

**EXECUTIVE
BOARD
MEETING**

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Supplement 2

August 25, 2021

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Austria—Staff Report for the 2021 Article IV Consultation—Supplementary Information**

Board Action:	Executive Directors' consideration (Formal)
Tentative Board Date:	Monday, August 30, 2021
Publication:	Yes*
Questions:	Mr. Franks, EUR (ext. 36347) Ms. Suphaphiphat, EUR (ext. 38773) Ms. Hassine, EUR (ext. 39603)
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***Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the document will be published.**



AUSTRIA

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION—SUPPLEMENTARY INFORMATION

August 24, 2021

Prepared By

European Department

1. This statement reports on developments that occurred since the staff report was issued to the Executive Board. This supplementary information does not alter the thrust of the staff appraisal.

2. COVID infections have risen in recent weeks, reflecting the increased prevalence of the delta variant. From a low of only 476 new cases in the first week of July, weekly infections have risen to 5,650 by mid-August. This number is still well below the peak of nearly 51,000 new cases weekly in November 2020. COVID deaths have remained very low so far despite climbing cases. Vaccinations continue to rise but the pace has slowed sharply. As of August 23 2021, 71.6 percent of adults (18+) in Austria had at least one vaccine dose, falling below the EU average of 74.9 percent.

3. On July 30, 2021, the Financial Markets Authority suspended the operations of another small bank, Weiner AutoBank AG, after the bank's shareholders failed to produce a viable plan to wind down operations. The bank subsequently declared bankruptcy on August 12, 2021. At the time of its closure, the bank held EUR 109 million in deposits, of which EUR 107 million are covered by the deposit guarantee. As of mid-August, some EUR 76 million have already been paid out by the deposit insurance scheme (Einlagensicherung). The failure of this non-systemic bank is unlikely to jeopardize Austria's financial stability.

4. Recently released economy activity indicators continued to show a mixed rebound in economic activity in 2021: Q2. The flash GDP estimate posted strong growth of 4.3 percent (q/q), but output remained below the pre-crisis level. Industrial production in June rose by 11.3 percent compared to last year, but slipped 1.8 percent compared to May and stands 1.7 percent above the pre-crisis levels. Tourism activity has also rebounded but remains well below its precrisis level. Overnight stays were up 42.5 percent (yoy) in June, but are still 40.8 percent below the precrisis figure.

5. Annual inflation edged up in July to 2.9 percent, from 2.8 percent in June. The price increase was driven by transportation costs (+8.0 percent) and household energy prices (+3.3 percent). Staff remains of the view that these price developments are largely temporary.

6. Gross international reserves in 2021 have increased with the SDR allocation of EUR 4.56 billion. The authorities intend to save the new SDR allocation as international reserves, and the macroframework has been updated accordingly (Table 4).

Update to Table 4. Austria: Balance of Payments, 2018–26
(In percent of GDP, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Projections								
BALANCE OF PAYMENTS									
Current account	1.3	2.8	2.5	2.0	2.3	2.1	2.0	2.3	2.4
Balance on goods and services	3.1	3.2	3.5	2.9	3.3	3.0	3.0	3.3	3.4
Exports of goods and services	55.6	55.5	52.6	54.7	55.4	55.2	55.0	55.1	55.4
Exports of goods	39.0	38.4	37.5	39.2	38.4	38.3	38.1	38.2	38.4
Exports of services	16.6	17.2	15.1	15.5	17.1	17.0	16.8	16.9	17.0
Imports of goods and services	52.5	52.3	49.1	51.8	52.1	52.2	51.9	51.9	52.0
Imports of goods	38.5	37.6	36.2	38.7	38.0	37.7	37.5	37.5	37.7
Imports of services	14.1	14.7	13.0	13.0	14.2	14.5	14.4	14.4	14.4
Primary income, net	-0.9	0.5	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Secondary income, net	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
Capital account	-0.6	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Financial account	1.8	4.3	1.4	1.9	2.3	2.0	2.0	2.2	2.3
Direct investment, net	0.5	1.7	2.8	1.7	1.7	1.7	1.7	1.7	1.7
Direct investment abroad, net	-6.1	-0.2	-3.4	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Direct investment in Austria, net	-6.6	-1.9	-6.2	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9
Portfolio investment, net	0.9	-1.3	-3.9	-4.9	-3.4	-3.6	-3.7	-3.4	-3.3
Financial derivatives, net	-0.2	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Other investment, net	0.0	3.6	1.8	3.6	3.6	3.6	3.6	3.6	3.6
Reserve assets	0.6	0.0	0.4	1.1	0.0	0.0	0.0	0.0	0.0
Errors and omissions, net	1.1	1.5	-1.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET									
Int'l investment position, net	5.3	12.1	10.9	13.4	14.8	16.2	17.4	19.0	20.7
Assets	220	228	235	231	223	219	215	213	212
Liabilities	215	216	225	218	208	203	197	194	192
Direct investment	10	11	10	11	12	13	14	15	17
Assets	72	70	65	62	58	55	52	50	48
Liabilities	62	60	56	51	46	42	38	35	32
Portfolio investment	-17	-15	-19	-23	-25	-27	-30	-32	-34
Financial derivatives	0	0	0	0	1	1	1	2	2
Other investment	7	11	14	16	19	22	24	27	30
Reserve assets	5	5	7	9	8	8	7	7	7
MEMORANDUM ITEMS									
Export value (goods and services)	7.5	2.9	-10.1	10.0	8.0	4.0	4.5	3.9	3.8
Import value (goods and services)	7.5	2.8	-10.9	11.5	7.3	4.5	4.5	3.4	3.6
Nominal GDP (billions of euro)	385	398	377	399	425	444	466	482	498

Sources: Authorities' data and IMF staff estimates and projections.