



UniCredit Bank Austria Business Indicator

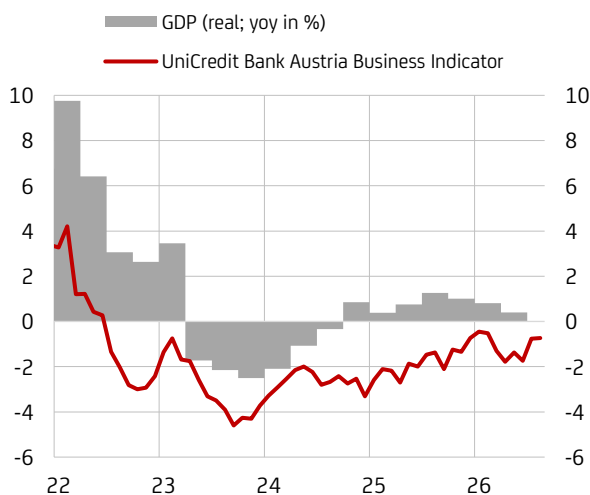
October 2026

Overview

AUSTRIA'S ECONOMY HOLDS ITS GROUND DESPITE ONGOING PRESSURES

- The UniCredit Bank Austria Business Indicator rose to minus 0.5 points in September, reaching its highest level since the start of the Iran war
- Sentiment in the services sector was more optimistic and export prospects brightened, whilst consumers in particular remained cautious
- Following the dip in the second quarter, the moderate recovery is being driven primarily by the manufacturing sector
- Economic momentum is expected to accelerate slightly in 2027, lifting growth to 1.2 per cent from 0.8 per cent in 2026
- The recovery will not reach the labour market until 2027: the unemployment rate is expected to fall to 7.4 per cent from 7.6 per cent in 2026
- Annual average inflation is still expected to stand at 3.2 per cent in 2026. High energy prices and lingering knock-on effects are likely to limit the decline in 2027 to just 2.8 per cent
- Persistent pressure from energy prices suggests the ECB will raise interest rates by at least a further 25 basis points in December

UniCredit Bank Austria Business Indicator



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	2.3
Jun-21	14.3	7.2
Sep-21	5.0	5.5
Dec-21	6.8	3.4
Mar-22	10.1	1.2
Jun-22	6.7	0.3
Sep-22	3.2	-2.8
Dec-22	2.4	-2.4
Mar-23	3.1	-1.7
Jun-23	-1.7	-3.3
Sep-23	-1.8	-4.6
Dec-23	-2.2	-3.7
Mar-24	-1.5	-2.5
Jun-24	-0.8	-2.2
Sep-24	0.2	-2.4
Dec-24	0.9	-3.2
Mar-25	0.0	-2.1
Jun-25	0.5	-1.9
Sep-25	1.0	-2.1
Dec-25	1.2	-0.7
Mar-26	1.3	-1.2
Jun-26	0.6	-1.7
Jul-26		-0.7
Aug-26		-0.6
Sep-26		-0.5

Source: UniCredit Bank Austria

In detail

UNICREDIT BANK AUSTRIA BUSINESS INDICATOR INCREASED TO MINUS 0.5 POINTS IN SEPTEMBER

Despite headwinds from ongoing geopolitical tensions and high energy prices, the recovery of the Austrian economy is gaining further stability in the second half of the year. The UniCredit Bank Austria Business Indicator continued its upward trend in September, improving to minus 0.5 points. This marks its highest level since the start of the US attack on Iran and the blockade of the Strait of Hormuz. Economic sentiment in Austria is proving remarkably resilient despite the ongoing pressures. Across all sectors of the economy, sentiment at the start of autumn is more favourable than it was immediately after the geopolitical tensions in the Middle East began.

MIXED SECTORAL SENTIMENT TRENDS AT THE START OF AUTUMN

Although the UniCredit Bank Austria Business Indicator shows a continuing upward trend in September, the mood at the start of autumn has changed unevenly across the various economic sectors. Whilst export prospects have improved since the summer and service providers have also become more optimistic again, expectations in manufacturing and construction have cooled slightly recently. At the same time, consumers are facing increasing challenges due to persistently high inflation.

The main factor contributing to the improvement in the UniCredit Bank Austria Business Indicator in September was the more favourable international export environment. Global industrial sentiment – weighted according to Austria's trade relations – improved thanks to more optimistic business expectations worldwide, particularly in Asia. However, sentiment also brightened in the US and Europe, thereby bolstering hopes of rising demand for products 'Made in Austria'.

By contrast, sentiment in the domestic industrial sector has recently clouded over again somewhat. The main factor behind this is the rise in energy costs, which is weighing particularly heavily on energy-intensive sectors. However, the positive trend in other industrial sectors was unable to fully offset this effect.

Sentiment in the construction sector also weakened slightly in September. The decline was moderate, however, and continues to point to a continuation of the stabilisation trend. The outlook for civil engineering remains more positive than for building construction, not least due to a comparatively favourable trend in orders.

Sentiment in the services sector showed a more positive trend. Confidence rose in particular in the retail sector and in many business-related service sectors. However, persistently high inflation continues to weigh on the purchasing power of private households. Consequently, consumer sentiment deteriorated slightly again in September.

By European standards, economic sentiment in Austria remained significantly more subdued once again. For the seventh month in a row, the economic situation across all sectors has been assessed as worse than the euro area average. The gap is particularly pronounced in domestic industry. But

even in the services sector, the assessment is significantly more subdued than at the European level. The fact that industrial sentiment in Austria lags behind that of the euro area is somewhat at odds with the better performance of the country's industry in the first half of the year compared with the euro area.

MORE TAILWIND FROM ABROAD, SUBDUED MOMENTUM AT HOME

The Austrian economy will continue on its path to recovery in 2026 and 2027, but will remain held back by geopolitical tensions, high energy prices and a more restrictive monetary and fiscal policy environment.

We expect economic growth of 0.8 per cent in 2026, which is likely to accelerate to 1.2 per cent in 2027. The recovery will be driven primarily by industry, which should benefit from stronger foreign demand despite a challenging competitive environment caused by rising costs. The construction sector is also likely to continue its stabilisation process. The services sector remains an important pillar of the economy, but is not expected to match the momentum of previous upturns.

Business-related services and the information and communications sector in particular should benefit from the recovery in industry. At the same time, higher inflation – which is eroding household purchasing power – and rising interest rates are holding back growth, particularly in consumer-related service sectors. Overall, domestic demand is likely to remain subdued for the time being. Private consumption is being held back by weak growth in real incomes and ongoing uncertainty. Investment activity, too, remains cautious for the time being in view of high costs, higher interest rates and only slowly improving sales prospects. However, as the international environment continues to improve, both consumption and investment should gradually gain momentum in the course of 2027 and increasingly underpin economic growth.

SLIGHT EASING ON THE LABOUR MARKET NOT EXPECTED UNTIL 2027

The seasonally adjusted unemployment rate has remained stable at 7.6 per cent since the spring. Although employment is rising slightly again, the additional jobs created have so far not been sufficient to fully absorb the growing labour supply. As a result, the number of unemployed has risen slightly over the course of the year. Given the only moderate economic growth, this trend is likely to continue for the time being. Against this backdrop, the forecast for the average unemployment rate in 2026 has been raised slightly to 7.6 per cent.

As the economic recovery progresses, the situation on the Austrian labour market should improve increasingly over the course of 2027. Supported by a slowdown in the growth of the labour supply, we expect a slight decline in unemployment. For 2027, we anticipate an average unemployment rate of 7.4 per cent.

ENERGY PRICES CONTINUE TO DRIVE INFLATION

Rising energy prices further accelerated inflation in Austria in September. According to preliminary estimates, the inflation rate stood at 3.6 per cent, which is significantly above the 3 per cent mark. In the first nine months of the year, average inflation thus stood at 3.0 per cent. Inflationary pressure

stemming from energy prices is likely to remain high in the coming months. This is also indicated by the rise in core inflation and the strong price momentum in the services sector.

We continue to expect an average inflation rate of 3.2 per cent for 2026. For 2027, we anticipate inflation of 2.8 per cent in Austria due to higher energy prices and second-round effects.

INFLATION RISKS POINT TO A FURTHER KEY INTEREST RATE RISE

The ECB is unlikely to have completed its tightening cycle yet. We expect a further interest rate hike of 25 basis points to 2.75 per cent in December. This would mean the deposit rate would be 75 basis points higher than at the start of the year. We see scope for interest rate cuts from the end of 2027 at the earliest. However, given the risks of persistently high inflation, a restrictive monetary policy stance could prove more pronounced and extend beyond 2027.

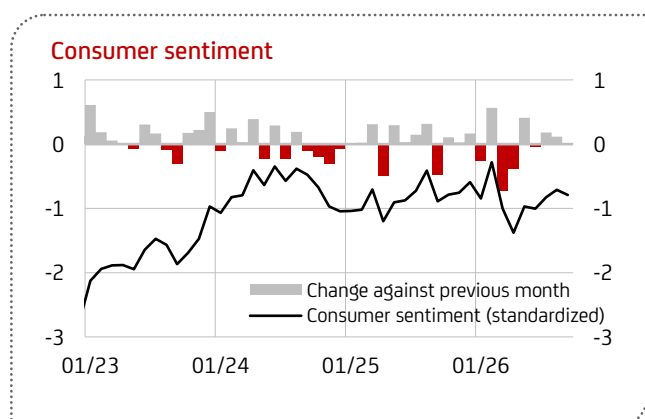
Economic Forecast

	2019	2020	2021	2022	2023	2024	2025	forecast UCBA	
								2026	2027
<i>Real change in %</i>									
GDP	1.8	-6.3	4.9	5.5	-0.7	-0.3	0.7	0.8	1.2
Private consumption	0.7	-7.6	4.9	6.1	-0.1	1.3	0.5	0.7	1.0
Public consumption	1.3	-0.8	7.7	-0.2	0.2	3.8	2.0	1.4	0.5
Gross fixed capital formation*)	4.3	-5.3	6.0	-0.1	-1.7	-2.4	1.4	1.3	1.8
Investments in plant and machinery	1.0	-8.2	8.8	-1.4	4.0	-1.5	7.9	2.5	2.5
Investments in construction	3.5	-3.5	4.3	-1.9	-6.6	-6.6	-2.9	-0.5	1.0
Exports	4.0	-10.5	9.5	9.4	-0.4	-1.9	1.3	2.0	2.8
Imports	2.4	-9.6	14.1	7.8	-4.2	-2.5	2.8	1.8	2.6
CPI (change in %)	1.5	1.4	2.8	8.6	7.8	2.9	3.6	3.2	2.8
HCPI (change in %)	1.5	1.4	2.8	8.6	7.7	2.9	3.6	3.2	2.7
Saving ratio (in %) ***)	7.2	13.6	11.3	9.0	8.9	11.5	9.7	9.0	8.1
Current account (in euro bn) ***)	9.4	12.8	7.0	-6.8	7.3	14.2	13.2	13.5	12.9
Current account (in % of GDP) ***)	2.4	3.4	1.7	-1.5	1.5	2.8	2.5	2.5	2.3
Employment (in 1,000)**)	3,720	3,644	3,734	3,845	3,889	3,898	3,905	3,913	3,924
Employment (change in %) **)	1.6	-2.0	2.5	3.0	1.2	0.2	0.2	0.2	0.3
Unemployment rate (nat. def.)	7.4	9.9	8.0	6.3	6.4	7.0	7.4	7.6	7.4
Unemployment rate (EU def.)	4.8	6.0	6.2	4.8	5.1	5.2	5.7	5.7	5.6
Unemployed (annual average in 1,000)	301	410	332	263	271	298	318	325	321
General gov. balance (in % of GDP)	0.5	-8.2	-5.7	-3.4	-2.6	-4.6	-4.1	-4.0	-3.8
Public-sector debt (in % of GDP)	71.0	83.2	82.4	78.1	77.4	79.0	80.7	82.0	82.5
Nominal GDP (in euro bn)	396	380	406.2	449.4	479.9	499.9	518.2	536.7	558.5

*) excluding changes in inventory

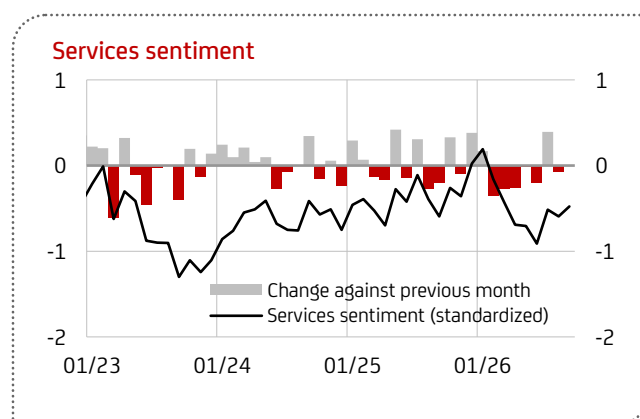
**) excluding persons drawing maternity benefits, military service and training

Slight improvement in consumer sentiment



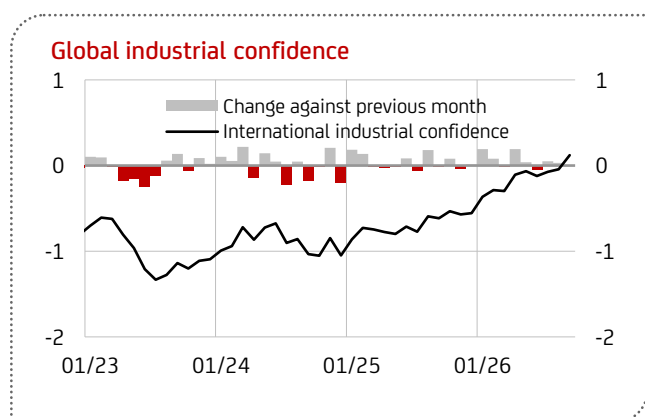
Despite the ongoing geopolitical tensions, the mood among domestic consumers brightened again somewhat.

Services sentiment somewhat clouded



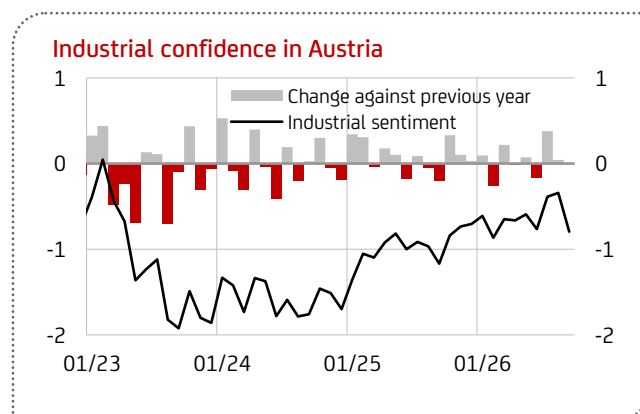
Sentiment in the service sector deteriorated somewhat again in August, weighed down by higher inflation, among other things.

Global industrial sentiment more favorable



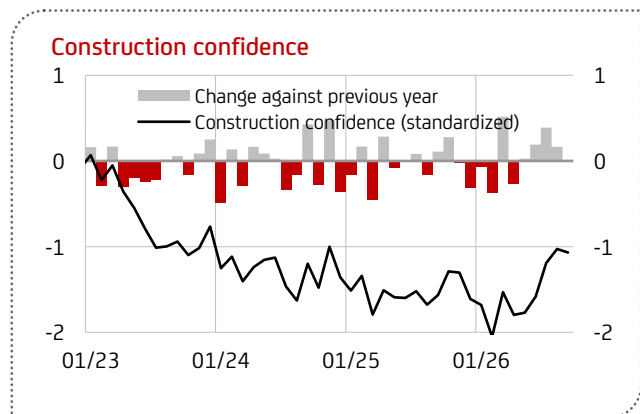
The indicator for global industrial sentiment, weighted by Austria's trade shares, rose in August, mainly due to the improved development in Europe.

Pessimism in industry increased again



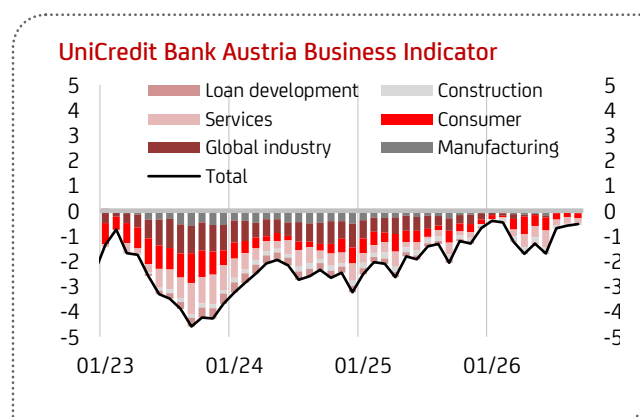
In industry, an improved order situation and a slight easing of cost pressure contributed to the improvement in sentiment.

Again 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 August was particularly strong due to the improvement in consumer sentiment.

Sources: EU-Commission, Statistik Austria, UniCredit

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