

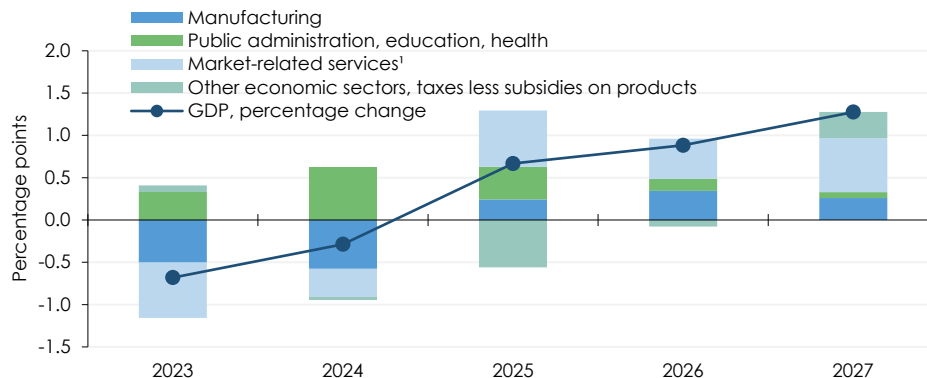
Industry Drives the Recovery, Energy Prices Dampen Purchasing Power

Economic Outlook for 2026 and 2027

The Austrian economy is on a tentative path to recovery and is unlikely to be derailed by the renewed surge in energy prices. WIFO forecasts GDP growth of 0.9 percent for 2026. In 2027, it is expected to reach 1.3 percent. Over the forecast period, industry will replace the public sector as the main driver of growth, while private consumer demand will remain weak due to falling real wages and persistently high uncertainty. In the medium term, high energy prices and unit labour costs, as well as other structural challenges, will dampen potential growth. Austria's economy is therefore likely to expand at a slightly slower pace than the euro area until 2031 (Ø 2026-2031 +1.0 percent p.a.). The general government budget deficit will average 4.1 percent of nominal GDP in the medium term, remaining well above the 3 percent threshold.

"In 2026, industry will replace the public sector as the main driver of growth; however, the future development of industrial value added depends on external demand and energy prices," says Christian Glocker, one of the authors of the current WIFO Economic Outlook.

Figure 1: **Growth contribution of economic sectors to gross domestic product, volume**



Between 2023 and 2025, the public sector supported economic output, whilst industry contracted in 2023 and 2024. In 2026, this pattern is reversed: industry makes the largest contribution to growth, whilst that of the public sector falls to just over a third of the previous year's figure (source: WIFO; Statistics Austria; WDS – WIFO Data System, Macrobond. 2026 and 2027: Forecast. – ¹ NACE 2008, sections G to N).

Following the prolonged period of weakness in 2023 and 2024, the Austrian economy is in a tentative recovery, the nature of which is set to change fundamentally in the current year. Up until 2025, growth was largely driven by the public administration, education and health sector, whose contribution is now declining significantly. This is being replaced by industry (manufacturing, NACE 2008, section C), which is benefitting from a noticeable pick-up in foreign demand. At the same time, a renewed supply shock is weighing on the economy: the war in the

Middle East and the ongoing blockade of the Strait of Hormuz have caused prices for crude oil, natural gas and electricity to rise sharply. Unlike in 2022, this shock is hitting the domestic economy at a time of already weak purchasing power and a restrictive stance of economic policy.

For 2026, WIFO expects economic output to grow by 0.9 percent, driven by exports (+2.3 percent), which are picking up in line with the industrial cycle in the key export markets. This stimulus is being transmitted to domestic demand only gradually, via production and income: private consumption will continue to grow at a weak rate (+0.4 percent), as real wages fall and increased uncertainty dampens households' willingness to spend.

Table 1: **Main results**

	2022	2023	2024	2025	2026	2027	
	Percentage changes from previous year						
Gross domestic product, volume	+ 5.5	– 0.7	– 0.3	+ 0.7	+ 0.9	+ 1.3	
Manufacturing	+ 9.4	– 3.0	– 3.7	+ 1.6	+ 2.3	+ 1.7	
Wholesale and retail trade	+ 0.9	– 6.6	– 4.2	+ 1.9	± 0.0	+ 1.0	
Private consumption expenditure ¹ , volume	+ 6.1	– 0.1	+ 1.3	+ 0.5	+ 0.4	+ 0.5	
Consumer durables ²	– 2.5	– 5.0	+ 1.5	+ 0.5	+ 1.5	+ 1.5	
Gross fixed capital formation, volume	– 0.1	– 1.7	– 2.4	+ 1.4	+ 0.8	+ 1.7	
Machinery and equipment ³	+ 1.6	+ 3.0	+ 1.2	+ 4.8	+ 1.9	+ 2.2	
Construction	– 1.9	– 6.6	– 6.6	– 2.9	– 0.6	+ 1.0	
Exports, volume	+ 9.4	– 0.4	– 1.9	+ 1.3	+ 2.3	+ 1.7	
Exports of goods, fob	+ 5.6	– 0.6	– 3.8	+ 0.6	+ 2.4	+ 1.6	
Imports, volume	+ 7.8	– 4.2	– 2.5	+ 2.8	+ 1.6	+ 1.7	
Imports of goods, fob	+ 4.1	– 6.6	– 4.8	+ 2.9	+ 1.6	+ 1.4	
Gross domestic product, value	+10.6	+ 6.8	+ 4.2	+ 3.6	+ 3.1	+ 3.7	
	billion €	449.38	479.91	499.95	518.20	534.08	553.64
Current account balance	as a percentage of GDP	– 1.5	1.5	2.8	2.5	2.3	2.0
Consumer prices		+ 8.6	+ 7.8	+ 2.9	+ 3.6	+ 3.3	+ 2.6
GDP deflator		+ 4.9	+ 7.5	+ 4.5	+ 3.0	+ 2.2	+ 2.4
General government net lending, Maastricht definition	as a percentage of GDP	– 3.4	– 2.6	– 4.6	– 4.1	– 4.0	– 3.8
Persons in active dependent employment ⁴		+ 3.0	+ 1.2	+ 0.2	+ 0.2	+ 0.5	+ 0.7
Unemployment rate ⁵		6.3	6.4	7.0	7.4	7.6	7.3
Command-basis GDP per capita ⁶		+ 1.5	– 1.3	+ 0.0	+ 0.8	– 0.1	+ 0.8
At-risk-of-poverty rate ⁷	percent	14.9	14.3	15.9	15.8	15.7	15.8
Income quintile share ratio ⁷	ratio	4.3	4.3	4.2	4.3	4.3	4.2
Greenhouse gas emissions ⁸		– 5.9	– 6.6	– 3.0	+ 0.7	– 0.6	– 3.1
	Million t CO ₂ equivalents	73.51	68.67	66.64	67.09	66.67	64.60

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 Eurostat definition (see WIFO business cycle reporting glossary), assigned to the income reference year. From 2025 forecast. – ⁸ 2025: estimate according to Environmental Agency Austria (Umweltbundesamt). From 2026: forecast.

In 2027, real GDP growth is expected to accelerate to 1.3 percent, as the external stimulus should then feed through more strongly to domestic demand: construction investment will rise in 2027 for the first time in five years, investment in machinery and equipment will continue to

expand and gross real wages per capita will grow slightly again. However, the tightening of monetary policy and ongoing fiscal consolidation will dampen growth momentum throughout the forecast period.

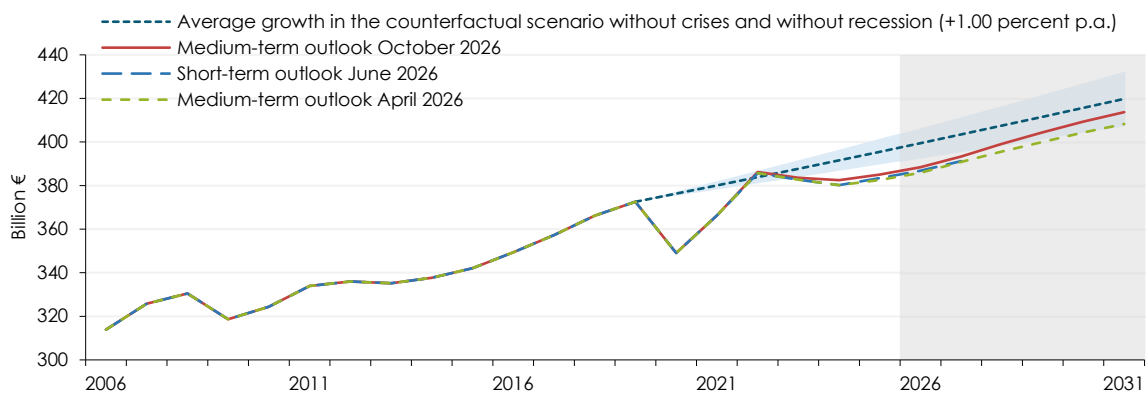
Domestically produced goods and services will become 2.2 percent more expensive in 2026 and 2.4 percent more expensive in 2027 (2025 +3.0 percent). The GDP deflator thus understates the inflationary pressure faced by private households, as the rising cost of imported energy sources increases consumer prices but not the price of domestic value added. Consumer prices will rise by 3.3 percent in 2026 and by 2.6 percent in 2027 (2025 +3.6 percent). With the assumed easing on energy markets, price pressures will abate towards the end of the forecast period.

The labour market responds to the economic recovery with a delay. The number of persons in active dependent employment will rise by 0.5 percent in 2026 and by 0.7 percent in 2027. As labour supply continues to grow, driven primarily by immigration, the unemployment rate (national definition) will rise to 7.6 percent in 2026 and will fall only in the following year, to 7.3 percent.

Medium-term Forecast

In the medium term, the Austrian economy faces several challenges. For instance, energy prices and unit labour costs remain high despite the recent convergence towards the European average. As a result, especially the energy-intensive export sector continues to face considerable competitive pressure. The labour force participation rate among older persons has risen with the gradual increase in the statutory retirement age for women and the option to take early retirement later, but it remains lower than in comparable industrialised countries. Furthermore, structural problems persist regarding the integration of migrants into the education system and the labour market. Against this backdrop, the Austrian economy is likely to grow more slowly than the euro area average in the medium term. WIFO expects real GDP growth of 1.2 percent p.a. (2026-2031; Ø 2010-2019 +1.6 percent p.a.).

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



As a result of the crises of recent years – the COVID-19 crisis, the energy price shock and the 2023-24 recession – the Austrian economy suffered a significant loss in value added. Depending on the assumptions regarding average growth in a counterfactual scenario without crises or a recession, the losses for the period 2020-2031 amount to around 12 billion € (±78 billion €; source: Statistics Austria, WIFO calculations).

In view of demographic ageing, greater efforts must be made to harness the employment potential in the future, not only of older workers but also of the unemployed. If this is achieved, the unemployment rate could fall to 5.8 percent by 2031.

For 2028-29, WIFO expects gross real wage growth to rise significantly once again. Inflation is not expected to reach the ECB's 2 percent target until the second half of 2028 and is likely to remain at that level in the subsequent period.

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

	2025	2026	2027	2028	2029	2030	2031	Ø 2021-2025	Ø 2026-2031
Year-to-year percentage changes									
Gross domestic product									
Volume	+ 0.7	+ 0.9	+ 1.3	+ 1.5	+ 1.3	+ 1.2	+ 1.1	+ 2.0	+ 1.2
Value	+ 3.6	+ 3.1	+ 3.7	+ 3.6	+ 3.5	+ 3.2	+ 3.1	+ 6.4	+ 3.4
Private consumption expenditure ¹									
Volume	+ 0.5	+ 0.4	+ 0.5	+ 0.9	+ 0.9	+ 0.8	+ 0.7	+ 2.5	+ 0.7
Value	+ 3.1	+ 3.8	+ 3.3	+ 3.1	+ 3.0	+ 2.8	+ 2.7	+ 7.3	+ 3.1
Consumer prices	+ 3.6	+ 3.3	+ 2.6	+ 2.2	+ 2.1	+ 2.0	+ 2.0	+ 5.1	+ 2.4
Gross wages and salaries ²	+ 3.8	+ 2.1	+ 3.6	+ 3.6	+ 3.2	+ 2.8	+ 2.6	+ 6.5	+ 3.0
Employees ³	+ 0.0	– 0.3	+ 0.7	+ 0.8	+ 0.6	+ 0.4	+ 0.4	+ 1.3	+ 0.4
Persons in active dependent employment ⁴	+ 0.2	+ 0.5	+ 0.7	+ 0.8	+ 0.7	+ 0.6	+ 0.5	+ 1.4	+ 0.6
Trend output	+ 0.8	+ 0.9	+ 1.0	+ 1.0	+ 1.0	+ 1.0	+ 1.1	+ 1.1	+ 1.0
Output gap, volume									
As a percentage of trend output	– 1.2	– 1.2	– 0.9	– 0.6	– 0.3	± 0.0	± 0.0	– 0.4	– 0.5
Percent									
Unemployment rate									
Eurostat definition ⁵	5.7	6.0	5.7	5.5	5.3	5.1	4.9	5.4	5.4
National definition	7.4	7.6	7.3	6.9	6.5	6.2	5.8	7.0	6.7
As a percentage of GDP									
Net exports	2.4	2.1	1.9	2.0	2.1	2.1	2.1	1.3	2.0
General government financial balance (Maastricht definition)	– 4.1	– 4.0	– 3.8	– 4.2	– 3.9	– 4.1	– 4.2	– 4.1	– 4.1
Gross public debt	80.7	82.3	83.5	85.2	86.2	87.6	89.1	79.5	85.7
Household saving ratio									
As a percentage of disposable income	9.7	8.4	8.2	8.2	8.1	7.9	7.6	10.1	8.1
At-risk-of-poverty rate ⁶ percent	15.8	15.7	15.8	15.5	15.5	15.1	14.8	15.1	15.4
Income quintile share ratio ⁶ ratio	4.3	4.3	4.2	4.2	4.2	4.2	4.2	4.3	4.2
Greenhouse gas emissions ⁷									
Year-to-year percentage changes	+ 0.7	– 0.7	– 3.1	– 3.4	– 3.6	– 3.5	– 1.8	– 2.2	– 2.7
Mio. t of CO ₂ equivalent	67.1	66.6	64.5	62.3	60.1	57.9	56.9	70.8	61.4

Source: Federation of Social Insurances, 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. – ⁶ Eurostat definition (see WIFO business cycle reporting glossary), assigned to the income reference year. From 2025 forecast. –

⁷ 2025: estimate according to Environment Agency Austria (Umweltbundesamt). From 2026: forecast.

The general government budget deficit will average 4.1 percent of nominal GDP in 2026-2031, remaining well above the 3 percent threshold even in the medium term. Consequently, public debt will rise to 89 percent of nominal economic output by 2031. The rise in long-term interest

rates is leading to a noticeably higher interest burden on the national debt and is undermining previous consolidation efforts. In order to meet or fall below the 3 percent Maastricht target, additional consolidation efforts of at least 1 percent of the value of GDP will be required from 2029 onwards.

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For further information, please contact on Wednesday, 14 October 2026,
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/upload-1041/WIFO-BusinessCycleReporting-Glossary.pdf>