

## Austria: It's all systems go!

Austrian growth is robust, helped by good old-fashioned fiscal stimulus

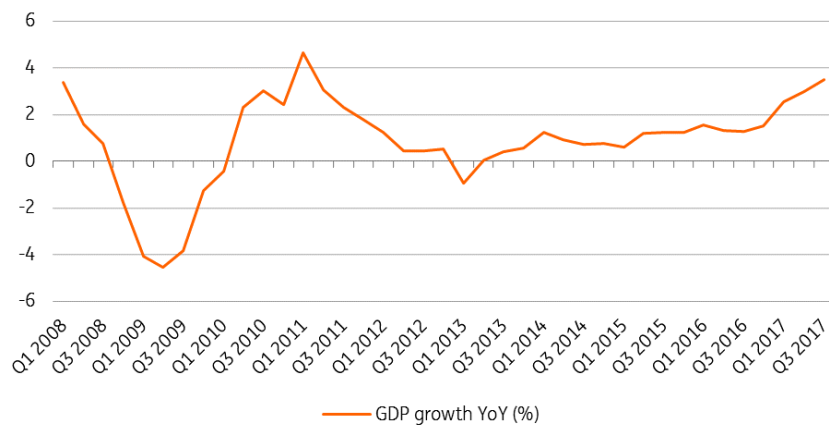


Source: Shutterstock

### Broad-based growth

All signs are pointing to an ongoing and robust Austrian growth story; the Austrian economy is likely to have hit the 3%-mark in 2017, a level last seen ten years ago. Political quarrels are largely off the table and the new government has already started working. Growth is broad-based, driven by strong domestic and foreign influences, and it's also helped by a buoyant upturn in consumption, industry and investment. And that strong momentum is set to continue throughout 2018.

## Robust growth performance is set to continue



Source: Thomson Reuters

## The new political landscape

Looking at the economic impact of the new Austrian government, a good old traditional fiscal stimulus is in the making. Since December the new coalition between the centre-right Austrian People’s Party (ÖVP) and the far-right Freedom Party (FPÖ) is in place. Some measures for the next five years have already been announced, such as a tax bonus of 1,500 Euros per child per year and tax relief for smaller and middle-income groups, by lowering the unemployment insurance contribution.

Around 900-thousand low-income earners should benefit, gaining on average €311 a year. However, other measures such as rising working hours up to 60 hours a week, are more of a double-edged sword. That could contribute to a stronger growth performance but will also focus the discussion on social aspects of the labour market. The alignment of family allowance abroad as well as a reform of unemployment benefits still poses some questions. Nevertheless, we expect the Austrian economy to continue its current strong performance going into 2018, helped by the governmental fiscal stimulus.

## Further upside for GDP growth



Source: Thomson Reuters

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