

## Austria: Stable inflation despite surging rents and catering services

Stable Austrian inflation will do little to change the ECB's mind until heavyweights such as Germany, France and Italy remain well-below the 2% inflation target



Austrian February consumer price inflation (HICP) came in at 1.9% year-over-year, unchanged from January.

According to Statistics Austria, expenses for rent, water, energy and restaurants and hotels caused about 40% of inflation. Downward pressure came from cheaper package holidays, but sustained price pressure in the services sector should keep core inflation relatively stable throughout the year.

In contrast to most of its Eurozone peers, Austria's headline as well as core inflation rate is a lot closer to the European Central Bank's inflation target. Since 2011, inflation in Austria has been on average 0.7 percentage points higher than in the Eurozone. While the ECB's words on Eurozone inflation still look more like a promise than actual numbers, Austria proves to be a stronghold of the 2% inflation target.

According to the Austrian National Bank, 90% of this average inflation differential can be

attributed to the services sector (catering services and to a lesser extent administered prices). Austria does not only have a strong tourism sector but on average Austrians like to dine out more than their Eurozone peers.

Although inflation has continuously been above the Eurozone average, there has been no major loss of international competitiveness as the inflation differential is mostly in services. Instead, the central bank believes, it has somewhat of a dampening effect on the growth of real disposable income.

Despite its relatively high inflation rate, Austria remains a lightweight in the consumer price inflation measurement.

As long as the inflation rate of heavyweights such as Germany, France and Italy remain well below the 2%-target, the ECB is in no rush to exit its dovish monetary policy path.

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