



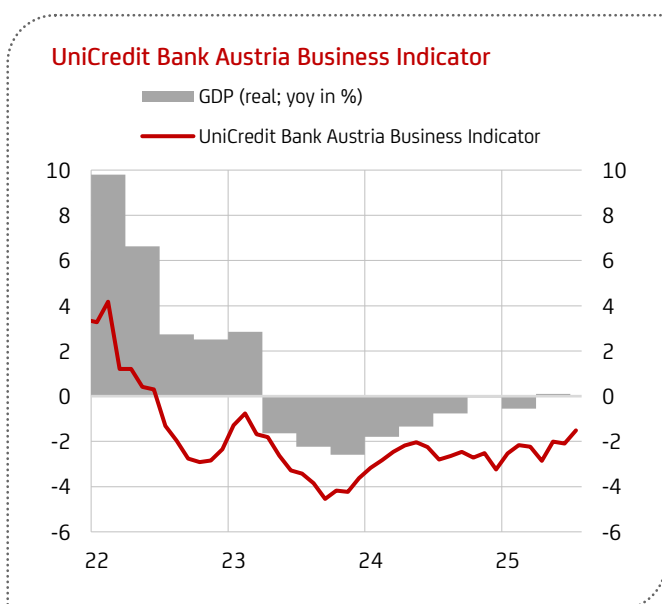
UniCredit Bank Austria Business Indicator

August 2025

Overview

ECONOMIC TRAFFIC LIGHT TURNED (LIGHT) GREEN

- The UniCredit Bank Austria Business Indicator rose to minus 1.5 points in July, its best result in two and a half years
- The mood improved in all economic sectors despite the uncertain export environment
- The slight tailwind for the economy in the second half of the year should push GDP back into positive territory for 2025 as a whole
- Stronger domestic demand should ensure economic growth of 1.1 percent in 2026.
- The challenges on the labor market are easing only slowly: unemployment rate of 7.5 percent expected for 2025 and 2026
- Prices for services, food, and energy will allow only a slight easing of inflation in the second half of the year. Inflation will remain at an annual average of at least 2.9 percent in 2025.
- Further interest rate cuts by the ECB are becoming increasingly unlikely



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	1.9
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	-4.6
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	-2.2
Jun-25	0.1	-2.1
Jul-25		-1.5

Source: UniCredit Bank Austria

In details

UNICREDIT BANK AUSTRIA BUSINESS INDICATOR INCREASED TO MINUS 1.5 POINTS IN JULY

The economic situation in Austria is becoming more stable, and there are increasing signs of an improvement in the economy. "The UniCredit Bank Austria Business Indicator rose to minus 1.5 points in July, its best figure in two and a half years. The mood in the Austrian economy brightened at the start of the second half of the year. A slightly improved order situation and higher production and sales expectations reinforced the chances of at least a slight upturn in the economy in the coming months, supported by domestic demand. However, there are no signs of strong growth yet in view of the uncertainties in foreign trade.

ENTERING THE SECOND HALF OF THE YEAR IN A SLIGHTLY BETTER MOOD

The relatively significant rise in the UniCredit Bank Austria Business Indicator in July was due to an improved assessment of the situation in all sectors of the economy. The improvement was mainly due to the brighter mood in the service sector, which nevertheless remained slightly below the long-term average. While the financial and real estate sectors, as well as warehouse logistics, transport, and travel agencies, felt more tailwinds, the accommodation and catering industry was weighed down by weaker demand and staffing problems.

Economic momentum in the service sector was supported by the third consecutive improvement in domestic consumer sentiment. In the construction industry, too, companies continued to assess the economic situation at the beginning of the second half of the year as challenging, but again somewhat more favorable than in the previous month. While the stabilization trend continued in building construction and civil engineering, given at least adequate order backlogs, the ancillary and finishing trades came under somewhat greater pressure.

The customs agreement with the US has at least alleviated the uncertainty in the domestic industry and contributed to a slight improvement in sentiment. However, economic concerns due to weak order momentum combined with losses in price competitiveness as a result of comparatively high wage and energy costs meant that companies' assessments remained well below the long-term average.

While consumer goods sectors such as the food industry assessed the order situation more positively in July, the pressure increased for many export-oriented sectors such as automotive manufacturing, mechanical engineering, and the metal industry. The international export environment for industry deteriorated slightly. The indicator for global industrial sentiment, weighted by Austria's share of trade, declined slightly in July, dampened by the less favorable developments in the CEE markets, Asian export destinations, and the US.

The improvement in sentiment in the service sector, construction, and domestic industry led to a brightening of the economic outlook in Austria at the beginning of the second half of the year, despite a deterioration in the export environment. However, sentiment in July remained pessimistic in all sectors of the domestic economy, in some cases even significantly

below the long-term average. In addition, sentiment in Austria's manufacturing and construction industries was worse than in the eurozone. Only in the service sector was pessimism in Austria less pronounced than the European average for the third month in a row.

SOME MOVEMENT IN THE SECOND HALF OF THE YEAR, BUT MORE MOMENTUM NOT EXPECTED UNTIL 2026

In the first half of 2025, GDP was 0.2 percent below the previous year's figure. The current UniCredit Bank Austria economic indicator suggests that the domestic economy will gain some momentum in the coming months. This will be driven by domestic demand, which should gradually strengthen in the second half of the year. On the one hand, consumers are likely to notice the increase in purchasing power more strongly. On the other hand, the ECB's key interest rate cuts will have a positive impact on investment sentiment.

We expect the economy to gain momentum in the second half of the year thanks to a further upturn in consumption and investment. However, the sky is not the limit. The export industry will dampen economic development due to the US tariff measures. We continue to expect slight growth of 0.1 percent for 2025 as a whole. Under more favorable conditions for domestic demand, economic growth of 1.1 percent is possible for 2026.

DETERIORATION ON THE LABOR MARKET IS LOSING MOMENTUM

In view of the weak economy, the situation on the labor market deteriorated in the first seven months of 2025 compared with the previous year. The unemployment rate rose by 0.5 percentage points to an average of 7.4 percent. This reflects an increase of just under 23,000 in the number of people looking for work. The 0.2 percent rise in employment, representing more than 7,500 people, was not enough to offset the continuing increase in the labor supply. Seasonally adjusted data show that the pace of deterioration on the labor market has slowed since the spring. Employment is rising slightly and the increase in the number of job seekers is declining month-on-month. The seasonally adjusted unemployment rate stood at 7.5 percent in July.

"Thanks to the slightly more favorable economic situation, the labor market will only deteriorate slightly in the coming months. We expect an average unemployment rate of 7.5 percent for 2025 and stabilization at this level in 2026, as the stronger economy and the slowing increase in the labor supply over the course of the coming year should lead to an easing of the situation.

INFLATION REMAINS A CAUSE OF CONCERN

In contrast to the significantly lower inflation rate in the eurozone, inflation in Austria continued to rise in the middle of the year. After averaging 3.1 percent in the first half of the year, inflation climbed to 3.5 percent in July, one and a half percentage points above the eurozone figure. In addition to higher price dynamics in the service sector, driven in part by the leisure and tourism industry, higher food price inflation and, above all, the development of energy prices after the expiry of the electricity price cap were responsible for the significant increase compared to the eurozone.

We continue to expect inflation to ease slightly in the coming months, supported by a slowdown in service price dynamics and energy price inflation, dampened by low oil prices and the slightly stronger euro. At 2.9 percent, however, average inflation in 2025 will at least reach the previous year's level. A decline in inflation cannot be expected until 2026, although there is a growing risk that this could be less pronounced than previously assumed. Economists at UniCredit Bank Austria currently expect an inflation rate of 2.1 percent for 2026.

NO KEY INTEREST RATE CUT IN SEPTEMBER

After taking a wait-and-see approach in July, the ECB will assess the impact of the US tariff agreement on the economy and inflation at its September meeting. In our opinion, the downside risks to the European economy due to the protectionist trade policy of the US outweigh the upside risks to inflation, which would certainly justify a 25 basis point cut in key interest rates. However, the data available may not be sufficient for a decision to be made in September, meaning that ECB Council members are likely to be very divided on the need for further monetary easing. In recent weeks, it has become more likely that the ECB will extend its interest rate pause in September. The deposit rate is therefore likely to remain frozen at 2 percent for the time being.

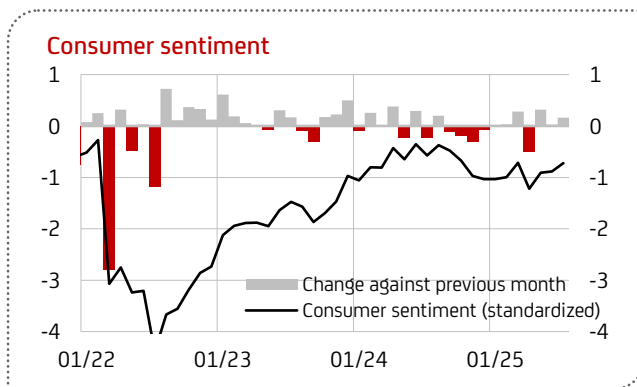
Economic Forecast

	2017	2018	2019	2020	2021	2022	2023	2024	forecast UCBA	
Real change in %										
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

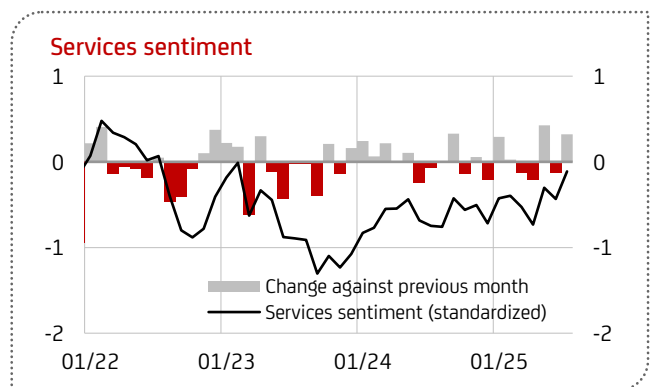
Source: UniCredit Bank Austria

Slight improvement in consumer sentiment



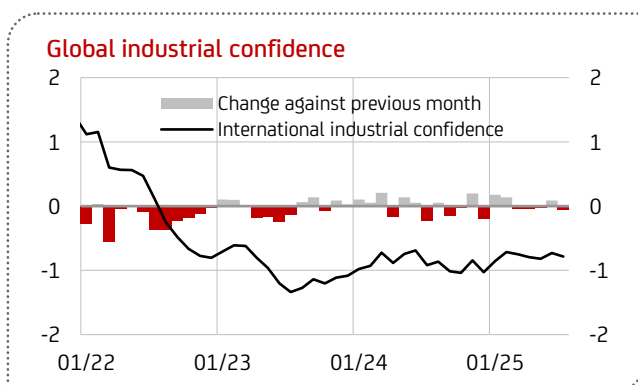
The mood of domestic consumers improved somewhat again in July. The increases in purchasing power are perceived more strongly, while the erratic tariff announcements of the US government are likely to have a habituation effect.

Service sentiment up

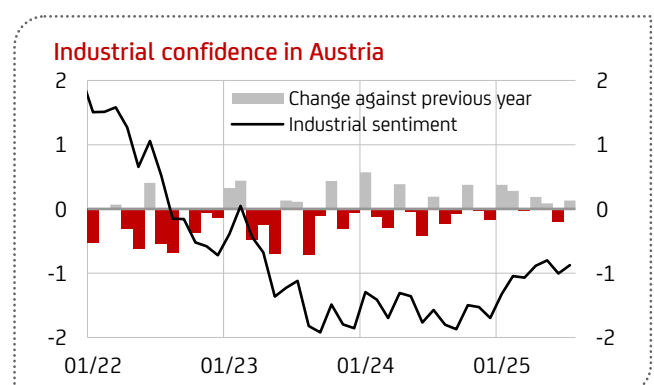


Improved sentiment in the service sector accounted for the largest share of the indicator's brightening. However, it is still just below the long-term average.

Deterioration in the export environment, but local industrial sentiment improved somewhat

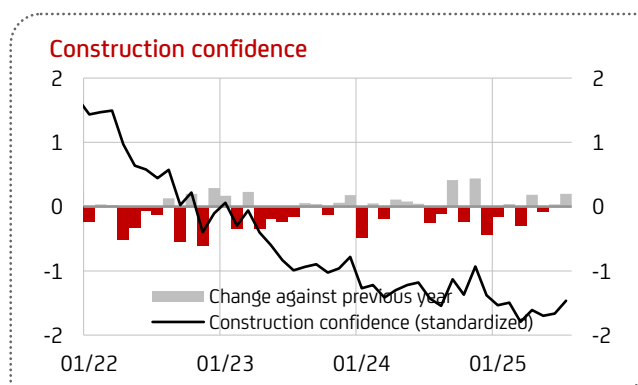


The indicator for global industrial sentiment fell slightly in July, dampened by the less favorable development in the CEE markets, the Asian export destinations and the USA.



The customs agreement with the USA has at least alleviated the uncertainty in domestic industry and contributed to a slight improvement in sentiment.

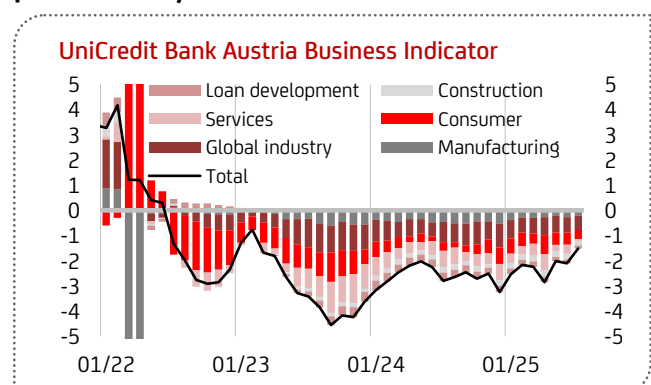
Sentiment in construction sector improves again



In the construction industry, companies continued to assess the economic situation at the beginning of the second half of the year as challenging, but again somewhat more favorably than in the previous month.

Quelle: EU Kommission, Statistik Austria, UniCredit

UCBA Business Indicator rose to minus 1.5 points in July



At the beginning of the second half of the year, the mood in the Austrian economy has brightened. The UniCredit Bank Austria Business Indicator rose to minus 1.5 points in July, reaching its best value in two and a half years.

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