

# Economic growth slows in Austria as global economy weakens

Economic outlook for Austria from 2019 to 2021 (June 2019)

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Cut-off date: May 24, 2019

## 1 Executive Summary

While economic activity in Austria has been slowing down amid weakening global growth, resilient domestic demand is mitigating the effects of lower contributions from net exports. Following booming growth in both 2017 and 2018 (+2.7%), the OeNB expects real GDP growth to weaken visibly in 2019 (+1.5%) and to rebound slightly and level off in 2020 and 2021 (+1.6%). Compared with the OeNB's December 2018 outlook, this implies a string of downward revisions (−0.5 percentage points for 2019, −0.3 percentage points for 2020 and −0.1 percentage point for 2021). At the same time, the unemployment rate (Eurostat definition) is projected to drop from 4.8% in 2018 to 4.7% in 2019. HCIP inflation is expected to sink from 2.1% in 2018 to 1.7% in 2019. Thereafter, both the unemployment and HICP inflation levels should remain stable until end-2021. The general government surplus stands to grow from 0.1% of GDP in 2018 to 0.5% in 2021. In parallel, the debt-to-GDP ratio is expected to drop to 65.3% by 2021, from 73.8% in 2018.

The global economy weakened considerably during 2018, especially as a result of mounting trade tensions between the U.S.A. and China. The ongoing struggles of Germany's manufacturing industry, its automotive industry in particular, have also been a drag on economic growth in Europe. Furthermore, the uncertainty over Brexit and post-Brexit relations between the U.K. and the EU has created heightened risks for economic agents and companies, thus dampening demand for investment.

The growth setback in China and East Asia has also been adding to the deceleration of global economic activity and trade. Like the U.S.A., the Central, Eastern and Southeastern European (CESEE) economies – which continue to outperform the euro area economy – cannot decouple from global growth conditions. As global import growth has been weakening in 2019, Austria's export industry has started to do less well. In view of the global economic slowdown, Austrian manufacturers (exporters in particular) have been adjusting their expectations. Notably, expectations of order intake, exports and production levels have become increasingly bleak since early 2019 and have approached, or even dropped below, long-term averages. Given these signals, export growth is likely to weaken further until mid-2019. Judging from the May results for the OeNB's export indicator, Austria's exporters are unlikely to see even small improvements before the third quarter of 2019. Hence exports are projected to grow only moderately (+2.0%) in 2019, and to accelerate in 2021 (+3.4%).

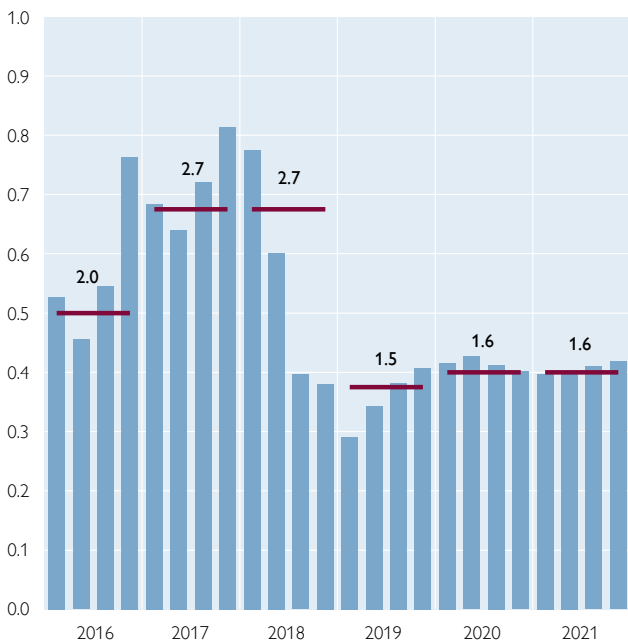
While the global economy has been dampening GDP growth in Austria, strong domestic demand continues to be a stabilizing factor. Private consumption has

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## Main results of the forecast

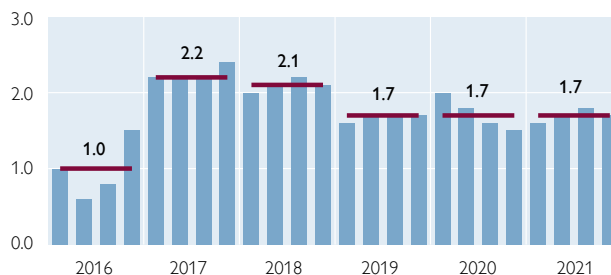
### Real GDP growth

Change on previous period in %



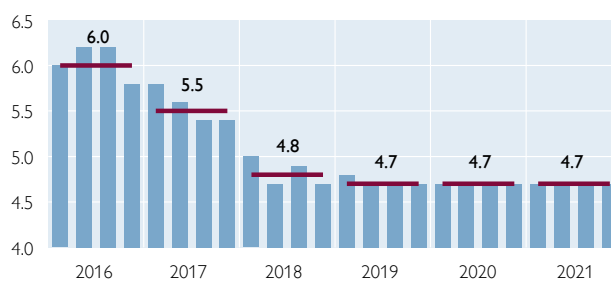
### Harmonised Index of Consumer Prices (HICP)

Annual change in %



### Unemployment rate

%



Source: WIFO, Statistics Austria. OeNB June 2019 outlook.

Note: The GDP data are seasonally and working day-adjusted (trend-cycle component).

been growing strongly since 2016, supported by dynamic employment growth, higher gross wages, and income tax relief measures. The booming economy facilitated higher wage settlements for 2019 than for 2018. Combined with higher tax relief provided for families with children from 2019 onward, this is going to boost consumer demand further in 2019. In 2020 and 2021, disposable household income – and hence also consumer demand – is expected to grow at a slightly slower pace, as wage increases and employment growth are both set to weaken. Specifically, private consumption is projected to grow by 1.6% in 2019, by 1.4% in 2020, and by 1.3% in 2021. The saving ratio will inch up from 7.4% in 2018 to 7.6% in 2019, and thereafter drop to 7.2% in 2021.

A longside private consumption, growth of gross fixed capital formation will be driving economic activity in Austria. While the contributions to GDP growth from investment in equipment have become increasingly weaker since early 2019, the contributions from construction investment to total gross fixed capital formation have been outpacing long-term averages. This trend will remain in place until the end of the year. In other words, the current investment cycle, which is already longer than average, is set to continue. It will not end before the residential construction cycle has run its course as signaled by the declining number of residential building permits. In sum, investment growth is expected to reach 2.7% in 2019, and 1.9% and 1.8% in 2020 and 2021. The investment-to-GDP ratio should reach 24.3% in 2019, which is the highest rate since the early 2000s.

The labor market has continued to strengthen visibly. Employment growth peaked in late 2017 and has since been decelerating somewhat. In the first quarter

Table 1

**OeNB June 2019 outlook for Austria – main results<sup>1</sup>**

	2018	2019	2020	2021
<b>Economic activity</b>				
<i>Gross domestic product (GDP)</i>				
Private consumption	+2.7	+1.5	+1.6	+1.6
Government consumption	+1.6	+1.6	+1.4	+1.3
Gross fixed capital formation	+0.5	+1.5	+1.2	+1.1
Exports of goods and services	+3.5	+2.7	+1.9	+1.8
Imports of goods and services	+4.2	+2.0	+2.8	+3.4
Importe insgesamt	+3.0	+2.0	+2.6	+3.0
<i>% of nominal GDP</i>				
Current account balance	2.3	2.2	2.3	2.6
<b>Contribution to real GDP growth</b>				
<i>Percentage points</i>				
Private consumption	+0.8	+0.8	+0.7	+0.7
Government consumption	+0.1	+0.3	+0.2	+0.2
Gross fixed capital formation	+0.8	+0.6	+0.5	+0.4
Domestic demand (excluding changes in inventories)	+1.7	+1.7	+1.4	+1.3
Net exports	+0.8	+0.1	+0.3	+0.4
Changes in inventories (including statistical discrepancy)	+0.1	-0.3	+0.0	+0.0
<i>Annual change in %</i>				
Harmonised Index of Consumer Prices (HICP)	+2.1	+1.7	+1.7	+1.7
Private consumption expenditure (PCE) deflator	+2.0	+1.8	+1.6	+1.6
GDP deflator	+1.6	+1.5	+1.6	+1.6
Unit labor costs (whole economy)	+1.5	+2.5	+1.5	+1.1
Compensation per employee (nominal)	+2.4	+2.7	+2.1	+1.8
Compensation per hour worked (nominal)	+2.3	+2.9	+2.3	+1.9
Import prices	+2.2	+1.6	+1.9	+1.8
Export prices	+1.5	+1.3	+2.0	+1.9
Terms of trade	-0.6	-0.4	+0.1	+0.1
<b>Income and savings</b>				
Real disposable household income	+2.4	+2.2	+1.4	+0.9
<i>% of nominal disposable household income</i>				
Saving ratio	7.4	7.6	7.4	7.2
<b>Labor market</b>				
<i>Annual change in %</i>				
Payroll employment	+2.2	+1.6	+1.2	+1.1
Hours worked (payroll employment)	+2.3	+1.4	+1.0	+0.9
<i>% of labor supply</i>				
Unemployment rate (Eurostat definition)	4.8	4.7	4.7	4.7
<b>Public finances</b>				
<i>% of nominal GDP</i>				
Budget balance	0.1	0.3	0.4	0.5
Government debt	73.8	70.7	68.0	65.3

Source: 2018: WIFO, Eurostat, Statistics Austria; 2019 to 2021: OeNB June 2019 outlook.

<sup>1</sup> The outlook was drawn up on the basis of seasonally and working day-adjusted national accounts data (trend-cycle component: flash estimate for Q1 19). The data differ, in the method of seasonal adjustment, from the quarterly data published by Eurostat following the switch to the ESA 2010 framework in fall 2014. The data published by Eurostat are much more volatile and do not facilitate detailed economic interpretation. The values for 2018 also differ from the nonseasonally adjusted data published by Statistics Austria.

of 2019, annual employment growth continued to be as high as 1.9%. The outlook for 2019 as a whole is 1.6%, given continued strong growth in payroll employment in early 2019. Looking ahead, employment growth is expected to reach 1.2% in 2020, and 1.1% in 2021. In line with weakening GDP growth, the number of hours worked will increase at a lesser rate than the employment figures. At the

same time, labor supply growth is projected to keep rising at a robust pace from 2019 to 2021. Unemployment reached 4.8% in 2018 and is forecast to drop slightly, to 4.7%, in 2019, and to remain stable at 4.7% in 2020 and 2021.

HICP inflation is forecast to run to 1.7% in 2019 and to remain unchanged in 2020 and 2021. Compared with 2018, a rate of 1.7% corresponds to a decrease by 0.4 percentage points on the year, which is attributable above all to the subdued increase in energy prices. Core inflation (HICP excluding energy and food) will exceed HICP inflation over the forecast horizon, with a rate of 1.8% projected for 2019 and a rate of 1.9% for both 2020 and 2021.

The general government is forecast to reach a surplus also in 2019. The surplus will be driven mainly by revenue-enhancing conditions (strong employment and wage bill growth, progressive income tax system, robust consumer demand growth) and a further decrease of debt servicing costs. These two factors will also remain instrumental in the two subsequent years, driving up the surplus to 0.4% of GDP in 2020 and to 0.5% of GDP in 2021. The fiscal projections are based on a no-policy-change assumption. In other words, the projections reflect only measures which have been specified in detail and which are most likely to be put into practice. This does not hold for most of the tax reform measures announced for 2020 and 2021 by the government coalition that has since been dissolved. The projected decline of the debt-to-GDP ratio to 65.3% would reinstate 2007 conditions. The expected budget surpluses and continued debt reductions by public wind-down vehicles will bring the nominal debt ratio down further each year. Adjusted for cyclical and one-off effects, the structural budget will be broadly balanced in 2019 and (somewhat) in surplus thereafter. In other words, Austria is going to achieve its medium-term budgetary objective of  $-0.5%$  of GDP as agreed under the fiscal framework of the European Commission.

## 2 Technical assumptions

This forecast for the Austrian economy is the OeNB's contribution to the June 2019 Eurosystem staff macroeconomic projections. The forecasting horizon ranges from the second quarter of 2019 to the fourth quarter of 2021. The cutoff date for all assumptions on the performance of the global economy, interest rates, exchange rates and crude oil prices was May 21, 2019. To prepare these projections, the OeNB used its macroeconomic quarterly model and national accounts data, adjusted for seasonal and working-day effects (trend-cycle component), provided by the Austrian Institute of Economic Research (WIFO). The data used by the OeNB differ from the quarterly series published by Eurostat since the changeover to the European System of Accounts (ESA 2010) in fall 2014. While also seasonal and working-day adjusted, the Eurostat data include irregular fluctuations that cannot be fully mapped to specific economic fundamentals. The values for 2018 also differ from the data published by Statistics Austria, which are not seasonally adjusted. Detailed national accounts data are based on the flash estimate for the first quarter of 2019. Short-term interest rates are based on market expectations for the three-month EURIBOR. Long-term interest rates are based on market expectations for Austrian government bonds with an agreed maturity of ten years. This implies negative short-term rates for all three forecasting years and a gradual rise in long-term rates, but not beyond 1%, until the end of 2021. One euro is expected to buy 1.12 U.S. dollars on average throughout the forecasting horizon. Based on futures prices, the price

of a barrel of Brent crude oil is expected to decrease from USD 71.1 in 2018 to USD 68.1 in 2019, and to ease further to USD 62.7 in 2021. The prices of nonenergy commodities are also assumed to move in line with futures prices.

### 3 Global upswing continues amid growing risks

Global GDP growth, and global trade growth in particular, have been decelerating markedly in recent months. Between the second quarter of 2018 and the first quarter of 2019, world GDP growth remained 0.1 percentage point below the December 2018 projections in all quarters. Thus, the growth rate has been revised downward by 0.3 percentage points for 2019 as a whole. The downward revisions were even more pronounced for world trade growth. The weaker momentum of international trade reflects the cumulative adverse effect of developments in individual countries and regions on global economic activity since the start of 2019.

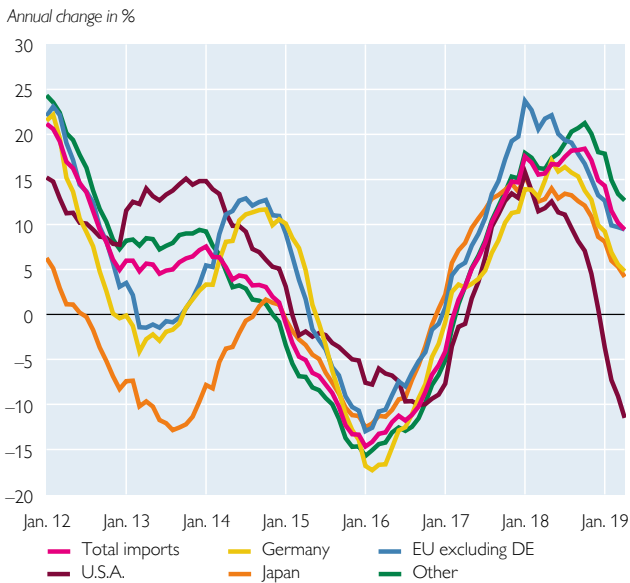
The *U.S. economy*, which has been in expansion mode since 2010, continued to grow, despite a five-week government shutdown before Congress was able to agree on a spending bill for the fiscal year 2019 in late January 2019. Yet the stimulus from the 2018 tax reform has been fading gradually, and the uncertainty arising from trade tensions has also been a drag on investment decisions. For the time being, there is no indication of further increases of the federal funds rate, which is good news for the economy. The higher tariffs imposed on imports from China (tariffs were raised from 10% to 25% on May 10, affecting Chinese imports worth USD 200 billion) and the tariffs on U.S. imports with which China reciprocated (a staggered regime of 10%, 20% or 25% on U.S. imports worth USD 60 billion) have had increasingly adverse effects on bilateral transactions. In the U.S.A., these tariffs also imply redistribution effects from consumers (higher product prices) to the government (customs revenues). Yet downstream industries relying on imports of intermediate goods hit by the import tariffs also suffer from the higher prices. Despite the inverted yield curve, the long growth cycle of the U.S. economy is expected to end only gradually; the outlook for 2021 is a healthy growth rate of 1.8%.

The *Chinese economy* has been hit more strongly by the trade dispute than the U.S. economy because the range of Chinese products affected by the new tariffs is much larger by comparison. Chinese imports from the U.S.A. have been shrinking on the year since the end of 2018 (see upper left-hand panel of chart 2). While not having contracted so far, imports from other countries, such as Germany and Japan, have also been growing less robustly. In 2018, the Chinese economy was also affected by tighter regulations for shadow banks and deleveraging measures to reduce off-balance-sheet local government debt. These one-off effects have been reinforcing the ongoing transformation of the Chinese economy from manufacturing to a service economy. As a result, import growth projections for 2019 were revised downward from +4.3% in the OeNB's December 2018 outlook to -5.2% in the June 2019 outlook. Ultimately, this also means negative import growth in 2019 for the aggregate of emerging market economies. As an offsetting measure, the Chinese government adopted a comprehensive package of fiscal stimulus measures for the economy already in 2018. These measures have, moreover, been supported by a range of accommodative monetary policy measures. Hence, we project GDP growth in China to continue to slightly exceed 6.0% in 2019 and 2020.

Absent new bilateral trade agreements with the U.S.A., the trade dispute between the U.S.A. and China might start to affect the *euro area* economies and

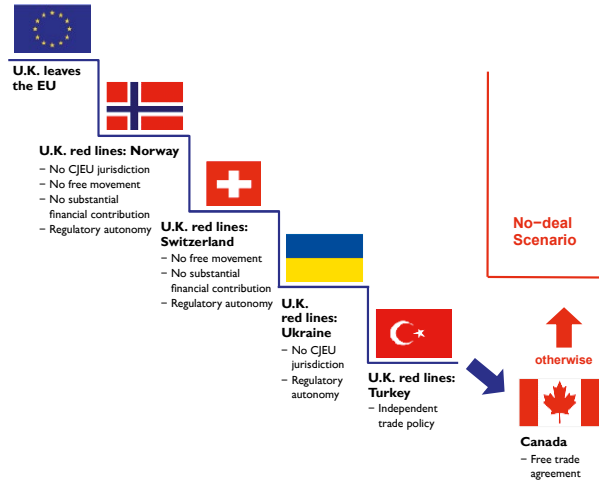
**International risk factors**

**China: goods imports**



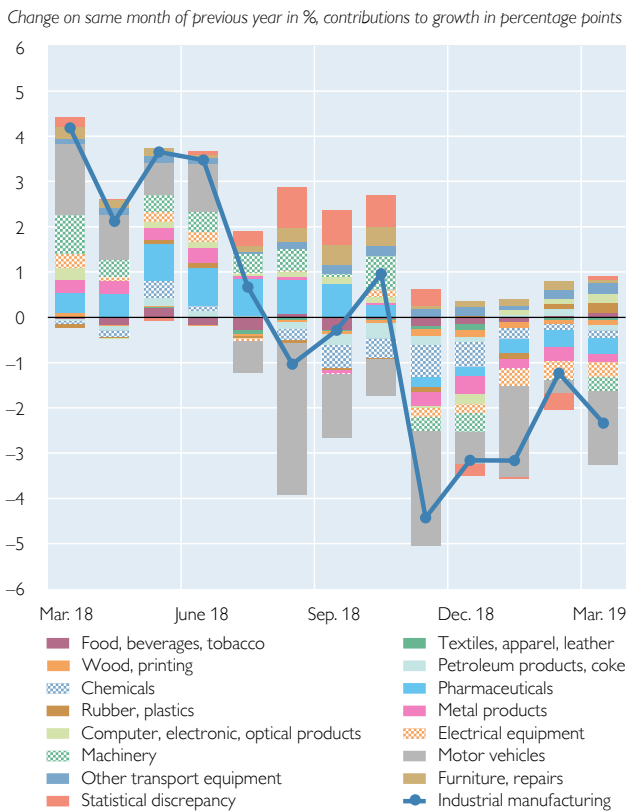
Source: BOFIT, Chinese customs statistics.  
 Note: Nominal monthly value of imports in U.S. dollars, based on 12-month rolling averages.

**U.K.: red lines in the Brexit negotiations**



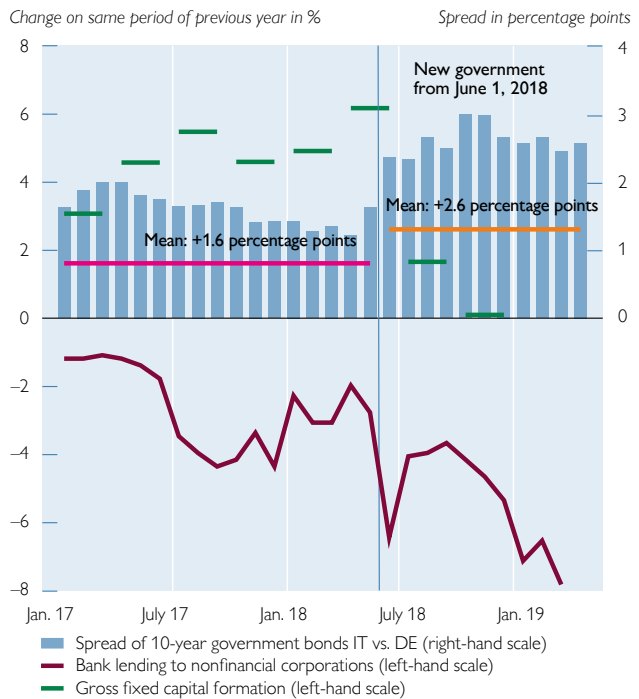
Source: European Commission, authors' adaptation.  
 Note: CJEU = Court of Justice of the European Union.

**Germany: industrial manufacturing**



Source: Eurostat.

**Italy: financing costs and investment growth**



Source: Macrobond, Eurostat.

Japan in late 2019. Furthermore, the uncertainty surrounding Brexit has been a drag on economic activity. Initially, the United Kingdom had been scheduled to leave the EU by March 29, 2019. Yet as the U.K. parliament was unable to agree on an exit deal negotiated with Brussels, the exit date has since been moved, for a second time, to October 31, 2019, as the latest possible date. Until then, the U.K. will remain a full-fledged EU member, and Community law will continue to apply also during any transitional period following ratification of the exit deal. For a broad-brush picture of the repercussions of Brexit see chart 2 (upper right-hand panel). Yet the actual implementation of Brexit and the future economic relations between the U.K. and the EU remain open to conjecture pending parliamentary adoption of the existing exit deal in the U.K. The uncertainty surrounding the initial exit date caused imports to the U.K. to rise by as much as 6.8% in the first quarter of 2019 against the previous quarter. Most of these imports served to build up inventories. Looking ahead, quarterly import growth in 2019 is expected to be negative, but the outcome will ultimately depend on how the Brexit-related negotiations proceed. At any rate, the ongoing uncertainty continues to weigh on economic sentiment in the U.K. and across the EU.

The *Central, Eastern and Southeastern European (CESEE) economies* continue to be a bright spot in the global economy. Growth in the area, while having weakened following the latest peak in 2017, remains robust. Compared with the OeNB's December 2018 projections, the growth outlook for 2019 and 2020 has in fact been revised upward. Domestic demand benefits from strong employment growth and the newly rising uptake of EU structural funds. Offsetting effects include mounting labor shortages and weak import demand from the euro area.

Within the euro area, *Germany* has suffered the most from international market distortions. This is above all due to the high degree of openness of the German economy. Taken together, German exports and imports reached 101% of GDP in 2018. The corresponding measures for France and Italy were 67% and 63%. In other words, exporting to other economies is much more important for Germany than for the other large players in the euro area. Germany accounts for more than half of all exports from the euro area to China.<sup>2</sup> As a result, weak import growth in China is particularly bad news for the German economy. While exports to China continued to grow in 2018, exports to Southeast Asian economies as a whole were already contracting. On top of that, there are home-grown problems resulting from the automotive industry, which plays a comparatively large role in German manufacturing.<sup>3</sup> The automotive industry has been struggling with tighter emission tests, which slowed down production processes and led to delivery delays. Initially, starting in mid-2018, the weakness of the German manufacturing sector was above all attributable to the automotive industry (see chart 2, lower left-hand panel). By late 2018, however, other manufacturing industries in Germany were struggling as well, however. As a result, the German economy stagnated in the second half of 2018. In contrast, the strong GDP growth rate measured in the first quarter of 2019 was supported by domestic demand, above all construction investment and private

<sup>2</sup> At the same time, Germany accounts for just below one-third of all euro area exports.

<sup>3</sup> These two factors are, however, highly interrelated as the German automotive industry was also hit by the decrease in new car registrations reported by China for 2018. In 2018, China was the second-biggest market of German automotive manufacturers, with the corresponding transactions (SITC 78) accounting for 11%.

consumption. The data for the second quarter of 2019 are expected to be driven by reversed trends, mostly on account of contracting net export growth. Yet domestic demand will remain robust, fueled by buoyant employment growth, considerable income gains and low unemployment rates. Across the forecasting horizon, real GDP growth in Germany is expected to pick up only slowly, though. This means that the German economy will be growing below potential until the end of 2021.

The *Italian economy* has been suffering from the adverse international conditions as well as domestic structural problems, which have had a sustained decelerating impact on growth. Italy has in fact been urged again and again to adopt measures to enhance its long-term growth potential and to ensure the long-term stability of the banking sector – also with a view to removing supply-side restrictions to credit lending. In Italy, credit lending has been shrinking in recent years, even amid the accommodative measures implemented by the Eurosystem (APP and TLTRO measures). The fiscal stimulus measures adopted by the new Italian government, in deviation from the fiscal consolidation program agreed earlier with the European Commission, have driven up yields on Italian sovereign bonds and have led to a tightening of financial conditions for Italian companies. Hence investment growth weakened considerably in the second half of 2018 (see lower right-hand panel of chart 2). Overall, output growth is expected to remain fairly weak in Italy throughout the forecasting horizon.

Unlike Germany and Italy, *Spain* continues to experience a sustained expansion. *France* adopted comprehensive tax relief measures in response to yellow vest

Table 2

### Underlying global economic conditions

	2018	2019	2020	2021
	<i>Annual change in % (real)</i>			
<b>Gross domestic product</b>				
World excluding the euro area	+3.8	+3.3	+3.6	+3.6
U.S.A.	+2.9	+2.5	+2.0	+1.8
Japan	+0.8	+0.6	+0.5	+0.8
Asia excluding Japan	+6.1	+5.6	+5.8	+5.6
Latin America	+0.7	+0.3	+2.1	+2.4
United Kingdom	+1.4	+1.4	+1.2	+1.1
CESEE EU Member States <sup>1</sup>	+4.3	+3.9	+3.2	+3.2
Switzerland	+2.5	+1.4	+2.0	+1.8
Euro area <sup>2</sup>	+1.8	+1.2	+1.4	+1.4
	<i>Annual change in %</i>			
<b>World trade (imports of goods and services)</b>				
World	+4.1	+1.4	+3.1	+3.4
World excluding the euro area	+4.6	+0.7	+2.8	+3.4
Growth of euro area export markets (real)	+3.6	+1.7	+2.6	+3.1
Growth of Austrian export markets (real)	+3.7	+2.5	+3.1	+3.5
<b>Prices</b>				
Oil price in USD/barrel (Brent)	71.1	68.1	65.8	62.7
Three-month interest rate in %	-0.3	-0.3	-0.3	-0.2
Long-term interest rate in %	0.7	0.3	0.4	0.6
USD/EUR exchange rate	1.18	1.12	1.12	1.12
Nominal effective exchange rate of the euro (euro area index)	117.9	116.7	116.8	116.8

Source: Eurosystem.

<sup>1</sup> Bulgaria, Croatia, Czechia, Hungary, Poland and Romania.

<sup>2</sup> 2018: Eurostat; 2019 to 2021: Results of the Eurosystem's June 2019 projections.



protests. These measures will support output growth above all in 2019. Economic growth for the euro area as a whole has been revised downward compared with the December 2018 projections. The *euro area* economy is currently expected to grow by 1.2% in 2019 and by 1.4% in both 2020 and 2021.

#### 4 Mixed signals for the Austrian economy from decelerating net exports and strong domestic demand

##### 4.1 Austrian exports suffer from global trade disputes and weak demand from Germany and Italy

Following good results during the boom year 2017, Austrian exports started to lose steam already in 2018. While quarterly export rates had still averaged 1.5% (quarter on quarter and in real terms) in 2017, this figure dropped to 0.7% in 2018. The decrease reflected above all weaker growth of import demand from within the euro area, from Germany in particular. Export demand from Asian economies weakened as well, but this had a smaller impact on the Austrian than, for instance, on the German economy. Incoming data for the initial months of 2019 show that Austrian exporters benefited from broad regional diversification and broad product ranges. Geographically speaking, exports to Germany and Italy showed signs of weakness, whereas exports to the CESEE economies continued to grow at a robust rate. In terms of industrial diversification, exports of chemicals were key growth drivers, while exports of machinery and transport equipment created only little impetus for growth.

The short-term outlook for Austria's export industry is very subdued, given weaker expectations of import demand from Austrian trading partners and the sharp contraction of export confidence indicators (order intake from abroad, expectations of export activity), which have been below their historical means since early 2019. In contrast, these indicators were still at record highs in early 2018. In light of this, export growth is anticipated to drop further in the second quarter, before rebounding moderately but gradually from the third quarter onward in line with the expected recovery of global import growth. This outlook is based on a number of assumptions. For instance, the growth-inhibiting impact of one-off effects in Germany, which were expected to be a temporary phenomenon, should fade out eventually. In addition, import demand from Asia should be stabilizing again.<sup>4</sup> As a consequence, import demand from Austria's trading partners will rise moderately in 2020 and 2021, thus reaching levels last observed in 2016.

In recent years, Austrian exporters have been pricing their goods and services broadly in line with their competitors in export markets, which kept price competitiveness broadly stable. As in recent years, Austrian exporters are expected to continue losing market shares a bit to emerging economies – the market shares gained in 2018 were an exception. Export growth is set to accelerate from 2.0% in 2019 to 3.4% in 2021. With the investment cycle nearing completion, export growth will exceed import growth (given the high import share of investment). Net exports will thus support GDP growth slightly in all three forecast years.

<sup>4</sup> The outlook already reflects the latest escalation of the trade dispute between the U.S.A. and China (including higher U.S. customs tariffs introduced on May 10 for goods imports from China worth USD 200 billion as well as China's reciprocal measures worth USD 60 billion).

In 2018, Austria's balance of trade surplus increased to 1.2% of nominal GDP, from 0.2% in 2017. This increase, which was key in driving up the current account surplus measured in 2018, is attributable to booming trade in goods not crossing borders.<sup>5</sup> The balance of services excluding travel deteriorated slightly, while the travel surplus increased slightly. The balances of primary and secondary income remained broadly unchanged. In 2019, weaker exports given international conditions and moderate import growth will cause the trade balance to deteriorate, but the

Table 3

### Austria's exports and imports and price competitiveness

	2018	2019	2020	2021
<b>Exports</b>				
<i>Annual change in %</i>				
Competitor prices on Austria's export markets	+0.9	+2.9	+2.2	+2.1
Export deflator	+1.5	+1.3	+2.0	+1.9
Changes in price competitiveness	-0.6	+1.6	+0.2	+0.2
Import demand on Austria's export markets (real)	+3.7	+2.5	+3.1	+3.5
Austrian exports of goods and services (real)	+4.2	+2.0	+2.8	+3.4
Austrian market share	+0.5	-0.5	-0.3	-0.1
<b>Imports</b>				
<i>Annual change in %</i>				
International competitor prices on the Austrian market	+0.8	+2.3	+1.9	+2.0
Import deflator	+2.2	+1.6	+1.9	+1.8
Austrian imports of goods and services (real)	+3.0	+2.0	+2.6	+3.0
<b>Terms of Trade</b>				
	-0.6	-0.4	+0.1	+0.1
<i>Percentage points of real GDP</i>				
<b>Contribution of net exports to GDP growth</b>	+0.8	+0.1	+0.3	+0.4
<i>% of nominal GDP</i>				
Export ratio	54.5	54.7	55.6	56.7
Import ratio	50.8	51.2	51.8	52.6

Source: 2018: WIFO, Eurosystem; 2019 to 2021: OeNB June 2019 outlook.

Table 4

### Austria's current account

	2018	2019	2020	2021
<i>% of nominal GDP</i>				
<b>Balance of trade</b>	3.8	3.7	3.9	4.2
Balance of goods	1.2	0.7	0.9	1.1
Balance of services	2.7	2.9	3.0	3.0
<b>Balance of primary income<sup>1</sup></b>	-0.5	-0.5	-0.5	-0.5
<b>Balance of secondary income<sup>2</sup></b>	-1.0	-1.0	-1.1	-1.1
<b>Current account balance</b>	2.3	2.2	2.3	2.6

Source: 2018: OeNB; 2019 to 2021: OeNB June 2019 outlook.

<sup>1</sup> Balance of income (compensation of labor, investment income, etc.).

<sup>2</sup> Balance of current transfers.

<sup>5</sup> According to the balance of payments and the system of national accounts, this includes (1) trade in goods not crossing borders, (2) adjustments for foreign entities registered for VAT but not physically present and (3) goods under merchanting. For details on these flows and on the adjustment of international trade statistics for balance of payment or national account purposes, see: <https://www.oenb.at/isaweb/report.do?lang=EN&report=9.1.11>.

resulting impact on the current account balance will be cushioned by an improving services balance. Until the end of 2021, the balance of goods will improve, causing the current account surplus to rise as well (to 2.6% of GDP in 2021).

#### 4.2 Strong investment cycle gradually nearing completion

Business investment has been a key pillar of the latest economic boom, contributing close to 1 percentage point to GDP growth in each of the past three years. Initially, the strong cycle was driven by replacement investment. Later, solid global economic activity led to the expansion of existing investment, especially in equipment. As the momentum of equipment investment weakened in the past two years, construction investment took over increasingly as the key driver of the investment cycle. Investment demand has been strengthened through favorable financing conditions resulting from the low interest rate environment and businesses' strong internal financing capacity. The investment-to-GDP ratio thus reached 23.9% in 2018. This is the highest result since the early 2000s and the sixth-highest measure within the EU (euro area: 21.0% of GDP; EU: 20.5% of GDP).

As the international economy is weakening, order intake and capacity utilization are set to decline until mid-2019, thus freeing production capacity and directly affecting equipment investment, which is highly sensitive to the cycle. Following average annual growth of 5.6% between 2015 and 2018, equipment investment is expected to increase at a much slower pace in 2019 and 2020. The OeNB anticipates equipment investment to keep growing slightly until the end of the forecast horizon, with growth picking up somewhat in 2021. The increases will be carried by an

Table 5

#### Investment activity in Austria

	2018	2019	2020	2021
	<i>Annual change in %</i>			
<b>Total gross fixed capital formation (real)</b>	+3.5	+2.7	+1.9	+1.8
<i>of which: investment in plant and equipment</i>	+3.7	+2.1	+1.6	+1.9
<i>residential construction investment</i>	+3.2	+4.2	+2.9	+1.8
<i>nonresidential construction investment and other investment</i>	+2.9	+1.2	+1.1	+0.9
<i>investment in research and development</i>	+4.3	+4.2	+2.6	+2.4
<i>public sector investment</i>	-1.8	+1.6	+3.0	+1.7
<i>private investment</i>	+4.3	+2.9	+1.8	+1.8
	<i>Percentage points</i>			
<b>Contribution to the growth of real gross fixed capital formation</b>				
Investment in plant and equipment	+1.3	+0.7	+0.6	+0.7
residential construction investment	+0.6	+0.8	+0.5	+0.3
Nonresidential construction investment and other investment	+0.7	+0.3	+0.3	+0.2
Investment in research and development	+0.9	+0.9	+0.6	+0.5
Public sector investment	-0.2	+0.2	+0.4	+0.2
Private investment	+3.7	+2.5	+1.6	+1.6
	<i>Percentage points</i>			
<b>Contribution to real GDP growth</b>				
Total gross fixed capital formation	+0.8	+0.6	+0.5	+0.4
Changes in inventories	+0.4	-0.2	+0.0	+0.0
	<i>% of nominal GDP</i>			
<b>Investment ratio</b>	23.9	24.3	24.3	24.3

Source: 2018: WIFO; 2019 to 2021: OeNB June 2019 outlook.

ongoing need for replacement; in addition, the global economy is forecast to improve slowly, but steadily, from mid-2019.

Construction investment has emerged as the second key pillar of investment growth since 2017. Above-average growth rates have been observed for both residential and nonresidential construction investment. The cycle of residential construction investment is, however, maturing. The number of building permits – which typically lead building completions by about two years – contracted by 13% in 2018, following strong growth in 2016 and 2017. Thus, the growth of residential construction investment is expected to decline gradually in 2020 and 2021.

In sum, investment growth is forecast to initially reach 2.7% (2019), and to ease thereafter to 2.0% (2020) and 1.7% (2021). Given the economic slowdown, the investment-to-GDP ratio is set to remain stable at 24.3% from 2019 to 2021.

### 4.3 Private consumption remains a major pillar of growth

Private consumption has been a key pillar of the Austrian economy since 2016. Accelerating consumption went hand in hand with strong growth of real disposable household income, with households having benefited from three factors: (1) the tax relief provided by the tax reform of 2016, (2) comparatively higher wage settlements achieved since 2018, and (3) strong employment growth (employment has been growing since 2014 and, in 2018, reached the highest level since Austria joined the euro area).

In 2019, employment growth will lessen somewhat while continuing to exceed the long-term average since 1999. With a rate of 2.9%, wage settlements are even higher for 2019 than they were for 2018 (2.6%). Nominal wage growth is expected to remain robust in 2020 (2.4%) and 2021 (2.2%) as well. Moreover, higher tax relief for families with children introduced at the start of 2019 adds to disposable household income. The response of private consumption will become visible by mid-2019.<sup>6</sup> Additional measures were in the pipeline as part of a multi-tier tax reform. In line with cyclical conditions, the contributions to disposable household income growth from investment income and mixed income of the self-employed will be much smaller than the contribution from employee compensation throughout the forecasting horizon.

The inflation rate is expected to remain stable at 1.7% in all three years of the forecasting horizon. As a result, real disposable household income is set to grow by 2.2% in 2019, by 1.4% in 2020, and by 0.9% in 2021. Private consumption is forecast to weaken less; it is expected to grow by 1.6% in 2019, by 1.4% in 2020, and by 1.3% in 2021. To some extent, consumption growth will be financed by lower saving, causing the saving ratio to drop from 7.6% in 2019 to 7.2% in 2021.

<sup>6</sup> This lag is attributable to the lag with which payout started or tax credit was applied during payroll accounting. To some extent the tax relief will not materialize until income tax returns have been filed in 2020 (by self-employed workers in particular). Thus, the full effect of the reform will not manifest itself until 2020.

### Public finances from 2019 to 2021<sup>7</sup>

**Budget balance expected to be in surplus throughout the forecasting horizon:** In 2019, the general government budget balance will improve by 0.2 percentage points, to 0.3% of GDP. This means that Austria's budget will be in surplus for the second time in a row, and for the second time at all since 1974. The improvement will again be driven by revenue-enhancing conditions (progressive income tax system, strong employment and wage bill growth, robust consumer demand growth) and by a further decline in interest expenditure. Offsetting effects include the fiscal measures that have already been implemented and effective since the start of 2019. Higher tax relief for families with children is going to reduce income tax revenues by some 0.2% of GDP in 2019, and by another 0.1% of GDP in 2020. Moreover, the rate for employer contributions to the accident insurance scheme, which used to be 1.3%, was lowered to 1.2%. Lower unemployment insurance contributions for low income earners from July 2018 and the lower VAT rate on hotel overnight stays from November 2018 (cut from 13% to 10%) will also reduce tax revenue growth in 2019. On the expenditure side, spending decreases (related to the phasing-out of some previous temporary spending increases and to cuts of child benefits for children living abroad) will be fully offset by spending increases (higher research subsidies).

The projections of further improvements of the budget surplus, to 0.4% of GDP in 2020 and to 0.5% of GDP in 2021, are also mainly driven by the underlying cyclical conditions and a further decline in interest expenditure. In line with ESCB requirements, these projections are, as a rule, based on a no-policy-change assumption. New fiscal measures, or newly announced fiscal measures, are to be taken into account only if they have been adequately specified by the government and if they are truly likely to be implemented. Given that the Austrian coalition government was dissolved in mid-May 2019, the OeNB's June 2019 outlook was hence based only on those measures of the tax reform package announced on May 1, 2019, that had already advanced to the public consultation stage at the time the projections were completed. In other words, the projections do not reflect the most comprehensive measures of the announced tax reform, namely cuts of health insurance contributions for low income earners from 2020 and the tax bracket reform from 2021.

The consultation process had already been launched for the reform of digital taxation and some minor tax reform measures ("tax reform act I 2019/2020"). In sum, the fiscal effect of these measures is broadly neutral in 2020 and 2021, and the loss in tax revenues resulting from the single biggest measure – raising the immediate write-off limits for low-cost assets to EUR 800 – corresponds to no more than 0.06% of GDP. Given that expected or budgeted savings generated by anti-fraud measures are, as a rule, not taken into account for ESCB projections, the OeNB's June 2019 projections do not reflect the anti-tax fraud act currently under public consultation. The overall impact of all fiscal measures that have been taken into account (i.e., measures that have already been implemented, such as the higher tax relief for families with children, or measures that are under public consultation) is limited. The budget surplus is expected to keep rising in 2020 and 2021, given the prevailing system of progressive income tax brackets, expectations of a further decline in interest expenditure, and the continued moderate rise of other government spending items.

**Debt-to-GDP ratio back to pre-crisis levels in 2021:** The absolute level of indebtedness and hence the debt-to-GDP ratio will continue to go down visibly over the forecasting horizon. In Austria, nominal reductions of government debt levels in more than one year in a row, as observed since 2017, were last seen in the 1970s. The key underlying factors include successive budget surpluses, the ongoing debt reductions by public wind-down vehicles (through asset sales and the use of cash reserves) and relatively high nominal GDP growth (as a driver of the debt ratio decrease). The debt ratio is expected to drop to about 65% of GDP in 2021.

<sup>7</sup> Author: Doris Prammer, Oesterreichische Nationalbank, Economic Analysis Division, [doris.prammer@oenb.at](mailto:doris.prammer@oenb.at).

**Compliance with EU fiscal rules:** Adjusted for cyclical and one-off effects, the budget will be broadly balanced in 2019 and (somewhat) in surplus thereafter. In other words, Austria is going to achieve its medium-term budgetary objective for a structural deficit of  $-0.5\%$  of GDP as agreed under the fiscal framework of the European Commission. The improvement of the structural budget balance is largely attributable to the decline in interest expenditure. These costs are going down over the forecasting horizon as the absolute debt levels shrink and as interest rates for maturing government debt continue to visibly exceed the debt rollover rates over the forecasting horizon. The rapid reduction of the debt ratio is also in line with the requirements of the EU fiscal framework, under which the debt-to-GDP ratio of EU countries should not exceed the reference value of 60%, or else approach the reference value at a satisfactory pace.

## 5 Unemployment rate anticipated to remain stable at 4.7% from 2019 to 2021

When the Austrian economy started to recover in 2015, labor market conditions started to improve as well. Payroll employment levels increased by 1.5% in 2016, and subsequently by 1.9% in 2017 and 2.2% in 2018. The economic boom also went hand in hand with a strong rise in the number of hours worked. Unlike in previous years, more jobs newly created in manufacturing were full-time jobs, and the share of part-time employees declined in general. With employment growth lagging cyclical growth, the labor market momentum started to weaken gradually

Table 6

### Determinants of nominal household income and private consumption growth in Austria

	2018	2019	2020	2021
	<i>Annual change in %</i>			
Payroll employment	+2.2	+1.6	+1.2	+1.1
Wages and salaries per employee	+2.4	+2.7	+2.1	+1.8
Compensation of employees	+4.7	+4.4	+3.3	+2.9
Property income	+6.6	+1.5	+3.6	+3.9
Self-employment income and operating surpluses (net)	+7.0	+3.4	+2.8	+2.7
	<i>Percentage points</i>			
<b>Contribution to household disposable income growth</b>				
Compensation of employees	+4.0	+3.8	+2.9	+2.5
Property income	+0.7	+0.2	+0.4	+0.4
Self-employment income and operating surpluses (net)	+1.2	+0.6	+0.5	+0.5
Net transfers less direct taxes <sup>1</sup>	-1.3	-0.7	-0.4	-0.3
	<i>Annual change in %</i>			
Disposable household income (nominal)	+4.5	+4.0	+3.0	+2.5
Consumption deflator	+2.0	+1.8	+1.6	+1.6
Disposable household income (real)	+2.4	+2.2	+1.4	+0.9
Private consumption (real)	+1.6	+1.6	+1.4	+1.3
	<i>% of nominal disposable household income growth</i>			
Saving ratio	7.4	7.6	7.4	7.2
	<i>% of nominal GDP</i>			
Consumption ratio	51.6	51.9	51.7	51.4

Source: 2018: WIFO. Statistics Austria; 2019 to 2021: OeNB June 2019 outlook.

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

Table 7

**Labor market growth in Austria**

	2018	2019	2020	2021
	<i>Annual change in %</i>			
<b>Total employment (heads)</b>	+1.7	+1.3	+1.0	+0.9
Payroll employment	+2.2	+1.6	+1.2	+1.1
of which: public sector employees	+0.3	+0.5	+0.3	+0.1
Self-employment	-1.6	-1.1	-0.6	-0.4
<b>Total hours worked</b>	+1.6	+1.1	+0.7	+0.8
Payroll employment	+2.3	+1.4	+1.0	+0.9
Self-employment	-1.6	-0.5	-0.5	-0.3
Labor supply	+0.9	+1.0	+1.0	+1.0
Registered unemployment	-12.3	-6.2	+1.0	+4.2
	<i>% of labor supply</i>			
<b>Unemployment rate (Eurostat definition)</b>	4.8	4.7	4.7	4.7

Source: 2018: WIFO, Statistics Austria; 2019 to 2021: OeNB June 2019 outlook.

again once the business cycle had peaked in late 2017/early 2018. In the first quarter of 2019, Austria's payroll employment numbers still grew by as much as 1.9%, thus continuing to exceed historical averages. Yet the growth rates for both vacant jobs and leased employees signal that the labor market momentum is set to weaken further. Due to solid growth in early 2019, payroll employment numbers are expected to rise by 1.6% in 2019 as a whole. Thereafter, the growth rates are expected to ease to 1.2% (2020) and 1.1% (2021). As the cycle weakens, the number of hours worked will grow less and less rapidly over the forecasting horizon (2019: +1.4%; 2020: +1.0%; 2021: +0.9%).

The continued strong growth of labor supply anticipated for the period from 2019 to 2021 will tend to drive up the unemployment rate but also to reduce skills shortages in individual industries. Until the end of 2021, some 45,000 to 50,000 individuals will enter the labor market each year.<sup>8</sup> Labor supply growth will be fueled by migration, the rising labor force participation rate of older workers and the procyclicality of labor force attachment (with people marginally attached to the labor force becoming job seekers in boom periods). Net migration will inch up slightly over the forecasting period, to slightly above 30,000 individuals in 2021. Another factor adding to the labor supply is a rise in the labor force participation rate by some 20,000 workers. Most of them are older employees, whose legal retirement eligibility age has gone up as a result of previous pension reforms. Excluding migration, demographic change will be negative across the forecasting horizon. This impact will be particularly pronounced in 2021, with a minus of more than 21,000 individuals.

<sup>8</sup> The change in labor supply may be broken down into a population effect (change in population with unchanged participation rates) and a participation effect (change in participation rates with unchanged population figures). The population effect, in turn, may be decomposed into a change in population excluding immigration (based on population statistics underlying the Statistics Austria forecast excluding migration) and a change in population including immigration (Statistics Austria – baseline forecast minus forecast excluding migration effects).

### Austria's labor market to be opened for workers from Croatia

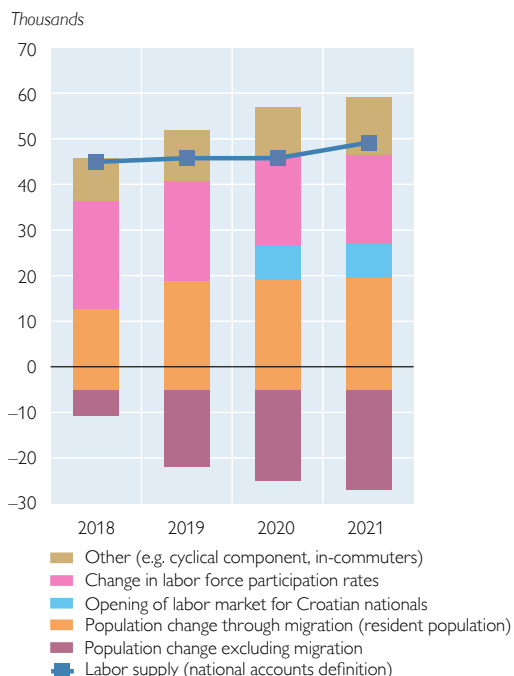
From July 2020 onward, workers from Croatia will have the same rights in Austria as domestic workers. Past experience would imply a sharp initial increase of labor migration from Croatia. When the Austrian labor market was opened up in 2011 for members of the EU's 2004 enlargement round and in 2014 for members of the 2007 enlargement round, the number of migrants from the respective countries taking up jobs Austria increased by about 50% and about 75% in the first two years following full labor market integration. At the time of writing, some 34,000<sup>9</sup> Croatian nationals were working in Austria according to (seasonally adjusted) social security statistics. This figure is expected to rise by 15,000 until the end of the forecasting horizon. This implies a smaller impact of full labor market integration than in the two previous instances, for two reasons. Germany opted to open its labor market to Croatian nationals as early as in 2015, and Croatia has seen a sharp drop in unemployment in recent years (from 17.6% in early 2014 to currently 7.4%).

Austria's unemployment rate (Eurostat definition) increased from 4.1% in 2008 to 6.0% in 2016. Given economic tailwinds, robust employment growth has since been driving down unemployment. In 2018, the unemployment rate dropped

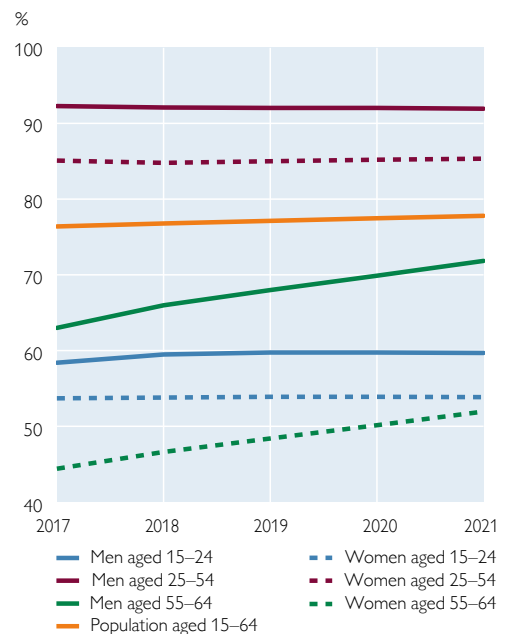
Chart 3

### The structure of labor supply

#### Labor supply growth



#### Labor force participation (resident population)<sup>1</sup>



Source: OeNB, Statistics Austria.

<sup>1</sup> Resident population: Domestic households according to microcensus data, forecast extrapolated from trend labor force participation rates and Statistics Austria's November 2018 population forecast (adjusted for actual population figures for 2018). The projections for total population growth are based on the baseline scenario, whereas the projections for "population change excluding migration" are based on the "no migration" scenario. The data on labor supply used in the forecast (national accounts definition) may differ from the microcensus-based equivalent.

<sup>9</sup> This figure is likely to be too high, as the social security figures do not adequately reflect naturalizations.



to 4.8%. Incoming data point toward a further tiny drop in 2019 (to 4.7%) and toward unchanged conditions (likewise 4.7%) in both 2020 and 2021.

## 6 Inflation to remain at 1.7% throughout the forecasting horizon

For 2019 as a whole, the OeNB projects the HICP inflation rate to stand at 1.7%, down 0.4 percentage points against 2018 (2.1%). The year-on-year deceleration of HICP inflation vis-à-vis 2018 is mainly due to a comparatively lower increase in energy prices. Inflation is forecast to remain stable at 1.7% also in 2020 and 2021. The core inflation rate is set to accelerate slightly from 1.8% in 2019 to 1.9% in 2020, and to remain unchanged at 1.9% in 2021. Core inflation, which will exceed HICP inflation throughout the forecasting horizon, is traceable, above all, to the sharp increase in unit labor costs. The latter are expected to rise further this year due to wage settlements already agreed. Additionally, on the demand side, continued strong growth in private consumption results in upward pressures on prices. Price increases in the services sector in particular will be higher in the forecasting period than before. At the same time, consumer demand is likely to keep the inflation rate for nonenergy industrial goods on an above-average level.<sup>10</sup>

Austria's inflation differential against both Germany and the euro area has narrowed notably since 2018. In April 2019, Austria's inflation rate of 1.7% was no less than 0.4 percentage points below Germany's HICP inflation rate and on a par with euro area inflation. From January 2018 to April 2019, Austria's average inflation differential against Germany amounted to 0.1 percentage point, while averaging 0.5 percentage points over the period from January 2010 to April 2019. The narrowing of Austria's inflation differential is attributable to all HICP special aggregates, but

Table 8

### Price, cost, productivity and profit indicators for Austria

	2018	2019	2020	2021
<i>Annual change in %</i>				
Harmonised Index of Consumer Prices (HICP)	+2.1	+1.7	+1.7	+1.7
HICP energy	+5.3	+0.8	-0.5	-0.2
HICP excluding energy	+1.8	+1.8	+1.9	+1.9
Private consumption expenditure (PCE) deflator	+2.0	+1.8	+1.6	+1.6
Investment deflator	+2.2	+2.0	+1.6	+1.4
Import deflator	+2.2	+1.6	+1.9	+1.8
Export deflator	+1.5	+1.3	+2.0	+1.9
Terms of trade	-0.6	-0.4	+0.1	+0.1
GDP deflator at factor cost	+1.6	+1.5	+1.6	+1.4
Collective wage and salary settlements	+2.6	+2.9	+2.4	+2.2
Compensation per employee	+2.4	+2.7	+2.1	+1.8
Compensation per hour worked	+2.3	+2.9	+2.3	+1.9
Labor productivity per employee	+1.0	+0.2	+0.7	+0.7
Labor productivity per hour worked	+1.0	+0.4	+0.9	+0.9
Unit labor costs	+1.5	+2.5	+1.5	+1.1
Profit margins <sup>1</sup>	+0.1	-1.0	+0.2	+0.4

Source: 2018: WIFO, Statistics Austria; 2019 to 2021: OeNB June 2019 outlook.

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

<sup>10</sup> The inflation rate for nonenergy industrial goods is expected to come to 0.9% for the year 2019 as whole. In 2020, it is projected to climb to 1.1%, therefore remaining above the post-2013 average of 0.8%.

Table 9

**Compensation of employees**

	2018	2019	2020	2021
	<i>Annual change in %</i>			
<b>Gross wages and salaries<sup>1</sup></b>				
In nominal terms	+4.7	+4.4	+3.3	+2.9
Consumption deflator	+2.0	+1.8	+1.6	+1.6
In real terms	+2.6	+2.6	+1.7	+1.3
<b>Collectively agreed wages and salaries<sup>1</sup></b>	+2.6	+2.9	+2.4	+2.2
<b>Wage drift</b>	-0.1	-0.3	-0.2	-0.4
<b>Compensation per employee</b>				
Gross <sup>2</sup> compensation (nominal)	+2.4	+2.7	+2.1	+1.8
Gross compensation (real)	+0.4	+0.9	+0.5	+0.2
<b>Compensation per hour worked</b>				
Gross compensation (nominal)	+2.3	+2.9	+2.3	+1.9
Gross compensation (real)	+0.3	+1.1	+0.7	+0.3
	<i>% of nominal GDP</i>			
<b>Wage share</b>	47.6	48.2	48.3	48.1

Source: 2018: WIFO, Statistics Austria; 2019 to 2021: OeNB June 2019 outlook.

<sup>1</sup> Overall economy.

<sup>2</sup> Including employers' social security contributions.

recently, the marked decline in the inflation rate of services has been the key driver. From 2019 to 2021, Austria's inflation differential against Germany and the euro area average is forecast to remain positive, as services prices are still rising at a comparatively faster pace in Austria, but it will be smaller than the longer-term average. The more pronounced labor shortage in Germany, leading to higher wage settlements in Germany than in Austria, will add to the inflation differential being comparatively smaller.

Collectively agreed wages will rise by 2.9% in 2019 (2018: 2.6%). This is the highest increase since 2013. Starting with the bargaining round in fall, when a pay rise of 3.5% was agreed upon in the metals industry, several sectors have seen high wage settlements.<sup>11</sup> Several factors have been at play: the recently favorable economic developments and productivity gains as well as high inflation, with the latter reflected in collectively agreed wages with a lag only. Slowing economic growth and lower inflation inform the projected moderate rise in nominal wage settlements for 2020 (2.4%) and 2021 (2.2%). With HICP inflation to run to 1.7% in 2019, real wage gains are expected to be considerably higher this year (some 1.2%). Wage settlements are also expected to be above the inflation rate in 2020 and 2021.

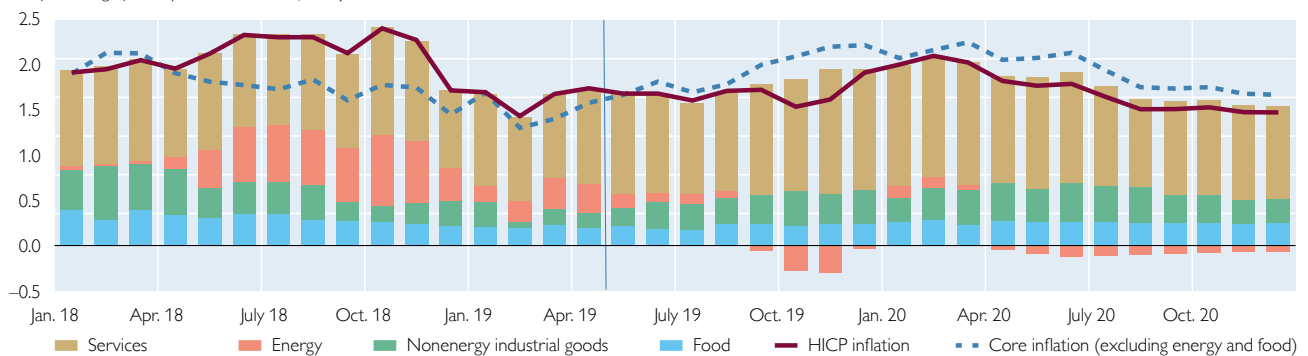
The wage drift – the difference between the increase in collectively agreed wages and the increase in actual wages – will be negative from 2019 to 2021. Since the boom in the industrial sector, which has led to an increase in the number of full-time jobs, is petering out, the share of part-time employees is expected to increase again. From a macroeconomic point of view, remuneration in excess of minimum wages will decline amid the expected downturn of the economy despite

<sup>11</sup> This is particularly true for the industrial sector (energy supply companies, refined petroleum industry and chemical industry: +3.4% each; lumber industry: +3.45%; construction industry: +3.35%). Markedly higher agreements were also reached in parts of the services sector compared with the previous year (employee leasing: +3.07%; wholesale and retail trade: from +2.5% to 3.2%; health care and social services: +3.2%; hospitality industry and public service sector: +2.76% each).

### Contributions to Austrian HICP inflation and core inflation

Annual change in % (inflation)

and percentage points (contributions to inflation)



Source: Statistics Austria, OeNB.

Note: Forecast: May 2019 to December 2020.

a projected labor shortage in some sectors. In total, real gross wages per capita are forecast to grow by 0.9% (2019), 0.5% (2020) and 0.2% (2021). The increase in actual hourly compensation will be slightly higher (2019: 1.1%, 2020: 0.7% and 2021: 0.3%). The wage share of GDP will remain more or less stable over the three-year forecasting horizon.

## 7 External forecast risks are on the downside, while domestic risks are on the upside

*External risks* to the growth outlook are clearly tilted toward the downside. The forecast is based on the following assumptions: the trade conflict between the U.S.A. and China/the EU will not intensify further, demand in Asia will stabilize again, and the conflict between the U.S.A. and Iran will not escalate. Moreover, the following assumptions apply to Europe: the growth-inhibiting one-off effects in Germany are only temporary, the uncertainty about the Italian government's economic policy stance will not trigger a conflict with the European Commission, there will not be a no-deal Brexit, and no unexpected, new geopolitical tensions will arise. If these assumptions do not hold, there will be a downward revision of the forecast.

Austrian exporters are projected to suffer market share losses in each of the three forecasting years. However, in case of the continued favorable development of competitiveness, this effect could be less pronounced than projected or it could even not occur at all. The market share losses are accompanied by an upward risk to the export forecast.

*Domestic risks*, in contrast, are in sum tilted toward the upside. Employment and therefore income are still growing, which is why the increase in private consumption could be even stronger than forecast. Additionally, a potential tax reform package that strengthens disposable household income poses a clear upward risk. A quicker contraction of the investment cycle than forecast poses a downward risk. Labor market risks are balanced. Despite a slowdown in economic growth, payroll increases over the past quarters have stood out positively; however, labor shortages might become a stronger factor. The opening of the labor market to Croatian nationals

constitutes an upward risk to the unemployment rate in case currently employed people are substituted.

Risks to *inflation* are neutral. Rising crude oil prices (due to an increase in international conflicts) represent an upward risk. Another upside risk stems from looming labor shortages, which might put pressure on the wage-setting process.

Box 3

### Scenarios: The effect of a prolonged economic slowdown in Germany on Austrian output growth

In economic forecasts, growth tends to be underestimated during upswings and overestimated during downturns.<sup>12</sup> This box highlights two scenarios that simulate the effects a prolonged economic slowdown in Germany may have on the Austrian economy.

Scenario 1 simulates a negative trade shock in the euro area. Here, the German economy is assumed to stagnate until the end of 2020. This is then assumed to lead to weaker GDP growth rates in France, Italy, Spain, the Netherlands and Belgium. According to this simulation, 86% of overall economic output in the euro area will be affected by this trade shock. The impact of weaker GDP growth on the individual countries' import growth is then calculated by applying country-specific foreign trade elasticities. Next, the OeNB's macroeconomic quarterly model is used to simulate the effects triggered by the declining demand for Austrian exports.

Building on scenario 1, scenario 2 additionally simulates a domestic negative confidence shock. Weaker longer-term economic prospects will lead to a more pessimistic assessment of companies' future earnings opportunities and will therefore dampen investment spending. For reasons of simplicity, an investment shock

Table

#### GDP growth: forecast and two scenarios

	Baseline	Scenario 1	Scenario 2
Annual change in real GDP in %			
2018	2.7	2.7	2.7
2019	1.5	1.5	1.3
2020	1.6	1.4	1.0
2021	1.6	1.4	1.4

Source: OeNB.

Chart 5

#### Simulation: effects of a prolonged period of weakness

Annual change in real GDP in %



Source: WIFO, OeNB.

Note:

Scenario 1: GDP growth stagnates in DE and slows in FR, IT, ES, NL, BE

Scenario 2: Scenario 1 + business investment in AT declines sharply (Q3 19 – Q2 20 like in 2014 + growth stutters until Q4 20)

<sup>12</sup> See e.g. Fenz, G., C. Ragacs, M. Schneider and K. Vondra. 2018. *The practitioner's corner: A decomposition of forecast errors for Austria. 1st Vienna Workshop on Economic Forecasting, IHS.*

similar in size to that seen in 2014 is used,<sup>13</sup> when investment declined due to increased uncertainty about the conflict between Russia and Ukraine.

Both scenario 1 and 2 result in negative effects, particularly on the GDP forecast for 2020. In mid-2019, full-year growth can be projected with a relatively high degree of certainty. Therefore, the negative effects on the Austrian economy will be reflected in comparatively weak growth from 2020 onward. Both simulation scenarios confirm these results. Even though the simulations disregard any other negative effects Germany's stagnation may have on the global economy and therefore underestimate the likely effects, both scenarios demonstrate that Austrian economic growth is sufficiently robust to avoid tipping into recession.

## 8 Major downward revision of the outlook for 2019 and 2020

The external environment has deteriorated distinctly since the December 2018 outlook. Global trade growth projections and, by extension, growth in demand for Austrian exports have weakened notably throughout the forecasting horizon and in 2019 in particular. The slowdown in the global economy and especially in global trade has mainly been driven by the intensifying trade conflict between the U.S.A. and China. Contrary to the expectations reflected in the December 2018 outlook, this conflict is now also assumed to adversely affect Austria via direct effects. Weaker import growth in the U.S.A. and China, combined with indirect effects

Table 10

### Change in external economic conditions since the December 2018 outlook

	June 2019			December 2018			Difference		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
<i>Annual change in %</i>									
Growth of Austria's export markets	+2.5	+3.1	+3.5	+4.2	+4.2	+3.8	-1.7	-1.1	-0.3
Competitor prices on Austria's export markets	+2.9	+2.2	+2.1	+2.9	+2.1	+2.0	+0.0	+0.1	+0.1
Competitor prices on Austria's import markets	+2.3	+1.9	+2.0	+2.3	+1.9	+2.0	+0.0	+0.0	+0.0
<i>USD per barrel (Brent)</i>									
Oil price	68.1	65.8	62.7	67.5	66.8	65.9	+0.6	-1.0	-3.2
<i>Annual change in %</i>									
Nominal effective exchange rate (exports)	+0.5	+0.0	+0.0	+0.1	+0.0	+0.0	+0.4	+0.0	+0.0
Nominal effective exchange rate (imports)	+0.3	+0.0	+0.0	+0.0	+0.0	+0.0	+0.3	+0.0	+0.0
<i>%</i>									
Three-month interest rate	-0.3	-0.3	-0.2	-0.3	0.0	0.3	+0.0	-0.3	-0.5
Long-term interest rate	0.3	0.4	0.6	0.9	1.1	1.3	-0.6	-0.7	-0.7
<i>Annual change in %</i>									
U.S. GDP (real)	+2.5	+2.0	+1.8	+2.5	+2.0	+1.8	+0.0	+0.0	+0.0
<i>USD/EUR</i>									
USD/EUR exchange rate	1.12	1.12	1.12	1.14	1.14	1.14	-0.02	-0.02	-0.02

Source: Eurosystem.

<sup>13</sup> Based on 2014, growth of gross fixed capital formation is assumed to weaken by 0.8 percentage points, relative to the baseline scenario, in the third and fourth quarters of 2019. As a result, investments in these two quarters will shrink marginally. In the first half of 2020, growth of gross fixed capital formation is assumed to stagnate, while, in the second half of 2020, its growth rates are initially projected to be half as high as those of the baseline scenario.

Table 11

**Breakdown of revisions to the outlook**

	GDP			HICP		
	2019	2020	2021	2019	2020	2021
	<i>Annual change in %</i>					
June 2019 outlook	+1.5	+1.6	+1.6	+1.7	+1.7	+1.7
December 2018 outlook	+2.0	+1.9	+1.7	+2.1	+2.0	+1.9
Difference	-0.5	-0.3	-0.1	-0.4	-0.3	-0.2
	<i>Percentage points</i>					
<b>Caused by:</b>						
External assumptions	-0.3	-0.4	+0.0	-0.1	-0.2	-0.1
New data <sup>1</sup>	-0.3	+0.0	+0.0	-0.1	x	x
of which: revisions to historical data up to Q3 18	+0.0	x	x	+0.0	x	x
forecast errors for Q4 18 and Q1 19	-0.3	+0.0	x	-0.1	+0.0	+0.0
Sonstiges <sup>2</sup>	+0.1	+0.1	-0.1	-0.2	-0.1	-0.1

Source: OeNB June 2019 and December 2018 outlooks. Note: Due to rounding, the sum of growth contributions subject to individual revisions may differ from the total revision.

<sup>1</sup> "New data" refer to data on GDP and/or inflation that have become available since the publication of the preceding OeNB outlook.

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

via their trade partners, is the reason for the downward revision of growth expectations for Austria's export markets. Austria's most important trading partner – Germany – is disproportionately affected by the trade conflict and faces additional problems in industrial production. Furthermore, the strong import growth in several CESEE countries likewise had to be revised downward. As a result, demand for Austrian exports is forecast to be weaker than expected in the December 2018 outlook (–1.7 percentage points in 2019, –1.1 percentage points in 2020 and –0.3 percentage points in 2021).

Nominal developments, such as those of interest rates, (effective) exchange rates and changes in crude oil prices, do not require a revision of a similar size. The current market expectation for crude oil prices for 2019 is USD 68.1 per barrel Brent, which is only USD 0.6 higher than forecast in December 2018. In 2020 and 2021, crude oil prices are projected to be USD 1.0 and USD 3.2 below the values presented in the previous outlook. The exchange rate of the euro against the U.S. dollar has remained nearly unchanged since the December 2018 outlook. Long-term interest rates have been revised downward for all three forecasting years; short-term interest rates for 2020 and 2021. Investment growth will slightly benefit from this in comparison to the December outlook.

In sum, the revised assumptions for 2019 and 2020 have led to downward revisions to both the outlook for GDP growth and for inflation.

Table 11 provides a detailed overview of the reasons for which revisions were made to the outlook. The revisions are attributable to the impact of changed external assumptions, the impact of newly available data and a residual. The influence of new data includes the effects of the revisions of both the historical data that were available at the time of the OeNB's December 2018 economic outlook (i.e. data up to the third quarter of 2018) and the forecasting errors for the periods for which data have now been published for the first time (i.e. data for the fourth quarter of 2018 and the first quarter of 2019). The residual includes new expert assessments of domestic indicators, such as government consumption or wage settlements, as well as any changes to the forecasting model.

Table 12

**Comparison of the OeNB June 2019 outlook and the December 2018 outlook**

	Actual figures	June 2019			Revision since December 2018 outlook		
	2018	2019	2020	2021	2019	2020	2021
<b>Economic activity</b>							
<i>Annual change in % (real)</i>							
Gross domestic product (GDP)	+2.7	+1.5	+1.6	+1.6	-0.5	-0.3	-0.1
Private consumption	+1.6	+1.6	+1.4	+1.3	-0.1	-0.2	+0.0
Government consumption	+0.5	+1.5	+1.2	+1.1	+0.0	+0.0	-0.2
Gross fixed capital formation	+3.5	+2.7	+1.9	+1.8	+0.1	-0.3	+0.1
Exports of goods and services	+4.2	+2.0	+2.8	+3.4	-1.8	-1.2	-0.3
Imports of goods and services	+3.0	+2.0	+2.6	+3.0	-1.6	-1.2	-0.4
<i>% of nominal GDP</i>							
Current account balance	+2.3	+2.2	+2.3	+2.6	-0.2	-0.3	-0.2
<b>Contribution to real GDP growth</b>							
<i>Percentage points</i>							
Private consumption	+0.8	+0.8	+0.7	+0.7	-0.1	-0.1	+0.0
Government consumption	+0.1	+0.3	+0.2	+0.2	+0.0	+0.0	+0.0
Gross fixed capital formation	+0.8	+0.6	+0.5	+0.4	+0.0	+0.0	+0.0
Domestic demand (excluding changes in inventories)	+1.7	+1.7	+1.4	+1.3	-0.1	-0.2	+0.0
Net exports	+0.8	+0.1	+0.3	+0.4	-0.2	+0.0	+0.1
Changes in inventories (including statistical discrepancy)	+0.1	-0.3	+0.0	+0.0	-0.2	+0.0	+0.0
<b>Prices</b>							
<i>Annual change in %</i>							
Harmonised Index of Consumer Prices (HICP)	+2.1	+1.7	+1.7	+1.7	-0.4	-0.3	-0.2
Private consumption expenditure (PCE) deflator	+2.0	+1.8	+1.6	+1.6	-0.2	-0.3	-0.2
GDP deflator	+1.6	+1.5	+1.6	+1.6	-0.5	-0.3	-0.1
Unit labor costs (whole economy)	+1.5	+2.5	+1.5	+1.1	+0.7	-0.1	-0.3
Compensation per employee (nominal)	+2.4	+2.7	+2.1	+1.8	+0.0	-0.4	-0.3
Compensation per hour worked (nominal)	+2.3	+2.9	+2.3	+1.9	+0.1	-0.3	-0.3
Import prices	+2.2	+1.6	+1.9	+1.8	-0.6	-0.2	-0.3
Export prices	+1.5	+1.3	+2.0	+1.9	-0.8	-0.1	-0.1
Terms of trade	-0.6	-0.4	+0.1	+0.1	-0.3	+0.1	+0.2
<b>Income and savings</b>							
<i>% of nominal disposable household income</i>							
Real disposable household income	+2.4	+2.2	+1.4	+0.9	+0.1	-0.2	-0.4
<i>% of nominal disposable household income</i>							
Saving ratio	7.4	7.6	7.4	7.2	+0.5	+0.3	+0.2
<b>Labor market</b>							
<i>Annual change in %</i>							
Payroll employment	+2.2	+1.6	+1.2	+1.1	+0.2	+0.1	+0.1
Hours worked (payroll employment)	+2.3	+1.4	+1.0	+0.9	+0.1	+0.0	+0.0
<i>% of labor supply</i>							
Unemployment rate (Eurostat definition)	4.8	4.7	4.7	4.7	+0.0	+0.0	+0.2
<b>Public finances</b>							
<i>% of nominal GDP</i>							
Budget balance (Maastricht definition)	+0.1	+0.3	+0.4	+0.5	+0.2	+0.0	+0.0
Government debt	73.8	70.7	68.0	65.3	0.0	0.5	0.5

Source: 2018 (actual figures): WIFO, Statistics Austria, OeNB; OeNB June 2019 and December 2018 outlooks.

For 2019, GDP growth has been revised downward by 0.5 percentage points. On the one hand, this is due to changes in external assumptions (0.3 percentage points), particularly the weaker growth in demand for Austrian exports. On the other hand, national accounts data newly published for the fourth quarter of 2018 and the first quarter of 2019 are lower than those in the December 2018 outlook.

The data patently show that exports have not been driving growth as strongly as expected. The revisions for 2020 and 2021 are primarily attributable to a change in the assessment of our trading partners' demand for Austrian exports. Overall, changes in external conditions lead to a downward revision to export, import, investment and consumer demand in 2019 and 2020. The overall effect on GDP growth is  $-0.3$  percentage points in 2019 and  $-0.4$  percentage points in 2020. Compared to the December 2018 outlook, only minimal negative effects are expected for 2021.

The projections for HICP inflation, like the GDP growth forecast, have also been revised downward compared to the OeNB's December 2018 outlook. The revision amounts to  $-0.4$  percentage points for 2019,  $-0.3$  percentage points for 2020 and  $-0.2$  percentage points for 2021. The main drivers of these changes are low food commodity prices, the overestimation of inflation in the services sector in the December 2018 outlook and the sluggishness of global real activity.



## Annex: detailed result tables

Table 13

## Demand components (real)

Chained volume data (reference year = 2010)

	2018	2019	2020	2021	2018	2019	2020	2021
	EUR million				Annual change in %			
Private consumption	169,952	172,719	175,122	177,397	+1.6	+1.6	+1.4	+1.3
Government consumption	64,499	65,464	66,251	66,956	+0.5	+1.5	+1.2	+1.1
Gross fixed capital formation	79,678	81,831	83,413	84,891	+3.5	+2.7	+1.9	+1.8
of which: investment in plant and equipment	28,588	29,184	29,651	30,218	+3.7	+2.1	+1.6	+1.9
residential construction investment	14,248	14,846	15,273	15,548	+3.2	+4.2	+2.9	+1.8
nonresidential construction investment and other investment	20,011	20,246	20,467	20,661	+2.9	+1.2	+1.1	+0.9
Changes in inventories (including statistical discrepancy)	7,385	6,245	6,177	6,156	x	x	x	x
Domestic demand	321,513	326,259	330,962	335,400	+1.9	+1.5	+1.4	+1.3
Exports of goods and services	196,330	200,261	205,962	212,949	+4.2	+2.0	+2.8	+3.4
Imports of goods and services	181,275	184,909	189,718	195,482	+3.0	+2.0	+2.6	+3.0
Net exports	15,055	15,351	16,245	17,467	x	x	x	x
<b>Gross domestic product</b>	<b>336,568</b>	<b>341,610</b>	<b>347,207</b>	<b>352,867</b>	<b>+2.7</b>	<b>+1.5</b>	<b>+1.6</b>	<b>+1.6</b>

Source: 2018: Eurostat; 2019 to 2021: OeNB June 2019 outlook.

Table 14

## Demand components (nominal)

	2018	2019	2020	2021	2018	2019	2020	2021
	EUR million				Annual change in %			
Private consumption	199,659	206,534	212,776	219,030	+3.6	+3.4	+3.0	+2.9
Government consumption	74,303	77,141	79,443	81,731	+2.8	+3.8	+3.0	+2.9
Gross fixed capital formation	92,243	96,591	99,997	103,194	+5.8	+4.7	+3.5	+3.2
Changes in inventories (including statistical discrepancy)	6,086	3,929	3,723	3,724	x	x	x	x
Domestic demand	372,291	384,195	395,939	407,679	+3.9	+3.2	+3.1	+3.0
Exports of goods and services	210,832	217,821	228,547	240,698	+5.8	+3.3	+4.9	+5.3
Imports of goods and services	196,504	203,740	213,104	223,476	+5.3	+3.7	+4.6	+4.9
Net exports	14,328	14,082	15,443	17,222	x	x	x	x
<b>Gross domestic product</b>	<b>386,619</b>	<b>398,277</b>	<b>411,383</b>	<b>424,901</b>	<b>+4.3</b>	<b>+3.0</b>	<b>+3.3</b>	<b>+3.3</b>

Source: 2018: Eurostat; 2019 to 2021: OeNB June 2019 outlook.

Table 15

## Demand components (deflators)

	2018	2019	2020	2021	2018	2019	2020	2021
	2010 = 100				Annual change in %			
Private consumption	117.5	119.6	121.5	123.5	+2.0	+1.8	+1.6	+1.6
Government consumption	115.2	117.8	119.9	122.1	+2.2	+2.3	+1.8	+1.8
Gross fixed capital formation	115.8	118.0	119.9	121.6	+2.2	+2.0	+1.6	+1.4
Domestic demand (excluding changes in inventories)	116.6	118.8	120.8	122.7	+2.1	+1.9	+1.6	+1.6
Exports of goods and services	107.4	108.8	111.0	113.0	+1.5	+1.3	+2.0	+1.9
Imports of goods and services	108.4	110.2	112.3	114.3	+2.2	+1.6	+1.9	+1.8
Terms of trade	99.1	98.7	98.8	98.9	-0.6	-0.4	+0.1	+0.1
<b>Gross domestic product</b>	<b>114.9</b>	<b>116.6</b>	<b>118.5</b>	<b>120.4</b>	<b>+1.6</b>	<b>+1.5</b>	<b>+1.6</b>	<b>+1.6</b>

Source: 2018: Eurostat; 2019 to 2021: OeNB June 2019 outlook.

Table 16

**Labor market**

	2018	2019	2020	2021	2018	2019	2020	2021
	<i>Thousands</i>				<i>Annual change in %</i>			
Total employment	4,490.0	4,549.4	4,593.1	4,633.7	+1.7	+1.3	+1.0	+0.9
of which: private sector	3,745.0	3,800.9	3,842.1	3,882.0	+2.0	+1.5	+1.1	+1.0
Payroll employment (national accounts definition)	3,945.8	4,010.8	4,057.7	4,100.4	+2.2	+1.6	+1.2	+1.1
	<i>% of labor supply</i>							
Unemployment rate (Eurostat definition)	4.8	4.7	4.7	4.7	x	x	x	x
	<i>EUR per real unit of output x 100</i>							
Unit labor costs (whole economy) <sup>1</sup>	62.2	63.8	64.7	65.4	+1.5	+2.5	+1.5	+1.1
	<i>EUR thousand per employee</i>							
Labor productivity (whole economy) <sup>2</sup>	75.0	75.1	75.6	76.2	+1.0	+0.2	+0.7	+0.7
	<i>EUR thousand</i>							
Compensation per employee (real) <sup>3</sup>	39.7	40.0	40.3	40.3	+0.4	+0.9	+0.5	+0.2
	<i>At current prices in EUR thousand</i>							
Compensation per employee (gross)	46.6	47.9	48.9	49.8	+2.4	+2.7	+2.1	+1.8
	<i>At current prices in EUR million</i>							
Total compensation of employees (gross)	184,018	192,063	198,460	204,202	+4.7	+4.4	+3.3	+2.9

Source: 2018: Eurostat; 2019 to 2021: OeNB June 2019 outlook.

<sup>1</sup> Gross wages and salaries divided by real GDP.

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

<sup>3</sup> Gross wages and salaries per employee divided by private consumption expenditure deflator.

Table 17

**Current account balance**

	2018	2019	2020	2021	2018	2019	2020	2021
	<i>EUR million</i>				<i>% of nominal GDP</i>			
<b>Balance of trade</b>	14,788.0	14,555.3	15,931.1	17,723.5	3.8	3.7	3.9	4.2
Balance of goods	4,488.0	2,897.1	3,733.8	4,820.6	1.2	0.7	0.9	1.1
Balance of services	10,300.0	11,658.2	12,197.3	12,902.9	2.7	2.9	3.0	3.0
<b>Balance of primary income</b>	-2,037.0	-1,902.0	-2,000.0	-2,000.0	-0.5	-0.5	-0.5	-0.5
<b>Balance of secondary income</b>	-3,762.0	-4,080.0	-4,400.0	-4,800.0	-1.0	-1.0	-1.1	-1.1
<b>Current account balance</b>	8,989.0	8,573.3	9,531.1	10,923.5	2.3	2.2	2.3	2.6

Source: 2018: Eurostat; 2019 to 2021: OeNB June 2019 outlook.

Table 18

## Quarterly outlook results

	2019	2020	2021	2019				2020				2021			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Prices, wages, costs</b>															
<i>Annual change in %</i>															
HICP	+1.7	+1.7	+1.7	+1.6	+1.7	+1.7	+1.7	+2.0	+1.8	+1.6	+1.5	+1.6	+1.7	+1.8	+1.7
HICP excluding energy	+1.8	+1.9	+1.9	+1.5	+1.7	+1.8	+2.2	+2.2	+2.1	+1.8	+1.7	+1.8	+1.9	+2.0	+1.8
Private consumption expenditure deflator	+1.8	+1.6	+1.6	+2.0	+1.9	+1.7	+1.6	+1.6	+1.6	+1.7	+1.7	+1.6	+1.6	+1.6	+1.6
Gross fixed capital formation deflator	+2.0	+1.6	+1.4	+2.2	+2.0	+1.9	+1.7	+1.6	+1.6	+1.6	+1.5	+1.5	+1.4	+1.4	+1.3
GDP deflator	+1.5	+1.6	+1.6	+1.6	+1.5	+1.4	+1.4	+1.5	+1.5	+1.7	+1.8	+1.7	+1.7	+1.6	+1.5
Unit labor costs	+2.5	+1.5	+1.1	+2.3	+2.7	+2.7	+2.3	+1.9	+1.4	+1.3	+1.3	+1.2	+1.1	+1.0	+0.9
Compensation per employee (nominal)	+2.7	+2.1	+1.8	+2.5	+2.8	+2.7	+2.7	+2.4	+2.1	+2.0	+2.0	+2.0	+1.9	+1.8	+1.6
Productivity	+0.2	+0.7	+0.7	+0.2	+0.1	+0.0	+0.4	+0.6	+0.7	+0.7	+0.7	+0.8	+0.8	+0.7	+0.7
Compensation per employee (real)	+0.9	+0.5	+0.2	+0.5	+0.9	+1.0	+1.1	+0.9	+0.5	+0.4	+0.3	+0.4	+0.3	+0.1	+0.0
Import deflator	+1.6	+1.9	+1.8	+1.6	+1.5	+1.5	+1.9	+2.2	+2.0	+1.9	+1.7	+1.7	+1.8	+1.8	+1.8
Export deflator	+1.3	+2.0	+1.9	+1.1	+1.2	+1.2	+1.6	+2.2	+2.0	+2.0	+2.0	+1.9	+1.9	+1.8	+1.8
Terms of trade	-0.4	+0.1	+0.1	-0.6	-0.3	-0.3	-0.3	+0.0	+0.0	+0.1	+0.2	+0.2	+0.1	+0.1	+0.0
<b>Economic activity</b>															
<i>Annual and/or quarterly changes in % (real)</i>															
GDP	+1.5	+1.6	+1.6	+0.3	+0.3	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4
Private consumption	+1.6	+1.4	+1.3	+0.4	+0.5	+0.5	+0.4	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.4
Government consumption	+1.5	+1.2	+1.1	+0.4	+0.3	+0.2	+0.3	+0.3	+0.3	+0.3	+0.3	+0.2	+0.3	+0.3	+0.3
Gross fixed capital formation	+2.7	+1.9	+1.8	+0.6	+0.6	+0.6	+0.5	+0.4	+0.4	+0.5	+0.4	+0.4	+0.4	+0.4	+0.4
Exports	+2.0	+2.8	+3.4	+0.4	+0.2	+0.4	+0.7	+0.8	+0.9	+0.9	+0.8	+0.8	+0.9	+0.9	+0.8
Imports	+2.0	+2.6	+3.0	+0.4	+0.4	+0.5	+0.6	+0.7	+0.7	+0.7	+0.8	+0.7	+0.8	+0.8	+0.8
<i>Contribution to real GDP growth in percentage points</i>															
Domestic demand	+1.7	+1.4	+1.3	+0.4	+0.5	+0.4	+0.4	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3
Net exports	+0.1	+0.3	+0.4	+0.0	-0.1	+0.0	+0.0	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1
Changes in inventories	-0.3	+0.0	+0.0	-0.2	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
<b>Labor market</b>															
<i>% of labor supply</i>															
Unemployment rate (Eurostat definition)	4.7	4.7	4.7	4.8	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
<i>Annual and/or quarterly changes in %</i>															
Total employment	+1.3	+1.0	+0.9	+0.3	+0.3	+0.2	+0.2	+0.3	+0.2	+0.2	+0.2	+0.2	+0.2	+0.3	+0.3
of which: private sector	+1.5	+1.1	+1.0	+0.3	+0.3	+0.2	+0.2	+0.3	+0.3	+0.2	+0.2	+0.2	+0.3	+0.3	+0.3
Payroll employment	+1.6	+1.2	+1.1	+0.4	+0.4	+0.3	+0.3	+0.3	+0.3	+0.2	+0.2	+0.3	+0.3	+0.3	+0.3
<b>Additional variables</b>															
<i>Annual and/or quarterly changes in % (real)</i>															
Disposable household income	+2.2	+1.4	+0.9	+0.9	+0.8	+0.3	+0.4	+0.3	+0.3	+0.3	+0.3	+0.2	+0.2	+0.2	+0.3
<i>% of real GDP</i>															
Output-Gap	0.5	0.4	0.3	0.7	0.6	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.2

Source: OeNB June 2019 outlook. Quarterly values based on seasonally and working day-adjusted data.

**Comparison of current economic forecasts for Austria**

	OeNB			WIFO		IHS		OECD		IMF		European Commission	
	June 2019			March 2019		March 2019		May 2019		April 2019		May 2019	
	2019	2020	2021	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
	<i>Annual change in %</i>												
<b>Main results</b>													
GDP (real)	+1.5	+1.6	+1.6	+1.7	+1.8	+1.5	+1.6	+1.4	+1.6	+2.0	+1.7	+1.5	+1.6
Private consumption (real)	+1.6	+1.4	+1.3	+1.7	+1.7	+1.6	+1.4	+1.8	+1.7	x	x	+1.6	+1.6
Government consumption (real)	+1.5	+1.2	+1.1	+0.7	+0.5	+0.8	+0.8	+0.9	+0.5	x	x	+0.9	+0.7
Gross fixed capital formation (real)	+2.7	+1.9	+1.8	+2.3	+1.8	+1.9	+1.6	+2.4	+1.7	x	x	+2.0	+1.6
Exports (real)	+2.0	+2.8	+3.4	+3.1	+3.6	+2.4	+3.2	+2.3	+2.6	+2.7	+2.6	+2.8	+3.2
Imports (real)	+2.0	+2.6	+3.0	+2.5	+3.0	+2.4	+3.0	+1.9	+2.5	+2.3	+2.4	+2.9	+2.8
GDP per employee <sup>1</sup>	+0.2	+0.7	+0.7	+0.5	+0.6	+0.2	+0.7	+0.2	+0.7	x	x	+0.5	+1.1
GDP deflator	+1.5	+1.6	+1.6	+2.0	+1.9	+2.0	+1.9	+2.0	+1.9	+1.7	+2.0	+2.0	+1.9
CPI	x	x	x	+1.7	+1.8	+1.8	+1.9	x	x	x	x	x	x
HICP	+1.7	+1.7	+1.7	+1.6	+1.7	+1.8	+1.9	+1.9	+2.0	+1.8	+2.0	+1.8	+1.9
Unit labor costs	+2.5	+1.5	+1.1	+2.1	+1.6	+2.4	+1.6	x	x	x	x	+2.1	+1.4
Payroll employment	+1.6	+1.2	+1.1	+1.6	+1.1	+1.3	+0.9	+1.2	+0.8	+0.7	+1.1	+1.0	+0.5
	<i>% of labor supply</i>												
Unemployment rate (Eurostat definition)	4.7	4.7	4.7	4.6	4.6	4.8	4.8	4.6	4.6	5.1	5.0	4.7	4.7
	<i>% of nominal GDP</i>												
Current account balance	2.2	2.3	2.6	1.9	1.8	x	x	2.4	2.4	2.0	1.9	2.4	2.6
Budget balance (Maastricht definition)	0.3	0.4	0.5	0.4	0.7	0.2	0.2	0.3	0.2	-0.1	-0.3	0.3	0.2
<b>External assumptions</b>													
Oil price in USD/barrel (Brent)	68.1	65.8	62.7	74.0	75.0	74.0	77.0	68.4	70.0	59.2	59.0	69.2	67.8
Short-term interest rate in %	-0.3	-0.3	-0.2	-0.3	-0.2	-0.3	0.0	-0.3	-0.3	-0.3	-0.2	-0.3	-0.3
USD/EUR exchange rate	1.12	1.12	1.12	1.15	1.16	1.14	1.14	1.12	1.12	1.14	1.16	1.13	1.13
	<i>Annual change in %</i>												
Euro area GDP (real)	+1.2	+1.4	+1.4	+1.4	+1.7	+1.3	+1.6	+1.2	+1.4	+1.3	+1.5	+1.2	+1.5
U.S. GDP (real)	+2.5	+2.0	+1.8	+2.5	+1.7	+2.4	+1.8	+2.8	+2.3	+2.3	+1.9	+2.4	+1.9
World GDP (real)	+3.1	+3.4	+3.3	x	x	+3.2	+3.3	+3.2	+3.4	+3.3	+3.6	+3.2	+3.5
World trade	+1.4	+3.1	+3.4	x	x	+2.5	+3.0	+2.1	+3.1	+3.4	+3.9	+2.9	+3.3

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

<sup>1</sup> WIFO: GDP per hour worked.