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Iran War Threatens Economic Recovery.
Economic Outlook for 2026 and 2027

Marcus Scheiblecker, Stefan Ederer

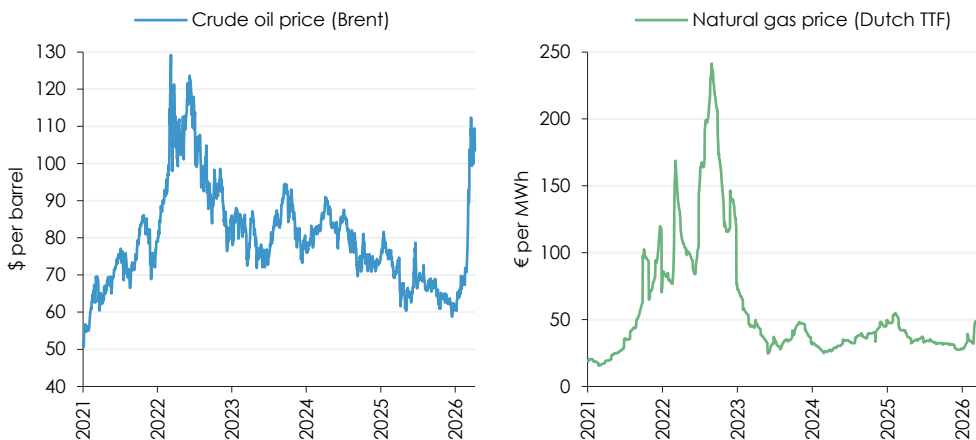
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- Geopolitical uncertainty has increased further recently. In addition to the erratic trade policy of the USA, the war in Iran is now also weighing on the business cycle. It triggered price increases of fossil fuels, which is rekindling inflation and dampening companies' willingness to invest.
- Given the uncertain environment, WIFO forecasts a number of key indicators based on three scenarios. These are based on different assumptions regarding the future development of crude oil and natural gas prices.
- Depending on the scenario, growth of real GDP in 2026 will range between +0.2 and +1.1 percent (2027 +0.4 to +1.5 percent), the inflation rate between 2.5 and 4.1 percent (2027: 2.2 to 3.5 percent) and the unemployment rate between 7.3 and 7.5 percent (2027: 7.0 to 7.6 percent).

Energy prices since 2021



"The trends in crude oil and natural gas prices are crucial both for the inflation forecast and for the cost pressures expected by businesses. As the Iran war is triggering unpredictable price spikes, WIFO has decided to consider different price scenarios."

Since the outbreak of the Iran war, energy prices have risen sharply paired with high volatility (source: Intercontinental Exchange – ICE, Macrobond. Last figure: 7 April 2026).

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April 2026

Iran War Threatens Economic Recovery. Economic Outlook for 2026 and 2027

As a result of the Iran war, crude oil and natural gas prices have surged. Moreover, uncertainty over the duration and future course of the conflict is dampening the investment climate in the EU. This will also affect Austrian industry, which has been suffering from weak international demand for capital goods for years. The inflation rate should continue to fall despite the Iran war, though the recent rise in energy prices is slowing this decline. The unemployment rate will remain at the elevated level of the previous year in 2026 and will not fall until 2027.

JEL-Codes: E32, E66 • **Keywords:** Economic outlook, forecast

All staff members of the Austrian Institute of Economic Research contribute to the Economic Outlook. For definitions used see "Methodological Notes and Short Glossary", <https://www.wifo.ac.at/wp-content/uploads/2024/01/WIFO-BusinessCycle-Information-Glossary.pdf>

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After two years of recession, Austria's GDP rose slightly again in 2025, by 0.6 percent. A marked pick-up in economic activity was particularly evident around the middle of the year, although which petered out towards the end of the year. In the fourth quarter, domestic economic output stagnated.

The current uncertain international conditions are challenging a robust forecast. The future development of the Austrian economy will depend largely on how far crude oil and natural gas prices rise and how long they remain at high levels. This, however, depends on the unpredictable course of the war. WIFO has therefore decided to base its forecast for GDP and other key indicators on three scenarios:

- In the optimistic scenario, the Iran war lasts only a few weeks. The Gulf states' infrastructure for the extraction, processing, loading and transport of crude oil is not substantially damaged. The price of crude oil averages 80 \$ per barrel until June and falls to 75 \$ in the third

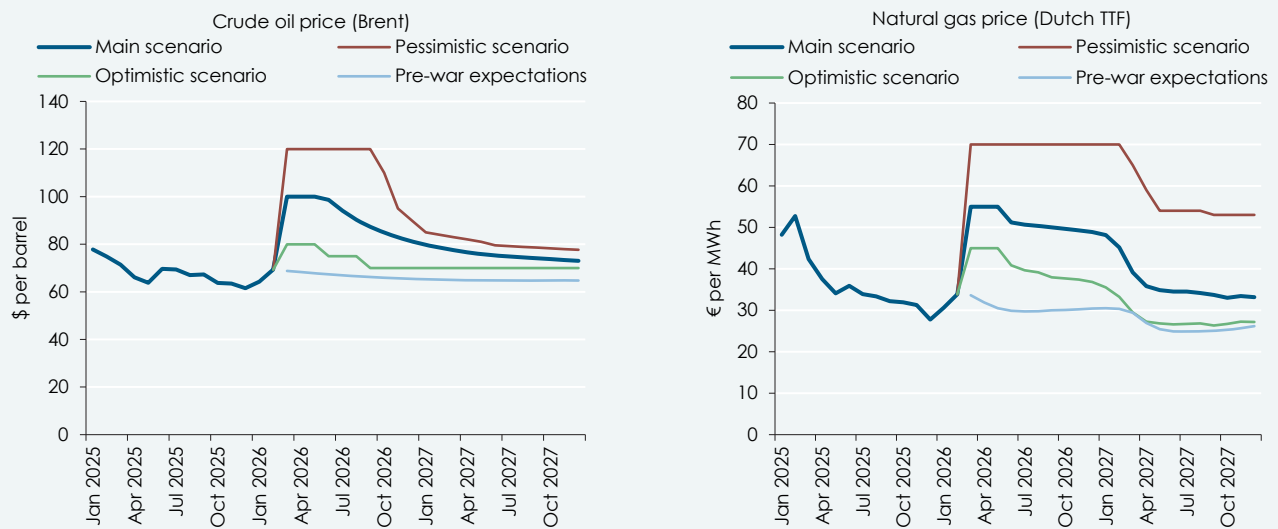
quarter of 2026. The natural gas price – relevant to European electricity generation – averages 45 € per MWh until June 2026 and declines steadily after the end of the war.

- In the main scenario, the Iran war is also of short duration, but fossil fuel prices rise more sharply than in the optimistic scenario. After the war ends, prices gradually fall back.
- In the pessimistic scenario, hostilities in the Middle East continue until the end of the summer and destroy key infrastructure that must be repaired. The crude oil price rises to 120 \$ per barrel, remains at this high level until September 2026, and only falls below the 90 \$ mark again in early 2027. The price of natural gas remains at 70 € per MWh until February 2027, as key production facilities have been destroyed, and gradually falls back by the end of the year.

For reasons of brevity, the forecast presents only the main scenario¹ in the usual level of detail. For the optimistic and pessimistic

scenarios, however, only the key figures are provided.

Figure 1: Energy price scenarios



Source: Intercontinental Exchange – ICE, Macrobond, WIFO calculations. Pre-war expectations: futures from late February 2026.

Table 1: Main results – scenarios

	Main scenario		Optimistic scenario		Pessimistic scenario		
	2026	2027	2026	2027	2026	2027	
Percentage changes from previous year							
Gross domestic product, volume	+ 0.9	+ 1.3	+ 1.1	+ 1.5	+ 0.2	+ 0.4	
Manufacturing	+ 1.2	+ 1.7	+ 1.5	+ 1.8	- 0.2	+ 0.3	
Wholesale and retail trade	+ 0.9	+ 1.3	+ 1.1	+ 1.5	- 0.7	- 0.2	
Private consumption expenditure ¹ , volume	+ 0.5	+ 0.6	+ 0.7	+ 1.0	+ 0.2	+ 0.1	
Consumer durables ²	+ 0.4	+ 1.0	+ 0.5	+ 1.3	- 0.1	- 0.1	
Gross fixed capital formation, volume	+ 1.0	+ 2.1	+ 1.4	+ 2.2	- 1.0	+ 0.8	
Machinery and equipment ³	+ 1.7	+ 2.8	+ 2.3	+ 3.1	- 1.7	+ 1.0	
Construction	+ 0.1	+ 1.1	+ 0.2	+ 1.0	- 0.2	+ 0.5	
Exports, volume	+ 1.5	+ 2.2	+ 1.6	+ 2.5	+ 0.3	+ 1.1	
Exports of goods, fob	+ 0.7	+ 1.8	+ 0.8	+ 2.2	+ 0.2	+ 0.8	
Imports, volume	+ 1.0	+ 2.0	+ 1.2	+ 2.2	- 0.3	+ 1.1	
Imports of goods, fob	+ 0.7	+ 1.6	+ 1.0	+ 2.0	- 0.8	+ 0.8	
Gross domestic product, value	+ 3.1	+ 3.5	+ 3.3	+ 3.7	+ 2.4	+ 2.8	
	billion €						
Consumer prices	+ 2.7	+ 2.3	+ 2.5	+ 2.2	+ 4.1	+ 3.5	
GDP deflator	+ 2.2	+ 2.2	+ 2.3	+ 2.2	+ 2.2	+ 2.4	
General government net lending, Maastricht definition as a percentage of GDP	- 4.1	- 4.0	- 4.0	- 3.7	- 4.4	- 4.9	
Persons in active dependent employment ⁴	+ 0.5	+ 0.8	+ 0.6	+ 0.8	+ 0.2	+ 0.3	
Unemployment rate ⁵	7.4	7.1	7.3	7.0	7.5	7.6	
Energy prices							
Crude oil, Brent	\$ per barrel	88	76	73	70	106	80
Natural gas, Dutch TTF	€ per MWh	49	37	39	28	64	58

Source: WIFO, ICE, HWWI, Public Employment Service Austria, Federation of Social Insurances, OeNB, Statistics Austria, Environment Agency Austria. 2026 and 2027: forecast. – ¹ Including non-profit institutions serving households. – ² WIFO calculation based on the shares of consumer durables according to the domestic concept. – ³ Including weapons systems and other investment. – ⁴ Excluding persons in valid employment contract receiving child care benefit or being in military service. – ⁵ As a percentage of dependent labour force, national definition.

¹ Unless explicitly stated otherwise, the figures given refer to the main scenario.

In both the optimistic and the main scenarios, the economic recovery continues in the current year. In the optimistic scenario, economic output is expected to rise by 1.1 percent in 2026, and by 0.9 percent in the main scenario. In 2027, growth accelerates to 1.3 percent and 1.5 percent respectively. The pace of growth thus lags behind that of previous upturns.

In the pessimistic scenario, the moderate upturn observed so far is abruptly interrupted, resulting in GDP growing by just 0.2 percent in 2026 (2027 +0.4 percent). The high energy prices assumed in this scenario not only weigh on production and the real disposable income of private households, but also dampen business sentiment and consumer confidence. This results in an economic slowdown that goes beyond mere price effects.

In the main scenario, too, the renewed rise in inflation weighs on disposable incomes. As a result, private consumption continues to grow only modestly (2026 +0.5 percent, 2027 +0.6 percent). In the optimistic scenario, growth in the current year is somewhat livelier (+0.7 percent) and strengthens to 1 percent in 2027. In the pessimistic scenario, dampened consumer confidence – particularly heightened inflation expectations and unemployment – leads to a renewed rise in the savings rate. As a result, consumption barely grows in 2026 (+0.2 percent) and virtually stagnates in 2027 (+0.1 percent).

Government consumption expands by 1.2 percent in 2026 – only half as much as in the previous year due to the strained situation in public finances – and remains subdued in 2027 as well (+1 percent). It is assumed that the general government attempts in all three scenarios to stick to this expenditure path despite the savings target, so as not to place an additional burden on the economy. The general government financial balance improves slightly in the

main scenario to –4.1 percent (2026) and –4.0 percent (2027) of GDP (2025 –4.2 percent). In the pessimistic scenario, net lending amounts to –4.4 percent of economic output in 2026 and –4.9 percent in 2027 (without further measures; "No-policy-change" assumption).

The pronounced geopolitical uncertainty is most clearly reflected in domestic investment demand. In the main scenario, gross fixed capital formation rises by only 1.0 percent in 2026 (2025 +1.4 percent). It is not until 2027 that this component of demand will pick up pace again (+2.1 percent; optimistic scenario: 2026 +1.4 percent, 2027 +2.2 percent). In the pessimistic scenario, gross fixed capital formation contracts by 1 percent in the current year and does not grow again until 2027 (+0.8 percent).

The inflation forecast depends largely on assumptions regarding energy price trends. In the main scenario, the inflation rate falls to 2.7 percent in 2026 and further to 2.3 percent in 2027. In the pessimistic scenario, however, it rises to 4.1 percent and only eases to 3.5 percent in 2027. In the optimistic scenario, inflation stands at 2.5 percent in 2026 and 2.2 percent in 2027.

Despite the continued subdued economic performance, employment growth will gain momentum. In the main scenario, the rate of increase accelerates to 0.5 percent in 2026 and 0.8 percent in 2027 (optimistic scenario: +0.6 and +0.8 percent respectively; pessimistic scenario: +0.2 and +0.3 percent respectively).

In the optimistic scenario, the unemployment rate falls from 7.4 percent in the previous year to 7.3 percent, remains stable in the main scenario and rises slightly to 7.5 percent in the pessimistic scenario (2027: 7.0 to 7.6 percent).

1. Global economic conditions

1.1 Rising energy prices hit a global economy in recovery

The global economy was on the upswing before the war in Iran began. The rise in energy prices is having a dampening effect, and US tariffs remain a source of uncertainty.

Since spring 2026, the global economy has been confronted with a sharp rise in energy prices as a result of the war in Iran. Damage to production facilities, but above all the blockade of the transport route through the Strait of Hormuz, caused crude oil and natural gas prices to skyrocket. The price of Brent crude oil averaged 100 \$ per barrel in March, an increase of more than 60 percent compared with the start of the year. The European price of natural gas also rose from just under 30 € to around 50 € per MWh.

Before the start of the war, global economy had been on the upswing. World trade and global industrial production had grown by

the start of 2026 – despite the volatile trade policy environment and increased US import tariffs. Business sentiment, as measured by the Purchasing Managers' Indices published by Standard & Poor's, had also pointed to a broad-based economic recovery until the outbreak of war.

Like the future price trends for fossil fuels, the trade policy environment in 2026 is also subject to a high degree of uncertainty. The Supreme Court of the USA ruled that most of the tariffs introduced over the course of the previous year were unlawful and repealed them with retroactive effect. At the same time, the government of the USA imposed a new tariff on a different legal basis, which applies equally to all trading partners for a period of 150 days. What happens after this

period expires remains to be seen. WIFO assumes that the USA will continue to have sufficient scope to impose tariffs and that the

effective tariff rate on imports will therefore remain roughly at the current level.

Table 2: **International economy**

	Percentage shares 2024		2022	2023	2024	2025	2026	2027
	Austria's exports of goods	World GDP ¹	GDP volume, percentage changes from previous year					
EU 27	67.0	14.2	+ 3.5	+ 0.4	+ 1.1	+ 1.6	+ 1.2	+ 1.3
Euro area	51.6	10.1	+ 3.6	+ 0.4	+ 0.9	+ 1.4	+ 1.0	+ 1.3
Germany	29.7	3.0	+ 1.8	- 0.9	- 0.5	+ 0.2	+ 0.8	+ 1.1
Italy	6.1	1.8	+ 4.8	+ 1.0	+ 0.7	+ 0.5	+ 0.3	+ 0.8
France	3.6	2.2	+ 2.7	+ 1.4	+ 1.2	+ 0.8	+ 0.7	+ 0.9
Spain	1.7	1.4	+ 6.4	+ 2.5	+ 3.5	+ 2.8	+ 2.4	+ 2.1
CEEC 5 ²	15.1	2.1	+ 4.1	+ 0.3	+ 2.2	+ 2.6	+ 2.7	+ 2.4
Poland	3.9	1.0	+ 5.3	+ 0.2	+ 3.0	+ 3.6	+ 3.4	+ 2.7
Hungary	3.6	0.2	+ 4.2	- 0.8	+ 0.6	+ 0.4	+ 1.4	+ 2.4
Czech Republic	3.5	0.3	+ 2.8	+ 0.0	+ 1.2	+ 2.5	+ 2.2	+ 2.1
USA	8.5	14.8	+ 2.5	+ 2.9	+ 2.8	+ 2.2	+ 2.3	+ 2.1
Switzerland	5.1	0.4	+ 3.5	+ 0.8	+ 1.4	+ 1.3	+ 0.7	+ 1.3
UK	2.6	2.2	+ 5.1	+ 0.3	+ 1.1	+ 1.3	+ 0.5	+ 1.0
China	2.8	19.3	+ 3.0	+ 5.2	+ 5.0	+ 4.9	+ 4.6	+ 4.2
Total ³								
PPP-weighted ⁴		51	+ 3.1	+ 3.0	+ 3.1	+ 3.0	+ 2.8	+ 2.6
Export weighted ⁵	86		+ 2.5	+ 0.6	+ 1.0	+ 1.1	+ 1.2	+ 1.2
Market growth ⁶			+ 5.7	- 3.2	+ 0.5	+ 3.8	+ 0.9	+ 1.8
Forecast assumptions								
Crude oil prices								
Brent, \$ per barrel			98.9	82.2	79.8	68.2	88	76
Natural gas price								
Dutch TTF, € per MWh			135.0	42.2	34.5	36.7	48	37
Electricity price Austria								
Base, € per MWh			261.6	102.2	82.1	99.2	111	94
Peak, € per MWh			275.5	103.9	81.4	92.1	114	98
Exchange rate								
\$ per €			1.054	1.082	1.082	1.129	1.16	1.16
Key interest rate								
ECB main refinancing rate ⁷ , percent			0.6	3.8	4.1	2.4	2.2	2.3
10-year government bonds yields Germany, percent			1.1	2.4	2.3	2.6	2.7	2.6

Source: WIFO, Bureau of Economic Analysis, European Energy Exchange, Eurostat, ECB, HWWI, IMF, Intercontinental Exchange, OECD, Statistics Austria. 2026 and 2027: forecast. – ¹ PPP-weighted. – ² Czech Republic, Hungary, Poland, Slovenia, Slovakia. – ³ EU countries, UK, USA, Switzerland, China. – ⁴ Weighted by GDP at purchasing power parities in 2024. – ⁵ Weighted by shares of Austrian goods exports in 2024. – ⁶ Real import growth of trading partners, weighted by shares of Austrian goods exports. – ⁷ Fixed rate.

1.2 Slower growth in the USA

In the USA, the total economy continued to grow strongly in 2025, although the increase was somewhat smaller than in previous years. This was partly due to the 1½-month government shutdown in October and November, which led to a decline in public consumption and consequently a slowdown in the business cycle in the fourth quarter.

However, the conditions for steady expansion in the USA remain in place. At the start of 2026, the normalisation of government operations is likely to have supported demand in the total economy. Households are expected to increase their consumer

spending in the current year, albeit at a slightly slower pace. The boom in artificial intelligence also appears to be continuing.

A renewed temporary rise in inflation, due to rising energy prices, is likely to delay further interest rate cuts by the central bank. We expect that the labour force is growing more slowly than in previous years due to more restrictive immigration policies, which is slowing down expansion but also keeping the unemployment rate low. All in all, the economy of the USA is set to grow at a similar rate to that of 2025 (+2.2 percent) over the forecast period.

In the USA, growth over the forecast period will be lower than before 2025.

Although the rise in energy prices is slowing the business cycle in the euro area, it is unlikely to interrupt the moderate recovery.

Expanded government spending in Germany is likely to have an increasingly positive impact on demand over the current year.

In the pessimistic scenario, GDP of industrialised countries will grow at a weaker pace in 2027.

The domestic economy continues to suffer from subdued international demand. Whilst the impetus from the public sector is weaker during the forecast period than in the past, the trend in construction investment is at least no longer weighing on growth.

1.3 Business cycle in the euro area slightly points upward

In the euro area, the business cycle showed a steady upward trend last year; excluding Ireland, GDP grew by around a quarter of a percentage point in every quarter. Eurozone industry continues to suffer from intense competitive pressure from China and US tariffs, although the Purchasing Managers' Index pointed to expansion again for the first time in February. In the services sector, however, sentiment deteriorated noticeably in March. Nevertheless conditions for a continuation of the economic recovery remain in place. Before the outbreak of the Iran war, inflation stood at 2 percent and key interest rates had been cut significantly. Furthermore, the unemployment rate in January was at its lowest level for several years.

The rise in energy prices is likely to push up inflation in the euro area, albeit temporarily. However, provided the situation in the Persian Gulf stabilises quickly – as assumed in the main scenario – the rise will be limited and consumer price inflation will ease again from the second half of the year onwards. Households are expected to continue to increase their consumer spending over the forecast period, partly because the savings rate remains high by historical standards. Investment will benefit from an increase in defence spending and the fiscal package in Germany. Exports should gradually regain momentum, provided they do not suffer a further setback from higher tariffs. The total economy in the euro area is therefore expected to grow at roughly the same pace as in the previous year over the forecast period (2026 +1.0 percent, 2027 +1.3 percent).

1.4 Fiscal package boosts demand in Germany

In Germany, GDP rose significantly in the fourth quarter – following declines in the two preceding quarters. This reflected a strong expansion in public consumption and gross fixed capital formation, both a consequence of the fiscal package adopted last year. Private consumption also expanded noticeably. However, competition with China continues to weigh heavily on German industry, although the number of incoming orders improved somewhat at the start of the year.

The economic recovery in Germany is likely to continue despite rising energy prices, as the general government is significantly increasing its spending on infrastructure, climate neutrality investments and defence this year. The export sector should gradually regain momentum. Whilst the war in Iran is slowing the recovery, it is not bringing it to a standstill. The total growth in German GDP is expected to be around 1 percent in each of the two forecast years.

1.5 Risk of a prolonged war in Iran

A continuation of the Iran war beyond June 2026, combined with a sustained blockade of the Strait of Hormuz and damage to oil and gas production facilities, would keep energy prices high for longer and could also lead to other global supply chain problems, for example with helium or fertilisers. This would likely push up consumer price inflation more significantly in countries dependent on fossil fuels and prompt central banks to raise key interest rates.

In the pessimistic scenario assumed by WIFO, growth in industrialised countries remains subdued in 2027 as well. Prolonged production stoppages in certain sectors are conceivable due to disrupted supply chains.

2. Austria: Sluggish recovery continues over the forecast period

After two years of recession (real GDP –0.8 and –0.7 percent respectively), the Austrian economy recovered in 2025 and grew by 0.6 percent. However, no clear economic picture emerged during the year. In the first quarter, GDP initially rose by 0.3 percent before stagnating again. This pattern was repeated in the second half of the year.

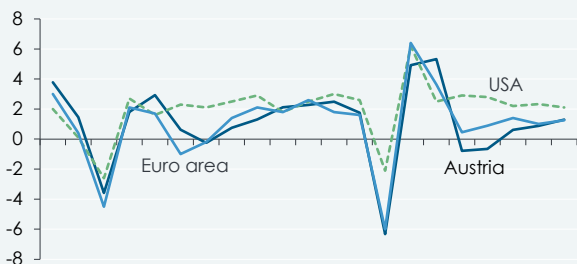
In response to the rather disappointing end to 2025, WIFO assumes a slightly better start to the year (first quarter +0.2 percent

compared with the previous quarter). Although the challenging winter weather weighed on the construction sector, delays are expected to be made up for in the second quarter. For the end of the second quarter, the main scenario also assumes an easing of tensions on the energy markets and a gradual fall in the price of crude oil. As a result, the economic climate should recover.

Figure 2: Indicators of economic performance

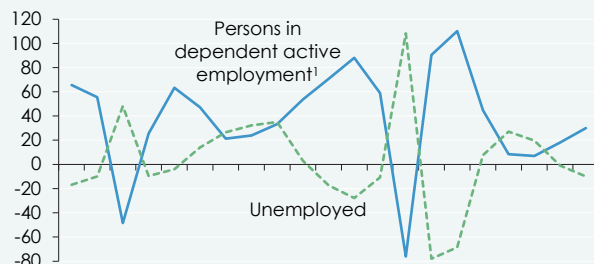
Growth of real GDP

Percent



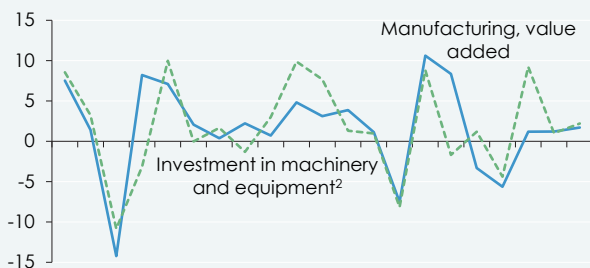
Employment and unemployment

Change from previous year in 1,000



Manufacturing and investment

Percentage changes from previous year, volume



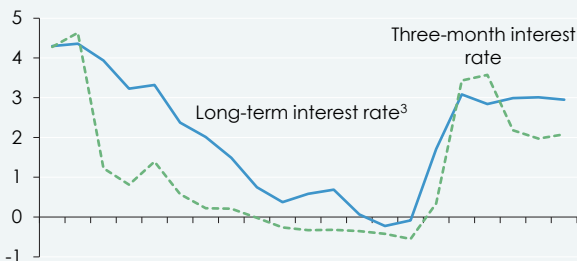
Consumption and income

Percentage changes from previous year, volume



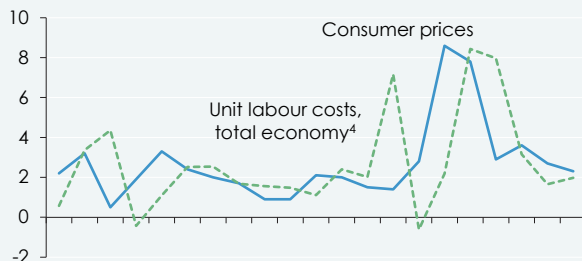
Short-term and long-term interest rates

Percent



Inflation and unit labour costs

Percentage changes from previous year



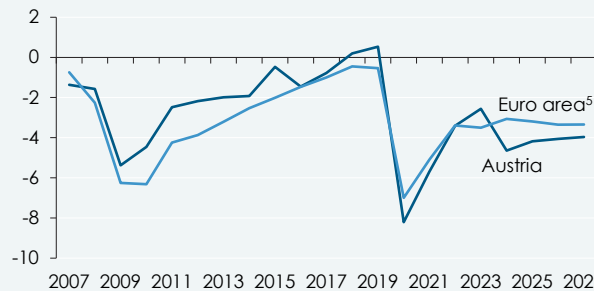
Trade (according to National Accounts)

Percentage changes from previous year, volume



General government financial balance

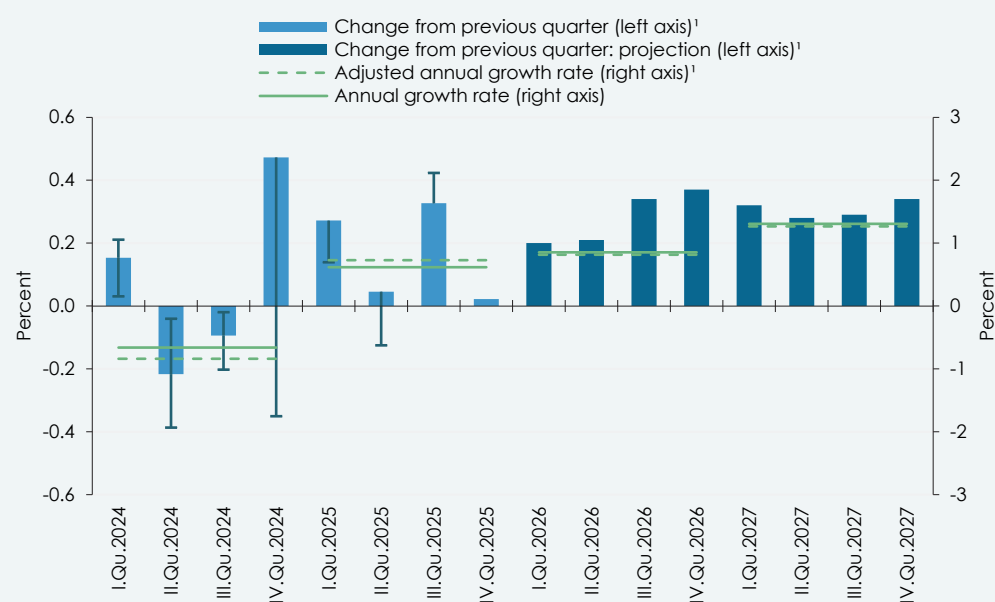
As a percentage of GDP



Source: WIFO. 2026 and 2027: forecast. – ¹ Excluding persons in valid employment contract receiving child care benefit or being in military service, and unemployed persons in training; break in 2007-08 due to changes in the employment statistics. – ² Including weapons systems. – ³ 10-year central government bonds (benchmark). – ⁴ Including short-time work grants. – ⁵ Source: European Commission.

Figure 3: **Cyclical profile for Austria**

GDP, volume



Source: WIFO. –¹ Seasonally and calendar adjusted according to Eurostat. The error indicators show the range of previous revisions to realised values.

Table 3: **Technical breakdown of the real GDP growth forecast**

Main scenario

		2024	2025	2026	2027
Growth carry-over ¹	percentage points	- 0.9	+ 0.3	+ 0.2	+ 0.5
Growth rate during the year ²	percent	+ 0.3	+ 0.7	+ 1.1	+ 1.2
Annual growth rate	percent	- 0.7	+ 0.6	+ 0.9	+ 1.3
Adjusted annual growth rate ³	percent	- 0.8	+ 0.7	+ 0.8	+ 1.3
Calendar effect ⁴	percentage points	+ 0.1	- 0.1	+ 0.0	+ 0.0

Source: WIFO. 2026 and 2027: forecast. –¹ Impact of year-earlier growth dynamics on growth in the current year. Equals the annual growth rate in the current year, if the level of GDP in the current year remains constant from the fourth quarter of the previous year; seasonally and calendar adjusted according to Eurostat. –² Reflects the growth dynamics during a calendar year. Equals the year-on-year growth rate for the fourth quarter; seasonally and calendar adjusted according to Eurostat. –³ Seasonally and calendar adjusted according to Eurostat. Comparative figure to the OeNB's economic forecast. –⁴ Impact of the annual number of working days and the leap day. The sum of the adjusted annual growth rate and calendar effect may differ from the value of the unadjusted annual growth rate as it also includes seasonal and irregular effects.

Table 4: **Revision of the growth forecast**

GDP, volume, main scenario

		2026	2027
WIFO Economic Outlook December 2025	percent	+ 1.2	+ 1.4
Data revisions ¹	percentage points	- 0.0	- 0.0
Forecast error for the fourth quarter of 2025 ²	percentage points	- 0.0	0.0
Forecast revision	percentage points	- 0.3	- 0.1
WIFO Economic Outlook April 2026	percent	+ 0.9	+ 1.3

Source: WIFO. –¹ Revision of the Quarterly National Accounts by Statistics Austria compared to the data used for the WIFO Economic Outlook of December 2025. –² At the time of the preparation of the WIFO Economic Outlook of December 2025, no values were available from Statistics Austria for this quarter.

2.1 Export activity is picking up moderately

US tariff policy continues to hamper foreign trade; however, the biggest obstacle for the domestic export sector is the persistently subdued economic situation in Europe. This is accompanied by low demand for capital goods investment, which is of particular importance to Austrian industry. Heightened uncertainty related to the war in Iran is prompting companies to hold back on investment. Austrian goods exports will therefore provide only very little impetus to the domestic business cycle in 2026 as well, though they will pick up slightly again after three years of decline (volume +0.7 percent). As a result, total exports will expand by 1.5 percent. For 2027, WIFO expects a revival (exports of goods +1.8 percent; total exports +2.2 percent).

Imports of goods will expand modestly in 2026 (+0.7 percent), and will show slightly more vigour again in the coming year (+1.6 percent) reflecting the revival in capital expenditure. Total imports will expand by 1.0 percent in 2026 and by 2 percent in 2027.

Whereas in its December 2025 Economic Outlook WIFO had anticipated an improvement in the terms of trade for goods of 0.3 percent (2026), a deterioration of 0.8 percent is now forecasted due to the sharp rise in the cost of fossil fuels. Command-basis GDP per capita is therefore expected to grow at a significantly weaker rate of +0.3 percent than real GDP per capita (+0.6 percent). In 2027, the terms of trade in goods trade should then improve slightly again by 0.1 percent.

Table 5: **Main results**

	2022	2023	2024	2025	2026	2027	
	Percentage changes from previous year						
Gross domestic product, volume	+ 5.3	- 0.8	- 0.7	+ 0.6	+ 0.9	+ 1.3	
Manufacturing	+ 8.3	- 3.3	- 5.6	+ 1.2	+ 1.2	+ 1.7	
Wholesale and retail trade	+ 1.0	- 7.9	- 3.0	+ 0.9	+ 0.9	+ 1.3	
Private consumption expenditure ¹ , volume	+ 5.4	- 0.2	+ 1.0	+ 0.5	+ 0.5	+ 0.6	
Consumer durables ²	- 4.5	- 5.5	- 0.2	+ 2.9	+ 0.4	+ 1.0	
Gross fixed capital formation, volume	- 0.3	- 1.3	- 4.3	+ 1.4	+ 1.0	+ 2.1	
Machinery and equipment ³	+ 1.4	+ 1.7	- 2.8	+ 5.0	+ 1.7	+ 2.8	
Construction	- 2.1	- 4.5	- 5.9	- 2.9	+ 0.1	+ 1.1	
Exports, volume	+ 9.4	- 0.6	- 2.3	+ 0.3	+ 1.5	+ 2.2	
Exports of goods, fob	+ 5.6	- 0.9	- 4.5	- 0.2	+ 0.7	+ 1.8	
Imports, volume	+ 6.9	- 4.3	- 2.6	+ 1.7	+ 1.0	+ 2.0	
Imports of goods, fob	+ 3.2	- 7.0	- 5.3	+ 1.7	+ 0.7	+ 1.6	
Gross domestic product, value	+ 10.6	+ 6.3	+ 3.4	+ 3.8	+ 3.1	+ 3.5	
	billion €	449.38	477.84	494.09	512.81	528.53	547.24
Current account balance as a percentage of GDP	- 1.3	1.6	1.5	1.9	1.5	1.4	
Consumer prices	+ 8.6	+ 7.8	+ 2.9	+ 3.6	+ 2.7	+ 2.3	
GDP deflator	+ 5.0	+ 7.2	+ 4.1	+ 3.2	+ 2.2	+ 2.2	
General government net lending, Maastricht definition as a percentage of GDP	- 3.4	- 2.6	- 4.6	- 4.2	- 4.1	- 4.0	
Persons in active dependent employment ⁴	+ 3.0	+ 1.2	+ 0.2	+ 0.2	+ 0.5	+ 0.8	
Unemployment rate ⁵	6.3	6.4	7.0	7.4	7.4	7.1	
Command-basis GDP per capita ⁶	+ 1.1	- 1.4	- 0.6	+ 0.9	+ 0.3	+ 1.1	
At-risk-of-poverty rate ^{7,9}	14.9	14.3	14.4	14.4	14.6	14.3	
Income quintile share ratio ^{8,9}	4.3	4.3	4.3	4.3	4.4	4.4	
Greenhouse gas emissions ¹⁰	- 5.9	- 6.6	- 2.5	+ 1.2	- 3.5	- 2.0	
	Million t CO ₂ equivalents	73.52	68.70	67.00	67.84	65.44	64.14

Source: WIFO, Public Employment Service Austria, Federation of Social Insurances, OeNB, Statistics Austria, Environment Agency Austria. 2026 and 2027: forecast. – ¹ Including non-profit institutions serving households. – ² WIFO calculation based on the shares of consumer durables according to the domestic concept. – ³ Including weapons systems and other investment. – ⁴ Excluding persons in valid employment contract receiving child care benefit or being in military service. – ⁵ As a percentage of dependent labour force, national definition. – ⁶ Nominal GDP deflated by the implicit price index of domestic demand. – ⁷ Share of persons living in private households with an equivalised disposable income below the at-risk-of-poverty threshold. – ⁸ S80/S20: ratio of total equivalised disposable income received by the population living in private households in the top income quintile to that received by the population in the bottom quintile. – ⁹ Eurostat definition, assigned to the income reference year. From 2024 forecast based on EUROMOD Version 2.0+ and EU-SILC 2024. – ¹⁰ 2024: estimate according to Environmental Agency Austria. From 2025: forecast.

Table 6: **Expenditure on GDP**

Volume (chain-linked series)

	2024	2025	2026	2027	2024	2025	2026	2027
	Billion € (reference year 2015)				Percentage changes from previous year			
Final consumption expenditure	273.86	276.62	278.58	280.58	+ 1.8	+ 1.0	+ 0.7	+ 0.7
Households ¹	193.66	194.53	195.51	196.68	+ 1.0	+ 0.5	+ 0.5	+ 0.6
General government	80.23	82.11	83.10	83.93	+ 3.8	+ 2.4	+ 1.2	+ 1.0
Gross capital formation	84.86	86.57	87.52	89.69	- 9.1	+ 2.0	+ 1.1	+ 2.5
Gross fixed capital formation	87.78	88.97	89.84	91.71	- 4.3	+ 1.4	+ 1.0	+ 2.1
Machinery and equipment ²	28.66	31.31	31.62	32.31	- 4.4	+ 9.2	+ 1.0	+ 2.2
Construction	36.59	35.52	35.55	35.94	- 5.9	- 2.9	+ 0.1	+ 1.1
Other investment ³	22.97	22.93	23.50	24.35	- 0.8	- 0.2	+ 2.5	+ 3.6
Domestic demand	359.73	364.76	366.93	371.14	- 0.8	+ 1.4	+ 0.6	+ 1.1
Exports	224.87	225.53	228.97	234.00	- 2.3	+ 0.3	+ 1.5	+ 2.2
Travel	15.05	15.27	15.64	15.91	+ 0.8	+ 1.5	+ 2.4	+ 1.8
Minus imports	205.46	208.99	211.14	215.29	- 2.6	+ 1.7	+ 1.0	+ 2.0
Travel	10.34	10.48	10.50	10.51	+ 4.0	+ 1.4	+ 0.1	+ 0.1
Gross domestic product	380.18	382.52	385.86	390.87	- 0.7	+ 0.6	+ 0.9	+ 1.3
Value	494.09	512.81	528.53	547.24	+ 3.4	+ 3.8	+ 3.1	+ 3.5

Source: WIFO, Statistics Austria. 2026 and 2027: forecast. – ¹ Including non-profit institutions serving households. – ² Including weapon systems. – ³ Mainly intellectual property products (research and development, computer programmes, copyrights).

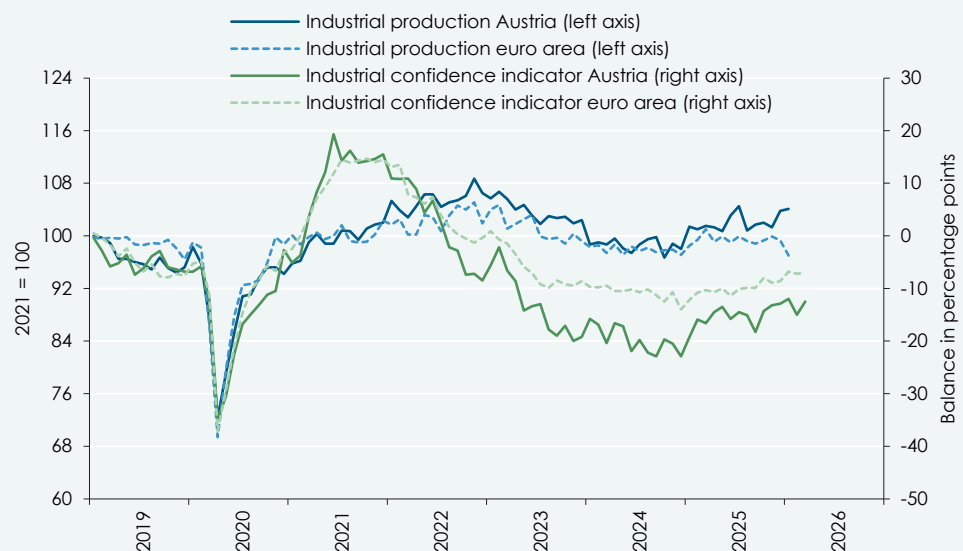
2.2 Recovery in industrial production still a long way off

Sentiment among industrial companies remained subdued at the start of the year. The war in Iran is likely to leave further scars. This will dampen corporate investment activity in 2026 and, consequently, demand for manufactured goods.

Value added in manufacturing recovered in 2025 from the slump of the previous year (volume +1.2 percent after -5.6 percent). For 2026, WIFO expects further expansion, though not an acceleration, as international demand for industrial goods remains weak.

Although the business cycle is still improving in the euro area, production growth there does not correspond to that of a typical up-turn phase. The German industry should benefit from the increase in defence spending from the second half of 2026 onwards. Public sector construction projects are also expected to underpin demand there. However, the Austrian economy will hardly benefit from this impetus, as domestic industry in these sectors supplies Germany only to a very limited extent. Consequently, no revival of industrial activity is expected in Austria in 2026 either. Value added in goods production will grow by 1.2 percent, as in the previous year (2027 +1.7 percent).

Figure 4: **Production and sentiment in manufacturing**



Source: Eurostat, European Commission, Macrobond. Industrial production for NACE 2008 section C, seasonally adjusted. Industrial confidence indicator according to the European Commission's business survey, seasonally adjusted.

Table 7: **Gross value added**

At basic prices

	2024	2025	2026	2027	2024	2025	2026	2027
	Billion € (reference year 2015)				Percentage changes from previous year			
Volume (chain-linked series)								
Agriculture, forestry and fishing	4.26	4.33	4.37	4.41	+ 2.2	+ 1.6	+ 1.0	+ 1.0
Manufacturing including mining and quarrying	68.47	69.28	70.11	71.31	- 5.4	+ 1.2	+ 1.2	+ 1.7
Electricity, gas and water supply, waste management	10.87	9.90	10.03	10.13	- 3.1	- 8.9	+ 1.3	+ 1.0
Construction	15.31	14.86	14.86	15.01	- 4.2	- 2.9	± 0.0	+ 1.0
Wholesale and retail trade	38.33	38.68	39.02	39.53	- 3.0	+ 0.9	+ 0.9	+ 1.3
Transportation	19.81	19.75	19.85	20.05	- 1.5	- 0.3	+ 0.5	+ 1.0
Accommodation and food service activities	10.95	10.79	10.86	10.97	- 0.3	- 1.4	+ 0.6	+ 1.0
Information and communication	16.81	16.94	17.11	17.28	+ 1.7	+ 0.8	+ 1.0	+ 1.0
Financial and insurance activities	16.78	16.79	17.15	17.63	+ 4.6	+ 0.1	+ 2.2	+ 2.8
Real estate activities	32.00	32.86	33.19	33.59	+ 1.1	+ 2.7	+ 1.0	+ 1.2
Other business activities ¹	35.66	35.22	35.75	36.43	- 1.9	- 1.2	+ 1.5	+ 1.9
Public administration ²	62.67	64.45	65.10	65.75	+ 3.4	+ 2.8	+ 1.0	+ 1.0
Other service activities ³	8.81	8.75	8.79	8.83	+ 0.9	- 0.7	+ 0.5	+ 0.5
Total gross value added ⁴	339.92	341.35	344.83	349.45	- 1.0	+ 0.4	+ 1.0	+ 1.3
Gross domestic product at market prices	380.18	382.52	385.86	390.87	- 0.7	+ 0.6	+ 0.9	+ 1.3

Source: WIFO, Statistics Austria. 2026 and 2027: forecast. – ¹ Professional, scientific and technical activities; administrative and support service activities (NACE M and N). – ² Including defence, compulsory social security, education, human health and social work activities (NACE O to Q). – ³ Arts, entertainment and recreation; other service activities; activities of households (NACE R to U). – ⁴ Before deduction of subsidies and attribution of taxes on products.

Table 8: **Productivity**

	2022	2023	2024	2025	2026	2027
	Percentage changes from previous year					
Total economy						
GDP, volume	+ 5.3	- 0.8	- 0.7	+ 0.6	+ 0.9	+ 1.3
Employment ¹	+ 2.9	+ 0.8	+ 0.6	+ 0.2	+ 0.2	+ 0.7
Production per person employed	+ 2.4	- 1.6	- 1.3	+ 0.4	+ 0.7	+ 0.6
Hours worked per person employed ²	- 0.3	- 0.2	- 0.5	+ 0.3	+ 0.3	+ 0.1
Hourly productivity ³	+ 2.7	- 1.4	- 0.8	+ 0.1	+ 0.4	+ 0.5
Manufacturing						
Gross value added, volume	+ 8.3	- 3.3	- 5.6	+ 1.2	+ 1.2	+ 1.7
Employment ¹	+ 2.3	+ 1.4	- 0.9	- 1.9	- 0.8	+ 0.4
Production per person employed	+ 5.9	- 4.7	- 4.8	+ 3.2	+ 2.0	+ 1.3
Hours worked per person employed ²	- 0.8	- 0.5	+ 0.8	- 0.1	- 0.2	- 0.2
Hourly productivity ³	+ 6.8	- 4.2	- 5.5	+ 3.3	+ 2.2	+ 1.5

Source: WIFO, Statistics Austria. 2026 and 2027: forecast. – ¹ Employees and self-employed, National Accounts definition (jobs). – ² National Accounts definition. – ³ Production per hour worked, National Accounts definition.

2.3 Investment demand remains weak

Following a decline of almost 4½ percent, investment in machinery and equipment rose by 9 percent in 2025 (in volume terms). Vehicles and other machinery and equipment, in particular, were in much greater demand than in the previous year. In view of this sharp rise, growth in investment in machinery and equipment is likely to level off significantly to 1.0 percent in 2026. Next year, it is expected to accelerate again to 2.2 percent as the economy slightly picks up momentum.

In 2026, the Austrian construction industry will enter a phase of stabilisation following four years of substantial losses. Due to snowy

weather conditions, the production index for the construction industry fell at the start of the year. According to the WIFO-Konjunkturtest (business cycle survey), the challenging weather conditions were a major obstacle to construction output.

Given the significant contraction in previous years and population growth, demand for residential construction investment is likely to pick up slightly again in 2026. The increase in mortgage agreements in the second half of 2025 also points to a recovery in residential construction.

Total construction investment will nevertheless only stagnate in 2026 (+0.1 percent). This is partly due to the reluctance of the public

Construction investment will break its multi-year decline in 2026, but will initially only stagnate.

Budget consolidation will also reduce the purchasing power of private households.

sector, which has halted or postponed many projects against the backdrop of budgetary consolidation. Furthermore, construction demand from businesses will remain weak in the current year. Construction investment will not start to grow again until 2027 (+1.1 percent) with public construction demand remaining still weak.

2.4 Private household consumption rises slightly

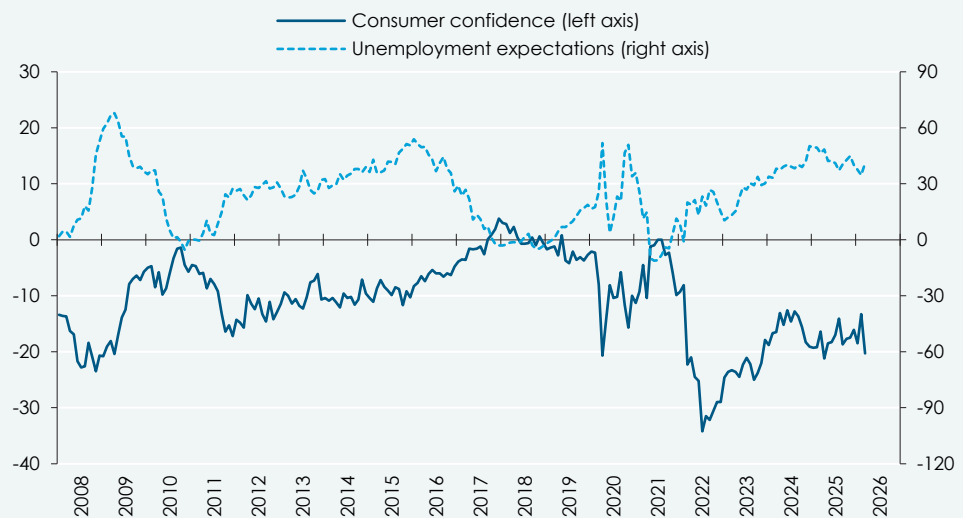
The high inflation rate in 2023 eroded the real disposable income of private households, causing their consumption to fall by 0.2 percent. In the following year, high wage settlements coupled with easing inflation allowed for a partial recovery in consumption (+1 percent, in real terms). In 2025, private consumer demand lost momentum again and rose by just 0.5 percent.

WIFO expects subdued spending growth to continue in the current and coming year. In 2026, private household consumption is likely to grow by 0.5 percent, as in the previous year.

The budget consolidation targeted by the federal government weighs on the growth of private household incomes and the rising cost of fossil fuels – as a result of the war in Iran – will be reflected in inflation trends. In addition to the direct effects on household incomes, consumer confidence will decline in view of the increasing uncertainty regarding future economic and inflationary developments. In the last surveys conducted before the outbreak of the war in Iran, private households' scepticism regarding the development of unemployment had eased. However, the increased uncertainty could now prompt households to save more again.

Figure 5: **Consumer sentiment in Austria**

Balance in percent, seasonally adjusted



Source: European Commission, Macrobond.

Price-adjusted disposable household income, which fell by 1.6 percent in 2025, is not expected to grow this year either (0.0 percent). Increased saving would further dampen private consumption expenditure. In its main scenario, WIFO anticipates a decline in the savings rate from 9.9 percent as a percentage of income (2025) to 9.4 percent in 2026, which should support consumption. For 2027, a renewed rise in real disposable income based on a decline in inflation is expected. Private consumption nevertheless should rise only marginally, by 0.6 percent.

2.5 Inflation rate back near the euro area average

The inflation rate almost halved to 2 percent in January 2026 (December 2025: 3.8 percent), partly because the base effect of the expiry of the electricity price cap – which had driven up prices throughout 2025 – no longer applied. However, the rise in fossil fuel prices will temporarily push up inflation and thus slow its decline on an annual average. According to flash estimates, both Austria and the euro area recorded higher figures in March, at 3.1 percent (harmonised) and 2.5 percent respectively. Despite the recent sharp rise in energy prices, inflation in 2026 will be lower than in the previous year.

Table 9: **Private consumption, income and prices**

	2022	2023	2024	2025	2026	2027
	Percentage changes from previous year					
Private consumption expenditure ¹	+ 5.4	- 0.2	+ 1.0	+ 0.5	+ 0.5	+ 0.6
Durable goods ²	- 4.5	- 5.5	- 0.2	+ 2.9	+ 0.4	+ 1.0
Non-durable goods and services ²	+ 6.6	+ 0.3	+ 1.1	+ 0.2	+ 0.5	+ 0.6
Private household disposable income, volume	+ 2.5	- 0.7	+ 4.4	- 1.6	- 0.0	+ 0.6
	As a percentage of disposable income					
Household saving ratio						
Including adjustment for the change in pension entitlements	9.1	8.6	11.7	9.9	9.4	9.4
Excluding adjustment for the change in pension entitlements	8.5	8.1	11.1	9.2	8.8	8.8
	Percentage changes from previous year					
Loans to domestic non-banks (end of period)	+ 5.0	+ 0.7	+ 0.7	+ 1.8	+ 2.8	+ 1.4
	Consumer prices					
National	+ 8.6	+ 7.8	+ 2.9	+ 3.6	+ 2.7	+ 2.3
Harmonised	+ 8.6	+ 7.7	+ 2.9	+ 3.6	+ 2.7	+ 2.4
Core inflation ³	+ 5.1	+ 7.3	+ 3.9	+ 3.1	+ 2.7	+ 2.6

Source: WIFO, OeNB, Statistics Austria. 2026 and 2027: forecast. – ¹ Private households including non-profit institutions serving households. – ² WIFO calculation based on the shares of consumer durables according to the domestic concept. – ³ Excluding energy, food, alcohol and tobacco.

Table 10: **Earnings, international competitiveness**

	2022	2023	2024	2025	2026	2027
	Percentage changes from previous year					
Wages and salaries per employee ¹						
Nominal, gross	+ 4.9	+ 7.1	+ 6.5	+ 3.6	+ 2.4	+ 2.6
Real ²						
Gross	- 3.4	- 0.6	+ 3.5	+ 0.0	- 0.3	+ 0.3
Net	- 2.7	- 0.2	+ 3.5	- 0.4	- 0.5	+ 0.0
Wages and salaries per hour worked ³						
Real, net ²	- 2.4	- 0.1	+ 4.0	- 0.8	- 0.9	- 0.1
	Percent					
Wage share, adjusted ⁴	61.9	62.9	65.5	65.9	65.5	65.4
	Percentage changes from previous year					
Unit labour costs, nominal ⁵						
Total economy	+ 2.2	+ 8.4	+ 8.0	+ 3.2	+ 1.7	+ 2.0
Manufacturing	- 0.7	+ 12.0	+ 11.9	+ 0.7	+ 0.2	+ 0.2
Effective exchange rate – manufactured goods ⁶						
Nominal	- 1.5	+ 1.9	+ 1.1	+ 1.3	+ 0.8	+ 0.3
Real	- 1.8	+ 3.4	+ 0.9	+ 2.2	+ 1.1	+ 0.4

Source: WIFO, Statistics Austria. 2026 and 2027: forecast. – ¹ National Accounts definition (jobs). – ² Deflated by CPI. – ³ National Accounts definition. – ⁴ Compensation of employees relative to GDP at factor cost, adjusted for the share of employees in total employment (persons according to national accounts). – ⁵ Labour costs in relation to productivity (hourly compensation per employees divided by GDP and value added, respectively, per employed persons' hours worked), including short-time work grants. – ⁶ Weighted by exports and imports, real value adjusted by relative HCPI.

In the first few weeks following the outbreak of the Iran war, the price of crude oil was extremely volatile. These fluctuations complicate the inflation forecast, which relies on assumptions concerning the further development of prices for fossil oil and gas. Monetary policy responses are also difficult to assess. Under the assumptions regarding energy price trends in the main scenario, WIFO expects an average annual inflation rate of 2.7 percent in 2026. For 2027, assuming a

continued decline in the prices of crude oil (-14 percent) and natural gas (-24 percent), a further fall to 2.3 percent is expected.

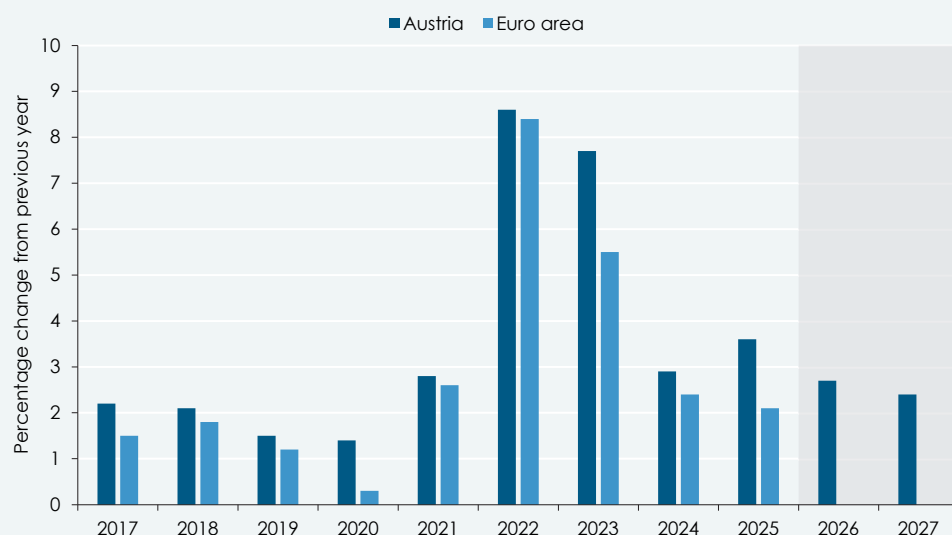
High prices for fossil fuels will also be reflected in the prices of downstream goods via the production chain. Consequently, fertilisers (and thus also food), chemicals and pharmaceuticals, for example, will become more expensive.

Core inflation (excluding food, alcohol, tobacco and energy, according to the HICP) will match overall inflation at 2.7 percent in

2026. In 2027, the core inflation rate is likely to fall slightly to 2.6 percent, but will still exceed overall inflation.

Figure 6: **Consumer prices in Austria and the Euro area**

According to the Harmonised Index of Consumer Prices (HICP)



Source: Eurostat, Macrobond. 2026 and 2027: WIFO projection.

2.6 Unemployment is expected to have peaked

As is usually the case, the recently overcome recession left its mark on the domestic labour market only after a delay. In 2023, the first year of the recession, employment had still grown strongly by +1.2 percent, but in 2024 and 2025 it barely grew at all (0.2 percent in each year). Similarly, the unemployment rate reacted to the business cycle with a delay. After standing at 6.4 percent in 2023, it rose significantly to 7.0 percent in 2024 and increased further to 7.4 percent in 2025 – despite the business cycle recovery.

At the start of 2026, job growth was +0.1 percent year-on-year, although the weather hampered the construction sector. In February, the growth rate increased. For 2026 as a whole, WIFO expects employment to expand by 0.5 percent (+18,000 jobs). In 2027, the slightly improved economic situation will allow for a further increase of 0.8 percent (+30,000 jobs). The number of jobs filled by

domestic workers will continue to decline over the forecast horizon.

The rise in labour force participation will allow for an expansion in employment despite a decline in the working-age population. The latter contracted by almost 10,000 persons in 2025 for the first time since the 1970s. For 2026, Statistics Austria expects a further decline of 12,600 persons, which is set to accelerate to just under 19,000 persons in 2027.

The number of unemployed reached its highest level since the COVID-19 pandemic in 2025. On an annual average, around 394,000 persons were unemployed (including persons in AMS training), just under 21,000 more than in the previous year. For 2026, WIFO does not expect a further rise in unemployment on an annual average. The unemployment rate is therefore expected to remain at 7.4 percent and only falls to 7.1 percent next year. This is made possible by more vigorous employment growth and a reduction in unemployment of 10,000 persons.

The decline in the working-age population is accelerating with increasing labour force participation at the same time.

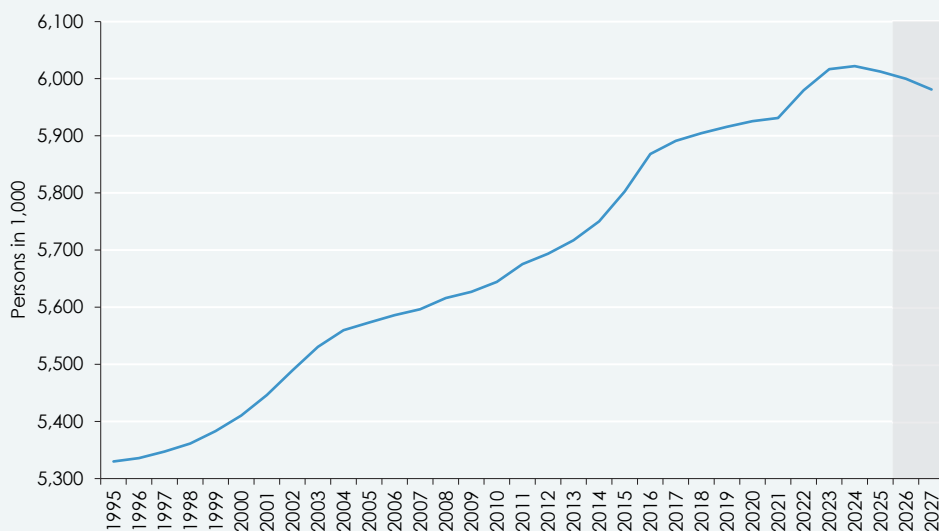
Table 11: Labour market

	2022	2023	2024	2025	2026	2027
	Change from previous year in 1,000					
Demand for labour						
Persons in active employment ¹	+ 116.2	+ 47.9	+ 13.0	+ 10.0	+ 23.0	+ 33.0
Employees ¹	+ 110.2	+ 44.8	+ 8.4	+ 6.9	+ 18.0	+ 30.0
National employees	+ 22.9	- 9.0	- 16.7	- 19.8	- 8.0	- 4.0
Foreign employees	+ 87.4	+ 53.8	+ 25.0	+ 26.8	+ 26.0	+ 34.0
Self-employed ²	+ 6.0	+ 3.1	+ 4.6	+ 3.1	+ 5.0	+ 3.0
Labour supply						
Population of working age						
15 to 64 years	+ 48.6	+ 36.9	+ 5.6	- 9.7	- 12.6	- 18.9
Labour force ³	+ 47.6	+ 55.6	+ 40.0	+ 29.7	+ 22.0	+ 23.0
Labour surplus						
Unemployed	- 68.6	+ 7.7	+ 27.1	+ 19.7	- 1.0	- 10.0
Unemployed persons in training	- 0.8	+ 1.0	+ 5.0	+ 1.0	- 3.0	- 1.0
Percent						
Unemployment rate						
As a percentage of total labour force (Eurostat) ⁴	4.8	5.1	5.2	5.7	5.8	5.5
As a percentage of total labour force	5.6	5.7	6.2	6.6	6.6	6.3
As a percentage of dependent labour force	6.3	6.4	7.0	7.4	7.4	7.1
Percentage changes from previous year						
Labour force ³	+ 1.0	+ 1.2	+ 0.9	+ 0.6	+ 0.5	+ 0.5
Persons in active dependent employment ¹	+ 3.0	+ 1.2	+ 0.2	+ 0.2	+ 0.5	+ 0.8
Unemployed	- 20.7	+ 2.9	+ 10.0	+ 6.6	- 0.3	- 3.2
Persons (in 1,000)	263.1	270.8	297.9	317.5	316.5	306.5

Source: WIFO, Eurostat, Federation of Social Insurances, Public Employment Service Austria, Statistics Austria. 2026 and 2027: forecast. – ¹ Excluding persons in valid employment contract receiving child care benefit or being in military service. – ² According to WIFO, including liberal professions and unpaid family workers. According to the Federation of Social Insurances. – ³ Persons in active employment plus unemployed. – ⁴ Labour Force Survey.

Figure 7: Working-age population

15 to 64 years



Source: Statistics Austria. 2026 and 2027: population forecast from November 2025, main scenario.

WIFO's budget forecast is based on a 'no-policy-change' assumption.

2.7 Budget consolidation under difficult conditions

With the launch of an EU deficit procedure against Austria, the pressure to consolidate public finances has increased. Although the initial budgetary position is somewhat more favourable than originally expected, the targeted path cannot be achieved with the consolidation measures adopted in the 2025-26 biennial budget. For the current year, WIFO forecasts a deficit of 4.1 percent of GDP, and 4.0 percent of GDP for 2027. Restrained public consumption is a key factor contributing to this slight improvement, particularly the moderate wage settlements in the public sector. Public debt will reach 84.6 percent of economic output in 2027 (2025: 81.5 percent).

Based on the WIFO forecast, the Austrian federal government will adopt a budget

plan for the next two years (2027-28 biennial budget) drawn up by the Federal Ministry of Finance in April. The WIFO fiscal forecast presented here does not take into account the cost-cutting measures contained in this two-year budget, but merely illustrates how public finances would develop if no new measures were introduced (the "no-policy-change" assumption). Only the already agreed reduction in VAT on basic foodstuffs was included in the forecast. This will result in a shortfall in tax revenue of around 100 million € in the current year.

A further source of uncertainty for the central government budget forecast stems from the fiscal results of the federal states and local authorities. Given dynamic cost developments, it is uncertain whether and to what extent sub-national authorities will meet their budgetary targets.

Table 12: Fiscal and monetary policy – key figures

	2022	2023	2024	2025	2026	2027
	As a percentage of GDP					
Fiscal policy						
General government financial balance ¹	- 3.4	- 2.6	- 4.6	- 4.2	- 4.1	- 4.0
General government primary balance	- 2.5	- 1.4	- 3.2	- 2.6	- 2.3	- 2.1
General government total revenue	49.6	49.7	50.6	51.0	50.9	50.6
General government total expenditure	53.0	52.3	55.3	55.2	55.0	54.5
General government gross dept ¹	78.1	77.8	80.0	81.5	83.4	84.6
	Percent					
Monetary policy						
Three-month interest rate	0.3	3.4	3.6	2.2	2.0	2.1
Long-term interest rate ²	1.7	3.1	2.8	3.0	3.0	3.0

Source: WIFO, ECB, OeNB, Statistics Austria. 2026 and 2027: forecast. – ¹ According to Maastricht definition. – ² 10-year central government bonds (benchmark).

2.8 Rising energy prices curb greenhouse gas emissions

According to preliminary calculations, Austria's greenhouse gas emissions rose by 1.2 percent in 2025. This interrupted the downward trend observed in the three preceding years. Reasons for the increase included colder weather, weak electricity generation from wind and hydro power, and the improved business cycle, which favoured steel production.

For 2026, WIFO expects emissions to fall by 3.5 percent. Higher prices for fossil fuels are reducing energy consumption. Furthermore,

the replacement of heating systems, the rise in electric mobility, the blending of non-fossil fuels and the expansion of renewable electricity generation are having a sustained dampening effect on emissions.

In 2027, these trends will continue. Although prices for fossil fuels will remain comparatively high, they will recede. As the business cycle is set to improve slightly, greenhouse gas emissions in 2027 will decrease at a slightly slower rate than in the previous year (-2 percent).