



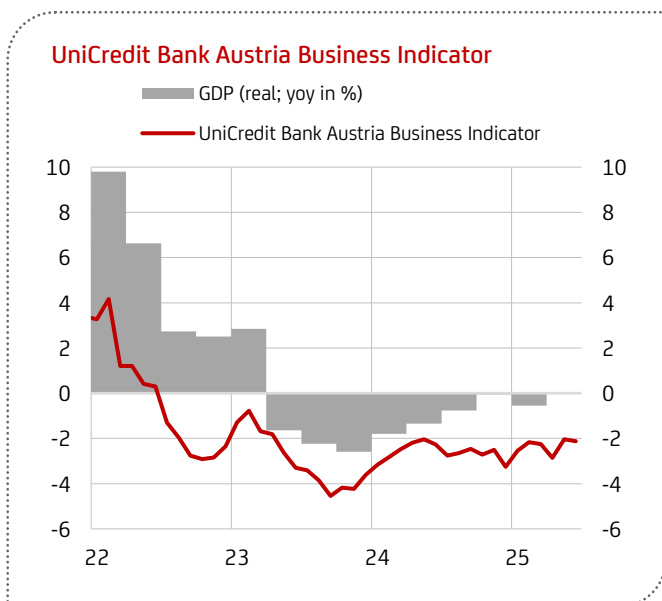
UniCredit Bank Austria Business Indicator

July 2025

Overview

ECONOMY STABLE, BUT GROWTH SIGNALS STILL LACKING

- Minimal decline in the UniCredit Bank Austria Business Indicator in June to minus 2.1 points
- Deteriorating sentiment in the service sector and in domestic industry despite slightly more favourable export environment
- After economic stabilisation in 2025, domestic demand should enable moderate economic growth of 1.1 per cent in 2026
- 30 per cent tariff on Austrian exports to the USA would reduce GDP by 0.4 percentage points and cost 15,000 jobs
- The rise in the unemployment rate will slow in the second half of the year and come to an end in 2026: After 7.5 per cent in 2025, an unemployment rate of 7.5 per cent is also expected in 2026
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- Services inflation remains stubborn: inflation in Austria will remain at the previous year's level of 2.9 per cent on average in 2025. A decline to 2.1 per cent is only in sight for 2026



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 | 3.2 |
| 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 |
| Jun-25 | | -2.1 |

Source: UniCredit Bank Austria

In details

UNICREDIT BANK AUSTRIA BUSINESS INDICATOR DECREASED TO MINUS 2.1 POINTS IN JUNE

Economic sentiment in Austria showed a sustained stabilization trend in the middle of the year. The UniCredit Bank Austria Business Indicator fell only minimally compared to the previous month to minus 2.1 points, the best value of the current year apart from May. Although the Austrian economy has left the recession behind, it has only entered a stagnation phase without any clear signs of growth. In the course of the second half of the year, however, the economy should be able to overcome the stagnation thanks to stimuli from domestic demand, but a strong upward trend is not yet apparent in view of the existing challenges.

HARDLY A RELAXED START TO THE SECOND HALF OF THE YEAR

The slight decline in the UniCredit Bank Austria Business Indicator in June was largely due to the slight deterioration in sentiment in the service sector and in domestic industry. Increases in purchasing power have now begun to provide some tailwind for consumption. However, the stubborn rise in service prices and increasing concerns about employment are dampening domestic consumers' desire to spend, which weighed on business assessments in the service sector in June, although consumer sentiment remained almost unchanged. Due to the decline in orders from abroad and the uncertainty caused by US customs policy and the lack of an agreement between the EU and the US, the mood in domestic industrial companies also deteriorated again towards the middle of the year. Economic concerns increased somewhat due to the slump in orders in combination with losses in price competitiveness as a result of comparatively high labor and energy costs. In contrast, the international export environment for industry improved slightly in June. However, the indicator for global industrial sentiment weighted with Austrian trade shares only rose to a 3-month high, as the unfavorable development in the European sales markets weighed on sentiment. Following the setback in sentiment in the previous month, there was a slight improvement in sentiment in the construction sector.

The deterioration in sentiment in the service sector and in industry could not be compensated for by the slight improvement in construction, which caused a slight overall decline in the UniCredit Bank Austria Economic Sentiment Indicator in June. Sentiment in all sectors of the domestic economy remained pessimistic in the middle of the year, in some cases even significantly below the long-term average. In addition, the mood in industry and construction in Austria was worse than in the eurozone. Only in the service sector is pessimism in Austria less pronounced than the European average, supported by positive sub-sectors such as tourism.

LITTLE MOVEMENT IN THE SECOND HALF OF THE YEAR, BUT PROSPECT OF MODERATE GROWTH IN 2026

The calming down of inflation and the ECB's easing of monetary policy have led to a stabilization of the economic situation in

Austria, despite the geopolitical challenges and uncertainty caused by US customs policy.

We assume that the fluctuating improvement trend in economic sentiment will continue in the coming months. On the one hand, consumers should be more aware of the increased purchasing power. On the other hand, the ECB's significant interest rate cuts will have an impact on the willingness to invest. However, the great uncertainty among domestic consumers and companies, which has been reflected in a high savings rate and the postponement or cancellation of investments, is likely to dissipate only slowly, especially as the consolidation efforts in the public budget could counteract this.

Further economic development will depend crucially on domestic demand. We expect that the economic slump can be gradually overcome in the second half of the year through a further revival in consumption and investment. However, the Austrian economy will probably only gain momentum very slowly. However, after two years of declining GDP growth, there should at least be an increase of 0.1 per cent in 2025. Given the more favorable conditions for domestic demand, moderate economic growth of 1.1 per cent is possible for 2026.

Significant support for the domestic economy from foreign demand cannot be expected. On the one hand, this is hindered by the decline in price competitiveness and, on the other, by the protectionist trade policy originating in the USA. The recent announcement of a 30 per cent tariff on all US imports from the EU, and therefore also from Austria, would likely impact Austrian economic output by 0.4 percentage points and cost around 15,000 jobs. In our current forecast, we are still assuming a tariff level of 20 per cent for the time being.

CHALLENGES ON THE LABOR MARKET CONTINUE

Developments on the labor market continue to be affected by the weak economy. The upward trend in the unemployment rate, which began in spring 2023, continued until mid-2025. After averaging 7.0 per cent in the previous year, the unemployment rate climbed to a seasonally adjusted 7.6 per cent by June of this year.

In view of the weak economy, the situation on the labor market will continue to deteriorate in the coming months, burdened above all by lower staffing requirements in industry. The momentum in the service sectors will remain too weak to compensate for this, but the rise in the unemployment rate should slow down in the second half of the year. After averaging 7.5% in 2025, we expect it to stabilize in 2026 with an incipient downward trend in the second half of the year. The unemployment rate is likely to reach 7.5 per cent again next year.

INFLATION REMAINS SIGNIFICANTLY HIGHER THAN IN THE EUROZONE

In the first half of 2025, inflation in Austria jumped to an average of 3.1 per cent due to the expiry of the electricity price brake, the increase in CO2 pricing and inflation-related price adjustments.

In the coming months, weaker second-round effects in the services sector should ensure a slowdown in inflation. This should also be supported by the lower oil price and the slightly stronger euro. However, the cost pressure in the service sector will continue to cause above-average inflation in the service

sector, especially as some public sector fee increases are also due at the start of the second half of the year. We have raised our inflation forecast from 2.5 to 2.9 per cent on average for 2025. This means that inflation is likely to reach the previous year's level, and the inflation premium compared to the eurozone average will increase significantly again.” The economists at UniCredit Bank Austria expect inflation in the eurozone to average 2.1 per cent in 2025. Since 2009, inflation in Austria has exceeded that in the eurozone and the cumulative premium has now reached more than 10 percentage points.

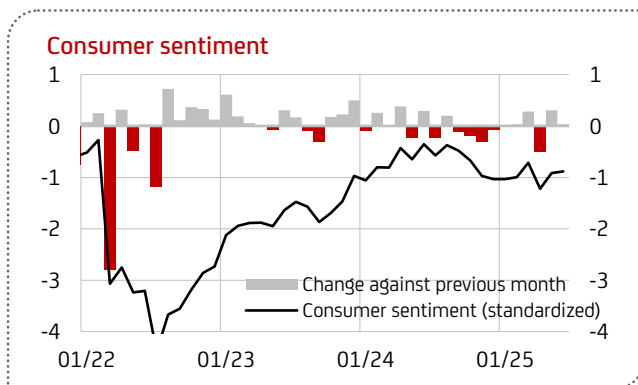
Economic Forecast

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | forecast UCBA | |
|---|-------------|------------|------------|-------------|-------------|-------------|-------------|-------------|---------------|-------------|
| | | | | | | | | | 2025 | 2026 |
| <i>Real change in %</i> | | | | | | | | | | |
| GDP | 2.3 | 2.5 | 1.8 | -6.3 | 4.8 | 5.3 | -1.0 | -1.0 | 0.1 | 1.1 |
| 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 |
| CPI (change in %) | 2.1 | 2.0 | 1.5 | 1.4 | 2.8 | 8.6 | 7.8 | 2.9 | 2.9 | 2.1 |
| HCPI (change in %) | 2.2 | 2.1 | 1.5 | 1.4 | 2.8 | 8.6 | 7.7 | 2.9 | 2.8 | 2.0 |
| Saving ratio (in %) | 7.1 | 7.7 | 7.2 | 13.6 | 11.4 | 8.8 | 8.7 | 11.7 | 10.9 | 9.7 |
| 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 |
| Unemployment rate (nat. def.) | 8.5 | 7.7 | 7.4 | 9.9 | 8.0 | 6.3 | 6.4 | 7.0 | 7.5 | 7.5 |
| 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 |
| General gov. balance (in % of GDP) | -0.8 | 0.2 | 0.5 | -8.2 | -5.7 | -3.4 | -2.6 | -4.6 | -4.5 | -4.2 |
| Public-sector debt (in % of GDP) | 79.1 | 74.6 | 71.0 | 83.2 | 82.4 | 78.4 | 78.5 | 81.4 | 83.8 | 85.4 |
| Nominal GDP (in euro bn) | 367 | 383 | 396 | 380 | 406.2 | 448.0 | 473.2 | 484.2 | 498.7 | 514.7 |

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

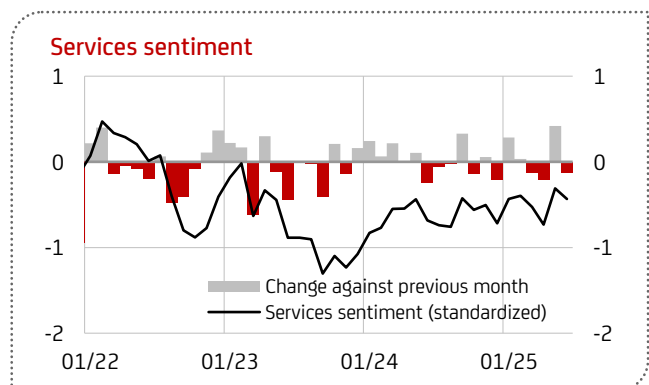
Source: UniCredit Bank Austria

Consumer sentiment improved somewhat



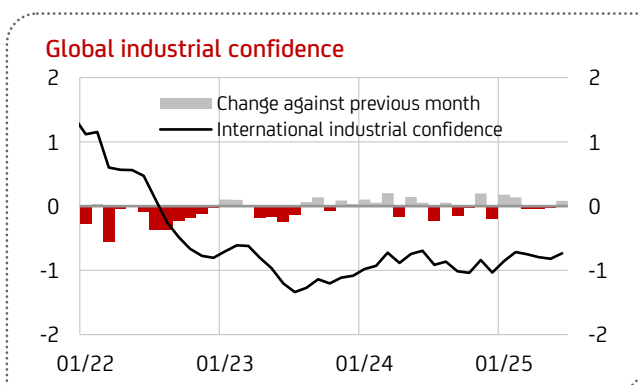
The sentiment of domestic consumers improved again somewhat in June. The increases in purchasing power are perceived more strongly, while the erratic tariff announcements of the US government are likely to have a habituation effect.

Sentiment in services worsend

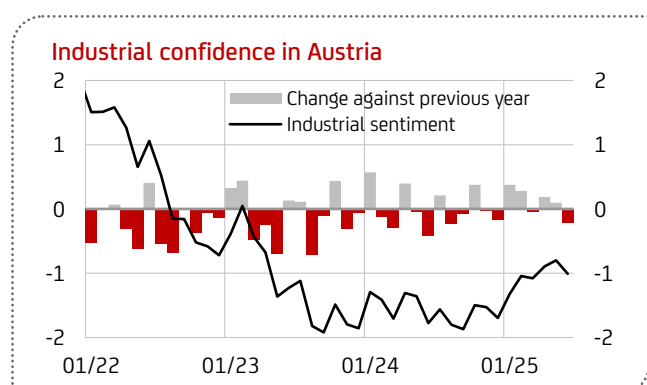


The slight decline in sentiment in the services sector contributed significantly to the decline in the UniCredit Bank Austria Business Indicator in June.

Export environment improved despite US tariff policy, but local industrial sentiment deteriorated

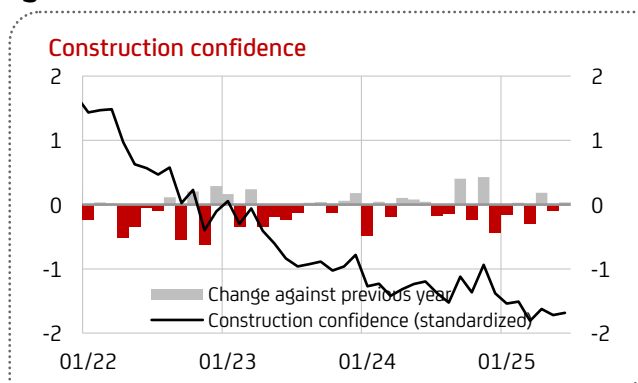


The indicator of international industrial sentiment, which is weighted by Austria's trade shares, increased despite the US tariff announcements.



In Austria, however, industrial sentiment deteriorated. Expectations for the coming months also declined again.

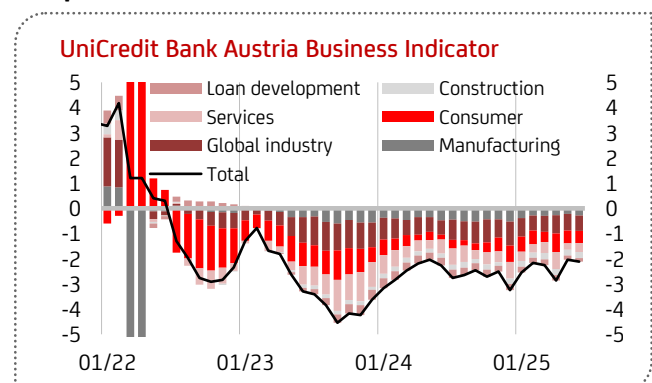
Sentiment in construction sector slightly better again



In the construction industry, pessimism decreased slightly. The lack of new orders is the most frequently cited obstacle to an increase in construction output.

Quelle: EU Kommission, Statistik Austria, UniCredit

UCBA Business Indicator decreased to minus 2.1 points in June



Despite the slight decline in June, our indicator reached its best value of the current year, apart from the previous month.

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