

## Austria's golden days are coming to an end

The economic slowdown of the Austrian economy continues, with the country beginning to join the ranks of European growth laggards



Source: Shutterstock

According to a flash estimate from the Austrian Institute of Economic Research, the Austrian economy grew by 0.2% quarter-on-quarter in the third quarter of 2019.

After having grown by 0.4% in the first quarter, the economy slowed down to a revised 0.2% in the second quarter, stabilising at this modest pace in 3Q. The seasonally and working-day adjusted Eurostat figure came in slightly lower at 0.1% with second-quarter GDP growth also revised down to 0.1% from 0.2%.

### Domestic demand in the driver's seat

Domestic demand remains one of the growth drivers, while investment activity lost momentum. Investment in equipment declined slightly for the first time in five years, while demand for construction investment slowed as well. Still, gross fixed capital formation increased by 0.2%. While foreign trade contributed positively to this quarters growth figure as exports rose more strongly than imports, the downturn in the industrial economy continued.

## The manufacturing sector might have found a bottom, but consumers have been more downbeat as of late

However, the industry sector seems to have found a bottom, with the manufacturing PMI slightly improving to 45.5 in October after falling for 11 consecutive months. Yet, a stabilization at this level does not signal a profound turnaround.

While momentum in the services sector remains robust, consumers have been more downbeat as of late, with consumer sentiment sinking to minus 4 from minus 2 the month before. However, with inflation remaining low, consumer spending should remain supported, also thanks to a number of legislative resolutions still passed in September by the transitional government including first parts of the ÖVP/FPÖ's tax reform and pension adjustments.

## Politics: Wait-and-see mode continues

On the political front, there seems to be no rush to form a new government.

Sebastian Kurz, leader of the Austrian People's Party (ÖVP), has announced that he will continue talks with the Green party until November 8 and will then decide with whom the ÖVP will enter into actual coalition negotiations. According to recent reports, talks between both parties are going well. However, it remains to be seen how differences regarding migration, the environment and the EU will play out.

### Author

#### Inga Fechner

Senior Economist, Global Trade

[inga.fechner@ing.de](mailto:inga.fechner@ing.de)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. 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). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).