Austria Up-to-date

July 2026

Bank Austria
Member of UniCredit

Overview

MODERATE RECOVERY AFTER ECONOMIC DIB DUE TO IRAN WAR?

	2024	2025	2026	Rev.[1]	2027	Rev.[1]
GDP (real, change in %)	-0.7	0.8	0.8		1.2	
Inflation (CPI, in %)	2.9	3.6	3.2	↘	2.5	↘
Unemployment rate (in %)	7.0	7.4	7.5		7.4	

1) Revision since last report

- **Recovery expected in the second half of the year**

  Due to the energy price shock and supply chain problems during the Iran war, the Austrian economy suffered an economic dip from spring onwards. Regardless of the recent escalation, a gradual easing of the geopolitical crisis can be expected in the coming months. There is a prospect of overcoming the economic dip and returning to a moderate growth path in the course of the second half of the year. We continue to expect economic growth of 0.8 percent in 2026 and a slight improvement to 1.2 percent in 2027.

- **Unemployment rate rose to 7.6 percent in June**

  Due to the unfavourable influence of the consequences of the Iran war on the economy, there has not been the originally expected easing of the labour market in the course of the year so far, but on the contrary even a slight rise in the unemployment rate.

  Following the rise in the unemployment rate to 7.5 per cent on an annual average in 2026, we expect a downward trend to begin in 2027, supported by demographic effects, which should lead to a decline in the unemployment rate to at least 7.4 per cent.

- **Double budget for 2027/28 adopted**

  On 10 July, parliament adopted the budget estimate for 2027 and 2028. By 2028, the deficit is to be reduced to 3 percent of GDP. In our opinion, the budget calculation is at least very tight in order to achieve the desired goal, there is no room for manoeuvre in the event of a weaker economy, which is why we have raised our forecast for the budget deficit in 2027 to 3.8 percent, after a deficit of 4 percent in 2026.

- **Easing of commodity prices dampens inflationary pressures**

  After an average of 3.0 percent in the first half of the year, inflation is likely to increase in the second half of the year. The main factors are rising electricity and gas prices for end consumers as a result of the previous energy price increases, as well as second-round effects in service prices. Despite the recent geopolitical escalation, however, the upward pressure on oil prices remains comparatively moderate. Inflationary pressures are therefore likely to be lower than originally expected. Against this backdrop, we have lowered our inflation forecast for 2026 from 3.4 percent to 3.2 percent. For 2027, we now expect an inflation rate of 2.5 percent instead of the previous 2.6 percent. In the course of 2027, inflation is expected to weaken significantly and reach values of around 2 percent year-on-year in the second half of the year, provided that energy prices do not record any further upward spurts.

- **Key interest rate raised by 25 bp in June**

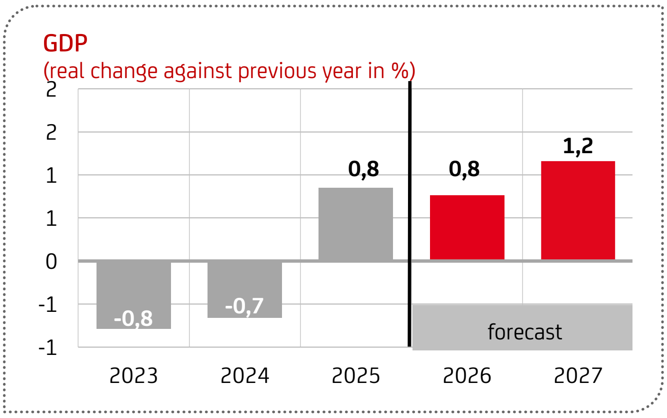
  After the ECB's expected interest rate hike of 25 basis points in June, we believe that the ECB will wait to take further steps for the time being. The recent escalation of the conflict in the Gulf region increases the risk of rising energy prices again and thus a renewed acceleration of inflation. For the European Central Bank, this means additional uncertainty in the direction of its monetary policy. In our view, this will in any case increase the likelihood of a further increase in key interest rates. We expect the ECB to raise the key interest rate by 25 basis points in September. It is then likely to take a wait-and-see stance and leave the deposit rate at 2.50%, which we consider to be the upper end of neutral interest rates.

International Environment

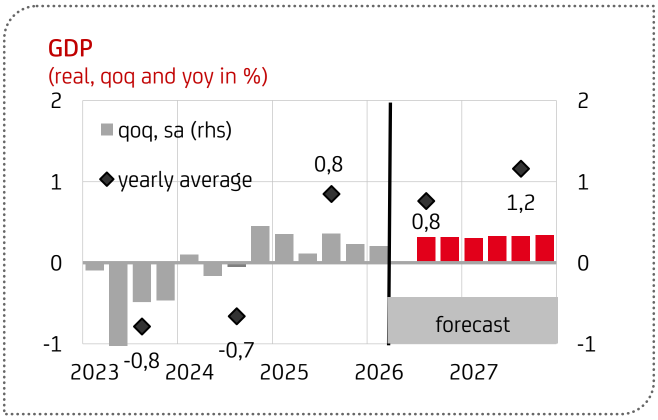
			Forecast	
	2024	**2025**	**2026**	**2027**
(GDP, change in %)				
Eurozone	1.0	1.5	0.3	1.1
Germany	-0.5	0.2	0.9	1.6
France	1.2	0.9	0.7	1.0
Italy	0.8	0.7	0.5	0.6
Spain	3.5	2.8	2.3	1.6
UK	1.1	1.3	0.6	1.0
USA	2.8	2.1	2.3	2.0
Japan	-0.2	1.0	0.8	0.8
	2024	**2025**	**2026**	**2027**
(annual average)				
USD per euro	1.08	1.13	1.18	1.20
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	183.1	178.4
Oil (USD/barrel)	80	68	91	83
10y Gov. bond (A)	2.83	2.98	3.28	3.29
3m Euribor	3.57	2.18	2.32	2.40

Source: Macrobond, UniCredit Bank Austria

Renewed escalation in the Iran war increases economic uncertainties

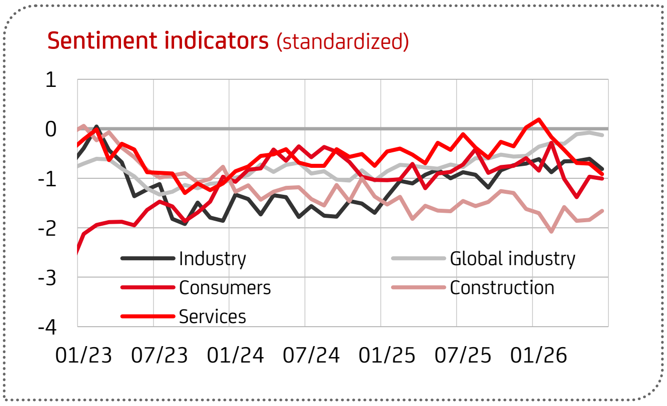


After two years of GDP declines, the Austrian economy began to recover slightly in 2025. According to the latest estimate, GDP growth was revised to 0.8 percent in real terms.

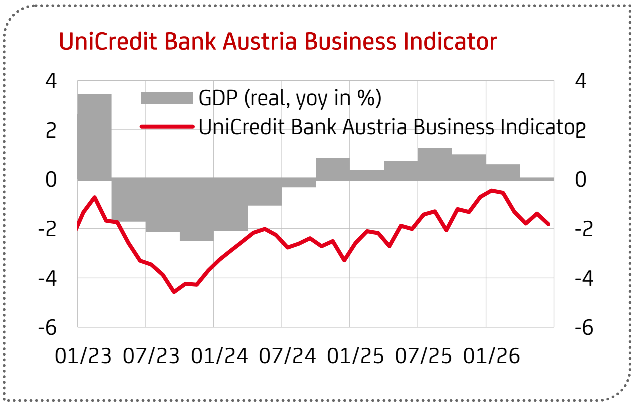


After the slight increase in GDP in the first quarter, the impact of the Iran war on consumption and investment is expected to have caused an economic dip in the 2nd quarter.

Sentiment in the Austrian economy deteriorated in June



In June, economic sentiment in Austria deteriorated again somewhat. Industry and the service sector in particular were more heavily impacted.



The UniCredit Bank Austria Business Indicator fell to minus 1.8 points in June. Only pessimism in construction has subsided somewhat, all other components have deteriorated.

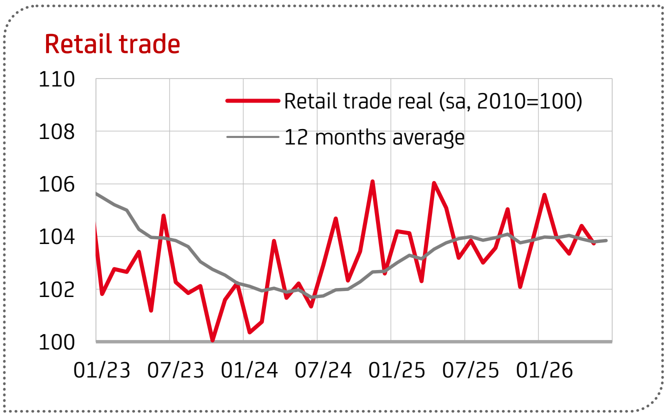
Economic outlook

							Forecast	
	2020	2021	2022	2023	2024	2025	2026	2027
GDP (real, yoy in %)	**-6.3**	**4.9**	**5.3**	**-0.8**	**-0.7**	**0.8**	**0.8**	**1.2**
Industrial output (real, yoy in %)	-7.1	11.0	5.9	-1.7	-4.9	3.5	1.0	2.5
Private consumption (real, yoy in %)	-7.6	4.9	5.4	-0.2	1.0	0.7	0.5	1.1
Investments (real, yoy in %) *)	-5.3	6.0	-0.3	-1.3	-4.1	2.9	0.7	1.6
Inflation rate (change against prev. year in %)	**1.4**	**2.8**	**8.6**	**7.8**	**2.9**	**3.6**	**3.2**	**2.5**
Unemployment rate (national definition)	**9.9**	**8.0**	**6.3**	**6.4**	**7.0**	**7.4**	**7.5**	**7.4**
Employment (change against prev. year in %) **)	**-2.0**	**2.5**	**3.0**	**1.2**	**0.2**	**0.2**	**0.4**	**0.4**
Public-sector balance (in % of GDP)	**-8.2**	**-5.7**	**-3.4**	**-2.6**	**-4.6**	**-4.2**	**-4.0**	**-3.8**
Total public debt (in % of GDP)	**83.2**	**82.4**	**78.1**	**77.8**	**80.0**	**81.3**	**82.5**	**83.4**

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

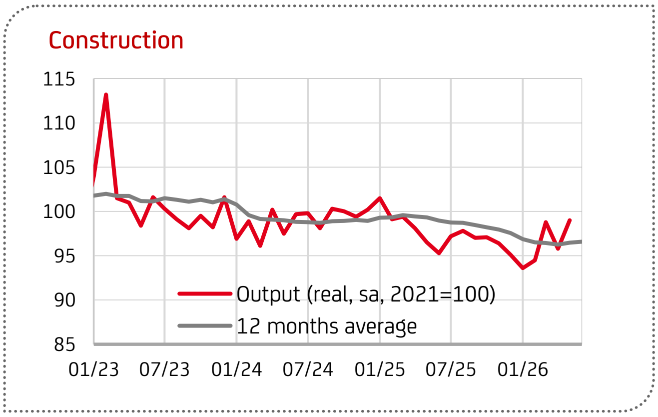
Source: UniCredit Bank Austria

Retail begins to feel higher inflation



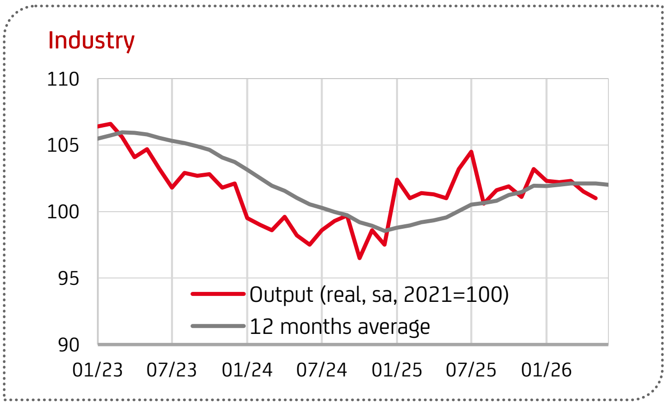
After the 0.8 percent increase in real sales in 2025, the upward trend continued at the beginning of the year. But the pace slowed down. After the first five months, there was even a decline in sales in real terms.

Construction crises continues

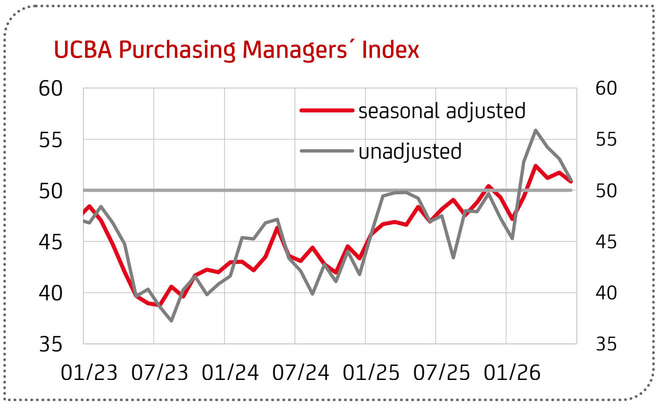


Construction output fell by 1.4 percent in 2025 (in real terms, adjusted for the number of working days). In the first five months of 2026, production output fell by as much as 2.1 percent despite an upward trend in the spring.

Industry recovery makes small progress

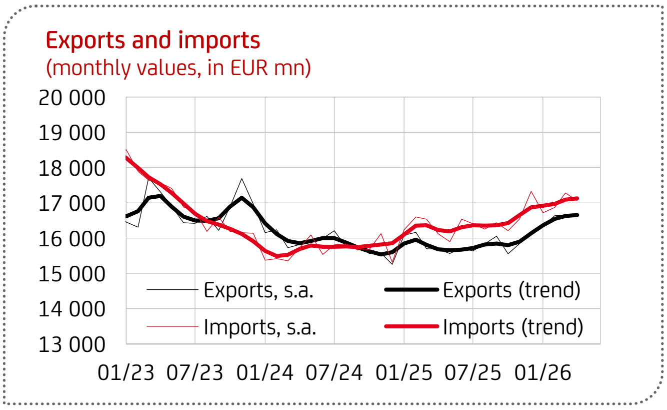


Industrial production (manufacture of goods, in real terms, adjusted for working days) rose by around 3 percent in 2025. After a weak start, industry grew by about 0.5 percent year-on-year in the first five months.

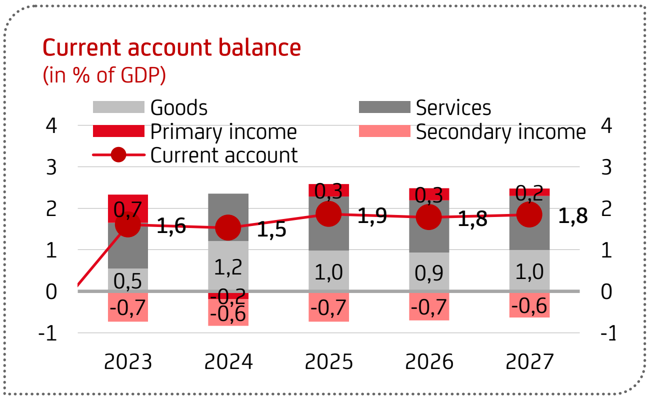


In June, the UniCredit Bank Austria Purchasing Managers' Index fell to 50.9 points, caused by a deterioration in all survey components.

Exports improved, current account surplus stable



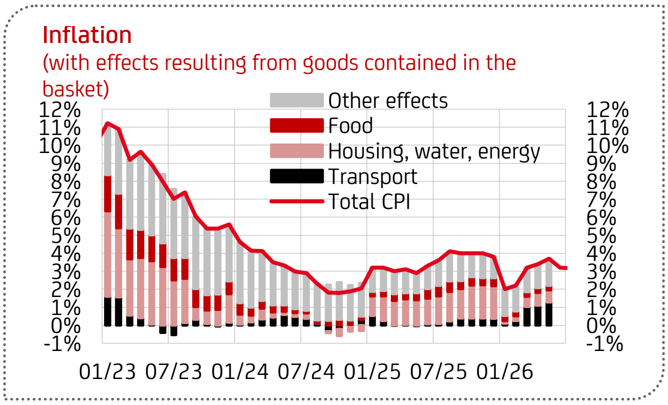
In the first four months of 2026, exports of goods rose by 4.4 percent year-on-year, while imports increased by 3.9 percent. The trade deficit fell to 1.7 billion euros.



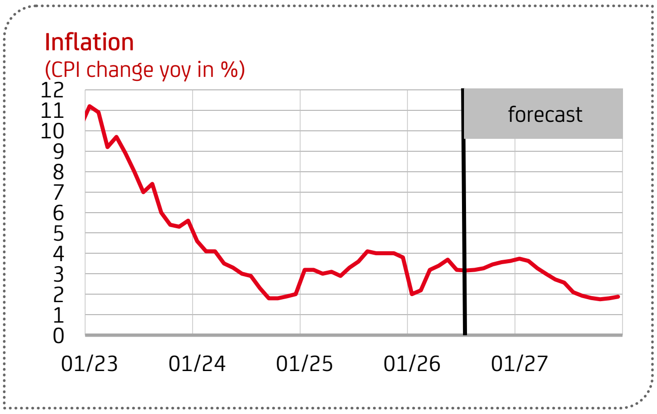
The current account balance improved in 2025 despite a lower surplus in goods thanks to the higher increase in services trade. For 2026, we expect the current account balance to remain largely unchanged.

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

Inflation fell to 3.2 percent year-on-year in June 2026 according to flash estimate

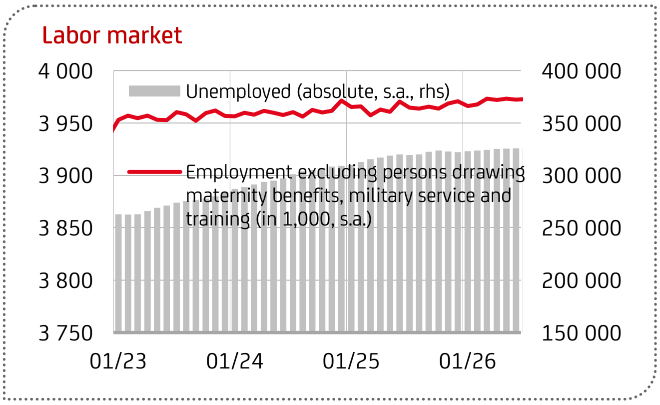


Inflation is expected to be 3.2 percent year-on-year in June. A weaker upturn in energy prices provided the relief.

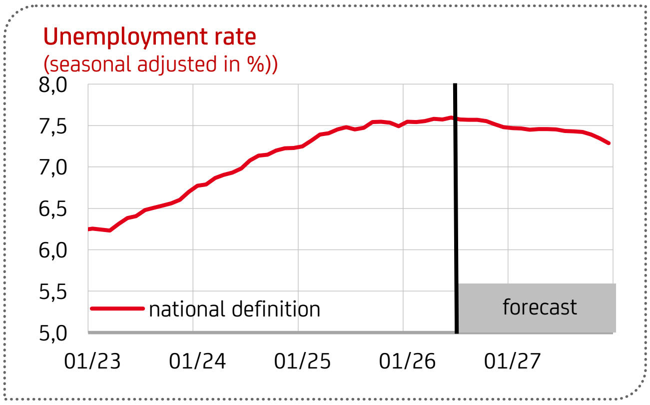


After the sharp decline in inflation at the beginning of 2026, higher values are to be expected for the time being as a result of the Iran war. We expect average inflation of 3.2 percent for 2026.

Ongoing deterioration in the labour market

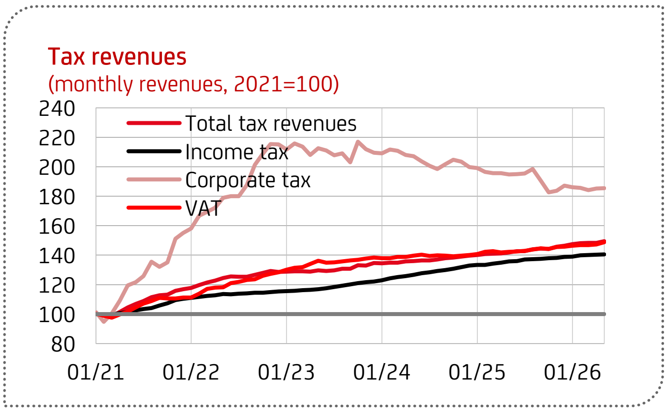


The seasonally adjusted unemployment rate was again 7.6 percent in June. The economic dip caused by the Iran war has prevented a possible improvement.

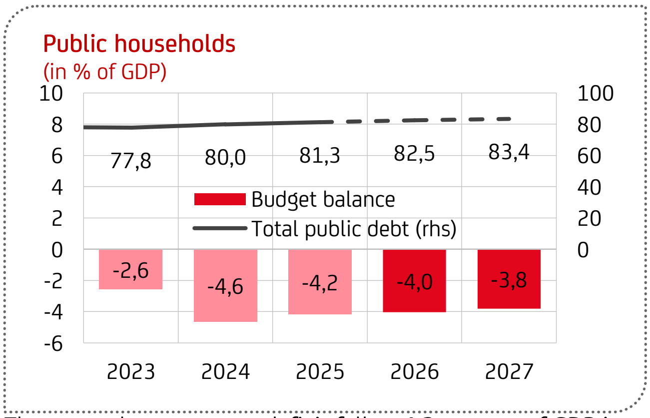


After an average of 7.4 percent in 2025, we expect an unemployment rate of 7.5 percent in 2026. It should not fall to 7.4 percent until 2027, supported by the slower increase in labor supply.

Budget deficit in 2025 lower than planned, budget plan fulfilment in 2026 uncertain



In the first five months, federal disbursements rose by 2.9 percent year-on-year. Payments rose by 5.7 percent. At EUR -9.7 billion, the net financial balance remained slightly below the previous year.



The general government deficit fell to 4.2 percent of GDP in 2025. The consolidation path will continue, but the total debt ratio as a percentage of GDP will continue to rise.

Sources: Statistik Austria, OeNB, UniCredit Bank Austria

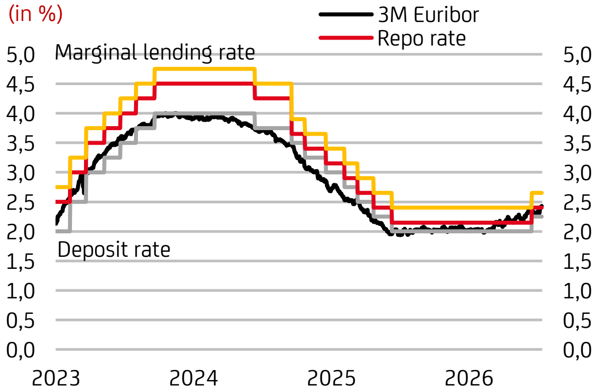
	2023	2024	2025	III 25	IV 25	I 26	II 26	01/26	02/26	03/26	04/26	05/26	06/26
UniCredit Bank Austria Business Indicator	**-3.0**	**-2.6**	**-1.8**	**-1.6**	**-1.1**	**-0.8**	**-1.7**	**-0.5**	**-0.5**	**-1.3**	**-1.8**	**-1.4**	**-1.8**
GDP growth (qoq, annualized)	**-0.8**	**-0.7**	**0.8**	**1.5**	**0.9**								
Confidence Indicator eurozone manufacturing	**-6**	**-11**	**-10**	**-10**	**-9**	**-7**	**-8**	**-7**	**-7**	**-7**	**-8**	**-8**	**-8**
Germany	-8	-20	-20	-11	-10	-8	-8	-17	-15	-15	-15	-16	-14
France	-8	-8	-9	-11	-8	-5	-8	-1	-6	-8	-8	-7	-8
Italy	-4	-8	-8	-7	-6	-6	-7	-6	-7	-6	-7	-7	-6
Netherlands	-2	-3	-2	-3	-2	0	0	1	-1	0	0	-2	2
Spain	-7	-5	-5	-5	-4	-3	-4	-3	-3	-4	-5	-4	-3
UniCredit Bank Austria Eurozone Confidence Indicator Manufacturing	**-7**	**-14**	**-14**	**-14**	**-13**	**-11**	**-10**	**-11**	**-11**	**-11**	**-10**	**-11**	**-10**
UniCredit Bank Austria Purchasing Managers' Index (PMI)	**42.1**	**43.5**	**47.9**	**48.3**	**49.5**	**49.7**	**51.3**	**47.2**	**49.4**	**52.4**	**51.2**	**51.7**	**50.9**
New orders	37	43	47	46.7	49.0	49.4	49.1	46	50	52	49	50	49
New export orders	38	42	47	46.5	48.9	48.4	49.6	46	48	51	49	51	49
Output	44	44	50	50.9	51.2	49.7	50.5	47	50	52	50	83	78
Confidence indicator Austria manufacturing, total	**-13.2**	**-19.7**	**-15.3**	**-15.9**	**-13.5**	**-13.2**	**-13.1**	**-11.9**	**-15.1**	**-12.6**	**-12.6**	**-12.1**	**-14.6**
Industrial production													
Change against previous year (in %)	-2.1	-4.3	3.0	3.2	4.5	0.8		0.0	1.2	1.1	0.2	-0.2	
Change against previous month (seasonally adjusted, in %)								-2.3	0.9	0.2	-0.8	-0.9	
Foreign trade													
Exports (yoy change in %)	3.1	-4.8	-0.7	-0.4	2.5	3.7		-1.9	3.0	10.1	6.1		
Exports (mom change, s.a. in %, 3-MMAV)								1.1	1.7	0.1	0.0		
Imports (yoy in %)	-5.8	-6.8	4.2	3.8	6.3	3.1		-0.5	1.7	8.2	5.8		
Imports (mom, s.a.. in %, 3-MMAV)								-3.5	0.9	2.4	-1.3		
Ex-Im (12 months cumulated, EUR billion)	-2.0	2.2	-7.1	-5.3	-7.1	-6.9		-7.3	-7.1	-6.9	-6.9		
Construction													
Confidence indicator	-6.5	-14.3	-17.3	-17.1	-15.8	-21.7	-23.0	-20.2	-25.6	-19.4	-23.5	-23.7	-21.7
Retail trade													
Confidence indicator	-24.0	-16.2	-4.9	-16.6	-17.1	-17.4	-21.7	-18.6	-13.3	-20.4	-24.1	-20.3	-20.8
Retail trade nom. (change against previous year in %)	2.9	2.8	2.9	2.9	1.9	7.8		2.5	1.3	3.0	0.2	-0.9	
Retail trade nom. (change against previous year in %, 3mav.)								1.3	2.4	2.2	1.5	0.8	
Retail trade real (change against previous year in %)	-3.5	0.9	0.8	0.1	-0.3	0.8		1.0	-0.2	1.5	-1.4	-2.6	
Retail trade real (chg. against prev. month in %, s.a., 3mav.)								-0.6	0.6	0.8	0.0	-0.8	
Automobile trade nom. (change against prev. year in %)	11.8	2.4	6.3	13.0	5.7	4.4		-3.5	4.5	12.2	7.1		
Tourism													
Overnight stay (change against previous year in %)	11.3	2.0	3.4	2.6	5.3	1.3		2.9	5.5	-4.5	-5.4	12.9	
Labor market													
Employment*) (change against previous year in %)	1.2	0.2	0.2	0.2	0.2	0.4	0.4	0.1	0.2	0.7	0.4	0.5	0.3
Employment (s.a., change against previous month in %)								-0.12	0.04	0.14	-0.03	0.03	-0.02
Unemployed (change against previous year in ´000)	7.7	27.1	19.7	16.1	14.4	10.2	7.0	14.0	10.1	6.4	8.5	5.5	6.9
Unemployment rate (in %, s.a.)	6.4	7.0	7.4	7.5	7.5	7.5	7.6	7.5	7.5	7.6	7.6	7.6	7.6
Prices													
CPI (change against previous year in %)	7.8	2.9	3.6	3.9	3.9	2.5	3.4	2.0	2.2	3.2	3.4	3.7	3.2
HCPI (change against previous year in %)	7.7	2.9	3.6	3.9	4.0	2.5	3.4	2.0	2.3	3.1	3.4	3.7	3.1
Crude oil (in USD per barrel)	81.6	79.7	68.0	67.9	62.9	77.3	96.5	64.3	69.4	98.2	101.4	103.7	84.3
Crude oil (in EUR, change against previous year in %)	-15.5	-2.4	-17.7	-18.3	-21.8	-5.6	41.2	-27.0	-18.4	28.7	47.5	56.9	19.1
Financial market													
3M Euribor	3.43	3.57	2.18	2.01	2.04	2.05	2.24	2.03	2.01	2.11	2.17	2.23	2.34
10-year government bonds (yield in %)	3.08	2.83	2.98	3.02	3.00	3.13	3.27	3.08	3.06	3.25	3.30	3.29	3.21
USD per euro	1.08	1.08	1.13	1.17	1.16	1.17	1.16	1.17	1.18	1.16	1.17	1.17	1.15
Total loans (change against previous year in %, eop)	0.7	0.7	1.8	1.6	1.8	2.2		1.8	2.3	2.2	2.0	2.0	
Consumption loans (change against prev. year in %, eop)	-1.9	-0.9	1.0	0.6	1.0	1.4		1.4	1.4	1.4	1.6	1.9	

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

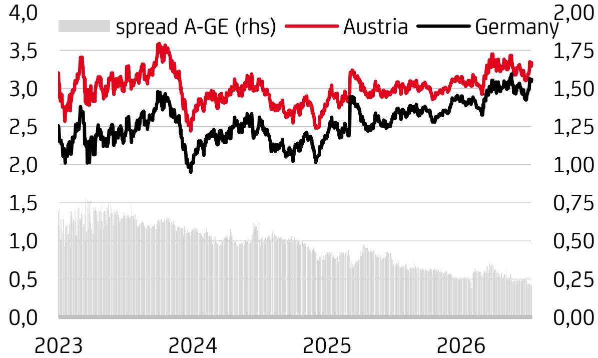
Sources: Statistik Austria, OeNB, UniCredit Bank Austria

Money market and long-term interest

Euro money market
(in %)

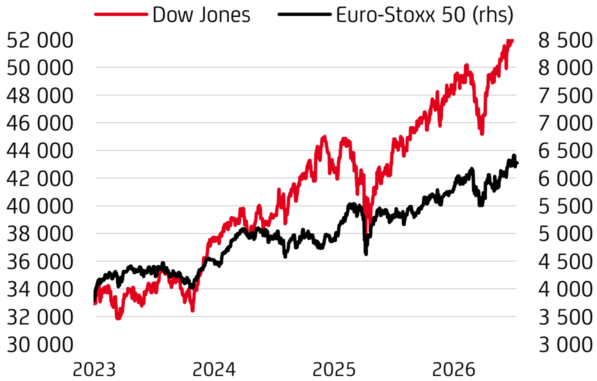


10y Government bond
(yield, in %)

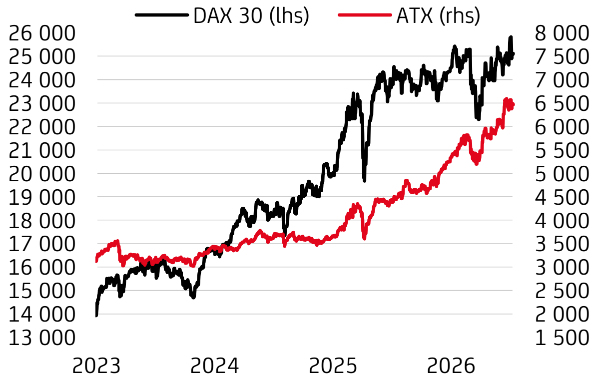


Stock markets

US - Euro area

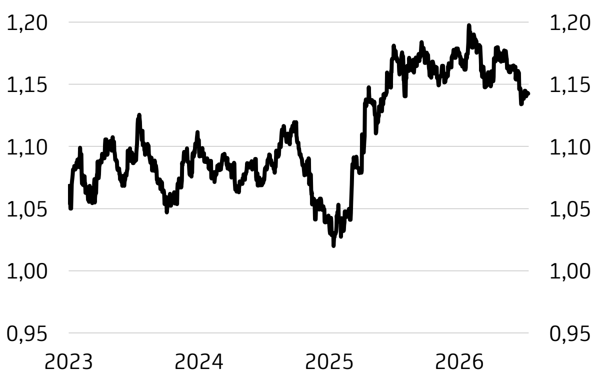


Germany - Austria



FX trends

USD per euro



CHF per euro

Sources: Macrobond, UniCredit Bank Austria

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Business objective: credit institution pursuant to Section 1 (1) of the Austrian Banking Act (Bankwesengesetz)

Persons authorised to act on behalf of the media owner (Management Board): Ivan Vlaho, Albrecht Angersbach, Daniela Barco, Hélène Buffin, Dieter Hengl, Emilio Manca, Marion Morales Albiñana-Rosner, Svetlana Pancenko.

Supervisory Board of the media owner: Gianfranco Bisagni, Aurelio Maccario, Livia Aliberti Amidani, Christoph Bures, Richard Burton, Tamara Haas, Judith Maro, Herbert Pichler, Eveline Steinberger, Doris Tomanek, Roman Zeller.

Interests held in the media owner pursuant to Section 25 of the Austrian Media Act:

UniCredit S.p.A. holds 99.996% of the shares in the media owner (key details of the shareholder structure of UniCredit S.p.A. are available at Shareholders - UniCredit).

“Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG, Region Wien” (the Employees' Council Fund of the Employees' Council of employees of UniCredit Bank Austria AG in the Vienna area) and “Privatstiftung zur Verwaltung von Anteilsrechten” (a private foundation under Austrian law; founder: Anteilsverwaltung-Zentralsparkasse; beneficiary: WWTF – Wiener Wissenschafts-, Forschungs- und Technologiefonds) have a combined interest of 0.004% in the media owner.

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