

2.15. AUSTRIA

After its deepest recession since the Second World War, Austria's economy has recovered and reached its pre-crisis level of GDP in the third quarter of 2021. However, with the resurgence of COVID-19 infections and the reinforcement of containment measures, GDP declined by 2.2% q-o-q in the fourth quarter of 2021, resulting in annual GDP growth of 4.7%. In 2022, with the easing of measures and the albeit slow return of the winter skiing season, real GDP growth is projected to recover by 1.0% in the first quarter and to expand by 1.9% and 0.8% in the second and third quarter, respectively, before moderating to 0.5% in the fourth quarter. On an annual basis, real GDP is expected to expand by 4.3% in 2022, which is slightly lower than projected in the Autumn Forecast, primarily due to a lower carry-over from the previous year. In 2023, real GDP growth is set to moderate to 2.3%.

The expansion is set to be mostly driven by private consumption that benefits from pent-up demand, the ongoing recovery of the services and tourism sector, and continued increases in private investment. Further support should come from the eco-social tax reform and the implementation of the Austrian RRP. Sentiment indicators in January support this outlook. While the labour market has already fully recovered in 2021, the expansion is set to be increasingly restrained by labour shortages, both for high-skilled professions and low-skilled workers in the services and tourism industry.

As in other EU Member States, rising oil, gas, and electricity prices are having a noticeable impact on inflation. Further increases stem from the gradual introduction of carbon pricing, introduced by the eco-social tax reform. Overall, energy inflation is expected to remain high this winter but should moderate over the course of 2022. After reaching 2.8% in 2021, headline inflation is expected to peak at 3.3% in 2022, before gradually easing to 2.2% in 2023.

