

## Austria: Strength in times of weakness

Austrian GDP grew 0.4% quarter-on-quarter in the final quarter of 2018, resulting in full-year growth of 2.7% year-on-year. As in 2018, private consumption remains an important growth driver for this year



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According to a flash estimate from the Austrian Institute of Economic Research, the Austrian economy grew at the same speed as in the previous quarter. The seasonally- and working day-adjusted Eurostat measure confirmed the positive picture but came in lower at 0.2% QoQ. Overall, Austrian GDP grew by 2.7% YoY over the entire year 2018, slightly lower than expected, but exceeding the previous year's GDP growth by 0.1 percentage points.

In the final quarter of 2018, growth remained broad-based with domestic demand and foreign trade contributing positively to growth. However, growth momentum abated in nearly all areas compared to the first half of the year. Household consumption expenditure rose by 0.3% QoQ in the fourth quarter compared to a first half of the year average of +0.4%, remaining a pillar of strength, while public consumption grew sluggishly at +0.1% QoQ. Exports lost momentum over the course of the year, growing 0.4% QoQ in the final quarter compared to an average growth of 0.8% in the first half of the year.

While the growth outlook is slowly deteriorating, Austrians still expect a better financial outlook for

the year 2019 as shown in an [ING survey](#). Some 35% see themselves in a good to very good financial position in the year ahead, while 39% estimate their financial position as neither good nor bad.

Although the upswing is levelling off, and risks are skewed to the downside, the low interest rate environment, persistent investment activity and private consumption, in particular, should stimulate economic activity in 2019. With the labour market healthy, resulting in strong job growth and rising wages, and the government's tax deduction programme, household purchasing power should get a welcome boost.

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