



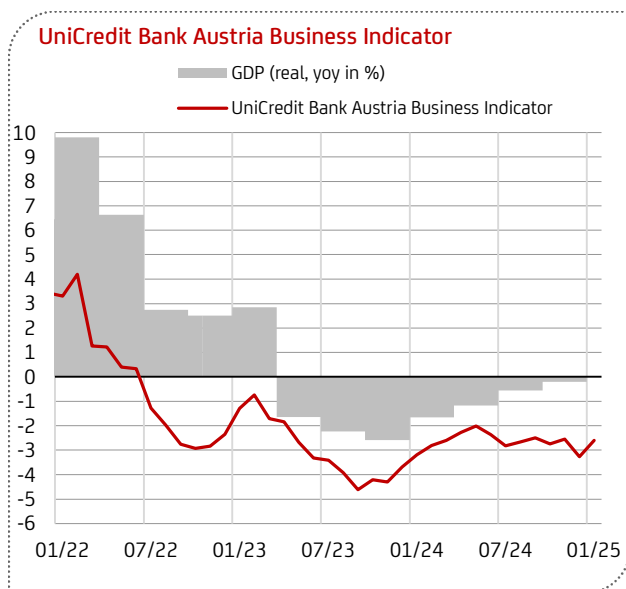
Business Indicator

February 2025

Overview

SENTIMENT IMPROVED SLIGHTLY AT THE START OF THE YEAR, BUT ECONOMY CONTINUES TO WEAKEN

- Although the low in sentiment at the end of the year was overcome, the UniCredit Bank Austria Business Indicator remained in negative territory at minus 2.6 points despite a slight increase in January 2025
- The improvement was mainly driven by the services sector and a somewhat brighter export environment
- A greater willingness to consume and invest due to lower inflation and interest rates should make domestic demand the driving force behind a slight recovery over the course of the year
- We have lowered our GDP forecast for 2025 from 0.9% to 0.3%. This is due to a lower statistical overhang and restrictive fiscal measures
- Despite headwinds at the start of the year, the expiring second-round effects should inflation to fall from 2.9 percent in 2024 to 2.5 percent in 2025 and further to 1.9 percent in 2026
- The unemployment rate will rise to an average of 7.3% in 2025. No improvement is expected for 2026
- Further interest rate cuts by the ECB to below the neutral level



Source: Statistik Austria, Wifo, UniCredit Bank Austria

	GDP real (yoy in %)	UniCredit Bank Austria Business Indicator
Dec-98	3.3	3.2
Dec-99	4.5	4.4
Dec-00	2.9	3.9
Dec-01	0.0	0.4
Dec-02	0.8	1.8
Dec-03	2.4	2.7
Dec-04	2.6	2.8
Dec-05	2.7	2.9
Dec-06	3.5	3.9
Dec-07	2.9	2.9
Dec-08	-1.2	-2.0
Dec-09	-0.7	0.7
Dec-10	2.6	2.2
Dec-11	1.5	0.6
Dec-12	0.0	0.6
Dec-13	0.7	1.5
Dec-14	1.0	0.8
Dec-15	1.4	1.7
Dec-16	2.0	3.1
Dec-17	3.1	5.1
Dec-18	3.1	3.2
Dec-19	0.3	1.3
Dec-20	-4.9	0.0
Mar-21	-5.4	2.4
Jun-21	13.7	7.2
Sep-21	5.3	5.5
Dec-21	6.4	3.4
Mar-22	9.8	1.3
Jun-22	6.6	0.3
Sep-22	2.7	-2.7
Dec-22	2.5	-2.4
Mar-23	2.8	-1.7
Jun-23	-1.6	-3.3
Sep-23	-2.2	-4.6
Dec-23	-2.6	-3.7
Mar-24	-1.7	-2.5
Jun-24	-1.2	-2.4
Sep-24	-0.6	-2.5
Dec-24	-0.2	-3.3
Jan-25		-2.6

Source: UniCredit Bank Austria

In details

UNICREDIT BANK AUSTRIA BUSINESS INDICATOR ROSE TO MINUS 2.6 POINTS IN JANUARY

Economic sentiment in Austria improved slightly at the start of the year. The UniCredit Bank Austria Business Indicator rose to minus 2.6 points in January, but remains at a very low level for the time being. Following the deterioration in the second half of 2024, which culminated in a low for the year in December, economic sentiment in Austria recovered slightly at the start of the year. Although the problems in the export business continue to be a burden, the improved conditions for domestic demand due to lower inflation and lower interest rates are becoming more noticeable for entrepreneurs and consumers in Austria and have led to a slight improvement in the sentiment barometer. However, the level of the UniCredit Bank Austria Business Indicator remains low and is at a similar level to the annual average for 2023 and 2024, both years that saw GDP in Austria fall by around one percent.

SENTIMENT IMPROVED IN ALMOST ALL ECONOMIC SECTORS AT THE START OF THE YEAR

The rise in the UniCredit Bank Austria Business Indicator was driven by a general improvement in economic sentiment at the start of 2025. Only in construction did sentiment deteriorate again somewhat in January. While the situation in the finishing trades remained stable and even improved significantly in civil engineering, the moderate development of orders in building construction caused increasing concern. Boosted by a slight improvement in global industrial demand, particularly in some European sales markets, pessimism in the manufacturing industry in Austria declined somewhat, but remained very high in a long-term comparison. As in previous months, food production was the only industrial sector at the beginning of the year in which the economic mood was positive.

The main reason for the rise in the UniCredit Bank Austria Business Indicator in January was the significant improvement in sentiment in the service sector. In addition to tourism and retail, the motor vehicle trade and transport services also felt more tailwind. Overall, however, sentiment in the services sector in January remained below the long-term average, burdened by the unchanged high level of consumer uncertainty. Despite high real wage increases, consumers continued to exercise restraint in their spending and saved more than usual.

Economic sentiment in Austria continues to lag behind that in Europe. In all sectors of the domestic economy, the assessment of the situation was less favorable than in the eurozone. However, the gap has now narrowed compared to previous months. In industry, however, pessimism in Austria is still significantly higher than the European average.

SMALL STEPS OUT OF RECESSION

One swallow does not make a summer. The slight increase in economic sentiment in Austria at the start of 2025 is encouraging, but there are currently no signs of a rapid end to the weak growth of the Austrian economy. However, we remain optimistic that the improvement in general conditions will have an increasingly positive impact on domestic demand over the

course of the year and that Austria will be spared a third year of recession. However, increased protectionism in foreign trade on the one hand and a restrictive fiscal policy on the other will limit growth prospects. We have reduced our GDP forecast for 2025 from 0.9% to 0.3%.

Economic development in Austria in 2025 will depend crucially on how quickly and how strongly the easing of inflation and the further loosening of monetary policy will affect the dynamics of consumption and investment. As nominal wage increases are once again expected to exceed inflation, real purchasing power will continue to increase and the losses from the inflation shock will finally be offset over the course of the year. As a result, domestic consumers should slowly abandon their reluctance to spend. However, the continuing high level of uncertainty, increasing concerns about employment and budgetary measures will counteract a strong revival in consumption. Further interest rate cuts by the ECB should have a positive impact on domestic companies' willingness to invest, particularly in the construction sector. However, the current below-average capacity utilization in the domestic economy and the headwind in the export business due to a weakened competitive position and the intensification of protectionism stand in the way of a significant increase in investment momentum for the time being.

UNEMPLOYMENT CONTINUES TO RISE, BUT ONLY MODERATELY

In view of the ongoing economic weakness, the labor market in Austria remains relatively robust. The seasonally adjusted unemployment rate was 7.2% in January, with a slight upward trend. The upward trend in the unemployment rate is expected to continue into 2026, but will remain manageable. After an average of 7.2% in 2024, we expect an unemployment rate of 7.3% in 2025, which should stabilize at this level in 2026. The slower increase in the labor supply due to the retirement of the baby boomer generation, lower immigration and the high popularity of part-time work will counteract a sharp deterioration in the situation on the labor market.

INFLATION RISE AT THE START OF THE YEAR ONLY TEMPORARY

Following the low inflation figures at the end of 2024, there was a significant price surge at the start of the year, triggered by the expiry of the electricity price brake, the increase in the CO2 price and price adjustments due to tourism. However, the year-on-year rise in inflation to over 3% was surprisingly strong, which is likely to have been driven by cost-related price increases in some service sectors with good demand growth. After the second half of 2024 was characterized by a convergence, Austria is once again showing a noticeable inflation premium compared to the eurozone.

However, second-round effects in the services sector and a decline in the pricing power of goods manufacturers in light of the weak economy should ensure a gradual slowdown in inflation in the coming months. "Due to the surprisingly strong rise in inflation at the start of the year, we have raised our forecast for 2025 from an average of 2.2% to 2.5%. Due to the continued easing of price pressure from the services sector and assuming that there are no distortions on the commodities markets, we continue to expect inflation of 1.9% for 2026.

FURTHER KEY INTEREST RATE CUTS IN THE PIPELINE

As expected, the European Central Bank has started 2025 with a further interest rate cut of 25 basis points. In view of the easing of inflation, we expect the ECB to continue to loosen monetary policy in the eurozone in the coming months. By the end of 2025, we expect key interest rates to be reduced by a further 100 basis points, meaning that the deposit rate should reach its final level in the current interest rate cycle at 1.75%. The ECB's monetary policy is likely to become slightly expansionary by lowering interest rates to below the neutral level of around 2%. In our view, the subdued economic outlook and the burdens on the European economy caused by the protectionist foreign trade policy of the USA could prompt the ECB to take this step.

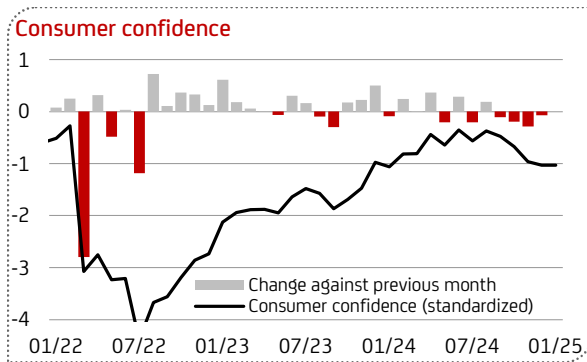
Economic Forecast

	2017	2018	2019	2020	2021	2022	2023	estimate 2024	forecast UCBA 2025 2026	
<i>Real change in %</i>										
GDP	2,3	2,5	1,8	-6,3	4,8	5,3	-1,0	-0,9	0,3	1,3
Private consumption	1,9	0,8	0,7	-7,6	4,8	4,9	-0,5	-0,2	0,9	1,4
Public consumption	0,6	1,0	1,3	-0,8	7,6	-0,6	1,2	1,0	0,3	0,4
Gross fixed capital formation*)	4,2	4,4	4,3	-5,3	6,0	0,4	-3,2	-2,5	1,6	1,9
Investments in plant and machinery	7,7	1,3	1,0	-8,2	9,2	-0,2	4,4	-2,2	2,3	2,8
Investments in construction	2,5	5,6	3,5	-3,5	4,1	-1,3	-9,3	-2,7	1,0	1,2
Exports	4,9	5,2	4,0	-10,5	9,5	10,0	-0,4	-4,5	-1,0	2,5
Imports	5,3	5,1	2,4	-9,6	14,1	7,1	-4,6	-3,3	0,3	2,7
CPI (change in %)	2,1	2,0	1,5	1,4	2,8	8,6	7,8	2,9	2,5	1,9
HCPI (change in %)	2,2	2,1	1,5	1,4	2,8	8,6	7,7	2,9	2,2	1,9
Saving ratio (in %)	7,1	7,7	7,2	13,6	11,4	8,8	8,7	11,1	11,2	10,4
Current account (in euro bn)	4,6	3,2	9,4	12,8	7,0	-3,9	6,3	14,0	12,1	11,1
Current account (in % of GDP)	1,3	0,8	2,4	3,4	1,7	-0,9	1,3	2,9	2,4	2,2
Employment (in 1,000)**)	3 573	3 661	3 720	3 644	3 734	3 845	3 889	3 898	3 896	3 911
Employment (change in %) **)	2,0	2,5	1,6	-2,0	2,5	3,0	1,2	0,2	0,0	0,4
Unemployment rate (nat. def.)	8,5	7,7	7,4	9,9	8,0	6,3	6,4	7,0	7,3	7,3
Unemployment rate (EU def.)	5,9	5,2	4,8	6,0	6,2	4,8	5,1	5,2	5,5	5,5
Unemployed (annual average in 1,000)	340	312	301	410	332	263	271	298	313	313
General gov. balance (in % of GDP)	-0,8	0,2	0,5	-8,2	-5,7	-3,3	-2,6	-4,0	-2,9	-2,7
Public-sector debt (in % of GDP)	79,1	74,6	71,0	83,2	82,4	78,4	78,6	81,4	82,8	83,6
Nominal GDP (in euro bn)	367	383	396	380	406,2	448,0	473,2	484,0	497,6	513,7

*) excluding changes in inventory **) excluding persons drawing maternity benefits, military service and training

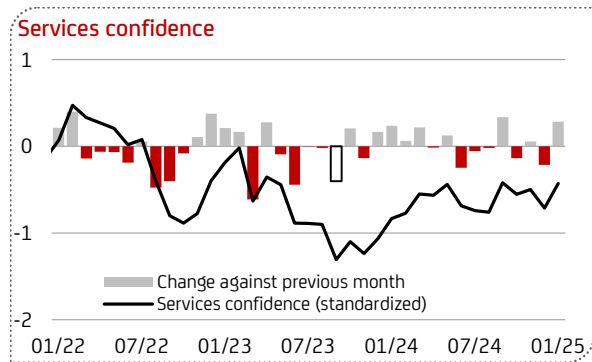
Source: UniCredit Bank Austria

Consumer sentiment stable, but low



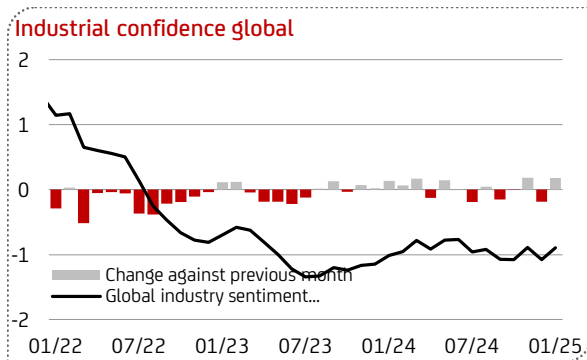
Domestic consumer sentiment stabilized at a low level at the beginning of 2025.

Sentiment in services improved

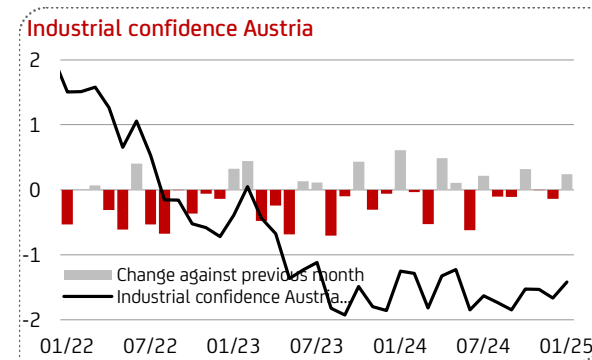


In addition to tourism and retail, the trade in motor vehicles and transport services now also felt more tailwind.

The improvement in the global export environment lifted sentiment in domestic industry

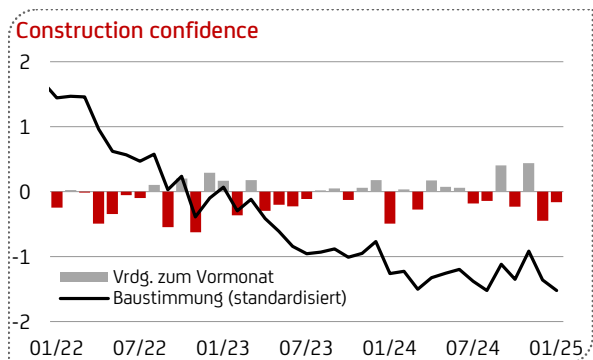


Global industrial demand improved in January, with the positive development in some European sales markets in particular contributing to this.



Pessimism in the manufacturing industry declined somewhat in January but remained very high in a long-term comparison.

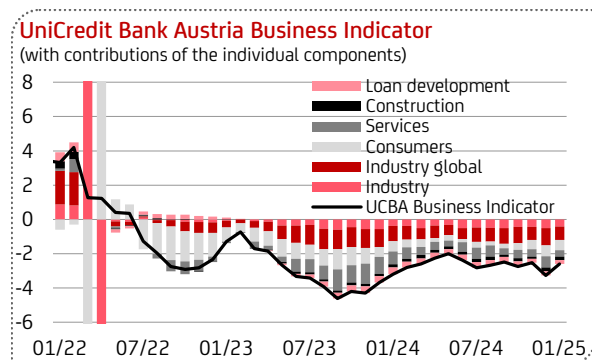
Sentiment in construction industry cooled down



Only in the construction sector did the mood deteriorate again somewhat in January. In building construction in particular, the moderate order development caused increasing concern.

Quelle: EU Kommission, Statistik Austria, UniCredit

UCBA Business Indicator rose to minus 2.6 points



Almost all sub-components of the UniCredit Bank Austria Business Indicator improved in January. In particular, sentiment in the service sector contributed positively.

MORE TO READ

We invite you to visit the economic analyses on Bank Austria's website: www.bankaustria.at under "Direct access – Markets & Research - Analyses & Research" in the section "Economic Research Austria" or directly at <http://www.bankaustria.at/en/about-us-publications-economic-research-austria.jsp>.

If you would like to receive information on our most recent publications by e-mail, please subscribe to the newsletter Bank Austria Economic News via e-mail: econresearch.austria@unicreditgroup.at.

AUTHORS

Walter Pudschedl, Senior economist, UniCredit Bank Austria (walter.pudschedl@unicreditgroup.at)

LEGAL INFORMATION

These publications do not constitute investment advice, investment recommendations, marketing communications, or financial analysis. In particular, they are not an offer or solicitation to buy or sell securities and do not constitute a solicitation to make such an offer. They are intended solely as initial information and are no substitute for advice based on the individual circumstances and knowledge of the investor.

It is an analysis based on publicly available economic data. Despite careful research and the use of reliable sources, no responsibility can be taken for completeness, correctness, timeliness and accuracy.

Any investment in securities involves risks. The value of the investment and the income from it may fluctuate suddenly and substantially and therefore they cannot be guaranteed. There is a possibility that the investor will not receive back the full amount invested, particularly if the investment is held for only a short time. In some circumstances, a total loss is also possible.

Possible (return) payments from the product may not protect investors against inflation risk. There can be no assurance, therefore, that the purchasing power of the capital invested will not be affected by a general increase in the prices of consumer goods. Figures and information on performance refer to the past and past performance is not a reliable indicator of future results.

Only in the context of an investment advisory service can UniCredit Bank Austria AG take into account the personal circumstances of the customer (investment objectives, experience and knowledge, risk appetite, financial circumstances and financial loss tolerance) and carry out a product-specific suitability test.

IMPRINT

Disclosure according to Sections 24 and 25 of the Austrian Media Act (Mediengesetz - MedienG):

Published by:

UniCredit Bank Austria AG
1020 Vienna, Rothschildplatz 1

Which is also the media owner.

Business objective: credit institution pursuant to Section 1 (1) of the Austrian Banking Act (Bankwesengesetz)

Persons authorised to act on behalf of the media owner (Management Board): Ivan Vlaho, Daniela Barco, H el ene Buffin, Dieter Hengl, Emilio Manca, Marion Morales Albi ana-Rosner, Svetlana Pancenko, Wolfgang Schilk.

Supervisory Board of the media owner: Gianfranco Bisagni, Aurelio Maccario, Livia Aliberti Amidani, Christoph Bures, Richard Burton, Adolf Lehner, Judith Maro, Herbert Pichler, Eveline Steinberger, Doris Tomanek, Roman Zeller.

Interests held in the media owner pursuant to Section 25 of the Austrian Media Act:

UniCredit S.p.A. holds 99.996% of the shares in the media owner (key details of the shareholder structure of UniCredit S.p.A. are available at <https://www.unicreditgroup.eu/en/governance/shareholder-structure.html>).

"Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG, Region Wien" (the Employees' Council Fund of the Employees' Council of employees of UniCredit Bank Austria AG in the Vienna area) and "Privatstiftung zur Verwaltung von Anteilsrechten" (a private foundation under Austrian law; founder: Anteilsverwaltung-Zentralsparkasse; beneficiary: WWTF – Wiener Wissenschafts-, Forschungs- und Technologiefonds) have a combined interest of 0.004% in the media owner.



MobileBanking App

Simply download it from your provider's app store.
All information: mobilebanking.bankaustria.at



Our customer service on the Internet

bankaustria.at/customer-support



Our branches throughout Austria

filialfinder.bankaustria.at

You can find us on:

