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**Economic Assessments Begin to Stabilise
at the Start of Summer.** Results of the WIFO-
Konjunkturtest Quarterly Survey of July 2025

Werner Hölzl, Jürgen Bierbaumer, Michael Klien, Agnes Kügler

Economic Assessments Begin to Stabilise at the Start of Summer

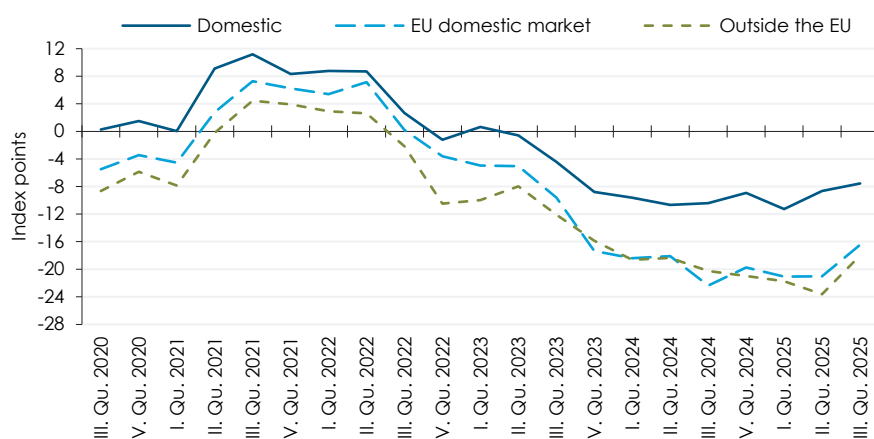
Results of the WIFO-Konjunkturtest Quarterly Survey of July 2025

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- In July, companies were more confident about their economic situation than they were in spring, with the WIFO-Konjunkturampel (economic traffic light) showing green again.
- Economic sentiment improved in all sectors.
- Despite the improvement, economic assessments in manufacturing remained sceptical.
- Business uncertainty is decreasing, but is still above average.
- Capacity utilisation in the manufacturing and construction sectors remains below average, although it has increased recently.
- As in previous quarters, "insufficient demand" was the most frequently cited obstacle to business activity in all sectors.

Change in the competitive position in manufacturing

Balance as a percentage of all reports



"Despite the significant improvement in the last three months, companies' self-assessments of their competitive position remain very sceptical, particularly with regard to export markets."

The WIFO-Konjunkturtest allows to analyse changes in the competitive position of Austrian industrial companies on a quarterly basis. The change is shown by means of balances: the proportion of companies that reported that their competitive position had deteriorated in the last three months is subtracted from the proportion of companies that reported an improvement (source: WIFO-Konjunkturtest, seasonally adjusted).

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September 2025

Economic Assessments Begin to Stabilise at the Start of Summer. Results of the WIFO-Konjunkturtest Quarterly Survey of July 2025

In July, the economic assessments of the companies surveyed stabilised. Economic sentiment brightened in all sectors, but remained predominantly sceptical in the manufacturing sector. Business uncertainty declined compared to the previous quarter, but remained elevated in manufacturing and construction. Capacity utilisation in these sectors improved slightly. Nevertheless, "insufficient demand" remained the most frequently cited obstacle to business activity in all sectors of the economy.

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Expectations improved across all sectors at the start of the summer, but remained sceptical in manufacturing and retail trade.

The results of the WIFO-Konjunkturtest (business cycle survey)¹ for July 2025 (beginning of the third quarter) show an improvement in economic sentiment compared to the spring. The WIFO Business Climate Index rose by 4.6 points quarter-on-quarter and, at –2.4 points, was up 5.6 points on the previous year (Table 1). The index of current business situation gained 3.7 points compared to April, but at –3.0 points remained below the zero line that separates negative from positive economic assessments. Business expectations improved by 5.1 points compared to April to –1.7 points.

There are still differences by sector, both in terms of the levels of the indices and the changes compared to the previous quarter.

In manufacturing, the WIFO Business Climate Index improved by 5.1 points compared to April. However, the value of –9.9 points still reflects the pronounced scepticism. Situation assessments continue to be particularly sceptical. Although the corresponding index improved by 3.3 points compared to April, it remained clearly negative at –15.3 points. Although business expectations also remained subdued at –4.6 points, the strong increase compared to April (+6.8 points) indicates stabilisation tendencies in manufacturing. In July of the previous year, the expectations index was still at –11.5 points. The companies' assessments of the change in their competitive position also point to an incipient stabilisation of the still weak industrial economy (see figure "Change in the

¹ The WIFO-Konjunkturtest 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](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 (business cycle survey). Detailed results for the subsectors of manufacturing and services can be downloaded as a graphic appendix from the project homepage.

competitive position in manufacturing " on p. 1). They have improved at a low level in recent months, both with regard to international markets and the competitive position in Europe, but are still well below the long-term average.

In construction, the WIFO Business Climate Index rose by 5.4 points compared to the previous quarter to 2.4 points, thus crossing the zero line again. The index of current business situation gained 6.2 points and stood at 3.3 points in July. The index of business expectations also increased (+4.6 points to 1.5 points).

The indices in the services sector also painted a slightly more confident picture in July than in spring. The WIFO Business Climate Index rose by 2.8 points compared to the previous quarter and was slightly positive again at 1.1 points. The index of current business situation climbed 2.4 points to 1.1 points, while the index of business expectations rose 3.2 points to 1.2 points.

The economic indices for the retail trade, which WIFO calculates on the basis of surveys conducted by Austrian Institute for SME Research, also gained ground in a quarter-on-quarter comparison. At -3.4 points, the WIFO Business Climate Index in July was 5.7 points higher than in April and thus closer to the zero line again. The index of current business situation gained 4.3 points quarter-on-quarter and was back in positive territory at 3.8 points. Retailers' expectations also improved noticeably (+6.9 points compared to April 2025). At -10.7 points, the latest reading was still negative, but corresponded to an average level for the retail trade.

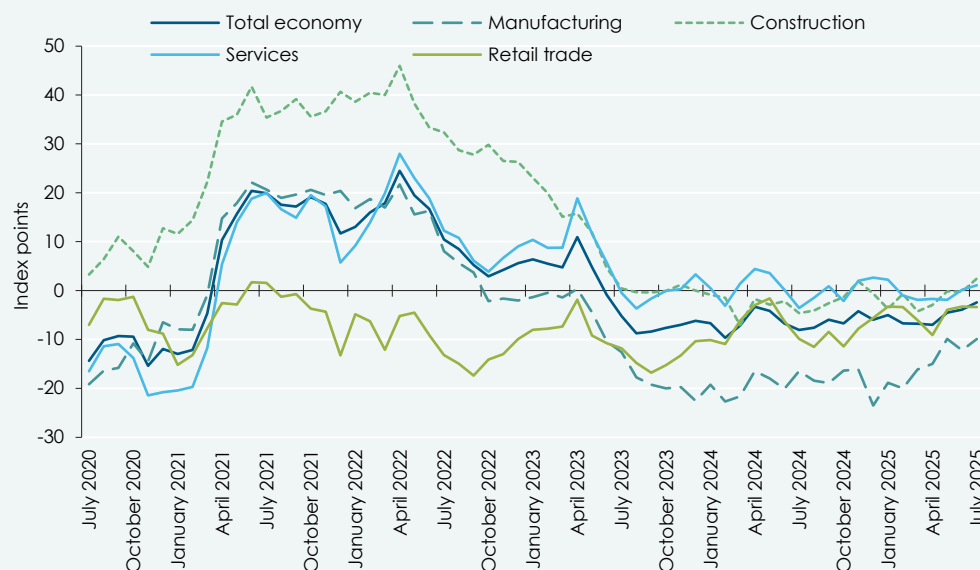
The longer-term development of the WIFO Business Climate Indices shows the decline as a result of the COVID-19 crisis, the recovery until spring 2022, the economic slowdown due to the energy price shock and the war in Ukraine until winter 2022-23, the downturn in spring and summer 2023, which hit manufacturing particularly hard, and the recent stabilisation (Figure 1).

Table 1: Indices of the WIFO-Konjunkturtest (business cycle survey)

	2024			2025				
	July	October	January	April	May	June	July	July
				Index points				Change
								compared
								to April
								(previous
								quarter)
Total economy								
WIFO Business Climate Index	- 8.1	- 6.7	- 5.0	- 7.0	- 4.5	- 3.9	- 2.4	+ 4.6
Index of current business situation	- 9.4	- 8.8	- 4.2	- 6.7	- 3.7	- 3.5	- 3.0	+ 3.7
Index of business expectations	- 6.7	- 5.5	- 6.2	- 6.7	- 5.4	- 4.3	- 1.7	+ 5.1
Manufacturing								
WIFO Business Climate Index	- 16.5	- 16.4	- 18.9	- 15.0	- 9.9	- 12.2	- 9.9	+ 5.1
Index of current business situation	- 22.0	- 21.1	- 22.0	- 18.6	- 13.2	- 13.9	- 15.3	+ 3.3
Index of business expectations	- 11.5	- 12.7	- 16.2	- 11.4	- 6.6	- 10.6	- 4.6	+ 6.8
Construction								
WIFO Business Climate Index	- 4.6	- 1.3	- 3.7	- 3.0	- 0.2	- 0.2	2.4	+ 5.4
Index of current business situation	- 5.7	- 1.6	- 5.9	- 2.8	- 2.0	- 0.9	3.3	+ 6.2
Index of business expectations	- 3.6	- 0.7	- 1.7	- 3.1	1.3	0.3	1.5	+ 4.6
Services								
WIFO Business Climate Index	- 3.6	- 2.1	2.2	- 1.7	- 1.9	0.1	1.1	+ 2.8
Index of current business situation	- 4.4	- 5.4	4.6	- 1.2	0.8	0.5	1.1	+ 2.4
Index of business expectations	- 2.4	0.4	- 0.4	- 2.0	- 4.6	0.0	1.2	+ 3.2
Retail trade								
WIFO Business Climate Index	- 9.9	- 11.4	- 3.3	- 9.1	- 3.9	- 3.3	- 3.4	+ 5.7
Index of current business situation	- 0.1	- 0.8	3.9	- 0.5	3.7	5.3	3.8	+ 4.3
Index of business expectations	- 20.1	- 22.2	- 10.3	- 17.6	- 11.8	- 12.1	- 10.7	+ 6.9

Source: WIFO-Konjunkturtest (business cycle survey).

Figure 1: WIFO Business Climate Indices

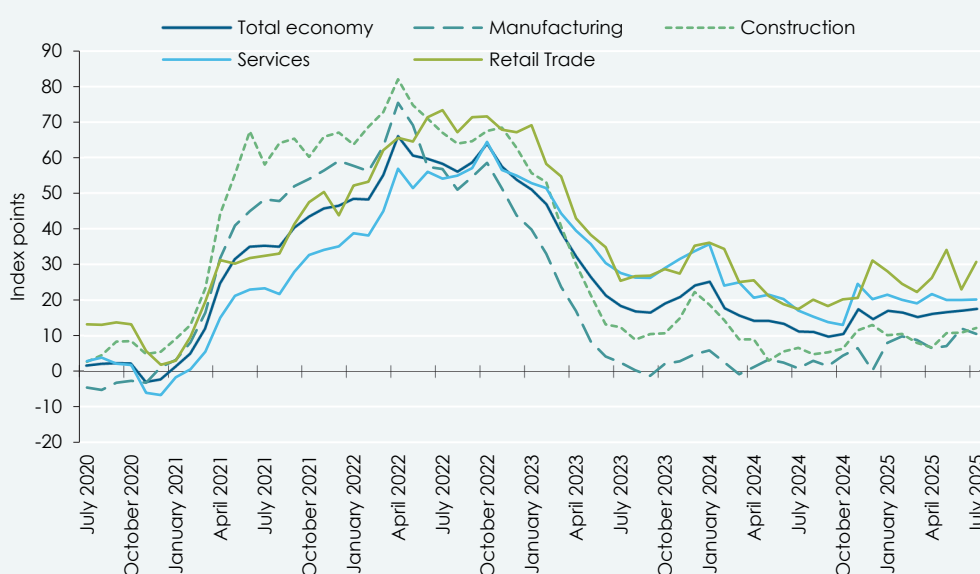


Source: WIFO-Konjunkturtest (business cycle survey), seasonally adjusted.

The high inflation resulting from the rise in energy prices was also reflected in companies' sales price expectations. These are shown in the WIFO-Konjunkturtest (business cycle survey) as balances, i.e. as the difference between the proportion of positive and the proportion of negative responses to all reports. They have a value range from -100 to +100 points. The most recent results show a slight increase again after the decline up to October 2024 (Figure 2). In the total economy, the balance of sales price expectations most recently stood at 17.5 points,

1.4 points above the comparative value from April 2025, but well below the average of the last five years (27.0 points). In the last three months, sales price expectations continued to rise in all sectors except services (construction +5.5 points to 12.1 points; manufacturing +4.0 points to 10.4 points; retail trade +4.5 points to 30.7 points). In the services sector, sales price expectations fell by 1.6 points compared to April to 20.1 points. In all sectors, the balances in July 2025 were still below the long-term averages.

Figure 2: Sales price expectations



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

Indices of the WIFO-Konjunkturtest

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 the development over the last three months. It is designed as a synchronised index that is ahead of the official economic statistics solely 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.

For details on the indices, see Hölzl and Schwarz (2014).

1. Economic traffic light shows green

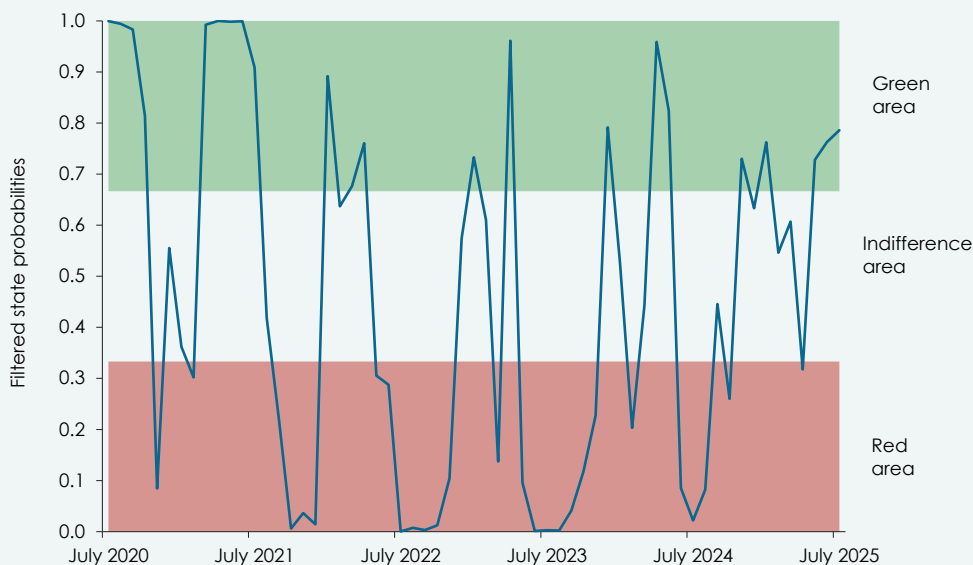
A Markov regime switching model is used in the WIFO-Konjunkturampel (economic traffic light) to calculate the probability with which the current values of the WIFO-Konjunkturtest indicators correspond to an improvement or deterioration in economic assessments compared to the previous period (Glocker & 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 value compared to the previous measuring point reflects an improvement in economic assessments.

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

Figure 3: WIFO-Konjunkturampel (economic traffic light)



Source: WIFO-Konjunkturtest (business cycle survey). The WIFO-Konjunkturampel (economic traffic light) 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 "improvement": The probability of being in the "improvement"

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

The probability of being in an improvement regime was estimated by the model to be above average at 0.79 in July 2025. The WIFO-Konjunkturampel (economic traffic light) thus remained in the green area for

three months in a row – an expression of the improvement in economic indicators and thus a consolidation of the stabilisation trends in the total economy.

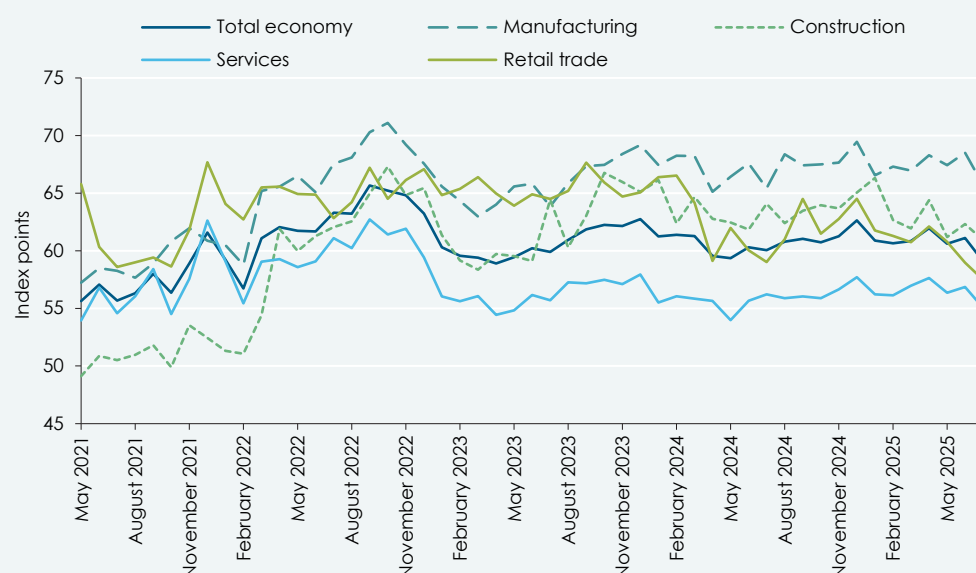
2. Business uncertainty on the decline

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

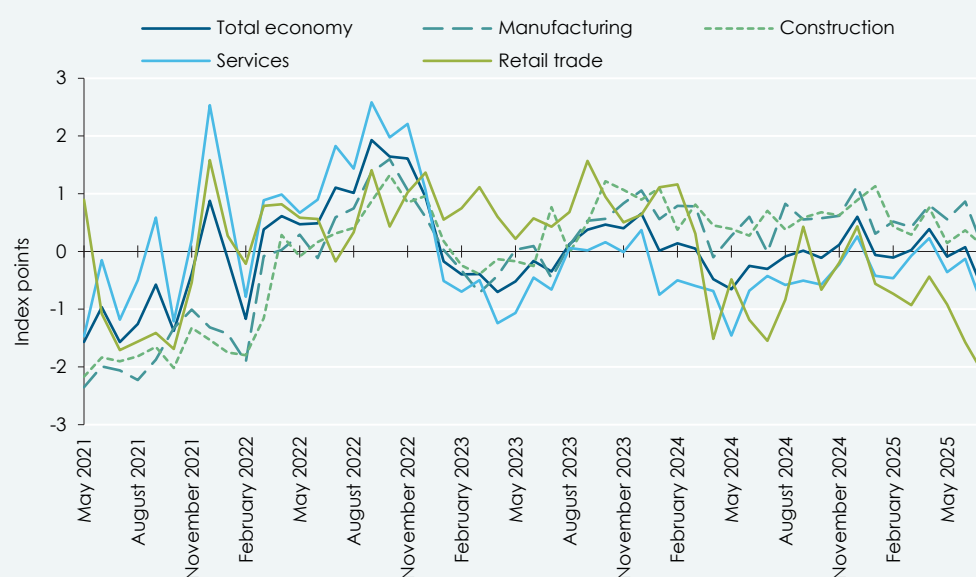
was changed as part of its inclusion in the EU's Joint Harmonised EU Programme of Business and Consumer Surveys (European Commission, 2023). In addition, the question on uncertainty is now asked monthly instead of quarterly (Figure 4).

Figure 4: Business uncertainty indicator 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 indicator of uncertainty regarding the future business situation ranges from 0 (no uncertainty) to 100 (highest uncertainty). The value for the total economy in July (beginning of the third quarter of 2025) was 59.0 points (–2.9 points compared to April; long-term average 60.6 points).

The war in Ukraine and the subsequent energy price shock caused business uncertainty to rise from March 2022, particularly in export-oriented manufacturing. Uncertainty increased there until the end of 2023 and has remained high since then. Uncertainty is currently being caused not least by the USA's unstable customs policy, which is likely

to affect the capital goods industry in particular. In July, the uncertainty indicator stood at 65.7 points, 2.6 points below the April level (68.0 points) and around the average of the last five years (65.5 points).

In construction, uncertainty fell by 3.5 points compared to April, but at 60.9 points also remained within the range of the long-term average (60.4 points). The service sectors (–2.6 points to 55.0 points; long-term average 57.1 points) and the retail trade (–4.6 points to 57.5 points; long-term average 63.3 points) also reported a decrease in uncertainty.

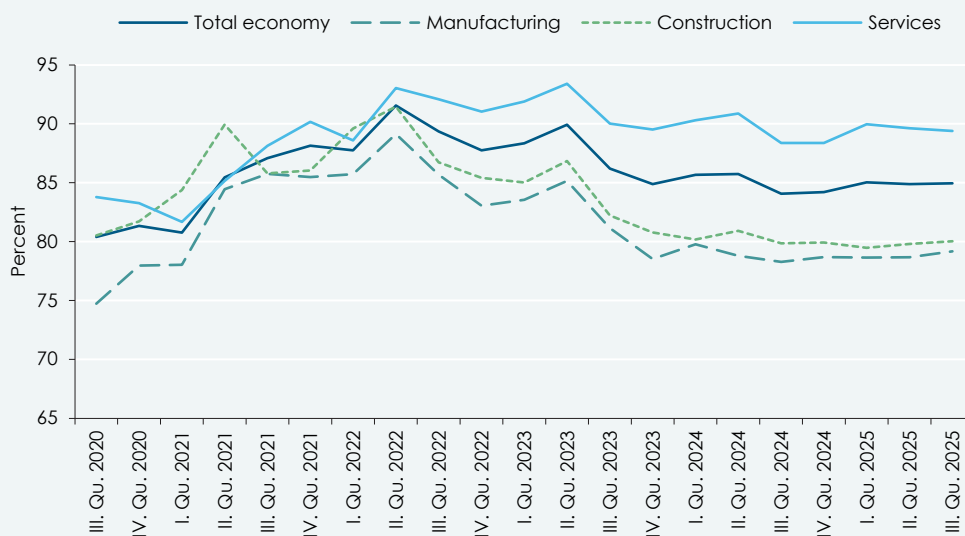
3. Capacity utilisation remains below average

3.1 Stable development of 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 retail trade) was 84.9 percent in July 2025, the same level as in April (long-term average:

85.9 percent). In the services sector, capacity utilisation fell slightly by 0.4 percentage points quarter-on-quarter, but at 89.4 percent was still above the long-term average (89.0 percent). In construction, capacity utilisation rose slightly compared to April (+0.2 percentage points to 80.0 percent, long-term average 83.7 percent). The same applies to manufacturing (+0.5 percentage points to 79.2 percent; long-term average 81.5 percent).

Figure 5: Capacity utilisation by sector



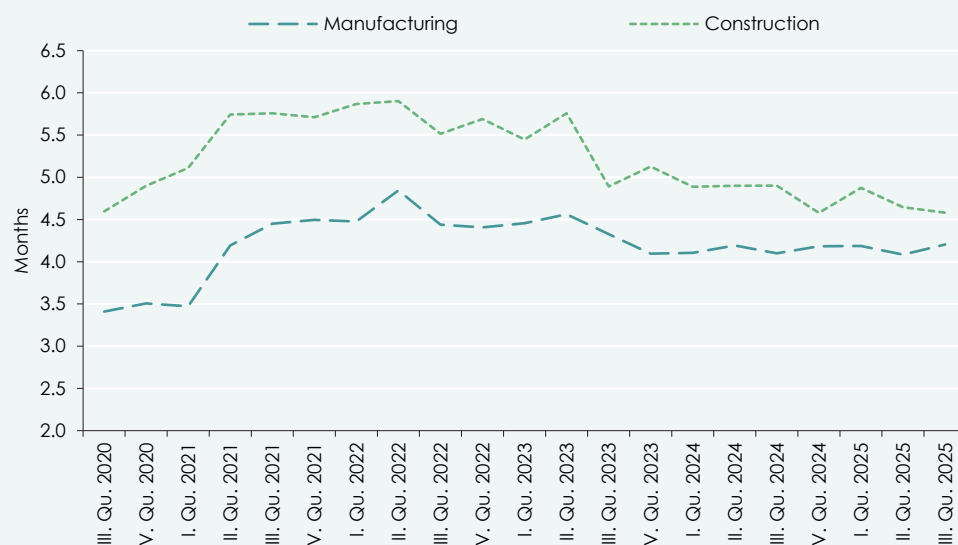
Source: WIFO-Konjunkturtest (business cycle survey), seasonally adjusted.

3.2 Secured production time slightly extended

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

of the third quarter that their production activity is secured for an average of 4.6 months (unchanged compared to April 2025; long-term average 5.2 months). In manufacturing, the average secured production duration was 4.2 months (+0.1 month compared to April; long-term average 4.2 months).

Figure 6: Secured average production duration in manufacturing and construction



Source: WIFO-Konjunkturtest (business cycle survey).

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



Source: WIFO-Konjunkturtest (business cycle survey).

3.3 Order situation in manufacturing improves at a low level

The order backlog for manufacturing remained below average in early summer; expectations for foreign orders improved 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 third quarter of

2025 developed slightly better than in the previous quarters. However, the balance value of -7.0 points indicates a continued, albeit slower, decline in order backlogs in the last three months. Expectations regarding future foreign order books also improved slightly and remained only just in negative territory on balance: the pessimistic voices, which expected a decline in foreign order backlogs over the next three months, only outweighed the positive reports by 0.5 percentage points.

4. Insufficient demand remains the most important obstacle to business activity at the start of summer

In the WIFO-Konjunkturtest, the most important obstacles to business activity for 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:

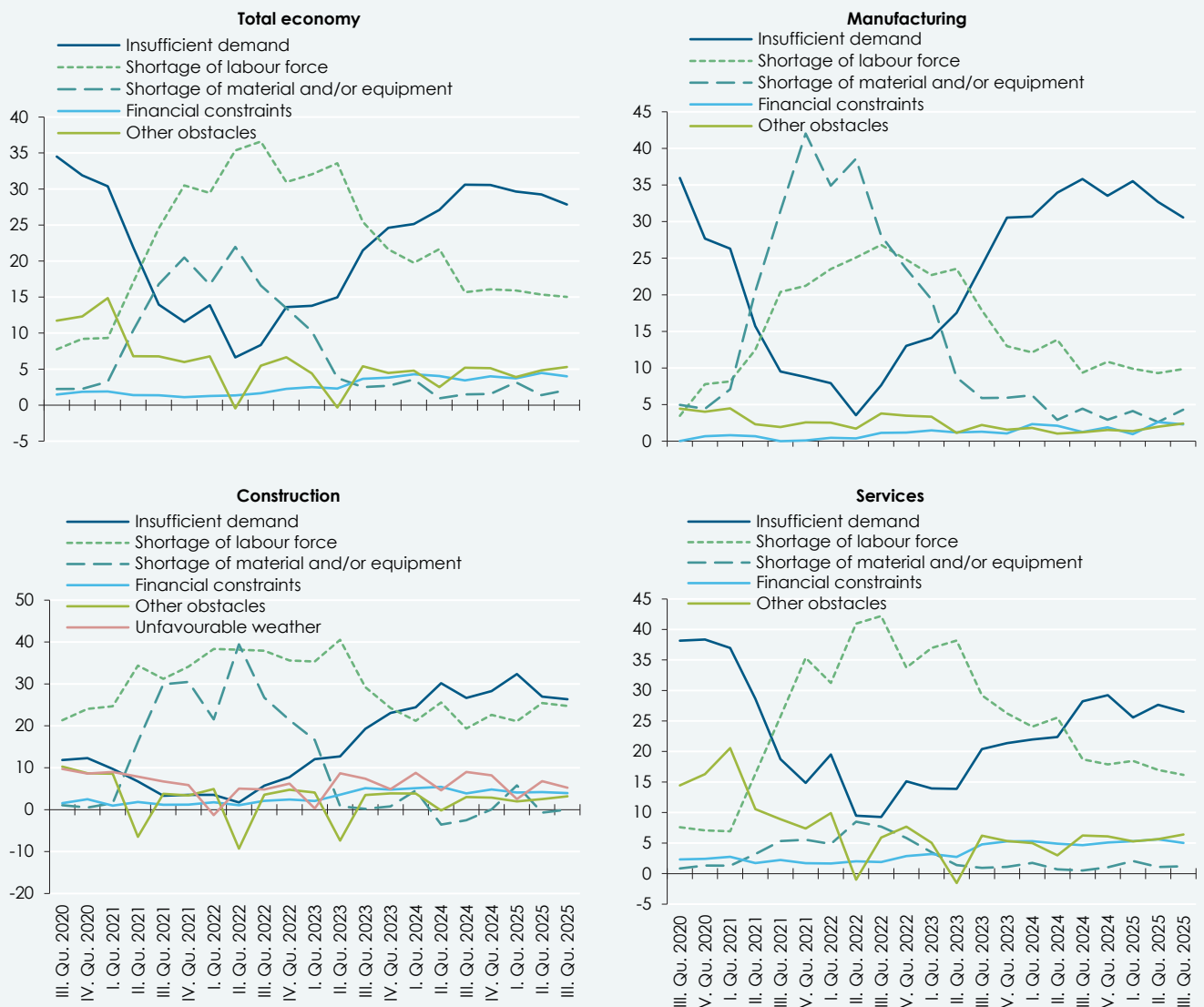
- insufficient demand (services and manufacturing) or lack of orders (construction),
- shortage of labour force,

- 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 the construction industry, the obstacle "unfavourable weather" is also surveyed³.

Figure 8: **Barriers to economic activity**

Percentage of all notifications



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 excluded due to the "dainties" seasonal adjustment procedure. These are statistical artefacts.

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

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

In the total economy (excluding the retail trade), around 54 percent of companies reported impairments in their business activities in July 2025 (–1 percentage point compared to April). In the individual sectors, companies were confronted with obstacles to varying degrees. Around 64 percent of construction companies (–1 percentage point compared to April), 55 percent of service providers (–2 percentage points) and a further 49 percent of manufacturing companies reported restrictions on their business or production activities. In the retail trade, the proportion of companies experiencing adverse effects on their business activity fell by 11 percentage points to 50 percent compared to the previous quarter.

In the total economy (excluding the retail trade), "insufficient demand" was still the most frequently cited obstacle to business activity in July 2025 (27.8 percent of companies), ahead of "shortage of labour force" (15.0 percent). Although "shortage of materials and/or capacity" (2.1 percent) gained slightly in importance again, it remained of secondary importance compared to previous years. "Financial constraints" was cited by 4.0 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 (July 2025: 30.6 percent of all companies). However, the number of corresponding reports has recently fallen slightly. The

second most common obstacle remained the "shortage of labour force" (9.9 percent). Around 4.3 percent of manufacturing companies reported a "shortage of materials and/or capacity" as the most important obstacle, around 2.3 percent "financial constraints" and 2.4 percent "other reasons".

As in the previous quarter, "insufficient demand" (26.4 percent) was also the most frequently cited obstacle in the construction industry in July, just ahead of "shortage of labour force" (24.8 percent). Most recently, 5.2 percent of companies cited "unfavourable weather". 4.0 percent of construction companies reported "financial constraints". A lack of materials or capacity bottlenecks currently play practically no role (less than 0.1 percent of companies).

In the service sectors, "insufficient demand" (July 26.5 percent) was the most important obstacle to business activity for the fifth time in a row. This was followed by "shortage of labour force" (16.2 percent), "other obstacles" (6.4 percent) and "financial constraints" (5.0 percent).

In the retail trade, the barriers to business activity have been surveyed since July 2021. In April 2025, 26.3 percent of retailers surveyed reported "insufficient demand" as the most important obstacle, 8.3 percent "shortage of labour force", 4.2 percent "supply bottlenecks", 5.2 percent "financial constraints" and 5.9 percent "other obstacles".

5. Summary

The results of the July 2025 WIFO-Konjunkturtest show an improvement in economic assessments for the total economy. The WIFO Business Climate Indices improved in all sectors, albeit to varying degrees. While the current situation assessments in construction brightened noticeably, the expectations indices in retail trade and manufacturing rose particularly sharply in a quarter-on-quarter comparison. However, the difference between the direction of development and the level remains considerable. For example, the indices in manufacturing are at much lower levels than in construction, services and retail trade. In addition, despite recent gains, both assessments of the situation and expectations in manufacturing are still predominantly sceptical, although there are

signs that the industrial economy is stabilising. In most other sectors, the majority of companies are cautiously optimistic about the near future. The WIFO-Konjunkturampel (economic traffic light) was green in July.

Capacity utilisation recently rose in manufacturing and construction and fell in services, although it remained at a slightly above-average level. Although business uncertainty decreased again, it remained elevated in manufacturing – probably also due to the USA's unstable customs policy. In terms of obstacles to business activity, "insufficient demand" continued to dominate the reports in July, ahead of "shortage of labour force".

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