

Economic Outlook for 2019 and 2020: Slackening Global Economic Activity Dampens Growth Prospects for Austria

The Austrian economy has entered a period of moderate growth. The strong momentum enjoyed over the last few years has eased, and firms are looking with less optimism into the future. While foreign trade has a restraining impact on output growth, domestic demand keeps supporting activity. Annual GDP growth in Austria is expected to decelerate from 2.7 percent in 2018 to 1.7 percent in the current year, stabilising at a rate of 1.5 percent in 2020.

Economic growth in Austria has moderated from the last cyclical boom. Although domestic demand forces are still driving the economy forward, the underlying trend is currently subdued. Main reason is the slackening activity in manufacturing industry which is suffering from sluggish exports in the wake of the global business cycle downturn. Domestic private consumption maintains growth, supported by the solid increase in wages and employment.

In this kind of scenario, real GDP is set to gain 1.7 percent in 2019, hence 1 percentage point less than last year (+2.7 percent). The already high utilisation of productive capacity will not increase further, due i.a. to further investment being undertaken, preventing existing capacity constraints from further exacerbating. In 2020, projected GDP growth of 1.5 percent would be close to the longer-term trend.

Employment growth is set to ease with the slower pace of activity, and the fall in unemployment will grind to a halt, with the prospect of further reduction being vague: although new jobs will be created over the entire forecast period, this may not prevent unemployment from rising, as labour supply will continue to expand. Overall, the number of persons in active dependent employment is likely to increase by 1.6 percent in 2019 and by 1.0 percent in 2020. The jobless rate will edge down slightly to 7.4 percent in 2019 and remain broadly stable in 2020.

Since the last forecast revision, risks have further tilted to the downside and primarily derive from the external environment. Domestic risks, for their part, are on balance upward bound, given the continued support from employment and wages to private consumption. Nevertheless, in view of the downturn in manufacturing, Austria's economy remains highly vulnerable to external turbulence, with the risk of stronger spill-overs to the domestic sector. On the whole therefore, downward risks from the external side dominate the outlook for the growth of GDP.

Table 1: Main results

	2015	2016	2017	2018	2019	2020	
	Percentage changes from previous year						
Gross domestic product, volume	+ 1.1	+ 2.0	+ 2.6	+ 2.7	+ 1.7	+ 1.5	
Manufacturing	+ 1.3	+ 3.5	+ 4.8	+ 4.7	+ 1.0	+ 1.6	
Wholesale and retail trade	+ 1.9	+ 1.2	+ 1.1	+ 1.0	+ 1.2	+ 1.2	
Private consumption expenditure ¹ , volume	+ 0.4	+ 1.4	+ 1.4	+ 1.6	+ 1.7	+ 1.6	
Consumer durables	+ 1.9	+ 3.0	+ 0.5	- 1.4	- 1.0	+ 2.0	
Gross fixed capital formation, volume	+ 2.3	+ 4.3	+ 3.9	+ 3.4	+ 2.3	+ 1.6	
Machinery and equipment ²	+ 4.3	+ 7.8	+ 4.2	+ 3.9	+ 2.4	+ 1.8	
Construction	+ 0.1	+ 0.4	+ 3.5	+ 2.8	+ 2.1	+ 1.3	
Exports, volume	+ 3.5	+ 2.7	+ 4.7	+ 4.4	+ 2.4	+ 2.7	
Exports of goods, fob	+ 3.5	+ 2.1	+ 4.9	+ 5.0	+ 2.5	+ 2.9	
Imports, volume	+ 3.6	+ 3.4	+ 5.1	+ 3.0	+ 2.3	+ 2.4	
Imports of goods, fob	+ 4.1	+ 3.2	+ 4.2	+ 2.6	+ 2.2	+ 2.6	
Gross domestic product, value	+ 3.3	+ 3.5	+ 3.8	+ 4.4	+ 3.4	+ 3.3	
	billion €	344.26	356.24	369.90	386.06	399.07	412.15
Current account balance	as a percentage of GDP	1.7	2.5	2.0	2.3	1.8	1.8
Consumer prices		+ 0.9	+ 0.9	+ 2.1	+ 2.0	+ 1.6	+ 1.7
Three-month interest rate	percent	- 0.0	- 0.3	- 0.3	- 0.3	- 0.3	- 0.1
Long-term interest rate ³	percent	0.7	0.4	0.6	0.7	0.3	0.5
General government financial balance, Maastricht definition	as a percentage of GDP	- 1.0	- 1.6	- 0.8	0.1	0.6	0.6
Persons in active dependent employment ⁴		+ 1.0	+ 1.6	+ 2.0	+ 2.5	+ 1.6	+ 1.0
Unemployment rate							
Eurostat definition ⁵		5.7	6.0	5.5	4.9	4.6	4.6
National definition ⁶		9.1	9.1	8.5	7.7	7.4	7.5

Source: WIFO. 2019 and 2020: 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. – ⁶ As a percentage of dependent labour force, unemployed persons according to Public Employment Service Austria.

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For definitions used see "Methodological Notes and Short Glossary",
<https://www.wifo.ac.at/wwadocs/form/WIFO-BusinessCycleInformation-Glossary.pdf>