

Austria: Double dip and more headwinds to come

The Austrian economy contracted by 7.3% year-on-year in 2020, mainly due to accounted losses in the service sector in the fourth quarter. But the long-term outlook for Austria is much rosier than the snapshot of the grey winter months suggest



According to flash estimates from the Austrian Institute of Economic Research, the Austrian economy shrunk by 4.3% quarter-on-quarter in the fourth quarter of 2020.

The greatest losses came from services including retail, accommodation, hospitality, transport and other services, such as personal services, culture and recreation (-19.7% and -25.2% respectively). Personal consumption decreased by 8.3%, while industrial production and construction activity remained more stable (with +1 and -1.6% respectively).

The feared double-dip could not be avoided in the fourth quarter, given that lockdown measures were gradually tightened leading to almost no tourism in November.

What to expect in 2021?

Let's not fool ourselves. The way 2020 ended will continue in the first quarter of 2021 for now.

The current lockdown measures will stay in place at least until 7 February and schools will open only on 15 February. Restaurants and hotels will stay closed at least until March. Since tourism activity has already been very restricted since November, the entire tourism winter season will be hit hard.

Looking ahead, we remain positive that once the process of vaccination overcomes initial teething issues and temperature begin to rise, economic activity will improve. We expect construction activity and exports to gain some momentum again.

Austria could gain some tourists from neighbouring countries via roads or train, given significant uncertainty around travelling to far-flung places via air travel, as was the case last summer.

But the longer-term outlook is much rosier than the snapshot of the grey winter months suggests.

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