



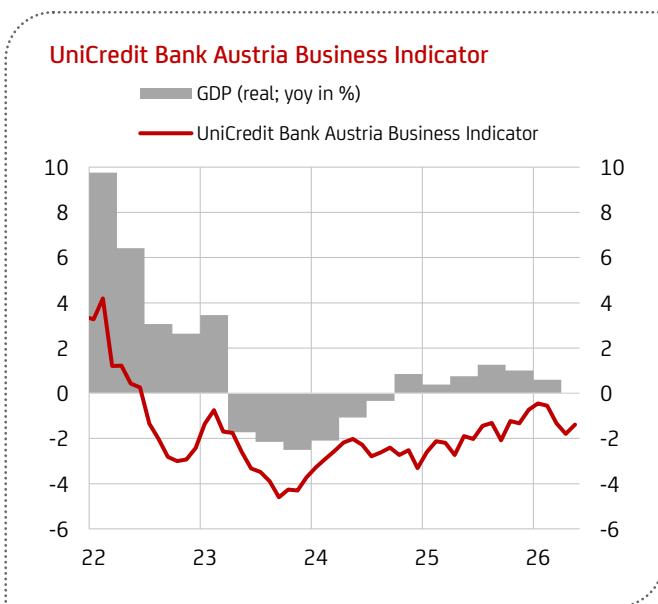
UniCredit Bank Austria Business Indicator

June 2026

Overview

IRAN WAR CAUSES ECONOMIC DIP, POSSIBLE END IMPROVES CONDITIONS FOR THE SECOND HALF OF THE YEAR

- Following the slump caused by the war in Iran, sentiment is stabilizing again: the UniCredit Bank Austria Business Indicator rose to minus 1.4 points in May
- Improved consumer sentiment and waning pessimism in industry, but economic concerns in construction and, above all, in the services sector continue to grow
- Following slight growth at the start of the year, the Austrian economy is likely to stagnate in the second quarter due to the strain caused by the war in Iran
- GDP growth for the full year is expected to remain unchanged at 0.8 per cent in 2026 and 1.2 per cent in 2027
- Following the rise in the unemployment rate to 7.5 per cent in 2026, the easing of the geopolitical situation should allow for a decline to 7.4 per cent in 2027
- First second-round effects of high energy prices are becoming noticeable: inflation forecast for 2026 rose from 3.0 to 3.4 per cent
- A further key interest rate hike of 25 basis points is expected in 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	5.2
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	0.3
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	-2.6
Jun-24	-1.1	-2.3
Sep-24	-0.3	-2.4
Dec-24	0.8	-3.3
Mar-25	0.4	-2.2
Jun-25	0.7	-2.0
Sep-25	1.3	-2.1
Dec-25	1.0	-0.7
Mar-26	0.6	-1.3
Apr-26		-1.8
May-26		-1.4

Source: UniCredit Bank Austria

In detail

UNICREDIT BANK AUSTRIA BUSINESS INDICATOR INCREASED TO MINUS 1.4 POINTS IN MAY

Following the slump caused by the war in Iran, economic sentiment in Austria recovered somewhat in May, but remained very tense. The UniCredit Bank Austria Business Indicator rose to minus 1.4 points in May. The slight upturn in the economic indicator was due to a more favorable mood among domestic consumers and improved expectations in industry. In construction, and particularly in the services sector, however, business assessments continued to deteriorate.

Consumer confidence was the main factor behind the 0.4-point rise in the economic indicator compared with the previous month, after consumer confidence had fallen to its lowest level in two and a half years the previous month due to geopolitical uncertainties and accelerating inflation resulting from higher fuel prices and the resulting threat of a loss of purchasing power. The stabilization of inflation at significantly lower levels than at the start of the war in Ukraine and the relatively stable situation on the labor market provided some relief. However, consumer sentiment remains weaker than at the start of the year.

Supported by an improved export environment, characterized above all by a somewhat more favorable situation in Eastern Europe and the Asian region, sentiment in domestic industry improved for the third month in a row, despite the pressures caused by the war in Iran. However, the cost burden caused by high energy prices and the strong wage growth of previous years continued to result in sentiment remaining well below the long-term average. Particularly in key sectors such as the chemical industry, plastics manufacturing, metalworking and mechanical engineering, business assessments remained very strained in view of weak order trends. An unfavorable trend in orders led to a further decline in sentiment in the construction sector in May, driven by a slump in civil engineering to its lowest level in over thirteen years.

Despite the improvement in consumer sentiment, concerns among service sector firms have increased. Lower demand expectations weighed particularly heavily on sentiment in transport and warehousing, as well as in the hospitality and accommodation sector and among travel agencies. Furthermore, given the generally increased challenges, recruitment agencies assessed the outlook as significantly more unfavorable than in previous months.

Sentiment across all sectors of the domestic economy was in the pessimistic range by the middle of the second quarter of 2026 – in the services sector and construction even further below the long-term average than in the previous month. For the second month in a row, sentiment in May was worse in all economic sectors in Austria than in the eurozone. The gap was once again particularly pronounced in industry, although it has been on a downward trend for the past three months.

STAGNATION LOOMS IN THE SECOND QUARTER

Following the rise in GDP at the start of the year, the latest economic data and the current sentiment indicators since the start of the second quarter point to a slight slowdown in the Austrian economy. Rising inflation is weighing on consumer

spending, and high levels of uncertainty are dampening domestic companies' willingness to invest.

The decline in the UniCredit Bank Austria Business Indicator to an average of minus 1.6 points so far this quarter, down from minus 0.8 points in the first quarter, indicates a slowdown in the Austrian economy. We expect the Austrian economy to stagnate in the second quarter. However, as the geopolitical situation will stabilize as a result of the recently negotiated agreement for an end of the Iran war, the underlying recovery trend should reassert itself and enable moderate growth rates in the second half of the year. We continue to expect GDP growth of 0.8 per cent for 2026 as a whole, as well as a slight acceleration to 1.2 per cent in 2027.

MODERATE RISE IN UNEMPLOYMENT IN 2026, BUT IMPROVEMENT IN SIGHT

The economic slowdown resulting from the war in Iran has already had an impact on the Austrian labor market. In April and May, the seasonally adjusted unemployment rate stood at 7.6 per cent in each month, the highest level in almost five years. Overcoming this economic dip in the near future should allow for a gradual easing of pressure on the labor market, at least towards the end of 2026.

Due to the economic pressures caused by the war in the Gulf region, the unemployment rate in Austria has begun to rise again but should improve once the geopolitical situation stabilizes towards the end of the year. We expect the annual average unemployment rate for 2026 to rise slightly to 7.5 per cent, up from 7.4 per cent in 2025. Supported by demographic factors, the unemployment rate is expected to fall again in 2027 for the first time in five years, to an annual average of 7.4 per cent.

FOLLOWING A RISE IN ENERGY PRICES: FIRST SERVICE PRICES ARE RISING

The war in Iran and the associated sharp rise in fuel prices caused inflation in Austria to rise significantly from March onwards. Whilst pressure from energy prices has since eased somewhat, initial second-round effects have led to a sharper rise in service prices. In May, inflation is expected to have climbed to 3.7 per cent year-on-year. Upward pressure on prices will remain strong in the coming months due to second-round effects, despite the extension of the fuel price cap and the reduction in VAT on basic foodstuffs from 1 July. Inflation is likely to peak at up to 4 per cent towards the end of the year.

In view of the ongoing conflict in Iran, we now expect energy prices to remain higher for a longer period, with correspondingly greater knock-on effects on the prices of other goods and services. We have therefore raised our inflation forecast from an average of 3.0 to 3.4 per cent for 2026. Inflation will slow only moderately to an average of 2.6 per cent in 2027 due to second-round effects.

ECB LIKELY TO PAUSE INTEREST RATE HIKES UNTIL SEPTEMBER

In light of the war in the Middle East, which is creating upside risks for inflation and downside risks for economic growth, the European Central Bank decided last week, as expected, to raise key interest rates by 25 basis points.

We expect energy prices to begin falling gradually this summer following the now-possible end to the war, and therefore only a limited tightening of monetary policy will be necessary, especially as inflation expectations are stable, financial conditions have already tightened due to the rise in long-term yields, and wage growth is likely to remain manageable, which limits the risk of higher energy prices being passed on to other goods and services. The ECB is in no hurry to take further action. Nevertheless, we still expect a – for the time being, final – interest rate hike in September, which will bring the deposit rate to 2.50 per cent. However, in light of current events, this move may not materialize.

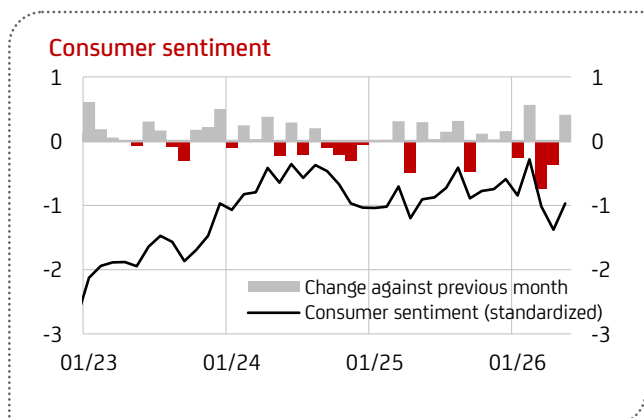
Economic Forecast

	2017	2018	2019	2020	2021	2022	2023	2024	2025	forecast UCBA		
2026	2027											
<i>Real change in %</i>												
GDP	2.3	2.5	1.8	-6.3	4.9	5.3	-0.8	-0.7	0.8	0.8	1.2	
Private consumption	1.9	0.8	0.7	-7.6	4.9	5.4	-0.2	1.0	0.7	0.5	1.1	
Public consumption	0.6	1.0	1.3	-0.8	7.7	0.0	0.6	3.8	2.4	2.3	0.6	
Gross fixed capital formation*)	4.2	4.4	4.3	-5.3	6.0	-0.3	-1.3	-4.1	2.9	0.7	1.6	
Investments in plant and machinery	7.7	1.3	1.0	-8.2	8.8	-1.7	1.2	-4.4	9.9	1.5	2.0	
Investments in construction	2.5	5.6	3.5	-3.5	4.3	-2.1	-4.5	-5.9	-2.3	-0.5	1.0	
Exports	4.9	5.2	4.0	-10.5	9.5	9.4	-0.6	-2.3	1.2	1.6	2.6	
Imports	5.3	5.1	2.4	-9.6	14.1	6.9	-4.3	-2.6	1.8	1.8	2.6	
CPI (change in %)	2.1	2.0	1.5	1.4	2.8	8.6	7.8	2.9	3.6	3.4	2.6	
HCPI (change in %)	2.2	2.1	1.5	1.4	2.8	8.6	7.7	2.9	3.6	3.4	2.7	
Saving ratio (in %) ***)	7.1	7.7	7.2	13.6	11.3	9.1	8.6	11.7	9.9	9.3	8.5	
Current account (in euro bn) ***)	4.6	3.2	9.4	12.8	7.0	-5.8	7.7	7.5	9.5	9.0	10.0	
Current account (in % of GDP) ***)	1.3	0.8	2.4	3.4	1.7	-1.3	1.6	1.5	1.9	1.7	1.8	
Employment (in 1,000)**)	3,573	3,661	3,720	3,644	3,734	3,845	3,889	3,898	3,905	3,918	3,932	
Employment (change in %) **)	2.0	2.5	1.6	-2.0	2.5	3.0	1.2	0.2	0.2	0.4	0.4	
Unemployment rate (nat. def.)	8.5	7.7	7.4	9.9	8.0	6.3	6.4	7.0	7.4	7.5	7.4	
Unemployment rate (EU def.)	5.9	5.2	4.8	6.0	6.2	4.8	5.1	5.2	5.7	5.7	5.6	
Unemployed (annual average in 1,000)	340	312	301	410	332	263	271	298	318	323	318	
General gov. balance (in % of GDP)	-0.8	0.2	0.5	-8.2	-5.7	-3.4	-2.6	-4.6	-4.2	-4.0	-3.8	
Public-sector debt (in % of GDP)	79.1	74.6	71.0	83.2	82.4	78.1	77.8	80.0	81.3	82.0	82.8	
Nominal GDP (in euro bn)	367	383	396	380	406.2	449.4	477.8	494.1	514.3	535.9	556.2	

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

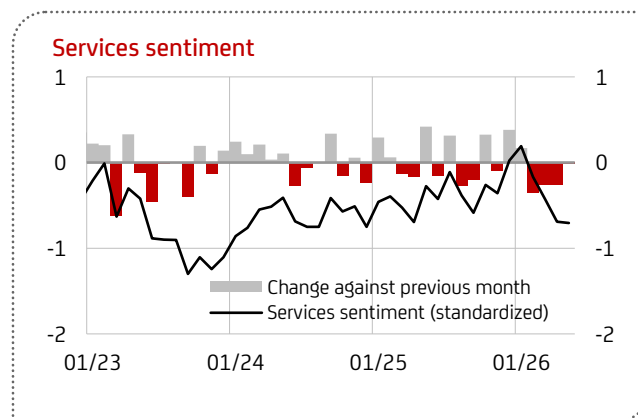
Source: UniCredit Bank Austria

Consumer sentiment improved



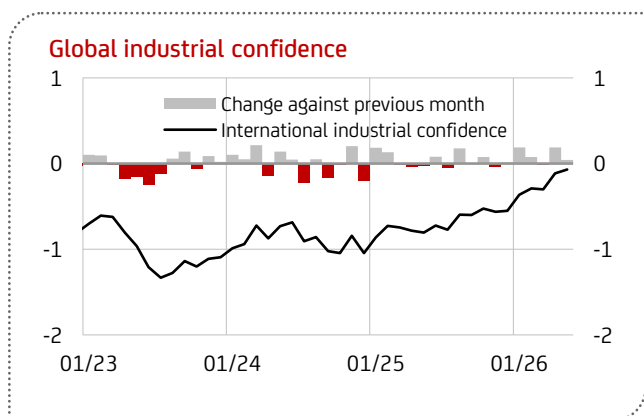
The mood of domestic consumers improved in May. The stabilization of inflation to significantly lower levels than at the beginning of the Ukraine war and the relatively stable situation on the labor market provided some relief.

Services sentiment continued to decline



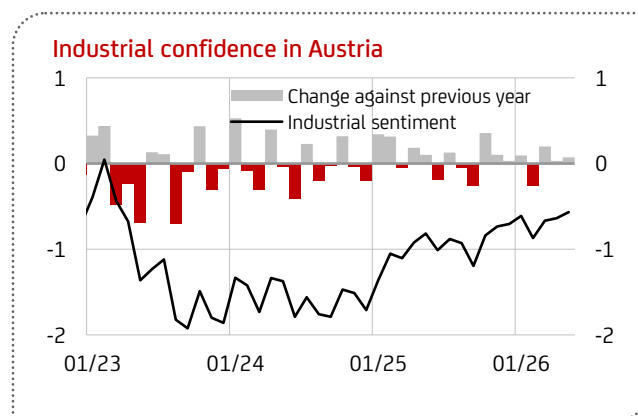
Sentiment in the service sector deteriorated further in May. The Iran war is a particular burden for the leisure industry and the tourism sector.

Global industrial sentiment on an upward trend



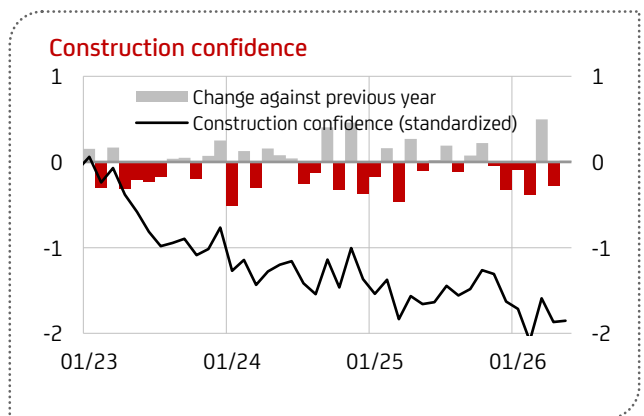
The indicator for global industrial sentiment improved again in May. In Asia in particular, the industry is gaining some momentum. European industrial sentiment, on the other hand, was more burdened by the Iran war.

Industrial sentiment with slight improvement



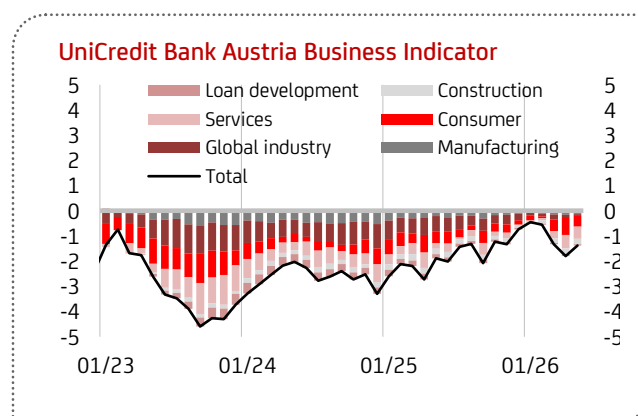
Despite the uncertainty caused by the war in the Middle East, the mood in Austrian industry has improved again in view of a somewhat more favourable development of orders.

Construction sentiment remains unfavorable



In the construction industry, the improvement in March has turned out to be a flash in the pan. Economic sentiment remains significantly below the previous year.

UCBA Business Indicator rose to minus 1.4 points in May



The increase in the UCBA Business Indicator in May was mainly due to the easing of uncertainty among domestic consumers and industry.

Sources: EU-Commission, Statistik Austria, UniCredit

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