Lockdowns and compulsory Covid vaccines in Austria bode ill for the rest of Europe

Austria is imposing a nationwide lockdown, starting Monday, with mandatory vaccination to be introduced next year. This does not bode well for Austria, for growth and for the rest of the eurozone

A virtually deserted Christmas market in Vienna

Austria's tightens up measures

The fourth wave of Covid is sweeping across many eurozone countries. In Austria, this morning, the seven-day rolling average of cases was just under 1,000 and hospitals are reaching the limits of their intensive care bed capacity. After initially bringing in a lockdown for both vaccinated and unvaccinated people in the particularly affected regions of Upper Austria and Salzburg, Chancellor Schallenberg announced a nationwide lockdown this morning.

Like last year, a lockdown means all-day curfews for the Austrians which can only be broken in exceptional cases, for instance, if people are going to work or are seeking medical attention. In addition, restaurants, retailers, and personal services will have to close. Supermarkets, pharmacies and chemists will remain open, as will schools and kindergartens. Austrians are being encouraged, however, to care for children at home if possible.

These restrictions will remain until 12 December at the latest for those who are vaccinated or have recovered from Covid. For the unvaccinated, the measures will last longer. They'll be reviewed in ten days' time.

A compulsory vaccination programme will start in February

In addition, Chancellor Schallenberg announced a compulsory vaccination programme against Covid-19 that will be brought in from 1 February next year.

For the Austrian economy, this strict tightening of restrictions will surely lead to a significant slowdown. The retail and hospitality sectors will, once again, suffer the most, while industrial production should be affected less. The restrictions are aimed, in part, at saving the all-important ski season but the experience from past lockdowns clearly suggests that they tend to last longer than initially planned.

A leading indicator for the rest of Europe

Since the start of the pandemic, Austria has often been a leading indicator for the rest of Europe in terms of both infection development and containment measures. And other countries are now following similar paths. Germany, and other German-speaking countries, have some of the lowest vaccination rates in Europe so it's little surprise that more restrictions are being put in place there too. They are, however, less strict than those we see in Austria.

Southern European countries are doing much better in terms of new infections, even if the past couple of years have shown that the feeling of being 'safe or secure' can be misleading and can be quickly overtaken by events. As far as governmental action's concerned, today's announcement comes only two weeks after a first soft tightening of the restrictions. And that doesn't bode well for other eurozone countries battling this latest wave. If history is anything to go by, we can expect further curtailments of liberty in many parts of Europe and that increases the risk of economic stagnation as we enter a new year.

Author

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de