



Austria Up-to-date

February 2025

Overview

DOMESTIC DEMAND RECOVERY SHOULD PREVENT THIRD YEAR OF RECESSION

	2023	2024	Rev. ¹⁾	2025	Rev. ¹⁾	2026	Rev. ¹⁾
GDP (real, change in %)	-1.0	-0.9	↓	0.3	↓	1.3	
Inflation (CPI, in %)	7.8	2.9		2.5	↔	1.9	
Unemployment rate (in %)	6.4	7.0		7.3	↔	7.3	↔

1) Revision since last report

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

The weakness of the manufacturing industry in Austria continues and is weighing on various service sectors. However, there are now signs of stabilization in the construction sector. At the turn of the year 2024/25, sentiment in all sectors of the economy remained in pessimistic territory, but the first signs were emerging that the decline in inflation was beginning to support consumption. According to preliminary figures, Austrian economic output stagnated in 4Q24. This resulted in a decline in GDP of 0.9 % in 2024. Due to the more favorable framework conditions, supported by real wage growth and the easing of monetary policy, a slight upward trend should begin in the course of 2025. We expect real economic output to increase by 0.3% in 2025 and 1.3% in 2026.

- **Unemployment rate is expected to average 7.3 % in 2025 and 2026**

Due to the weak economic development, especially in industry and construction, unemployment continues to rise. The annual average unemployment rate in 2024 was 7.0%. In January, the seasonally adjusted unemployment rate was 7.2%. The situation on the labor market is likely to deteriorate further for the time being and only stabilize with the improvement of the economy at the beginning of 2026. For 2025, we expect the unemployment rate to average 7.3%. We expect this level to stabilize in 2026. The situation continues to be favored by a subdued development of the labor supply for demographic reasons.

- **Budget deficit increased to around 4% of GDP in 2024**

According to preliminary figures, the federal budget deficit rose to 3.9 % of GDP in 2024. This means that a significantly higher budget deficit than in 2023 can also be expected for the general government at 4 % of GDP. To reduce the budget deficit in 2025 below the Maastricht limit of 3 percent of GDP, an austerity package of 6.4 billion euros or 1.3 percent of GDP for 2025 was put together in the coalition negotiations between the FPÖ and the ÖVP. This would have put the goal within reach. After the failure of the coalition negotiations, this austerity package is also unlikely to be implemented. Without a valid budget resolution for 2025 by parliament, the automatic provisional budget applies, i.e. the updating of the previous year's budget in compliance with the specified payment ceilings. However, financial debts can only be incurred up to half of the maximum amount provided for in the BFG 2024, which could lead to a liquidity bottleneck for the state by mid-2025 at the latest.

Even with the austerity package, total public debt would have risen further to over 82 percent of GDP in 2025. We assume

that restrictive fiscal measures will still be adopted by parliament in the coming months, but our current forecasts for (new) debt are to be seen as lower limits in view of current developments.

- **Inflation up at the beginning of 2025 as expected**

Inflation has fallen significantly over the course of 2024 and was within the ECB's target range for the fourth consecutive month in December at 2.0%. At the turn of the year, inflation rose to 3.3 % year-on-year, fueled, among other things, by 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 2.5% in 2025 and to 1.9% in 2026.

- **Further rate cuts expected by the ECB**

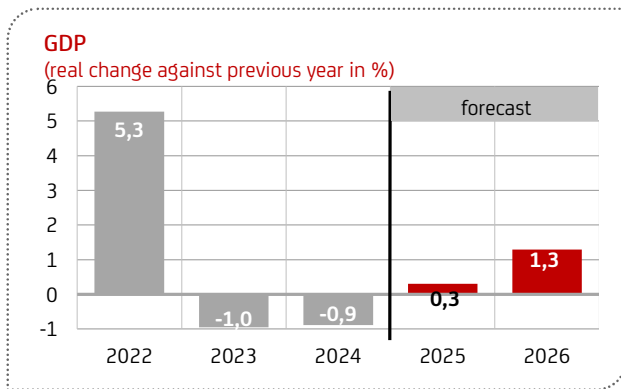
As expected, the ECB has started 2025 with a further interest rate cut of 25 basis points. In view of the calming of inflation, we expect the easing of monetary policy in the euro area to continue. By the end of 2025, we expect key interest rates to be cut by a further 100 basis points, so that the deposit rate should reach its final level of 1.75 percent in the current interest rate cycle.

International Environment

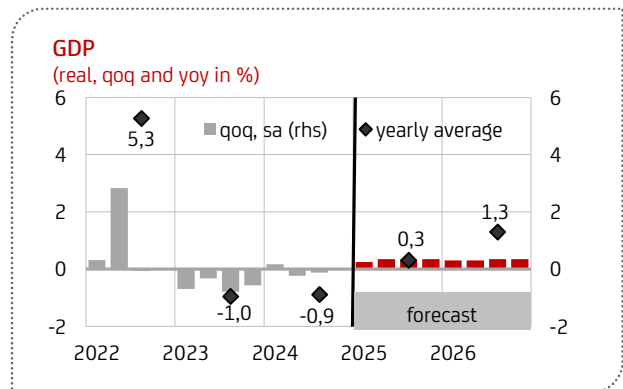
	2023	2024	Forecast	
			2025	2026
<i>(GDP, change in %)</i>				
Eurozone	0.7	0.7	0.9	1.2
Germany	-0.3	-0.2	0.7	1.2
France	0.7	1.1	0.7	1.2
Italy	0.9	0.5	0.8	1.0
Spain	2.5	3.2	1.8	1.9
UK	0.1	0.8	1.0	1.4
USA	2.5	2.8	2.2	2.3
Japan	1.9	0.1	1.0	0.9
<i>(annual average)</i>				
USD per euro	1.18	1.05	1.08	1.08
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	2.83
3m Euribor	-0.55	0.34	3.43	3.57

Source: UniCredit Bank Austria

According to current figures, The Austrian economy stagnated at the end of 2024

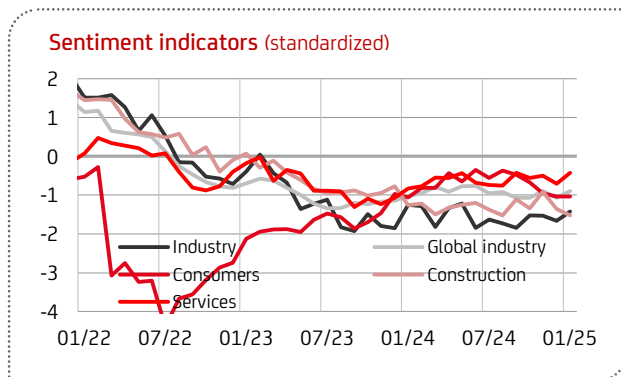


According to the first official estimate, GDP shrank by 0.9 percent in 2024, after the Austrian economy had already fallen by 1 percent in 2023.

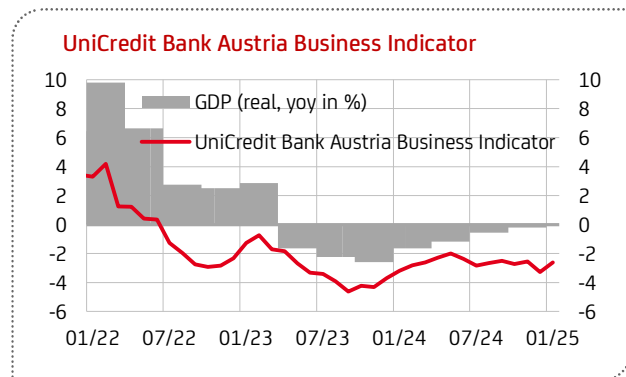


Lower inflation holds out the prospect of a recovery of the economy for 2025 by strengthening consumption. Growth should also be supported by the easing of monetary policy and the reversal of the inventory cycle.

Slight improvement in sentiment in industry and the service sector at the beginning of 2025



While sentiment deteriorated in the construction industry, the situation in the service sector improved and pessimism also decreased in industry, supported by an improved export environment.



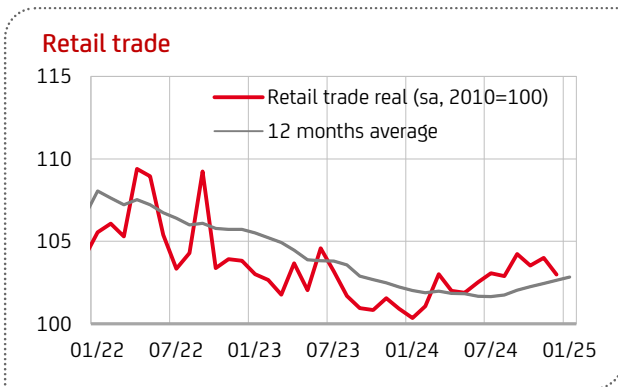
The UniCredit Bank Austria Business Indicator again signaled a weak economic development in January. Nevertheless, the indicator improved slightly to minus 2.6 points.

Economic outlook

	2018	2019	2020	2021	2022	2023	2024	2025	2026
<i>Forecast</i>									
<i>Real change yoy in %</i>									
GDP	2.5	1.8	-6.3	4.8	5.3	-1.0	-0.9	0.3	1.3
Industrial production	4.2	0.0	-7.1	11.0	5.2	-1.2	-4.0	0.5	2.5
Private consumption	0.8	0.7	-7.6	4.8	4.9	-0.5	-0.2	0.9	1.4
Gross fixed capital formation	4.4	4.3	-5.3	6.0	0.4	-3.2	-2.5	1.6	1.9
Exports	5.2	4.0	-10.5	9.5	10.0	-0.4	-4.5	-1.0	2.5
Imports	5.1	2.4	-9.6	14.1	7.1	-4.6	-3.3	0.3	2.7
CPI change yoy in %	2.0	1.5	1.4	2.8	8.6	7.8	2.9	2.5	1.9
Unemployment rate (in %, nat. def.)	7.7	7.4	9.9	8.0	6.3	6.4	7.0	7.3	7.3
Unemployment rate (in %, Eurostat def.)	5.2	4.8	6.0	6.2	4.8	5.1	5.2	5.5	5.5
Current account balance (in % of GDP)	0.8	2.4	3.4	1.7	-0.9	1.3	2.9	2.4	2.2
General Government balance (in % of GDP)	0.2	0.5	-8.2	-5.7	-3.3	-2.6	-4.0	-2.9	-2.7
Public debt (in % of GDP)	74.6	71.0	83.2	82.4	78.4	78.6	81.4	82.8	83.6

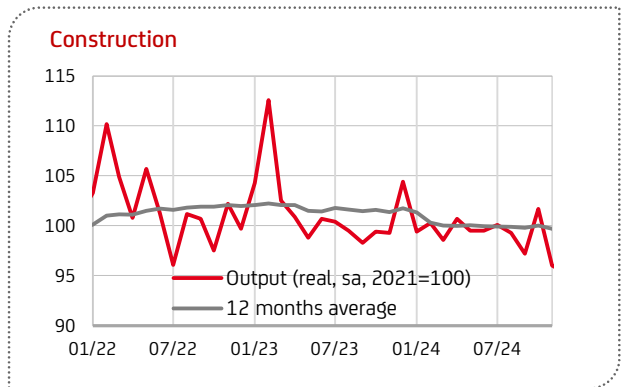
Source: UniCredit Bank Austria

Signs of life from the retail sector at end of 2024



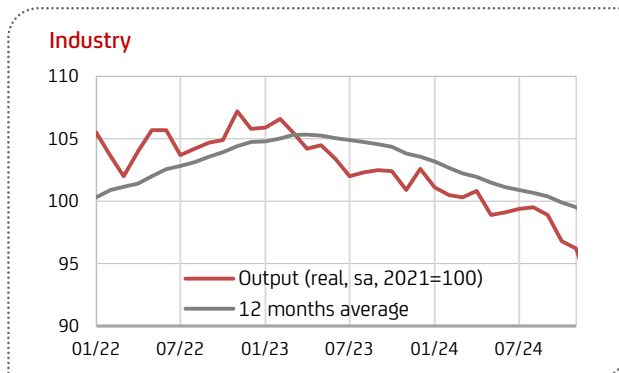
After a mixed summer, retail sales stabilized at the beginning of autumn and picked up towards the end of 2024. In 2024, there was an increase of 0.9% in real terms, after a decline of 3.5% in 2023.

Construction sector stabilized at a low level

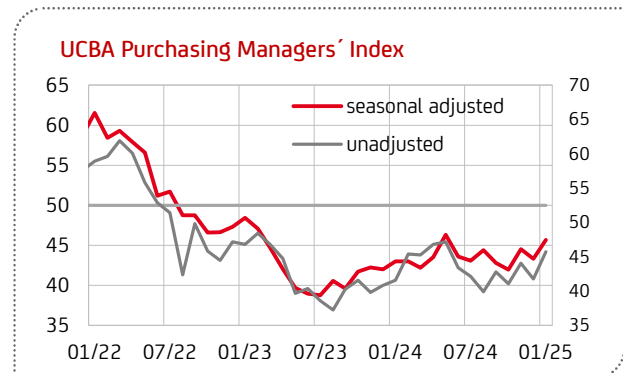


Construction output fell by an average of 2.6% in 2024 (real, working day adjusted). Contrary to the sentiment, the weakness in the construction sector intensified toward the end of the year.

Persistent problems in the industry sector

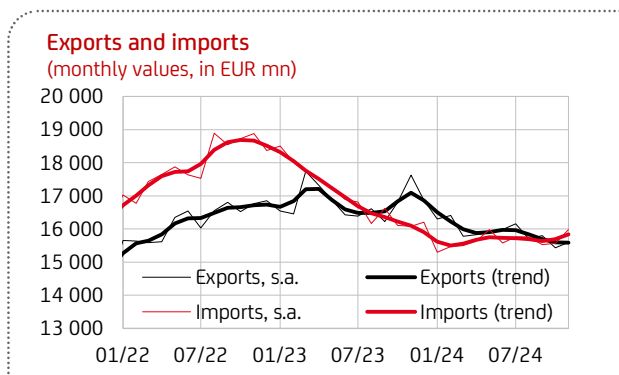


In 2024, industrial production fell by an average of 4.7% (in real terms, working day adjusted), the second consecutive decline after the minus of 1.2% in 2023.

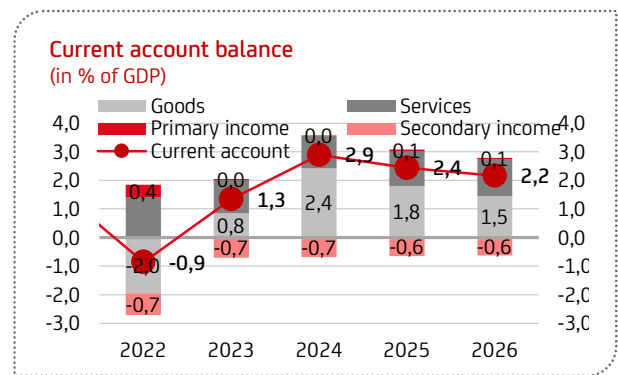


In January, the UniCredit Bank Austria Purchasing Managers' Index rose to 45.7 points. This means that the indicator is still well away from the 50-point mark, which would signal growth in manufacturing.

Foreign trade surplus increases, current account balance improves



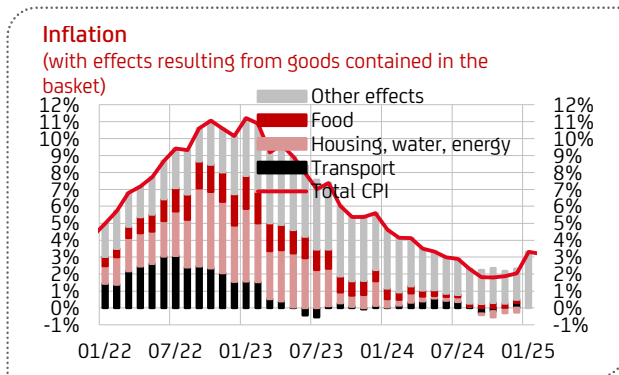
Exports fell by 4.8 percent year-on-year in the first eleven months of 2024, while imports fell by as much as 7.6 percent, mainly due to falling energy prices. The trade balance thus turned significantly positive.



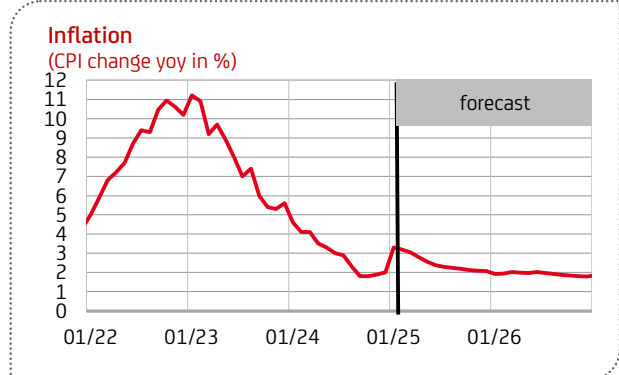
Mainly due to a high surplus in the trade in goods, we expect a noticeable increase in the positive current account balance in 2024.

Sources: Statistik Austria, OeNB, Macrobond, UniCredit Bank Austria

According to the flash estimate, inflation in January 2025 rose to 3.3 percent year-on-year

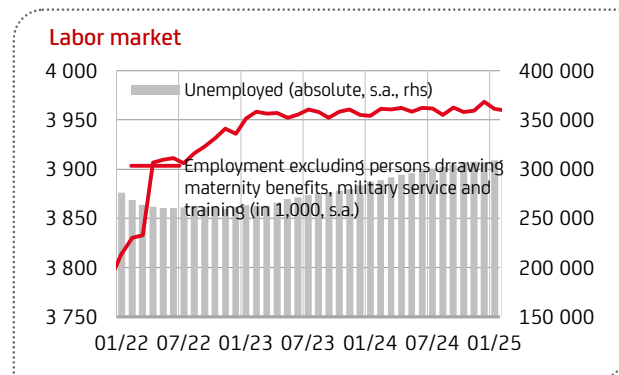


According to preliminary estimates by Statistics Austria, inflation rose to 3.3 percent year-on-year in January, mainly due to the end of subsidy measures (e.g. electricity price brake).

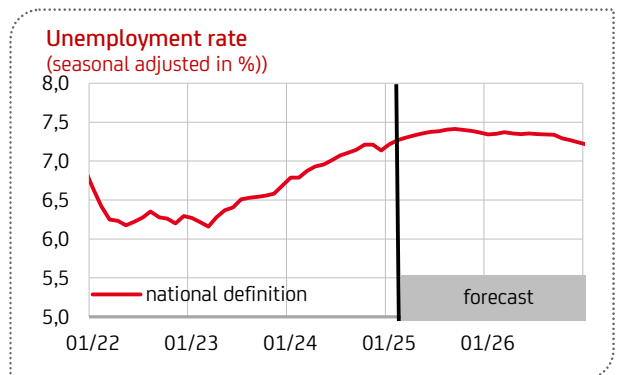


After the significant increase at the beginning of 2025, inflation will slowly ease again over the course of the year, supported by a slowdown in the second-round effects in the service sector.

Strain on the labor market continues to increase

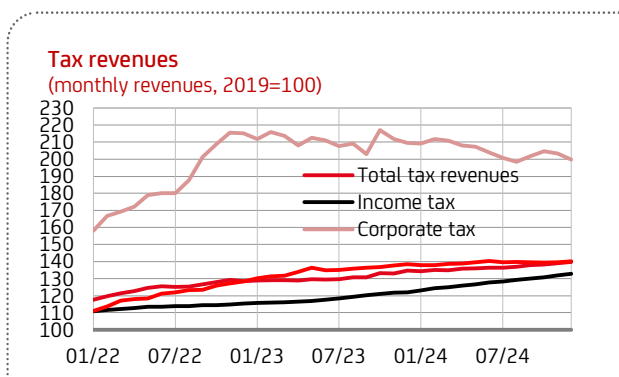


The seasonally adjusted unemployment rate was 7.2 percent in January. The upward trend will continue, but will be relatively subdued due to the only moderate increase in labor supply.

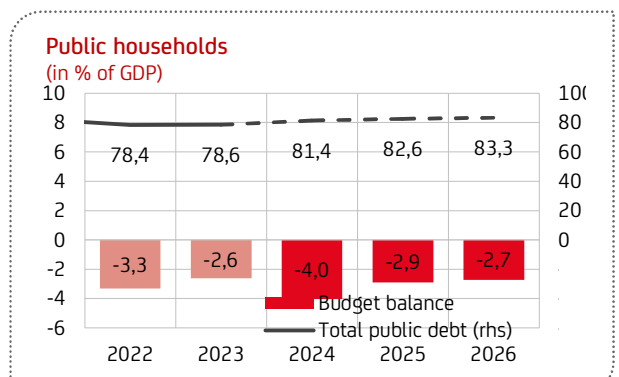


After an annual average unemployment rate of 7.0 percent in 2024, we expect an increase to 7.3 percent in 2025, which should stabilize at this level in 2026.

Budget deficit and total debt trend upwards



In 2024, payments rose by 0.4 percent to 101.6 billion euros. Disbursements in the federal budget rose by more than 10 percent to 120.7 billion euros. The net financial balance climbed to 19.1 billion euros.



For 2024, we expect the general government budget deficit to have increased to 4 percent of GDP. This has also increased the total debt ratio to over 80 percent of GDP.

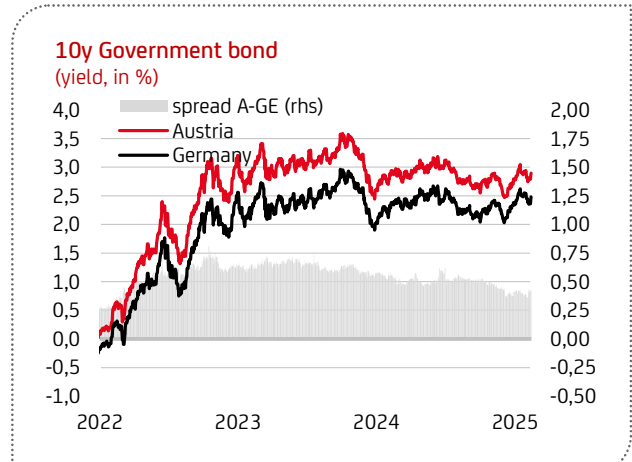
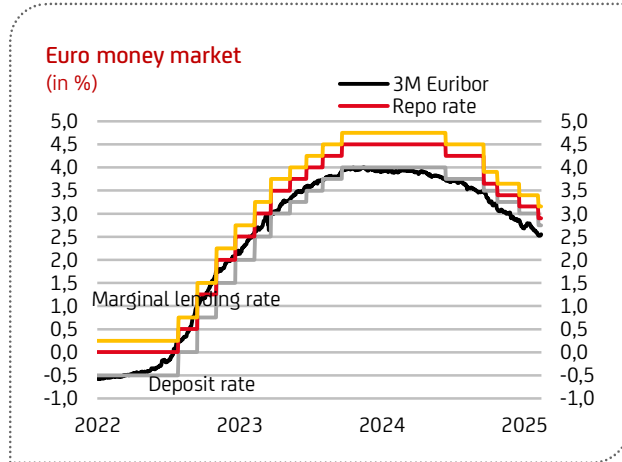
Sources: Statistik Austria, OeNB, UniCredit Bank Austria

	2022	2023	2024	I 24	II 24	III 24	IV 24	08/24	09/24	10/24	11/24	12/24	01/25
UniCredit Bank Austria Business Indicator	-0.3	-3.0	-2.6	-2.9	-2.2	-2.7	-2.8	-2.7	-2.5	-2.7	-2.5	-2.6	0.0
GDP growth (qoq, annualized)	5.3	-1.0	-0.9	0.7	-0.9	-0.5	-0.1						
Confidence Indicator eurozone manufacturing	5	-6	-11	-9	-10	-11	-13	-10	-11	-13	-11	-14	-13
Germany	12	-8	-20	-10	-11	-11	-14	-20	-23	-23	-23	-28	-25
France	-2	-8	-8	-6	-8	-7	-12	-5	-7	-14	-9	-12	-11
Italy	2	-4	-8	-7	-7	-8	-9	-8	-9	-9	-9	-9	-8
Netherlands	4	-2	-3	-4	-3	-3	-3	-2	-3	-4	-2	-2	-2
Spain	-1	-7	-5	-5	-6	-3	-6	-4	-1	-8	-5	-5	-4
UniCredit Bank Austria Eurozone Confidence Indicator Manufacturing	6	-7	-14	-12	-13	-14	-17	-14	-16	-17	-16	-19	-17
UniCredit Bank Austria Purchasing Managers' Index (PMI)	52.9	42.1	43.5	42.7	44.5	43.4	43.3	44.4	42.8	42.0	44.5	43.3	45.7
New orders	45	37	43	40.8	45.1	42.6	43.0	45	41	41	46	43	47
New export orders	45	38	42	41.5	44.5	41.1	41.1	43	38	38	42	43	47
Output	50	44	44	43.8	46.5	44.1	43.3	44	43	41	46	42	47
Confidence indicator Austria manufacturing, total	2.2	-13.2	-19.6	-17.2	-18.2	-22.0	-21.1	-21.9	-23.5	-20.3	-20.6	-22.4	-19.9
Industrial production													
Change against previous year (in %)	5.2	-1.2	-4.7	-5.0	-4.3	-3.0	-6.4	-2.8	-3.4	-5.3	-4.6	-9.4	
Change against previous month (seasonally adjusted, in %)								0.3	-0.4	-1.7	0.0	-3.0	
Foreign trade													
Exports (yoy change in %)	17.6	3.1		-3.3	-5.7	-1.8		-8.9	-2.6	-1.1	-14.7		
Exports (mom change, s.a. in %, 3-MMAV)								-2.8	0.6	-2.4	1.1		
Imports (yoy in %)	20.6	-5.8		-14.3	-8.6	-3.9		-5.8	-6.6	3.5	-3.9		
Imports (mom, s.a. in %, 3-MMAV)								-0.1	-1.5	0.3	2.7		
Ex-Im (12 months cumulated, EUR billion)	40.0	-2.0		3.6	5.2	6.1		5.7	6.3	5.6	3.4		
Construction													
Confidence indicator	9.0	-6.5	-14.2	-14.9	-14.0	-14.9	-12.9	-17.2	-12.0	-14.8	-9.2	-14.8	-16.9
Retail trade													
Confidence indicator	-11.0	-23.9	-16.2	-17.3	-13.7	-13.7	-17.7	-12.8	-13.8	-15.6	-18.3	-19.1	-19.2
Retail trade nom. (change against previous year in %)	8.2	2.9	2.7	3.6	0.5	2.6	4.2	3.5	0.8	6.2	5.1		
Retail trade nom. (change against previous year in %, 3mav.)								1.3	2.6	3.5	4.1		
Retail trade real (change against previous year in %)	-0.8	-3.5	0.9	0.3	-1.3	1.4	3.0	2.2	-0.1	4.9	3.9		
Retail trade real (chg. against prev. month in %, s.a., 3mav.)								0.3	0.6	0.2	0.4		
Automobile trade nom. (change against prev. year in %)	-0.5	11.8	0.0	5.0	2.8	-1.1	3.1	-7.4	0.1	8.6	-2.3		
Tourism													
Overnight stay (change against previous year in %)	392.1	11.3	2.0	5.6	-3.7	-1.2	7.6	3.3	-6.9	4.8	7.1	10.9	
Labor market													
Employment*) (change against previous year in %)	3.0	1.2	0.2	0.2	0.3	0.2	0.2	-0.1	0.3	0.1	0.0	0.6	0.3
Employment (s.a., change against previous month in %)								-0.16	0.16	-0.07	0.02	0.27	-0.17
Unemployed (change against previous year in '000)	-68.6	7.7	27.1	28.8	26.2	26.3	27.1	26.2	27.9	29.1	28.7	23.5	21.9
Unemployment rate (in %, s.a.)	6.3	6.4	7.0	6.8	7.0	7.1	7.2	7.1	7.2	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	2.3	1.8	1.8	1.9	2.0	3.3
HCPI (change against previous year in %)	8.6	7.7	2.9	4.1	3.3	2.4	1.9	2.4	1.8	1.8	1.9	2.1	3.5
Crude oil (in USD per barrel)	98.4	81.6	79.7	81.5	84.7	78.5	73.8	78.8	72.9	75.3	73.1	73.1	77.8
Crude oil (in EUR, change against previous year in %)	62.2	-15.5	-2.4	-1.7	10.0	-8.4	-9.4	-8.1	-23.9	-17.6	-9.1	-1.5	2.5
Financial market													
3M Euribor	0.34	3.43	3.57	3.92	3.81	3.56	3.00	3.55	3.43	3.17	3.01	2.81	2.81
10-year government bonds (yield in %)	1.61	3.08	2.83	2.81	3.00	2.81	2.71	2.76	2.69	2.74	2.76	2.62	2.62
USD per euro	1.05	1.08	1.08	1.09	1.08	1.10	1.07	1.10	1.11	1.09	1.06	1.05	1.05
Total loans (change against previous year in %, eop)	5.0	0.7	0.7	0.8	0.5	0.6	0.7	0.2	0.6	0.8	1.3	0.7	
Consumption loans (change against prev. year in %, eop)	3.6	-1.9	-0.9	-1.7	-1.5	-1.0	-0.9	-1.4	-1.0	-1.0	-1.0	-0.9	

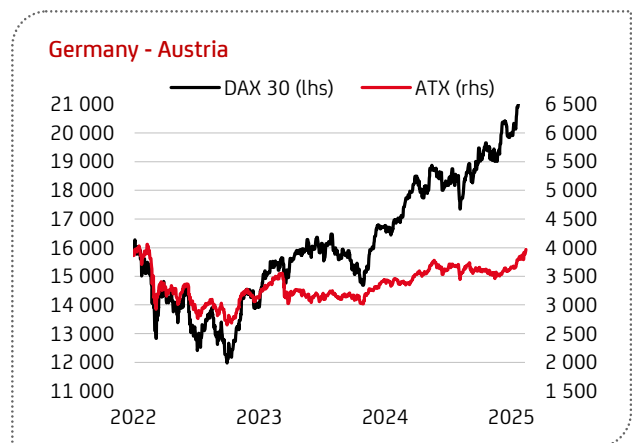
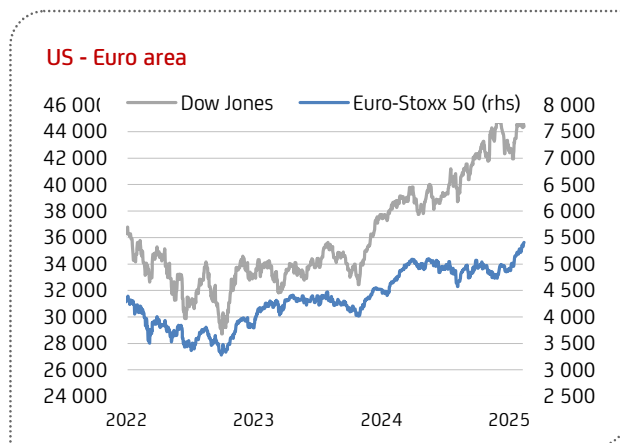
*) excl. maternity/paternity leave, military service and training programs

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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