



Austria Up-to-date

March 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	-1.2	↓	0.1	↓	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

- **False start to 2025**

At the beginning of 2025, the Austrian economy was unable to overcome the economic weakness, which was ultimately reflected in a decline in GDP of 1.2 percent in the previous year. The few hard economic data available so far show a continuation of the recession in domestic industry for the first few months. In addition, the service sector continues to be burdened by the prevailing uncertainty among consumers, which has triggered a high propensity to save. Although a slight increase in economic sentiment since the beginning of the year is encouraging, there are currently no signs of an end to the weakness of the economy.

We remain optimistic that the ECB's further reduction in interest rates and lower inflation will have an increasingly positive impact on domestic demand over the course of the year. However, a restrictive fiscal policy on the one hand and increased protectionism in foreign trade on the other will limit growth prospects. Due to the less favourable targets from the previous year, we have adjusted our GDP forecast for 2025 to 0.1 percent. Austria should thus avoid a third year of recession.

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

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 February, the seasonally adjusted unemployment rate was 7.3%. The situation on the labour market is likely to deteriorate further for the time being and not stabilise until the beginning of 2026. For 2025, we expect the unemployment rate to rise to 7.3%. We expect this level to stabilize in 2026. The situation is favoured by a subdued development of the labour 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 percent of GDP in 2024. This means that a significantly higher budget outflow than in 2023 can also be expected for the general government at 4 percent of GDP. In order 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 was put together for 2025.

Even with the austerity package, total public debt is likely to rise further to over 82 percent of GDP in 2025. We assume that restrictive fiscal measures will be adopted by parliament in the coming months, and 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%. In January and February, inflation was 3.2%, fueled by the abolition of the electricity price brake, among other things. After an average of 2.9% in 2024, we expect inflation in Austria to fall to an average of 2.5% in 2025 after the surprisingly strong increase in inflation at the beginning of the year. For 2026, we continue to expect 1.9 percent.

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

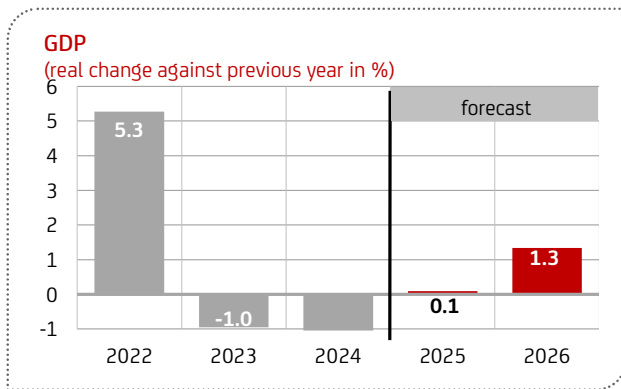
As expected, the ECB lowered key interest rates by a further 25 basis points in March. Since the summer of 2024, the deposit interest rate has been reduced by a total of 150 basis points to now only 2.50 percent. The year 2025 is expected to bring further interest rate cuts, but uncertainty about the ECB's decisions has become significantly higher. On the one hand, US tariff policy could shift economic risks further downwards. On the other hand, increased fiscal measures could support the economy in Europe and increase inflation. Due to the increased inflation expectations in connection with the announced German investment program, we expect only two interest rate cuts by the end of the year. The deposit interest rate will then be 2.00 percent.

International Environment

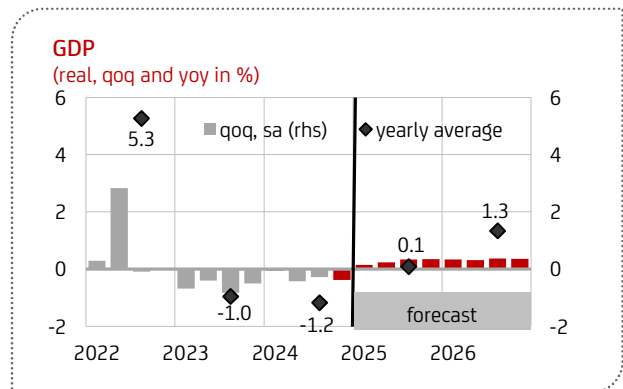
	2023	2024	Forecast	
			2025	2026
<i>(GDP, change in %)</i>				
Eurozone	0.7	0.7	0.9	1.2
Germany	-0.3	-0.2	0.7	1.2
France	0.7	1.1	0.7	1.2
Italy	0.9	0.5	0.8	1.0
Spain	2.5	3.2	1.8	1.9
UK	0.1	0.8	1.0	1.4
USA	2.5	2.8	2.2	2.3
Japan	1.9	0.1	1.0	0.9
	2021	2022	2023	2024
<i>(annual average)</i>				
USD per euro	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 recession intensified at the end of 2024

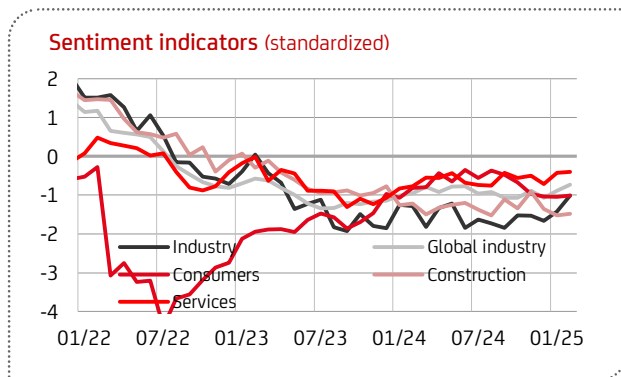


According to the latest available estimate, GDP shrank by 1.2 percent in 2024, after the Austrian economy had already fallen by 1 percent in 2023.

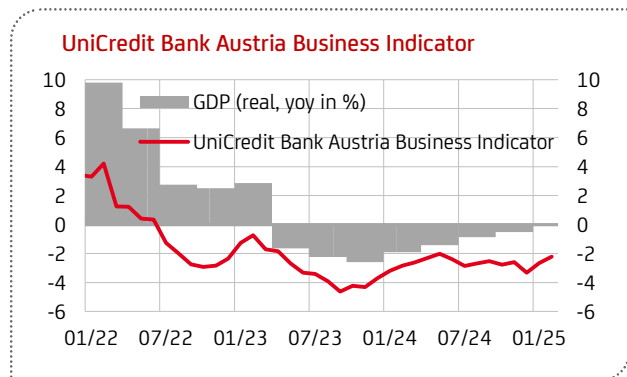


Lower inflation holds out the prospect of a recovery of the economy for 2025 by strengthening consumption. Growth should also be supported by the easing of monetary policy and the reversal of the inventory cycle.

Improvement in sentiment in industry and the service sector since the beginning of 2025



While industry is still in recession despite improvement, there were signs of stabilization in the construction sector in February. In the service sector, business expectations were even slightly positive.



The UniCredit Bank Austria Business Indicator again signalled a weak economic development in February. However, the indicator improved for the second month in a row to minus 2.2 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	-1.2	0.1	1.3
Industrial production	4.2	0.0	-7.1	11.0	5.9	-1.7	-4.6	0.0	2.5
Private consumption	0.8	0.7	-7.6	4.8	4.9	-0.5	0.1	1.0	1.4
Gross fixed capital formation	4.4	4.3	-5.3	6.0	0.4	-3.2	-3.3	0.9	1.9
Exports	5.2	4.0	-10.5	9.5	10.0	-0.4	-4.3	-2.1	2.5
Imports	5.1	2.4	-9.6	14.1	7.1	-4.6	-5.0	0.0	2.7
<i>CPI change yoy in %</i>									
CPI change yoy in %	2.0	1.5	1.4	2.8	8.6	7.8	2.9	2.5	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	81.8	83.4	84.1

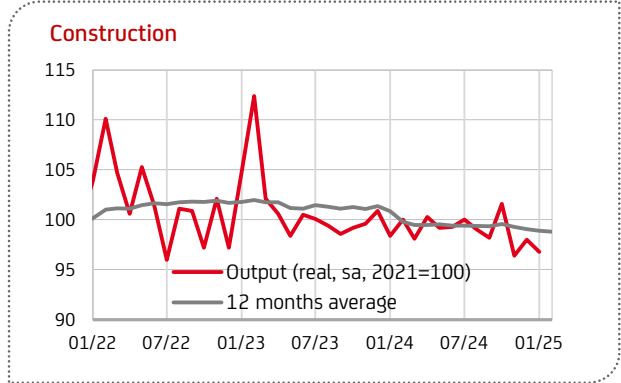
Source: UniCredit Bank Austria

Signs of life from the retail sector at end of 2024



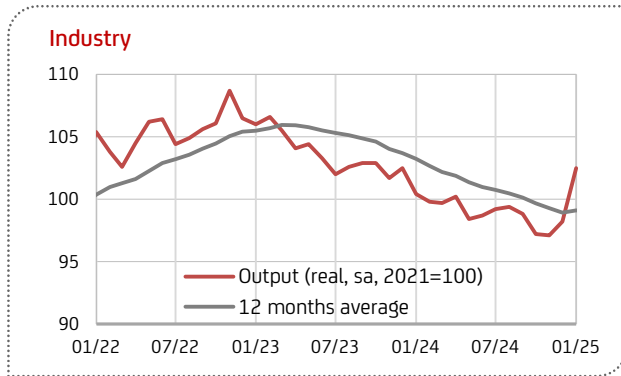
After a mixed summer, retail sales stabilized at the beginning of autumn and picked up towards the end of 2024. In 2024, there was an increase of 0.9% in real terms, after a decline of 3.5% in 2023.

Construction sector stabilized at a low level

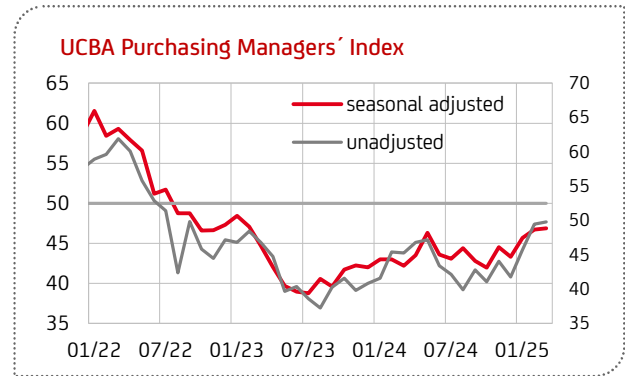


Construction output fell by an average of 2.6% in 2024 (real, working day adjusted). Contrary to the sentiment, the weakness in the construction sector intensified toward the end of the year.

Persistent problems in the industry sector

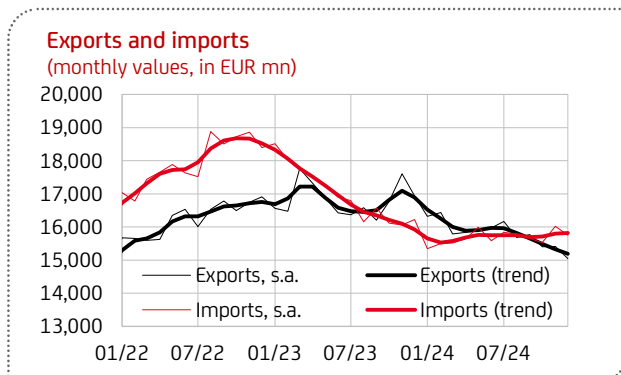


In 2024, industrial production fell by an average of 4.7% (in real terms, working day adjusted), the second consecutive decline after the minus of 1.2% in 2023.

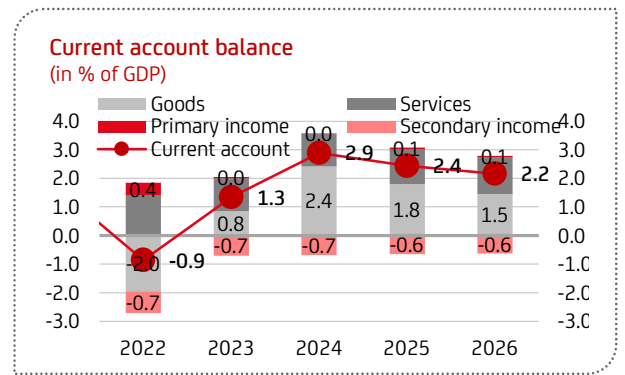


In February, the UniCredit Bank Austria Purchasing Managers' Index rose to 46.7 points. This means that the indicator is still well away from the 50-point mark, which would signal growth in industry.

Foreign trade surplus increases, current account balance improves

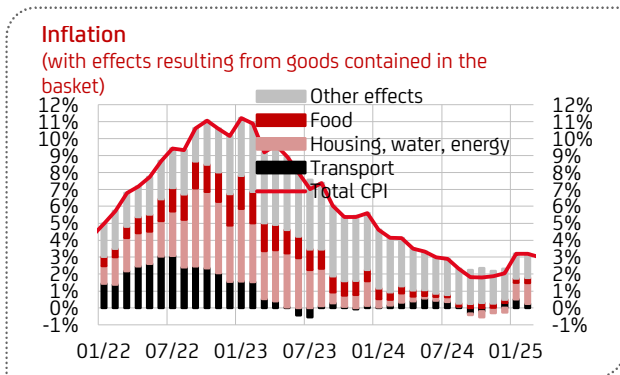


Exports fell by 4.8 percent year-on-year in the first eleven months of 2024, while imports fell by as much as 7.6 percent, mainly due to falling energy prices. The trade balance thus turned significantly positive.

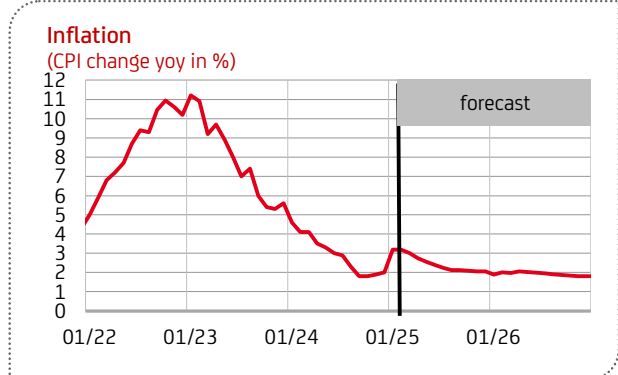


Mainly due to a high surplus in the trade in goods, we expect a noticeable increase in the positive current account balance in 2024.

Inflation in February 2025 amounted 3.2 percent year-on-year

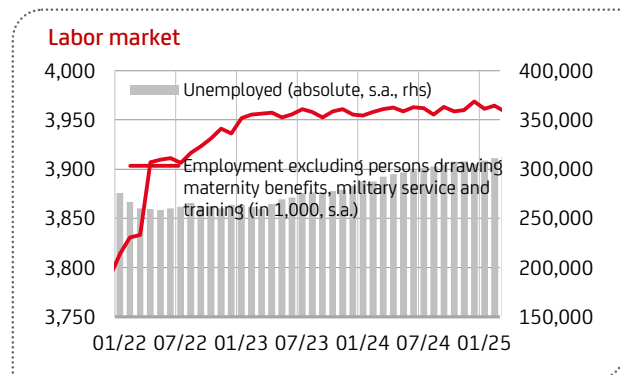


Inflation amounted 3.2 percent year-on-year in January and February mainly due to the end of subsidy measures (e.g. electricity price brake).

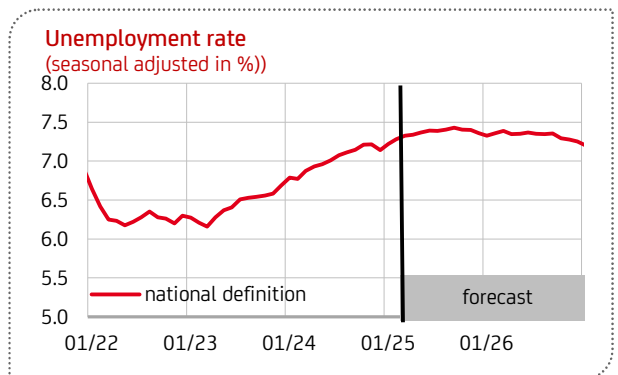


After the significant increase at the beginning of 2025, inflation will slowly ease again over the course of the year, supported by a slowdown in the second-round effects in the service sector.

Strain on the labor market continues to increase

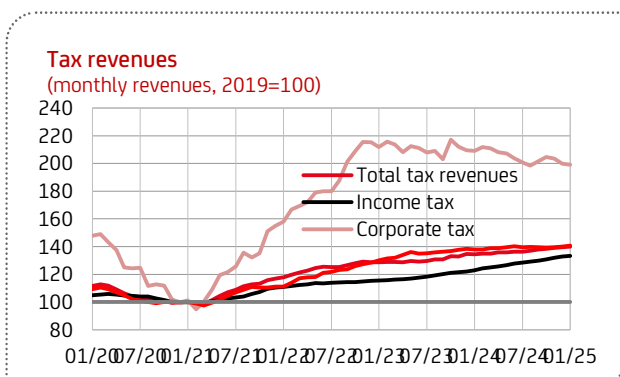


The seasonally adjusted unemployment rate was 7.3 percent in February. The upward trend will continue, but will be relatively subdued due to the only moderate increase in labor supply.

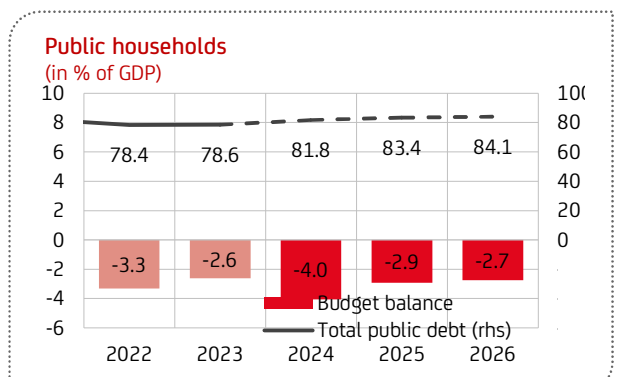


After an annual average unemployment rate of 7.0 percent in 2024, we expect an increase to 7.3 percent in 2025, which should stabilize at this level in 2026.

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.

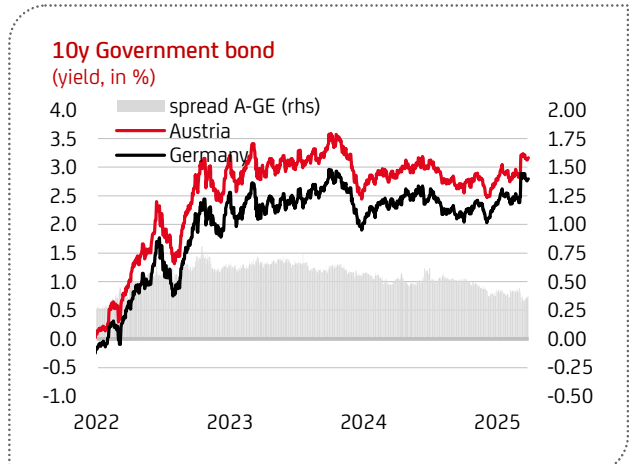
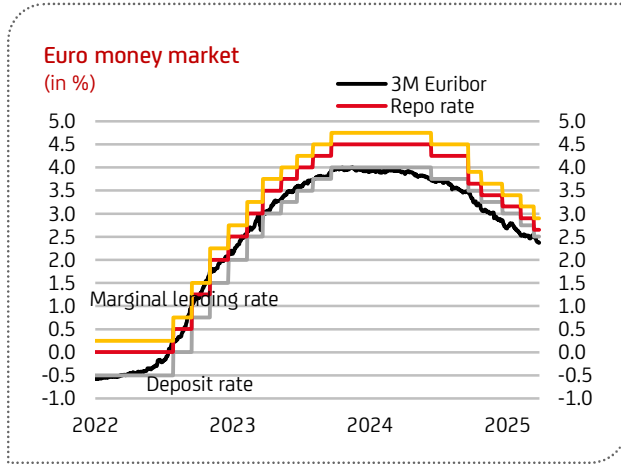
Sources: Statistik Austria, OeNB, UniCredit Bank Austria

	2022	2023	2024	I 24	II 24	III 24	IV 24	09/24	10/24	11/24	12/24	01/25	02/25
UniCredit Bank Austria Business Indicator	-0.3	-3.0	-2.7	-2.9	-2.2	-2.7	-2.9	-2.5	-2.8	-2.6	-3.3	-2.6	-2.2
GDP growth (qoq, annualized)	5.3	-1.0	-1.2	-0.3	-1.7	-1.1	-1.5						
Confidence Indicator eurozone manufacturing	5	-6	-11	-9	-10	-11	-13	-11	-13	-11	-14	-13	-11
Germany	12	-8	-20	-10	-11	-11	-14	-23	-23	-23	-28	-25	-23
France	-2	-8	-8	-6	-8	-7	-12	-7	-14	-9	-11	-11	-8
Italy	2	-4	-8	-7	-7	-8	-9	-9	-9	-9	-9	-8	-8
Netherlands	4	-2	-3	-4	-3	-3	-3	-3	-4	-2	-2	-2	-1
Spain	-1	-7	-5	-5	-6	-3	-6	-1	-8	-5	-5	-4	-6
UniCredit Bank Austria Eurozone Confidence Indicator													
Manufacturing	6	-7	-14	-12	-13	-14	-17	-16	-17	-16	-19	-17	-16
UniCredit Bank Austria Purchasing Managers' Index (PMI)	52.9	42.1	43.5	42.7	44.5	43.4	43.3	42.8	42.0	44.5	43.3	45.7	46.7
New orders	45	37	43	40.8	45.1	42.6	43.0	41	41	46	43	47	48
New export orders	45	38	42	41.5	44.5	41.1	41.1	38	38	42	43	47	45
Output	50	44	44	43.8	46.5	44.1	43.3	43	41	46	42	47	48
Confidence indicator Austria manufacturing, total	2.2	-13.2	-19.6	-17.3	-18.2	-22.0	-21.0	-23.4	-20.2	-20.5	-22.3	-19.6	-15.4
Industrial production													
Change against previous year (in %)	5.9	-1.7	-4.6	-5.6	-4.7	-3.4	-4.8	-4.0	-5.5	-4.7	-4.2	2.2	
Change against previous month (seasonally adjusted, in %)								-0.4	-1.5	0.2	1.4	2.8	
Foreign trade													
Exports (yoy change in %)	17.6	3.1		-3.3	-5.7	-1.7		-2.7	-1.0	-15.6	-4.4		
Exports (mom change, s.a. in %, 3-MMAV)								0.5	-2.3	0.1	-2.4		
Imports (yoy in %)	20.6	-5.8		-14.2	-8.6	-3.3		-5.5	3.2	-3.5	4.1		
Imports (mom, s.a. in %, 3-MMAV)								-0.9	-0.8	3.1	-1.7		
Ex-Im (12 months cumulated, EUR billion)	40.0	-2.0		3.6	5.1	6.0		6.0	5.3	2.9	1.7		
Construction													
Confidence indicator	9.0	-6.5	-14.2	-14.8	-14.0	-14.9	-13.0	-12.0	-14.9	-9.3	-14.8	-16.9	-16.5
Retail trade													
Confidence indicator	-11.0	-23.9	-16.2	-17.3	-13.7	-13.7	-17.7	-13.8	-15.6	-18.4	-19.1	-19.3	-19.1
Retail trade nom. (change against previous year in %)	8.2	2.9	2.8	3.6	0.5	2.6	4.4	0.8	6.2	4.9	2.3	4.7	
Retail trade nom. (change against previous year in %, 3mav.)								2.6	3.5	4.0	4.5	4.0	
Retail trade real (change against previous year in %)	-0.8	-3.5	0.9	0.3	-1.3	1.4	3.3	-0.1	4.9	3.8	1.4	3.3	
Retail trade real (chg. against prev. month in %, s.a., 3mav.)								0.4	0.3	0.4	0.2	0.3	
Automobile trade nom. (change against prev. year in %)	-0.5	11.8	0.0	5.0	2.8	-1.1	2.9	0.1	8.6	-2.3	2.5		
Tourism													
Overnight stay (change against previous year in %)	392.1	11.3	2.0	5.6	-3.7	-1.2	7.6	-6.9	4.8	7.1	10.9	3.1	0.0
Labor market													
Employment* (change against previous year in %)	3.0	1.2	0.2	0.2	0.3	0.2	0.2	0.3	0.1	0.0	0.6	0.3	0.2
Employment (s.a., change against previous month in %)								0.19	-0.12	0.03	0.23	-0.18	0.07
Unemployed (change against previous year in '000)	-68.6	7.7	27.1	28.8	26.2	26.3	27.1	27.9	29.1	28.7	23.5	21.9	25.8
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	7.1	7.2	7.3
Prices													
CPI (change against previous year in %)	8.6	7.8	2.9	4.3	3.3	2.3	1.9	1.8	1.8	1.9	2.0	3.2	3.2
HCPI (change against previous year in %)	8.6	7.7	2.9	4.1	3.3	2.4	1.9	1.8	1.8	1.9	2.1	3.4	3.4
Crude oil (in USD per barrel)	98.4	81.6	79.7	81.5	84.7	78.5	73.8	72.9	75.3	73.1	73.1	77.8	74.8
Crude oil (in EUR, change against previous year in %)	62.2	-15.5	-2.4	-1.7	10.0	-8.4	-9.4	-23.9	-17.6	-9.1	-1.5	3.7	-4.6
Financial market													
3M Euribor	0.34	3.43	3.57	3.92	3.81	3.56	3.00	3.43	3.17	3.01	2.81	2.71	2.53
10-year government bonds (yield in %)	1.61	3.08	2.83	2.81	3.00	2.81	2.71	2.69	2.74	2.76	2.62	2.90	2.84
USD per euro	1.05	1.08	1.08	1.09	1.08	1.10	1.07	1.11	1.09	1.06	1.05	1.04	1.04
Total loans (change against previous year in %, eop)	5.0	0.7	0.7	0.8	0.5	0.6	0.7	0.6	0.8	1.3	0.7	1.1	
Consumption loans (change against prev. year in %, eop)	3.6	-1.9	-0.9	-1.7	-1.5	-1.0	-0.9	-1.0	-1.0	-1.0	-0.9	-1.1	

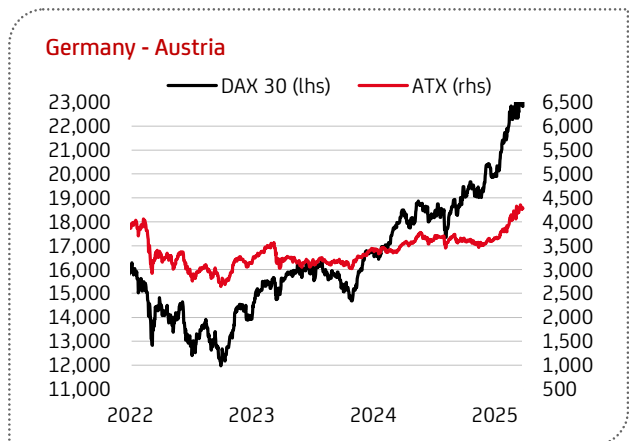
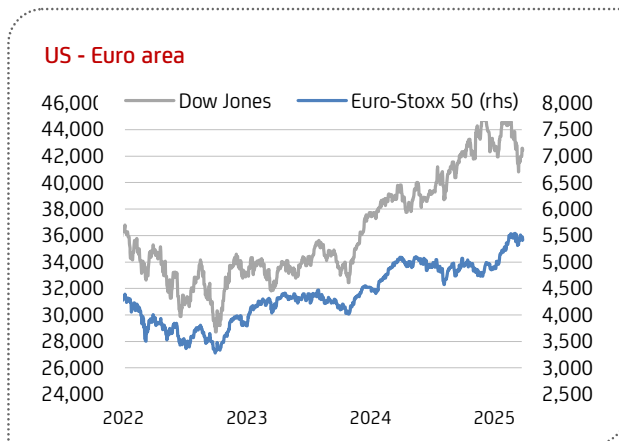
*) excl. maternity/paternity leave, military service and training programs

Sources: Statistik Austria, OeNB, UniCredit Bank Austria

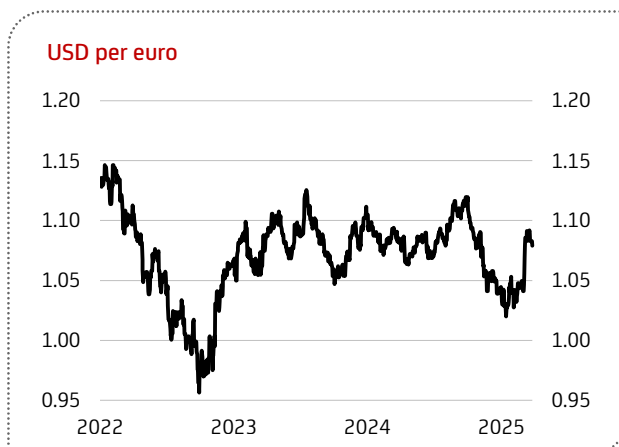
Money market and long-term interest



Stock markets



FX trends



Sources: Macrobond, UniCredit Bank Austria

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