

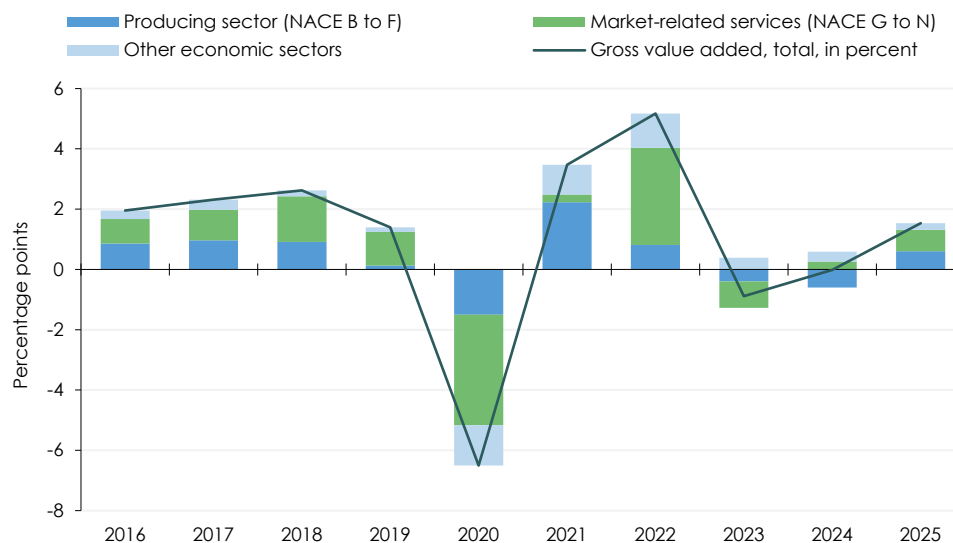
High Uncertainty Keeps Austria's Economy in Stagnation

Economic Outlook for 2024 and 2025

Following the recession in the previous year, the Austrian economy will stagnate in 2024. Leading indicators still do not point to an imminent economic recovery. It is only from 2025 onwards that a slightly more favourable trend could emerge, when exports pick up in line with the global economy, thereby reinforcing the impetus from domestic demand. After the decline in 2023 (–0.8 percent) and stagnation in 2024, GDP will therefore not grow significantly again until 2025 (+1.5 percent).

"The economy in 2024 will be characterised by a dichotomy: an expansion in market-related services will be offset by a continuing recession in the producing sector", says Christian Glocker, one of the authors of the current WIFO Economic Outlook.

Figure 1: **Growth contribution of economic sectors to gross value added, volume**



The growth contributions indicate the extent to which the two components (manufacturing and market services) contribute to the increase in Gross value added at basic prices. The growth contribution of a component is calculated by dividing the absolute change in the component compared to the previous period by the value of Gross value added at basic prices in the previous period (source: WIFO; Statistics Austria; WDS – WIFO Economic Data System, Macrobond. 2024 and 2025: forecast).

The Austrian economy has been in a weak phase since the end of the second quarter of 2022. Expansionary impulses from both domestic and foreign sources are lacking. Sluggish domestic and export demand pushed manufacturing and construction into recession, while the

unfavourable order situation combined with declining final demand and depressed sentiment dampened the willingness to invest.

Leading indicators do not point to an economic recovery in 2024 either – in some cases, they have even deteriorated again recently. There is much to suggest that the domestic economy will remain sluggish. An upward trend has already started among market-related service providers, which should be consolidated by a moderate recovery in private consumption. However, this is being counteracted by the ongoing recession in the manufacturing sector and construction. The domestic economic environment is therefore likely to remain vulnerable to setbacks. At the same time, however, there are no signs of a recession in the aggregate economy.

Table 1: **Main results**

	2020	2021	2022	2023	2024	2025	
	Percentage changes from previous year						
Gross domestic product, volume	- 6.6	+ 4.2	+ 4.8	- 0.8	+ 0.0	+ 1.5	
Manufacturing	- 7.3	+12.7	+ 4.1	- 2.6	- 2.0	+ 2.8	
Wholesale and retail trade	- 3.3	- 1.1	+ 2.1	- 6.1	+ 0.4	+ 1.7	
Private consumption expenditure ¹ , volume	- 8.5	+ 4.2	+ 5.7	- 0.2	+ 1.1	+ 1.8	
Consumer durables	- 2.6	+ 3.7	- 0.3	- 5.5	± 0.0	+ 1.5	
Gross fixed capital formation, volume	- 5.5	+ 6.1	+ 0.1	- 1.3	- 2.4	+ 2.1	
Machinery and equipment ²	- 7.1	+ 9.9	+ 2.0	+ 1.8	- 0.9	+ 3.0	
Construction	- 3.6	+ 1.8	- 2.0	- 4.7	- 4.2	+ 1.1	
Exports, volume	-10.6	+ 9.1	+11.2	- 0.2	+ 0.7	+ 2.5	
Exports of goods, fob	- 7.7	+12.3	+ 7.1	+ 0.7	+ 0.8	+ 3.2	
Imports, volume	-10.0	+14.3	+ 7.9	- 2.3	+ 0.6	+ 2.9	
Imports of goods, fob	- 7.2	+15.2	+ 5.1	- 3.9	+ 0.1	+ 3.2	
Gross domestic product, value	- 4.1	+ 6.4	+10.4	+ 6.9	+ 4.3	+ 4.2	
	billion €	380.89	405.24	447.22	478.19	498.77	519.49
Current account balance	as a percentage of GDP	3.4	1.6	- 0.3	2.7	3.0	3.0
Consumer prices		+ 1.4	+ 2.8	+ 8.6	+ 7.8	+ 3.4	+ 2.5
GDP deflator		+ 2.7	+ 2.1	+ 5.3	+ 7.8	+ 4.3	+ 2.6
General government net lending, Maastricht definition	as a percentage of GDP	- 8.0	- 5.8	- 3.3	- 2.6	- 3.2	- 3.1
Persons in active dependent employment ³		- 2.0	+ 2.5	+ 3.0	+ 1.2	+ 0.4	+ 0.9
Unemployment rate ⁴		9.9	8.0	6.3	6.4	6.9	6.7
Command-basis GDP per capita ⁵		- 6.8	+ 3.5	+ 1.3	- 0.4	- 0.1	+ 1.4
At-risk-of-poverty rate ⁶	percent	14.7	14.8	14.9	15.4	15.7	15.7
Income quintile share ratio ⁷	ratio	4.00	4.25	4.28	4.41	4.50	4.47
Greenhouse gas emissions ⁸		- 7.6	+ 4.6	- 5.7	- 4.6	- 2.7	- 0.2
	Million t CO ₂ equivalents	73.91	77.33	72.96	69.59	67.69	67.57

Source: WIFO, Public Employment Service Austria, Federation of Social Insurances, OeNB, Statistics Austria, Environment Agency Austria. 2024 and 2025: forecast. – ¹ Including non-profit institutions serving households. – ² Including weapons systems and other investment. – ³ Excluding persons in valid employment contract receiving child care benefit or being in military service. – ⁴ As a percentage of dependent labour force, national definition. – ⁵ Nominal GDP deflated by the implicit price index of domestic demand. – ⁶ Share of persons living in private households with an equivalised disposable income below the at-risk-of-poverty threshold (60 percent of the national median equivalised disposable income). From 2023: forecast. – ⁷ S80/S20: ratio of total equivalised disposable income received by the population living in private households in the top income quintile to that received by the population in the bottom quintile. From 2023: forecast. – ⁸ 2022: estimate according to Environmental Agency Austria. From 2023: forecast.

Against this background, Austria's GDP will stagnate in 2024. Manufacturing value added is not expected to increase again until 2025, as exports should also pick up in line with international demand. However, higher growth rates than in the euro area are not expected, especially as exporters are likely to lose market share over the forecast period due to the increasingly unfavourable price position in the competitive environment. The overall economy will therefore remain underutilised in 2025.

Inflation is expected to slow down significantly, especially in 2024, due to weak demand. In the previous year, the price of domestically produced goods and services rose by 7.8 percent (according to the GDP deflator); GDP inflation is expected to reach 4.3 percent in 2024 (2025 +2.6 percent). Assuming that there is no renewed price shock for imported energy, WIFO expects a similar trend for consumer prices (2024 +3.4 percent, 2025 +2.5 percent, after +7.8 percent in 2023; according to the CPI).

Given the economic slowdown, the labour market is proving robust. After +1.2 percent in 2023, active dependent employment will continue to grow over the forecast period (2024 +0.4 percent, 2025 +0.9 percent), driven primarily by the services sector. However, due to the strong expansion of the labour supply, unemployment will also continue to rise. The unemployment rate (according to the national definition) is expected to reach 6.9 percent in 2024 and to fall to 6.7 percent in 2025 (2023: 6.4 percent).

Despite the more favourable economic outlook for 2025, the public finances will not improve over the forecast horizon. The general government budget balance is projected to deteriorate from –2.6 percent of GDP in 2023 to –3.2 and –3.1 percent respectively, thus exceeding the Maastricht target in both forecast years.

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For further information, please contact on Wednesday, 26 June 2024, from 1 p.m. to 3 p.m., to Dr Christian Glocker, MSc, Tel. (1) 798 26 01 – 467, christian.glocker@wifo.ac.at

For definitions, see "Methodological notes and short glossary", <https://www.wifo.ac.at/wp-content/uploads/2024/01/WIFO-BusinessCycleInformation-Glossary.pdf>