



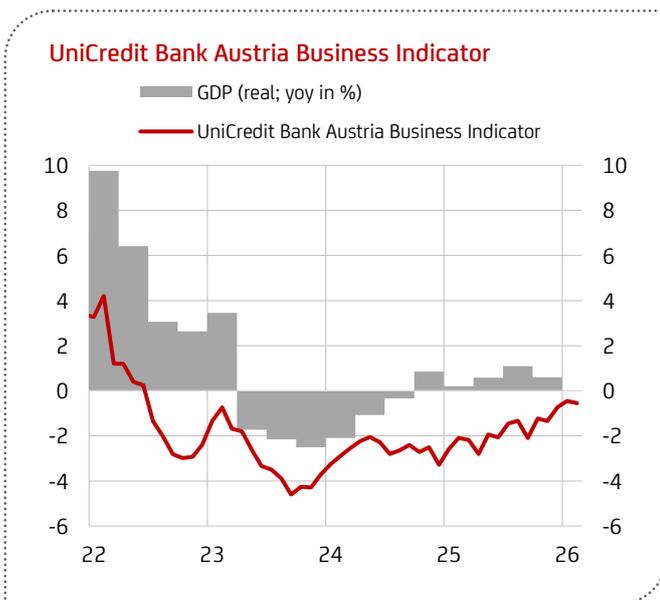
UniCredit Bank Austria Business Indicator

March 2026

Overview

HIGHER INFLATION CAUSED BY THE IRAN CONFLICT WILL SLIGHTLY SLOW THE RECOVERY OF THE AUSTRIAN ECONOMY

- The UniCredit Bank Austria Business Indicator had already deteriorated slightly to minus 0.5 points in the run-up to the Iran conflict
- Sentiment deteriorated across all economic sectors, particularly in the construction industry, though consumer pessimism eased
- The Iran conflict will only slightly slow the tentative recovery of the domestic economy: we are lowering our GDP forecast by 0.1 percentage points to 0.9 per cent for 2026 and 1.4 per cent for 2027
- Geopolitical uncertainties will dampen the willingness to invest, and higher inflation will have a negative impact on consumer spending
- The labor market remains stable: the unemployment rate is expected to fall slightly to 7.3 per cent in 2026 and 7.2 per cent in 2027
- We expect military operations against Iran to be of a manageable duration of a few weeks, followed by a gradual easing of disruptions to energy supplies
- The rise in energy prices will nevertheless reverse the decline in inflation in Austria: we are raising our inflation forecast for 2026 from 1.9 per cent to 2.5 per cent
- In 2027, inflation could reach 2.2 per cent, 0.2 percentage points higher than previously assumed
- ECB in a wait-and-see mode: no key interest rate hike expected for the time being



Source: Statistik Austria, Wifo, UniCredit Bank Austria

	GDP real (yoy in %)	UniCredit Bank Austria Business Indicator
Dec-98	3.3	3.2
Dec-99	4.5	4.4
Dec-00	2.9	3.9
Dec-01	0.0	0.4
Dec-02	0.8	1.8
Dec-03	2.4	2.7
Dec-04	2.6	2.8
Dec-05	2.7	2.9
Dec-06	3.5	3.9
Dec-07	2.9	2.9
Dec-08	-1.2	-2.0
Dec-09	-0.7	0.7
Dec-10	2.6	2.2
Dec-11	1.5	0.6
Dec-12	0.0	0.6
Dec-13	0.7	1.5
Dec-14	1.0	0.8
Dec-15	1.4	1.7
Dec-16	2.0	3.1
Dec-17	3.1	5.2
Dec-18	3.1	3.1
Dec-19	0.3	1.3
Dec-20	-4.9	0.0
Mar-21	-5.3	2.3
Jun-21	14.3	7.1
Sep-21	5.0	5.5
Dec-21	6.8	3.4
Mar-22	9.8	1.2
Jun-22	6.4	0.2
Sep-22	3.1	-2.8
Dec-22	2.6	-2.4
Mar-23	3.5	-1.7
Jun-23	-1.7	-3.3
Sep-23	-2.2	-4.6
Dec-23	-2.5	-3.7
Mar-24	-2.1	-2.5
Jun-24	-1.1	-2.3
Sep-24	-0.3	-2.4
Dec-24	0.8	-3.3
Mar-25	0.2	-2.2
Jun-25	0.6	-2.1
Sep-25	1.1	-2.1
Dec-25	0.6	-0.7
Jan-26		-0.4
Feb-26		-0.5

Source: UniCredit Bank Austria

In details

UNICREDIT BANK AUSTRIA BUSINESS INDICATOR DECREASED TO MINUS 0.5 POINTS IN FEBRUARY

Even before the outbreak of the Iran conflict, the positive trend in sentiment seen in recent months had already begun to wane. "Business confidence among companies in Austria deteriorated slightly in February. The UniCredit Bank Austria Business Indicator fell marginally to minus 0.5 points. Despite the decline, the indicator – apart from the previous month – stood at its highest level since the summer of 2022. Whilst pessimism among domestic consumers has eased significantly, business sentiment has deteriorated. Sentiment in the construction sector has deteriorated particularly sharply. It has even fallen to its lowest level since the 2009 financial crisis. Although positive signals were coming from global industry, sentiment in domestic industry also declined.

Across all economic sectors, the business situation was assessed as less favorable than the long-term average. However, service sector companies remained at least more optimistic than in the eurozone, whilst sentiment in the construction sector has now been worse than in the eurozone for eight years and in industry for three and a half years.

The recovery of the Austrian economy is tentative and fluctuating, making progress only in small steps. The US and Israeli attack on Iran has reshuffled the cards for the Austrian economy. Geopolitical uncertainties will weigh on growth prospects, particularly as the de facto blockade of the Strait of Hormuz, which is having a negative impact on oil and gas supplies, will drive up inflation. Nevertheless, even in this challenging environment, the Austrian economy should be able to continue its recovery, albeit at a somewhat slower pace.

The economists at UniCredit Bank Austria expect military operations in the Gulf region to be of limited duration, lasting just a few weeks. One argument in favour of this is that the likelihood of the Iranian regime holding on increases if a major escalation – involving disruption to its own oil exports and alienation from other Gulf states – is avoided. On the other hand, the US in particular has no interest in waging a protracted war ahead of the autumn elections.

SLOWER PACE OF RECOVERY, BUT NO RECESSION

Considering these additional headwinds, we have revised our growth forecast for the Austrian economy downwards slightly. We are lowering our GDP forecast by 0.1 percentage points to 0.9 per cent for 2026 and 1.4 per cent for 2027. Geopolitical uncertainties are dampening the willingness to invest, and higher inflation will have an adverse effect on consumer spending. The tentative recovery of the domestic economy will slow down somewhat, but will not come to a standstill. The Austrian economy has proved more resilient to the tariff shock than expected and should be able to continue demonstrating this resilience.

Private consumption will be the weakest link in the chain in the coming months. The trend in nominal wages provides little boost to real purchasing power. However, the dampening of consumer momentum should remain manageable, as the current tensions are likely to lead only to short-term fluctuations

in sentiment, meaning that a further reduction in the savings ratio should almost offset this.

EASING ON THE LABOUR MARKET SHOULD NEVERTHELESS PREVAIL

The slight slowdown in the pace of recovery should not affect the gradual easing of the situation in the labor market. If the duration of the conflict remains limited, supported by a modest rise in the labor supply, a slight decline in the unemployment rate to 7.3 per cent in 2026 and 7.2 per cent in 2027 can be expected.

ENERGY PRICES DRIVE INFLATION

We currently anticipate a relatively swift end to the hostilities, which would allow energy prices to return to the levels prevailing before the start of the military conflict by the end of 2026. By the end of the year, the gas price should therefore stabilize at 35 euros per MWh and the oil price at around 60 euros per barrel. On average for 2026, the TTF natural gas price is likely to be around 40 euros per MWh and the crude oil price around 65 euros per barrel.

Although the rise in oil and gas prices will be only temporary if the crisis develops favorably, it will nevertheless have an impact and push up inflation in the coming months. Having largely reached the ECB's target in the first two months of 2026, inflation in Austria is now expected to remain above the 2 per cent target for a prolonged period, with figures approaching the 3 per cent mark.

We have raised our inflation forecast from an annual average of 1.9 per cent in 2026 to 2.5 per cent, assuming the conflict remains within manageable limits and there are no further escalations that would negatively impact energy prices and increase the likelihood of second-round effects. Inflation of 2.2 per cent is also expected for 2027, which is slightly higher than previously assumed.

NO HASTY MOVE BY THE ECB

As the adverse impact on the economy is likely to be manageable given the limited duration of the war, and the rise in inflation is also expected to remain within a relatively narrow and temporary range, we assume that the European Central Bank will adopt a wait-and-see stance. As long as inflation expectations remain stable, no changes to the current monetary policy are expected for the time being. We expect the ECB's next move to be a 25-basis-point interest rate hike in the second half of 2027. However, the risks surrounding interest rate changes this year have shifted from further easing to a possible rate hike.

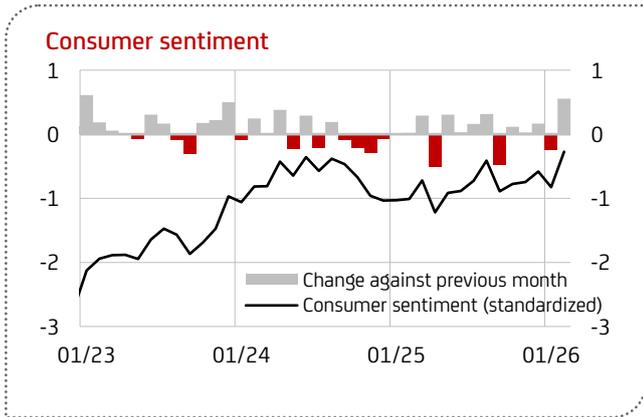
Economic Forecast

	2017	2018	2019	2020	2021	2022	2023	2024	2025	forecast UCBA	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<i>Real change in %</i>											
GDP	2.3	2.5	1.8	-6.3	4.9	5.3	-0.8	-0.7	0.6	0.9	1.4
Private consumption	1.9	0.8	0.7	-7.6	4.9	5.4	-0.2	1.0	0.5	0.6	1.2
Public consumption	0.6	1.0	1.3	-0.8	7.7	0.0	0.6	3.8	2.4	0.4	0.5
Gross fixed capital formation*)	4.2	4.4	4.3	-5.3	6.0	-0.3	-1.3	-4.1	1.7	0.8	2.3
Investments in plant and machinery	7.7	1.3	1.0	-8.2	8.8	-1.7	1.2	-4.4	9.2	2.0	3.0
Investments in construction	2.5	5.6	3.5	-3.5	4.3	-2.1	-4.5	-5.9	-2.9	0.0	1.5
Exports	4.9	5.2	4.0	-10.5	9.5	9.4	-0.6	-2.3	0.3	2.1	3.0
Imports	5.3	5.1	2.4	-9.6	14.1	6.9	-4.3	-2.6	1.7	1.6	2.9
CPI (change in %)	2.1	2.0	1.5	1.4	2.8	8.6	7.8	2.9	3.6	2.5	2.2
HCPI (change in %)	2.2	2.1	1.5	1.4	2.8	8.6	7.7	2.9	3.6	2.4	2.2
Saving ratio (in %) ***)	7.1	7.7	7.2	13.6	11.3	9.1	8.6	11.7	11.4	10.7	9.8
Current account (in euro bn) ***)	4.6	3.2	9.4	12.8	7.0	-5.8	7.7	7.5	6.5	5.5	5.5
Current account (in % of GDP) ***)	1.3	0.8	2.4	3.4	1.7	-1.3	1.6	1.5	1.3	1.0	1.0
Employment (in 1,000)**)	3,573	3,661	3,720	3,644	3,734	3,845	3,889	3,898	3,905	3,919	3,938
Employment (change in %) **)	2.0	2.5	1.6	-2.0	2.5	3.0	1.2	0.2	0.2	0.4	0.5
Unemployment rate (nat. def.)	8.5	7.7	7.4	9.9	8.0	6.3	6.4	7.0	7.4	7.3	7.2
Unemployment rate (EU def.)	6.0	5.2	4.8	6.0	6.2	4.8	5.1	5.2	5.7	5.6	5.3
Unemployed (annual average in 1,000)	340	312	301	410	332	263	271	298	318	314	308
General gov. balance (in % of GDP) ***)	-0.8	0.2	0.5	-8.2	-5.7	-3.4	-2.6	-4.7	-4.0	-3.7	-3.0
Public-sector debt (in % of GDP) ***)	79.1	74.6	71.0	83.2	82.4	78.1	77.8	79.9	81.3	82.3	82.4
Nominal GDP (in euro bn)	367	383	396	380	406.2	449.4	477.8	494.1	512.8	530.2	549.7

*) excluding changes in inventory **) excluding persons drawing maternity benefits, military service and training ***)2025: estimate

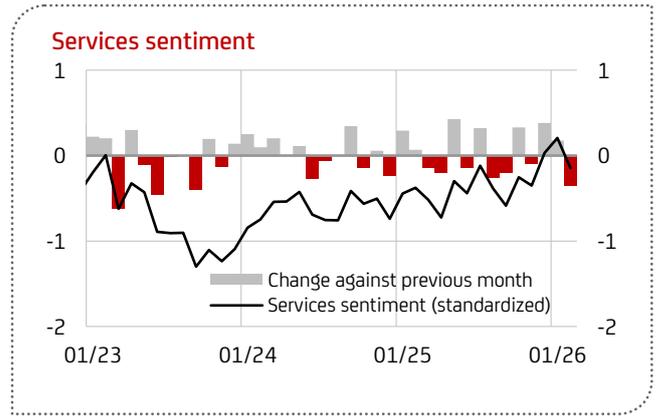
Source: UniCredit Bank Austria

Noticable improved consumer sentiment



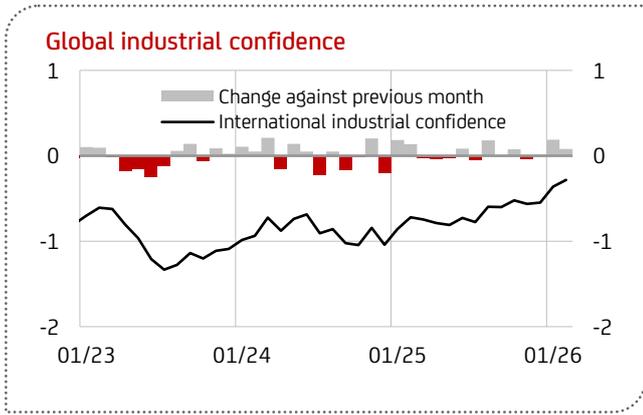
The mood of domestic consumers brightened significantly in February, supported by the significant reduction in inflation.

Services sentiment declined



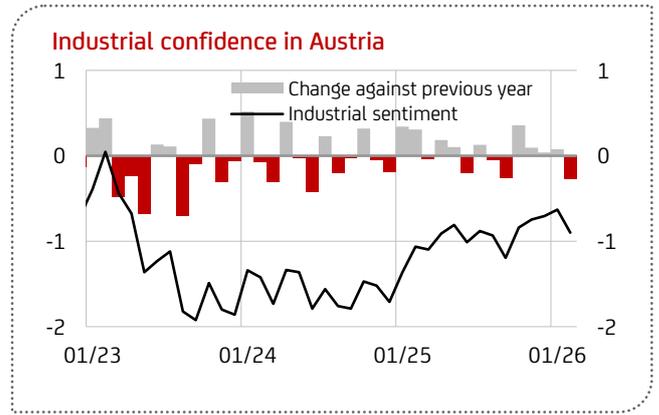
Sentiment in the service sector deteriorated noticeably in February and fell back below the long-term average.

Export environment improved



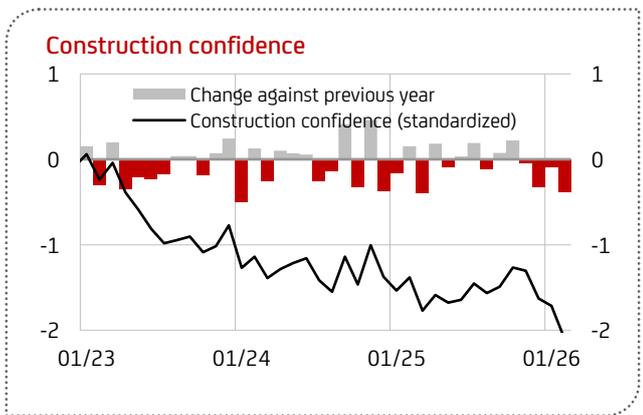
The indicator for global industrial sentiment improved again in February, although the pace was significantly slower than in the previous month.

Industrial sentiment also deteriorated



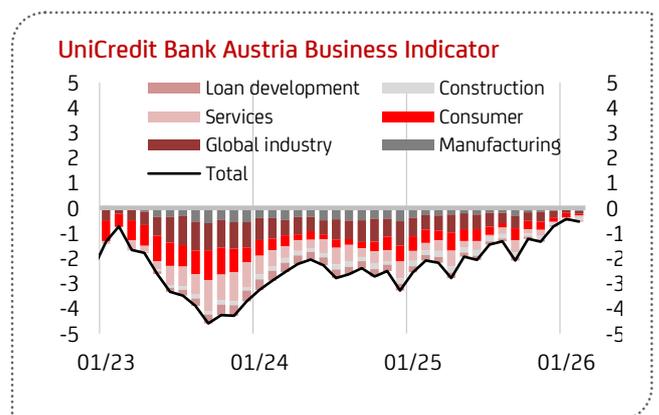
In view of the tense competitive situation and the headwind from US tariff policy, the mood in industry clouded over again after four consecutive increases.

Continuing downward trend in construction



In the construction industry, economic sentiment deteriorated in February for the fourth month in a row to its lowest level since the financial crisis in 2009.

UCBA Business Indicator decreased to minus 0.5 points in February



The slight decline in the UCBA Business Indicator in February was due to a deterioration in all sectors, while consumer sentiment increased.

Sources: EU-Commission, Statistik Austria, UniCredit

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