Austria Up-to-date

March 2026

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Bank Austria
Member of UniCredit

Overview

RECOVERY CONTINUES, BUT INFLATION COMES BACK INTO FOCUS

	2024	2025	2026	Rev.[1]	2027	Rev.[1]
GDP (real, change in %)	-0.7	0.5	0.9	↘	1.4	↘
Inflation (CPI, in %)	2.9	3.5	2.5	↗	2.2	↗
Unemployment rate (in %)	7.0	7.4	7.3		7.2	

1) Revision since last report

- **Slight slowdown in recovery as a result of the Iran conflict**

  The moderate recovery of the Austrian economy seems to be continuing in the first months of 2026. Sentiment indicators have improved compared to the second half of 2025 and real economic data so far suggest modest growth. However, as a result of the Iran conflict, we have slightly lowered our growth forecast for the Austrian economy. We expect the tentative recovery of the domestic economy to slow down somewhat, but not to come to a standstill. We have lowered our GDP forecast by 0.1 percentage points to 0.9 percent for 2026 and 1.4 percent for 2027. Geopolitical uncertainties will dampen the willingness to invest, and higher inflation as a result of rising energy prices due to the de facto blockade of the Strait of Hormuz will have an unfavorable effect on consumption dynamics.

- **Unemployment rate unchanged at 7.5 percent**

  The slight improvement trend in the labor market stalled somewhat at the beginning of the year, but the situation remains stable. The unemployment rate in February was unchanged from the previous month at 7.5 percent, seasonally adjusted.

  Comparatively somewhat more favorable economic development will drive the trend reversal on the labor market in 2026, but setbacks such as those at the beginning of the year cannot be ruled out, depending primarily on the development of employment in industry.

  After the unemployment rate rose to 7.4 percent in 2025, we expect it to fall to 7.3 percent in 2026 and continue to at least 7.2 percent in 2027.

- **Deficit of the 2025 federal budget is lower than planned**

  The consolidation efforts in the public budget took effect in the second half of 2025. At 2.8 percent, net financing for the year remained well below the estimate of 3.5 percent of GDP. In view of this positive development, we expect a decline in the general government budget deficit to 4.0 percent of GDP, despite the challenges in the state and municipal budgets. Total debt is thus likely to have been around 81 percent of GDP in 2025.

- **Iran conflict will cause inflation to rise again**

  Inflation in the first two months of 2026 fell to an average of 2.1 percent year-on-year, mainly due to the elimination of the effect of the expiry of the electricity price brake from the calculation, but also due to declining upward pressure from food and service prices. We currently expect a relatively quick end to hostilities, which would allow energy prices to return to pre-conflict levels by the end of 2026. On an annual average in 2026, the TTF natural gas price is expected to be around EUR 40 per MWh and the crude oil price is expected to be around EUR 65 per barrel. In any case, inflation will rise again in the coming months. We have raised our inflation forecast from 1.9 percent on average in 2026 to 2.5 percent. At 2.2 percent, inflation is also expected to be slightly higher than previously assumed for 2027.

- **ECB on hold**

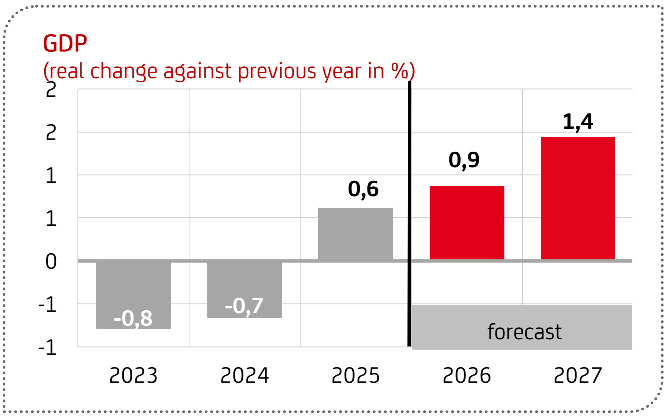
  Since the unfavourable impact on the economy is manageable if the war lasts for a limited period and the rise in inflation is also likely to remain within a relatively narrow and temporary framework, we assume that the ECB will retreat to a waiting position. As long as inflation expectations remain stable, no change in the deposit rate of 2 percent is to be expected. We expect the ECB's next step to be a 25 basis point rate hike in the second half of 2027. However, the risks of a change in interest rates this year have shifted from further easing to a possible interest rate hike.

International Environment

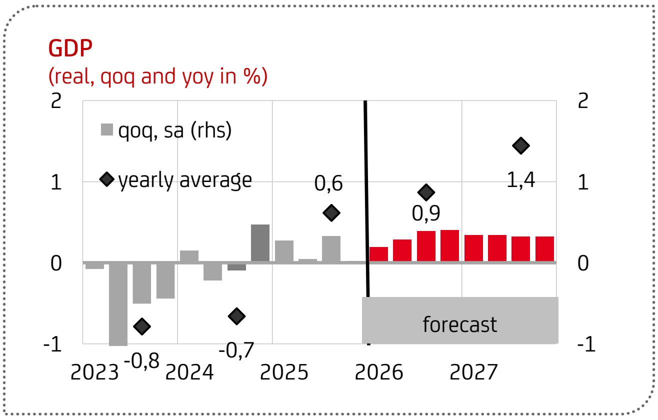
			Forecast	
	2024	2025	2026	2027
(GDP, change in %)				
Eurozone	0.9	1.5	0.9	1.3
Germany	-0.5	0.2	1.0	1.8
France	1.2	0.9	1.0	1.1
Italy	0.7	0.7	0.5	0.7
Spain	3.2	2.8	2.2	1.7
UK	0.9	1.3	0.8	1.1
USA	2.8	2.2	2.4	2.0
Japan	0.2	1.0	0.8	0.8
	2024	2025	2026	2027
(annual average)				
USD per euro	1.08	1.13	1.19	1.21
CHF per euro	0.95	0.94	0.92	0.95
GBP per euro	0.85	0.86	0.88	0.92
JPY per euro	163.8	169.0	181.9	178.3
Oil (USD/barrel)	80	68	73	66
10y Gov. bond (A)	2.83	2.98	3.09	3.23
3m Euribor	3.57	2.18	2.00	2.08

Source: UniCredit Bank Austria

Slight GDP increase in 2025, moderate acceleration in 2026/27

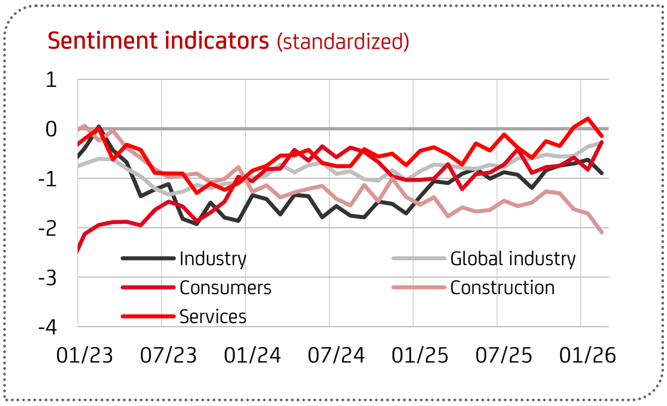


After two years of GDP declines, the Austrian economy began to recover slightly in 2025. According to current estimates, GDP rose by 0.6 percent in real terms.

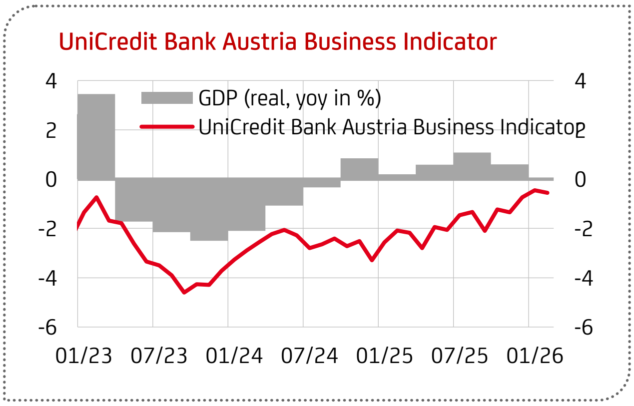


After a moderate start to the year, the economy should be somewhat more buoyant in the second half of 2026, but the Iran war is weighing on the pace of recovery.

Sentiment in the Austrian economy somewhat more cautious again in February



In February, economic sentiment in Austria generally deteriorated somewhat, but consumer pessimism decreased.



Burdened by a deterioration in business sentiment in all sectors of the economy, the UniCredit Bank Austria Business Indicator fell slightly to minus 0.6 points in February 2026.

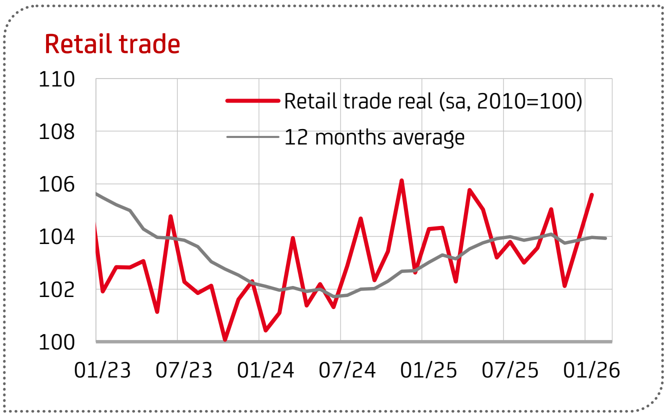
Economic outlook

									Forecast	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
GDP (real, yoy in %)	**2.5**	**1.8**	**-6.3**	**4.9**	**5.3**	**-0.8**	**-0.7**	**0.6**	**0.9**	**1.4**
Industrial output (real, yoy in %)	4.2	0.0	-7.1	11.0	5.9	-1.7	-4.9	3.1	1.5	2.5
Private consumption (real, yoy in %)	0.8	0.7	-7.6	4.9	5.4	-0.2	1.0	0.5	0.6	1.2
Investments (real, yoy in %) *)	4.4	4.3	-5.3	6.0	-0.3	-1.3	-4.1	1.7	0.8	2.3
Inflation rate (change against prev. year in %)	**2.0**	**1.5**	**1.4**	**2.8**	**8.6**	**7.8**	**2.9**	**3.6**	**2.5**	**2.2**
Unemployment rate (national definition)	**7.7**	**7.4**	**9.9**	**8.0**	**6.3**	**6.4**	**7.0**	**7.4**	**7.3**	**7.2**
Employment (change against prev. year in %) **)	**2.5**	**1.6**	**-2.0**	**2.5**	**3.0**	**1.2**	**0.2**	**0.2**	**0.4**	**0.5**
Public-sector balance (in % of GDP) ***)	**0.2**	**0.5**	**-8.2**	**-5.7**	**-3.4**	**-2.6**	**-4.7**	**-4.0**	**-3.7**	**-3.0**
Total public debt (in % of GDP) ***)	**74.6**	**71.0**	**83.2**	**82.4**	**78.1**	**77.8**	**79.9**	**81.3**	**82.3**	**82.4**

*) Gross fixed capital formation **) excl. maternity/paternity leave, military service and training programmes ***)2025: estimate

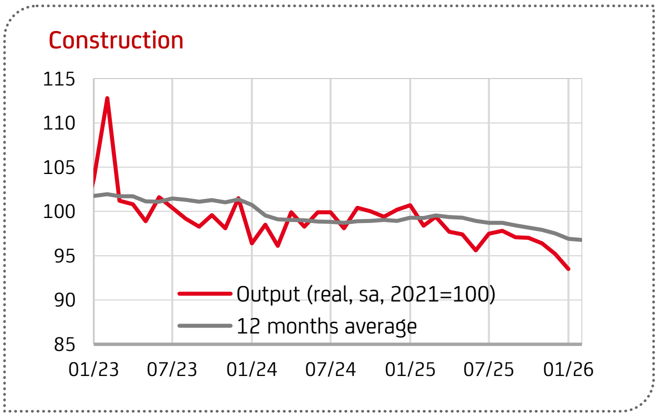
Source: UniCredit Bank Austria

Upward trend in retail sales volatile



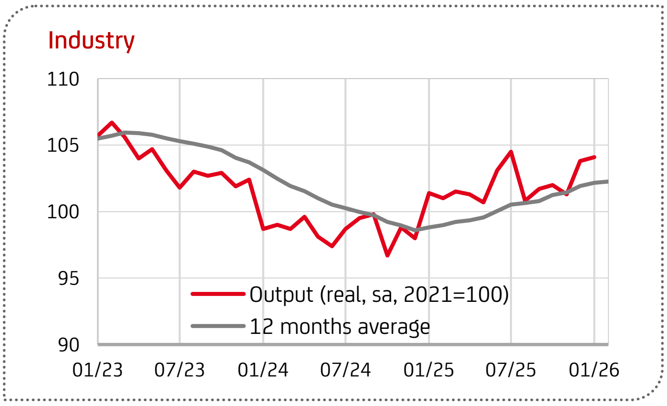
After the 0.7 percent year-on-year increase in real sales on average in 2025, the slight upward trend continued at the beginning of 2026 with an increase of 0.9 percent.

Downward trend in construction accelerated

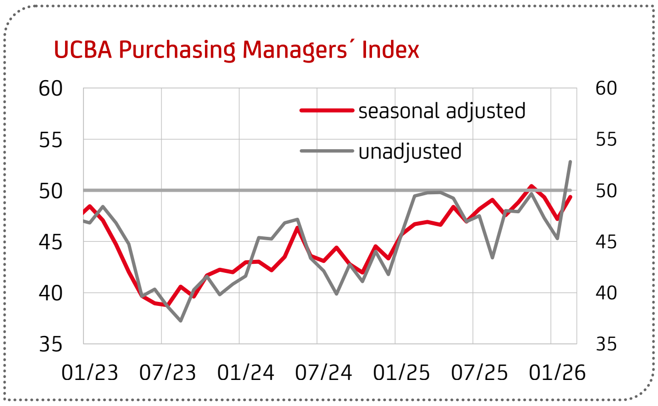


According to preliminary figures, construction output fell by an average of 1.4 percent in 2025 (in real terms, adjusted for the number of working days), with a significant acceleration of the negative trend at the beginning of 2026.

Industry gradually improved

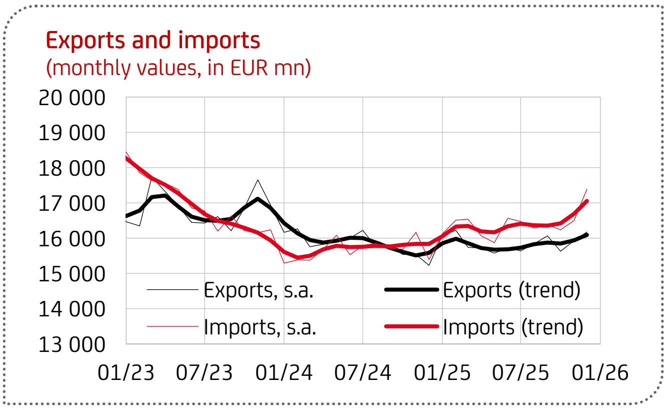


Industrial production (manufacture of goods, in real terms, adjusted for working days) rose by around 3 percent in 2025. The growth trend continued in January 2026 with an increase of 2.9 percent.

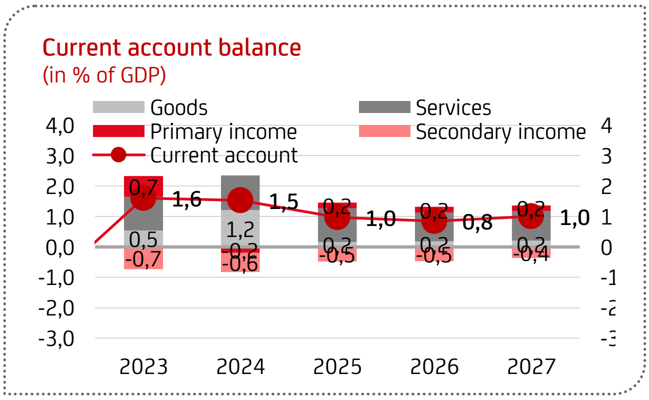


In February, the UniCredit Bank Austria Purchasing Managers' Index rose to 49.4 points, supported by an improvement in new business.

Exports continue to decline, current account surplus to decrease



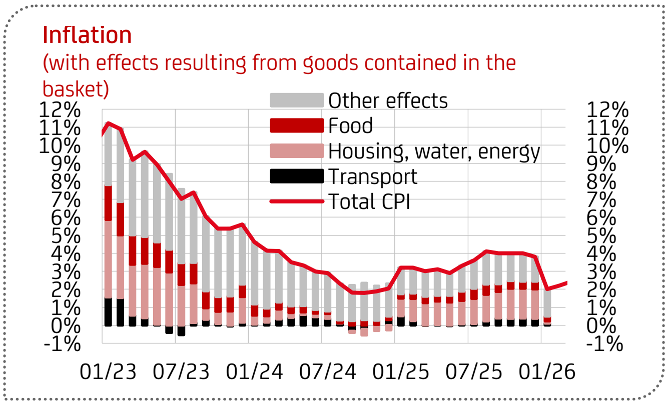
Nominal exports fell by 0.5 percent in 2025, weighed down by U.S. tariff policy, while imports rose by 4.1 percent year-on-year. The trade deficit amounted to 6.6 billion euros.



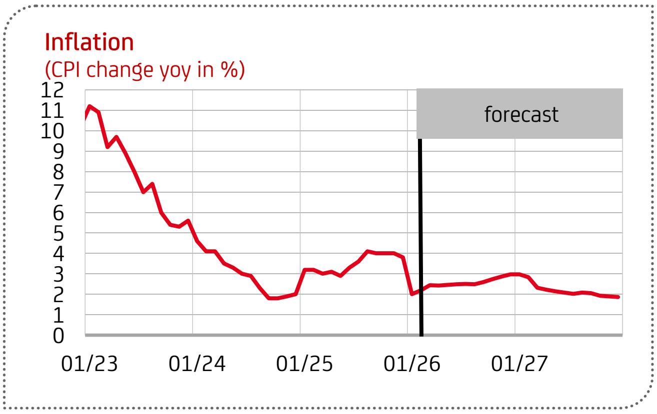
The positive current account balance in 2025 was significantly lower than in 2024 due to the deterioration in the goods balance, and this trend is expected to continue in 2026, albeit at a slower pace.

Sources: Statistik Austria, OeNB, Macrobond, UniCredit Bank Austria

Inflation rose marginally to 2.2 percent year-on-year in February 2026

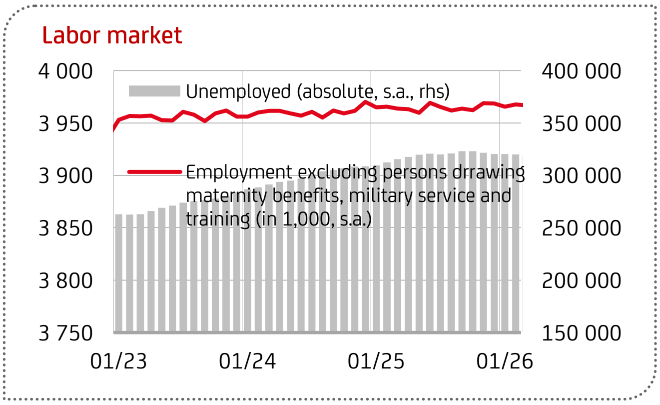


Inflation is expected to be only 2.2 percent year-on-year in February. Energy prices played a major role in the sharp decline, supported by the base effect of the end of the "electricity price brake".

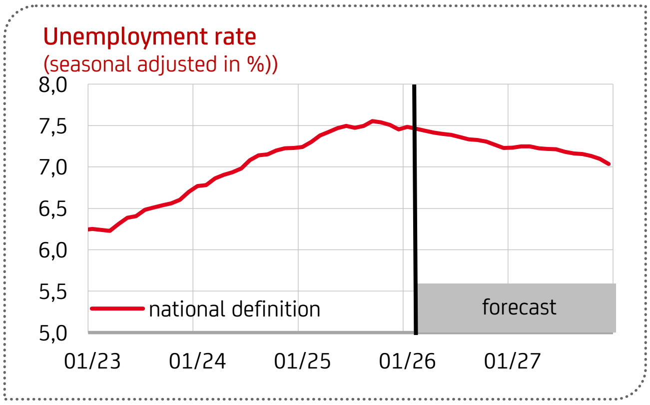


After the sharp decline in inflation at the beginning of 2026, higher values are expected in the coming months as a result of the Iran war. We expect average inflation of 2.5 percent for 2026.

Trend reversal on the labor market, but with setbacks

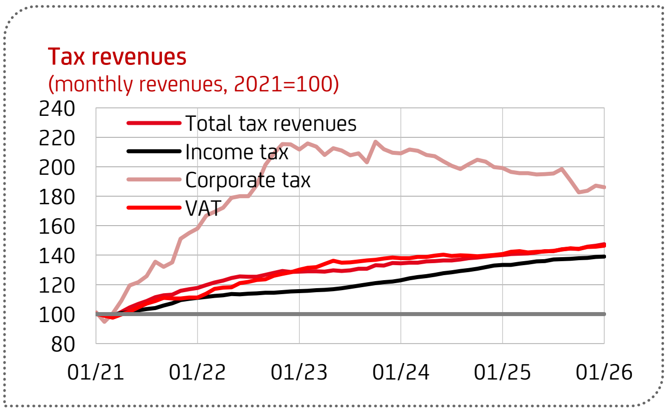


The seasonally adjusted unemployment rate remained unchanged at 7.5 percent in February. Setbacks in the underlying improvement trend cannot be ruled out in view of the geopolitical risks.

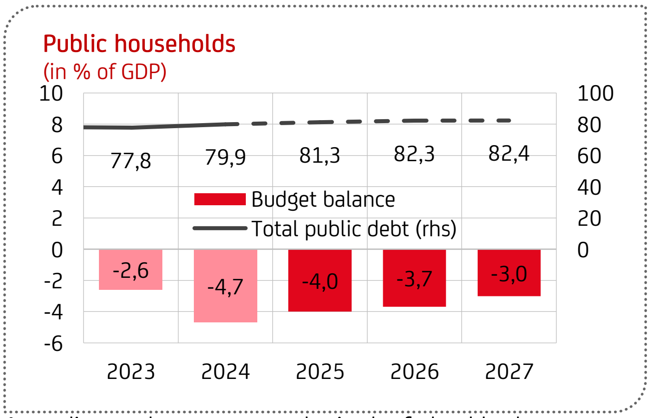


After an average of 7.4 percent in 2025, we expect the unemployment rate to fall to 7.3 percent in 2026 and to 7.2 percent in 2027, supported by the slower increase in labor supply.

Austerity package had an effect: Deficit in the federal budget smaller than planned



2025, revenues rose by 5.4 percent to 107.1 billion euros. Expenditures in the federal budget rose by 0.7 percent to 121,5 billion euros. The net financial balance fell to -14.4 billion euros.



According to the current results in the federal budget, we have lowered our forecast for the general government deficit to 4.0 percent in 2025 and to 3.7 percent for 2026. However, this will further increase the total debt ratio as a percentage of GDP.

Sources: Statistik Austria, OeNB, UniCredit Bank Austria

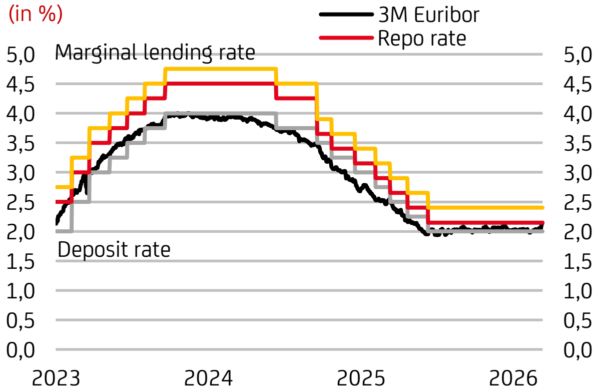
	2023	2024	2025	I 25	II 25	III 25	IV 25	09/25	10/25	11/25	12/25	01/26	02/26
UniCredit Bank Austria Business Indicator	**-3.0**	**-2.6**	**-1.8**	**-2.3**	**-2.3**	**-1.6**	**-1.1**	**-2.1**	**-1.2**	**-1.3**	**-0.7**	**-0.4**	**-0.5**
GDP growth (qoq, annualized)	**-0.8**	**-0.7**	**0.6**	**1.1**	**0.2**	**1.3**	**0.1**						
Confidence Indicator eurozone manufacturing	**-6**	**-11**	**-10**	**-11**	**-11**	**-10**	**-9**	**-10**	**-8**	**-9**	**-9**	**-7**	**-7**
Germany	-8	-20	-20	-12	-11	-11	-10	-20	-18	-19	-21	-17	-15
France	-8	-8	-9	-9	-10	-11	-8	-10	-7	-9	-9	-1	-5
Italy	-4	-8	-8	-8	-8	-7	-6	-8	-7	-6	-7	-6	-7
Netherlands	-2	-3	-2	-1	-3	-3	-2	-2	-2	-2	-1	1	-1
Spain	-7	-5	-5	-5	-5	-5	-4	-4	-5	-4	-4	-3	-2
UniCredit Bank Austria Eurozone Confidence Indicator Manufacturing	**-7**	**-14**	**-14**	**-16**	**-14**	**-14**	**-13**	**-14**	**-13**	**-13**	**-14**	**-11**	**-11**
UniCredit Bank Austria Purchasing Managers' Index (PMI)	**42.1**	**43.5**	**47.9**	**46.4**	**47.3**	**48.3**	**49.5**	**47.6**	**48.8**	**50.4**	**49.3**	**47.2**	**49.4**
New orders	37	43	47	47.5	45.1	46.7	47.7	46	49	51	47	46	50
New export orders	38	42	47	45.8	44.9	46.5	48.9	46	49	51	46	46	48
Output	44	44	50	47.7	49.4	50.9	51.2	50	51	53	50	47	50
Confidence indicator Austria manufacturing, total	**-13.2**	**-19.7**	**-15.3**	**-17.3**	**-14.6**	**-15.9**	**-13.5**	**-18.3**	**-14.3**	**-13.3**	**-12.9**	**-12.1**	**-15.4**
Industrial production													
Change against previous year (in %)	-2.1	-4.3	3.0	2.6	3.4	3.1	4.5	2.1	5.3	2.4	5.9	2.9	
Change against previous month (seasonally adjusted, in %)								1.4	0.1	-0.7	2.9	-0.2	
Foreign trade													
Exports (yoy change in %)	3.1	-4.8	-0.5	-3.1	-1.5	-0.3	3.1	5.7	0.5	2.5	6.2		
Exports (mom change, s.a. in %, 3-MMAV)								1.5	-2.7	1.9	1.6		
Imports (yoy in %)	-5.8	-6.8	4.1	4.1	2.5	3.8	6.1	7.8	3.3	2.0	13.1		
Imports (mom, s.a.. in %, 3-MMAV)								0.6	-0.9	1.6	5.4		
Ex-Im (12 months cumulated, EUR billion)	-2.0	2.2	-6.6	5.9	5.2	2.9	2.2	-5.2	-5.7	-5.6	-6.6		
Construction													
Confidence indicator	-6.5	-14.2	-17.3	-17.6	-18.6	-17.1	-15.9	-17.0	-14.2	-14.6	-18.9	-20.3	-25.8
Retail trade													
Confidence indicator	-24.0	-16.2	-4.9	-18.3	-19.4	-16.6	-17.1	-18.7	-17.7	-17.5	-16.0	-18.4	-13.2
Retail trade nom. (change against previous year in %)	2.9	2.8	2.9	1.8	5.0	2.9	1.9	4.3	4.1	-2.0	3.5	2.4	
Retail trade nom. (change against previous year in %, 3mav.)								2.9	3.1	2.1	1.9	1.3	
Retail trade real (change against previous year in %)	-3.5	0.9	0.8	0.2	3.1	0.1	-0.3	1.8	1.8	-4.1	1.2	0.9	
Retail trade real (chg. against prev. month in %, s.a., 3mav.)								0.1	0.4	-0.2	-0.4	-0.7	
Automobile trade nom. (change against prev. year in %)	11.8	2.4	6.3	1.4	5.2	13.0	5.7	12.3	6.5	4.7	5.9		
Tourism													
Overnight stay (change against previous year in %)	11.3	2.0	3.4	-4.2	10.1	2.6	5.3	7.8	1.9	4.0	10.0	2.7	
Labor market													
Employment*) (change against previous year in %)	1.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.1	0.2
Employment (s.a., change against previous month in %)								0.05	-0.04	0.17	-0.01	-0.07	0.05
Unemployed (change against previous year in ´000)	7.7	27.1	19.7	24.2	24.0	16.1	14.4	19.5	17.2	16.0	10.1	14.0	10.1
Unemployment rate (in %, s.a.)	6.4	7.0	7.4	7.3	7.5	7.5	7.5	7.6	7.5	7.5	7.5	7.5	7.5
Prices													
CPI (change against previous year in %)	7.8	2.9	3.6	3.1	3.1	3.9	3.9	4.0	4.0	4.0	3.8	2.0	2.2
HCPI (change against previous year in %)	7.7	2.9	3.6	3.3	3.2	3.9	4.0	3.9	4.0	4.0	3.9	2.0	2.3
Crude oil (in USD per barrel)	81.6	79.7	68.0	74.7	66.5	67.9	62.9	67.3	63.8	63.5	61.6	64.3	69.3
Crude oil (in EUR, change against previous year in %)	-15.5	-2.4	-17.7	-5.3	-25.5	-18.3	-21.8	-12.5	-20.7	-20.2	-24.6	-27.0	-18.4
Financial market													
3M Euribor	3.43	3.57	2.18	2.56	2.11	2.01	2.04	2.02	2.03	2.04	2.05	2.03	2.01
10-year government bonds (yield in %)	3.08	2.83	2.98	2.96	2.96	3.02	3.00	3.03	2.94	2.97	3.09	3.08	3.06
USD per euro	1.08	1.08	1.13	1.05	1.13	1.17	1.16	1.17	1.16	1.16	1.17	1.17	1.18
Total loans (change against previous year in %, eop)	0.7	0.7	1.8	0.6	1.2	1.6	1.8	1.6	1.5	1.3	1.8		
Consumption loans (change against prev. year in %, eop)	-1.9	-0.9	1.0	-0.9	0.1	0.6	1.0	0.6	0.9	1.0	1.0		

**) excl. maternity/paternity leave, military service and training programs*

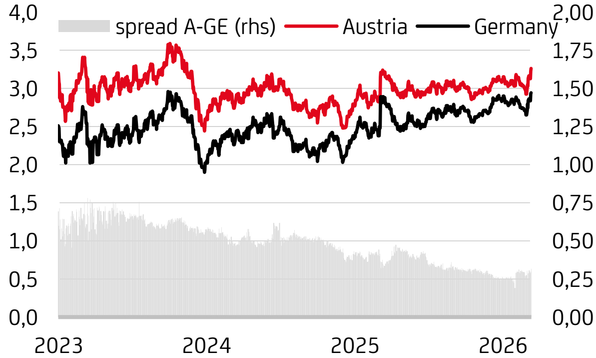
Sources: Statistik Austria, OeNB, UniCredit Bank Austria

Money market and long-term interest

Euro money market
(in %)

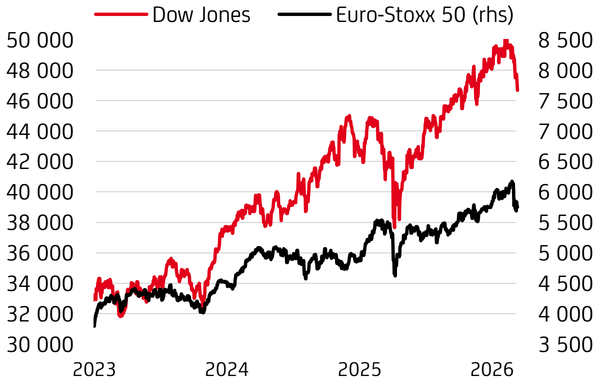


10y Government bond
(yield, in %)

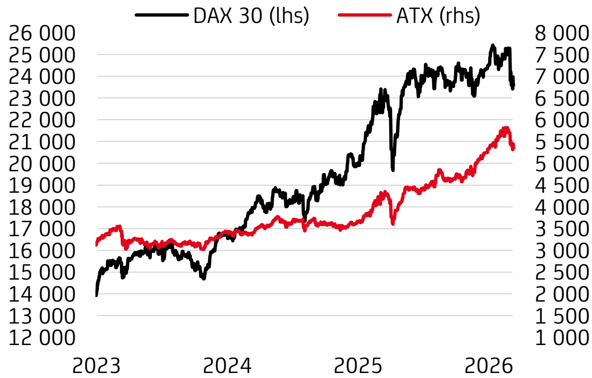


Stock markets

US - Euro area

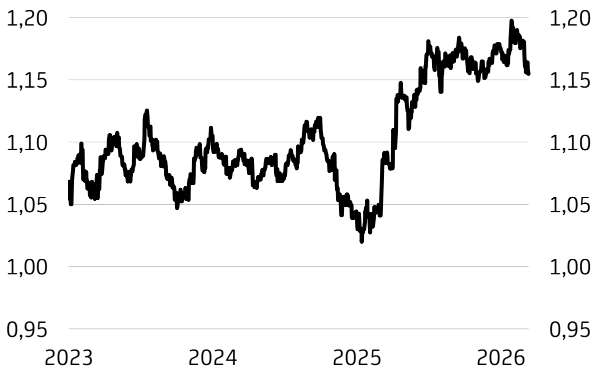


Germany - Austria

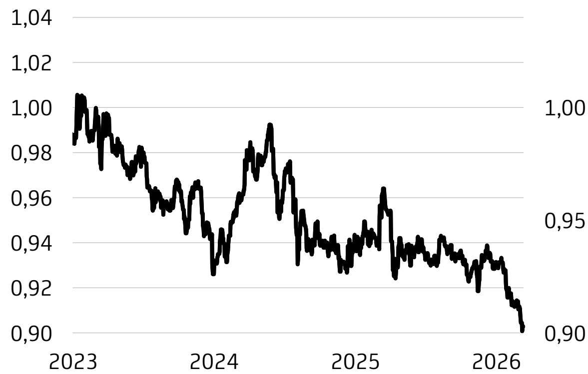


FX trends

USD per euro



CHF per euro



Sources: Macrobond, UniCredit Bank Austria

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