

Austria Gradually Emerges from Recession

Economic Outlook for 2025 and 2026

Austria's economy is recovering over the projection period from a recession that, according to the revised National Accounts, proved comparably severe to Germany's. The rebound is driven by private consumption, while foreign trade in goods continues to contract for the time being. Residential construction is picking up earlier than equipment investment, thanks to falling interest rates. Moderate wage settlements are expected to curb real-wage growth in 2026 and improve corporate profitability. Inflation will decline during the forecasting period, and the unemployment rate will reach a plateau. Overall, real GDP is set to grow by a modest 0.3 percent in 2025, accelerating to 1.1 percent in 2026. Because of higher energy prices, elevated unit labour costs, and other structural challenges, Austria's economy is likely to expand somewhat more slowly than the euro area in the medium term, averaging 1.1 percent per year through 2030.

"The downturn in Austria was, according to the latest data, roughly as pronounced as in Germany and unusually protracted, lasting about three years," says Stefan Schiman-Vukan, one of the authors of the current WIFO Economic Outlook.

The Austrian economy is emerging from a recession that, according to new National Accounts data from Statistics Austria, was milder than previously assumed. Simultaneously, Germany's Federal Statistical Office (Destatis) revised its GDP figures downward. Taken together, the revisions yield a coherent picture: the losses in value added were similar in both countries. The recession, which affected Northern, Central, and Eastern Europe, was triggered by the 2022 energy-price shock. Western and Southern European economies were largely spared because they were less dependent on Russian energy supplies.

As WIFO had projected, Austria's recovery is being led not – as usual – by exports of goods but by private consumption, which already expanded noticeably in 2024. During the forecast period, however, consumption will be restrained by the elevated unemployment risk and tight fiscal policy. Foreign trade in goods is not expected to revive until 2026. Weak global demand for capital goods is hitting Austrian exporters hard, and US import tariffs are an additional drag, especially since US demand for Austrian goods had been strong in recent years. The recovery in residential construction, already under way, will continue into 2026 on the back of lower interest rates. In civil engineering, the underlying momentum will be dampened in 2026 by public-sector austerity. Equipment investment will recover only with a lag, as it generally trails the overall business cycle; moreover, weak corporate profits are curbing investment appetite.

Table 1: **Main results**

	2021	2022	2023	2024	2025	2026	
	Percentage changes from previous year						
Gross domestic product, volume	+ 4.9	+ 5.3	– 0.8	– 0.7	+ 0.3	+ 1.1	
Manufacturing	+10.6	+ 8.3	– 3.3	– 5.6	– 0.5	+ 1.2	
Wholesale and retail trade	+ 5.8	+ 1.0	– 7.9	– 3.0	+ 1.2	+ 1.4	
Private consumption expenditure ¹ , volume	+ 4.9	+ 5.4	– 0.2	+ 1.0	+ 0.6	+ 0.8	
Consumer durables ²	+ 6.3	– 4.5	– 5.5	– 0.2	+ 3.0	+ 1.0	
Gross fixed capital formation, volume	+ 6.0	– 0.3	– 1.3	– 4.3	– 0.3	+ 1.2	
Machinery and equipment ³	+ 7.4	+ 1.4	+ 1.7	– 2.8	– 0.1	+ 2.0	
Construction	+ 4.3	– 2.1	– 4.5	– 5.9	– 0.5	+ 0.2	
Exports, volume	+ 9.5	+ 9.4	– 0.6	– 2.3	– 0.4	+ 1.2	
Exports of goods, fob	+12.4	+ 5.6	– 0.9	– 4.5	– 1.1	+ 0.7	
Imports, volume	+14.1	+ 6.9	– 4.3	– 2.6	+ 1.2	+ 1.3	
Imports of goods, fob	+14.8	+ 3.2	– 7.0	– 5.3	+ 1.0	+ 1.3	
Gross domestic product, value	+ 6.8	+10.6	+ 6.3	+ 3.4	+ 3.5	+ 3.4	
	billion €	406.23	449.38	477.84	494.09	511.54	528.72
Current account balance	as a percentage of GDP	1.7	– 1.3	1.6	1.5	0.8	0.7
Consumer prices		+ 2.8	+ 8.6	+ 7.8	+ 2.9	+ 3.5	+ 2.4
GDP deflator		+ 1.8	+ 5.0	+ 7.2	+ 4.1	+ 3.2	+ 2.2
General government net lending, Maastricht definition	as a percentage of GDP	– 5.7	– 3.4	– 2.6	– 4.7	– 4.2	– 3.9
Persons in active dependent employment ⁴		+ 2.5	+ 3.0	+ 1.2	+ 0.2	+ 0.2	+ 0.8
Unemployment rate ⁵		8.0	6.3	6.4	7.0	7.5	7.3
Command-basis GDP per capita ⁶		+ 4.0	+ 1.1	– 1.4	– 0.6	+ 0.3	+ 0.7
At-risk-of-poverty rate ^{7,9}	percent	14.8	14.9	14.3	14.5	14.4	14.0
Income quintile share ratio ^{8,9}	ratio	4.3	4.3	4.3	4.4	4.4	4.4
Greenhouse gas emissions ¹⁰		+ 4.5	– 5.8	– 6.6	– 2.6	– 0.5	– 1.8
	Million t CO ₂ equivalents	78.07	73.52	68.70	66.91	66.58	65.36

Source: WIFO, Public Employment Service Austria, Federation of Social Insurances, OeNB, Statistics Austria, Environment Agency Austria. 2025 and 2026: 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 EURO-MOD Version 1.1+ and EU-SILC 2023. – ¹⁰ 2024: estimate according to Environmental Agency Austria. From 2025: forecast.

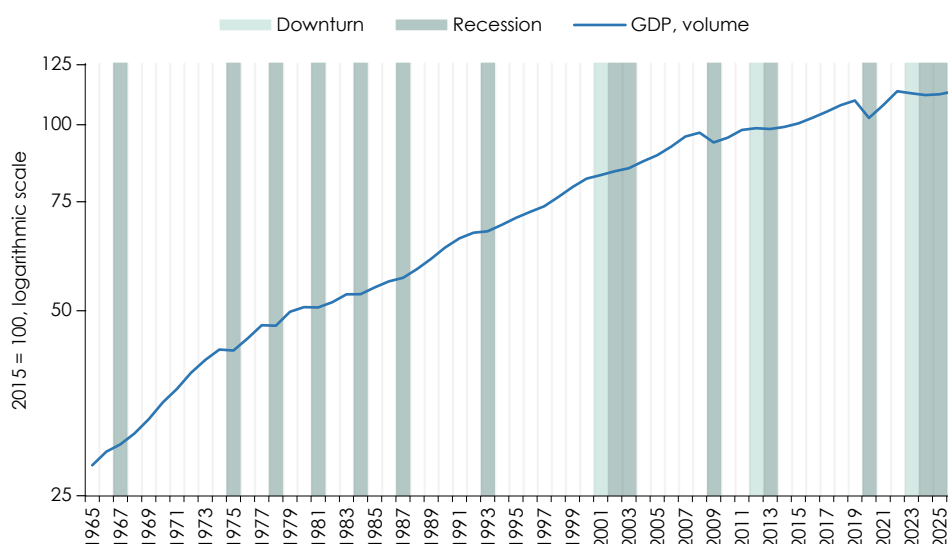
Given this unfavourable environment, the trade union accepted a moderate wage agreement in the metalworking industry during the current autumn bargaining round. This is likely to set a precedent for other sectors and to dampen real-wage growth in 2026, which had been comparatively high in Austria in 2024. Previous nominal wage increases are feeding through mainly into service-sector prices. In the current year, the expiration of energy-price relief measures – especially the electricity price cap – is adding to inflationary pressure. Substantial fee hikes by public authorities are also pushing prices higher while supporting the urgently needed consolidation of public finances.

The labour market still bears the imprint of the recession: unemployment is rising, and National Accounts show employment stagnating. In 2026, however, the economic recovery should trigger a turnaround, allowing the unemployment rate to edge down. Demographic change

tends to curb unemployment, while pension-system measures that extend working lives help alleviate skill shortages.

Overall, real GDP will rise by a slight 0.3 percent this year, with growth accelerating to 1.1 percent in 2026.

Figure 1: **Downturns and recessions in Austria**



In downturns and recessions, GDP growth amounts to less than two-thirds of its trend rate. During downturns, the output gap remains positive, meaning actual output still exceeds the trend level, whereas in recessions the output gap turns negative (source: Statistics Austria, WIFO. 2025 and 2026: forecast).

Medium-term Forecast

Building on the short-term forecast, WIFO projects economic developments for 2027-2030. This medium-term assessment is presented for the first time together with the short-term forecast at a press conference on 7 October 2025.

"In comparison to other European countries, Austria faced a higher increase in energy prices and unit labour costs in recent years. Hence, the energy-intensive export sector therefore suffers from competitive disadvantages even in the medium term. Additional structural challenges include the integration of migrants, the labour force participation of older workers, and shortcomings in the education system. Against this backdrop, Austria's economy is expected to grow 0.2 percentage points more slowly than the euro area average," says Josef Baumgartner, one of the authors of the Medium-term Forecast.

WIFO forecasts real GDP growth of 1.1 percent per year on average for 2026-2030 (Ø 2010-2019 +1.6 percent p.a., see Table 2). Trend growth, calculated according to the European Commission's method, amounts to 0.8 percent per year (Ø 2010-2019 +1.1 percent).

Table 2: **Main results of the medium-term forecast for Austria**

	2024	2025	2026	2027	2028	2029	2030	Ø 2021-2025	Ø 2026-2030
Year-to-year percentage changes									
Gross domestic product									
Volume	- 0.7	+ 0.3	+ 1.1	+ 1.2	+ 1.2	+ 1.1	+ 0.9	+ 1.8	+ 1.1
Value	+ 3.4	+ 3.5	+ 3.4	+ 3.3	+ 3.1	+ 2.9	+ 2.9	+ 6.1	+ 3.1
Private consumption expenditure ¹									
Volume	+ 1.0	+ 0.6	+ 0.8	+ 1.2	+ 1.1	+ 1.0	+ 1.0	+ 2.3	+ 1.0
Value	+ 4.3	+ 4.2	+ 3.3	+ 3.5	+ 3.3	+ 3.0	+ 3.0	+ 7.3	+ 3.2
Consumer prices	+ 2.9	+ 3.5	+ 2.4	+ 2.2	+ 2.1	+ 2.0	+ 2.0	+ 5.1	+ 2.2
Gross wages and salaries ²	+ 7.4	+ 3.8	+ 3.5	+ 3.2	+ 2.9	+ 2.6	+ 2.6	+ 6.5	+ 3.0
Employees ³	+ 0.8	+ 0.0	+ 0.6	+ 0.6	+ 0.6	+ 0.6	+ 0.5	+ 1.4	+ 0.6
Persons in active dependent employment ⁴	+ 0.2	+ 0.2	+ 0.8	+ 0.8	+ 0.7	+ 0.6	+ 0.6	+ 1.4	+ 0.7
Percent									
Unemployment rate									
Eurostat definition ⁵	5.2	5.7	5.5	5.3	5.2	5.0	4.8	5.4	5.2
National definition	7.0	7.5	7.3	7	6.6	6.3	5.9	7.0	6.6
As a percentage of GDP									
Net exports	2.5	1.8	1.7	1.6	1.5	1.5	1.5	1.3	1.6
General government financial balance (Maastricht definition)	- 4.7	- 4.2	- 3.9	- 4.0	- 3.8	- 3.7	- 3.7	- 4.1	- 3.8
Gross public debt	79.9	81.5	83.1	84.5	85.7	87.0	88.3	79.9	85.7
As a percentage of disposable income									
Household saving ratio	11.7	10.7	10.3	9.9	9.4	9.1	8.8	10.3	9.5

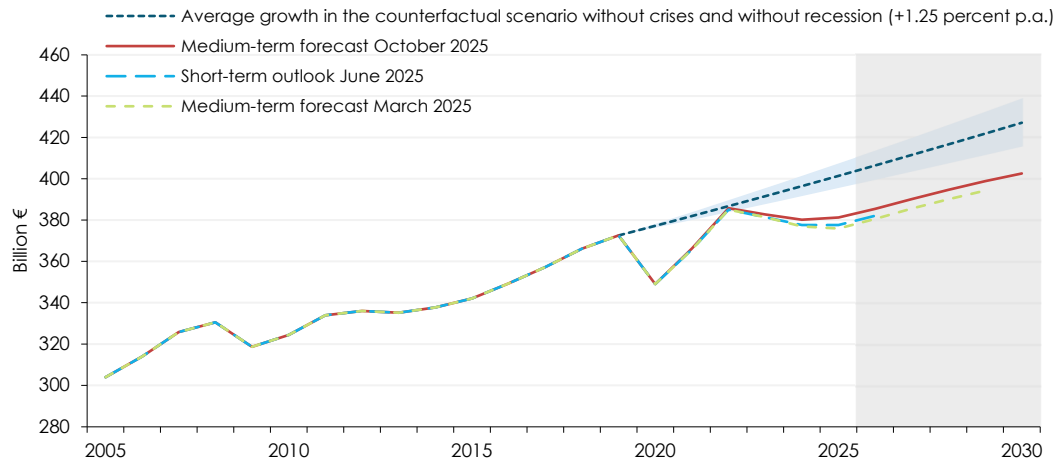
Source: Main Association of the Austrian Social Security Institutions, Public Employment Service Austria, Statistics Austria, WIFO calculations. – ¹ Including non-profit institutions serving households. – ² Excluding employers' contributions. – ³ According to National Accounts definition. – ⁴ Excluding persons in valid employment contract receiving child care benefit or being in military service. – ⁵ According to Eurostat Labour Force Survey, as a percentage of total labour force.

The unemployment rate is projected to fall to 5.9 percent by 2030. After 3.5 percent inflation this year, price growth will decelerate to 2.4 percent in 2026 and reach the ECB's 2 percent target by mid-2027 (Ø 2026-2030 +2.2 percent p.a.).

The general government budget deficit will average 3.8 percent of nominal GDP over 2026-2030, remaining persistently above the 3 percent threshold. Consequently, public debt will rise to 88.3 percent of nominal GDP by 2030.

The COVID-19 crisis, the energy-price shock, and the subsequent recession have significantly eroded Austria's value added. Depending on the assumptions about average growth in a counterfactual, crisis-free scenario, cumulative output losses for 2020-2030 amount to between 135 billion and 270 billion € (see Figure 2).

Figure 2: **Comparison of WIFO's short-term and medium-term forecasts for the development of real GDP in Austria**



Source: Statistics Austria, WIFO calculations.

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For further information, please contact on Tuesday, 7 October 2025, from 12 p.m. to 3 p.m.,
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For definitions, see "Methodological notes and brief glossary", <https://www.wifo.ac.at/wp-content/uploads/2024/01/WIFO-BusinessCycleInformation-Glossary.pdf>