

## Austria GDP: Here comes the sun

It's been a long cold lonely winter but the easing of containment measures is dispelling some of the clouds from the first quarter, with second quarter GDP growth coming in at a whopping 4.3% quarter-on-quarter



### The easing of containment measures dispels the clouds

According to flash estimates from the Austrian Institute of Economic Research, the Austrian economy grew by 4.3% quarter-on-quarter from April to June. The effect of easing containment measures in mid-May was the driving factor, leading to increased consumer demand and a strong expansion in economic output in the areas of trade, transport, accommodation and gastronomy which were hardest hit by the crisis (+20.5% QoQ after -9.5% QoQ in the first quarter). Also, the easing of travel restrictions proved beneficial. In 2019, tourism made a direct contribution of 5.5% to GDP. Together with the indirect contribution, for example, through food deliveries to hotels, tourism accounts for 7.5% of GDP, putting Austria in the upper third of EU countries for tourism's GDP contribution. Thus, travel exports benefited from the easing of travel restrictions as well as the opening steps in accommodation and catering. In the industrial economy, the positive momentum from the first quarter continued with the added value in industry rising by 2.3% QoQ.

# 4.3%

 Q221 GDP estimate (QoQ)

## The estimate for first quarter GDP growth was revised down

The estimate for first quarter GDP growth was revised down from 0.2% QoQ to -1.1% QoQ meaning that the Austrian economy entered a double dip recession. That makes growth in the second quarter even more reassuring, but it also shows how difficult it is to get the economy out of the pandemic-induced slump when there are new containment measures.

## The construction sector continues to boom

Although the construction industry stagnated in the second quarter (-0.6% QoQ), the sector continues to boom. Compared to Q120, around 21% more units were approved for construction in Q121, according to Statistik Austria. Despite rising construction costs (+12.4% in June), demand for housing remains strong given limited investment opportunities, changes to living behaviour due to the pandemic and the historically low rates environment. This is also reflected in new loans to households for housing purposes growing 18.5% from January to May compared to the same period the year before. Although the credit quality of Austrian banks is currently not showing any deterioration, the Financial Market Stability Board (FMSG) has issued a warning regarding current lending standards stating that “already more than half of the new loans are financed with less than 20% of own funds” and is monitoring property lending closely to prevent potential systemic stability risks.

## Small clouds on the horizon

Overall, the economic outlook remains bright with domestic demand being robust, although some small clouds - in the form of a slightly declining economic sentiment survey - are moving in front of the sun.

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