

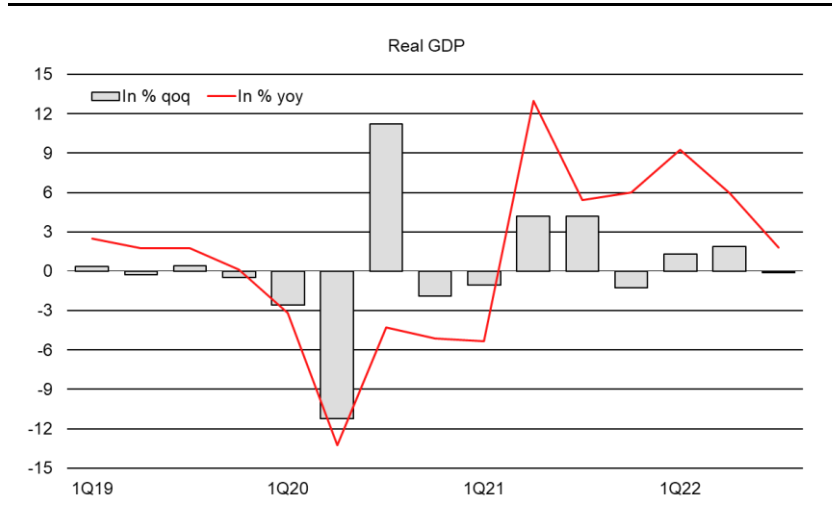
Austria's 3Q22 GDP: the expected stagnation

- Strong quarterly economic growth of 1.3% in 1Q22 and 1.9% 2Q22 was followed by the expected marked slowdown in economic activity over the summer. According to the flash estimate by the Austrian Institute of Economic Research (WIFO), Austrian GDP stagnated in 3Q22 (-0.1% qoq). The war in Ukraine, and particularly the resulting sharp rise in energy prices, has weighed on the development of the Austrian economy. Nevertheless, Austrian economic output is currently 3.2% above its pre-pandemic level of 4Q19.
- GDP still increased compared to 3Q21, but with a 1.8% increase, it fell far short of the high momentum of the 7.5% yoy growth recorded in the first half of the year, which was characterized by a positive base effect caused by expiring pandemic-related measures. Economic growth was 5.4% yoy in the first three quarters.
- The slowdown in economic activity was felt in all sectors of the economy in 3Q22. Construction was the only area to show an improvement, although the 0.2% qoq increase in value added followed a significant 0.5% qoq decline in the previous quarter. The weakening of the global economy was reflected in Austrian manufacturing. The sector's value added decreased by 1.4% in real terms in 3Q22, after having contributed strongly to economic growth with an increase of 1.8% in 2Q22. The services sector, which had grown by 2.1% qoq in 2Q22, only stagnated in 3Q22 (-0.1% qoq). This was mainly due to the sharp deterioration in the areas of trade, transport, and accommodation and food services. After the 5.3% qoq increase in these sectors in 2Q22, value added declined by 0.3% qoq in 3Q22, slowed mainly by an unfavorable development in trade and transport, while tourism showed a positive performance over the summer.
- On the demand side, the data for 3Q22 show a 0.6% qoq increase in private consumption (2Q22: -0.6% qoq), supported by the good tourism season. After the strong 2.7% qoq increase in 2Q22 due to pandemic-related support measures, public consumption stagnated in 3Q22, after the partial expiration of pandemic-related support. Companies responded to slowing global demand, reflected in a 3.5% qoq decline in exports (2Q22: +5.8%), with a renewed decrease in investment activity of 0.3% qoq (2Q22: -1.3%), spurred by the significant deterioration in the economic outlook.
- The 3Q22 data clearly show the consequences of the war in Ukraine for the Austrian economy for the first time. The recovery has come to a standstill. While consumption development was still relatively favorable despite the loss of purchasing power due to high inflation as a result of catch-up effects in tourism, increasing concerns about the economy and the significant rise in costs have led to a sustained decline in business investment. The slowdown in the global economy had a negative impact on the export-oriented Austrian economy and is further dampening sentiment. The UniCredit Bank Austria Purchasing Managers' Index for the manufacturing industry fell to 46.6 points in October. Rising input prices, especially for energy, higher financing costs and weakening demand have also reduced output expectations to their lowest level since the peak of the coronavirus crisis in spring 2020. Domestic industry is already in recession. The outlook for the construction industry and services is still somewhat more favorable according to the WIFO business climate index, but even here sentiment has also already deteriorated significantly. We expect a recession in the Austrian economy over the winter months. Due to the strong first half of the year, GDP will grow by around 5% in 2022 as a whole but will only stagnate in 2023. With inflation remaining high in 2023, Austria's economy is heading for stagflation for the first time since the 1970s.

In detail:

Chart 1 shows the abrupt end of the economic upswing burdened by high energy prices

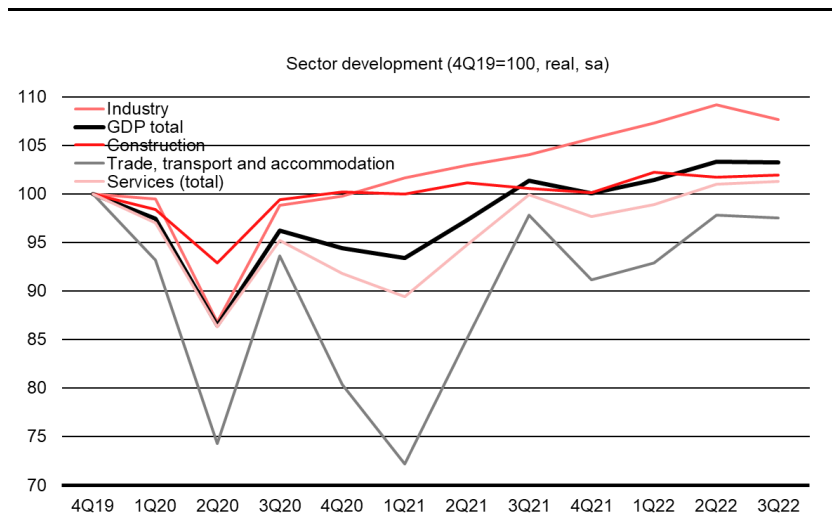
CHART 1: ECONOMIC SLUMP AFTER STRONG FIRST HALF OF THE YEAR



Source: Statistik Austria, WIFO, UniCredit Research

Chart 2 shows that Austrian GDP in 3Q22 exceeded the pre-pandemic level by more than 3%, with the weakest development in the services sector due to the lag in trade, transport and accommodation.

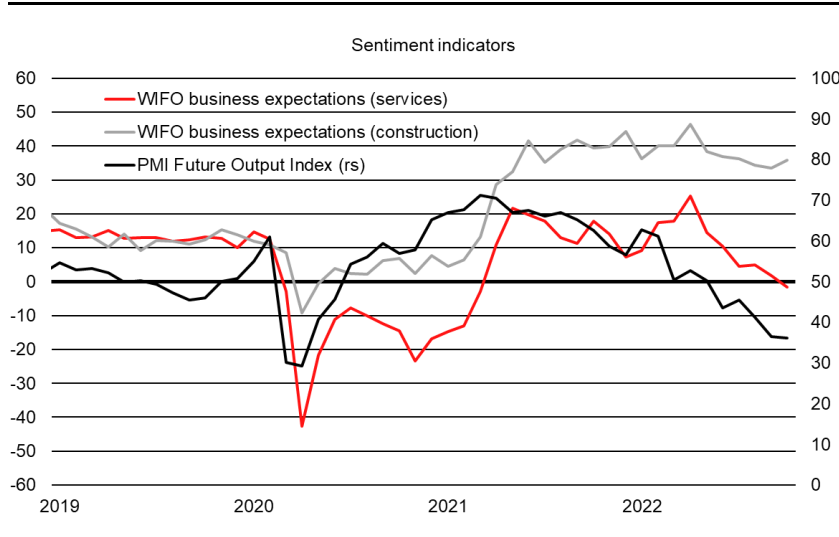
CHART 2: AUSTRIA'S ECONOMY EXCEEDS PRE-CRISIS LEVELS BY 3.2%



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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