UniCredit Bank Austria Business Indicator

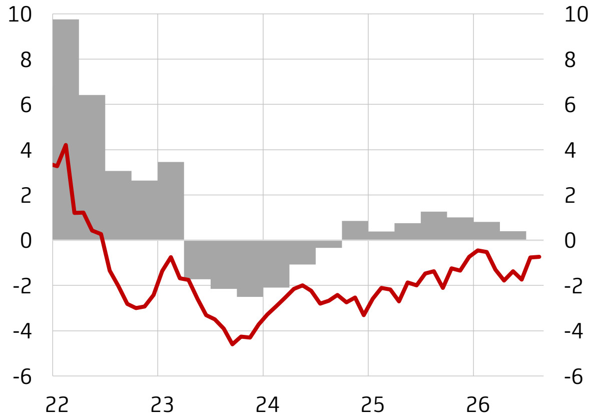
September 2026

Bank Austria
Member of UniCredit

Overview

FURTHER SLIGHT IMPROVEMENT IN ECONOMIC MOMENTUM

- The UniCredit Bank Austria Economic Indicator rose to -0.7 points in August, improving slightly compared with July
- Sentiment improved in industry, construction, among consumers and in exports, though not in the services sector, which continues to be affected by elevated inflation
- Following a slight contraction in the second quarter, prospects for the second half of the year have improved; however, ongoing geopolitical tensions continue to limit the pace of economic recovery
- Weak economic growth of 0.8% in 2026 is expected to result in a slight increase in the average unemployment rate to 7.5%
- GDP growth is expected to accelerate to 1.2% in 2027, leading to a modest improvement in labor market conditions
- Continued tensions in the Middle East are expected to contribute to higher inflation in 2027. As a result, the inflation forecast has been revised upward from 2.5% to 2.8%, and the ECB is expected to increase interest rates again to 2.75% in December



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	2,3
Jun.21	14,3	7,1
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	0,8	-1,3
Jun.26	0,4	-1,7
Jul.26		-0,8
Aug.26		-0,7

Source: UniCredit Bank Austria

In detail

UNICREDIT BANK AUSTRIA BUSINESS INDICATOR INCREASED TO MINUS 0.7 POINTS IN AUGUST

Despite the lack of geopolitical easing in the Middle East, economic sentiment in Austria improved slightly again in August. The UniCredit Bank Austria Economic Indicator rose to-0.7 points, reaching its highest level since the beginning of the U.S. attack on Iran and the blockade of the Strait of Hormuz. Sentiment improved further, albeit moderately, in industry, construction, among consumers and in exports. However, rising inflation expectations weighed on the services sector and caused sentiment there to deteriorate somewhat.

INDUSTRY, CONSTRUCTION, CONSUMERS AND EXPORTS SHOW BETTER SENTIMENT THAN BEFORE THE OUTBREAK OF WAR

Despite the burden of the conflict in Iran, economic sentiment has improved since the beginning of the year in industry, construction, among consumers and in the export sector. Only in the services sector was the assessment of economic conditions noticeably weaker in August than at the start of the year.

Sentiment in domestic manufacturing and construction improved again. The corresponding indicators have returned to levels last seen in 2023 and are significantly above those recorded in 2025. Consumer sentiment is also slightly above 2025 levels. Only the services sector remains considerably more pessimistic than last year, reflecting uncertainty regarding future cost developments.

Although consumer sentiment remains below its long-term average and therefore remains in pessimistic territory, it provided the strongest contribution to the improvement of the economic indicator in August. At the same time, sentiment in the services sector, while still below average and slightly weaker than in July, is now noticeably better than at the beginning of the summer.

The improvement in sentiment in the construction sector compared with July was driven by the ancillary construction industry, which reported a significant improvement. Nevertheless, sentiment in the construction sector remained negative across all sub-segments. In industry, a further improvement in order intake and a slight easing of cost pressures contributed to a brighter sentiment. In August, this also led to an increase in production and, for the first time, employment. In addition, the export-oriented economy benefited from a more favorable international environment. The indicator for global industrial sentiment, weighted according to Austria's trade shares, rose slightly again in August, primarily due to improved developments in Europe.

Despite the renewed slight improvement, sentiment remained in pessimistic territory across all economic sectors and, in some cases, was still significantly below the long-term average. Furthermore, the assessment of the economic situation in Austria was weaker than in the euro area for the sixth consecutive month. A positive development is that this gap narrowed in many areas. The largest difference compared with the euro area continues to be in the construction sector.

RECOVERY UNDER DIFFICULT CONDITIONS

After the impact of the Iran conflict and other special factors caused the expected downturn in the Austrian economy in the second quarter, resulting in a decline of 0.1%, current sentiment indicators support expectations of a gradual economic recovery. However, diminished hopes for a lasting agreement between Iran and the United States, as well as for a normalization of shipping traffic through the Strait of Hormuz, have once again increased risks. In particular, the renewed sharp rise in energy prices, especially natural gas prices in Europe, represents a significant downside risk. Nevertheless, the improvement in sentiment during the third quarter should have a positive effect on economic activity.

As in the first half of the year, consumption is expected to support economic growth in the second half, both private and public consumption. Continued recovery in machinery and equipment investment, together with a less pronounced decline in construction investment, could contribute to the recovery of the Austrian economy. Additional support is expected from foreign trade, although less from export growth than from a decline in imports. However, global uncertainty and elevated energy prices continue to dampen the outlook.

Despite the lack of an easing in geopolitical tensions, the moderate recovery trend that became visible at the beginning of the year is expected to resume. Accordingly, economic growth of 0.8% is still anticipated for 2026. The economy in 2027 is also likely to remain affected initially by the after-effects of the Iran conflict. Nevertheless, a more stable geopolitical environment and the normalization of energy markets should strengthen the recovery through stronger domestic demand. Under these conditions, a somewhat stronger increase in GDP of 1.2% is expected to be achievable.

STABLE BUT TIGHT LABOR MARKET

Despite weak economic growth, Austria's labor market continues to prove resilient. The number of job seekers has increased only moderately since the beginning of the year by around 3,500 persons and even declined in August, supported by a visible increase in employment. In addition, the continuing shortage of skilled labor and the only slowly growing labor force continue to sustain demand for workers. The seasonally adjusted unemployment rate has remained at 7.6% since spring.

With the expected gradual recovery of the economy, labor market conditions should stabilize in the coming months and even allow for a slight decline in unemployment during 2027. Following an increase in the unemployment rate to an average of 7.5% in 2026, the economic recovery should contribute to a gradual easing of labor market pressures in 2027. On average, an unemployment rate of 7.4% is expected.

INFLATION RISES ABOVE 3% AGAIN IN AUGUST DESPITE THE VAT REDUCTION

Rising fuel prices pushed inflation in Austria back above 3% in August. According to preliminary estimates, the inflation rate increased to 3.2%. The rise would have been even stronger had it not been for the reduction in value-added tax on basic food products. During the first eight months of the year, the average inflation rate amounted to 3.0%.

Inflationary pressure is expected to remain elevated in the coming months. This is indicated by core inflation, which continues to stay above 3%. In addition to strong price dynamics in the services sector, there are risks of more pronounced food price increases caused by heat-related crop failures. Furthermore, energy prices are likely to remain significantly above the levels of the previous year throughout the second half of the year, contributing to inflation. As a result, inflation could reach 4% again toward the end of 2026 or at the beginning of 2027.

For Austria, the inflation rate is still expected to average 3.2% in 2026. Inflation in the euro area is also expected to remain above the European Central Bank's inflation target. In 2027, inflation in Austria is projected to come in at 2.8%, higher than previously expected, mainly due to persistently elevated energy prices, particularly for natural gas.

FURTHER MONETARY TIGHTENING LIKELY IN DECEMBER

The situation remains challenging for the European Central Bank. With somewhat better-than-expected economic performance in the first half of the year, inflation has started to rise again due to higher energy prices and could approach 4%. Additional risks stem from rising food prices and the possibility of second-round effects from higher energy costs.

The geopolitical risks in the Middle East, uncertainty in energy markets, and the continued resilience of labor markets suggest that the ECB has not yet completed its tightening cycle. Therefore, a further increase in key interest rates by 25 basis points at the December meeting is expected, bringing the policy rate to 2.75%.

Assuming there is no further escalation in energy and commodity markets, this step is likely to mark the end of the current tightening cycle. However, given the risks of persistently elevated inflation, a restrictive monetary policy stance may need to remain in place for longer and could delay any potential easing until late 2027.

Economic Forecast

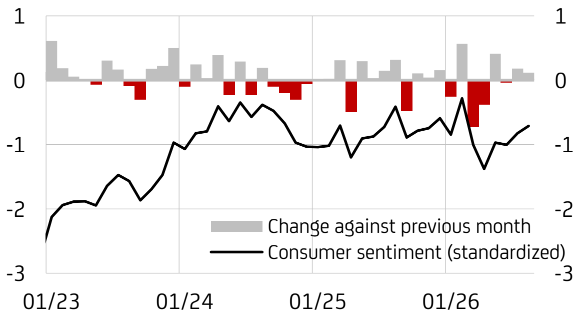
										forecast UCBA	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Real change in %											
GDP	**2.3**	**2.5**	**1.8**	**-6.3**	**4.9**	**5.3**	**-0.8**	**-0.7**	**0.8**	**0.8**	**1.2**
Private consumption	1.9	0.8	0.7	-7.6	4.9	5.4	-0.2	1.0	0.7	0.5	1.1
Public consumption	0.6	1.0	1.3	-0.8	7.7	0.0	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**	**2.8**
HCPI (change in %)	2.2	2.1	1.5	1.4	2.8	8.6	7.7	2.9	3.6	3.2	2.7
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	83.1
Nominal GDP (in euro bn)	367	383	396	380	406.2	449.4	477.8	494.1	514.3	532.8	554.0

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

Source: UniCredit Bank Austria

Slight improvement in consumer sentiment

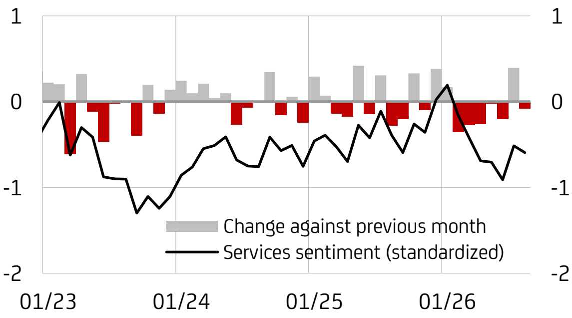
Consumer sentiment



Despite the ongoing geopolitical tensions, the mood among domestic consumers brightened again somewhat.

Services sentiment somewhat clouded

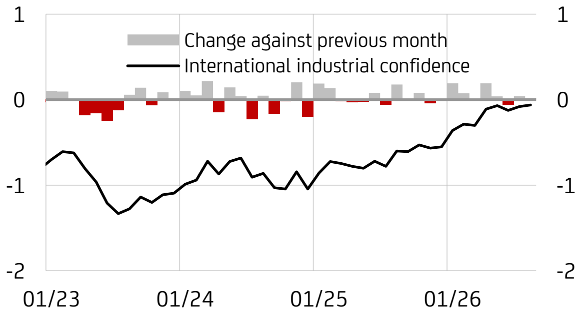
Services sentiment



Sentiment in the service sector deteriorated somewhat again in August, weighed down by higher inflation, among other things.

Global industrial sentiment more favorable

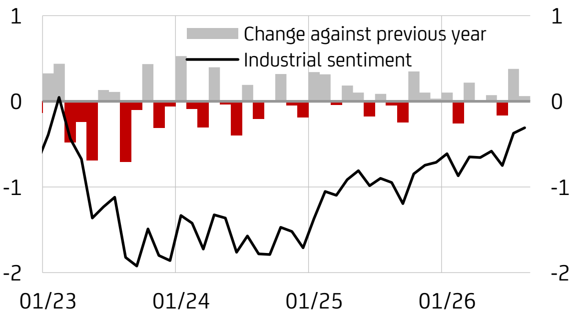
Global industrial confidence



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

Pessimism in industry increased again

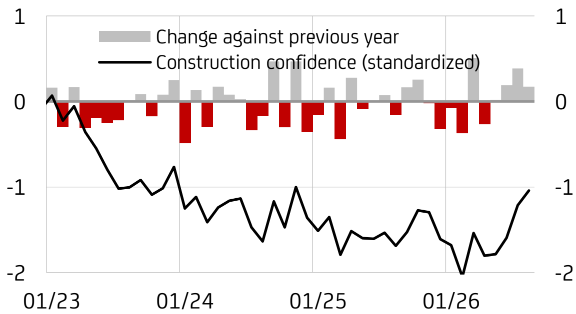
Industrial confidence in Austria



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

Again less headwind in construction

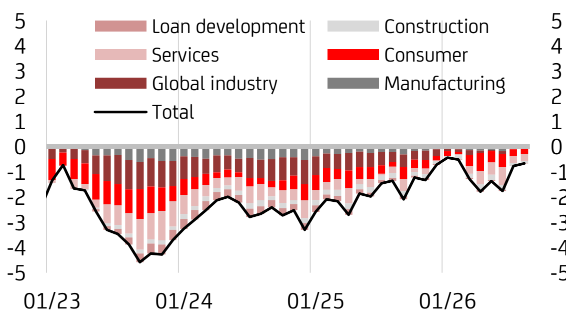
Construction confidence



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

UniCredit Bank Austria Business Indicator



The increase in the UCBA Business Indicator in August was particularly strong due to the improvement in consumer sentiment.

Sources: EU-Commission, Statistik Austria, UniCredit

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