



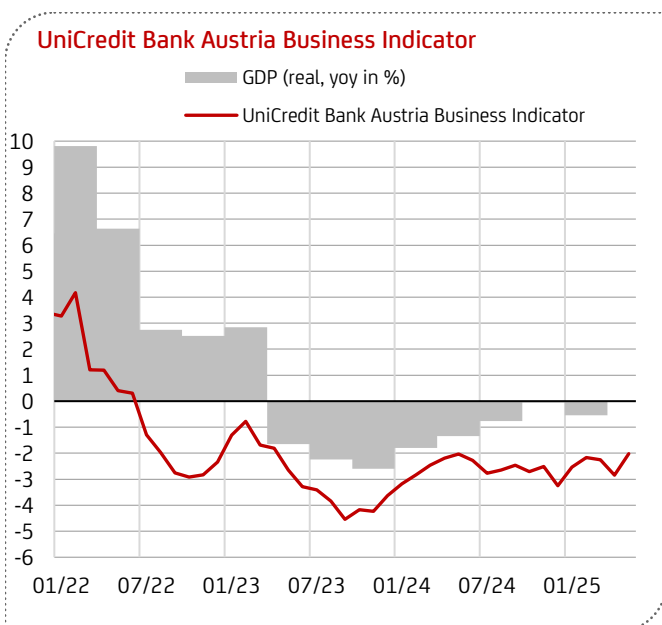
# **Business Indicator**

**June 2025**

# Overview

## GDP REVISED: SLIGHT GROWTH FOR 2025 NOW ON THE HORIZON

- The latest GDP revision by Statistics Austria increases the chance of slightly positive GDP growth in 2025 as a whole
- With unchanged growth expectations during the year, GDP is now expected to rise by 0.1 percent instead of falling by 0.2 percent in 2025
- Significant improvement in the UniCredit Bank Austria Business Indicator in May to minus 2.0 points
- Brightening sentiment in the service sector supported by increased consumer confidence and less pessimism in industry
- However, the mood in the construction industry deteriorated slightly again
- After unemployment rate rises to 7.5 percent in 2025, the weak economy is unlikely to ease the situation on the labor market next year
- Stubborn service price inflation slows down energy price-related decline in inflation. Risk to our inflation forecast of 2.5% on average for 2025 has increased
- Last key interest rate cut in the current cycle by 25 basis points expected after the summer



Source: Statistik Austria, Wifo, UniCredit Bank Austria

|        | GDP real<br>(yoy in %) | UniCredit Bank<br>Austria Business<br>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                    | 3.2                                             |
| Dec-19 | 0.3                    | 1.3                                             |
| Dec-20 | -4.9                   | 0.0                                             |
| Mar-21 | -5.4                   | 2.4                                             |
| Jun-21 | 13.7                   | 7.1                                             |
| Sep-21 | 5.3                    | 5.4                                             |
| Dec-21 | 6.4                    | 3.4                                             |
| Mar-22 | 9.8                    | 1.2                                             |
| Jun-22 | 6.6                    | 0.3                                             |
| Sep-22 | 2.7                    | -2.8                                            |
| Dec-22 | 2.5                    | -2.3                                            |
| Mar-23 | 2.8                    | -1.7                                            |
| Jun-23 | -1.6                   | -3.3                                            |
| Sep-23 | -2.2                   | -4.5                                            |
| Dec-23 | -2.6                   | -3.6                                            |
| Mar-24 | -1.8                   | -2.5                                            |
| Jun-24 | -1.3                   | -2.3                                            |
| Sep-24 | -0.8                   | -2.5                                            |
| Dec-24 | -0.1                   | -3.2                                            |
| Mar-25 | -0.5                   | -2.3                                            |
| Apr-25 |                        | -2.8                                            |
| May-25 |                        | -2.0                                            |

Source: UniCredit Bank Austria

# In details

## UNICREDIT BANK AUSTRIA BUSINESS INDICATOR INCREASED TO MINUS 2.0 POINTS IN MAY

Economic sentiment in Austria clearly improved in May. "The UniCredit Bank Austria Business Indicator rose significantly to minus 2.0 points in May. The indicator thus reached its best value in exactly one year. Despite the increase, however, the indicator signals the continuation of subdued economic development in Austria. Even if there were a few rays of hope in isolated cases, the industry climate was below the long-term average in all economic sectors in May. Following the slight increase in GDP in the first quarter by 0.1 percent compared to the previous quarter - supported by an increase in industry after stagnation towards the end of 2024 - the prospects for a continuation of the upward trend are mixed. Although we do not expect the Austrian economy to slide back into recession, we continue to expect only a modest pace of growth for the rest of 2025, roughly at the level of the first quarter.

## IMPROVED SENTIMENT IN THE SERVICE SECTOR PULLED ECONOMIC INDICATOR UPWARDS IN MAY

The improvement in the UniCredit Bank Austria Business Indicator in May was primarily due to a brightening of sentiment in the services sector. The economic headwind in the service sector eased considerably in May. The positive effect of lower interest rates and consumers' regained purchasing power, which was also reflected in an improvement in consumer sentiment, compensated for the uncertainty caused by the erratic US tariff announcements, concerns about jobs and the effects of the government's more restrictive budget course.

Despite a slight deterioration in the global export environment, mainly due to the outlook for China, there was a moderate increase in sentiment in the domestic industry. In view of the upcoming challenges posed by reduced competitiveness, a weak investment climate and US customs policy, the business outlook remained pessimistic but has improved thanks to the upward trend in production since the start of the year and the slightly more favorable order situation. In contrast, the mood in the construction industry deteriorated again slightly in May.

While sentiment in the services sector improved significantly in May and the volatile upward trend in industry continued, business assessments in the construction industry deteriorated again. We therefore anticipate slight growth for both the service sector and industry in the coming months. Although the economic low point in the construction sector now seems to have been largely overcome, the outlook is less favorable than in industry or the service sector due to the difficult order situation.

## SLIGHT GDP INCREASE NOW MORE LIKELY IN 2025, BUT NOTICEABLE GROWTH NOT UNTIL 2026

Although the Austrian economy grew slightly in the first quarter of 2025, according to the economists at UniCredit Bank Austria, there is no sign of a stable improvement trend, even if the uncertainty in connection with the protectionist US trade policy should subside again in the coming months.

We expect only modest economic growth on the verge of stagnation in Austria for the remainder of 2025. Our forecast growth path for the coming quarters has not changed. However, the extensive revision of GDP for 2024 by Statistics Austria has resulted in an automatic increase in the full-year forecast. Instead of the slight decline of 0.2 percent, a slight increase in GDP of 0.1 percent is now expected for 2025 with unchanged intra-year growth expectations. The chances that economic output in Austria will not fall for a third year in a row have increased due to a statistical effect.

The economists at UniCredit Bank Austria expect economic growth to gradually strengthen in 2026. This should be helped by a revival in private consumption due to the normalization of inflation and the easing of the high propensity to save as well as a greater willingness to invest as a result of low interest rates and the dispersion effects of the expansionary fiscal policy in Germany. In addition, the export industry should be able to cope better with the additional burdens of US tariff policy and at least not dampen economic momentum, meaning that GDP growth of 1.1 percent should be possible.

## WEAK ECONOMY CONTINUES TO WEIGH ON THE LABOR MARKET

The subdued economic development continues to be reflected in a deterioration of the situation on the labor market. In May 2025, the seasonally adjusted unemployment rate was 7.5 percent, half a percentage point higher than a year ago. While employment stagnated, the number of jobseekers was 8.5 percent higher than in the previous year. This corresponds to an increase of around 25,000 people. While the number of jobseekers in the primary sector and construction remained stable, around 15 percent of the increase was attributable to industry and an above-average 85 percent to the service sector.

At 8 percent, the unemployment rate in the service sector is currently well above the general figure of 7.5 percent. The unemployment rate in construction is even higher at just under 10 percent. In contrast, the unemployment rate in industry remains the lowest of all economic sectors in Austria at 4.4%, despite a slightly above-average increase over the past year. In the coming months, we expect a further but relatively moderate increase in the unemployment rate in Austria, which will continue to be driven by developments in the services sector and industry. Following the slightly lower figures at the beginning of the year, we expect an average unemployment rate of 7.5 percent in 2025. We expect the situation on the labor market to stabilize in 2026, meaning that the unemployment rate is unlikely to rise any further.

## INFLATION FALLS ONLY SLOWLY

Following the increase at the start of the year, mainly due to the lifting of the electricity price cap, inflation has now slowed down again. However, the decline has been very hesitant. In the first five months, inflation averaged 3.1 percent. In the coming months, the decline in inflation should tend to accelerate somewhat, supported by lower oil prices and the slightly stronger euro. The previously stubborn rise in service prices as a result of the high cost momentum of 4.5 percent on average in the first five months of the year should also subside.

We continue to expect inflation to fall to an average of 2.5 percent in 2025 as a whole. However, the risk of a slower decline

in inflation has now increased due to persistent service price inflation. The risk of maintaining our inflation forecast has clearly increased at present. For 2026, the economists at UniCredit Bank Austria expect an average inflation rate of 1.9 percent.

## ANOTHER INTEREST RATE MOVE DOWNWARDS MOST LIKELY

While the normalization of inflation in Austria is only making slow progress, inflation in the eurozone fell to 1.9 percent in May, thus reaching the European Central Bank's target. Following the further reduction in key interest rates by 25 basis points in June, the deposit rate now stands at 2 percent. This means that interest rates have already been cut by a total of 200 basis points in the current cycle.

Due to the downside risks to the economy from US tariff policy, the easing of monetary policy in the eurozone is likely to continue for a while longer. After a pause over the summer, we expect a further and, for the time being, final reduction of 25 basis points in September. This will mark the end of the deposit rate at 1.75 percent for the time being", says Bruckbauer, adding: However, if no agreement can be reached in the negotiations on tariffs between the US and the EU, the ECB would very likely have to cut the key interest rate below 1.75 percent, while a rapid improvement in trade conditions would probably prompt the ECB to end its easing cycle at 2 percent.

## Economic Forecast

|                                           | 2017        | 2018       | 2019       | 2020        | 2021        | 2022        | 2023        | 2024        | forecast UCBA |             |
|-------------------------------------------|-------------|------------|------------|-------------|-------------|-------------|-------------|-------------|---------------|-------------|
| <i>Real change in %</i>                   |             |            |            |             |             |             |             |             | 2025          | 2026        |
| <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>-1.0</b> | <b>0.1</b>    | <b>1.1</b>  |
| Private consumption                       | 1.9         | 0.8        | 0.7        | -7.6        | 4.8         | 4.9         | -0.5        | 0.4         | 1.3           | 1.4         |
| Public consumption                        | 0.6         | 1.0        | 1.3        | -0.8        | 7.6         | -0.6        | 1.2         | 1.4         | 3.3           | 0.5         |
| Gross fixed capital formation*)           | 4.2         | 4.4        | 4.3        | -5.3        | 6.0         | 0.4         | -3.2        | -1.9        | -0.4          | 1.5         |
| Investments in plant and machinery        | 7.7         | 1.3        | 1.0        | -8.2        | 9.2         | -0.2        | 4.4         | -0.7        | 0.4           | 1.7         |
| Investments in construction               | 2.5         | 5.6        | 3.5        | -3.5        | 4.1         | -1.3        | -9.3        | -5.3        | -1.0          | 1.0         |
| Exports                                   | 4.9         | 5.2        | 4.0        | -10.5       | 9.5         | 10.0        | -0.4        | -3.5        | -1.5          | 1.2         |
| Imports                                   | 5.3         | 5.1        | 2.4        | -9.6        | 14.1        | 7.1         | -4.6        | -3.3        | -0.3          | 1.5         |
| <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>11.3</b>   | <b>10.3</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           | 2.1         |
| 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>-4.6</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        | 81.4        | 84.1          | 85.9        |
| Nominal GDP (in euro bn)                  | 367         | 383        | 396        | 380         | 406.2       | 448.0       | 473.2       | 484.2       | 496.8         | 511.7       |

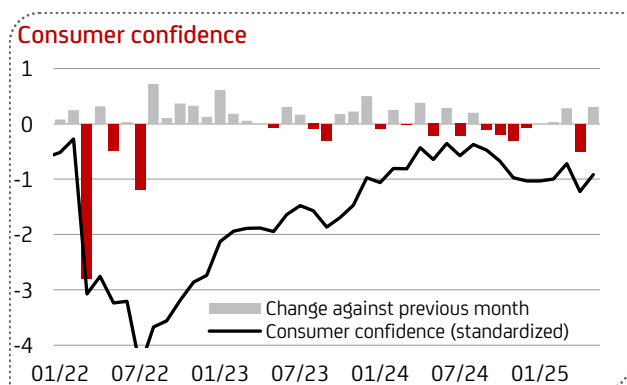
\*) excluding changes in inventory

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

Source: UniCredit Bank Austria

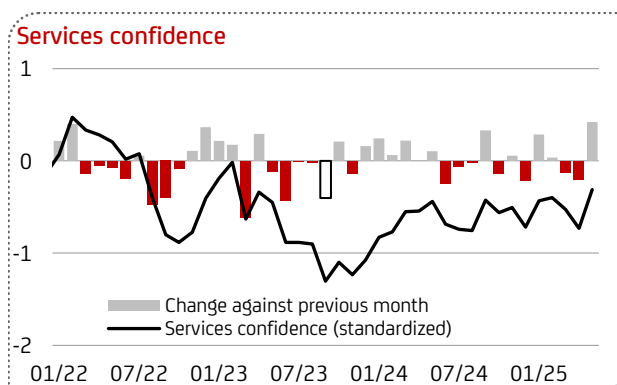


## Slight improvement in consumer sentiment



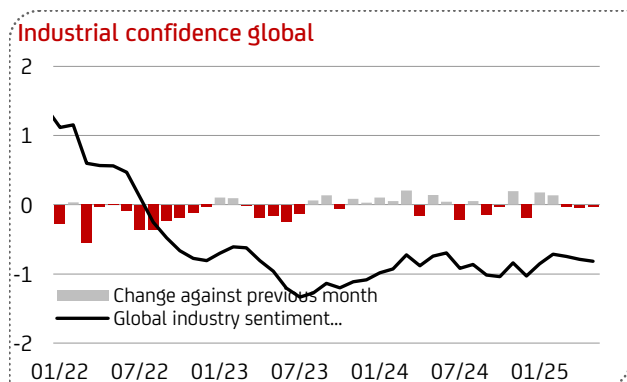
Domestic consumer sentiment improved somewhat again in May. The increases in purchasing power are perceived more strongly, while the erratic tariff announcements of the US government are likely to have a habituation effect.

## Sentiment in services at 2-year high

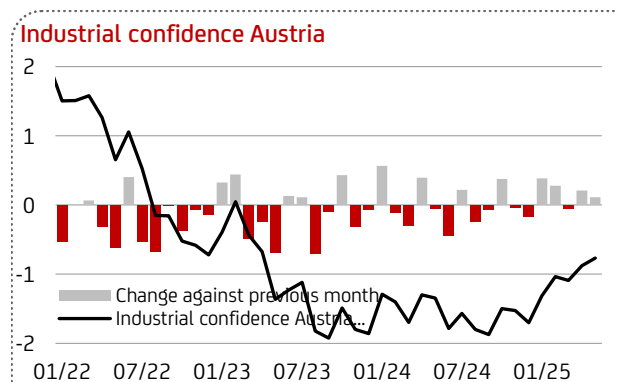


The significantly improved sentiment in the service sector following sales increases in the retail sector, among others, contributed significantly to the rise in the UniCredit Bank Austria Business Indicator in May.

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

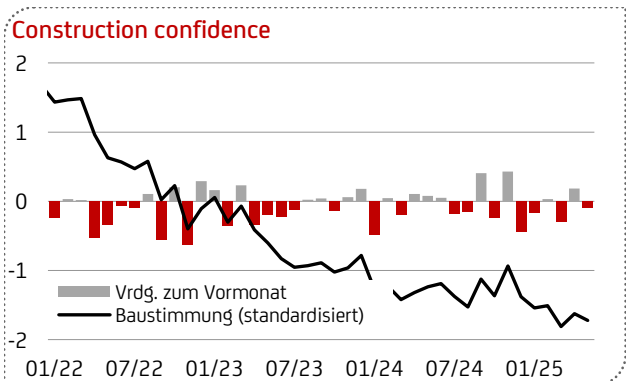


The indicator of international industrial sentiment, which is weighted by Austria's trade shares, declined, mainly due to the US tariff announcements.



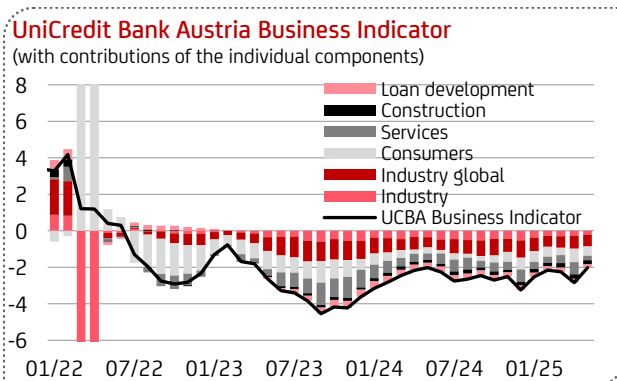
Despite the tariff announcements by the US government, industrial sentiment in Austria improved. However, expectations for the coming months have already declined.

## Sentiment in construction sector is somewhat worse again



In the construction industry, pessimism increased slightly again, despite a positive development in civil engineering.

## UCBA Business Indicator increased to minus 2.0 points in May



With the significant increase in May, our business indicator climbed to its highest level in one year, mainly due to improved business expectations in the service sector.

Quelle: EU Kommission, Statistik Austria, UniCredit

## MORE TO READ

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