



Austria Up-to-date

January 2025

Overview

DOMESTIC DEMAND GIVES HOPE FOR MODERATE RECOVERY IN 2025/26

- **Weak Austrian economy with slight improvement trend**

The weakness of manufacturing in Austria continues and has spread to various service sectors. After the slight increase of 0.2% compared to the previous quarter at the beginning of the year, GDP stagnated in 2Q24. At the beginning of autumn, although sentiment in all sectors of the economy remains in pessimistic territory, there are first signs that the decline in inflation is beginning to support consumption. According to preliminary figures, however, Austrian economic output fell by 0.1% in 3Q24. However, a slight upward trend is expected due to the more favorable framework conditions, supported by real wage growth and the easing of monetary policy. After the renewed decline in GDP of at least 0.5% in 2024, we expect real economic output to increase by 0.9% in 2025 and 1.3% in 2026.

- **Unemployment rate rises to 7.2 percent in 2025, slight decline in 2026**

Due to the weak economic development, especially in industry and construction, unemployment continued to rise. In December, the seasonally adjusted unemployment rate was 7.2%. The unemployment rate averaged 7.0% in 2024. The situation on the labor market is likely to deteriorate further for the time being and only stabilise with the improvement of the economy in the course of 2025. For 2025, we expect the unemployment rate to rise to 7.2%. For 2026, we expect a decline to 7.0 percent, as the labor supply is expected to increase only slowly for demographic reasons.

- **Inflation back in target range**

Inflation has fallen significantly since the beginning of the year and, at 2% was within the ECB's target range for the fourth month in a row in December. After the turn of the year, inflation is expected to rise towards 2.5%, partly due to the abolition of the electricity price brake. After an average of 2.9% in 2024, we expect inflation in Austria to fall to an average of 2.2% in 2025 and to 1.9% in 2026.

- **Rate-cutting cycle has accelerated**

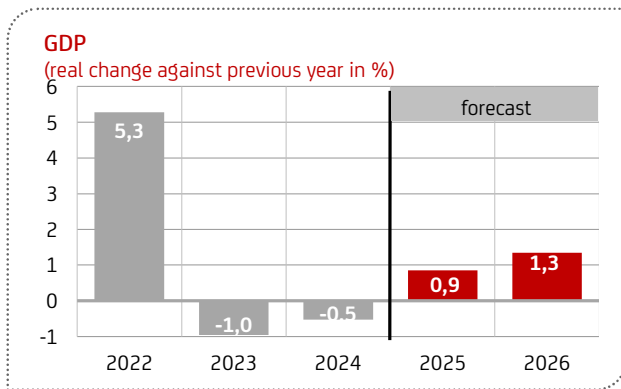
The weak economic outlook and lower inflation expectations have increased pressure on the ECB to continue with interest rate cuts faster than planned. As a result, the deposit rate was cut again by 25 basis points in December, bringing the total to 100 basis points since June. Due to the unfavorable economic outlook and the imminent economic policy changes in the USA, the ECB could be forced to lower key interest rates below the neutral level of around two percent – i.e. to adopt a slightly expansionary monetary policy course. We expect a deposit rate of 1.75% from the end of 2025.

International Environment

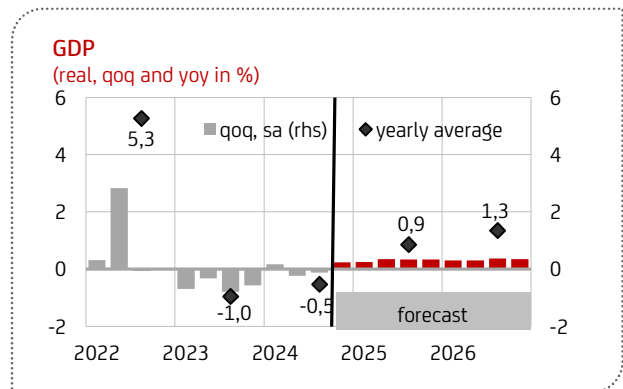
	2023	2024	Forecast	
			2025	2026
<i>(GDP, change in %)</i>				
Eurozone	0.7	0.8	0.9	1.2
Germany	-0.3	-0.2	0.7	1.2
France	0.7	1.1	0.7	1.2
Italy	0.9	0.5	0.8	1.0
Spain	2.5	3.0	1.8	1.9
UK	0.1	0.9	1.2	1.4
USA	2.5	2.7	2.1	2.3
Japan	1.9	0.1	1.0	0.9
	2021	2022	2023	2024e
<i>(annual average)</i>				
USD per euro	1.18	1.05	1.08	1.08
CHF per euro	1.08	1.01	0.97	0.95
GBP per euro	0.86	0.85	0.87	0.85
JPY per euro	129.7	138.0	151.9	163.8
Oil (USD/barrel)	69	98	82	80
10y Gov. bond (A)	-0.27	1.61	3.08	2.85
3m Euribor	-0.55	0.34	3.43	3.56

Source: UniCredit Bank Austria

According to current figures, GDP fell slightly again in the third quarter

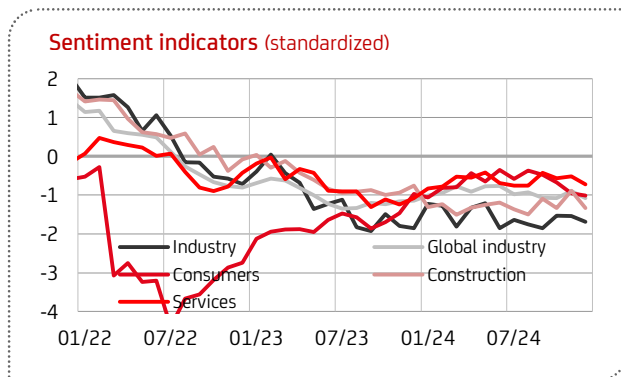


The year 2024 is expected to bring a decline in GDP for the second year in a row. After 1.0% in 2023, the decline in 2024 should have been somewhat smaller.

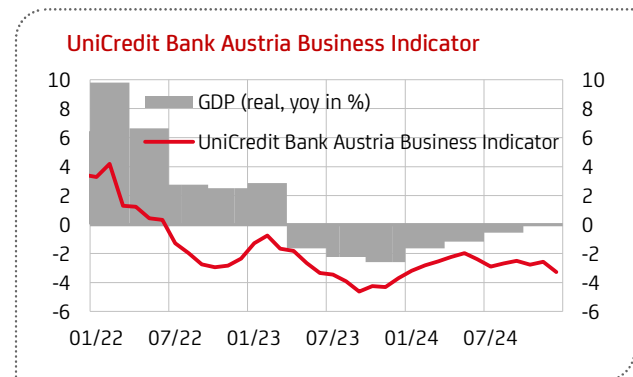


The lower inflation holds out the prospect of a recovery of the domestic economy by strengthening consumption. Growth should also be supported by the easing of monetary policy and the reversal of the inventory cycle.

High uncertainties weigh on economic sentiment in Austria



Economic worries in industry and construction are also weighing on sentiment in the service sectors, which has worsened in December significantly.



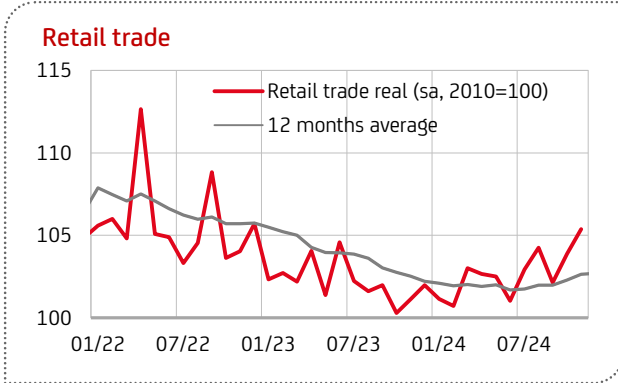
The UniCredit Bank Austria Business Indicator continues to signal a weak economic development. In December, the indicator even fell to minus 3.3 points.

Economic outlook

	2018	2019	2020	2021	2022	2023	2024	Forecast	
	2018	2019	2020	2021	2022	2023	2024	2025	2026
<i>Real change yoy in %</i>									
GDP	2.5	1.8	-6.3	4.8	5.3	-1.0	-0.5	0.9	1.3
Industrial production	4.2	0.1	-7.1	11.0	6.1	-1.1	-4.0	0.5	2.5
Private consumption	1.1	0.5	-8.5	4.3	4.9	-0.5	0.0	1.5	1.4
Gross fixed capital formation	4.4	4.3	-5.3	6.0	0.4	-3.2	-3.4	1.4	2.0
Exports	5.2	4.0	-10.5	9.5	10.0	-0.4	-2.2	2.0	2.7
Imports	5.1	2.4	-9.6	14.1	7.1	-4.6	-2.8	2.8	2.8
<i>CPI change yoy in %</i>									
CPI change yoy in %	2.0	1.5	1.4	2.8	8.6	7.8	2.9	2.2	1.9
Unemployment rate (in %, nat. def.)	7.7	7.4	9.9	8.0	6.3	6.4	7.0	7.2	7.0
Unemployment rate (in %, Eurostat def.)	5.2	4.8	6.0	6.2	4.8	5.1	5.2	5.4	5.2
Current account balance (in % of GDP)	0.8	2.4	3.4	1.7	-0.9	1.3	2.6	2.4	2.3
General Government balance (in % of GDP)	0.2	0.5	-8.2	-5.7	-3.3	-2.6	-3.5	-3.5	-2.9
Public debt (in % of GDP)	74.6	71.0	83.2	82.4	78.4	78.6	80.6	82.5	83.3

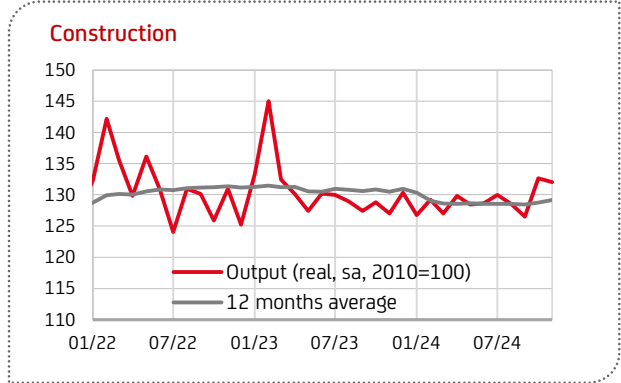
Source: UniCredit Bank Austria

Signs of life from the retail sector at end of 2024



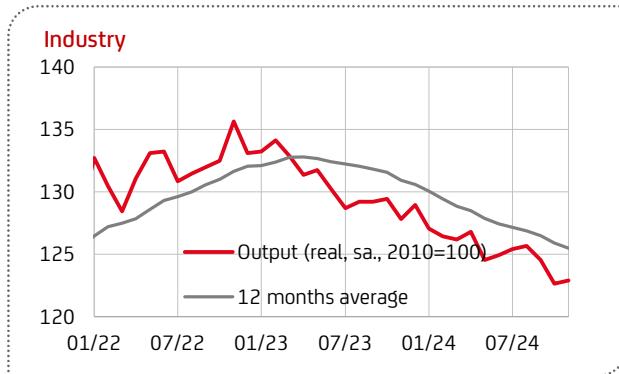
After a mixed summer, retail sales stabilized at the beginning of autumn and picked up towards the end of 2024. In the first eleven months, retail sales rose by 0.9% yoy in real terms.

Construction sector stabilized at a low level

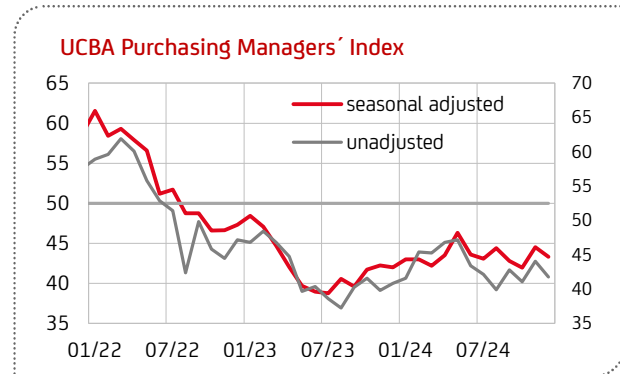


Construction output fell by 0.2% in 2023. After an intensification of the slump at the beginning of the year, the situation seems to have stabilized. From January to November 2024, however, there was a drop in output of around 1%.

Persistent problems in the industry sector

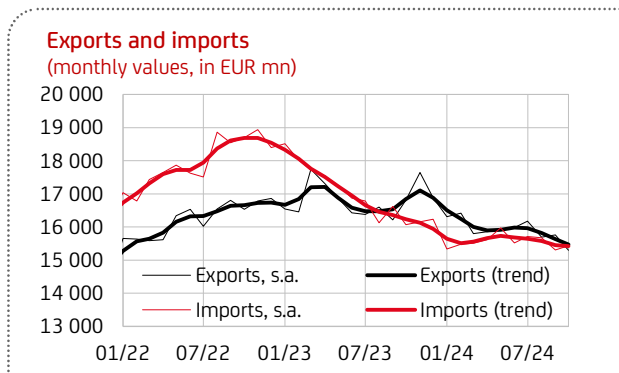


In 2023, industrial production fell by an average of 1.1% in real terms. After the ongoing slump since the beginning of the year, industrial production in the first eleven months of 2024 was even 4 percent below in real terms.

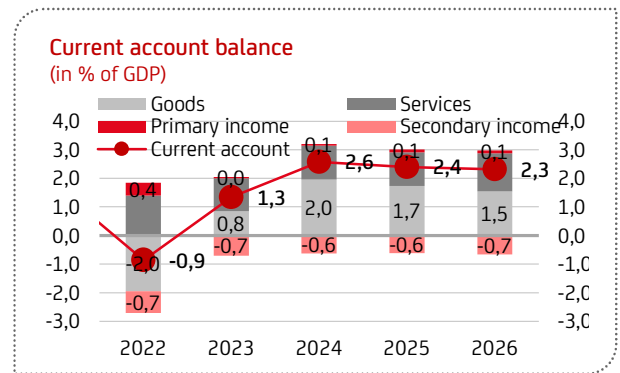


In December, the UniCredit Bank Austria Purchasing Managers' Index fell slightly to 43.3 points. This means that the indicator is still well away from the 50-point mark, which would signal growth in industry.

Foreign trade surplus increases, current account balance improves

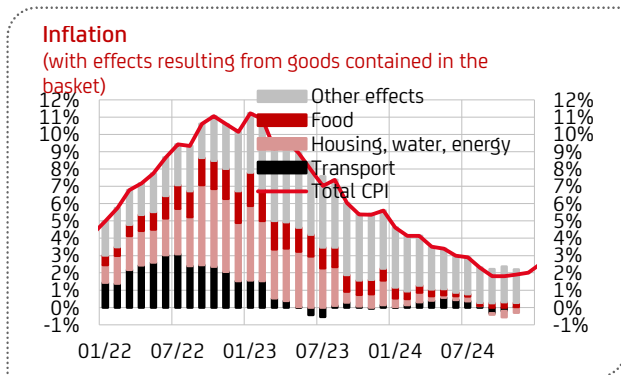


Exports fell by 3.8% yoy in the first ten months of 2024, while imports fell by as much as 8.3%, mainly due to falling energy prices. The trade balance thus turned significantly positive.

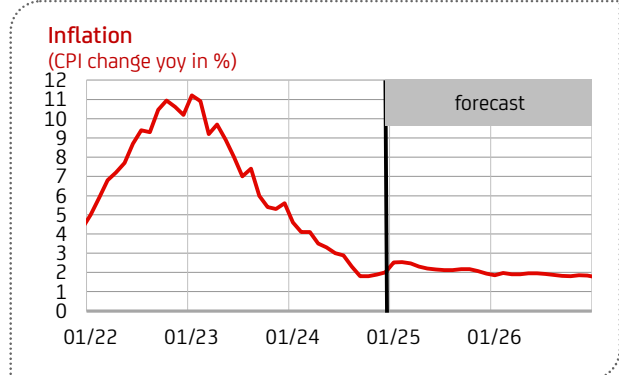


Mainly due to a high surplus in the trade in goods, we expect a noticeable increase in the positive current account balance in 2024.

According to the flash estimate, inflation in December 2024 was 2.0 percent year-on-year

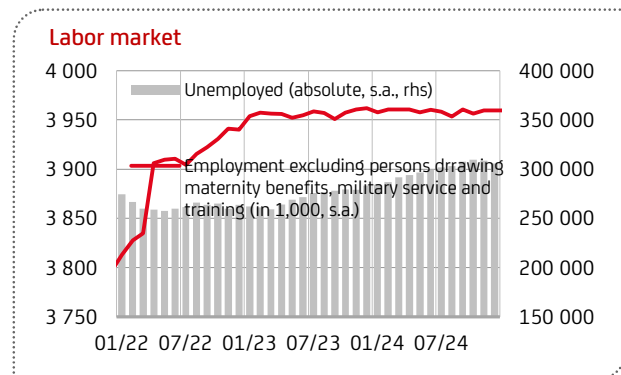


According to preliminary estimates by Statistics Austria, inflation in November was 2.0 percent year-on-year, dampened mainly by the lower energy prices.

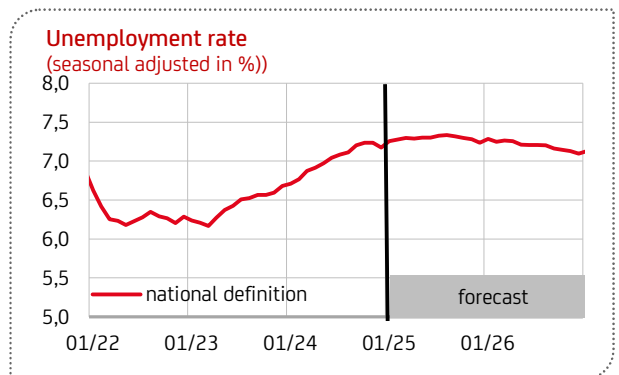


After rising at the beginning of 2025, moderate inflation numbers will resume, supported by a slowdown in second-round effects in the services sector.

Strain on the labor market continues to increase

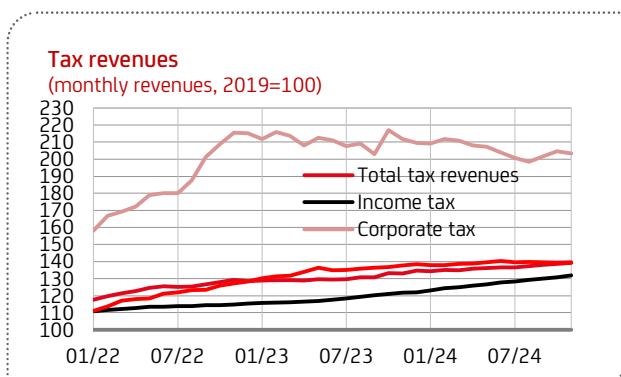


The seasonally adjusted unemployment rate was 7.2 percent in December, the highest level in three years. The upward trend will continue, but will be subdued due to a moderate increase in labor supply.

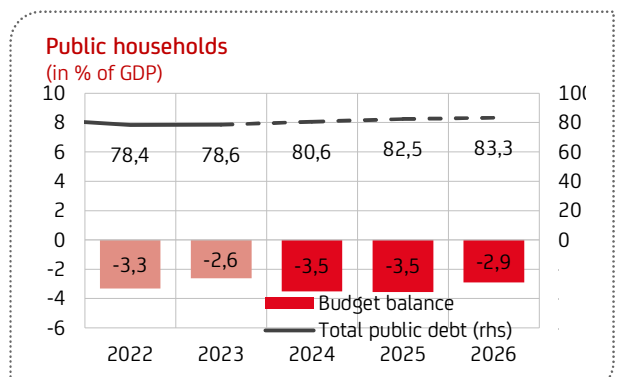


After an unemployment rate of 7.0 percent in 2024, we expect an increase to an average of 7.2 percent in 2025.

Budget deficit and total debt trend upwards



In the first eleven months, payments increased by 3.0% thanks to the good development of wage and income tax. However, expenses rose by over 12%. The net financing requirement therefore rose to over EUR 16.5 bn.



The budget implementation so far suggests that the budget deficit will even rise well above the Maastricht limit of 3 percent of GDP for 2024. This will also increase the total debt ratio.

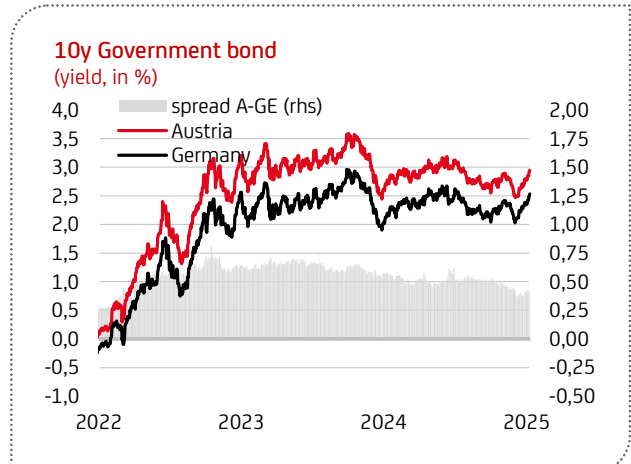
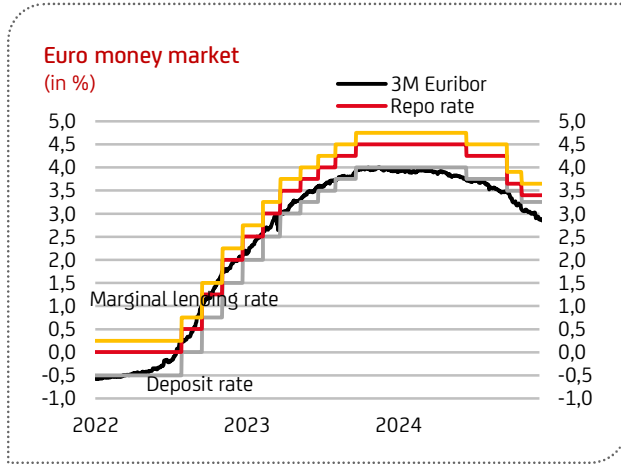
Sources: Statistik Austria, OeNB, UniCredit Bank Austria

	2022	2023	2024	I 24	II 24	III 24	VI 24	07/24	08/24	09/24	10/24	11/24	12/24
UniCredit Bank Austria Business Indicator	-0.3	-3.0	-2.7	-2.8	-2.2	-2.7	-2.9	-2.9	-2.7	-2.5	-2.8	-2.6	-3.3
GDP growth (qoq, annualized)	5.3	-1.0		0.7	-0.9	-0.5							
Confidence Indicator eurozone manufacturing	5	-6	-11	-9	-10	-11	-13	-11	-10	-11	-13	-11	-14
Germany	12	-8	-20	-10	-10	-11	-14	-19	-21	-23	-24	-23	-29
France	-2	-8	-8	-6	-8	-7	-12	-10	-5	-7	-14	-9	-11
Italy	2	-4	-8	-7	-7	-8	-9	-8	-8	-9	-9	-9	-10
Netherlands	4	-2	-3	-4	-3	-2	-3	-3	-2	-2	-4	-2	-2
Spain	-1	-7	-5	-5	-6	-3	-6	-4	-4	-1	-8	-5	-5
UniCredit Bank Austria Eurozone Confidence Indicator Manufacturing	6	-7	-14	-12	-13	-14	-18	-14	-14	-16	-17	-16	-19
UniCredit Bank Austria Purchasing Managers' Index (PMI)	52.9	42.1	43.5	42.7	44.5	43.4	43.3	43.1	44.4	42.8	42.0	44.5	43.3
New orders	45	37	43	40.8	45.1	42.6	43.0	42	45	41	41	46	43
New export orders	45	38	42	41.5	44.5	41.1	41.1	42	43	38	38	42	43
Output	50	44	44	43.8	46.5	44.1	43.3	45	44	43	41	46	42
Confidence indicator Austria manufacturing, total	2.2	-13.2	-19.6	-17.1	-18.1	-22.1	-21.2	-20.6	-22.1	-23.6	-20.4	-20.7	-22.6
Industrial production													
Change against previous year (in %)	5.2	-1.1	0.0	-5.0	-4.4	-3.0	-4.6	-2.8	-2.8	-3.4	-5.3	-3.8	
Change against previous month (seasonally adjusted, in %)								-0.1	0.4	-0.6	-1.7	-0.3	
Foreign trade													
Exports (yoy change in %)	17.6	3.1	0.0	-3.3	-5.6			6.5	-8.9	-2.8	-2.0		
Exports (mom change, s.a. in %, 3-MMAV)								1.2	-3.0	0.4	-3.0		
Imports (yoy in %)	20.6	-5.8	0.0	-14.3	-8.7			0.5	-6.1	-7.9	2.9		
Imports (mom, s.a. in %, 3-MMAV)								1.3	-0.2	-2.3	0.8		
Ex-Im (12 months cumulated, EUR billion)	40.0	-2.0	0.0	3.6	5.3			6.3	5.9	6.7	5.9		
Construction													
Confidence indicator	9.0	-6.5	-14.1	-15.2	-14.0	-14.7	-12.7	-15.3	-17.0	-11.8	-14.6	-8.9	-14.5
Retail trade													
Confidence indicator	-11.1	-23.9	-30.2	-17.3	-13.7	-13.8	0.0	-14.7	-12.8	-13.8	-15.6	-18.3	-18.9
Retail trade nom. (change against previous year in %)	8.2	2.9	0.0	3.6	0.5	2.6	1.0	3.4	3.5	0.8	6.2	5.1	
Retail trade nom. (change against previous year in %, 3mav.)								0.9	1.3	2.6	3.5	4.1	
Retail trade real (change against previous year in %)	-0.8	-3.5	0.0	0.3	-1.3	1.4	-0.6	2.0	2.2	-0.1	4.9	3.9	
Retail trade real (chg. against prev. month in %, s.a., 3mav.)								0.1	0.6	0.4	0.3	0.4	
Automobile trade nom. (change against prev. year in %)	-0.5	11.8	0.0	5.0	2.8	-1.1	8.6	4.2	-7.4	0.1	8.6		
Tourism													
Overnight stay (change against previous year in %)	392.1	11.3	0.0	5.6	-3.7	-1.2	5.8	-0.1	3.3	-6.9	4.8	6.7	
Labor market													
Employment*) (change against previous year in %)	3.0	1.2	0.2	0.2	0.3	0.2	0.1	0.3	-0.1	0.3	0.1	0.0	0.1
Employment (s.a., change against previous month in %)								-0.05	-0.12	0.18	-0.10	0.08	0.00
Unemployed (change against previous year in '000)	-68.6	7.7	27.1	28.8	26.2	26.3	27.1	24.7	26.2	27.9	29.1	28.7	23.5
Unemployment rate (in %, s.a.)	6.3	6.4	7.0	6.8	7.0	7.1	7.2	7.1	7.1	7.2	7.2	7.2	7.2
Prices													
CPI (change against previous year in %)	8.6	7.8	2.9	4.3	3.3	2.3	1.9	2.9	2.3	1.8	1.8	1.9	2.0
HCPI (change against previous year in %)	8.6	7.7	2.9	4.1	3.3	2.4	1.9	2.9	2.4	1.8	1.8	1.9	2.1
Crude oil (in USD per barrel)	98.4	81.6	79.7	81.5	84.7	78.5	73.8	83.8	78.8	72.9	75.3	73.1	73.1
Crude oil (in EUR, change against previous year in %)	62.2	-15.5	-2.4	-1.7	10.0	-8.4	-9.4	6.9	-8.1	-23.9	-17.6	-9.1	-1.5
Financial market													
3M Euribor	0.34	3.43	3.57	3.92	3.81	3.56	3.17	3.68	3.55	3.43	3.17	3.01	2.81
10-year government bonds (yield in %)	1.61	3.08	2.83	2.81	3.00	2.81	2.74	2.98	2.76	2.69	2.74	2.76	2.62
USD per euro	1.05	1.08	1.08	1.09	1.08	1.10	1.09	1.08	1.10	1.11	1.09	1.06	1.05
Total loans (change against previous year in %, eop)	5.0	0.7	0.0	0.8	0.5	0.6	0.1	0.3	0.2	0.6	0.8	1.3	
Consumption loans (change against prev. year in %, eop)	3.6	-1.9	0.0	-1.7	-1.5	-1.0	-1.5	-1.5	-1.4	-1.0	-1.0	-1.0	

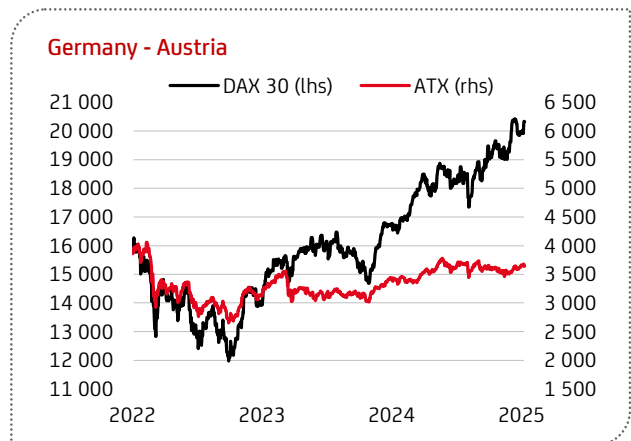
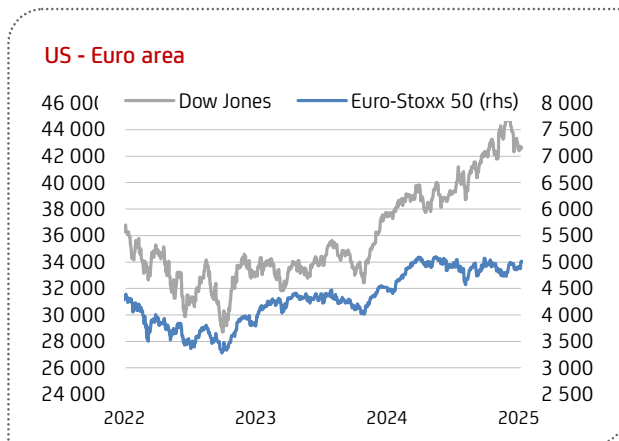
*) excl. maternity/paternity leave, military service and training programs

Sources: Statistik Austria, OeNB, UniCredit Bank Austria

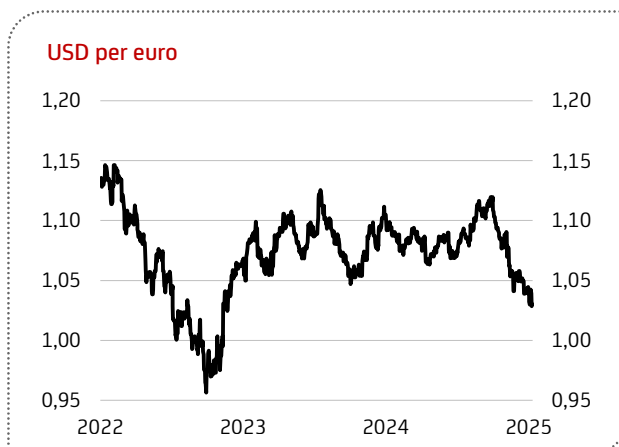
Money market and long-term interest



Stock markets



FX trends



Sources: Macrobond, UniCredit Bank Austria

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