

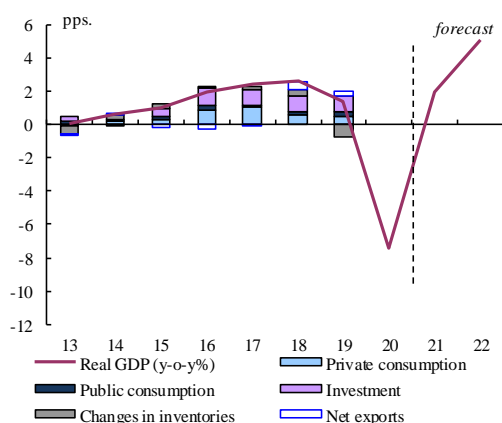
## 2.15. AUSTRIA

Austria's economy has been strongly affected by the COVID-19 pandemic and related containment measures, with GDP expected to show a 7.4% contraction in 2020. The first half of 2020 recorded the deepest recession since the Second World War. In the third quarter of 2020, the lifting of travel restrictions and gradual easing of containment measures, together with government measures supporting the economy, gave rise to a strong and broad-based rebound, reaching 12% quarter-on-quarter growth. A resurgence in infections sparked a second lockdown in November, which was temporarily eased between the 7<sup>th</sup> and 25<sup>th</sup> of December. This led to a 4.3% decline in GDP in the fourth quarter that was mainly due to a fall in private consumption and tourism services. Nevertheless, the economic effect of the second lockdown was less severe than in the spring, as the industrial sector and foreign trade were less affected.

The lockdown in the first quarter of 2021, although set to be eased somewhat as of 8 February, is expected to lead to a further contraction of GDP of 1.4%. Private consumption is expected to remain subdued, while containment measures and the extension of travel warnings in many EU countries are expected to shut down most of the Austrian winter tourism season. The gradual easing of restrictions and continued government support over the following quarters is expected to lead to a solid rebound in GDP growth. This is set to be mostly driven by pent-up demand, while a recovery in the tourism sector over the summer, similar to that witnessed in July and August last year, should provide an additional boost in the third quarter. For the fourth quarter of 2021 and the whole of 2022, GDP is expected to recover gradually, in line with the lifting of restrictions and as activity in the tourism sector is expected to return close to pre-crisis levels. Overall, GDP is expected to grow by 2.0% in 2021 and 5.1% in 2022. Future spending related to the Recovery and Resilience Facility is not included in this forecast and constitutes an upside risk.

Despite the economic contraction and a strong fall in energy prices, headline inflation decreased only marginally to 1.4% in 2020. While initially dropping in the first half of 2020, inflation increased again in the second half of the year, driven by rising prices for industrial goods, food and services. The relatively strong inflation in services was mostly due to increases in hotel and restaurant prices, which can be partly explained by measurement issues.<sup>(1)</sup> In 2021, the assumed increase in oil prices, compared to 2020, is expected to push inflation to 1.7%. Inflation is expected to remain at 1.7% in 2022.

Graph 2.15: Austria - Real GDP growth and contributions



<sup>(1)</sup> [http://www.statistik.at/web\\_de/statistiken/wirtschaft/preise/verbraucherpreisindex\\_vpi\\_hvpi/125192.html](http://www.statistik.at/web_de/statistiken/wirtschaft/preise/verbraucherpreisindex_vpi_hvpi/125192.html)