

## Austria: Still on track

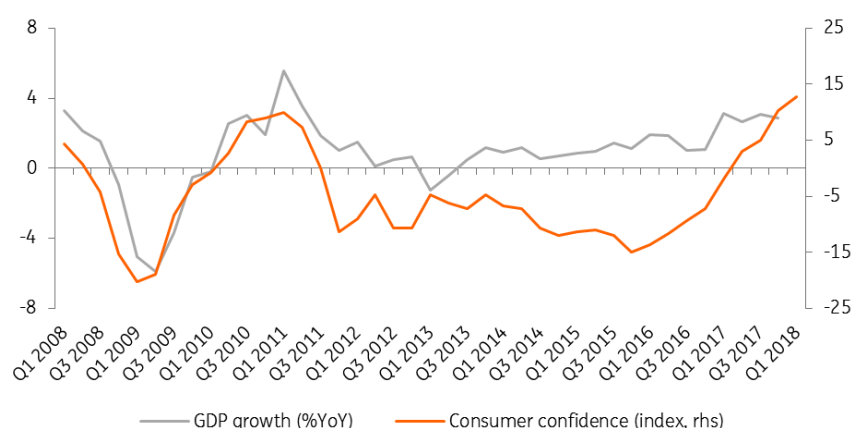
With the economy carrying most of last year's momentum into 2018, the main focus after the summer will be Austria's EU presidency



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With first-quarter GDP growth coming in at a robust 0.8% quarter on quarter, it's still all systems go in Austria driven mainly by domestic demand but also foreign impulses. While we expect the current strong momentum to slow down this year, it will simply be a levelling off from recent highs rather than a significant downswing.

## Domestic demand remains the main growth driver



Source: Thomson Reuters

## A fiscal gamble

The current economic environment is also clearly benefitting from the government's attempt to square the circle by presenting fiscal plans which combine austerity and stimulus measures.

According to these plans, 2019 should be the first year with a small fiscal surplus since 1974. Thanks to the booming economy, public finances have clearly benefited from windfall revenues, and the declining number of refugees have also reduced expenditures more than expected.

However, last year the government expected a deficit of -0.5% GDP for 2019. Given that the government's forecasts are slightly higher than consensus forecasts selling these new plans to Brussels will not be an easy task.

## EU presidency to be the main focus

On the international stage, Austria will take over the six-month rotating presidency of the European Council as of July. Although Austria itself is too small to have a substantial impact on the discussion of the future of EU, expect a tough stance on migration and foreign policy as well as on EU's post-Brexit budget plans.

Add to that some caution towards further EU integration plans as nationalistic and protectionist tendencies persist, and the presidency might become a thrilling six-month matter.

### The Austrian economy in a nutshell (%YoY)

	2017F	2018F	2019F	2020F
GDP	3.0	2.7	2.3	1.8
Private consumption	1.4	1.7	1.7	1.4
Investment	4.9	3.1	2.5	1.5
Government consumption	1.1	2.0	1.1	0.8
Net trade contribution	0.7	0.8	0.5	0.3
Headline CPI	2.2	2.0	2.0	2.1

Source: Thomson Reuters, all forecasts ING estimates

## Author

### Inga Fechner

Senior Economist, Germany, Global Trade

[inga.fechner@ing.de](mailto:inga.fechner@ing.de)

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