

### Key messages:

- GDP growth will accelerate to around 2% in 2017 and 2018.
- Austria will comply with the medium term objective in 2017 (using “flexibility clauses”).
- Additional fiscal short-term stimuli are unnecessary in current economic upswing; no „election gifts”.
- An increase of efficiency, especially across different levels of government, is needed.
- Countermeasures may be required to avoid a deviation from EU-requirements of the preventive arm in 2018.

### Macroeconomic outlook

According to its economic outlook of March 2017, the Economic Research Institute (WIFO) expects the Austrian economy to recover significantly, with GDP growth at 2.0% in 2017 and at 1.8% in 2018. The increase in growth is driven by domestic demand and favourable labour market developments. Furthermore, foreign trade will rebound. Elections are set to take place in October 2017. Both the stability program update as well as the Fiscal Advisory Council’s forecast are based on the WIFO outlook.

### Short- and medium-term fiscal outlook

The government estimates the general government deficit for 2017 at 1.0% of GDP and for 2018 at 0.8% of GDP. Economic upswing will imply a reduction of the cyclical component of deficit. Therefore, the structural deficits (2017: -0.9% of GDP and 2018: -0.8% of GDP) are expected to come closer to general Maastricht deficit. If the additional costs caused by the arrival of refugees (2015, 2016) and those related to anti-terrorism measures are recognized as additional burden, as is permissible under the flexibility clauses, the structural deficit of Austria will amount to 0.5% of GDP in 2017 and 2018 according to the federal government’s stability program update.

Contrary to the government’s stability program update, the Fiscal Advisory Council’s spring forecast (chart 1) expects Austria to slightly miss its MTO and to deviate significantly from the spending rule in 2018 due to additional federal government measures (e.g. employment bonus and investment subsidies). The differences in the values for the 2018 structural deficit provided by the Fiscal Advisory Council’s spring forecast and the government’s stability program update result exclusively from the Maastricht deficit; the underlying values for the output gap and one-off measures are identical in both documents.

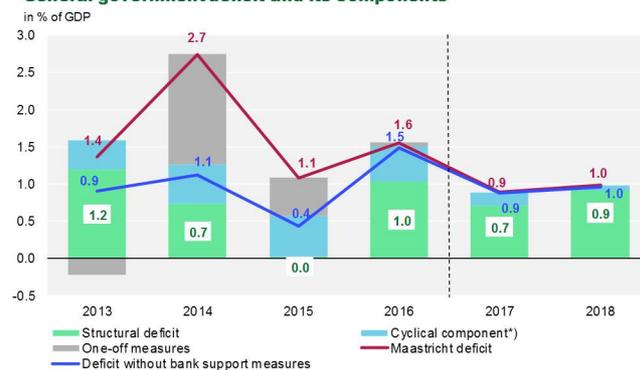
The gross debt (chart 2) should decrease substantial from 85% in 2016 to 78% of GDP due to the favourable economic developments and stock-flow-adjustments (the wind-down of state owned bad bank portfolios).

### Fiscal framework and national fiscal rules

To ensure compliance with fiscal requirements in years to come, Austria must continue to implement stability-oriented fiscal policies that are supportive of growth while reinforcing structural reforms. Top priorities include measures to enhance efficiency, especially in areas in which central, regional and local authorities share responsibilities, such as education, health care, long-term care, local public transport as well as the government’s objectives of reallocating intergovernmental functions and raising the effective retirement age.

Chart 1:

General government deficit and its components

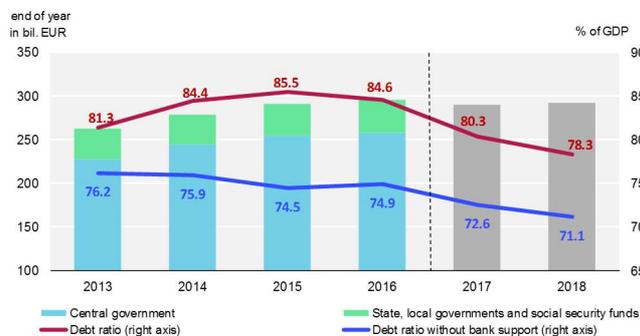


\*) budget sensitivity x output gap

Source: Statistics Austria, MoF, WIFO and FISK spring forecast 2017.

Chart 2:

Public debt (Maastricht) \*)



\*) According to ESA 2010 and Council Regulation (EU) No 220/2014.

Source: Statistics Austria, MoF, WIFO and FISK spring forecast 2017.

### Key indicator forecast

		2015 <sup>1)</sup>	2016 <sup>1)</sup>	2017 <sup>2)</sup>	2018 <sup>2)</sup>	2019 <sup>2)</sup>	2020 <sup>2)</sup>
Real GDP growth rate	[% y-to-y]	1.0	1.5	2.0	1.8	1.7	1.6
Output Gap - FISK est.	[%]	-0.9	-0.8	-0.3	-0.1	-0.1	0.0
GG balance - MoF targets	[% of GDP]	-1.1	-1.6	-1.0	-0.8	-0.5	-0.4
GG balance - FISK est.	[% of GDP]	-1.1	-1.6	-0.9	-1.0	-	-
GG debt - MoF est.	[% of GDP]	85.5	84.6	80.8	78.5	76.0	73.5
GG debt - FISK est.	[% of GDP]	85.5	84.6	80.3	78.3	-	-
GG structural balance - MoF est.	[% of GDP]	-	-1.0	-0.9	-0.8	-0.5	-0.3
GG structural balance - FISK est.	[% y-to-y]	0.0	-1.0	-0.7	-0.9	-	-
GG structural balance with "clauses" - FISK est.	[% of GDP]	0.1	-0.6	-0.3	-0.6	-	-

Sources:

1) The source for the realized data is Statistics Austria.

2) The estimates are made by the Ministry of Finance: Austrian Stability Programme, Update 2016 to 2021 as of April 2017;

Fiscal Advisory Council: Bericht über die Einhaltung der Fiskalregeln 2016-2021 as of May 2017.