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Forecast of the Austrian Economy 2020–2021

COVID-19-induced recession requires extraordinary economic policy efforts

The COVID 19 pandemic and the measures implemented to contain its spread resulted in a deep global recession. The Austrian economy contracted at a historically large rate in the first half of the year. If no major second wave of infections occurs, in 2020 as a whole GDP is projected to decline by 7.3 %. Next year, the economy should recover, and GDP should grow by 5.8 %. Due to the severe economic crisis, the unemployment rate is expected to increase from 7.4 % to 10.2 % this year. A decline to 9.2 % is forecast for next year. Inflation is expected to remain moderate at 1.0 % and 1.3 %, respectively. The deep economic slump and the necessary fiscal policy measures are weighing heavily on the public budget. In overcoming the crisis, economic policy should focus on strengthening the forces of growth, which would facilitate the necessary budget consolidation.

Figure 1: GDP, private consumption, investment

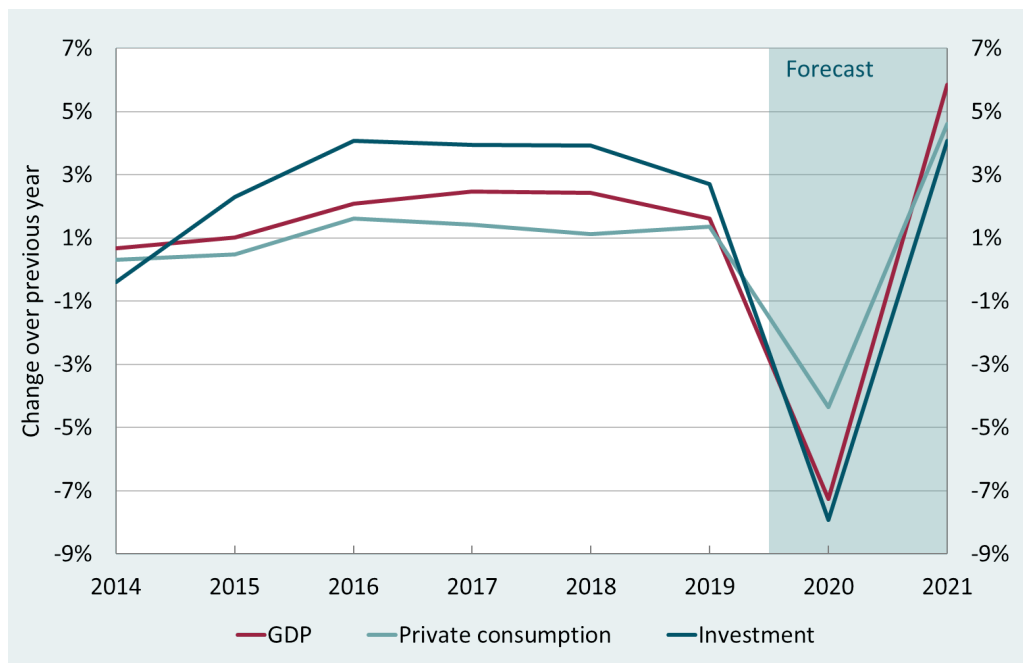


Table 1: Main Results*Change over previous year in percent*

	2019	2020	2021
Gross domestic product, real	1.6	-7.3	5.8
Private consumption, real	1.4	-4.4	4.6
Gross capital formation, real	2.4	-11.1	4.2
Gross fixed capital formation, real	2.7	-7.9	4.1
of which: equipment, real	2.9	-12.5	6.5
of which: construction, real	2.4	-2.5	1.5
Domestic demand, real	1.4	-4.9	3.8
Exports of goods and services, real	2.9	-11.3	9.0
of which: goods, real	2.1	-10.0	7.8
of which: tourism, real	3.0	-28.0	25.0
Imports of goods and services, real	2.7	-7.3	5.4
of which: goods, real	1.9	-6.3	4.3
of which: tourism, real	1.3	-20.5	17.0
Employment (employees)	1.6	-2.5	1.5
Unemployment rate: national definition*	7.4	10.2	9.2
Unemployment rate: Eurostat definition*	4.5	5.8	5.3
Compensation per employee	2.7	0.5	1.0
GDP deflator	1.7	1.5	1.1
Consumer price index	1.5	1.0	1.3
Budget balance in % of GDP (Maastricht definition)*	0.7	-11.5	-4.0
Three-month Euribor*	-0.4	-0.4	-0.4
Ten-year government bond yield*	0.0	-0.1	0.1

Source: Statistik Austria, own calculations

*absolute values

Table 2: International environment
Change over previous year in percent

	2017	2018	2019	2020	2021
GDP, real					
Germany	2.5	1.5	0.6	-6.0	5.0
Italy	1.7	0.8	0.3	-10.0	6.0
France	2.3	1.8	1.5	-10.5	7.5
United Kingdom	1.9	1.3	1.4	-8.5	6.0
Switzerland	1.8	2.8	0.9	-5.8	4.5
USA	2.4	2.9	2.3	-7.0	5.0
Japan	2.2	0.3	0.7	-5.0	2.8
China	6.9	6.7	6.1	-0.3	7.0
Poland	4.9	5.3	4.1	-4.8	4.8
Slovakia	3.0	3.9	2.4	-9.0	5.5
Czech Republic	4.4	2.8	2.6	-7.5	5.0
Hungary	4.3	5.1	4.9	-5.5	4.5
Slovenia	4.8	4.1	2.4	-6.8	4.5
MOEL-5 ¹	4.5	4.6	3.7	-5.9	4.8
Bulgaria	3.5	3.1	3.4	-5.8	4.8
Romania	7.1	4.4	4.1	-5.5	4.8
Croatia	3.1	2.7	2.9	-9.0	5.0
Russia	1.8	2.5	1.3	-5.0	3.0
Euro area	2.5	1.9	1.3	-8.5	6.3
NMS-6 ²	5.0	4.5	3.9	-5.7	4.8
EU-27 ³	2.7	2.1	1.5	-8.2	6.2
OECD	2.7	2.3	1.7	-6.8	4.7
World	3.9	3.4	2.7	-4.8	5.3
World trade (goods, CPB)	4.8	3.3	-0.3	-13.0	8.0
Austrian export markets	5.8	3.7	1.7	-12.0	7.8
USD/EUR exchange rate*	1.13	1.18	1.12	1.12	1.13
Oil price (Brent, USD/barrel)*	54.8	71.7	64.6	40.8	47.5

Source: Eurostat, IWF, OECD, CPB, national statistical offices, own calculations

*absolute values

¹MOEL-5: Poland, Slovakia, Czech Republic, Hungary, Slovenia

²NMS-6: Poland, Czech Republic, Hungary, Bulgaria, Romania, Croatia

³excluding the United Kingdom

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