

Austria's growth rate is a sweet surprise

Austria's first-quarter GDP growth comes in stronger than expected at 0.2%. This sweet surprise can be attributed to the industrial and construction sectors, which are compensating for ongoing declines in services



People should soon be able to return to cafes in Austria and this will help reverse services' decline

Austria's economy grew by 0.2% quarter-on-quarter in the first three months of 2021, according to flash estimates. Strong growth in production and in the construction sector (2.6% and 3.6% respectively) compensated for the lockdown-related declines in the service sector. Other services, which include body-related services as well as arts, entertainment, and recreation, experienced the largest decline (-4.6%). The trade, accommodation, catering, and transport sector decreased by 3.1% in the first quarter of 2021.

The gradual reopening of the economy since March has stalled since the beginning of April when tougher restrictions were introduced in the East of Austria. However, Chancellor Kurz has announced that most of the current restrictions should be lifted from 19 May onwards. With the help of testing and proof of vaccination, restaurants, hotels, and cultural centres should be allowed to open and sporting events and classroom teaching should be possible. If Austria can stick to these measures, the tourism industry could pick up steam at the start of the summer. Add ongoing high activity in the construction sector and rising demand from neighbouring countries and second-quarter growth could quickly accelerate.

However, we must be cautious; any severe delays in vaccine deliveries or another sharp increase in infection numbers could result in renewed restrictions and therefore further postponement of the economic recovery, much like another frosty spell slowing spring.

Author

Franziska Biehl

Economist

Franziska.Marie.Biehl@ing.de

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