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Quarterly Survey of October 2024

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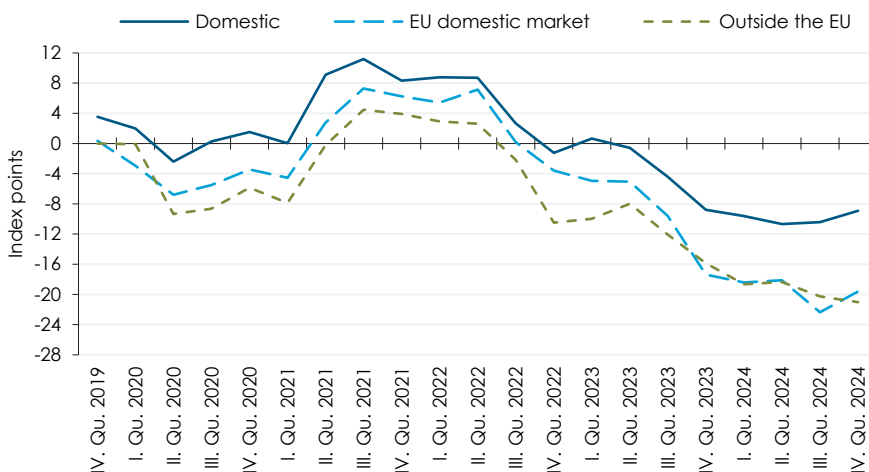
Results of the WIFO-Konjunkturtest Quarterly Survey of October 2024

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- Austria's companies remain sceptical about the economic situation. The WIFO-Konjunkturampel (economic traffic light) showed red in October.
- Despite a slight improvement, economic assessments in the manufacturing sector remained predominantly pessimistic.
- In manufacturing and construction, business uncertainty remains above average.
- Capacity utilisation in the total economy rose slightly in autumn. Capacity utilisation remains below average, particularly for manufacturing and construction companies.
- As in previous quarters, many companies reported restrictions on their business activities. "Insufficient demand" remained the most frequently cited obstacle in all sectors, ahead of the "shortage of labour force".

Change in the competitive position in manufacturing

Balance as a percentage of all reports



"Despite a slight improvement in the last three months, companies' self-assessments of their competitive position remain very sceptical, particularly with regard to export markets."

The WIFO-Konjunkturtest (business cycle survey) analyses the changes in the competitive position of Austrian manufacturing companies on a quarterly basis. The change is shown by means of balances: the proportion of companies that reported that their competitive position has improved in the last three months is subtracted from the proportion of companies that reported a deterioration (source: WIFO-Konjunkturtest, seasonally adjusted).

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November 2024

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Despite slight improvements, sceptical economic assessments continued to predominate in October. Improvements were seen above all in expectations and by sector in the services and construction industries. Manufacturing enterprises are still particularly sceptical. In a quarter-on-quarter comparison, both capacity utilisation and uncertainty rose slightly in most sectors. "Insufficient demand" remained the most frequently cited obstacle to business activity.

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Current situation assessments improved in the autumn, particularly in construction, but remained sceptical in total.

The results of the WIFO-Konjunkturtest (business cycle survey)¹ for October 2024 (beginning of the fourth quarter) show a slight improvement in companies' economic assessments compared to the summer, albeit starting from a low level. The WIFO Business Climate Index gained 1.5 points quarter-on-quarter and, at -6.5 points, was up 1.1 points on the previous year (Table 1). The index of current business situation rose by 0.7 points compared to July, but at -8.7 points remained well below the zero line that separates negative from positive economic assessments. Business expectations improved by 1.4 points compared to July to -5.3 points.

There are still marked differences by sector, both in terms of the levels of the indices and

in terms of the changes compared to the previous quarter. In manufacturing, the WIFO Business Climate Index improved slightly compared to July (+0.3 points). However, the value of -16.2 points reflects the continuing pessimism of companies. Situation assessments remain particularly sceptical. Although the corresponding index improved slightly (+1.2 points compared to July), it remained far below zero at -20.9 points. The index of business expectations deteriorated by 1.1 points compared to July, signalling a gloomy outlook for the coming months at -12.6 points. The weak industrial economy is also reflected in companies' assessments of the change in their competitive position (see figure "Change in the competitive position in manufacturing", p. 1). These have hardly improved at all in

¹ The WIFO-Konjunkturtest is a monthly survey of Austrian companies on their current economic situation and developments over the coming months. Once a quarter, the catalogue of questions in the WIFO-Konjunkturtest is expanded to include additional questions ("quarterly questions"), which provide relevant information on the business cycle but are not included in the monthly indices of the WIFO-Konjunkturtest. The current results of the WIFO-Konjunkturtest are available on the WIFO website (<https://www.wifo.ac.at/en/>

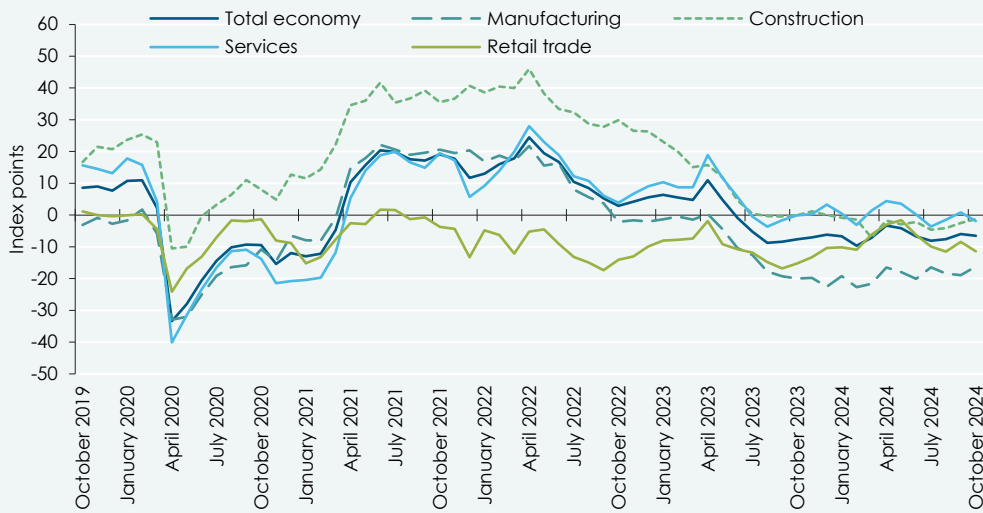
[publications/wifo-konjunkturtest](https://www.wifo.ac.at/en/research_priorities/business_cycle_and_forecasting)) and on the business cycle and forecasts page (https://www.wifo.ac.at/en/research_priorities/business_cycle_and_forecasting or www.konjunkturtest.at). Hölzl and Schwarz (2014) provide an overview of the WIFO-Konjunkturtest. Detailed results on the subsectors of manufacturing and services can be downloaded as a graphic appendix from the project homepage.

recent months and are at their long-term lows.

In the construction industry, the WIFO Business Climate Index rose by 3.3 points compared to the previous quarter to –1.3 points. The index of current business situation

gained 4.2 points and stood at –1.5 points in October. The index of business expectations also rose (+3.0 points to –0.6 points), but reflects the continued subdued expectations of construction companies regarding their own business situation and production.

Figure 1: WIFO Business Climate Indices



Source: WIFO-Konjunkturtest (business cycle survey), seasonally adjusted.

Table 1: Indices of the WIFO-Konjunkturtest

	2023				2024			
	October	January	April	July	August	September	October	October
	Index points							
Total economy								
WIFO Business Climate Index	- 7.6	- 6.7	- 3.3	- 8.1	- 7.6	- 6.0	- 6.5	+ 1.5
Index of current business situation	- 8.0	- 5.3	- 2.9	- 9.4	- 9.5	- 7.4	- 8.7	+ 0.7
Index of business expectations	- 7.4	- 8.1	- 3.8	- 6.7	- 5.9	- 5.1	- 5.3	+ 1.4
Manufacturing								
WIFO Business Climate Index	- 20.0	- 19.2	- 16.5	- 16.5	- 18.4	- 18.9	- 16.2	+ 0.3
Index of current business situation	- 22.2	- 20.6	- 20.7	- 22.0	- 22.3	- 22.4	- 20.9	+ 1.2
Index of business expectations	- 18.1	- 18.1	- 12.5	- 11.5	- 15.8	- 16.6	- 12.6	- 1.1
Construction								
WIFO Business Climate Index	- 0.1	- 0.8	- 1.8	- 4.6	- 4.1	- 2.5	- 1.3	+ 3.3
Index of current business situation	- 0.4	- 2.9	- 3.7	- 5.7	- 5.2	- 3.1	- 1.5	+ 4.2
Index of business expectations	0.5	1.0	- 0.2	- 3.6	- 3.0	- 2.0	- 0.6	+ 3.0
Services								
WIFO Business Climate Index	- 0.1	0.5	4.4	- 3.6	- 1.5	0.9	- 1.9	+ 1.7
Index of current business situation	- 1.3	2.9	5.5	- 4.5	- 4.2	- 1.3	- 5.2	- 0.7
Index of business expectations	1.1	- 2.0	3.3	- 2.5	1.2	2.4	0.7	+ 3.1
Retail trade								
WIFO Business Climate Index	- 15.3	- 10.1	- 3.0	- 9.9	- 11.5	- 8.4	- 11.4	- 1.5
Index of current business situation	- 5.8	- 3.3	10.0	- 0.1	- 4.4	- 0.6	- 0.8	- 0.8
Index of business expectations	- 24.8	- 17.1	- 15.8	- 20.1	- 19.1	- 16.7	- 22.2	- 2.1

Source: WIFO-Konjunkturtest (business cycle survey).

The indices in the services sector did not paint a positive picture in October either, despite some gains. Although the WIFO Business Climate Index rose by around 1.7 points compared to July 2024, it remained negative at -1.9 points. While the index of current business situation fell by 0.7 points to -5.2 points, the index of business expectations narrowly crossed the zero line at 0.7 points (+3.1 points compared to July).

The economic indices for the retail trade, which WIFO calculates on the basis of surveys conducted by Austrian Institute for SME Research, fell quarter-on-quarter. In October, the WIFO Business Climate Index stood at -11.4 points, 1.5 points below the July 2024 value and well below the zero line. The index of current business situation lost 0.8 points compared to the previous quarter. With a value of -0.8 points, positive and negative situation assessments largely balanced each other out recently. Retailers' expectations continue to give little cause for optimism: the corresponding sub-index deteriorated by 2.1 points compared to July to a weak -22.2 points.

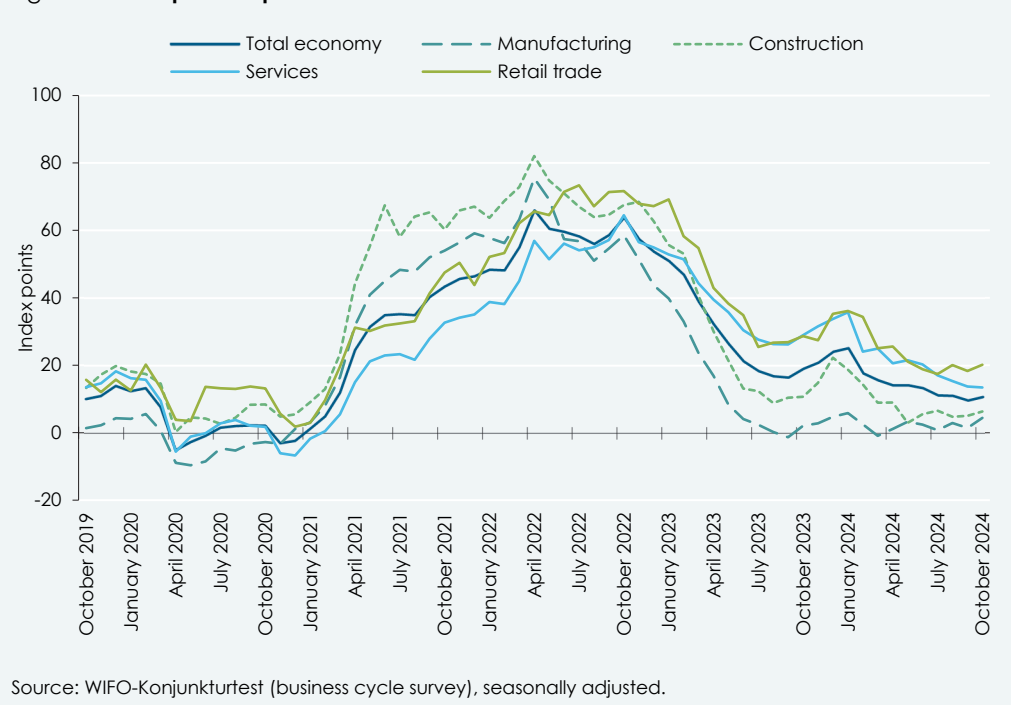
The longer-term course of the WIFO Business Climate Indices shows the decline as a result of the COVID-19 crisis, the recovery until spring 2022, the economic slowdown due to the energy price shock and the war in Ukraine until winter 2022-23 and the

downturn since summer 2023. At the current margin, a slight stabilisation at a low level can be seen (Figure 1).

As a result of the war in Ukraine, energy prices rose more sharply than during the oil price shocks of 1973 and 1979-80. The significant price effects and high general inflation were also reflected in sales price expectations. However, these have fallen significantly since mid-2023.

The sales price expectations are presented in the WIFO-Konjunkturtest as balances, i.e., as the difference between the proportion of positive and the proportion of negative responses to all reports. They have a value range of -100 to +100 points. The latest results show a stabilisation in price momentum compared to the previous quarter (Figure 2). In the total economy, the balance of sales price expectations most recently stood at 10.7 points, 0.5 points below the comparative value from July 2024 and well below the average of the last five years (25.8 points). In the last three months, sales price expectations fell in construction (October 2024: 6.3 points, -0.3 points compared to July) and services (13.4 points, -3.6 points), while they rose again in manufacturing (October 2024: 4.4 points, +3.6 points compared to July) and retail trade (20.2 points, +2.8 points). In all sectors, the balances were recently below the long-term average.

Figure 2: Sales price expectations



WIFO-Konjunkturtest (business cycle survey) indices

The WIFO-Konjunkturtest indices are calculated at sector level for manufacturing, construction, services and retail trade. The surveys are conducted monthly by WIFO (manufacturing, construction and services) and Austrian Institute for SME Research (retail trade). The "total economy indices" are calculated by weighting the sector indices (weights: services 0.5, manufacturing 0.3, construction and retail trade 0.1 each). The summarised WIFO Business Climate Index aggregates two sub-indices, which are shown separately:

- The index of current business situation is based on the monthly surveys on the assessment of the current situation and developments over the last three months. It is designed as a synchronised index that is ahead of the official economic statistics simply due to its early availability (around two months before the current data from the official statistics).
- The index of business expectations summarises those monthly questions that relate to developments in the months following the survey. It is designed as a leading indicator.

Hözl and Schwarz (2014) provide details on the indices.

1. Economic traffic light still showing red

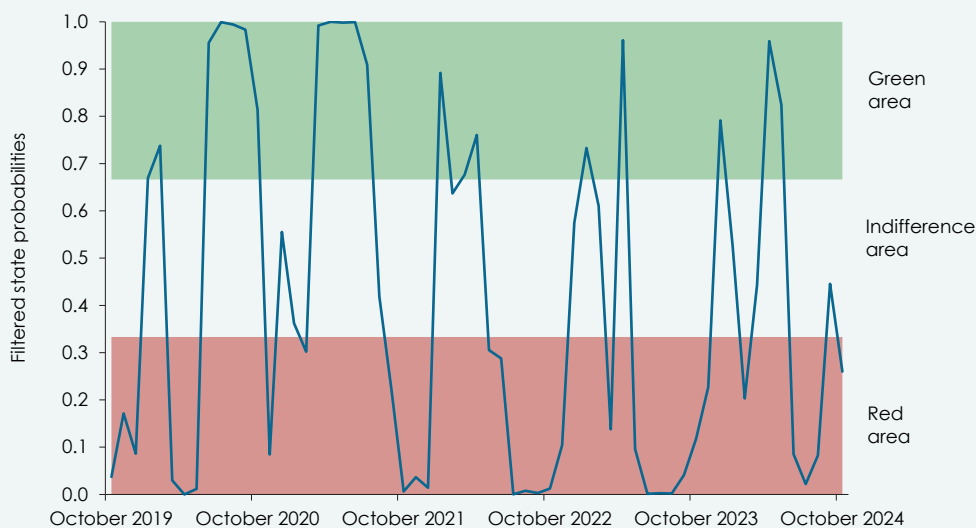
A Markov regime switching model is used in the WIFO-Konjunkturampel (economic traffic light) to calculate the probability with which the current values of the WIFO-Konjunkturtest indicators correspond to an improvement or deterioration in economic assessments compared to the previous period (Glocker & Hözl, 2015)². The probability determined can fall into one of three categories, which are summarised as an "economic traffic light":

- In the "green area" (improvement), the probability is over two thirds that the change in the current index values compared to the previous measuring point reflects an improvement in economic assessments.

- In the "red area" (deterioration), the probability that the current index value represents an improvement compared to the previous measurement point is less than one third.
- The indifference area lies between the "green" and "red" areas. In this case, the development of the economic assessments cannot be clearly assigned.

The probability of being in an improvement regime was estimated by the model to be low at 0.26 in October 2024. As in July, the WIFO-Konjunkturampel (economic traffic light) is thus showing red – a reflection of the weak development of economic indicators in the last two months, which did not indicate a trend reversal.

Figure 3: WIFO-Konjunkturampel (economic traffic light)



Source: WIFO-Konjunkturtest (business cycle survey). The WIFO-Konjunkturampel (economic traffic light) for Austria shows the monthly probability for the phases "improvement in economic assessments" ("green area") and "deterioration in economic assessments" ("red area"). In the indifference range, the development of economic assessments cannot be clearly categorised.

² Deterioration is defined as the opposite state of the "improvement" state: The probability of being in the

"improvement" state (q) is 1 minus the probability of being in the "deterioration" state ($p = 1 - q$).

2. Increased uncertainty, especially in manufacturing and construction

Since the 1980s, WIFO has been surveying companies' assessment of the uncertainty of the future business situation, which influences investment and employment decisions (Glocker & Hölzl, 2022). In May 2021, the wording of the corresponding question was changed as part of its inclusion in the EU's Joint Harmonised EU Programme of Business and Consumer Surveys (European Commission 2023). In addition, the question on uncertainty is now asked monthly instead of quarterly (Figure 4).

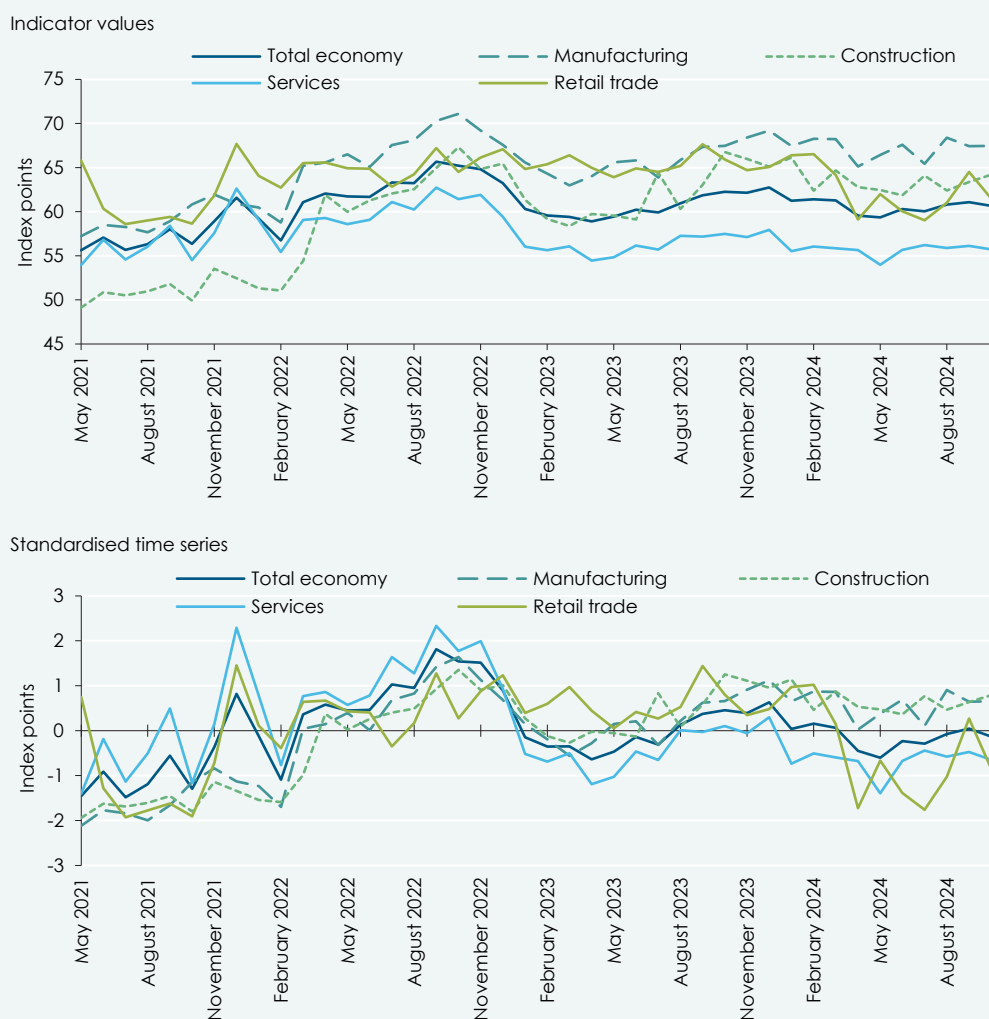
tainty to rise from March 2022, particularly in export-oriented manufacturing. Uncertainty increased there until the end of 2023 and remained above average in 2024. In October 2024, the indicator stood at 67.5 points, 2.0 points above the July value and above the average of the last five years (65.0 points). In construction, uncertainty remained almost unchanged compared to July 2024 (+0.1 points), but was also higher at 64.2 points (five-year average 59.8 points). A slight decline was observed in the service sectors (-0.5 points to 55.7 points), although the uncertainty indicator had already been below the long-term average (57.2 points) in the previous quarters. In the retail trade, on the other hand, uncertainty increased again compared to July (+2.5 points to 61.5 points; long-term average 63.8 points), although it fell compared to the previous month.

In October, business uncertainty was higher in manufacturing and the retail trade than in the previous quarter. It remained above average in manufacturing and construction.

The indicator of uncertainty regarding the future business situation ranges from 0 (no uncertainty) to 100 (highest uncertainty). The value for the total economy in October (beginning of the fourth quarter of 2024) was 60.7 points (+0.7 points compared to July).

The war in Ukraine and the subsequent energy price shock caused business uncer-

Figure 4: Indicator of business uncertainty for the overall economy and the sectors



Source: WIFO-Konjunkturtest (business cycle survey), not seasonally adjusted. 0... no uncertainty, 100... highest uncertainty. Standardised presentation: Normalisation of all indicators to a mean value of 0 and a standard deviation of 1. This makes it easier to assess the economic trend of the uncertainty indicator.

3. Capacity utilisation remains below average

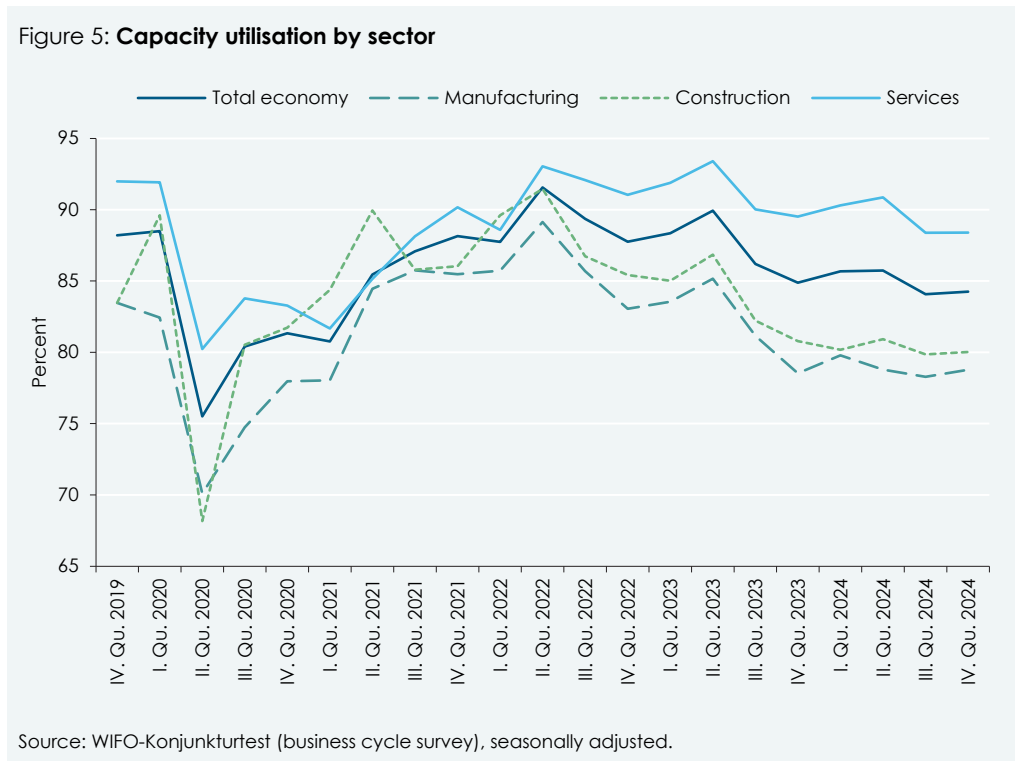
3.1 Slight increase in total economy capacity utilisation

Capacity utilisation is an important economic indicator, especially in sectors with high capital intensity and high capacity adjustment costs (Hözl et al., 2019). It is therefore surveyed as part of the WIFO-Konjunkturtest in all sectors except retail trade. Total economy capacity utilisation was 84.3 percent in October 2024, 0.2 percentage points

higher than in July (long-term average: 85.8 percent). A quarter-on-quarter comparison showed slight improvements in all sectors: in addition to construction (+0.2 percentage points to 80.0 percent, long-term average: 83.7 percent), capacity utilisation also increased slightly in manufacturing (+0.5 percentage points to 78.8 percent, long-term average: 81.4 percent), while it remained unchanged in services (88.4 points; long-term average: 88.8 percent)

Capacity utilisation was slightly higher in October 2024 than in the summer but remained below average in manufacturing and construction.

Figure 5: Capacity utilisation by sector



Source: WIFO-Konjunkturtest (business cycle survey), seasonally adjusted.

3.2 Mixed development of secured production time

The secured production time – measured in months – is surveyed as part of the quarterly WIFO-Konjunkturtest in manufacturing and construction (Figure 6). In construction, companies reported at the start of the fourth quarter of 2024 that their production activities were secured for an average of 4.6 months (–0.3 months compared to July 2024; long-term average 5.2 months). In manufacturing, the average secured production period was 4.2 months (+0.1 months compared to July 2024; long-term average 4.1 months).

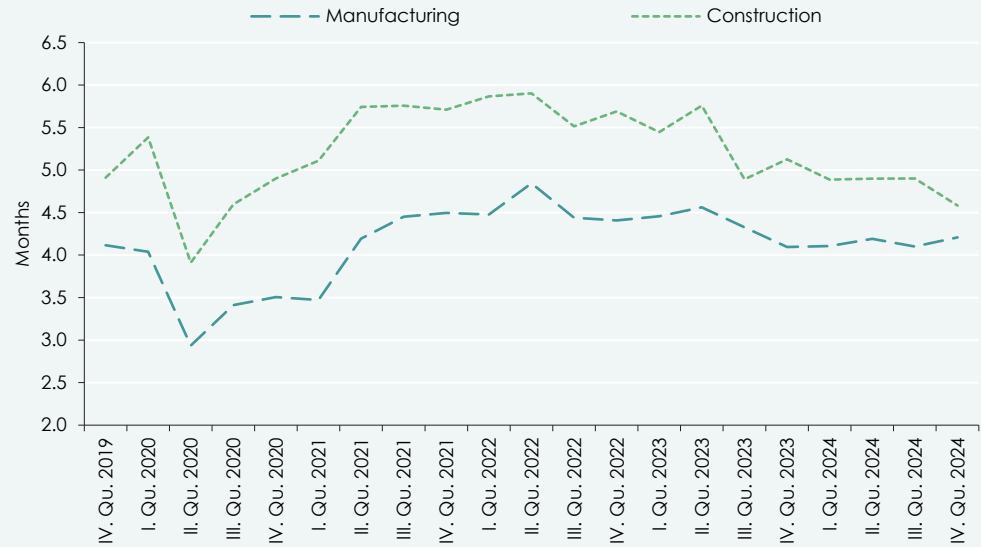
3.3 Manufacturing struggles with persistently weak order situation

In manufacturing, order trends over the past three months and expectations regarding

foreign order backlogs are surveyed once a quarter as relevant indicators. The responses are aggregated into balances between the proportion of positive and the proportion of negative responses. As Figure 7 shows, the development of order backlogs at the start of the fourth quarter of 2024 was similarly weak as in the previous quarters. A value of –18.1 points indicates – despite an improvement – a continued decline in order backlogs over the last three months. Expectations regarding future foreign order backlogs deteriorated slightly and remained negative on balance: the pessimistic voices expecting a decline in foreign order backlogs over the next three months outweighed the positive reports by around 7 percentage points.

The order situation in manufacturing remained unfavourable in autumn; expectations for foreign order backlogs were negative on balance.

Figure 6: Average production time in manufacturing and the construction industry



Source: WIFO-Konjunkturtest (business cycle survey).

Figure 7: Development of order backlogs and expected development of foreign order backlogs in manufacturing



Source: WIFO-Konjunkturtest (business cycle survey).

4. Insufficient demand remains the most important obstacle to business activity

In the WIFO-Konjunkturtest, the most important obstacles to the business activities of the companies surveyed are determined on a quarterly basis. The companies have the option of reporting no impairment of their economic activity or selecting the most important obstacle from a predefined list:

- insufficient demand (services and manufacturing) or lack of orders (construction),
- shortage of labour force,
- lack of space or capacity (services) or shortage of materials and/or capacity (manufacturing and construction),
- financial constraints and
- other reasons – in addition to the influence of the weather (construction), this category also includes other obstacles (e.g., health policy measures during the COVID-19 pandemic).

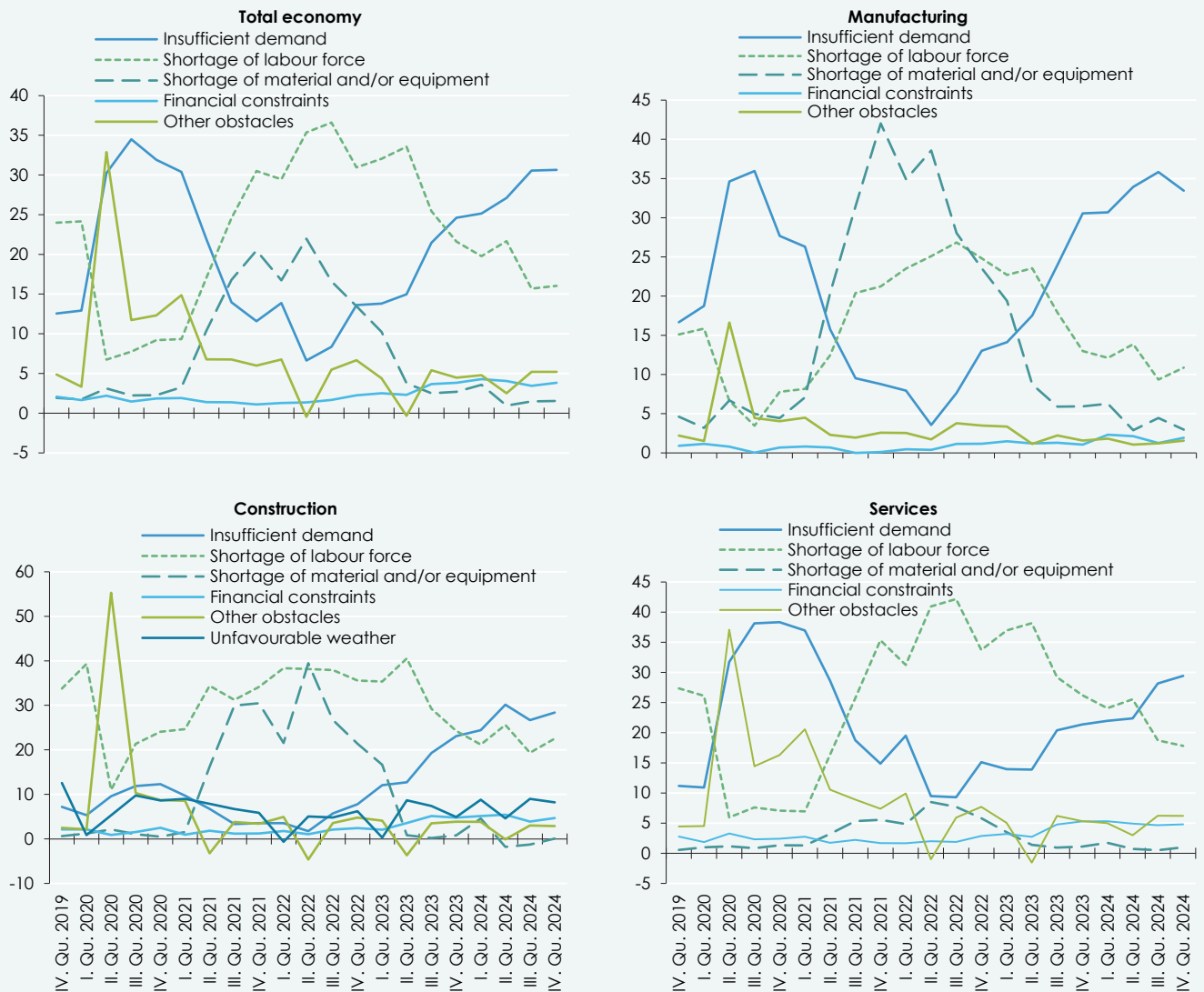
In construction, the obstacle of "unfavourable weather" is also raised³.

The COVID-19 pandemic, supply chain problems, the war in Ukraine and the sharp rise in energy prices led to an increase in the proportion of companies reporting obstacles to their business activities in 2020. Most recently, companies in the various sectors were confronted with obstacles to varying degrees. In October 2024, around 66 percent of construction companies reported

obstacles to their business activities (+6 percentage points compared to July). In the services sector, 59 percent of companies recently stated that they were facing obstacles (+1 percentage points compared to the previous quarter). In manufacturing, 51 percent of companies reported obstacles to production activity in October, one percentage point less than in July 2024. In retail trade, the proportion remained unchanged compared to the previous quarter (58 percent of companies).

Figure 8: **Barriers to economic activity**

As a percentage of all reports



Source: WIFO-Konjunkturtest (business cycle survey), seasonally adjusted. Seasonally adjusted values are shown to ensure comparability of the time series during the year. Negative values cannot be ruled out due to the "dainties" seasonal adjustment procedure. These are statistical artefacts.

³ In the calculation of total economy obstacles, "unfavourable weather" is classified under "other obstacles".

"Insufficient demand" continues to be the most important obstacle to business activity. In addition, the "shortage of labour force" remains a challenge.

In the total economy (excluding the retail trade), "insufficient demand" was still the most frequently cited obstacle to business activity in October 2024 (30.6 percent of companies), ahead of "shortage of labour force" (16.0 percent). The "shortage of materials and/or capacity" (1.5 percent) was only of secondary importance compared to previous years. "Financial constraints" was cited by 3.8 percent of companies (Figure 8).

In manufacturing, "insufficient demand" has been the most frequently cited obstacle to production activity since the third quarter of 2023 (October 2024: 33.5 percent of all companies), although the number of reports has recently fallen slightly again. The second most common obstacle is the "shortage of labour force" (10.9 percent). Around 3.0 percent of manufacturing companies reported a "shortage of materials and/or capacity" as the most important obstacle, around 1.9 percent "financial constraints" and 1.5 percent "other reasons".

5. Summary

For the total economy, the results of the WIFO-Konjunkturtest (business cycle survey) from October 2024 indicate a slight improvement in economic assessments. However, the indices developed differently depending on the sector. Although the situation assessments in manufacturing and construction improved, the corresponding indices were below the zero line in all sectors. With regard to business expectations, a distinction must also be made between the direction of development and the level. Although the expectations index gained ground in the construction and services sectors, many of the companies surveyed remain sceptical about the future due to the weak values.

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As in the previous quarter, "insufficient demand" (28.4 percent) was also the most frequently cited obstacle in the construction industry in October, ahead of "shortage of labour force" (22.5 percent). Most recently, 8.2 percent of companies cited "unfavourable weather". 4.7 percent of construction companies reported "financial constraints".

In the service sectors, "insufficient demand" (29.4 percent) was the most important obstacle to business activity in October for the second time in a row. This was followed by "shortage of labour force" (17.8 percent), "other obstacles" (6.2 percent) and "financial constraints" (4.8 percent).

In the retail trade, the obstacles to business activity have been surveyed since July 2021. In October 2024, 41.0 percent of retailers surveyed reported "insufficient demand" as the most important obstacle, 8.1 percent reported "shortage of labour force" and 2.9 percent each reported "other obstacles", "financial constraints" and "supply bottlenecks".

Accordingly, the WIFO-Konjunkturampel was also red in October.

In manufacturing, both assessments of the situation and expectations remain very subdued. Incoming orders in recent months and expectations regarding the future development of foreign orders also point to a continuation of the difficult industrial economy.

Capacity utilisation recently increased slightly in most sectors, but remained below average, while business uncertainty continued to rise. In terms of obstacles to business activity, "insufficient demand" was the most frequently cited obstacle in all sectors in October, ahead of "shortage of labour force".