

Josef Baumgartner, Serguei Kaniovski

Update of the Medium-term Forecast for the Austrian Economy from 2016 to 2020

Update of the Medium-term Forecast for the Austrian Economy from 2016 to 2020

Following a period of sluggish growth averaging $\frac{1}{2}$ percent p.a. from 2012 to 2015, economic activity in Austria is expected to pick up over the medium term, averaging at a moderate pace of $+1\frac{1}{2}$ percent p.a. between 2016 and 2020. Foreign trade, government consumption and investment spending will contribute less to economic growth than prior to the financial market crisis and the recession 2008-09. Growth of private consumption should pick up from 0.5 percent p.a. 2011-2015 to 1.4 percent p.a. over the forecast period, receiving stimulus from higher disposable income due to the tax reform 2015-16, and from additional demand due to refugee immigration. While the moderate GDP growth will allow employment to increase by 1.1 percent p.a. from 2016 to 2020, the creation of new jobs will not prevent unemployment from rising further until 2018, since labour supply, both domestic and from abroad (driven also by the inflow of refugees), will outpace demand. The rate of unemployment may reach almost 10 percent (national definition) by 2017 and change little thereafter. Inflationary pressure will remain moderate over the medium term, at an annual rate of 1.7 percent. The inflation rate will be thus higher than the average in the euro area, making for somewhat smaller real income gains in Austria. Given the projected cyclical profile and the assumptions on the economic policy settings, a balanced general government budget, whether in nominal (Maastricht definition) or structural terms, may be difficult to achieve over the forecast horizon.

Contact:

Josef Baumgartner: WIFO, 1030 Vienna, Arsenal, Objekt 20, Josef.Baumgartner@wifo.ac.at

Professor Serguei Kaniovski: WIFO, 1030 Vienna, Arsenal, Objekt 20, Serguei.Kaniovski@wifo.ac.at

JEL-Codes: E32, E37, E66 • **Keywords:** Medium-Term Forecast, Government Finances, Austria

This article summarises the results of the April 2016 update of the WIFO Medium-term Forecast 2016-2020 for the Austrian economy of October 2015 (*Baumgartner et al.*, 2015). For 2016 and 2017, the projections build upon the WIFO Economic Outlook of March 2016 (*Ederer*, 2016). The calculations have been carried out using the WIFO macroeconomic model (*Baumgartner – Breuss – Kaniovski*, 2005). The assumptions of the international cyclical scenario (*Schiman*, 2015) have been updated on the basis of the Oxford Economic Forecasting (OEF) global outlook of February 2016. The present forecast also, as different from the WIFO projections of October 2015, elaborates on the assumptions concerning the immigration of refugees and its implications. For definitions used see "Methodological Notes and Short Glossary", <http://www.wifo.ac.at/wwwdocs/form/WIFO-BusinessCycle-Information-Glossary.pdf>

Referee(s): Karl Aiginger, Hans Pitlik, Marcus Scheiblecker, Margit Schratzenstaller • **Data processing:** Christine Kaufmann (Christine.Kaufmann@wifo.ac.at)

ISSN 1605-4709 • © Austrian Institute of Economic Research 2016

Impressum: Herausgeber: Karl Aiginger • Chefredakteur: Michael Böheim (Michael.Boeheim@wifo.ac.at) • Redaktionsteam: Tamara Fellinger, Ilse Schulz, Tatjana Weber • Medieninhaber (Verleger) und Redaktion: Österreichisches Institut für Wirtschaftsforschung • 1030 Wien, Arsenal, Objekt 20 • Tel. (+43 1) 798 26 01-0 • Fax (+43 1) 798 93 86 • <http://bulletin.wifo.ac.at> • Verlags- und Herstellungsort: Wien

1. External business activity losing momentum

The assessment of cyclical business conditions abroad has been revised down somewhat since autumn 2015. For the US economy, we now assume average annual GDP growth of 2.2 percent (as compared with a rate of 2.5 percent p.a. underlying the October 2015 medium-term forecast). Given the cyclical slackening of global demand for energy, the de-stocking of oil reserves and a sustained increase in oil production, the benchmark assumption for the price of crude oil (Brent, dollar per barrel) for 2016 has been cut from 60 \$ per barrel (October 2015 medium-term forecast) to 35 \$ per barrel. On the basis of oil futures, we now assume an average price slightly below 50 \$ per barrel for 2020 (rather than the 67 \$ per barrel underlying the October 2015 medium-term forecast). The forecast for the average short- and long-term interest rates for Austria have been reduced by 0.1 and 0.4 percentage points p.a. respectively from October 2015.

Table 1: Main results

	Ø 2005-2010	Ø 2010-2015	Ø 2015-2020	2015	2016	2017	2018	2019	2020
	Year-to-year percentage changes								
Gross domestic product									
Volume	+ 1.3	+ 1.0	+ 1.5	+ 0.9	+ 1.6	+ 1.6	+ 1.6	+ 1.5	+ 1.5
Value	+ 3.1	+ 2.7	+ 3.2	+ 2.4	+ 3.7	+ 3.2	+ 3.1	+ 3.1	+ 3.1
Consumer prices	+ 1.9	+ 2.1	+ 1.7	+ 0.9	+ 1.2	+ 1.8	+ 1.8	+ 1.8	+ 1.8
GDP deflator	+ 1.8	+ 1.7	+ 1.7	+ 1.5	+ 2.0	+ 1.6	+ 1.5	+ 1.6	+ 1.6
Gross wages and salaries total ¹	+ 3.7	+ 3.2	+ 2.9	+ 2.7	+ 2.6	+ 2.8	+ 3.0	+ 3.0	+ 3.0
Per capita, volume ²	+ 0.5	- 0.1	- 0.0	+ 0.8	+ 0.1	- 0.3	- 0.1	+ 0.0	+ 0.1
Employees ³	+ 1.3	+ 1.3	+ 1.2	+ 1.0	+ 1.3	+ 1.3	+ 1.2	+ 1.1	+ 1.1
Persons in active dependent employment ⁴	+ 0.9	+ 1.1	+ 1.1	+ 1.0	+ 1.2	+ 1.2	+ 1.1	+ 1.1	+ 1.0
	Ø 2006-2010	Ø 2011-2015	Ø 2016-2020	2015	2016	2017	2018	2019	2020
	Percent								
Unemployment rate									
Eurostat definition ⁵	4.9	5.2	6.2	5.7	5.9	6.1	6.3	6.3	6.3
National definition ⁶	6.6	7.8	9.9	9.1	9.5	9.8	9.9	10.0	10.0
	As a percentage of GDP								
Net exports	3.6	3.3	4.7	4.5	4.9	4.9	4.7	4.6	4.5
General government financial balance (Maastricht definition)	- 3.0	- 2.0	- 1.2	- 1.4	- 1.7	- 1.5	- 1.3	- 1.0	- 0.6
Cyclically-adjusted budget balance	- 3.0	- 1.8	- 1.0	- 0.7	- 1.2	- 1.2	- 1.1	- 0.9	- 0.6
Structural budget balance	- 2.9	- 1.1	- 0.9	- 0.1	- 1.0	- 1.1	- 1.0	- 0.8	- 0.6
Gross public debt	72.5	83.0	81.6	86.0	84.3	83.0	81.8	80.3	78.5
	As a percentage of disposable income								
Household saving ratio	11.2	8.0	8.3	8.0	8.4	8.5	8.3	8.1	8.0
	Ø 2005-2010	Ø 2010-2015	Ø 2015-2020	2015	2016	2017	2018	2019	2020
	Year-to-year percentage changes								
Trend output, volume	+ 1.4	+ 0.9	+ 1.3	+ 1.2	+ 1.3	+ 1.2	+ 1.4	+ 1.4	+ 1.3
	Ø 2006-2010	Ø 2011-2015	Ø 2016-2020	2015	2016	2017	2018	2019	2020
	As a percentage of trend output								
Output gap, volume	+ 0.1	- 0.4	- 0.4	- 1.2	- 0.9	- 0.5	- 0.3	- 0.2	± 0.0

Source: Statistics Austria, WIFO calculations. – ¹ Excluding employers' contributions. – ² Employees according to National Accounts definition, deflated by CPI. – ³ According to National Accounts definition. – ⁴ Excluding persons with valid employment contract receiving child care benefit or being in military service. – ⁵ According to Eurostat Labour Force Survey, as a percentage of total labour force. – ⁶ According to Public Employment Service Austria, as a percentage of total labour force excluding self-employed.

2. Domestic demand supported by private consumption

After the period of sluggish growth from 2012 to 2015, when real GDP edged up by only ½ percent p.a., economic growth should pick up going forward. For 2016-2020, we expect annual GDP growth averaging 1½ percent (2011-2015 +1 percent p.a.), in line with the average for the euro area.

Volume exports are expected to gain 3½ percent per year from 2016 to 2020, some 1 percentage point more than during the previous five-year period. According to the OEF forecast of February 2016, Austria's external market position is set to slightly outperform that of Germany and the euro area. With import volumes rising in step with exports, foreign trade should continue to provide a positive contribution to economic growth.

Despite favourable financing conditions, growth of investment in machinery and equipment will keep a moderate pace of 2.4 percent p.a. (2011-2015 +2.9 percent), as subdued sales prospects at home and abroad will not induce an expansion of productive capacity. Population growth and the resulting increase in the number of private households, together with persistently high real estate prices, should encourage private residential investment. Prospects for civil engineering, on the other hand, are gloomier, in view of the financial constraints on government budgets.

Overall, construction activity is likely to expand at a modest pace of 1.4 percent p.a. until 2020.

Table 2: International fundamentals

	Ø 2005-2010	Ø 2010-2015	Ø 2015-2020
	Year-to-year percentage changes		
Gross domestic product, volume			
USA	+ 0.8	+ 2.0	+ 2.2
Euro area	+ 0.8	+ 0.6	+ 1.5
	Ø 2006-2010	Ø 2011-2015	Ø 2016-2020
		\$ per €	
Exchange rate	1.36	1.29	1.10
		\$ per barrel	
Oil price, Brent	75.1	96.6	43.4

Source: Eurostat, WIFO calculation.

Table 3: Components of aggregate demand, volume

	Ø 2005-2010	Ø 2010-2015	Ø 2015-2020	2015	2016	2017	2018	2019	2020
	Year-to-year percentage changes								
Consumption expenditure									
Private households ¹	+ 1.1	+ 0.5	+ 1.4	+ 0.4	+ 1.8	+ 1.4	+ 1.4	+ 1.3	+ 1.2
General government	+ 2.2	+ 0.5	+ 0.7	+ 1.0	+ 0.8	+ 0.7	+ 0.7	+ 0.8	+ 0.8
Gross fixed capital formation	- 0.5	+ 1.6	+ 1.9	+ 0.4	+ 1.7	+ 1.8	+ 2.3	+ 2.1	+ 1.8
Machinery and equipment ²	+ 1.3	+ 2.9	+ 2.4	+ 1.8	+ 2.4	+ 2.3	+ 2.6	+ 2.7	+ 2.2
Construction	- 2.4	+ 0.1	+ 1.4	- 1.2	+ 0.8	+ 1.3	+ 1.9	+ 1.4	+ 1.3
Domestic demand	+ 1.0	+ 0.8	+ 1.4	+ 0.8	+ 1.6	+ 1.4	+ 1.5	+ 1.4	+ 1.3
Exports	+ 2.7	+ 2.4	+ 3.6	+ 1.7	+ 2.7	+ 4.0	+ 4.3	+ 3.7	+ 3.5
Imports	+ 2.1	+ 2.0	+ 3.6	+ 1.7	+ 2.9	+ 3.8	+ 4.3	+ 3.7	+ 3.4
Gross domestic product	+ 1.3	+ 1.0	+ 1.5	+ 0.9	+ 1.6	+ 1.6	+ 1.6	+ 1.5	+ 1.5

Source: Statistics Austria, WIFO calculations. – ¹Including private non-profit institutions serving households. – ²Including weapon systems and other equipment.

Real disposable income of private households is set to increase by 1.4 percent p.a. over the forecast period, 1¼ percentage points more than the average recorded for the period 2011-2015. Driving forces in 2016-17 are the wage and income tax cuts introduced in early 2016 and employment growth by 1.2 percent p.a. (in national accounts terms). However, gross real wages and salaries per head may continue to stagnate (2016-2020: 0.0 percent, 2011-2015: -0.1 percent p.a.), while the earnings of self-employed may grow faster than in the last five years (gross operating surplus 2016-2020 +3.6 percent, 2011-2015 +1.9 percent p.a.).

Over the period 2007-2013, private households countered real income losses by dis-saving, thereby stabilising consumer demand. The private saving ratio dropped by 4.8 percentage points, from 12.1 percent in 2007 to 7.3 percent in 2013, before edging up to 7.8 percent in 2014. Looking ahead, persistently low interest rates offer little incentive for higher saving. The assumed rebound in the saving ratio to 8.5 percent by 2017 is largely explained (+0.5 percentage points) by the net income gains from the tax reform 2015-16.

The restraint on private consumption observed since the onset of the financial market crisis and the recession is countervailed by the gains in household disposable income from the tax reform and by the immigration-induced increases in government spending. For 2016 and 2017, we therefore expect private consumption growth to be raised by 0.7 and 0.4 percentage points, respectively. Over the entire forecast period 2016-2020, private consumption may expand at an annual rate of 1.4 percent (2011-2015 +0.5 percent).

Effects of refugee immigration

The accommodation of transit refugees and asylum seekers in Austria receiving "basic care" generates additional demand, i.a. for food, clothing, transport, restaurant and housing services. Such care and accommodation services add to either private or public consumption, depending on the providing institution or agency (federal government authorities including armed and security forces, Länder and local community organisations, humanitarian aid agencies, private persons). Purchases of goods and services by private households or private non-profit-organisations (e.g., charitable agencies) for donations in kind and for the supply of accommodation, food and care raise private consumption. Monetary transfers such as pocket money for asylum seekers receiving basic care are likely to be spent in total and thus also feed into private consumption. Public consumption is generated by additional services of officials (overtime work, newly-hired staff), social services in kind and public purchases of intermediate inputs. Such expenditure is mainly financed by public authorities, i.a. by reimbursing humanitarian aid agencies for their outlays, and by private (cash) donations.

Officially recognised asylum seekers and persons entitled to "subsidiary protection" may claim means-tested subsistence benefit if they cannot (entirely) earn for their living. It can be assumed that most of such benefit will translate into private consumption to cover the daily needs of refugee families.

Over the forecast horizon, the number of asylum seekers receiving basic care is set to decline, whereas the number of persons entitled to means-tested subsistence benefit will increase, at least until 2017-18. The number of recognised refugees receiving subsistence benefit will largely depend on how many of them can be employed at an adequate level of earnings.

Labour market effects

The strong increase in immigration of refugees (applications for asylum 2014: 28,000; 2015: 89,000; assumption for 2016: 70,000; declining to 25,000 by 2020)¹ goes hand in hand with a significant increase in labour supply over the forecast period. While the more restrictive border controls in Austria and at the EU external frontiers should reduce the inflow of asylum seekers, the stricter pre-selection may bring applicants with a much higher probability of admission to Austria, such that the number of recognised refugees may fall less sharply than that of applications for asylum. Since the actual evolution of immigration will highly depend on the implementation of bilateral agreements like the one concluded with Turkey, it is subject to a wide margin of uncertainty.

Following the third month after having been admitted to the asylum procedure, asylum seekers may be granted access to the Austrian labour market for seasonal and harvesting works, subject to a quota imposed by the Federal Ministry of Economics and Labour according to a regulation of 1 May 2004. Persons having been officially recognised as eligible for asylum or for "subsidiary protection" have unrestricted labour market access. Assuming a duration of nine months for the asylum procedure, a higher number of recognised refugees will enter the labour market as from the second quarter 2016. In order to be eligible for subsistence benefit, recognised refugees and persons of working age entitled to subsidiary protection, unless they can claim exceptional circumstances (e.g., child care obligations, illness, education or job training) must register with the labour market service, actively seek employment and be ready to accept a reasonable job offer. The originally poor employment opportunities due to lack of language skills and job qualifications (*Bock-Schappelwein – Huber, 2016*) should improve over time. Labour supply should thereby increase, notably in the low-qualified segment.

Effects on government finances

Additional expenditure for the accommodation of refugees derives from intermediate inputs of public administration, higher compensation of government employees (overtime work, additional posts), social spending in kind (housing, food, language courses), cash benefits (subsistence benefit) and other transfers (mainly reimbursement of cost incurred by humanitarian aid organisations). For 2016 and 2017, spending on care for asylum seekers, recognised refugees and persons entitled to subsidiary protection is estimated at 950 million € and 850 million € respectively in public consumption, and at nearly 1 billion € each in social cash benefits and other transfers². It is assumed that the transfer payments fully feed into private consumption. We further assume that due to the decline in the number of applicants for asylum, the related expenditure on public consumption and "other" transfers will abate over the forecast period, whereas social cash benefits will increase. Hence, the additional expenditure on account of refugee immigration is anticipated at around 2 billion € per year over the period from 2016 to 2020.

¹ In January 2016, the Austrian federal government decided to limit the immigration of asylum seekers for 2016 at 37,500 persons (including family reunion). In subsequent years, the number is to be reduced to 35,000 in 2017, 30,000 in 2018 and 25,000 in 2019. According to preliminary data from the Ministry of Internal Affairs, the quota for 2016 has already been utilised to 40 percent in the first quarter (with 14,328 applications for asylum received). Applications for family reunion are not yet included in the preliminary statistics. The long-term average shows that one-third of recognised refugees is later followed by one family member, but last year this ratio has moved up to one-half. In this respect, WIFO expects 8,000 demands for asylum in 2016. Allowing for the fact that refugee migration tends to be weaker during winter than in the warmer seasons and that international conditions does not suggest an early end of migration flows, the ceiling of 37,500 applications for asylum for 2016 appears rather unrealistic. WIFO projects for the current year a total of 70,000 asylum applications (*Ederer, 2016*). – ² The present assessment of the additional budgetary expenditure is based on the legal situation prevailing at the cut-off date of the forecast.

3. Moderate trend growth set to persist

Following the methodology of the European Commission, WIFO projects trend GDP growth for Austria at 1¼ percent p.a. for the period from 2016 to 2020, somewhat above the rate recorded for the previous five-year period (2011-2015 +1 percent p.a.). The Austrian economy nevertheless remains in a cyclical stage of under-utilised production capacity. The output gap, i.e., the relative deviation of actual from trend output, is set to narrow from –1.2 percent in 2015 and eventually close by the forecast horizon (2020: 0.0 percent).

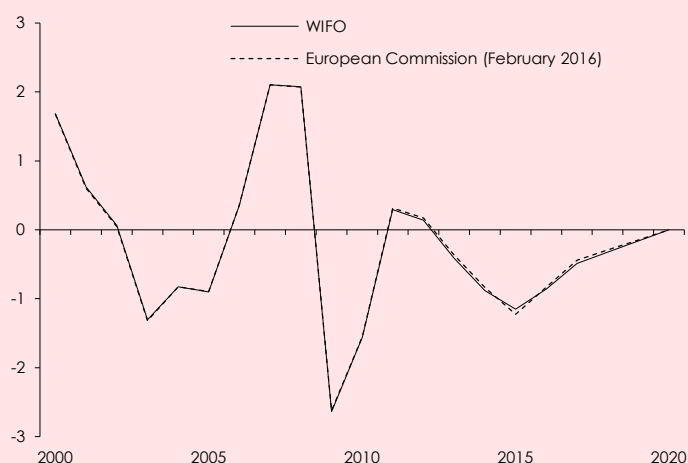
Table 4: Growth contributions of the input factors to trend output

		Ø 2006-2010	Ø 2011-2015	Ø 2016-2020	2015	2016	2017	2018	2019	2020
<i>WIFO estimate</i>										
GDP, volume	year-to-year percentage changes	+ 1.3	+ 1.0	+ 1.5	+ 0.9	+ 1.6	+ 1.6	+ 1.6	+ 1.5	+ 1.5
Trend output	year-to-year percentage changes	+ 1.4	+ 0.9	+ 1.3	+ 1.2	+ 1.3	+ 1.2	+ 1.4	+ 1.4	+ 1.3
Labour	percentage points	+ 0.0	+ 0.3	+ 0.5	+ 0.2	+ 0.6	+ 0.6	+ 0.6	+ 0.5	+ 0.4
Capital	percentage points	+ 0.6	+ 0.5	+ 0.5	+ 0.4	+ 0.5	+ 0.5	+ 0.5	+ 0.5	+ 0.5
Total factor productivity	percentage points	+ 0.8	+ 0.2	+ 0.3	+ 0.5	+ 0.2	+ 0.2	+ 0.3	+ 0.4	+ 0.3
<i>European Commission estimate</i>										
GDP, volume	year-to-year percentage changes	+ 1.3	+ 1.0	+ 1.6	+ 0.7	+ 1.7	+ 1.6	+ 1.4	+ 1.5	+ 1.7
Trend output	year-to-year percentage changes	+ 1.4	+ 0.9	+ 1.3	+ 1.1	+ 1.3	+ 1.2	+ 1.2	+ 1.4	+ 1.5
Labour	percentage points	+ 0.0	+ 0.2	+ 0.4	+ 0.5	+ 0.5	+ 0.3	+ 0.2	+ 0.3	+ 0.4
Capital	percentage points	+ 0.6	+ 0.5	+ 0.5	+ 0.4	+ 0.5	+ 0.5	+ 0.5	+ 0.5	+ 0.5
Total factor productivity	percentage points	+ 0.8	+ 0.2	+ 0.5	+ 0.2	+ 0.3	+ 0.4	+ 0.5	+ 0.5	+ 0.6

Source: European Commission, WIFO calculations.

Figure 1: Output gap

Volume, as a percentage of trend output



Source: European Commission, WIFO calculations.

4. Growing labour supply prevents unemployment from easing

While the pick-up in economic growth allows dependent active employment to expand (+1.1 percent on annual average for the period 2016-2020), the imbalance on the labour market will not ease since the supply of dependent labour will also increase (2016-2020 +1.3 percent p.a., up from the medium-term projection of October 2015 of 0.9 percent p.a.). The labour force increase in coming years derives from a higher number of foreign workers (including recognised refugees and persons entitled to subsidiary protection), tighter eligibility criteria for early retirement and invalidity benefits, and a sustained increase in female labour force participation.

The number of unemployed is expected to rise to a total 415,000 (+203,000 from the pre-crisis level of 2008) by 2020, with the unemployment rate levelling off as from 2018 at around 10 percent of the dependent labour force (national definition) or 6.3 percent of the total labour force (Eurostat definition).

5. Inflation set to remain above the euro area average

Aggregate unit labour cost, a key factor for domestic cost pressure, is projected to advance at 1.3 percent p.a. between 2016 and 2020, while gross real wages per capita are expected to stagnate, lagging behind labour productivity gains. Hence, labour cost developments are unlikely to exert an inflation-enhancing impact. Although the positive gap vis-à-vis the euro area should narrow over the next few years, consumer price inflation in Austria will nevertheless stay above the euro area average, due to the more swiftly rising services prices (including administered prices) in Austria.

The increase in the reduced VAT rate by 3 percentage points for certain goods, stronger consumer demand due to the cuts in direct taxes, the partial shift of tax hikes from anti-fraud measures onto consumer prices and the continued above-average increase in administered prices will all push up the inflation rate by some ¼ percentage point in 2016 and by nearly 0.2 percentage points in 2017.

Since crude oil prices are about to rebound, petroleum product prices will follow after having contributed negatively to inflation over the period 2013-2016. Together with the effects of the tax reform, inflation is set to pick up as from 2017. For the period from 2016 to 2020, inflation as measured by the increase in the consumer price index is projected at an average 1.7 percent p.a. (2011-2015 +2.1 percent p.a.).

6. Balanced budget in structural terms difficult to achieve in 2016

The development of public finances over the period from 2016 to 2020 will be shaped on the one hand by the tax reform enacted on 1 January 2016, and by the additional expenditure required by refugee immigration on the other.

The tax reform comprises a comprehensive reduction of wage and assessed income tax rates (2016: 3.9 billion €; as from 2017: 5.2 billion €). The tax cuts are to be counter-financed primarily by the increase in other taxes, to an amount rising from 2.5 billion € in 2016 to 3.5 billion € p.a. as from 2018. In net terms, the overall tax burden is reduced by 1.5 billion € in 2016 and by 1.9 billion € per year (½ percent of GDP) as from 2018. In addition, the federal and the Länder governments shall, as from 2016, cut administrative spending and subsidies to the tune of 1.1 billion € (*Baumgartner – Kaniovski, 2015*).

Due to only a moderate cyclical recovery, the high and further rising unemployment, and on the assumption that all immigration-induced government expenditure increases will be accommodated by higher budget deficits, progress in the consolidation of government finances will be slow in the next few years. In 2014, the general government balance (in the Maastricht definition) weakened to -2.7 percent of GDP (of which 1.6 percentage points were due to support for banks in distress). Owing to buoyant revenues (largely on account of capital gains tax and real estate acquisition tax revenues carried forward), tight budgetary execution and lower bank subsidies needed, the government balance/GDP ratio improved by nearly 1½ percentage points in 2015. For 2016, the general government deficit is projected at 1.7 percent of GDP. It is only as from 2017 that the government balance is expected to improve step by step to a deficit of 0.6 percent of GDP by 2020.

The structural budget balance should be close to 1 percent of GDP between 2016 and 2018, before abating to 0.6 percent of GDP until 2020. For 2016, the present forecast assumes that one-off measures related to bank support will reduce the structural deficit by 0.2 percent of GDP (2017-2019 by 0.1 percent of GDP respectively). Should this assumption be confirmed, fiscal consolidation would be off track from the Stability Programme submitted by the federal government in April 2015,

since the Medium-Term Objective (MTO) of a general government account close to balance in structural terms (i.e., a structural deficit no higher than 0.45 percent of GDP) is likely to be missed under the policy scenario underlying the forecast. From today's perspective, the consolidation path will not comply with the requirement of the preventive arm of the EU Stability and Growth Pact, i.e., a narrowing of the structural budget balance by at least 0.5 percent of GDP per year until the MTO is reached.

7. References

- Baumgartner, J., Breuss, F., Kaniovski, S., "WIFO-Macromod – An Econometric Model of the Austrian Economy", in OeNB (Ed.), "Macroeconomic Models and Forecasts for Austria", Proceedings of OeNB Workshops, 2005, (5), pp. 61-86.
- Baumgartner, J., Kaniovski, S., "The Tax Reform 2015-16 – Macroeconomic Effects up to 2019", WIFO Bulletin, 2015, 20(22), pp. 250-265, <http://bulletin.wifo.ac.at/58374>.
- Baumgartner, J., Kaniovski, S., Pitlik, H., Schatzenstaller, M., "Moderate Growth with High Unemployment. Medium-term Forecast for the Austrian Economy until 2020", WIFO Bulletin, 2015, 20(27), pp. 303-319, <http://bulletin.wifo.ac.at/58587>.
- Bock-Schappelwein, J., Huber, P., "Zur Arbeitsmarktintegration von Asylsuchenden in Österreich", WIFO-Monatsberichte, 2016, 89(3), pp. 157-169, <http://monatsberichte.wifo.ac.at/58750>.
- Ederer, St., "Consumption Boosting Economic Growth in Austria. Economic Outlook for 2016 and 2017", WIFO Bulletin, 2016, 21(1), pp. 1-11, <http://bulletin.wifo.ac.at/58716>.
- Schiman, St., "Confidence in the USA, Uncertainty in the Euro Area, Fragility in the Emerging Markets. Medium-term Forecast for the World Economy until 2020", WIFO Bulletin, 2015, 20(19), pp. 214-221, <http://bulletin.wifo.ac.at/58516>.