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EUROSYSTEM

WKO Export Day 2020 Panel International Trade and Sustainable Development

Austria is facing unprecedented peacetime contraction

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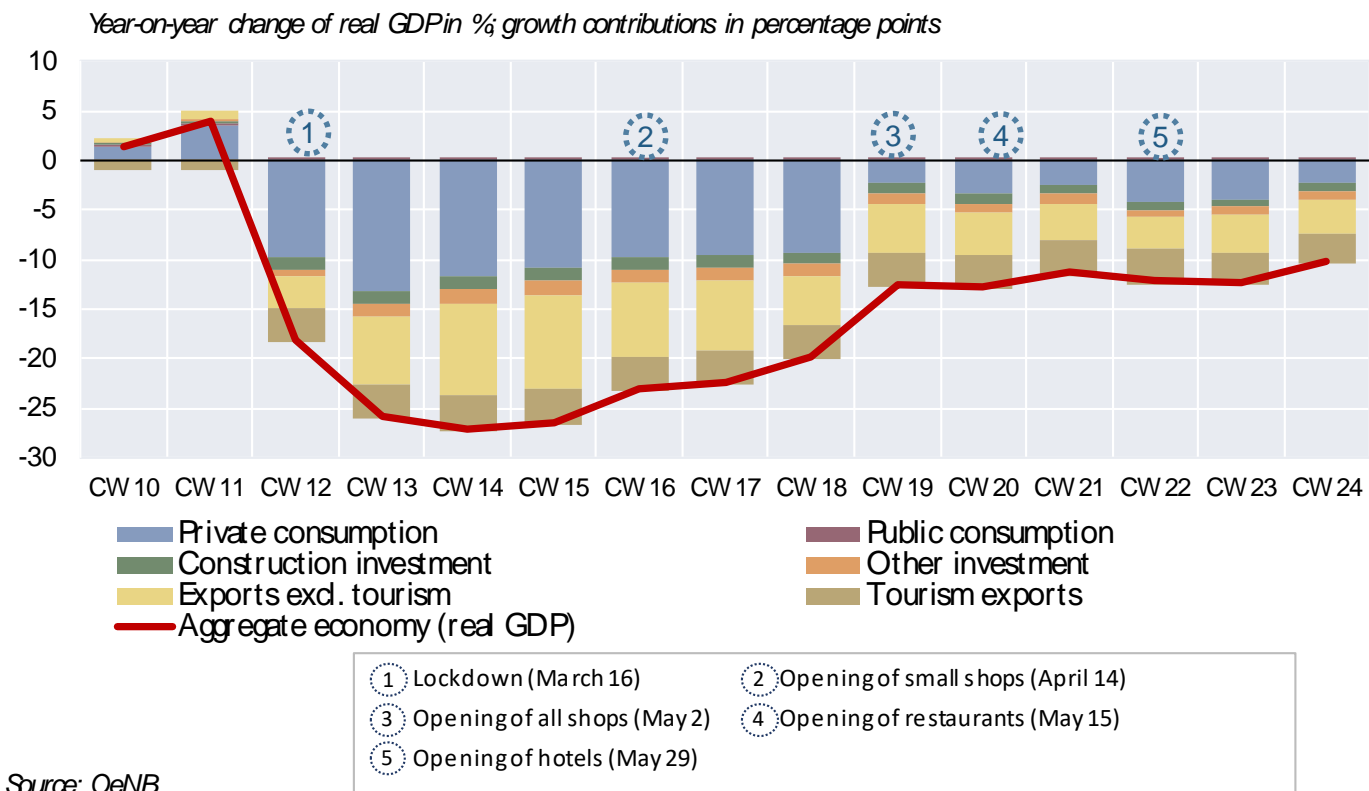
Abteilung für volkswirtschaftliche Analysen, OeNB

Vienna, June 30, 2020



New OeNB weekly GDP indicator: GDP gap fell by roughly 10% year on year in mid-June

Weekly GDP indicator for Austria



Source: OeNB.

- “Flash recession” in the second half of March: in just two weeks, economic activity declined by 27%
- April: gradual recovery, small and medium-sized retail businesses reopened on April 14 (CW16), which had modest cyclical effects
- May: all other stores reopened on May 2 (CW19), which provided a strong stimulus – since then recovery has been taking hold
- In the last week of May (CW24), economic activity still fell short of last year’s level by 10% → a sustainable recovery is still some way off
- From March 16 to June 12, 2020, aggregate GDP losses came to EUR 16.8 billion (4.5% of GDP)

Austria is facing unprecedented peacetime contraction

Main results

| | 2019 | June 2020 | | | Revisions against Dec. | | |
|---------------------------------|--------------------|-----------|------|------|------------------------|------|------|
| | | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| | Annual change in % | | | | Percentage points | | |
| GDP | 1.5 | -7.2 | 4.9 | 2.7 | -8.7 | 3.8 | 1.2 |
| Private consumption | 1.3 | -5.8 | 6.1 | 2.6 | -7.0 | 4.8 | 1.3 |
| Government consumption | 0.7 | 1.2 | 1.6 | 0.8 | 0.3 | 0.1 | -0.2 |
| Total investment | 2.8 | -6.7 | 4.7 | 3.1 | -9.5 | 3.6 | 1.8 |
| Exports | 2.7 | -11.6 | 6.9 | 4.7 | -14.2 | 5.6 | 1.9 |
| Imports | 2.7 | -8.9 | 5.7 | 3.7 | -11.7 | 4.3 | 1.3 |
| HICP | 1.5 | 0.8 | 0.8 | 1.5 | -0.7 | -0.6 | 0.0 |
| Unemployment rate (in %) | 4.5 | 6.8 | 5.8 | 5.3 | 2.2 | 1.1 | 0.5 |
| Savings rate | 8.3 | 13.4 | 7.7 | 7.4 | 5.9 | -0.1 | -0.4 |
| | Annual change in % | | | | | | |
| Employees | 1.4 | -2.2 | 2.2 | 1.5 | -3.7 | 1.3 | 0.6 |
| | % of GDP | | | | | | |
| Current account balance | 2.6 | 1.5 | 2.2 | 2.3 | -0.7 | -0.2 | -0.2 |
| Government balance | 0.7 | -8.9 | -3.9 | -1.5 | -9.4 | -4.1 | -1.7 |
| Public debt | 70.4 | 84.4 | 83.7 | 81.4 | 14.0 | 15.5 | 15.4 |

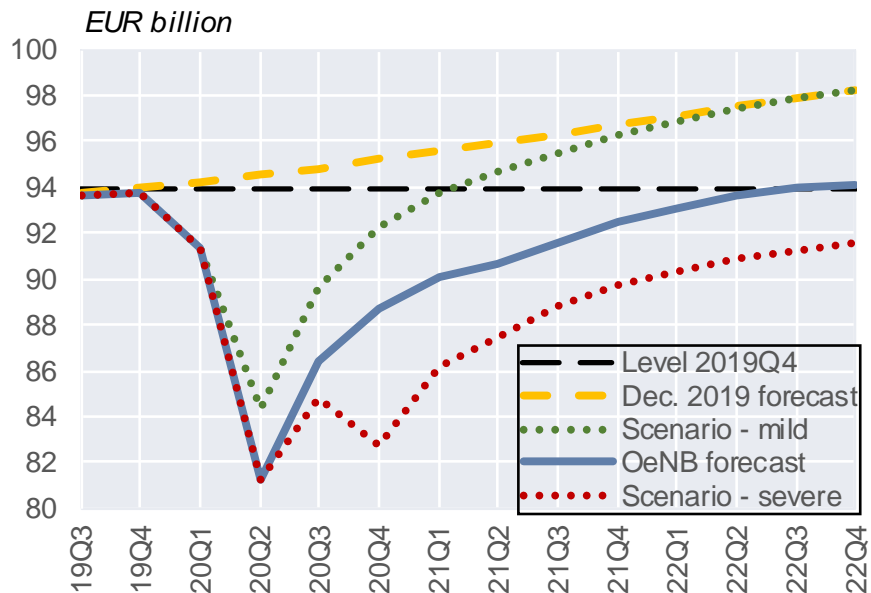
Source: Statistics Austria, OeNB.

- Simultaneous demand and supply shock at home and abroad triggered biggest economic slump in the post-war era
 - Massive downturn of consumption, investment and export activity
- Marked GDP contraction limited to a few weeks as comprehensive economic stabilizing measures were enacted swiftly to prevent enduring negative effects
 - Unemployment hits highest level in decades; short-time working arrangements cushion income losses
- Austria's deficit and debt levels increase substantially
- Overshooting growth from Q3/2020 onward and normalization from mid-2021; yet permanent loss of GDP and income expected
 - Inflation declines at a relatively modest pace
 - Public finances are set to improve at a quick pace – without a need for consolidation measures

Results of the scenarios for Austria

→ Compliance with physical-distancing measures is key in the coming weeks

Austria



Common assumptions for the forecast:

- There will not be a second wave of infections; a drug or vaccine will be available mid-2021

Mild scenario: relatively lower GDP contraction

- Coronavirus spread is contained more swiftly and effectively (worldwide)

Severe scenario: relatively stronger GDP contraction

- There will be a second (albeit less pronounced) wave in Austria in fall 2020
- Negative effects on potential output

| | Mild scenario Annual change in % | | | | OeNB forecast Annual change in % | | | Severe scenario Annual change in % | | |
|-----------------|-------------------------------------|------|------|------|-------------------------------------|------------|------------|---------------------------------------|------|------|
| | 2019 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| Real GDP | 1.5 | -4.6 | 6.4 | 2.7 | -7.2 | 4.9 | 2.7 | -9.2 | 3.5 | 3.4 |
| HICP | 1.5 | 1.1 | 1.2 | 1.7 | 0.8 | 0.8 | 1.5 | 0.7 | 0.2 | 1.3 |

Danke für Ihre Aufmerksamkeit

Thank you for your attention

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