

15. AUSTRIA

Economic activity recovered in 2021 on the back of strong pent-up demand and the relaxation of sanitary containment measures, and is set to expand by 3.9% in 2022 and 1.9% in 2023.. However, Russia's invasion in Ukraine and associated high energy prices, as well as disrupted supply chains, are set to slow the upswing. Inflation is forecast to peak at 6.0% in 2022, and will only gradually ease to 3.0% in 2023. The general government deficit is projected to decline to 3.1% of GDP in 2022 on the back of the positive growth outlook and the gradual phase out of support measures, and narrow further to 1.5% of GDP in 2023..

Economic rebound continues in 2022

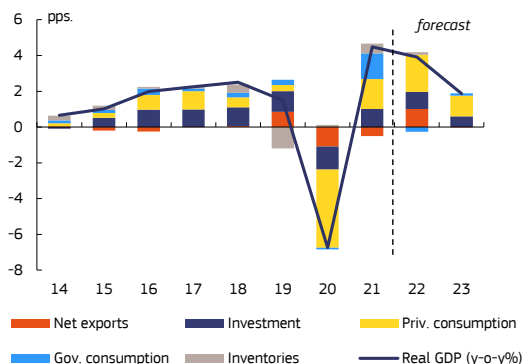
After reaching its pre-pandemic level in the third quarter of 2021, economic activity declined again by 1.5% quarter-on-quarter in 2021-Q4, following the reintroduction of containment measures at the end of the year. In 2021 as a whole, real GDP increased by 4.5%. In 2022, real GDP is expected to increase by 3.9%, on the back of a strong rebound in the first quarter of this year after the phasing out of containment measures (2.5% quarter-on-quarter). The economic expansion in 2022 continues to be driven by pent-up private consumption and the revival of tourism and the services sector. The Russian invasion of Ukraine is a headwind for the Austrian export industry, while higher prices put pressure on consumers' purchasing power. Overall, this increases the uncertainty of the economic outlook.

and the implementation of the Austrian RRP. This will partly be offset by the impact of high inflation on real disposable income. Business investment is also set to continue supporting the expansion. Overall, real GDP is expected to grow by 1.9% in 2023. Downside risks to the projections are linked to Austria's dependence on Russian gas and prolonged supply bottlenecks.

Labour markets remain robust

Thanks to the ongoing expansion, the unemployment rate is forecast to drop to pre-crisis levels, reaching 5.0% in 2022 and 4.8% in 2023. After rebounding by 2.1% in 2021, employment is expected to expand by 2.9% in 2022 and 0.9% in 2023, in line with the revival of the labour intensive tourism and services sectors and the projected economic expansion.

Graph II.15.1: Austria - Real GDP growth and contributions



Continued expansion in 2023

The economic expansion is expected to continue in 2023, mainly driven by domestic demand. Both pent-up demand and the unleashing of accumulated savings are projected to boost private consumption over the forecast horizon, further supported by the tax relief provided by the eco-social tax reform

Energy prices drive inflation

Energy prices increased significantly following the Russian invasion of Ukraine, from an already elevated level. In 2022, energy inflation is expected to be even higher in the first half of the year, and is projected to slow down only as from the third quarter of 2022. Overall, after reaching already 2.9% in 2021, HICP inflation is expected to peak at 6.0% in 2022 before gradually decreasing to 3.0% in 2023.

Public finances continue to improve in line with positive growth prospects

Public finances have improved visibly in 2021 on the back of the economic recovery and positive labour market developments. The general government balance declined to -5.9% of GDP in 2021. This is largely the result of strong growth in tax revenues and social contributions, which exceeded pre-crisis levels. Public expenditures still continued to rise more

strongly than in normal times as a result of continued crisis management measures, which prevented the deficit from decreasing further.

In 2022, the general government deficit is expected to decline to 3.1% of GDP. On the one hand, strong private consumption and employment fuel consumption-based taxes and social contributions. On the other hand, public expenditures are set to grow at a much lower pace, due to the phasing out of remaining pandemic support measures. In 2023, the general government deficit is expected to further decrease to 1.5% of GDP as a result of the continued economic expansion. Government

revenues are set to continue to grow robustly while expenditures are set to decrease further.

Driven by the expected favourable development of the general government balance and relatively high nominal GDP growth, public debt is set to continue declining in the coming years. Having declined to 82.8% of GDP in 2021, public debt is projected to further decrease to 80.0% and 77.5% of GDP in 2022 and 2023, respectively.

Table II.15.1:

Main features of country forecast - AUSTRIA

	2021			Annual percentage change						
	bn EUR	Curr. prices	% GDP	02-17	2018	2019	2020	2021	2022	2023
GDP	403.4	100.0		1.5	2.5	1.5	-6.7	4.5	3.9	1.9
Private Consumption	201.2	49.9		1.2	1.1	0.7	-8.5	3.3	4.1	2.3
Public Consumption	86.6	21.5		1.3	1.2	1.5	-0.5	6.7	-1.2	0.7
Gross fixed capital formation	103.1	25.6		1.2	4.4	4.8	-5.2	4.0	3.7	2.3
Exports (goods and services)	225.7	55.9		3.5	5.1	3.4	-10.8	12.7	6.3	3.8
Imports (goods and services)	222.0	55.0		3.2	5.3	2.0	-9.4	14.5	4.6	3.8
GNI (GDP deflator)	401.2	99.5		1.5	2.5	2.1	-6.5	4.0	3.8	1.8
Contribution to GDP growth:										
Domestic demand				1.2	1.8	1.8	-5.8	4.1	2.8	1.9
Inventories				0.1	0.5	-1.2	0.1	0.5	0.1	0.0
Net exports				0.2	0.1	0.9	-1.1	-0.5	1.0	0.0
Employment				1.0	1.7	1.1	-1.6	2.1	2.9	0.9
Unemployment rate (a)				5.5	5.2	4.8	6.0	6.2	5.0	4.8
Compensation of employees / head				2.2	2.9	2.8	1.7	3.4	1.5	2.6
Unit labour costs whole economy				1.7	2.1	2.5	7.3	1.0	0.5	1.6
Saving rate of households (b)				14.6	13.1	13.9	19.7	15.6	11.6	10.7
GDP deflator				1.8	1.8	1.6	2.3	1.8	3.4	3.2
Harmonised index of consumer prices				1.9	2.1	1.5	1.4	2.8	6.0	3.0
Terms of trade goods				-0.1	-0.6	-0.9	1.2	-3.2	-3.0	0.7
Trade balance (goods) (c)				0.1	0.3	1.0	0.8	0.1	-1.4	-1.1
Current-account balance (c)				2.4	1.0	2.2	1.9	-0.5	-1.0	-0.8
General government balance (c)				-2.4	0.2	0.6	-8.0	-5.9	-3.1	-1.5
Structural budget balance (d)				-0.7	-0.8	-0.6	-4.8	-4.4	-3.0	-1.6
General government gross debt (c)				75.4	74.1	70.6	83.3	82.8	80.0	77.5

(a) Eurostat definition. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.
Note : Contributions to GDP growth may not add up due to statistical discrepancies.