

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



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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.

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