

Austria

Up-to-date

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

DECEMBER 2024



International environment

	Forecast			
	2023	2024	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	2.86
3m Euribor	-0.55	0.34	3.43	3.56

Source: UniCredit

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as of December 2024.

Domestic demand gives hope for moderate recovery in 2025/26

	2023	2024	Rev. ¹⁾	2025	Rev. ¹⁾	2026	Rev. ¹⁾
GDP (real, change in %)	-1.0	-0.5		0.9	↘	1.3	
Inflation (CPI, in %)	7.8	2.9		2.2		1.9	
Unemployment rate (in %)	6.4	7.0		7.2		7.0	

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 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% in 2025, slight decline in 2026

Due to the weak economic development, especially in industry and construction, unemployment continues to rise. In November, 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 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.

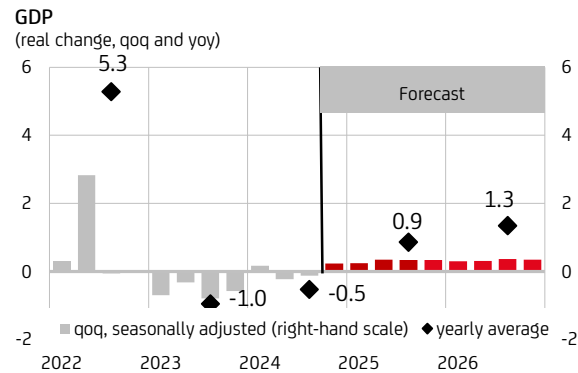
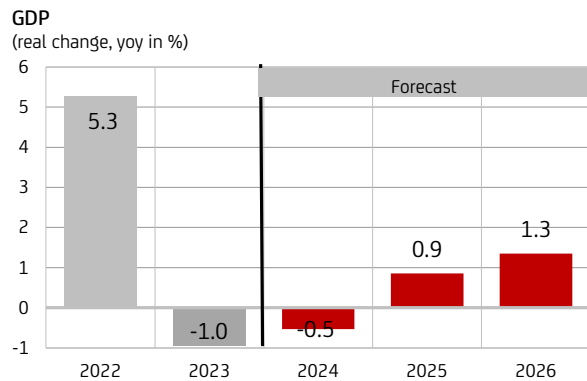
■ Inflation back below 2% yoy

Inflation has fallen significantly since the beginning of the year, falling below 2% for the third consecutive month at 1.9% in November. 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.

■ 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 basis points. Due to the unfavourable 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.

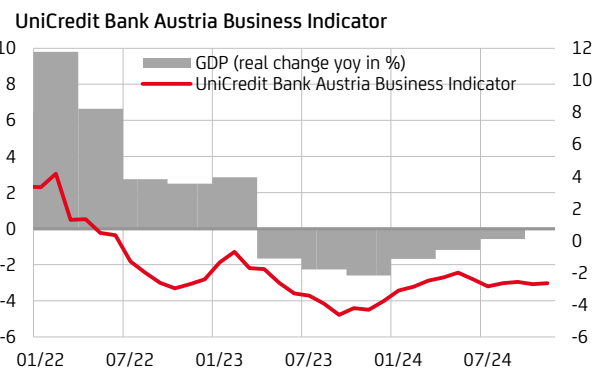
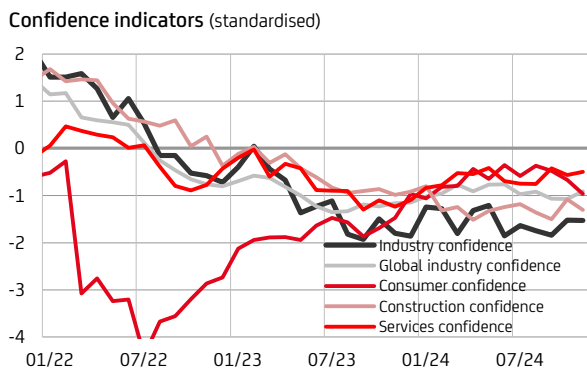
ACCORDING TO CURRENT FIGURES, GDP FELL SLIGHTLY AGAIN IN THE THIRD QUARTER 2024



■ 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 cautious stabilization tendencies.

■ 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, although there was a slightly improvement here.

■ The UniCredit Bank Austria Business Indicator continues to signal a weak economic development. In November, however, the indicator rose at least slightly to minus 2.6 points.

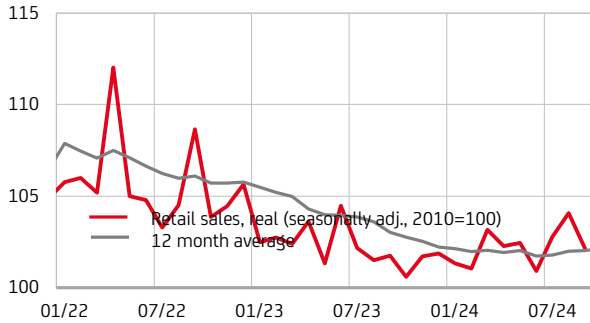
ECONOMIC FORECAST

	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	-0.5	0.9	1.3
Industrial production	4.2	0.1	-7.1	11.0	6.1	-1.1	-3.0	1.0	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
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: Statistik Austria, WIFO, LSEG Datastream, EU Commission, UniCredit

UNCERTAINTIES WEIGH ON THE RETAIL SECTOR

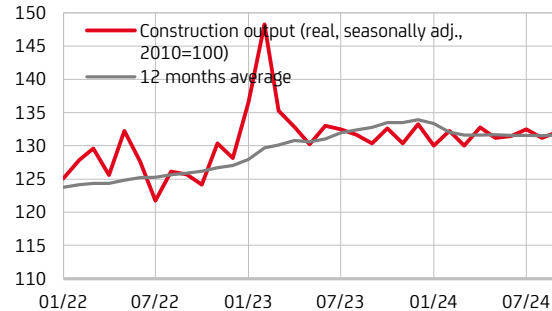
Retail sales



■ 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

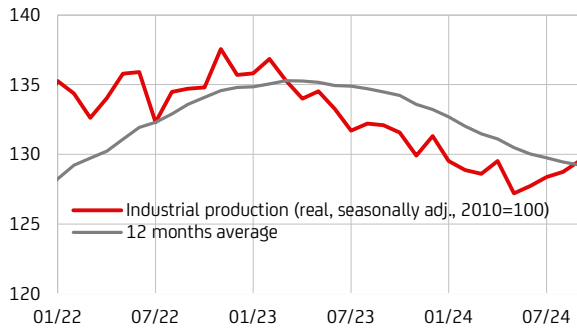
Construction sector



■ 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%:

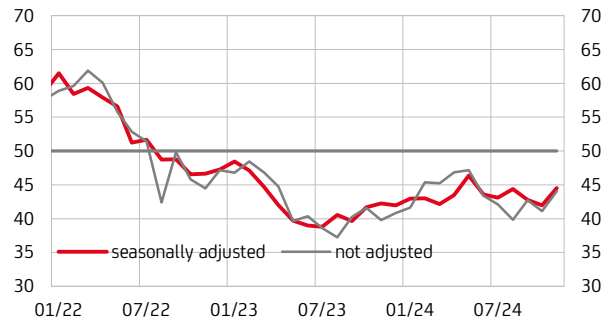
PERSISTENT PROBLEMS IN THE INDUSTRY

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.

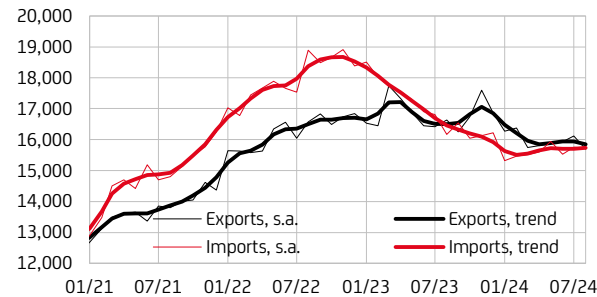
UniCredit Bank Austria Purchasing Managers' Index



■ In November, the UniCredit Bank Austria Purchasing Managers' Index increased somewhat. At 44.5 points, the indicator is well away from the 50-point mark, which would signal growth in industry.

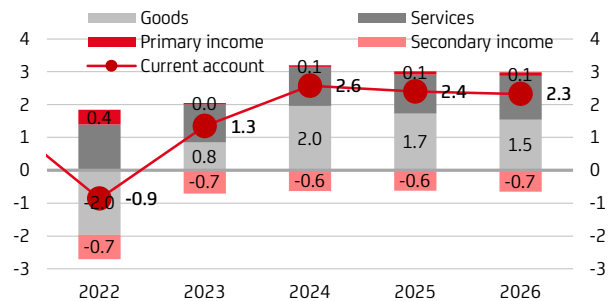
SURPLUS IN FOREIGN TRADE INCREASES, CURRENT ACCOUNT BALANCE CONTINUES TO IMPROVE

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 9.8 percent, partly due to lower energy prices.

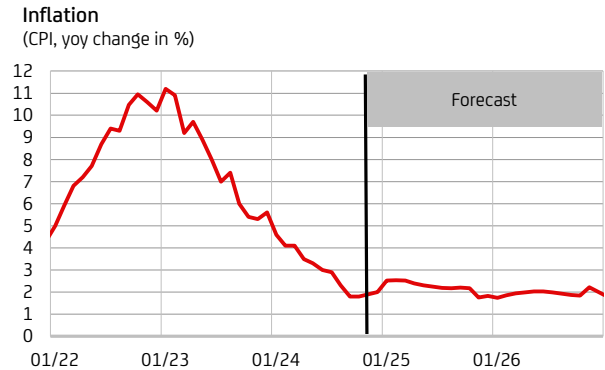
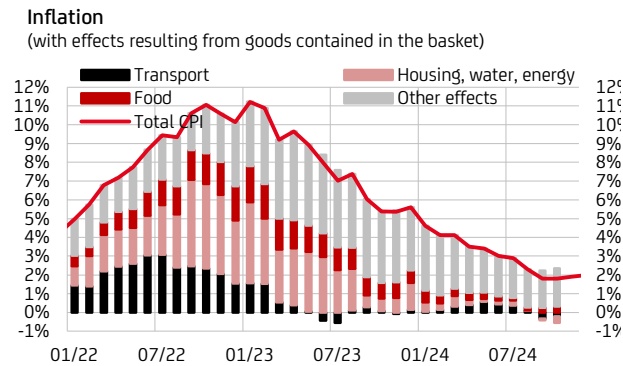
Current account balance
(in % of GDP)



■ 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

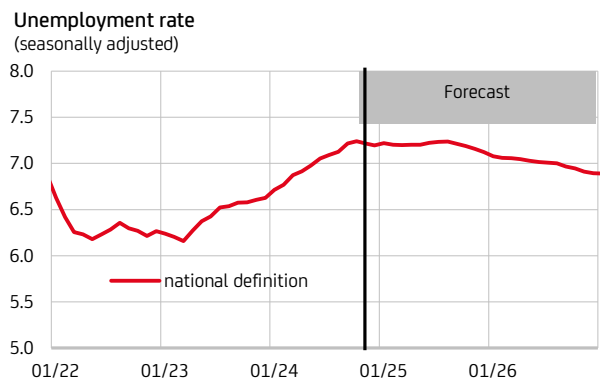
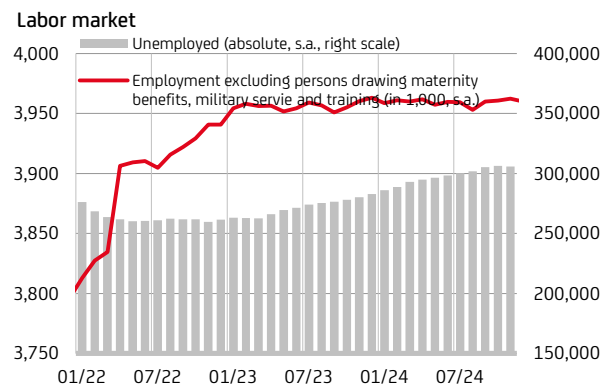
INFLATION AMOUNTED TO 1.9 PERCENT YEAR-ON-YEAR IN NOVEMBER 2024 ACCORDING TO THE FLASH ESTIMATE



■ According to preliminary estimates by Statistics Austria, inflation in November was 1.9 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.

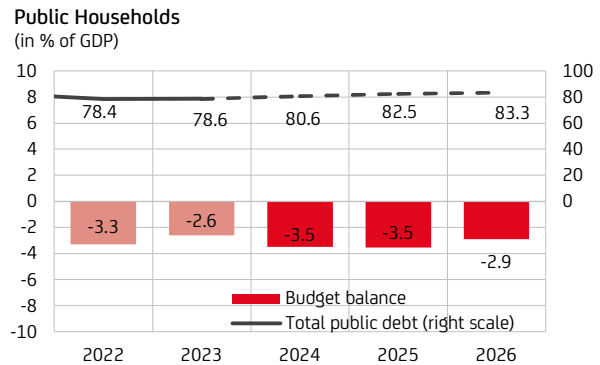
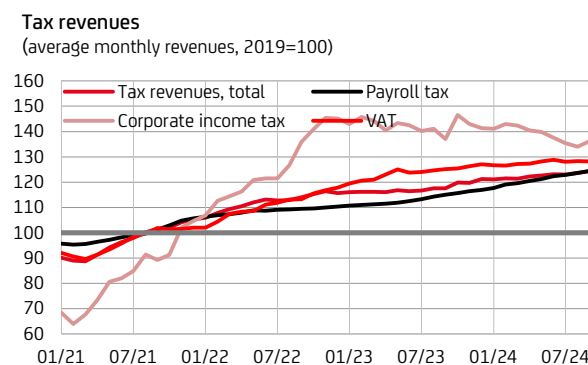
BURDENS ON THE LABOUR MARKET CONTINUE TO INCREASE



■ The seasonally adjusted unemployment rate was 7.2 percent in November, 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 to 7.2 percent 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

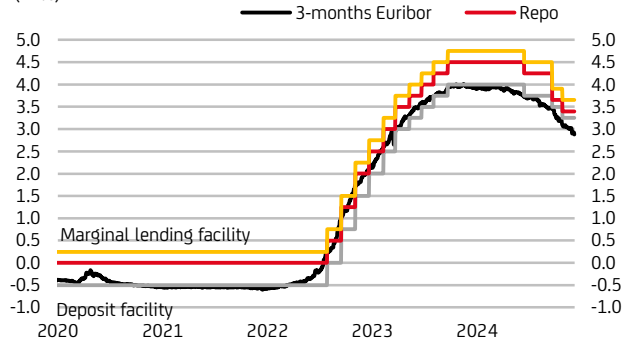
	2021	2022	2023	IV 23	I 24	II 24	III 24	06/24	07/24	08/24	09/24	10/24	11/24
UniCredit Bank Austria Business Indicator	4.3	-0.2	-3.0	-4.1	-2.8	-2.2	-2.7	-2.4	-2.8	-2.6	-2.6	-2.7	-2.6
GDP growth (qoq, annualized)	4.8	5.3	-1.0	-2.3	0.7	-0.9	-0.5						
Confidence Indicator eurozone manufacturing	10	5	-6	-9	-9	-10	-10	-10	-11	-10	-11	-13	-11
Germany	17	12	-8	-11	-10	-10	-11	-17	-19	-20	-23	-23	-23
France	0	-2	-8	-9	-6	-8	-7	-8	-10	-5	-7	-14	-9
Italy	6	2	-4	-8	-7	-7	-8	-8	-8	-8	-9	-9	-9
Netherlands	6	4	-2	-5	-4	-3	-3	-2	-3	-2	-3	-4	-3
Spain	1	-1	-7	-8	-5	-6	-3	-6	-4	-4	-1	-8	-5
UniCredit Bank Austria Eurozone Confidence Indicator Manufacturing	11	6	-7	-12	-12	-13	-14	-12	-14	-14	-16	-17	-16
UniCredit Bank Austria Purchasing Managers' Index (PMI)	61.7	52.9	42.1	42.0	42.7	44.5	43.4	43.6	43.1	44.4	42.8	42.0	44.5
New orders	59	45	37	38.4	40.8	45.1	42.6	45	42	45	41	41	46
New export orders	58	45	38	40.2	41.5	44.5	41.1	42	42	43	38	38	42
Output	58	50	44	43.0	43.8	46.5	44.1	44	45	44	43	41	46
Confidence indicator Austria manufacturing, total	10.3	2.2	-13.2	-19.0	-17.1	-18.1	-22.0	-22.5	-20.6	-22.0	-23.5	-20.3	-20.6
Industrial production													
Change against previous year (in %)	11.0	6.1	-1.1	-3.8	-5.0	-4.4	-2.5	-4.2	-2.9	-2.8	-1.8		
Change against previous month (seasonally adjusted, in %)								0.3	0.0	0.6	0.6		
Foreign trade													
Exports (yoy change in %)	16.1	17.6	3.1	1.3	-3.4	-6.0		-6.7	5.9	-9.2			
Exports (mom change, s.a. in %, 3-MMAV)								0.4	1.2	-2.7			
Imports (yoy in %)	23.6	20.6	-5.8	-14.4	-14.3	-9.0		-11.4	0.6	-6.1			
Imports (mom, s.a. in %, 3-MMAV)								-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		5.2	6.1	5.6			
Construction													
Confidence indicator	17.7	10.8	-5.8	-10.0	-12.3	-15.4	-15.0	-13.9	-13.0	-15.2	-16.9	-11.6	-14.3
Retail trade													
Confidence indicator	-6.4	-11.1	-23.9	-21.2	-17.3	-13.7	-13.8	-12.6	-14.7	-12.8	-13.8	-15.6	-18.3
Retail trade nom. (change against previous year in %)	5.1	8.2	2.9	0.7	3.6	0.5	2.6	-2.9	3.4	3.5	0.8		
Retail trade nom. (change against previous year in %, 3mav.)								0.5	0.9	1.3	2.6		
Retail trade real (change against previous year in %)	3.0	-0.8	-3.5	-3.4	0.3	-1.3	1.4	-4.3	2.0	2.2	-0.1		
Retail trade real (chg. against prev. month in %, s.a., 3mav.)								-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	-1.1	-3.7	4.2	-7.4	0.1		
Tourism													
Overnight stay (change against previous year in %)	116.4	392.1	11.3	5.1	5.6	-3.7	-1.2	-6.2	-0.1	3.3	-6.9		
Labor market													
Employment*) (change against previous year in %)	2.5	3.0	1.2	0.7	0.2	0.3	0.2	0.1	0.3	-0.1	0.3	0.1	0.1
Employment (s.a., change against previous month in %)								0.06	-0.04	-0.12	0.18	-0.10	0.13
Unemployed (change against previous year in '000)	-77.9	-68.6	7.7	17.6	28.8	26.2	26.3	24.7	24.7	26.2	27.9	29.1	5.1
Unemployment rate (in %, s.a.)	8.0	6.3	6.4	6.6	6.8	7.0	7.1	7.1	7.1	7.1	7.2	7.2	7.2
Prices													
CPI (change against previous year in %)	2.8	8.6	7.8	5.4	4.3	3.3	2.3	3.0	2.9	2.3	1.8	1.8	1.9
HCPI (change against previous year in %)	2.8	8.6	7.7	5.2	4.1	3.3	2.4	3.1	2.9	2.4	1.8	1.8	2.0
Crude oil (in USD per barrel)	68.8	98.4	81.6	83.9	81.5	84.7	78.5	82.7	83.8	78.8	72.9	75.3	73.2
Crude oil (in EUR, change against previous year in %)	59.2	62.2	-15.5	-9.5	-1.7	10.0	-8.4	11.2	6.9	-8.3	-23.9	-17.6	-8.7
Financial market													
3M Euribor	-0.55	0.34	3.43	3.96	3.92	3.81	3.56	3.72	3.68	3.55	3.43	3.17	3.01
10-year government bonds (yield in %)	-0.27	1.61	3.08	3.12	2.81	3.00	2.81	3.04	2.98	2.76	2.69	2.74	2.77
USD per euro	1.18	1.05	1.08	1.08	1.09	1.08	1.10	1.08	1.08	1.10	1.11	1.09	1.06
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	0.6		
Consumption loans (change against prev. year in %, eop)	5.6	3.6	-1.9	-1.9	-1.7	-1.5	-1.0	-1.5	-1.5	-1.4	-1.0		

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

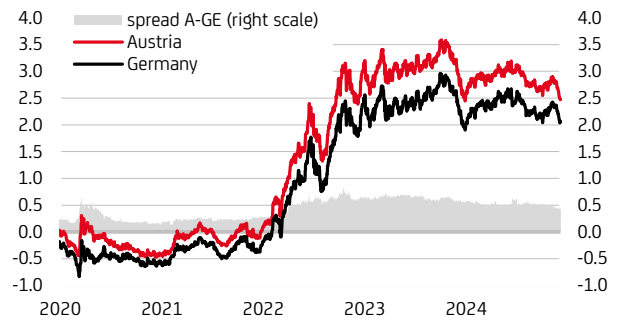
Source: UniCredit Research

MONEY MARKET AND LONG-TERM INTEREST

Euro money market
(in %)

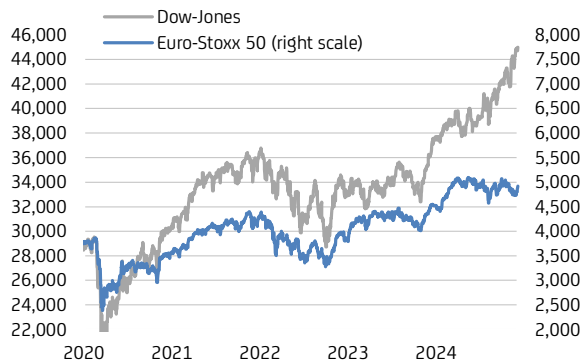


10y Government bond (yield)
(in %)

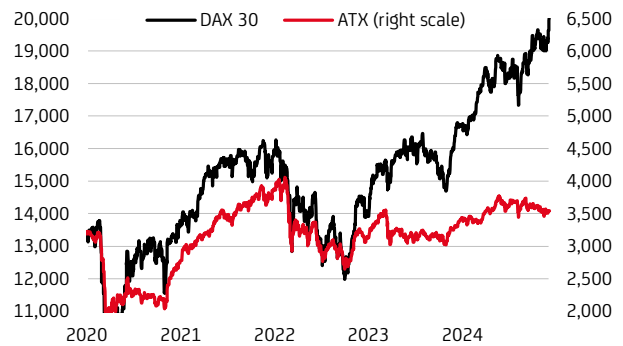


STOCK MARKETS

USA - Eurozone



Germany - Austria



FX TRENDS

USD per euro



SFR per euro



Source: Refinitiv Datastream, UniCredit

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