

Economic Outlook for 2017 to 2019: Strong Growth Prospects for Austria's Economy

Austria's manufacturing sector is benefitting from buoyant international business activity. The high degree of productive capacity utilisation provides major stimulus for domestic investment. Private consumption also lends continued support to output growth, even if it does not give a strong additional momentum at the advanced stage of the cyclical upswing, as income growth remains moderate.

The Austrian economy enjoys strong GDP growth in 2017, driven by lively activity abroad and the implicit stimulus to foreign trade. The upturn of the US economy continues, although the rate of unemployment is close to its all-time low and high stock market values hold a certain cyclical risk. In the euro area, buoyant GDP growth rests on a broad base and should extend well into 2018 before gradually abating.

The major beneficiary of Austria's swiftly expanding foreign trade is the manufacturing industry, with output picking up markedly in the second half of 2017 and capacity utilisation rising to new highs. As a consequence, firms increasingly step up investment in machinery and equipment to create new production facilities. Private consumption also provides continued support to GDP growth.

Lively business activity is set to extend into early 2018, given the strong confidence prevailing in the corporate sector as well as with private households, underpinned by a steady improvement in labour market conditions. With international business activity gradually slackening in the course of the year, GDP growth in Austria will also shift into lower gear. The momentum of investment will ease, while private consumption, though supported by somewhat stronger income gains, is unlikely to give a strong additional impetus to the cyclical upswing in its late stage.

A retarding element is the persistently high, albeit declining, unemployment rate and the fact that not all parts of the labour force benefit equally from the creation of new jobs. Wage gains are therefore likely to remain moderate. Inflation is nevertheless higher in Austria than on average in the euro area. The lately observed unexpected hike in the prices of non-energy industrial goods and the unabated upward pressure from housing rents, food and catering services will still feed into headline inflation in 2018.

In all, Austria's economy is projected to grow by 3 percent in 2018, the same rate as in 2017, and by 2.2 percent in 2019.

Table 1: Main results

	2014	2015	2016	2017	2018	2019	
	Percentage changes from previous year						
Gross domestic product, volume	+ 0.8	+ 1.1	+ 1.5	+ 3.0	+ 3.0	+ 2.2	
Manufacturing	+ 2.5	+ 0.6	+ 1.3	+ 6.4	+ 6.8	+ 3.4	
Wholesale and retail trade	+ 2.7	+ 3.1	+ 1.4	+ 2.8	+ 2.8	+ 2.5	
Private consumption expenditure ¹ , volume	+ 0.3	+ 0.5	+ 1.5	+ 1.5	+ 1.7	+ 1.6	
Consumer durables	- 1.0	+ 2.8	+ 3.3	+ 2.5	+ 1.5	+ 1.0	
Gross fixed capital formation, volume	- 0.7	+ 1.2	+ 3.7	+ 5.3	+ 3.3	+ 2.4	
Machinery and equipment ²	- 1.6	+ 1.5	+ 8.6	+ 8.5	+ 5.0	+ 3.3	
Construction	- 0.1	+ 1.1	+ 1.1	+ 3.0	+ 1.5	+ 1.4	
Exports, volume	+ 3.0	+ 3.1	+ 1.9	+ 5.5	+ 5.0	+ 4.3	
Exports of goods	+ 2.9	+ 3.1	+ 1.3	+ 5.8	+ 5.5	+ 4.5	
Imports, volume	+ 2.9	+ 3.1	+ 3.1	+ 5.4	+ 4.2	+ 3.4	
Imports of goods	+ 2.1	+ 3.7	+ 3.2	+ 5.2	+ 4.5	+ 3.9	
Gross domestic product, value	+ 2.8	+ 3.4	+ 2.6	+ 4.8	+ 4.8	+ 4.0	
	billion €	333.06	344.49	353.30	370.16	387.88	403.51
Current account balance	as a percentage of GDP	2.5	1.9	2.1	2.2	2.4	2.7
Consumer prices		+ 1.7	+ 0.9	+ 0.9	+ 2.1	+ 2.0	+ 1.9
Three-month interest rate	percent	0.2	- 0.0	- 0.3	- 0.3	- 0.3	- 0.1
Long-term interest rate ³	percent	1.5	0.7	0.4	0.6	0.6	0.9
General government financial balance, Maastricht definition	as a percentage of GDP	- 2.7	- 1.0	- 1.6	- 0.6	- 0.4	- 0.1
Persons in active dependent employment ⁴		+ 0.7	+ 1.0	+ 1.6	+ 2.0	+ 1.8	+ 1.1
Unemployment rate							
Eurostat definition ⁵		5.6	5.7	6.0	5.6	5.4	5.3
National definition ⁶		8.4	9.1	9.1	8.5	7.9	7.7

Source: WIFO. 2017 to 2019: forecast. – ¹ Including non-profit institutions serving households. – ² Including weapons systems. – 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", <http://www.wifo.ac.at/wwadocs/form/WIFO-BusinessCycleInformation-Glossary.pdf>