



OESTERREICHISCHE NATIONALBANK

EUROSYSTEM

COVID-19: Impact on the Economy and Central Bank Policies

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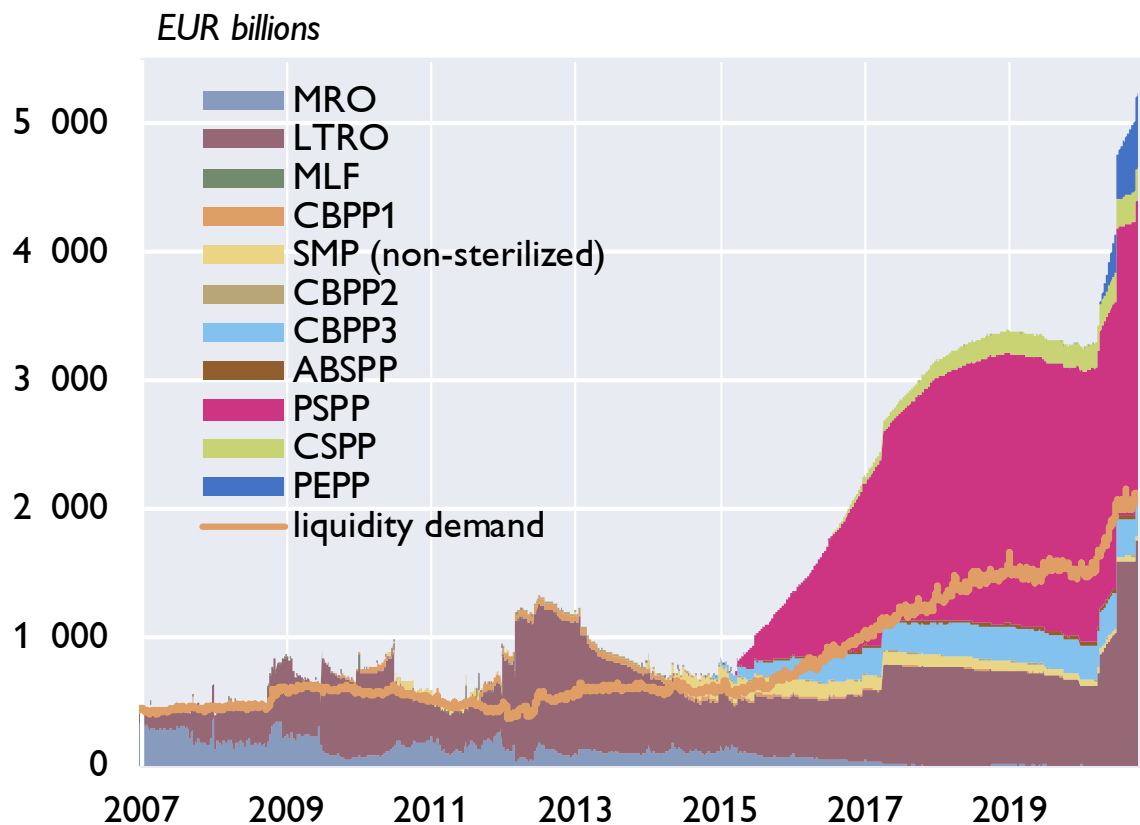
Outline

- COVID-19 and the Eurosystem's reaction to its economic fallout
- The COVID-19 effects on Austria's GDP
- Austrian fiscal measures to mitigate the economic impact of COVID-19
- How the government's measures will result in fewer bankruptcies in Austria



The Eurosystem reacted with a comprehensive policy package

Eurosystem's monetary policy operations



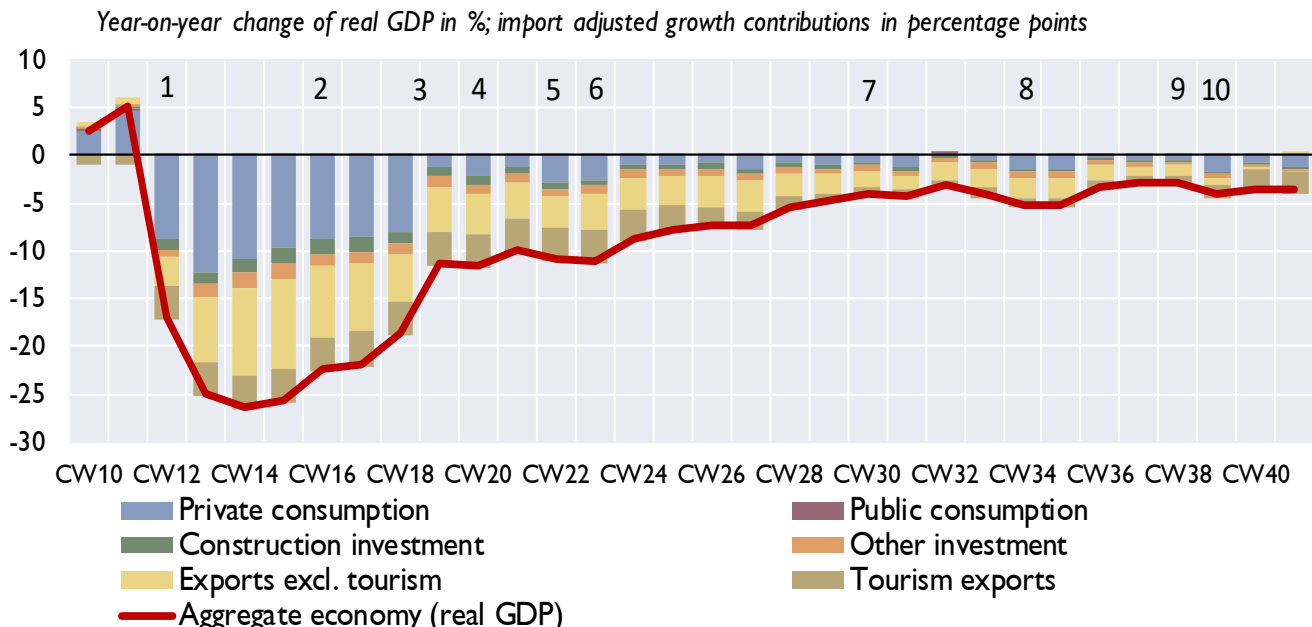
Main building blocks of the policy package:

- Central bank loans for banks at favourable conditions:
 - TLTROs III offer loans at -0.50% (if net lending reaches the lending performance threshold, rate can be as low as -1.0%)
 - PELTROs offer loans at -0.25%
- Easing of collateral requirements
- Asset purchase programmes:
 - APP extended by 120 billion EUR to year end
 - PEPP with an envelope of 1,350 billion EUR to be spent until June 2021

Quelle: EZB.

Monitoring the economy in real time during the COVID-19 pandemic: the OeNB's weekly GDP indicator

Weekly GDP indicator for Austria



1: Lockdown (March 16) 2: Opening of small shops (April 14) 3: Opening of all shops (May 2)
4: Opening of restaurants (May 15) 5: Opening of hotels (May 29) 6: Gradual reopening of borders (June 4)
7: Reintroductions of face masks (July 24) 8: Travel warning (Croatia, Balearics gradually from August 8)
9: Travel warnings for Austria (September 16) 10: Tightened protective measures (September 21)

Source: OeNB.

For more details see: <https://www.oenb.at/Publikationen/corona.html>

- Estimation based on a set of high-frequency real-time indicators from various areas: labor market, payment data, cash withdrawals, transportation volume, mobility data, electricity consumption...
- Estimation of main demand components of GDP allows for more detailed story telling
- Published regularly since mid May 2020
- Recovery initially V-shaped, but right arm became clearly flatter over time
- In recent weeks increasing number of infections, travel warnings, containment measures → renewed negative effects in tourism sector since end of September
- Exports (excl. tourism), however, back to previous year levels
- GDP currently 3.5% below previous year

Impact of the COVID-19 pandemic on Austrian firms

Code	Sector	Demand		Labour market	Supply				Solvency		Liquidity		Total
		N1 Decline of demand in %	N2 Possibility of catching-up	L 1 Increase unemployem (% of employment)	A1 Intensity of shutdown	A2 Employment intensity (per Mio. € value added)	A3 Share of foreign workers (in %)	A4 Dependency on imported intermediaries (II per unit of gross output)	F1 Equity ratio (invers)	F2 Probability of default (%)	F3 Sharp ratio (invers)	F4 Unused credit lines (% of gross output, invers)	G Total score (0-1)
1	I Accommodation and food service activities	80	0	25.9	1.00	12.9	55.0	7.1	15.8	3.2	2.1	2.8	1.00
2	N79 Travel agency, tour operator and other reservation	88	0	4.7	1.00	25.7	16.4	41.3	18.1	1.0	30.0	2.6	0.87
3	S96 Other personal service activities	74	13	17.3	0.88	15.5	29.6	4.4	29.5	1.4	20.9	4.2	0.83
4	H51 Air transport	90	10	0.6	1.00	10.8	24.7	29.0	22.4	1.6	27.4	0.4	0.81
5	R93 Sports activities and amusement and recreation ac	80	0	11.2	1.00	9.4	30.0	6.9	24.3	2.4	12.2	2.2	0.81
6	C31-C32 Manufacture of furniture; other manufacturing	81	50	1.1	0.00	13.9	16.8	38.8	32.3	0.8	17.5	3.7	0.74
7	R90-R92 Creative, arts and entertainment activities; libraries	82	0	1.6	1.00	8.6	25.1	5.9	44.8	0.6	30.2	4.0	0.67
8	C29 Manufacture of motor vehicles, trailers and semi-tr	66	50	0.7	0.00	9.1	19.7	55.8	35.9	0.8	8.7	2.4	0.65
9	C13-C15 Manufacture of textiles, wearing apparel, leather an	70	50	0.7	0.00	14.9	31.2	41.1	34.0	2.6	19.7	4.7	0.65
10	G47 Retail trade, except of motor vehicles and motorcy	51	25	4.0	0.85	20.7	21.8	6.4	24.6	1.8	10.1	6.1	0.58
11	C18 Printing and reproduction of recorded media	57	50	2.0	0.00	11.0	15.5	34.0	23.3	1.7	11.8	3.1	0.58
12	C19 Manufacture of coke and refined petroleum produ	38	50	0.9	0.00	1.5	13.8	98.2	0.0	0.2	0.0	5.1	0.54
13	H49 Land transport and transport via pipelines	45	20	11.1	0.00	12.2	31.6	6.9	27.3	1.2	-0.2	3.5	0.54
14	N78 Employment activities	46	13	15.0	0.00	20.2	45.0	1.4	24.5	1.0	68.9	1.7	0.52
15	C30 Manufacture of other transport equipment	54	50	0.7	0.00	10.5	20.1	22.3	31.6	0.6	15.3	9.4	0.51
16	C33 Repair and installation of machinery and equipmen	45	50	1.6	0.00	9.9	14.6	24.0	29.5	1.2	9.7	1.5	0.49
17	N Administrative and support service activities	30	20	10.0	0.75	14.0	45.2	8.1	28.3	0.7	30.1	4.9	0.49
18	G Wholesale and retail trade; repair of motor vehicle	44	25	3.4	0.75	13.8	20.1	11.3	28.0	1.2	21.1	8.8	0.48
19	G45 Wholesale and retail trade and repair of motor veh	42	25	3.7	0.75	13.5	16.5	16.6	24.0	1.9	8.2	9.2	0.47
20	F Construction	37	25	11.5	0.25	10.7	30.1	11.0	24.7	1.6	11.1	10.3	0.47

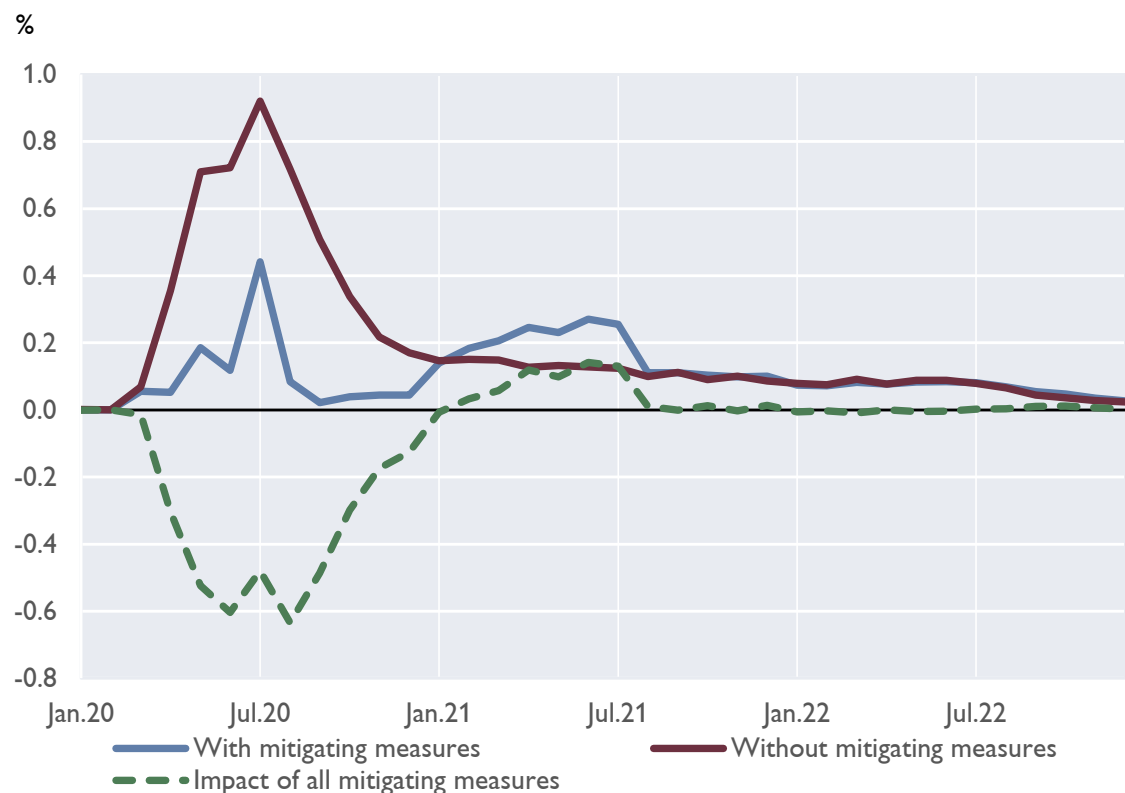
COVID-19: national fiscal measures in Austria

- **Focus on targeted measures for those most heavily hit by the pandemic**
 1. Short-term work („Kurzarbeit“, envelope of 12 bn)
 2. Subsidies for fixed costs (envelope of 12 bn)
 3. Fund for severely affected small enterprises („Härtefallfonds“, envelope of 2 bn)
 4. Fund for NPOs (incl. sports) affected by the crisis (envelope of 0.7 bn)
 5. Other one-off social transfers to unemployed and to families (~1 bn)
 6. Additional federal health expenditures (testing, information, equipment, ...) so far less than 1 bn
 7. Tax deferrals and guarantees to improve the liquidity situation of enterprises (each amounting to about 6½ bn in mid-September)

- **At the same time, some “classical” stimulus measures have also been passed**
 1. Temporary cut to VAT for hotels and restaurants to 5%
 2. Small income tax cut (lower entry rate for all incomes and higher tax credits for low incomes)
 3. Investment incentives for municipalities and private enterprises

Insolvency rates in Austria with/without government measures

Insolvency rates of Austrian firms (monthly rates)



Source: OeNB.

- Basic idea of the insolvency model:**
 a macroeconomic scenario generates stress to firms. Over time, both **equity** and **liquidity** positions deteriorate, causing firm insolvencies, if they fall under a threshold.
- Without** mitigating measures, the insolvency rate would rise to 5.5% at the end of 2020. By end-2022, 9.8% of all Austrian firms would fail, corresponding to an annual insolvency rate of 3.3%.
- Mitigating government measures** can thus reduce the additional insolvencies from the impact of the COVID-19 crisis by two thirds in 2020 resp. one third until 2022. **In the first half of 2021**, insolvencies are expected to increase due the phasing out of the deferral of social security contributions.
- In the **long run**, credit guarantees seem to be the most effective instrument, followed by the fixed-cost support and short-term work. Short-term deferrals of payment obligations help to prevent insolvencies in the short-run only.

Danke für Ihre Aufmerksamkeit

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