

From boom to stable growth in Austria

Economic outlook for Austria from 2018 to 2021
(December 2018)

Gerhard Fenz,
Martin Schneider¹

1 Executive summary

Following a strong expansion, the Austrian economy has reached a mature phase of the cycle. Supported by robust domestic demand and a solid export performance, real GDP growth is now projected to reach 2.7% in 2018, same as in 2017. Despite the downward revision by 0.4 percentage points compared with the June 2018 outlook, a rate of 2.7% does not signal a weakening of the underlying cyclical strength: By and large, the reassessment can be traced back to revised historical data. Looking further ahead, GDP growth is expected to slow down to 2.0% (2019), 1.9% (2020) and 1.7% (2021) in line with the weakening global economy. In other words, the Austrian economy has peaked and is now gradually moving onto a stable growth path. The unemployment rate (Eurostat definition) is projected to drop to 4.9% in 2018, and to continue to inch downward thereafter, to 4.7% in 2019 and 2020 and to 4.5% in 2021. HICP inflation is expected to remain stable at 2.1% in both 2018 and 2019, before dropping to 2.0% in 2020 and further to 1.9% in 2021. The general government stands to run a balanced budget in 2018 and is projected to achieve a surplus of 0.5% of GDP by 2021. In parallel, the debt-to-GDP ratio is expected to drop to 64.8% by 2021, from 78.3% in 2017.

The global economy continues to expand. Both the group of advanced economies – supported by robust growth in the U.S.A. – and the group of emerging market economies have been growing at a brisk pace. At the same time, global developments have been less synchronized than previously: In late 2017 and early 2018 numerous regions had witnessed a temporary growth dip, from which they reemerged in the second half of 2018, however. While global output growth is expected to remain comparatively stable in the next few years, global trade growth will continue to decelerate, driven above all by the trade dispute between the U.S.A. and China. The growth setback that Germany, Austria's most important trading partner, experienced in the third quarter of 2018 is seen as a temporary phenomenon amid the struggles of the German automotive industry to meet the new emission requirements.

The Austrian export industry has been doing well in 2018 so far, even though the growth of demand for exports has gone down after the boom year of 2017. Given broad regional diversification, real export growth is projected to level off only slightly in 2018, to 4.2%, compared with 4.6% in 2017. To a large extent, these results are attributable to goods exports to Central, Eastern and Southeastern Europe (CESEE) economies, which grew at a nominal rate of 10% in 2018, i.e. at almost twice the rate of goods exports to all other countries. With annual export growth figures of close to 4% for the period from 2019 to 2021, exports will continue to be a key driver of the Austrian economy in the years ahead.

Austria's manufacturing industry has been keeping up its investment drive given strong demand in international markets. On a cumulative basis, investment in machinery and transport equipment grew by as much as 20% from 2015 to 2017, and this trend appears to have continued in 2018, with 4.1% growth measured for

Cutoff date:
November 27, 2018

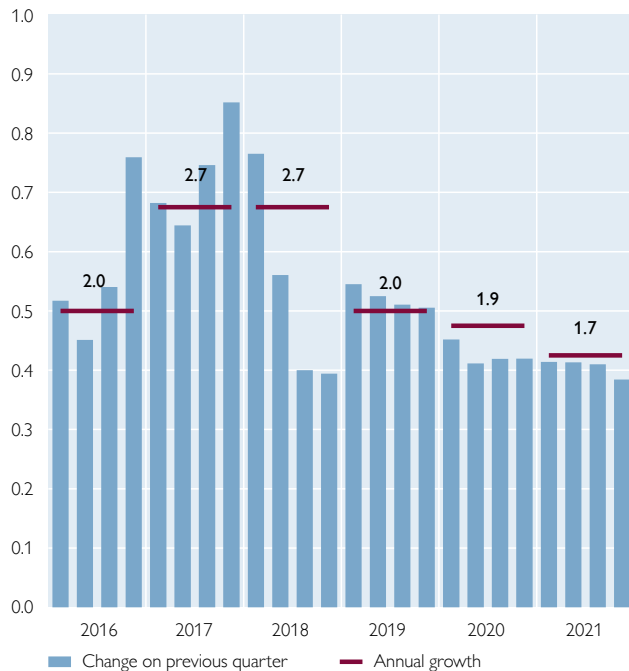
¹ Oesterreichische Nationalbank, Economic Analysis Division, gerhard.fenz@oenb.at, martin.schneider@oenb.at. With contributions from Friedrich Fritzer, Ernest Gnan, Walpurga Köhler-Töglhofer, Doris Prammer, Doris Ritzberger-Grünwald and Alfred Stiglbauer.

Chart 1

Main results of the forecast

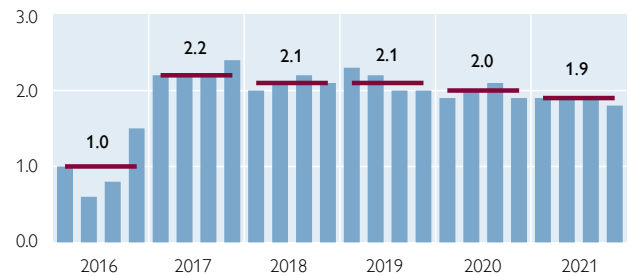
Real GDP growth

Quarterly change in % (seasonally and working day-adjusted)

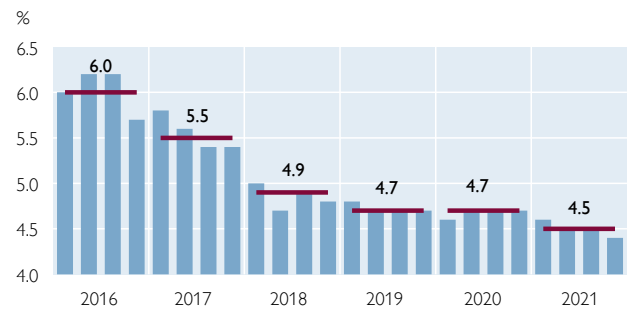


Harmonised Index of Consumer Prices

Annual change in %



Unemployment rate (Eurostat definition)



Source: WIFO, Statistics Austria, OeNB December 2018 outlook.

investment in equipment. This means that the current investment cycle has been exceptionally strong compared with previous cycles. The outlook for the period from 2019 to 2021 is that of a gradual decline. Residential construction investment has also been growing substantially, with cumulative growth of just below 6% in 2016 and 2017. Growth remained strong also in the first half of 2018. The sharp increase in building permits issued in 2016 and 2017 implies continued strong growth of residential construction investment in the second half of 2018 as well. For 2018 as a whole, residential construction investment is projected to grow by 3.0%, and the outlook for 2019 is only slightly less strong. Looking further ahead, the declining trend in building permits registered in the first half of 2018 signals weaker construction activity for 2020. The civil engineering industry benefited from numerous public infrastructure measures in 2018 and will continue to do so in the years ahead.

Private consumption has been a major pillar of the domestic economy, with 2018 being the third year in a row with relatively robust private consumption growth rates. As in previous years, private consumption has been fueled by vivid employment growth. Moreover, additional momentum has been provided by the fact that the wage settlements for 2018 are higher than those for 2017. From January 2019 onward, the purchasing power of households with children will be strengthened by higher tax relief for such households (Familienbonus Plus). However, the full effect of the higher tax relief for children – EUR 1.2 billion (0.5% of household income) – will not materialize until 2020; in 2019, the effect is estimated to be EUR 800 million. Thus, private consumption is set to keep

growing at solid rates in 2018 and 2019 (1.7%) and 2020 (1.6%), before decelerating to 1.3% in 2021 amid the expected downturn of the economy.

Labor market conditions have been improving markedly during 2018. Both the growth of payroll employment as well as of the number of hours worked peaked in

Table 1

OeNB December 2018 outlook for Austria – main results¹

	2017	2018	2019	2020	2021
Economic activity					
Annual change in % (real)					
Gross domestic product (GDP)	+2.7	+2.7	+2.0	+1.9	+1.7
Private consumption	+1.7	+1.7	+1.7	+1.6	+1.3
Government consumption	+1.5	+1.8	+1.5	+1.2	+1.3
Gross fixed capital formation	+3.8	+3.5	+2.6	+2.2	+1.7
Exports of goods and services	+4.6	+4.2	+3.8	+4.0	+3.7
Imports of goods and services	+4.4	+2.7	+3.6	+3.8	+3.4
%					
Current account balance	1.9	2.1	2.4	2.6	2.8
Contribution to real GDP growth					
Percentage points					
Private consumption	+0.9	+0.9	+0.9	+0.8	+0.7
Government consumption	+0.3	+0.3	+0.3	+0.2	+0.2
Gross fixed capital formation	+0.9	+0.8	+0.6	+0.5	+0.4
Domestic demand (excluding changes in inventories)	+2.0	+2.1	+1.8	+1.6	+1.3
Net exports	+0.3	+0.9	+0.3	+0.3	+0.3
Changes in inventories (including statistical discrepancy)	+0.4	-0.3	-0.1	+0.0	+0.0
Prices					
Annual change in %					
Harmonised Index of Consumer Prices (HICP)	+2.2	+2.1	+2.1	+2.0	+1.9
Private consumption expenditure (PCE) deflator	+1.7	+2.0	+2.0	+1.9	+1.8
GDP deflator	+1.3	+1.7	+2.0	+1.9	+1.7
Unit labor costs (whole economy)	+0.5	+1.4	+1.8	+1.6	+1.4
Compensation per employee (at current prices)	+1.5	+2.5	+2.7	+2.5	+2.1
Compensation per hour worked (at current prices)	+1.1	+2.4	+2.8	+2.6	+2.2
Import prices	+2.7	+2.4	+2.2	+2.1	+2.1
Export prices	+1.8	+1.7	+2.1	+2.1	+2.0
Terms of trade	-0.9	-0.7	-0.1	+0.0	-0.1
Income and savings					
Real disposable household income	+0.5	+1.8	+2.1	+1.6	+1.3
%					
Saving ratio	6.8	6.9	7.1	7.1	7.0
Labor market					
Annual change in %					
Payroll employment	+1.9	+2.2	+1.4	+1.1	+1.0
Hours worked (payroll employment)	+2.3	+2.2	+1.3	+1.0	+0.9
%					
Unemployment rate (Eurostat definition)	5.5	4.9	4.7	4.7	4.5
Public finances					
%					
Budget balance	-0.8	0.0	+0.1	+0.4	+0.5
Government debt	78.3	74.1	70.7	67.5	64.8

Source: 2017: WIFO, Eurostat, Statistics Austria; 2018 to 2021: OeNB December 2018 outlook.

¹ The outlook was drawn up on the basis of seasonally and working day-adjusted national accounts data (trend-cycle component: flash estimate for Q3 18). 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 2017 deviate also from the non-seasonally adjusted data released by Statistics Austria.

early 2018 and continued to increase thereafter, albeit at a somewhat slower pace. Due to the strong initial momentum, payroll employment numbers are expected to increase by 2.2% in 2018 as a whole, which is an acceleration by 0.3 percentage points on the year. The slowdown of growth in the course of 2018 as well as shrinking hiring rates for leased employees point toward weaker growth rates in the years ahead. Payroll employment numbers are expected to rise by 1.4% in 2019, by 1.1% in 2020 and by 1.0% in 2021. The high employment momentum caused Austria's unemployment rate (Eurostat definition) to drop to 5.5% in 2017, from 6.0% in 2016. In 2018 and beyond, the unemployment rate is expected to decrease further, namely to 4.9% in 2018, to 4.7% in both 2019 and 2020 and to 4.5% in 2021.

Inflation as measured by the HICP is forecast to reach 2.1% in 2018 as a whole, having accelerated somewhat in the course of 2018 on account of rising commodity prices. In 2019, HICP inflation will remain unchanged at 2.1%, as the inflation-dampening effect of the expected decrease in commodity prices will be offset by higher wage settlements. Thereafter, HICP inflation is expected to decelerate to 2.0% in 2020 and to 1.9% in 2021 in line with the anticipated cyclical downturn.

The general government budget is projected to be balanced in 2018, benefiting from very good cyclical conditions and a further decrease of debt servicing costs. These two effects more than offset the loosening of fiscal policy in 2018: Costs have been driven up by (previously adopted) labor market measures as well as by the abolition of public long-term care providers' recourse to patients' assets, while cuts of wage-related taxes put a strain on revenues. The expansionary stance of fiscal policy will be retained in 2019. The slowdown of revenue growth resulting from the introduction of higher tax relief for families with children will not be compensated completely by the withdrawal of temporary stimulus measures adopted by the previous government. Thanks to the continued favorable cyclical and interest rate conditions, the budget balance is nonetheless expected to improve slightly in 2019 and to keep improving in 2020 and 2021. Hence, subject to a no-policy-change assumption, Austria should see general government surpluses from 2019 onward, for the first time since the early 1970s. In this context, the debt-to-GDP ratio will decline to 64.8%, i.e. return to pre-crisis levels. Budget surpluses (and a balanced general government budget this year) as well as the continued reduction of the debt of public wind-down vehicles will lead to a multi-annual decrease of the nominal debt ratio as last seen in the 1970s.

2 Technical assumptions

This outlook for the Austrian economy is the OeNB's contribution to the December 2018 Eurosystem staff macroeconomic projection. The forecasting horizon ranges from the fourth quarter of 2018 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 November 26, 2018. 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). These data differ from the quarterly series published by Eurostat since the changeover to the European System of Accounts (ESA 2010) in fall 2014 in that the latter are solely seasonal and working-day adjusted and therefore include irregular fluctuations that cannot

be mapped to specific economic fundamentals in their entirety. The values for 2017 also differ from the nonseasonally adjusted data published by Statistics Austria. Detailed national accounts data are based on the flash estimate for the third quarter of 2018, and the GDP measures as well as the key demand components are first estimates of the first full release for the third quarter of 2018. The short-term interest rate used for the forecasting horizon is based on market expectations for the three-month EURIBOR. The three-month EURIBOR continues to be negative in 2018 and 2019 but will turn positive in 2020 according to financial market expectations. Long-term interest rates, which are in tune with market expectations for government bonds with an agreed maturity of ten years, will rise slightly over the forecasting horizon. The exchange rate of the euro vis-à-vis the U.S. dollar is assumed to remain at a constant USD/EUR 1.14. The projected development of crude oil prices is based on futures prices, which imply that crude oil prices should rise substantially from USD 54.4 per barrel Brent in 2017 to USD 71.8 in 2018, before gradually receding to USD 65.9 in 2021. The prices of commodities excluding energy are also based on futures prices over the forecasting horizon.

3 Global upswing continues amid growing risks

The global economic expansion is ongoing: both advanced and emerging market economies have been growing faster than their potential output measures and recorded mostly positive output gaps. Wages and consumer prices have increased substantially in numerous countries. Growth in the group of advanced economies has been driven by the U.S.A. Among *emerging market economies* – which have been posting solid growth rates as a group – developments have been highly heterogeneous, with commodity-exporting countries benefiting from elevated commodity prices. Fears of a growth slowdown in China have remained unfounded so far. Argentina and Turkey are particularly vulnerable on account of their high current account deficits and inflation rates, as evidenced by the strong depreciation of their currencies. In general, global economic cycles have become less synchronized than in the past. Many regions witnessed temporary growth dips in late 2017 and early 2018. In the second quarter, global economic activity was rekindled by the strong performance of the U.S. and the Chinese economies. Over the medium-term horizon, the advanced economies are expected to see moderately weakening growth rates, driven by unfavorable shifts in their working age population and weak productivity gains. Moreover, the fading of the fiscal stimulus provided this year will have a dampening impact on U.S. economic activity in 2020. In contrast, the emerging market economies are expected to continue to see strong growth rates.

While global output growth is expected to remain comparatively stable in the next few years, global trade growth will continue to decelerate. Having accelerated twice as fast as GDP in recent decades, global trade will expand in line with GDP growth in the years ahead. Slowing trade growth reflects the stagnating expansion of global value chains but has also been brought on by the US-triggered trade dispute, which is currently being waged above all between the U.S.A. and China.

The U.S.A. has been witnessing an economic expansion since 2010. A comprehensive tax reform that entered into force in 2018 has been providing additional stimulus, stimulating wage and consumption growth as well as business investment. The rising price pressures have since prompted the Federal Reserve System to raise policy rates repeatedly. GDP growth will peak at 2.9% in 2018 and is expected to

Table 2

Underlying global economic conditions

	2017	2018	2019	2020	2021
	<i>Annual change in % (real)</i>				
Gross domestic product					
World excluding the euro area	+3.7	+3.8	+3.5	+3.6	+3.6
U.S.A.	+2.2	+2.9	+2.5	+2.0	+1.8
Japan	+1.7	+0.9	+1.0	+0.1	+0.7
Asia excluding Japan	+6.1	+6.2	+5.8	+5.8	+5.6
Latin America	+1.1	+0.7	+1.9	+2.6	+2.5
United Kingdom	+1.7	+1.3	+1.3	+1.3	+1.0
CESEE EU Member States ¹	+4.8	+4.4	+3.6	+3.2	+3.2
Switzerland	+1.7	+3.0	+1.9	+2.0	+2.0
Euro area ²	+2.5	+1.9	+1.7	+1.7	+1.5
World trade (imports of goods and services)					
World	+5.2	+4.7	+3.7	+3.7	+3.9
World excluding the euro area	+5.5	+5.1	+3.5	+3.6	+3.6
Growth of euro area export markets (real)	+5.5	+4.3	+3.1	+3.5	+3.4
Growth of Austrian export markets (real)	+5.7	+4.0	+4.2	+4.2	+3.8
Prices					
Oil price in USD/barrel (Brent)	54.4	71.8	67.5	66.8	65.9
Three-month interest rate in %	-0.3	-0.3	-0.3	0.0	0.3
Long-term interest rate in %	0.6	0.7	0.9	1.1	1.3
USD/EUR exchange rate	1.13	1.18	1.14	1.14	1.14
Nominal effective exchange rate of the euro (euro area index)	112.0	117.9	117.9	117.9	117.9

Source: Eurosystem.

¹ Bulgaria, Croatia, Czech Republic, Hungary, Poland and Romania.

² 2017: Eurostat; 2018 to 2021: Results of the Eurosystem's December 2018 projections.

weaken gradually in the years ahead. For 2019, the biggest downside risks to the U.S. economy emanate from import tariff increases resulting from the trade conflict. Apart from direct negative effects of higher import prices and their impact on international chains of production, the prevailing climate of heightened uncertainty may also dampen investment spending. As the fiscal stimulus fades in 2020 and as monetary tightening kicks in, GDP growth rates will drop further to below 2%.

Growth in *China* remained strong in the first half of 2018 at GDP growth of 6¾%. In other words, the anticipated growth slowdown has been comparatively moderate. The years ahead are, however, likely to see a further weakening of growth in view of the ongoing transformation of the Chinese economy from manufacturing to a service economy and China's trade dispute with the U.S.A. Further downside risks to the economy stem from the high indebtedness of the corporate sector and the overheated real estate market.

The *Japanese* economy has been operating close to full capacity utilization on account of the cyclical upturn in recent years. Following particularly strong growth by Japanese standards in 2017, the pace of GDP growth was set to slow down in 2018 in line with cyclical developments. In tandem with a shrinking supply of labor the higher VAT rate will have a marked dampening impact on economic activity. The rate of value added tax (VAT) will be raised from 8% to 10% in October 2019 following repeated postponements of this measure.

Economic growth in the *United Kingdom* continued to decelerate in the first half of 2018 after earlier substantial setbacks during 2017 triggered by the Brexit vote.

The weakening pound sterling was driving up inflation, which in turn dampened real disposable household income and private consumption. The first half of 2018 was moreover marked by a slowdown of investment growth. The available leading indicators point to continued growth setbacks. The projections for the next couple of years are based on the assumption that the negotiations between the EU and the U.K. will be completed in due time, thus preventing a disorderly exit from the EU. Further assumptions include that the trade agreement to be concluded will mirror the CETA agreement concluded between the EU and Canada and that there will be an extended transition period following the U.K.'s official exit in March 2019. Growth in *Central, Eastern and Southeastern European* (CESEE) countries weakened in 2018 after having peaked in 2017, but continued to outpace euro area growth. Domestic demand benefits from strong employment growth and the stronger uptake of EU structural funds in 2018.

The *euro area* economy suffered a considerable setback in the third quarter of 2018. The weak quarterly growth rate (0.2%) reflects negative growth in Germany (−0.2%) and the weakness of the Italian economy (zero growth) against the backdrop of solid growth in France and Spain. However, the underlying growth dynamics continue to be sound in the euro area. Looking ahead to the fourth quarter of 2018, the euro area economy is set to revert to a path of solid, albeit slightly lower growth. Following 2.0% growth in 2018, euro area growth is expected to slow down to 1.7% in both 2019 and 2020, reflecting weaker international conditions and rising supply-side constraints. The growth expectation for 2021 is 1.6%.

The *German* economy was slowed down in the third quarter of 2018 by weaker global growth and car production cuts triggered by tighter emission tests. This production setback is expected to have been a temporary phenomenon, though, with output volumes rebounding to normal levels in the upcoming quarters. Above all, domestic demand is strong enough to offset weakening export growth. The biggest drags on economic growth in Germany have been supply-side constraints resulting from already pronounced skills shortages and insufficient aggregate demand. The skills shortages have already led to accelerated wage growth. GDP growth is set to decrease over the forecasting horizon, as the labor potential of Germany's working-age population has been largely tapped and as labor supply will stagnate at the end of the forecasting horizon despite stable migration figures.

Following relatively robust growth in 2017, the *Italian* economy has cooled down considerably in the course of 2018. The third quarter of 2018 witnessed stagnating output growth on account of a decline in manufacturing output as well as construction activity. At present, the biggest downside risks to the Italian economy stem from the heightened uncertainty created by the difficult political conditions. Doubts about the stability of the Italian budget have substantially driven up risk premiums for Italian government bonds and clouded the climate for business investment. The Italian government plans to considerably raise public investment and transfers to households from 2019 onward. However, the growth stimulus provided by additional government spending will be dampened by rising financing costs for business investment. Hence, growth will be mainly driven by exports and private consumption over the forecasting horizon.

France experienced a growth dip in the first half of 2018. Apart from the cooling of the global economy, temporary factors such as the timing of school holidays, strikes and adverse weather conditions have contributed to this slowdown. GDP

growth rebounded in the third quarter, however. Over the forecasting horizon, growth will be supported above all by stable domestic demand but also by exports.

For *Spain*, 2018 was the fifth year of economic recovery in a row, albeit subject to an incipient slowdown of growth. Households showed a higher propensity to save, which constituted a drag on private consumption. Business investment, however, and construction activity in particular, have remained robust. Price competitiveness gains have been supporting exports, thus contributing to an improvement in the current account balance.

4 From boom to stable growth in Austria

4.1 Outlook for Austrian exporters continues to be sound

The Austrian export economy has been doing well in 2018 so far, even though demand for exports has gone down after the boom year of 2017. Given broad regional diversification, real export growth is projected to level off only slightly in 2018, to 4.2%, compared with 4.6% in 2017. To a large extent, these results are attributable to goods exports to Central, Eastern and Southeastern Europe (CESEE) economies, which grew at a nominal rate of 10% in 2018, i.e. at almost twice the rate of goods exports to all other countries.

The underlying assumptions about Austria's export markets are based on stable growth levels of about 4% per year over the entire forecasting horizon. While the euro area markets grew at a somewhat weaker rate than the non-euro area markets in 2018, this pattern will reverse in 2019 in line with the anticipated continued economic recovery in the euro area. In recent years, Austrian exporters have been pricing their goods and services broadly in line with their competitors in export markets, thus maintaining stable price competitiveness. As a result, market share losses to emerging economies are expected to remain limited over the forecasting horizon. Export growth is set to weaken from 4.2% in 2018 to 3.7% in 2021. This

Table 3

Growth and price developments in Austria's foreign trade

	2017	2018	2019	2020	2021
<i>Annual change in %</i>					
Exports					
Competitor prices on Austria's export markets	+1.9	+0.6	+2.9	+2.1	+2.0
Export deflator	+1.8	+1.7	+2.1	+2.1	+2.0
Changes in price competitiveness	+0.1	-1.1	+0.8	-0.1	-0.1
Import demand on Austria's export markets (real)	+5.7	+4.0	+4.2	+4.2	+3.8
Austrian exports of goods and services (real)	+4.6	+4.2	+3.8	+4.0	+3.7
Austrian market share	-1.2	+0.2	-0.4	-0.3	-0.1
Imports					
International competitor prices on the Austrian market	+1.4	+0.6	+2.3	+1.9	+2.0
Import deflator	+2.7	+2.4	+2.2	+2.1	+2.1
Austrian imports of goods and services (real)	+4.4	+2.7	+3.6	+3.8	+3.4
Terms of Trade	-0.9	-0.7	-0.1	+0.0	-0.1
<i>Percentage points of real GDP</i>					
Contribution of net exports to GDP growth	+0.3	+0.9	+0.3	+0.3	+0.3
<i>% of nominal GDP</i>					
Export ratio	53.7	54.5	55.5	56.8	58.1
Import ratio	50.1	50.4	51.3	52.4	53.6

Source: 2017: WIFO, Eurosystem; 2018 to 2021: OeNB December 2018 outlook.

Table 4

Austria's current account

	2017	2018	2019	2020	2021
	<i>% of nominal GDP</i>				
Balance of trade	3.0	3.4	3.5	3.6	3.8
Balance of goods	0.2	0.5	0.7	0.9	1.0
Balance of services	2.7	2.9	2.8	2.8	2.8
Balance of primary income¹	-0.3	-0.3	-0.2	-0.2	-0.2
Balance of secondary income²	-0.8	-1.0	-0.9	-0.9	-0.9
Current account balance	1.9	2.1	2.4	2.6	2.8

Source: 2017: OeNB; 2018 to 2021: OeNB December 2018 outlook.

¹ Balance of income (compensation of labor, investment income, etc.).

² Balance of current transfers.

slight slowdown notwithstanding, exports will remain a key pillar of growth. Import growth will somewhat lag behind export growth over the forecasting horizon, reflecting above all the declining momentum of equipment investment, which is largely driven by imports.

Austria's trade surplus narrowed from 3.6% of GDP in 2016 to 3.0% 2017. In the first half of 2018, however, contributions from exports once more outpaced the first-half 2017 levels considerably. This improvement was driven above all by goods exports to CESEE economies, Germany, Italy and the Netherlands. For the first time, tourism exports increased to above EUR 10 billion in the first half, thus contributing substantially to the improvement of the balance of trade. As export growth is set to outpace import growth over the forecasting horizon, the trade balance will keep improving. Changes to the balances of primary and secondary income are expected to remain limited. As a result, the current account balance should keep improving in line with the balance of trade.

4.2 Investment cycle gradually nearing completion

Investment activity is currently a key pillar of the Austrian economy. Businesses have, above all, been investing substantially in equipment. Cumulatively, investment in equipment increased by 20% from 2015 to 2017, with growth peaking at 9.7% in 2016. Initially, in 2015, businesses invested in machinery in particular, whereas in 2016 and 2017 transport investment played the key role. This trend appears to have continued in 2018 at a growth rate of 4.1% measured for investment in equipment. This means that the current investment cycle has been exceptionally long and strong compared with previous cycles. It should be noted, however, that the period from 2010 to 2014 had been marked by pronounced investment restraint.

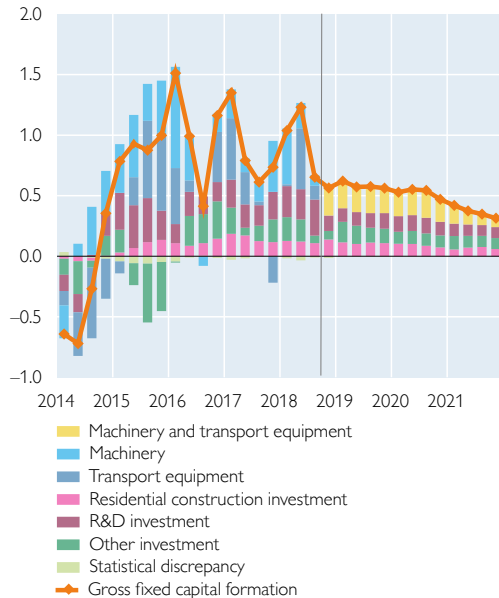
Financing conditions for business investment have remained very favorable so far. Growth of corporate lending by domestic financial institutions accelerated visibly of late, reaching 6.2% in September. In other words, credit growth rates are nearing pre-crisis levels. In the first three quarters of 2018, total corporate debt financing went down, however, as the volume of intra-sector loans and foreign loans went down sharply. At the same time, internal financing was playing an increasing role, supported by strong earnings. The level of corporate indebtedness remained broadly stable, as domestic bank lending has been substituting other forms of corporate finance.

Chart 2

Gross fixed capital formation

Investment growth and contributions to growth

Quarterly change in %, contributions to growth in percentage points



Capacity utilization in manufacturing



Source: Eurostat, OeNB, European Commission.

Table 5

Investment activity in Austria

	2017	2018	2019	2020	2021
<i>Annual change in %</i>					
Total gross fixed capital formation (real)	+3.8	+3.5	+2.6	+2.2	+1.7
of which: investment in plant and equipment	+4.8	+4.1	+2.6	+2.3	+1.7
residential construction investment	+3.3	+3.0	+2.8	+2.3	+1.6
nonresidential construction investment and other investment	+3.1	+2.6	+2.2	+1.8	+1.6
investment in research and development	+3.6	+4.4	+2.8	+2.4	+2.0
public sector investment	+2.4	+1.6	+1.6	+2.6	+1.4
private investment	+4.0	+3.8	+2.7	+2.1	+1.8
<i>Percentage points</i>					
Contribution to the growth or real gross fixed capital formation					
investment in plant and equipment	+1.7	+1.5	+0.9	+0.8	+0.6
residential construction investment	+0.6	+0.5	+0.5	+0.4	+0.3
nonresidential construction investment and other investment	+0.8	+0.6	+0.5	+0.4	+0.4
investment in research and development	+0.8	+0.9	+0.6	+0.5	+0.4
public sector investment	+0.3	+0.2	+0.2	+0.3	+0.2
private investment	+3.5	+3.3	+2.4	+1.9	+1.5
<i>Percentage points</i>					
Contribution to real GDP growth					
Total gross fixed capital formation	+0.9	+0.8	+0.6	+0.5	+0.4
Changes in inventories	+0.3	+0.0	-0.1	+0.0	+0.0
<i>% of nominal GDP</i>					
Investment ratio	23.5	23.8	23.9	24.0	24.0

Source: 2017: WIFO; 2018 to 2021: OeNB December 2018 outlook.

Even though the cycle of equipment investment has been ongoing for a very long period, the high level of capacity utilization would imply that the cycle will not come to an abrupt end. Much rather, it is expected to peter out gradually in the years ahead.

Residential construction investment has been growing at a lively pace, at a cumulative growth rate of close to 6% measured for 2016 and 2017. Growth remained strong also in the first half of 2018. The sharp increase in building permits issued in 2016 (9.1%) and 2017 (6.8%) – which typically lead building completions two years ahead – suggests continued strong growth of residential construction investments in the second half of 2018. For 2018 as a whole, residential construction investment is projected to grow by 3.0%, and the outlook for 2019 is only slightly less strong. Looking further ahead, the declining trend in building permits registered in the first half of 2018 signals weaker construction activity for 2020. As the volume of new housing exceeds demographically declining demand already in 2018 and 2019, demand pressures on the housing market are going to decrease gradually. The civil engineering industry benefited from numerous public infrastructure measures in 2018 and will continue to do so in the years ahead.

4.3 Private consumption to remain a major growth pillar over the forecasting horizon

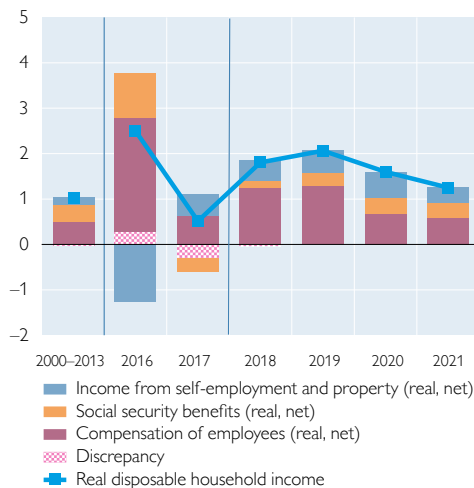
Private consumption has been a key pillar of the Austrian economy. The tax reform of 2016 led to a considerable increase in disposable household income. Together with strong employment growth, these reform measures helped overcome a protracted weakness of consumption. In 2016 and 2017, private consumption increased by 3.1% on balance. In 2018, household income benefited from a further acceleration of employment growth and higher wage settlements than in 2017. On balance, the wage bill will rise by 4.7% in 2018, an increase last seen in 2008. The

Chart 3

Private consumption

Contributions to growth of real disposable net household income

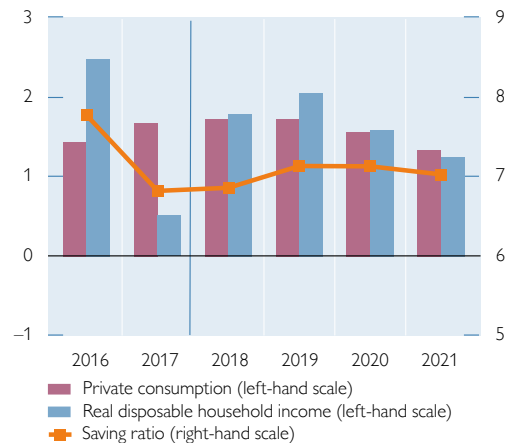
Annual change in %, contributions to growth in percentage points



Source: WIFO, Statistics Austria, OeNB.

Disposable household income, private consumption and saving ratio

Annual change in % % of disposable household income



good economic situation has also supported net mixed income accruing to self-employed households.

In the first two quarters of 2018, quarterly consumption growth remained stable at close to ½%. The prospect of higher prices for new vehicles given higher motor vehicle registration taxation, following a tightening of emission tests in September, had increased demand – above all for cars with high CO₂ emissions – in the run-up to the change. Consequently, the number of new vehicle registrations dropped sharply in September and October, thus also dampening consumption growth in the second half of 2018. Since almost all vehicles bought in Austria are imported, these developments have remained without any impact on domestic output. Real consumption is expected to grow by 1.7% in 2018 as a whole.

New tax relief measures for families with children (Familienbonus Plus) will take effect in January 2019, replacing the current regime of child tax exemption and child care cost deductibility. The new tax relief can be used as a monthly tax credit during payroll accounting, or ex post in the process of tax assessment for employees. Therefore, the full effect of the higher tax relief – EUR 1.2 billion (0.5% of household income) – will not materialize until 2020. In 2019, the effect is estimated to be EUR 800 million.

Together with higher wage increases, the new family tax relief broadly offsets the effect of the gradual decline in employment growth on household income. Hence, private consumption is set to keep growing at solid rates of 1.7% in 2019 and 1.6% in 2020, before decelerating to 1.3% in 2021 amid the expected downturn of the economy.

Box 1

Public finances from 2018 to 2021¹

The general government budget is projected to be balanced in 2018. The marked improvement by 0.8 percentage points in the current year is attributable to the continued strong economy and a further decrease in debt servicing costs. These two effects even more than offset the loosening of fiscal policy in 2018: On the expenditure side, expansionary effects have resulted from increasing labor market subsidies (even though the new government suspended several measures), raising the number of federal government employees, abolishing public long-term care providers' recourse to patients' assets as well as the decoupling of long-term unemployment benefits from partners' incomes. These effects have been reinforced by revenue-side measures: Contributions to the family burden equalization fund have been lowered from 4.1% to 3.9%, and unemployment insurance contributions have been reduced for low-income earners. Moreover, the VAT rate on hotel overnight stays, which had been raised to 13% in April 2016, was cut back to 10%.

The expansionary stance of fiscal policy will be retained in 2019. The key revenue-side measure is the introduction of a higher tax relief for families with children (Familienbonus Plus), which will depress wage tax revenues in 2019 and income tax revenues in 2020. Moreover, the rate for contributions to the accident insurance scheme, which used to be 1.3%, will be lowered to 1.2%. On the expenditure side, spending decreases (related to the phasing out of previous temporary spending increases and cuts of child benefits for children living abroad) will be offset by spending increases (higher research subsidies). Thanks to the continued favorable cyclical and interest rate conditions, the budget balance is nonetheless expected to keep improving slightly both in 2019 and in the years ahead. Based on a no-policy-change assumption, the general government budget deficit will therefore turn into a surplus in 2019 – conditions last seen in the early 1970s.² The impact of tax reform measures announced by the government has not been factored in given the no-policy-change assumption.

The absolute level of indebtedness and hence the debt-to-GDP ratio will go down visibly over the forecasting horizon. In Austria, multi-annual nominal reductions of government debt levels have not been seen since the 1970s. The key underlying factors include successive budget surpluses (following a balanced budget in 2018), the continued reduction of the debt levels of public wind-down vehicles through the sale of assets and the liquidation of cash reserves as well as high nominal GDP growth (as a driver of the debt ratio decrease). By 2021, the debt ratio will stand at around 65% of GDP and thus return to pre-crisis levels.

Already in 2018, the structural budget balance (i.e. following adjustments for cyclical and one-off effects) will correspond to the medium-term objective of -0.5% of GDP (i.e. the country-specific target for the structural deficit agreed with the European Commission). The improvement of 0.3 percentage points compared with the figure for 2017 is largely attributable to the decrease in debt servicing costs. These costs are going down over the forecasting horizon as the absolute debt levels are going down and as interest rates for maturing government debt continue to visibly exceed the interest rate level prevailing over the forecasting horizon. The structural budget balance is set to improve further in 2019 and 2020; based on a no-policy-change assumption, in 2020 Austria might even record a structural budget surplus.

¹ Author: Doris Prammer, Oesterreichische Nationalbank, Economic Analysis Division, doris.prammer@oenb.at.

² There is a lack of broadly comparable time series for government fiscal balance and debt ratios for the period preceding the early 1970s.

Table 6

Determinants of nominal household income and private consumption growth in Austria

	2017	2018	2019	2020	2021
Annual change in %					
Payroll employment	+1.9	+2.2	+1.4	+1.1	+1.0
Wages and salaries per employee	+1.5	+2.5	+2.7	+2.5	+2.1
Compensation of employees	+3.5	+4.7	+4.1	+3.6	+3.1
Property income	+2.5	+6.3	+5.1	+4.6	+4.4
Self-employment income and operating surpluses (net)	+4.6	+3.9	+3.6	+3.6	+3.1
Contribution to household disposable income growth in percentage points					
Compensation of employees	+2.9	+4.0	+3.6	+3.1	+2.7
Property income	+0.3	+0.7	+0.6	+0.5	+0.5
Self-employment income and operating surpluses (net)	+0.8	+0.7	+0.6	+0.6	+0.5
Net transfers less direct taxes ¹	-1.6	-1.6	-0.7	-0.7	-0.7
Annual change in %					
Disposable household income (nominal)	+2.2	+3.9	+4.1	+3.5	+3.1
Consumption deflator	+1.7	+2.0	+2.0	+1.9	+1.8
Disposable household income (real)	+0.5	+1.8	+2.1	+1.6	+1.3
Private consumption (real)	+1.7	+1.7	+1.7	+1.6	+1.3
% of household disposable income growth					
Saving ratio	6.8	6.9	7.1	7.1	7.0
% of nominal GDP					
Consumption ratio	52.0	51.7	51.5	51.4	51.3

Source: 2017: WIFO, Statistics Austria; 2018 to 2021: OeNB December 2018 outlook.

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

5 Unemployment rate expected to decline moderately, to 4.5%, until 2021

When the Austrian economy started to recover in 2016, labor market conditions started to improve as well. Payroll employment levels and above all the number of hours worked, which had been stagnating in previous years, started to climb visibly. Employment growth peaked in early 2018. The annual growth rates for the number of jobs and the number of hours worked reached close to 2¼% in the first quarter of 2018. However, with the economic upturn having peaked in late 2017, the pace of labor market expansion was set to decrease as well, with a typical lag of some two quarters. The employee leasing market, which tends to lead general employment trends, has already seen substantial change. The growth rate of leased employees has dropped by more than half since late 2017. Given that employee leasing is most widespread in the manufacturing industry, declining demand for employee leasing also signals a weakening of the boom in the manufacturing industry – which is an industry characterized by a high ratio of full-time jobs and above-average earnings. Due to the strong momentum at the beginning of the year, payroll employment numbers are expected to increase by 2.2% in 2018 as a whole, which is an increase by as much as 0.3 percentage points on the year. Labor volume growth is projected to reach 2.2% or remain broadly stable (2017: +2.3%). However, the growth rates observed in the course of 2018 have already been signaling weaker employment growth, which will translate into a visibly lower growth path for the remainder of the forecasting horizon in line with expectations for GDP growth. Payroll employment levels are projected to increase by 1.4% in 2019, by 1.1% in 2020 and by 1.0% in 2021, with the number of hours worked increasing by 0.1 percentage point less each year. Moreover, some job losses are in the pipeline as hiring subsidies focusing on reactivating the long-term unemployed (Aktion 20,000) are due to be withdrawn until mid-2019.

The high employment momentum caused Austria's unemployment rate (Eurostat definition) to drop from 6.0% in 2016 to 5.5% in 2017. In 2018 and beyond, the unemployment rate is expected to shrink further – to 4.9% – in 2018.

Further declines in unemployment are expected to remain moderate over the remaining forecasting horizon. The unemployment rate is expected to sink to 4.7% in 2019, remain at 4.7% in 2020 and drop further to 4.5% in 2021. Together with the

Table 7

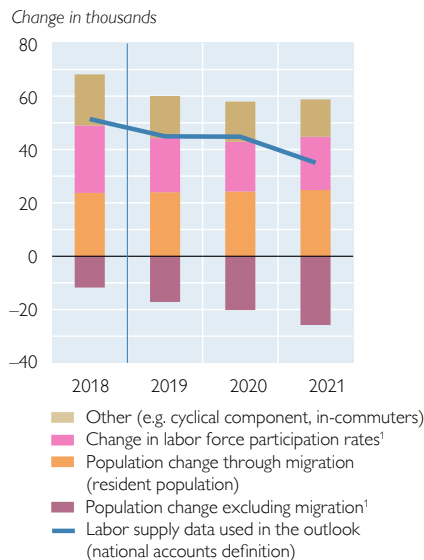
Labor market development in Austria

	2017	2018	2019	2020	2021
<i>Annual change in %</i>					
Total employment (heads)	+1.7	+1.6	+1.1	+1.0	+0.9
Payroll employment	+1.9	+2.2	+1.4	+1.1	+1.0
of which: public sector employees	+1.2	+0.7	+0.3	-0.1	+0.0
Self-employment	+0.3	-1.9	-0.8	+0.0	+0.2
Total hours worked	+2.0	+1.7	+1.0	+0.8	+0.8
Payroll employment	+2.3	+2.2	+1.3	+1.0	+0.9
Self-employment	+0.4	-0.7	-0.2	+0.0	+0.2
Labor supply	+1.2	+1.1	+0.9	+0.9	+0.7
Registered unemployment	-7.7	-8.5	-2.9	-0.2	-2.9
<i>% of labor supply</i>					
Unemployment rate (Eurostat definition)	5.5	4.9	4.7	4.7	4.5

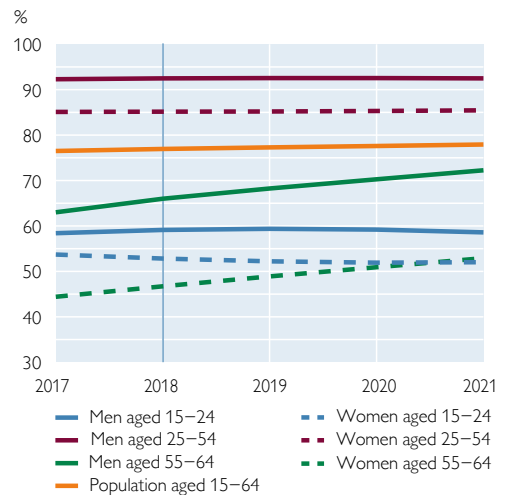
Source: 2017: WIFO, Statistics Austria; 2018 to 2021: OeNB December 2018 outlook.

Structure of labor supply

Contributions to the change in labor supply (resident population)¹



Labor force participation (resident population)¹



Source: Statistics Austria, OeNB.

¹ Resident population: Domestic households according to microcensus data; forecast extrapolated from trend labor force participation rates and the population forecast of Statistics Austria (baseline scenario, November 2018). The labor supply used in the forecast (national accounts definition) may differ from the microcensus-based equivalent.

maturing economic boom, continued strong labor supply growth is working against a stronger easing of labor market conditions. On average, up to 45,000 individuals will be actively joining the Austrian labor market per year in the period from 2018 to 2021 (see chart 4).² Labor supply growth will be fueled by migration, the rising labor force participation rate of older workers and the procyclical response of labor market supply (idle labor capacity). Net migration will hover around close to 25,000 individuals per year. Another 20,000 workers or more are attributable to rising labor force participation rates among older employees in particular. In addition, the activation of idle labor capacity and in-commuters are expected to increase labor supply by close to 15,000 individuals per year. At the same time, demographic change (excluding migration) is going to lower labor supply by 15,000 individuals on average per year over the forecasting horizon. This impact will be particularly pronounced in 2021, with a minus of 25,000, which explains why the employment rate is forecast to drop by 0.2 percentage points despite the weakening economy.

² 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 migrations) and a change in population including immigration (Statistics Austria – baseline forecast minus forecast excluding migration effects). As to immigration, a distinction may be made between “traditional” immigration and immigration motivated by a search for refuge.

6 Austrian inflation to be dampened by oil prices and the maturing economic boom from 2019

Inflation rates went up slightly in Austria during the first three quarters of 2018. Following 2.0% in the first quarter, average HICP inflation gradually climbed to 2.2% in the third quarter. For 2018 as a whole, inflation is expected to come to 2.1%. At the same time, core inflation (HICP excluding energy) decreased from 2.1% in the first quarter to 1.8% in the third quarter of 2018, which is also expected to be the full-year average. The countertrend of core inflation is driven by the contribution to inflation of the energy component, given the rise in commodity prices.

In the first half of 2019, HICP inflation is expected to remain broadly stable at 2.2%, before receding moderately in the second half. This pattern essentially reflects changes in energy prices. The inflation rate of the energy component of the HICP will decline markedly, reflecting the expected drop in oil prices and the base effect related to the latest price increases after the summer of 2019. Domestic drivers of inflation are not going to offset the commodity price-driven decline of inflation in full. Domestic demand and labor cost growth will lead to rising inflation ratios in the wage-intensive service sector and for industrial goods excluding energy. In 2019 as a whole, HICP inflation will run to 2.1%. Thereafter, it is projected to decline slightly to 2.0% in 2020 and 1.9% in 2021.

HICP inflation excluding energy will be driven by the growth of unit labor costs as well as cyclical developments and exceed headline inflation at 2.2% in both 2019 and 2020, and thereafter at 2.0% in 2021.

Austria's inflation differential against Germany as well as the euro area has narrowed in the course of 2018. In October, Austria's inflation rate totaled 2.4%, thus being on a par with inflation in Germany and some 0.2 percentage points

Table 8

Price, cost, productivity and profit indicators for Austria

	2017	2018	2019	2020	2021
<i>Annual change in %</i>					
Harmonised Index of Consumer Prices (HICP)	+2.2	+2.1	+2.1	+2.0	+1.9
HICP energy	+2.9	+5.0	+0.7	-0.3	+0.1
HICP excluding energy	+2.1	+1.8	+2.2	+2.2	+2.0
Private consumption expenditure (PCE) deflator	+1.7	+2.0	+2.0	+1.9	+1.8
Investment deflator	+1.6	+2.1	+1.8	+1.8	+1.7
Import deflator	+2.7	+2.4	+2.2	+2.1	+2.1
Export deflator	+1.8	+1.7	+2.1	+2.1	+2.0
Terms of trade	-0.9	-0.7	-0.1	+0.0	-0.1
GDP deflator at factor cost	+1.2	+1.7	+1.9	+1.9	+1.7
Collective wage and salary settlements	+1.5	+2.6	+2.9	+2.7	+2.4
Compensation per employee	+1.5	+2.5	+2.7	+2.5	+2.1
Hourly compensation per employee	+1.1	+2.4	+2.8	+2.6	+2.2
Labor productivity per employee	+1.0	+1.0	+0.8	+0.9	+0.8
Labor productivity per hour	+0.7	+1.0	+0.9	+1.0	+0.9
Unit labor costs	+0.5	+1.4	+1.8	+1.6	+1.4
Profit margins ¹	+0.7	+0.2	+0.1	+0.3	+0.3

Source: 2017: WIFO, Statistics Austria; 2018 to 2021: OeNB December 2018 outlook.

¹ GDP deflator divided by unit labor costs.

above euro area inflation. Higher inflation in the Austrian service sector will keep Austria's inflation differential against Germany and the euro area average positive in 2019 and 2020, but the differential will be visibly smaller than in previous years. By 2021 the inflation gap will have closed more or less in both instances. Drivers include the fact that Germany has been suffering a higher labor shortage than Austria, which leads to higher wage settlements than in Austria.

Wages subject to collective agreements are set to go up by 2.6% in 2018. Given a projected HICP inflation rate of 2.1 %, this implies small real wage gains of 0.5%, which will, however, offset only some of the losses registered in 2017 (−0.7%).

The wage rounds for 2019 were off to a bumpy start. In view of the maturing economic boom, continued high inflation and stable productivity growth, the negotiations closed with a deal of +3.5% for collective wages for the metals industry and +2.8% for public sector employees. On average, collective wages are expected to rise by 2.9% – i.e. by 0.7 percentage points above the HICP inflation rate for 2018, which served as one of the starting points of the negotiations. This difference is slightly below the growth expectations for hourly productivity of 0.9% in 2019. Wage settlements are expected to be above the inflation rate in 2020 and 2021 too. Thus, gross real wage gains will remain positive over the entire forecasting horizon, but below the level of the productivity gains. Given the fact that the unemployment rate continues to be above historical averages, the wage share of GDP will drop slightly over the forecasting horizon. Upside risks to the wage projections stem from skills shortages reported by more and more companies.

The wage drift – the difference between the collectively agreed increase in wages and the increase in actual wages – will be negative in the forecasting period from 2019 to 2021. The maturing boom in manufacturing and assumptions of a rising ratio of part-time employees have a stronger impact than rising overpayments in sectors with labor shortages.

Table 9

Compensation of employees

	2017	2018	2019	2020	2021
<i>Annual change in %</i>					
Gross wages and salaries¹					
In nominal terms	+3.5	+4.7	+4.1	+3.6	+3.1
Consumption deflator	+1.7	+2.0	+2.0	+1.9	+1.8
In real terms	+1.8	+2.6	+2.1	+1.7	+1.3
Collectively agreed wages and salaries¹	+1.5	+2.6	+2.9	+2.7	+2.4
Wage drift	+0.0	−0.1	−0.2	−0.2	−0.2
Compensation per employee					
Gross ² compensation (nominal)	+1.5	+2.5	+2.7	+2.5	+2.1
Gross compensation (real)	−0.2	+0.4	+0.7	+0.6	+0.3
Compensation per hour worked					
Gross compensation (nominal)	+1.1	+2.4	+2.8	+2.6	+2.2
Gross compensation (real)	−0.6	+0.4	+0.8	+0.7	+0.4
<i>% of nominal GDP</i>					
Wage share	47.4	47.5	47.6	47.5	47.4

Source: 2017: WIFO, Statistics Austria; 2018 to 2021: OeNB December 2018 outlook.

¹ Overall economy.

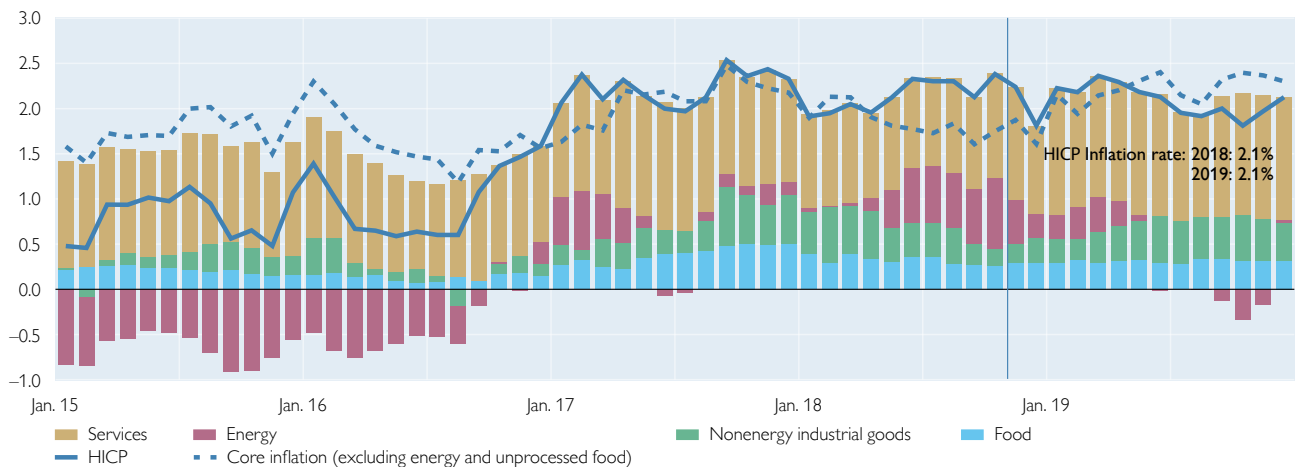
² Including employers' social security contributions.

Chart 5

Contributions to Austrian HICP inflation and core inflation

Annual change in % (inflation) and percentage points (contributions to inflation)

Forecast: November 2018 to December 2019



Source: Statistics Austria, OeNB.

7 Increased external forecast risks

The *external risks* to the growth outlook are tilted toward the downside. The latest economic slowdown in the euro area, and in Germany in particular, is considered to be a temporary phenomenon in the context of new vehicle emission tests. If the constraints should not remain limited to the third quarter of 2018, as assumed, the short-term outlook for euro area growth would have to be revised downward. In addition, a number of political risk factors come into play, such as the future stance of U.S. trade policies. A further escalation of the trade dispute with China cannot be ruled out, and the same holds true for renewed trade tensions with the EU. In Europe, uncertainty prevails with regard to the economic policy course of the Italian government, which may lead to a conflict with the European Commission, as well as with regard to the Brexit negotiations.

Domestic risks, in contrast, appear broadly balanced in sum. Businesses have been increasingly reporting skills shortages as a production-limiting factor, as is also evident from the growing list of shortage occupations. This phenomenon is not limited to Austria, though, but a common phenomenon experienced by many European trading partners. In other words, it may become increasingly difficult to offset labor shortages with labor migration. Furthermore, the current projections do not reflect the comprehensive tax reform package that the government has announced to adopt in 2020; these measures constitute upside risks to the economic outlook.

Austrian export growth has been very robust in the year to date, notwithstanding the economic doldrums in Germany, Austria's key export market. However, it cannot be ruled out that lagged effects of the temporary production setback in the German automobile market may constitute a bigger-than-expected burden for the Austrian export industry at the start of the forecasting horizon.

Investment activities also continue to be fraught with major uncertainty. On the one hand, as assumed in the projections, the exceptional length and strength of the current investment cycle would imply that the cycle is nearing completion. On the

other hand, companies have been reporting above-average capacity utilization, thus signaling continued need for extension investment. Finally, residential construction investment is also subject to upside risks, given the acute need for housing and continued favorable financing conditions.

The risks surrounding the outlook for *inflation* are also tilted toward the upside. Crude oil prices have been very volatile as of late, dropping sharply in recent weeks. The path for oil prices implied by forward markets might turn out to have therefore been underestimated, as has happened occasionally in the past. Over the medium term, upside risks to wage developments stem from the incipient labor shortages.

8 Downward revision of the outlook for 2018 and 2019

The external environment has deteriorated slightly since the OeNB June 2018 outlook. While global economic activity continues to be broadly stable, international trade is set to weaken. The trade conflict between the U.S.A. and China will dampen international trade throughout the forecasting horizon, without having immediate adverse repercussions for Austria – provided that the conflict remains geographically limited. Mechanically speaking, the lower import growth of the U.S.A. – and to a lesser extent – of China leads to a slight downward revision of growth expectations for Austria’s export markets compared with the June outlook, but at the same time the imposed import tariffs stand to improve the price competitiveness of Austrian exporters. However, since the exceptionally strong import growth in some CESEE countries had to be revised downward somewhat, the projected contributions of export demand to GDP growth in 2019 turned out to be 0.2 percentage points of GDP lower than in the June 2018 outlook.

The nominal figures remained broadly unchanged compared with the June 2018 outlook. Markets currently expect oil prices to reach USD 67.5 per barrel Brent in 2019, about USD 6 less than the level projected in June. However, the depreciation of the euro against the U.S. dollar by close to 5 cent weakens the decline of oil prices in euro to less than EUR 3. Short-term and long-term interest rates were again revised downward slightly, thus supporting investment growth.

On balance, the revised assumptions left the growth projections for 2019 unchanged while yielding a slight upward revision for 2020.

Table 11 provides a detailed overview of the reasons for which revisions were made to the outlook. Apart from the impact of changed external assumptions, the revisions are attributable to the impact of new data and a residual. The influence of new data includes the effects of the revisions of both the historical data already available at the time of the OeNB’s June 2018 economic outlook (i.e. data up to the first quarter of 2018) and the forecasting errors of the previous outlook for the periods now published for the first time (i.e. data for the second and third quarters of 2018). The residual includes new expert assessments regarding domestic variables, such as government consumption or wage settlements, as well as any changes to the forecasting model.

For 2018, GDP growth has been revised downward by 0.4 percentage points. The bulk of this change (0.3 percentage points) is attributable to revisions of historical data. More current national accounts data that were not yet available at the time the June 2018 outlook was compiled provide a new look at the economy. According to the new data, growth dynamics appear to have been visibly stronger

Table 10

Change in external economic conditions since the June 2018 outlook

	December 2018				June 2018			Difference		
	2018	2019	2020	2021	2018	2019	2020	2018	2019	2020
	<i>Annual change in %</i>									
Growth of Austria's export markets	+4.0	+4.2	+4.2	+3.8	+4.7	+4.8	+4.1	-0.7	-0.6	+0.1
Competitor prices on Austria's export markets	+0.6	+2.9	+2.1	+2.0	+0.4	+2.3	+2.0	+0.2	+0.6	+0.1
Competitor prices on Austria's import markets	+0.6	+2.3	+1.9	+2.0	+0.6	+2.1	+1.8	+0.0	+0.2	+0.1
	<i>USD per barrel (Brent)</i>									
Oil price	71.8	67.5	66.8	65.9	74.5	73.5	68.7	-2.7	-6.0	-1.9
	<i>Annual change in %</i>									
Nominal effective exchange rate (exports)	-2.2	+0.1	+0.0	+0.0	-1.9	+0.0	+0.0	-0.3	+0.1	+0.0
Nominal effective exchange rate (imports)	-1.3	+0.0	+0.0	+0.0	-1.1	+0.0	+0.0	-0.2	+0.0	+0.0
	%									
Three-month interest rate	-0.3	-0.3	0.0	0.3	-0.3	-0.2	0.2	+0.0	-0.1	-0.2
Long-term interest rate	0.7	0.9	1.1	1.3	0.8	1.0	1.3	-0.1	-0.1	-0.2
	<i>Annual change in %</i>									
U.S. GDP (real)	+2.9	+2.5	+2.0	+1.8	+2.8	+2.5	+2.1	+0.1	+0.0	-0.1
	<i>USD/EUR</i>									
USD/EUR exchange rate	1.18	1.14	1.14	1.14	1.20	1.18	1.18	-0.02	-0.04	-0.04

Source: Eurosystem.

Table 11

Breakdown of revisions to the outlook

	GDP			HICP		
	2018	2019	2020	2018	2019	2020
	<i>Annual change in %</i>					
December 2018 outlook	+2.7	+2.0	+1.9	+2.1	+2.1	+2.0
June 2018 outlook	+3.1	+2.1	+1.7	+2.2	+2.0	+1.9
Difference	-0.4	-0.1	+0.2	-0.1	+0.1	+0.1
Caused by:	<i>Percentage points</i>					
External assumptions	+0.0	+0.0	+0.2	-0.1	+0.0	+0.0
New data ¹	-0.4	-0.1	+0.0	+0.0	x	x
<i>of which: revisions to historical data up to Q1 18</i>	-0.3	x	x	+0.0	x	x
<i>projection errors for Q2 17 and Q3 18</i>	-0.1	-0.1	x	+0.0	+0.0	+0.0
Other changes ²	+0.0	+0.0	+0.0	+0.0	+0.1	+0.1

Source: OeNB December 2018 and June 2018 outlooks.

¹ „New data“ refer to data on GDP and/or inflation that have become available since the publication of the preceding OeNB outlook.² Different assumptions about trends in domestic variables such as wages, government consumption, effects of tax measures, other changes in assessments and model changes.

Note: Due to rounding, the sum of growth contributions subject to individual revisions may differ from the total revision.

at the start of the current cycle, in 2016, but weaker in 2017 and 2018 than initially shown. However, the underlying strength of the economy in the period from 2016 to 2018 remains unaffected by these revisions. Moreover, the projections for GDP growth for the second and the third quarters of 2018 turned out to be too optimistic, which explains 0.1 percentage point of the revision for 2018. A carry-over effect stemming from the weaker growth rates in the second and third quarters of 2018

add another 0.1 percentage point to the downward revision of GDP growth by 0.1 percentage point for 2019. In sum, the changes in external conditions have had a neutral impact on the growth projections for 2019 whereas the forecast for 2020 has been revised upward by 0.2 percentage points.

The projections for HICP inflation have remained broadly unchanged compared with the June 2018 outlook. The June figure was revised downward by 0.1 percentage point for 2018, essentially on account of the lower oil prices, which impacted

Table 12

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

	Actual figures	December 2018			Revision since December 2018 outlook		
		2017	2018	2019	2020	2018	2019
Economic activity							
<i>Annual change in % (real)</i>							
Gross domestic product (GDP)	+2.7	+2.7	+2.0	+1.9	-0.4	-0.1	+0.2
Private consumption	+1.7	+1.7	+1.7	+1.6	+0.2	+0.3	+0.3
Government consumption	+1.5	+1.8	+1.5	+1.2	-0.1	+0.1	+0.0
Gross fixed capital formation	+3.8	+3.5	+2.6	+2.2	+0.0	+0.3	+0.2
Exports of goods and services	+4.6	+4.2	+3.8	+4.0	-0.7	-0.4	+0.1
Imports of goods and services	+4.4	+2.7	+3.6	+3.8	-1.1	+0.0	+0.2
<i>% of nominal GDP</i>							
Current account balance	+1.9	+2.1	+2.4	+2.6	-0.2	+0.0	-0.1
Contribution to real GDP growth							
<i>Percentage points</i>							
Private consumption	+0.9	+0.9	+0.9	+0.8	+0.1	+0.2	+0.2
Government consumption	+0.3	+0.3	+0.3	+0.2	-0.1	+0.0	+0.0
Gross fixed capital formation	+0.9	+0.8	+0.6	+0.5	+0.0	+0.1	+0.0
Domestic demand (excluding changes in inventories)	+2.0	+2.1	+1.8	+1.6	+0.1	+0.3	+0.3
Net exports	+0.3	+0.9	+0.3	+0.3	+0.1	-0.2	-0.1
Changes in inventories (including statistical discrepancy)	+0.4	-0.3	-0.1	+0.0	-0.7	-0.1	+0.0
Prices							
<i>Annual change in %</i>							
Harmonised Index of Consumer Prices (HICP)	+2.2	+2.1	+2.1	+2.0	-0.1	+0.1	+0.1
Private consumption expenditure (PCE) deflator	+1.7	+2.0	+2.0	+1.9	-0.1	+0.1	+0.0
GDP deflator	+1.3	+1.7	+2.0	+1.9	-0.2	+0.0	+0.0
Unit labor costs (whole economy)	+0.5	+1.4	+1.8	+1.6	-0.1	+0.3	+0.2
Compensation per employee (at current prices)	+1.5	+2.5	+2.7	+2.5	-0.2	+0.3	+0.3
Compensation per hour worked (at current prices)	+1.1	+2.4	+2.8	+2.6	-0.1	+0.4	+0.3
Import prices	+2.7	+2.4	+2.2	+2.1	+0.5	+0.1	+0.0
Export prices	+1.8	+1.7	+2.1	+2.1	+0.1	+0.0	+0.1
Terms of trade	-0.9	-0.7	-0.1	+0.0	-0.4	-0.1	+0.0
Income and savings							
Real disposable household income	+0.5	+1.8	+2.1	+1.6	+0.2	+0.4	+0.3
<i>% of nominal disposable household income</i>							
Saving ratio	6.8	6.9	7.1	7.1	+0.4	+0.5	+0.5
Labor market							
<i>Annual change in %</i>							
Payroll employment	+1.9	+2.2	+1.4	+1.1	+0.0	+0.0	+0.0
Hours worked (payroll employment)	+2.3	+2.2	+1.3	+1.0	-0.2	+0.0	+0.0
<i>% of labor supply</i>							
Unemployment rate (Eurostat definition)	5.5	4.9	4.7	4.7	-0.1	-0.2	-0.2
<i>% of nominal GDP</i>							
Budget balance (Maastricht definition)	-0.8	+0.0	+0.1	+0.4	+0.0	-0.1	+0.0
Government debt	78.3	74.1	70.7	67.5	0.0	0.1	0.0

Source: 2017 (actual figures): WIFO, Statistics Austria, OeNB; OeNB June 2018 and December 2018 outlooks.

above all the energy component of the HICP. In contrast, the inflation projections for 2019 and 2020 were revised upward by 0.1 percentage point each on account of stronger wage growth.

Annex: detailed result tables

Table 13

Demand components (real)

Chained volume data (reference year = 2010)

	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
	EUR million					Annual change in %				
Private consumption	167,372	170,272	173,225	175,955	178,317	1.7	1.7	1.7	1.6	1.3
Government consumption	64,187	65,313	66,295	67,097	67,945	1.5	1.8	1.5	1.2	1.3
Gross fixed capital formation	76,987	79,704	81,743	83,543	84,985	3.8	3.5	2.6	2.2	1.7
<i>of which: investment in plant and equipment</i>	27,560	28,691	29,446	30,134	30,645	4.8	4.1	2.6	2.3	1.7
<i>residential construction investment</i>	13,809	14,218	14,610	14,941	15,183	3.3	3.0	2.8	2.3	1.6
<i>nonresidential construction investment and other investment</i>	19,456	19,956	20,390	20,756	21,095	3.1	2.6	2.2	1.8	1.6
Changes in inventories (including statistical discrepancy)	6,041	4,991	4,652	4,643	4,659					
Domestic demand	314,586	320,280	325,915	331,238	335,906	2.6	1.8	1.8	1.6	1.4
Exports of goods and services	188,355	196,251	203,687	211,806	219,612	4.6	4.2	3.8	4.0	3.7
Imports of goods and services	175,093	179,895	186,331	193,415	200,078	4.4	2.7	3.6	3.8	3.4
Net exports	13,262	16,355	17,355	18,391	19,534					
Gross domestic product	327,847	336,635	343,270	349,628	355,440	2.7	2.7	2.0	1.9	1.7

Source: 2017: Eurostat; 2018 to 2021: OeNB December 2018 outlook.

Table 14

Demand components (nominal)

	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
	EUR million					Annual change in %				
Private consumption	192,682	200,035	207,528	214,781	221,650	+3.4	+3.8	+3.7	+3.5	+3.2
Government consumption	72,330	75,202	78,004	80,551	83,096	+3.0	+4.0	+3.7	+3.3	+3.2
Gross fixed capital formation	87,185	92,204	96,273	100,128	103,601	+5.5	+5.8	+4.4	+4.0	+3.5
Changes in inventories (including statistical discrepancy)	5,091	4,073	4,283	4,254	4,250	x	x	x	x	x
Domestic demand	357,289	371,513	386,088	399,713	412,597	+4.3	+4.0	+3.9	+3.5	+3.2
Exports of goods and services	199,215	211,010	223,607	237,501	251,286	+6.4	+5.9	+6.0	+6.2	+5.8
Imports of goods and services	185,720	195,328	206,818	219,219	231,570	+7.2	+5.2	+5.9	+6.0	+5.6
Net exports	13,494	15,682	16,788	18,283	19,716	x	x	x	x	x
Gross domestic product	370,783	387,195	402,876	417,996	432,313	+4.1	+4.4	+4.0	+3.8	+3.4

Source: 2017: Eurostat; 2018 to 2021: OeNB December 2018 outlook.

Table 15

Demand components (deflators)

	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
	2010 = 100					Annual change in %				
Private consumption	115.1	117.5	119.8	122.1	124.3	+1.7	+2.0	+2.0	+1.9	+1.8
Government consumption	112.7	115.1	117.7	120.0	122.3	+1.5	+2.2	+2.2	+2.0	+1.9
Gross fixed capital formation	113.2	115.7	117.8	119.8	121.9	+1.6	+2.1	+1.8	+1.8	+1.7
Domestic demand (excluding changes in inventories)	114.1	116.5	118.8	121.1	123.3	+1.6	+2.1	+2.0	+1.9	+1.8
Exports of goods and services	105.8	107.5	109.8	112.1	114.4	+1.8	+1.7	+2.1	+2.1	+2.0
Imports of goods and services	106.1	108.6	111.0	113.3	115.7	+2.7	+2.4	+2.2	+2.1	+2.1
Terms of trade	99.7	99.0	98.9	98.9	98.9	-0.9	-0.7	-0.1	+0.0	-0.1
Gross domestic product	113.1	115.0	117.4	119.6	121.6	+1.3	+1.7	+2.0	+1.9	+1.7

Source: 2017: Eurostat; 2018 to 2021: OeNB December 2018 outlook.

Table 16

Labor market

	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
	Thousands					Annual change in %				
Total employment	4,415.3	4,487.9	4,539.1	4,583.8	4,625.0	+1.7	+1.6	+1.1	+1.0	+0.9
of which: private sector	3,672.6	3,739.7	3,788.4	3,833.6	3,874.8	+1.8	+1.8	+1.3	+1.2	+1.1
Payroll employment (national accounts definition)	3,862.2	3,945.5	4,001.2	4,045.8	4,086.4	+1.9	+2.2	+1.4	+1.1	+1.0
	% of labor supply									
Unemployment rate (Eurostat definition)	5.5	4.9	4.7	4.7	4.5	x	x	x	x	x
	EUR per real unit of output x 100									
Unit labor costs (whole economy) ¹	61.3	62.2	63.3	64.3	65.2	+0.5	+1.4	+1.8	+1.6	+1.4
	EUR thousand per employee									
Labor productivity (whole economy) ²	74.3	75.0	75.6	76.3	76.9	+1.0	+1.0	+0.8	+0.9	+0.8
	EUR thousand									
Compensation per employee (real) ³	39.5	39.7	40.0	40.2	40.3	-0.2	+0.4	+0.7	+0.6	+0.3
	At current prices in EUR thousand									
Compensation per employee (gross)	45.5	46.6	47.9	49.1	50.1	+1.5	+2.5	+2.7	+2.5	+2.1
	At current prices in EUR million									
Total gross compensation of employees	175,839	184,051	191,624	198,527	204,763	+3.5	+4.7	+4.1	+3.6	+3.1

Source: 2017: Eurostat; 2018 to 2021: OeNB December 2018 outlook.

¹ Gross wages and salaries divided by real GDP.² Real GDP divided by total employment.³ Gross wages and salaries per employee divided by private consumption expenditure deflator.

Table 17

Current account

	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
	EUR million					% of nominal GDP				
Balance of trade	11,023.0	13,131.0	14,280.7	15,225.7	16,639.0	3.0	3.4	3.5	3.6	3.8
Balance of goods	871.0	2,013.1	2,910.8	3,722.0	4,375.6	0.2	0.5	0.7	0.9	1.0
Balance of services	10,152.0	11,118.0	11,369.9	11,503.7	12,263.4	2.7	2.9	2.8	2.8	2.8
Balance of primary income	-982.0	-1,319.0	-800.0	-800.0	-800.0	-0.3	-0.3	-0.2	-0.2	-0.2
Balance of secondary income	-2,823.0	-3,790.0	-3,724.0	-3,724.0	-3,724.0	-0.8	-1.0	-0.9	-0.9	-0.9
Current account balance	7,218.0	8,022.0	9,756.7	10,701.7	12,115.0	1.9	2.1	2.4	2.6	2.8

Source: 2017: Eurostat; 2018 to 2021: OeNB December 2018 outlook.

Quarterly outlook results

	2018	2019	2020	2021	2018				2019				2020				2021			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Prices, wages and costs	<i>Annual change in %</i>																			
HICP	+2,1	+2,1	+2,0	+1,9	+2,0	+2,1	+2,2	+2,1	+2,3	+2,2	+2,0	+2,0	+1,9	+2,0	+2,1	+1,9	+1,9	+1,9	+1,9	+1,8
HICP excluding energy	+1,8	+2,2	+2,2	+2,0	+2,1	+1,8	+1,7	+1,7	+2,1	+2,3	+2,2	+2,4	+2,1	+2,3	+2,3	+2,1	+2,0	+2,0	+2,1	+2,0
Private consumption expenditure deflator	+2,0	+2,0	+1,9	+1,8	+2,0	+2,1	+2,1	+2,1	+2,0	+2,0	+1,9	+1,9	+1,9	+1,9	+1,9	+1,9	+1,9	+1,8	+1,8	+1,8
Gross fixed capital formation deflator	+2,1	+1,8	+1,8	+1,7	+2,0	+2,2	+2,2	+2,2	+2,0	+1,8	+1,7	+1,7	+1,7	+1,8	+1,8	+1,8	+1,8	+1,7	+1,7	+1,7
GDP deflator	+1,7	+2,0	+1,9	+1,7	+1,4	+1,6	+1,8	+2,1	+2,1	+2,1	+2,1	+1,8	+1,8	+1,8	+1,9	+1,9	+1,9	+1,8	+1,7	+1,6
Unit labor costs	+1,4	+1,8	+1,6	+1,4	+0,9	+1,4	+1,6	+1,8	+2,0	+1,9	+1,9	+1,6	+1,5	+1,6	+1,6	+1,6	+1,5	+1,4	+1,3	+1,2
Nominal wages per employee	+2,5	+2,7	+2,5	+2,1	+2,1	+2,5	+2,5	+2,6	+2,6	+2,7	+2,8	+2,6	+2,5	+2,5	+2,5	+2,4	+2,3	+2,2	+2,0	+1,9
Productivity	+1,0	+0,8	+0,9	+0,8	+1,3	+1,1	+0,9	+0,8	+0,6	+0,8	+0,9	+1,0	+0,9	+0,9	+0,8	+0,8	+0,8	+0,8	+0,8	+0,7
Real wages per employee	+0,4	+0,7	+0,6	+0,3	+0,2	+0,5	+0,4	+0,6	+0,6	+0,7	+0,8	+0,7	+0,6	+0,6	+0,6	+0,5	+0,5	+0,3	+0,2	+0,1
Import deflator	+2,4	+2,2	+2,1	+2,1	+1,3	+2,2	+3,1	+2,9	+2,5	+2,1	+2,1	+2,2	+2,2	+2,2	+2,1	+2,0	+2,1	+2,1	+2,2	+2,1
Export deflator	+1,7	+2,1	+2,1	+2,0	+1,2	+1,5	+1,9	+2,0	+2,1	+2,0	+2,1	+2,2	+2,2	+2,2	+2,1	+2,1	+2,1	+2,1	+2,0	+1,9
Terms of trade	-0,7	-0,1	+0,0	-0,1	-0,1	-0,7	-1,2	-0,9	-0,4	-0,1	+0,0	+0,0	+0,0	+0,0	+0,1	+0,1	+0,0	-0,1	-0,2	
Economic activity	<i>Annual and/or quarterly changes in % (real)</i>																			
GDP	+2,7	+2,0	+1,9	+1,7	+0,8	+0,6	+0,4	+0,4	+0,5	+0,5	+0,5	+0,5	+0,5	+0,4	+0,4	+0,4	+0,4	+0,4	+0,4	+0,4
Private consumption	+1,7	+1,7	+1,6	+1,3	+0,5	+0,5	+0,3	+0,3	+0,5	+0,5	+0,5	+0,4	+0,4	+0,3	+0,3	+0,3	+0,3	+0,3	+0,3	+0,3
Government consumption	+1,8	+1,5	+1,2	+1,3	+0,6	+0,5	+0,5	+0,5	+0,3	+0,3	+0,3	+0,3	+0,3	+0,3	+0,3	+0,3	+0,3	+0,3	+0,3	+0,3
Gross fixed capital formation	+3,5	+2,6	+2,2	+1,7	+1,0	+1,2	+0,7	+0,6	+0,6	+0,6	+0,6	+0,6	+0,5	+0,6	+0,5	+0,5	+0,4	+0,4	+0,3	+0,3
Exports	+4,2	+3,8	+4,0	+3,7	+0,9	+0,7	+0,7	+0,8	+1,1	+1,1	+1,0	+1,0	+1,0	+0,9	+0,9	+0,9	+0,9	+0,9	+0,9	+0,9
Imports	+2,7	+3,6	+3,8	+3,4	+0,7	+0,7	+0,4	+0,8	+1,1	+1,0	+0,9	+0,9	+0,9	+0,9	+0,9	+0,9	+0,8	+0,8	+0,8	+0,8
	<i>Contribution to real GDP growth in percentage points</i>																			
Domestic demand	+2,1	+1,8	+1,6	+1,3	+0,6	+0,6	+0,4	+0,4	+0,5	+0,4	+0,4	+0,4	+0,4	+0,4	+0,4	+0,3	+0,3	+0,3	+0,3	+0,3
Net exports	+0,9	+0,3	+0,3	+0,3	+0,2	+0,0	+0,2	+0,0	+0,0	+0,1	+0,1	+0,1	+0,1	+0,0	+0,1	+0,1	+0,1	+0,1	+0,1	+0,1
Changes in inventories	-0,3	-0,1	+0,0	+0,0	+0,0	-0,1	-0,2	+0,0	+0,0	+0,0	+0,0	+0,0	+0,0	+0,0	+0,0	+0,0	+0,0	+0,0	+0,0	+0,0
Labor market	<i>% of labor supply</i>																			
Unemployment rate (Eurostat definition)	4,9	4,7	4,7	4,5	5,0	4,7	4,9	4,8	4,8	4,7	4,7	4,7	4,6	4,7	4,7	4,7	4,6	4,5	4,5	4,4
	<i>Annual and/or quarterly changes in %</i>																			
Total employment	+1,6	+1,1	+1,0	+0,9	+0,3	+0,4	+0,3	+0,3	+0,3	+0,3	+0,3	+0,3	+0,3	+0,2	+0,2	+0,2	+0,2	+0,2	+0,2	+0,2
of which: private sector	+1,8	+1,3	+1,2	+1,1	+0,3	+0,5	+0,3	+0,3	+0,3	+0,3	+0,3	+0,3	+0,3	+0,3	+0,3	+0,2	+0,3	+0,3	+0,3	+0,3
Payroll employment	+2,2	+1,4	+1,1	+1,0	+0,6	+0,5	+0,4	+0,4	+0,3	+0,3	+0,3	+0,3	+0,3	+0,3	+0,2	+0,2	+0,3	+0,2	+0,2	+0,2
Additional variables	<i>Annual and/or quarterly changes in % (real)</i>																			
Disposable household income	+1,8	+2,1	+1,6	+1,3	+0,5	+0,7	+0,4	+0,6	+0,7	+0,4	+0,4	+0,4	+0,4	+0,4	+0,4	+0,3	+0,3	+0,3	+0,2	+0,2
	<i>% of real GDP</i>																			
Output gap	0,9	0,7	0,5	0,3	0,9	1,0	0,8	0,7	0,7	0,7	0,7	0,7	0,6	0,6	0,5	0,4	0,4	0,3	0,3	0,2

Source: OeNB December 2018 outlook. Quarterly values based on seasonally and working day-adjusted data.

Table 19

Comparison of current economic forecasts for Austria

	OeNB				WIFO		IHS		OECD			IMF		European Commission		
	December 2018				October 2018		October 2018		November 2018			October 2018		November 2018		
	2018	2019	2020	2021	2018	2019	2018	2019	2018	2019	2020	2018	2019	2018	2019	2020
Main results	<i>Annual change in %</i>															
GDP (real)	+2.7	+2.0	+1.9	+1.7	+3.0	+2.0	+2.7	+1.7	+2.6	+1.9	+1.9	+2.8	+2.2	+2.7	+2.0	+1.8
Private consumption (real)	+1.7	+1.7	+1.6	+1.3	+1.8	+1.7	+1.8	+1.4	+1.8	+1.6	+1.5	x	x	+1.8	+1.6	+1.5
Government consumption (real)	+1.8	+1.5	+1.2	+1.3	+0.8	+0.7	+1.1	+1.0	+0.9	+0.6	+0.5	x	x	+1.2	+0.8	+0.8
Gross fixed capital formation (real)	+3.5	+2.6	+2.2	+1.7	+3.4	+2.7	+3.3	+1.8	+3.4	+2.0	+2.0	x	x	+3.4	+2.5	+2.1
Exports (real)	+4.2	+3.8	+4.0	+3.7	+4.9	+3.7	+4.5	+3.7	+3.9	+3.2	+3.2	+4.1	+3.4	+4.6	+3.7	+3.0
Imports (real)	+2.7	+3.6	+3.8	+3.4	+4.0	+3.5	+3.3	+3.2	+2.3	+2.1	+2.4	+3.4	+3.7	+3.4	+3.3	+2.6
GDP per employee ¹	+1.0	+0.8	+0.9	+0.8	+0.7	+0.7	+0.3	+0.5	+0.9	+0.8	+0.8	x	x	+0.9	+0.9	+1.0
GDP deflator	+1.7	+2.0	+1.9	+1.7	+1.7	+2.1	+1.8	+1.9	+1.6	+1.9	+2.2	+1.9	+1.4	+1.6	+1.9	+1.8
CPI	x	x	x	x	+2.1	+2.1	+2.0	+2.1	x	x	x	x	x	x	x	x
HICP	+2.1	+2.1	+2.0	+1.9	+2.2	+2.2	+2.1	+2.1	+2.1	+2.1	+2.0	+2.0	+2.1	+2.1	+2.1	+2.0
Unit labor costs	+1.4	+1.8	+1.6	+1.4	+1.5	+1.8	+2.1	+2.0	x	x	x	x	x	+1.6	+1.7	+1.4
Payroll employment	+2.2	+1.4	+1.1	+1.0	+2.5	+1.5	+2.4	+1.2	+1.3	+1.2	+1.1	+1.0	+1.1	+1.8	+1.1	+0.8
	<i>% of labor supply</i>															
Unemployment rate (Eurostat definition)	4.9	4.7	4.7	4.5	4.8	4.5	4.9	4.8	4.8	4.5	4.5	5.2	5.1	4.8	4.6	4.4
	<i>% of nominal GDP</i>															
Current account balance	2.1	2.4	2.6	2.8	1.9	2.0	x	x	2.2	2.4	2.8	2.2	1.8	2.0	2.2	2.4
Budget balance (Maastricht definition)	0.0	0.1	0.4	0.5	-0.1	0.2	-0.2	0.1	-0.1	0.3	0.6	-0.2	-0.2	-0.3	0.0	0.1
External assumptions																
Oil price in USD/barrel (Brent)	71.8	67.5	66.8	65.9	74.0	75.0	74.0	77.0	74.1	80.0	80.0	69.4	68.8	75.1	80.6	76.7
Short-term interest rate in %	-0.3	-0.3	0.0	0.3	-0.3	-0.2	-0.3	0.0	-0.3	-0.2	0.2	-0.3	-0.2	-0.3	-0.2	0.2
USD/EUR exchange rate	1.18	1.14	1.14	1.14	1.19	1.15	1.19	1.17	1.18	1.14	1.14	1.19	1.17	1.18	1.15	1.15
	<i>Annual change in %</i>															
Euro area GDP (real)	x	x	x	x	+2.0	+1.6	+2.0	+1.8	+1.9	+1.8	+1.6	+2.0	+1.9	+2.1	+1.9	+1.7
U.S. GDP (real)	+2.9	+2.5	+2.0	+1.8	+2.7	+1.8	+2.8	+2.5	+2.9	+2.7	+2.1	+2.9	+2.5	+2.9	+2.6	+1.9
World GDP (real)	+3.6	+3.3	+3.4	+3.3	x	x	+3.7	+3.6	+3.7	+3.5	+3.5	+3.7	+3.7	+3.7	+3.5	+3.5
World trade	+4.7	+3.7	+3.7	+3.9	x	x	+3.5	+3.0	+3.9	+3.7	+3.7	+4.2	+4.0	+4.1	+3.8	+3.5

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

¹ WIFO: GDP per hour worked.