UniCredit Bank Austria Business Indicator

August 2026

Bank Austria
Member of UniCredit

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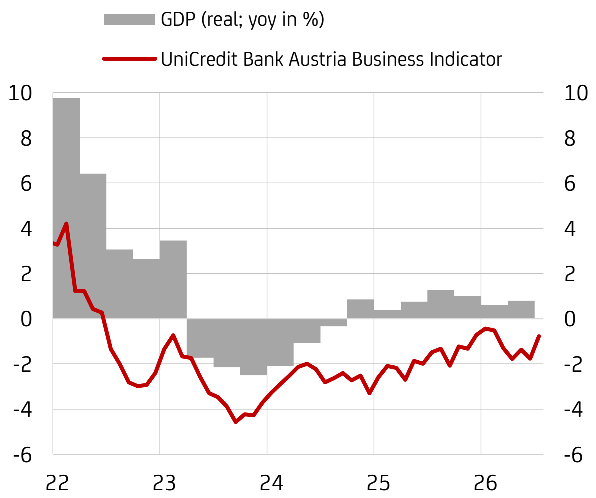
Overview

IMPROVEMENT IN ECONOMIC SENTIMENT AT THE START OF THE SECOND HALF OF THE YEAR

- The UniCredit Bank Austria Business Indicator rose to minus 0.8 points in July, reaching its highest level since the start of the Iran conflict
- Improved sentiment across all economic sectors, yet pessimism continues to prevail
- Following stagnation in the second quarter: More favorable outlook for the second half of the year, but ongoing geopolitical tensions are limiting the economic recovery
- Weak economic growth of 0.8 percent for 2026 as a whole is likely to result in a slight rise in the unemployment rate to 7.5 percent on an annual average
- An acceleration in GDP growth to 1.2 percent in 2027 should lead to some easing in the labor market
- Energy prices are keeping inflationary pressure high; inflation of 3.2 percent is still expected for 2026 and 2.5 percent for 2027
- The ECB is expected to raise key interest rates again by 25 basis points in September

UniCredit Bank Austria Business Indicator



Source: Statistik Austria, Wifo, UniCredit Bank Austria

	GDP real (yoy in %)	UniCredit Bank Austria Business Indicator
Dez-98	3.3	3.2
Dez-99	4.5	4.4
Dez-00	2.9	3.9
Dez-01	0.0	0.4
Dez-02	0.8	1.8
Dez-03	2.4	2.7
Dez-04	2.6	2.8
Dez-05	2.7	2.9
Dez-06	3.5	3.9
Dez-07	2.9	2.9
Dez-08	-1.2	-2.0
Dez-09	-0.7	0.7
Dez-10	2.6	2.2
Dez-11	1.5	0.6
Dez-12	0.0	0.6
Dez-13	0.7	1.5
Dez-14	1.0	0.8
Dez-15	1.4	1.7
Dez-16	2.0	3.1
Dez-17	3.1	5.2
Dez-18	3.1	3.1
Dez-19	0.3	1.3
Dez-20	-4.9	0.0
Mär-21	-5.3	2.4
Jun-21	14.3	7.2
Sep-21	5.0	5.5
Dez-21	6.8	3.4
Mär-22	9.8	1.2
Jun-22	6.4	0.3
Sep-22	3.1	-2.8
Dez-22	2.6	-2.4
Mär-23	3.5	-1.7
Jun-23	-1.7	-3.3
Sep-23	-2.2	-4.6
Dez-23	-2.5	-3.7
Mär-24	-2.1	-2.5
Jun-24	-1.1	-2.2
Sep-24	-0.3	-2.4
Dez-24	0.8	-3.3
Mär-25	0.4	-2.2
Jun-25	0.7	-2.0
Sep-25	1.3	-2.1
Dez-25	1.0	-0.7
Mär-26	0.6	-1.3
Jun-26	0.8	-1.8
Jul-26		-0.8

Source: UniCredit

Source: UniCredit Bank Austria

In detail

UNICREDIT BANK AUSTRIA BUSINESS INDICATOR INCREASED TO MINUS 0.8 POINTS IN JULY

Despite ongoing geopolitical uncertainties, economic sentiment in Austria has improved noticeably at the start of the second half of the year. The UniCredit Bank Austria Business Indicator rose to minus 0.8 points in July, reaching its highest level since the turmoil following the U.S. attack on Iran and the blockade of the Strait of Hormuz. The significant improvement in sentiment compared to the previous month was felt across all economic sectors. The improvement was particularly strong in industry, but the service sector also showed a noticeable recovery.

LESS PESSIMISM ACROSS ALL ECONOMIC SECTORS

Despite the pressures caused by the war in Iran, the business climate in manufacturing and construction has improved since the start of the year. Only in the service sector was the assessment of the economic situation in July slightly weaker than at the start of the year.

Sentiment in the domestic industrial sector has brightened particularly significantly. The corresponding indicator reached its highest level since April 2023. In the construction industry, the improvement was only moderate, driven by building construction and civil engineering, while ancillary trades remained under pressure. Only in the service sector was business sentiment below the level seen at the start of the year, weighed down by ongoing consumer uncertainty.

Despite the continued high level of pessimism in the services sector, this sector made the largest contribution to the rise in the UniCredit Bank Austria Business Indicator in July. The main factor was the easing of inflation, which was reflected, among other things, in lower fuel prices.

In the construction industry, pessimism eased slightly across all sub-sectors, although the order situation remained weak. In the industrial sector, an improved order situation and a slight easing of cost pressures contributed to the brighter sentiment. In addition, the export-oriented economy benefited from a more favorable international environment. The indicator for global industrial sentiment, weighted by Austrian trade shares, rose in July, primarily due to improved conditions in Europe.

Despite the recent improvement, sentiment across all economic sectors remained in pessimistic territory and, in some cases, was well below the long-term average. Furthermore, the assessment of the economic situation in Austria was weaker than in the eurozone for the fifth consecutive month. On a positive note, this gap narrowed across all sectors, most notably in the services sector. The largest difference compared to the euro area continued to be in the industrial sector.

RECOVERY UNDER DIFFICULT CONDITIONS

After the effects of the war with Iran caused the expected dip in the Austrian economy during the second quarter, current sentiment indicators support expectations of a gradual economic recovery. Hopes for a lasting agreement between Iran and the U.S., as well as for a normalization of shipping traffic through the Strait of Hormuz, have lifted sentiment. Provided there are no further disruptions, this should have a positive impact on economic development in the coming months.

Investment and consumption are likely to drive the recovery. Private consumption, in particular, has recently been weighed down by higher inflation. However, the aftereffects of the conflict - especially supply chain disruptions and higher energy costs - will continue to dampen the outlook.

As the geopolitical situation eases, the moderate recovery trend already evident at the start of the year should resume. We therefore continue to expect economic growth of 0.8 percent for 2026.

2027 is also likely to be shaped initially by the lingering effects of the war in Iran. However, a more stable geopolitical environment and the normalization of energy markets should solidify the recovery through stronger domestic demand. Under these conditions, a slightly stronger GDP growth rate of 1.2 percent is possible.

LABOR MARKET REMAINS TIGHT

Despite the weak economy, the Austrian labor market remains robust. The number of job seekers has risen only moderately since the beginning of the year - by about 4,000 people - supported by slight employment growth. In addition, the ongoing shortage of skilled workers and the slow growth in the labor supply are supporting demand for workers. The seasonally adjusted unemployment rate has remained at 7.6 percent since the spring.

With the expected gradual economic recovery, the labor market situation should stabilize in the coming months, and the unemployment rate may even begin to decline slightly in the course of 2027. "Following the rise in the unemployment rate to an average of 7.5 percent in 2026, the economic recovery in 2027 should help ease the situation gradually. We expect an annual average unemployment rate of 7.4 percent.

INFLATION FALLS BELOW 3 PERCENT IN JULY THANKS TO VAT CUT ON BASIC FOODSTUFFS

Buoyed by falling fuel prices, inflation in Austria has eased significantly since peaking at 3.7 percent in May. According to preliminary estimates, the inflation rate fell to 2.7 percent in July, dropping below 3 percent for the first time since the outbreak of the Iran conflict. However, the current decline was largely driven by the VAT cut on basic foodstuffs. In the first seven months of the year, the average inflation rate was 2.9 percent.

Inflationary pressure will remain elevated in the coming months, however. This is indicated by core inflation, which remains above 3 percent. In addition to strong price dynamics in the services sector, there are risks of sharper price increases for food due to heat-related crop failures. Energy prices are also likely to decline less sharply than originally expected, as refinery bottlenecks are delaying the pass-through of lower crude oil prices.

We expect an annual average inflation rate of 3.2 percent for Austria in 2026. In the euro area as well, inflation is likely to exceed the European Central Bank's inflation target at 2.9 percent.

FURTHER TIGHTENING OF MONETARY POLICY LIKELY IN SEPTEMBER

The situation remains challenging for the European Central Bank. Although crude oil markets have calmed down somewhat, high refining margins and capacity constraints continue to prevent a sharper decline in energy costs. Added to this are risks from rising food prices and possible second-round effects of the rise in energy prices.

Geopolitical risks in the Middle East, uncertainty in the energy markets, and the robust performance of the labor markets suggest that the ECB has not yet completed its tightening cycle. We therefore continue to expect a 25-basis-point increase in key interest rates at the September meeting.

Assuming there is no further escalation in the energy and commodity markets, this move is likely to mark the end of the current tightening cycle. The deposit rate would thus rise to 2.50 percent. However, given the risks of entrenched inflation, a restrictive monetary policy may remain necessary for longer and delay any potential easing toward the end of 2027.

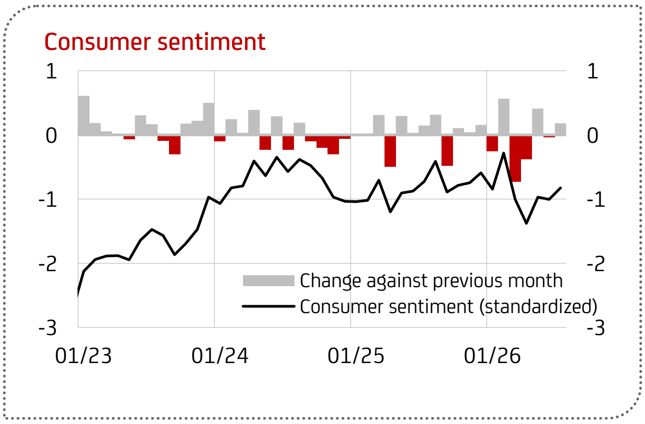
Economic Forecast

										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

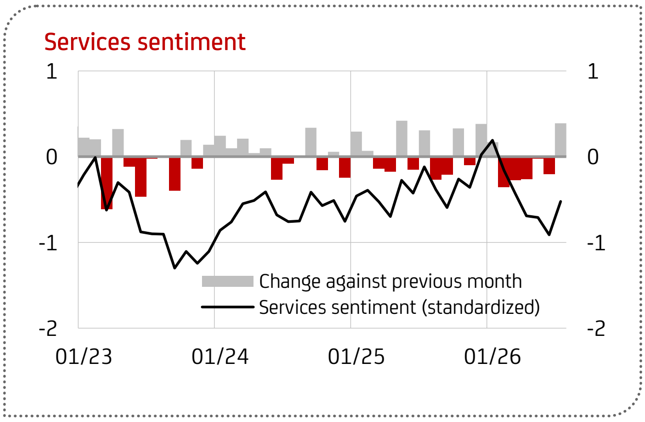
Source: UniCredit Bank Austria

Slight improvement in consumer sentiment



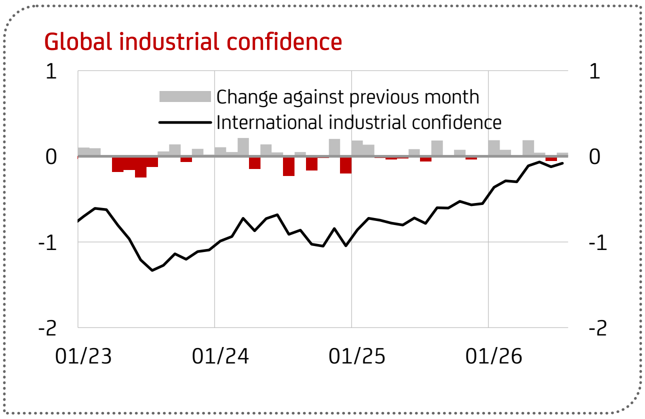
The decline in inflation provided a slight improvement in sentiment among domestic consumers despite ongoing geopolitical tensions.

Services sentiment brightened



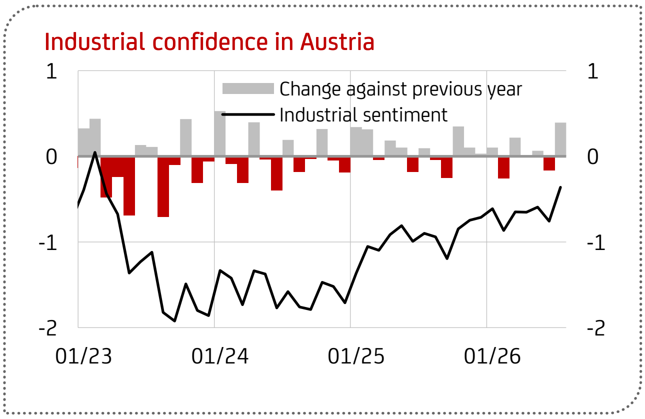
Sentiment in the service sector improved significantly in July. The gap with the situation in the euro area narrowed markedly but now exists for the fifth consecutive month.

Global industrial sentiment more favorable



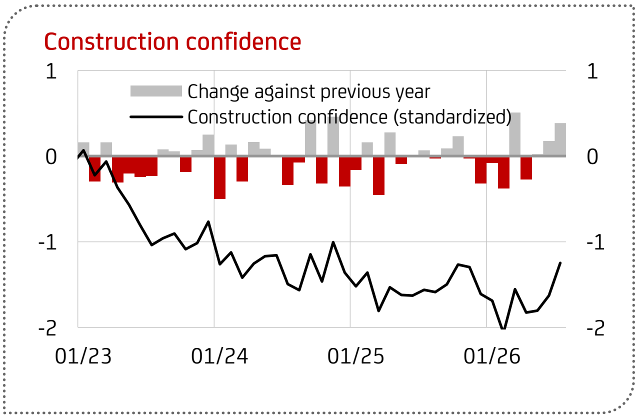
The indicator for global industrial sentiment, weighted by Austria's trade shares, rose in July, mainly due to the improved development in Europe.

Less pessimism in industry



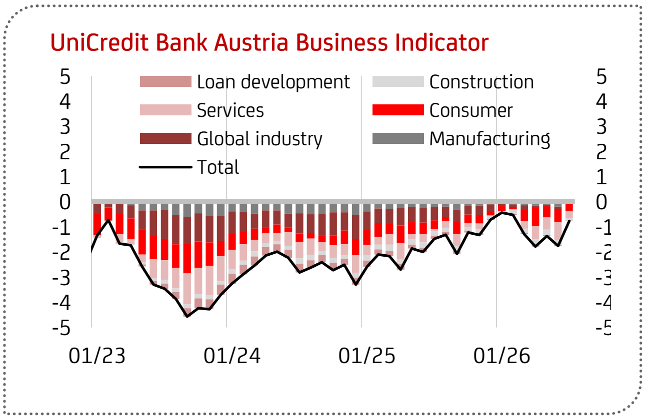
In industry, an improved order situation and a slight easing of cost pressure contributed to the improvement in sentiment.

Less headwind in construction



The mood in the construction sector remained very tense at the beginning of the second half of the year. Despite the weak order situation, sentiment improved both in building and civil engineering as well as in ancillary trades.

UCBA Business Indicator rose to minus 0.8 points in July



The increase in the UCBA Business Indicator in July was particularly strong due to the improvement in sentiment in the service sector.

Sources: EU-Commission, Statistik Austria, UniCredit

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