

Austria: Business as usual

Despite political chaos and external uncertainties, the Austrian economy remains on a solid growth path thanks to private consumption and gross fixed capital formation



Austrian Federal
Chancellor Brigitte
Bierlein

Source: Shutterstock

Austrian growth revised downwards

First quarter growth in Austria came in at a solid 0.4% quarter on quarter, with domestic demand and investment in equipment and construction expanding nicely. However, exports and imports reflect a slowing dynamic, with the cooling world economy and Europe's industrial slowdown starting to leave its mark on the country.

While we have revised down our growth forecasts, from 2.2% to 1.9% for this year, with risks skewed to the downside, overall the Austrian economy remains on a solid growth path with a robust labour market and persistently strong consumption.

Once again, politics take the spotlight

While the economy is running smoothly, the political scandal around the released tape of the ex-vice-chancellor Heinz-Christian Strache, showing him talking about public contracts for campaign-

support, has led to the resignation of Strache, snap elections in September, the dismissal of FPÖ's interior minister Herbert Kickl, the subsequent resignation of all FPÖ government members, and a successful motion of no confidence against Chancellor Sebastian Kurz and the ÖVP's government members. An interim cabinet is now in charge until new elections in September, featuring Austria's first female chancellor, Brigitte Bierlein.

The current political uncertainty should not have any impact on the economy for the time being

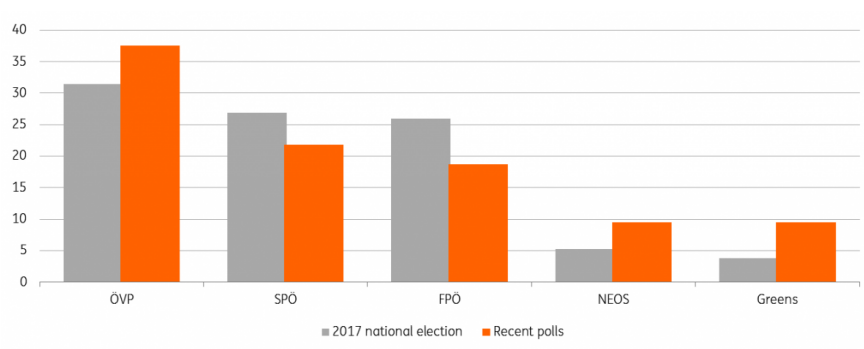
So far, the political mess seems to have benefited former Chancellor Kurz' ÖVP, while it has left its mark on former junior coalition partner FPÖ, according to recent polls. The Green party, currently not in parliament as it failed to cross the 4% threshold in 2017, could make a comeback.

Despite all this, the current political uncertainty should not have any impact on the economy for the time being given sound public finances and solid economic fundamentals. With three months to go until elections, and a technocrat government not taking any new initiatives, it is more or less business as usual for Austria's economy.

However, it remains to be seen if the planned measures around tax reform made by the former government will still be maintained. The proposed tax relief measures, which would have amounted to €6.5 billion until 2022 or 1.7% of GDP, would have been a welcome dose of fiscal stimulus.

This article is taken from the Eurozone Quarterly, which you can find [here](#)

The ÖVP leads in the election polls (%)



Source: Neuwal, simple average of last six polls between 01/06/19 and 19/06/19.

The Austrian economy in a nutshell (%YoY)

	2018	2019F	2020F	2021F
GDP (%)	2.7	1.9	1.6	1.6
Private consumption (%)	1.7	1.6	1.3	1.1
Investment (%)	3.4	2.9	2.1	2.0
Government consumption (%)	0.4	0.9	1.1	1.1
Net trade contribution(%)	0.8	0.3	0.2	0.1
Headline CPI (%)	2.1	1.8	2.0	2.0

Source: Thomas Reuters, all forecasts ING estimates

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