

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

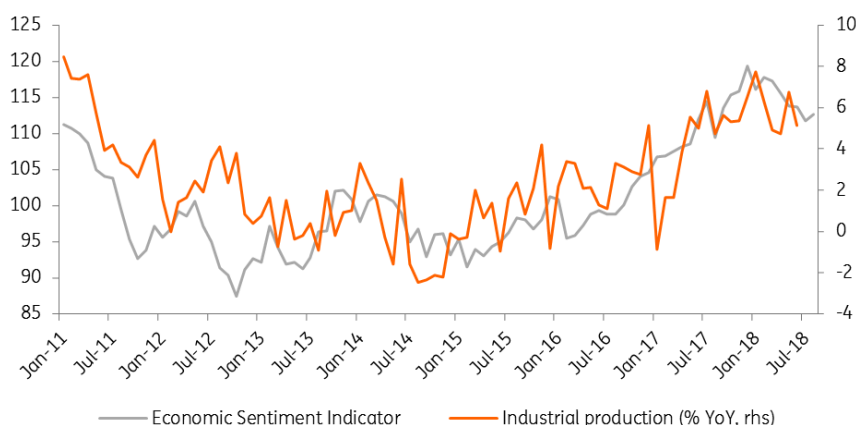
Source: Shutterstock

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

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>.