



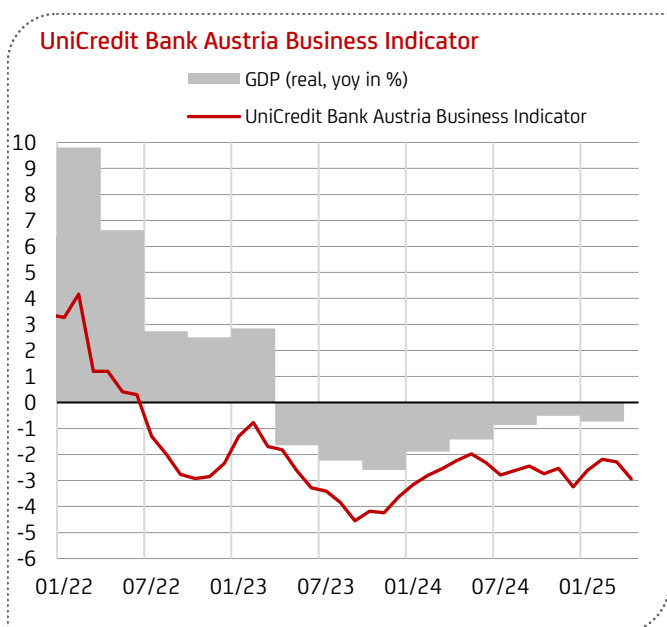
# **Business Indicator**

**May 2025**

# Overview

## INCREASED UNCERTAINTIES WEIGH ON OUTLOOK

- UniCredit Bank Austria Business Indicator fell to minus 2.9 points in April
- Falling consumer confidence dampened sentiment in the services sector in April, while pessimism in the construction and industrial sectors eased somewhat despite US tariff announcements
- Despite slight growth in the first quarter: GDP expected to fall by 0.2 per cent for the third consecutive year in 2025. GDP not expected to increase by 1.1 per cent until 2026
- Unemployment rate expected to rise to 7.5 per cent in 2025, no improvement in sight for 2026
- Energy price trend should support further decline in inflation
- Further ECB key interest rate cuts of 25 basis points each expected for June and September



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	5.1
Dec-18	3.1	3.2
Dec-19	0.3	1.3
Dec-20	-4.9	0.0
Mar-21	-5.4	2.4
Jun-21	13.7	7.2
Sep-21	5.3	5.5
Dec-21	6.4	3.4
Mar-22	9.8	1.3
Jun-22	6.6	0.3
Sep-22	2.7	-2.7
Dec-22	2.5	-2.4
Mar-23	2.8	-1.7
Jun-23	-1.6	-3.3
Sep-23	-2.2	-4.6
Dec-23	-2.6	-3.7
Mar-24	-1.9	-2.5
Jun-24	-1.4	-2.4
Sep-24	-0.9	-2.5
Dec-24	-0.5	-3.3
Mar-25	-0.7	-2.3
Apr-25		-2.9

Source: UniCredit Bank Austria

# In details

## UNICREDIT BANK AUSTRIA BUSINESS INDICATOR DECREASED TO MINUS 2.9 POINTS IN APRIL

Economic sentiment in Austria deteriorated again at the start of the second quarter. "Following the slight improvement trend since the beginning of the year, the UniCredit Bank Austria Business Indicator fell to minus 2.9 points in April. The Austrian economy is likely to have grown slightly in the first quarter. This marks the end of the phase of eight negative quarters in a row. However, the current economic and sentiment indicators do not favour a continuation of the upward trend for the time being. The positive GDP result in the first quarter was not a liberating blow. In view of the existing challenges, only the coming months will show whether the recession in the Austrian economy has come to an end or just taken a break.

## SENTIMENT IN THE SERVICE SECTOR DRAGS DOWN BUSINESS INDICATOR

The deterioration in economic sentiment in Austria at the start of the second quarter was characterized by the slump in consumer confidence, which was reflected in sentiment in the services sector. While the increase in purchasing power due to real wage growth continues to be barely noticed, the deterioration in the situation on the labor market, the uncertainty caused by the US government's tariff announcements and probably also the forthcoming budget restructuring measures in Austria have had a negative impact on consumer sentiment. Business expectations in many service sectors, particularly in finance, advertising and transport and storage services, were adversely affected as a result.

While sentiment in the services sector deteriorated significantly at the start of the second quarter, the current assessment in the construction and industrial sectors improved slightly. The rise in sentiment in domestic industry is surprising given the tariff announcements by the US government and the continuing deterioration in the export environment. The indicator for international industrial sentiment, which is weighted with Austrian trade shares, continued to fall in April. This means that the improvement in sentiment among domestic industrial companies could be short-lived, especially as business expectations were already assessed less favorably again in April.

In contrast, the improvement in sentiment in the domestic construction industry appears to be more sustainable. The order trend has improved in building construction and, above all, civil engineering, fueling hopes of at least a moderate growth phase.

## INCREASE IN GDP NOT EXPECTED UNTIL 2026

Although the recession in Austria at least came to a halt in the first quarter of 2025, a sustained improvement in the economy in the coming months is not in sight. The current deterioration in the UniCredit Bank Austria Business Indicator even makes a renewed weakening of economic momentum after the upward trend at the start of the year likely, especially as the announced US tariffs would place a heavy burden on the domestic economy.

We are optimistic that the economic uncertainties will subside again in the coming months. Based on the increased purchasing

power of consumers and low interest rates, we assume that domestic demand will continue to stabilize the economy and that the Austrian economy will not slide back into recession. However, the economic situation remains very challenging, especially as there is no budgetary leeway for fiscal policy support measures. Despite low growth rates during the year, economic output is expected to fall for the third year in a row in 2025 as a whole, but at -0.2 per cent, it will be significantly lower than in previous years.

For 2026, the economists at UniCredit Bank Austria still expect moderate economic growth of 1.1 per cent for Austria. On the one hand, private consumption should continue to gain strength due to the normalization of inflation and the decline in the high propensity to save. On the other hand, investment activity should be able to increase due to low interest rates and the dispersion effects of the expansive fiscal policy in Germany. Furthermore, the export industry should have largely overcome the additional burdens caused by US tariff policy and at least not dampen economic momentum.

## CHALLENGES ON THE LABOUR MARKET CONTINUE TO INCREASE

In April, the seasonally adjusted unemployment rate rose to 7.5 per cent, its highest level since summer 2021. The upward trend will continue in view of the weak economy and the difficult conditions, especially for the export industry. The number of jobseekers in 2025 will be around 8 per cent higher than in the previous year, while employment is expected to stagnate. We expect an average unemployment rate of 7.5 per cent in 2025. The situation on the labor market is not expected to stabilize until 2026, meaning that the unemployment rate is unlikely to rise any further.

## INFLATION STUBBORN, BUT TRENDING

Inflation rose to an average of 3.1 per cent in the first four months of the year, fueled by strong momentum in service prices. Driven by energy prices, a downward trend in inflation should prevail again in the coming months. The significant fall in crude oil prices to below EUR 60 per barrel, around 25 per cent below the previous year's level, was supported by the weakening of the US dollar and will dampen inflation in Austria in the coming months. However, the decline in inflation will be slowed by the stubborn rise in service prices as a result of high labor cost dynamics and good demand in some sectors, such as the accommodation industry. In addition, the dampening effect of falling goods price inflation to date has come to an end.

We expect inflation to fall to an average of 2.5 per cent in 2025 as a whole. While we do not expect any noticeable impact on goods price inflation from possible tariff measures on US imports, a stronger focus by China on the European sales market could even trigger price-dampening effects. However, the risk of a slower decline in inflation has increased in recent weeks due to stubborn service price inflation. For 2026, the economists at UniCredit Bank Austria continue to expect an average inflation rate of 1.9 per cent.

## ECB EXPECTED TO CUT KEY INTEREST RATES SLIGHTLY BELOW NEUTRAL LEVEL

At an average of 2.3 per cent in the first four months, inflation in the eurozone is well below that in Austria and is also showing

a stable downward trend. As inflation in the eurozone is thus approaching the target value, the ECB lowered its key interest rates again by 25 basis points in April.

Due to the downside risks to the economy from US tariff policy, the easing of monetary policy in the eurozone is likely to continue. We expect a further cut of 25 basis points at the next ECB meeting in June. With a final cut in September, the current cycle of interest rate cuts should be complete and the deposit rate should have reached its low of 1.75 per cent. We expect key interest rates to move sideways in 2026. The ECB will adopt a wait-and-see approach due to possible growth and inflation stimuli from higher infrastructure and defense spending in the EU.

## Economic Forecast

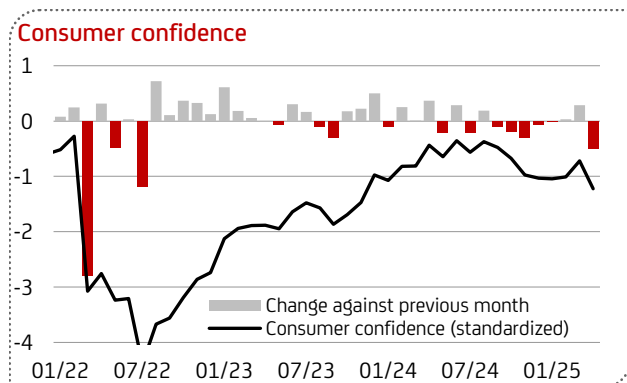
	2017	2018	2019	2020	2021	2022	2023	2024	forecast UCBA	
									2025	2026
<i>Real change in %</i>										
<b>GDP</b>	<b>2.3</b>	<b>2.5</b>	<b>1.8</b>	<b>-6.3</b>	<b>4.8</b>	<b>5.3</b>	<b>-1.0</b>	<b>-1.2</b>	<b>-0.2</b>	<b>1.1</b>
Private consumption	1.9	0.8	0.7	-7.6	4.8	4.9	-0.5	0.1	1.1	1.4
Public consumption	0.6	1.0	1.3	-0.8	7.6	-0.6	1.2	1.6	0.8	0.3
Gross fixed capital formation*)	4.2	4.4	4.3	-5.3	6.0	0.4	-3.2	-3.3	0.2	1.5
Investments in plant and machinery	7.7	1.3	1.0	-8.2	9.2	-0.2	4.4	-4.5	0.5	1.7
Investments in construction	2.5	5.6	3.5	-3.5	4.1	-1.3	-9.3	-5.4	0.0	1.0
Exports	4.9	5.2	4.0	-10.5	9.5	10.0	-0.4	-4.3	-1.6	1.1
Imports	5.3	5.1	2.4	-9.6	14.1	7.1	-4.6	-5.0	0.3	1.6
<b>CPI (change in %)</b>	<b>2.1</b>	<b>2.0</b>	<b>1.5</b>	<b>1.4</b>	<b>2.8</b>	<b>8.6</b>	<b>7.8</b>	<b>2.9</b>	<b>2.5</b>	<b>1.9</b>
HCPI (change in %)	2.2	2.1	1.5	1.4	2.8	8.6	7.7	2.9	2.5	1.9
<b>Saving ratio (in %)</b>	<b>7.1</b>	<b>7.7</b>	<b>7.2</b>	<b>13.6</b>	<b>11.4</b>	<b>8.8</b>	<b>8.7</b>	<b>11.7</b>	<b>11.4</b>	<b>10.4</b>
Current account (in euro bn)	4.6	3.2	9.4	12.8	7.0	-3.9	6.3	11.7	10.0	11.0
Current account (in % of GDP)	1.3	0.8	2.4	3.4	1.7	-0.9	1.3	2.4	2.0	2.2
Employment (in 1,000)**)	3,573	3,661	3,720	3,644	3,734	3,845	3,889	3,898	3,899	3,913
Employment (change in %) **)	2.0	2.5	1.6	-2.0	2.5	3.0	1.2	0.2	0.0	0.4
<b>Unemployment rate (nat. def.)</b>	<b>8.5</b>	<b>7.7</b>	<b>7.4</b>	<b>9.9</b>	<b>8.0</b>	<b>6.3</b>	<b>6.4</b>	<b>7.0</b>	<b>7.5</b>	<b>7.5</b>
Unemployment rate (EU def.)	5.9	5.2	4.8	6.0	6.2	4.8	5.1	5.2	5.6	5.6
Unemployed (annual average in 1,000)	340	312	301	410	332	263	271	298	321	323
<b>General gov. balance (in % of GDP)</b>	<b>-0.8</b>	<b>0.2</b>	<b>0.5</b>	<b>-8.2</b>	<b>-5.7</b>	<b>-3.4</b>	<b>-2.6</b>	<b>-4.7</b>	<b>-4.5</b>	<b>-4.2</b>
Public-sector debt (in % of GDP)	79.1	74.6	71.0	83.2	82.4	78.4	78.5	81.8	84.7	86.4
Nominal GDP (in euro bn)	367	383	396	380	406.2	448.0	473.2	481.9	493.2	508.1

\*) excluding changes in inventory

\*\*) excluding persons drawing maternity benefits, military service and training

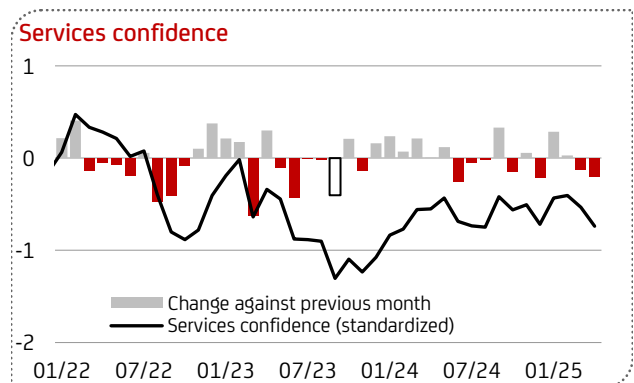
Source: UniCredit Bank Austria

## Consumer sentiment deteriorated sharply in April



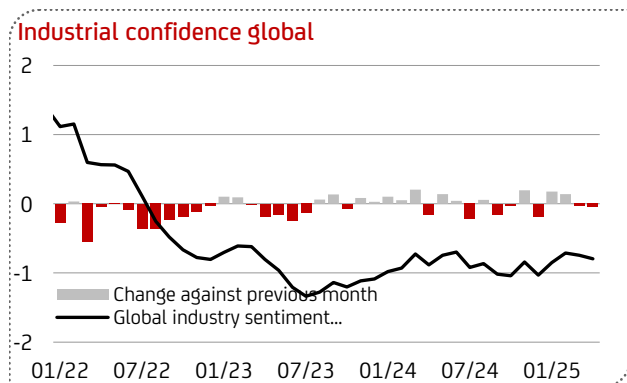
Domestic consumer sentiment was severely impacted in April by the US government's erratic tariff announcements.

## Sentiment in services deteriorated, too

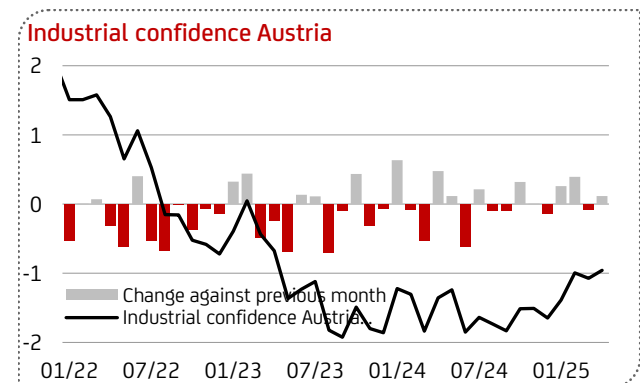


The deteriorating mood in the service sector, including tourism, again contributed strongly to the decline in the UniCredit Bank Austria Business Indicator in April.

## Deterioration of the export environment due to US tariff policy, but not of industrial sentiment in Austria for the time being

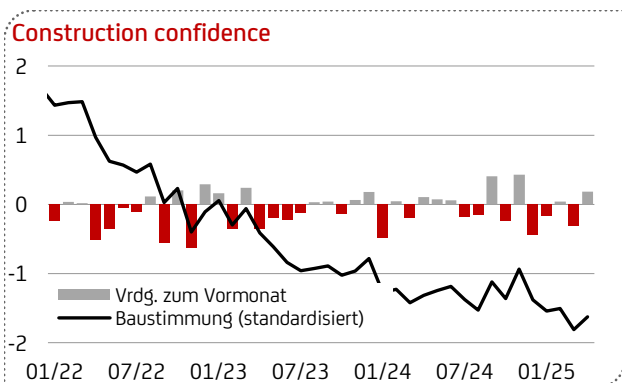


The indicator of international industrial sentiment, which is weighted by Austria's trade shares, declined, mainly due to the US tariff announcements.



Despite the tariff announcements by the US government, industrial sentiment in Austria improved. However, expectations for the coming months have already declined.

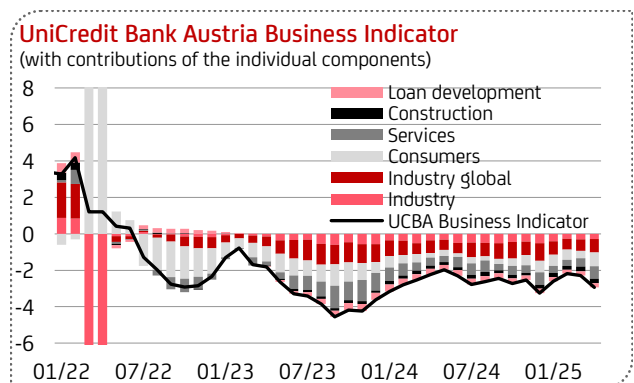
## Sentiment in construction sector rose slightly



In the construction industry, pessimism decreased slightly again, due in particular to the positive development in civil engineering.

Quelle: EU Kommission, Statistik Austria, UniCredit

## UCBA Business Indicator fell to minus 2.9 points in April



With the renewed decline in April, our business indicator fell to its lowest level in 15 months, caused by the slump in consumer sentiment and the outlook in the service sector.



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