



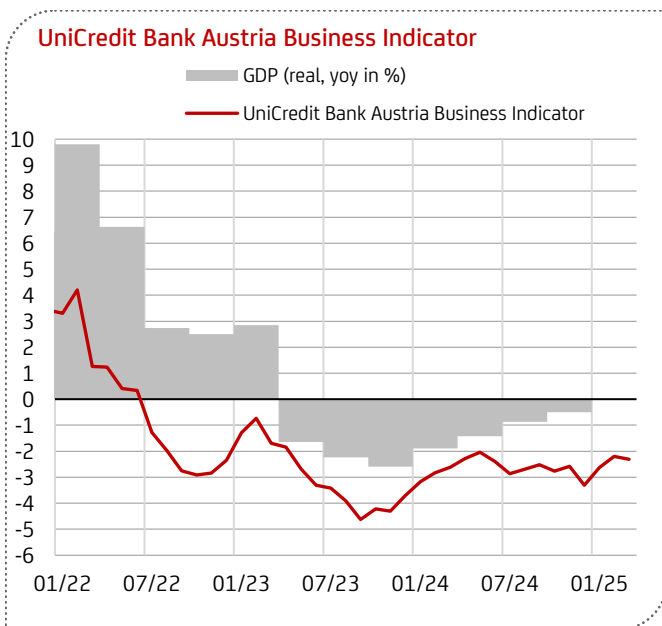
# Business Indicator

**April 2025**

# Overview

## BURDEN FROM US TARIFF POLICY MAKES GDP DECLINE LIKELY IN AUSTRIA IN 2025

- UniCredit Bank Austria Business Indicator fell by 0.1 points to minus 2.3 points in March
- The decline in sentiment in all economic sectors could not be offset by higher consumer confidence
- Losses of 0.25 percentage points due to US tariff policy: GDP forecast from +0.1 to -0.2 percent
- Noticeable economic growth of 1.1 percent is not expected until 2026
- The problems on the labor market are increasing: Unemployment rate expected to rise to 7.5 percent in 2025, with no improvement in sight for 2026
- Inflation expectations unchanged: Decline in inflation to an average of 2.5 percent in 2025 and 1.9 percent in 2026
- The burdens of US tariff policy are likely to prompt the ECB to lower the deposit rate below the neutral level to 1.75 percent by the end of 2025



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	-1.9	-2.5
Jun-24	-1.4	-2.4
Sep-24	-0.9	-2.5
Dec-24	-0.5	-3.3
Jan-25	-	-2.6
Feb-25	-	-2.2
Mar-25	-	-2.3

Source: UniCredit Bank Austria

# In details

## UNICREDIT BANK AUSTRIA BUSINESS INDICATOR DECREASED TO MINUS 2.3 POINTS IN MARCH

The slight upward trend in the Austrian economy since the turn of the year suffered a setback in March. The UniCredit Bank Austria Business Indicator fell to minus 2.3 points at the end of the first quarter. However, the decline was minimal at just one tenth of a percentage point. In the first quarter of 2025, the UniCredit Bank Austria Business Indicator rose to an average of minus 2.4 points, the best value in four quarters. In combination with the improved real economic data from industry and construction as well as the slight growth in retail and the automotive trade, the indicator suggests that the Austrian economy has left the recession behind. For the first time after eight negative quarters, economic output in Austria should have risen slightly again at the start of 2025.

## IMPROVEMENT IN CONSUMER SPENDING

The tailwind for economic sentiment from lower interest rates and higher consumer purchasing power was dampened in March by increased uncertainty following US President Trump's tariff announcements. Sentiment deteriorated in all economic sectors at the end of the first quarter. Only domestic consumers became somewhat more confident, supported by real wage growth and a relatively stable labor market.

The biggest contributor to the current decline in the UniCredit Bank Austria Business Indicator in March was the deterioration in sentiment in the service sector, particularly in tourism and tourism-related industries. Pessimism also increased again slightly in the construction industry, which was due in particular to developments in the ancillary construction trades and in building construction, although the order situation in building construction improved. In view of the tariff announcements by the US government, the associated uncertainty in the heavily export-oriented industry led to a decline in business assessments. Sectors with high export shares, such as the plastics industry or the metal processing sectors, were particularly hard hit, especially as the global export environment deteriorated overall. The indicator of international industrial sentiment, which is weighted with Austrian trade shares, fell, primarily due to a downward trend on the Asian and American sales markets.

## GDP FORECAST FOR 2025 LOWERED BY 0.3 PERCENTAGE POINTS

Although the latest data indicates that the recession in Austria is likely to have ended at the start of the year, expectations of a further gradual improvement in the economy in the coming months are unlikely to be fulfilled for the time being. In view of the negative impact of US protectionist measures on the domestic export industry, we have lowered our GDP forecast for 2025 from +0.1% to -0.2%. Regardless of the actual level of tariffs in the end, the uncertainty caused by the erratic announcement policy is already dampening the economic outlook. In addition, the budget austerity measures will weaken the upward trend in domestic demand, which is being driven by lower interest rates and higher purchasing power.

Despite these challenges, the economists at UniCredit Bank Austria do not expect a recession in Austria in 2025, meaning that GDP will not fall at least twice quarter-on-quarter. However, a year-on-year comparison will show a decline in economic output for the third year in a row, albeit significantly less than in previous years.

We have also lowered our GDP forecast for 2026 as a result of US tariff policy, but are still assuming moderate economic growth of 1.1% for Austria. On the one hand, private consumption should gain strength due to the normalization of inflation and the decline in the high propensity to save. On the other hand, investment activity should be able to increase due to low interest rates and the dispersion effects of the expansive fiscal policy in Germany. The infrastructure investments already announced by the new German coalition government will not have an impact on the economy until 2026.

## UNEMPLOYMENT CONTINUES TO RISE

In view of the ongoing economic challenges, the situation on the labor market is expected to deteriorate further in the coming months. Due to the particular burdens placed on the export industry by US tariff policy, the reduction in the number of employees in industry is likely to accelerate and will not be compensated for by additional jobs in the service sector. At the end of the first quarter, the seasonally adjusted unemployment rate had already reached its highest level since summer 2021 at 7.4%.

The current challenges will significantly reduce the willingness to retain qualified, experienced employees in companies, when capacity is underutilized. Unemployment in Austria will rise somewhat more than previously expected, burdened by the development in the domestic export-oriented industry. We have raised our unemployment rate forecast for 2025 from 7.3% to 7.5% and expect it to stabilize at this higher level in 2026.

## ENERGY PRICE TREND LIKELY TO SUPPORT FURTHER DECLINE IN INFLATION

Following the rise in inflation to over 3% at the start of the year, mainly due to the abolition of the electricity price cap, inflation slowed again in March to an estimated 2.9% year-on-year. The ongoing reduction in service inflation and the fall in energy prices contributed to this. Both factors will also contribute to a further slowdown in inflation in Austria in the coming months. Due to the economic damage caused by the US tariff policy, the price of crude oil is likely to settle at a lower level of between USD 65 and 70 per barrel as a result of demand. The euro also gained strength against the US dollar and is expected to remain above USD 1.10 to the euro. The weaker global economic outlook and the easing of European storage targets are also likely to keep the price of natural gas in a lower trading range of EUR 45 to 50 per MWh.

We continue to expect inflation in Austria to slow to an average of 2.5% in 2025. In addition to the slow slowdown in services inflation due to the expiry of second-round effects, the decline will be supported by lower oil and gas prices. Possible tariff measures on US imports should not have any noticeable impact on goods price inflation in Austria, especially as a stronger focus by China on the European sales market could even have a price-dampening effect. The economists at UniCredit Bank Austria expect inflation to fall further to an average of 1.9% in 2026.

## STRONG ARGUMENTS FOR FURTHER INTEREST RATE CUTS BY THE ECB

In view of the escalation in trade tensions since the announcement of “reciprocal” tariffs in the US, the risks for economic development in Europe have shifted significantly to the downside.

A decision to cut key interest rates by a further 25 basis points by the ECB at Thursday's meeting has become very likely. In our opinion, the burden of higher US tariffs outweighs the positive growth impetus for the eurozone from a more expansionary fiscal policy in Germany and at EU level. The tariff shock should therefore accelerate the convergence of inflation towards the ECB's 2% target. We therefore expect further cuts in June and September, with the deposit rate reaching its lowest point at 1.75 percent.

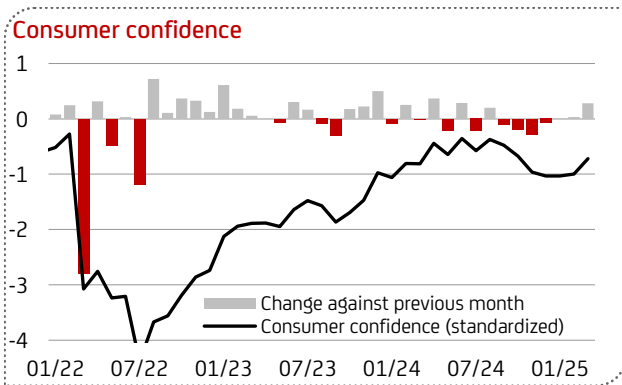
### Economic Forecast

	2017	2018	2019	2020	2021	2022	2023	2024	forecast UCBA		
	2025	2026									
<i>Real change in %</i>											
<b>GDP</b>	<b>2.3</b>	<b>2.5</b>	<b>1.8</b>	<b>-6.3</b>	<b>4.8</b>	<b>5.3</b>	<b>-1.0</b>	<b>-1.2</b>	<b>-0.2</b>	<b>1.1</b>	
Private consumption	1.9	0.8	0.7	-7.6	4.8	4.9	-0.5	0.1	1.0	1.4	
Public consumption	0.6	1.0	1.3	-0.8	7.6	-0.6	1.2	1.6	0.8	0.3	
Gross fixed capital formation*)	4.2	4.4	4.3	-5.3	6.0	0.4	-3.2	-3.3	0.6	1.5	
Investments in plant and machinery	7.7	1.3	1.0	-8.2	9.2	-0.2	4.4	-4.5	0.8	1.7	
Investments in construction	2.5	5.6	3.5	-3.5	4.1	-1.3	-9.3	-5.4	0.5	1.0	
Exports	4.9	5.2	4.0	-10.5	9.5	10.0	-0.4	-4.3	-2.7	1.1	
Imports	5.3	5.1	2.4	-9.6	14.1	7.1	-4.6	-5.0	-0.7	1.6	
<b>CPI (change in %)</b>	<b>2.1</b>	<b>2.0</b>	<b>1.5</b>	<b>1.4</b>	<b>2.8</b>	<b>8.6</b>	<b>7.8</b>	<b>2.9</b>	<b>2.5</b>	<b>1.9</b>	
HCPI (change in %)	2.2	2.1	1.5	1.4	2.8	8.6	7.7	2.9	2.5	1.9	
<b>Saving ratio (in %)</b>	<b>7.1</b>	<b>7.7</b>	<b>7.2</b>	<b>13.6</b>	<b>11.4</b>	<b>8.8</b>	<b>8.7</b>	<b>11.7</b>	<b>11.4</b>	<b>10.6</b>	
Current account (in euro bn)	4.6	3.2	9.4	12.8	7.0	-3.9	6.3	11.7	10.0	11.0	
Current account (in % of GDP)	1.3	0.8	2.4	3.4	1.7	-0.9	1.3	2.4	2.0	2.2	
Employment (in 1,000)**)	3,573	3,661	3,720	3,644	3,734	3,845	3,889	3,898	3,899	3,913	
Employment (change in %)**)	2.0	2.5	1.6	-2.0	2.5	3.0	1.2	0.2	0.0	0.4	
<b>Unemployment rate (nat. def.)</b>	<b>8.5</b>	<b>7.7</b>	<b>7.4</b>	<b>9.9</b>	<b>8.0</b>	<b>6.3</b>	<b>6.4</b>	<b>7.0</b>	<b>7.5</b>	<b>7.5</b>	
Unemployment rate (EU def.)	5.9	5.2	4.8	6.0	6.2	4.8	5.1	5.2	5.6	5.6	
Unemployed (annual average in 1,000)	340	312	301	410	332	263	271	298	321	323	
<b>General gov. balance (in % of GDP)</b>	<b>-0.8</b>	<b>0.2</b>	<b>0.5</b>	<b>-8.2</b>	<b>-5.7</b>	<b>-3.4</b>	<b>-2.6</b>	<b>-4.7</b>	<b>-3.6</b>	<b>-2.9</b>	
Public-sector debt (in % of GDP)	79.1	74.6	71.0	83.2	82.4	78.4	78.5	81.8	84.2	85.3	
Nominal GDP (in euro bn)	367	383	396	380	406.2	448.0	473.2	481.9	493.0	507.8	

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

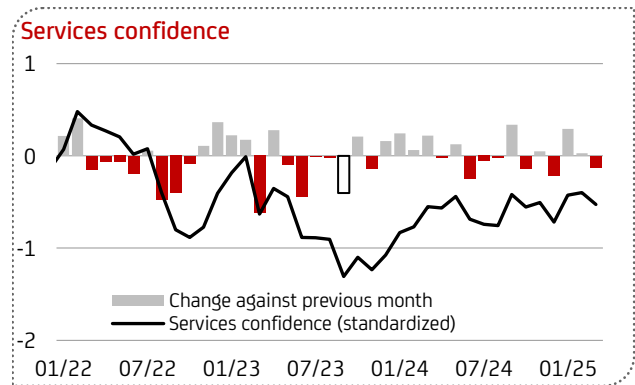
Source: UniCredit Bank Austria

### Consumer sentiment rose in March



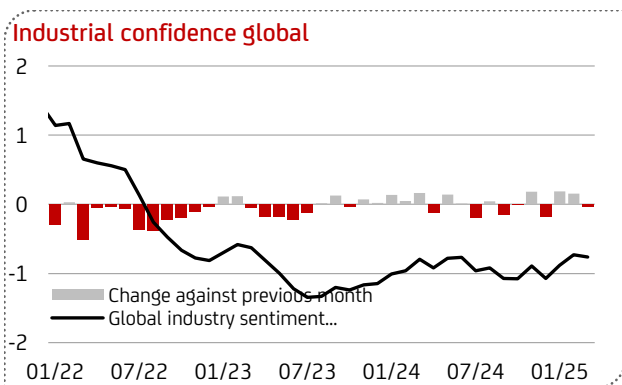
Domestic consumer sentiment continued to receive a tailwind in March due to low interest rates and higher purchasing power.

### Sentiment in services deteriorated

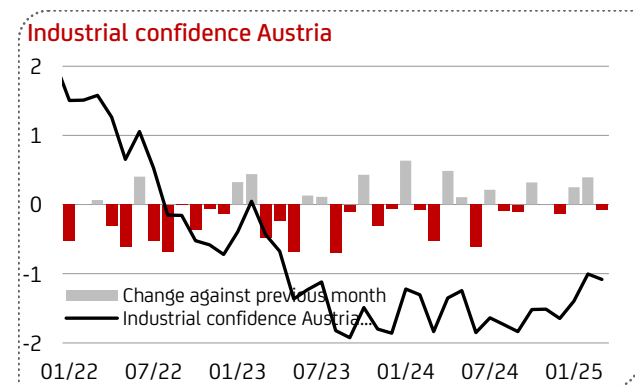


The deteriorating mood in the service sector, including tourism, contributed most to the decline in the UniCredit Bank Austria Business Indicator in March.

### Deterioration of the global export environment and sentiment in Austria on US tariff policy

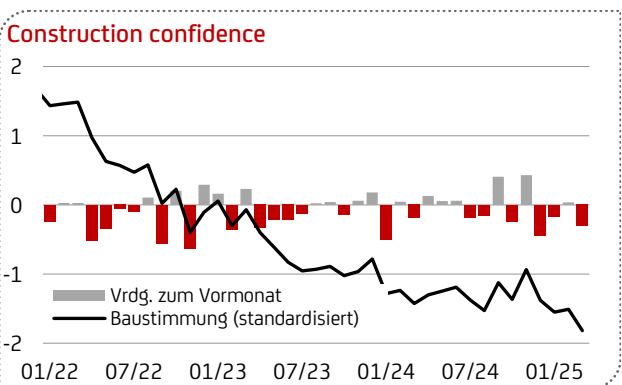


The indicator of international industrial sentiment, which is weighted by Austria's trade shares, declined, mainly due to the decline in the Asian and American sales markets.



In view of the tariff announcements by the US government, the associated uncertainty in the strongly export-oriented industry caused a decline in business assessments.

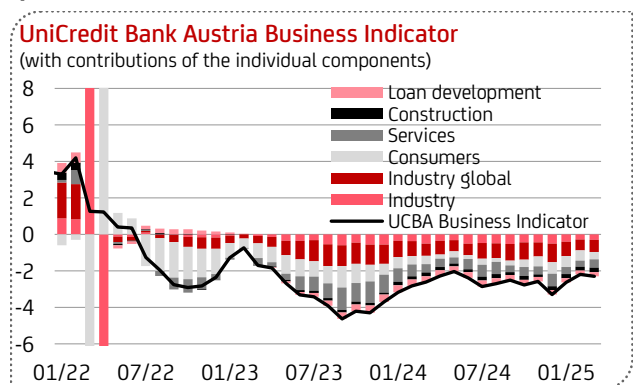
### Sentiment in construction sector declined



Pessimism also increased slightly again in the construction industry, with the development in ancillary construction trades and building construction contributing in particular.

Quelle: EU Kommission, Statistik Austria, UniCredit

### UCBA Business Indicator fell to minus 2.3 points in March



Sentiment deteriorated in all sectors of the economy at the end of the first quarter. Only domestic consumers became somewhat more confident.

## MORE TO READ

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