

Economic Outlook for 2021 and 2022: Strong Economic Upswing in Austria

The global economic outlook has improved significantly since the last forecast. This also has consequences for the expected recovery in Austria. Leading indicators point to the beginning of a boom phase, which in 2021 will be mainly driven by the favourable industrial economy. In 2022, tourism will contribute disproportionately to domestic economic growth. After the decline in the previous year (–6.3 percent), WIFO expects real GDP growth of 4 percent and 5 percent for 2021 and 2022, respectively.

"The buoyant industrial activity is shaping the overall economic expansion, especially in the current year. In 2022, however, market-related services will contribute disproportionately to growth, especially due to the recovery in tourism", says Christian Glocker, author of the current WIFO forecast.

The Austrian economy is overcoming the COVID-19 crisis much faster than previously expected and is at the beginning of an upswing phase. In this context, the rapid progress of the vaccination campaign is the main factor shaping the economic outlook, as the accompanying lifting of official restrictions enables the resumption of economic activity. In addition to the strengthening of private consumption, a high investment dynamic, driven by public investment incentives as well as increasing capacity bottlenecks, and the strong expansion of exports contribute to the economic upswing. Domestic exports are benefitting from the recovery of the global economy.

Against this background, the real gross domestic product of the Austrian economy will expand by 4 percent in 2021 and by about 5 percent in 2022. The pre-crisis level will already be reached in the course of summer 2021. The overall economic capacity utilisation (output gap) should already be above average again in 2022. From today's perspective, by the end of 2022 the Austrian economy should have returned to the growth path that WIFO had forecast before the outbreak of the COVID-19 pandemic.

The economic upswing is expected to have a significant impact on prices. The inflation rate according to the Harmonised Index of Consumer Prices (HICP) will rise to 2.3 percent in 2021 (2020: 1.4 percent). In addition to strong consumer demand, this will be driven by the pass-through of high prices for commodities and intermediate goods. Price inflation is also expected to remain high at 2.1 percent in 2022, not least due to the above-average capacity utilisation of the overall economy, which is primarily driving domestic price dynamics.

The favourable development on the labour market is likely to continue in 2022. However, as employment already returned to pre-crisis levels in spring 2021, growth is expected to slow down: dependent active employment will expand by 2.1 percent in 2021 and by 1.6 percent

in 2022. In parallel, unemployment is expected to decline significantly, bringing the unemployment rate down to 8.5 percent in 2021 and 8.0 percent in 2022. This means that the pre-crisis level of 2019 (7.4 percent) will not be reached in the forecast period.

Table 1: **Main results**

	2017	2018	2019	2020	2021	2022	
	Percentage changes from previous year						
Gross domestic product, volume	+ 2.4	+ 2.6	+ 1.4	– 6.3	+ 4.0	+ 5.0	
Manufacturing	+ 3.7	+ 5.3	+ 0.7	– 7.1	+ 9.2	+ 4.2	
Wholesale and retail trade	+ 0.1	+ 2.9	+ 0.6	– 4.8	+ 6.0	+ 5.0	
Private consumption expenditure ¹ , volume	+ 1.9	+ 1.1	+ 0.8	– 9.2	+ 5.0	+ 5.5	
Consumer durables	+ 2.0	+ 1.1	– 0.4	+ 0.7	+ 5.0	+ 2.5	
Gross fixed capital formation, volume	+ 4.1	+ 3.9	+ 4.0	– 5.7	+ 6.9	+ 4.3	
Machinery and equipment ²	+ 5.4	+ 4.1	+ 4.3	– 7.9	+10.0	+ 5.9	
Construction	+ 2.5	+ 3.6	+ 3.6	– 3.1	+ 3.5	+ 2.4	
Exports, volume	+ 4.9	+ 5.5	+ 2.9	–10.0	+ 5.2	+ 8.7	
Exports of goods, fob	+ 4.9	+ 5.4	+ 2.1	– 6.4	+ 8.4	+ 5.5	
Imports, volume	+ 5.3	+ 5.0	+ 2.4	– 9.6	+ 8.7	+ 7.1	
Imports of goods, fob	+ 4.4	+ 3.8	+ 1.1	– 6.8	+ 9.4	+ 5.4	
Gross domestic product, value	+ 3.3	+ 4.3	+ 3.2	– 5.1	+ 6.5	+ 7.4	
	billion €	369.34	385.36	397.58	377.30	401.76	431.66
Current account balance	as a percentage of GDP	1.4	1.3	2.8	2.5	0.2	0.4
Consumer prices		+ 2.1	+ 2.0	+ 1.5	+ 1.4	+ 2.2	+ 2.0
Three-month interest rate	percent	– 0.3	– 0.3	– 0.4	– 0.4	– 0.5	– 0.3
Long-term interest rate ³	percent	0.6	0.7	0.1	– 0.2	0.0	0.0
General government financial balance, Maastricht definition	as a percentage of GDP	– 0.8	0.2	0.6	– 8.8	– 6.6	– 2.3
Persons in active dependent employment ⁴		+ 2.0	+ 2.5	+ 1.6	– 2.0	+ 2.1	+ 1.6
Unemployment rate							
Eurostat definition ⁵		5.5	4.9	4.5	5.4		
National definition ⁶		8.5	7.7	7.4	9.9	8.5	8.0

Source: WIFO, Public Employment Service Austria, Federation of Social Insurances, ECB, OeNB, Statistics Austria. 2021 and 2022: forecast. – ¹ Including non-profit institutions serving households. – ² Including weapons systems and other investment. – ³ 10-year central government bonds (benchmark). – ⁴ Excluding persons in valid employment contract receiving child care benefit or being in military service. – ⁵ As a percentage of total labour force, Labour Force Survey. Due to a revision of the Labour Force Survey methodology planned for the end of June, a forecast of this indicator is currently waived. – ⁶ As a percentage of dependent labour force.

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For further information please contact on Thursday, 24 June 2021, between 2:30 and 4:30 p.m.
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For definitions used see "Methodological notes and short glossary",
https://www.wifo.ac.at/wwadocs/konjunktur/WIFO-BusinessCycleInformation_Glossary.pdf