

Austria's Covid-19 exit strategy

Austria was one of the first countries to go into a complete lockdown and is now at the forefront of exiting the Covid-19 measures. Will this strategy be successful and could it serve as a blueprint for the rest of the eurozone?



Source: istock

Covid-19 measures will be eased

The Austrian government announced a relaxation of the Covid-19 measures at a press conference today. Namely:

- From 14 April, small shops, do-it-yourself stores and garden centres will be allowed to reopen
- From 1 May, all shops, shopping centres and hairdressers will be allowed to reopen
- Restaurants, hotels and other service providers will probably be able to open gradually from mid-May.

Yet, the curfew will be extended until the end of April, allowing people to leave the house for just four reasons; to go to work, to make urgent errands such as to buy groceries, to help other people in need and to go for a walk or exercise. Also, bigger events may not take place until the end of June. The measures will be reviewed every two to three weeks and will be adjusted on the

basis of the data available.

Still, the economic impact will be huge

Despite the early lockdown measures and the impending relaxation, the economic hit to the Austrian economy will be large. [In our base case scenario in our monthly economic update](#), we assumed the lockdown measures would be relaxed at the end of April, with only a gradual return to normality. Given the importance of the tourism sector, the already large hit to recreation, hotels and restaurants, as well as to the manufacturing and trade sectors, we expect the Austrian economy to contract by 5.3% year-on-year in 2020, which would be the strongest contraction since 2009.

The government's aid package will help to smooth the impact on businesses and livelihoods, but cannot prevent the economy from falling into a deep recession this year. Still, the package will help to safeguard jobs and the liquidity of companies. Just this weekend, the crisis management fund was increased from €4 billion to €28 billion with the hardship fund for SMEs raised from €1 billion to €2 billion while funds for short-time work are to be increased from €1 billion to €3 billion. Nevertheless, the Austrian unemployment rate rose to 12.2% in March (national definition), an increase of 4.7 percentage points compared to the previous year. Compared to the previous month, the number of unemployed rose by 51%.

"Despite the early lockdown measures and impending relaxation, we expect the Austrian economy to contract by 5.3% YoY in 2020."

A blueprint for the rest of Europe?

Austria has been (one of) the epicentres of the Covid-19 outbreak in Europe. The Austrian government took strong and prompt action to limit the spread of the virus. Now, Austria is the first eurozone country to announce a loosening of the lockdown measures. If Austria's exit strategy turns out to be successful, other countries will follow.

Author

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s),

as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.