

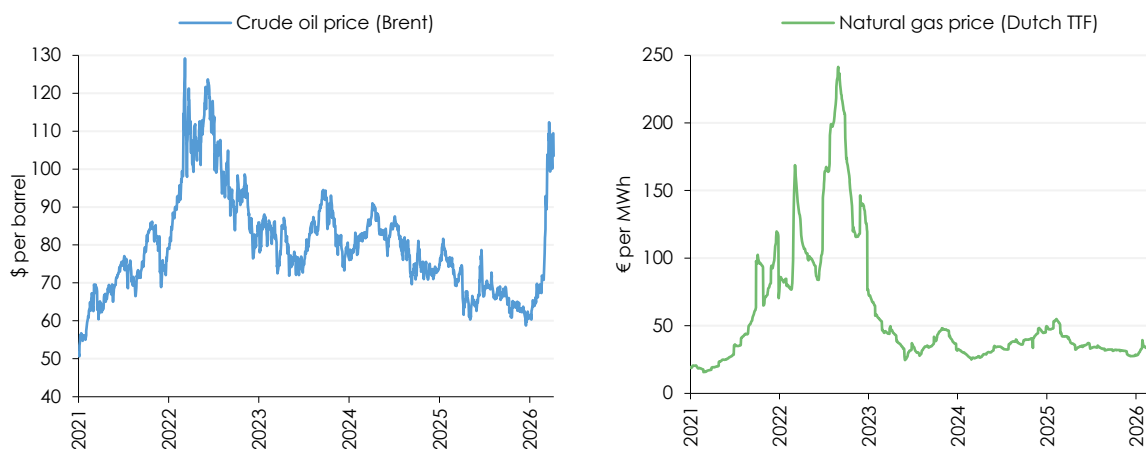
Iran War Threatens Economic Recovery

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 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.

"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", says Marcus Scheiblecker, one of the authors of the latest WIFO Economic Outlook.

Figure 1: Energy prices since 2021



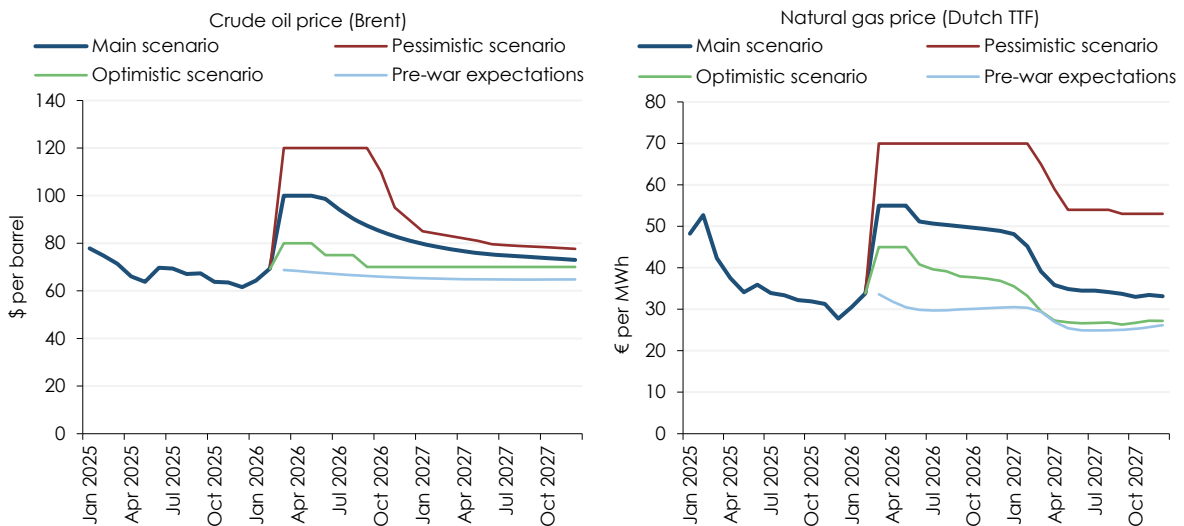
Since the outbreak of the Iran War, energy prices have risen sharply and have been highly volatile (source: Intercontinental Exchange – ICE, Macrobond. Last figure: 7 April 2026).

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 this petered out again 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 first 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.

Figure 2: Energy price scenarios



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

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.

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 €	528.53	547.24	529.93	549.29	524.89	539.64
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.

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 economic activity. 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).

Table 2: **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}	percent	14.9	14.3	14.4	14.4	14.6	14.3
Income quintile share ratio ^{8 9}	ratio	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.

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).

Medium-term Forecast

Building on the short-term forecast, WIFO projects economic developments for 2028-2031. This medium-term assessment is presented for the first time together with the short-term forecast at a press conference on 10 April 2026.

Table 3: **Main results of the medium-term forecast for Austria**

	2025	2026	2027	2028	2029	2030	2031	Ø 2022-2026	Ø 2027-2031
Year-to-year percentage changes									
Gross domestic product									
Volume	+ 0.6	+ 0.9	+ 1.3	+ 1.2	+ 1.1	+ 1.1	+ 1.0	+ 1.1	+ 1.1
Value	+ 3.8	+ 3.1	+ 3.5	+ 3.2	+ 3.1	+ 3.0	+ 2.9	+ 5.4	+ 3.2
Private consumption expenditure ¹									
Volume	+ 0.5	+ 0.5	+ 0.6	+ 0.9	+ 0.9	+ 0.9	+ 0.8	+ 1.4	+ 0.8
Value	+ 3.2	+ 3.1	+ 3.0	+ 3.0	+ 2.9	+ 2.8	+ 2.7	+ 6.3	+ 2.9
Consumer prices	+ 3.6	+ 2.7	+ 2.3	+ 2.1	+ 2.0	+ 1.9	+ 1.9	+ 5.1	+ 2.0
Gross wages and salaries ²	+ 3.8	+ 2.5	+ 3.2	+ 3.0	+ 2.7	+ 2.6	+ 2.5	+ 6.0	+ 2.8
Employees ³	+ 0.1	+ 0.1	+ 0.6	+ 0.5	+ 0.5	+ 0.5	+ 0.4	+ 1.0	+ 0.5
Persons in active dependent employment ⁴	+ 0.2	+ 0.5	+ 0.8	+ 0.6	+ 0.6	+ 0.5	+ 0.5	+ 1.0	+ 0.6
Percent									
Unemployment rate									
Eurostat definition ⁵	5.7	5.8	5.5	5.3	5.2	5.0	4.8	5.3	5.2
National definition	7.4	7.4	7.1	6.8	6.4	6.0	5.7	6.9	6.4
As a percentage of GDP									
Net exports	2.4	2.4	2.6	2.6	2.7	2.7	2.7	1.7	2.7
General government financial balance (Maastricht definition)	- 4.2	- 4.1	- 4.0	- 4.2	- 3.7	- 3.8	- 3.8	- 3.8	- 3.9
Gross public debt	81.5	83.4	84.6	86.4	87.5	88.7	90.0	80.2	87.4
Household saving ratio									
As a percentage of disposable income	9.9	9.4	9.4	9.1	8.7	8.3	8.0	9.7	8.7
At-risk-of-poverty rate ^{6,8}	percent	14.4	14.6	14.3	14.1	13.8	13.6	13.4	14.5
Income quintile share ratio ^{7,8}	ratio	4.3	4.4	4.4	4.4	4.3	4.3	4.3	4.3

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 Share of persons living in private households with an equivalised disposable income below the at-risk-of-poverty threshold. – ⁷ 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. – ⁸ Eurostat definition, assigned to the income reference year. From 2024 forecast based on EUROMOD Version 2.0+ and EU-SILC 2024.

Vienna, 10 April 2026

For further information, please contact on Friday, 10 April 2026, from 11 a.m. to 2 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>