

Austria: Moderation ahead

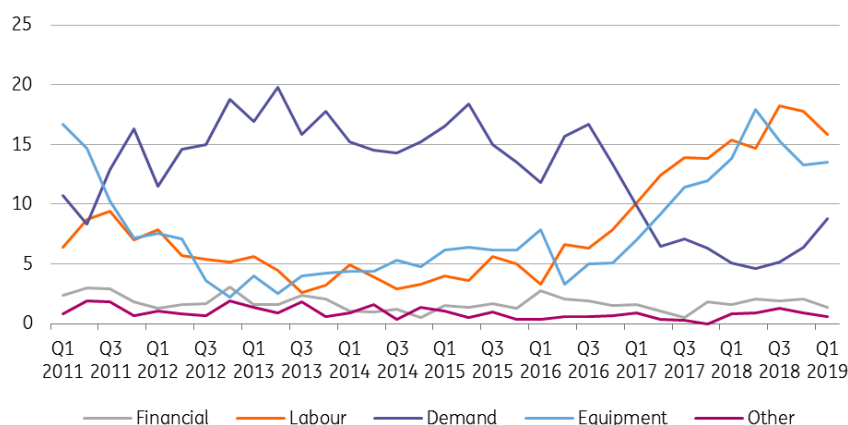
Supply-side constraints remain the biggest problem for the Austrian manufacturing sector, but the lack of demand is gradually becoming a concern too. In the months ahead, we might revise our growth forecast downwards, but for now, we're staying put



Source: Shutterstock

In 2018, Austrian businesses reported an annual average of 120,800 job vacancies, which is an increase of 24% compared to the previous year, according to Statistics Austria. The manufacturing sector saw the largest increase in job vacancies (+36%), followed by the public (+27.7%) and the services sector (+19). Slightly less than half of all vacancies (46.7) were posted for less than three months, while more than a quarter (27.5%) were posted permanently.

Austria industry survey - limits to production (%)



Source: Thomson Reuters Datastream

At the same time, more than half a million job seekers (594,153) found a new job in 2018, as reported by Austria's public employment service AMS, reflecting the strong demand for labour and a good economic situation. For the time being, the lack of qualified workers remains the largest hindrance to production for the Austrian manufacturing sector, closely followed by equipment.

We continue to remain optimistic for the time being, still expecting Austrian GDP growth of 2.2% in 2019

However, while still at low levels, lack of demand appears to have become more of a concern recently, which might reflect the expected slowdown of economic activity.

The European Commission has already slashed its growth outlook from 2% to 1.6% in its 2019 winter economic forecast this week. While we continue to remain optimistic for the time being, still expecting Austrian GDP growth of 2.2% in 2019, we have to admit that risks are increasingly skewed to the downside, so we might revise down our numbers in the months to come. But not just yet.

With the labour market looking healthy, rising wages and household disposable income, domestic consumption should remain a pillar of strength, justifying a stable growth path ahead.

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