UniCredit Bank Austria Business Indicator

July 2026

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Bank Austria
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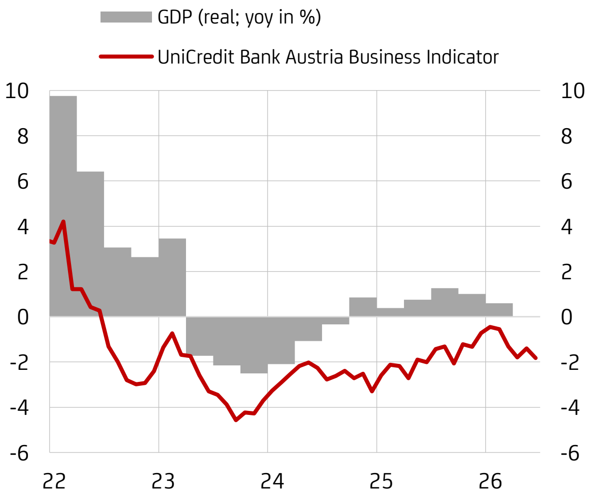
Overview

CONFLICT IN THE GULF REGION CONTINUES TO WEIGH ON AUSTRIA'S ECONOMY

- Fragile agreement between the U.S. and Iran dampens economic sentiment: The UniCredit Bank Austria Business Indicator fell to minus 1.8 points in June
- Sentiment deteriorated in the industrial and service sectors, but there was slightly less pessimism in the construction sector at midyear
- Economic slowdown in the second quarter due to the impact of the war in Iran, but a more favorable outlook for the second half of the year if the current escalation remains limited
- GDP growth for the full years 2026 and 2027 is still expected to be 0.8 percent and 1.2 percent, respectively
- Continued deterioration in the labor market: Unemployment rate expected to rise to 7.5 percent in 2026
- Inflation forecast lowered from 3.4 to 3.2 percent for 2026 and from 2.6 to 2.5 percent for 2027
- Another 25-basis-point key interest rate hike by the ECB is expected after the summer



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	2.4
Jun-21	14.3	7.2
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	-2.5
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
Jun-26		-1.8

Source: UniCredit

Source: UniCredit Bank Austria

In detail

UNICREDIT BANK AUSTRIA BUSINESS INDICATOR FELL TO MINUS 1.8 POINTS IN JUNE

The lack of confidence in a stable agreement between the U.S. and Iran has once again dampened business sentiment in Austria as the year reaches its midpoint. Following a slight improvement the previous month, the UniCredit Bank Austria Business Indicator fell to minus 1.8 points in June. After standing at minus 0.8 points in the first three months of the year, the indicator deteriorated to an average of minus 1.7 points in the second quarter due to the war in the Gulf region. For the second quarter that just ended, the UniCredit Bank Austria Business Indicator points to an economic slowdown following the moderate growth rates of the previous quarters. We assume that the Austrian economy stagnated over the past three months compared to the start of the year. Nevertheless, GDP in Austria is likely to have grown by 0.8 percent year-over-year in the first half of the year.

PARTICULARLY SHARP DETERIORATION IN SENTIMENT AMONG SERVICE PROVIDERS

Given the pressures caused by the war in Iran, the economic climate across all sectors of the Austrian economy at the start of summer 2026 was less favorable than it had been at the beginning of the year. The decline in sentiment since the start of the year has been particularly sharp in the service sector, driven by increased uncertainty among domestic consumers. But the economic situation was also significantly more strained in manufacturing and the construction industry. While sentiment in the service sector and manufacturing darkened again in June compared to the previous month, the situation showed at least some stabilization in the construction sector.

However, sentiment in the construction sector remained very tense in the middle of the year. There was a lack of new business, particularly in building construction, while the order situation in civil engineering and ancillary trades improved slightly. The insufficient order situation, along with higher energy and labor costs, was responsible for the renewed rise in pessimism within the domestic industry. Concerns increased significantly, particularly in the steel industry and mechanical engineering. In addition, foreign trade provided only limited momentum. The indicator of global industrial sentiment—weighted by Austrian trade shares—deteriorated in June, weighed down primarily by a weaker economy in the U.S. and Asia. The decline in sentiment within the service sector accounted for the largest share of the drop in the UniCredit Bank Austria Business Indicator in June, both compared to the start of the year and to the previous month. The ongoing rise in unemployment and increased inflation dampened domestic consumers' willingness to spend. This led to a slowdown in business activity, particularly in retail, the hospitality industry, and travel agencies.

Sentiment across all sectors of the domestic economy was in the pessimistic range by mid-year—in the service sector and in industry, it was even further below the long-term average than in the previous month. Furthermore, sentiment in all economic sectors in Austria in June was worse than in the eurozone for the third consecutive month. The gap was once again particularly pronounced in industry, but it is also significant in the service sector. In both the industrial and service sectors, the divergence in economic sentiment between Austria and the eurozone widened in June due to opposing trends.

CAUTIOUS OPTIMISM AFTER STAGNATION AT MIDYEAR

In the second quarter, however, the domestic industrial sector was able to expand slightly, thanks exclusively to the energy sector. While the construction industry was able to maintain its output, many service sectors—including retail—recorded declines in revenue. Following the resulting stagnation of the overall economy in recent months, developments in the Gulf region will continue to have a significant impact on the outlook.

We assume that the recent tensions between the U.S. and Iran, involving mutual attacks, represent a limited and temporary escalation and that the conflict will come to a definitive end within the foreseeable future. Given the sufficient supply of crude oil on the market—taking into account the economically driven weaker demand and existing reserves—there should be no immediate supply shock with excessive price increases, despite the transit problems through the Strait of Hormuz. As a result, inflation is unlikely to slow down consumer spending and domestic companies' willingness to invest as sharply in the coming months as it did in the second quarter. As the geopolitical situation eases, the moderate recovery trend seen at the beginning of the year should resume. We continue to expect economic growth of 0.8 percent for 2026.

The start of 2027 will be marked by the aftermath of the war in Iran, which will keep the pace of recovery in the Austrian economy moderate. Inflation rates above the 3 percent mark, fueled by second-round effects, will limit real purchasing power. Consequently, consumer demand is expected to remain rather subdued in the first months of 2027. The propensity to invest is also likely to remain subdued. In industry in particular, structural headwinds and the weakening of foreign trade driven by U.S. tariff policies are acting as brakes on investment activity.

With inflation expected to decline significantly in the second half of 2027, the recovery in consumer and investment demand should continue to solidify. We are confident that the Austrian economy will be able to follow a stable growth path in the coming year. Against this backdrop, a somewhat stronger increase in gross domestic product of 1.2 percent appears realistic.

UNEMPLOYMENT CONTINUES TO RISE FOR NOW

The signs of a turnaround in the labor market that were evident at the beginning of the year have since completely vanished. The economic slowdown triggered by the war in Iran has led to a deterioration in the labor market situation in recent months. The seasonally adjusted unemployment rate stood at 7.6 percent in June. However, this was only 0.1 percentage points higher than the figure at the start of the year, as the slight increase in employment was able to partially offset the rise in the number of job seekers.

For 2026, we expect the unemployment rate to rise to an average of 7.5 percent. As the geopolitical situation stabilizes and energy prices return to normal, the Austrian economy should resume its recovery, paving the way for a positive trend in the labor market in 2027. This development will be supported by only a moderate increase in the labor supply due to demographic factors. Stabilization in the labor-intensive construction sector and the gradual recovery in manufacturing should also contribute to this. However, the service sector will be the main driver of the turnaround in the labor market.

INFLATIONARY PRESSURE SLIGHTLY LOWER DESPITE RENEWED TENSIONS

The rise in energy prices resulting from the war with Iran and the temporary blockade of the Strait of Hormuz significantly accelerated inflation in Austria starting in March, following low levels at the beginning of the year. After reaching a preliminary peak of 3.7 percent year-over-year in May, inflation is expected to have fallen to 3.2 percent in June—aided by the easing of tensions in the energy markets following the agreement between the U.S. and Iran.

After averaging 3.0 percent in the first half of the year, inflation is likely to pick up further in the second half. Key factors include rising electricity and gas prices for end consumers resulting from previous increases in energy prices, as well as second-round effects on service prices. Despite the recent geopolitical escalation, however, upward pressure on oil prices remains relatively moderate. Inflationary pressure is therefore likely to be lower than originally expected. Against this backdrop, we have lowered our inflation forecast for 2026 from 3.4 percent to 3.2 percent. For 2027, we now expect an inflation rate of 2.5 percent instead of the previous 2.6 percent. Inflation should ease significantly over the course of 2027 and reach levels of around 2 percent year-over-year in the second half of the year, provided energy prices do not experience any further spikes.

PROBABILITY OF AN INTEREST RATE HIKE IN SEPTEMBER HAS INCREASED

The recent escalation of the conflict in the Gulf region increases the risk of rising energy prices and, consequently, a renewed acceleration of inflation. For the European Central Bank, this means additional uncertainty regarding the direction of its monetary policy. In our assessment, this certainly increases the likelihood of another hike in key interest rates. We expect the ECB to raise the key interest rate by 25 basis points in September. After that, it is likely to adopt a wait-and-see approach and leave the deposit rate at 2.50 percent, which we consider to be the upper end of the neutral interest rate range.

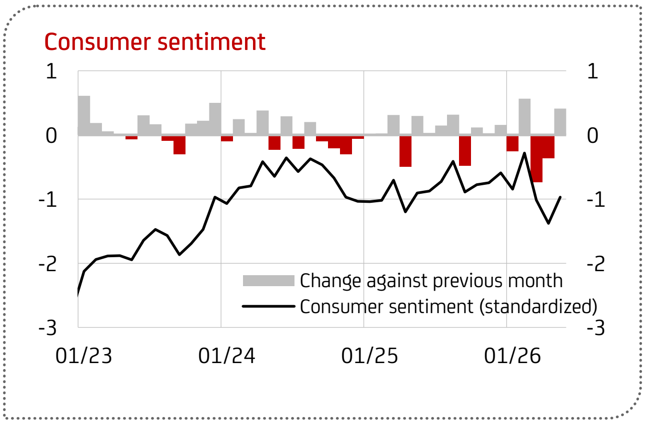
Economic Forecast

										forecast UCBA	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Real change in %											
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**	**3,2**	**2,5**
HCPI (change in %)	2,2	2,1	1,5	1,4	2,8	8,6	7,7	2,9	3,6	3,3	2,5
Saving ratio (in %) *)**	**7,1**	**7,7**	**7,2**	**13,6**	**11,3**	**9,1**	**8,6**	**11,7**	**9,9**	**9,6**	**8,6**
Current account (in euro bn) ***)	4,6	3,2	9,4	12,8	7,0	-5,8	7,7	7,5	9,5	9,5	10,2
Current account (in % of GDP) ***)	1,3	0,8	2,4	3,4	1,7	-1,3	1,6	1,5	1,9	1,8	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	82,5	83,4
Nominal GDP (in euro bn)	367	383	396	380	406,2	449,4	477,8	494,1	514,3	532,8	552,4

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

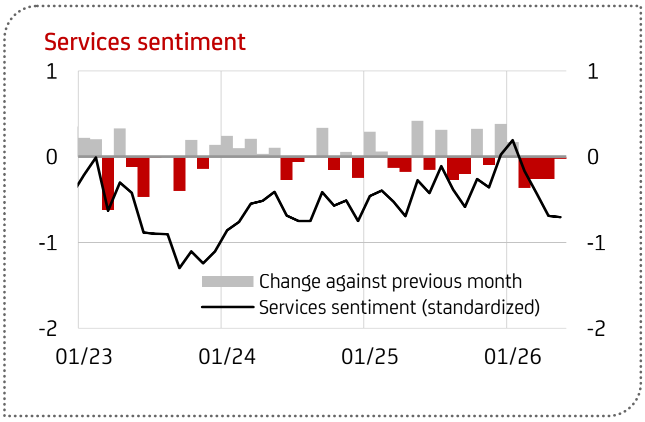
Source: UniCredit Bank Austria

Consumer sentiment more restrained again



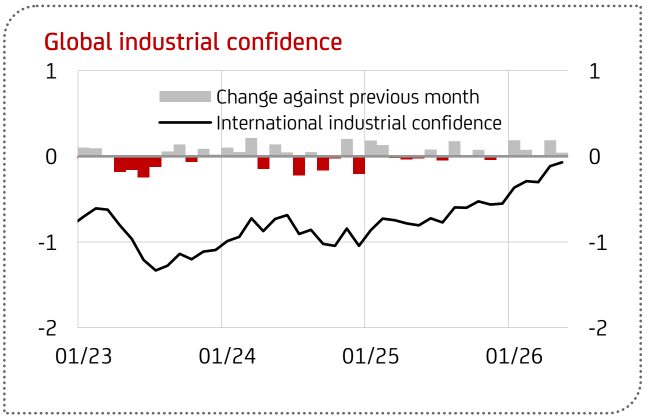
The continuing rise in unemployment and increased inflation have slowed down domestic consumers' desire to buy. This caused a slowdown in business, especially in the trade, hospitality industry and also among travel agencies

Services sentiment fell sharply



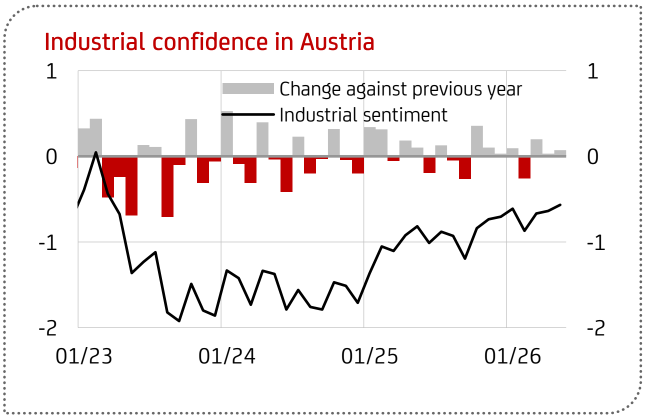
Sentiment in the service sector deteriorated further in June. The Middle East conflict is a particular burden for the leisure industry and the tourism sector.

Global industrial sentiment deteriorated



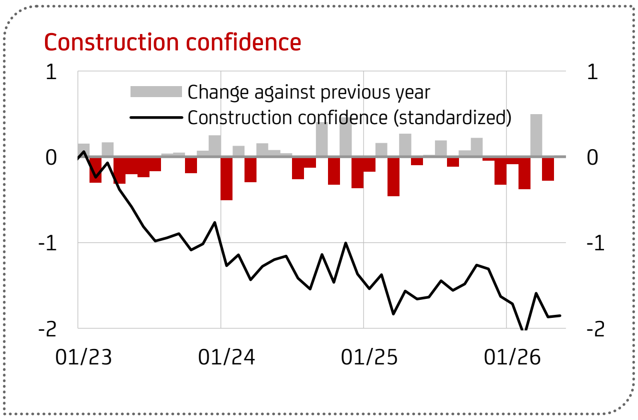
The indicator for global industrial sentiment deteriorated in June, weighed down mainly by a weaker economy in the USA and Asia.

Increased pessimism in industry



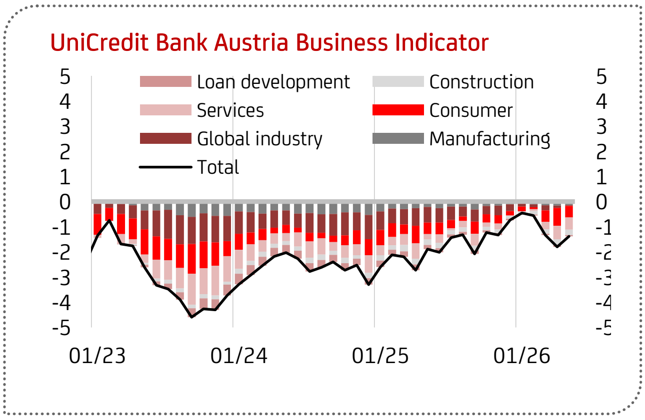
Insufficient demand, increased costs for energy and personnel and weak export demand weighed more heavily on sentiment in industry in June than in the previous month.

Construction sentiment stabilised



The mood in the construction sector remained very tense in the middle of the year. In building construction in particular, there was a lack of new business, while the order situation in civil engineering and ancillary trades improved slightly.

UCBA Business Indicator fell to minus 1.8 points in June



The decline in the UCBA Business Indicator in June was particularly due to the deterioration in sentiment in the service sector and industry.

Sources: EU-Commission, Statistik Austria, UniCredit

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