

Economic recovery aided by coronavirus vaccine rollout

Economic outlook for Austria from 2021 to 2023 (June 2021)

Christian Ragacs, Richard Sellner, Klaus Vondra¹

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The easing of containment measures in view of accelerated COVID-19 vaccination rates have put the Austrian economy back on the road to a strong recovery in mid-2021. In 2020, containment measures had caused real GDP to contract by 6.7% year on year. Looking ahead, the Oesterreichische Nationalbank (OeNB) expects annual GDP growth to bounce back to 3.9% in 2021 and 4.2% in 2022, and to return to a normal growth rate of 1.9% in 2023. Amid the catch-up process in 2021 and 2022, industrial production, goods exports and investment are projected to expand in Austria on account of strong global demand. The key drivers of global demand will be the US economy, which is being powered by massive fiscal stimuli, and the robust global industrial production cycle. Exports from Austria are forecast to increase by 7.1% in 2021, by 6.4% in 2022 and by 3.4% in 2023. Gross capital formation is expected to recover sharply in 2021 (+4.7%). Thereafter, investment growth should go down to 3.3% (2022) and 1.8% (2023) as the investment cycle slows down. Private consumption, which slumped by 9.4% in 2020, is projected to recover fast with 4% growth in 2021 and 5.8% in 2022. This means that private consumption will exceed pre-crisis levels already in the first half of 2022, before slowing down in 2023 (+1.8%). Consumption growth will be driven substantially by dissaving, as the saving ratio is forecast to drop from its peak of 14.4% in 2020 to below 8% in 2023. Amid the economic recovery, the unemployment rate is expected to fall to 4.6% in 2023, from 5.2% in 2021. HICP inflation is projected to rise to 2.0% in 2021, driven by rising commodity prices, and to decelerate to 1.8% in both 2022 and 2023. The general government deficit is projected to improve to 6.9% of GDP (following 8.9% in 2020) and to drop to around 2% of GDP by 2023. The debt ratio, which rose from 83.9% to 85.1% of GDP in 2021, is forecast to start shrinking from 2022 and to amount to close to 82% of GDP in 2023.

1 Summary

With pandemic broadly contained, economy starts reopening

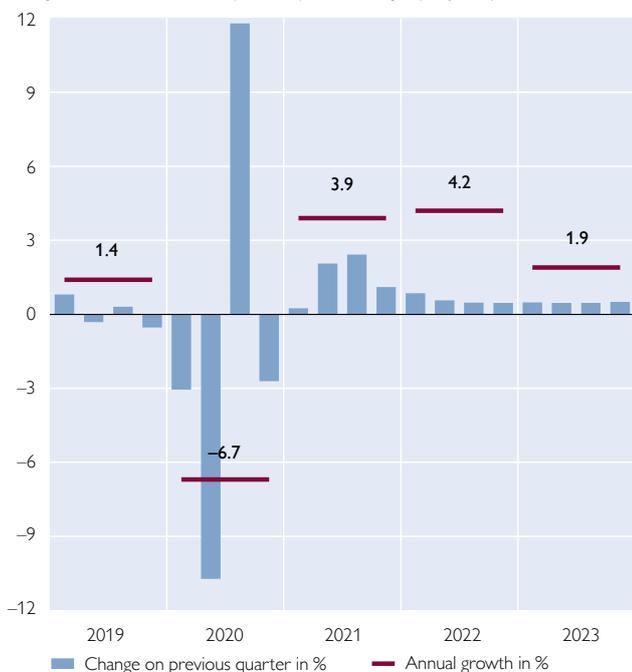
Since COVID-19 infections peaked for the third time in Austria in late March 2021, the incidence of new infections and hence the level of COVID-19 bed occupancy in intensive care units have been declining substantially, as in almost all European countries. At the cutoff date for data for this report, close to 40% of the Austrian population had received at least one dose of a COVID-19 vaccine, and the vaccination rate was rising rapidly. In terms of underlying assumptions, the OeNB's projections are based on the expectation that none of the emerging COVID-19 variants will be resistant to the vaccines, and that the number of available vaccine doses will exceed the number of people willing to get vaccinated against COVID-19 by mid-2021. The broad-based lifting of containment measures in mid-May will be followed by a further easing of measures. Since herd immunity will probably not be achieved before 2022, some containment measures are here to stay in the medium term, but

¹ Oesterreichische Nationalbank, Economic Analysis Division, christian.ragacs@oenb.at, richard.sellner@oenb.at, klaus.vondra@oenb.at. With contributions from Gerhard Fenz, Friedrich Fritzer, Ernest Gnan, Lukas Reiss, Beate Resch, Doris Ritzberger-Grünwald, Mirjam Salish and Alfred Stiglbauer.

Main results of the June 2021 outlook

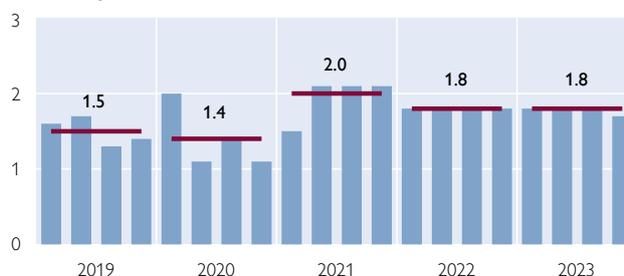
Real GDP growth

Change on previous period in % (seasonally and working day-adjusted)



Harmonised Index of Consumer Prices (HICP)

Annual change in %



Unemployment rate

%



Source: WIFO, Statistics Austria; OeNB June 2021 projections.

the economic impact of those measures will remain limited. In 2022 and 2023, COVID-19 vaccines for all ages will be in plentiful supply, and so will drugs to treat the disease.

Heterogeneous recovery of the global economy

Over the forecast horizon, the development of the global economy will be characterized by a strong recovery from the pandemic, but the pace of the recovery will be mixed across regions. Advanced economies are expected to exceed their pre-crisis levels in the third quarter of 2021 and catch up with the growth path projected before the crisis at the end of 2022. In contrast, the economic output of emerging market economies is going to remain below pre-crisis trends even in the medium term given the slower vaccine rollout. On balance, global economic activity is going to accelerate at a particularly strong rate (6.0%) in 2021, and at a gradually lessening pace thereafter (4.3% in 2022 and 3.5% in 2023). Euro area growth is likewise expected to be robust, with growth rates of 4.6% in 2021, 4.7% in 2022, and 2.1% in 2023.

Goods exports on track for rapid recovery to pre-crisis levels – moderate recovery in tourism

In 2020, Austrian exports slumped by 10.9% on account of the pandemic-related containment measures. Meanwhile, leading indicators for the export industry point to a speedy recovery, driven above all by the strong global industrial production cycle and the robust performance of the US economy. Short-term downward risks

to the projections arise from high commodity prices, supply disruptions for semiconductors and transport delays. In the tourism sector, the number of total overnight stays in 2021 are bound to drop further, given the “loss” of the 2020/21 winter tourist season. The shutdown throughout the winter season will also be one of the main reasons why the 2021 GDP growth rate for Austria (3.9%) remains considerably below the projections for the euro area as a whole (4.6%). Based on these low levels and on the assumption that major pandemic-related restrictions will be a thing of the past, overnight stays are projected to recover substantially in 2022. In sum, exports are forecast to grow by 7.1% in 2021, by 6.4% in 2022 and by 3.4% in 2023.

Easing of containment measures unleashes pent-up consumer demand

The initial easing measures implemented in Austria in mid-May 2021 included the lifting of most supply-side restrictions on consumption. In the wake of these measures, we anticipate a sharp decline of the elevated saving ratio and a strong revival of private consumption on all services that were heavily constrained by the containment measures. Following a sizable contraction by 9.4% in 2020, private consumption is set to recover fast with 4% growth in 2021 and 5.8% in 2022. Once private consumption will have reached pre-crisis levels in the first half of 2022, consumption growth is going to broadly normalize in 2023 at a growth rate of 1.8%. The saving ratio, which peaked at 14.4% in 2020, is forecast to drop to below 8% in 2023. This development is based on the assumption of some post-COVID spending of excess savings. If consumers were to spend larger-than-expected amounts of excess savings accumulated during the pandemic, this might constitute upward risks to the projections for consumption.

Investment bouncing back strongly as well

In the run-up years to the pandemic outbreak, investment was a key pillar of Austria’s economy. In 2020, gross fixed capital formation contracted by 4.8% owing to the high degree of uncertainty. As industrial activity and exports rebounded, capacity utilization has been increasing steadily as well. Apart from meeting pent-up demand following the setback in 2020, domestic companies will therefore also have to invest in expanding their production capacities in the longer run. Investment activity is forecast to grow by a solid 4.7% in 2021, followed by slower growth rates in the years ahead. Specifically, gross fixed capital formation is projected to grow by 3.3% in 2022 and by 1.8% in 2023.

Economic recovery to feed through to the labor market

While hours worked in payroll employment contracted by 9.4% in 2020, the rollout of short-time work was instrumental in preventing an even stronger decline of employment (−2%) and in limiting the rise in unemployment (Eurostat definition) to 5.3% (+0.8 percentage points). Given the broad-based lifting of lockdown measures in Austria in mid-May 2021, we expect the domestic economy to stage a visible recovery, and re-accelerating output to give a boost to employment. Reflecting the very weak first quarter, the number of payroll employment is forecast to rise by 1.2% in 2021. This should be followed by employment growth of 1.6% in 2022 and of 0.9% in 2023. The recovery will be even more pronounced in terms of hours worked, which are expected to rise by 4.7% in 2021, 4.1% in

2022 and 1.7% in 2023. The unemployment rate is forecast to decline from 5.2% in 2021 to 4.6% in 2023.

Temporary rise in inflation in 2021

Based on the OeNB's most recent inflation forecast, we expect HICP inflation to accelerate to 2.0% in 2021 and to amount to 1.8% in both 2022 and 2023. Thus, the current forecast for 2021 exceeds the December 2020 outlook, given above all accelerating commodity prices (for energy and nonenergy commodities). Core inflation, which excludes services and nonenergy industrial goods, is projected to reach 1.6% in 2021. As economic activity recovers, core inflation is expected to rise further to 1.9% in 2022 and to 2.1% in 2023. This development will be driven by both rising demand and the accelerated growth of unit labor costs, given the anticipated improvement of labor market conditions.

Gradual reduction of pandemic-related budget deficit

In 2021, the general government deficit is set to improve to 6.9% of GDP (from 8.9% in 2020), as both the scope of discretionary measures and the effect of automatic stabilizers is going to shrink somewhat compared with 2020. In the following two years, the unwinding of numerous discretionary measures (above all short-time work, fixed cost grants and compensation for forgone revenues) together with the business cycle recovery are going to facilitate a strong improvement of the deficit ratio to about 2% of GDP in 2023. The debt ratio, which stood at 83.9% in 2020, is forecast to rise to 85.1% of GDP in 2021 and to decline from 2022, reaching close to 82% of GDP in 2023.

2 Technical assumptions

2.1 General assumptions

This forecast for the Austrian economy is the OeNB's contribution to the June 2021 Eurosystem staff macroeconomic projections for the euro area. The forecast horizon ranges from the second quarter of 2021 to the fourth quarter of 2023. The cutoff date for all assumptions on the performance of the global economy, interest rates, exchange rates and crude oil prices was May 21, 2021. To prepare these projections, the OeNB used its macroeconomic quarterly model and national accounts data provided by the Austrian Institute of Economic Research (WIFO), as adjusted for seasonal and working-day effects in line with Eurostat requirements. The preliminary national accounts data published by WIFO on April 30 were available for the period ending with the first quarter of 2021.

Demand for Austrian exports is forecast to rebound by 9.3% in 2021, after having contracted by 9.2% in 2020. It is expected to grow by 6.2% in 2022 and by 3.5% in 2023. Short-term interest rates are based on market expectations for the three-month EURIBOR, namely -0.5% for 2021 and 2022, and -0.3% for 2023. Long-term interest rates, which reflect market expectations for ten-year government bonds, are expected to rise from -0.2% in the first quarter of 2021 to 0.6% in the fourth quarter of 2023. In other words, compared with the OeNB's December 2020 outlook, the long-term yield assumptions were revised upward by 0.4 percentage points for 2021, and by 0.6 percentage points each for 2022 and 2023. The exchange rate of the euro vis-à-vis the US dollar is assumed to remain constant

Table 1

OeNB June 2021 outlook for Austria – main results¹

	2020	2021	2022	2023
Economic activity				
<i>Annual change in % (real)</i>				
Gross domestic product (GDP)	-6.7	+3.9	+4.2	+1.9
Private consumption	-9.4	+4.0	+5.8	+1.8
Government consumption	+1.6	+2.1	+0.5	+0.8
Gross fixed capital formation	-4.8	+4.7	+3.3	+1.8
Exports of goods and services	-10.9	+7.1	+6.4	+3.4
Imports of goods and services	-10.0	+7.4	+6.3	+3.0
<i>% of nominal GDP</i>				
Current account balance	2.5	2.1	2.2	2.4
Import-adjusted contributions to real GDP growth²				
<i>Percentage points</i>				
Private consumption	-3.6	+1.4	+2.0	+0.6
Government consumption	+0.3	+0.4	+0.1	+0.1
Gross fixed capital formation	-0.5	+0.6	+0.4	+0.2
Domestic demand (excl. changes in inventories)	-3.8	+2.4	+2.6	+1.0
Exports	-3.5	+2.0	+1.8	+1.0
Changes in inventories (incl. statistical discrepancy)	+0.2	-0.2	+0.1	+0.0
Prices				
<i>Annual change in %</i>				
Harmonised Index of Consumer Prices	+1.4	+2.0	+1.8	+1.8
Private consumption expenditure deflator	+1.1	+2.1	+1.8	+1.7
GDP deflator	+1.2	+2.3	+1.9	+1.6
Unit labor costs (whole economy)	+5.9	-0.6	+0.1	+1.4
Compensation per employee (nominal)	+0.4	+2.2	+2.9	+2.6
Compensation per hour worked (nominal)	+8.8	-1.4	+0.3	+1.8
Import prices	-1.6	+1.6	+1.9	+1.9
Export prices	-0.2	+1.7	+2.0	+1.5
Terms of trade	+1.4	+0.1	+0.1	-0.3
Income and savings				
<i>% of nominal disposable household income</i>				
Real disposable household income	-2.9	+0.6	+2.4	+1.4
<i>% of nominal disposable household income</i>				
Saving ratio	14.4	11.0	8.1	7.8
Labor market				
<i>Annual change in %</i>				
Payroll employment	-2.0	+1.2	+1.6	+0.9
Hours worked (payroll employment)	-9.4	+4.7	+4.1	+1.7
<i>% of labor supply</i>				
Unemployment rate (Eurostat definition)	5.3	5.2	4.8	4.6
Unemployment rate (AMS definition)	10.0	9.0	8.0	7.7
Public finances				
<i>% of nominal GDP</i>				
Budget balance	-8.9	-6.9	-2.8	-2.0
Government debt	83.9	85.1	82.8	81.9

Source: 2020: Statistics Austria; 2021 to 2023: OeNB June 2021 outlook.

¹ The outlook was drawn up on the basis of seasonally and working day-adjusted national accounts data (as available for Q1 21).

² The import-adjusted growth contributions were calculated by offsetting each final demand component with corresponding imports, which were obtained from input-output tables.

at USD/EUR 1.21. The projected path of crude oil prices is based on futures prices, which are trending upward strongly following a major demand-driven setback in 2020. The price of a barrel of Brent crude oil increased substantially from USD 44.5 in the fourth quarter of 2020 to USD 60.1 in the first quarter of 2021.

In line with crude oil futures prices, it is expected to keep rising until mid-2021 (USD 86.2 in the third quarter), before receding to USD 61.1 in the fourth quarter of 2023. The prices of nonenergy commodities are also assumed to move in line with futures prices.

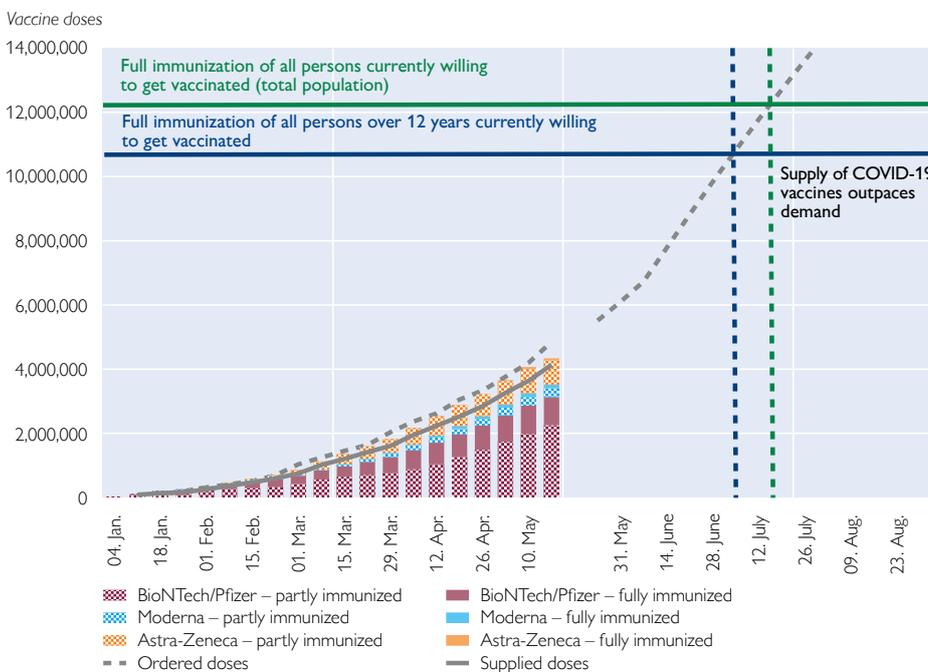
2.2 Pandemic-related assumptions

Since COVID-19 infections peaked for the third time in Austria in late March 2021, the incidence of new infections and hence the level of COVID-19 bed occupancy in intensive care units have been declining substantially, as in almost all European countries. At the cutoff date for data for this report, Austria had a seven-day incidence of 41, and intensive care treatment was required for close to 200 individuals suffering from COVID-19. The rapid decline of COVID-19 infections in spring 2021 was supported by comprehensive containment measures and, ultimately, by the increasing rollout of the COVID-19 vaccination program. While at the start of the year the availability of vaccine doses was still highly limited, the supply of vaccine doses has since been rising continuously. At the cutoff date for data, close to 3.5 million individuals or 39% of the Austrian population had received at least one vaccine dose. Based on the supply of vaccine doses² and current surveys of vaccination preparedness,³ the number of available vaccine doses will exceed the number of people willing to get vaccinated against COVID-19 by summer 2021 at the latest.

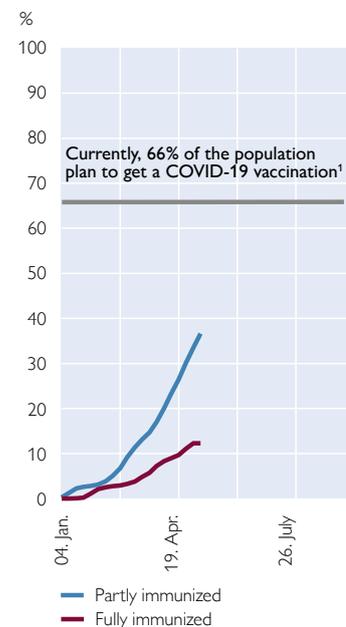
Chart 2

COVID-19 vaccine supply and vaccinations in Austria

Vaccinations



Immunization



Source: Federal Ministry for Social Affairs, Health, Care and Consumer Protection.

¹ Based on the BioNTech/Pfizer vaccine.

² See data published by Austria's ministry of health, <https://info.gesundheitsministerium.at/>.

³ See survey results from the University of Vienna, <https://viecer.univie.ac.at/corona-blog/corona-blog-beitraege/corona-dynamiken30/>.

The OeNB's June 2021 outlook is based on the assumption that the number of people who will have been vaccinated against, or will have recovered from COVID-19 by fall 2021 will not suffice to fully rule out the possibility of another resurgence of infections. To keep the reproduction rate of the virus below the critical value of 1, some containment measures will therefore have to be retained also in the fall. This includes vaccine/test/recovery access requirements, travel warnings, potential restrictions for large-scale events (including conferences) and hygiene practices. Directly or indirectly, these measures will continue to affect economic sentiment, thus dampening the recovery in some economic sectors. However, the OeNB's projections are based on the assumption that potential future virus variants are not going to undermine the vaccination progress achieved so far.

For 2022 and 2023, we expect that COVID-19 vaccines will be available to immunize all children and that the overall preparedness of individuals to get the vaccine will continue to rise. This should bring the overall number of people who have been vaccinated or have recovered from COVID-19 to sufficiently high levels to prevent broad-based resurgences of the virus. Vaccine availability will not be an issue, and medication for treating COVID-19 will also have become available. To sum it up, economic activity in Austria is not expected to be affected by major immediate pandemic-related repercussions in 2022 and 2023.

2.3 World economy recovers strongly from the pandemic

Amid the COVID-19 pandemic, the world economy contracted heavily in 2020. Ultimately, however, the economic setback was somewhat lower in most major economies and economic areas than had been anticipated during the year. Excluding the euro area economies, global economic output shrank by 2.4% and thus by 0.6 percentage points less than the OeNB had expected in its December 2020 outlook. The United Kingdom suffered a GDP decline of 9.8%, intensified by Brexit, and the Latin American economies saw output shrink by 7.1%. In contrast, China achieved 2% output growth in 2020, after having succeeded in swiftly containing the novel coronavirus with stringent measures. In the United States, the impact of the pandemic remained relatively limited, as the economy contracted by “just” 3.5% on the back of a comparatively softer approach to containment and heavy fiscal stimulus.

In the first few months of 2021, global industrial production and the trade of goods continued to accelerate. Stronger-than-expected demand and some supply-side restrictions led to a sharp increase in prices for agricultural products, crude oil, industrial metals (above all copper) and construction material (above all wood and steel). China's strong export growth resulted in regional container bottlenecks and a substantial increase in freight traffic, from Chinese ports to European destinations in particular. Moreover, we witnessed extended disruptions in global supply chains following a Suez Canal traffic jam caused by a cargo ship and high coronavirus infection rates in India. The automotive industry in particular has been suffering from semiconductor supply shortages. With just-in-time inventory management and production having become widespread in the automotive supply chain, car manufacturers had drastically cut their orders from suppliers when the pandemic broke out. These supplies have since found new buyers in the electronics industry. While the supply of some commodities, including crude oil, can typically be adjusted rather swiftly, the production of sophisticated semiconductor plants is

comparatively more time and cost intensive. Major global manufacturers have already said they will expand their production capacities, but manufacturing supply bottlenecks are likely to persist until the end of 2021, and possibly even until the end of 2022.

Unlike industrial production, the recovery of the services industry and of tourism has remained subdued in most countries in 2021 given the prevailing restrictions on business and leisure travel. Depending on vaccination progress and the incidence of infections, some countries and regions moved ahead with a gradual easing of restrictions in the first half of 2021.

Until the end of the forecast horizon, the development of the global economy is characterized by a strong recovery from the pandemic, but the pace of recovery will be mixed across regions. See chart 3 for an overview of current projections (OeNB June 2021 forecast = blue line) for selected economic areas compared with the pre-crisis projections (OeNB December 2019 forecast = red line). Economic activity in the advanced economies⁴ is expected to surpass pre-crisis levels (fourth quarter of 2019) in the third quarter of 2021 and catch up with the growth path projected before the crisis by the end of 2022. In contrast, the economic output of the emerging market economies is going to remain about 2 percentage points below the pre-crisis trends even in the medium term given the slower vaccine rollout.

Table 2

Underlying global economic conditions

	2020	2021	2022	2023
	<i>Annual change in % (real)</i>			
Gross domestic product				
World excluding the euro area	-2.4	+6.2	+4.2	+3.7
USA	-3.5	+6.6	+3.8	+2.3
Japan	-4.7	+2.4	+2.3	+1.2
Asia excluding Japan	-0.2	+7.9	+5.3	+5.3
Latin America	-7.1	+5.5	+3.0	+2.8
United Kingdom	-9.8	+6.5	+5.1	+1.8
CESEE EU Member States ¹	-3.9	+4.7	+4.3	+3.4
Switzerland	-3.0	+3.1	+2.2	+1.7
Euro area ²	-6.8	+4.6	+4.7	+2.1
World trade (imports of goods and services)				
World	-8.7	+10.0	+5.5	+3.7
World excluding the euro area	-8.5	+10.8	+4.9	+3.7
Growth of euro area export markets (real)	-10.0	+8.6	+5.2	+3.4
Growth of Austrian export markets (real)	-9.2	+9.3	+6.2	+3.5
	<i>absolute</i>			
Prices				
Oil price in USD/barrel (Brent)	42.3	65.8	64.6	61.9
Three-month interest rate in %	-0.4	-0.5	-0.5	-0.3
Long-term interest rate in %	-0.2	0.1	0.3	0.5
USD/EUR exchange rate	1.1	1.2	1.2	1.2
Nominal effective exchange rate of the euro (euro area index)	119.3	122.0	122.2	122.2

Source: Eurosystem.

¹ Bulgaria, Croatia, Czechia, Hungary, Poland and Romania.

² 2020: Eurostat; 2021 to 2023: Results of the Eurosystem's June 2021 projections.

⁴ USA, Japan, EU, UK, Switzerland, Australia, New Zealand, Canada, Norway and Iceland.

The pace of economic recovery differs even within the individual regions. While a number of Southeast Asian and Latin American economies are likely to recover slowly given the continued high incidence of infections in some parts and the slow vaccine rollout, *China* reverted to the growth path projected before the crisis struck already toward the end of 2020. *China*'s fast recovery is attributable to the rapid containment of the pandemic in 2020 as well as to thriving exports and robust investment.

The *US* economy is expected to surpass pre-crisis levels already in the third quarter of 2021, aided by the decline in infection rates observed since early 2021 and the massive stimulus package adopted by the government. In this respect, the American Rescue Plan Act passed in March with a price tag of USD 1,900 billion is expected to have the largest impact.⁵ Additional draft bills include the American

Chart 3

Heterogeneous recovery

Advanced economies

Real GDP, Q4 19 = 100



Emerging market economies

Real GDP, Q4 19 = 100



China

Real GDP, Q4 19 = 100



USA

Real GDP, Q4 19 = 100



Source: Eurosystem, OeNB.

⁵ Apart from additional funds for combating the pandemic, the American Rescue Plan Act provides for direct payments to individuals, extends and expands unemployment compensation, includes transfers to states and local governments, and appropriates funds for industry-specific support for businesses.

Jobs Plan Act with a budget of USD 2,000 billion and the American Families Plan Act with a budget of USD 1,800 billion. The strong fiscal stimulus has lately given rise to concerns about a possible overheating of the economy. Recent months have seen a visible uptick in inflation, which, however, also reflects a base effect attributable to energy prices.

Like the other regions, the *euro area* economy is now also expected to recover at a faster rate than projected in the December 2020 round of projections. Following another contraction in early 2021, second-quarter growth should be robust. Real GDP is likely to surpass pre-crisis levels early next year and reach the pre-pandemic growth path at the end of 2022. Starting with the second half of 2021, the NextGenerationEU package is expected to add further stimulus. In *Germany*, the lockdown imposed in late December 2020 stopped the incipient recovery of private consumption and resulted in a quarter-on-quarter decline of economic output in the first quarter of 2021. The vaccination rate of the population accelerated visibly in the second quarter, and the incidence of infections dropped sharply in May. Current leading indicators imply a forthcoming boom of the construction and manufacturing industries, which will be cushioned by rising commodity prices and semiconductor supply shortages, but only in the short term. Private consumption should revive strongly in the third quarter, in line with a broad-based easing of containment measures. Exporters benefit from the global recovery, above all from strong US output growth. In *Italy*, economic output also contracted in the first quarter of 2021 during the third wave of COVID-19 infections. Following a gradual recovery in the second quarter, GDP growth is set to accelerate in the second half of the year. The recovery is driven by a massive fiscal stimulus package, to be largely financed with funds from the EU's Recovery and Resilience Facility (EUR 190 billion out of a total of EUR 250 billion). 2020 was a difficult year also for *France*, with an 8.2% decline of economic output. While economic output stagnated in the first quarter of 2021, the full-fledged lockdown imposed in April is likely to lead to a contraction in the second quarter. In the third quarter, the broad-based lifting of containment measures ought to cause a strong rebound in private consumption. The recovery of total exports is expected to lag somewhat behind, as tourism exports, which are a key pillar of the French economy, will probably continue to suffer from prevailing restrictions on international mobility.

In the *Central, Eastern and Southeastern European (CESEE) countries*, the recovery is set to be a homogeneous process. Re-accelerating external demand is going to support CESEE exports, and private consumption is going to revive from mid-2021 once the lockdown measures have been lifted.

3 Strong economic growth driven by all demand components of GDP

3.1 Exports benefit from robust demand for goods and reopening

Exports from Austria slumped by 10.9% in 2020 as a result of the COVID-19 pandemic. Goods exports were hit hard during the first lockdown given containment measures and disruptions in international supply chains. However, the export-oriented industry nimbly adjusted production processes to the new health policy constraints, thus managing to regain pre-crisis levels in late 2020. In contrast, the travel and tourism industry, above all the hospitality industry, was shut down for months on end. Driven by the sharp contraction of travel and

tourism services, the contraction of services exports (−18.9%) was more than twice as large as the decrease in goods exports (−7.3%).

In February 2021, nominal goods exports as published by Statistics Austria were already 3.1% above the measure for January. The latest leading indicators for the export industry signal further improvements. As implied by the OeNB's truck mileage-based export indicator, the recovery continued in March and April. The index of new orders from abroad computed by UniCredit Bank Austria exhibits the highest measure in the history of the index, and export expectations as captured by European Commission surveys signal an acceleration of exports. At the same time, stronger-than-expected global demand has been pushing industrial production to its limits. Apart from rising commodity prices and transport delays given regional container shortages, we have increasingly been witnessing delivery bottlenecks. Intermediary goods shortages were identified as the number one obstacle to growth in the most recent business surveys by both Austrian and German manufacturers.

The external sector of the Austrian economy is well on track for high growth over the forecast horizon given robust global demand. Austria's goods exports are going to benefit, above all, from the robust global industrial cycle and from the strong performance of the US economy. Exports of travel and tourism services, meanwhile, will take much longer to recover (see also box 1). In sum, real exports of goods and services as recorded for national accounts purposes will increase by 7.1% in 2021, by 6.4% in 2022 and by 3.4% in 2023.

Table 3

Austria's exports and imports and price competitiveness

	2020	2021	2022	2023
	<i>Annual change in %</i>			
Exports				
Competitor prices on Austria's export markets	−2.5	+2.8	+1.8	+1.4
Export deflator	−0.2	+1.7	+2.0	+1.5
Changes in price competitiveness ¹	−2.3	+1.1	−0.2	−0.1
Import demand on Austria's export markets (real)	−9.2	+9.3	+6.2	+3.5
Austrian exports of goods and services (real)	−10.9	+7.1	+6.4	+3.4
Austrian market share	−1.8	−2.2	+0.2	+0.0
	<i>Annual change in %</i>			
Imports				
International competitor prices on the Austrian market	−1.7	+2.5	+2.0	+1.5
Import deflator	−1.6	+1.6	+1.9	+1.9
Austrian imports of goods and services (real)	−10.0	+7.4	+6.3	+3.0
Terms of Trade	+1.4	+0.1	+0.1	−0.3
	<i>Percentage points of real GDP</i>			
Contribution of net exports to GDP growth	−0.9	+0.1	+0.3	+0.4
	<i>% of nominal GDP</i>			
Export ratio	52.4	53.7	54.8	55.6
Import ratio	49.0	50.2	51.2	51.9

Source: 2020: Statistics Austria, Eurosystem; 2021 to 2023: OeNB June 2021 outlook.

¹ Changes in price competitiveness are defined as the difference between changes in competitor prices on Austria's export markets and changes in the export deflator.

Complete “loss” of 2020/21 winter season cuts into overnight stays in 2021

Resident and nonresident tourist overnight stays dropped by nearly 55 million or 36% in 2020 compared with 2019. The second and third infection waves sent the hospitality industry into a large-scale shutdown from early November 2020 to mid-May 2021. In 2020/21, the winter tourist season, which is a mainstay of the Austrian economy, was more or less canceled. According to OeNB estimates, tourism stays until the end of 2021 will not suffice to compensate for the earlier losses: the OeNB expects this year’s total overnight stays to be 16.5% lower than in 2020, and 46.5% lower than in 2019 – even though Austria’s hospitality sector reopened in mid-May and vaccine/test/recovery requirements have largely replaced travel warnings and quarantine-based entry requirements for key neighboring states and even though no further lockdowns will presumably have to be imposed in 2021. Annual tourist overnight stays are projected to decline despite the assumption that we are going to see a revival, starting in May and June, along the lines seen in 2020. Compared with the record summer of 2019, the “pandemic deficit” will amount to slightly more than 10%. The projected outcome reflects different development paths for all nine provinces (given that their tourism profiles differ) and for tourists’ home countries. While the number of domestic tourists is expected to even surpass pre-crisis levels slightly from July onward, overnight stays by nonresident tourists will continue to fall short of pre-crisis levels; the expected declines are a function of the distance to the countries of origin. This means that, on balance, the share of domestic tourists in overnight stays is going to rise (2019: 26%, 2021: 34%).

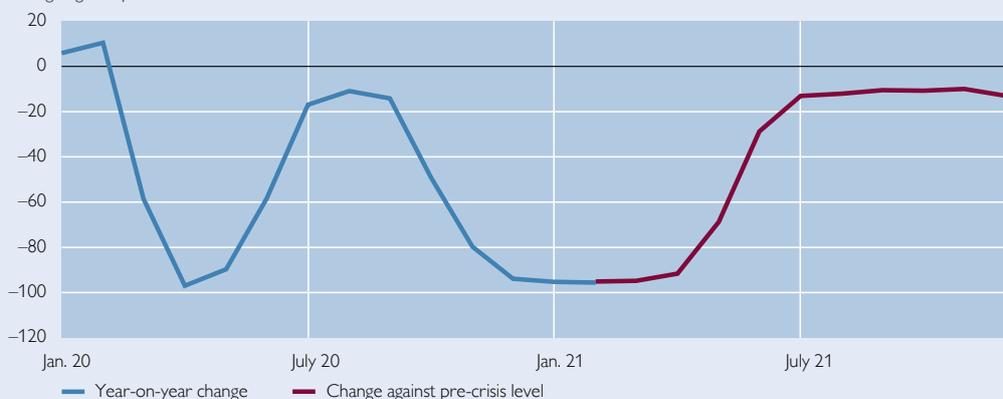
The results for Austria’s provinces are mixed. Provinces focusing on winter tourism (Vorarlberg, Tyrol, Salzburg, but also Styria and Carinthia) show further substantial losses, starting from the already low levels of 2020, because of the “loss” of the 2020/21 winter season. The number of overnight stays is going to be more than 50% smaller in Vorarlberg (–55%), Tyrol (–54%) and Salzburg (–53%). In contrast, both Lower and Upper Austria and Burgenland are going to see a “pandemic deficit” of “only” about –20% compared with 2019, and even (small) gains compared with 2020. Vienna is an outlier in this respect. Given its strong focus on overseas markets as well as the high significance of conferences, events and business travel, Vienna is the province with the highest loss of overnight stays (–74%). Starting from these low levels, 2021 overnight stays are expected to go up by 70%; in sum, however, the figures translate into a 56% drop in the number of overnight stays compared with 2019.

Chart B1.1

Tourism

Monthly overnight stays

Change against pre-crisis level in %



Source: OeNB, Statistics Austria.

Chart B1.2

Tourism

Forecast of 2021 overnight stays across Austria

Million persons



Source: OeNB, Statistics Austria.

Note: 2021 figures reflect change on 2020 in %.

On balance, the OeNB expects 2021 to be characterized by another severe drop in overnight stays. In 2022, we expect to see a major recovery of overnight stays, based on the low levels of 2021 and the assumption that the pandemic will not entail any major restrictions in future.

Austrian export markets are forecast to grow by 9.3% in 2021, well above the growth rate of Austrian exports. Notwithstanding improved price competitiveness, Austria is expected to lose close to 2.2% in market shares. These losses are attributable to the tourist industry, which will recover only gradually, above all with regard to overseas visitors visiting urban destinations. In 2022 and 2023, Austria should be able to broadly retain its market shares.

Despite the huge setback in travel account receipts from nonresidents, Austria's services account surplus of 2.5% of GDP in 2019 only edged down to 2.1% in 2020. In line with the revival of tourism, the balance of services is expected to rebound to 2.7% until the end of the forecast horizon. Austria's surplus on goods amounted to 1.4% of GDP in 2020, reflecting the sharp reduction of the deficit arising from goods traded with other euro area countries (2019: 0.8%). As imports rise amid

Table 4

Austria's current account

	2020	2021	2022	2023
	% of nominal GDP			
Balance of trade	3,5	3,1	3,2	3,5
Balance of goods	1,4	0,8	0,7	0,7
Balance of services	2,1	2,3	2,5	2,7
Balance of primary income ¹	-0,1	-0,1	-0,1	-0,1
Balance of secondary income ²	-0,9	-0,9	-0,9	-0,9
Current account balance	2,5	2,1	2,2	2,4

Source: 2020: OeNB, Statistics Austria; 2021 to 2023: OeNB June 2021 outlook.

¹ Balance of income (e.g. compensation of labor, investment income).

² Balance of current transfers.

the revival of private consumption and business investment, the surplus on goods is projected to shrink to 0.7% over the forecast horizon. The balances of primary and secondary income are forecast to remain unchanged until the end of the forecast horizon. On balance, Austria is expected to run a current account surplus in terms of nominal GDP of 2.1% in 2021, 2.2% in 2022 and 2.4% in 2023.

3.2 Private consumption to reach pre-crisis levels already in spring 2022

In 2020, private consumption contracted by more than 9% given the government-mandated shutdown of retail trade and the hospitality industry. As private consumption accounts for more than 50% of economic output in Austria, their shutdown was instrumental in throwing Austria into the deepest recession since the beginning of the “Second Republic.” Real disposable household income was supported by major fiscal stimulus measures (above all the short-time work scheme) and declined by about 3% in 2020 compared with 2019. This decline in real disposable income, which was moderate all things considered, in turn caused the saving ratio to increase considerably. However, such saving was largely the result of limited consumption opportunities (“forced saving”).

In the first quarter of 2021, private consumption stagnated according to WIFO’s GDP flash estimate compared with the previous quarter (−0.2%); in this quarter, and in the fourth quarter of 2020, retail trade was shut down for several weeks, and the hospitality industry basically most of the time. With the lifting of the lockdowns in Vienna, Lower Austria and Burgenland in early May 2021, the decline in private consumption slowed visibly, as is evident from the OeNB’s weekly GDP indicator.⁶ The broad lifting of anti-pandemic measures on May 19 is further accelerating private consumption in the second quarter of 2021. Any remaining containment measures are going to be eased further in line with progress made with the vaccination program. Once the supply-side restrictions on private consumption have been lifted, private consumption should expand by more than 4% in the second and third quarters (compared with the first and second quarters). Thereafter, pent-up demand will have been largely met, but the quarterly growth rates are going to remain above the long-term average. In this process, the saving ratio will go down markedly already in 2021. At the end of 2023, the saving ratio is projected to lie slightly below pre-crisis levels (see box 2).

Box 2

Post-COVID-19 spending of excess savings in Austria

Over the forecast horizon, the saving ratio is expected to drop considerably, in line with the following two assumptions: (1) rapid dissaving of amounts individuals saved as a percentage of their real gross disposable income, causing the saving ratio to return to pre-crisis levels (flows) and (2) only limited spending of excess savings accumulated during the pandemic (stocks).

The rapid return of the saving ratio to pre-crisis levels can be explained with the high contribution of forced saving to excess savings. According to current estimates,⁷ some 80% of the amounts saved in excess of the normal saving rate in the second and third quarters of 2020 were accumulated because the usual spending avenues were shut off. Amid the

⁶ See: <https://www.oenb.at/Publikationen/corona/bip-indikator-der-oenb.html>.

⁷ See Fenz et al. (2021). Forced saving has also been widespread as a motive internationally (see Dossche and Zlatanos, 2020).

Chart B2

Saving behavior determinants

Private consumption of goods in Austria by durability

Real seasonally and calendar day-adjusted figures, Q4 19 = 100

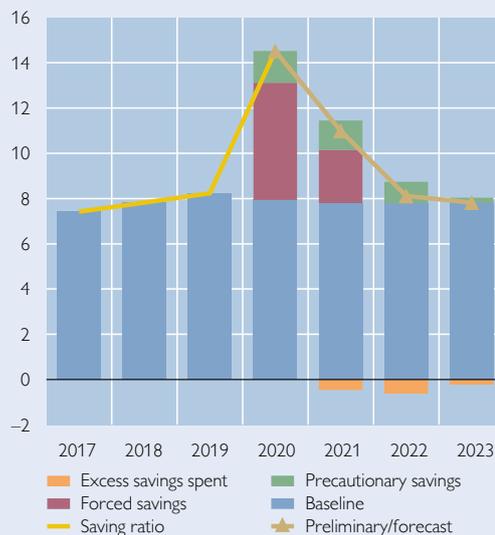


Source: Eurostat, OeNB.

Note: The line for Q4 19 to Q1 20 starts for Services at the same level as for Durable goods.

Breakdown of saving ratio

% of disposable income



Source: Statistics Austria, OeNB.

broad-based lifting of containment measures in mid-May 2021, this motive for saving is going to vanish rapidly. The remaining 20% of the elevated saving ratio may be traced back to precautionary saving, motivated by heightened uncertainty and fear of job loss. As the economy recovers, these uncertainties are going to decrease, and the job situation is going to ease. This motive for excess saving is therefore going to gradually decrease over time.

The plausibility of the assumption that private consumption spending out of excess savings will remain limited over the forecast horizon is supported by the composition of forgone consumption and the socio-economic characteristics of the households that accumulated the highest amounts of excess savings. Last year's pandemic-related containment measures affected above all services, which is why the decline in private consumption was highest for services. As is evident from chart B2 (left panel), the decline in private consumption on durable goods pent up in the second quarter of 2020 was offset already in the third quarter of 2020. In other words, services and nondurable consumer goods are likely to account for a high share of pent-up consumer demand. The consumption of services tends to be characterized by a high degree of regularity; after all, one can get one's hair cut or visit a restaurant only every so often; ex post compensation will not really work here.⁸

Consumer sentiment subindicators⁹ imply that higher-income households account for a high share of excess savings. For such households, any assets accumulated through forced saving are likely to be considered as a windfall gain of wealth. Households' marginal propensity to spend out of their wealth lies well below their income-related propensity to spend¹⁰ and

⁸ Beraja and Wolf (2021) show that demand-driven recoveries from recessions characterized by lower spending on services tend to be weaker than recoveries following a setback in the consumption of durable goods.

⁹ See European Commission (2021). Moreover, data analyzed by the Federal Reserve Bank of New York (see Dam et al., 2021) imply that COVID-19-related measures affected above all higher-income households.

¹⁰ For an overview and recent estimates of marginal propensity to consume from income and wealth, see e.g. de Bondt et al. (2019).

decreases in line with rising household wealth.¹¹ This is why we expect a large share of the accumulated excess savings to be retained as wealth.

Chart B2 (right panel) visualizes the decomposition of the saving ratio into the contributions from forced saving, precautionary saving and spent excess savings for the forecast horizon. Excess savings were estimated as the difference between observed saving and the counterfactual scenario without a pandemic for the period from Q2/2020 to Q2/2021. For the counterfactual scenario, we extrapolated nominal disposable income (based on a long-term growth rate of 3% per year) and assumed the saving ratio to amount to 7.8% (broadly corresponding to the five-year pre-pandemic average). This calculation yields total excess savings of about EUR 20.4 billion, of which 80% or EUR 16.3 billion are attributable to forced saving. Assuming that about one-fifth of such forced saving will go into consumption over the forecast horizon, we arrive at about EUR 3.0 billion. As a result, the saving ratio should go down by 0.5 percentage points in 2021, by 0.6 percentage points in 2022 and by 0.2 percentage points in 2023. This compares with a positive contribution from pandemic-related precautionary saving, which should go down gradually, from 1.3 percentage points in 2021 to 0.2 percentage points at the end of the forecast horizon.

Table 5

Determinants of nominal household income and private consumption growth in Austria

	2020	2021	2022	2023
<i>Annual change in %</i>				
Payroll employment	-2.0	+1.2	+1.6	+0.9
Wages and salaries per employee	+0.4	+2.2	+2.9	+2.6
Compensation of employees	-1.6	+3.4	+4.5	+3.5
Investment income	-42.6	+15.1	+2.2	+2.9
Self-employment income and operating surpluses (net)	-2.0	+3.0	+3.5	+3.8
<i>Contribution to household disposable income growth</i>				
<i>Percentage points</i>				
Compensation of employees	-1.4	+2.9	+3.9	+3.1
Investment income	-4.9	+1.0	+0.2	+0.2
Self-employment income and operating surpluses (net)	-0.3	+0.5	+0.6	+0.6
Net transfers less direct taxes ¹	+4.9	-0.6	-1.7	-0.7
<i>Annual change in %</i>				
Disposable household income (nominal)	-1.9	+2.7	+4.3	+3.2
Consumption deflator	+1.1	+2.1	+1.8	+1.7
Disposable household income (real)	-2.9	+0.6	+2.4	+1.4
Private consumption (real)	-9.4	+4.0	+5.8	+1.8
<i>% of household disposable income growth</i>				
Saving ratio	14.4	11.0	8.1	7.8

Source: 2020: Statistics Austria; 2021 to 2023: OeNB June 2021 outlook.

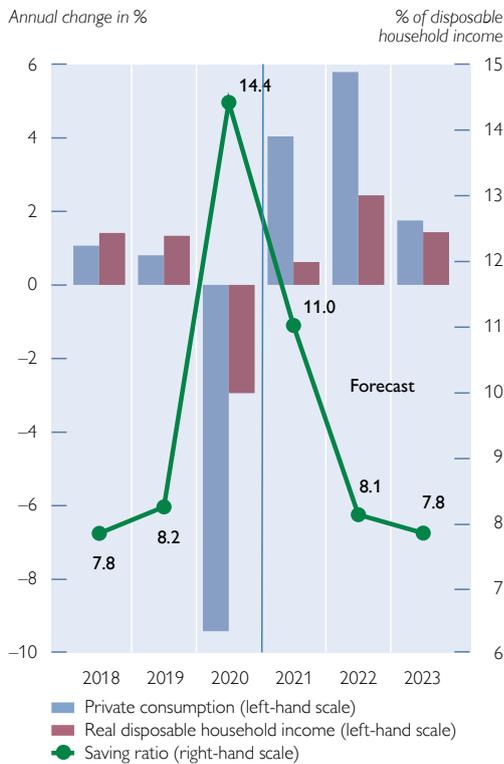
¹ Negative values indicate an increase in (negative) net transfers less direct taxes; positive values indicate a decrease.

¹¹ According to estimates for Austria (see Albacete and Lindner, 2017), the following shares of one additional euro of net wealth will go into consumption: 8.5 cent in the second wealth quintile, 2.7 cent in the third wealth quintile, 1.2 cent in the fourth wealth quintile, and 0.5 cent in the fifth, and uppermost quintile. See OeNB (2021), p. 32, on household financial investment in Austria.

Chart 4

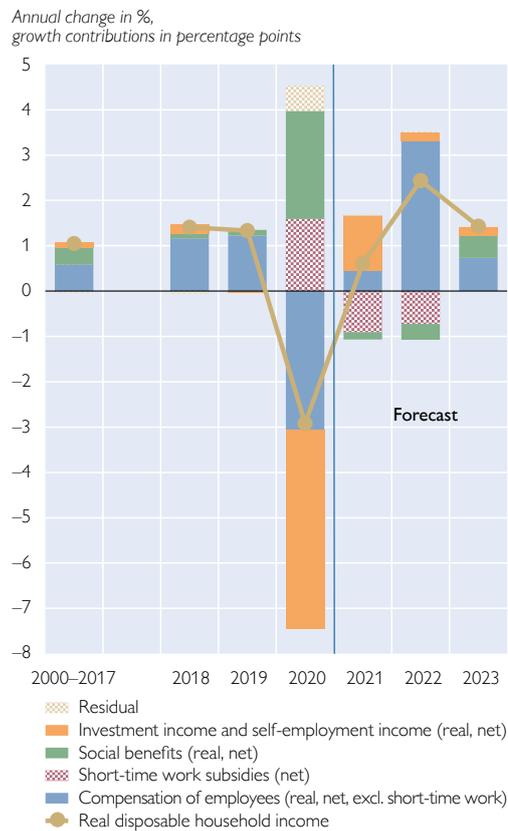
Income, saving and spending

Disposable household income, private consumption and saving ratio



Source: WIFO, OeNB.

Contributions to growth of real disposable net household income



Source: Statistics Austria, OeNB.

Over the forecasting horizon, disposable household income is influenced largely by the compensation of employees. In 2020, the compensation of employees dropped somewhat but was cushioned from dropping any further by the short-time work scheme. In the period from 2021 to 2023, the annual contribution of employee compensation to the nominal growth of disposable household income will again amount to about 3.5 percentage points on average. Following a drastic drop in profit distributions, which was among other things due to the conditionality for support measures for firms, we expect to see offsetting changes in 2021. In 2022 and 2023, the contribution to GDP growth from investment income should be visibly lower again.

Real disposable household income is going to be dampened by the rise in inflation in 2021; the private consumption expenditure deflator will be 1 percentage point higher in 2021 than in 2020. In 2022 and 2023, inflation is expected to recede somewhat, thus exerting a lower dampening effect.

Following 0.6% growth in 2021, real disposable household income is projected to re-increase in 2022 (+2.4%) and at a somewhat lesser rate also in 2023 (+1.4%). Private consumption is expected to revive strongly in 2021 (+4%) and 2022 (+5.8%) and thus surpass pre-crisis levels in the first half of 2022, before leveling off in 2023 (+1.8%). Consumption growth will be boosted by dissaving, with the saving ratio dropping from its peak of 14.4% in 2020 to below 8% in 2023. As

outlined in box 2, this includes some spending of excess savings. If consumers were to spend larger-than-expected amounts of excess savings accumulated during the pandemic, this might constitute upward risks to the projections for consumption.

3.3 Crisis impact on investment comparatively low

Real gross capital formation was a key pillar of the Austrian economy from 2016 to 2019, having grown by 4.0% on average during those years. The investment cycle was driven above all by investment in equipment (6%), but R&D investment (4.2%) and investment in residential construction (3.4%) and in nonresidential construction (1.9%) witnessed boom years as well. In 2020, the high degree of uncertainty related to the pandemic, plus the relating containment measures prompted numerous firms to shrink their production in the first half of the year and postpone investment projects. Gross fixed capital formation thus contracted by 4.8%. Capacity utilization dropped from 84.8% in January 2020 to 73.9% in April 2020. As industrial production gained momentum again, gross fixed capital consumption bounced back strongly and steadily until mid-2021 (Q3/2020: 77.2%, Q2/2021: 87.1%), thus exceeding the long-term average of 85.1% by now. The robust export cycle, healthy order books and the high order intake would imply a further expansion of production and thus the need for production capacity increases. The funding situation of Austrian firms continues to be very good. Last but not least, steady vaccination progress has been key in reducing uncertainty about what the economy may look like in future.

At present, the investment cycle is characterized not only by pent-up demand following the setback in 2020 but also by the need for longer-term expansions of production capacity. This includes above all cyclically sensitive investment in equipment, which contracted by about 11% in 2020 and which is expected to grow by 7.6% in 2021 and by 5.0% in 2022. Construction investment (−3.9%) did not shrink as much as gross fixed capital formation (−4.8%) in 2020. The continued rise in real estate prices signals continued high demand. In 2021, residential construction investment is projected to grow by 3.7%. In 2020, there was a single positive growth outlier, namely investment in intellectual property (1.6%). R&D and software investment tends to be less responsive to the cycle and was boosted in addition by the crisis-related need to invest in this area. In 2021, investment growth is expected to accelerate somewhat to 2%. 2022 and 2023 are forecast to see further growth, albeit at a gradually lessening pace. On balance, the OeNB projects real gross fixed capital formation to grow by 4.7% in 2021, by 3.3% in 2022 and by 1.8% in 2023.

The pronounced investment cycle before the COVID-19 crisis struck was accompanied by a rise in the investment-to-GDP ratio from 22.7% in 2015 to 24.6% in 2019. In view of the pandemic, real gross fixed capital formation contracted by as much as 4.8% in 2020. Yet, unlike during the financial and economic crisis of 2009, the deterioration of the investment ratio was not nearly as bad as the contraction of real GDP. At the time, the investment ratio dropped from

Table 6

Investment activity in Austria

	2020	2021	2022	2023
	Annual change in %			
Total gross fixed capital formation (real)	-4.8	+4.7	+3.3	+1.8
of which:				
investment in plant and equipment	-11.1	+7.6	+5.0	+2.5
residential construction investment	-3.9	+3.7	+2.8	+1.7
nonresidential construction investment and other investment	-2.6	+4.5	+2.5	+0.9
investment in research and development	+1.6	+2.0	+2.3	+1.9
public sector investment	+1.0	+2.0	+2.4	+1.4
private investment	-5.6	+5.1	+3.5	+1.9
	Percentage points			
Contribution to the growth of real gross fixed capital formation				
Investment in plant and equipment	-3.8	+2.5	+1.7	+0.8
Residential construction investment	-0.7	+0.7	+0.5	+0.3
Nonresidential construction investment and other investment	-0.7	+1.2	+0.7	+0.2
Investment in research and development	+0.3	+0.4	+0.5	+0.4
Public sector investment	+0.1	+0.3	+0.3	+0.2
Private investment	-4.9	+4.4	+3.0	+1.6
Contribution to real GDP growth				
Total gross fixed capital formation	-1.2	+1.2	+0.8	+0.5
Changes in inventories	-0.4	+0.6	+0.1	+0.1
	% of nominal GDP			
Investment ratio	25.3	25.3	25.1	25.1

Source: 2020: Statistics Austria; 2021 to 2023: OeNB June 2021 outlook.

23.1% in 2008 to 22.4% in 2009. In 2020, the investment ratio even rose slightly against 2019, from 24.6% to 25.3% because the growth setback of private consumption and exports was even more pronounced. 2022 and 2023 should see only a slight decline to 25.1% each.

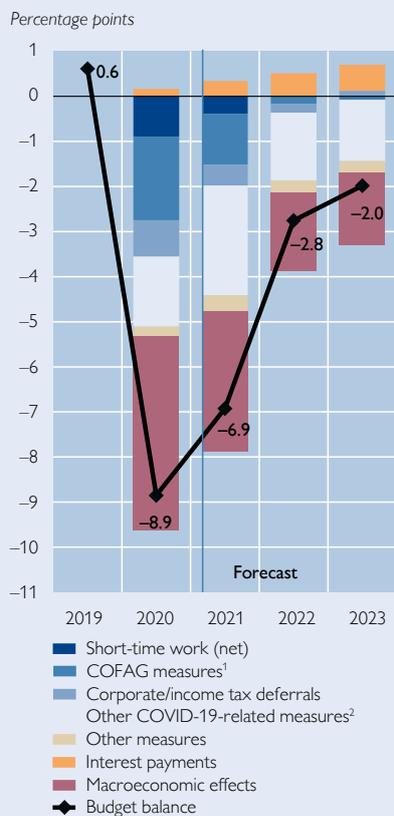
Box 3

Budget deficit to gradually fall below 2% of GDP by 2023

In 2020, the budget balance deteriorated by about 9½ percentage points to 8.9% of GDP (black line in chart B3). This decline was essentially driven by automatic stabilizers kicking in as the economy weakened (red bars) and by comprehensive fiscal support measures adopted in response to the COVID-19 pandemic (bars in different shades of blue).

In 2021, the budget deficit is expected to remain at historically high levels, yet improve to 6.9% of GDP as the economy recovers and as fewer subsidies need to be provided for short-time work, lost sales and fixed costs. The impact of reductions for corporate and personal income tax prepayments will also be lower than in 2020. At the same time, the volume of other pandemic-related expansionary fiscal measures (light blue bars) is going up comparatively sharply. Most of the funding will be made available to provide investment incentives for the private sector to stimulate the economy. Compared to that, additional spending for medical

Chart B3

Change in budget balance since 2019

Source: OeNB.

Note: COFAG = Austrian COVID-19 funding agency.

¹ Fixed cost grants, compensation for forgone revenues, guarantees.² Including economic stimulus packages.

2021, to slightly above 85% of GDP. Thereafter, the debt ratio will, however, go back to below 82% in 2023.

equipment, tests and vaccines will have relatively limited fiscal effects. Likewise, additional revenues from the enhanced EU budget (above all from the Recovery and Resilience Facility) are going to play a comparatively limited role for the development of the fiscal balance, as these revenues will probably be spread over six years, and as they may also be used, to some extent, to cover additional expenditure.

In the years ahead, the budget deficits are expected to be considerably lower. The lower deficits will be facilitated by the continued cyclical upswing and above all by the much smaller contribution of discretionary measures. The fiscal net effect of corporate and personal income tax prepayments will be positive by 2023, if not earlier. Plus, hardly any subsidies will be required by then for short-time work, lost sales and fixed costs. Moreover, some other minor COVID-19-related fiscal measures will no longer be required by then, either. This includes the hardship fund for micro-enterprises and single proprietorships, the NPO relief fund or the temporary VAT reduction for hotels and restaurants. Thanks to the accommodative monetary policy and ultralow interest rates over the forecast horizon, the amount of interest to be paid on government debt is going down year after year (orange bars). Given the continued high budget deficit, the public debt ratio will continue to rise in

3.4 Employment levels stabilized by short-time work – labor market recovering fast

During Austria's first lockdown in March 2020, the number of unemployed people jumped by more than 200,000 to 534,000 individuals. As containment measures were eased, labor market conditions gradually improved until November 2020, before deteriorating again during the second and third lockdowns in late 2020 and early 2021 (see left panel in chart 5¹²). The same holds true, with a time lag, for the average duration of unemployment. The measures adopted to contain the successive waves of the COVID-19 pandemic related above all to the provision of personal services, temporary work (which is typically highly procyclical) and the hospitality industry; in contrast, the construction sector and the production of goods were comparatively less affected (for details, see Ragacs und Reiss, 2021). While the ebb

¹² Chart 5 based on Ragacs and Reiss (2021).

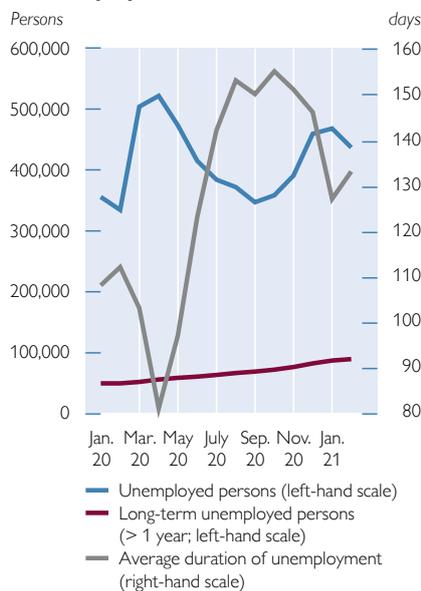
and flow of unemployment essentially mirrored the pandemic-related containment measures, the number of long-term unemployed individuals has been trending upward steadily, rising from 48,400 in February 2020 to 88,400 in February 2021 (left panel of chart 5).

The number of hours worked is typically more sensitive to the business cycle than the number of people in payroll employment. In a cyclical downturn, firms will generally cut overtime and not require extra hours to be offset before laying off people.¹³ In 2020, the number of hours worked dropped off by 8.7%, while the number of employees went down by just 1.7% (based on national accounts data). A reform of the existing short-time scheme, agreed upon in March 2020 between the government and the social partners, gave Austria one of the most generous schemes of the EU (Huemer et al., 2021).¹⁴ The share of short-time work scheme participants in total employment and the changes over time are evident from the middle panel of chart 5. The take-up of short-time work peaked in April 2020, with about 30% of all employees receiving short-time pay. Since then, this number has been going down steadily, except for short interruptions in late 2020. See chart 5 (right panel) for a quarterly year-on-year comparison of hours worked and paid.¹⁵ The short-time work scheme was instrumental in stabilizing the number of hours paid

Chart 5

Unemployment, short-time work and hours worked in Austria

Unemployment, long-term unemployment and duration of unemployment



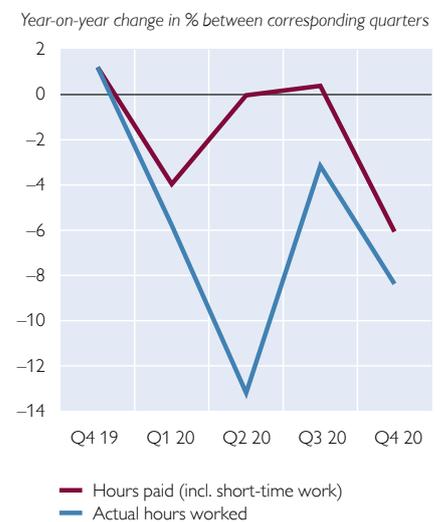
Source: Public Employment Service Austria (AMS).

Short-time work



Source: Public Employment Service Austria (AMS).

Hours worked per employee



Source: Eurostat, OeNB.

¹³ Especially in industries where labor shortages are a recurring issue, firms seek to retain employees so as not to be confronted with labor shortages in an expected future upswing.

¹⁴ For details of these effects, see Ragacs and Reiss (2021).

¹⁵ Data on hours worked are national accounts data as a rule. These data are available seasonally and working day-adjusted and unadjusted, and were available until the fourth quarter of 2020 at the time of writing. Since seasonally adjusting the data on short-time work is methodologically infeasible, we discuss the quarterly year-on-year changes based on unadjusted data.

especially during the lockdown-driven economic setbacks in the second and fourth quarters of 2020. After all, the growth differential between hours paid and worked exceeded 13 percentage points in the second quarter. The current short-time work scheme runs until the end of June 2021 and will be prolonged in June 2021, following a review and a reform. For the forecast, we assume that the number of individuals benefiting from the short-time work scheme is going to drop off fast and steadily (from about 350,000 in the first quarter of 2021 to about 50,000 in the fourth quarter of 2021) and that the recipients of short-time pay will keep their jobs once the short-time work scheme ends, as intended by policymakers. As people leave the short-time work scheme and resume normal hours, the number of hours worked will go up considerably, while the compensation of employees per hour worked will go down.

The lifting of major containment measures in May 2021 is expected to feed through to a visible economic expansion and hence to a considerable uptick of employment. Reflecting the very weak first quarter, payroll employment is forecast to rise only by 1.2% in 2021, though, which is barely above the long-term average (following a contraction by 2% in 2020). This should be followed by 1.6% growth in 2022 and 0.9% growth in 2023. The development of hours worked is much more mixed, given the impact of the short-time work scheme. In 2020, the number of hours worked in payroll employment declined by an unprecedented 9.4%. For 2021 and 2022, we project considerable catch-up effects with increases of 4.7% and 4.1%, respectively. The outlook for 2023 is 1.7%, which surpasses the long-term average. The supply of labor, which also decreased in 2020, will rise gradually as well.¹⁶

Following 4.5% in 2019, the unemployment rate (Eurostat definition)¹⁷ peaked in 2020 (5.3%) and again in the first quarter of 2021 (5.7%). Thus, in 2020 on average, unemployment did not exceed the rate measured during the financial and economic crisis of 2009 (5.3%). In the years ahead, the unemployment rate is expected to gradually decline, to 5.2% (2021), 4.8% (2022) and 4.6% (2023). This means that even in 2023, the rate will continue to lie above the pre-crisis level of 2019 (4.5%). At the same time, it will be below the annual rates measured for the period from 2012 to 2018.

Social partner agreements on collective wage increases typically take effect with a time lag. Therefore, the 2.4% increase negotiated for 2020 on average was comparatively high for a crisis year. This figure was in line with the long-term average of the wage deals made for the period from 2000 and 2019 and broadly contributed to wage stability in 2020. Nonetheless, gross wages and salaries did decline by 1.6% in 2020 on account of the crisis. Based on the results of the fall 2020 bargaining round, collective wages are expected to be raised by 1.7% in 2021. The outlook is brighter for 2022 and 2023. For 2022, we expect an above-average increase of collectively agreed wages by about 2.6%, given the prospect of

¹⁶ The supply of labor is defined as the number of employed and unemployed individuals; the figures discussed here are based on the Eurostat definition of the unemployment rate. When calculated based on the national definition of unemployment, the supply of labor actually increased somewhat in Austria in 2020 (Ragacs and Reiss, 2021).

¹⁷ The national definition of unemployment (2020: 10%, 2019: 7.4%) and the Eurostat definition (2020: 5.3%, 2019: 4.5%) became even more divergent amid the COVID-19 crisis than before. Austria's national definition of the unemployment rate is based on the number of people registered as unemployed with the Public Employment Service Austria (AMS). Eurostat's definition of unemployment is based on the EU-wide labor force survey. For the purpose of this survey, only people actively looking for a job are defined as unemployed. However, during the lockdowns, many unemployed persons may not have been actively looking for a job because they considered such efforts to be pointless, or because they could rely on being rehired by their former employers.

Table 7

Labor market growth in Austria

	2020	2021	2022	2023
<i>Annual change in %</i>				
Total employment (heads)	-1.7	+1.1	+1.4	+0.7
Payroll employment	-2.0	+1.2	+1.6	+0.9
of which: public sector employees	+0.2	+0.1	+0.1	+0.1
Self-employment	+0.6	+0.8	+0.2	-0.2
Total hours worked	-8.7	+4.4	+3.8	+1.4
Payroll employment	-9.4	+4.7	+4.1	+1.7
Self-employment	-5.6	+3.2	+2.4	+0.2
Labor supply	-0.8	+0.9	+0.9	+0.5
Registered unemployment	+18.9	-2.2	-8.0	-4.1
<i>% of labor supply</i>				
Unemployment rate				
Eurostat definition	5.3	5.2	4.8	4.6
AMS definition	10.0	9.0	8.0	7.7

Source: 2020: Statistics Austria; 2021 to 2023: OeNB June 2021 outlook.

Table 8

Compensation of employees

	2020	2021	2022	2023
<i>Annual change in %</i>				
Gross wages and salaries¹				
In nominal terms	-1.6	+3.4	+4.5	+3.5
Consumption deflator	+1.1	+2.1	+1.8	+1.7
In real terms	-2.7	+1.3	+2.7	+1.8
Collectively agreed wages and salaries ¹	+2.4	+1.7	+2.6	+2.4
Wage drift	-1.9	+0.5	+0.3	+0.2
Compensation per employee				
Gross ² compensation (nominal)	+0.4	+2.2	+2.9	+2.6
Gross compensation (real)	-0.7	+0.1	+1.1	+0.9
Net ³ compensation (real)	-0.7	-0.2	+0.6	+0.5
Compensation per hour worked				
Gross compensation (nominal)	+8.8	-1.4	+0.3	+1.8
Gross compensation (real)	+7.7	-3.4	-1.5	+0.1
<i>% of nominal GDP</i>				
Wage share	50.6	49.2	48.4	48.4

Source: 2020: Statistics Austria; 2021 to 2023: OeNB June 2021 outlook.

¹ Overall economy.

² Including employers' social security contributions.

³ After tax and social security contributions.

a strong economic recovery. 2023 should see average growth of 2.4%. Wage drift is expected to remain positive over the entire forecast horizon; thus, the nominal wage bill should rise by 3.4% in 2021, by 4.5% in 2022, and by 3.5% in 2023. Starting in 2022, employees are thus going to see rising net wages (per employee) again. The growth outlook for 2021 remains negative for the net compensation of employees per employee (-0.2%) and for net wages per hour worked (-3.4%). These figures essentially reflect the unwinding of the short-time work scheme, which will drive up the number of hours worked per employee.¹⁸

¹⁸ Given the wide variety of support measures across countries, international comparisons of many indicators remain challenging, or their informative value remains limited. This includes comparisons of hourly wages and unit labor costs.

3.5 HICP inflation temporarily increases to 2.0% in 2021¹⁹

Based on the OeNB's most recent inflation forecast, we expect HICP inflation to run up to 2.0% in 2021, before dropping to 1.8% in both 2022 and 2023. Core inflation, which excludes energy and food prices, is projected to stand at 1.6% in 2021. As the economy recovers, core inflation will increase to 1.9% in 2022 and edge up to 2.1% in 2023. The driving factors behind this development are rising demand and accelerated growth of unit labor costs, given the anticipated improvement of labor market conditions.

Compared with the OeNB's December 2020 outlook, the most recent inflation forecast was revised upward by 0.6 percentage points for 2021, and remained broadly unchanged for 2022 and 2023 (+0.1 percentage points in each year). The upward revision for 2021 is primarily attributable to accelerating commodity prices (for energy and nonenergy commodities).

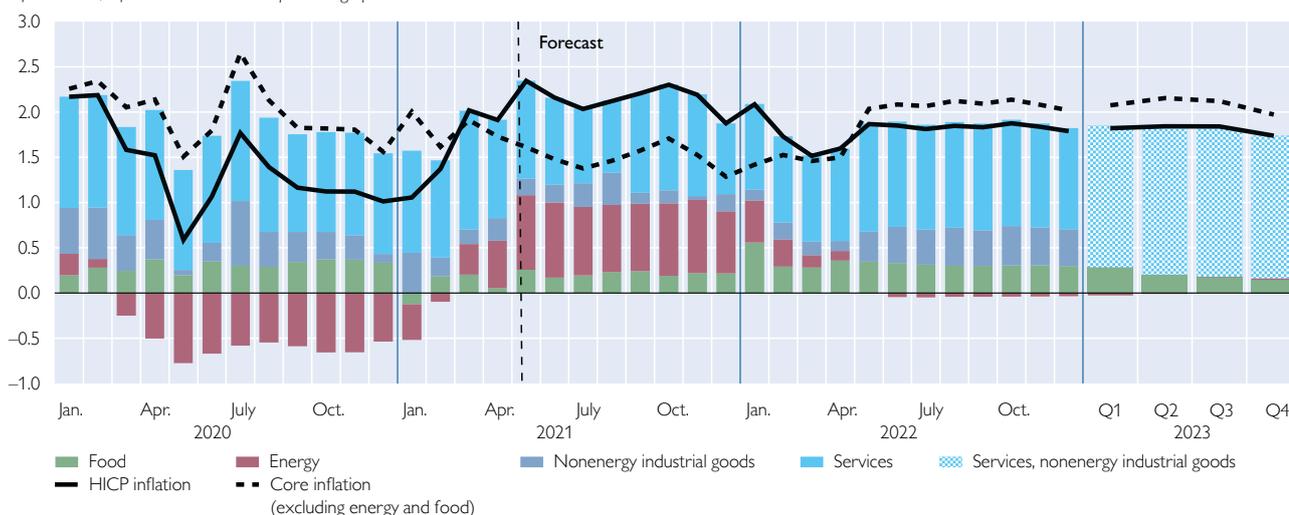
Energy price-related pickup in inflation set to peter out in 2022

Reflecting the path of crude oil prices, which are informed by futures prices, oil prices in euro terms were 47% higher on average in 2021 compared with 2020 figures. In addition to rising crude oil prices in recent months, this development is also due to the slump in crude oil prices seen in the first four months of 2020. As a result, annual energy price inflation will climb to 7.1% in 2021 (up from -5.9% in 2020). For 2022 and 2023, we expect energy prices to remain broadly constant year on year, as oil prices are projected to edge down over the forecast horizon in line with futures quotations.

Chart 6

Contributions to Austrian HICP inflation and core inflation

Inflation in %; inflation contributions in percentage points



Source: OeNB, Statistics Austria.

¹⁹ Authors: Friedrich Fritzer and Mirjam Salish, Oesterreichische Nationalbank, Economic Analysis Division, corresponding author: friedrich.fritzer@oenb.at.

Inflation developments for *nonenergy industrial goods* will remain subdued, particularly on account of containment measures still in place in the first half of 2021 and the resulting weaker demand. Apparel retail sales have fallen visibly in the year to date and are not yet likely to return to their pre-pandemic levels in the coming months. Due to heightened uncertainty and recent high unemployment, demand for durable consumer goods, such as vehicles and furniture, is expected to remain weak for a while. In light of the anticipated gradual improvement of economic conditions in the second half of 2021, we expect the inflation rate for industrial goods excluding energy to rise from 0.7% in 2021 to 1.1% in the following year (2020: 1.2%).

Services inflation is expected to decline to 2.2% in 2021 (from 2.5% in 2020), partly due to rental prices, whose inflation rate is projected to decline over the forecast horizon owing to inflation-dampening base effects. Moreover, prices of tourism-related services will only accelerate at the beginning of next year once containment measures have been phased out. According to the European Commission's Business and Consumer Survey, Austrian service providers in the hospitality industry currently expect demand levels to remain well below the long-term average for the next three months. To provide financial support to the hospitality industry, the VAT rate for food and accommodation services was cut to 5% for the period from July 2020 to December 2021. The lower VAT rate is unlikely to be passed on to consumers, which is in line with government intentions. After all, the hospitality industry has been facing both higher costs and lower incomes resulting from capacity constraints imposed with a view to containing the COVID-19 pandemic (hygiene rules, physical distancing). Besides, numerous businesses are struggling with liquidity problems. We therefore do not expect the VAT rate cut to feed through to consumer prices.

Inflation of *food prices*, including alcohol and tobacco, recorded a substantial decrease at the beginning of the year, which had partly reversed by April 2021. For the full year 2021, we expect food price inflation to come to 1.0% and to accelerate thereafter to 1.9% in 2022. This increase is mainly attributable to rising price expectations for global agricultural commodities, which are putting pressure on imported food prices. In addition, the tobacco tax hike, which entered into force in April 2021, will cause food price inflation including tobacco to edge up by 0.2 percentage points in 2021. In 2023, food price inflation is projected to drop to 1.2%, as effects on inflation brought about by the tobacco tax hike will bottom out. Downward pressures on food prices will also come from a decline in global agricultural commodity prices anticipated for 2023.

Table 9

Price, cost, productivity and profit indicators for Austria

	2020	2021	2022	2023
	<i>Annual change in %</i>			
Harmonised Index of Consumer Prices (HICP)	+1.4	+2.0	+1.8	+1.8
HICP energy	-5.9	+7.1	+0.7	+0.0
HICP excluding energy	+2.0	+1.6	+1.9	+2.1
Private consumption expenditure (PCE) deflator	+1.1	+2.1	+1.8	+1.7
Investment deflator	+1.7	+1.8	+1.9	+1.8
Import deflator	-1.6	+1.6	+1.9	+1.9
Export deflator	-0.2	+1.7	+2.0	+1.5
Terms of trade	+1.4	+0.1	+0.1	-0.3
GDP deflator at factor cost	+1.0	+1.6	+2.0	+1.8
Collective wage and salary settlements	+2.4	+1.7	+2.6	+2.4
Compensation per employee	+0.4	+2.2	+2.9	+2.6
Compensation per hour worked	+8.8	-1.4	+0.3	+1.8
Labor productivity per employee	-5.2	+2.8	+2.8	+1.2
Labor productivity per hour worked	+2.3	-0.5	+0.4	+0.5
Unit labor costs	+5.9	-0.6	+0.1	+1.4
Profit margins ¹	-4.9	+2.2	+1.9	+0.4

Source: 2020: Statistics Austria; 2021 to 2023: OeNB June 2021 outlook.

¹ GDP deflator divided by unit labor costs.

4 Assessing the risks to the OeNB's outlook and lockdown scenario

While the risks surrounding the economic outlook for 2021 are balanced, the international and domestic risks over the entire forecast horizon are predominantly tilted toward the upside. These upside risks are counteracted by downside risks stemming from the downward revision of the historical growth rates for Austria seen after the cutoff date for data for this report. The projections for both 2022 and 2023 are subject to upside risks.

4.1 General risks to the outlook

The past 15 months have been fraught with a high degree of uncertainty over the trajectory of the pandemic, with health policy measures playing a critical role for economic developments. Since the end of May 2021, uncertainty has been receding perceptibly. In recent weeks, infection numbers have seen a notable drop, causing the risk of a renewed flare-up of infections resulting from the current unwinding of containment measures to decrease as well. Similarly, in fall, we are less likely to see another wave of infections necessitating the reintroduction of containment measures, as the vaccination rate keeps rising. Compared with the OeNB's December 2020 outlook, framework conditions have improved noticeably thanks to vaccination progress as well as expected further developments based on the amount of vaccine doses ordered.

As a result, economic aspects have again started to take center stage in risk assessments. Factoring out pandemic developments, risks to the international environment are primarily tilted to the downside in the short run. Prices for a broad range of commodities are rising markedly amid the swift global recovery, which is primarily led by advanced economies, most notably the USA, as well as strong economic growth in China. Furthermore, essential industries have reported increasing bottlenecks for various intermediate goods, hampering further output

expansion. While these supply-side shortages have been recorded in many countries, they seem to have become particularly acute in Germany, where new orders are exceeding actual industry output by a large margin. Surveys show that bottlenecks in the supply of materials have also prevented Austrian manufacturers from increasing their output swiftly. Supply disruptions thus have a direct dampening impact on output; in addition, they may also bring about indirect negative effects via price increases. Since Austria's industry was the main driver of growth at the start of the year, recent supply disruptions may weigh on growth developments in the second and third quarters of 2021. Over the medium term, however, these constraints – and with them the downside risks – are expected to ease.

4.2 Domestic risks to the outlook

Over the forecast horizon, the balance of domestic risks is clearly on the upside. This is essentially due to three factors: (1) The economic recovery projected for the second quarter of 2021 may turn out to be much stronger than previously expected. While the nationwide lockdown at the beginning of 2021 adversely affected private consumption, the three-week lockdown imposed in the second quarter in eastern Austria, which accounts for some 43% of domestic economic output, put less pressure on consumption growth. In light of mid-May unlocking in Austria, we expect additional positive effects from the hospitality industry, which was completely shut down in the first quarter. In sum, economic activity could thus accelerate markedly in the second quarter of 2021. (2) The present economic outlook anticipates a sharp decline of the saving ratio; yet – as described in box 2 – we expect only a small fraction of excess savings accumulated during the pandemic to be spent on consumption. If consumers were to spend larger-than-expected amounts, this might constitute an upward risk to the projections for consumption. (3) As noted in greater detail in box 1, we forecast the numbers of domestic visitors and guests from neighboring countries to rebound swiftly, whereas tourists from overseas will be more hesitant to return to travel. Moreover, we project catch-up effects to materialize only for domestic tourism in 2021, fueled further by more people spending their vacation in Austria this year, which will cause the number of overnight stays to exceed 2019 figures. Should the confidence and the desire to travel be more pronounced than expected, we might see higher numbers of foreign visitors traveling to Austria than anticipated in our baseline scenario.

4.3 Risks arising from revisions to historical data after the cutoff date

The present economic outlook is the OeNB's contribution to the Eurosystem staff macroeconomic projections. The cutoff date for data was May 26, 2021; the key data source for this exercise are the national accounts data, as adjusted for seasonal and working-day effects. Shortly after the cutoff date for this report, i.e. on May 31, 2021, Statistics Austria published an update of the national accounts data, which saw real GDP growth being revised significantly downward for the first quarter of 2021, from +0.2% to -1.1% (seasonally and working-day adjusted; compared to the previous quarter). If we took into account the revised data and carried forward our projections from the second quarter of 2021 onward (technical update), this would imply a marked downward revision of the present outlook for the full year 2021. From the second quarter of 2021 onward, however, we would see a substantial upward revision of growth estimates if we were to

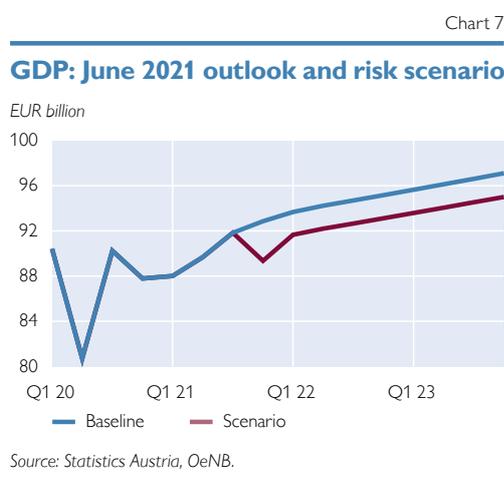
recalculate the outlook based on the revised data. This is due to particularly strong improvements in a number of leading indicators and assessments derived from the OeNB's weekly GDP indicator. On balance, the downside risks to the projections still prevail for 2021, owing to the updated national accounts data. For 2022, however, the changes to the quarterly profiles of 2021 due to the revision would constitute a positive impact (upside risk) on aggregate economic growth.

4.4 Lockdown scenario

The OeNB's June 2021 outlook is based on the assumption that more than 60% of the Austrian population aged over 12 years will have been vaccinated against COVID-19 by fall 2021, which corresponds to more than 5.3 million individuals. Furthermore, some 700,000 individuals will have tested positive for coronavirus by fall. It should be noted, however, that there may be some overlap of the shares of vaccinated and recovered persons and that not all COVID-19 cases have been reported. Come fall, roughly 3 million individuals in Austria are estimated to still face an increased risk of infection, as they will not have been vaccinated against or will not have recovered from the coronavirus disease. Expert reports moreover suggest that a small share of the population might be reinfected despite having been immunized or having had COVID-19, with patients possibly experiencing more severe symptoms the second time they are infected. Even if the majority of vulnerable individuals will have been vaccinated and not-at-risk groups are less likely to develop a severe case after being infected, the overall number of 3 million people who are not immunized remains sufficiently high, which is why another wave of infections in fall cannot be ruled out completely.

The scenario described here illustrates the potential implications of another major wave of infections requiring renewed containment measures in fall 2021. Our projections are based on a progression similar to that observed for the second infection wave in fall 2020; moreover, we assume that the same containment measures will be put in place to prevent intensive care units from being overwhelmed as COVID-19 cases rise.²⁰ At the same time, industrial activity is expected to remain robust, which is why we mirror

GDP developments recorded in the fourth quarter of 2020 (change on previous quarter: -2.7%). We assume that the negative impacts on economic activity triggered by the lockdown periods are not cushioned by additional learning effects. Furthermore, we expect the resurgence of infections to significantly enhance incentives boosting people's willingness to get vaccinated. As a result, the infection curve is set to flatten more swiftly and, ultimately, in a sustained manner. The ensuing negative effects should



²⁰ In fall 2020 (October to December), 315,000 individuals fell ill with COVID-19. Based on the considerations set out above, this corresponds to 10% of individuals who have no immunity protection against the disease.

thus be limited to one quarter only. The rebound anticipated for the first quarter of 2022 reflects the developments seen from the first quarter of 2020 to the third quarter of 2020, i.e. losses will not be fully recovered and catch-up effects will fail to materialize. In line with these assumptions, we project GDP to permanently hover at lower levels and annual growth to drop by about 1 percentage point to 2.8% (2021) and 3.0% (2022).

5 Revisions remain limited despite varying quarterly growth dynamics

The OeNB's December 2020 outlook was based on the assumption that the pandemic situation would gradually improve from December 2020 onward. Yet, after a light lockdown in the run-up to Christmas, Austria went into a nationwide lockdown from December 26 onward, which saw retail trade shut down until February 7, 2021. As a result, GDP growth stagnated in the first quarter of 2021 and did not expand, as the OeNB had anticipated in its December 2020 forecast. Contrary to what had been expected in December, Austria's economy is set to recover at a visibly faster pace in mid-2021, following the recent easing of containment measures, which essentially reflects improved pandemic conditions and a faster-than-expected COVID-19 vaccine rollout. In sum, the two effects described above mostly cancel each other out (forecast error: -0.7 percentage points; more pronounced recovery (see table 10, item "Other reasons"): $+1.1$ percentage points), leaving the projections for the full year 2021 virtually unchanged. Compared with the OeNB's December 2020 outlook, the predicted growth rate for 2022 is slightly higher, driven by improved external assumptions, while changes in external economic conditions are expected to have a somewhat dampening effect on growth in 2023.

The OeNB's inflation forecast was revised upward for the entire forecast horizon. At $+0.6$ percentage points, the upward revision is particularly pronounced

Table 10

Breakdown of revisions to the outlook

	GDP			HICP		
	2021	2022	2023	2021	2022	2023
	<i>Annual change in %</i>					
June 2021 outlook	+3.9	+4.2	+1.9	+2.0	+1.8	+1.8
December 2020 outlook	+3.6	+4.0	+2.2	+1.4	+1.7	+1.7
Difference	+0.3	+0.2	-0.3	+0.6	+0.1	+0.1
	<i>Percentage points</i>					
Caused by:						
External assumptions	-0.1	+0.2	-0.2	+0.5	+0.0	+0.0
New data ¹	-0.6	+0.0	+0.0	+0.0	+0.0	+0.0
of which: revisions to historical data up to Q3 20	+0.2	+0.0	+0.0	+0.0	+0.0	+0.0
projection errors for Q4 20 and Q1 21	-0.7	+0.0	+0.0	+0.0	+0.0	+0.0
Other reasons ²	+1.1	+0.0	+0.0	+0.1	+0.1	+0.1

Source: OeNB June 2021 and December 2020 outlooks.

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

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.

for 2021, mainly on account of considerably higher oil prices (+USD 22 or +49.5% compared with December 2020). The latter also becomes evident when assessing the factors behind the revision, which can almost exclusively be traced back to external assumptions. The inflation forecast for the years 2022 and 2023 remains virtually unchanged.

Table 11

Comparison of the OeNB June 2021 outlook and the December 2020 outlook

	June 2021				Revisions since December 2020 outlook		
	2020	2021	2022	2023	2021	2022	2023
Economic activity							
<i>Annual change in %</i>							
Gross domestic product (GDP)	-6.7	+3.9	+4.2	+1.9	+0.3	+0.2	-0.3
Private consumption	-9.4	+4.0	+5.8	+1.8	+0.1	+1.1	-0.2
Government consumption	+1.6	+2.1	+0.5	+0.8	+0.9	-0.3	-0.1
Gross fixed capital formation	-4.8	+4.7	+3.3	+1.8	+0.7	-1.4	-0.9
Exports of goods and services	-10.9	+7.1	+6.4	+3.4	+1.7	+0.9	-0.3
Imports of goods and services	-10.0	+7.4	+6.3	+3.0	+3.3	+0.5	-0.8
Current account balance	+2.5	+2.1	+2.2	+2.4	-0.3	-0.1	+0.0
Import-adjusted contribution to real GDP growth¹							
<i>Percentage Points</i>							
Private consumption	-3.6	+1.4	+2.0	+0.6	+0.0	+0.3	-0.1
Government consumption	+0.3	+0.4	+0.1	+0.1	+0.2	+0.0	+0.0
Gross fixed capital formation	-0.5	+0.6	+0.4	+0.2	+0.0	-0.2	-0.2
Domestic demand (excluding changes in inventories)	-3.8	+2.4	+2.6	+1.0	+0.3	+0.2	-0.3
Exports	-3.5	+2.0	+1.8	+1.0	+2.0	+1.8	-0.1
Changes in inventories (including statistical discrepancy)	+0.2	-0.2	+0.1	+0.0	+0.1	+0.0	-0.1
Prices							
<i>Annual change in %</i>							
Harmonised Index of Consumer Prices (HICP)	+1.4	+2.0	+1.8	+1.8	+0.6	+0.1	+0.1
Private consumption expenditure (PCE) deflator	+1.1	+2.1	+1.8	+1.7	+1.1	+0.1	-0.1
GDP deflator	+1.2	+2.3	+1.9	+1.6	+2.1	+0.4	-0.1
Unit labor costs (whole economy)	+5.9	-0.6	+0.1	+1.4	+0.1	-0.1	-0.5
Compensation per employee (nominal)	+0.4	+2.2	+2.9	+2.6	+0.1	+0.6	+0.0
Compensation per hour worked (nominal)	+8.8	-1.4	+0.3	+1.8	-0.6	-0.5	-0.8
Import prices	-1.6	+1.6	+1.9	+1.9	+0.2	+0.0	+0.2
Export prices	-0.2	+1.7	+2.0	+1.5	+0.2	+0.3	-0.3
Terms of trade	+1.4	+0.1	+0.1	-0.3	+0.1	+0.2	-0.3
Income and savings							
Real disposable household income	-2.9	+0.6	+2.4	+1.4	+0.4	+0.1	-0.4
<i>% of nominal disposable household income</i>							
Saving ratio	+14.4	+11.0	+8.1	+7.8	+1.0	+0.2	+0.1
Labor market							
<i>Annual change in %</i>							
Payroll employment	-2.0	+1.2	+1.6	+0.9	+0.5	-0.5	-0.7
Hours worked (payroll employment)	-9.4	+4.7	+4.1	+1.7	+1.2	+0.6	+0.1
<i>% of labor supply</i>							
Unemployment rate (Eurostat definition)	5.3	5.2	4.8	4.6	-0.4	-0.3	-0.2
Public finances							
<i>% of nominal GDP</i>							
Budget balance (Maastricht definition)	-8.9	-6.9	-2.8	-2.0	-0.6	+0.1	-0.6
Government debt	83.9	85.1	82.8	81.9	-1.3	-1.6	-0.6

Source: 2020 (actual figures): WIFO, Statistics Austria, OeNB; OeNB June 2021 and December 2020 outlooks.

¹ The import-adjusted growth contributions were calculated by offsetting each final demand component with corresponding imports, which were obtained from input-output tables.

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Annex

Table 12

Demand components (real)

Chained volume data (reference year = 2015)

	2020	2021	2022	2023	2020	2021	2022	2023
	EUR million				Annual change in %			
Private consumption	173,267	180,270	190,713	194,052	-9.4	+4.0	+5.8	+1.8
Government consumption	72,964	74,468	74,818	75,413	+1.6	+2.1	+0.5	+0.8
Gross fixed capital formation	87,196	91,297	94,338	96,041	-4.8	+4.7	+3.3	+1.8
of which: investment in plant and equipment	28,156	30,301	31,817	32,613	-11.1	+7.6	+5.0	+2.5
residential construction investment	16,131	16,730	17,201	17,496	-3.9	+3.7	+2.8	+1.7
nonresidential construction investment and other investment	22,940	23,966	24,563	24,777	-2.6	+4.5	+2.5	+0.9
Changes in inventories (including statistical discrepancy)	4,127	4,907	5,430	5,707	x	x	x	x
Domestic demand	337,553	350,942	365,300	371,213	-6.0	+4.0	+4.1	+1.6
Exports of goods and services	191,356	204,928	218,027	225,527	-10.9	+7.1	+6.4	+3.4
Imports of goods and services	179,786	193,060	205,160	211,291	-10.0	+7.4	+6.3	+3.0
Net exports	11,570	11,867	12,867	14,236	x	x	x	x
Gross domestic product	349,123	362,809	378,168	385,449	-6.7	+3.9	+4.2	+1.9

Source: 2020: Statistics Austria; 2021 to 2023: OeNB June 2021 outlook.

Note: x = no data available.

Table 13

Demand components (current prices)

	2020	2021	2022	2023	2020	2021	2022	2023
	EUR million				Annual change in %			
Private consumption	188,024	199,735	215,116	222,702	-8.4	+6.2	+7.7	+3.5
Government consumption	80,316	83,009	84,349	86,472	+4.0	+3.4	+1.6	+2.5
Gross fixed capital formation	94,785	100,999	106,374	110,286	-3.2	+6.6	+5.3	+3.7
Changes in inventories (including statistical discrepancy)	-791	1,702	2,784	3,294	x	x	x	x
Domestic demand	362,334	385,445	408,623	422,755	-5.5	+6.4	+6.0	+3.5
Exports of goods and services	196,699	214,201	232,370	243,974	-11.1	+8.9	+8.5	+5.0
Imports of goods and services	183,875	200,509	217,166	227,795	-11.4	+9.0	+8.3	+4.9
Net exports	12,824	13,693	15,203	16,178	x	x	x	x
Gross domestic product	375,158	399,137	423,826	438,934	-5.6	+6.4	+6.2	+3.6

Source: 2020: Statistics Austria; 2021 to 2023: OeNB June 2021 outlook.

Note: x = no data available.

Table 14

Demand components (deflators)

	2020	2021	2022	2023	2020	2021	2022	2023
	2010 = 100				Annual change in %			
Private consumption	108.5	110.8	112.8	114.8	+1.1	+2.1	+1.8	+1.7
Government consumption	110.1	111.5	112.7	114.7	+2.4	+1.3	+1.1	+1.7
Gross fixed capital formation	108.7	110.6	112.8	114.8	+1.7	+1.8	+1.9	+1.8
Domestic demand (excluding changes in inventories)	108.9	110.9	112.8	114.8	+1.5	+1.8	+1.7	+1.8
Exports of goods and services	102.8	104.5	106.6	108.2	-0.2	+1.7	+2.0	+1.5
Imports of goods and services	102.2	103.8	105.8	107.8	-1.6	+1.6	+1.9	+1.9
Terms of trade	100.5	100.6	100.7	100.3	+1.4	+0.1	+0.1	-0.3
Gross domestic product	107.5	110.0	112.1	113.9	+1.2	+2.3	+1.9	+1.6

Source: 2020: Statistics Austria; 2021 to 2023: OeNB June 2021 outlook.

Table 15

Labor market

	2020	2021	2022	2023	2020	2021	2022	2023
	Thousands				Annual change in %			
Total employment	4,463.4	4,513.2	4,576.2	4,610.3	-1.7	+1.1	+1.4	+0.7
of which: private sector	3,704.9	3,753.9	3,816.2	3,849.5	-2.1	+1.3	+1.7	+0.9
Payroll employment (national accounts definition)	3,919.9	3,965.6	4,027.4	4,062.8	-2.0	+1.2	+1.6	+0.9
	% of labor supply							
Unemployment rate (Eurostat definition)	5.3	5.2	4.8	4.6	x	x	x	x
	EUR per real unit of output x 100							
Unit labor costs (whole economy) ¹	61.9	61.6	61.6	62.5	+5.9	-0.6	+0.1	+1.4
	EUR thousand per employee							
Labor productivity (whole economy) ²	78.2	80.4	82.6	83.6	-5.2	+2.8	+2.8	+1.2
	EUR thousand							
Compensation per employee (real) ³	44.6	44.7	45.1	45.5	-0.7	+0.1	+1.0	+0.9
	At current prices in EUR thousand							
Compensation per employee (gross)	48.4	49.5	50.9	52.2	+0.4	+2.2	+2.9	+2.6
	At current prices in EUR million							
Total compensation of employees (gross)	189,751	196,182	205,006	212,243	-1.6	+3.4	+4.5	+3.5

Source: 2020: Statistics Austria; 2021 to 2023: OeNB June 2021 outlook.

Note: x = no data available.

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 16

Current account balance

	2020	2021	2022	2023	2020	2021	2022	2023
	EUR million				% of nominal GDP			
Balance of trade	13,133.0	12,533.6	13,604.3	15,224.1	3.5	3.1	3.2	3.5
Balance of goods	5,271.0	3,359.3	3,010.2	3,277.3	1.4	0.8	0.7	0.7
Balance of services	7,862.0	9,174.3	10,594.1	11,946.8	2.1	2.3	2.5	2.7
Balance of primary income	-332.0	-400.0	-400.0	-600.0	-0.1	-0.1	-0.1	-0.1
Balance of secondary income	-3,333.0	-3,700.0	-4,000.0	-4,148.0	-0.9	-0.9	-0.9	-0.9
Current account balance	9,468.0	8,433.6	9,204.3	10,476.1	2.5	2.1	2.2	2.4

Source: 2020: OeNB; 2021 to 2023: OeNB June 2021 outlook.

Table 17

Quarterly outlook results

	2021	2022	2023	2021				2022				2023			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Prices, wages, costs															
<i>Annual change in %</i>															
HICP	+2.0	+1.8	+1.8	+1.5	+2.1	+2.1	+2.1	+1.8	+1.8	+1.8	+1.8	+1.8	+1.8	+1.8	+1.7
HICP excluding energy	+1.6	+1.9	+2.1	+1.8	+1.6	+1.5	+1.5	+1.5	+1.9	+2.1	+2.1	+2.1	+2.2	+2.1	+2.0
Private consumption expenditure deflator	+2.1	+1.8	+1.7	+1.7	+2.5	+2.0	+2.2	+1.9	+1.8	+1.8	+1.7	+1.7	+1.7	+1.8	+1.9
Gross fixed capital formation deflator	+1.8	+1.9	+1.8	+1.5	+1.7	+1.7	+2.1	+2.0	+1.9	+1.9	+1.9	+1.8	+1.8	+1.8	+1.8
GDP deflator	+2.3	+1.9	+1.6	+1.1	+2.2	+3.0	+3.1	+3.1	+1.6	+1.3	+1.6	+1.7	+1.7	+1.6	+1.4
Unit labor costs	-0.6	+0.1	+1.4	+2.8	-2.4	+0.9	-3.6	-2.9	-1.3	+2.2	+2.4	+2.1	+1.6	+1.1	+1.0
Compensation per employee (nominal)	+2.2	+2.9	+2.6	+1.9	+5.4	+1.3	+0.3	+1.1	+1.7	+4.6	+4.3	+3.7	+2.9	+2.2	+1.8
Productivity	+2.8	+2.8	+1.2	-0.9	+7.9	+0.4	+4.1	+4.1	+3.0	+2.3	+1.8	+1.5	+1.2	+1.1	+0.8
Compensation per employee (real)	+0.1	+1.0	+0.9	+0.2	+2.8	-0.6	-1.8	-0.8	-0.2	+2.7	+2.5	+2.0	+1.2	+0.3	-0.1
Import deflator	+1.6	+1.9	+1.9	+0.6	+1.7	+1.4	+2.5	+1.3	+2.2	+2.2	+2.0	+1.9	+1.8	+1.8	+1.8
Export deflator	+1.7	+2.0	+1.5	+0.0	+1.8	+2.3	+2.6	+2.8	+1.9	+1.6	+1.7	+1.6	+1.5	+1.5	+1.4
Terms of trade	+0.1	+0.1	-0.3	-0.6	+0.0	+0.8	+0.1	+1.4	-0.3	-0.6	-0.3	-0.2	-0.3	-0.4	-0.5
Economic activity															
<i>Annual and/or quarterly changes in % (real)</i>															
GDP	+3.9	+4.2	+1.9	+0.2	+2.1	+2.4	+1.1	+0.9	+0.6	+0.5	+0.5	+0.5	+0.5	+0.5	+0.5
Private consumption	+4.0	+5.8	+1.8	-0.2	+4.0	+4.7	+1.2	+0.8	+0.6	+0.4	+0.4	+0.4	+0.4	+0.4	+0.4
Government consumption	+2.1	+0.5	+0.8	-0.3	+1.0	+0.0	-0.1	+0.1	+0.2	+0.0	+0.1	+0.3	+0.3	+0.2	+0.3
Gross fixed capital formation	+4.7	+3.3	+1.8	+1.7	+0.6	+1.3	+1.0	+0.8	+0.7	+0.6	+0.5	+0.4	+0.4	+0.3	+0.4
Exports	+7.1	+6.4	+3.4	-1.0	+4.1	+3.1	+1.9	+1.1	+0.7	+0.7	+0.9	+0.9	+0.9	+0.9	+0.9
Imports	+7.4	+6.3	+3.0	-1.5	+4.4	+3.8	+1.6	+1.0	+0.7	+0.6	+0.7	+0.9	+0.7	+0.7	+0.7
<i>Contribution to real GDP growth in percentage points</i>															
Domestic demand	+3.6	+3.8	+1.5	+0.3	+2.3	+2.6	+0.8	+0.6	+0.5	+0.4	+0.3	+0.4	+0.4	+0.3	+0.4
Net exports	+0.1	+0.3	+0.4	+0.2	+0.0	-0.3	+0.2	+0.1	+0.0	+0.1	+0.1	+0.0	+0.1	+0.1	+0.1
Changes in inventories	+0.2	+0.1	+0.1	-0.2	-0.2	+0.0	+0.0	+0.1	+0.0	+0.0	+0.0	+0.1	+0.0	+0.0	+0.0
Labor market															
<i>% of labor supply</i>															
Unemployment rate (Eurostat definition)	5.2	4.8	4.6	5.7	5.4	4.9	4.9	4.9	4.9	4.8	4.7	4.7	4.6	4.6	4.5
<i>Annual and/or quarterly changes in %</i>															
Total employment	+1.1	+1.4	+0.7	-0.4	+0.5	+1.4	+0.2	+0.2	+0.1	+0.1	+0.1	+0.1	+0.3	+0.3	+0.4
of which: private sector	+1.3	+1.7	+0.9	-0.5	+0.7	+1.7	+0.3	+0.3	+0.1	+0.2	+0.1	+0.1	+0.3	+0.4	+0.4
Payroll employment	+1.2	+1.6	+0.9	-0.5	+0.7	+1.4	+0.3	+0.3	+0.1	+0.2	+0.2	+0.1	+0.3	+0.3	+0.4
Additional variables															
<i>Annual and/or quarterly changes in % (real)</i>															
Disposable household income	+0.6	+2.4	+1.4	-6.6	+5.1	-1.8	+0.2	+0.7	+0.8	+0.9	+0.6	+0.2	+0.1	+0.0	+0.0
<i>% of real GDP</i>															
Output gap	-3.3	-0.7	-0.4	-5.7	-4.1	-2.1	-1.4	-0.9	-0.8	-0.7	-0.6	-0.5	-0.4	-0.4	-0.2

Source: OeNB June 2021 outlook.

Note: Quarterly values based on seasonally and working day-adjusted data.

Table 18

Comparison of current economic forecasts for Austria

	OeNB			WIFO opening scenario		WIFO lockdown scenario		IHS		OECD		IMF		European Commission	
	June 2021			March 2021		March 2021		March 2021		May 2021		April 2021		May 2021	
	2021	2022	2023	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
<i>Annual change in %</i>															
Main results															
GDP (real)	+3.9	+4.2	+1.9	+2.3	+4.3	+1.5	+4.7	+2.6	+4.3	+3.4	+4.2	+3.5	+4.0	+3.4	+4.3
Private consumption (real)	+4.0	+5.8	+1.8	+2.4	+4.0	+1.1	+4.6	+4.4	+4.4	+3.0	+4.9	x	x	+3.0	+5.3
Government consumption (real)	+2.1	+0.5	+0.8	+1.4	+1.2	+1.4	+1.2	+1.5	+0.5	+1.3	+1.1	x	x	+3.3	+1.1
Gross fixed capital formation (real)	+4.7	+3.3	+1.8	+4.0	+4.0	+3.5	+4.4	+2.7	+4.9	+4.6	+4.1	x	x	+4.8	+3.3
Exports (real)	+7.1	+6.4	+3.4	+2.8	+7.2	+2.3	+7.8	+6.8	+7.2	+7.2	+7.8	+5.1	+7.2	+7.5	+7.2
Imports (real)	+7.4	+6.3	+3.0	+3.9	+6.0	+3.5	+6.5	+8.4	+6.6	+7.9	+7.3	+5.9	+6.9	+8.2	+6.6
Labor productivity ¹	+2.8	+2.8	+1.2	-1.8	+0.9	-1.7	+0.7	+1.3	+2.7	+2.4	+3.0	x	x	+2.6	+1.4
GDP deflator	+2.3	+1.9	+1.6	+1.2	+1.7	+1.2	+1.7	+1.5	+1.7	+1.1	+1.5	+1.7	+1.4	+1.3	+1.7
CPI	x	x	x	+1.8	+1.8	+1.8	+1.8	+2.0	+1.9	x	x	x	x	x	x
HICP	+2.0	+1.8	+1.8	+1.9	+1.9	+1.9	+1.9	+2.1	+1.9	+2.0	+1.9	+1.6	+1.8	+1.8	+1.6
Unit labor costs	-0.6	+0.1	+1.4	-0.8	-1.0	-0.3	-1.6	-0.3	-1.2	-0.3	-0.8	x	x	-1.5	-1.1
Payroll employment ²	+1.1	+1.4	+0.7	+1.1	+2.2	+0.9	+2.3	+1.3	+1.5	+1.1	+1.3	+0.8	+0.8	+1.2	+1.3
<i>% of labor supply</i>															
Unemployment rate (Eurostat definition)	5.2	4.8	4.6	+5.0	+4.8	+5.1	+4.8	+5.3	+5.0	+5.1	+4.8	+5.5	+5.3	+5.0	+4.8
<i>% of nominal GDP</i>															
Current account balance	2.1	2.2	2.4	+1.4	+2.1	+1.3	+2.1	x	x	+1.6	+2.3	+2.4	+2.5	+2.2	+2.7
Budget balance (Maastricht definition)	-6.9	-2.8	-2.0	-7.1	-3.7	-7.7	-4.0	-6.6	-3.5	-7.3	-3.1	-6.5	-3.6	-7.6	-3.0
External assumptions															
Oil price in USD/barrel (Brent)	65.8	64.6	61.9	63.0	59.0	63.0	59.0	65.0	65.0	64.0	65.0	58.5	54.8	63.9	61.6
Short-term interest rate in %	-0.5	-0.5	-0.3	-0.5	-0.3	-0.5	-0.3	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
USD/EUR exchange rate	1.21	1.21	1.21	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.22	1.24	1.20	1.20
<i>Annual change in %</i>															
Euro area GDP (real)	+4.6	+4.7	+2.1	+3.9	+4.3	+3.9	+4.3	+4.3	+3.6	+4.3	+4.4	+4.4	+3.8	+4.3	+4.4
US GDP (real)	+6.6	+3.8	+2.3	+6.0	+3.0	+6.0	+3.0	+5.8	+3.5	+6.9	+3.6	+6.4	+3.5	+6.3	+3.8
World GDP (real)	+6.0	+4.3	+3.5	x	x	x	x	+5.3	+4.0	+5.8	+4.4	+6.0	+4.4	+5.6	+4.3
World trade ³	+10.0	+5.5	+3.7	x	x	x	x	+7.0	+3.5	+8.2	+5.8	+8.4	+6.5	+8.7	+6.1

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

Note: x = no data available.

¹ OeNB, WIFO: productivity per hour worked; IHS, OECD, European Commission: productivity per employee.² WIFO and IHS: payroll employment.³ IHS: goods according to CPB; European Commission: world imports.