



OESTERREICHISCHE NATIONALBANK

EUROSYSTEM

Advances in vaccination support economic recovery

Press conference: Economic outlook for Austria from 2021 to 2023 (June 2021)

Robert Holzmann, Governor Oesterreichischen Nationalbank

Doris Ritzberger-Grünwald, Head of Economic Analysis and Research Department

Vienna, 11 June 2021

www.oenb.at

Main results of the forecast

Univ.-Prof. Dr. Robert Holzmann
Governor Oesterreichischen Nationalbank

Strong global demand and increasing commodity prices

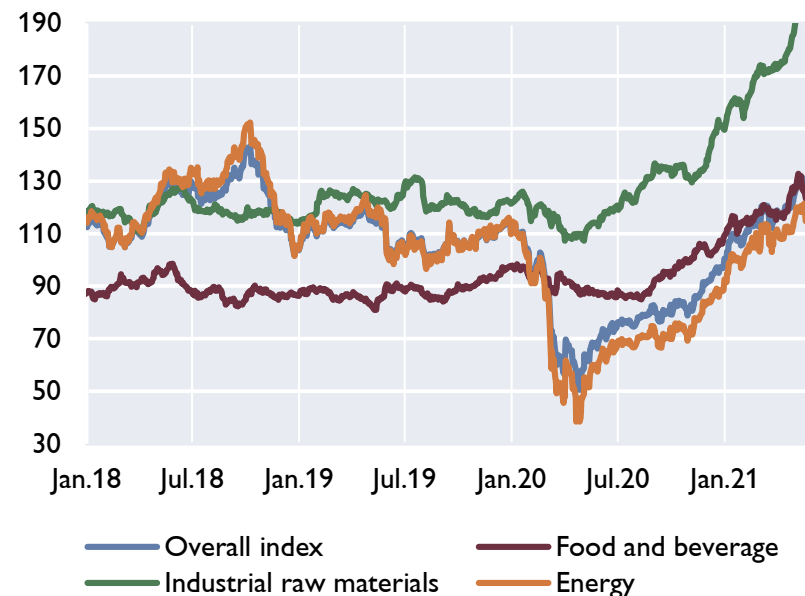
International environment for the forecast on the Austrian economy

Annual change in % and levels	June 2021				Change from Dec. 2020		
	2020	2021	2022	2023	2021	2022	2023
	<i>Change in %</i>						
Oil price (USD/barrel Brent)	42.3	65.8	64.6	61.9	21.8	18.9	15.0
Nominal effective exchange rate	0.95	0.93	0.93	0.93	-0.00	-0.00	-0.00
USD exchange rate (USD/EUR)	1.14	1.21	1.21	1.21	0.03	0.03	0.03
	<i>Change in percentage points</i>						
Short-term nominal interest rate	-0.43	-0.54	-0.49	-0.35	0.01	0.05	0.15
Long-term nominal interest rate	-0.22	0.07	0.33	0.50	0.40	0.58	0.64
GDP - world less euro area	-2.4	6.2	4.2	3.7	0.4	0.4	0.1
GDP - U.S.A.	-3.5	6.6	3.8	2.3	2.8	1.5	0.5
GDP - Japan	-4.7	2.4	2.3	1.2	-0.4	1.0	0.4
GDP - U.K.	-9.8	6.5	5.1	1.8	2.7	3.0	0.5
GDP - CESEE	-3.9	4.7	4.3	3.4	1.3	-0.0	0.1
GDP - China	2.0	8.6	5.4	5.3	0.2	-0.0	-0.1

Source: Eurosystem.

World market prices for raw materials

HWWI-Index 'Euroland' 2015=100, Euro-Basis; daily data



Source: HWWI.

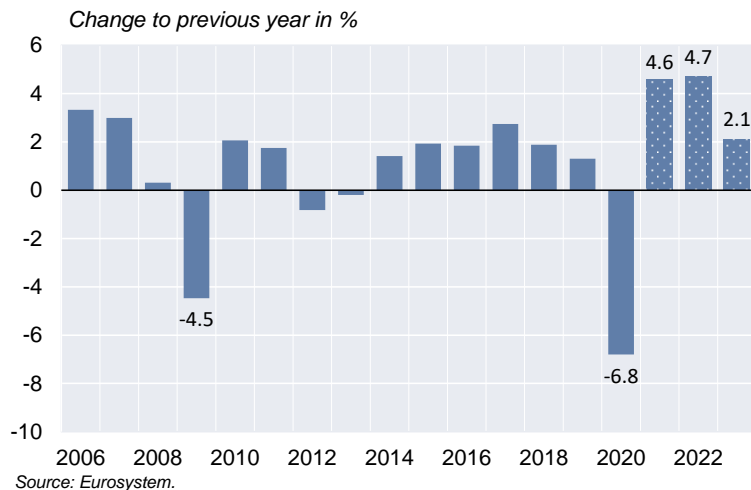
- considerable increase in commodity prices: oil prices in 2021 almost 50% higher than in 2020
- Significant upward revision of GDP in the U.S.A.
- Long-term interest rates will be positive again from 2021

Euro area: strong catching-up process in 2021 and 2022

Euro area	June 2021 projections				Revisions since March			
	year on year change in %				in percentage points			
	2020	2021	2022	2023	2019	2020	2021	2022
Real GDP	-6.8	4.6	4.7	2.1	0.1	0.6	0.6	0.0
HICP	0.3	1.9	1.5	1.4	0.0	0.4	0.3	0.0
Core inflation*	0.7	1.1	1.3	1.4	0.0	0.1	0.2	0.1

Source: Eurosystem forecast from June 2022; *Remark: core inflation: HICP-inflation without energy and food.

Real GDP euro area

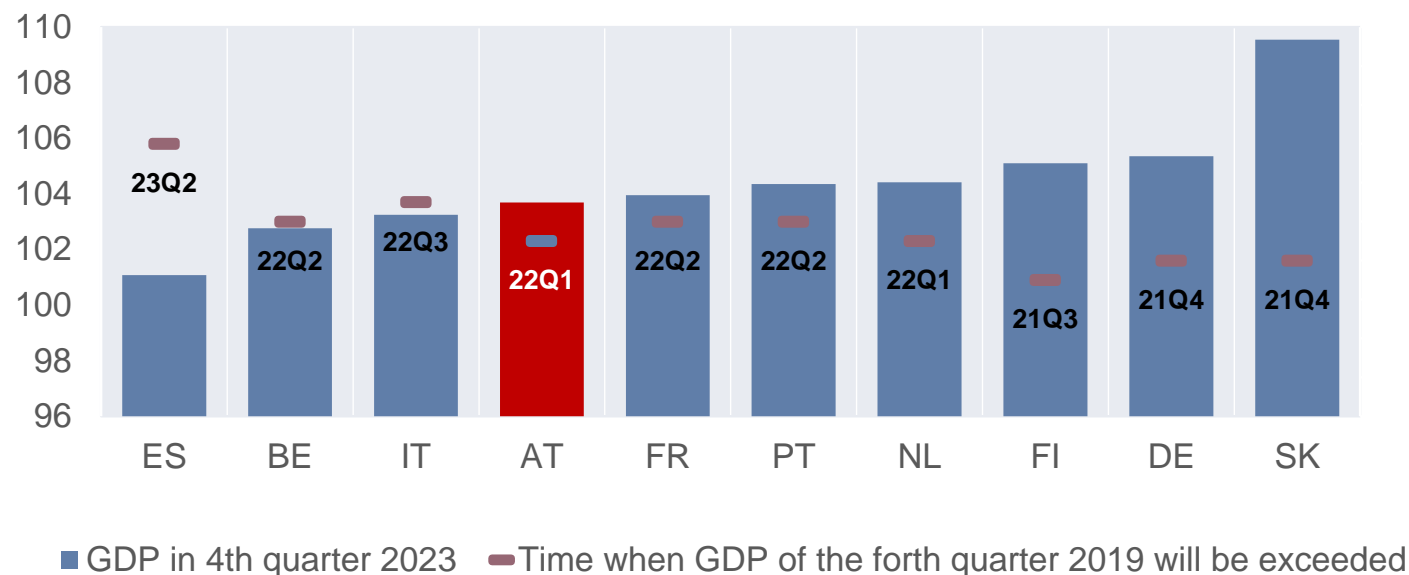


- **GDP-growth:** significant upward revision for 2021 and 2022 vs. March forecast (+0,6 pp each)
- **Pre-crisis level** will be reached in the first quarter of 2022 (one quarter earlier than in March forecast)
- Significant **growth differences** between countries
- **Inflation** rises to 1.9% in 2021 and falls to 1.4% by 2023
- **Core inflation** at 1% to 1½% with a slightly rising trend

Heterogenous recovery in the euro area

GDP compared to begin of pandemic

Index: 2019Q4=100



Source: NCBs

OECD-forecast for real GDP growth

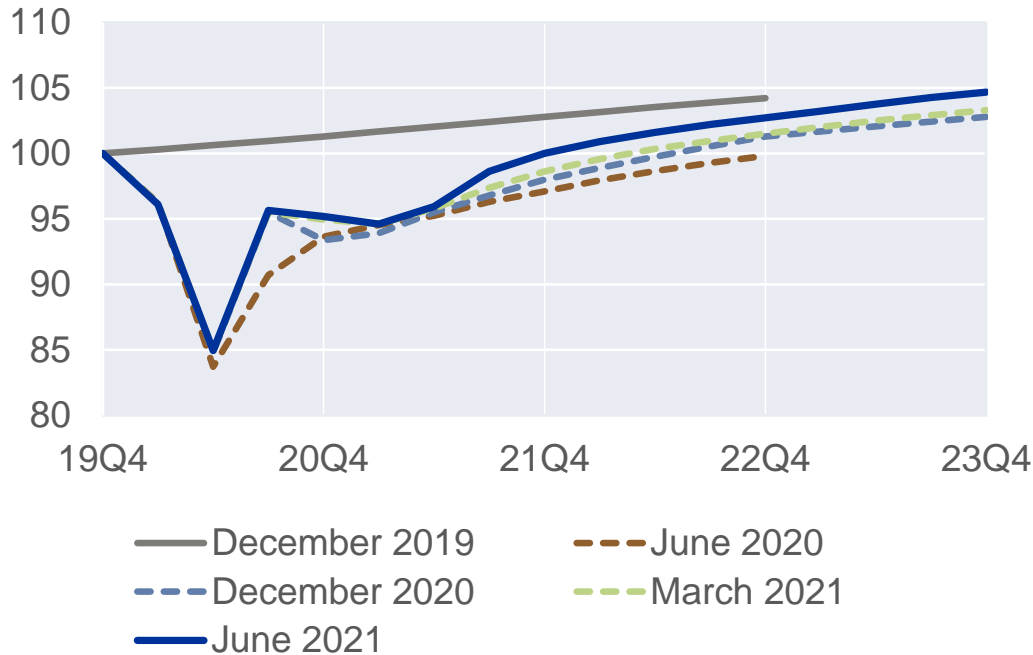
	2020	2021	2022
	Change to previous year in %		
Germany	-5.1	3.3	4.4
France	-8.2	5.8	4.0
Italy	-8.9	4.5	4.4
Spain	-10.8	5.9	6.3
Netherlands	-3.7	2.7	3.7
Belgium	-6.3	4.7	3.5
Austria	-6.7	3.4	4.2
Finland	-2.8	2.6	2.7
Portugal	-7.6	3.7	4.9
Slovakia	-4.8	4.2	5.2

Source: OECD (31 May)

Euro area reaches pre-crisis levels already in early 2022 – continued uncertainty

Euro area forecast over time

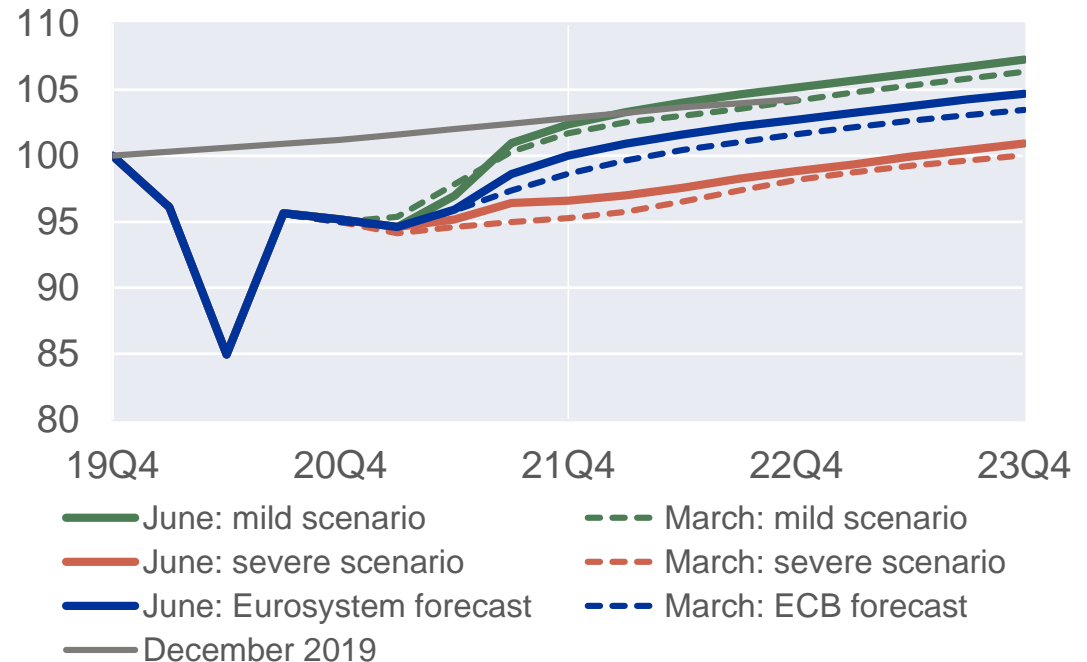
Real GDP, Index: 2019Q4=100



Source: Eurosystem, ECB.

Scenarios for the euro area

Real GDP, Index: 2019Q4=100

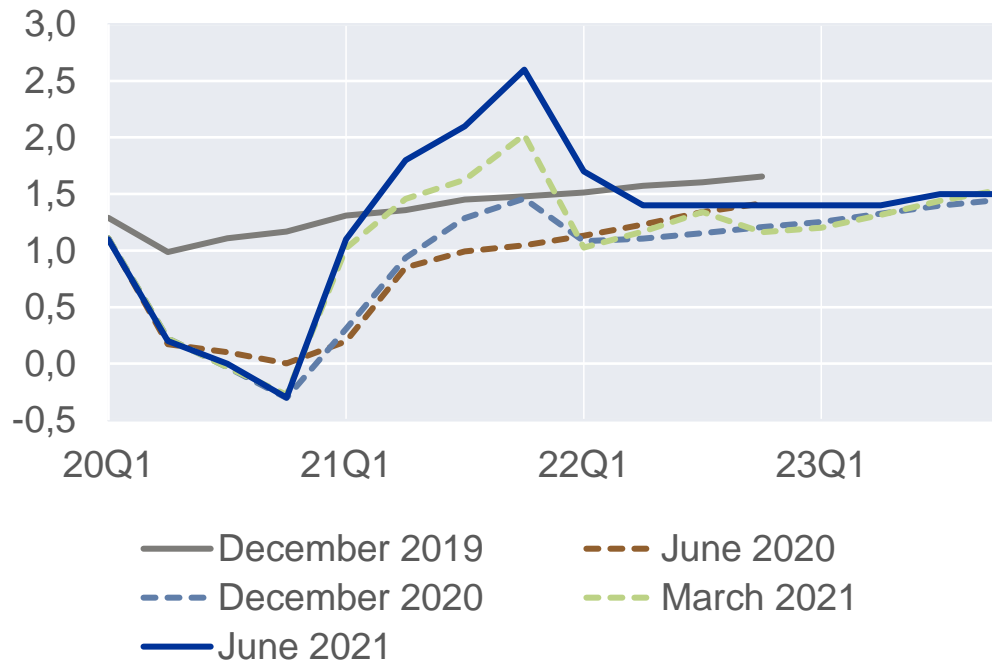


Source: Eurosystem, ECB.

Inflation 2021 significantly higher than expected in March

Euro area forecast over time

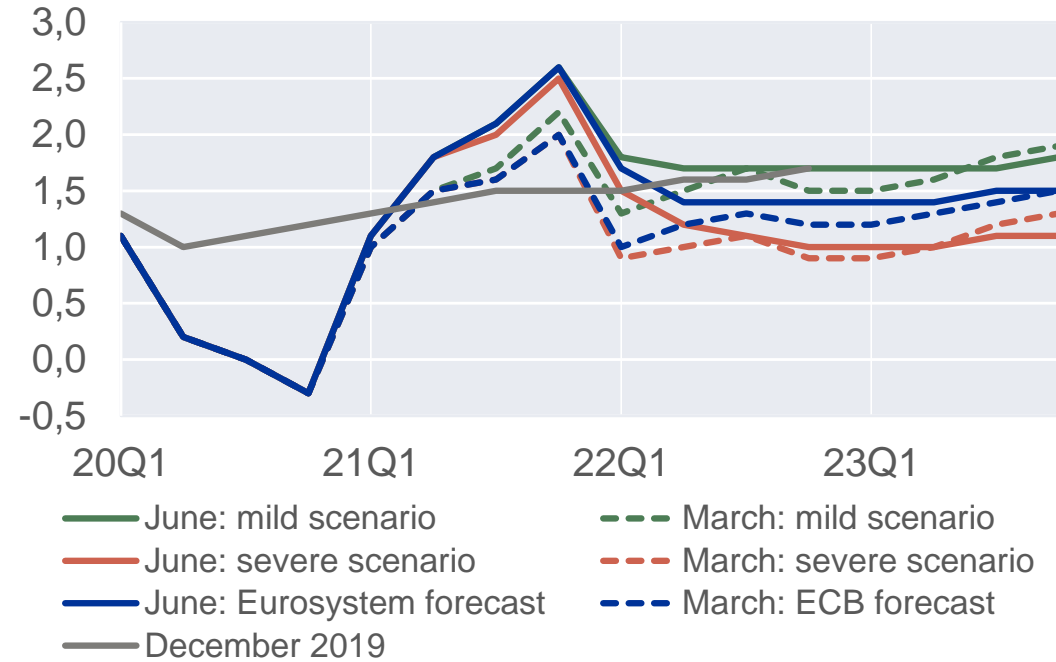
HICP-inflation, change to previous year in %



Source: Eurosystem, ECB.

Scenarios for the euro area

HICP-inflation, change to previous year in %

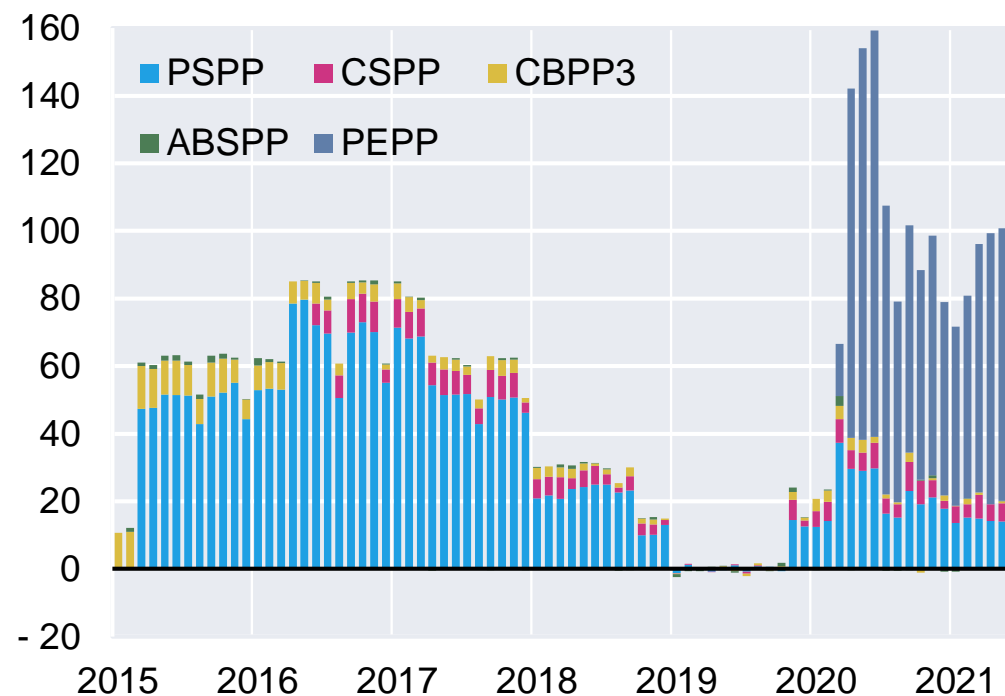


Source: Eurosystem, ECB.

PEPP-Purchases in second and third quarter 2021 “significantly higher”

Asset Purchasing Programmes

in billion EUR (book values)



Source: ECB.

„Based on a joint assessment of financing conditions and the inflation outlook, the Governing Council expects **net purchases under the PEPP** over the coming quarter [Q3/2021] to continue to be conducted at a **significantly higher pace** than during the first months of the year.“

(Christine Lagarde, Introductory Statement on June 10, 2021)

In January and February 2021 the net purchases under PEPP were 53 bn EUR and almost 60 bn EUR respectively

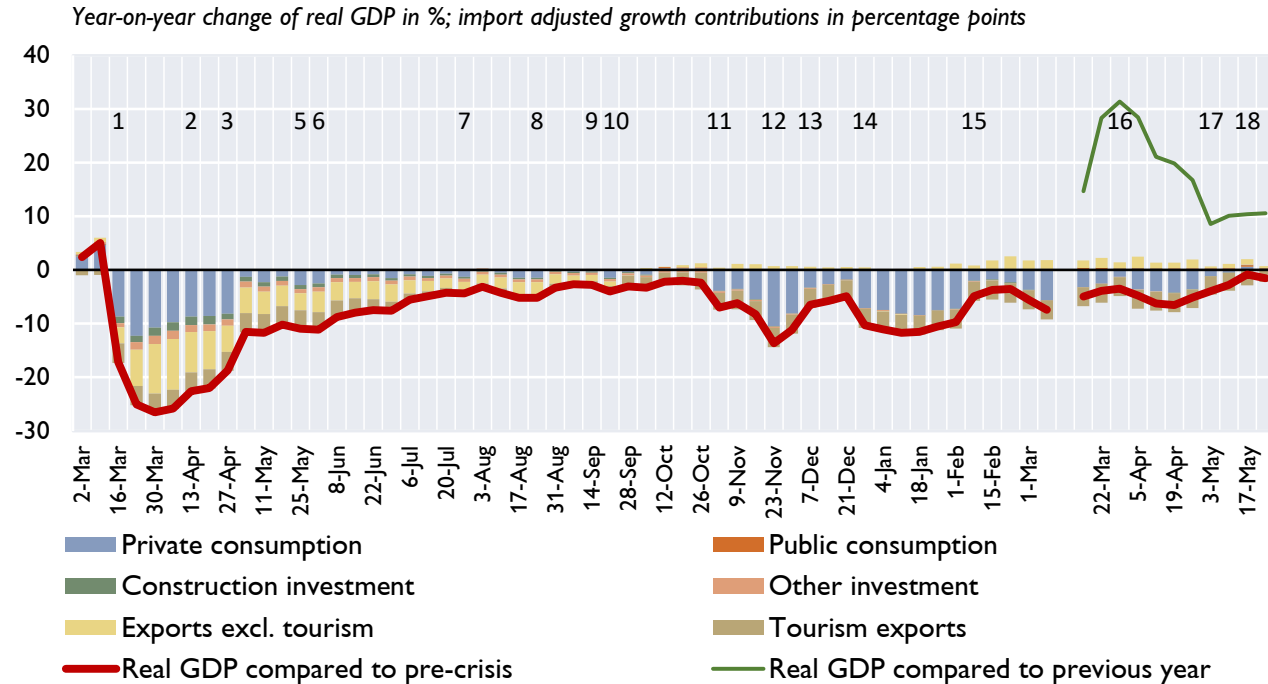
Forecast details

Dr. Doris Ritzberger-Grünwald

Head of Economic Analysis and Research Department
Oesterreichischen Nationalbank

Austria: GDP-gap almost closed

Weekly GDP indicator for Austria



- 1: Lockdown (March 16) 2: Opening of small shops (April 14) 3: Opening of all shops (May 2)
- 4: Opening of restaurants (May 15) 5: Opening of hotels (May 29) 6: Gradual reopening of borders (June 4)
- 7: Reintroductions of face masks (July 24) 8: Travel warning (Croatia, Balearics gradually from Aug. 8)
- 9: Travel warnings for Austria (Sept. 16) 10: Tightened protective measures (Sept. 21, Nov. 25)
- 11: Lockdown light (Nov. 3) 12: Lockdown (Nov. 17) 13: Lockdown light (Dec. 7) 14: Lockdown (Dec. 26)
- 15: Lockdown light (Feb. 2) 16: Lockdown Eastern Austria 17: End of lockdown in Eastern Austria

Source: OeNB.

18: Opening of gastronomy, tourism and leisure establishments

- Further economic recovery as a result of the opening steps on May 19
- Economic performance in CW 20 and 21 (17 – 30 May 2021) only **0.9%** and **1.5%** below **pre-crisis levels**
- Opening of restaurants, tourism and leisure establishments lead to:
 - Increase in **private consumption** to (nearly) pre-crisis levels
 - Mild recovery in **tourism** – expenditures of foreign tourists still 2/3 below pre-crisis level

- For further information see: <https://www.oenb.at/Publikationen/corona/bip-indikator-der-oenb.html>

Advances in vaccination supports economic recovery in Austria

Main results

	2020	June 2021			Revisions against Dec.		
		2021	2022	2023	2021	2022	2023
	Change to previous year in %				Percentage points		
GDP	-6.7	+3.9	+4.2	+1.9	+3.6	+4.0	+2.2
Private consumption	-9.4	+4.0	+5.8	+1.8	+3.9	+4.7	+2.0
Government consumption	+1.6	+2.1	+0.5	+0.8	+1.2	+0.8	+0.9
Total investment	-4.8	+4.7	+3.3	+1.8	+4.0	+4.7	+2.7
Exports	-10.9	+7.1	+6.4	+3.4	+5.4	+5.5	+3.7
Imports	-10.0	+7.4	+6.3	+3.0	+4.1	+5.8	+3.8
	%						
HICP	+1.4	+2.0	+1.8	+1.8	+1.4	+1.7	+1.7
Unemployment rate (in %)	5.3	5.2	4.8	4.6	5.6	5.1	4.8
Savings rate	14.4	11.0	8.1	7.8	10.0	7.9	7.7
	Change to previous year in %						
Employees	-2.0	+1.2	+1.6	+0.9	+0.7	+2.1	+1.6
	in % of GDP						
Current account balance	2.5	2.1	2.2	2.4	2.4	2.3	2.4
Government balance	-8.9	-6.9	-2.8	-2.0	-6.3	-2.9	-1.4
Public debt	83.9	85.1	82.8	81.9	86.4	84.4	82.5

Source: Statistics Austria, OeNB.

2021/2022: Strong catching-up process

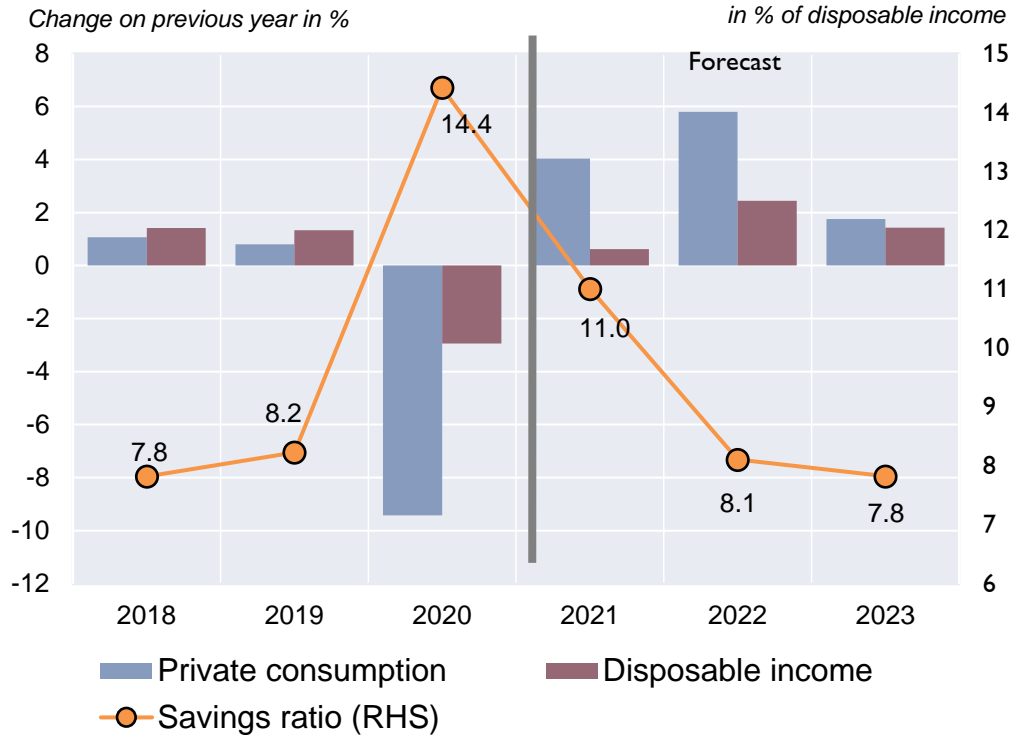
- Industry already above pre-crisis levels
- From Q2 / Q3 recovery of those service sector parts which have been directly affected by containment measures
- Small revisions to December forecast
- Short-time working schemes absorb increase of unemployment
- HICP-inflation increases to 2%

2023: Catching-up process slowly fades out

- HICP-inflation close to price stability target
- Unemployment rate approaches pre-crisis levels (2019: 4.5%, 2018: 4.9%)
- Savings ratio declines quickly and slightly falls below pre-crisis level in 2023

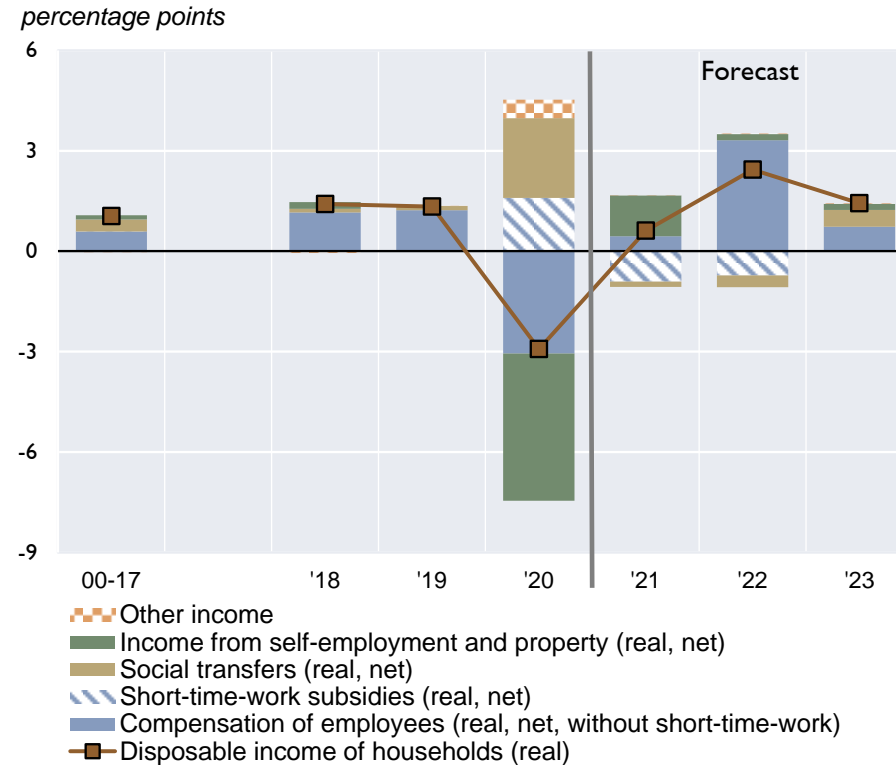
Rapid decline of savings ratio supports private consumption

Disposable income, private consumption and savings ratio



Source: Statistics Austria, OeNB.

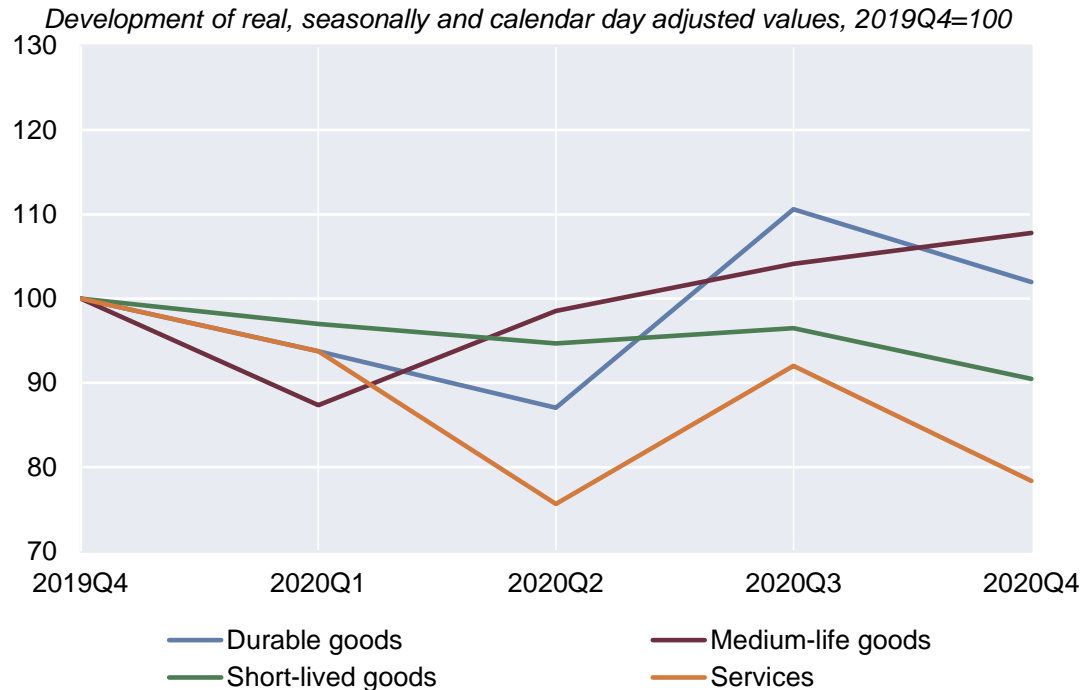
Growth contributions to real net disposable household



Source: Statistik Austria, OeNB.

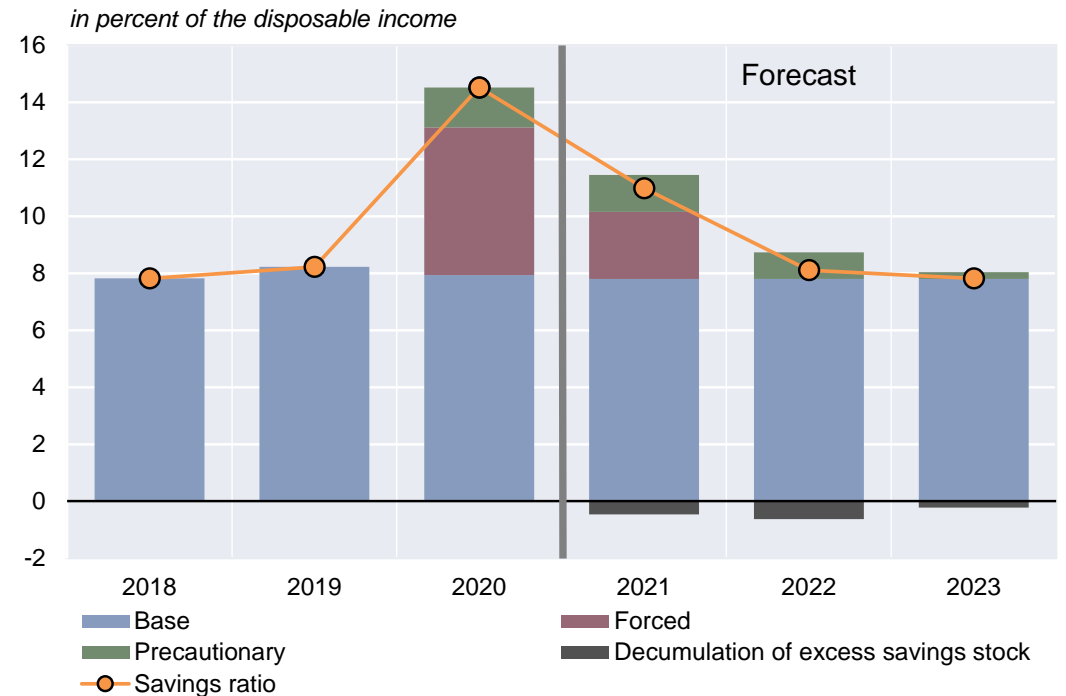
Determinants of saving behaviour

Austria: private consumption according to durability



- Decline in consumption particularly for services
- Survey results show that excess savings were mainly accumulated by households with higher incomes (→ additional wealth)

Decomposition of the savings rate

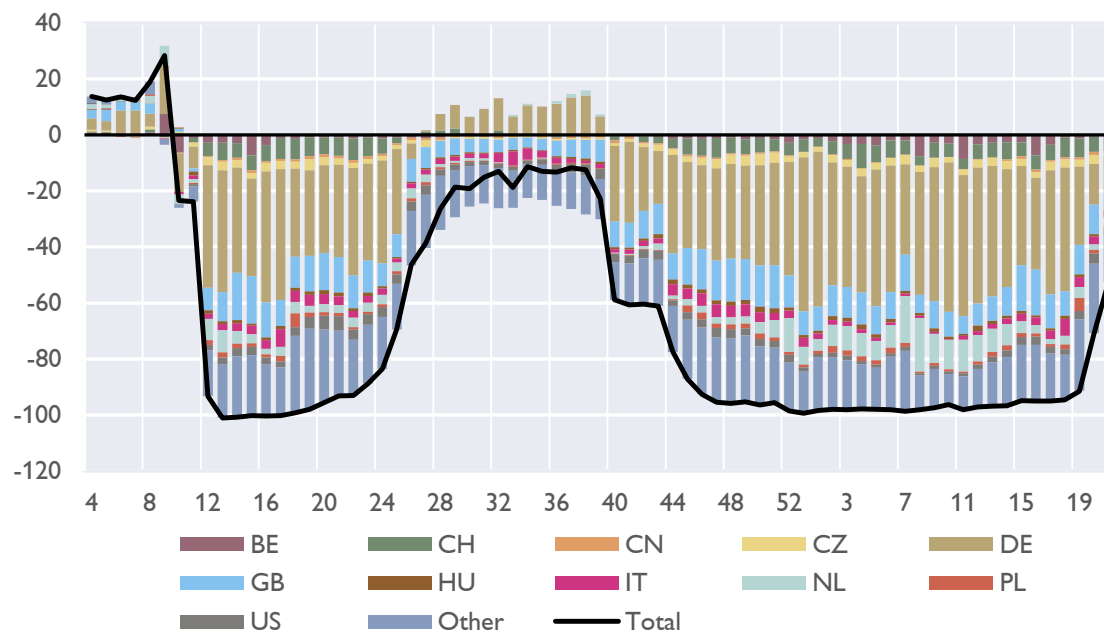


- Excess savings of around 20.4 bn thereof 80% or 16.3 bn forced savings
- Around 1/5 used for private consumption

Further decline in overnight stays due to loss of winter season

Foreign tourists' payment card expenditure in Austrian hotels and restaurants in 2020, by country of origin

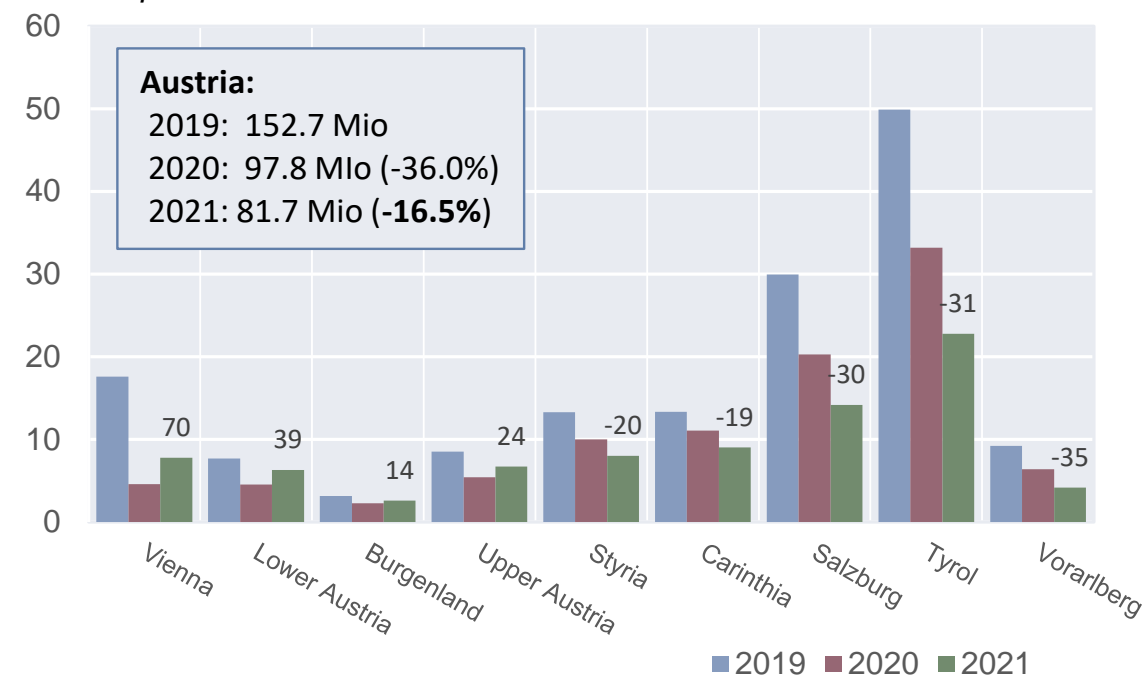
Growth contributions of countries in percentage points; annual change in %



Source: Payment card supplier, own calculations.

Overnight stays-projection for 2021 - regional distribution

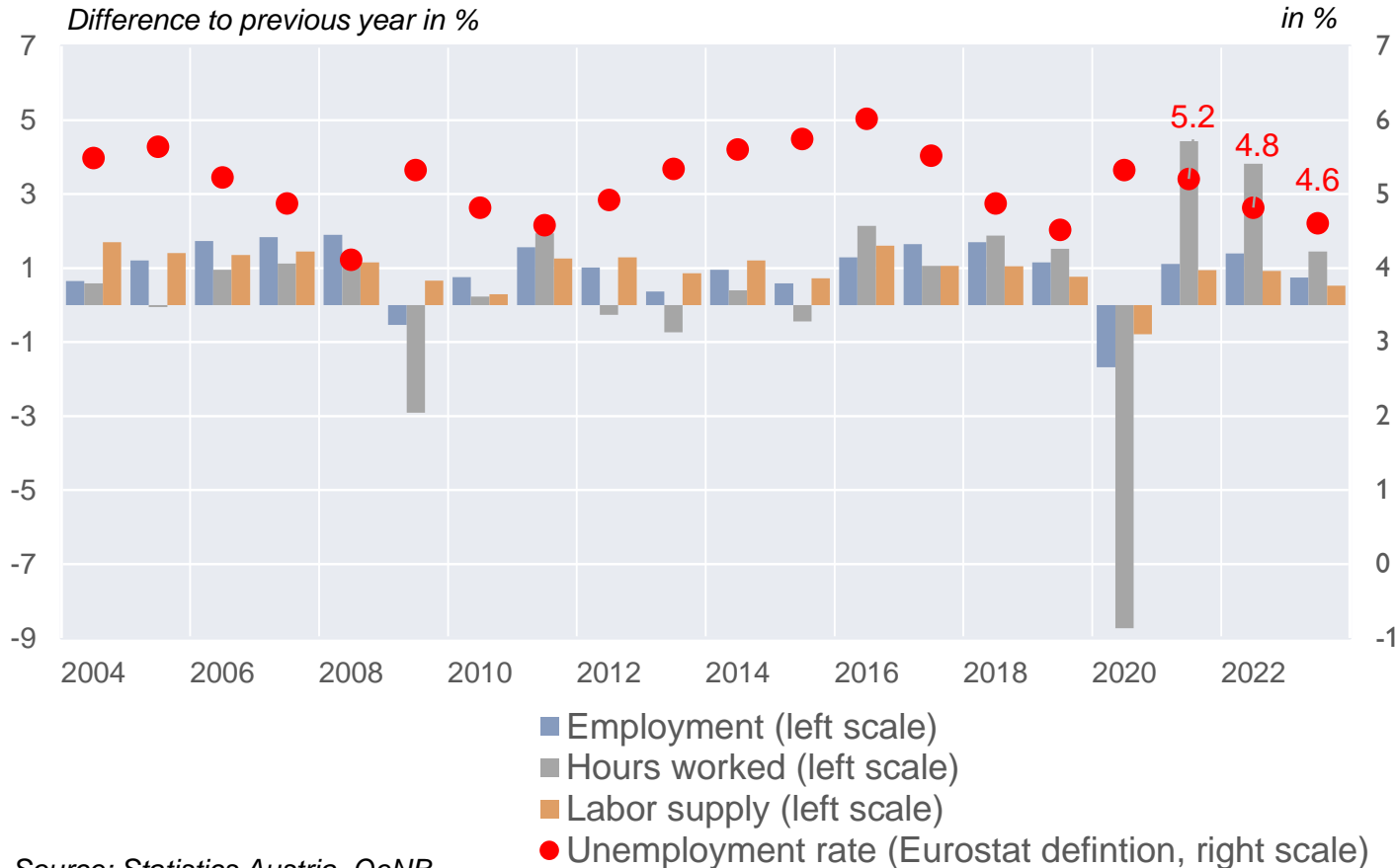
Mio persons



Source: OeNB, Statistics Austria.

Labor market: Unemployment rate falls to nearly pre-crisis level

Employment, labor supply and unemployment rate



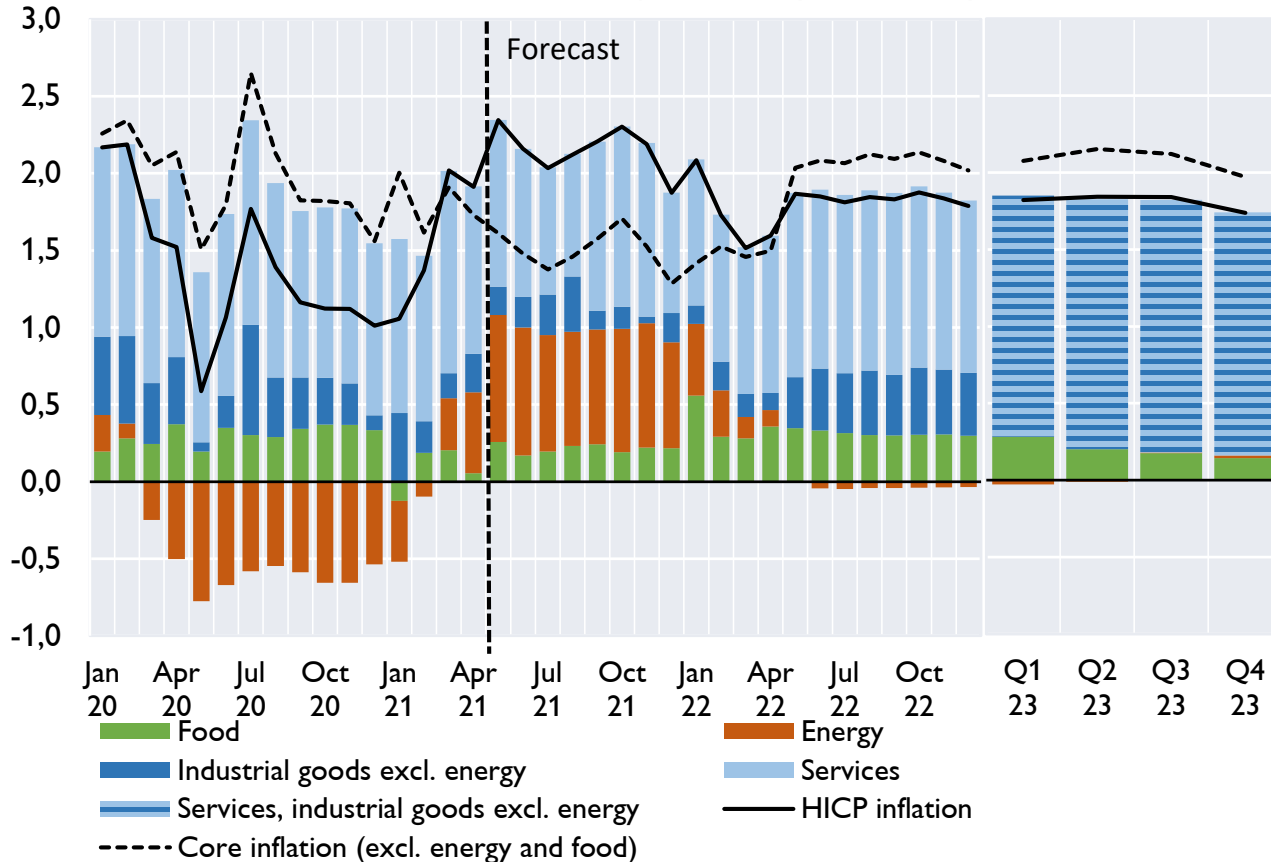
Source: Statistics Austria, OeNB.

- **Labour market conditions improve quickly**
- **Short-time work scheme** and other policies **mitigated** the effect of downturn on employment
- Huge drop in **hours worked** in 2020 followed by strong recovery in 2021/22
- Novel two-tier short-time work scheme starting July 2021
- **Unemployment rate:**
 - National definition: 2018: 7.7% 2019: 7.4%, 2020: 10.0%, 2023: 7.7%
 - Both national and Eurostat definition rates gradually fall to **near pre-crisis levels** by 2023
- **Labour supply** growing again from 2021 onwards

HICP inflation rises 2021 mostly on account of energy prices

Contributions of components to HICP inflation

Inflation in %; inflation contributions of components in percentage points



Source: OeNB, Statistics Austria.

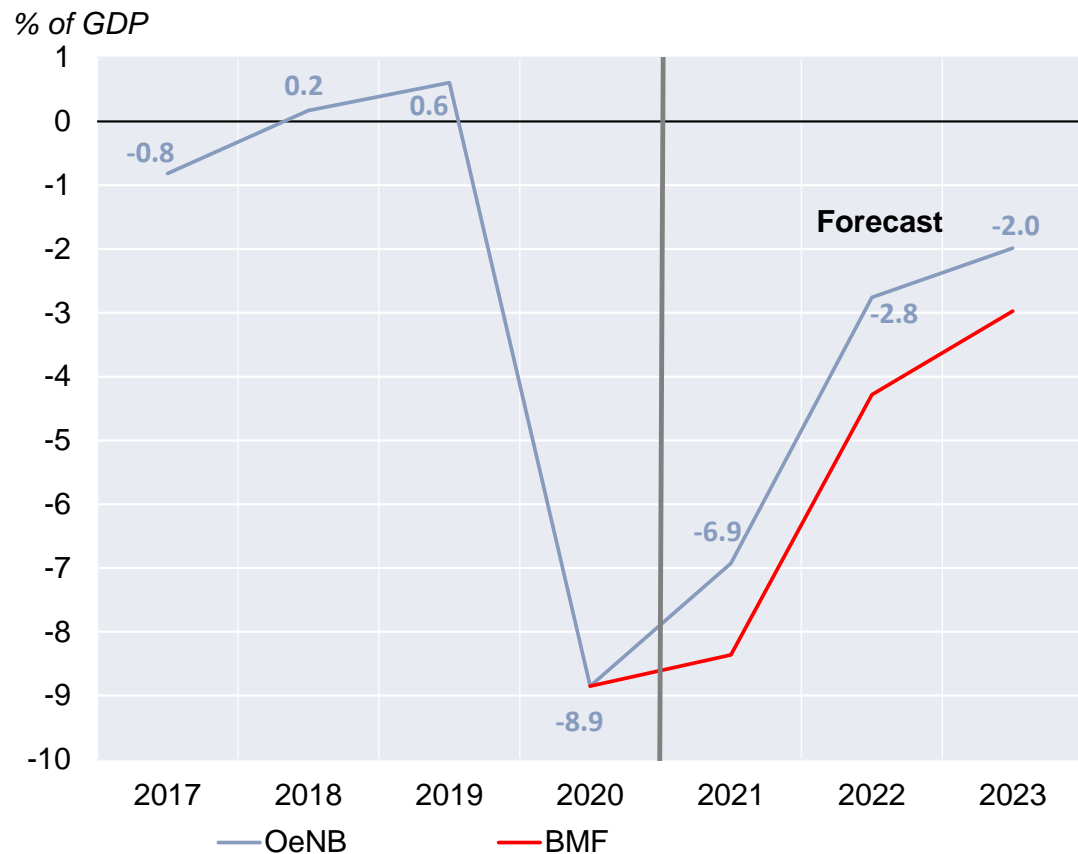
		OeNB-Projection		
	2020	2021	2022	2023
HICP inflation	1.4	2.0	1.8	1.8
Core inflation ¹⁾	2.0	1.6	1.9	2.1

1) Without energy and food.

- **HICP inflation accelerates** in 2021 on account of **oil prices and strong base effects**; in 2022 and 2023 fading contributions of energy dampens inflation.
- **Core inflation** in the current year below headline inflation, but **gradually increases in 2022 and 2023** due to the economic recovery and rising unit labour costs.
- Flash estimate of HICP inflation records 3.0% in May 2021 probably due to temporary factors.

Strong improvement in the budget balance over the projection horizon

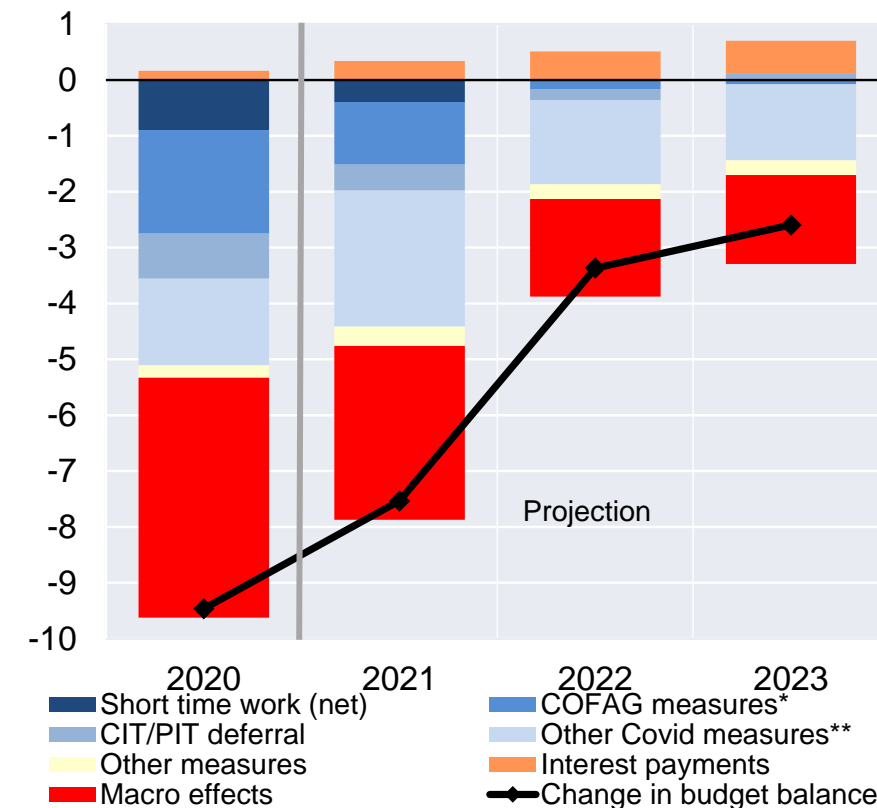
Budget balance (EDP)



Source: OeNB, Statistik Austria, BMF.

Change in budget balance since

Contributions in percentage points

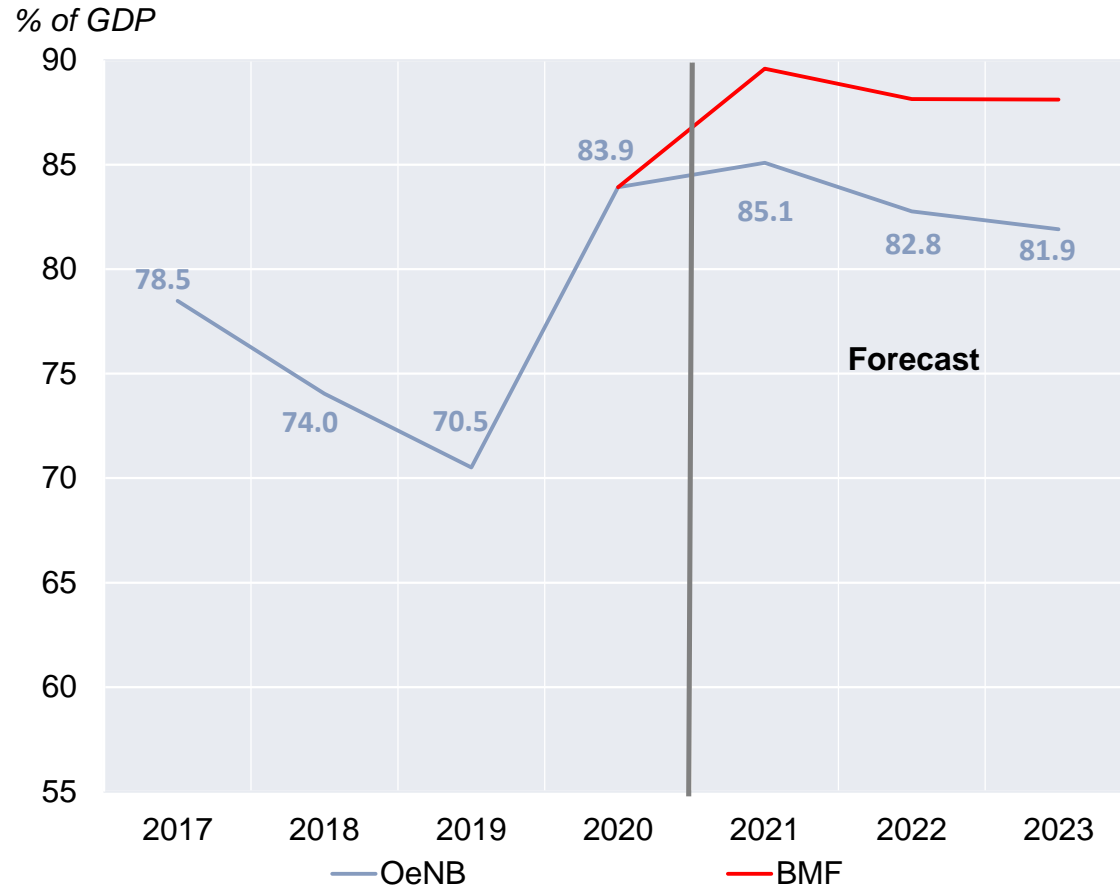


* fixed costs, revenue substitution, guarantees; ** incl. stimulus packages

Source: OeNB.

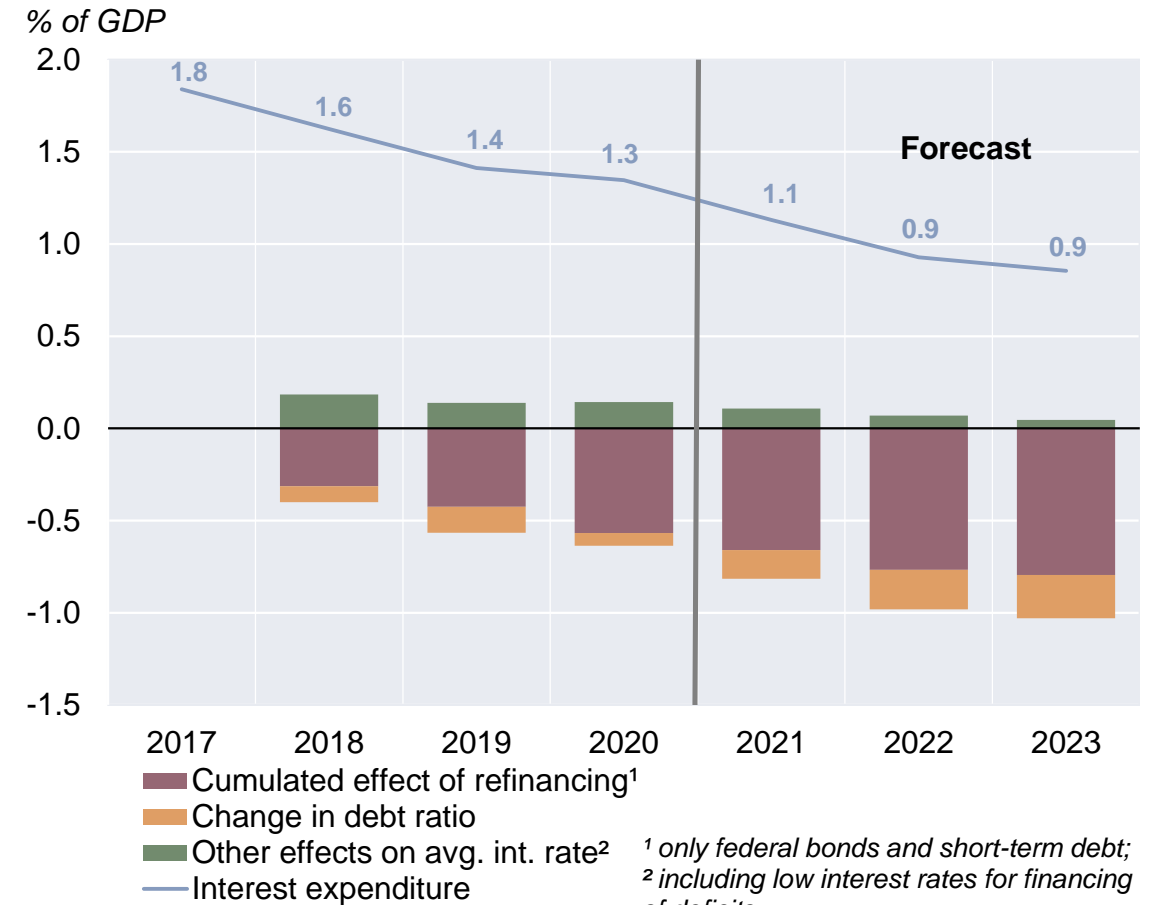
Debt ratio increases in 2021 and declines afterwards

Public debt (EDP)



Source: OeNB, Statistik Austria, BMF.

Interest expenditure



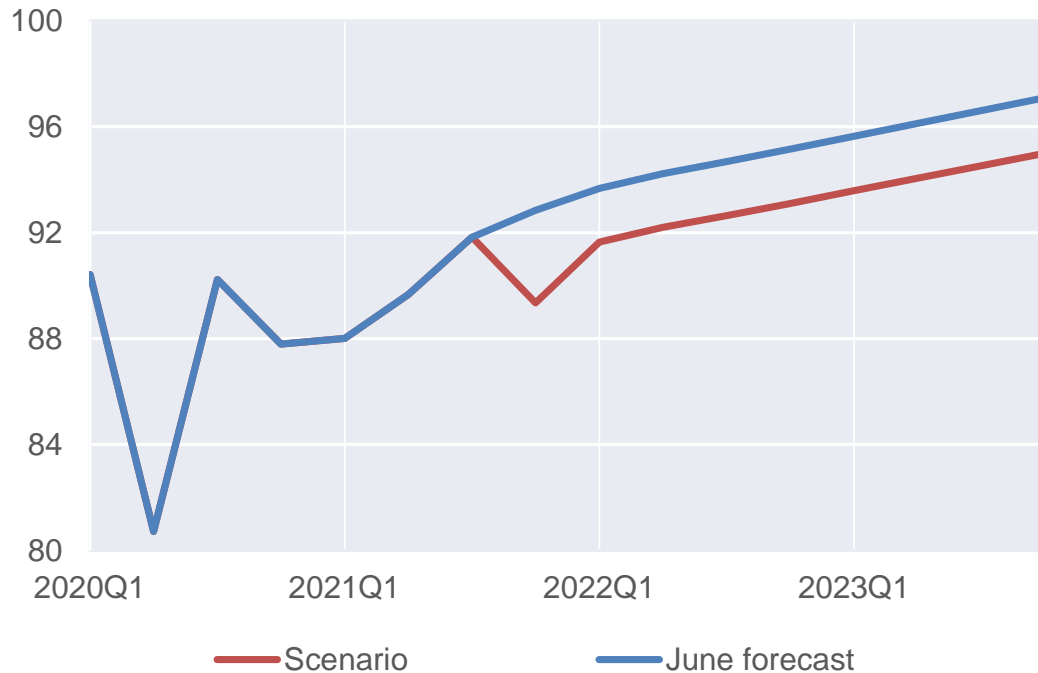
Source: Statistik Austria, OeNB, ÖBFA.

¹ only federal bonds and short-term debt;
² including low interest rates for financing of deficits

Pandemic development sets course for Austrian economy

GDP: June-forecast and risk scenario

Billion EUR



Source: Statistics Austria, OeNB.

Assumptions OeNB-Forecast

- No new vaccine-resistant mutations
- **2021**: vaccination progress, no herd immunity but also **no overload in intensive care units**, some containment measures still in place
- **2022/23**: vaccine for all age groups available, COVID-19 treatment drugs available, weak economic impact of containment measures

Pandemic Scenario Forecast

- Assumption: **fourth wave of infections in fall 2021** similar development to the one in fall 2020
- Result: growth rates in 2021 and 2022 **decline by one percentage point** each to 2.8% (2021) and 3,0% (2022)

Danke für Ihre Aufmerksamkeit

Thank you for your attention

www.oenb.at

oenb.info@oenb.at

 [@oenb](https://twitter.com/oenb)

 [@nationalbank_oesterreich](https://www.instagram.com/nationalbank_oesterreich)

 [OeNB](https://www.youtube.com/OeNB)

 [Oesterreichische Nationalbank](https://www.linkedin.com/company/Oesterreichische-Nationalbank)



€ OeNB