

# Domestic Demand and Strong Exports Stimulate the Economy

Economic Outlook for Austria from 2006 to 2008 (June 2006)

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## 1 Summary

According to the June 2006 economic outlook of the Oesterreichische Nationalbank (OeNB), Austria's real gross domestic product (GDP) is expected to grow 2.5% in 2006 and 2.2% in both 2007 and 2008. The OeNB's growth forecast for 2006 has been revised upward by 0.2 percentage point since the December outlook. Inflation will drop to 1.7% in 2006 (2005: 2.1%) and will fall further to 1.6% in 2007 and 2008. Employment will continue to increase substantially, but so will the labor supply. As a result, the unemployment rate will dip only slightly, to 5.1%.

*Global economic growth* (excluding the euro area) was very strong at 5.1% in 2005 despite persistently high oil prices and is expected to be 4.4% at the end of the forecast horizon, still above the long-term average.

Austria's *export markets* continue to pick up speed. However, exchange rate trends and slightly higher unit labor costs are weighing on Austrian exports' competitiveness. Therefore, Austria will lose some market share on its export markets in 2006, but is

expected to temporarily regain some market share in 2007.

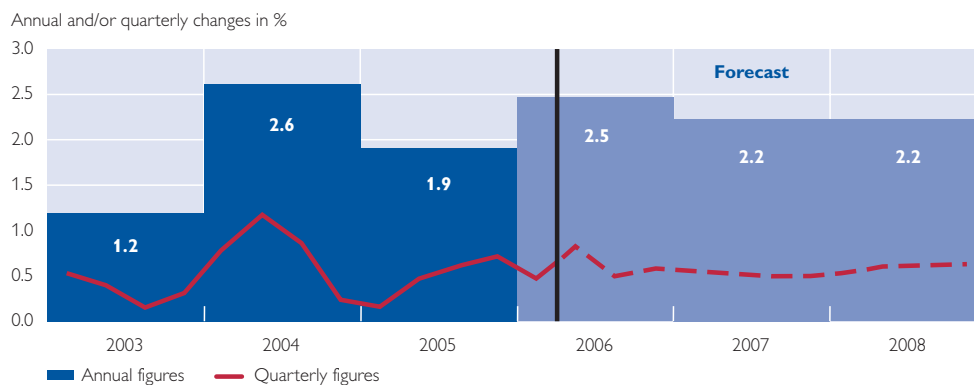
*Net exports* accounted for a relatively large portion of GDP growth in 2005 due to the low rate of import growth. However, import growth is expected to accelerate in 2006 as capital spending increases. Thus, net exports are expected to make a small – though consistently positive – contribution to growth across the forecast horizon.

Austria's *current account* posted a surplus of EUR 3 billion or 1.2% of GDP at the close of 2005, a result the likes of which had last been seen in 1982. The current account surplus is expected to increase to 1.8% of GDP by 2008.

The *inflation rate* will be subject to a number of different influences throughout the forecast horizon. Comparatively high GDP growth will have the Austrian economy operating closer to capacity than it has in the past few years. This development will not be accompanied by heavier price pressures, since the output gap will not close until the end of the forecast horizon. The current forecast

Chart 1

### Real GDP Growth (seasonally adjusted)



Source: Eurostat, OeNB.

JEL classification: C5, E17  
Keywords: forecast,  
Austria, macroeconomic model.

Table 1

OeNB June 2006 Outlook for Austria – Key Results<sup>1</sup>

	2005	2006	2007	2008
<b>Economic activity</b>				
Annual change in % (real)				
Gross domestic product	+1.9	+2.5	+2.2	+2.2
Private consumption	+1.4	+2.1	+1.8	+1.8
Government consumption	+1.4	+1.7	+1.9	+2.4
Gross fixed capital formation	+1.9	+2.4	+3.1	+2.4
Exports of goods and services	+4.3	+6.0	+6.2	+6.3
Imports of goods and services	+4.4	+6.0	+6.4	+6.2
% of nominal GDP				
Current account balance	+1.2	+1.4	+1.6	+1.8
Percentage points of GDP				
<b>Contribution to real GDP growth</b>				
Private consumption	+0.8	+1.1	+1.0	+1.0
Government consumption	+0.3	+0.3	+0.3	+0.4
Gross fixed capital formation	+0.4	+0.5	+0.7	+0.5
Domestic demand (excluding changes in inventories)	+1.5	+2.0	+2.0	+1.9
Net exports	+0.1	+0.3	+0.2	+0.3
Changes in inventories (including statistical discrepancy)	+0.3	+0.2	+0.1	-0.0
Annual change in %				
<b>Prices</b>				
Harmonized Index of Consumer Prices (HICP)	+2.1	+1.7	+1.6	+1.6
Private consumption expenditure (PCE) deflator	+1.9	+1.9	+1.8	+1.6
GDP deflator	+2.0	+1.7	+1.6	+1.6
Unit labor costs in the total economy	+1.0	+1.0	+1.1	+1.2
Compensation per employee (at current prices)	+2.4	+2.6	+2.6	+2.7
Productivity (whole economy)	+1.3	+1.5	+1.4	+1.4
Compensation per employee (real)	+0.5	+0.7	+0.8	+1.1
Import prices	+2.8	+2.8	+1.7	+1.4
Export prices	+1.7	+2.0	+1.8	+1.5
Terms of trade	-1.1	-0.8	+0.1	+0.1
<b>Income and savings</b>				
Real disposable household income	+2.3	+1.7	+1.3	+1.9
% of nominal disposable household income				
Saving ratio	9.6	9.4	9.1	9.3
Annual change in %				
<b>Labor market</b>				
Payroll employment	+1.0	+1.2	+1.1	+1.0
%				
Unemployment rate (Eurostat definition)	5.2	5.1	5.1	5.1
% of nominal GDP				
<b>Budget</b>				
Budget balance (Maastricht definition)	-1.5	-1.6	-1.2	-1.0
Government debt	62.9	62.2	61.1	59.9

Source: 2005: Eurostat, Statistics Austria; 2006 to 2008: OeNB June 2006 outlook.

<sup>1</sup> The outlook was drawn up on the basis of seasonally adjusted and working-day adjusted national accounts data. Therefore, the historical values for 2005 may deviate slightly from the nonadjusted data released by Statistics Austria.

assumes that oil prices will stabilize and there will be no second-round effects on wages and prices. Thus, the OeNB expects inflation to moderate to 1.7% for 2006 and then stabilize at 1.6% for the remainder of the forecast horizon.

While high energy prices will continue to curb *consumption*, the improving economic situation will lift consumer confidence. Increased employment will be a major driver of consumption growth. Collective wage agreements that are expected to be somewhat higher than in previous years and a slowing of inflation will boost private households' real purchasing power. The *saving ratio* rose 0.6 percentage point in 2005 to 9.6%. Increased private consumption and a slight reduction in the saving ratio are expected over the forecast period.

Bustling export activity, favorable financing conditions and the development of corporate earnings will stimulate investment in 2006 (2.4%). Following a further increase in 2007 (3.1%), the investment cycle will lose some steam in 2008 (2.4%). Investment in plant and equipment will undergo particularly strong growth in 2006.

The labor supply will continue to increase sharply by some 35,000 to 40,000 people each year, and although demand for labor is also growing strongly on the back of a positive economic situation, at rates of 0.9% (2006) and 0.8% (2007 and 2008), the *unemployment rate* will decline only slightly, to 5.1%, by 2008.

## 2 Technical assumptions

The OeNB compiled this forecast as its input for the Eurosystem's spring 2006 staff projections for macroeconomic trends in the euro area. The forecast horizon extends from the first quarter of 2006 to the fourth quarter of 2008. May 15, 2006, was the cutoff date for the underlying assumptions on global economic trends and for the technical assumptions on interest rates, exchange rates and crude oil prices. The OeNB used its macroeconomic quarterly model to prepare the projections.

The primary data source is the seasonally and working-day adjusted national accounts data compiled by the Austrian Institute of Economic Research (WIFO), which are fully available up to the fourth quarter of 2005 and which are available in preliminary form (flash estimates) for the first quarter of 2006. Whereas earlier forecasts were based on the technical assumption that short-term nominal interest rates would remain constant, the short-term interest rate used for this forecast horizon is based on market expectations for the development of the three-month EURIBOR. Thus, for 2006, 2007 and 2008, it is 3.0%, 3.6% and 3.7%, respectively. The long-term interest rates are aligned with market expectations for ten-year government bonds and are forecast to come to 4.0% (2006), 4.2% (2007) and 4.3% (2008). A constant rate of USD 1.27/EUR is assumed for the future USD/EUR exchange rate trend. Taking the values realized thus far into account, the average rate for 2006 is USD 1.25/EUR. Thus, a slight euro gain is expected.

The assumed oil price trend is based on the forward rates, which are expected to be USD 70.3, USD 73.9

and USD 71.9 per barrel Brent for 2006, 2007 and 2008, respectively.

The budget forecast includes only those measures that had been passed and suitably specified at the time that the OeNB outlook was prepared.

### 3 Robust Growth of the Global Economy

#### 3.1 Global Economic Growth Remains Dynamic

Both global economic growth and the volume of world trade developed better than expected in 2005 as a result of strong growth in corporate earnings and favorable financing conditions. However, the U.S.A.'s positive contribution to global economic growth is expected to diminish somewhat in the years ahead. Global economic growth (excluding the euro area) was 5.1% in 2005 despite per-

sistently high oil prices and is expected to still be 4.4% at the end of the forecast horizon.

Following several above-average years, growth in the *United States* will slow a bit due to an expected slackening of consumer demand. This will mitigate the high level of indebtedness of U.S. households as well as inflationary pressure. The U.S. current account deficit will remain high. In 2005, the budget deficit improved on the back of better economic conditions, but the structural deficit remained large and there are no indications that it will diminish considerably during the period covered by this forecast.

Asia will experience ongoing robust growth. *China's* growth will be driven by both domestic demand and exports. Despite expectations of only

Table 2

#### Underlying Global Economic Conditions

	2005	2006	2007	2008
Annual change in % (real)				
<b>Gross domestic product</b>				
World excluding the euro area	+5.1	+5.0	+4.5	+4.4
U.S.A.	+3.5	+3.5	+3.0	+2.9
Japan	+2.7	+2.9	+1.9	+1.8
Asia excluding Japan	+7.6	+7.3	+6.8	+6.8
Latin America	+4.3	+4.0	+3.6	+3.5
United Kingdom	+1.8	+2.3	+2.8	+2.8
New EU Member States	+4.3	+4.6	+4.4	+4.3
Switzerland	+1.8	+2.1	+1.7	+1.7
Euro area (Eurosysteem) <sup>1</sup>	+1.4	1.8–2.4	1.3–2.3	×
Euro area (European Commission)	+1.3	+2.1	+1.8	×
<b>World trade (imports of goods and services)</b>				
World economy	+7.0	+7.1	+6.2	+6.4
Non-euro area countries	+8.1	+7.7	+6.7	+6.8
Real growth of euro area export markets	+7.7	+7.6	+6.7	+6.7
Real growth of Austrian export markets	+6.2	+8.0	+5.9	+6.5
<b>Prices</b>				
Oil price in USD/barrel (Brent)	54.4	70.3	73.9	71.9
Three-month interest rate in %	2.2	3.1	3.9	4.1
Long-term interest rate in %	3.4	4.0	4.2	4.3
USD/EUR exchange rate	1.24	1.25	1.27	1.27
Nominal effective exchange rate (euro area index)	103.90	103.87	104.43	104.43

Source: Eurosysteem.

<sup>1</sup> Results of the Eurosysteem's June 2006 projections. The ECB presents the results in ranges based on average differences between actual outcomes and earlier projections.

moderate investment activity, many areas of production will continue to have excess capacities. For this reason, economic policy is aimed primarily at boosting consumer demand through more rapid wage growth and the introduction of a new social insurance system. The economic trend in *Japan* will also be powered by vigorous domestic demand and a recovery of exports, which will be helped by a weak yen and greater investment in plant and equipment in China.

Compared with 2004, real economic growth in the *European non-euro area countries* in 2005 was only moderate. However, a marginal recovery of both domestic demand and exports is expected for the forecast period.

The *new EU Member States*, which are especially important to Austria, are expected to achieve continued high growth rates (over 4%) throughout the forecast period. In Poland, Hungary and the Czech Republic, domestic demand will be the primary force fueling economic growth.

The *United Kingdom* experienced a slight recovery in the fourth quarter of 2005, and growth is expected to pick up between 2006 and 2007. *Switzerland* will achieve between 2.1% and 1.7% economic growth over the forecast period.

### 3.2 Euro Area Recovery

Economic activity in the euro area has improved considerably so far in 2006. The positive development of many confidence indicators signals a further strengthening of the economy.

After a stagnating development in the fourth quarter of 2005, *Germany's* economy picked up in the first quarter of 2006 despite weather-related

problems. Both exports and imports rose sharply in January and February 2006. Real GDP growth will be driven primarily by net exports during the period covered by this forecast, but investment will also accelerate. Private consumption will probably receive an additional temporary boost in 2006 as consumers push forward purchases in anticipation of the VAT hike in 2007. The higher value-added tax will likely curb consumption growth in 2007. Considerably stronger real GDP growth could even bring the budget deficit to below 3% in 2006 and lower the unemployment rate.

*Italy* is expected to undergo a very moderate economic recovery during the forecast period, after experiencing economic stagnation in 2005. The improvement will be driven largely by domestic demand. Net exports are not expected to contribute to growth until 2007 and 2008, and then only slightly.

*France* has been one of the euro area countries with the most stable domestic demand, the factor that will continue to propel GDP growth over the entire forecast horizon. GDP growth is expected to rise relatively steeply in 2006 and then flatten out somewhat over the rest of the forecast horizon despite the expected decline of net exports over the forecast horizon, underscoring the importance of domestic demand for the French economy.

## 4 Austrian Exports Still Dynamic

Although Austrian exporters were able to improve their price competitiveness in 2005, thanks in part to a moderate wage policy, real export growth was slower than in 2004. Austria's real exports of goods and

Table 3

**Growth and Price Developments in Austria's External Trade**

	2005	2006	2007	2008
	Annual change in %			
<b>Exports</b>				
Competitors' prices in Austria's export markets	+3.3	+3.1	+1.6	+1.6
Export deflator	+1.7	+2.0	+1.8	+1.5
Changes in price competitiveness	+1.6	+1.1	-0.2	+0.0
Demand on Austria's export markets (real)	+6.2	+8.0	+5.9	+6.5
Austrian exports of goods and services (real)	+4.3	+6.0	+6.2	+6.3
Market share	-1.9	-2.0	+0.3	-0.2
<b>Imports</b>				
International competitors' prices on the Austrian market	+2.9	+2.9	+1.6	+1.5
Import deflator	+2.8	+2.8	+1.7	+1.4
Austrian imports of goods and services (real)	+4.4	+6.0	+6.4	+6.2
<b>Terms of trade</b>	-1.1	-0.8	+0.1	+0.1
	Percentage points of real GDP			
<b>Contribution of net exports to GDP growth</b>	+0.1	+0.3	+0.2	+0.3

Source: 2005: Eurostat; 2006 to 2008: OeNB June 2006 outlook, Eurosystem.

services increased 8.6% in 2004 but only 4.3% in 2005. This slowdown can be interpreted primarily as a delayed effect of a loss of market share owing to the euro's gains.

However, continued dynamic growth of the export markets is expected to accelerate export growth across the forecast horizon. Real export growth is expected to rise sharply in 2006, to 6.0%, and to continue to pick up somewhat in 2007 and 2008, to 6.2% and 6.3%, respectively. However, the euro's latest rise against the U.S. dollar, which began at the end of 2005, and slight increases in unit labor costs will weaken the price competitiveness<sup>1</sup> of Austrian exports. Therefore, Austria will continue to lose market share on the export markets in 2006 and will not begin to slowly regain it until 2007.

The forecast recovery of demand for capital goods – particularly plant and equipment – and rising private consumption will boost demand for imports. Import growth will accelerate to 6.0% or even slightly above 6% for 2006 to 2008. Thus, net exports will continue to contribute – though only marginally – to growth.

Surging oil prices in 2005 have resulted in a marked deterioration of the terms of trade. The oil price shock will continue to have delayed repercussions in 2006, but they will be less severe. The terms of trade are expected to improve slightly again in 2007 and 2008.

Austria's current account showed a surplus of EUR 3 billion or 1.2% of GDP at the close of 2005, a result the likes of which was last recorded in 1982.

<sup>1</sup> Export competitiveness is expressed as the ratio of competitors' prices on Austria's export markets to the prices of Austrian exports. The competitors' prices are determined using a two-stage weighting process. For each export market, the other exporters' prices in the relevant country are aggregated, weighted by their import shares. The price of domestic production in the export market is also taken into account. The competitor prices determined in this way for each of Austria's export markets are then aggregated with the markets' respective shares of total Austrian exports.

Table 4

Austria's Current Account				
	2005	2006	2007	2008
	% of nominal GDP			
<b>Balance of trade</b>	2.6	2.8	3.0	3.1
Goods	1.1	1.0	1.1	1.2
Services	1.5	1.8	1.9	1.9
Euro area	-4.5	-4.0	-4.0	-4.0
Non-euro area countries	7.1	6.8	6.9	7.0
<b>Balance on income</b>	-0.6	-0.5	-0.5	-0.5
<b>Balance on current transfers</b>	-0.9	-0.9	-0.9	-0.8
<b>Current account</b>	1.2	1.4	1.6	1.8

Source: 2005: OeNB; 2006 to 2008: OeNB June 2006 outlook.

The nominal trade balance will continue to improve, thanks in large part to the services account, where the high number of overnight stays in the tourism industry will have a positive effect. For example, with 60 million (+1.3%) overnight stays in the 2005–2006 winter season, the number of stays in winter exceeded the number of stays in summer for the first time (Statistics Austria). The trade surplus will increase from 2.6% of GDP in 2005 to 3.1% in 2008. The surplus in the balance on goods will stabilize at around 1% of GDP. The balance of trade with euro area countries will improve slightly, while the trade surplus (% of GDP) with non-euro area countries will remain at its 2005 level.

The deficit on the income account, measured as a percentage of GDP, narrowed slightly in 2006 and is not expected to change through 2008. The small improvement in 2006 reflects the increasing maturity of outward foreign direct investments.

The current transfers balance will also improve slightly. Deficits of just under 1% of GDP are expected each year across the forecast horizon.

## 5 No Major Second-Round Effects of the Oil Price Surge

At 2.1%, inflation as measured by the HICP was only slightly higher in 2005 than in 2004. In the past few years, inflation has largely been determined by energy price developments. Across the forecast horizon, inflation will hinge on several factors. First, it is assumed that oil prices will rise only moderately from now on. Second, on the basis of previous experience, the changes in the price of oil are not expected to have any second-round effects on wages and prices. Third, even the comparatively high level of real GDP growth will not result in significant price pressure, since the Austrian economy is not producing at capacity yet. Thus, the OeNB expects inflation to slow considerably to 1.7% for 2006 and then to stabilize at 1.6% for the remainder of the forecast horizon.

When the effects of the oil price surge wear off, the terms of trade will also improve. Increasing unit labor costs will slow the growth of corporate profit margins.

Table 5

**Price and Cost Indicators for Austria**

	2005	2006	2007	2008
	Annual change in %			
HICP	+2.1	+1.7	+1.6	+1.6
HICP energy	+9.8	+7.6	+3.2	+1.5
HICP excluding energy	+1.5	+1.2	+1.4	+1.6
Private consumption expenditure (PCE) deflator	+1.9	+1.9	+1.8	+1.6
Investment deflator	+1.5	+1.4	+1.6	+1.6
Import deflator	+2.8	+2.8	+1.7	+1.4
Export deflator	+1.7	+2.0	+1.8	+1.5
Terms of trade	-1.1	-0.8	+0.1	+0.1
GDP deflator	+2.0	+1.7	+1.6	+1.6
Unit labor costs	+1.0	+1.0	+1.2	+1.2
Compensation per employee	+2.4	+2.6	+2.6	+2.7
Labor productivity	+1.3	+1.5	+1.4	+1.4
Collectively agreed wage settlements	+2.3	+2.7	+2.6	+2.6
Profit margins <sup>1</sup>	+1.0	+0.7	+0.5	+0.4

Source: 2005: Eurostat. Statistics Austria; 2006 to 2008: OeNB June 2006 outlook.

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

## 6 Domestic Demand Increasingly Drives Economic Activity

### 6.1 Consumption Picks Up While Saving Ratio Declines Slightly

Consumer demand has been very weak since the economic downturn in 2001. The increase in disposable household incomes as a result of the tax reform did not immediately yield a significant rise in consumer spending, instead boosting the saving ratio. At 1.4%, real consumption growth in

2005 was below the long-standing average. Starting in 2006, private households have begun to spend their income gains and savings. Although high energy prices continue to curb consumption, the improving economic situation will likely have a positive impact on consumer confidence. Thus, annual consumption growth rates of 2.1% (2006) and 1.8% (2007 and 2008) are expected for the forecast horizon.

Table 6

**Determinants of Nominal Household Income in Austria**

	2005	2006	2007	2008
	Annual change in %			
Compensation of employees	+3.4	+3.8	+3.7	+3.7
Payroll employees	+1.0	+1.2	+1.1	+1.0
Wages per employee	+2.4	+2.6	+2.6	+2.7
Self-employed income (net) and property income	+5.5	+4.7	+4.1	+4.2
Net transfers less direct taxes <sup>1</sup>	-2.2	-7.3	-8.5	-6.3
	Contribution to disposable household income in percentage points			
Compensation of employees	+2.8	+3.0	+2.9	+3.0
Self-employed income (net) and property income	+1.8	+1.5	+1.4	+1.4
Net transfers less direct taxes <sup>1</sup>	-0.3	-0.9	-1.1	-0.9
Disposable household income (nominal)	+4.2	+3.6	+3.2	+3.5

Source: 2005: Eurostat; 2006 to 2008: OeNB June 2006 outlook.

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



Table 7

**Private Consumption in Austria**

	2005	2006	2007	2008
Annual change in %				
Disposable household income (nominal)	+4.2	+3.6	+3.2	+3.5
Private consumption expenditure (PCE) deflator	+1.9	+1.9	+1.8	+1.6
Disposable household income (real)	+2.3	+1.8	+1.3	+1.9
Private consumption (real)	+1.4	+2.1	+1.8	+1.8
% of nominal disposable household income				
Saving ratio	9.6	9.4	9.2	9.3

Source: 2005: Eurostat; 2006 to 2008: OeNB June 2006 outlook.

The expected increase in employment of about 0.9% on average in 2006, 2007 and 2008 will have a positive impact on consumption growth. In addition, slightly higher collective wage agreements than in previous years will also encourage consumer spending. Slower increases in prices and the associated rise in private households' real purchasing power will also help boost consumption.

Households' strong gains in disposable income as a result of the 2004/05 tax reform led to a sharp rise in the saving ratio in 2005. During this period, the saving ratio increased 0.6 percentage point to 9.6% of disposable household income. Savings are expected to be used increasingly for consumption over the forecast period. The expected acceleration of consumption growth in 2006 will bring the saving ratio down slightly, to 9.4%. In the two coming years, the saving ratio will stabilize at 9.2% and 9.3%, respectively.

### 6.2 Investment Activity Gains Considerable Momentum

Investment demand in 2005 was affected by the phasing out of the special investment subsidy at the end of 2004. In 2006, bustling export activity, favorable financing conditions and the development of corporate earnings will stimulate invest-

ment, though. Current confidence indicators clearly support expectations of increased investment growth. Investment growth will be 2.4% in 2006 and accelerate to 3.1% in 2007. However, expected increases in interest rates in the euro area will impair financing conditions over the forecast period. Company profit margins, measured as the difference between increases in unit labor cost and the GDP deflator, will likely shrink due to lower inflation and higher employee compensation. This, in turn, will weaken investment growth to 2.4% in 2008.

Although investment is growing faster than GDP, it is not enough to raise the investment share of GDP perceptibly. This ratio will hold relatively steady at 21.5% across the forecast horizon, which is low compared with historical values.

Investment in plant and equipment, the investment component that is most affected by the economic cycle, is expected to show especially strong growth at 3.6% in 2006, 4.6% in 2007 and 4.0% in 2008.

Residential construction investment remained down in 2005. Residential construction activity is expected to increase only modestly across the forecast horizon. However, because supply has not kept pace with rapidly rising demand in the past

Table 8

**Investment Activity in Austria**

	2005	2006	2007	2008
	Annual change in %			
Total gross fixed capital formation (real)	+1.9	+2.4	+3.1	+2.4
of which: Investment in plant and equipment (real)	+1.9	+3.6	+4.6	+4.0
Residential construction investment (real)	-1.2	-0.8	+0.9	+1.1
Non-residential construction investment and other investment	+3.2	+2.0	+2.6	+1.5
Government investment (real)	+7.3	+3.9	+2.4	+1.5
Private investment (real)	+1.6	+2.4	+3.1	+2.5
	Contribution to total gross fixed capital formation growth in percentage points			
Investment in plant and equipment (real)	+0.8	+1.5	+1.9	+1.6
Residential construction investment (real)	-0.2	-0.2	+0.2	+0.2
Non-residential construction investment and other investment	+1.3	+0.8	+1.0	+0.6
Government investment (real)	+0.4	+0.2	+0.1	+0.1
Private investment (real)	+1.5	+2.2	+3.0	+2.3
	Contribution to real GDP growth in percentage points			
Inventory changes (real)	-0.0	+0.1	+0.0	-0.1

Source: 2005: Eurostat; 2006 to 2008: OeNB June 2006 outlook.

several years, slightly positive contributions to growth are expected for 2007.

### 6.3 Unemployment Drops Only Slightly Despite Rising Employment

The situation on the labor market has improved since the start of 2006. In April 2006, nearly 13,400 (-5.4%) fewer people were registered as unemployed than in April 2005 (preliminary estimates from the Austrian Public Employment Service). Employment as registered by the Main Association of Austrian Social Security Institutions rose by nearly 53,100 jobs (+1.7%) year-on-year. The unemployment rate (preliminary Eurostat rate based on register figures) was 4.8% in April 2006, 0.3 percentage point lower year on year. Another positive signal is that at 32,600, the number of vacancies is the highest it has been in five years.

Much like in 2005, the Austrian labor market will be shaped by two opposing trends over the forecast period. On the one hand, demand for labor is increasing as the economy picks up. On the other hand, the labor supply is also growing continually. Thus, although the economic upturn is boosting employment, the unemployment rate will decline only slightly. Total employment will grow considerably over the forecast horizon, beginning with an especially steep increase in 2006 due to cyclical influences. In particular, the number of payroll employees will expand considerably while the number of self-employed persons (decline in the agricultural sector) and public sector employees will continue to shrink across the forecast horizon (based on ESA95 definitions).

Although the employment trend in 2006 indicates that the majority of the newly created jobs are part-time

Table 9

**Labor Market Developments in Austria**

	2005	2006	2007	2008
	Annual change in %			
<b>Total employment</b>	+0.6	+0.9	+0.8	+0.8
of which: Payroll employment	+1.0	+1.2	+1.1	+1.0
Self employment	-1.1	-0.2	-0.2	-0.1
Public sector employment	+0.4	-0.1	-0.2	-0.7
Registered unemployment	+3.2	-1.0	+0.7	+1.2
Labor supply	+0.7	+0.8	+0.8	+0.8
	%			
<b>Unemployment rate (Eurostat definition)</b>	5.2	5.1	5.1	5.1

Source: 2005: Eurostat; 2006 to 2008: OeNB June 2006 outlook.

(employment growth is stagnant in industries with primarily full-time work), full-time employment is also expected to increase over the forecast horizon.

The Austrian labor supply has already been growing relatively strongly in previous years. In 2005, the supply of payroll labor (i.e. payroll employees plus unemployed persons) increased 1.2% (42,700 people) while the total labor pool (including self-employed persons) grew 0.8%. This OeNB outlook assumes that the total labor supply will continue to increase by 0.8% each year, due in large part to structural effects (see box 1). All told, the expansion of the labor pool brought about by these effects is likely to be on the order of 22,000 to 34,000 persons annually, which translates to an increase of 0.5% to 0.8% a year.

## 7 Cyclical Risks Unchanged

As in the December 2005 outlook, the further development of oil prices remains the primary forecast risk. This outlook assumes relatively high, yet stable, oil prices for the entire forecast horizon. Ongoing geopolitical risks, low spare production capacities and high capacity utilization at refineries could result in additional price hikes.

Continuing global imbalances and associated uncertainties regarding exchange rate trends are another risk factor for this forecast. If the United States' high current account deficit proves unsustainable, the U.S. dollar could lose further strength.

Although the general economic trend in the euro area has firmed over the past months, it is still marked by uncertainty. This is particularly true of developments in Germany, where possible effects of comprehensive budget consolidation efforts pose a risk for economic activity in Austria.

Delayed effects of the second stage of the tax reform could still yield stronger consumption growth than anticipated in this outlook. Since the saving ratio is still high, the risks relating to consumption seem to be a bit more on the upside.

On the whole, the risks to the forecast appear to be balanced.

## 8 Short-Term Growth Prospects Somewhat More Optimistic than in the December 2005 Outlook

The biggest change in the external macroeconomic environment compared with the December 2005 outlook relates to the assumptions about oil prices and interest rate develop-

Box 1

### Structural Causes of Labor Supply Growth in Austria

The labor supply has grown continuously over the past decade. According to the most recent demographic forecast, the working-age population will continue to grow rapidly in the years ahead. Unlike earlier forecasts, this one must assume from today's perspective (Statistics Austria's latest demographic forecast of fall 2005) that population growth will contribute significantly more to labor supply growth. The introduction of a central register of residents enables a far more accurate estimation of demographic development than the old method based on forward projections of the national census, which is carried out every ten years.

The following factors are likely to play a significant role in determining the labor supply over the next few years:

- **Migration and naturalization:** The continued influx of foreign nationals to Austria is the driving force behind the forecast changes in the population and labor supply. By far the largest number of foreign workers comes from the former Yugoslavia (2005: 156,886) and Turkey (2005: 53,453). However, as these workers become naturalized citizens, their numbers diminish. Increasingly important sources of foreign labor are Germany, whose share of the foreign labor pool grew from 8.9% to 12.5% between 2003 and 2005, and the new EU Member States, whose share was around 11% in 2005. WIFO estimates that the foreign labor pool will grow by 17,000 people in 2006. This OeNB outlook anticipates further growth of 15,000 a year for 2007 and 2008.
- **Higher early retirement age:** The impact of the raising of the early retirement age is still mild, but it is becoming stronger. According to a rough estimate, the labor supply will increase by around 0.1% in 2006, 0.2% in 2007 and 0.3% in 2008.
- **Training:** People enrolled in training programs are not counted as either employed or unemployed. The temporary increase in funding for the Austrian Public Employment Service resulted in an increase in the number of people participating in training in 2006. However, this figure is expected to decline again by 2008. The labor supply forecast reckons with a reduction by 5,000 people in 2006 and an increase by the same number in 2007.
- **Other demographic factors:** The number of existing Austrian residents who attain working age increases by roughly 2,000 a year, which will contribute slightly to the growth of the labor supply.

### Structural Influences on the Labor Supply, 2006 to 2008

thousands

Year	Pension reforms 2003/04	Employees from abroad	Other demo- graphic factors	Training offered by Austrian Public Employment Service	Total
2006	+8	+17	+2	-5	<b>+22</b>
2007	+12	+15	+2	+5	<b>+34</b>
2008	+12	+15	+2	+0	<b>+29</b>

Source: OeNB.

Table 10

**Change in the Underlying Global Environment since the December 2005 Outlook**

	June 2006			December 2005		Difference	
	2006	2007	2008	2006	2007	2006	2007
	Annual change in %						
Growth of Austria's export markets	+8.0	+5.9	+6.5	+7.1	+6.6	+1.0	-0.7
Competitor prices in Austria's export markets	+3.1	+1.6	+1.6	+3.7	+1.5	-0.5	+0.1
Competitor prices in Austria's import markets	+2.9	+1.6	+1.5	+3.2	+1.4	-0.3	+0.2
	USD						
Oil price per barrel (Brent)	70.3	73.9	71.9	60.0	59.5	+10.3	+14.4
	Annual change in %						
Nominal effective exchange rate (exports)	-0.1	-0.1	+0.0	+0.6	+0.0	-0.6	-0.1
Nominal effective exchange rate (imports)	-0.1	-0.1	+0.0	+0.2	+0.0	-0.3	-0.1
	%						
Three-month interest rate	3.1	3.9	4.1	2.3	2.3	+0.8	+1.6
Long-term interest rate	4.0	4.2	4.3	3.6	3.7	+0.4	+0.5
	Annual change in %						
Real GDP, U.S.A.	+3.5	+3.0	+2.9	+3.5	+3.0	+0.0	+0.0
	USD/EUR						
USD/EUR exchange rate	1.25	1.27	1.27	1.19	1.19	+0.06	+0.08

Source: Eurosystem.

ments. For 2006 and 2007, this outlook assumes that oil prices will increase by USD 10.3 and USD 14.4 per barrel Brent, respectively. Forecast financing costs as measured on long-term interest rates are 0.4 and 0.5 percentage point higher for 2006 and 2007, respectively, than in the December 2005 outlook. The projected growth rate for Austrian export markets for 2006 has been revised upward from the December 2005 outlook, and the euro is expected to be somewhat stronger compared with the December assumptions. In a simulation using the OeNB's macroeconomic model, the effects of the changed external conditions appear to have a more negative impact on economic activity in both years than the external conditions put forward in the December outlook.

Table 11 lists the reasons for the forecast revisions as the effects of changed external assumptions, the impact of new data and other effects.

The impact of new data includes the influence of revisions to historical data that had already been released at the time the last forecast was compiled as well as the projection error, i.e. differences between newly released quarterly figures and the figures projected in the last forecast. The item "Other" comprises a new expert assessment regarding the development of domestic variables such as government consumption, wage agreements and any changes to the forecast models.

The revision of Austria's GDP growth for 2006 (+0.2 percentage point) can be attributed to new data and positive results from current economic and confidence indicators. The growth revisions for 2007 (-0.1 percentage point) are largely due to changes to external conditions. However, their dampening effect will be mitigated by a stronger investment cycle in 2007 than forecast in the December 2005 outlook.

Table 11

**Breakdown of Forecast Revisions**

	GDP		HICP	
	2006	2007	2006	2007
	Annual change in %			
<b>June 2006 outlook</b>	+2.5	+2.2	+1.7	+1.6
<b>December 2005 outlook</b>	+2.3	+2.3	+1.9	+1.7
<b>Difference</b>	+0.2	-0.1	-0.2	-0.1
<b>Due to:</b>				
New data <sup>1</sup>	+0.1	+0.0	-0.3	+0.0
Revision of historical data	+0.0	+0.0	+0.0	+0.0
Projection error	+0.1	+0.0	-0.3	+0.0
External assumptions	-0.2	-0.5	+0.1	+0.1
Other <sup>2</sup>	+0.3	+0.4	+0.0	-0.2

Source: OeNB June 2006 and December 2005 outlooks.

<sup>1</sup> Effect of revised historical data and new data (projection error).

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

## 9 Comparison with Other Forecasts

The available forecasts for Austria's further economic development do not differ significantly from this OeNB outlook (table 12). At 2.5%, the OeNB's forecast for economic growth in 2006 is at the higher end of the

spectrum. This figure has been revised upward since the OeNB's December 2005 outlook. Up-to-date economic indicators as well as the latest data for 2005 and flash estimates for the first quarter of 2006 were available at the time this outlook was prepared.

Table 12

Comparison of Current Economic Forecasts for Austria													
Indicator	OeNB			WIFO		IHS		OECD		IMF		European Commission	
	June 2006			March 2006		March 2006		May 2006		April 2006		May 2006	
	2006	2007	2008	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Annual change in %													
<b>Key results</b>													
GDP (real)	+2.5	+2.2	+2.2	+2.4	+2.0	+2.5	+2.2	+2.5	+2.2	+2.2	+2.1	+2.5	+2.2
Private consumption (real)	+2.1	+1.8	+1.8	+1.9	+2.0	+2.1	+1.8	+1.8	+1.9	x	x	+2.0	+2.1
Government consumption (real)	+1.7	+1.9	+2.4	+1.3	+0.5	+1.0	+0.5	+1.3	+1.3	x	x	+1.3	+1.3
Gross fixed capital formation (real) <sup>1</sup>	+2.4	+3.1	+2.4	+3.2	+2.7	+4.0	+3.2	+2.8	+3.6	x	x	+3.0	+2.4
Exports (real)	+6.0	+6.2	+6.3	+5.7	+5.0	+5.2	+4.8	+6.3	+6.7	x	x	+6.8	+5.0
Imports (real)	+6.0	+6.4	+6.2	+4.9	+5.0	+5.0	+4.4	+5.3	+6.9	x	x	+5.2	+4.5
GDP per employee	+1.5	+1.4	+1.4	+1.6	+1.2	+1.4	+1.4	x	x	x	x	+1.9	+1.3
GDP deflator	+1.7	+1.6	+1.6	+1.8	+1.9	+1.5	+1.2	+1.7	+1.8	+1.8	+1.7	+1.9	+1.8
CPI	x	x	x	+1.7	+1.9	+1.4	+1.6	x	x	+1.8	+1.7	x	x
HICP	+1.7	+1.6	+1.6	+1.9	+1.9	x	x	+1.8	+1.7	x	x	+1.7	+1.6
Unit labor costs	+1.0	+1.1	+1.2	+1.2	+1.2	x	x	x	x	x	x	+0.9	+0.8
Payroll employment	+0.9	+0.8	+0.8	+1.1	+0.9	+1.1	+0.8	x	x	x	x	+0.6	+0.9
%													
Unemployment rate <sup>2</sup>	5.1	5.1	5.1	5.2	5.2	5.1	5.1	5.8	5.9	4.8	4.5	5.2	5.2
% of nominal GDP													
Current account	1.4	1.6	1.8	0.6	0.7	0.4	0.6	1.9	1.8	0.9	0.9	x	x
Government surplus/deficit	-1.6	-1.2	-1.0	-1.9	-1.5	-1.8	-0.8	-1.9	-1.5	-1.8	-0.9	-1.9	-1.4
<b>External assumptions</b>													
Oil price in USD/barrel (Brent)	70.3	73.9	71.9	59.0	58.0	60.0	60.0	70.0	70.0	61.2	63.0	68.9	71.0
Short-term interest rate in %	3.1	3.9	4.1	2.7	3.0	2.9	3.2	2.7	3.4	3.0	3.4	x	x
USD/EUR exchange rate	1.25	1.27	1.27	1.16	1.12	1.23	1.23	1.27	1.27	1.19	1.20	1.22	1.22
Annual change in %													
Euro area GDP (real)	1.8-2.4	1.3-2.3	x	+2.1	+1.9	+2.0	+1.8	+2.2	+2.1	+2.0	+1.9	+2.1	+1.8
U.S. GDP (real)	+3.5	+3.0	+2.9	+3.3	+3.0	+3.3	+3.0	+3.6	+3.1	+3.4	+3.3	+3.2	+2.7
World GDP (real)	+4.5	+4.1	+4.1	+4.6	+4.4	x	x	x	x	+4.9	+4.7	+4.6	+4.3
World trade	+7.1	+6.2	+6.4	+8.5	+8.0	+7.5	+6.2	+9.3	+9.1	+8.0	+7.5	+8.5	+7.1

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

<sup>1</sup> For IHS: Gross investment.

<sup>2</sup> Eurostat definition; for OECD: OECD definition.

## Annex Detailed Result Tables

Table 13

### Demand Components (Real Prices)

Chained volume data (reference year = 2000)

	2005	2006	2007	2008	2005	2006	2007	2008
	EUR million				Annual change in %			
Private consumption	126,347	128,942	131,268	133,575	+1.4	+2.1	+1.8	+1.8
Government consumption	40,221	40,905	41,682	42,682	+1.4	+1.7	+1.9	+2.4
Gross fixed capital formation	48,641	49,831	51,368	52,598	+1.9	+2.4	+3.1	+2.4
of which: Investment in plant and equipment	19,617	20,327	21,260	22,103	+1.9	+3.6	+4.6	+4.0
Residential construction investment	9,338	9,260	9,345	9,443	-1.2	-0.8	+0.9	+1.1
Investment in other construction and other investment	19,571	19,958	20,478	20,778	+3.2	+2.0	+2.6	+1.5
Changes in inventories (including statistical discrepancy)	2,384	2,852	3,014	2,984	x	x	x	x
Domestic demand	217,592	222,529	227,332	231,840	+1.9	+2.3	+2.2	+2.0
Exports of goods and services	123,409	130,857	138,955	147,736	+4.3	+6.0	+6.2	+6.3
Imports of goods and services	113,938	120,723	128,441	136,439	+4.4	+6.0	+6.4	+6.2
Net exports	9,471	10,135	10,514	11,297	x	x	x	x
<b>Gross domestic product</b>	<b>227,064</b>	<b>232,663</b>	<b>237,846</b>	<b>243,137</b>	<b>+1.9</b>	<b>+2.5</b>	<b>+2.2</b>	<b>+2.2</b>

Source: 2005: Eurostat; 2006 to 2008: OeNB June 2006 outlook.

Table 14

### Demand Components (Current Prices)

	2005	2006	2007	2008	2005	2006	2007	2008
	EUR million				Annual change in %			
Private consumption	136,422	141,821	146,982	151,958	+3.3	+4.0	+3.6	+3.4
Government consumption	43,677	45,263	46,940	48,890	+3.3	+3.6	+3.7	+4.2
Gross fixed capital formation	51,245	53,246	55,779	58,020	+3.4	+3.9	+4.8	+4.0
Changes in inventories (including statistical discrepancy)	4,042	5,370	5,210	5,067	x	x	x	x
Domestic demand	235,386	245,700	254,910	263,934	+4.5	+4.4	+3.7	+3.5
Exports of goods and services	127,824	138,278	149,462	161,317	+6.0	+8.2	+8.1	+7.9
Imports of goods and services	116,908	127,324	137,794	148,459	+7.3	+8.9	+8.2	+7.7
Net exports	10,915	10,954	11,668	12,858	x	x	x	x
<b>Gross domestic product</b>	<b>246,301</b>	<b>256,655</b>	<b>266,578</b>	<b>276,793</b>	<b>+4.0</b>	<b>+4.2</b>	<b>+3.9</b>	<b>+3.8</b>

Source: 2005: Eurostat; 2006 to 2008: OeNB June 2006 outlook.

Table 15

### Deflators of Demand Components

	2005	2006	2007	2008	2005	2006	2007	2008
	2000 = 100				Annual change in %			
Private consumption	108.0	110.0	112.0	113.8	+1.9	+1.9	+1.8	+1.6
Government consumption	108.6	110.7	112.6	114.5	+1.8	+1.9	+1.8	+1.7
Gross fixed capital formation	105.4	106.8	108.6	110.3	+1.5	+1.4	+1.6	+1.6
Domestic demand (excluding changes in inventories)	107.5	109.4	111.3	113.1	+1.8	+1.8	+1.7	+1.6
Exports of goods and services	103.6	105.7	107.6	109.2	+1.7	+2.0	+1.8	+1.5
Imports of goods and services	102.6	105.5	107.3	108.8	+2.8	+2.8	+1.7	+1.4
Terms of trade	101.0	100.2	100.3	100.4	-1.1	-0.8	+0.1	+0.1
<b>Gross domestic product</b>	<b>108.5</b>	<b>110.3</b>	<b>112.1</b>	<b>113.8</b>	<b>+2.0</b>	<b>+1.7</b>	<b>+1.6</b>	<b>+1.6</b>

Source: 2005: Eurostat; 2006 to 2008: OeNB June 2006 outlook.



Table 16

Labor Market								
	2005	2006	2007	2008	2005	2006	2007	2008
	thousands				Annual change in %			
Total employment	4,169.1	4,207.4	4,241.4	4,274.4	+0.6	+0.9	+0.8	+0.8
of which: private sector	3,691.9	3,730.7	3,765.9	3,802.1	+0.6	+1.1	+0.9	+1.0
Payroll employment (national accounts definition)	3,350.7	3,390.4	3,426.3	3,460.0	+1.0	+1.2	+1.1	+1.0
	%							
Unemployment rate (Eurostat definition)	5.2	5.1	5.1	5.1	x	x	x	x
	% of real GDP							
Unit labor costs (whole economy) <sup>1</sup>	66.1	66.8	67.5	68.4	+1.0	+1.0	+1.1	+1.2
	EUR thousand per employee							
Labor productivity (whole economy) <sup>2</sup>	54.5	55.3	56.1	56.9	+1.3	+1.5	+1.4	+1.4
	EUR thousand							
Real compensation per employee <sup>3</sup>	33.3	33.6	33.8	34.2	+0.5	+0.7	+0.8	+1.0
	At current prices, EUR thousand							
Gross compensation per employee	36.0	36.9	37.9	38.9	+2.4	+2.6	+2.6	+2.7
	At current prices, EUR million							
Total gross compensation of employees	120,646	125,207	129,790	134,542	+3.4	+3.8	+3.7	+3.7

Source: 2005: Eurostat; 2006 to 2008: OeNB June 2006 outlook.

<sup>1</sup> Gross wages as a ratio of real GDP.

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

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

Table 17

Current Account								
	2005	2006	2007	2008	2005	2006	2007	2008
	EUR million				% of nominal GDP			
<b>Balance of trade</b>	6,507.1	7,082.0	7,903.2	8,550.0	2.6	2.8	3.0	3.1
Goods	2,762.3	2,467.7	2,893.8	3,337.1	1.1	1.0	1.1	1.2
Services	3,744.8	4,614.3	5,009.4	5,212.9	1.5	1.8	1.9	1.9
Euro area	-11,033.3	-10,357.1	-10,581.3	-10,919.5	-4.5	-4.0	-4.0	-3.9
Non-euro area countries	17,540.4	17,439.1	18,484.5	19,469.5	7.1	6.8	6.9	7.0
<b>Balance on income</b>	-1,375.9	-1,393.6	-1,344.0	-1,247.2	-0.6	-0.5	-0.5	-0.5
<b>Balance on transfers</b>	-2,118.0	-2,213.0	-2,290.9	-2,265.6	-0.9	-0.9	-0.9	-0.8
<b>Current account</b>	3,013.2	3,475.5	4,268.3	5,037.3	1.2	1.4	1.6	1.8

Source: 2005: OeNB; 2006 to 2008: OeNB June 2006 outlook.

Table 18

## Quarterly Forecast Results

	2006	2007	2008	2006				2007				2008			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Annual change in %															
<b>Prices, wages and costs</b>															
HICP	+1.7	+1.6	+1.6	+1.5	+2.0	+1.8	+1.7	+2.0	+1.6	+1.2	+1.4	+1.7	+1.7	+1.5	+1.5
HICP excluding energy	+1.2	+1.4	+1.6	+0.7	+1.3	+1.4	+1.4	+1.6	+1.4	+1.2	+1.4	+1.7	+1.7	+1.5	+1.5
Private consumption expenditure (PCE) deflator	+1.9	+1.8	+1.6	+1.8	+2.0	+1.9	+1.8	+2.0	+1.8	+1.7	+1.7	+1.6	+1.7	+1.7	+1.5
Gross fixed capital formation deflator	+1.4	+1.6	+1.6	+1.3	+1.4	+1.5	+1.5	+1.6	+1.6	+1.6	+1.6	+1.6	+1.6	+1.6	+1.6
GDP deflator	+1.7	+1.6	+1.6	+1.9	+1.8	+1.6	+1.5	+1.4	+1.6	+1.7	+1.7	+1.7	+1.6	+1.6	+1.4
Unit labor costs	+1.0	+1.1	+1.2	+1.2	+0.9	+0.9	+1.1	+1.0	+1.2	+1.2	+1.2	+1.3	+1.3	+1.2	+1.1
Nominal wages per employee	+2.6	+2.6	+2.7	+2.5	+2.5	+2.6	+2.7	+2.7	+2.6	+2.5	+2.5	+2.6	+2.7	+2.7	+2.7
Productivity	+1.5	+1.4	+1.4	+1.3	+1.6	+1.7	+1.6	+1.7	+1.4	+1.3	+1.3	+1.3	+1.4	+1.5	+1.6
Real wages per employee	+0.7	+0.8	+1.0	+0.6	+0.5	+0.7	+0.9	+0.7	+0.8	+0.8	+0.8	+1.0	+0.9	+1.0	+1.2
Import deflator	+2.8	+1.7	+1.4	+3.2	+3.1	+2.6	+2.2	+1.9	+1.7	+1.7	+1.6	+1.5	+1.4	+1.4	+1.4
Export deflator	+2.0	+1.8	+1.5	+1.9	+2.0	+2.1	+2.0	+2.0	+1.9	+1.7	+1.6	+1.6	+1.5	+1.5	+1.5
Terms of trade	-0.8	+0.1	+0.1	-1.3	-1.0	-0.5	-0.2	+0.0	+0.1	+0.1	+0.0	+0.1	+0.1	+0.1	+0.1
Annual and/or quarterly changes in %, in real terms															
<b>Economic activity</b>															
GDP deflator	+2.5	+2.2	+2.2	+0.5	+0.8	+0.5	+0.6	+0.5	+0.5	+0.5	+0.5	+0.5	+0.6	+0.6	+0.6
Private consumption	+2.1	+1.8	+1.8	+0.5	+0.6	+0.4	+0.5	+0.4	+0.4	+0.4	+0.4	+0.5	+0.5	+0.4	+0.4
Government consumption	+1.7	+1.9	+2.4	+0.6	+0.2	+0.3	+0.3	+0.8	+0.5	+0.4	+0.5	+0.5	+0.7	+0.8	+0.8
Gross fixed capital formation	+2.4	+3.1	+2.4	+0.2	+1.2	+1.2	+1.1	+0.6	+0.5	+0.5	+0.5	+0.6	+0.7	+0.7	+0.7
of which: Investment in plant and equipment	+3.6	+4.6	+4.0	-0.0	+1.8	+1.5	+1.3	+1.0	+0.9	+0.9	+0.9	+1.0	+1.0	+1.0	+1.0
Investment in residential construction <sup>1</sup>	-0.8	+0.9	+1.1	-1.1	-0.0	+0.1	+0.1	+0.2	+0.4	+0.5	+0.4	+0.3	+0.1	+0.0	-0.0
Exports	+6.0	+6.2	+6.3	+1.4	+2.0	+1.8	+1.6	+1.3	+1.4	+1.4	+1.4	+1.6	+1.6	+1.7	+1.7
Imports	+6.0	+6.4	+6.2	+1.6	+2.0	+1.9	+1.7	+1.4	+1.4	+1.4	+1.5	+1.5	+1.6	+1.6	+1.6
Contribution to real GDP growth in percentage points															
Domestic demand	+2.0	+2.0	+1.9	+0.4	+0.6	+0.5	+0.6	+0.5	+0.4	+0.4	+0.4	+0.5	+0.5	+0.5	+0.5
Net exports	+0.3	+0.2	+0.3	-0.0	+0.1	-0.0	+0.0	+0.0	+0.0	+0.1	+0.0	+0.1	+0.1	+0.1	+0.1
Changes in inventories	+0.2	+0.1	-0.0	+0.1	+0.1	-0.0	-0.0	-0.0	+0.1	+0.0	+0.0	-0.0	-0.0	-0.0	-0.0
%															
<b>Labor market</b>															
Unemployment rate (Eurostat definition)	5.1	5.1	5.1	5.1	5.1	5.1	5.0	5.1	5.1	5.2	5.2	5.1	5.2	5.1	5.1
Annual and/or quarterly changes in %															
Total employment	+0.9	+0.8	+0.8	+0.2	+0.2	+0.1	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2
of which: Private sector employment	+1.1	+0.9	+1.0	+0.3	+0.3	+0.2	+0.3	+0.2	+0.3	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2
Payroll employment	+1.2	+1.1	+1.0	+0.3	+0.3	+0.2	+0.3	+0.2	+0.3	+0.3	+0.2	+0.2	+0.2	+0.2	+0.2
Annual and/or quarterly changes in %, in real terms															
<b>Additional variables</b>															
Disposable household income	+1.7	+1.3	+1.9	+0.4	+0.3	+0.4	+0.5	+0.1	+0.3	+0.4	+0.4	+0.4	+0.4	+0.7	+0.8
% of nominal disposable household income (saving ratio) and % of real GDP (output gap)															
Household saving ratio	9.4	9.1	9.3	9.6	9.4	9.3	9.3	9.1	9.1	9.2	9.3	9.2	9.1	9.3	9.8
Output gap	-0.4	-0.2	-0.1	-0.7	-0.3	-0.3	-0.3	-0.2	-0.2	-0.2	-0.3	-0.2	-0.1	0.0	0.1

Source: OeNB December 2005 outlook. Quarterly values are seasonally adjusted.

<sup>1</sup> Excluding other investment in construction and other investments.