

Austria's Economy Will Continue to Grow Dynamically in 2007

Economic Outlook for Austria from 2006 to 2008

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1 Summary

According to the economic outlook of the Oesterreichische Nationalbank (OeNB), Austria's real gross domestic product (GDP) is expected to grow by 3.3% in 2006 and by 2.8% and 2.4% in 2007 and 2008, respectively. The OeNB's growth forecasts for 2006 and 2007 have been revised upward by 0.8 and 0.6 percentage point, respectively, since the June 2006 outlook. Inflation will drop to 1.7% in 2006 and will fall further to 1.4% in 2007. A slight increase to 1.6% is forecast for 2008. Employment will continue to increase substantially, significantly reducing the unemployment rate from 5.2% in 2005 to 4.7% in 2008.

In 2006, the global economy developed very dynamically, mainly fueled by the decrease in oil prices after their peak in August, by low long-term interest rates and the continued strong growth in China. This devel-

opment was only dampened by the slowdown in U.S. real estate markets and the related overall economic downturn in the United States. Domestic euro area demand has strengthened, which supports the overall euro area economy. In particular the expansion of the German economy no longer relies on exports only, but has also been driven by investment. The German consolidation package, which will become effective at the beginning of 2007, is not expected to have more than a slight dampening effect on the Austrian economy.

The continued positive development of global trade favors vigorous export growth, which is expected to come to 7.6% in 2006 and to cool down only slightly to 6.5% in 2007 and 6.6% in 2008. Investment growth picked up markedly in 2006, starting out from a very low investment ratio in 2005. Strong export activity led to a full utilization of available capacities

Chart 1

Real GDP Growth (Seasonally Adjusted)



Source: Eurostat, OeNB.

JEL classification: C5, E17.

Keywords: Forecast,
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Table 1

OeNB December 2006 Outlook for Austria - Key Results¹

	2005	2006	2007	2008
Annual change in % (real)				
Economic activity				
Gross domestic product	+2.6	+3.3	+2.8	+2.4
Private consumption	+1.5	+1.8	+2.2	+2.1
Government consumption	+1.9	+1.1	+1.4	+1.9
Gross fixed capital formation	+1.4	+4.5	+4.0	+2.8
Exports of goods and services	+6.9	+7.6	+6.5	+6.6
Imports of goods and services	+6.1	+6.0	+6.4	+6.8
Percentage points of GDP				
Contribution to real GDP growth				
Private consumption	+0.9	+1.0	+1.2	+1.2
Government consumption	+0.3	+0.2	+0.2	+0.3
Gross fixed capital formation	+0.3	+1.0	+0.8	+0.6
Domestic demand (excluding changes in inventories)	+1.5	+2.2	+2.3	+2.1
Net exports	+0.7	+1.2	+0.4	+0.3
Changes in inventories (including statistical discrepancy)	+0.4	-0.1	+0.1	+0.0
Annual change in %				
Prices				
Harmonised Index of Consumer Prices (HICP)	+2.1	+1.7	+1.4	+1.6
Private consumption expenditure (PCE) deflator	+1.6	+1.7	+1.4	+1.6
GDP deflator	+1.5	+1.3	+1.4	+1.6
Unit labor costs in the total economy	-0.5	+0.1	+0.7	+0.8
Compensation per employee (at current prices)	+2.0	+2.6	+2.5	+2.4
Productivity (whole economy)	+2.5	+2.5	+1.8	+1.5
Compensation per employee (real)	+0.3	+0.9	+1.1	+0.8
Import prices	+3.3	+3.0	+1.5	+1.5
Export prices	+2.7	+2.3	+1.6	+1.5
Terms of trade	-0.6	-0.7	+0.1	-0.1
Income and savings				
Real disposable household income	+1.8	+2.7	+2.3	+1.8
% of nominal disposable household income				
Saving ratio	9.0	9.4	9.5	9.1
Annual change in %				
Labor market				
Payroll employment	+0.6	+1.5	+1.6	+1.3
%				
Unemployment rate (Eurostat definition)	5.2	4.9	4.7	4.7
% of nominal GDP				
Budget				
Budget balance (Maastricht definition)	-1.5	-1.3	-1.0 to -1.6	-0.9 to -1.4

Source: 2005: Eurostat, Statistics Austria; 2006 to 2008: OeNB December 2006 outlook.

¹ The outlook was drawn up on the basis of seasonally and working-day adjusted national accounts data. Therefore, the historical values for 2005 deviate from the nonadjusted data released by Statistics Austria.

in export-oriented sectors, giving rise to the need for additions to capital. Investment was also supported by the robust earnings situation and favorable financing conditions.

The situation for Austrian consumers markedly improved in 2006, as rising real wages and strong employment growth led to a significant increase in real disposable household

income. Consumer confidence also grew noticeably in the course of 2006. However, as the effect of income rises on consumption growth is usually lagged, consumption growth for 2006 is expected to only accelerate slightly to 1.8%, while the saving ratio is predicted to increase by 0.4 percentage point. Consumption growth is forecast to climb to 2.2% in 2007 and to level off at 2.1% in 2008.

The robust economic situation has had a clearly stimulating effect on the labor market: Payroll employment is expected to grow by 1.5% in 2006 and by 1.6% and 1.3% in 2007 and 2008, respectively. This will cause the unemployment rate to drop from 5.2% (2005) to 4.9% (2006) and then to 4.7% (2007 and 2008).

On the back of the recent decrease in oil prices, inflation as measured by the Harmonized Index of Consumer Prices (HICP) fell by 0.4 percentage point in 2006 coming to 1.7%. Based on an assumed moderate wage development, low inflation rates are expected for 2007 (1.4%) and 2008 (1.6%).

2 Technical Assumptions

The Oesterreichische Nationalbank (OeNB) compiled this forecast as its input for the Eurosystem's December 2006 staff projections for macroeconomic trends in the euro area. The forecast horizon extends from the fourth quarter of 2006 to the fourth quarter of 2008. November 14, 2006, was the cutoff date for data feeding into the underlying assumptions on global economic trends and into the technical assumptions on interest rates, exchange rates and crude oil

prices. The OeNB used its macroeconomic quarterly model¹ to prepare the projections.

The seasonally and working-day adjusted national accounts data calculated by the Austrian Institute of Economic Research (WIFO), which are fully available up to the second quarter of 2006, represent the main data source. GDP flash estimates are available for the third quarter, but only for some of the series.

The short-term interest rate assumed for the forecasting horizon is based on market expectations for the three-month EURIBOR. Thus, for 2006, 2007 and 2008, it is 3.1%, 4.0% and 3.8%, respectively. The long-term interest rates are aligned with market expectations for ten-year government bonds and are forecast to come to 3.8% (2006), 3.7% (2007) and 3.7% (2008). A constant rate of 1.28 is assumed for future USD/EUR exchange rate developments. Taking into account the values realized thus far, the average rate for 2006 is 1.25 USD/EUR. The assumed oil price developments are based on the forward rates, which are expected to be USD 65.5, USD 64.6 and USD 67.2 per barrel (Brent) for 2006, 2007 and 2008, respectively. Vis-à-vis the June outlook, this represents a downward revision of USD 7.9 on average over the entire forecasting horizon.

3 International Environment Remains Dynamic

3.1 Asia Driving Force of Global Growth

Global economic developments from 2006 to 2008 will be characterized by a moderate slowdown and a regional shift of the main growth impe-

¹ The most recent version of the model is discussed in: Schneider, M. and M. Leibrecht. 2006. AQM-06: The Macroeconomic Model of the OeNB. OeNB Working Paper No. 132.

tus from the U.S.A. to Asia. Global trade growth will only decline slightly after the exceptional performance in 2006. The slowdown of the U.S. economy and the connected low interest level for U.S. government bonds are, inter alia, reflected in the generally low level of worldwide long-term interest rates.

The growth of the *U.S. economy*, which had been vigorous in recent years, reached a peak in the first quarter of 2006 and has declined slightly since then. The driving force of this development was the real estate boom, which strengthened private consumption and residential construction investment. As real estate price growth leveled off and energy prices rose, consumption also cooled off. Real estate prices in the U.S. seem to be headed for a “soft landing” without any abrupt corrections.² The favorable labor market situation and currently falling energy prices have provided positive stimuli for private consumption. The current monetary policy situation in the U.S. is characterized by a flat, from time to time even inverted, yield curve, which is often interpreted as a sign for an impending slowdown of the U.S. economy. Currently, however, the low level of long-term interest rates seems to be attributable to the very high demand for U.S. government bonds. Though the macroeconomic imbalances in the U.S.A. (large budget and current account deficits) need to be addressed in the medium term, they do not pose an immediate cyclical risk. For 2007 and 2008, a switch to a more moderate growth path is to be expected.

The countries of Asia will continue to develop dynamically. The *Japanese economy* is expanding strongly, driven by robust domestic demand and dynamic exports. For the first time in years, consumer prices are expected to slightly rise again in 2006. In July 2006, the Japanese central bank raised interest rates to 0.25%, thus ending its zero interest rate policy after five years. Japan’s precarious fiscal situation is a risk factor. Owing to a continuously expansive fiscal policy, public debt amounts to roughly 175% of GDP, meaning that a more restrictive fiscal policy is inevitable. Thus, a deceleration of growth can be expected for 2007 and 2008.

China remains the engine of economic growth in the region. Next to exports and investments, consumption is also rising strongly. To prevent overheating, Chinese economic policymakers have raised interest rates and implemented other restrictive measures.

The economic situation in the *United Kingdom* stabilized in 2006 thanks to lively investment demand and an increase in private consumption. The labor market is characterized by strongly growing labor supply as a consequence of immigration and higher participation rates among older persons. The U.K. economy is expected to continue its steady growth path at more than 2.5%.

In *Switzerland*, growth was vigorous and broadly based in 2006, but is expected to decline from 2007 on. The new *EU Member States’* economies will record expansion rates above the euro area average over

² For a discussion of the implications an abrupt correction of U.S. real estate prices would have for Austria, see chapter 8.

Table 2

Underlying Global Economic Conditions				
	2005	2006	2007	2008
Annual change in % (real)				
Gross domestic product				
World GDP growth outside the euro area	+5.2	+5.3	+4.8	+4.8
U.S.A.	+3.2	+3.3	+2.4	+2.8
Japan	+2.6	+2.7	+1.9	+1.8
Asia excluding Japan	+8.1	+8.3	+7.7	+7.6
Latin America	+4.2	+4.4	+3.6	+3.5
United Kingdom	+1.9	+2.6	+2.8	+2.5
New EU Member States	+4.6	+5.2	+4.6	+4.5
Switzerland	+1.9	+2.9	+1.8	+1.7
Euro area ¹	+1.5	+2.5 to +2.9	+1.7 to +2.7	+1.8 to +2.8
World trade (imports of goods and services)				
World economy	+7.3	+8.3	+6.3	+6.4
Non-euro area countries	+8.4	+8.8	+6.9	+6.9
Real growth of euro area export markets	+8.3	+10.2	+7.1	+6.7
Real growth of Austrian export markets	+6.6	+9.6	+6.2	+6.4
Prices				
Oil price in USD/barrel (Brent)	54.4	65.5	64.6	67.2
Three-month interest rate in %	2.2	3.1	4.0	3.8
Long-term interest rate in %	3.4	3.8	3.7	3.7
USD/EUR exchange rate	1.24	1.25	1.28	1.28
Nominal effective exchange rate (euro area index)	103.90	104.50	105.56	105.56

Source: Eurosystem.

¹ Results of the Eurosystem's December 2006 projections. The ECB presents the result in ranges based upon average differences between actual outcomes and previous projections.

the entire forecasting horizon, thus strongly supporting Austrian exports.

3.2 Euro Area Economy Driven by Investments

The euro area economy strengthened in the course of 2006, mainly supported by the favorable development of investment activity. During the coming two years, domestic demand will continue to be the motor of economic growth. The real estate price surges recently observed in many euro area countries have caused wealth effects which in turn have supported consumption. At present, economic survey results are mixed. While confidence indicators continue their steep climb, leading indicators show that growth rates are expected to decline in early 2007. After 2.5%

to 2.9% in 2006, a decrease to 1.7% to 2.7% is expected for 2007.

Unlike the developments in recent years, the growth of the *German economy* in 2006 was not exclusively driven by exports but also investments. The outlook for consumption is dominated by the increase in value-added tax from 16% to 19% scheduled for the beginning of 2007. As a related burst of buying can be expected in the consumer durables sector toward the end of 2006, purchases are going to drop in early 2007, thus weakening consumption. Residential construction expenditure, which was strong in 2006, will not only be affected by the VAT increase but also by a series of discretionary measures (abolition of the tax grant for new building permits ("Eigenheimzulage") in early 2006 and of subsi-

dies for energy-saving measures); thus, it is predicted to cool off in 2007. Despite the dampening effect of these consolidation measures, the German economy remains on a solid expansion path and is expected to pick up again in 2008.

Economic growth in *France* was driven by robust domestic demand in 2006. Strong real wage increases favored private consumption, which will be further supported by a tax reform which will enter into force at the beginning of 2007. Net exports, however, provided no growth stimulus owing to declining export growth rates and strong domestic demand. The fall in exports led to a stagnation of economic growth in the third quarter of 2006.

After having stagnated in 2005, *Italy's economy* returned to growth rates close to potential output growth in the first half of 2006. In the third quarter, however, economic activity slackened again. Consumer spending and thus overall economic activity are going to be weakened by necessary consolidation measures in 2007 and 2008.

4 Exports Remain Pillar of Austria's Economic Activity

Austrian exports have benefited from robust global growth and in particular from the economic recovery of the euro area. Austrian export markets (defined as the weighted imports of Austria's trading partners) have been expanding strongly since early 2004, with the sole exception of the first quarter of 2005, when there was a contraction. This expansion course reached its peak in the first quarter of 2006, before slowing down a bit in the second quarter. Austrian export markets are expected to grow by

9.6% in the entire year 2006. This even surpasses growth in 2004, when exports could be increased by 9.5%.

The expected burst of buying in the run-up to the German VAT increase will only slightly dampen the growth of Austrian export markets and thus of exports in the first quarter of 2007. The effects on Austrian GDP growth in 2007 are estimated to come to -0.1 percentage point; negligible effects are expected for 2006.

The price competitiveness of Austrian exports, which deteriorated from 2002 to 2004 – mainly owing to exchange rate developments –, is likely to stay more or less unchanged over the forecasting horizon, provided the nominal USD/EUR exchange rate remains constant. The rise in unit labor costs predicted for 2006 to 2008 will not feed through into export prices, as international competition is simply too strong.

The dynamic export activity and the strong growth of the domestic economy will lead to strong import demand over the entire forecasting horizon. Although the contribution of net exports to growth is going to decline due to the predicted slight deceleration of export growth in 2007, it will remain positive in all three years of the forecasting horizon.

As the compilation method for the current account statistics has been modified, there is a break in the time series in the first quarter of 2006. Thus, there is no current account forecast in this issue. Backcast series will be available from summer 2007. The balance on goods and services according to the national accounts will improve over the entire forecasting horizon, the greatest improvement being expected for 2006.

Table 3

Growth and Price Developments in Austria's External Trade

	2005	2006	2007	2008
Annual change in %				
Exports				
Competitor prices in Austria's export markets	+2.3	+2.1	+1.2	+1.3
Export deflator	+2.7	+2.3	+1.6	+1.5
Changes in price competitiveness	-0.4	-0.2	-0.4	-0.1
Import demand in Austria's export markets (real)	+6.6	+9.6	+6.2	+6.4
Austrian exports of goods and services (real)	+6.9	+7.6	+6.5	+6.6
Market share	+0.3	-2.0	+0.3	+0.2
Imports				
International competitor prices in the Austrian market	+2.0	+1.9	+1.2	+1.2
Import deflator	+3.3	+3.0	+1.5	+1.5
Austrian imports of goods and services (real)	+6.1	+6.0	+6.4	+6.8
Terms of Trade	-0.6	-0.7	+0.1	-0.1
Percentage points of real GDP				
Contribution of net exports to GDP growth	+0.7	+1.2	+0.4	+0.3

Source: 2005: Eurostat; 2006 to 2008: OeNB December 2006 outlook, Eurosystem.

5 Real Wages Pick up Slightly

The HICP inflation rate fell to 1.2% in October 2006, but is expected to temporarily rise again over the coming months. Inflation will reach its peak in the first quarter of 2007 (1.8%) and start to drop noticeably again from the second quarter, when oil price effects will have finally faded away, and remain at a low level until end-2007. The short-term rise in inflation over the coming months can be attributed to expected energy and service price developments. In the energy sector, the base effect of strongly increased fuel prices in the same period of 2005, which led to a sharp decline in inflation between August (2.1%) and October 2006 (1.2%), will fade away again, causing inflation to rise again. In 2006, the spread between petrol and crude oil prices narrowed exceptionally. According to this forecast, the spread will return to its average value, slightly driving up inflation.

In the service sector, considerable price hikes are expected in the travel segment (air travel and package holidays) over the coming months; in the first ten months of 2006, these positions had posted surprisingly negative price dynamics despite the energy price spike. For the entire year 2006, the OeNB expects an HICP inflation rate of 1.7%; for 2007, it predicts a further decline to 1.4%. The output gap will turn positive toward the end of the forecasting horizon, and inflation will slightly pick up in 2008 (1.6%) owing to the ensuing demand-side price pressure.

Wage negotiations for 2007 have only been concluded for a few sectors. At the time the OeNB outlook was prepared, only the results for the metal sector – which usually have a signaling function for the entire fall wage negotiations – and the public sector were available. These results seem to indicate that the nominal growth of standard wages will be

Table 4

Price and Cost Indicators for Austria

	2005	2006	2007	2008
Annual change in %				
Harmonised Index of Consumer Prices (HICP)	+2.1	+1.7	+1.4	+1.6
HICP energy	+9.8	+6.3	+1.2	+0.8
HICP excluding energy	+1.5	+1.3	+1.5	+1.6
Private consumption expenditure (PCE) deflator	+1.6	+1.7	+1.4	+1.6
Investment deflator	+1.9	+1.6	+1.3	+1.5
Import deflator	+3.3	+3.0	+1.5	+1.5
Export deflator	+2.7	+2.3	+1.6	+1.5
Terms of Trade	-0.6	-0.7	+0.1	-0.1
GDP at factor cost deflator	+1.2	+1.4	+1.5	+1.6
Unit labor costs	-0.5	+0.1	+0.7	+0.8
Compensation per employee	+2.0	+2.6	+2.5	+2.4
Labor productivity	+2.5	+2.5	+1.8	+1.6
Collectively agreed wage settlements	+2.3	+2.7	+2.4	+2.3
Profit margins ¹	+1.7	+1.2	+0.8	+0.8

Source: 2005: Eurostat, Statistics Austria; 2006 to 2008: OeNB December 2006 outlook.

¹ GDP deflator divided by unit labor costs.

somewhat lower in 2007 (+2.4%) than in 2006 (+2.7%). Due to the distribution option³ negotiated for the metal sector and the one-off payment of EUR 100, however, the growth of compensation per employee in 2007 (+2.5%) will remain only slightly below the 2006 value (+2.6%).

Owing to low inflation rates, total payroll growth will decelerate further in 2008 by 0.1 percentage point. Low inflation is also leading to an acceleration of real employee compensation growth – which had been below average in the past six years – to roughly 1% per year. Real wage growth continues to lag behind productivity growth, but not as considerably as in recent years. Higher real wage increases and declining productivity rises induced by vigorous employment growth will again lead to a stronger rise in unit labor cost in 2007 and 2008. The wage share of GDP will fall by 0.7 percentage point

to 48.3% over the forecasting horizon.⁴

6 Domestic Demand Characterized by Lively Investment Activity and Moderately Rising Propensity to Consume

6.1 Strong Increase in Household Income Likely to Favor an Acceleration of Consumption Growth and a Rise in the Saving Ratio

Against the background of strong oil price hikes, fear of job losses and necessary adjustments in the Austrian pension system, consumer confidence has been below average in recent years. As a consequence, households' propensity to consume has been noticeably subdued. The saving ratio increased from 7.5% in 2001 to 9.0% in 2005.

In the course of 2006, consumer confidence increased markedly on the

³ If a company decides on a distribution option, its total wage bill must be raised by 2.9%.

⁴ The wage share represents employee compensation as a percentage of nominal GDP.

Table 5

Determinants of Nominal Household Income in Austria

	2005	2006	2007	2008
Annual change in %				
Compensation of employees	+2.6	+4.1	+4.1	+3.7
Employees	+0.6	+1.5	+1.6	+1.3
Wages per employee	+2.0	+2.6	+2.5	+2.4
Mixed income (net) of the self-employed and property income	+5.8	+6.6	+5.0	+4.4
Contribution to disposable household income in percentage points				
Compensation of employees	+2.2	+3.4	+3.4	+3.0
Mixed income (net) of the self-employed and property income	+1.8	+2.1	+1.6	+1.4
Net transfers minus direct taxes ¹	-0.5	-1.0	-1.3	-1.1
Disposable household income (nominal)	+3.5	+4.4	+3.7	+3.4

Source: 2005: Eurostat; 2006 to 2008: OeNB December 2006 outlook.

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

back of the improved labor market situation and the temporary end to the oil price climb. Real disposable household income is rising strongly (2006: +2.7%) owing to higher real wages and a robust expansion of employment. Nevertheless, the growth of real consumption in 2006 remains moderate and slightly below expectations, as is reflected by the relatively weak development of confidence in the retail trade sector over the past months. Households' real consumption expenditure will expand by 1.8% in 2006, while the saving ratio will further rise by 0.4 percentage point to 9.4%.

Disposable household income will increase considerably in 2007 and 2008, though not quite as strongly as in 2006. The growth of the income of the self-employed and property income will follow the overall economic cycle, reaching its peak already in 2006. The financial burden arising from tax and net transfer payments is expected to increase slightly in 2007 and 2008. Thanks to the high employment growth, the compensation of employees will further rise

at a pace of 4.1% in 2007 despite somewhat lower wage settlements; compensation growth will decelerate slightly only in 2008 (3.7%). In 2006, 2007 and 2008, overall disposable household income will augment by 4.4%, 3.7% and 3.4%, respectively. Low inflation, which safeguards the purchasing power of nominal income increases, will be a central pillar for consumption over the entire forecasting horizon, and in particular in 2007.

Against this background, higher consumer confidence and the often observed lagged effects of past income increases may be expected to lead to a further acceleration of consumption growth to 2.2% in 2007. This means that the saving ratio will only continue to rise marginally (to 9.5%). Consumption smoothing is responsible for the fact that, despite slightly dampened income growth, private consumption in 2008 should continue to increase at a similarly robust rate (+2.1%) as in 2007. As a consequence, the saving ratio is likely to slightly decline again for the first time since 2001.

Table 6

Private Consumption in Austria

	2005	2006	2007	2008
Annual change in %				
Disposable household income (nominal)	+3.5	+4.4	+3.7	+3.4
Private consumption expenditure (PCE) deflator	+1.6	+1.7	+1.4	+1.6
Disposable household income (real)	+1.8	+2.7	+2.3	+1.8
Private consumption (real)	+1.5	+1.8	+2.2	+2.1
% of nominal disposable household income				
Saving ratio	9.0	9.4	9.5	9.1

Source: 2005: Eurostat; 2006 to 2008: OeNB December 2006 outlook.

6.2 Investment Activity Gains Considerable Momentum

Due to the expiration of the special investment tax credit, corporate investment activity cooled off considerably in 2005. The investment ratio dropped to 21.1%, which was only 0.2 percentage point above the historic low of 2002.

Relative to this low level, the spring 2006 WIFO Investment Survey already indicated a strong acceleration of investment dynamics. The fact that the assessment of capacity utilization was only average at the beginning of 2006 suggests, however, that enterprises initially focused primarily on rationalization measures and replacement investments. Meanwhile, the clearly more favorable assessment of capacity utilization indicates that capacity-building investment projects are likely to rise substantially. For the entire year 2006, real investment is expected to grow by 4.5%; in 2007 and 2008, investment growth is likely to follow the overall economic cycle and fall to 4.0% and 2.8%, respectively. The investment ratio will increase over the forecasting horizon, coming to 21.7% in 2008.

Next to the low starting point, the lively investment activity is attributable to the very favorable corporate earnings situation in recent years

(measured by operating surpluses or profit margins). Growth rates are expected to decline marginally over the forecasting horizon owing to the somewhat more dynamic development of employee compensation. By historical standards, financing conditions will remain favorable over the entire forecasting horizon, thus supporting investment activity. Both short- and long-term real interest rates will remain stable until end-2008 at approximately 2.5%. The yield curve is almost flat and seems to reflect the fact that inflation expectations are anchored at a stable, low level. Finally, the vigorous export activity is also contributing significantly to the positive development of investment dynamics.

After eight years of continuous decline, residential construction investment finally began to slightly increase again in 2005. The solid orders situation and rising real estate prices show that supply has not kept up with the quickly growing demand in recent years. Thus, the OeNB expects that residential construction investment will remain lively over the entire forecasting horizon. Investment in plant and equipment (the investment component that is most affected by the economic cycle) shows the most pronounced investment profile. In 2006, it will grow by 6.6%; for

Table 7

Investment Activity in Austria				
	2005	2006	2007	2008
Annual change in %				
Total gross fixed capital formation (real)	+1.4	+4.5	+4.0	+2.8
of which: Investment in plant and equipment (real)	+2.1	+6.6	+4.6	+2.7
Residential construction investment (real)	+1.1	+4.3	+3.5	+2.1
Nonresidential construction investment and other investment	+1.4	+2.0	+3.0	+3.4
Government investment (real)	+3.5	+3.8	+2.5	+1.6
Private investment (real)	+1.3	+4.5	+4.1	+2.9
Contribution to total gross fixed capital formation growth in percentage points				
Investment in plant and equipment (real)	+0.8	+2.6	+1.9	+1.1
Residential construction investment (real)	+0.2	+0.9	+0.7	+0.4
Nonresidential construction investment and other investment	+0.6	+0.8	+1.2	+1.3
Government investment (real)	+0.2	+0.2	+0.1	+0.1
Private investment (real)	+1.2	+4.3	+3.8	+2.8
Contribution to real GDP growth in percentage points				
Inventory changes (real)	+0.0	-0.0	+0.1	+0.0

Source: 2005: Eurostat; 2006 to 2008: OeNB December 2006 outlook.

2007 and 2008, the OeNB predicts growth rates of 4.6% and 2.7%, respectively.

6.3 Trend Reversal on the Labor Market

The very favorable current economic situation is also reflected in the marked improvement of the labor market situation. In October, employment as registered by the Main Association of the Austrian Social Security Institutions advanced by 1.9% (just above 61,000 persons) year on year, while the number of unemployed people as recorded by the Austrian Public Employment Service fell by almost 23,000. At the beginning of the recovery, most jobs created were part-time; meanwhile, also the number of full-time employees has started rising. This development is also reflected in the employment rise in the manufacturing and construction sectors. In these sectors, which are characterized by a predominance

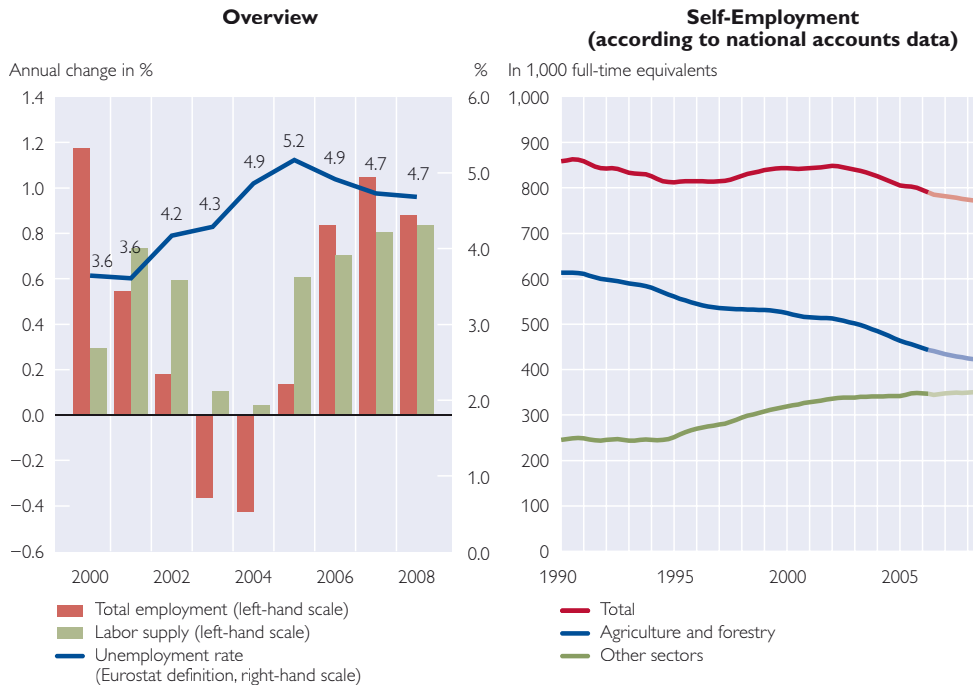
of full-time work, employment had gone down in recent years.

The OeNB expects that payroll employment will continue to increase strongly from 2006 to 2008, by 1.5%, 1.6% and 1.3%, respectively. Total employment growth will be significantly lower (+0.8%, +1.0% and +0.9%), as the number of self-employed persons is declining. Total self-employment according to the national accounts shows a downward trend (see chart 2) due to the fact that about half of the self-employed in the agricultural sector are contributing family workers. In the other sectors (particularly in the business support services sector), the number of self-employed people is growing steadily.

Currently, the growth of labor supply is characterized by the effects of the 2003 pension reform, the increase in foreign labor supply and demographic developments; each year, around 35,000 people enter the labor market. As the robust economic situ-

Chart 2

Labor Market Developments



Source: 2005: Eurostat; 2006 to 2008: OeNB December 2006 outlook.

Table 8

Labor Market Developments in Austria

	2005	2006	2007	2008
Annual change in %				
Total employment	+0.1	+0.8	+1.1	+0.9
of which: Payroll employment	+0.6	+1.5	+1.6	+1.3
Self-employment	-1.9	-1.9	-1.3	-0.8
Public sector employment	+0.4	-0.1	-0.2	-0.7
Registered unemployment	+2.1	-3.8	-1.9	+1.2
Labor supply	+0.6	+0.7	+0.8	+0.8
%				
Unemployment rate (Eurostat definition)	5.2	4.9	4.7	4.7

Source: 2005: Eurostat; 2006 to 2008: OeNB December 2006 outlook.

ation is expected to continue, employment is growing faster than labor supply. As a consequence, the unemployment rate as defined by Eurostat will drop by 0.3 percentage point to 4.9% in 2006. In 2007 and 2008, it is projected to further decrease to 4.7%.

7 Cyclical Risk Currently Not High

The risks to this outlook are assessed to be largely balanced. Oil prices have stabilized after the turbulent developments of the recent past and are currently falling. Although the forward rates assumed in this forecast only change marginally over the forecasting horizon, higher oil prices may

occur due to unpredictable supply constraints. The currently low level of worldwide long-term interest rates could increase. The largest risk factor is the danger of a stronger-than-expected slowdown of the U.S. real estate market. The next section presents a scenario which has been calculated to quantify the related uncertainties. The U.S. budget and current account deficits currently do not pose significant cyclical risks.

Specific domestic risks include small upward risks to investment and consumption. In particular investments, which are very volatile, may rise more strongly than projected in 2007 and 2008. The fact that a new Austrian government was yet to be appointed (and its program presented) at the time this outlook was finalized adds uncertainty to the forecast of budgetary developments in 2007 and 2008.

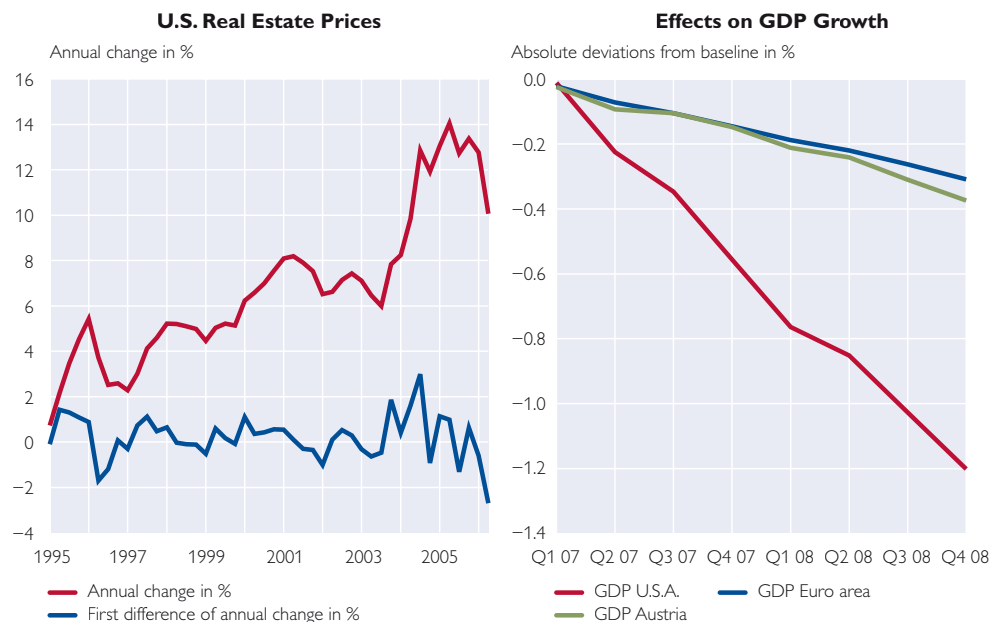
8 Scenario: Stronger Cooling of the U.S. Real Estate Market

In many regions of the United States, real estate price growth had strongly accelerated since end-2003, leading to a significant upturn of the U.S. economy via stepped-up residential construction investments, to an increase in housing assets and a rise in mortgage equity withdrawals, i.e. mortgage loans for consumption purposes. In the second quarter of 2006, however, the year-on-year growth of real estate prices decelerated noticeably by 2.7 percentage points to +10.1%. This development represents the most marked cooling since 1975, when the real estate price index was first compiled; it is widely interpreted as a potential sign for a prospective sharp turn on the real estate markets caused by the Fed's interest rate raises, a decline in speculative activities and excess supply.

Chart 3

Effects of a Stronger-Than-Expected Cooling

of the U.S. Real Estate Market on Austria



Source: Office of Federal Housing Enterprise Oversight (www.ofheo.gov), OeNB.

This outlook is based on the assumption that the U.S. real estate market will only cool down gradually. To simulate the effects of a stronger cooling on the Austrian economy, we assumed a real estate price decrease by 15% by end-2008 in an alternative scenario.

To simulate the effects of a stronger real estate price reduction on the U.S.A. and the euro area, the OeNB resorted to the global econometric model NiGEM.⁵ Based on the results, the effects on Austria were calculated with the OeNB's macroeconomic model. A real estate price shock would lead to an immediate decline in residential construction investment in the United States. Wealth effects would cause a reduction in U.S. consumer demand. In the model, U.S. monetary policy reacts with an interest rate reduction, which would partially offset GDP losses. If we assume constant euro area interest rates and that the interest rate parity holds, the cut of U.S. interest rates would cause the U.S. dollar to depreciate against the euro.

Effects on the euro area and Austria would be transmitted via the trade and exchange rate channels. The demand for Austrian exports would fall by 0.2% (2007) and 0.5% (2008), and Austrian GDP would come to 0.1% (2007) and 0.3% (2008) below the baseline. Thus, the effects on the Austrian economy would be rather limited. Moreover, the probability of such a scenario in the U.S. is currently estimated to be low.

9 Strong Upward Revision vis-à-vis the June 2006 Growth Forecast

The external macroeconomic environment has further improved since the June outlook, most markedly through the strong decrease in oil prices toward end-2006. World trade developed far more favorably in 2006 than had been anticipated in spring. While short-term interest rates for 2006 and 2007 were revised slightly upward, long-term rates for the same period were revised downward.

The effects of the new external assumptions were simulated using the OeNB's macroeconomic model. The new assumptions do not have a significant impact on GDP growth in 2006. On the one hand, this is attributable to the fact that the oil price reductions in the fourth quarter of 2006 will not feed through to the level of economic activity before the first quarter of 2007. On the other hand, the stronger growth of Austrian export markets had already been recorded before the fourth quarter of 2006, i.e. before the forecasting horizon, and thus shows no effect in the simulation. Especially in the first, but also in the third, quarter of 2006, demand for Austrian exports picked up significantly. The new external assumptions increase the growth prospects for 2007 by 0.3 percentage point thanks to the lower oil prices and reduced long-term interest rates, which will also favor growth in 2008.

Table 10 details the reasons for the revisions of the outlook: Apart from the impact of changed external

⁵ The authors would like to thank Markus Arpa and Gabriel Moser for carrying out the NiGEM simulation.

Table 9

Change in the Underlying Global Environment since the June 2006 Outlook

	December 2006			June 2006			Difference		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Annual change in %									
Growth of Austria's export markets	+9.6	+6.2	+6.4	+8.0	+5.9	+6.5	+1.6	+0.4	-0.1
Competitor prices in Austria's export markets	+2.1	+1.2	+1.3	+3.1	+1.6	+1.6	-1.0	-0.4	-0.2
Competitor prices in Austria's import markets	+1.9	+1.2	+1.2	+2.9	+1.6	+1.5	-1.0	-0.4	-0.2
USD									
Oil price per barrel (Brent)	65.5	64.6	67.2	70.3	73.9	71.9	-4.8	-9.3	-4.8
Annual change in %									
Nominal effective exchange rate (exports)	-0.0	-0.1	+0.0	-0.1	-0.1	+0.0	+0.1	+0.1	+0.0
Nominal effective exchange rate (imports)	-0.1	+0.1	+0.0	-0.1	-0.1	+0.0	-0.1	+0.1	+0.0
%									
Three-month interest rate	3.1	4.0	3.8	3.1	3.9	4.1	+0.0	+0.1	-0.2
Long-term interest rate	3.8	3.7	3.7	4.0	4.2	4.3	-0.2	-0.5	-0.6
Annual change in %									
Real GDP, U.S.A.	+3.3	+2.4	+2.8	+3.5	+3.0	+2.9	-0.2	-0.6	-0.1
USD/EUR									
USD/EUR exchange rate	1.25	1.28	1.28	1.25	1.27	1.27	+0.00	+0.01	+0.01

Source: Eurosystem.

assumptions, they are attributable to the impact of new data and a residual. The effect of new data covers the impact of revisions of historical data (up to the first quarter of 2006), which had already been released for the last forecast, and the forecasting error of the last forecast for the newly released quarterly data (for the second and third quarters of 2006). The item "Other" comprises a new expert assessment regarding the development

of domestic variables such as government consumption, wage agreements and any changes to the forecast models.

The revision of the growth figures for Austria for the year 2006 (+0.8 percentage point) is mainly attributable to the revision of historical data. The growth figure for the first quarter of 2006 alone has been revised upward by some 0.25 percentage point by the Austrian Institute of

Chart 4

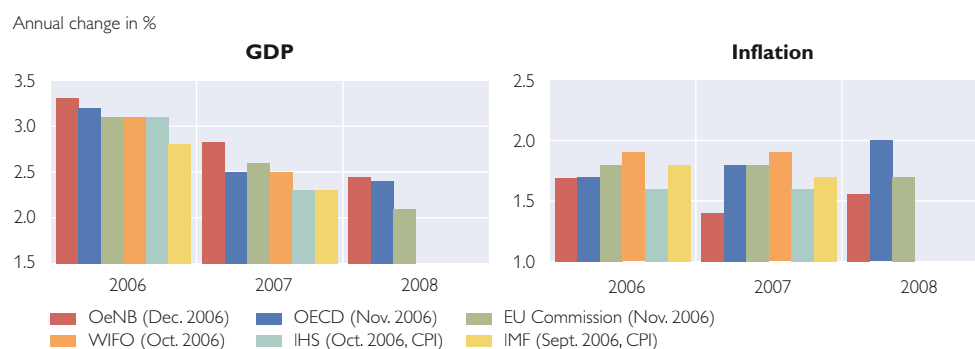
Comparison of Current Economic Forecasts for Austria

Table 10

Breakdown of Forecast Revisions

	GDP			HICP		
	2006	2007	2008	2006	2007	2008
	Annual change in %					
December 2006 outlook	+3.3	+2.8	+2.4	+1.7	+1.4	+1.6
June 2006 outlook	+2.5	+2.2	+2.2	+1.7	+1.6	+1.6
Difference	+0.8	+0.6	+0.2	-0.1	-0.1	-0.0
Due to:						
External assumptions	+0.0	+0.3	+0.1	+0.0	-0.3	+0.1
New data	+0.8	+0.2	-	-0.1	-0.1	-
of which: Revision of historical data until 2006Q1	+0.5	-	-	-	-	-
Projection errors for 2006Q2 and Q3	+0.3	+0.2	x	-0.1	-0.1	x
Other ¹	+0.1	+0.0	+0.1	-0.0	+0.2	-0.1

Source: OeNB December 2006 and June 2006 outlooks.

¹ Different assumptions about trends in domestic variables such as wages, government consumption, effects of tax measures, other rating changes and model changes.

Economic Research (WIFO). The second and the third quarters of 2006 also developed more favorably than had been expected in June. Next to improved external conditions, a higher carry-over effect caused by stronger-than-expected growth in the course of 2006 is responsible for the growth revisions for 2007 (+0.6 percentage point).

The inflation forecast for 2007 was revised downward by 0.2 percentage point to +1.4% owing to the lower oil prices and the reduced level of inflation toward end-2006. The electricity and gas price hikes scheduled for January 2007 in Vienna and the normalization of spreads between petrol and crude oil prices have caused a marginally higher inflation

forecast for 2007 than the modified assumptions taken by themselves would have done. The inflation forecast for 2006 and 2008 remains unchanged.

A comparison of the OeNB's outlook with other available forecasts for Austria clearly shows a positive correlation between the date of publication (and thus the availability of cyclical data) and the amount of projected growth. The OeNB figures for economic growth in 2006 and 2007 are at the upper limit among forecasts. Inflation forecasts and publication dates show a negative correlation, as inflation has been strongly declining since August 2006 and oil prices have been falling.

Annex Detailed Result Tables

Table 11

Demand Components (at Previous Year's Prices)								
Chained volume data (reference year = 2000)								
	2005	2006	2007	2008	2005	2006	2007	2008
	EUR million				Annual change in %			
Private consumption	126,740	129,056	131,941	134,723	+1.5	+1.8	+2.2	+2.1
Government consumption	40,568	40,994	41,572	42,349	+1.9	+1.1	+1.4	+1.9
Gross fixed capital formation	47,591	49,734	51,711	53,176	+1.4	+4.5	+4.0	+2.8
of which: <i>Investment in plant and equipment</i>	18,896	20,136	21,066	21,643	+2.1	+6.6	+4.6	+2.7
<i>Residential construction investment</i>	9,622	10,033	10,385	10,600	+1.1	+4.3	+3.5	+2.1
<i>Investment in other construction</i>	18,948	19,319	19,902	20,569	+1.4	+2.0	+3.0	+3.4
Changes in inventories (including statistical discrepancy)	-476	-605	-461	-402	x	x	x	x
Domestic demand	214,424	219,179	224,763	229,846	+2.0	+2.2	+2.5	+2.3
Exports of goods and services	127,890	137,590	146,525	156,261	+6.9	+7.6	+6.5	+6.6
Imports of goods and services	116,969	123,966	131,914	140,890	+6.1	+6.0	+6.4	+6.8
Net exports	10,921	13,624	14,611	15,371	x	x	x	x
Gross domestic product	225,344	232,803	239,374	245,217	+2.6	+3.3	+2.8	+2.4

Source: 2005: Eurostat; 2006 to 2008: OeNB December 2006 outlook.

Table 12

Demand Components (Current Prices)								
	2005	2006	2007	2008	2005	2006	2007	2008
	EUR million				Annual change in %			
Private consumption	137,103	141,944	147,099	152,584	+3.2	+3.5	+3.6	+3.7
Government consumption	44,471	45,855	47,453	49,292	+4.1	+3.1	+3.5	+3.9
Gross fixed capital formation	50,510	53,653	56,526	58,988	+3.3	+6.2	+5.4	+4.4
Changes in inventories (including statistical discrepancy)	835	645	483	693	x	x	x	x
Domestic demand	232,918	242,097	251,560	261,556	+3.8	+3.9	+3.9	+4.0
Exports of goods and services	133,299	146,676	158,645	171,659	+9.8	+10.0	+8.2	+8.2
Imports of goods and services	121,162	132,287	142,846	154,911	+9.6	+9.2	+8.0	+8.4
Net exports	12,137	14,389	15,798	16,748	x	x	x	x
Gross domestic product	245,056	256,486	267,359	278,305	+4.2	+4.7	+4.2	+4.1

Source: 2005: Eurostat; 2006 to 2008: OeNB December 2006 outlook.

Table 13

Deflators of Demand Components

	2005	2006	2007	2008	2005	2006	2007	2008
	2000 = 100				Annual change in %			
Private consumption	108.2	110.0	111.5	113.3	+1.6	+1.7	+1.4	+1.6
Government consumption	109.6	111.9	114.1	116.4	+2.2	+2.0	+2.1	+2.0
Gross fixed capital formation	106.1	107.9	109.3	110.9	+1.9	+1.6	+1.3	+1.5
Domestic demand (excluding changes in inventories)	108.0	109.9	111.5	113.3	+1.8	+1.7	+1.5	+1.6
Exports of goods and services	104.2	106.6	108.3	109.8	+2.7	+2.3	+1.6	+1.5
Imports of goods and services	103.6	106.7	108.3	109.9	+3.3	+3.0	+1.5	+1.5
Terms of Trade	100.6	99.9	100.0	99.9	-0.6	-0.7	+0.1	-0.1
Gross domestic product	108.7	110.2	111.7	113.5	+1.5	+1.3	+1.4	+1.6

Source: 2005: Eurostat; 2006 to 2008: OeNB December 2006 outlook.

Table 14

Labor Market

	2005	2006	2007	2008	2005	2006	2007	2008
	thousands				Annual change in %			
Total employment	4,159.4	4,194.1	4,238.0	4,275.2	+0.1	+0.8	+1.1	+0.9
of which: Private sector employment	3,682.3	3,717.4	3,762.4	3,802.9	+0.1	+1.0	+1.2	+1.1
Payroll employment (national accounts definition)	3,355.9	3,405.7	3,459.7	3,503.4	+0.6	+1.5	+1.6	+1.3
	%							
Unemployment rate (Eurostat definition)	5.2	4.9	4.7	4.7	x	x	x	x
	% of real GDP							
Unit labor costs (whole economy) ¹	65.5	65.6	66.1	66.6	-0.5	+0.1	+0.7	+0.8
	EUR thousand per employee							
Labor productivity (whole economy) ²	54.2	55.5	56.5	57.4	+2.5	+2.5	+1.8	+1.5
	EUR thousand							
Real compensation per employee ³	32.8	33.1	33.5	33.7	+0.3	+0.9	+1.1	+0.8
	At current prices, EUR thousand							
Gross compensation per employee	35.5	36.4	37.3	38.2	+2.0	+2.6	+2.5	+2.4
	At current prices, EUR million							
Total gross compensation of employees	119,099	123,998	129,074	133,828	+2.6	+4.1	+4.1	+3.7

Source: 2005: Eurostat; 2006 to 2008: OeNB December 2006 outlook.

¹ Gross wages divided by real GDP.

² Real GDP divided by total employment.

³ Gross wages per employee divided by the private consumption expenditure (PCE) deflator.

Quarterly Outlook Results															
	2006	2007	2008	2006				2007				2008			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Annual change in %															
Prices, wages and costs															
HICP	+1.7	+1.4	+1.6	+1.5	+2.0	+1.8	+1.4	+1.8	+1.3	+1.1	+1.5	+1.6	+1.5	+1.6	+1.6
HICP (excluding energy)	+1.2	+1.5	+1.6	+0.7	+1.4	+1.5	+1.5	+1.6	+1.4	+1.4	+1.4	+1.6	+1.5	+1.6	+1.7
Private consumption expenditure (PCE) deflator	+1.7	+1.4	+1.6	+1.6	+1.7	+1.7	+1.7	+1.5	+1.4	+1.3	+1.3	+1.4	+1.5	+1.7	+1.8
Gross fixed capital formation deflator	+1.6	+1.3	+1.5	+1.5	+1.7	+1.7	+1.6	+1.5	+1.3	+1.3	+1.3	+1.3	+1.4	+1.5	+1.6
GDP deflator	+1.3	+1.4	+1.6	+1.2	+1.4	+1.2	+1.4	+1.4	+1.4	+1.4	+1.3	+1.4	+1.6	+1.7	+1.8
Unit labor costs	+0.1	+0.7	+0.8	+0.1	-0.0	+0.3	+0.2	+0.5	+0.8	+0.7	+0.8	+0.6	+0.7	+0.9	+1.2
Nominal wages per employee	+2.6	+2.5	+2.4	+2.5	+2.6	+2.6	+2.7	+2.6	+2.5	+2.5	+2.3	+2.3	+2.3	+2.4	+2.5
Productivity	+2.5	+1.8	+1.5	+2.4	+2.6	+2.3	+2.5	+2.1	+1.7	+1.8	+1.5	+1.7	+1.6	+1.5	+1.4
Real wages per employee	+0.9	+1.1	+0.8	+0.9	+0.9	+0.9	+1.0	+1.0	+1.1	+1.2	+1.1	+0.9	+0.8	+0.7	+0.7
Import deflator	+3.0	+1.5	+1.5	+3.5	+3.3	+2.9	+2.4	+1.9	+1.5	+1.3	+1.3	+1.4	+1.5	+1.6	+1.6
Export deflator	+2.3	+1.6	+1.5	+2.4	+2.3	+2.3	+2.1	+1.8	+1.6	+1.4	+1.4	+1.5	+1.5	+1.5	+1.5
Terms of Trade	-0.7	+0.1	-0.1	-1.1	-0.9	-0.6	-0.3	-0.0	+0.1	+0.2	+0.1	+0.0	-0.0	-0.1	-0.2
Annual and/or quarterly changes in % (real)															
Economic activity															
GDP	+3.3	+2.8	+2.4	+0.7	+0.9	+0.9	+0.9	+0.5	+0.7	+0.7	+0.6	+0.6	+0.6	+0.5	+0.5
Private consumption	+1.8	+2.2	+2.1	+0.4	+0.4	+0.4	+0.6	+0.6	+0.6	+0.5	+0.5	+0.5	+0.5	+0.5	+0.5
Government consumption	+1.1	+1.4	+1.9	+0.3	-0.0	+0.1	+0.6	+0.4	+0.4	+0.3	+0.4	+0.5	+0.6	+0.6	+0.6
Gross fixed capital formation	+4.5	+4.0	+2.8	+1.1	+1.5	+1.6	+1.3	+0.9	+0.6	+0.6	+0.7	+0.7	+0.7	+0.8	+0.8
of which: Investment in plant and equipment	+6.6	+4.6	+2.7	+1.6	+1.6	+1.9	+3.2	+0.3	+0.2	+0.4	+0.5	+0.6	+0.9	+1.0	+1.1
Residential construction investment ¹	+4.3	+3.5	+2.1	+0.9	+1.3	+1.0	+1.6	+0.7	+0.5	+0.5	+0.5	+0.5	+0.5	+0.5	+0.5
Exports	+7.6	+6.5	+6.6	+1.8	+2.0	+1.7	+1.8	+1.3	+1.6	+1.6	+1.6	+1.7	+1.6	+1.6	+1.6
Imports	+6.0	+6.4	+6.8	+1.4	+1.5	+1.7	+2.0	+1.3	+1.5	+1.5	+1.5	+1.7	+1.7	+1.9	+1.8
Contribution to real GDP growth in percentage points															
Domestic demand	+2.2	+2.3	+2.1	+0.5	+0.6	+0.6	+0.7	+0.6	+0.5	+0.5	+0.5	+0.5	+0.5	+0.6	+0.6
Net exports	+1.2	+0.4	+0.3	+0.3	+0.4	+0.1	-0.0	+0.1	+0.1	+0.1	+0.2	+0.1	+0.0	-0.0	-0.1
Changes in inventories	-0.1	+0.1	+0.0	-0.1	-0.0	+0.2	+0.2	-0.2	+0.0	+0.0	-0.0	+0.0	+0.0	+0.0	-0.0
%															
Labor market															
Unemployment rate (Eurostat definition)	4.9	4.7	4.7	5.1	4.9	4.9	4.8	4.8	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Annual and/or quarterly changes in %															
Total employment	+0.8	+1.1	+0.9	+0.1	+0.1	+0.5	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2
of which: Private sector employment	+1.0	+1.2	+1.1	+0.1	+0.1	+0.6	+0.2	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3
Payroll employment	+1.5	+1.6	+1.3	+0.3	+0.4	+0.8	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3	+0.3
Annual and/or quarterly changes in % (real)															
Additional variables															
Disposable household income	+2.7	+2.3	+1.8	+0.8	+0.6	+1.0	+0.5	+0.6	+0.5	+0.5	+0.4	+0.4	+0.4	+0.5	+0.5
% of real disposable household income (saving ratio) and % of real GDP (output gap)															
Household saving ratio	9.4	9.5	9.1	9.3	9.4	9.6	9.5	9.5	9.5	9.4	9.4	9.2	9.2	9.1	9.1
Output gap	-0.9	-0.1	0.3	-1.5	-1.1	-0.7	-0.2	-0.3	-0.2	-0.0	0.1	0.2	0.3	0.4	0.4

Source: OeNB December 2006 outlook. Quarterly values are seasonally adjusted.

¹ Excluding other investment in construction and other investment.

Table 16

Comparison of Current Economic Forecasts for Austria

Indicator	OeNB			WIFO		IAS		OECD			IMF		European Commission		
	Dec. 2006			Oct. 2006		Oct. 2006		Nov. 2006			Sep. 2006		Nov. 2006		
	2006	2007	2008	2006	2007	2006	2007	2006	2007	2008	2006	2007	2006	2007	2008
Annual change in %															
Key results															
GDP (real)	+3.3	+2.8	+2.4	+3.1	+2.5	+3.1	+2.3	+3.2	+2.5	+2.4	+2.8	+2.3	+3.1	+2.6	+2.1
Private consumption (real)	+1.8	+2.2	+2.1	+1.9	+2.1	+2.2	+1.9	+1.8	+2.0	+2.1	x	x	+2.0	+2.1	+1.8
Government consumption (real)	+1.1	+1.4	+1.9	+1.7	+1.5	+1.1	+0.5	+0.9	+0.5	+0.5	x	x	+1.7	+1.6	+1.6
Gross fixed capital formation (real) ¹	+4.5	+4.0	+2.8	+5.0	+4.0	+5.3	+3.6	+4.3	+3.5	+2.6	x	x	+5.6	+3.4	+2.6
Exports (real)	+7.6	+6.5	+6.6	+8.5	+6.1	+4.6	+6.8	+7.5	+6.8	+7.4	x	x	+3.9	+6.1	+5.8
Imports (real)	+6.0	+6.4	+6.8	+7.7	+6.2	+3.9	+6.6	+5.9	+6.6	+7.0	x	x	+2.9	+5.5	+5.5
GDP per employee	+2.5	+1.8	+1.5	+2.0	+1.7	+1.5	+1.2	x	x	x	x	x	+2.8	+2.2	+2.1
GDP deflator	+1.3	+1.4	+1.6	+1.6	+1.7	+1.3	+1.6	+1.5	+1.8	+2.0	+1.7	+1.7	+1.5	+1.8	+1.9
CPI	x	x	x	+1.6	+1.7	+1.6	+1.6	x	x	x	+1.8	+1.7	x	x	x
HICP	+1.7	+1.4	+1.6	+1.9	+1.9	x	x	+1.7	+1.8	+2.0	x	x	+1.8	+1.8	+1.7
Unit labor costs	+0.1	+0.7	+0.8	+1.1	+0.8	x	x	x	x	x	x	x	+0.4	+0.3	+0.7
Payroll employment	+0.8	+1.0	+0.9	+1.5	+1.2	+1.6	+1.1	x	x	x	x	x	+0.7	+0.7	+0.7
%															
Unemployment rate ²	4.9	4.7	4.7	5.0	5.0	4.9	4.8	5.5	5.5	5.5	4.8	4.6	5.1	5.1	5.1
% of nominal GDP															
Current account	x	x	x	1.3	1.2	x	x	2.3	2.6	3.6	1.5	1.7	x	x	x
Government surplus/deficit	-1.3	-1.0 bis -1.6	-0.9 bis -1.4	-1.6	-1.3	-1.7	-0.8	-1.3	-1.6	-1.5	-1.9	-0.9	-1.3	-1.2	-1.0
External assumptions															
Oil price in USD/barrel (Brent)	65.5	64.6	67.2	65.0	65.0	67.0	70.0	60.0	60.0	60.0	69.2	75.5	65.6	66.3	68.0
Short-term interest rate in %	3.1	4.0	3.8	3.1	3.8	3.2	3.8	3.1	3.8	4.0	3.1	3.7	x	x	x
USD/EUR exchange rate	1.25	1.28	1.28	1.25	1.25	1.25	1.28	1.28	1.28	1.28	1.25	1.28	1.25	1.27	1.27
Annual change in %															
Euro area GDP (real)	+2.5 bis +2.9	+1.7 bis +2.7	+1.8 bis +2.8	+2.6	+2.3	+2.5	+2.0	+2.6	+2.2	+2.3	+2.4	+2.0	+2.6	+2.1	+2.2
U.S. GDP (real)	+3.3	+2.4	+2.8	+3.3	+2.5	+3.3	+2.8	+3.3	+2.4	+2.7	+3.4	+2.9	+3.4	+2.3	+2.8
World GDP (real)	+4.9	+4.3	+4.4	+5.0	+4.5	x	x	x	x	x	+5.1	+4.9	+5.1	+4.6	+4.7
World trade	+8.3	+6.3	+6.4	+8.5	+7.5	+8.5	+7.0	+9.6	+7.7	+8.4	+8.9	+7.6	+9.0	+7.4	+7.0

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

¹ For IAS: Gross investment.² Eurostat definition; for OECD: OECD definition.