

## 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.

### Author

#### Franziska Biehl

Senior Economist, Germany

[Franziska.Marie.Biehl@ing.de](mailto:Franziska.Marie.Biehl@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 [www.ing.com](http://www.ing.com).