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Quarterly Survey of April 2025

Werner Hölzl, Jürgen Bierbaumer, Michael Klien, Agnes Kügler

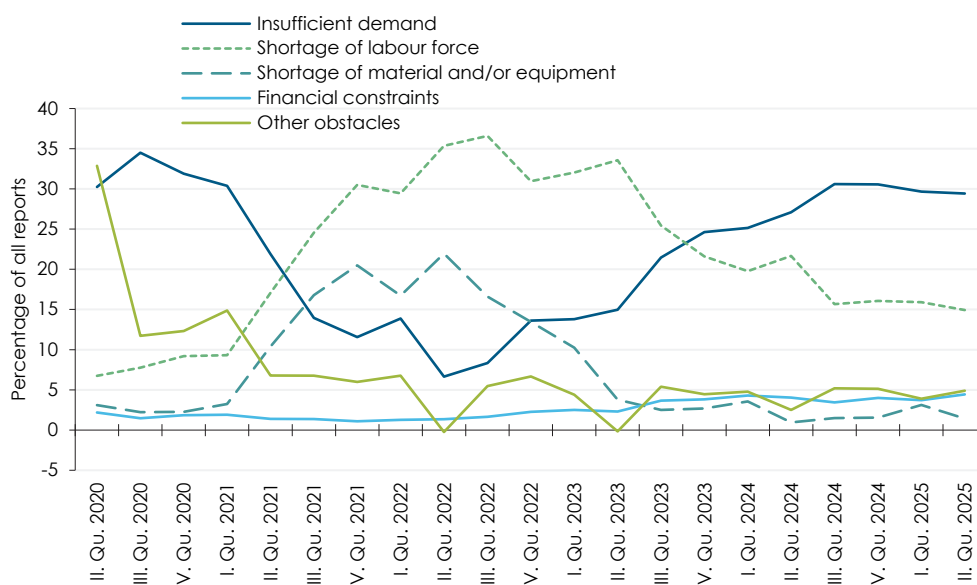
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- Austria's companies remain sceptical about the economic situation, with the WIFO-Konjunkturampel (economic traffic light) showing red again in April.
- Economic sentiment deteriorated in the services and retail trade sectors.
- In manufacturing, economic assessments remained pessimistic despite an improvement, while business uncertainty increased.
- Capacity utilisation remained below average, particularly in manufacturing and construction.
- As in previous quarters, "insufficient demand" was the most frequently cited obstacle to business activity in all sectors.

Obstacles to production in the total economy



"In the total economy, "insufficient demand" remained the most frequently cited obstacle to business activity in April 2025, ahead of the "shortage of labour force", which remained particularly important in the construction industry."

Since the end of 2022, the factor "insufficient demand" has become more important, while the importance of the "shortage of labour force" and supply bottlenecks has decreased. In April 2025, the "insufficient demand" was the most important obstacle to business activity for around 29 percent of companies. For around 15 percent, it was the "shortage of labour force". Supply bottlenecks were only of minor importance recently (around 1 percent of companies; source: WIFO-Konjunkturtest (business cycle survey, seasonally adjusted)).

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June 2025

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In April, sceptical economic assessments continued to prevail. By sector, the deterioration was particularly evident in services and retail trade. In manufacturing, economic assessments improved but remained at a low level. Compared with the previous quarter, uncertainty rose particularly in manufacturing and retail trade. Insufficient demand remained the most frequently cited obstacle to business activity.

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In spring, situation assessments deteriorated in the services and retail trade sectors, but improved in construction and manufacturing.

The results of the WIFO-Konjunkturtest (business cycle survey)¹ for April 2025 (beginning of the second quarter) show a slight deterioration in companies' economic assessments compared to January. The WIFO Business Climate Index fell by 2.1 points compared to the previous quarter and, at -7.1 points, was 3.8 points below the previous year's value (Table 1). The index of current business situation fell by 2.4 points compared to January and, at -6.6 points, remained below the zero line that separates negative from positive economic assessments. Business expectations deteriorated by 0.8 points compared to the start of the year to -7.0 points.

The results by sector differ both in terms of the levels of the indices and their direction of development compared to the previous quarter. In manufacturing, the WIFO Business

Climate Index gained 4.1 points compared to January. However, the value of -14.9 points still reflects the predominantly subdued mood among companies in view of the sluggish industrial economy. Situation assessments remain particularly sceptical (-18.5 points), although the corresponding index improved by 3.6 points compared to January. The index of business expectations rose even more strongly (+4.8 points), although the outlook of manufacturing companies for the coming months remained gloomy at -11.4 points. The uncertainty caused by the USA's erratic tariff policy is having a dampening effect here.

The persistently weak industrial activity is also reflected in companies' assessments of changes in their competitive position, which have deteriorated further in recent months,

¹ The WIFO-Konjunkturtest (business cycle survey) is a monthly survey of Austrian companies on their current economic situation and developments over the coming months. Once a quarter, the catalogue of questions in the WIFO-Konjunkturtest is expanded to include additional questions ("quarterly questions") that provide relevant information on the business cycle but are not included in the monthly indices of the WIFO-Konjunkturtest. The current results of the WIFO-Konjunkturtest are available on the WIFO website

<https://www.wifo.ac.at/en/publications/wifo-konjunkturtest>) and on the business cycle and forecasts page (<https://www.wifo.ac.at/en/research/priorities/business-cycle-and-forecasting> or www.konjunkturtest.at). Hölzl and Schwarz (2014) provide an overview of the WIFO-Konjunkturtest. Detailed results on the subsectors of manufacturing and services can be downloaded as a graphic appendix from the project homepage.

particularly with regard to non-European markets, while those regarding their domestic competitive position have brightened slightly. However, both indicators are at their long-term lows.

In construction, the WIFO Business Climate Index rose by 0.8 points compared to the previous quarter to –2.9 points. While the index of current business situation increased by 3.1 points and stood at –2.7 points in April, the index of business expectations lost ground (–1.4 to –3.1 points). The latter reflects the continued weak expectations of construction companies regarding their own business situation and production.

In the services sector, scepticism has increased again in recent months. The WIFO Business Climate Index lost around 4.2 points compared to the previous quarter and was back in negative territory at –2.0 points. Significant declines have been recorded in accommodation and food service industry since January. The index of current business situation for the services sector fell by 5.7 points to –1.1 points, while the index of

business expectations fell by 2.2 points to –2.6 points.

The business cycle indices for the retail trade, which WIFO calculates on the basis of surveys conducted by Austrian Institute for SME Research, also lost ground noticeably in a quarter-on-quarter comparison.

At –9.1 points, the WIFO Business Climate Index in April was 5.8 points below the January 2025 value and well below the zero line again. While the index of current business situation fell by 4.4 points and was only just in negative territory at –0.5 points, retailers' expectations deteriorated noticeably (–7.4 to –17.6 points).

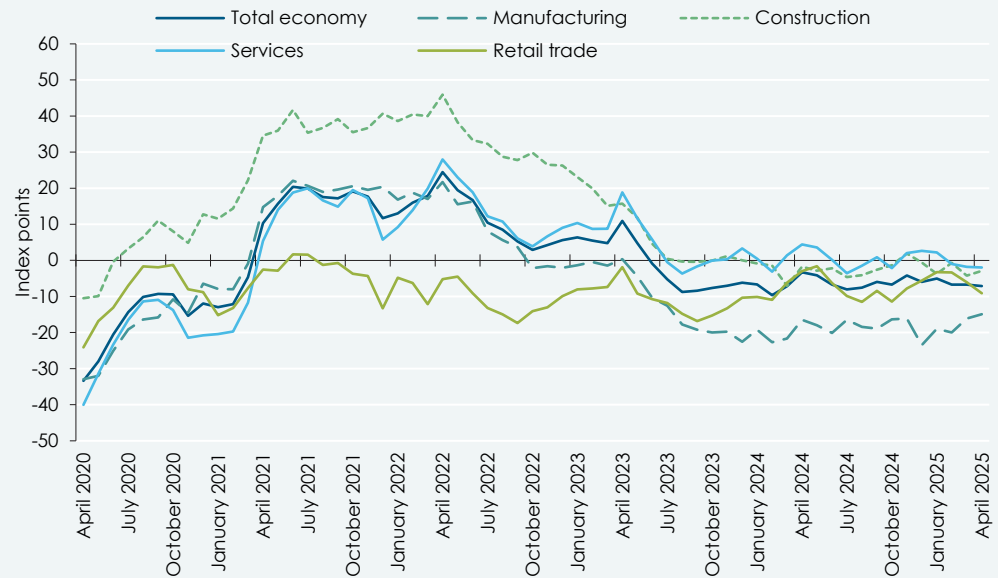
The longer-term development of the WIFO Business Climate Indices shows the recovery after the COVID-19 crisis, the economic slowdown due to the energy price shock and the war in Ukraine until the winter of 2022-23, and the subsequent downturn in the spring and summer of 2023, which primarily affected manufacturing. Since mid-2023, the business climate indices have stagnated at a low level (Figure 1).

Table 1: **WIFO-Konjunkturtest (business cycle survey) indices**

	April	2024 July	October	January Index points	February	2025 March	April	April Change compared to January (previous quarter)
Total economy								
WIFO Business Climate Index	– 3.3	– 8.1	– 6.7	– 5.1	– 6.7	– 6.7	– 7.1	– 2.1
Index of current business situation	– 2.9	– 9.4	– 8.8	– 4.2	– 4.1	– 6.4	– 6.6	– 2.4
Index of business expectations	– 3.8	– 6.7	– 5.5	– 6.2	– 9.6	– 7.1	– 7.0	– 0.8
Manufacturing								
WIFO Business Climate Index	– 16.5	– 16.5	– 16.4	– 19.0	– 20.0	– 16.1	– 14.9	+ 4.1
Index of current business situation	– 20.7	– 22.0	– 21.1	– 22.1	– 21.1	– 20.2	– 18.5	+ 3.6
Index of business expectations	– 12.5	– 11.5	– 12.7	– 16.2	– 18.9	– 12.3	– 11.4	+ 4.8
Construction								
WIFO Business Climate Index	– 1.8	– 4.6	– 1.3	– 3.7	– 0.7	– 4.3	– 2.9	+ 0.8
Index of current business situation	– 3.7	– 5.7	– 1.6	– 5.9	– 1.1	– 4.8	– 2.7	+ 3.1
Index of business expectations	– 0.2	– 3.6	– 0.7	– 1.7	– 0.4	– 3.6	– 3.1	– 1.4
Services								
WIFO Business Climate Index	4.4	– 3.6	– 2.1	2.2	– 1.0	– 1.8	– 2.0	– 4.2
Index of current business situation	5.5	– 4.4	– 5.4	4.6	3.1	– 0.4	– 1.1	– 5.7
Index of business expectations	3.3	– 2.4	0.4	– 0.4	– 5.3	– 3.2	– 2.6	– 2.2
Retail trade								
WIFO Business Climate Index	– 3.0	– 9.9	– 11.4	– 3.3	– 3.4	– 6.1	– 9.1	– 5.8
Index of current business situation	10.0	– 0.1	– 0.8	3.9	5.7	1.7	– 0.5	– 4.4
Index of business expectations	– 15.8	– 20.1	– 22.2	– 10.3	– 12.3	– 13.7	– 17.6	– 7.4

Source: WIFO-Konjunkturtest (business cycle survey).

Figure 1: WIFO Business Climate Indices

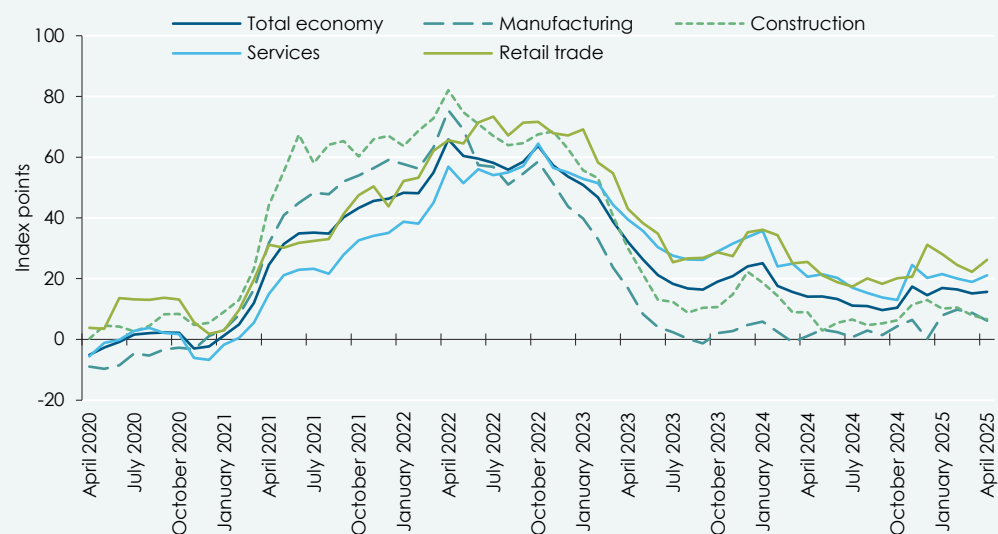


Source: WIFO-Konjunkturtest (business cycle survey), seasonally adjusted.

Energy prices rose sharply as a result of the war in Ukraine. The significant price effects accelerated inflation and were also reflected in companies' sales price expectations. These are presented in the WIFO-Konjunkturtest as balances, i.e. as the difference between the proportion of positive and the proportion of negative responses to all responses. They have a value range of -100 to +100 points. After falling until October 2024, sales price expectations rose again somewhat, particularly in the retail trade and services (Figure 2). In April 2025, the balance for the total economy was 15.7 points,

1.3 points below the comparative value from January 2025 and well below the average of the last five years (26.3 points). Compared to the start of the year, sales price expectations fell in all sectors: in construction (April 2025: 6.6 points, -3.5 points compared to January), manufacturing (6.1 points, -1.8 points) and retail trade (26.2 points, -1.9 points), the declines were somewhat sharper than in services (April 2025: 21.1 points, -0.4 points compared to January). In all sectors, the balances were well below the long-term averages.

Figure 2: Sales price expectations



Source: WIFO-Konjunkturtest (business cycle survey), seasonally adjusted.

WIFO-Konjunkturtest (business cycle survey) indices

The WIFO-Konjunkturtest indices are calculated at sector level for manufacturing, construction, services and the retail trade. The surveys are conducted monthly by WIFO (manufacturing, construction and services) and Austrian Institute for SME Research (retail trade). The "total economy indices" are calculated by weighting the sector indices (weights: services 0.5, manufacturing 0.3, construction and retail trade 0.1 each). The summarised WIFO Business Climate Index aggregates two sub-indices, which are shown separately:

- The index of current business situation is based on the monthly surveys on the assessment of the current situation and developments over the last three months. It is designed as a synchronised index that is ahead of the official economic statistics simply due to its early availability (around two months before the current data from the official statistics).
- The index of business expectations summarises those monthly questions that relate to developments in the months following the survey. It is designed as a leading indicator.

Hölzl and Schwarz (2014) provide details on the indices.

1. Economic traffic light shows red

A Markov regime switching model is used in the WIFO-Konjunkturampel (economic traffic light) to calculate the probability with which the current values of the WIFO-Konjunkturtest indicators correspond to an improvement or deterioration in economic assessments compared to the previous period (Glocker & Hölzl, 2015)². The probability determined can fall into one of three categories, which are summarised as an "economic traffic light":

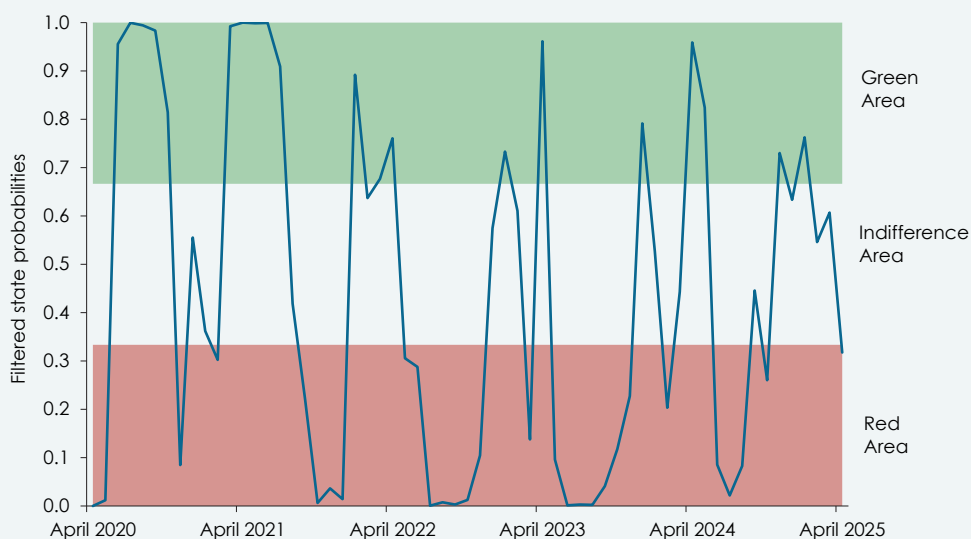
- In the "green area" (improvement), the probability is over two thirds that the change in the current index values compared to the previous measuring point

reflects an improvement in economic assessments.

- In the "red area" (deterioration), the probability that the current index value represents an improvement compared to the previous measurement point is less than one third.
- The indifference area lies between the "green" and "red" areas. In this case, the development of the economic assessments cannot be clearly assigned.

The probability of being in an improvement regime was estimated by the model to be below average at 0.32 in April 2025. This means that the WIFO-Konjunkturampel (economic traffic light) has just turned red again.

Figure 3: WIFO-Konjunkturampel (economic traffic light)



Source: WIFO-Konjunkturtest (business cycle survey). The Konjunkturampel for Austria shows the monthly probability for the phases "improvement in economic assessments" ("green area") and "deterioration in economic assessments" ("red area"). In the indifference area, the development of economic assessments cannot be clearly classified.

² Deterioration is defined as the opposite of the "improvement" state: the probability of being in the

"improvement" state (q) is 1 minus the probability of being in the "deterioration" state ($p = 1 - q$).

Business uncertainty increased in the spring, particularly in manufacturing and retail trade. This was also a consequence of the USA's customs policy.

2. Further increase in uncertainty in manufacturing

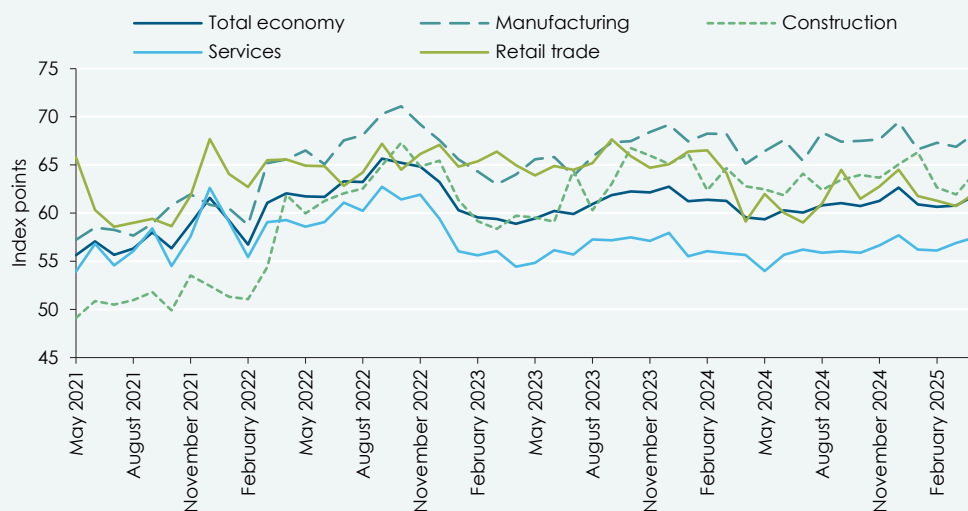
Since the 1980s, WIFO has been surveying companies' assessment of the uncertainty of the future business situation, which influences investment and employment decisions (Glocker & Hölzl, 2022). In May 2021, the wording of the corresponding question was changed as part of its inclusion in the EU's Joint Harmonised EU Programme of Business and Consumer Surveys (European Commission, 2023). In addition, the question

on uncertainty is now asked monthly instead of quarterly (Figure 4).

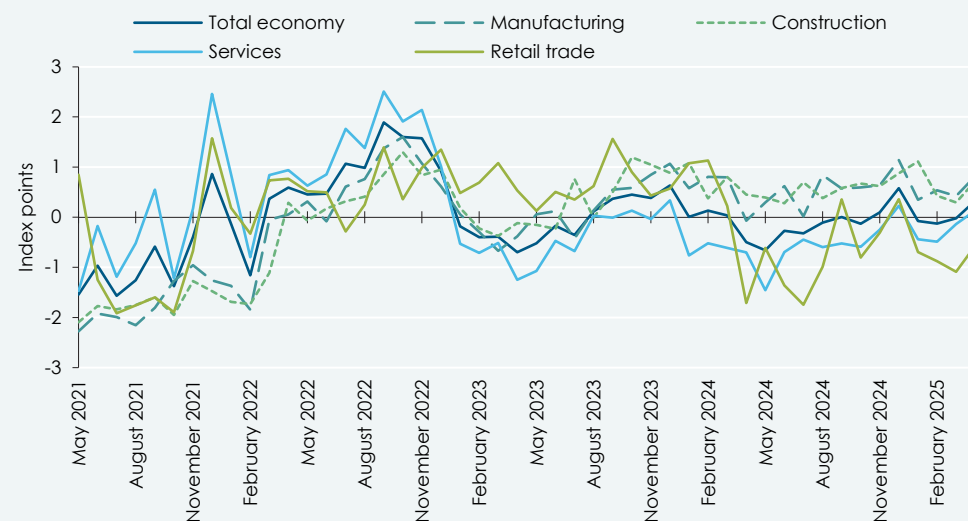
The indicator of uncertainty regarding the future business situation ranges from 0 (no uncertainty) to 100 (highest uncertainty). The value for the total economy in April (beginning of the second quarter of 2025) was 61.9 points (+1.0 points compared to January).

Figure 4: Indicator of business uncertainty for the total economy and the sectors

Indicator values



Standardised time series



Source: WIFO-Konjunkturtest (business cycle survey), not seasonally adjusted. 0 . . . no uncertainty, 100 . . . highest uncertainty. Standardised presentation: Normalisation of all indicators to a mean value of 0 and a standard deviation of 1. This makes it easier to assess the economic trend of the uncertainty indicator.

The war in Ukraine and the subsequent energy price shock caused business uncertainty to rise from March 2022, particularly in export-oriented manufacturing. Uncertainty there increased until the end of 2023 and

has remained above average since then. Most recently, the USA's customs policy also affected uncertainty. In April 2025, the indicator stood at 68.3 points, 1.7 points above the January value (66.6 points) and well

above the average of the last five years (65.4 points). In construction, uncertainty fell by 2.1 points compared to January, but also remained above average at 64.2 points (five-year average 60.4 points). There was an increase in the service sectors (+1.3 to

57.5 points), where the uncertainty indicator was in line with the long-term average (57.2 points). Uncertainty also increased slightly in the retail trade compared to January 2025 (+0.3 to 62.1 points; long-term average 63.6 points).

3. Capacity utilisation remains below average

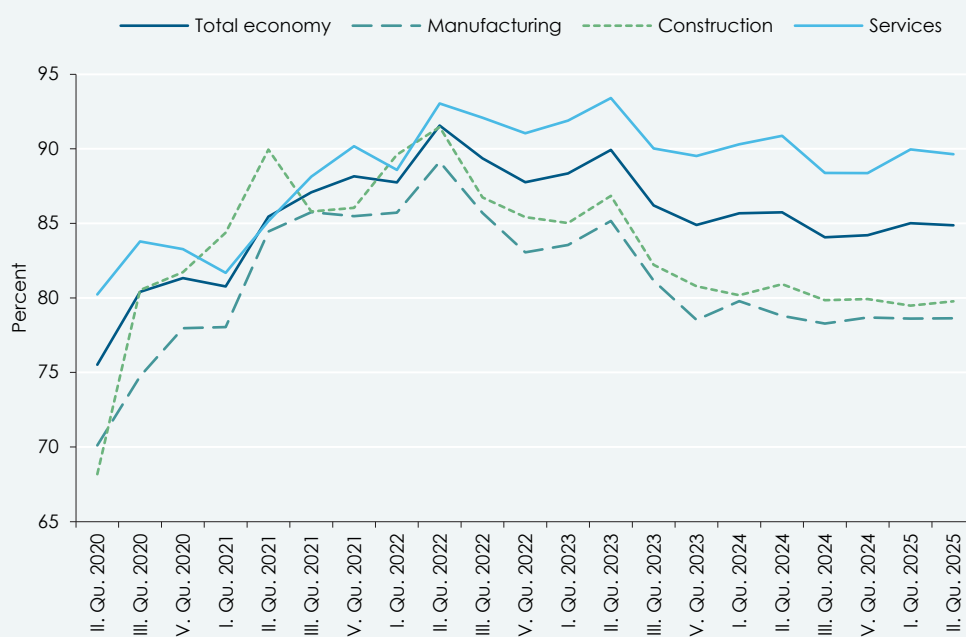
3.1 Slight decline in total economy capacity utilisation

Capacity utilisation is an important economic indicator, especially in sectors with high capital intensity and high capacity adjustment costs (Hölzl et al., 2019). It is therefore surveyed as part of the WIFO-Konjunkturtest in all sectors except retail trade. Total economy capacity utilisation (excluding the retail trade) was 84.9 percent in April 2025, 0.1 percentage point lower than in January (long-term average: 85.4 percent). However,

a quarter-on-quarter comparison only showed a deterioration in the services sector, where capacity utilisation fell by 0.3 percentage points but remained above the long-term average (88.5 percent) at 89.6 percent. In construction, capacity utilisation rose slightly in the spring (+0.3 percentage points to 79.8 percent, long-term average: 83.1 percent). In manufacturing, capacity utilisation remained unchanged and well below average (April 2025: 78.6 percent, long-term average: 81.0 percent).

Capacity utilisation was slightly lower in April 2025 than in the winter. Declines were particularly evident in the service sectors.

Figure 5: Capacity utilisation by sector



Source: WIFO-Konjunkturtest (business cycle survey), seasonally adjusted.

3.2 Slight reduction in the guaranteed production time

The secured production duration – measured in months – is surveyed as part of the quarterly survey of the WIFO-Konjunkturtest in manufacturing and construction (Figure 6). In construction, companies reported at

the beginning of the second quarter of 2025 that their production activities were secured for an average of 4.6 months (–0.3 months compared to January 2025; long-term average 5.2 months). In manufacturing, the average secured production period was 4.1 months (–0.1 months compared to January; long-term average 4.1 months).

Figure 6: Secured average production duration in manufacturing and construction



Source: WIFO-Konjunkturtest (business cycle survey).

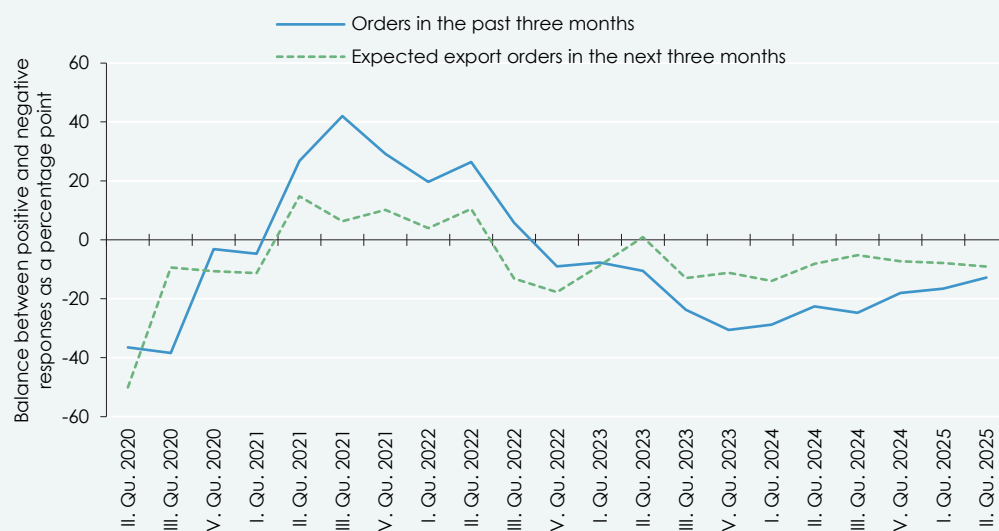
3.3 Order situation in manufacturing remains weak

The order backlog in manufacturing was also below average at the start of the year; expectations for incoming orders from abroad also remained negative on balance.

In manufacturing, order trends over the past three months and expectations regarding foreign order backlogs for the coming months are surveyed once a quarter as relevant indicators. The responses are aggregated into balances between the proportion of positive and the proportion of negative responses. As Figure 7 shows, order backlogs at the start of the second quarter of 2025 developed slightly better than in the

previous quarters. However, the balance value of -12.9 points indicates a continued, albeit slower, decline in order backlogs in the last three months. In line with the assessments of the change in the competitive position on foreign markets, expectations regarding future foreign order backlogs deteriorated slightly and remained negative on balance: the pessimistic voices, which expected a decline in foreign order backlogs over the next three months, outweighed the positive reports by around 9.1 percentage points.

Figure 7: Development of order backlogs and expected development of foreign order backlogs in manufacturing



Source: WIFO-Konjunkturtest (business cycle survey).

4. Insufficient demand remains the most important obstacle to business activity

In the WIFO-Konjunkturtest, the most important obstacles to the business activities of the companies surveyed are determined on a quarterly basis. The companies have the option of reporting no impairment of their economic activity or selecting the most important obstacle from a predefined list:

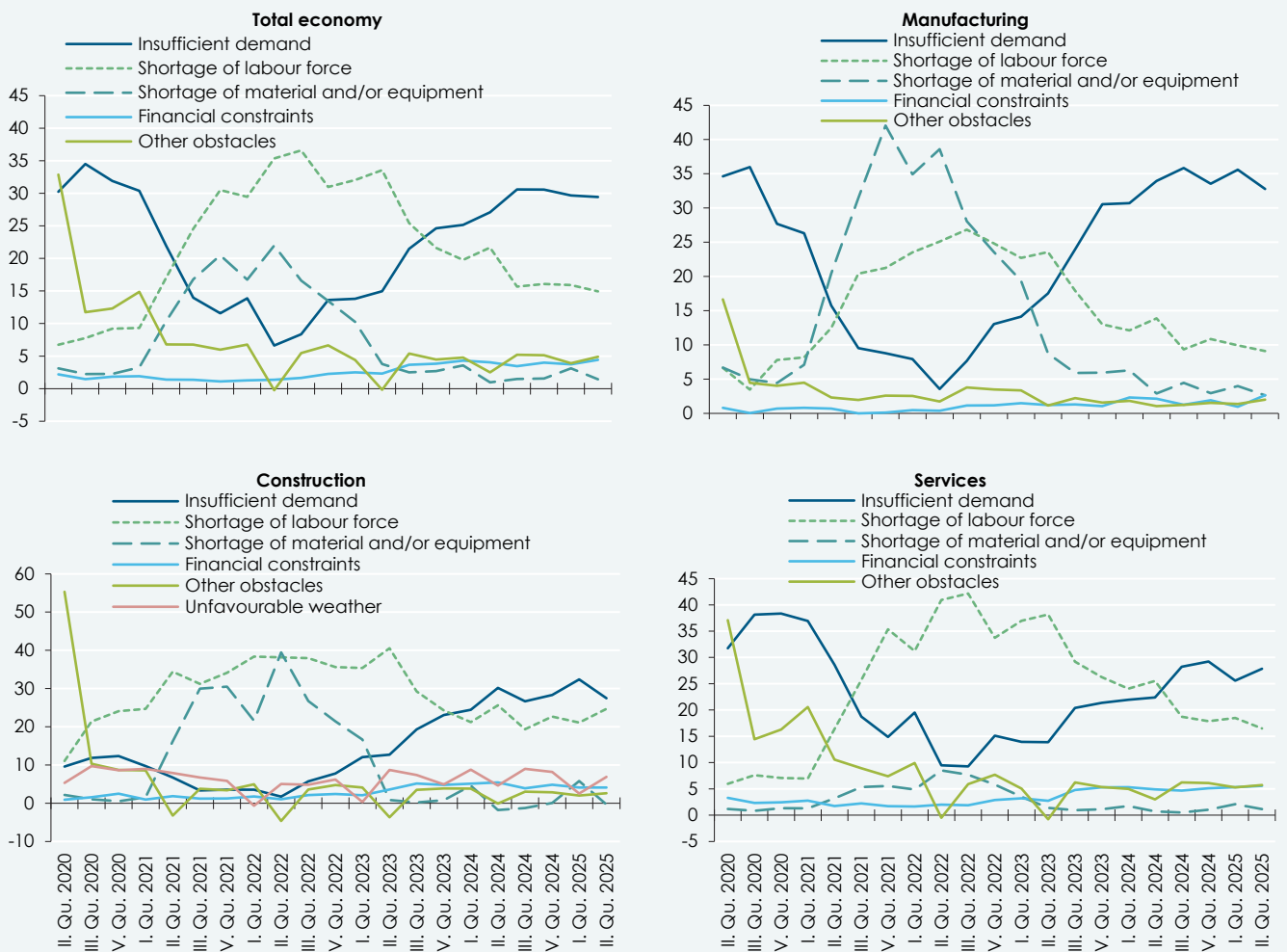
- insufficient demand (services and manufacturing) or lack of orders (construction),
- shortage of labour force,

- lack of space or capacity (services) or shortage of materials and/or capacity (manufacturing and construction),
- financial constraints and
- other reasons – in addition to the influence of the weather (construction), this category also includes other obstacles (e.g. health policy measures during the COVID-19 pandemic).

In construction, the obstacle of "unfavourable weather" is also raised³.

Figure 8: **Barriers to economic activity**

Percentage of all reports



Source: WIFO-Konjunkturtest (business cycle survey), seasonally adjusted. In order to ensure comparability of the time series during the year, seasonally adjusted values are shown. Negative values cannot be ruled out due to the "dainties" seasonal adjustment procedure. These are statistical artefacts.

In April 2025, around 55 percent of companies in the total economy (excluding the retail trade) reported obstacles to their

business activities (–1 percentage point compared to January). They were confronted with obstacles to varying degrees

³ When calculating the total economy obstacles, "unfavourable weather" is classified under "other obstacles".

depending on the sector. For example, around 65 percent of construction companies (–3 percentage points compared to January) and 57 percent of service providers reported being confronted with obstacles. In manufacturing, 49 percent of companies reported obstacles to their production activities in April, 3 percentage points less than in January 2025. In the retail trade, the proportion of companies facing obstacles to their business activities rose by 6 percentage points to 61 percent compared to the previous quarter.

The "insufficient demand" remains the most important obstacle to business activity. In addition, the "shortage of labour force" continues to be a challenge.

In the total economy (excluding the retail trade), "insufficient demand" was still the most frequently cited obstacle to business activity in April 2025 (29.4 percent of companies), ahead of "shortage of labour force" (14.9 percent). The "shortage of materials and/or capacity" (1.4 percent) was only of secondary importance compared to previous years. "Financial constraints" was mentioned by 4.4 percent of companies (Figure 8).

In manufacturing, "insufficient demand" has been the most frequently cited obstacle to production activity since the third quarter of 2023 (April 2025: 32.8 percent of all companies), although the number of reports has recently fallen again slightly. The second most common obstacle remained the "shortage

of labour force" (9.1 percent). Around 2.6 percent of manufacturing companies reported a "shortage of materials and/or capacity" as the most important obstacle in April, around 2.7 percent "financial constraints" and 2.0 percent "other reasons".

As in the previous quarter, "insufficient demand" (27.4 percent) was the most frequently cited obstacle in the construction industry in April, ahead of "shortage of labour force" (24.7 percent). Material and capacity bottlenecks were reported by only 0.1 percent of companies, "unfavourable weather" by 6.9 percent and "financial constraints" by 4.1 percent of construction companies.

In the service sectors, "insufficient demand" (27.8 percent) was the most important obstacle to business activity in April for the fourth time in a row. This was followed by "shortage of labour force" (16.5 percent), "other obstacles" (5.7 percent) and "financial constraints" (5.6 percent).

In the retail trade, the barriers to business activity have been surveyed since July 2021. In April 2025, 41.6 percent of retailers surveyed rated "insufficient demand" as the most important obstacle, 6.5 percent "shortage of labour force", 4.9 percent "supply bottlenecks", 4.3 percent "financial constraints" and 3.8 percent "other obstacles".

5. Summary

For the total economy, the results of the WIFO-Konjunkturtest (business cycle survey) from April 2025 show a slight deterioration in economic assessments compared to January. However, the indices developed differently depending on the sector. While the situation assessments in manufacturing and construction improved quarter-on-quarter, the indices for retail trade and services fell. In addition, the levels of the indices continue to diverge considerably. With regard to business expectations, it is also important to differentiate between the direction of development and the level. Despite the recent improvement, the expectations index in manufacturing remains at a noticeably lower level than in construction, services and retail trade, where it deteriorated quarter-on-quarter.

In domestic manufacturing, both assessments of the situation and expectations remain very subdued. Incoming orders in recent months and expectations regarding the future development of foreign orders also point to a continuation of the weak industrial activity. However, the majority of companies in other sectors are also sceptical about the future. The WIFO-Konjunkturampel turned red again in April.

Capacity utilisation recently fell in the services sector and improved in construction. In manufacturing, it stagnated at a below-average level. Business uncertainty continued to increase, partly due to the USA's customs policy. In terms of obstacles to business activity, "insufficient demand" remained the most frequently cited obstacle in April, ahead of the "shortage of labour force".

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