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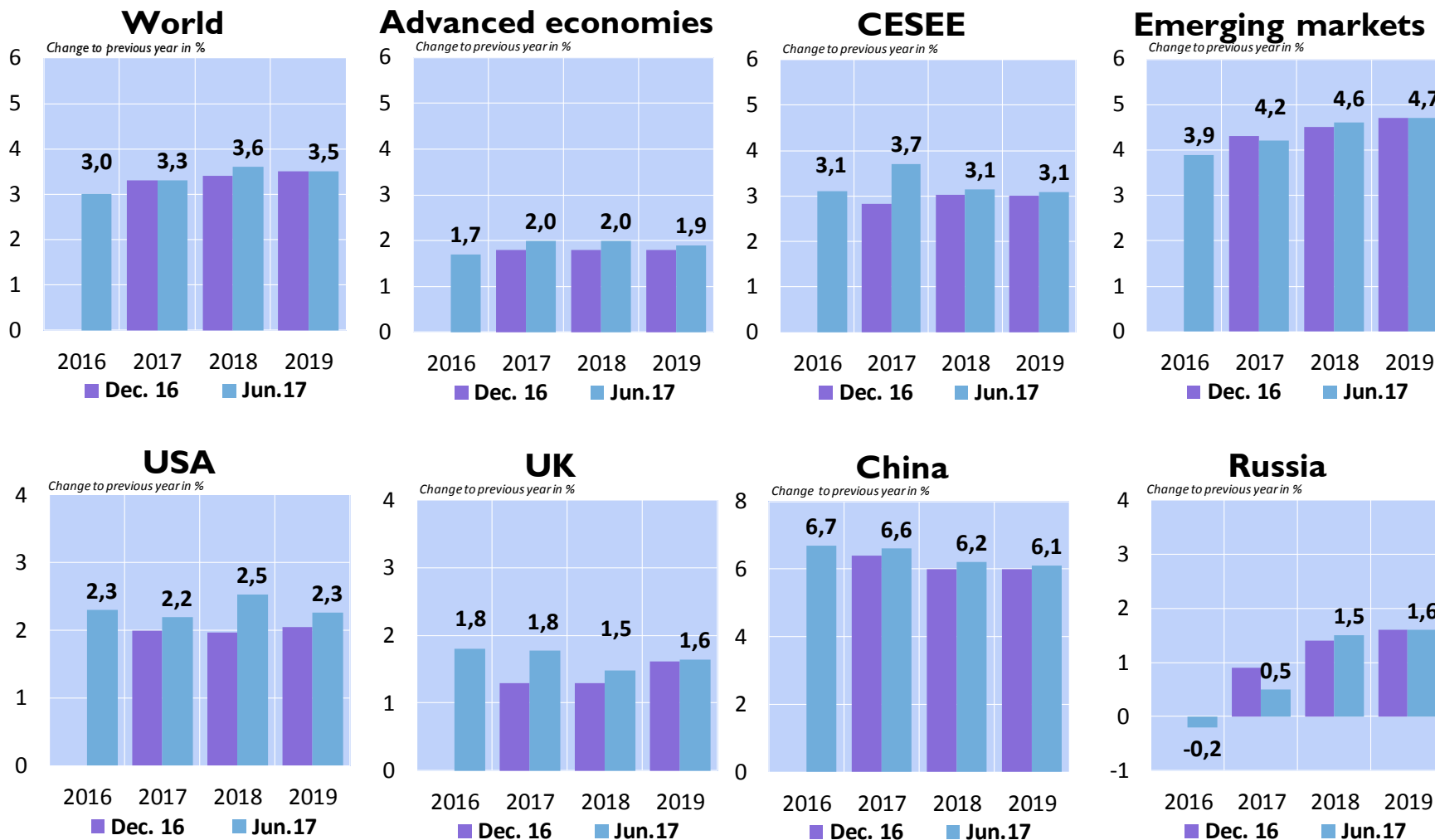
# Schwerpunkt Außenwirtschaft 2016/17

*Austrian economic activity, Austria's price competitiveness  
and a summary on external trade*

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also on behalf of Julia Wörz and Patricia Walter

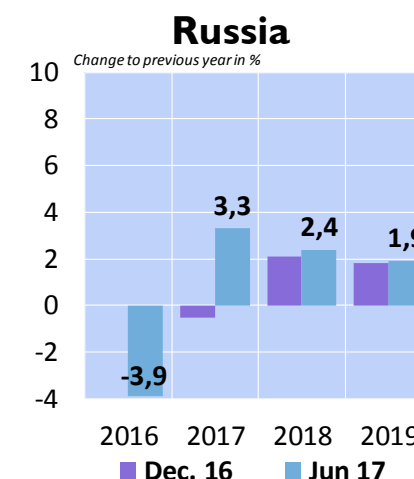
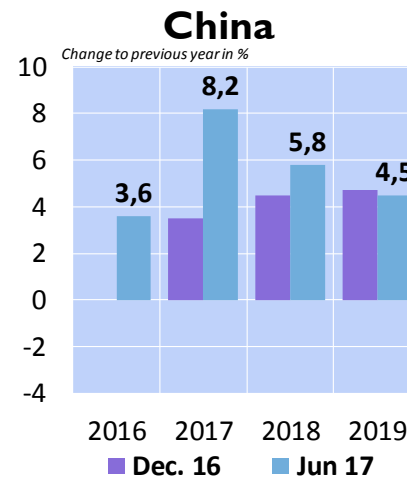
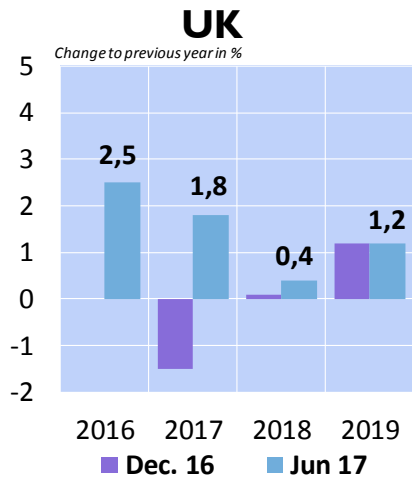
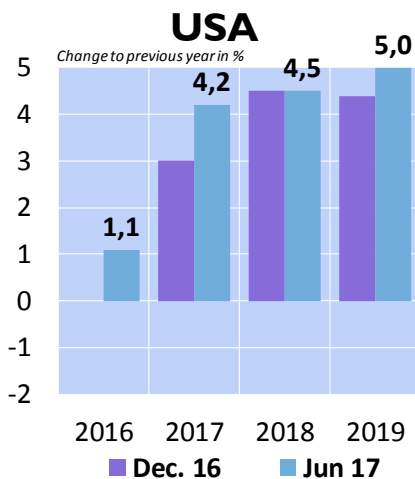
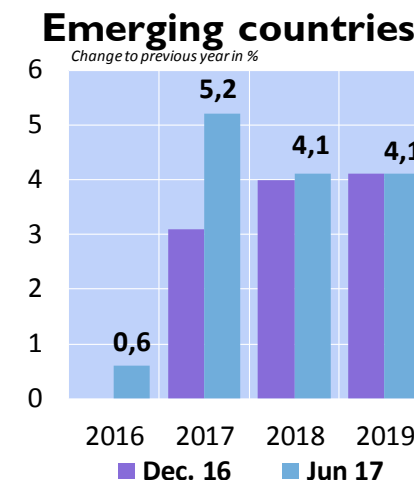
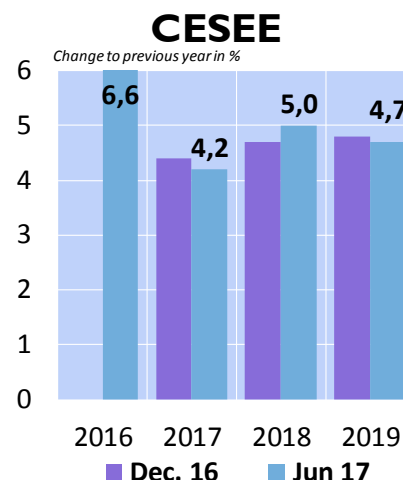
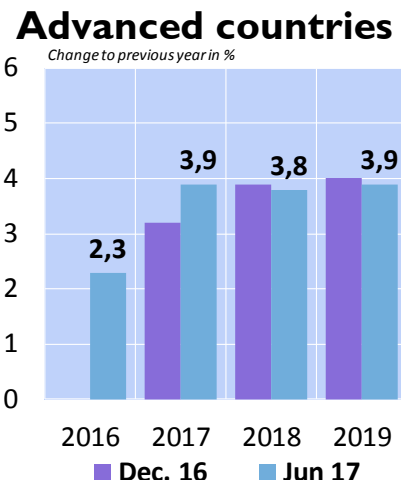
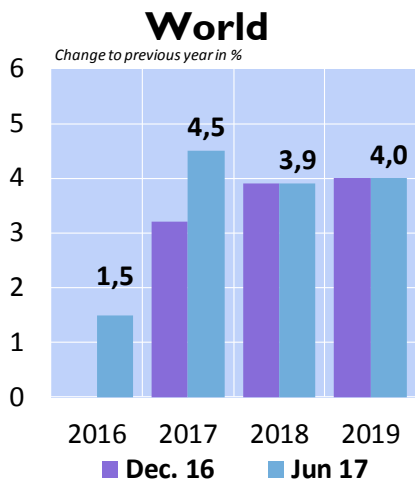
Vienna, 20th of June, 2017

# Moderate economic growth in 2016



Source: Eurosystem.

# Weak dynamics in volume of world trade in 2016



Source: Eurosystem.

# Euro area on stable growth path...

	Forecast June 2017			Revision to March 2017		
	2017	2018	2019	2017	2018	2019
<b>Real GDP</b>	+1,9%	+1,8%	+1,7%	+0,2 pp	+0,1 pp	0,1 pp
<b>HICP-inflation</b>	+1,5%	+1,3%	+1,6%	-0,3 pp	-0,3 pp	-0,1 pp

Source: Eurosystem forecast from June 2017.

## Country results: OECD forecast (June 2017)

### Real GDP growth forecast

	2016	2017	2018
Germany	+1,8	+2,0	+2,0
France	+1,1	+1,3	+1,5
Italy	+1,0	+1,0	+0,8
Spain	+3,2	+2,8	+2,4
Netherlands	+2,1	+2,4	+2,1
Belgium	+1,2	+1,6	+1,7
Austria	+1,6	+2,2	+1,7
Ireland	+5,2	+3,7	+2,5
Finland	+1,4	+2,0	+1,5
Greece	-0,1	+1,1	+2,5
Portugal	+1,4	+2,1	+1,6
Slovakia	+3,3	+3,3	+4,1
Luxembourg	+4,2	+4,5	+4,2
Slovenia	+2,5	+3,8	+3,1
Lithuania	+2,3	+3,1	+2,9
Latvia	+2,0	+3,5	+3,5
Estonia	+1,7	+2,6	+3,1

Source: OECD.

### HICP forecast

	2016	2017	2018
Germany	+0,4	+1,9	+1,6
France	+0,3	+1,3	+1,2
Italy	-0,1	+1,5	+1,3
Spain	-0,3	+2,3	+1,4
Netherlands	+0,1	+1,6	+1,6
Belgium	+1,8	+2,5	+1,8
Austria	+1,0	+2,1	+1,8
Ireland	-0,2	+0,8	+2,0
Finland	+0,4	+1,2	+1,5
Greece	+0,0	+1,4	+0,8
Portugal	+0,6	+1,6	+1,4
Slovakia	-0,5	+1,6	+2,0
Luxembourg	+0,0	+2,4	+1,6
Slovenia	-0,2	+2,6	+3,1
Lithuania	+0,7	+3,3	+2,7
Latvia	+0,2	+2,8	+2,3
Estonia	+0,8	+3,2	+2,8

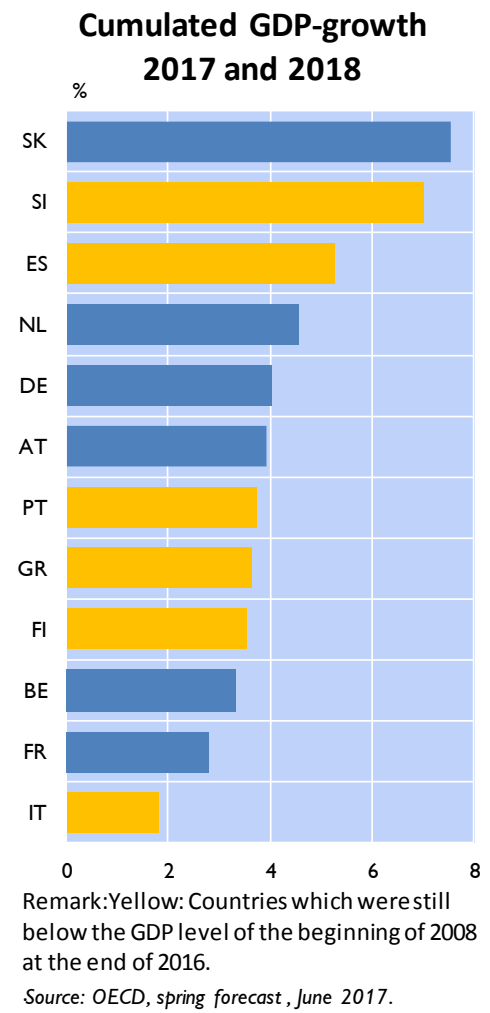
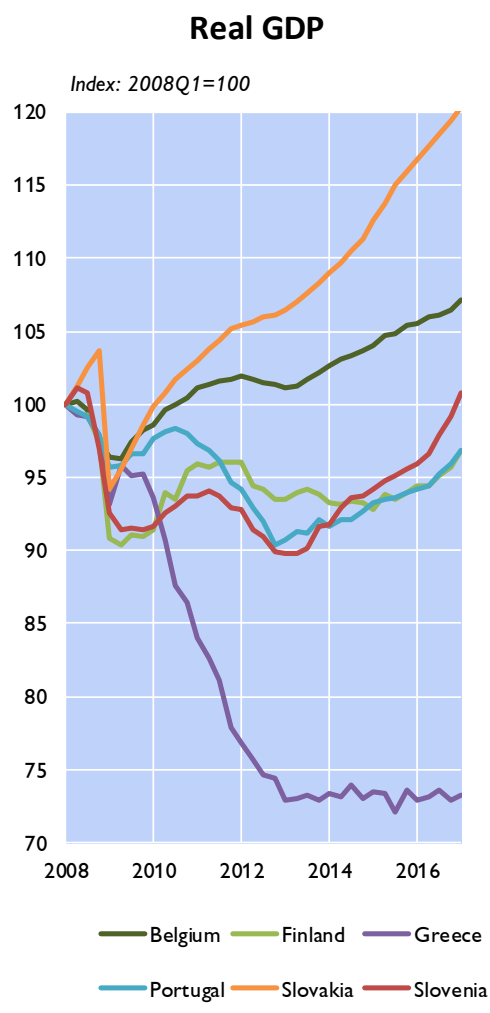
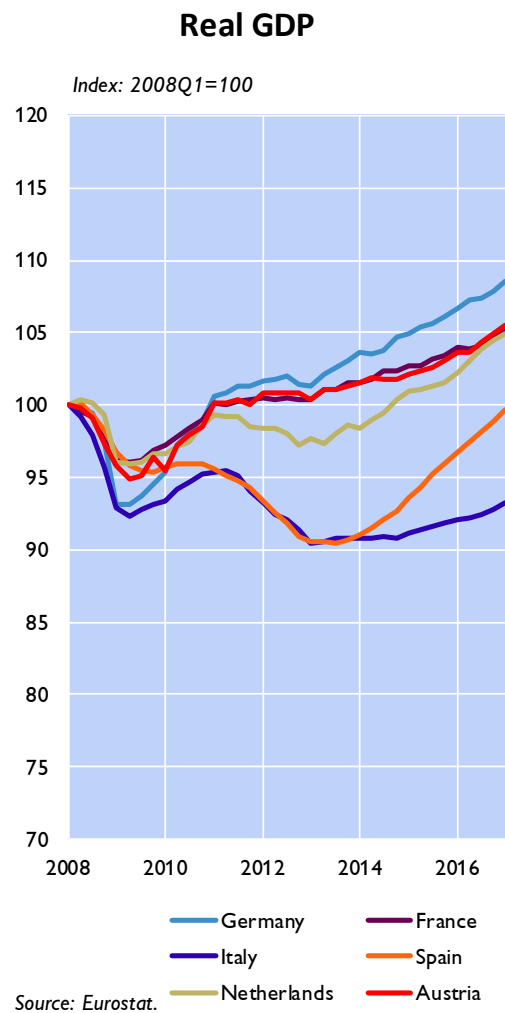
Source: OECD.

### Unemployment rate

	2016	2017	2018
Germany	4,2	3,8	3,7
France	10,0	9,7	9,6
Italy	11,7	11,5	11,2
Spain	19,6	17,5	16,0
Netherlands	6,0	5,2	5,0
Belgium	7,9	7,2	6,6
Austria	6,1	5,7	5,5
Ireland	7,9	6,9	6,2
Finland	8,8	8,5	8,2
Greece	23,5	22,2	20,1
Portugal	11,0	9,7	8,9
Slovakia	9,6	8,5	7,6
Luxembourg	6,4	6,0	5,9
Slovenia	8,0	7,3	6,3
Lithuania	-	-	-
Latvia	9,7	9,2	8,9
Estonia	6,8	7,6	8,4

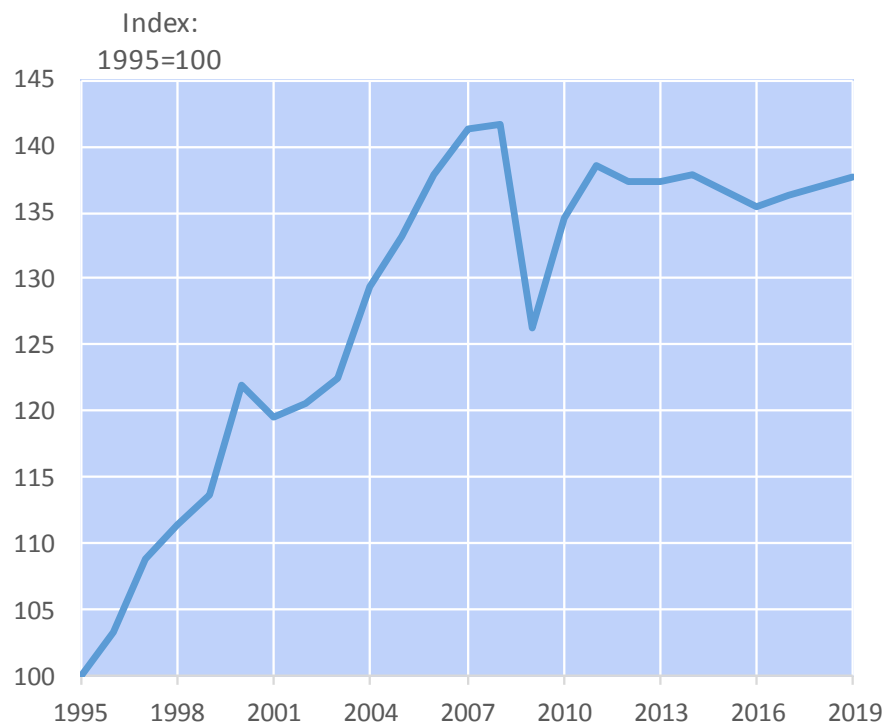
Source: OECD.

# ... but continuing heterogeneous development



# Ratio of global trade to output growth dropped to one

## Ratio of global imports to GDP growth



Source: IMF.

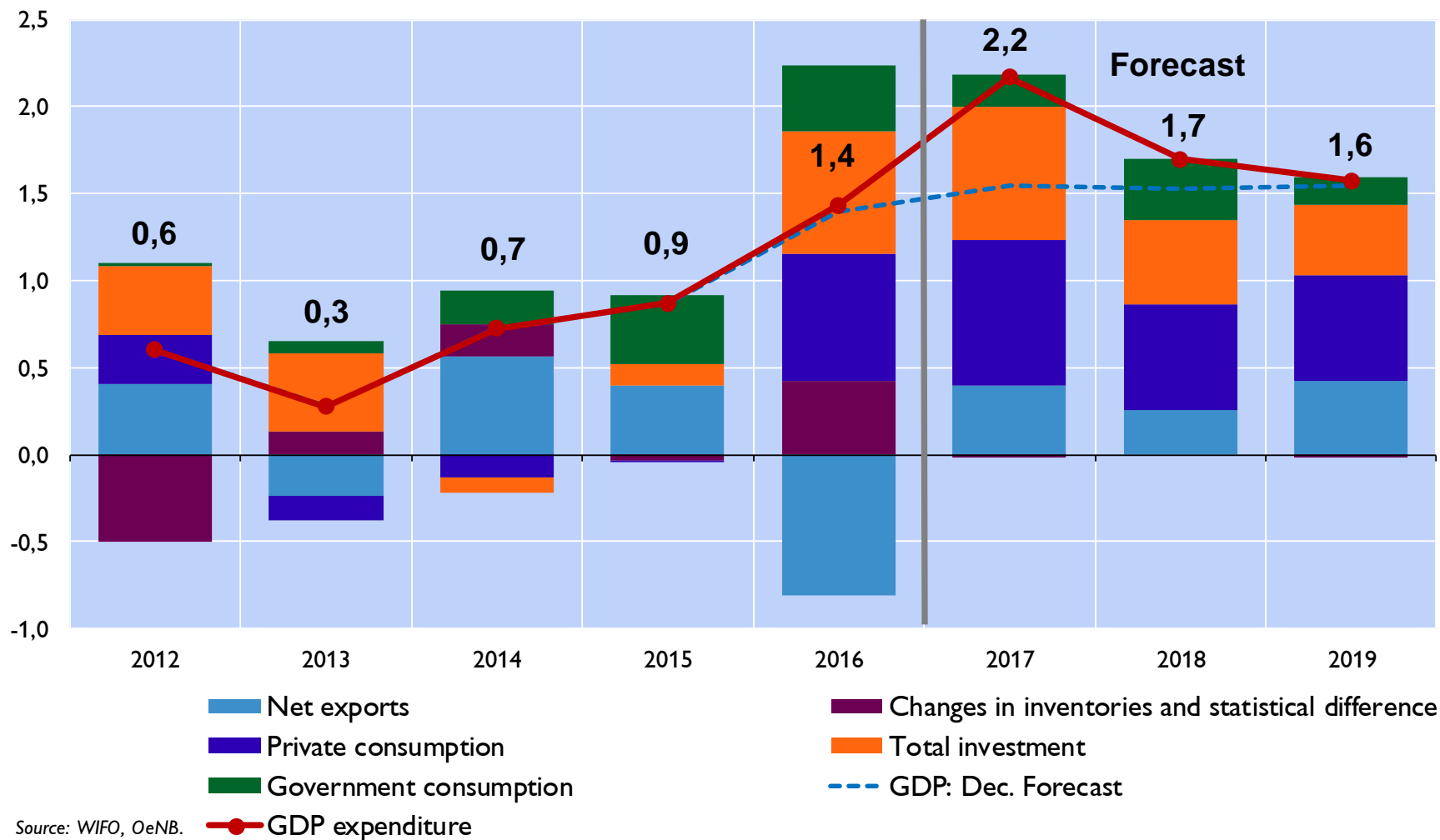
- Historically, the volume of world merchandise trade grew about 1.5 times faster than world output.
- In the 1990s, it grew twice as fast
- Since the financial crisis, this ratio has fallen to around 1.1
- 2016 marks the first time since 2001 that the ratio drops below one (0.6)

## Negative repercussions of protectionism could harm world trade in the future

- Increasing signs of a potential inward-looking stance in economic policies, especially in the USA, but also in other countries, would impact world trade growth negatively, also curbing future supply-potential.
- WTO reports in a widely noted article 22 new trade-hampering measures per month in the period October 2015 – May 2016 by WTO members.
- This marks the highest value since 2011.
- Since 2008, around 3000 trade restricting measures were introduced, while only 740 have been withdrawn.
- This comes in addition to the dampening trade effects of slowing trade liberalization (or plain termination of negotiations, i.e. TPP) and levelling off of global value chain growth.

# Austria: Broadly based upswing in 2017

Percentage points of GDP growth





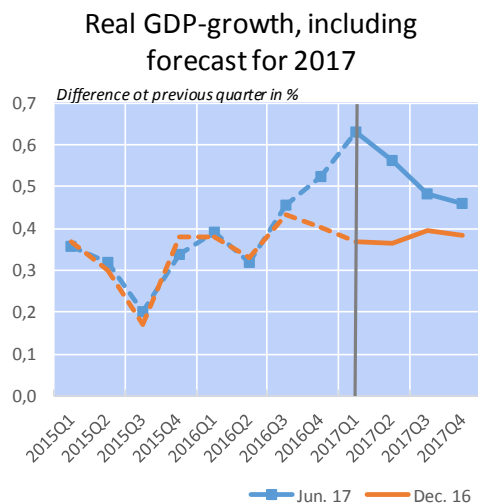
# Austria: 2017 marked by accelerated economic growth and declining unemployment

	2016	2017	2018	2019
	<i>Change to previous year in %</i>			
<b>GDP</b>	1,4	2,2	1,7	1,6
Private consumption	1,4	1,6	1,2	1,2
Government consumption	1,9	0,9	1,8	0,8
Total investment	3,1	3,3	2,0	1,7
Exports	1,8	4,2	4,0	3,9
Imports	3,5	3,7	3,8	3,4
<b>Contributions to real GDP grow</b>	<i>in percentage points</i>			
Domestic Demand	1,8	1,8	1,4	1,2
Net exports	-0,8	0,4	0,3	0,4
Changes in inventories (+ stat. discrepancy)	0,4	0,0	0,0	0,0
	<i>in %</i>			
<b>HICP</b>	1,0	2,0	1,8	1,8
<b>Unemployment rate (in %)</b>	6,0	5,7	5,5	5,4
	<i>Change to previous year in %</i>			
<b>Employees</b>	1,5	1,5	1,5	1,2
	<i>in % of GDP</i>			
<b>Current Account</b>	1,7	2,1	2,4	2,8
<b>Government Balance</b>	-1,6	-0,9	-0,9	-0,5

Source: WIFO, OeNB.

- 2016: With the help of special effects, real GDP growth rose again - after four weak years - to over 1%
- 2017: Real GDP growth accelerates sharply
  - The tax reform 2016, the persistently strong employment growth and the better sentiment support consumption growth
  - The recovery of world trade is boosting export demand and revitalizing Austrian exports
- HICP inflation increases to 2%
- Unemployment rate declines to 5.4%
- Current account improves
- Public finances improve

# Explanation of strong GDP upward revision for 2017



Source: WIFO, OeNB.

Compared to the OeNB's December forecast, GDP growth for 2017-2019 is revised upward by 0.7 / 0.2 / 0.1 percentage points (pp).

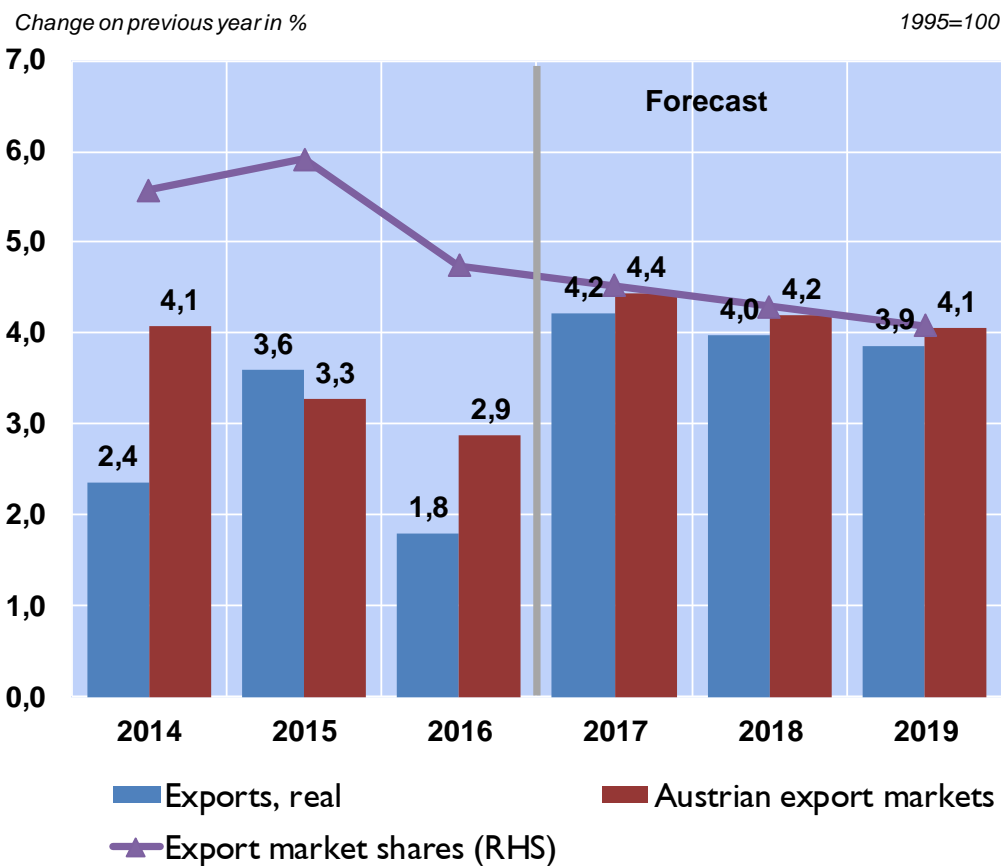
**Ex-post-facts (account for 0,4 pp):**

- Significantly higher GDP growth in 2016Q4 and 2017Q1 than expected in December
- Stronger growth in both domestic demand and exports

**More optimistic assessment of short-term development:**

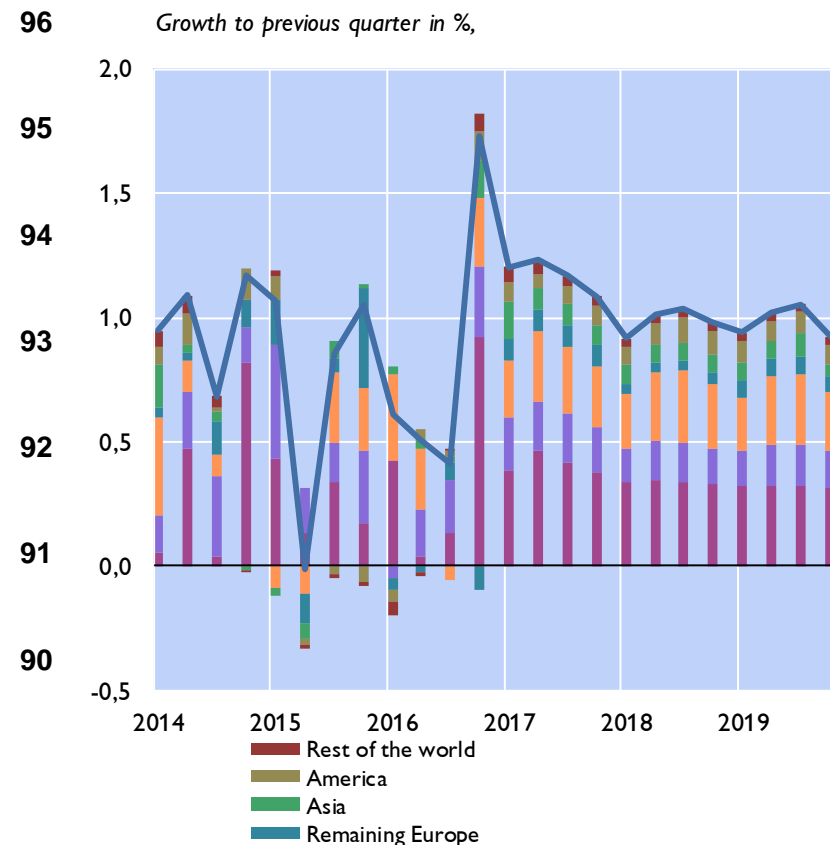
- Better starting point
- Further improvement of confidence indicators
- The upturn is reflected in industry and construction
- Stronger investment cycle
- Improved external environment

# Significant acceleration of exports this year



Source: Eurostat, OeNB.

## Contributions to growth of Austrian export markets



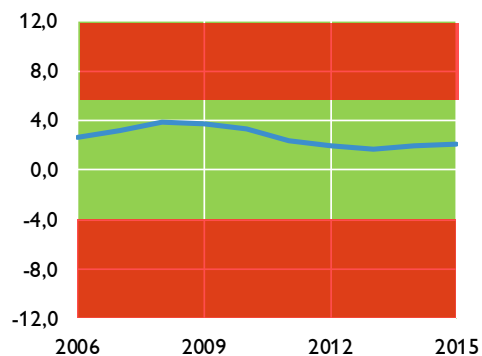
Source: ECB, design and calculation: OeNB.

# European commission constitutes no major external imbalances

## External imbalances and competitiveness indicators in the EC Scoreboard

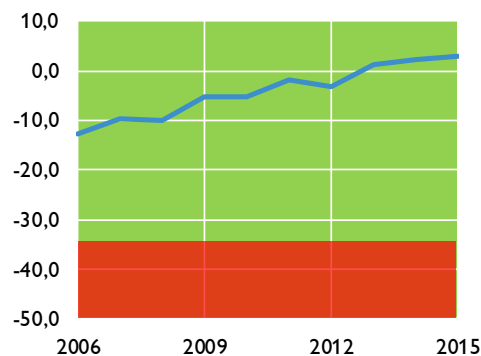
### Current Account balance

in % of GDP



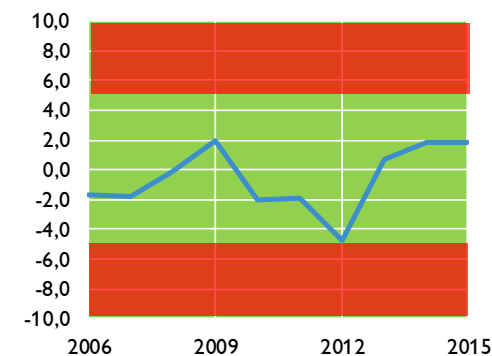
### Net international investment position

in % of GDP



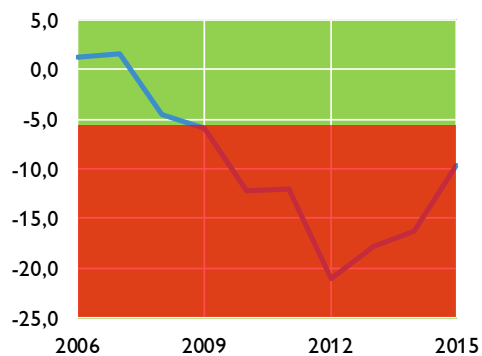
### Real effective exchange rate

in % of GDP



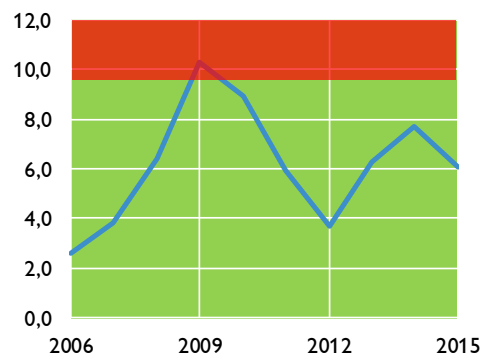
### Export market shares

in % of GDP



### Nominal unit labour cost index

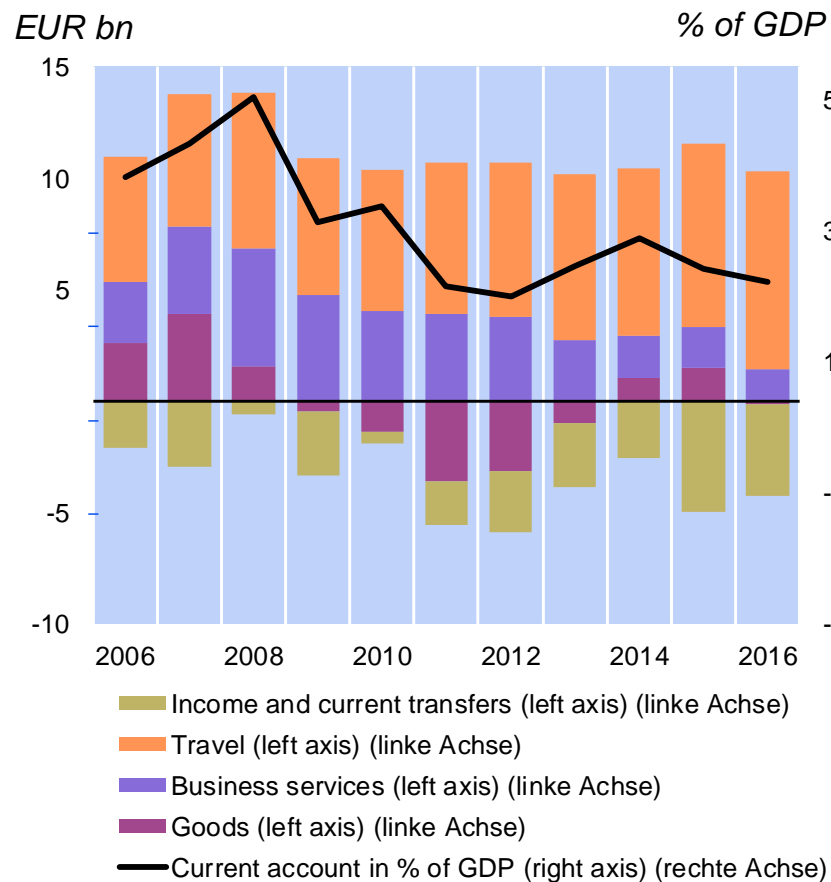
in % of GDP



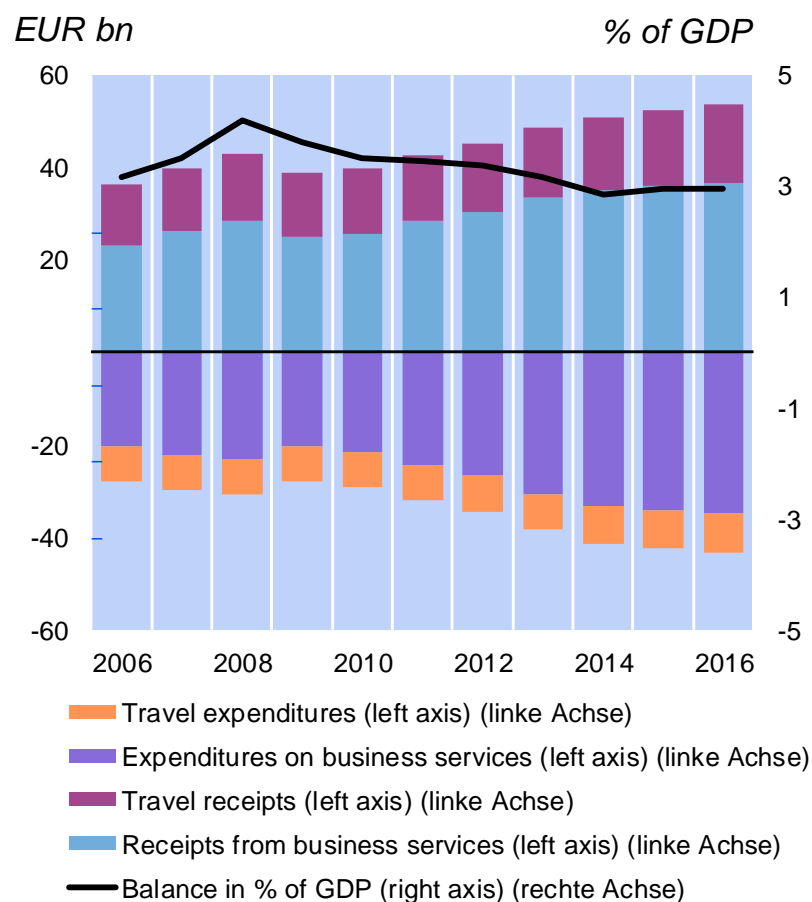
Source: Eurostat.

# Travel developed as main pillar of Austria's external economy

**Austria's external economy "in balance" (MIP)**



**Travel confirms its role as main pillar**

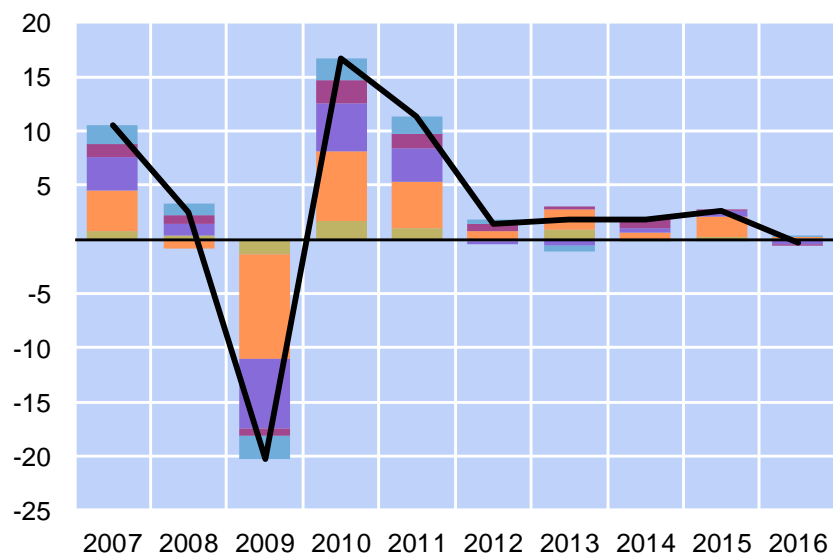


Sources: OeNB, Statistics Austria.

# Dynamics in services exports modest, but outpace goods

## Growth in goods exports turned negative

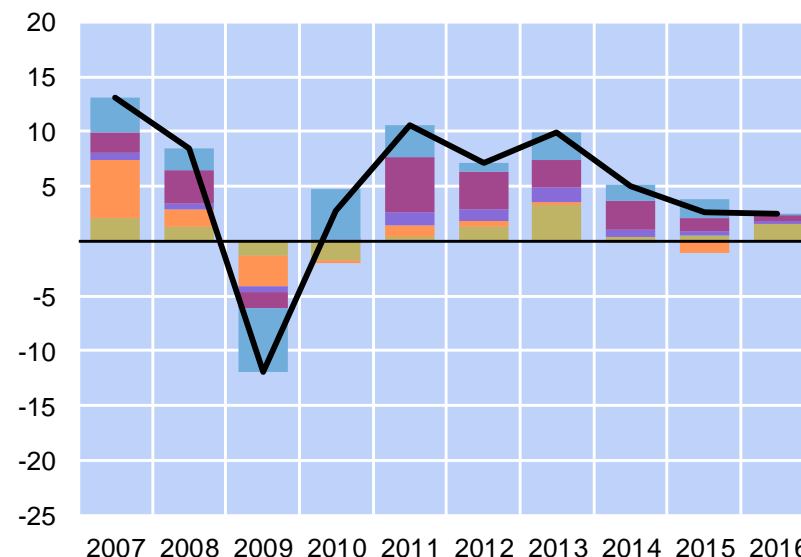
Growth contribution in in pp, Growth rates in %



- Food, basic materials, energy
- Chemical goods
- Manufactured goods
- Machinery, vehicles
- Final goods
- Goods exports total

## Growth in business services slowed down

Growth contribution in in pp, Growth rates in %



- Transport
- Technical services
- Consulting services
- Insurance and financial services
- Others
- Business services exports total

Sources: OeNB, Statistics Austria.

# ADDITIONAL SLIDES

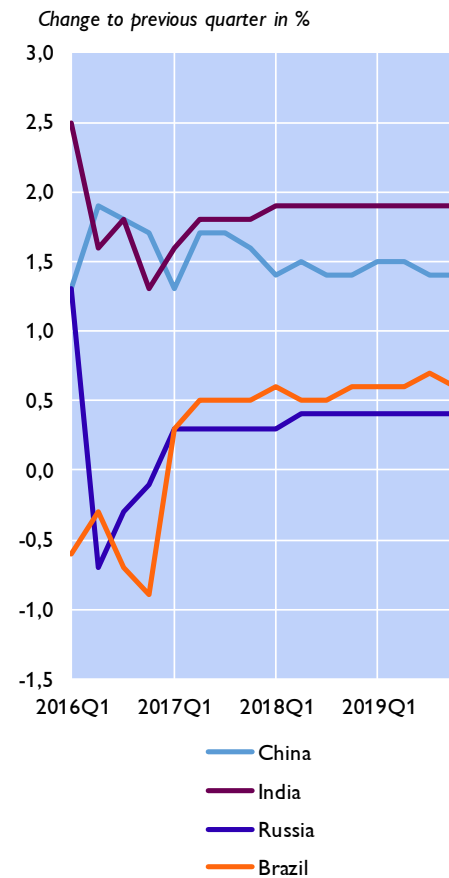
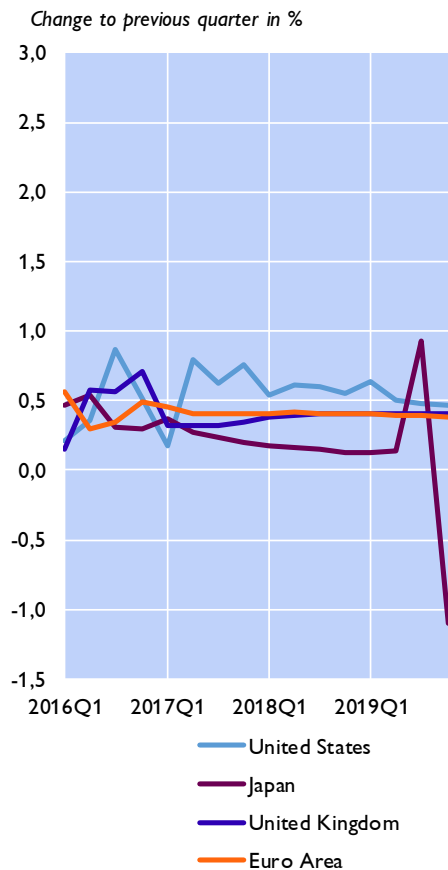
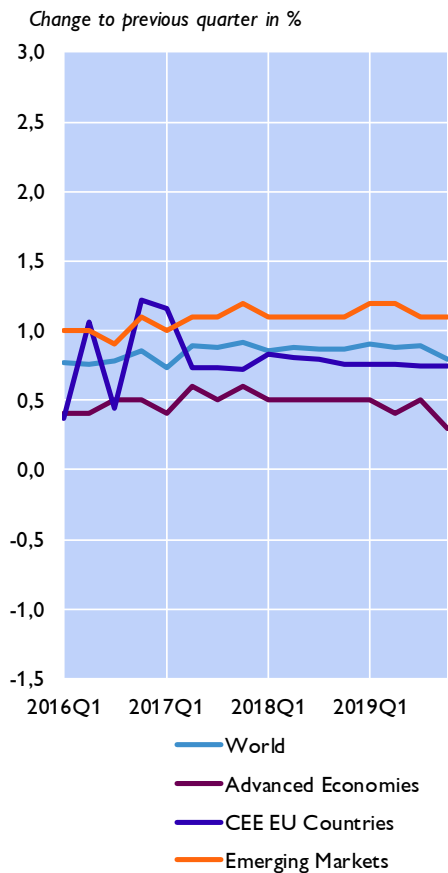
## Recent developments: record low trade growth in 2016

- World trade grew by 2.2% in 2016, the lowest growth rate since the global financial crisis.
- Imports of *advanced economies* grew moderately due to investment slowdown and inventory adjustment.
- Imports stagnated in *developing countries* following an initial decline (financial turbulence in China, low commodity prices) and a resumption of growth from the 2nd quarter onwards.
- In value terms, world trade growth was negative again (like in 2015).
- Longer-term structural reasons behind historically weak trade growth:
  - slower growth in global value chains
  - slowing trade liberalization related to growing disillusionment with globalization
- Like in 2015, global trade growth fell short of world output growth.



# Moderate economic growth in 2016

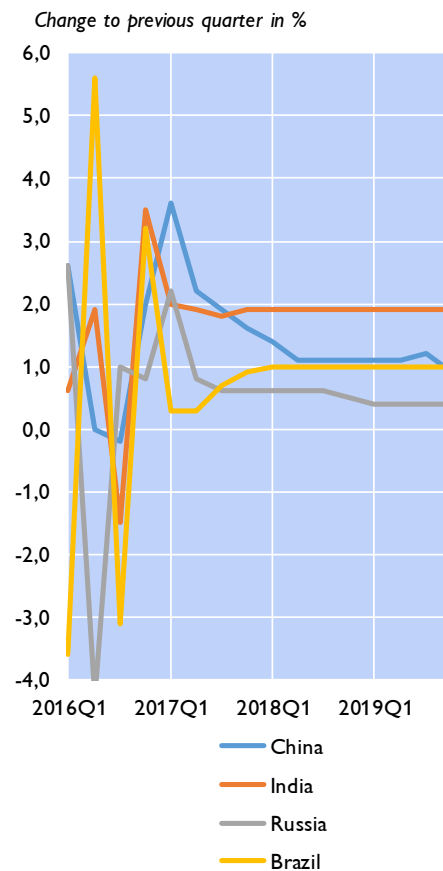
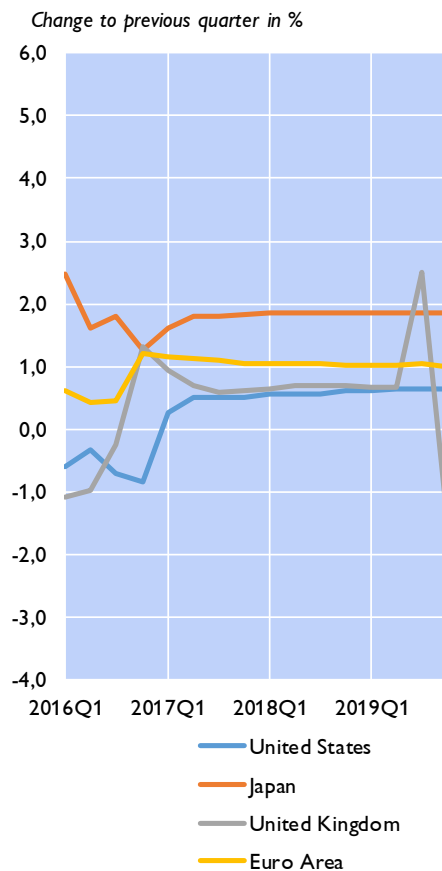
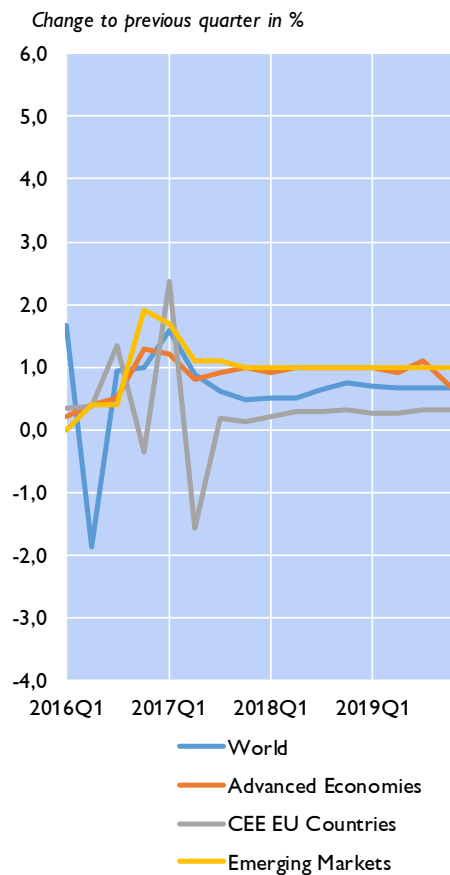
## Real GDP growth



Source: Eurosystem, June forecast.

# Weak dynamics in volume of world trade

## Real import growth

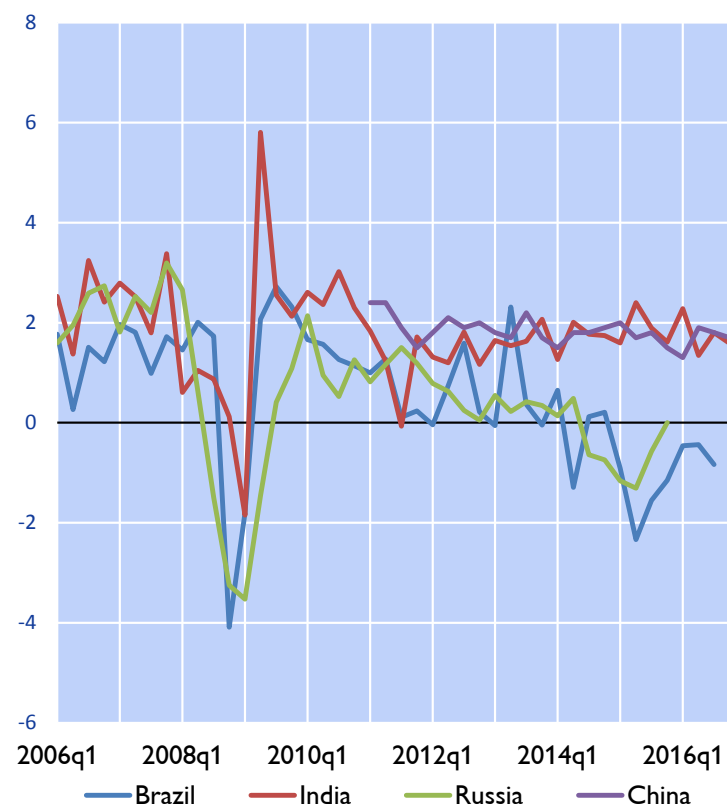
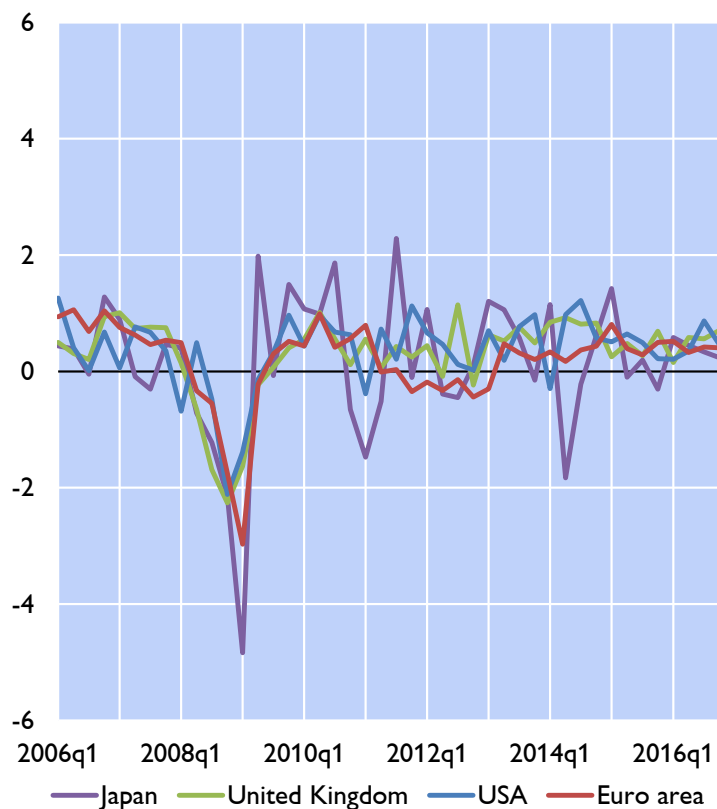


Source: Eurosystem, June forecast.

# Moderate economic growth in 2016

## GDP growth in selected advanced and emerging economies

real GDP (seasonally adjusted; %-change to previous period)

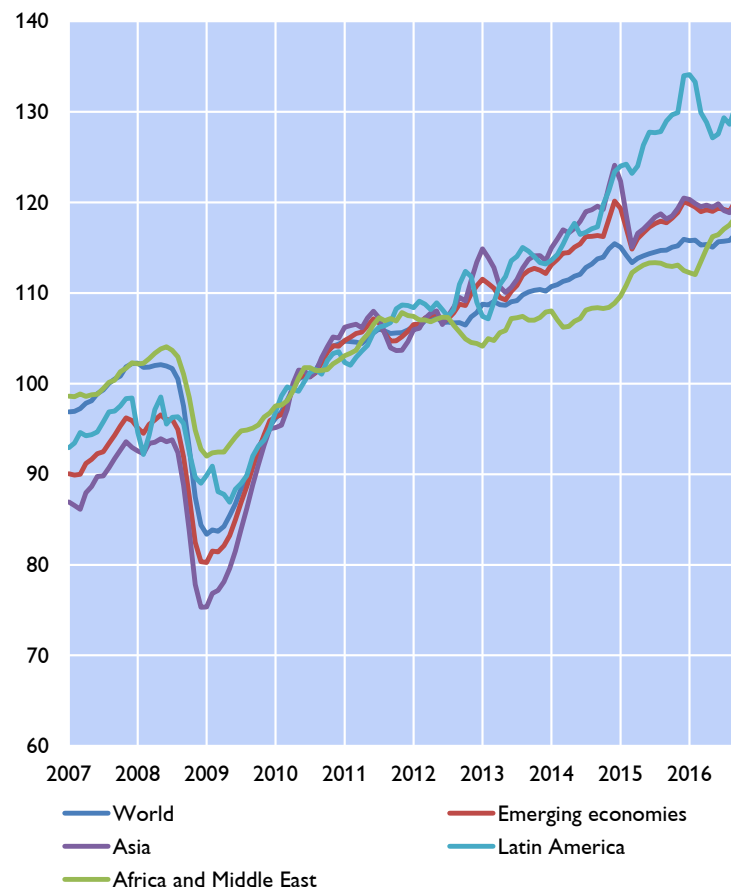
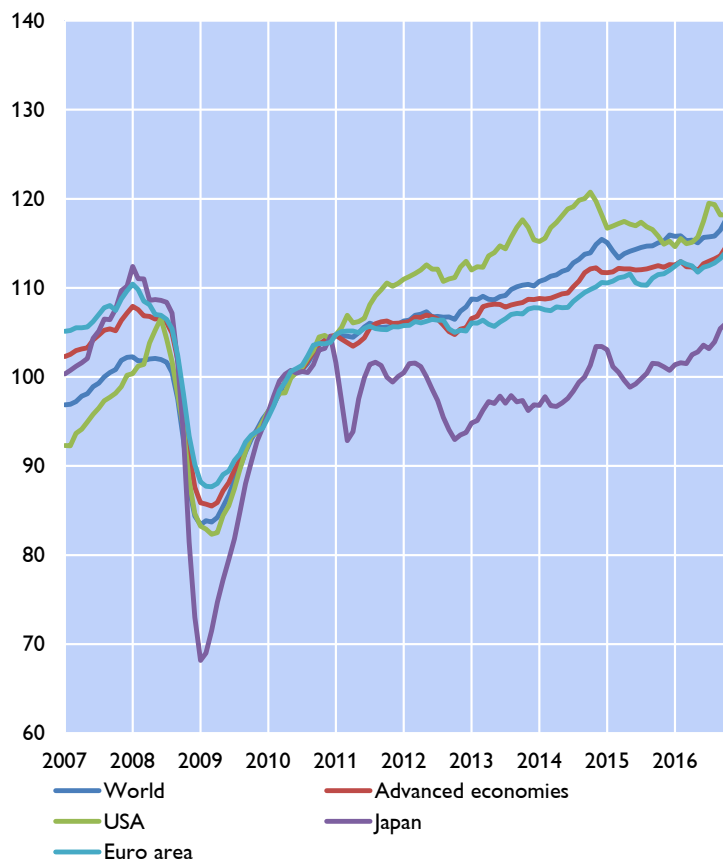


Source: OECD.

# Weak dynamics in volume of world trade

## Real export growth in selected advanced and emerging economies

3-month moving average, 2010 = 100



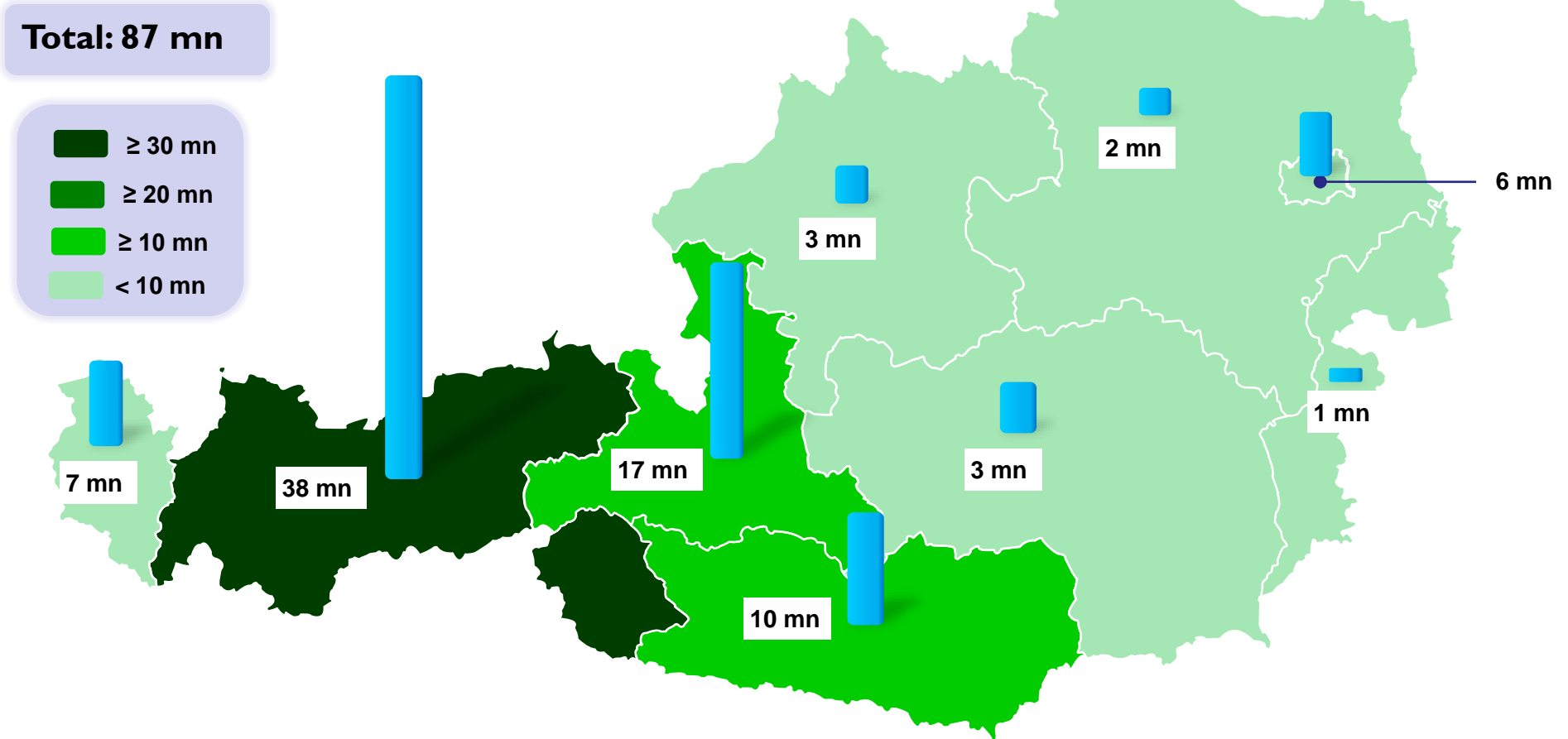
Source: CPB world trade monitor.

## Outlook: trade recovery in 2017

- IMF expects world trade to grow by 3.8% in 2017 (3.9% in 2018), thus outpacing global output growth again
- Factors supporting the recovery:
  - cyclical upswing in advanced economies, global investment demand recovers
  - Recovery in commodity prices improves macroeconomic conditions for developing and emerging economies
- Uncertainty remains high, various downside risks mainly due to policy uncertainty:
  - Geopolitical tensions
  - Increasing protectionist tendencies
  - Withdrawal of measures to stabilize the financial system
  - Sharply increasing interest rates in the USA

# Travel profits from developing city tourism

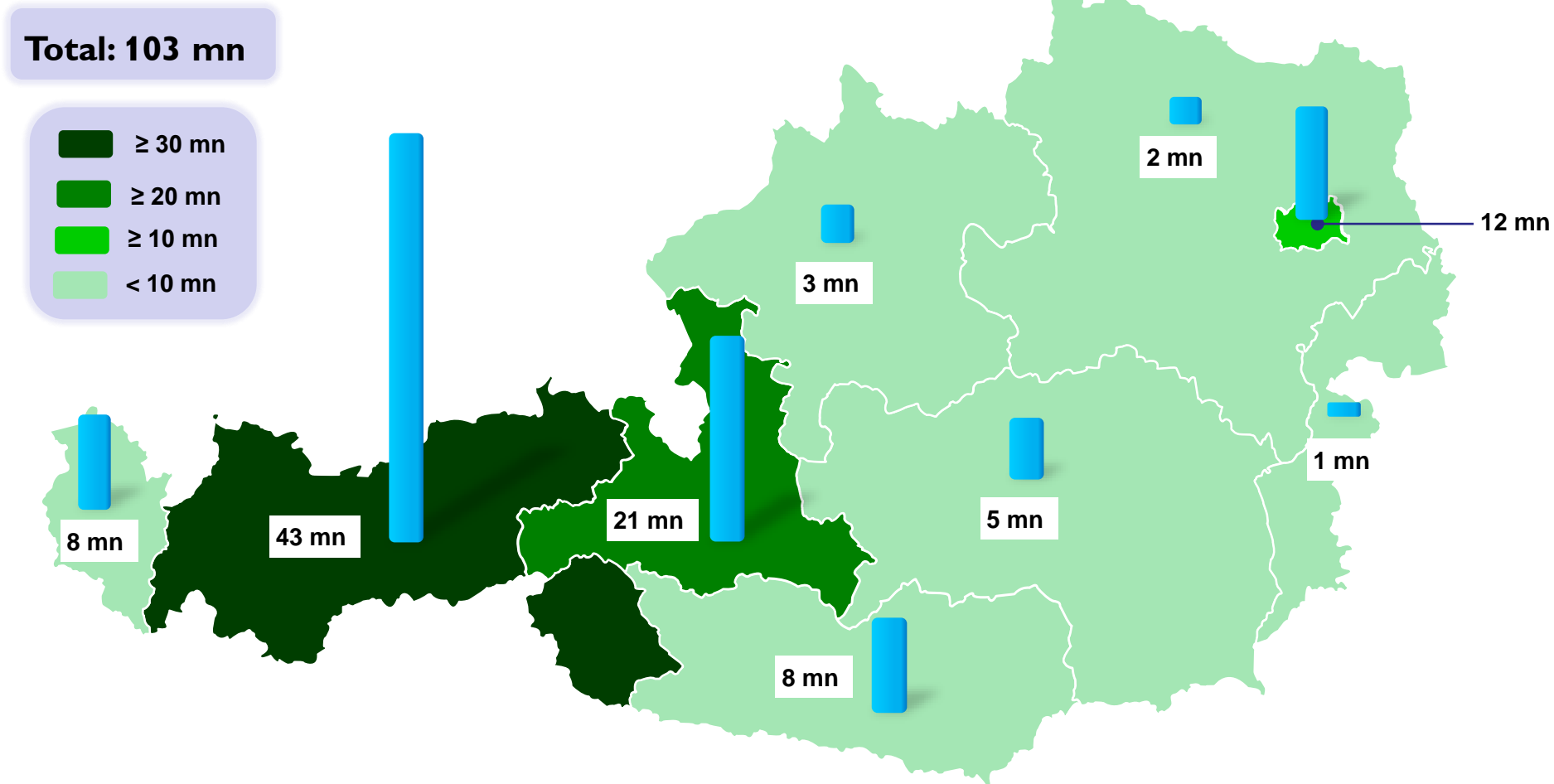
Overnight stays of foreign guests 1995



Source: Statistics Austria.

# Travel profits from developing city tourism

## Overnight stays of foreign guests 2016



Source: Statistics Austria.