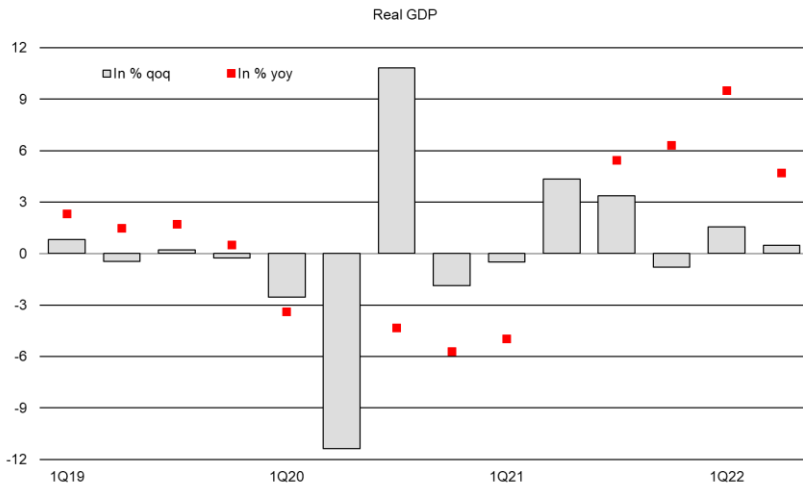


Austria's 2Q22 GDP: growth slowed but was still quite strong

- According to the flash estimate published by the Austrian Institute of Economic Research (WIFO), Austrian GDP grew by 0.5% qoq in 2Q22. Despite the burdens caused by the Russia-Ukraine conflict, the Austrian economy remained on a growth track. Compared to 1Q22, when growth of 1.5% qoq was recorded, supported by the easing of the pandemic measures, growth slowed considerably, as expected. Compared to 2Q21, GDP rose by 4.7%, resulting in growth of 6.5% yoy for the first half of 2022. Austrian GDP is now 2.1% above its pre-crisis level of 4Q19.
- The slowdown in growth was noticeable in all sectors of the economy. The services sector, which had grown by 2.2% qoq at the beginning of the year, grew by 0.5% qoq in 2Q22. Strong growth impulses came from other services, which include personal services, arts, entertainment and recreation. Here, value added rose by 2.8% qoq. The value added of other business services, such as the provision of professional or technical services, rose by 1.1% qoq. In both cases, development was supported by positive base effects due to the expiration of health-policy measures. This also applies, above all, to value added in accommodation and food services, which increased particularly significantly and thus ensured a slightly positive result of 0.1% qoq in the combined area of trade, transport, accommodation and food services, despite a decline in trade. In addition to increases in the service sectors, solid development in industry also contributed to growth. Value added in industry rose by 0.7% qoq in 2Q22 (1Q22: 1.1% qoq), while construction showed a significant slowdown in growth, to 0.1% qoq, down from 1.6% qoq in 1Q22.
- On the demand side, the data for 1Q22 show a decline in private consumption of 1.9% qoq (1Q22: +0.8% qoq), analogous to the decline in trade. Despite good development in the labor market, with record employment, increased uncertainty due to the Russia-Ukraine conflict and high price dynamics massively curbed consumer sentiment. After a strong decline in the previous quarter, there was also no expansion of public consumption in 2Q22, after the partial expiration of pandemic-related support. Investment activity, on the other hand, continued to perform positively. Gross fixed-capital formation rose by 1.2% qoq, only slightly weaker than in 1Q22 (+1.6% qoq). Foreign trade also made a positive contribution to growth. Export growth accelerated to 2.7% qoq (1Q22: + 2.3%), while import growth slowed to 0.5% qoq (1Q22: +3.7% qoq).
- The data for 2Q22 show the first negative consequences of the Russia-Ukraine conflict for the Austrian economy. Growth weakened significantly, in particular due to a sharp decline in consumption as a result of the loss of purchasing power due to increased inflation. The continued rise in inflation, according to the latest flash estimate by Statistics Austria – to as much as 9.2% year-on-year in July – should further weigh on consumer spending, and higher costs will reduce willingness to invest. Not only has the WIFO's business-climate index for the services sector deteriorated significantly in recent months, but sentiment in the construction and industrial sectors has also declined markedly. The future output index in the survey of Austrian purchasing managers in the manufacturing industry has meanwhile fallen below the growth threshold. Ongoing supply-chain problems and high price dynamics, combined with uncertainty caused by the Russia-Ukraine crisis, will lead to a further weakening of economic activity in Austria in the second half of the year, with an increasing risk of recession.

Chart 1 shows the slowdown of economic growth in Austria in 2Q22, as the economy was beset by supply problems and rising inflation.

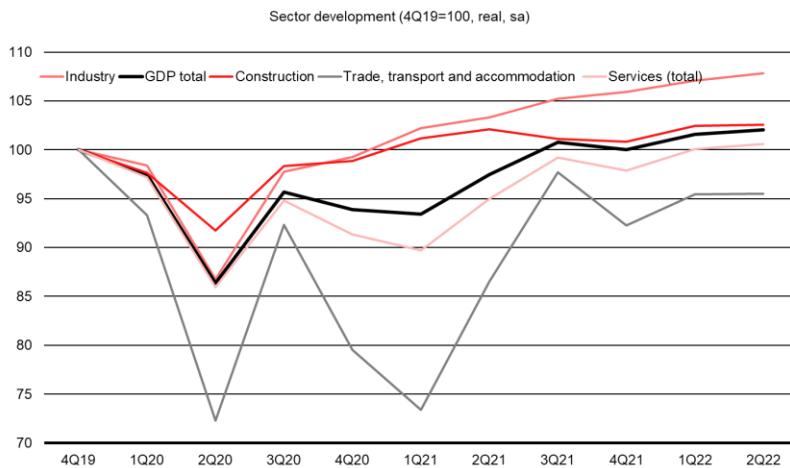
CHART 1: GROWTH MOMENTUM DECLINES AFTER STRONG START TO THE YEAR



Source: Statistik Austria, WIFO, UniCredit Research

Chart 2 shows that Austrian economic growth exceeded its pre-pandemic level by more than 2% in 2Q22, with the weakest development occurring in the services sector due to a lag in trade, transport and accommodation.

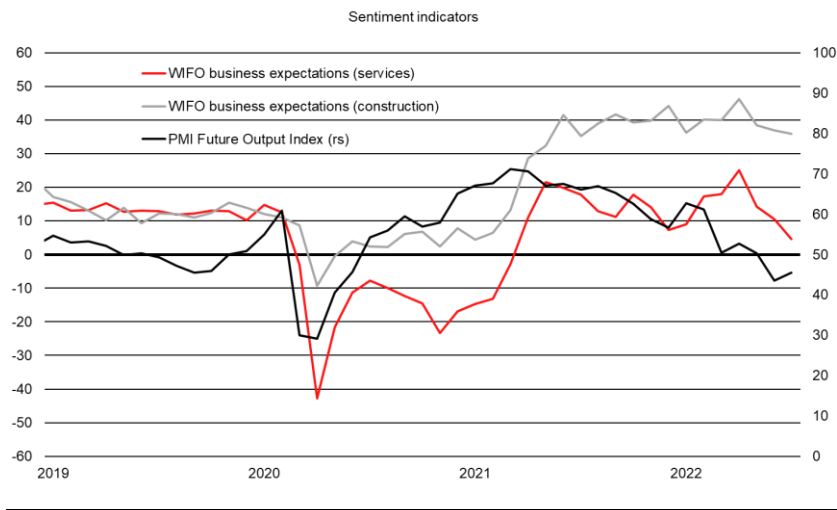
CHART 2: AUSTRIA'S ECONOMIC GROWTH EXCEEDS PRE-CRISIS LEVELS BY 2%



Source: Statistik Austria, WIFO, UniCredit Research

Chart 3 shows the sharp decline in economic sentiment in Austria, which has now affected all sectors.

CHART 3: DETERIORATION IN SENTIMENT, ESPECIALLY IN INDUSTRY AND IN SERVICES



Source: WIFO, S&P Global, UniCredit Research

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This report was completed and first published on 29 July 2022 at 14:34.

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