

Austria: Still enjoying the isle of happiness

2018 marks another boom year for the Alpine republic, but for 2019 and 2020 we expect a gradual return to average growth levels cooling down to 2.2% and 1.8% respectively



EU chief Brexit negotiator Michel Barnier, left, speaks with Austrian Chancellor Sebastian Kurz

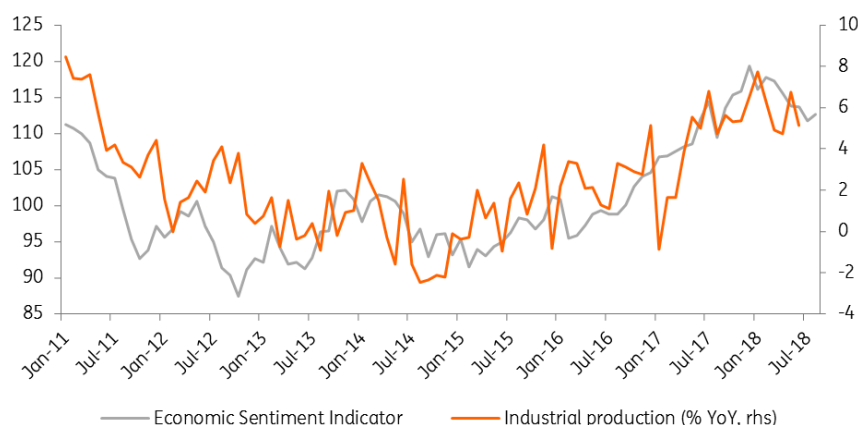
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Economic performance driven by domestic and foreign impulses

With first-quarter GDP growth coming in at 0.8% quarter on quarter and second-quarter growth at 0.7% QoQ, Austria's economy has seen a strong first half of the year. While we expect the current strong momentum to abate as the peak of the current economic cycle has been reached, a robust growth performance of 2.8% for 2018 is pencilled in.

Although risks to the growth outlook stem from foreign uncertainty factors such as a further escalation of the US trade conflict with major trading partners, the impact should be negligible for the Austrian economy this year. For 2019 and 2020 we expect a cooling down to 2.2% and 1.8% respectively.

Cooling down from high levels



Source: Thomson Reuters

The EU presidency isn't really a big deal

As far as the country's EU presidency is concerned, the focus is likely to shift from the migration issue to [Brexit](#) and the closing window of opportunity for a deal. However, in Austria, the chairing isn't really on people's radars.

According to a [recent survey](#), 60% say they are ill-informed about the presidency, while only 19% attest the government is doing a good job and see new impulses on the EU stage. With less than a year to go until European parliamentary elections, the government has to step up its game, especially since 77% think the government's far-right junior coalition partner, the Freedom Party of Austria (FPÖ), would like to drop the EU presidency as it is an unnecessary cost and doesn't bring any benefits. Overall, 60% are in favour of scrapping the EU presidency.

Nevertheless, the government still has more than half of its presidential term to go, packed with foreign and EU-related uncertainty factors. With the economy currently on auto-pilot, it also has the opportunity to make an impression not only on the international stage but also domestically.

The Austrian economy in a nutshell (% YoY)

	2017	2018F	2019F	2020F
GDP	3.0	2.8	2.2	1.8
Private consumption	1.4	1.7	1.6	1.4
Investment	4.9	3.3	2.5	1.6
Government consumption	0.9	1.8	1.1	0.8
Net trade contribution	0.4	0.7	0.5	0.3
Headline CPI	2.2	2.1	2.0	2.1

Source: Thomson Reuters, all forecasts ING estimates

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