

Austria: Bright spots keep the economy going

Thanks to investment and consumption, the Austrian economy remains on a solid growth path in the first half of 2019. Even foreign trade made a positive contribution to overall economic growth



Growth drivers

According to a flash estimate from the Austrian Institute of Economic Research, the Austrian economy grew by 0.3% quarter-on-quarter. The seasonally and working day adjusted Eurostat measure confirmed the positive picture, although coming in a bit lower at 0.2% QoQ. Meanwhile, first quarter GDP growth has been revised up from 0.3% QoQ to 0.4% QoQ.

The economy's growth drivers remain consumption and investment. Household and public consumption expenditure expanded by 0.4% QoQ, with private consumption taking the lead, rising 0.5%. Investment activity remained good, although the pace slowed. Equipment, buildings and other investments expanded by 0.5% compared to 0.8% the quarter before.

Nothing to worry about?

However, besides those bright spots, the downturn in the industrial sector continued with value added in manufacturing falling by 0.1% compared to a slight growth contribution in the first

quarter. On the same note, the Purchasing Managers Index fell to 47 in July from 47.5 in June, remaining in contraction territory. The weakening of global trade and uncertainty fuelled by smouldering trade conflicts and political tensions, is weighing on industry, resulting in a decline in the employment index for the first time in 40 months. Overall, however, the dynamics in the labour market remain good, with unemployment in Austria in an ongoing declining trend, while the number of employees keeps rising. Also, despite all uncertainties, foreign trade made a positive contribution to overall growth, as exports once again increased more than imports.

Moderate path

Having said that, as long as consumption and investment hold up- the growth pillars of the Austrian economy- economic activity will stay on its moderate growth path this year. Together with French GDP growth (also 0.2% QoQ) this morning's data suggests that the entire eurozone economy should have slowed down in the second quarter but avoided a contraction.

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