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%.

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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.

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