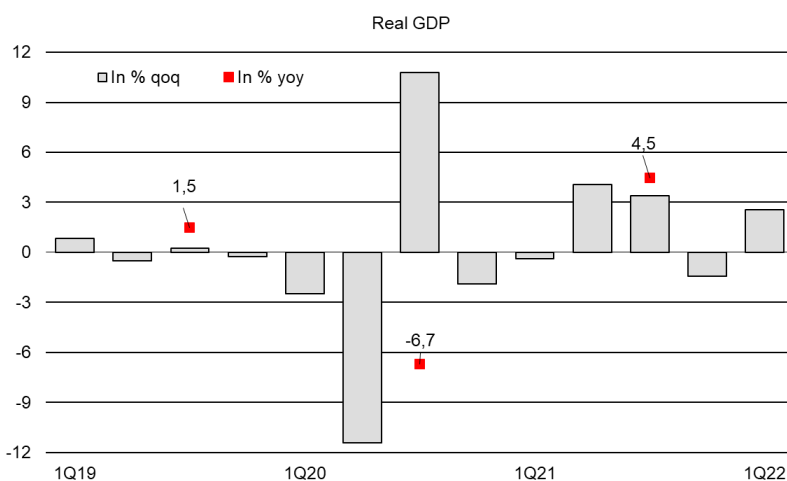


Austria's 1Q22 GDP: strong recovery from lockdown

- According to the flash estimate by the Austrian Institute of Economic Research (WIFO), Austrian GDP grew by 2.5% qoq in 1Q22. After the slump in 4Q21 caused by a fourth lockdown to prevent the spread of COVID-19, the Austrian economy has made a very strong comeback in terms of growth. Austrian GDP is now 1.3% above its pre-crisis level of 4Q19. This also represents a significant year-on-year increase in GDP of 8.7% compared to 1Q21, when restrictive measures to contain the COVID-19 pandemic (third lockdown) weighed on the economy.
- Positive growth impulses in 1Q22 came primarily from a very strong recovery in construction and industrial activity. Construction activity grew by 2.6% qoq in 1Q22 after three negative quarters in a row. It benefitted above all from strong order growth from the public sector. After posting a slight decline towards the end of 2021 (-0.3% qoq), industrial activity grew by 4.0% qoq in 1Q22. Strong new business, especially from abroad, and the interim easing of supply bottlenecks supported the recovery. Due to the easing of measures to contain the pandemic, consumer-related services were also able to grow strongly again at the beginning of the year. Value added in trade, accommodation and transport increased by 3.1% qoq. In other services, which include personal services, arts, entertainment and recreation, the increase in value added was even 9.7% qoq. Overall, services grew at the same rate as the economy as a whole, at 2.5% qoq, reaching pre-crisis levels for the first time.
- On the demand side, 1Q22 data show somewhat surprisingly only stagnation in consumer demand, despite good development in the labor market, with record employment caused by increasing uncertainty due to accelerating inflation. There was also no further expansion in public consumption after three consecutive quarters of growth – after the partial expiration of pandemic-related support. Investment activity, on the other hand, rose sharply, by 4.2% qoq, after a pause in the previous quarters as a result of the good order situation in industry and construction, which pushed this area to its capacity limits. Due to the high demand for capital goods, imports increased by 5.5% qoq. Exports increased by 4.1% qoq, so that a negative net-export contribution dampened economic growth in Austria in 1Q22.
- Data for 1Q22 still show hardly any dampening effects from the Russia-Ukraine crisis. However, its negative impact on the Austrian economy should be reflected in 2Q22. While the UniCredit Bank Austria Purchasing Managers' Index for April still shows strong growth in industry despite a decline, output expectations for the year have dropped abruptly to spring 2020 levels, when the first wave of the corona pandemic affected Austrian industry. The lifting of pandemic restrictions has improved the framework for many service sectors, particularly retail trade and hospitality. The WIFO business climate index for the services sector therefore rose in April – as did the mood in the construction sector. However, the development of private consumption in 1Q22 has already shown that rising inflation is weighing on consumer spending and that higher costs are reducing willingness to invest. In combination with the uncertainty caused by the Russia-Ukraine crisis, we therefore expect a clear weakening of economic momentum in Austria for the coming quarters after this strong start to the year, despite the lifting of the pandemic-related restrictions in all sectors of the economy.

Chart 1 shows the strong rebound by the Austrian economy in 1Q22. This more than compensated for the slump caused by the lockdown towards the end of 2021.

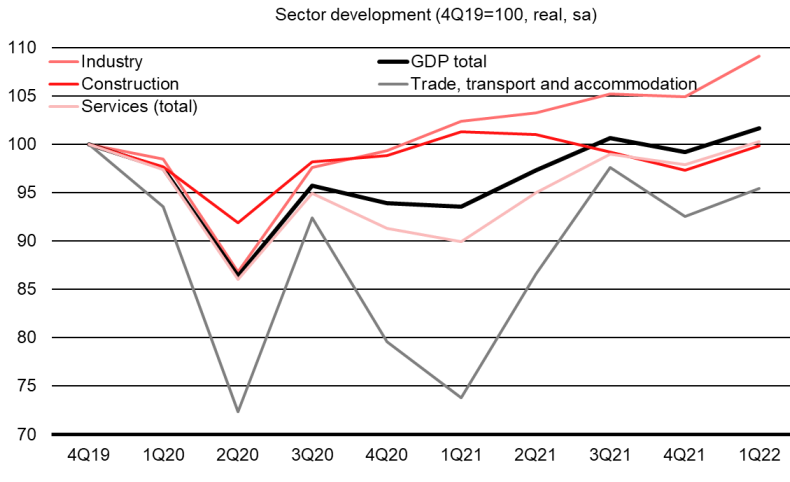
CHART 1: STRONG START TO THE YEAR



Source: Statistik Austria, WIFO, UniCredit Research

Chart 2 shows that the Austrian economy exceeded its pre-pandemic level in 1Q22, but trade, transport and accommodation continue to lag despite the recovery posted after the lockdown at the end of 2021.

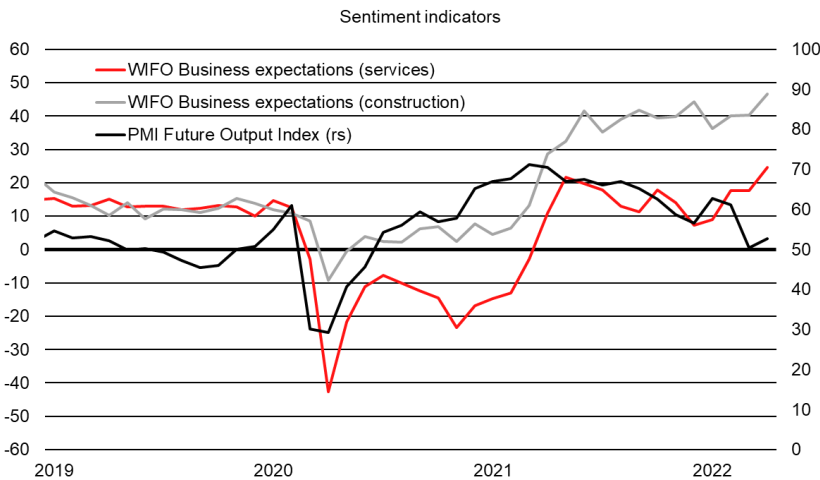
CHART 2: AUSTRIA'S ECONOMY EXCEEDS PRE-CRISIS LEVELS AGAIN



Source: Statistik Austria, WIFO, UniCredit Research

Chart 3 shows that economic sentiment in Austria is still above average despite the Russia-Ukraine crisis, only in industry output expectations have slowed down significantly.

CHART 3: OPTIMISM IS STILL HIGH, EXCEPT IN INDUSTRY



Source: WIFO, S&P Global, UniCredit Research

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