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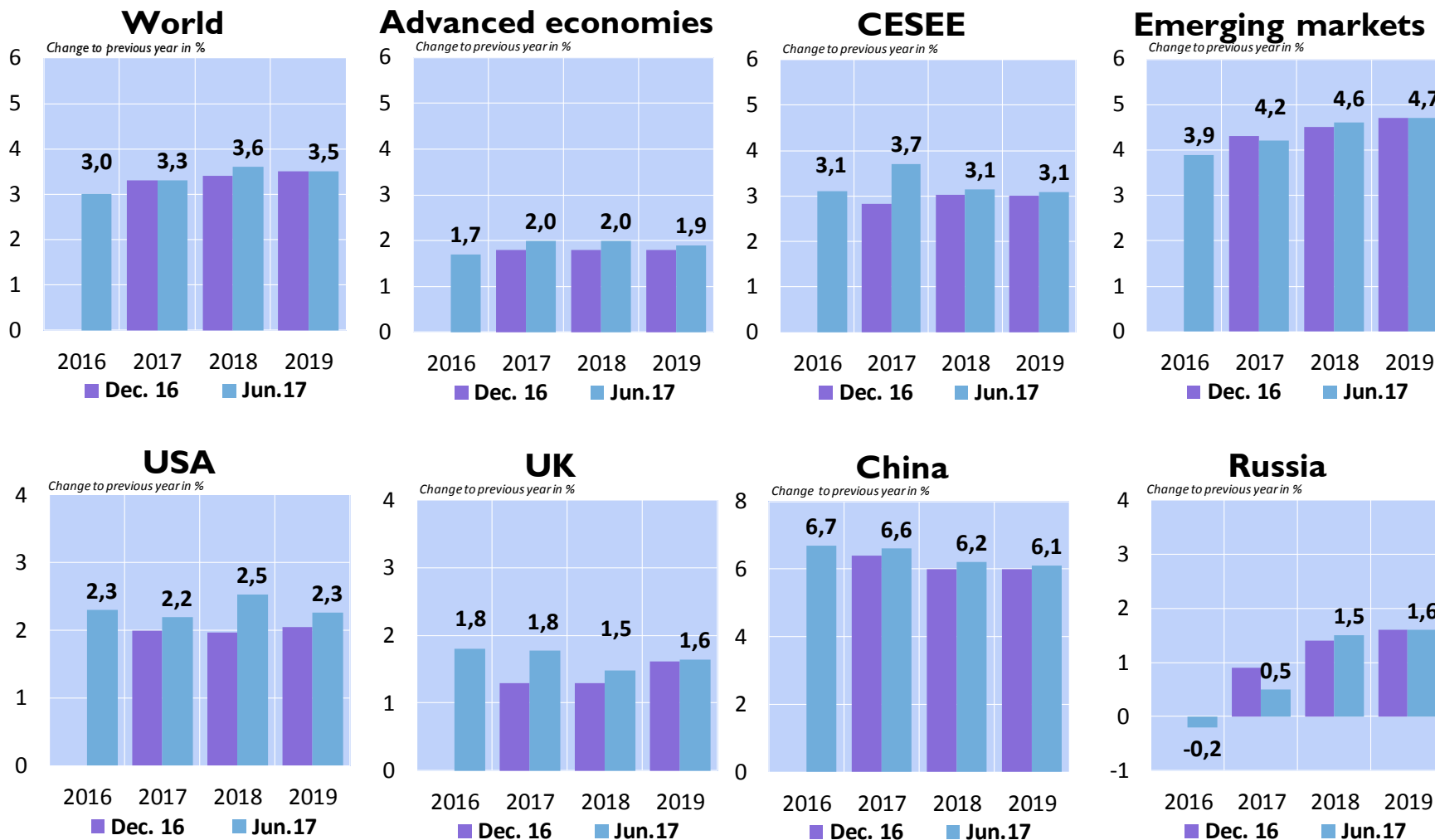
Schwerpunkt Außenwirtschaft 2016/17

*Austrian economic activity, Austria's price competitiveness
and a summary on external trade*

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also on behalf of Julia Wörz and Patricia Walter

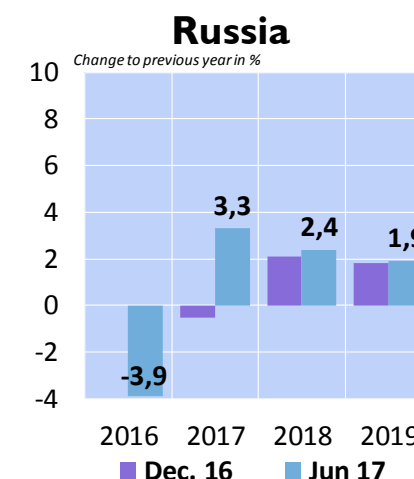
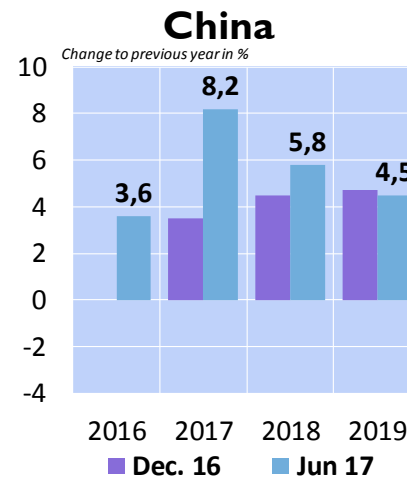
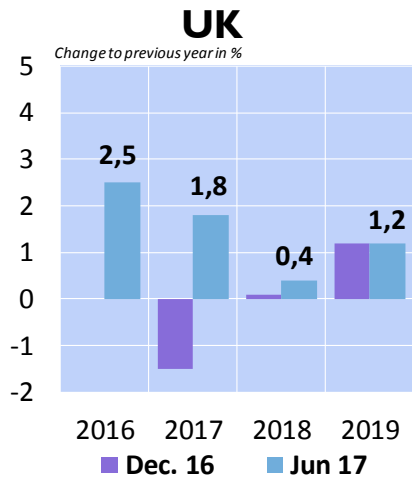
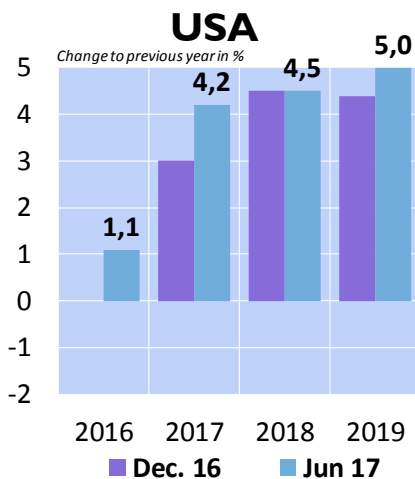
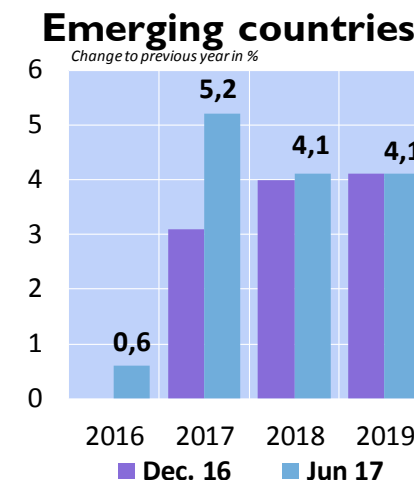
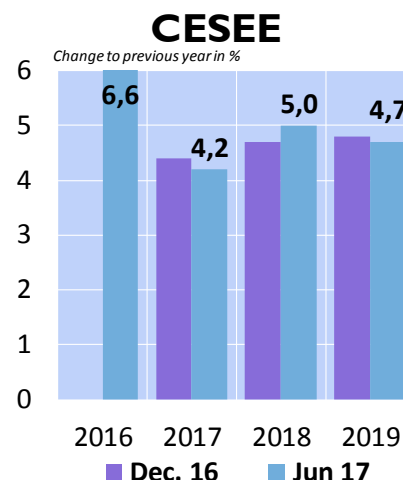
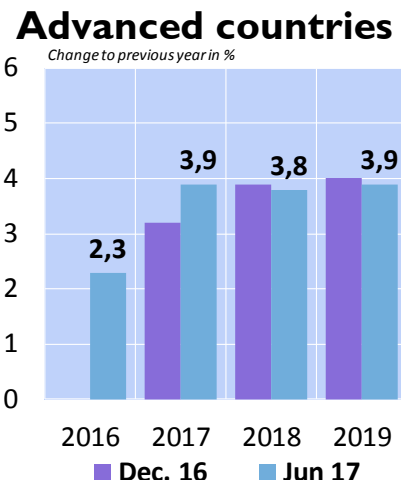
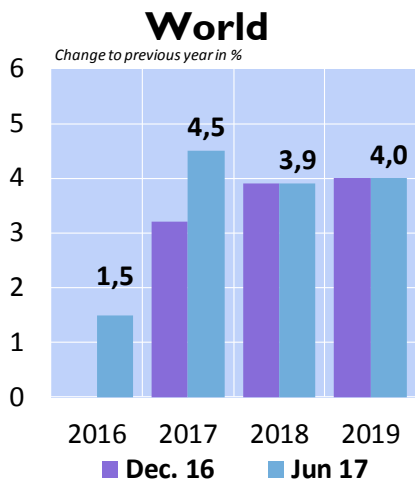
Vienna, 20th of June, 2017

Moderate economic growth in 2016



Source: Eurosystem.

Weak dynamics in volume of world trade in 2016



Source: Eurosystem.

Euro area on stable growth path...

	Forecast June 2017			Revision to March 2017		
	2017	2018	2019	2017	2018	2019
Real GDP	+1,9%	+1,8%	+1,7%	+0,2 pp	+0,1 pp	0,1 pp
HICP-inflation	+1,5%	+1,3%	+1,6%	-0,3 pp	-0,3 pp	-0,1 pp

Source: Eurosystem forecast from June 2017.

Country results: OECD forecast (June 2017)

Real GDP growth forecast

	2016	2017	2018
Germany	+1,8	+2,0	+2,0
France	+1,1	+1,3	+1,5
Italy	+1,0	+1,0	+0,8
Spain	+3,2	+2,8	+2,4
Netherlands	+2,1	+2,4	+2,1
Belgium	+1,2	+1,6	+1,7
Austria	+1,6	+2,2	+1,7
Ireland	+5,2	+3,7	+2,5
Finland	+1,4	+2,0	+1,5
Greece	-0,1	+1,1	+2,5
Portugal	+1,4	+2,1	+1,6
Slovakia	+3,3	+3,3	+4,1
Luxembourg	+4,2	+4,5	+4,2
Slovenia	+2,5	+3,8	+3,1
Lithuania	+2,3	+3,1	+2,9
Latvia	+2,0	+3,5	+3,5
Estonia	+1,7	+2,6	+3,1

Source: OECD.

HICP forecast

	2016	2017	2018
Germany	+0,4	+1,9	+1,6
France	+0,3	+1,3	+1,2
Italy	-0,1	+1,5	+1,3
Spain	-0,3	+2,3	+1,4
Netherlands	+0,1	+1,6	+1,6
Belgium	+1,8	+2,5	+1,8
Austria	+1,0	+2,1	+1,8
Ireland	-0,2	+0,8	+2,0
Finland	+0,4	+1,2	+1,5
Greece	+0,0	+1,4	+0,8
Portugal	+0,6	+1,6	+1,4
Slovakia	-0,5	+1,6	+2,0
Luxembourg	+0,0	+2,4	+1,6
Slovenia	-0,2	+2,6	+3,1
Lithuania	+0,7	+3,3	+2,7
Latvia	+0,2	+2,8	+2,3
Estonia	+0,8	+3,2	+2,8

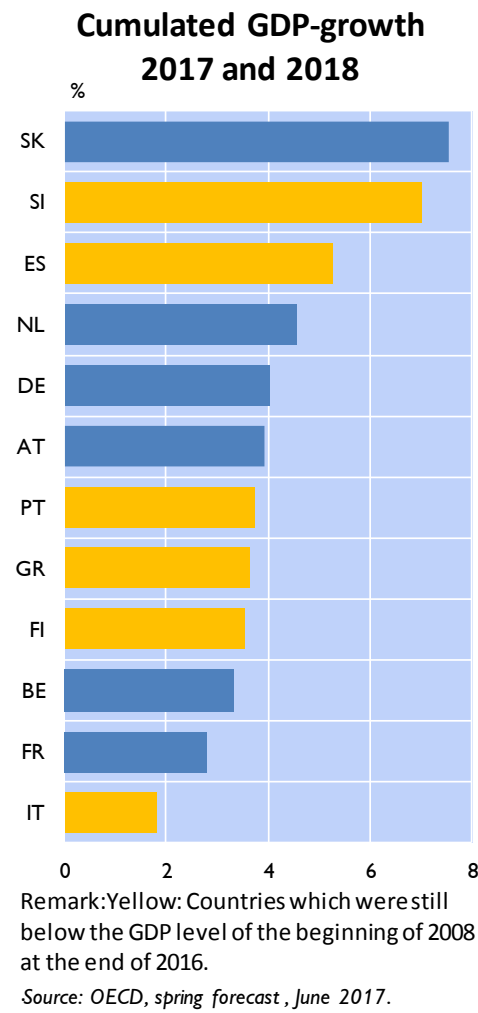
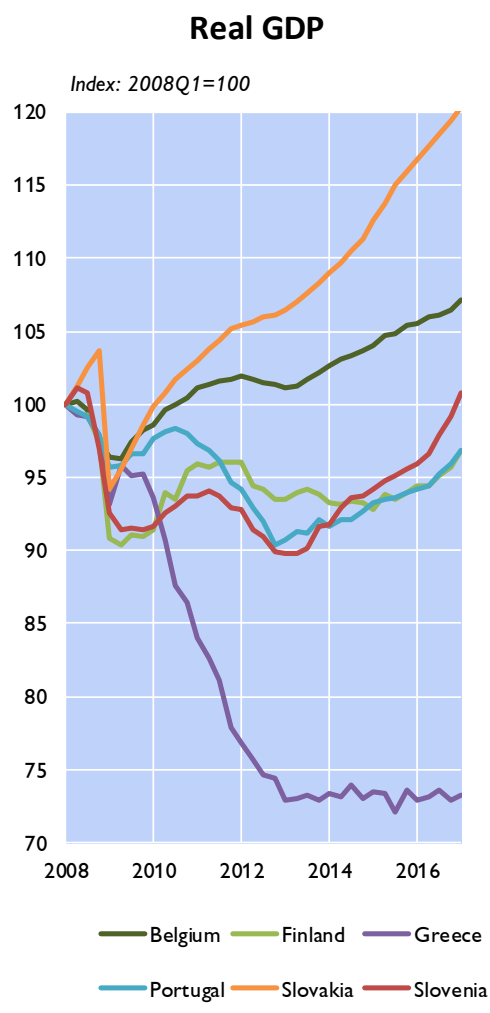
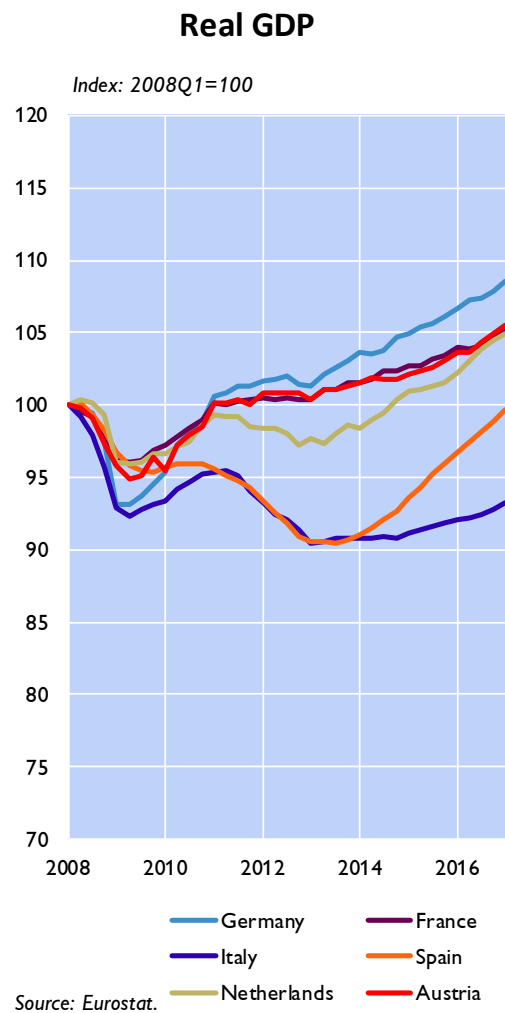
Source: OECD.

Unemployment rate

	2016	2017	2018
Germany	4,2	3,8	3,7
France	10,0	9,7	9,6
Italy	11,7	11,5	11,2
Spain	19,6	17,5	16,0
Netherlands	6,0	5,2	5,0
Belgium	7,9	7,2	6,6
Austria	6,1	5,7	5,5
Ireland	7,9	6,9	6,2
Finland	8,8	8,5	8,2
Greece	23,5	22,2	20,1
Portugal	11,0	9,7	8,9
Slovakia	9,6	8,5	7,6
Luxembourg	6,4	6,0	5,9
Slovenia	8,0	7,3	6,3
Lithuania	-	-	-
Latvia	9,7	9,2	8,9
Estonia	6,8	7,6	8,4

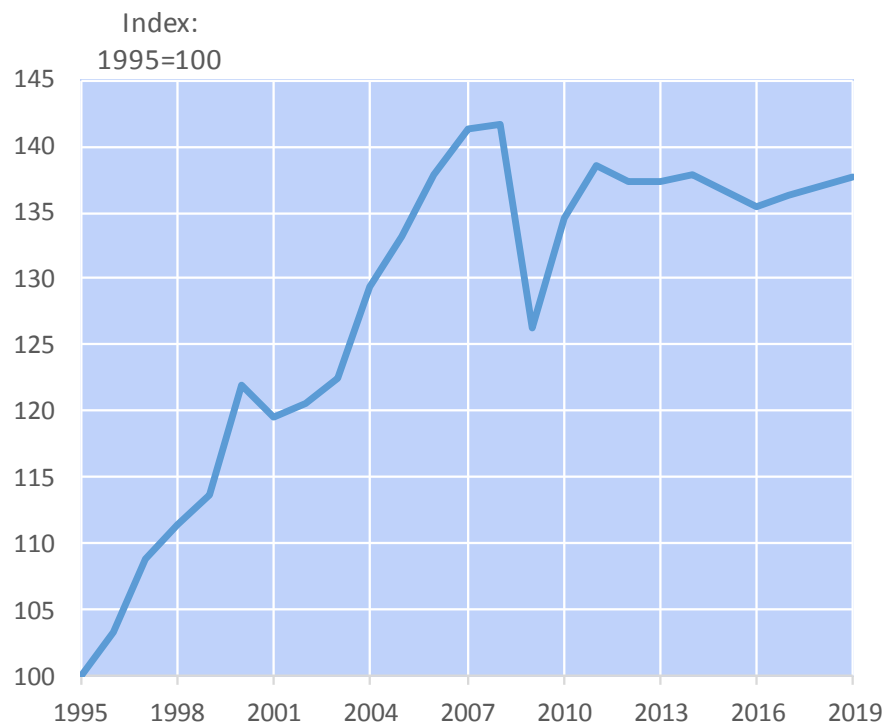
Source: OECD.

... but continuing heterogeneous development



Ratio of global trade to output growth dropped to one

Ratio of global imports to GDP growth



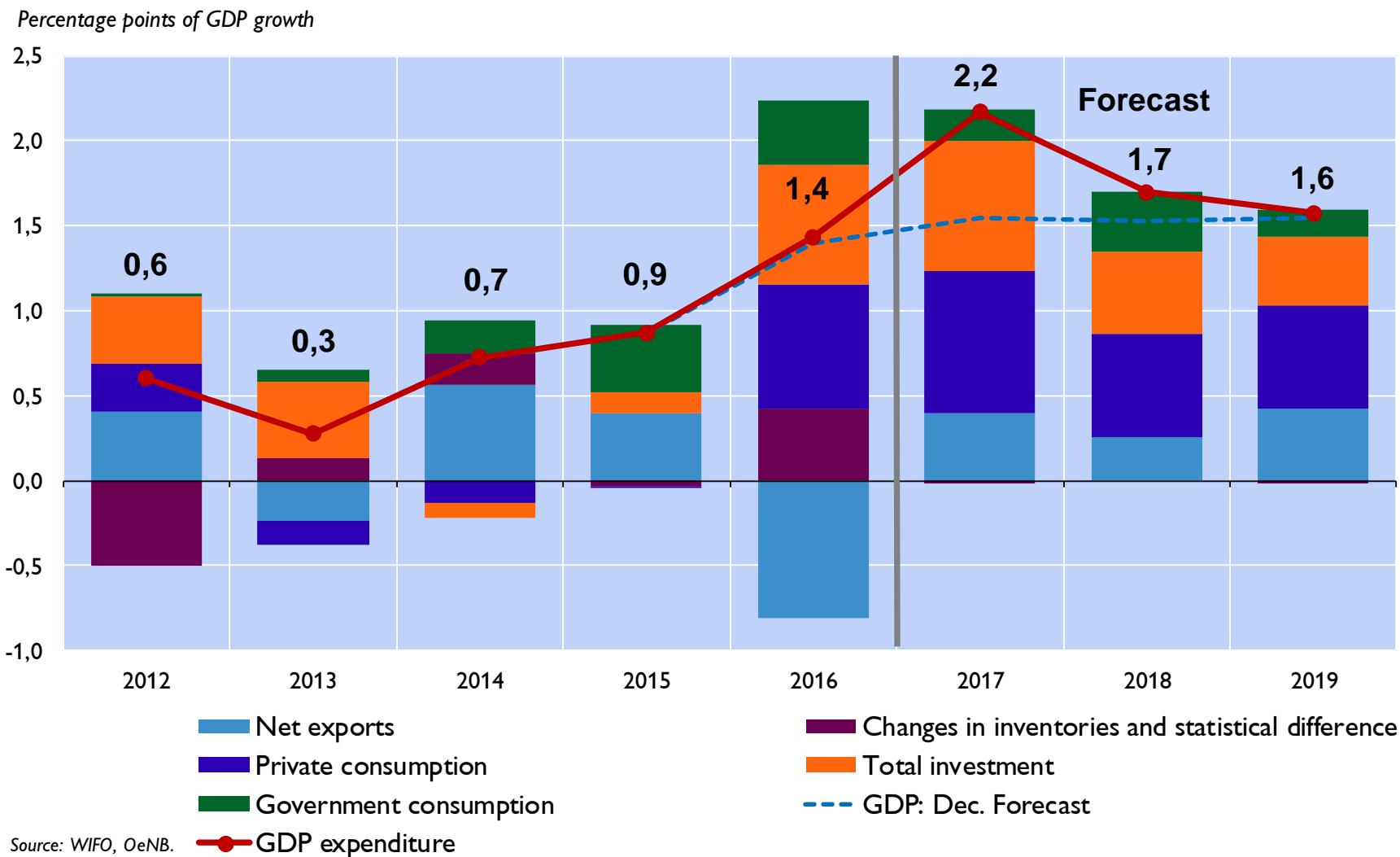
Source: IMF.

- Historically, the volume of world merchandise trade grew about 1.5 times faster than world output.
- In the 1990s, it grew twice as fast
- Since the financial crisis, this ratio has fallen to around 1.1
- 2016 marks the first time since 2001 that the ratio drops below one (0.6)

Negative repercussions of protectionism could harm world trade in the future

- Increasing signs of a potential inward-looking stance in economic policies, especially in the USA, but also in other countries, would impact world trade growth negatively, also curbing future supply-potential.
- WTO reports in a widely noted article 22 new trade-hampering measures per month in the period October 2015 – May 2016 by WTO members.
- This marks the highest value since 2011.
- Since 2008, around 3000 trade restricting measures were introduced, while only 740 have been withdrawn.
- This comes in addition to the dampening trade effects of slowing trade liberalization (or plain termination of negotiations, i.e. TPP) and levelling off of global value chain growth.

Austria: Broadly based upswing in 2017



Austria: 2017 marked by accelerated economic growth and declining unemployment

	2016	2017	2018	2019
	<i>Change to previous year in %</i>			
GDP	1,4	2,2	1,7	1,6
Private consumption	1,4	1,6	1,2	1,2
Government consumption	1,9	0,9	1,8	0,8
Total investment	3,1	3,3	2,0	1,7
Exports	1,8	4,2	4,0	3,9
Imports	3,5	3,7	3,8	3,4
Contributions to real GDP grow	<i>in percentage points</i>			
Domestic Demand	1,8	1,8	1,4	1,2
Net exports	-0,8	0,4	0,3	0,4
Changes in inventories (+ stat. discrepancy)	0,4	0,0	0,0	0,0
	<i>in %</i>			
HICP	1,0	2,0	1,8	1,8
Unemployment rate (in %)	6,0	5,7	5,5	5,4
	<i>Change to previous year in %</i>			
Employees	1,5	1,5	1,5	1,2
	<i>in % of GDP</i>			
Current Account	1,7	2,1	2,4	2,8
Government Balance	-1,6	-0,9	-0,9	-0,5

Source: WIFO, OeNB.

- 2016: With the help of special effects, real GDP growth rose again - after four weak years - to over 1%
- 2017: Real GDP growth accelerates sharply
 - The tax reform 2016, the persistently strong employment growth and the better sentiment support consumption growth
 - The recovery of world trade is boosting export demand and revitalizing Austrian exports
- HICP inflation increases to 2%
- Unemployment rate declines to 5.4%
- Current account improves
- Public finances improve

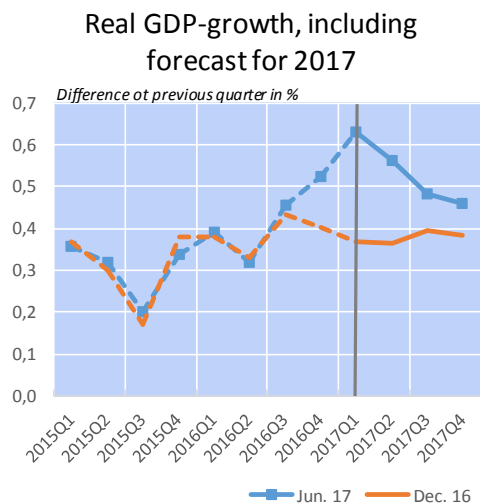
Explanation of strong GDP upward revision for 2017



Compared to the OeNB's December forecast, GDP growth for 2017-2019 is revised upward by 0.7 / 0.2 / 0.1 percentage points (pp).

Ex-post-facts (account for 0,4 pp):

- Significantly higher GDP growth in 2016Q4 and 2017Q1 than expected in December
- Stronger growth in both domestic demand and exports

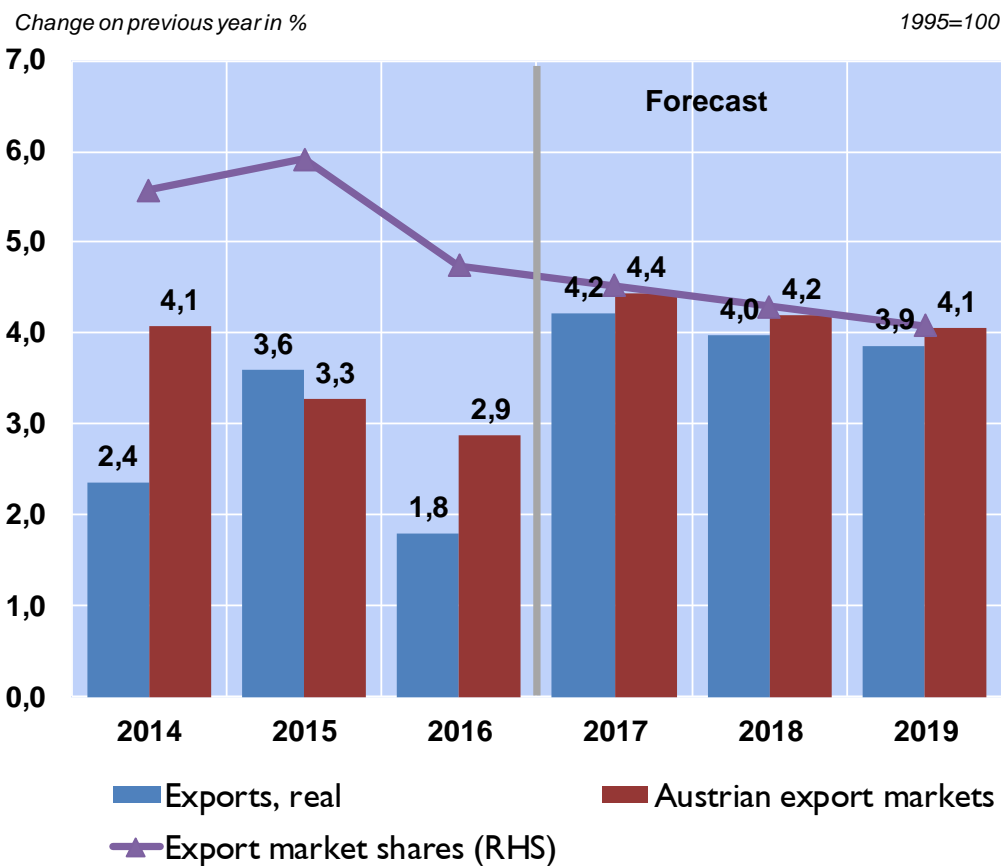


More optimistic assessment of short-term development:

- Better starting point
- Further improvement of confidence indicators
- The upturn is reflected in industry and construction
- Stronger investment cycle
- Improved external environment

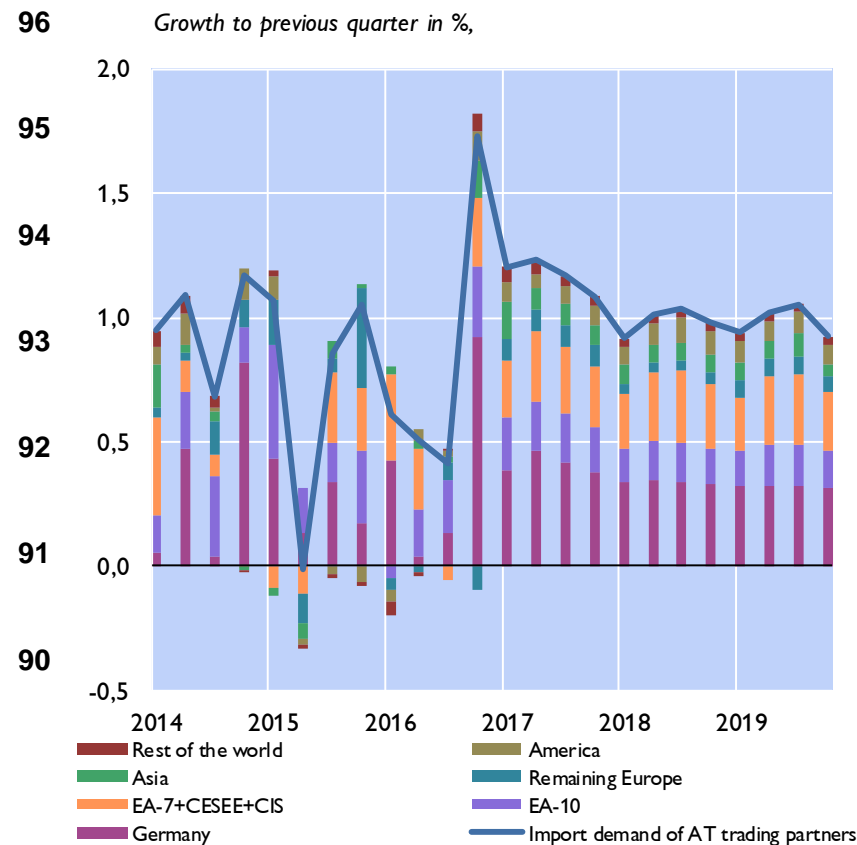
Source: WIFO, OeNB.

Significant acceleration of exports this year



Source: Eurostat, OeNB.

Contributions to growth of Austrian export markets



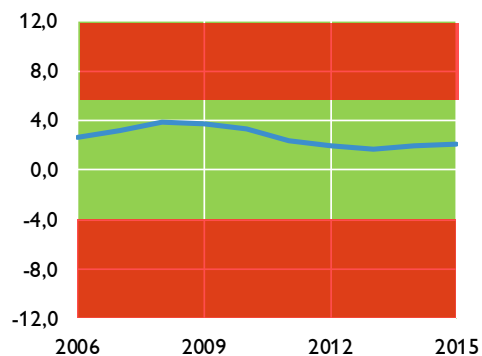
Source: ECB, design and calculation: OeNB.

European commission constitutes no major external imbalances

External imbalances and competitiveness indicators in the EC Scoreboard

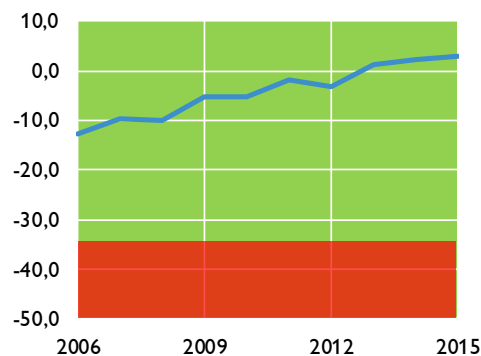
Current Account balance

in % of GDP



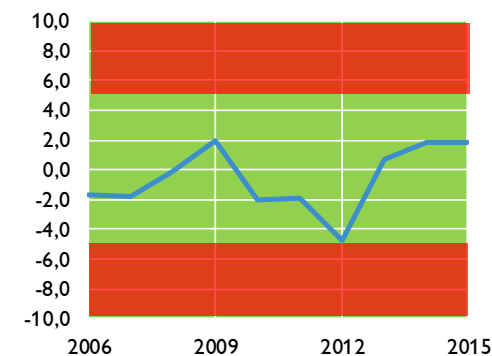
Net international investment position

in % of GDP



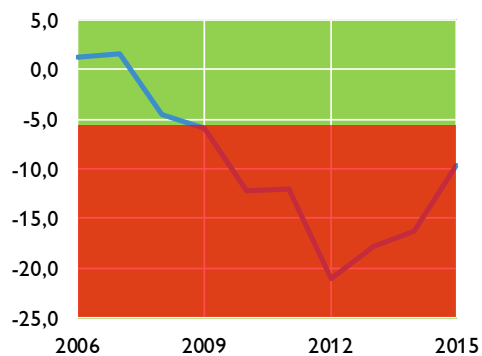
Real effective exchange rate

in % of GDP



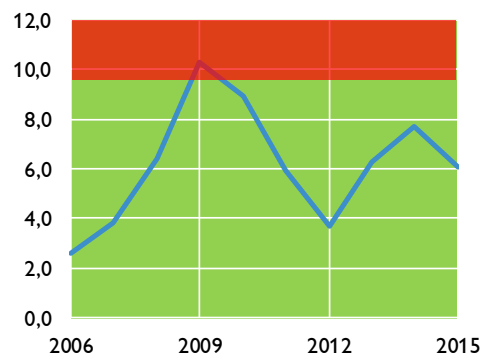
Export market shares

in % of GDP



Nominal unit labour cost index

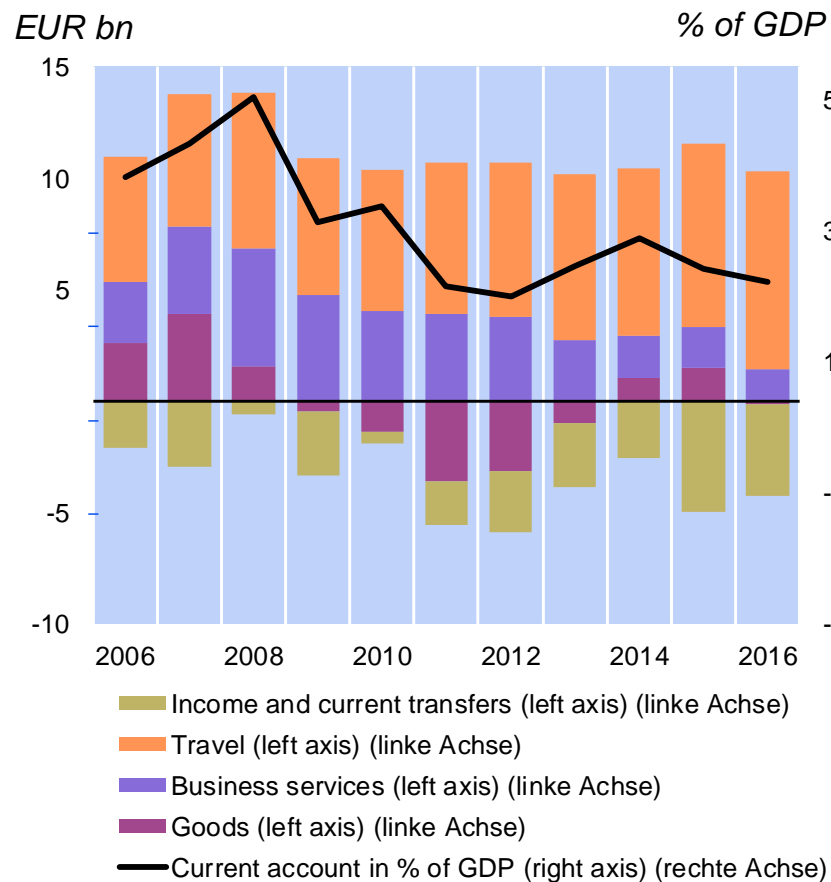
in % of GDP



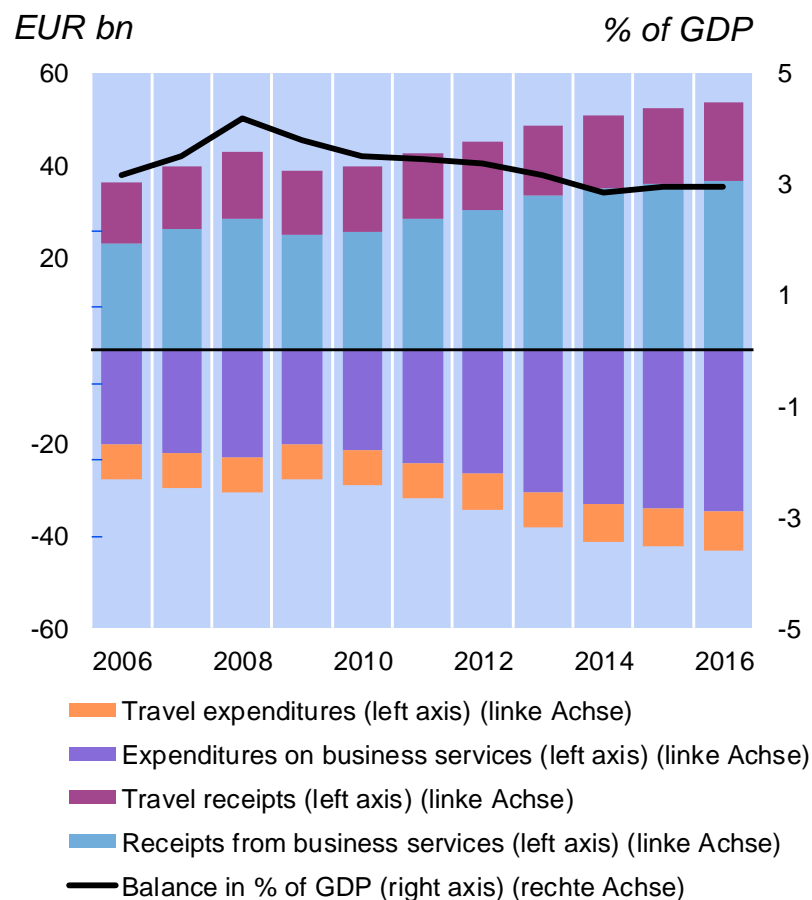
Source: Eurostat.

Travel developed as main pillar of Austria's external economy

Austria's external economy "in balance" (MIP)



Travel confirms its role as main pillar

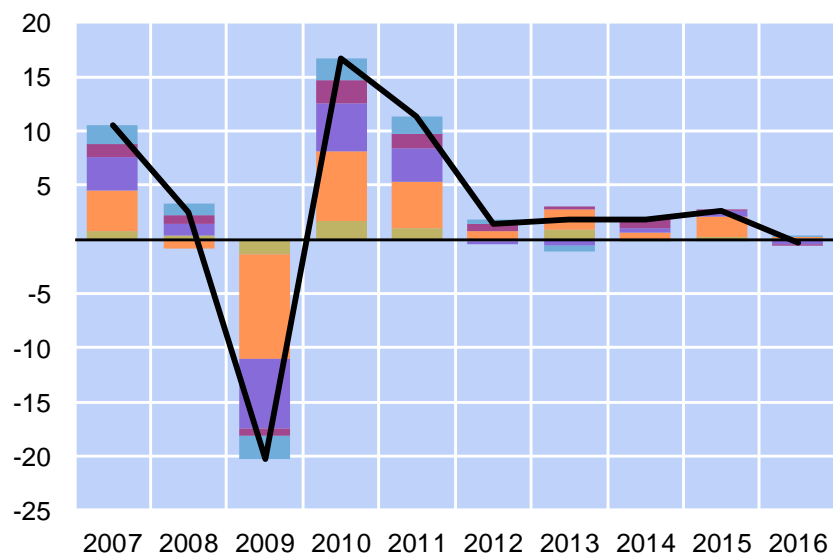


Sources: OeNB, Statistics Austria.

Dynamics in services exports modest, but outpace goods

Growth in goods exports turned negative

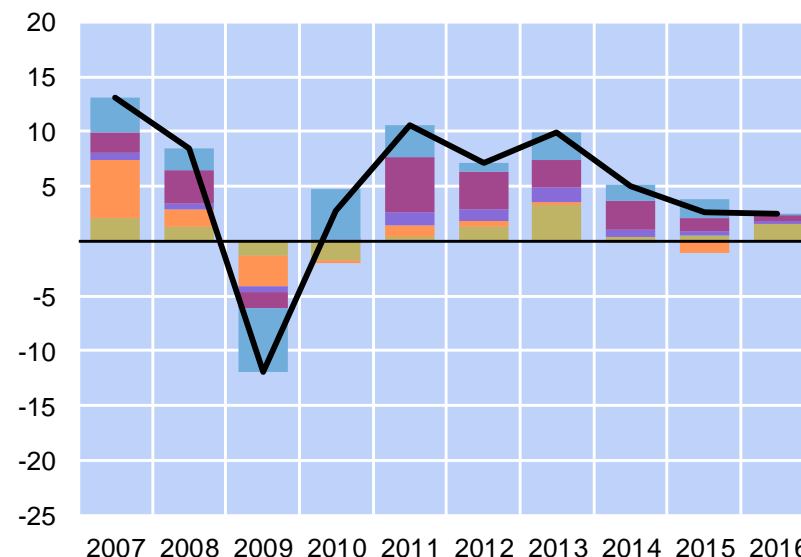
Growth contribution in in pp, Growth rates in %



- Food, basic materials, energy
- Chemical goods
- Manufactured goods
- Machinery, vehicles
- Final goods
- Goods exports total

Growth in business services slowed down

Growth contribution in in pp, Growth rates in %



- Transport
- Technical services
- Consulting services
- Insurance and financial services
- Others
- Business services exports total

Sources: OeNB, Statistics Austria.