

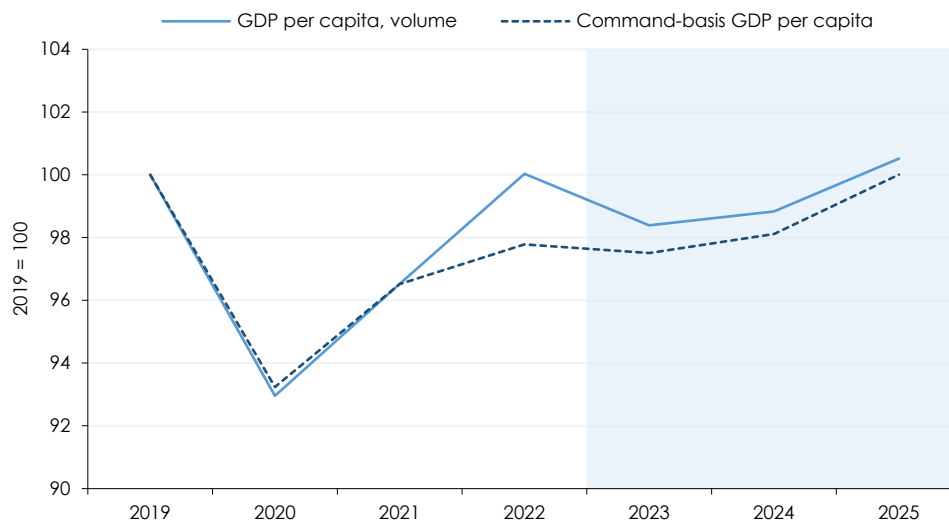
Economic Recovery Delayed

Economic Outlook for 2023 to 2025

The Austrian economy will contract by 0.8 percent in 2023. Lower real incomes as a result of high inflation and global weakness in industry are weighing on economic development. The recovery of industrial production in Austria will be delayed, so that GDP will only grow by 0.9 percent in 2024. GDP growth is expected to reach 2 percent in 2025. Inflation will fall to 4 percent in 2024 and to around 3 percent in 2025. The labour market will deteriorate only temporarily.

"Prosperity in Austria grew less strongly in 2022 than real GDP per capita indicates because high import prices reduced purchasing power. The command-basis GDP better reflects the development. It also shows that economic prosperity will not fall as sharply in 2023 as a recession would suggest", says Stefan Ederer, one of the authors of the current WIFO Economic Outlook.

Economic prosperity development in Austria



To calculate the command-basis GDP, nominal GDP per capita is price-adjusted using the deflator for domestic demand (instead of the GDP deflator). This indicator is more suitable for measuring prosperity than real GDP per capita because it takes into account domestic purchasing power (Source: Statistics Austria, WIFO. 2023 to 2025: forecast).

Austria's GDP contracted in the summer half of 2023. Overall economic output is expected to fall by 0.8 percent in 2023 as a whole. Inflation is weighing on the purchasing power of private households, leading to stagnation in consumer spending. The global slump in the production and trade of goods, together with the after-effects of the energy price shock, also affect the Austrian industry, whose value added falls sharply in 2023.

The trough of economic activity is likely to be passed by the end of 2023. Rising real incomes will support private consumption in 2024 and 2025. By contrast, the recovery in industry will be somewhat delayed and is expected to gather pace from the second half of the year. Austria's economy will therefore only grow by 0.9 percent in 2024. GDP is expected to increase by 2 percent in 2025.

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	+ 0.9	+ 2.0	
Manufacturing	- 7.3	+12.7	+ 4.1	- 2.2	- 0.5	+ 3.5	
Wholesale and retail trade	- 3.3	- 1.1	+ 2.1	- 5.5	+ 1.6	+ 2.2	
Private consumption expenditure ¹ , volume	- 8.5	+ 4.2	+ 5.7	± 0.0	+ 1.6	+ 2.0	
Consumer durables	- 2.6	+ 3.7	- 0.3	- 4.5	+ 1.5	+ 2.5	
Gross fixed capital formation, volume	- 5.5	+ 6.1	+ 0.1	- 2.0	- 1.0	+ 2.5	
Machinery and equipment ²	- 7.1	+ 9.9	+ 2.0	- 0.6	+ 1.7	+ 4.2	
Construction	- 3.6	+ 1.8	- 2.0	- 3.5	- 4.0	+ 0.5	
Exports, volume	-10.6	+ 9.1	+11.2	+ 1.2	+ 2.2	+ 3.2	
Exports of goods, fob	- 7.7	+12.3	+ 7.1	+ 1.9	+ 2.2	+ 3.5	
Imports, volume	-10.0	+14.3	+ 7.9	- 1.3	+ 2.6	+ 3.6	
Imports of goods, fob	- 7.2	+15.2	+ 5.1	- 2.8	+ 2.5	+ 3.5	
Gross domestic product, value	- 4.1	+ 6.4	+10.4	+ 7.8	+ 5.4	+ 5.0	
	billion €	380.89	405.24	447.22	482.27	508.51	533.71
Current account balance	as a percentage of GDP	3.4	1.6	- 0.3	2.6	2.6	2.7
Consumer prices		+ 1.4	+ 2.8	+ 8.6	+ 7.9	+ 4.0	+ 3.1
GDP deflator		+ 2.7	+ 2.1	+ 5.3	+ 8.7	+ 4.5	+ 2.9
General government financial balance, Maastricht definition	as a percentage of GDP	- 8.0	- 5.8	- 3.5	- 2.3	- 2.4	- 2.0
Persons in active dependent employment ³		- 2.0	+ 2.5	+ 3.0	+ 1.1	+ 0.7	+ 1.4
Unemployment rate ⁴		+ 9.9	+ 8.0	+ 6.3	+ 6.4	+ 6.4	+ 6.0
Command-basis GDP per capita ⁵		- 6.8	+ 3.5	+ 1.3	- 0.3	+ 0.6	+ 1.9
Greenhouse gas emissions ⁶		- 7.6	+ 4.9	- 6.3	- 4.2	- 1.4	- 0.5
	Million t CO ₂ equivalents	73.91	77.53	72.62	69.55	68.61	68.28

Source: WIFO, Public Employment Service Austria, Federation of Social Insurances, OeNB, Statistics Austria, Environment Agency Austria. 2023 to 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 total labour force, Labour Force Survey. – ⁵ Nominal GDP deflated by the implicit price index of domestic demand. – ⁶ 2022: Estimate according to Environmental Agency Austria. Forecast as of 2023.

Due to the delayed recovery and a high negative growth carry-over from the previous year, industrial value added will also contract slightly in 2024 and will not expand strongly again until 2025. In contrast, construction is not expected to bottom out until 2024. The services sector is characterised by opposing trends, but overall, it is expected to grow noticeably in both 2024 and 2025.

The number of persons in active dependent employment rises significantly in 2023 due to a strong start to the year. The unemployment rate, on the other hand, will increase, partly because displaced persons from Ukraine have been included in the unemployment statistics since spring 2023. In the remainder of the forecast period, the labour market will temporarily cloud over due to the weak economy. Employment momentum will slow in 2024, but should

pick up again in 2025. The unemployment rate will remain unchanged at 6.4 percent in 2024 and fall to 6 percent in 2025.

Inflation is expected to decline significantly in 2024 to an annual average of 4 percent. The fall in natural gas prices on the European wholesale market and the extension of the electricity price cap will dampen household energy prices in 2024. In 2025, inflation will fall further to an annual average of 3.1 percent. Energy prices are no longer likely to dampen inflation in 2025, while the upward trend in prices for industrial goods, food and, above all, services will remain persistent.

The public budget balance will improve significantly in 2023 due to the discontinuation of pandemic-related support measures. The general government deficit is reduced to 2 percent of GDP by 2025. Public debt decreases by around 5 percentage points over the forecast period and amounts to 73½ percent of economic output in 2025.

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For further information, please contact on Thursday, 21 December 2023, from 1 to 3 p.m.
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For definitions, see "Methodological notes and brief glossary",
<https://www.wifo.ac.at/wwadocs/konjunktur/WIFO-BusinessCycleInformation-Glossary.pdf>