

# Austria

## Up-to-date

 **Bank Austria**  
Member of  **UniCredit**

**NOVEMBER 2024**



## International environment

	Forecast			
	2022	2023	2024	2025
<i>(GDP, change in %)</i>				
Eurozone	3,3	0,7	0,7	1,1
Germany	1,8	-0,3	0,0	1,0
France	2,5	0,7	1,1	1,2
Italy	4,0	0,9	0,8	1,1
Spain	5,8	2,5	2,7	1,6
UK	4,4	0,1	0,9	0,9
USA	1,9	2,5	2,6	1,3
Japan	1,0	1,9	0,1	1,0
	2021	2022	2023	2024e
<i>(annual average)</i>				
USD per euro	1,18	1,05	1,08	1,09
CHF per euro	1,08	1,01	0,97	0,96
GBP per euro	0,86	0,85	0,87	0,85
JPY per euro	129,7	138,0	151,9	162,8
Oil (USD/barrel)	69	98	82	80
10y Gov. bond (A)	-0,27	1,61	3,08	2,86
3m Euribor	-0,55	0,34	3,43	3,57

Source: UniCredit

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as of November 2024.

## Inflation decline and interest rate cut improve outlook for 2025

	2022	2023	Rev. <sup>1)</sup>	2024	Rev. <sup>1)</sup>	2025	Rev. <sup>1)</sup>
GDP (real, change in %)	5.3	-1.0		-0.5		1.0	
Inflation (CPI, in %)	8.6	7.8		2.9	↓	2.2	
Unemployment rate (in %)	6.3	6.4		7.0		7.2	

1) Revision since last report

### ■ Weak Austrian economy with slight improvement trend

The weakness of the manufacturing industry 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 a first estimate, the Austrian economy grew by 0.3% in 3Q24 and should be able to continue this moderate, albeit still very uneven, upward trend, supported by real wage increases and the easing of monetary policy. After the renewed decline in GDP in 2024 by an estimated 0.5%, we expect real GDP to increase by 1% in 2025.

### ■ Unemployment to rise in 2024, stabilization in 2025

Due to the weak economic development, especially in industry and construction, unemployment continues to rise. In October, the seasonally adjusted unemployment rate was 7.2%. On an annual average, we expect an unemployment rate of 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 further slightly to 7.2%. Despite the increase, however, the unemployment rate will be lower than in 2019, before the start of the corona crisis, as the labor supply is expected to increase only slowly for demographic reasons.

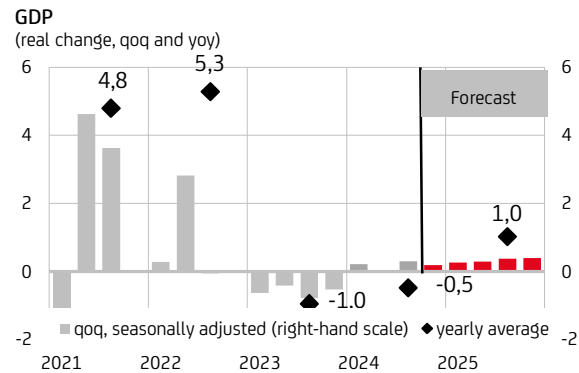
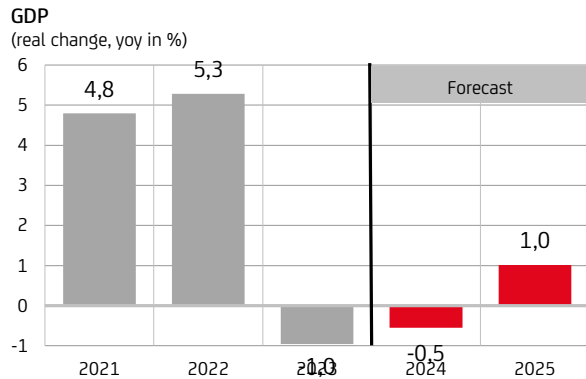
### ■ Inflation back below 2% yoy

Inflation has fallen significantly since the beginning of the year and is expected to be only 1.8% in October, dampened by the decline in energy prices. Around the turn of the year, inflation is expected to rise slightly above the 2% mark, partly due to the abolition of the electricity price brake. We expect an inflation rate of only 2.9% on average for 2024. For 2025, we expect inflation in Austria to fall to an average of 2.2%.

### ■ Interest rate cut 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 October, bringing the total to 75 basis points since June. For December, we expect the ECB to lower interest rates by another 25 BP. For 2025, we expect key interest rates to be reduced by 100 BP, with the deposit rate at 2% likely to have reached its final level in the current interest rate cycle as early as September. Due to the unfavorable economic outlook and the imminent economic policy changes in the US, the possibility of lowering key interest rates below the neutral level of around two percent – i.e. a slight expansionary monetary policy course by the ECB – has even increased.

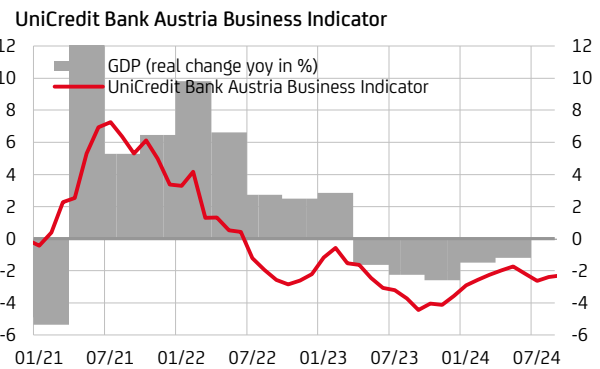
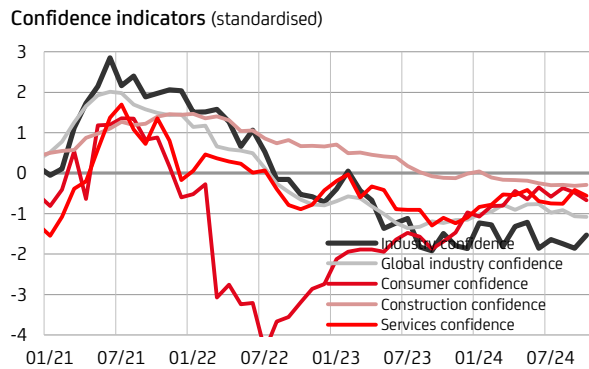
**CONSUMPTION ENABLES SLIGHT GDP GROWTH IN THE THIRD QUARTER 2024**



■ GDP fell by 1.0% in 2023, according to the latest calculation by Statistics Austria. Economic development continues to be heavily impacted by weakness in industry and construction, despite initial positive signals in the third quarter.

■ The lower inflation holds out the prospect of a moderate 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.

**ECONOMIC SENTIMENT STABILIZES AT LOW LEVEL**



■ Economic worries in industry and construction are also weighing on sentiment in the service sectors. In general, economic sentiment stabilized at a low level in October.

■ The UniCredit Bank Austria Business Indicator continues to signal a weak economic development. In October, the indicator even fell slightly to minus 2.5 points.

**ECONOMIC FORECAST**

	2017	2018	2019	2020	2021	2022	2023	Forecast	
								2024	2025
<b>GDP</b> (real, yoy in %)	2,3	2,5	1,8	-6,3	4,8	5,3	-1,0	-0,5	1,0
Industrial output (real, yoy in %)	4,2	4,2	0,1	-7,1	11,0	6,1	-1,1	-3,0	1,0
Private consumption (real, yoy in %)	2,0	1,1	0,5	-8,5	4,2	5,0	-0,5	0,0	1,3
Investments (real, yoy in %) <sup>*)</sup>	4,2	4,4	4,3	-5,3	6,0	0,4	-3,2	-3,0	1,6
<b>Inflation rate</b> (change against prev. year in %)	2,1	2,0	1,5	1,4	2,8	8,6	7,8	2,9	2,2
<b>Unemployment rate</b> (national definition)	8,5	7,7	7,4	9,9	8,0	6,3	6,4	7,0	7,2
<b>Employment</b> (change against prev. year in %) <sup>**)</sup>	2,0	2,5	1,6	-2,0	2,5	3,0	1,2	0,1	0,2
<b>Public-sector balance</b> (in % of GDP)	-0,8	0,2	0,5	-8,2	-5,7	-3,3	-2,6	-3,5	-3,5
<b>Total public debt</b> (in % of GDP)	79,1	74,6	71,0	83,2	82,4	78,4	78,6	80,6	82,3

<sup>\*)</sup> Gross fixed capital formation <sup>\*\*)</sup> excl. maternity/paternity leave, military service and training programmes

**UNCERTAINTIES WEIGH ON THE RETAIL SECTOR**

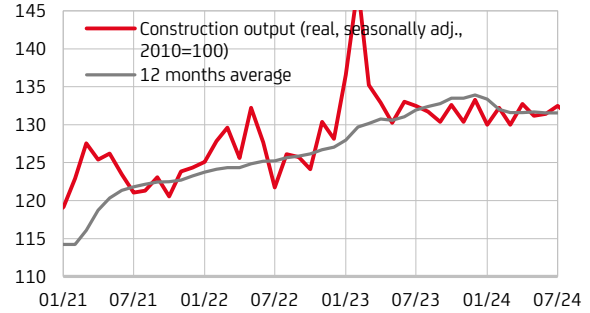
**Retail sales**



- After a mixed summer, retail sales stabilized again at the beginning of autumn. In the first nine months of the year, retail sales were at least at the previous year's level in real terms.

**STABILISATION AT LOW LEVEL IN CONSTRUCTION**

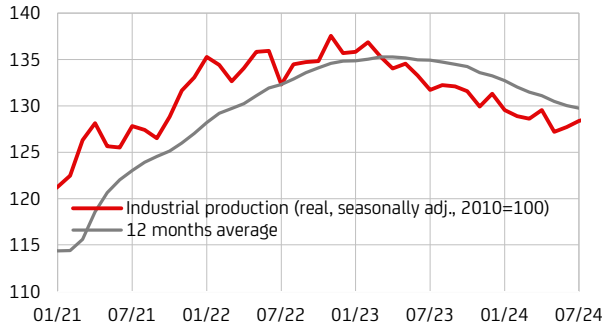
**Construction sector**



- Output fell by an average of around 1.5% in 2023. Following an intensification of the slump at the start of the year, the situation in construction appears to be stabilizing. From January to September 2024, however, there was a real drop in production of 2.0%:

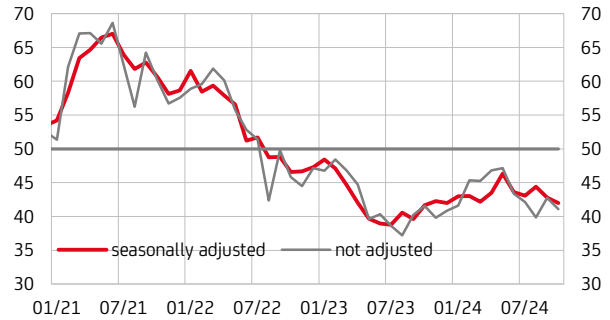
**PERSISTENT PROBLEMS IN THE INDUSTRY**

**Industry**



- In 2023, industrial production fell by an average of 1.9% in real terms. After the ongoing slump since the beginning of the year, industrial production in the first nine months of 2024 was even 4 percent below the previous year's figure in real terms.

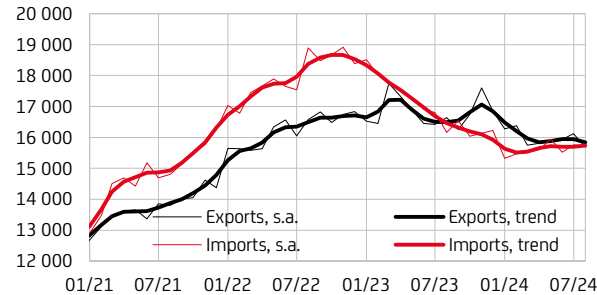
**UniCredit Bank Austria Purchasing Managers' Index**



- In October, the UniCredit Bank Austria Purchasing Managers' Index decreased somewhat. At 42.0 points, the indicator is well away from the 50-point mark, which would signal growth in industry.

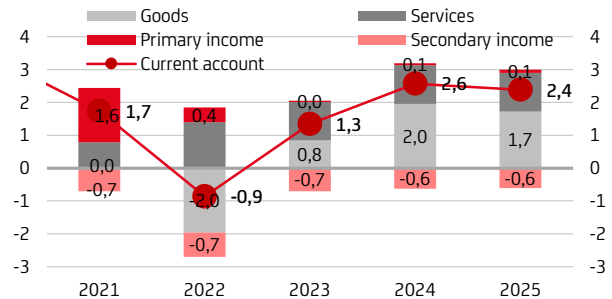
**SURPLUS IN FOREIGN TRADE INCREASES, CURRENT ACCOUNT BALANCE CONTINUES TO IMPROVE**

**Exports and imports**  
(monthly data, in EUR million)



- Foreign trade is weakening. In the first eight months of 2024, exports of goods fell by 4.4 percent compared to the previous year. Imports fell by 8.9 percent, partly due to lower energy prices.

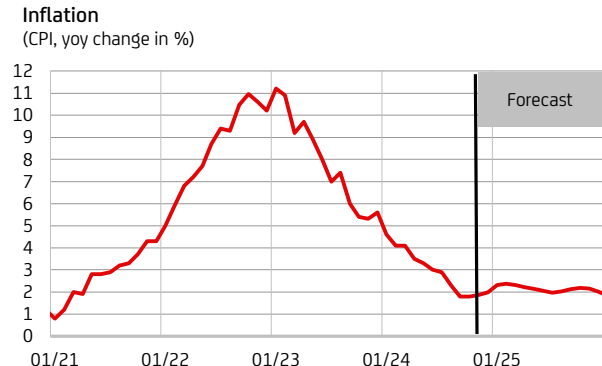
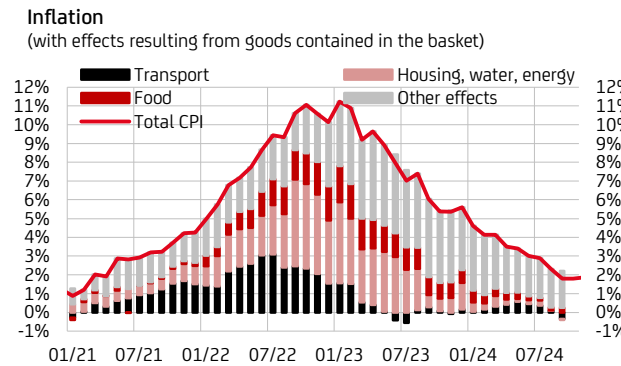
**Current account balance**  
(in % of GDP)



- Following the increase in the current account balance to 1.3 percent of GDP in 2023, we expect a further improvement in 2024, based on the movement of goods, supported by the price development of energy imports.

Source: Statistik Austria, WIFO, OeNB, S&P Global, UniCredit

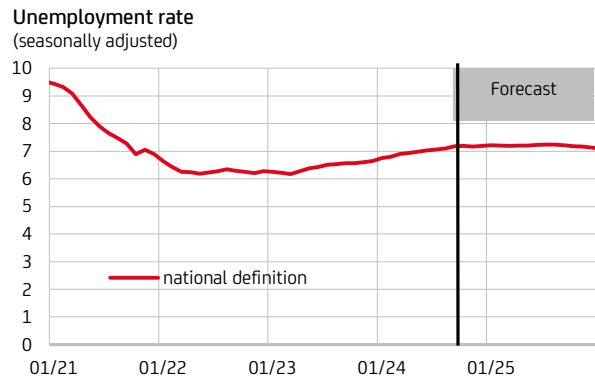
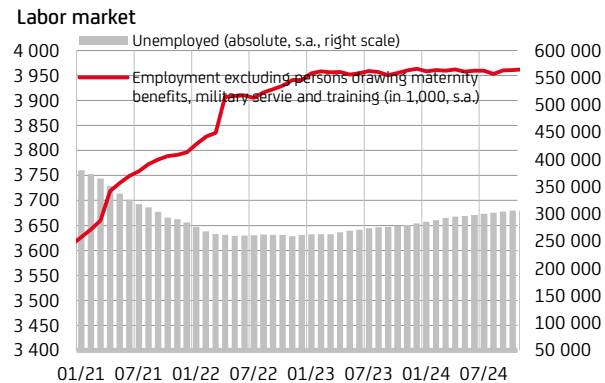
**INFLATION AMOUNTED TO 1.8 PERCENT YEAR-ON-YEAR IN OCTOBER 2024 ACCORDING TO THE FLASH ESTIMATE**



■ According to preliminary estimates by Statistics Austria, inflation in October was again 1.8 percent year-on-year, dampened mainly by the low oil price.

■ In the next few months, we expect inflation to remain around 2 percent year-on-year, supported by a slowdown in the second-round effects in the service sector.

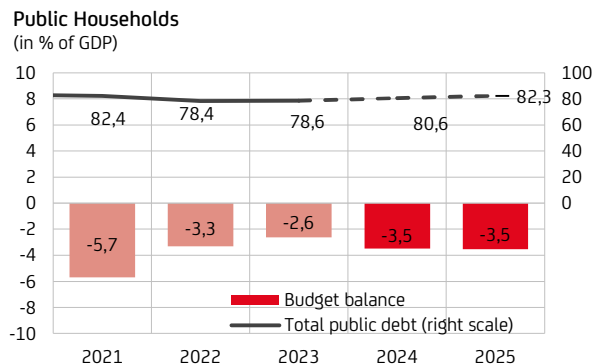
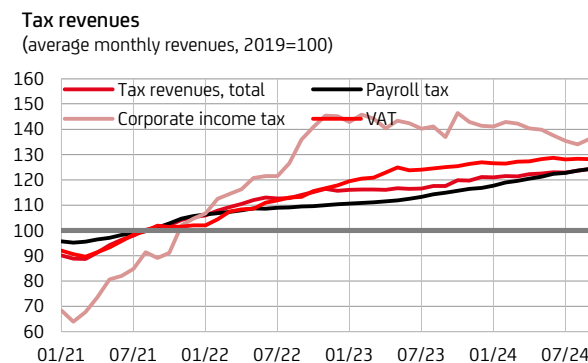
**BURDENS ON THE LABOUR MARKET CONTINUE TO INCREASE**



■ The seasonally adjusted unemployment rate was 7.2 percent in October, the highest level in three years. Despite the weak economy, however, the upward trend remains very subdued due to a moderate increase in the labor supply.

■ After an unemployment rate of 6.4 percent in 2023, we expect an increase to an average of 7.0 percent in 2024. The increase is expected to continue in 2025 in view of the weak economy.

**BUDGET DEFICIT AND TOTAL PUBLIC DEBT TREND UPWARDS IN 2024**



■ In the first nine months, revenues increased by 3.7 percent thanks to the good development of wage and income tax. However, expenses rose by over 13 percent. The net financing requirement therefore rose to over 15 billion Euro.

■ The budget implementation so far suggests an increase in the budget deficit clearly above the Maastricht limit of 3 percent of GDP for 2024. As a result, the total debt ratio will also increase.

Source: Statistik Austria, BMF, UniCredit

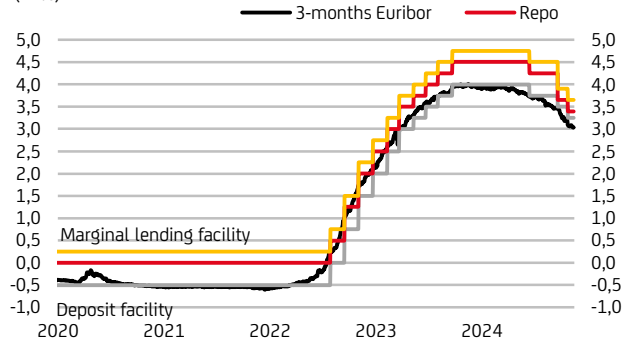
	2021	2022	2023	IV 23	I 24	II 24	III 24	05/24	06/24	07/24	08/24	09/24	10/24
<b>UniCredit Bank Austria Business Indicator</b>	4,2	-0,2	-2,8	-3,9	-2,6	-2,0	-2,4	-1,7	-2,2	-2,6	-2,4	-2,3	-2,5
GDP growth (qoq, annualized)	4,8	5,3	-1,0	-2,1	0,8	-0,2	1,2						
<b>Confidence Indicator eurozone manufacturing</b>	10	5	-6	-9	-9	-10	-11	-10	-10	-11	-10	-11	-13
Germany	17	12	-8	-11	-10	-10	-11	-18	-17	-19	-20	-23	-23
France	0	-2	-8	-9	-6	-8	-7	-9	-8	-10	-5	-7	-15
Italy	6	2	-4	-8	-7	-7	-8	-7	-8	-8	-8	-9	-9
Netherlands	6	4	-2	-5	-4	-3	-3	-2	-2	-3	-2	-3	-4
Spain	1	-1	-7	-8	-5	-6	-3	-6	-6	-4	-4	-1	-8
<b>UniCredit Bank Austria Eurozone Confidence Indicator Manufacturing</b>	11	6	-7	-12	-12	-13	-14	-13	-12	-14	-14	-16	-17
<b>UniCredit Bank Austria Purchasing Managers' Index (PMI)</b>	61,7	52,9	42,1	42,0	42,7	44,5	43,4	46,3	43,6	43,1	44,4	42,8	42,0
New orders	59	45	37	38,4	40,8	45,1	42,6	47	45	42	45	41	41
New export orders	58	45	38	40,2	41,5	44,5	41,1	48	42	42	43	38	38
Output	58	50	44	43,0	43,8	46,5	44,1	49	44	45	44	43	41
<b>Confidence indicator Austria manufacturing, total</b>	10,3	2,2	-13,2	-19,0	-17,1	-18,1	-22,1	-15,5	-22,5	-20,6	-22,0	-23,6	-20,4
<b>Industrial production</b>													
Change against previous year (in %)	11,0	6,1	-1,1	-3,8	-5,0	-4,4	-2,5	-5,4	-4,2	-2,9	-2,8	-1,8	
Change against previous month (seasonally adjusted, in %)								-1,5	0,3	0,0	0,6	0,6	
<b>Foreign trade</b>													
Exports (yoy change in %)	16,1	17,6	3,1	1,3	-3,4	-6,0		-9,5	-6,7	5,9	-9,2		
Exports (mom change, s.a. in %, 3-MMAV)								0,4	0,4	1,2	-2,7		
Imports (yoy in %)	23,6	20,6	-5,8	-14,4	-14,3	-9,0		-10,8	-11,4	0,6	-6,1		
Imports (mom, s.a. in %, 3-MMAV)								2,1	-2,6	1,5	-0,2		
Ex-Im (12 months cumulated, EUR billion)	-11,2	-19,9	-10,8	-2,0	3,6	5,2		4,4	5,2	6,1	5,6		
<b>Construction</b>													
Confidence indicator	0,8	3,4	-4,2	-7,4	-6,8	-7,7	-8,1	-7,5	-8,0	-8,3	-8,0	-8,1	-7,7
<b>Retail trade</b>													
Confidence indicator	-6,4	-11,1	-23,9	-21,2	-17,3	-13,7	-13,8	-15,2	-12,6	-14,7	-12,8	-13,8	-15,6
Retail trade nom. (change against previous year in %)	5,1	8,2	2,9	0,7	3,6	0,5	2,7	2,3	-2,9	3,4	3,5	1,1	
Retail trade nom. (change against previous year in %, 3mav.)								2,3	0,5	0,9	1,3	2,7	
Retail trade real (change against previous year in %)	3,0	-0,8	-3,5	-3,4	0,3	-1,3	1,5	0,5	-4,3	2,0	2,2	0,2	
Retail trade real (chg. against prev. month in %, s.a., 3mav.)								0,5	-0,7	0,2	0,5	0,4	
Automobile trade nom. (change against prev. year in %)	16,6	-0,5	11,8	8,7	5,0	2,8		-2,2	-3,7	4,2	-7,4		
<b>Tourism</b>													
Overnight stay (change against previous year in %)	116,4	392,1	11,3	5,1	5,6	-3,7	-1,4	15,0	-6,2	-0,1	3,3	-7,4	
<b>Labor market</b>													
Employment*) (change against previous year in %)	2,5	3,0	1,2	0,7	0,2	0,3	0,2	0,3	0,1	0,3	-0,1	0,3	0,3
Employment (s.a., change against previous month in %)								-0,11	0,06	-0,01	-0,16	0,18	0,01
Unemployed (change against previous year in '000)	-77,9	-68,6	7,7	17,6	28,8	26,2	26,3	25,0	24,7	24,7	26,2	27,9	29,1
Unemployment rate (in %, s.a.)	8,0	6,3	6,4	6,6	6,8	7,0	7,1	7,0	7,0	7,1	7,1	7,2	7,2
<b>Prices</b>													
CPI (change against previous year in %)	2,8	8,6	7,8	5,4	4,3	3,3	2,3	3,3	3,0	2,9	2,3	1,8	1,8
HCPI (change against previous year in %)	2,8	8,6	7,7	5,2	4,1	3,3	2,4	3,3	3,1	2,9	2,4	1,8	1,8
Crude oil (in USD per barrel)	68,8	98,4	81,6	83,9	81,5	84,7	78,5	83,0	82,7	83,8	78,8	72,9	75,2
Crude oil (in EUR, change against previous year in %)	59,2	62,2	-15,5	-9,5	-1,7	10,0	-8,4	10,1	11,2	6,9	-8,3	-23,9	-17,7
<b>Financial market</b>													
3M Euribor	-0,55	0,34	3,43	3,96	3,92	3,81	3,56	3,81	3,72	3,68	3,55	3,43	3,17
10-year government bonds (yield in %)	-0,27	1,61	3,08	3,12	2,81	3,00	2,81	3,02	3,04	2,98	2,76	2,69	2,74
USD per euro	1,18	1,05	1,08	1,08	1,09	1,08	1,10	1,08	1,08	1,08	1,10	1,11	1,09
Total loans (change against previous year in %, eop)	6,6	5,0	0,7	0,7	0,8	0,5		0,6	0,5	0,3	0,2		
Consumption loans (change against prev. year in %, eop)	5,6	3,6	-1,9	-1,9	-1,7	-1,5		-1,9	-1,5	-1,5	-1,4		

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

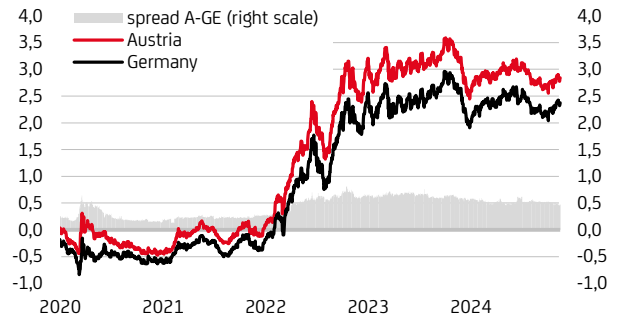
Source: UniCredit Research

**MONEY MARKET AND LONG-TERM INTEREST**

**Euro money market**  
(in %)

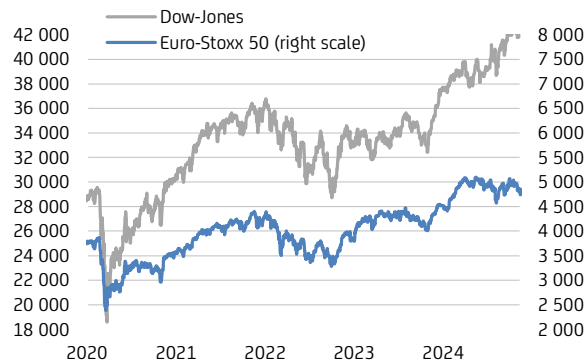


**10y Government bond (yield)**  
(in %)

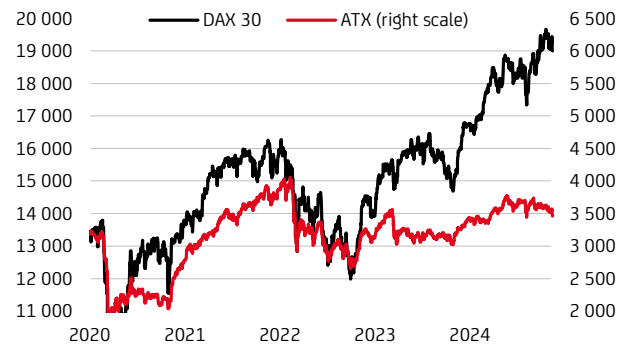


**STOCK MARKETS**

**USA - Eurozone**



**Germany - Austria**



**FX TRENDS**

**USD per euro**



**SFR per euro**



Source: Refinitiv Datastream, UniCredit

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