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.

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.

Inga Fechner
Economist, Germany, Austria
+49 69 27222 66131
inga.fechner@ing.de
"THINK Outside" is a collection of specially commissioned content from third-party sources, such as economic think-tanks and academic institutions, that ING deems reliable and from non-research departments within ING. ING Bank N.V. ("ING") uses these sources to expand the range of opinions you can find on the THINK website. Some of these sources are not the property of or managed by ING, and therefore ING cannot always guarantee the correctness, completeness, actuality and quality of such sources, nor the availability at any given time of the data and information provided, and ING cannot accept any liability in this respect, insofar as this is permissible pursuant to the applicable laws and regulations. This publication does not necessarily reflect the ING house view. This publication has been prepared solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice. The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions. Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam).