on the Austrian economy through various channels.

Austria's banking and insurance sectors have been affected by the crisis in several ways. First, current financing options in the interbank market are no longer, or only to a very limited extent, available. In recent weeks and months, these two sectors were also hit by heavy losses on stock exchanges, which may be attributable to the Austrian economy's exceptionally high exposure in Central, Eastern and Southeastern Europe as well as to its higher risk ratings. Since the start of the financial turmoil in 2007, bank lending to businesses and households has become increasingly tighter. The financing costs for businesses and households have increased gradually. Since business enterprises can currently only make use of bond

and equity financing to a limited extent, corporate investment and the prefinancing of larger business transactions are subject to financing constraints.⁵

In addition, Austrian households face increasing financing costs. They have also been hit by losses in wealth owing to the slump in stock prices. Above all, foreign currency borrowers with bullet loans have been particularly adversely affected by repayment vehicle losses. Wealth effects have both a direct and indirect impact on private consumption via household income. Rising unemployment, too, will adversely affect private consumption, albeit with a time lag.

Typically, the economic downturn is evident in investment in equipment to a particularly pronounced degree. Decreasing, or absent, incoming orders are giving rise to lower profit expectations and the postponement of investment activity. Likewise, increased financing costs are dampening investment demand. In addition, the global decline in demand induced by the financial crisis is curtailing the demand for exports.

Although most of these effects on the Austrian economy will occur with a certain time lag, the downturn is already mirrored in the leading indicators. Chart 3 shows commonly used confidence indicators.⁶ All these indicators are already trending significantly lower than their values seen at the time of the economic slump after the dot-com bubble burst in 2001.

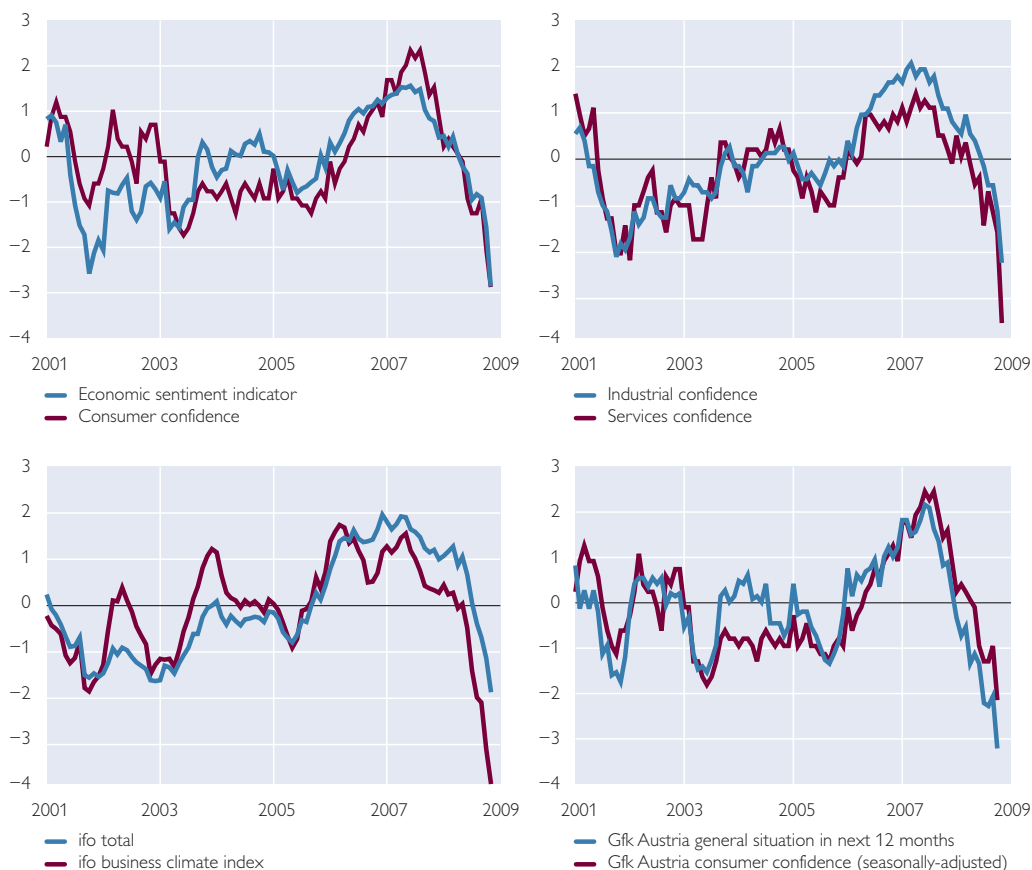
On a monthly basis, underlying industrial production growth⁷ has been

⁵ It was not possible at the time of the current outlook's cutoff date for data to assess the "easing" effects of Austria's support package for its banking sector.

⁶ Standardizing the index values helps to present the different indicators in uniform scale. Each data point was calculated as the difference between the index value and the mean value (January 1999 to November 2008) divided by the standard deviation (January 1999 to November 2008).

⁷ ÖNACE sections C to F.

Confidence Indicators



Source: European Commission, ifo, GfK Austria.

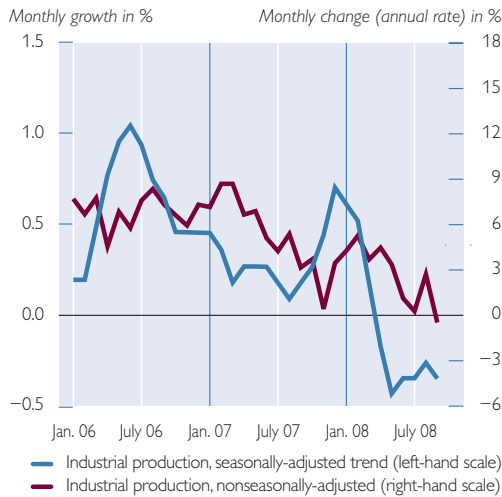
decreasing in Austria since April 2008 (chart 4). On an annual basis, the working-day adjusted production index posted negative growth for the first time in September 2008. Industrial production sentiment is not currently signaling any improvement over the next few months. Instead, the order books suggest a further decline in industrial production. This applies to all industrial categories, to consumer and capital goods, as well as to intermediate goods. To date, exports have been especially hit by the collapse of order intake. At 82.4% in the third

quarter of 2008, capacity utilization was however significantly higher than the levels seen at end-2002 (79.1%).

The initial release of the demand components in the GDP flash estimate revealed the financial crisis' negative impact on exports. Export growth was negative in the third quarter of 2008 (-0.3% on the previous quarter). By contrast, investment growth remained remarkably robust at +0.5% (on the previous quarter). In addition, private consumption was still not overly affected by the financial crisis in the third quarter of 2008.

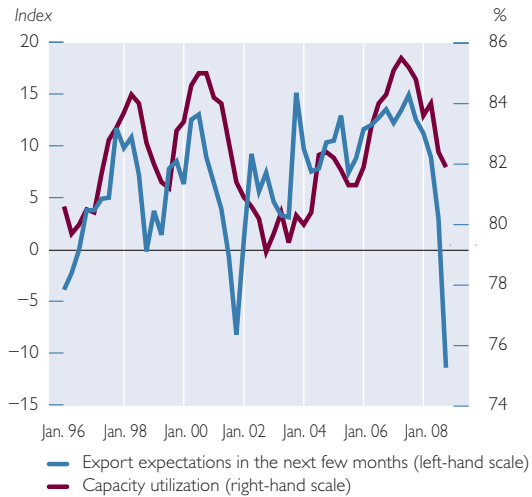
Chart 4

Industrial Production in Austria



Source: Statistics Austria.

Export Expectations and Capacity Utilization of Industry



Source: European Commission.

Box 1

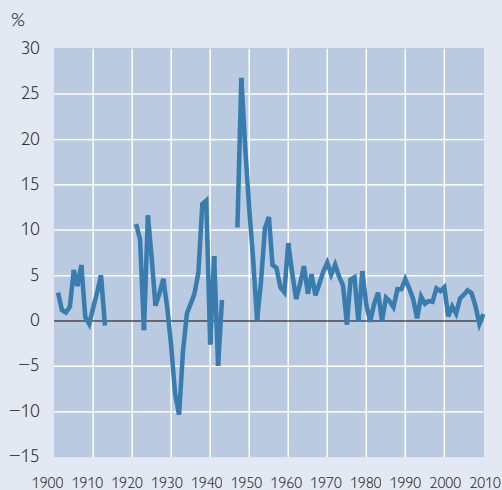
The Current GDP Forecast in a Historical Context

The OeNB expects Austria to enter into recession in 2009. Recessions, historically speaking, are rare events. A **recession** is a phase of the economic cycle in which the real annual GDP growth of an economy is negative. A **“technical recession”** denotes negative quarterly real GDP growth over two successive quarters. This phenomenon does not necessarily signify negative annual growth.

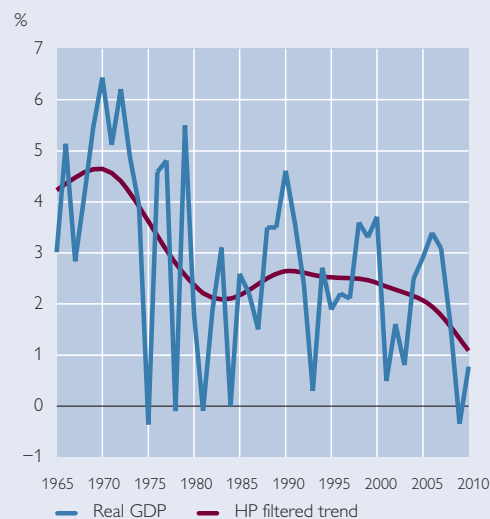
Austria’s two previous downturns were triggered by the burst of the dot-com bubble (2001) and the aftermath of German reunification (1993). In both these periods, however, negative

Historical Development of Real GDP in Austria

1901 to 2010



1965 to 2010



Source: OeNB, Statistics Austria, WIFO.

growth was registered in only a single quarter. Strictly speaking, therefore, these two downturns were not accompanied by a (technical) recession. Austria's most recent "technical recession" occurred in 1984. At that time, however, positive annual growth was recorded for the year as whole. In 1981 (second oil crisis) and 1978, the Austrian economy moved between stagnation and recession, registering annual growth of around -0.1% in both years. Since 1945, Austria has experienced a deep recession (-0.4%) only once – in 1975 in the wake of the first oil crisis.

The graph on the left in the chart shows the extreme depths of the economic crisis in the 1930s. These data from the early 20th century must, however, be considered with caution. Austrian GDP growth is estimated to have stood at -10.3% in 1932. Cumulated over the period from 1930 to 1933, Austria's economic output contracted by some 25% as a result of the Great Depression.

4.2 Exports Will Shrink in 2009

Austrian exports have enjoyed extraordinary success since 1995. From 1995 to 2007, they grew at an average rate of $+7.3\%$. In this period, net exports made a contribution of $+0.7$ percentage points to average real GDP growth. By comparison, domestic demand made an average contribution of $+1.6$ percentage points to real GDP growth. The international financial crisis brought this boom period for exports to an end. The collapse in order intake will reduce growth in the expected demand for Austrian exports to a mere $+1.4\%$ in 2009. This situation will

reflect, above all, the recessions in Germany and Italy as well as the marked slowdown in Central, Eastern and Southeastern Europe. Between 1995 and 2007, global demand grew by an average of $+7.0\%$. Owing to renewed stronger demand in Austria's export markets in 2010, cumulated growth of global demand will still be $+5.9\%$ in 2009 and 2010. This rate will exceed the growth in global demand from 2001 to 2002 (dot-com crisis; cumulated growth of $+4.1\%$).

Negative export growth is being fueled by flagging global demand, in particular. In view of the economic

Table 3

Growth and Price Developments in Austria's External Trade

	2007	2008	2009	2010
<i>Annual change in %</i>				
Exports				
Competitor prices in Austria's export markets	+0.5	+2.4	+3.4	+1.3
Export deflator	+1.8	+1.5	+2.0	+1.8
Changes in price competitiveness	-1.4	+0.9	+1.5	-0.5
Import demand in Austria's export markets (real)	+6.6	+4.1	+1.4	+4.5
Austrian exports of goods and services (real)	+8.5	+2.5	-2.7	+2.1
Market share	+1.9	-1.6	-4.0	-2.4
Imports				
International competitor prices in the Austrian market	+0.6	+2.2	+2.8	+1.3
Import deflator	+1.8	+3.3	+1.7	+1.2
Austrian imports of goods and services (real)	+7.0	+1.6	-2.5	+1.6
Terms of trade	+0.0	-1.7	+0.3	+0.6
<i>Percentage points of real GDP</i>				
Contribution of net exports to GDP growth	+1.2	+0.6	-0.3	+0.4

Source: 2007: Eurostat; 2008 to 2010: OeNB December 2008 outlook, Eurosystem.

Table 4

Austria's Current Account

	2007	2008	2009	2010
	% of nominal GDP			
Balance of trade	4.9	4.4	4.2	4.9
Balance on goods	0.5	-0.2	-0.2	0.2
Balance on services	4.4	4.5	4.4	4.8
Euro area	-0.1	-0.7	-1.3	-0.9
Non-euro area countries	5.0	5.1	5.5	5.8
Balance on income	-1.3	-1.3	-1.5	-1.4
Balance on current transfers	-0.4	-0.4	-0.4	-0.4
Current account	3.2	2.7	2.4	3.1

Source: 2007: OeNB; 2008 to 2010: OeNB December 2008 outlook.

outlook of Austria's largest trading partners and their order book valuations, export growth sentiment is very pessimistic. After +8.5% in 2007 and +2.5% in 2008, real exports are expected to shrink by 2.7% in 2009. For 2010, moderate real export growth is anticipated in the wake of the global economic recovery.

In both 2008 and 2009, slowing export growth will temporarily check the increase in the current account surplus, which has been evident for some time. The recession in 2009 will have an adverse effect primarily on the balance on goods, which will be in the red in 2008 and 2009. The services, income and transfers balance will remain largely stable over the forecast horizon.

4.3 Slump in Equipment Investment

According to the OeNB, gross fixed capital formation is likely to decline markedly in 2009 – the year when the Austrian economy will enter into recession. Investment decisions largely depend on both current and expected macro-economic demand and profitability. Both these determinants are now visibly deteriorating for two reasons. First,

export demand is projected to fall sharply. According to OeNB estimates, a drop in export growth by 1 percentage point will result in a decrease in investment growth of some 0.5 percentage points. Second, private consumption growth is still flagging compared with 2007. This drop in demand caused by both domestic and international factors is triggering a notable cooling in investment activity.

Furthermore, recent months have seen a marked increase in corporate financing costs. Owing to the considerable uncertainty arising from the financial turmoil, corporate loan spreads have widened by 94 basis points since the outbreak of the crisis in mid-2007.⁸ The current OeNB economic outlook is based on the assumption that this spread will be sustained over the entire forecast horizon. In 2009 and 2010, corporate investment activity will therefore be dampened by an additional 0.5 and 0.9 percentage points, respectively.

Although investment in the third quarter of 2008 grew by +0.5%, a survey of 1,278 companies commissioned by the Austrian Federal Economic

⁸ The spread for corporate loans is defined as the difference between the average interest rate on corporate loans and the interest rate on ten-year government bonds.

Table 5

Investment Activity in Austria

	2007	2008	2009	2010
<i>Annual change in %</i>				
Total gross fixed capital formation (real)	+3.9	+2.7	-1.6	-0.4
of which: Investment in plant and equipment (real)	+4.1	+3.6	-4.8	-2.4
Residential construction investment (real)	+4.0	+1.1	+0.7	-0.5
Nonresidential construction investment and other investment	+4.7	+3.4	-0.1	+1.6
Government investment (real)	-3.2	-0.3	+0.7	+1.0
Private investment (real)	+4.3	+2.9	-1.7	-0.5
<i>Contribution to total gross fixed capital formation growth in percentage points</i>				
Investment in plant and equipment (real)	+1.6	+1.4	-1.9	-0.9
Residential construction investment (real)	+0.8	+0.2	+0.1	-0.1
Nonresidential construction investment and other investment	+1.9	+1.4	-0.1	+0.7
Government investment (real)	-0.2	+0.0	+0.0	+0.0
Private investment (real)	+4.1	+2.7	-1.6	-0.4
<i>Contribution to real GDP growth in percentage points</i>				
Inventory changes (real)	-0.1	+0.0	+0.0	+0.0

Source: 2007: Eurostat; 2008 to 2010: OeNB December 2008 outlook.

Chamber (carried out in the period from October 27, 2008, to November 3, 2008) highlights the currently difficult economic situation. According to the survey, respondents indicated that they would either cancel or shelve 25% of total planned investment because of the financial crisis. Of this total, investment in equipment accounting for some 40% of gross fixed capital formation is likely to be hardest hit. The OeNB projects a contraction in investment in equipment of 4.8% (2.4%) in 2009 (2010). This will result in an expected fall in gross fixed capital formation of 1.6% in 2009 and 0.4% in 2010.

By contrast, construction investment, which is less cyclically sensitive, will hold up better owing to two factors. First, the construction industry will continue to have healthy order books into the first half of 2009. Order problems will not emerge until the second half of 2009. Second, the bulk of the economic measures adopted (frontloaded investment by the ÖBB,

ASFINAG and BIG) is concentrated on government measures to support the construction sector. While the first economic stimulus package provided for frontloaded investment of about EUR 150 million p.a. by the ÖBB and ASFINAG, frontloaded investment of EUR 850 million by the BIG was announced for 2009 and 2010 in the second growth package. The latter investment was included in this outlook on the assumption that EUR 500 million and EUR 350 million will be invested in 2009 and 2010, respectively. This will generate GDP growth stimuli of around 0.1 percentage points in 2009. For further details the measures of the second economic stimulus package, see box 2 below.

4.4 Sluggish, Albeit Still Positive, Consumption Growth

2007 was marked by dynamic growth in total disposable nominal household income (+4.4%), which will be even further exceeded by a wide margin in

Table 6

Composition of Nominal Household Income in Austria

	2007	2008	2009	2010
<i>Annual change in %</i>				
Employees	+2.2	+2.0	+0.2	-0.2
Wages per employee	+2.2	+2.8	+2.6	+1.9
Compensation of employees ¹	+4.4	+4.9	+2.7	+1.7
Mixed income and operating surplus, net ¹	+9.6	+5.4	+1.7	+1.8
Property income ¹	+5.7	+2.9	+1.3	+2.2
<i>Contribution to disposable household income in percentage points</i>				
Compensation of employees	+3.6	+3.9	+2.2	+1.4
Mixed income and operating surplus, net	+1.3	+0.7	+0.2	+0.2
Property income	+1.1	+0.6	+0.3	+0.4
Net transfers minus direct taxes ¹	-1.4	+0.0	+0.2	+0.2
Disposable household income (nominal)	+4.4	+5.2	+2.7	+2.3

Source: 2007: Eurostat; 2008 to 2010: OeNB December 2008 outlook.

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

2008 (+5.2%), according to the OeNB economic outlook. This situation is attributable to very dynamic employment growth in 2007 and 2008. At +2.8%, nominal gross wages and salaries per person in payroll employment will increase more slowly in 2008, resulting – in combination with a projected inflation rate of 3.3% – in a real wage loss. Owing to both economic and employment factors, growth in nominal compensation of employees is expected to slow in 2009 and 2010 (+2.7% and a mere +1.7%, respectively). In 2009, real wage growth (+1.2%) will be fueled by a sharp drop in inflation.

Growth in mixed income of self-employed and in operating surpluses, as well as in investment income (the most cyclically-sensitive income component), will decline in 2009 only to recover slightly in 2010. Since the start of the financial crisis in the third quarter of 2007, losses suffered by the household sector arising from directly held tradable securities – corrected by foundations allocated to the household sector – have amounted to some

EUR 17 billion. Simulation results based on the OeNB macroeconomic model however show that the effects of changes in asset prices on private consumption and GDP growth in Austria are not very marked and occur only with a substantial time lag. On a cumulated basis over a period of five years, current losses of EUR 17 billion will dampen consumption by 0.3 percentage points as well as GDP by 0.1 percentage points.

Healthy income growth on the back of employment growth resulted in still relatively steady consumer demand in the first three quarters of 2008. In the first three quarters of 2008, real quarterly consumption growth amounted to +0.3% in each quarter. Therefore, an annual consumption growth rate of +1.2% can be expected for 2008 as a whole. The consumption forecast for 2009 and 2010 (+0.5% respectively) is marked by rapidly decelerating employment momentum owing to the crisis and thus by considerably weaker growth in compensation of employees. In addition, investment income is not expected to make a notable contribution to

Table 7

Private Consumption in Austria

	2007	2008	2009	2010
<i>Annual change in %</i>				
Disposable household income (nominal)	+4.4	+5.2	+2.7	+2.3
Private consumption expenditure (PCE) deflator	+2.3	+2.9	+1.4	+1.5
Disposable household income (real)	+2.1	+2.3	+1.3	+0.7
Private consumption (real)	+0.9	+1.2	+0.5	+0.5
<i>% of nominal disposable household income</i>				
Saving ratio	11.6	12.8	13.6	13.7

Source: 2007: Eurostat; 2008 to 2010: OeNB December 2008 outlook.

nominal household income growth. Furthermore, a further rise in the saving ratio, which will also dampen private consumption growth, is expected in 2009 and 2010. Owing to heightened job insecurity and given the uncertainties about the long-term sustainability of the public pension system and the resulting pension reforms, the saving ratio rose steadily in the period from 2003 to 2007. In addition, growth in real disposable household income in this period was driven to an above-average degree by investment income and mixed income accruing to self-employed households, which exhibit a below-average marginal propensity to consume. For 2009 and 2010, household confidence is expected to plummet owing to the accumulation of negative shocks for households (inflation shock in 2008, financial crisis, recession), which will give rise to further consumer restraint.

4.5 Crisis Induces Steep Rise in Unemployment

Economic developments fed through to the labor market already in November

2008. Although total employment growth was still very buoyant at +1.5%, it had slowed compared with the previous months. In November 2008, the number of registered unemployed rose for the first time since February 2006 (+0.9% year-on-year). By contrast, the second quarter of 2008 had seen unemployment figures drop by 6.4%. In November 2008, the number of reported vacancies fell significantly by -11.5%.

The labor market is likely to deteriorate significantly owing to the recession in 2009. Since employment follows on the heels of economic growth, the labor market slump and the rise in unemployment will not emerge until in 2009 and 2010. After +2% in 2008, employment growth will therefore move toward zero in 2009 and be negative in 2010 owing to lag effects. Since labor supply growth is also dependent on economic growth, it will fall from +1.3% in 2008 to only +0.6% in 2009. This will counter the rise in unemployment. This effect is primarily determined by less migration.⁹ The unemployment rate will climb from 3.7% in

⁹ In addition to demographic factors, labor supply growth is determined by pension scheme reforms and child-care benefits. Over the forecast horizon, all three factors will continue to boost labor supply, which will be countered by cyclical components, however.

Table 8

Labor Market Developments in Austria

	2007	2008	2009	2010
	Annual change in %			
Total employment	+1.7	+1.5	+0.1	-0.2
of which: Payroll employment	+2.2	+2.0	+0.2	-0.2
Self-employment	-0.6	-0.5	-0.4	-0.4
Public sector employment	-0.3	+0.0	+0.1	+0.1
Registered unemployment	-7.5	-1.9	+10.9	+9.0
Labor supply	+1.0	+1.3	+0.6	+0.2
	% of labor supply			
Unemployment rate (Eurostat definition)	4.4	3.7	4.2	4.8

Source: 2007: Eurostat; 2008 to 2010: OeNB December 2008 outlook.

2008 to 4.2% (2009) and 4.8% (2010).¹⁰ After a drop in unemployment numbers by some 4,000 persons in 2008, this figure will rise by a total of some 45,000 persons in the years 2009 and 2010.

Box 2

Budgetary Developments to 2010 and Macroeconomic Effects of the Tax Reform and Bank Support Package¹

The current slowdown in growth is only marginally reflected in the budgetary developments of 2008. Tax receipts partly lag behind the development of their respective tax bases (e.g. corporate income tax). Unusually benign employment growth in the first three quarters of 2008 and comparatively high inflation both favored an increase in tax receipts (withholding tax on wages and salaries, social security contributions and VAT) as well as tax increases already agreed in 2007 (increase in the petroleum tax from mid-2007, increase in health insurance contributions as of early 2008, etc.). The measures adopted in 2008 to mitigate the impact of inflation on disposable household income will, however, result in a slight deterioration in the 2008 budget balance.

Trend in the General Government Budget Balance to 2010

The current OeNB outlook (which is Austria's contribution to the Eurosystem projections) includes only those measures that were agreed and suitably specified as at November 20, 2008. The basic scenario therefore includes only the capital injection of EUR 2.7 billion provided to Erste Bank der oesterreichischen Sparkassen AG, and no other measures of the bank support package; also excluded are any liability charges for guarantees. Neither are included the tax reform, the set of measures to support families with children and the budgetary effects of the second economic stimulus package.

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¹⁰ In 2008, Eurostat converted the method for calculating unemployment rates for Austria. This new method is already used in most peer group countries. As a result, Austria's unemployment rate was sharply downgraded. Provided comparable data based on the old calculation method are available, a sharp downtrend according to the old calculation method is evident in 2008 as well.

Deficit and Debt Ratios: Basic Scenario and Scenario Including Reform

	2008	2009	2010
<i>Annual change in % (real)</i>			
Gross domestic product			
Basic scenario	+1.6	-0.3	+0.8
Including tax reform and economic stimulus package	+1.6	+0.2	+0.9
<i>% of nominal GDP</i>			
General government net lending			
Basic scenario	-0.7	-1.9	-2.5
Including tax reform and economic stimulus package	-0.7	-2.8	-3.4
General government debt			
Basic scenario	59.3	61.2	63.1
Including tax reform and economic stimulus package	59.3	61.9	64.5

Source: OeNB.

For 2009 and 2010, the basic scenario already projects a significant deterioration in the budgetary situation as a result of the severe slowdown in growth. Owing to the impact of the automatic stabilizers alone (decline in tax receipts, rise in unemployment benefit spending), the deficit is expected to increase by around 0.8% of GDP in 2009. The measures agreed in 2008 to mitigate inflationary effects, as well as the expected continuation of the strong trend growth in certain expenditure components (e.g. in the health segment), imply an additional (structural) deterioration of around ½% of GDP. An only marginally deficit-increasing effect can be expected from the first economic stimulus package (which was primarily geared to support SMEs). In 2010, the general government deficit will widen to around 2½% of GDP owing to the increasingly negative output gap. Sharply falling primary surpluses, together with an unfavorable interest-growth differential and the capital injection to Erste Bank der oesterreichischen Sparkassen AG, will result in the public debt ratio increasing to around 63% of GDP.

Effects of Tax Reform and Second Economic Stimulus Package

In the government program, the income tax reform including measures to support families with children – to take effect on January 1, 2009 – is estimated to cost EUR 2.7 billion. The measures announced in the second economic stimulus package (temporary degressive depreciation on movable assets, free final year at nursery, etc.) will increase the general government deficit by almost 0.2% of GDP in both 2009 and 2010.

As a result, the general government deficit ratio, based on a simulation using the OeNB macro model, will rise sharply. By 2010, the fiscal balance is expected to deteriorate to -3.4% of GDP. Compared with the basic scenario, the inclusion of these measures also implies a positive growth effect of roughly ½% of GDP in 2009.

Impact of the Bank Support Package

Government guarantees (deposit guarantees, guarantees for securities issued by Oesterreichische Clearingbank AG and for ongoing interbank business transacted through the latter) will only have an effect on the Maastricht deficit and the Maastricht debt if they are called in.

Potential capital injections to financial institutions by the FIMBAG, the newly created stock corporation for financial market investments of the Federal Republic of Austria, will have to be financed by government bonds, thereby resulting in higher public debt. The legally stipulated maximum amount of EUR 15 billion for such measures roughly corresponds to 5.3% of GDP. The resulting additional interest payments per year would be approximately ¼% of GDP. Any income from these financial interests (government revenues) would have to be offset against this higher interest burden (government expenditures). The time, type and amount of the expected income depend on the still outstanding specific form of the financial interests.

Table 9

Price and Cost Indicators for Austria

	2007	2008	2009	2010
<i>Annual change in %</i>				
Harmonised Index of Consumer Prices (HICP)	+2.2	+3.3	+1.4	+1.6
HICP energy	+4.0	+11.6	-5.0	+0.9
HICP excluding energy	+2.0	+2.5	+2.1	+1.7
Private consumption expenditure (PCE) deflator	+2.3	+2.9	+1.4	+1.5
Investment deflator	+3.0	+3.1	+1.6	+1.2
Import deflator	+1.8	+3.3	+1.7	+1.2
Export deflator	+1.8	+1.5	+2.0	+1.8
Terms of trade	+0.0	-1.7	+0.3	+0.6
GDP at factor cost deflator	+2.2	+2.7	+1.5	+1.8
Unit labor costs	+0.9	+2.7	+3.0	+0.9
Compensation per employee	+2.2	+2.8	+2.6	+1.9
Labor productivity	+1.3	+0.1	-0.5	+1.0
Collectively agreed wage settlements	+2.5	+3.1	+3.0	+2.6
Profit margins ¹	+1.3	+0.0	-1.5	+1.0

Source: 2007: Eurostat, Statistics Austria; 2008 to 2010: OeNB December 2008 outlook.

¹ GDP deflator divided by unit labor costs.

4.6 Sharp Fall in Commodity and Energy Prices Induces Drop in Inflation

HICP inflation reached record levels of 4% in June 2008 and has since been falling sharply. It had been driven primarily by surging oil and commodity prices in the international market. These prices are now subject to dampening coming specifically from the base effect of the steep energy price hikes seen since October 2007 and from the current fall in oil prices. For 2008, the OeNB therefore projects an inflation rate of 3.3%. 2009 and 2010 should see decelerating inflation due to strongly decreasing international commodity and energy prices. HICP inflation will decline to 1.4% in 2009 and increase slightly to 1.6% in 2010.

The sharp rise in international commodity prices resulted in a pronounced deterioration in the terms of trade in 2008. By contrast, a slight improvement is expected in 2009 and 2010. Wage negotiations for 2009 are currently influenced by three factors: first,

inclusion of the healthy profit situation in 2008; second, compensation for high inflation in 2008 and, third, the bleak economic expectations for 2009. The OeNB projects an increase in collectively bargained wages of 3%. Collective wage agreements for 2010 are expected to be significantly lower owing to narrowing profit margins in 2009 and to the economic crisis (2.6%).

5 Unusually High Risks to Growth and Inflation Outlooks

The current OeNB outlook is subject to a large number of unusually high risks. The source of these risks remains the future development of the international financial crisis and its transmission to the real economy. Both the scale and duration (lending, credit pricing and credit costs, confidence trend) of the financial crisis are currently extremely uncertain and represent a significant downside risk.

Of the *external assumptions*, on which this outlook is based, the projected growth trend of Austria's trad-

ing partners exhibits the greatest degree of uncertainty. The latter relates to both the scale of the recession in 2009 and to its duration. At the same time, a number of countries are drawing up measures to stabilize their economies in order to soften the impact of the imminent recession or, in some cases, to prevent it altogether. It was not possible to gauge the impact of the type and scale of these measures at the cutoff date for data of this publication. Compared with previous outlooks, all other external assumptions of this outlook (oil prices, interest rates, etc.) are far more heavily dependent on real economic developments. The price of oil depends on expectations about future economic developments and is therefore subject to similar risks. This could have an effect on the assumed oil price expectations for both 2009 and 2010.

The largest *upside risks* to the growth outlook are, first, the economic aid measures that are currently being discussed at an EU level and, second, the national economic aid measures and the planned tax reforms. On the basis of the aforementioned simulations using the OeNB macro model, the inclusion of these national measures would generate a positive growth effect of around ½% of GDP in 2009, compared with the basic outlook. In addition, economic aid measures in other EU countries might alleviate the economic downturn. A major *domestic downside risk* is continued lending restraint.

Overall, the risks to the growth outlook do not clearly point in one direction. Since inflation risks are closely related to real economic ones, a clear upside or downside risk does not exist.

6 Growth and Inflation Outlook Massively Downgraded against June 2008

Since the OeNB June 2008 outlook, real external macroeconomic conditions have deteriorated significantly. Growth in Austrian export demand has slowed very rapidly. Compared with the June 2008 economic outlook, it will decline by 3.8 percentage points to only +1.4% in 2009. External price assumptions have however improved considerably since June 2008. The assumptions for the future development of oil prices were sharply corrected down. Oil prices are assumed to be USD 50 lower in 2009 and USD 39 lower in 2010. The U.S. dollar appreciated against the euro and, in both 2009 and 2010, the short-term interest rate will be well below the relevant projections in the June 2008 outlook.

The effects of these new external assumptions were simulated using the OeNB macroeconomic model. The three years of the forecasting period will see significantly negative effects of -0.6 (2008), -2.0 (2009) and -1.6 percentage points (2010) on GDP growth. The favorable developments on the economy's price front are clearly too sluggish to counter the negative real economic effects.

Table 11 lists the reasons for revising this outlook in detail. In addition to the effects of the new external assumptions, this revision is explained by the effects of new data and by the item "Other". The influence of new data includes the effects of the revisions of both the historical data already available at the time of the previous OeNB economic outlook (i.e. data to the first quarter of 2008) and the forecasting errors of the previous outlook for the periods now published for the first time (i.e. data for the second and third quarters of 2008). The item "Other" in-

Table 10

Change in the External Environment since the June 2008 Outlook

	December 2008			June 2008			Difference		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
	<i>Annual change in %</i>								
Growth of Austria's export markets	+4.1	+1.4	+4.5	+5.2	+5.2	+6.3	-1.1	-3.8	-1.8
Competitor prices in Austria's export markets	+2.4	+3.4	+1.3	+0.7	+1.8	+1.3	+1.7	+1.6	+0.0
Competitor prices in Austria's import markets	+2.2	+2.8	+1.3	+1.3	+1.8	+1.4	+0.9	+1.0	-0.1
	<i>USD</i>								
Oil price per barrel (Brent)	99.9	67.3	76.6	113.3	117.7	115.6	-13.4	-50.4	-39.0
	<i>Annual change in %</i>								
Nominal effective exchange rate (exports)	-0.4	+1.4	+0.0	-1.0	-0.1	+0.0	+0.6	+1.5	+0.0
Nominal effective exchange rate (imports)	+0.2	+0.7	+0.0	-0.3	+0.0	+0.0	+0.5	+0.7	+0.0
	<i>%</i>								
Three-month interest rate	4.7	2.8	3.2	4.9	4.3	4.2	-0.2	-1.5	-1.0
Long-term interest rate	4.4	4.5	4.7	4.4	4.7	4.8	+0.0	-0.2	-0.1
	<i>Annual change in %</i>								
U.S. GDP (real)	+1.4	-0.7	+0.9	+1.0	+1.2	+2.6	+0.4	-1.9	-1.7
	<i>USD/EUR</i>								
USD/EUR exchange rate	1.46	1.27	1.27	1.54	1.54	1.54	-0.08	-0.27	-0.27

Source: Eurosystem.

cludes new expert assessments regarding the development of domestic variables such as government consumption or wage settlements, as well as any changes to the model.

The downgrade of the 2008 growth outlook by -0.6 percentage points is explicable on three grounds: first, sharp downgrades of historical data (-0.4 percentage points); second, positive effects of external assumptions (+0.3%); and, third, a new expert assessment (-0.4 percentage points). The downgrade for 2009 proved to be particularly severe (-2.0 percentage points). It is essentially based on deteriorated external assumptions (-0.8 percentage points) relating to Austrian export demand and on a new expert assessment (-1.2 percentage points). The latter basically includes the special effects of the financial crisis, mostly

comprising a new assessment of both export and investment activities. The similarly sharp downgrade for 2010 (-1.6 percentage points) is based in equal measure on new expert assessments and new external assumptions.

The revision of the inflation outlook for 2008 was largely influenced by higher realized inflation rates in 2008. The extent to which inflation rose had not been predicted. The downgrades for 2009 and 2010 are explicable by new data (2009) and revised external conditions. These downgrades are largely influenced by the new oil price assumptions. Owing to the great openness of the Austrian economy, however, the huge implosion of domestic demand will have only a relatively mild effect on the trend in inflation.

A comparison of the current forecasts for Austria (table 18 in the appen-

Table 11

Breakdown of Forecast Revisions

	GDP			HICP		
	2008	2009	2010	2008	2009	2010
	<i>Annual change in %</i>					
December 2008 outlook	+1.6	-0.3	+0.8	+3.3	+1.4	+1.6
June 2007 outlook	+2.2	+1.7	+2.4	+3.1	+2.4	+1.9
Difference	-0.6	-2.0	-1.6	+0.2	-1.0	-0.3
	<i>Percentage points</i>					
Due to:						
External assumptions	+0.3	-0.8	-0.8	+0.1	-0.6	-0.3
New data	-0.5	-0.1	x	+0.2	-0.8	x
of which: Revision of historical data until Q1 08	-0.4	x	x	+0.0	x	x
Projection errors for Q2 08 and Q3 08	-0.1	-0.1	x	+0.2	-0.8	x
Other ¹	-0.4	-1.2	-0.8	-0.1	+0.2	+0.0

Source: OeNB June 2008 and December 2008 outlooks.

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

dix of tables) shows clear differences in the forecast results. The forecasts correlate with the time of publication; an exceptionally strong tendency to downgrade is evident. With its growth outlook for 2009 (-0.3%), the OeNB is at the bottom end of the forecast spectrum. However, the OECD also expects a recession in 2009 (-0.1%). By contrast, expectations for 2010 are largely identical (OeNB: +0.8% and WIFO: +0.9%), whereas the European Commission and the Institute for Higher Studies and Scientific Research (IHS) anticipate a stronger recovery.

As for its inflation outlook, the OECD is conspicuously at the bottom end of the forecast spectrum at +1.1% for 2009 and +0.8% for 2010. Except for the OeNB (+1.4% for 2009 and +1.6% for 2010), the forecasts of all the other institutions exceed the OECD's projections by a wide margin. The OeNB December 2008 outlook differs from the others also in terms of the composition of growth, as it projects a decline in both exports and imports in 2009 and negative investment growth in 2010.

Box 3

CESEE not Spared from Global Downturn Momentum Moderating, but Growth Differential to the Euro Area Remains Considerable; Risks Tilted to the Downside¹

Following a prolonged period of economic expansion which lasted well into the first half of 2008, clear signs of economic moderation became visible in the Central, Eastern and South-eastern Countries (CESEE)² in the third quarter. In line with weaker external demand, especially owing to the slowdown of economic activity in the euro area, and tighter external financing conditions, important leading indicators have deteriorated sharply since the end of the

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² The aggregate CESEE contains Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Russia, Slovakia, Slovenia and Turkey.

second quarter, pointing to a pronounced deceleration of growth in the second half of 2008 and in 2009. Expectations of moderate growth are very much in line with the forecasts for Western industrialized countries; as a result of the ongoing catching-up process, the region's growth differential is likely to remain substantial, however.

Industrial output growth was still robust in the first half of 2008 (+5.5% year-on-year on average for the region), but turned negative in August (-0.7% year-on-year on average for the region) and recovered only marginally in September. First indications of this steep decline had already appeared in May, when industrial confidence, as measured by the European Commission's Business and Consumer Survey, began to decrease noticeably in a number of CESEE countries. By November, industrial confidence reached especially low levels in the Central European countries. Besides industrial output and industrial confidence, recent changes in the growth of credit to nonfinancial corporations and changes in capacity utilization also point to weakening industrial dynamics. The level of capacity utilization, however, remains comparatively high by historical standards.

Export orders recently fell below long-term average levels, which clearly documents a worsening of external demand conditions. According to data collected in the course of the European Commission's Business and Consumer Survey, export expectations for the fourth quarter of 2008 declined as well, and in the Czech Republic, Hungary and a number of other CESEE countries a majority of exporters already expects export orders to decline over the coming months. A quick recovery of external demand therefore seems highly improbable.

When compared with the first half of 2008, growth rates of retail sales also declined. This drop, however, was less pronounced than the decrease in industrial output, as retail sales in the CESEE countries still grew at a positive rate (3.7% year-on-year on average) in October. However, consumer sentiment deteriorated substantially over the past months and stood at especially low levels in Hungary and some other CESEE countries. This should be seen against the backdrop of a slower expansion of consumer credit and less favorable labor market prospects than in the past. All these factors are expected to weigh on consumer spending in the near future.

Recent projections of economic growth for important CESEE countries clearly reflect the worsening consumer and industry sentiment and leading indicators. In 2008, the Czech Republic, Poland and Russia are expected to grow at a substantially slower pace than in 2007. This moderation is anticipated to extend well into 2009, with some recovery by year-end. Forecasts are somewhat different for Hungary: Growth is seen to accelerate slightly in 2008, albeit from a very low level. According to the most recent forecasts, however, growth will weaken considerably in 2009 and possibly turn negative. Generally, the deterioration of economic conditions in these countries is reflected more clearly now than in previous forecasts, as projected growth rates were mostly (and in some cases considerably) revised downward. However, it has to be kept in mind that compiling forecasts takes several weeks, and therefore the most recent (mainly negative) global developments are not considered.

Weaker growth forecasts reflect diminishing capital inflows into the region as well as lower expected demand from Western Europe, which in turn is seen to dampen exports and investment. Moreover, the deteriorating labor market situation and debt servicing of households will cut into consumption. The latter applies in particular to those countries with a high share of foreign currency lending that recently experienced a sizeable appreciation of the nominal exchange rate.

Despite these factors, growth in the CESEE region will remain in positive territory in 2009. The growth differential to the euro area will amount to around 3 percentage points, which is roughly the same value as in the preceding years. Catching-up of the region will therefore continue also in 2009.

Risks to the growth outlook are significant and tilted to the downside. The main risks include a further deterioration of external financing conditions in the wake of the international financial turmoil, a larger-than-expected weakening of external demand and the possibility of disruptive exchange rate developments in the case of adverse changes to risk perceptions.

Real GDP Growth in the Three CEE EU Member States and Russia

		Forecast				Previous forecast	
		2006	2007	2008	2009	2008	2009
		Annual change in %					
Czech Republic	Historical data	6.8	6.0		
	European Commission (November 2008)			4.4	3.6	4.7	5.0
	IMF (October 2008 ¹)			4.0	3.4	4.2	4.6
	wiiw (November 2008)			4.6	3.5	4.7	5.0
	Consensus Forecasts (November 2008)			4.0–4.8	–1.0–5.2	3.8–5.5	3.2–6.0
Hungary	Historical data	4.1	1.1		
	European Commission (November 2008)			1.7	0.7	1.9	3.2
	IMF (October 2008 ¹)			1.9	2.3	1.8	2.5
	wiiw (November 2008)			1.3	–1.0	2.5	3.4
	Consensus Forecasts (November 2008)			1.1–1.8	–1.7–2.0	1.5–2.7	2.5–3.6
Poland	Historical data	6.2	6.7		
	European Commission (November 2008)			5.4	3.8	5.3	5.0
	IMF (October 2008 ¹)			5.2	3.8	4.9	4.5
	wiiw (November 2008)			5.4	3.8	5.5	5.3
	Consensus Forecasts (November 2008)			3.0–5.4	2.8–4.3	4.7–5.8	4.1–5.5
Russia	Historical data	7.3	8.1		
	European Commission (November 2008)			7.1	6.0	7.7	7.3
	IMF (November 2008)			6.8	3.5	6.8	6.3
	wiiw (November 2008)			7.0	5.2	7.3	6.8
	Consensus Forecasts (November 2008)			6.2–7.5	1.5–5.8	6.5–7.8	6.0–7.6

Source: European Commission, Consensus Forecasts, IMF, wiiw.

¹ In its update of November 6, 2008 the IMF reduced its forecast for Emerging Europe considerably from 4.5% to 4.2% in 2008 and from 3.4% to 2.5% in 2009. Individual country forecasts have not been released.

Annex: Detailed Result Tables

Table 12

Demand Components (Real Prices)

Chained volume data (reference year = 2000)

	2007	2008	2009	2010	2007	2008	2009	2010
	EUR million				Annual change in %			
Private consumption	127,249	128,743	129,389	130,006	+0.9	+1.2	+0.5	+0.5
Government consumption	42,933	43,745	44,174	44,831	+1.8	+1.9	+1.0	+1.5
Gross fixed capital formation	54,125	55,592	54,725	54,515	+3.9	+2.7	-1.6	-0.4
of which: Investment in plant and equipment	21,565	22,340	21,266	20,748	+4.1	+3.6	-4.8	-2.4
Residential construction investment	10,782	10,901	10,977	10,921	+4.0	+1.1	+0.7	-0.5
Investment in other construction	21,959	22,706	22,678	23,042	+4.7	+3.4	-0.1	+1.6
Changes in inventories (including statistical discrepancy)	2,258	902	549	515	x	x	x	x
Domestic demand	226,565	228,981	228,838	229,866	+1.9	+1.1	-0.1	+0.4
Exports of goods and services	148,750	152,501	148,423	151,478	+8.5	+2.5	-2.7	+2.1
Imports of goods and services	134,245	136,457	133,074	135,269	+7.0	+1.6	-2.5	+1.6
Net exports	14,505	16,045	15,349	16,209	x	x	x	x
Gross domestic product	241,070	245,026	244,186	246,075	+3.0	+1.6	-0.3	+0.8

Source: 2007: Eurostat; 2008 to 2010: OeNB December 2008 outlook.

Table 13

Demand Components (Current Prices)

	2007	2008	2009	2010	2007	2008	2009	2010
	EUR million				Annual change in %			
Private consumption	143,821	149,681	152,483	155,567	+3.2	+4.1	+1.9	+2.0
Government consumption	49,313	51,602	53,151	54,804	+4.3	+4.6	+3.0	+3.1
Gross fixed capital formation	60,046	63,575	63,567	64,079	+7.0	+5.9	+0.0	+0.8
Changes in inventories (including statistical discrepancy)	1,761	2,530	1,398	1,472	x	x	x	x
Domestic demand	254,941	267,387	270,599	275,921	+4.1	+4.9	+1.2	+2.0
Exports of goods and services	161,105	167,701	166,433	172,903	+10.5	+4.1	-0.8	+3.9
Imports of goods and services	145,123	152,317	151,022	155,307	+8.9	+5.0	-0.9	+2.8
Net exports	15,983	15,384	15,411	17,597	x	x	x	x
Gross domestic product	270,924	282,771	286,010	293,517	+5.3	+4.4	+1.1	+2.6

Source: 2007: Eurostat; 2008 to 2010: OeNB December 2008 outlook.

Table 14

Deflators of Demand Components

	2007	2008	2009	2010	2007	2008	2009	2010
	2000 = 100				Annual change in %			
Private consumption	113.0	116.3	117.8	119.7	+2.3	+2.9	+1.4	+1.5
Government consumption	114.9	117.9	120.3	122.2	+2.5	+2.7	+2.0	+1.6
Gross fixed capital formation	110.9	114.4	116.2	117.5	+3.0	+3.1	+1.6	+1.2
Domestic demand (excluding changes in inventories)	112.9	116.1	117.9	119.7	+2.5	+2.9	+1.5	+1.5
Exports of goods and services	108.3	110.0	112.1	114.1	+1.8	+1.5	+2.0	+1.8
Imports of goods and services	108.1	111.6	113.5	114.8	+1.8	+3.3	+1.7	+1.2
Terms of trade	100.2	98.5	98.8	99.4	+0.0	-1.7	+0.3	+0.6
Gross domestic product	112.4	115.4	117.1	119.3	+2.2	+2.7	+1.5	+1.8

Source: 2007: Eurostat; 2008 to 2010: OeNB December 2008 outlook.

Table 15

Labor Market

	2007	2008	2009	2010	2007	2008	2009	2010
	Thousands				Annual change in %			
Total employment	4,163.4	4,227.5	4,232.7	4,222.7	+1.7	+1.5	+0.1	-0.2
of which: Private sector employment	3,644.4	3,708.6	3,713.4	3,702.9	+2.0	+1.8	+0.1	-0.3
Payroll employment (national accounts definition)	3,482.1	3,552.3	3,558.5	3,551.0	+2.2	+2.0	+0.2	-0.2
	% of labor supply							
Unemployment rate (Eurostat definition)	4.4	3.7	4.2	4.8	x	x	x	x
	EUR per real output unit x 100							
Unit labor costs (whole economy) ¹	64.8	66.6	68.6	69.2	+0.9	+2.7	+3.0	+0.9
	EUR thousand per employee							
Labor productivity (whole economy) ²	57.9	58.0	57.7	58.3	+1.3	+0.1	-0.5	+1.0
	EUR thousand							
Real compensation per employee ³	33.2	33.2	33.6	33.7	+0.0	-0.1	+1.2	+0.4
	At current prices, EUR 1,000							
Gross compensation per employee	37.5	38.6	39.6	40.3	+2.2	+2.8	+2.6	+1.9
	At current prices, EUR million							
Total gross compensation of employees	130,725	137,081	140,845	143,232	+4.4	+4.9	+2.7	+1.7

Source: 2007: Eurostat; 2008 to 2010: OeNB December 2008 outlook.

¹ Gross wages divided by real GDP.

² Real GDP divided by total employment.

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

Table 16

Current Account

	2007	2008	2009	2010	2007	2008	2009	2010
	<i>EUR million</i>				<i>% of nominal GDP</i>			
Balance of trade	13,214.0	12,301.0	12,051.8	14,455.6	4.9	4.4	4.2	4.9
Balance on goods	1,250.0	-548.0	-525.0	461.0	0.5	-0.2	-0.2	0.2
Balance on services	11,964.0	12,849.0	12,576.8	13,994.6	4.4	4.5	4.4	4.8
Euro area	-318.0	-2,071.6	-3,575.8	-2,617.8	-0.1	-0.7	-1.3	-0.9
Non-euro area countries	13,532.0	14,372.6	15,627.6	17,073.4	5.0	5.1	5.5	5.8
Balance on income	-3,621.0	-3,651.2	-4,174.4	-4,234.2	-1.3	-1.3	-1.5	-1.4
Balance on transfers	-1,033.0	-1,053.4	-1,076.0	-1,136.0	-0.4	-0.4	-0.4	-0.4
Current account	8,560.0	7,596.5	6,801.4	9,085.4	3.2	2.7	2.4	3.1

Source: 2007: OeNB; 2008 to 2010: OeNB December 2008 outlook.

Quarterly Outlook Results

	2008	2009	2010	2008				2009				2010			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Prices, wages and costs															
	<i>Annual change in %</i>														
HICP	+3.3	+1.4	+1.6	+3.2	+3.7	+3.6	+2.7	+1.9	+1.3	+0.9	+1.6	+1.5	+1.6	+1.6	+1.7
HICP (excluding energy)	+2.5	+2.1	+1.7	+2.3	+2.5	+2.7	+2.6	+2.3	+2.1	+1.9	+1.9	+1.6	+1.7	+1.7	+1.7
Private consumption expenditure (PCE) deflator	+2.9	+1.4	+1.5	+3.4	+3.2	+2.6	+2.2	+1.5	+1.3	+1.3	+1.4	+1.5	+1.5	+1.5	+1.6
Gross fixed capital formation deflator	+3.1	+1.6	+1.2	+2.9	+3.1	+3.4	+3.0	+2.5	+1.8	+1.1	+1.0	+1.0	+1.1	+1.3	+1.4
GDP deflator	+2.7	+1.5	+1.8	+2.7	+2.9	+2.9	+2.4	+1.9	+1.4	+1.3	+1.5	+1.7	+1.8	+1.9	+1.9
Unit labor costs	+2.7	+3.0	+0.9	+1.8	+2.3	+3.1	+3.7	+4.0	+3.6	+2.7	+1.9	+1.2	+1.0	+0.8	+0.5
Nominal wages per employee	+2.8	+2.6	+1.9	+2.4	+2.7	+2.9	+3.0	+2.9	+2.7	+2.4	+2.2	+2.1	+2.0	+1.9	+1.8
Productivity	+0.1	-0.5	+1.0	+0.7	+0.5	-0.1	-0.6	-1.0	-0.9	-0.3	+0.3	+0.8	+1.0	+1.0	+1.2
Real wages per employee	-0.1	+1.2	+0.4	-0.9	-0.5	+0.3	+0.8	+1.4	+1.4	+1.2	+0.8	+0.5	+0.4	+0.3	+0.2
Import deflator	+3.3	+1.7	+1.2	+2.6	+3.1	+3.7	+3.6	+2.7	+1.9	+1.2	+1.0	+1.0	+1.1	+1.2	+1.4
Export deflator	+1.5	+2.0	+1.8	+1.2	+1.4	+1.6	+1.9	+2.0	+1.9	+2.1	+1.9	+1.9	+1.7	+1.7	+1.9
Terms of trade	-1.7	+0.3	+0.6	-1.3	-1.7	-2.1	-1.6	-0.7	+0.0	+0.9	+1.0	+0.9	+0.6	+0.5	+0.5
Economic activity															
	<i>Annual and/or quarterly changes in % (real)</i>														
GDP	+1.6	-0.3	+0.8	+0.5	+0.3	+0.1	-0.2	-0.3	-0.1	+0.1	+0.1	+0.2	+0.3	+0.4	+0.4
Private consumption	+1.2	+0.5	+0.5	+0.3	+0.3	+0.3	+0.2	+0.1	+0.0	+0.0	+0.1	+0.1	+0.2	+0.2	+0.3
Government consumption	+1.9	+1.0	+1.5	-2.3	+2.5	-1.0	+6.2	-3.8	+0.2	+0.2	+0.2	+0.5	+0.5	+0.4	+0.5
Gross fixed capital formation	+2.7	-1.6	-0.4	+0.7	+0.8	+0.5	-0.6	-0.8	-0.7	-0.5	-0.2	+0.0	+0.1	+0.2	+0.3
of which: Investment in plant and equipment	+3.6	-4.8	-2.4	+1.2	+0.9	+0.5	-1.3	-1.7	-2.0	-1.7	-1.3	-0.8	+0.1	+0.6	+1.2
Residential construction investment ¹	+1.1	+0.7	-0.5	+0.3	+0.3	+0.2	+0.1	+0.4	+0.1	+0.0	-0.1	-0.2	-0.2	-0.1	+0.0
Exports	+2.5	-2.7	+2.1	+0.6	+0.3	-0.3	-1.1	-1.2	-0.9	-0.1	+0.4	+0.6	+0.8	+1.0	+1.1
Imports	+1.6	-2.5	+1.6	-0.7	+0.5	-0.2	+0.9	-2.3	-1.1	-0.4	+0.3	+0.6	+0.8	+0.9	+0.9
<i>Contribution to real GDP growth in percentage points</i>															
Domestic demand	+1.6	+0.1	+0.4	-0.1	+0.8	+0.1	+1.0	-0.8	-0.1	-0.1	+0.0	+0.1	+0.2	+0.2	+0.3
Net exports	+0.6	-0.3	+0.4	+0.7	-0.1	+0.0	-1.2	+0.5	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1
Changes in inventories	-0.6	-0.1	+0.0	-0.2	-0.4	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
Labor market															
	<i>% of labor supply</i>														
Unemployment rate (Eurostat definition)	3.7	4.2	4.8	4.0	3.8	3.3	3.6	3.9	4.1	4.4	4.6	4.7	4.8	4.8	4.9
<i>Annual and/or quarterly changes in %</i>															
Total employment	+1.5	+0.1	-0.2	+0.4	+0.3	+0.5	+0.1	+0.0	-0.2	-0.2	-0.1	+0.0	+0.0	+0.0	+0.1
of which: Private sector employment	+1.8	+0.1	-0.3	+0.4	+0.3	+0.5	+0.2	+0.0	-0.2	-0.2	-0.1	-0.1	+0.0	+0.0	+0.1
Payroll employment	+2.0	+0.2	-0.2	+0.6	+0.5	+0.4	+0.2	+0.0	-0.2	-0.2	-0.1	+0.0	+0.0	+0.1	+0.1
Additional variables															
	<i>Annual and/or quarterly changes in % (real)</i>														
Disposable household income	+2.3	+1.3	+0.7	+2.2	+0.7	-0.2	-0.2	+0.9	+0.4	+0.3	+0.0	+0.2	+0.2	+0.3	-0.1
<i>% of real disposable household income (saving ratio) and % of real GDP (output gap)</i>															
Household saving ratio	12.8	13.6	13.7	12.2	13.3	12.3	13.2	13.2	13.6	13.9	13.8	13.8	13.8	13.8	13.5
Output gap	0.4	-1.7	-2.8	0.9	0.7	0.4	-0.3	-1.1	-1.6	-2.0	-2.3	-2.6	-2.8	-2.8	-2.8

Source: OeNB December 2008 outlook (based on seasonally and working day adjusted data).

¹ Excluding other investment in construction and other investment.

Table 18

Comparison of Current Economic Forecasts for Austria

Indicator	OeNB			WIFO		IAS		OECD			IMF ³		European Commission		
	December 2008			October 2008		October 2008		November 2008			Oct./Nov. 2008		November 2008		
	2008	2009	2010	2008	2009	2008	2009	2008	2009	2010	2008	2009	2008	2009	2010
<i>Annual change in %</i>															
Key results															
GDP (real)	+1.6	-0.3	+0.8	+2.0	+0.9	+2.0	+1.2	+1.9	-0.1	+1.2	+2.0	+0.8	+1.9	+0.6	+1.3
Private consumption (real)	+1.2	+0.5	+0.5	+1.0	+1.2	+1.1	+1.3	+0.9	+0.2	+1.2	x	x	+1.1	+1.0	+1.2
Government consumption (real)	+1.9	+1.0	+1.5	+2.5	+1.0	+2.5	+0.3	+1.7	+0.9	+0.7	x	x	+2.6	+1.9	+1.7
Gross fixed capital formation (real) ¹	+2.7	-1.6	-0.4	+2.2	+0.0	+2.6	+1.2	+1.9	-3.1	+1.0	x	x	+2.4	-0.5	+0.7
Exports (real)	+2.5	-2.7	+2.1	+4.3	+3.0	+4.5	+4.2	+3.8	+1.0	+3.3	x	x	+3.6	+1.7	+4.1
Imports (real)	+1.6	-2.5	+1.6	+3.9	+3.0	+4.3	+4.3	+3.2	+0.6	+3.2	x	x	+3.3	+2.2	+4.1
GDP per employee	+0.1	-0.5	+1.0	+0.3	+0.6	-0.5	+0.8	x	x	x	x	x	+0.2	+0.4	+1.0
GDP deflator	+2.7	+1.5	+1.8	+2.9	+2.2	+2.5	+2.2	+2.6	+1.7	+1.1	x	x	+2.8	+2.3	+1.8
CPI	x	x	x	+3.4	+2.2	+3.4	+2.3	x	x	x	+3.5	+2.3	x	x	x
HICP	+3.3	+1.4	+1.6	+3.4	+2.2	x	x	+3.3	+1.1	+0.8	x	x	+3.4	+2.1	+1.9
Unit labor costs	+2.7	+3.0	+0.9	+3.0	+2.7	x	x	x	x	x	x	x	+2.7	+2.5	+1.5
Payroll employment	+1.5	+0.1	-0.2	+2.4	+0.5	+2.5	+0.4	x	x	x	x	x	+1.8	+0.2	+0.3
<i>% of labor supply</i>															
Unemployment rate ²	3.7	4.2	4.8	3.9	4.2	4.1	4.4	4.9	5.7	6.0	4.2	4.4	3.9	4.2	4.5
<i>% of nominal GDP</i>															
Current account	2.7	2.4	3.1	2.8	2.6	x	x	3.6	3.7	4.0	2.8	2.4	3.1	2.7	2.8
Government surplus/deficit	-0.7	-1.9	-2.5	-0.6	-1.0	-0.6	-1.0	-1.0	-2.7	-3.5	x	x	-0.6	-1.2	-1.4
External assumptions															
Oil price in USD/barrel (Brent)	99.9	67.3	76.6	105.0	90.0	110.0	95.0	60.0	60.0	60.0	99.8	68.0	104.0	85.7	90.4
Short-term interest rate in %	4.7	2.8	3.2	4.8	4.7	4.9	4.2	4.7	2.7	2.6	4.5	3.0	4.6	3.5	4.1
USD/EUR exchange rate	1.46	1.27	1.27	1.50	1.40	1.50	1.40	1.25	1.25	1.25	1.52	1.50	1.48	1.36	1.36
<i>Annual change in %</i>															
Euro area GDP (real)	+0.8 to +1.2	-1.0 to +0.0	+0.5 to +1.5	+1.2	+0.7	+1.5	+1.0	+1.0	-0.6	+1.2	+1.2	-0.5	+1.2	+0.1	+0.9
U.S. GDP (real)	+1.4	-0.7	+0.9	+1.7	+0.9	+1.8	+1.8	+1.4	-0.9	+1.6	+1.4	-0.7	+1.5	-0.5	+1.0
World GDP (real)	+3.4	+1.9	+3.2	+4.0	+3.2	x	x	x	x	x	+3.7	+2.2	+3.7	+2.3	+3.2
World trade	+4.3	+2.2	+5.1	+4.8	+4.0	+4.8	+4.5	+4.8	+1.9	+5.0	+4.6	+2.1	+5.0	+2.2	+4.1

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

¹ For IAS: Gross investment.

² Eurostat definition; for OECD: OECD definition.

³ IMF outlook of October 2008; partial revision of November 5, 2008 (data in italics).