



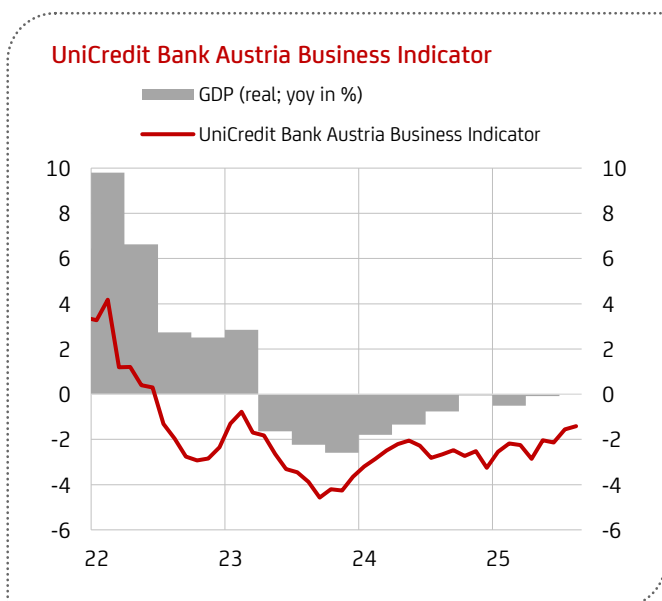
UniCredit Bank Austria Business Indicator

September 2025

Overview

HIGH INFLATION COULD SLOW DOWN THE CURRENT ECONOMIC UPTURN

- The UniCredit Bank Austria Business Indicator rose to minus 1.4 points in August, its best value in two and a half years
- A significant improvement in consumer sentiment offset the slight increase in economic concerns among entrepreneurs in industry, construction and the service sector
- Revised upward trend in the first half of the year makes slight GDP growth in 2025 more likely
- Stronger domestic demand should enable higher economic growth of 1.1 per cent in 2026
- Stabilization on the labor market: after averaging 7.5 per cent in 2025, the unemployment rate is expected to fall slightly to 7.4 per cent in 2026
- Energy, food and service prices will drive inflation to an annual average of 3.5 per cent in 2025. Higher inflation of 2.4 per cent is now also expected in 2026
- Stable key interest rates in the eurozone until the end of 2026, while the Fed is likely to ease by 75 basis points, will further strengthen the euro



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	2.3
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	-3.7
Mar-24	-1.8	-2.5
Jun-24	-1.3	-2.3
Sep-24	-0.8	-2.5
Dec-24	-0.1	-3.3
Mar-25	-0.5	-2.3
Jun-25	-0.1	-2.1
Jul-25		-1.6
Aug-25		-1.4

Source: UniCredit Bank Austria

In details

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

The slight economic upturn in Austria is continuing. The UniCredit Bank Austria Business Indicator rose slightly to minus 1.4 points in August, improving to its highest level since February 2023. However, after the uniform improvement trend in the previous month, the economic picture was more mixed again in August. While economic concerns among businesses increased slightly in all sectors of the economy, consumer sentiment rose significantly to its best level in a year.

IMPROVED CONSUMER SENTIMENT

The slight increase of 0.2 points in the UniCredit Bank Austria Business Indicator compared with the previous month was mainly due to improved sentiment among domestic consumers in August. Income growth despite high inflation and the stabilization of the labor market situation led to the fourth consecutive improvement in sentiment. On the other hand, a renewed deterioration in economic expectations in the service sector prevented a more favorable development, with the accommodation and catering sector contributing to this among other things due to moderate demand and staffing problems. In the construction industry, too, companies assessed the economic situation in August as somewhat worse than in the previous month. While the situation in civil engineering continued to stabilize, an increasing share of companies in building construction again complained of insufficient demand. Although the indicator for global industrial sentiment, weighted by Austrian trade shares, improved in August on the back of a more favorable development on overseas markets, uncertainty in the domestic industry increased somewhat. Economic concerns due to weak order dynamics combined with losses in price competitiveness due to comparatively high wage and energy costs weighed on sentiment in industrial companies.

The positive trend in the UniCredit Bank Business Indicator continued in August. The significant improvement in domestic consumer sentiment offset the slight increase in economic concerns among entrepreneurs in industry, construction and the service sector. In August, sentiment in all sectors of the domestic economy was pessimistic, in some cases even significantly below the long-term average. In addition, sentiment in industry and construction in Austria was worse than in the eurozone. Only in the service sector was pessimism in Austria less pronounced than the European average for the fourth month in a row.

MODERATE ECONOMIC RECOVERY CONTINUES

The latest statistical data show a slightly stronger upward trend in the Austrian economy in the first half of 2025 than previously assumed. Supported by domestic demand, GDP has risen by 0.5 per cent in real terms since the beginning of the year. The current UniCredit Bank Austria Business Indicator suggests that the domestic economy will continue to enjoy slight tailwinds in the coming months. Domestic demand will remain the driving force, supported by the relaxed monetary policy. However, high inflation is likely to take some momentum out of private

consumption, posing a risk to the current economic upturn, the pace of which could therefore slow in the second half of the year.

We continue to anticipate GDP growth of 0.1 per cent for 2025 and believe that this forecast is even more secure following the latest data revision. The favorable conditions for domestic demand due to increases in purchasing power and advantageous financing conditions should enable stronger economic growth of 1.1 per cent in 2026, despite difficulties for the export industry due to the protectionist policies of the United States.

UNEMPLOYMENT RATE STABILIZES

At an average of 7.4 per cent, the unemployment rate in the first eight months of 2025 is exactly half a percentage point higher than the same period last year. The number of job seekers increased by 21,700 or 7.4 per cent during this period. In recent months, the annual increase has slowed significantly, and seasonally adjusted data show no further increase in July and August compared with the previous month.

The situation on the labor market stabilized over the summer. The seasonally adjusted unemployment rate has remained constant at 7.5 per cent since May. Supported by the slight economic improvement, we expect the stabilization trend on the labor market to continue in the coming months and, in view of a slightly stronger economy and the slowing increase in the labor supply, we expect the situation to begin to ease as early as 2026. We continue to expect an average unemployment rate of 7.5 per cent for 2025. However, we have slightly lowered our forecast for the coming year 2026 to 7.4 per cent.

INFLATION ALMOST TWICE AS HIGH AS IN THE EUROZONE

With inflation rising significantly in August to over 4 per cent year-on-year, inflation in Austria is now almost twice as high as the eurozone average. Behind the inflation in both Austria and the eurozone is a rise in food prices and higher service prices. While the rise in food prices in Austria has been only slightly higher than in the euro area, service prices are rising much more sharply. In the euro area, service prices rose by 3.1 per cent, while in Austria they rose by as much as 4.5 per cent, driven by significantly higher growth in the catering, hotel and leisure industries. Goods prices in Austria are now also rising faster than in the euro area due to higher wage costs. However, the decisive difference is the development of energy prices. While energy prices in the euro area fell, thereby dampening inflation, energy prices in Austria recently rose by 7 per cent year-on-year due to the abolition of the electricity price cap at the beginning of the year.

Inflation in Austria should ease somewhat in the coming months, supported by a slowdown in service price dynamics and energy price inflation, dampened by low oil prices and a slightly stronger euro. Based on the upward trend to date, we now expect inflation to rise to 3.5 per cent on average in 2025. Inflation is expected to decline in 2026. However, at an average of 2.4 per cent, inflation in Austria will once again be significantly higher than in the eurozone, as factors such as increases in public fees will slow down the decline. Economists at UniCredit Bank Austria expect an inflation rate of 2 per cent for the eurozone.

NO INTEREST RATE MOVEMENT EXPECTED IN THE EUROZONE UNTIL THE END OF 2026

As expected, the ECB did not lower key interest rates further in September. Inflation in the eurozone is at the target level of 2 per cent, wage growth is slowing, and the economy has so far weathered the impact of US tariffs better than expected.

We assume that the ECB will not make any further interest rate cuts for the time being. The ECB's deposit rate should therefore remain at 2 per cent until the end of 2026. However, the downside risks outweigh the upside risks. While the ECB remains on hold, the US Federal Reserve is likely to implement a 50 basis point easing by the end of 2025, starting with a first step after the upcoming meeting on Wednesday. For 2026, we expect a further 25 basis point cut in the key interest rate before the middle of the year. As interest rate expectations will remain the most important driver for the euro-US dollar exchange rate, we expect the euro to continue to strengthen moderately to USD 1.20 at the end of 2025 and USD 1.23 at the end of 2026.

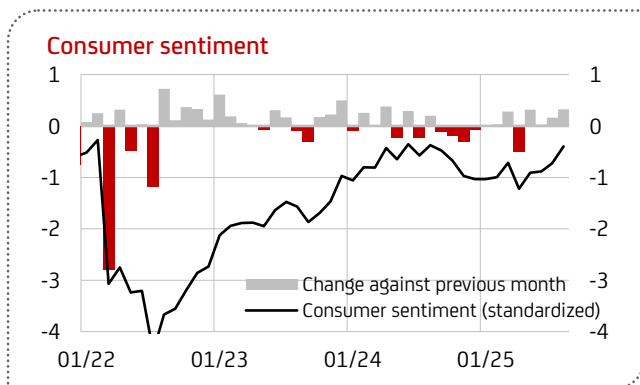
Economic Forecast

	2017	2018	2019	2020	2021	2022	2023	2024	forecast UCBA	
<i>Real change in %</i>									2025	2026
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	0.7	1.2
Public consumption	0.6	1.0	1.3	-0.8	7.6	-0.6	1.2	1.4	2.7	0.5
Gross fixed capital formation*)	4.2	4.4	4.3	-5.3	6.0	0.4	-3.2	-1.9	-0.2	1.5
Investments in plant and machinery	7.7	1.3	1.0	-8.2	9.2	-0.2	4.4	-0.7	0.5	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	-1.1	1.2
Imports	5.3	5.1	2.4	-9.6	14.1	7.1	-4.6	-3.3	0.4	1.4
CPI (change in %)	2.1	2.0	1.5	1.4	2.8	8.6	7.8	2.9	3.5	2.4
HCPI (change in %)	2.2	2.1	1.5	1.4	2.8	8.6	7.7	2.9	3.5	2.4
Saving ratio (in %)	7.1	7.7	7.2	13.6	11.4	8.8	8.7	11.8	11.2	10.1
Current account (in euro bn)	4.6	3.2	9.4	12.8	7.0	-3.9	6.3	11.7	9.0	6.0
Current account (in % of GDP)	1.3	0.8	2.4	3.4	1.7	-0.9	1.3	2.4	1.8	1.2
Employment (in 1,000)**)	3,573	3,661	3,720	3,644	3,734	3,845	3,889	3,898	3,900	3,915
Employment (change in %) **)	2.0	2.5	1.6	-2.0	2.5	3.0	1.2	0.2	0.1	0.4
Unemployment rate (nat. def.)	8.5	7.7	7.4	9.9	8.0	6.3	6.4	7.0	7.5	7.4
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	319	320
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	83.3	84.7
Nominal GDP (in euro bn)	367	383	396	380	406.2	448.0	473.2	484.2	501.8	519.4

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

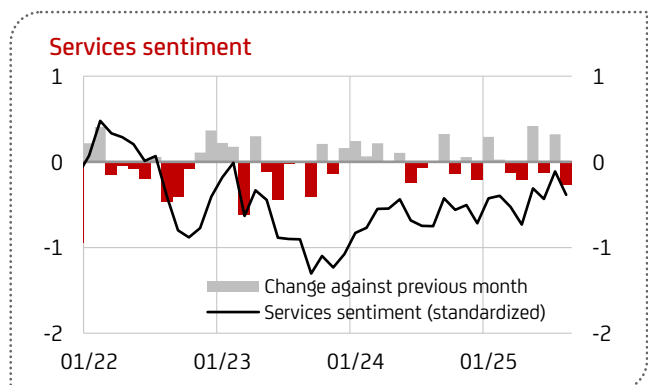
Source: UniCredit Bank Austria

Consumer sentiment significantly better



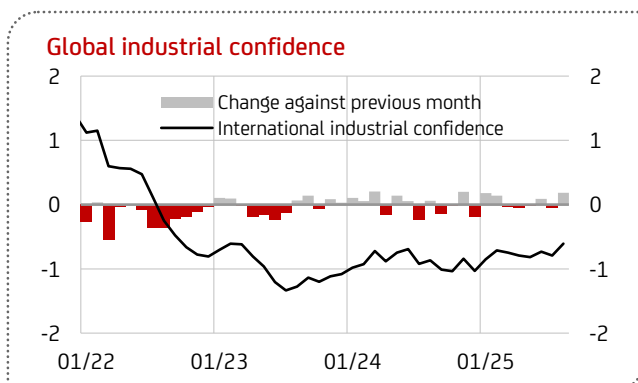
The mood of domestic consumers improved again somewhat in August. Income growth despite high inflation and the stabilization of the labor market situation led to the fourth consecutive improvement in sentiment.

Service sentiment somewhat clouded

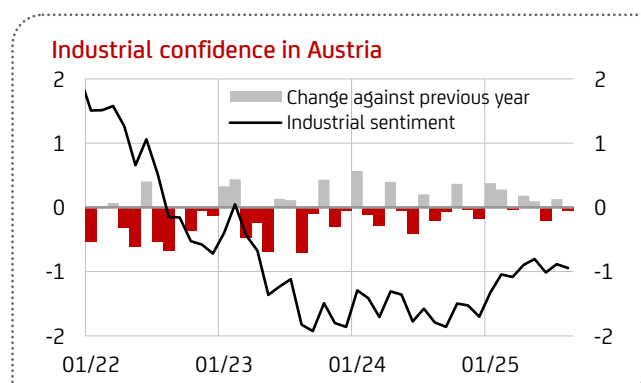


Sentiment in the service sector deteriorated again somewhat in August, which was due in particular to the deterioration in economic expectations in accommodation and food services.

Improvement in global industrial sentiment, but higher economic worries in Austria again

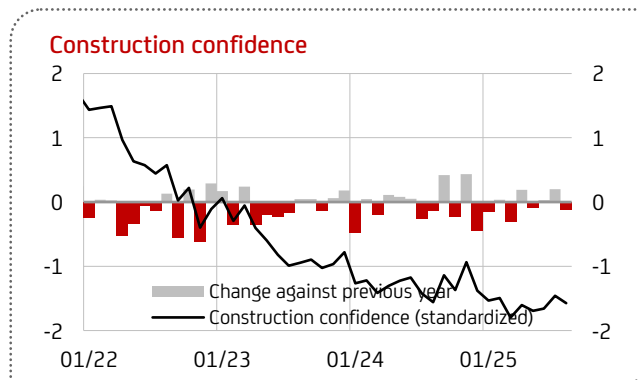


The global industrial sentiment indicator improved in August, supported by a more favorable development in overseas markets.



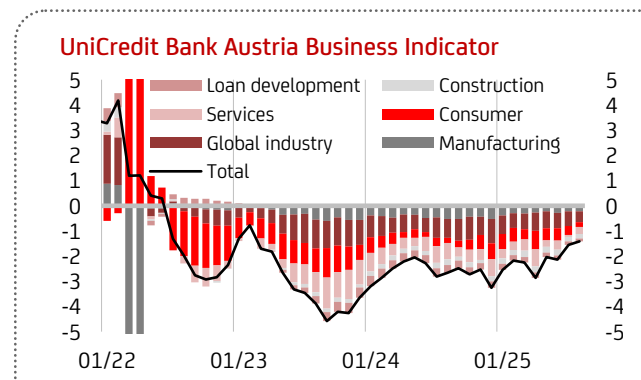
The weak order momentum in combination with losses in price competitiveness weighed on sentiment in Austria's industry.

Sentiment in construction sector is not getting off the ground



In the construction industry, the economic situation in August was assessed as slightly worse than in the previous month. While the situation in civil engineering continued to stabilize, building construction complained about insufficient demand.

UCBA Business Indicator rose to minus 1.4 points in August



The positive trend of the UCBA Business Indicator continued in August, supported by the significant improvement in sentiment among domestic consumers.

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