

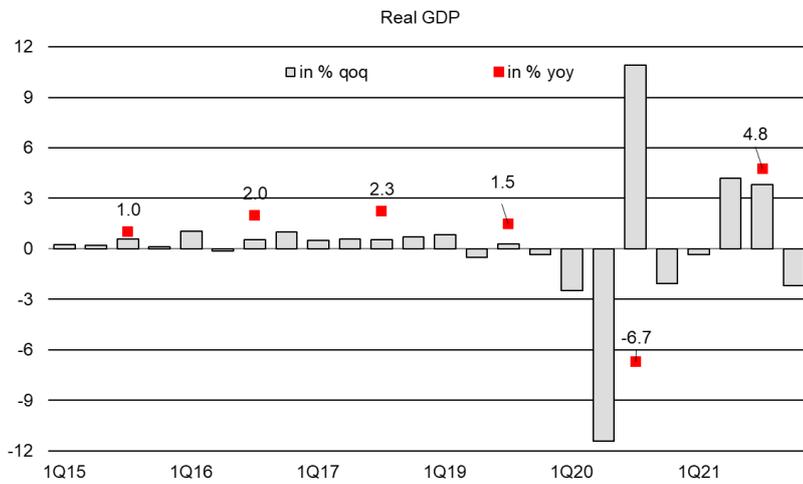
Austria: Lockdown and supply bottlenecks cause GDP to decline in 4Q21?

- According to the flash estimate by the Austrian Institute of Economic Research, WIFO, Austrian GDP declined by 2.2% qoq in 4Q21 following two quarters of strong growth. However, the Austrian economy grew by 5.4% yoy. After the Austrian economy exceeded its pre-crisis level in 3Q21, GDP at the end of 2021 was again around 1% lower than in 4Q19. Based on this flash estimate, economic growth for 2021 as a whole was 4.8% (UniCredit: 5.0%) following a 6.7% decline in 2020.
- As was the case in the final quarter of the previous year, the decline in GDP was mainly due to a tightening of measures to curb the spread of the coronavirus. At the end of November, a general lockdown came into force for 20 days, as well as a lockdown for the unvaccinated. In addition, some countries issued travel warnings for Austria. These measures led to significant losses in many service sectors, albeit significantly lower than in the final quarter of last year, as the restrictions were less severe and companies have adapted their business models, for example by offering delivery services. In trade, accommodation, catering and transport, value added decreased by 5.6% qoq in 4Q21 (4Q20: -14.4% qoq). In other services, which include personal services, arts, entertainment and recreation, the decline was as much as 5.8% qoq (4Q20: -12.8% qoq). The burdens on these service sectors were reflected in a 1.4% qoq decline in private consumption.
- The decline in GDP at the end of 2021 was nevertheless slightly higher than in the previous year (4Q20: -2.0% qoq), as the supply bottlenecks resulted in a 1.7% drop in value added in industry and a 1.4% qoq decline in construction. By contrast, both sectors had grown in 4Q20 (industry: +1.4% qoq; construction: +0.7% qoq).
- We are optimistic that the Austrian economy will not slip into another technical recession this winter but will return to growth in 1Q22. Health policy restrictions have meanwhile been eased significantly. As of 1 February, the lockdown for the unvaccinated will also be lifted, as vaccination will become mandatory as of that date. This has improved the general conditions for many service sectors, especially the trade and the hospitality industry. The WIFO business climate index for the retail sector rose noticeably after the slump toward the end of 2021. In the service industries as a whole, the index rose slightly and is now in positive territory. The UniCredit Bank Austria Purchasing Managers' Index for the manufacturing industry also showed a significant increase to 61.5 points in January. Signs of a slight easing of supply problems and cost increases, as well as the more favorable demand situation, have improved the immediate outlook at the beginning of 2022 and increased companies' optimism.
- With further easing of measures in the spring, a strong comeback of the services sector should significantly increase the pace of recovery of the Austrian economy and thus enable it to quickly end the winter dip. Moreover, the recovery should gain even more momentum if the unwinding of supply problems contributes to broad-based growth support from industry and the construction sector.

In greater detail:

After strong growth over the summer (2Q21: +4.2% qoq; 3Q21: +3.8% qoq), the Austrian economy contracted again in the final quarter (4Q21: -2.2% qoq), as was the case in the final quarter of 2020.

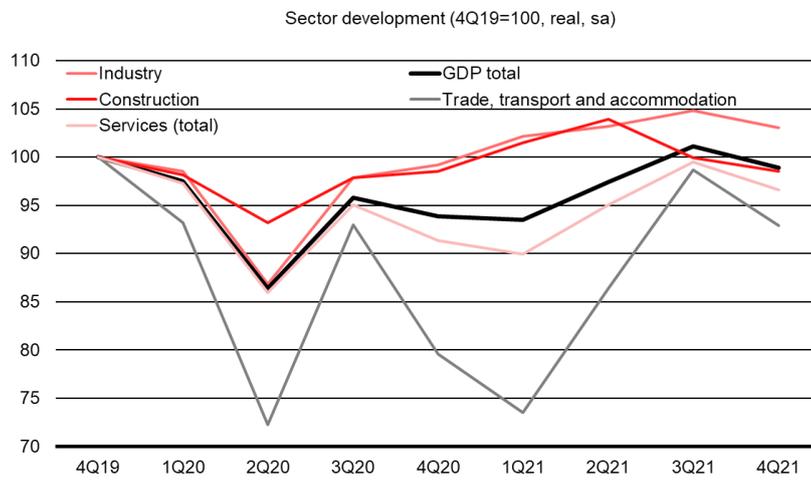
CHART 1: RENEWED DIP AT THE END OF 2021



Source: Statistik Austria, WIFO, UniCredit Research

Austrian real GDP was still 1.1% lower than in 4Q19. While manufacturing already exceeds the pre-crisis level, most services sectors, in particular trade, transport and accommodation, which were burdened by the pandemic restrictions, are lagging significantly behind.

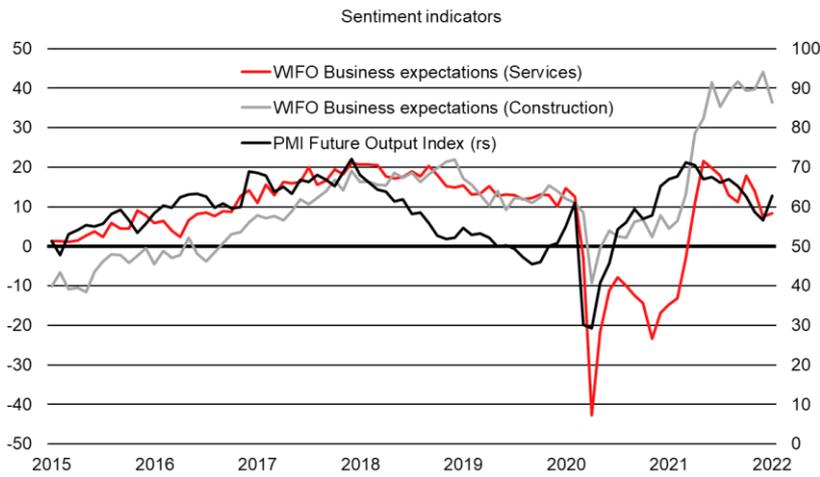
CHART 2: AUSTRIA'S ECONOMY HAS FALLEN BEHIND PRE-CRISIS LEVELS



Source: Statistik Austria, WIFO, UniCredit Research

Sentiment in the Austrian economy has started to improve after the slump before the end of 2021. Optimism is particularly evident in manufacturing and construction.

CHART 3: OPTIMISM HAS PICKED UP AGAIN



Source: WIFO, HIS Markit, UniCredit Research

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