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ECONOMIC OUTLOOK FOR AUSTRIA

December 2024

Growth outlook constrained by weak industrial activity and sluggish private consumption

Security through stability.

2024/22

Growth outlook constrained by weak industrial activity and sluggish private consumption

Economic outlook for Austria for 2024 to 2027 (December 2024)

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The Austrian economy is currently in a difficult situation, with industrial production facing a wide range of challenges. Exposed sectors have suffered from the consequences of weak international economic activity, structural change in the European automotive industry and high energy and wage costs; as a result, exports declined in 2024. Investment has been slow due to the increase in financing costs and negative sales expectations. Investment in residential construction, contracting already for two years in a row, has been additionally affected by the end of the housing construction cycle. At the same time, uncertainty among consumers is still very high, driving down private consumption despite strong increases in real wages, while the saving ratio has been rising sharply. As a result, real GDP will decline for two years in a row in 2024, by 0.9%, after –0.8% in 2023. Economic indicators suggest that the economy has not quite bottomed out yet, not showing any signs of an imminent recovery at present. This means that we expect only a modest recovery in 2025, with real GDP growth at 0.8%. The upswing will only gather momentum in 2026 and 2027, as GDP growth will accelerate to 1.6% and 1.3%, respectively.

Table 1

OeNB December 2024 outlook for Austria – main results

	2024	2025	2026	2027
	Annual change in %			
Gross domestic product (real)	−0.9	0.8	1.6	1.3
Harmonised Index of Consumer Prices (HICP)	2.9	2.4	2.2	2.0
Unemployment rate (national definition) (%)	7.0	7.4	7.1	6.9
	% of nominal GDP			
Budget balance	−3.7	−4.1	−3.6	−3.6
Government debt	81.8	82.6	83.4	84.2

Source: OeNB December 2024 outlook.

Despite the weak economic environment, the labor market has remained quite robust. The tight labor market seen in previous years has led firms to keep people employed in 2024. This, in combination with weak labor supply growth due to demographic developments, resulted in the unemployment rate rising relatively moderately. That said, unemployment is expected to rise further in 2025. Only from 2026 on will the economic recovery be robust enough to contribute to a decline in unemployment.

Austrian HICP inflation dropped to 2.9% in 2024, more than halving from 7.7% in 2023. This decline was mostly due to falling energy prices, but also attributable to low inflation for unprocessed food and industrial goods excluding energy. Services inflation remained high in 2024 on the back of vigorous wage growth (5.7%). From 2025 to 2027, inflation will drop markedly, to 2.4%, 2.2% and 2.0%, respectively.

In early 2025, the expiry of energy-related relief measures and rising government fees (which were kept unchanged in 2024) will be the reasons for inflation not falling more sharply. The inflation differential between Austria and the euro area will narrow visibly and disappear altogether by 2027.

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The general government budget balance deteriorated to –3.7% of GDP in 2024, from –2.6% in 2023. In 2025, the deficit will expand further, to 4.1%. The reasons for the widening deficit are first and foremost the high increases in pensions and public-sector wages and salaries – because of high inflation in 2023 – and the depressed macroeconomic environment. Moreover, higher expenditure on the green transformation and the shift toward more sustainable transportation systems played a role.

The outlook is based on a no policy-change assumption, which means we only take into account adopted measures or measures that have already been sufficiently specified. Under the current conditions, this represents a substantial downside risk to the growth outlook for two reasons: First, the European fiscal rules will require that the incoming government undertake substantial consolidation efforts to tackle the high deficits. The amount and specific design of consolidation measures will determine the severity of the resulting negative growth effects. In our consolidation scenario, 2025 to 2027 GDP growth rates will be lower than in this economic outlook: by 0.4 percentage points in 2025 and by 0.3 percentage points in both 2026 and 2027. Second, the import tariffs announced by US President-elect Donald Trump are a risk to the outlook. Model simulations of US tariffs (including retaliatory tariffs) suggest that their effect on Austrian GDP will be between –0.1% and –0.3% in 2025. Inflation would be only marginally higher (by 0.1 percentage points) in this scenario. The medium-term effects of US tariffs are difficult to assess, given the numerous uncertainties (US monetary response compared to the euro area's, redirection of Chinese excess production to Europe, relocation of production). As regards upward risks to the outlook, a quicker-than-expected decline in the saving ratio to the historical average of 9.5% (2000–2019) would increase annual growth by around 0.2% each year from 2025 to 2027 through stronger consumption dynamics. However, against the backdrop of geopolitical conflicts like the war in Ukraine and the Middle East, the risks to the GDP growth outlook are, overall, clearly tilted to the downside, especially for 2025. The risks to inflation are much smaller by comparison, but mostly tilted to the upside.

1. Weak international economic activity and declining competitiveness weigh on export growth

The conditions for Austria's exports have remained weak for the second year in a row. While world trade is set to considerably recover already in 2024, growth in Austria's export markets has been very subdued. In Germany, Austria's largest trading partner, activity will fall slightly in 2024, stagnate in 2025 and only pick up again in 2026. Similarly, in the euro area as a whole and the remaining EU countries, growth is recovering only gradually. The US economy, by contrast, will continue to grow at a robust pace. The Eurosystem's forecast expects the US economy to expand by 2.8% in 2024, by 2.2% in 2025, and by 1.8% in both 2026 and 2027. Overall, growth in Austrian export markets will be recovering from 0.8% in 2024 to 2.5% in 2025, and to 3.1% in both 2026 and 2027. Austria's real exports of goods and services fell by 4.4% year on year in the first three quarters of 2024. For Q4 2024, the OeNB's truck mileage-based export indicator signals a quarter-on-quarter increase of 0.4%.

As a result, in 2024 as a whole, exports are expected to fall by 3.9%. This translates into a 4.7% loss in export market share compared to 2022. The reasons are not only weak external demand, but likely also losses in price competitiveness of 5.3% (compared to 2022). In fact, Austrian unit labor costs rose by 18.3% in total in the past two years, 6.9 percentage points more than in the euro area. For the remaining forecast horizon, we expect Austrian unit labor costs to increase slightly less than in the euro area. The deterioration in price competitiveness vis-à-vis the USA will be cushioned only slightly by a lower (by around 3%) exchange rate of the euro against the US dollar. Austrian firms continue to assess their competitive position inside and outside the EU as very unfavorable. Against this backdrop, we expect a further decrease in market share over the remaining forecast horizon. Real exports of goods and services are forecast to grow by 1.3% in 2025, 2.5% in 2026, and 2.4% in 2027. Austrian exporters are expected to raise their prices slightly more than their competitors over the forecast horizon with a view to offsetting some of the decline in profit margins seen over the past two years.

Table 2

Foreign trade and current account

	2024	2025	2026	2027
	Annual change in %			
Exports of goods and services	−3.9	1.3	2.5	2.4
Imports of goods and services	−3.0	2.3	2.6	2.2
	% of nominal GDP			
Current account balance	1.9	2.0	2.3	2.5

Source: OeNB December 2024 outlook.

The significant decline in import-intensive demand components (exports: –3.9%; investment: –2.8%) will also translate into a drop in real imports of goods and services (–3%) in 2024. After that, imports will grow, in proportion to the projected path of demand components, at 2.3% in 2025, 2.6% in 2026, and 2.2% in 2027. Import prices are rising in line with competitors' import prices. This results in a current account balance of 1.9% of nominal GDP in 2024, 2.0% in 2025, 2.3% in 2026, and 2.5% in 2027.

Uncertainty has been elevated due to the wars in Ukraine and the Middle East and will increase further over the forecast horizon. The biggest risk we have identified is the possibility of a global trade war triggered by the import tariffs US President-elect Donald Trump has announced (see box 1).

Box 1

The impact of US import tariffs on growth and inflation in Austria[2]

The introduction of import tariffs has been one of the central campaign pledges of US President-elect Donald Trump, next to tax relief and the expulsion of migrants without residence permits. During the campaign, Trump promised to impose tariffs of at least 60% on goods from China and 10% on goods from all other countries. After the election, however, in late November, Trump spoke of introducing 25% tariffs vis-à-vis Canada and Mexico and 10% vis-à-vis China to be effective from the first day of his presidency. Given that these threats may be considered mere tactics vis-à-vis trading partners and that there are no details on the extent and timing of the imposition of tariffs known so far, we have not included them in this outlook but considered them as a risk. In this box, we look at the potential impact of these tariffs on GDP growth and inflation in Austria and the USA, using the Oxford Global Economic Model (GEM)[3] *and the OeNB's macroeconomic model (Austrian*

[2] With contributions from Wolfgang Lechthaler and Clara De Luigi (both Oesterreichische Nationalbank, International Economics Section).

[3] The Oxford model is an extensive semi-structural model in which shocks to demand drive business cycles in the short run and supply-side factors determine output in the long term. Between the 85 countries included, there is interaction through trade, prices, exchange rates and interest rates. The GEM does not reflect detailed bilateral trade relationships and input-output linkages, as opposed to standard static trade models (like, e.g. Felbermayr et al., 2024). In our simulation, we eliminated the model's monetary policy reaction function as we considered the model's US monetary policy reaction to be implausible. Instead, we simulated the expected monetary policy response by means of an exchange rate shock in the AQM.

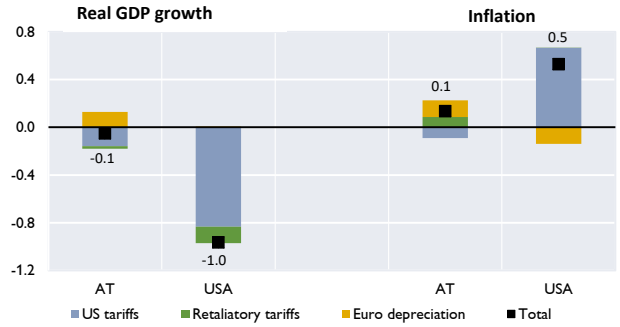
Quarterly Model – AQM).

Similar to most previous studies on this question, we assume the imposition of US tariffs of 60% on goods from China and 10% on goods from all other countries. We also assume that the countries affected by the tariffs will impose retaliatory tariffs of the same amount, in compliance with WTO rules. The imposition of US import tariffs reduces demand for the currencies of affected US trading partners, leading directly to an appreciation of the US dollar. Since the US presidential elections on November 5, 2024, the US dollar has appreciated by 3% (November 27, 2024). The monetary policy response that can be expected from the affected countries will cause additional exchange rate fluctuations. Overall, based on the results of Jeanne and Son (2024), we expect an exchange rate shock of 5%. This corresponds roughly to the estimated exchange rate effect of an effective increase in US tariffs by around 15 percentage points. In our simulation, the tariffs will not be introduced immediately after Donald Trump's inauguration (on January 20, 2025)[4], but will enter into force, after a series of negotiations, in early April 2025. The tariffs we assume in this simulation are at the upper expected level from today's perspective.

Chart B1

OeNB estimate of the impact of US tariffs and retaliatory tariffs in 2025

Differences against baseline scenario in percentage points



Source: Oxford Global Economic Model, OeNB.

In our simulation, US import tariffs directly lead to a drop in exports, investment and private consumption, both in the USA and in its trading partner countries.

This will reduce capacity utilization and, to some extent, inflationary pressures, which will initially increase after the imposition of US tariffs. The retaliatory tariffs we use in our simulation will add to the decline in GDP in the USA while driving up inflation and weighing down on growth in the US trading partner countries. The euro's expected depreciation against the US dollar will raise inflation in the euro area through rising import prices and stimulate growth through low export prices. For the USA, we see a clearly negative GDP effect (–1.0%) and a sharp increase in inflation (+0.5 percentage points) in 2025 (see chart B1). These effects are mostly attributable to the US import tariffs; the trading partners' retaliatory tariffs reinforce them only slightly because of the US economy's limited openness to trade. The US dollar's appreciation only has a minor effect on US GDP but will somewhat cushion the inflation effect. For Austria, by contrast, we see a very small negative impact on economic growth in 2025 (–0.1 percentage points) after the imposition of US import tariffs, even if accompanied by retaliatory tariffs. The depreciation of the euro reduces the direct effect of tariffs by –0.2 percentage points. The inflation effect for Austria is expected to be slightly positive (0.1 percentage points) in 2025.

Since the US elections, numerous studies have simulated the effects of US import tariffs on the basis of various models (see references at the end of this box). The majority assumes tariffs of 60% on imports from China and 10% on imports from other countries as well as the imposition of retaliatory tariffs. The estimated effect on US GDP ranges from –0.4 percentage points to –1.7 percentage points. The highest effect found in these studies for Austrian GDP (or German if no impact on Austria was simulated) ranges from –0.2 percentage points to –0.3 percentage

Table B1

Results of other studies (for 2025 or the short term)

Change against baseline in percentage points

Authors	Model	GDP		Inflation	
		US	AT (DE)	US	AT (DE)
OeNB (2024)	**Oxford Global Economic Model und AQM**	**−1.0**	**−0.1**	**0.5**	**0.1**
Felbermayr et al. (2024)	KITE model	−1.7	−0.2	-	-
McKibbin et al. (2024)	G-Cubed	−0.4	(−0.17)	2.0	(−0.1)
Obst et al. (2024)	Oxford Global Economic Model	−1.3	(−0.3)	-	-
Saussay (2024)	Baqaee and Farhi (multinational semistructural model)	−0.7	(−0.25)	-	-

Source: Authors' compilation.

[4] The International Emergency Economic Powers Act would allow the earlier imposition of tariffs. To invoke this statute, the president would have to declare a national state of emergency. In 1971, US President Nixon used a predecessor act to introduce US import duties of 10% after suspending the convertibility of the US dollar to gold.

points. Inflationary effects have so far been calculated only by McKibbin et al. (2024).

Medium-term effects are difficult to predict even with such large models. The reason for this is that for the USA, import tariffs are expected to have a negative GDP effect and at the same time increase inflation. The inflation effect is likely to emerge earlier, given tariffs' direct effect on prices, while the GDP effect is expected to materialize with a lag. The negative GDP effect will subsequently reduce inflation. In case of a deep recession of the US economy, the oil price would also drop and further dampen inflation. The Federal Reserve's response could be both restrictive (in the short term) and expansionary (in the medium term). For other countries, it is likely that a less severe monetary policy response would suffice. This will have an impact on exchange rates, which, in turn, will cause lagged effects on competitiveness and external trade.

References:

Felbermayr, G., J. Hinz and R. J. Langhammer. 2024. *US Trade Policy After 2024: What Is at Stake for Europe? Kiel Policy Brief No. 178, October.*

Jeanne, O. and J. Son. 2024. *To what extend are tariffs offset by exchange rates? In: Journal of International Money and Finance 142 (2024) 103015.*

McKibbin, W. J., M. Hogan and M. Noland. 2024. *The International Economic Implications of a Second Trump Presidency. Working Paper 24–20, Peterson Institute for International Economics.*

Obst, T., S. Sultan and J. Matthes. 2024. *Was droht den transatlantischen Handelsbeziehungen unter Trump 2.0? IW-Report 42/2024.*

Saussay, A. 2024. *The economic impacts of Trump's tariff proposals on Europe. Policy insight, Grantham Research Institute on Climate change and the Environment.*

2. Ongoing problems in industry hinder investment recovery

Gross fixed capital formation fell by 5.8% overall in 2023 and 2024. While the decline in 2023 was caused by construction investment, in 2024, investment in machinery and equipment was also a contributing factor.

Firms' investment in machinery and equipment has reflected the industrial sector's difficult situation. Firms have notably reduced investment because of significantly higher costs following energy price and wage hikes in combination with increased financing costs and weak external demand. The rising number of insolvencies is testament to the difficult situation many firms are currently in. The results of the Austrian bank lending survey (BLS) have shown a decline in demand for corporate loans since the second half of 2022. Banks say this decline is attributable to firms' dwindling demand for financing for fixed investment. Given the current high geopolitical uncertainties, investment in machinery and equipment is expected to contract somewhat further in the near term, before the modest recovery in external demand assumed in this forecast will lead to a pick-up in investment activity from mid-2025 onward.

Table 3

Investment

	2024	2025	2026	2027
	Annual change in %			
Total gross fixed capital formation (real)	−2.8	1.5	1.9	1.1
Investment in plant and equipment	*−4.4*	*−0.3*	*1.2*	*0.8*
Investment in research and development	*2.5*	*1.7*	*3.0*	*2.3*
Residential construction investment	*−8.0*	*3.0*	*2.6*	*0.9*
Nonresidential construction and other investment	*−0.5*	*1.8*	*1.1*	*0.4*

Source: OeNB December 2024 outlook.

Investment in residential construction is the investment component expected to decrease most. As early as in mid-2022, residential construction investment started to go down as a result of increased funding costs, the residential construction cycle coming to an end and weak economic activity. Moreover, building permits have been falling since 2020, signaling the end of a previously

pronounced residential construction cycle. The decline accelerated in 2023 and continued in 2024, when residential construction investment was 19% lower than in 2022. Residential construction seems to have reached its trough in mid-2024. In Q3 2024, residential construction investment no longer fell quarter on quarter. At the same time, sentiment in building construction started to improve, with firms assessing both construction activity in the past three months and order books less negatively than a couple of months ago. The October 2024 bank lending survey indicates a slight pick-up in demand for housing loans in Q3 and Q4 due to a slight fall in interest rates. Hence, we expect a moderate recovery in residential construction from 2025 on. That said, construction investment is expected to remain subdued for the time being, against the backdrop of rising real interest rates due to falling inflation and ample housing supply following years of vibrant construction activity. Nonresidential construction investment also declined in 2023 and 2024, but much less than residential construction investment. Investment in research and development is the investment component with the highest growth rates in the past two decades, and it continued to increase at a very robust pace also in 2024.

Overall, the OeNB expects total investment to shrink further in 2024, by 2.8%, and to recover only moderately – by an average 1.5% p.a. – from 2025 to 2027.

3. Unemployment starts to fall in 2026, wage growth to slow down

The ongoing recession has been the reason for the slow, but continuous increase in unemployment in Austria since early 2023. Even with real economic growth turning slightly positive in 2025, unemployment (national definition) will climb somewhat in 2025 compared to 2024, reaching 7.4% (table 4). A drop in unemployment is only expected for 2026 and 2027, when the jobless rate will be 7.1% and 6.9%, respectively. The unemployment rate according to Eurostat's definition will also peak in 2025 (at 5.3%), before dropping to 5.0% by the end of the forecast horizon. The number of hours worked will recover slightly in 2025, after a slump by 1.9% in 2024, and is expected to increase by a robust 1.0% in 2026. Similarly, the growth of total employment (in persons), which almost stagnated at +0.1% in 2024, is going to pick up in 2025, reaching its peak at 1.0% in 2026.

Table 4

Labor market and wage growth

	2024	2025	2026	2027
	Annual change in %			
Total employment (persons)	0.1	0.5	1.0	0.6
Total hours worked	−1.9	0.3	1.0	0.5
Compensation per employee	*Annual change in %*			
Collectively agreed wages and salaries[1]	8.5	3.4	2.6	2.4
Wage drift	−0.3	−0.9	0.0	0.2
Gross[2] compensation (nominal)	8.3	2.5	2.5	2.6
HICP inflation rate	2.9	2.4	2.2	2.0
Gross[2] compensation, real (HICP)	5.2	0.1	0.3	0.6
Net[3] compensation, real (HICP)	5.2	−0.5	0.0	0.6
Unemployment rate	*% of labor supply*			
Eurostat definition	5.2	5.3	5.1	5.0
National definition	7.0	7.4	7.1	6.9

[1] *Overall economy* [2] *Including employers' social security contributions.*
[3] *After tax and social security contributions.*

Source: OeNB December 2024 outlook.

The collective wage agreements reached in the past few weeks are signaling a significant decline in negotiated wage growth, from 8.5% in 2024 to 3.4% in 2025. This forecast includes the two-year wage agreement in the metal sectors negotiated in the fall of 2023, with wage and salary hikes by 4.8% (actual wages; minimum wages: 3.8%) from November 2024, and the salary and wage hikes in the public sector (3.5%) and the retail sector (3.3%) that are coming into effect in January 2025. Collectively bargained wages generally continue to follow inflation (with a lag), but both the public and the retail sectors negotiated two-year agreements in 2023 under which wage hikes

will be just below the rolling inflation rate in 2025 and somewhat above this level in 2026. Negotiated wage growth will drop to 2.4% by 2027, which roughly corresponds to the long-term average (1995 to 2022). Compensation per employee will be trailing negotiated wages only slightly in 2024. The difference between negotiated wages and actual wages (wage drift) is expected to be more negative in 2025 because of higher unemployment and a decline in hours worked in 2024.

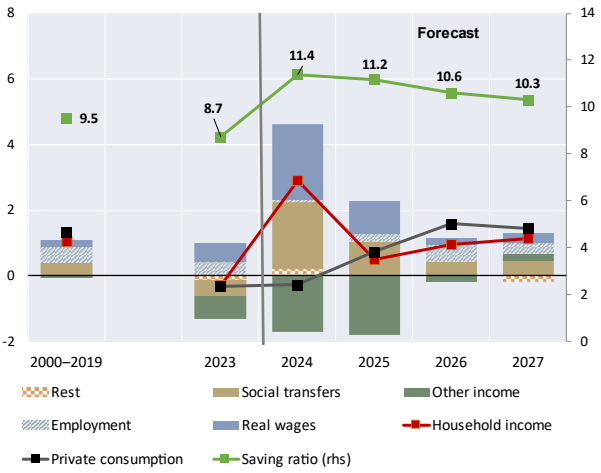
4. Continued consumer restraint in 2024 despite robust real income growth

Austrian households saw their real net incomes increase sharply in 2024. This is mainly due to the lagged rise in wages and pensions after the inflation shock (in 2023, HICP inflation was 7.7%). Moreover, households received high one-off payments (such as the "climate bonus") to cushion the effects of energy price hikes. Other income, especially property income, has declined. In sum, real net incomes rose by 3.1% in 2024. At the same time, private consumption contracted, which must, at least in part, be considered a consequence of the COVID-19 pandemic. During the pandemic, expenditure on furniture and other furnishings rose sharply, but has been decreasing since then. Real consumption of food services activities dropped in the first half of 2024 (due to the sharp increase in prices in this sector), just as the consumption of transport services. The consumption of total services has also been declining. Rising incomes and falling consumption resulted in a significant increase in the saving ratio. Box 2 takes a closer look at this development.

Chart 1

Contributionsto net real disposable household income

Annual change in % (net, real), contributions in percentage points



Source: Statistics Austria, OeNB.

Real wages and real transfer payments will grow at a lower rate in 2025, following the significant slowdown in inflation in 2024, which will result in real net incomes also rising more slowly. We expect uncertainty to decline over the forecast horizon, given slowing inflation, so that consumption will pick up and the saving ratio will drop. In 2026 and 2027, income growth is expected to be driven by employment growth, while the contributions from real wage growth will be decreasing. Since we expect consumption growth to accelerate, the decline in the saving ratio will continue. Despite this, at 10.3%, it will still be above the average of the past two decades at the end of the forecast horizon. A decline to the 2000-to-2019 historical average of 9.5% would provide an additional boost to growth (around +0.2 percentage points p.a. from 2025 to 2027), which represents an upside risk to this outlook.

Table 5

Real household income and private consumption

	2024	2025	2026	2027
	Annual change in %			
Disposable household income (real)	3.1	0.5	1.0	1.1
Private consumption (real)	−0.3	0.7	1.6	1.4
	% of disposable household income			
Saving ratio	11.4	11.2	10.6	10.3

Source: OeNB December 2024 outlook.

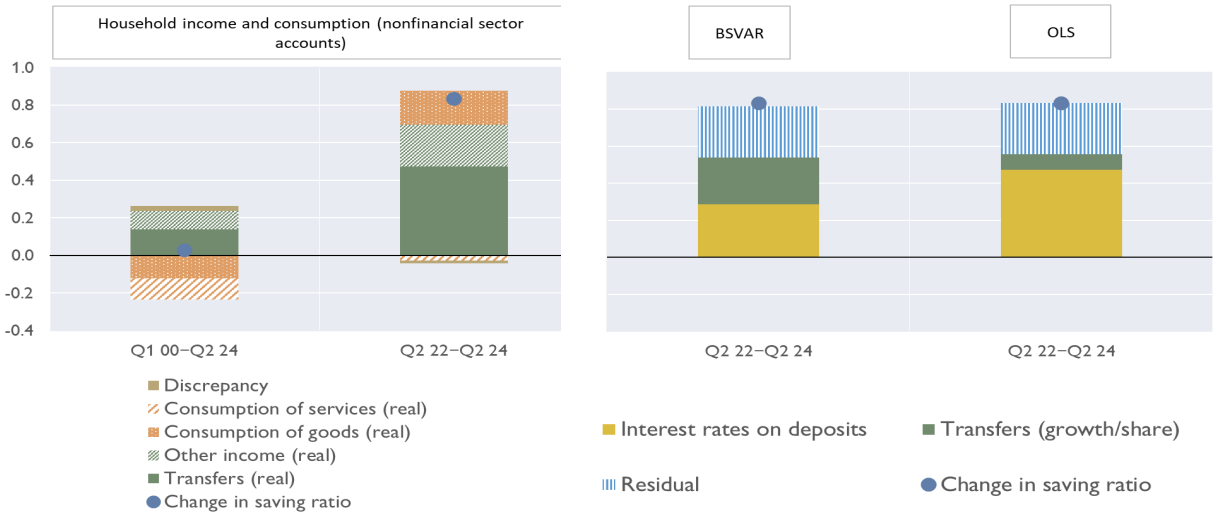
Increase in saving ratio in 2023–24 driven by inflation relief measures, late fallout of the COVID-19 pandemic and interest rate hikes

Households' saving ratio increased sharply – by 6.7 percentage points from 6.1% to 12.8%, from Q2 2022 to Q2 2024. In this box, we take a closer look at the causes of this surge. The second column in the left-hand panel of chart B2 shows a decomposition of the average change in the saving ratio over this period per quarter. The decomposition is into contributions from real income and real consumption. Income is divided into transfer payments and other income, consumption is divided into consumption of goods and services. In a long-term perspective (Q1 2000 to Q2 2024), rising real incomes, on average, contributed positively to the saving ratio,

Chart B2

Contributions to changes in the saving ratio from Q2 2022 to Q2 2024

Average change in the saving ratio per quarter and contributions in percentage points



Source: Statistics Austria, authors' calculations.

while real consumption growth had a dampening effect (first column of chart B2). A look at the past two years (Q2 2022 to Q2 2024) reveals a different picture: The increase in the saving ratio was driven by both real income growth (especially government transfers to households to cushion the effect of energy price hikes) as well as weak real consumption. Real consumption of services expanded only slightly in this period (by 1.0%), while real consumption of goods dropped by 3.9%, resulting in a higher saving ratio. The drop in the consumption of goods was driven by durable consumer goods, the consumption of which plummeted by 7.2%. This development was a consequence of the COVID-19 pandemic. During the lockdowns, the consumption of furnishings and household equipment (COICOP[5]-6) surged, but has been trending down since the end of the pandemic. Real consumption of food services activities dropped by 3.3% from Q2 2022 to Q2 2024 on account of a sharp increase in prices. Annual data covering consumption by COICOP product categories until 2023 show that this decline is attributable to dwindling consumption in restaurants, whereas the consumption of accommodation services increased. Expenditure on clothes and food also decreased due to inflation.

We analyze the effects of additional possible determinants of the saving ratio by estimating a number of OLS equations as well as Bayesian structural vector autoregressive (BSVAR) models with stochastic volatility. The results of the BSVAR estimate shown in chart B2 are from a block-exogenous BSVAR identified by a Cholesky decomposition with the following variables in descending order of exogeneity: interest rate, growth in the number of air passengers (COVID-19 shock to mobility), growth in real transfer payments, unemployment expected by consumers, real GDP growth and saving ratio. The BSVAR results show that one-third of the increase in the saving ratio is attributable to the increase in interest rates and another third to higher transfer payments. The OLS equation delivering the best explanation for the increase in the saving ratio includes the interest rate on savings deposits and the share of government transfers in total disposable household income. Our results show that the interest rate hikes made saving more attractive, and that this was the most important factor driving

[5] COICOP: Classification of Individual Consumption According to Purpose.

up the saving ratio. Transfer payments, which households perceive as only temporary, played a smaller, but still relevant role. One-third of the increase in the saving ratio remains unexplained. Additional factors not included in the models and/or statistically insignificant ones are above all precautionary saving because of high uncertainty and a real decline in wealth due to high inflation.

5. Further decline in inflation but temporary uptick in early 2025

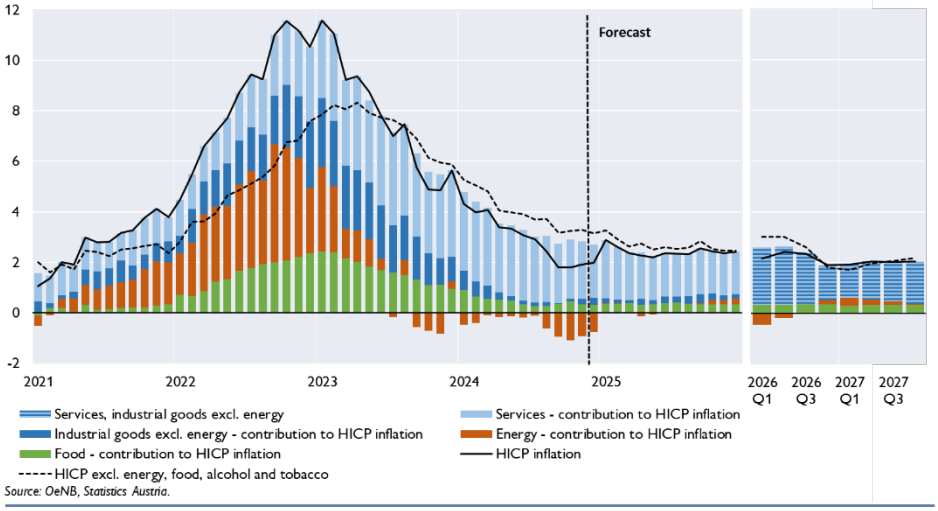
The OeNB expects HICP inflation to decline to 2.9% in 2024, from 7.7% in 2023. In the last four months of 2024, the inflation rate will be in line with the ECB's target of 2.0%. There will be an uptick in inflation in early 2025, however, as the expiry of fiscal support measures will be driving up household energy prices.

This will slow down the decline in inflation, which is forecast to be 2.4% in 2025, before going back to the ECB's target of 2.0% in 2027. Core inflation (HICP inflation excluding energy and food) will remain above HICP inflation almost throughout the entire forecast horizon but will also drop to 2.0% in 2027. Hence, both headline and core inflation are approaching their long-term averages toward the end of the forecast horizon (1.9% and 2.0%, respectively, from 2011 to 2019). The decline in the inflation rate in 2024 is attributable to all main components of the HICP. Prices of energy products even fell in the second half of the year, and the inflation rates of other categories slowed down significantly. The inflation rate for non-energy industrial goods is now 0.5%, which is lower than the long-term average.

Chart 2

Contributions to HICP inflation

Inflation rates in %, contributions to inflation in percentage points



Source: OeNB, Statistics Austria.

Services inflation has dropped by almost 2 percentage points, to 4.9%, since January 2024, but is still more than twice as high as headline inflation. In the services sector, strong growth in labor costs prevents a steeper decline in the inflation rate.

Fiscal measures have impacted primarily energy and services inflation. In early 2025, HICP inflation will rise by around 0.7 percentage points, driven by the phaseout of fiscal policy measures (electricity price cap), the reinstatement of the electricity and natural gas levy, the reinstatement of the renewables levy, the increase in grid charges

Table 6

Inflation

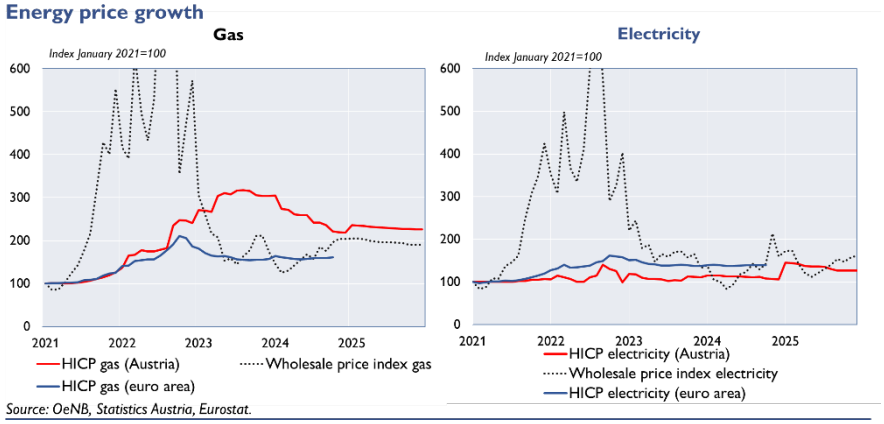
	Current outlook				Revisions since September 2024		
	2024	2025	2026	2027	2024	2025	2026
	Annual change in %				*Percentage points*		
HICP inflation	2.9	2.4	2.2	2.0	0.0	0.1	0.0
Food	2.9	2.3	2.2	2.1	0.0	−0.3	0.2
of which: unprocessed food	*0.7*	*1.9*	*x*	*x*	*0.5*	0.6	*x*
of which: processed food	*3.3*	*2.4*	*x*	*x*	*−0.1*	−0.5	*x*
Industrial goods excluding energy	1.0	0.8	x	x	0.0	0.4	x
Energy	−5.6	−0.3	−1.5	2.2	0.1	0.8	−3.2
Services	5.7	3.7	3.0	2.4	0.0	0.0	x
HICP excluding energy	3.7	2.6	2.5	2.0	0.0	0.0	0.3
HICP excluding energy and food	3.9	2.7	2.6	2.0	0.0	0.1	0.4

Source: OeNB December 2024 and September 2024 outlooks.

and the increase in the CO2 price.[6] This will be particularly noticeable in electricity prices, which will rise by more than 35% on average. Gas prices will also increase as a result of fiscal measures, but by less than 10%. This means that the gas price in Austria will still be 2.3 times higher in 2025 than before Russia's war of aggression against Ukraine. By comparison, the average gas price across the euro area has been 1.6 times the 2021 price for some time. Government fees (including, e.g. parking fees and the price of the public transport "climate ticket"), which were left unchanged in 2024, will increase in 2025, contributing somewhat to higher services inflation.

The OeNB has left its forecast for headline inflation unchanged for 2024 and 2026 but has revised it slightly upward for 2025 (table 6). There will be some shifts in the HICP's main components in 2025 and 2026. The energy inflation forecast for 2025 was revised upward because of the stronger impact of fiscal measures. For 2026, we revised it downward, as average household energy prices for electricity and gas are expected to fall, not least because households are assumed to become more flexible as regards their electricity suppliers. The upward revision of non-energy industrial goods inflation and the downward revision of food inflation have become necessary because of forecast errors; now both aggregates are already approaching their long-term averages in 2025.

Chart 3



Source: OeNB, Statistics Austria, Eurostat.

The risks to the inflation forecast are tilted to the upside. Higher-than-anticipated price pressures may emanate from geopolitical tensions, in particular US import tariffs as announced by the incoming US president and retaliatory tariffs by US trading partners (see box 1) as well as Austria's dependence on Russian gas. A stronger and faster recovery in domestic demand would also stoke inflation.

The annual average inflation differential between Austria and the euro area was 2.3 percentage points in 2023. In the current year, until and including November, it was 0.6 percentage points, which corresponds to its long-term average.

Since October, Austria's inflation rate has even been below that of the euro area. This decline is mainly attributable to energy and food prices, and the inflation differential in services has narrowed too in the course of the year; still, Austrian services inflation will remain above the euro area level throughout the forecast horizon. The expiry of fiscal measures in Austria will lead to an increase in the energy inflation differential in 2025, as most other euro area countries have already phased out their price-reducing measures in early and mid-2024, respectively. The EU-wide introduction of the Emissions Trading System ETS2, a CO2 pricing system covering fuels and household energy, will result in energy prices rising more strongly in the euro area than in Austria in 2027, as Austria already introduced carbon pricing in 2022. Thanks to this, and falling services inflation, Austria's inflation rate will be level with euro area inflation in 2027.

[6] This calculation only includes direct effects.

6. Public finances: Austria severely breaching Maastricht criteria

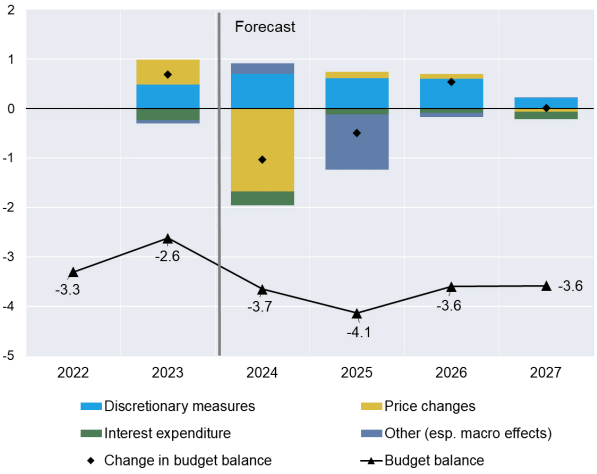
The current fiscal forecast indicates a further deterioration in public finances compared to the previous year. For 2024, we expect a general government deficit of 3.7% of GDP (2023: 2.6%), and in 2025, the deficit will reach 4.1%, its highest level since 2021. Toward the end of the forecast horizon, we see a slight improvement, followed by a stabilization at a high 3.6%.

Chart 4 shows the forecast of the budget balance (black line), its contributions (columns) and its change on the previous year (black diamonds). We see that the expiry of a number of discretionary inflation- and energy price-relief measures has a deficit-reducing effect over the entire forecast horizon (blue columns). Interest expenditure (green columns), by contrast, are adding to the deficit during this time. The rise in interest expenditure has two reasons: first, there is the high primary deficit, which means higher new debt and hence interest payments; second, low-yield government debt is maturing and must be refinanced at less favorable conditions. At the moment, we see the inflation shock is having a notable lagged effect on public finances (yellow column). This "price effect" contributed to a decrease in the deficit in 2023, also because pensions were raised by less than the GDP deflator growth rate. In 2024, by contrast, both pensions and public-sector wages and salaries rose by about 9.5%, which is clearly above GDP deflator growth. While revenues have been growing robustly this year, the poor macroeconomic environment will dampen revenues in 2025. Moreover, we will see other effects, especially higher expenditure in the context of the green transition and the shift toward a more sustainable transport system.

Chart 4

Budget balance and change over previous year

% of GDP



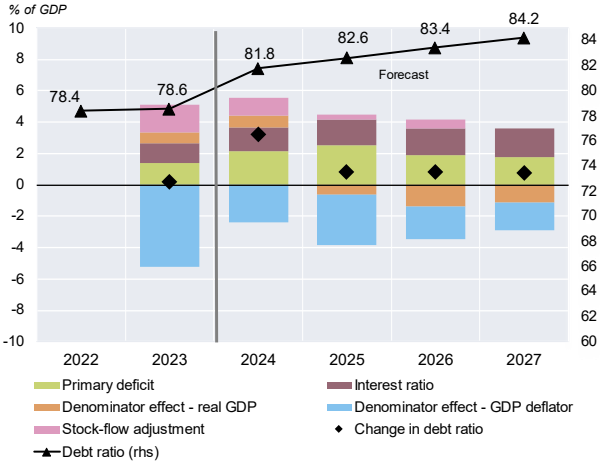
Source: OeNB.

The debt ratio also reflects these effects (chart 5): Having stabilized in 2023 against the previous year after its surge during the coronavirus crisis, the debt ratio is expected to rise sharply over the forecast horizon. The OeNB's current fiscal forecast sees a debt ratio of 82% in 2024, which will climb to just above 84% of GDP by 2027. Like the general government deficit, the debt ratio also reflects the effects of high primary deficits (green columns) and rising interest expenditure (red columns), which GDP growth will be too low to offset ("denominator effect", blue and orange columns).

Chart 5

Change in the debt ratio

% of GDP



Source: OeNB, Statistics Austria.

The OeNB's forecast is based on a no policy-change assumption and only takes into account policy measures that have already been sufficiently specified.

The budget balance forecast hence is a ceteris paribus scenario. At the moment, both the expected budget balance and the debt ratio are significantly above the Maastricht reference values of –3% and 60%, respectively, over the entire forecast horizon. This implies that in the years to

come, there is a need for substantial corrective measures; if such measures were implemented, the deficit would be smaller than we forecast. This is especially true for 2025, which will be particularly difficult from a fiscal perspective, with the deficit likely exceeding 4%. Given that increases in public-sector wages and salaries and pensions have already been agreed for 2025, there is not much short-term leverage left for reducing the deficit. Moreover, budget consolidation in the current difficult economic environment means that there may be substantial negative growth effects (see box 3).

Box 3

Growth effects of a likely consolidation package

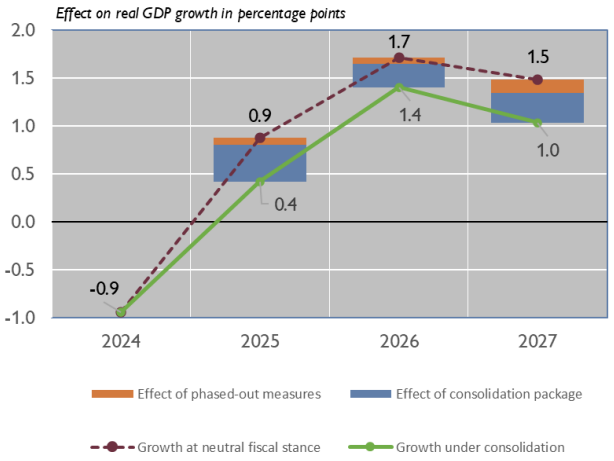
The European fiscal rules have undergone a significant transformation in recent years. In February 2024, the European Parliament adopted the reform of the Stability and Growth Pact (SGP), following intense debates and negotiations. The new rules entered into force in spring 2024. While the deficit criterion (3% of GDP) and the debt criterion (60% of GDP) have been left unchanged, major changes concern, in particular, medium-term fiscal structural plans and the introduction of a multiyear reference path that limits net expenditure growth over a 4- or 7-year period.

Our forecast suggests that Austria will have to take substantial corrective action, especially in 2025, when the deficit is expected to reach 4.1%. In the following scenario analysis, we assume a required consolidation effort worth 0.9 percentage points of GDP for 2025 (around EUR 4.6 billion), which results, specifically, from the severe deterioration in the structural primary balance in this year. For the years 2026 and 2027, we assume a likely minimum consolidation effort of 0.5 percentage points (under a no policy-change assumption with the structural primary balance remaining almost constant).

What the growth effects of such a consolidation path will look like primarily depends on where the necessary deficit reduction will take place. While public consumption and investment generate comparatively high growth effects, support for businesses as well as direct and indirect taxes cause much smaller effects. We assume consolidation measures with an average multiplier of around 0.4. This value results from the assumption that public consumption will provide a below-average contribution to consolidation, given the need for high expenditure on education, health care and long-term care. The planned phasing-out of many energy price-relief measures has a growth-dampening effect of approximately 0.1 percentage points per year (on the basis of a fictitious no policy-change growth of 0.9% for 2025). The current outlook includes this effect, which reduces growth to the forecast level of 0.8% in 2025. In addition, particularly sizable consolidation measures could slow down 2025 growth by another 0.4 percentage points, thereby offsetting almost half of GDP expansion forecast for 2025. In the subsequent years, our simulation indicates cumulative growth effects of around 0.3 percentage points per year.

Chart B3

Growth effects of a likely consolidation package



Source: OeNB, Statistics Austria.

The need for sustainable fiscal consolidation is undisputed. Since consolidation must take place now, as economic activity is weak, there are two aspects that warrant particular attention: first, the need for a growth-friendly approach with a focus on budget categories with low multipliers; and second, tackling the challenge of an urgent need for fiscal restraint amid a weak economy in 2025 by extending consolidation into 2026, a year that will be less difficult from a fiscal point of view.

7. Annex of tables

Table A1

Main results of the forecast

	December 2024				Revisions since June 2024		
	2024	2025	2026	2027	2024	2025	2026
Economic activity	*Real annual change in % (real)*						
Gross domestic product (GDP)	−0.9	0.8	1.6	1.3	−1.3	−1.0	0.1
Private consumption	−0.3	0.7	1.6	1.4	−1.8	−1.4	0.0
Government consumption	0.7	1.1	1.2	0.7	0.8	0.1	0.1
Gross fixed capital formation	−2.8	1.5	1.9	1.1	−0.9	−1.6	−0.8
Exports of goods and services	−3.9	1.3	2.5	2.4	−5.4	−1.4	−0.4
Imports of goods and services	−3.0	2.3	2.6	2.2	−4.5	−0.9	−0.7
	% of nominal GDP						
Current account balance	1.9	2.0	2.3	2.5	−1.0	−1.1	−0.8
Import-adjusted contributions to GDP growth[1]	*Percentage points*						
Private consumption	0.0	0.2	0.5	0.5	−0.4	−0.5	0.1
Government consumption	0.1	0.2	0.2	0.1	0.2	0.0	0.0
Gross fixed capital formation	−0.3	0.2	0.3	0.1	0.0	−0.2	−0.1
Domestic demand (excluding changes in inventories)	−0.2	0.6	1.0	0.7	−0.2	−0.7	0.1
Exports	−1.1	0.3	0.6	0.6	−1.3	−0.4	0.0
Changes in inventories (including statistical discrepancy)	0.3	−0.1	0.0	0.0	0.4	−0.1	0.0
Prices	*Annual change in %*						
Harmonised Index of Consumer Prices (HICP)	2.9	2.4	2.2	2.0	−0.5	−0.3	−0.4
Private consumption expenditure deflator	2.9	1.8	2.2	2.1	−0.9	−0.6	−0.1
GDP deflator	3.1	3.9	2.5	2.1	−2.5	0.8	0.1
Unit labor costs (whole economy)	9.4	2.2	1.8	1.8	1.7	−1.1	−0.4
Compensation per employee	8.3	2.5	2.5	2.6	0.6	−1.7	−0.4
Compensation per hour worked	10.8	2.6	2.5	2.7	3.2	−1.8	−0.5
Import prices	−1.6	2.1	2.1	2.1	−1.6	−0.2	−0.1
Export prices	1.9	3.1	2.7	2.3	−0.5	0.4	0.4
Terms of trade	3.6	1.0	0.6	0.1	1.1	0.6	0.4
Income and savings	*Annual change in %*						
Real disposable household income	3.1	0.5	1.0	1.1	0.1	−1.9	−0.2
	% of disposable household income						
Saving ratio	11.4	11.2	10.6	10.3	1.1	0.7	0.5
Labor market	*Annual change in %*						
Payroll employment	0.2	0.5	1.0	0.7	−0.3	−0.5	0.0
Hours worked (payroll employment)	−2.1	0.4	1.1	0.5	−2.6	−0.3	0.2
	% of labor supply						
Unemployment rate (Eurostat definition)	5.2	5.3	5.1	5.0	−0.1	0.1	0.1
Unemployment rate (national definition)	7.0	7.4	7.1	6.9	0.3	0.9	0.8
Public finances	*% of nominal GDP*						
Budget balance (Maastricht definition)	−3.7	−4.1	−3.6	−3.6	−0.5	−0.9	−0.6
Government debt	81.8	82.6	83.4	84.2	4.4	5.0	5.3

Source: OeNB December 2024 and June 2024 outlooks.

[1] *The import-adjusted growth contributions were calculated by offsetting each final demand component with corresponding imports, which were obtained from input-output tables.*

Table A2

Underlying global economic conditions

	2024	2025	2026	2027
Gross domestic product (GDP)	*Annual change in % (real)*			
World excluding the euro area	3.4	3.5	3.3	3.2
USA	2.8	2.2	1.8	1.8
China	4.9	4.7	3.9	3.8
India	6.8	6.6	6.6	6.6
Japan	−0.1	1.5	0.8	0.8
Latin America	1.9	2.6	2.6	2.6
United Kingdom	0.9	1.6	1.7	1.4
CESEE EU member states[1]	3.8	2.1	2.0	1.9
Switzerland	1.5	1.3	1.5	1.6
Euro area[2]	0.7	1.1	1.4	1.3
World trade (imports of goods and services)	*Annual change in % (real)*			
World economy	3.0	3.3	3.3	3.2
World excluding the euro area	4.0	3.6	3.3	3.2
Growth of euro area export markets (real)	3.1	3.5	3.3	3.2
Growth of Austrian export markets (real)	1.1	2.5	3.1	3.1
Prices				
Oil price in USD/barrel (Brent)	81.8	71.8	70.1	69.2
Three-month interest rate in %	3.6	2.1	2.0	2.2
Long-term interest rate in %	2.9	2.9	3.0	3.1
USD/EUR exchange rate	1.08	1.06	1.06	1.06
Nominal effective exchange rate of the euro	124.2	123.5	123.5	123.5

Source: Eurosystem.

[1] *Bulgaria, Croatia, Czechia, Hungary, Poland and Romania.*

[2] *Eurosystem staff macroeconomic projections of December 2024.*

Table A3

Foreign trade

	2024	2025	2026	2027
Exports	*Annual change in %*			
Competitor prices in Austria's export markets	0.2	2.0	2.2	2.0
Export deflator	1.9	3.1	2.7	2.3
Changes in price competitiveness	−1.7	−1.1	−0.5	−0.2
Import demand in Austria's export markets	0.8	2.5	3.1	3.1
Austrian exports of goods and services (real)	−3.9	1.3	2.5	2.4
Austrian market share	−4.6	−1.2	−0.6	−0.7
Imports	*Annual change in %*			
Competitor prices in Austria's export markets	0.4	1.8	2.2	2.1
Import deflator	−1.6	2.1	2.1	2.1
Austrian imports of goods and services (real)	−3.0	2.3	2.6	2.2
Terms of trade	3.6	1.0	0.6	0.1
	Percentage points of real GDP			
Contribution of net exports to GDP growth	−0.7	−0.5	0.1	0.2
	% of nominal GDP			
Export ratio	57.1	57.0	57.6	58.2
Import ratio	53.5	53.5	53.7	54.2

Source: OeNB December 2024 outlook.

Table A4

Current account

	2024	2025	2026	2027
	% of nominal GDP			
Balance of trade	2.9	2.9	3.3	3.5
Balance of goods	0.8	0.7	0.9	1.0
Balance of services	2.2	2.2	2.4	2.5
Balance of primary income[1]	−0.2	−0.2	−0.2	−0.2
Balance of secondary income[2]	−0.8	−0.8	−0.8	−0.8
Current account balance	1.9	2.0	2.3	2.5

Source: OeNB December 2024 outlook.

[1] *Balance of income (e.g. compensation of labor, investment income).*

[2] *Balance of current transfers.*

Table A5

Household income and private consumption

	2024	2025	2026	2027
	Annual change in %			
Payroll employment	0.2	0.5	1.0	0.7
Wages and salaries per employee	8.3	2.5	2.5	2.6
Compensation of employees	8.5	3.0	3.6	3.3
Investment income	−19.1	−6.5	−2.0	5.6
Self-employment income and net operating surpluses	1.4	1.7	4.8	2.5
	Contribution to household disposable income growth in percentage points			
Compensation of employees	7.4	2.7	3.2	3.0
Investment income	−1.8	−0.5	−0.1	0.3
Self-employment income and net operating surpluses	0.2	0.2	0.7	0.4
Net transfers less direct taxes[1]	0.3	0.3	−0.5	−0.4
	Annual change in %			
Disposable household income (nominal)	6.1	2.4	3.2	3.2
Consumption deflator	2.9	1.8	2.2	2.1
Disposable household income (real)	3.1	0.5	1.0	1.1
Private consumption (real)	−0.3	0.7	1.6	1.4
	% of disposable household income			
Saving ratio	11.4	11.2	10.6	10.3

Source: OeNB December 2024 outlook.

[1] *Negative values indicate an increase in (negative) net transfers less direct taxes; positive values indicate a decrease.*

Table A6

Investment

	2024	2025	2026	2027
	Annual change in %			
Gross fixed capital formation (real)	−2.8	1.5	1.9	1.1
of which				
investment in plant and equipment	*−4.4*	*−0.3*	*1.2*	*0.8*
residential construction investment	*−8.0*	*3.0*	*2.6*	*0.9*
nonresidential construction and other investment	*−0.5*	*1.8*	*1.1*	*0.4*
investment in research and development	*2.5*	*1.7*	*3.0*	*2.3*
public sector investment	*−1.7*	*0.6*	*1.0*	*1.0*
private investment	*−3.0*	*1.6*	*2.1*	*1.2*
Contribution to real gross fixed capital formation growth	*Percentage points*			
Investment in plant and equipment	−1.5	−0.1	0.4	0.3
Residential construction investment	−1.7	0.6	0.5	0.2
Nonresidential construction and other investment	−0.1	0.4	0.2	0.1
Investment in research and development	0.6	0.5	0.8	0.6
Contribution to real GDP growth	*Percentage points*			
Total gross fixed capital formation	−0.7	0.3	0.5	0.3
Changes in inventories	0.2	0.7	0.0	0.0
	% of nominal GDP			
Investment ratio	24.4	24.3	24.2	24.1

Source: OeNB December 2024 outlook.

Table A7

Labor market

	2024	2025	2026	2027
Employment	*Annual change in %*			
Total employment (persons)	0.1	0.5	1.0	0.6
Payroll employment (persons)	0.2	0.5	1.0	0.7
of which: public sector employees	*0.8*	*0.4*	*0.4*	0.4
Self-employment (persons)	−0.5	0.3	0.5	0.2
Total hours worked	−1.9	0.3	1.0	0.5
Payroll employment (hours)	−2.1	0.4	1.1	0.5
Self-employment (hours)	−0.9	−0.5	0.4	0.0
Labor supply	0.2	0.5	0.8	0.5
Registered unemployment	10.1	5.8	−2.6	−0.9
Unemployment rate	*% of labor supply*			
Eurostat definition	5.2	5.3	5.1	5.0
National definition	7.0	7.4	7.1	6.9

Source: OeNB December 2024 outlook.

Table A8

Compensation of employees

	2024	2025	2026	2027
Gross wages and salaries[1]	*Annual change in %*			
In nominal terms	8.5	3.0	3.6	3.3
Consumption deflator	2.9	1.8	2.2	2.1
In real terms	5.6	1.2	1.3	1.2
Collectively agreed wages and salaries[1]	8.5	3.4	2.6	2.4
Wage drift	−0.3	−0.9	0.0	0.2
Compensation per employee				
Gross[2], nominal	8.3	2.5	2.5	2.6
Gross, real (private consumption deflator)	5.3	0.6	0.3	0.5
Net[3] , real (private consumption deflator)	5.2	0.1	0.0	0.5
Compensation per hour worked				
Gross, nominal	10.8	2.6	2.5	2.7
Gross, real (private consumption deflator)	7.7	0.7	0.2	0.6
	% of nominal GDP			
Wage share	52.7	51.8	51.5	51.4

Source: OeNB December 2024 outlook.

[1] *Overall economy.* [2] *Including employers' social security contributions.*
[3] *After tax and social security contributions.*

Table A9

Prices

	2024	2025	2026	2027
HICP and subcomponents	*Annual change in %*			
Harmonised Index of Consumer Prices (HICP)	2.9	2.4	2.2	2.0
Food	2.9	2.3	2.1	2.1
Unprocessed food	*0.7*	*1.9*	*x*	x
Processed food	*3.3*	*2.4*	*x*	x
Industrial goods excluding energy	1.0	0.8	x	x
Energy	−5.6	−0.3	−1.5	2.2
Electricity	*1.8*	*20.6*	*−8.1*	−3.6
Natural gas	*−16.2*	*−8.1*	*−5.7*	−12.2
Liquid fuels	*−3.0*	*−7.5*	*−3.0*	−1.2
Services	*5.7*	*3.7*	*3.0*	2.4
HICP excluding energy	3.7	2.6	2.5	2.0
HICP excluding energy and food	3.9	2.7	2.6	2.0
Deflators (national accounts)				
Private consumption expenditure deflator	2.9	1.8	2.2	2.1
Investment deflator	2.9	2.5	2.0	1.9
Import deflator	−1.6	2.1	2.1	2.1
Export deflator	1.9	3.1	2.7	2.3
Terms of trade	3.6	1.0	0.6	0.1
GDP deflator at factor cost	3.0	3.3	2.6	2.1

Source: OeNB December 2024 outlook.

Table A10

Breakdown of forecast revisions since June 2024

	GDP			HICP		
	2024	2025	2026	2024	2025	2026
	Annual change in %, percentage points					
June 2024 outlook	−0.9	0.8	1.6	2.9	2.4	2.2
December 2023 outlook	0.3	1.8	1.5	3.4	2.7	2.5
Difference	−1.2	−1.0	0.1	−0.5	−0.3	−0.3
Caused by:	*Percentage points*					
External assumptions	0.0	−0.2	−0.1	0.0	0.0	0.0
New data[1]	−1.2	−0.4	0.0	−0.6	−0.1	0.0
of which: revisions to historical data up to Q3 23	*−0.9*	*−0.1*	*0.0*	*0.0*	*0.0*	*0.0*
forecast errors for Q4 23 and Q1 24	*−0.3*	*−0.3*	*0.0*	*−0.6*	*0.0*	*0.0*
Other reasons[2]	0.0	−0.4	0.2	0.1	−0.2	−0.3

Source: OeNB outlooks of December 2024 und June 2024.

[1] "New data" refer to data on GDP and/or inflation that have become available since the publication of the preceding OeNB outlook.

[2] Different assumptions about trends in domestic variables such as wages, government consumption, effects of tax measures, other changes in assessments and model changes.

Table A11

Comparison of recent economic forecasts for Austria

	OeNB				WIFO		IHS		OECD			IMF		European Commission		
	December 2024				October 2024		October 2024		December 2024			October 2024		November 2024		
	2024	2025	2026	2027	2024	2025	2024	2025	2024	2025	2026	2024	2025	2024	2025	2026
Main results	*Annual change in %*															
GDP (real)	−0.9	0.8	1.6	1.3	−0.6	1.0	−0.6	0.8	−0.5	0.9	1.4	−0.6	1.1	−0.6	1.0	1.4
Private consumption (real)	−0.3	0.7	1.6	1.4	0.1	1.2	0.4	1.3	0.0	1.1	1.8	×	×	0.1	1.0	1.2
Government consumption (real)	0.7	1.1	1.2	0.7	0.3	0.8	0.5	0.3	2.2	1.6	1.0	×	×	0.4	0.5	0.2
Gross fixed capital formation (real)	−2.8	1.5	1.9	1.1	−2.8	0.2	−2.9	0.0	−2.4	0.2	0.9	×	×	−3.2	1.2	2.1
Exports (real)	−3.9	1.3	2.5	2.4	−2.3	2.4	−3.4	2.2	−2.7	2.3	2.7	−1.0	3.4	−2.0	2.2	2.7
Imports (real)	−3.0	2.3	2.6	2.2	−1.9	2.2	−3.6	2.4	−2.2	2.6	2.8	−0.6	3.6	−2.4	2.2	2.3
Labor productivity[1]	−1.0	0.3	0.7	0.7	0.3	0.6	−0.8	0.3	−0.6	0.9	1.3	×	×	−0.8	0.4	0.8
GDP deflator	3.1	3.9	2.5	2.1	4.3	2.1	4.0	2.4	2.9	1.9	1.5	3.3	2.5	4.2	2.3	1.9
HICP	2.9	2.4	2.2	2.0	3.1	2.2	3.0	2.4	2.9	2.0	2.0	3.0	2.5	2.9	2.1	1.7
Unit labor costs	9.4	2.2	1.8	1.8	8.6	3.1	8.8	3.5	8.4	2.9	1.1	×	×	8.2	2.7	2.0
Payroll employment[2]	0.1	0.5	1.0	0.6	0.2	0.7	0.2	0.5	0.2	0.0	0.2	−0.2	0.3	0.2	0.5	0.6
	% of labor supply															
Unemployment rate[3] (Eurostat definition)	5.2	5.3	5.1	5.0	5.2	5.3	5.1	5.1	5.1	5.3	5.2	5.6	5.6	5.3	5.3	5.0
	% of nominal GDP															
Current account balance	1.9	2.0	2.3	2.5	1.6	1.7	×	×	3.2	2.4	2.0	2.6	2.4	1.7	1.5	1.5
Budget balance (Maastricht definition)	−3.7	−4.1	−3.6	−3.6	−3.7	−4.0	−3.5	−3.4	−3.3	−3.2	−2.4	−3.4	−3.3	−3.6	−3.7	−3.5
External assumptions																
Oil price in USD/barrel (Brent)	81.8	71.8	70.1	69.2	80.0	72.0	80.6	72.5	80.8	75.0	75.0	81.3	72.8	80.7	73.1	71.5
Short-term interest rate in %	3.6	2.1	2.0	2.2	3.6	2.9	3.6	2.5	3.6	2.4	2.0	3.5	2.8	3.5	2.1	2.0
USD/EUR exchange rate	1.08	1.06	1.06	1.06	1.11	1.11	1.09	1.10	1.09	1.12	1.12	1.09	1.10	1.09	1.08	1.08
Euro area GDP (real)	0.7	1.1	1.4	1.3	0.8	1.4	0.7	1.3	0.8	1.3	1.5	0.8	1.2	0.8	1.3	1.6
US GDP (real)	2.8	2.2	1.8	1.8	2.5	1.8	2.6	1.7	2.8	2.3	2.0	2.8	2.2	2.7	2.1	2.2
World GDP (real)	3.1	3.2	3.1	3.0	×	×	3.0	3.1	3.2	3.3	3.2	3.2	3.2	3.2	3.3	3.3
World trade[3]	3.0	3.3	3.3	3.2	×	×	1.3	2.5	3.6	3.5	3.5	3.1	3.4	2.9	3.1	3.3

Source: OeNB, WIFO, IHS, OECD, IMF, European Commission. Note: x = no data available.

[1] OeNB, WIFO: GDP per hour worked IHS, OECD, European Commission: GDP per employee.

[2] WIFO, IHS: based on active payroll.

[3] IHS: goods according to CPB.

Table A12

Quarterly outlook results

	2024	2025	2026	2027	2024				2025				2026				2027			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Prices, wages and costs	*Annual change in %*																			
HICP[1]	2.9	2.4	2.2	2.0	4.1	3.3	2.4	1.9	2.6	2.3	2.4	2.4	2.1	2.4	2.3	1.9	1.9	2.0	2.0	2.0
HICP excluding energy[1]	3.7	2.6	2.5	2.0	4.9	3.8	3.2	3.1	2.8	2.6	2.6	2.4	2.8	2.8	2.5	1.9	1.8	2.0	2.1	2.2
Private consumption expenditure deflator	2.9	1.8	2.2	2.1	4.2	4.1	1.9	1.3	1.5	1.3	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.1	2.1	2.0
Gross fixed capital formation deflator	2.9	2.5	2.0	1.9	3.3	2.7	2.8	2.9	2.6	2.7	2.6	2.3	2.2	2.0	1.9	1.9	1.9	1.9	1.9	1.9
GDP deflator	3.1	3.9	2.5	2.1	2.8	3.1	2.4	4.1	4.2	3.9	4.6	2.8	2.7	2.5	2.5	2.4	2.3	2.2	2.0	1.9
Unit labor costs	9.4	2.2	1.8	1.8	10.3	9.9	9.3	8.2	5.0	2.9	1.0	0.1	1.2	1.8	2.2	2.2	1.8	1.8	1.8	2.0
Nominal wages per employee	8.3	2.5	2.5	2.6	8.4	8.4	8.3	8.1	4.7	3.1	1.7	0.6	1.9	2.5	2.8	2.8	2.5	2.5	2.6	2.8
Productivity	−1.0	0.3	0.7	0.7	−1.7	−1.4	−1.0	0.0	−0.3	0.2	0.7	0.6	0.7	0.7	0.6	0.6	0.7	0.7	0.8	0.7
Real wages per employee	5.3	0.6	0.3	0.5	4.1	4.1	6.2	6.7	3.1	1.8	−0.6	−1.6	−0.3	0.3	0.6	0.6	0.3	0.4	0.6	0.7
Import deflator	−1.6	2.1	2.1	2.1	−4.6	−1.5	0.1	−0.3	2.2	1.8	2.2	2.3	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Export deflator	1.9	3.1	2.7	2.3	0.9	2.1	2.3	2.4	2.7	2.9	3.5	3.5	3.1	2.8	2.5	2.4	2.3	2.2	2.2	2.2
Terms of trade	3.6	1.0	0.6	0.1	5.8	3.6	2.2	2.8	0.5	1.0	1.3	1.2	0.8	0.6	0.5	0.3	0.2	0.1	0.1	0.1
Economic activity	*Annual or quarterly changes in % (real)*																			
GDP	−0.9	0.8	1.6	1.3	0.2	−0.2	−0.1	0.1	0.2	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Private consumption	−0.3	0.7	1.6	1.4	0.8	−0.8	−0.2	0.2	0.2	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3
Government consumption	0.7	1.1	1.2	0.7	1.2	0.1	0.6	−1.3	0.9	0.7	0.5	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.1	0.1
Gross fixed capital formation	−2.8	1.5	1.9	1.1	−1.5	−0.3	0.4	0.2	0.4	0.5	0.6	0.5	0.5	0.5	0.4	0.3	0.3	0.2	0.2	0.2
Exports	−3.9	1.3	2.5	2.4	−0.4	−1.5	−0.6	0.4	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5
Imports	−3.0	2.3	2.6	2.2	0.9	−0.5	1.1	0.1	0.8	0.7	0.6	0.7	0.7	0.6	0.6	0.5	0.6	0.5	0.4	0.5
	Contribution to real GDP growth in percentage points																			
Domestic demand	−0.2	0.6	1.0	0.7	0.2	−0.3	0.1	−0.1	0.2	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Net exports	−1.1	0.3	0.6	0.6	−0.3	−0.5	−0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.1
Changes in inventories	0.3	−0.1	0.0	0.0	0.2	0.5	0.0	0.0	−0.2	−0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Labor market	*% of labor supply*																			
Unemployment rate (Eurostat definition)	5.2	5.3	5.1	5.0	4.8	5.4	5.3	5.3	5.4	5.3	5.3	5.2	5.2	5.1	5.1	5.0	5.0	5.0	5.0	5.0
	Annual or quarterly changes in %																			
Total employment	0.1	0.5	1.0	0.6	0.0	0.0	0.2	−0.2	0.2	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1
of which: private sector.	*0.0*	*0.5*	*1.1*	*0.6*	*−0.1*	*0.0*	*0.2*	*−0.2*	*0.2*	*0.3*	*0.3*	*0.3*	*0.3*	*0.3*	*0.2*	*0.2*	*0.1*	*0.1*	*0.1*	*0.2*
Payroll employment	0.2	0.5	1.0	0.7	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.2
Additional variables	*Annual or quarterly changes in % (real)*																			
Disposable household income	3.1	0.5	1.0	1.1	2.5	1.2	1.5	1.3	−1.2	−0.4	−0.2	0.2	0.6	0.3	0.2	0.2	0.2	0.4	0.4	0.5
	% of real GDP																			
Output gap	−0.6	−0.7	0.0	0.3	−0.1	−0.5	−0.9	−0.9	−1.0	−0.8	−0.5	−0.3	−0.2	0.0	0.1	0.2	0.2	0.3	0.4	0.4

Source: OeNB December 2024 outlook.

[1] *All variables except HICP and HICP excluding energy are seasonally and working-day adjusted.*

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