

Austria: Sluggish economic growth

Martin Schneider¹

1 Austrian economy grows by 0.3% in second quarter of 2015

According to the first full release of national accounts published on August 28, 2015, the Austrian economy grew by 0.3% in the second quarter of 2015 compared with the previous quarter (in real terms, trend-cycle component adjusted for seasonal and working-day effects). Growth therefore remained unchanged on the flash estimate of July 30, 2015. Marginal upward revisions were made to individual components of the demand side.

Private consumption grew slightly during the second quarter (+0.1%). At the same time, gross fixed capital formation declined (−0.1%), with equipment investment turning slightly positive (+0.5%), however. Construction investment shrank further (−0.5%). Exports of goods and services were revised slightly upward, having risen by 0.2% according to the latest national accounts figures. Restocking contributed positively to GDP growth.

For both the third and fourth quarters of 2015, the results of the OeNB's

Table 1

Quarterly National Account data: results from August 28, 2015

	GDP	Private consumption	Government consumption	Gross fixed capital formation	Exports	Imports	Domestic demand (excluding inventories)	Net exports	Changes in inventories	Statistical discrepancy	
	Quarterly and annual changes in % (seasonally adjusted trend-cycle series)						Contributions to GDP growth in percentage points				
Q3 14	−0.1	0.0	0.1	−0.5	0.6	−0.3	−0.1	0.5	−0.5	0.0	
Q4 14	0.0	0.0	0.2	−0.4	−0.1	−0.2	−0.0	0.1	−0.0	0.0	
Q1 15	0.2	0.1	0.3	−0.1	−0.2	0.1	0.1	−0.2	−0.1	0.5	
Q2 15	0.3	0.1	0.4	−0.1	0.2	0.0	0.1	0.1	0.2	−0.0	
2011	2.7	1.5	0.3	5.3	6.2	6.3	2.0	0.1	0.5	0.1	
2012	0.6	0.6	0.1	2.0	1.6	0.9	0.8	0.4	−0.7	0.1	
2013	0.4	−0.0	0.4	−0.1	1.0	0.5	0.0	0.3	−0.1	0.2	
2014	0.4	0.1	0.8	−0.1	2.1	1.1	0.2	0.6	−0.4	0.1	

Source: Austrian Institute for Economic Research (WIFO).

Table 2

Revisions since the Flash Estimate from July 30, 2015

	GDP	Private consumption	Government consumption	Gross fixed capital formation	Exports	Imports	Domestic demand (excluding inventories)	Net exports	Changes in inventories	Statistical discrepancy	
	Quarterly and annual changes in % (seasonally adjusted trend-cycle series)						Contributions to GDP growth in percentage points				
Q3 14	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	−0.0	
Q4 14	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	−0.0	0.0	
Q1 15	0.0	0.0	0.0	0.1	0.1	−0.0	0.0	0.1	−0.1	0.1	
Q2 15	0.0	−0.0	0.0	0.1	0.2	−0.0	0.0	0.1	0.2	0.0	
2013	0.0	0.0	0.0	0.0	0.0	−0.0	0.0	0.0	−0.0	0.0	
2014	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	−0.1	0.1	

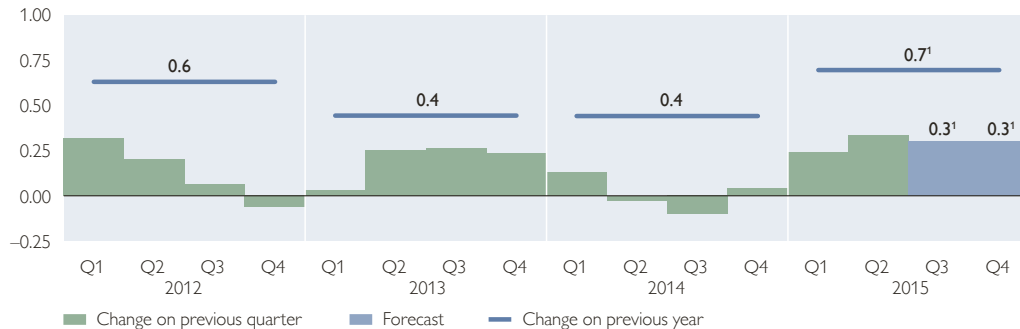
Source: Austrian Institute for Economic Research (WIFO).

¹ Oesterreichische Nationalbank, Economic Analysis Division, martin.schneider@oenb.at. Parts of this contribution are available in German in: OeNB. 2015. Konjunktur aktuell. Berichte und Analysen zur wirtschaftlichen Lage. September 2015.

Chart 1

Short-term outlook for Austria's real GDP for the third and fourth quarter of 2015

Quarterly and annual changes in % (seasonally and working-day adjusted trend-cycle series)



Source: OeNB's Economic Indicator from August 2015, Eurostat.

¹ Forecast.

Economic Indicator point to real GDP growth of 0.3% (seasonally and working-day adjusted; compared to the previous quarter), respectively. For 2015 as a whole, economic growth comes to 0.7%, thus remaining below 1% for the fourth consecutive year.

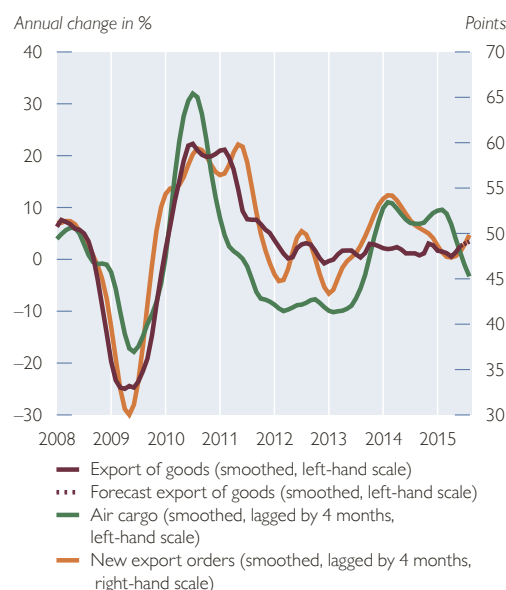
2 Goods exports continue to lack momentum at the beginning of the third quarter

As expected, Austrian goods exports declined in May. This 3.2% decline (in

nominal terms, year-on-year) should not be misunderstood as a sign of weak exports, for it is due to the fact that May 2015 had two working days less than May 2014. At more than 10%, the growth of exports to the U.S.A., Croatia, Poland, Spain and Turkey was particularly robust in the first five months of 2015. The most significant declines in export growth were seen in trade with

Chart 3

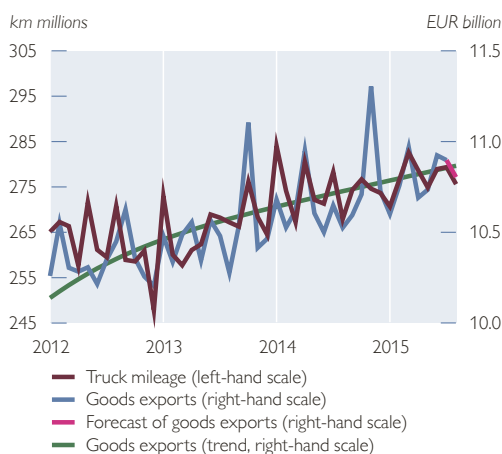
Leading Indicators for External Trade



Source: Statistics Austria, ASFINAG, OeNB.

Chart 2

Exports of goods and truck mileage (seasonally and working day adjusted)



Source: ASFINAG, OeNB.

Russia. In total, nominal goods exports shrank by 0.2% between January and May against the previous year. Broken down by sectors, vehicle exports picked up notably on the previous year, whereas fuel, energy and chemicals exports decreased.

Due to working-day effects, the forecasts for June and July exhibit a volatile pattern, just as the previous months. Export growth is forecasted at 7.9% for June (with 2 more working days than June 2014), and at 1.1% for July (with the same number of working days as July 2014). Seasonally and working-day adjusted, export growth remains positive, but weak. New export orders and the lower external value of the euro foreshadow an acceleration of export growth, which, however, has not occurred yet.

3 Sentiment indicators currently give mixed signals

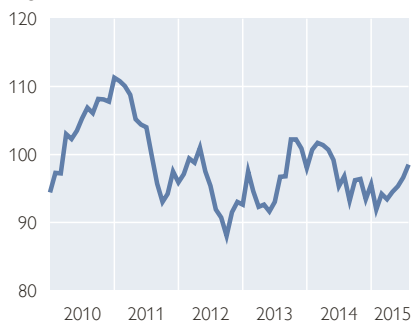
Sentiment indicators currently give mixed signals regarding the business confidence of Austrian companies. The European Commission's economic sentiment indicator went up by a comparatively strong 1.9 points in August, mainly due to a marked improvement in sentiment in the services sector and slight improvements in the retail and construction sectors. Industrial sentiment deteriorated somewhat after a pronounced increase in July. The Bank Austria Purchasing Managers' Index, however, declined by 1.9 points to a reading of 50.5, leaving it only just above the expansion threshold of 50 points. Estimates on new orders and order books have diminished particularly sharply.

Chart 4

Sentiment indicators

Economic Sentiment Indicator

August 2015



Source: European Commission.

Foreign Incoming Orders

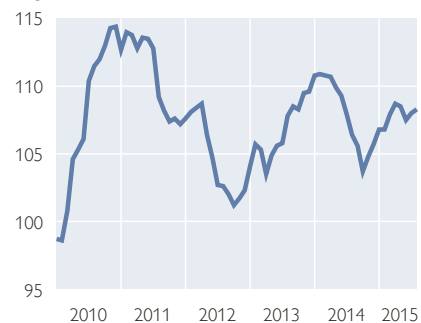
August 2015



Source: European Commission.

Ifo Business Climate Index

August 2015



Source: Ifo.

BA Purchasing Manager Index

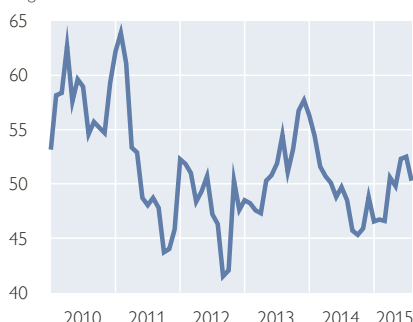
August 2015



Source: Bank Austria.

BA PMI: Incoming Orders

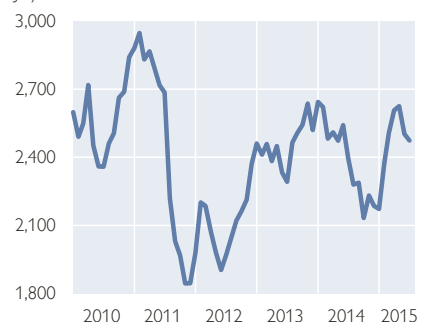
August 2015



Source: Bank Austria.

ATX

July 2015



Source: Vienna Stock Exchange.

4 Labor market still characterized by strong employment growth with simultaneous increase of unemployment

The labor market trends which can be observed since 2011 continued to persist over the previous months. Despite

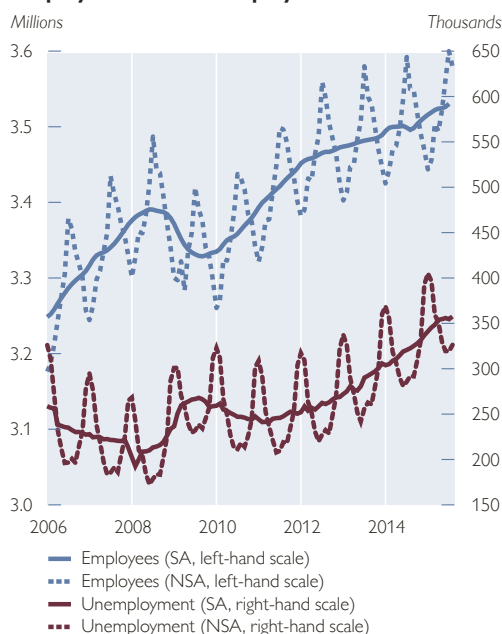
the economy's recent weakness, employment is expanding rather strongly. In August, year-on-year growth reached 0.8%.

Unemployment continued to grow strongly, by 11.9% year on year; compared with the previous months, how-

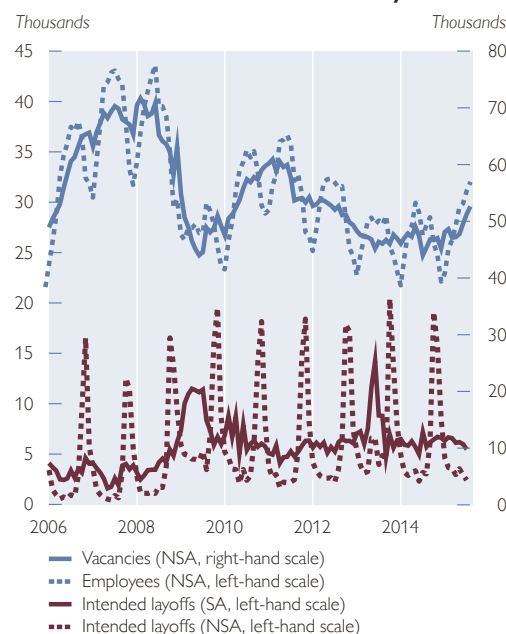
Chart 5

Labor market

Employment and unemployment



Vacancies and number of intended layoffs



Source: AMS, HSV; OeNB (seasonal adjustment).

Note: SA=seasonally adjusted; NSA=not seasonally adjusted.

Table 3

Key figures for the Austrian labor market

	Payroll employment		Unemployed persons		Unemployment rate in %			Registered job vacancies	
	Thousands	Annual change in %	Thousands	Annual change in %	AMS definition (not seasonally adjusted)	AMS definition (seasonally adjusted)	EU definition (seasonally adjusted)	Thousands	Annual change in %
2012	3,465.5	1.3	260.6	5.7	7.0	7.0	4.9	29,422.3	-8.9
2013	3,483.0	0.5	287.2	10.2	7.6	7.6	5.4	26,382.9	-10.3
2014	3,503.4	0.6	319.4	11.2	8.4	8.4	5.6	26,320.1	-0.2
Mar. 15	3,506.3	1.0	360.2	12.9	9.3	9.0	5.6	26,252.0	-3.4
Apr. 15	3,496.3	0.6	352.0	14.5	9.1	9.1	5.8	27,707.0	0.2
May 15	3,524.5	0.7	330.3	13.6	8.6	9.2	6.0	29,502.0	-1.5
June 15	3,563.7	0.7	320.2	13.7	8.2	9.2	5.9	29,865.0	3.0
July 15	3,629.6	1.0	319.9	11.7	8.1	9.2	5.8	31,119.0	16.4
Aug. 15	3,582.0	0.8	327.1	11.9	8.4	x	x	32,033.0	15.7

Source: Eurostat, Association of Social Insurance Providers, Public Employment Service Austria (AMS).

ever, it has not risen. The unemployment rate (national definition) remained at 9.2% (seasonally adjusted) from May to July; the unemployment rate according to the Eurostat definition stands at 6%. The number of reported vacancies, in general a good leading indicator for the labor market, has risen strongly over the past few months but has nevertheless remained considerably lower than in the pre-crisis years or during the upswing of 2011. It would be premature to call these developments a turnaround.

5 Commodity prices pushing up inflation since the beginning of 2015

Austrian HICP inflation went up by 0.6 percentage points from January to July, rising from 0.5% to 1.1%. This is due to the rise in import prices of commodities (energy) and goods, which has affected particularly the energy and manufactured goods sectors.² Core inflation (excluding energy and unprocessed food) increased moderately from 1.7% at the beginning of the year to 1.9% in July 2015.

In July, Austrian HICP inflation remained well above the euro area average of 0.2% and also above the 0.1% inflation rate recorded in Germany, Austria's major trading partner. The inflation differential between Austria and Germany averaged 0.7 percentage points in 2015 so far. This discrepancy is owed primarily to divergent price movements in the services sector. This, in turn, is a result of the public sector's contribution to inflation (through administered prices and indirect taxes) as

well as unit labor cost developments in the services sector.

Inflation in the energy sector registered negative annual growth rates for 2015 so far. In July, energy prices fell by 6.0%, this was attributable mainly to falling oil prices, which have particularly affected fuel and heating oil.³ Inflation rates for gas and electricity have declined since the beginning of the year as a result of several energy suppliers cutting their prices. Annual inflation in solid fuel and district heating prices have remained mostly unchanged in the current year so far. The growth of prices of unprocessed food trended moderately upward in recent months, mainly on the back of price increases in meat, fruit and vegetables. By contrast, inflation in processed food prices (including tobacco and alcohol) declined. Particularly dairy products, but also bread and cereals became cheaper.

6 September Inflation Forecast: inflation to rise from 0.9% in 2015 to 1.6% in 2016

The OeNB's September 2015 inflation forecast anticipates an average HICP inflation rate of 0.9% and 1.6% for Austria in 2015 and 2016, respectively. While the inflation forecast for 2015 has remained unaltered compared with the OeNB's June 2015 outlook, the projected inflation rate for 2016 has been revised down by 0.3%. This downward revision is mainly due to lower commodity prices. Because of the sharp rise in the price volatility of commodities for food and energy in the previous quarters, this longer-term forecast is subject to heightened uncertainty.

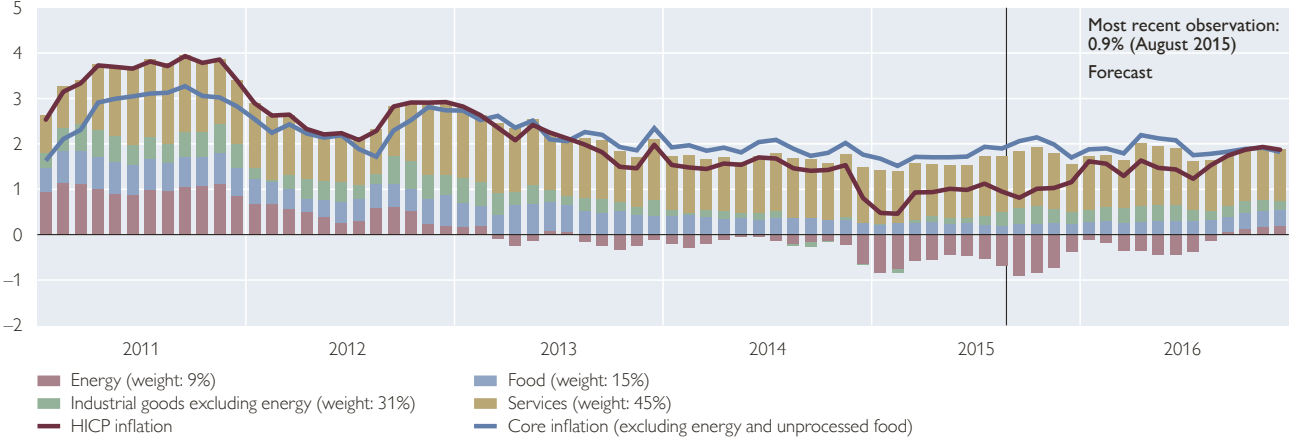
² The price of crude oil has dropped slightly since May as a result of high U.S. crude oil inventory levels and heightened uncertainty regarding China's economic performance. This trend is currently expected to persist until September 2015.

³ The share of fuel and heating oil in the energy sector equals around 55%.

Chart 6

Austrian HICP inflation and contributions of subcomponents

Annual change in % for HICP and core inflation and contributions to inflation in percentage points



Sources: OeNB, Statistics Austria.