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Modest Growth Replaces Recession.

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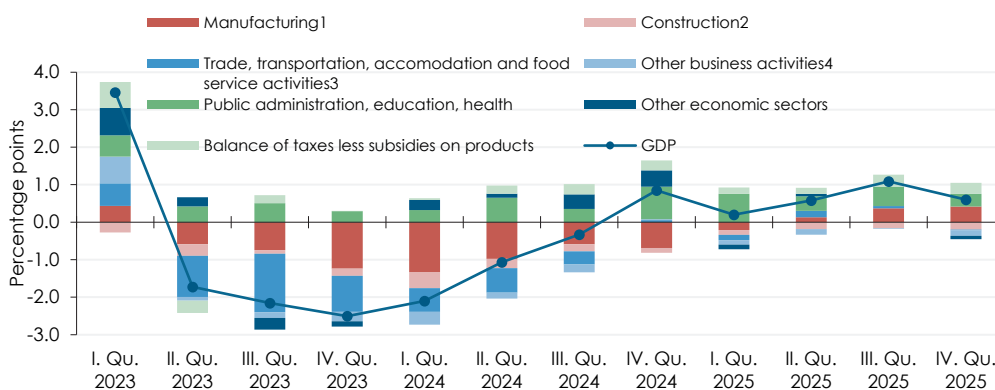
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- Global economic developments in 2025 were characterised by a shift in the trade policy framework. The new US administration significantly increased import tariffs following its inauguration in January 2025.
- In emerging economies, economic growth continued to be significantly stronger than in industrialised nations. Regional differences were also evident within the euro area.
- After two years of recession, the Austrian economy grew slightly again by 0.6 percent in volume terms.
- The general government deficit stood at 4.2 percent of GDP in 2025. A comprehensive consolidation programme was adopted in March 2025.
- The weak growth in real incomes dampened consumer spending, and the savings rate fell sharply.
- The CPI inflation rate climbed to an annual average of 3.6 percent in 2025, as some inflation-dampening measures had expired at the start of the year.

Growth contributions of the economic sectors to GDP

Volume, percentage changes from the previous year (GDP) or contribution to growth in percentage points (components)



"After two years of recession, the Austrian economy grew slightly again in 2025. Industrial production recovered only slowly in the face of a sluggish business cycle in the euro area and trade policy uncertainty."

Austrian GDP was once again above the previous year's level from the fourth quarter of 2024 onwards. Whilst the construction sector once again held back the total economy in 2025, the public administration, education and health sector made consistently positive contributions. Manufacturing only began to contribute to GDP growth from the second quarter of 2025, whilst services showed mixed performance (source: Statistics Austria, WIFO. – ¹ NACE 2008, section C. – ² NACE 2008, section F. – ³ NACE 2008, sections G to I. – ⁴ NACE 2008, sections M and N).

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May 2026

Modest Growth Replaces Recession. The Austrian Economy in 2025

Following two years of recession, Austria's economy grew modestly again in 2025 (+0.6 percent in real terms). While industrial growth gradually gathered pace, the construction sector experienced further losses in value added. The general government deficit stood at 4.2 percent of GDP. Weak growth in real incomes dampened consumer spending, and the savings rate fell sharply. Inflation rose significantly, particularly due to the expiry of the electricity price cap and increases in charges, averaging 3.6 percent for the year.

JEL-Codes: E32, E66 • **Keywords:** Economic development in Austria

This article analyses economic developments in Austria and worldwide with a focus on domestic income, consumption and price trends. A detailed analysis of the monetary and financial markets can be found in Pekanov (2025). Reports on the development of industry, foreign trade and the labour market will follow in issue 5/2026 of the WIFO-Monatsberichte (monthly reports).

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1. Global economy marked by trade policy upheavals

The global economy grew robustly once again in 2025, but was characterised by a shift in the trade policy landscape.

In 2025, the global economy expanded by 2¼ percent, a rate similar to that of the previous year, thereby defying the profound changes in the trade policy landscape. With the Trump II administration taking office in January 2025, a phase of import tariff increases began, which weighed on global trade in goods. The new USA administration is using import tariffs as an economic policy tool to strengthen American industry, generate government revenue and put pressure on trading partners. The average tariff rate on USA imports rose from 2.5 percent in 2024 to over 11 percent at the start of 2025, climbed to just under 16.5 percent following the comprehensive tariff announcements of 2 April 2025, and subsequently fell again. Consequently, the defining themes of 2025 were no longer the easing of inflationary pressures and the normalisation of supply

chains, but an actively pursued, rapidly changing trade policy.

Extensive front-loaded imports into the USA provided a boost to global trade, particularly in the first half of 2025. Importers deliberately placed their orders before the announced tariffs came into force. This led to global merchandise trade growing by around 4¼ percent on average in 2025 (2024 +2.5 percent). However, the high average figure masks the dynamics during the year: in the second half of 2025, global trade slowed as the pull-forward effects ebbed and the burden of the now higher tariffs increasingly took hold. Over the course of the year, several key trading partners – including the UK, Japan, South Korea and the EU – concluded agreements with the USA. Whilst these provided planning

certainly, they simultaneously cemented a permanently higher level of tariffs. The erratic trade policy of the USA led to an increase in economic uncertainty, thereby dampening the investment climate worldwide.

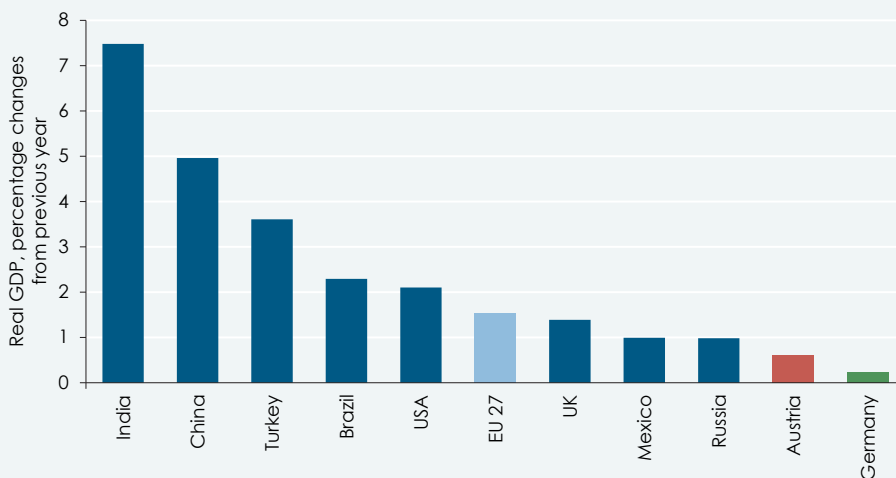
A further geopolitical upheaval followed Israel's attack on Iran in June 2025. The Twelve-Day War triggered considerable turmoil on the commodities markets and caused oil prices to surge sharply at times. However, increased subsidies by OPEC countries, coupled with subdued global demand, kept the annual average price of crude oil (Brent) at around 68 \$ per barrel – well below the previous year's level of just under 80 \$. At the same time, heightened security risks prompted a number of countries to increase their military spending considerably. Germany's decision to suspend the debt brake and establish a substantial special fund for the military and infrastructure led to a relaxation of fiscal rules at EU level in favour of credit-financed military spending.

The economy in emerging markets continued to grow at a significantly stronger rate than in industrialised nations in 2025, at 4.4 percent. Among the BRICS countries, India stood out with GDP growth of 7.5 percent. China achieved growth of 5.0 percent, supported by expansionary fiscal and monetary policy as well as strong export growth at the start of the year. In the second

half of the year, however, momentum there slowed as US tariffs hampered foreign trade and structural weaknesses in the property sector persisted. Consumer prices, by contrast, remained largely stagnant. In 2025, Russia experienced a slowdown in the business cycle following the broad-based upturn of previous years, which had significantly exceeded trend growth. High capacity utilisation had generated significant inflationary pressure, to which the central bank responded with a massive tightening of monetary policy, raising the key interest rate to 21 percent to dampen private demand. The trend in Brazil was similar. There, growth slowed from 3.4 percent in the previous year to 2.3 percent. Inflation, by contrast, rose to around 5 percent, prompting the central bank to implement further interest rate hikes.

In the industrialised countries, economic growth also slowed slightly compared with 2024, standing at 1.8 percent. In the USA, GDP growth was 2.1 percent. Consumer confidence fell amid the tariff policy, the savings rate rose sharply, and real consumer spending lost momentum. In the euro area, growth of 1.4 percent year-on-year appeared high, but excluding Ireland (+12.7 percent) it was only moderate (+0.9 percent). Moreover, regional differences were significant. Spain's economy expanded strongly (+2.8 percent), whilst Germany (+0.2 percent) lagged significantly behind the average.

Figure 1: **Growth of real GDP in 2025**



Source: Eurostat, OECD, national statistical offices, Macrobond.

The business cycle in the euro area was shaped by opposing forces in 2025. Rising real wages, robust private consumption and the fiscal stimulus from increased military and infrastructure spending, particularly in Germany, which strengthened over the course of the year, provided a supportive

effect. Conversely, the significant appreciation of the euro against the dollar acted as a brake, undermining the price competitiveness of the export sector. Furthermore, USA tariffs and general trade uncertainty weighed on industry and export demand. The manufacturing sector thus struggled to

gain momentum, although order intake increased over the course of the year. Employment in the euro area rose moderately and the unemployment rate remained low at 6.2 percent.

lower energy prices. Furthermore, US consumers' inflation expectations for the next twelve months had temporarily doubled to nearly 5 percent in the wake of the tariff announcements.

Global inflation continued to slow in 2025.

The inflation rate fell to an average of 2.5 percent in the industrialised countries and to 3.1 percent in the emerging markets. In the euro area, it approached the European Central Bank's (ECB) target of 2.1 percent. This was aided, among other things, by the appreciation of the euro. In the USA, the inflation rate remained above the Federal Reserve's target at 2.7 percent, as tariff-related price increases on imported goods partially offset the dampening effect of

The differing inflation profiles were reflected in a marked divergence in monetary policy. The ECB cut its deposit rate in eight stages from 4.0 percent in the summer of 2024 to 2.0 percent in mid-2025, thereby bringing its easing cycle to an end. In the USA, by contrast, the Federal Reserve kept its key interest rate largely constant at 4.25 percent to 4.5 percent in the face of persistent inflation, before making an initial cut to 4.0 percent to 4.25 percent in September 2025.

Whilst public administration, education and healthcare and the manufacturing sector supported the economy, the construction sector once again saw a decline in value added. The service sectors showed mixed performance.

2. Austria: slight rise in economic output

2.1 Total momentum weak and uneven across sectors

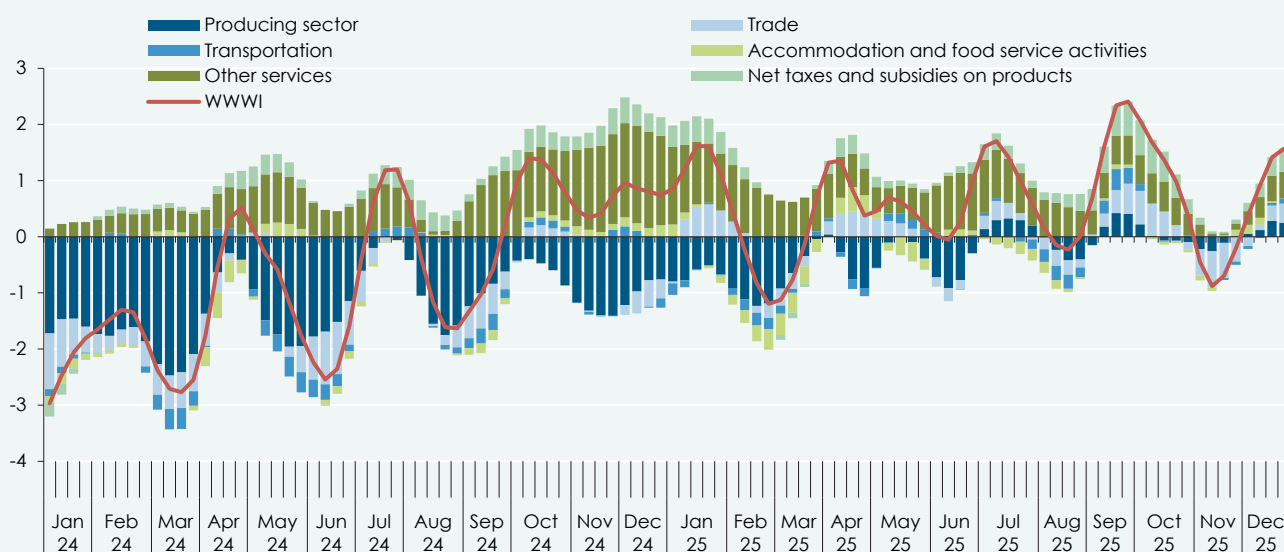
Following two years of recession, the Austrian economy underwent a moderate recovery in 2025. After GDP had fallen by 0.7 percent in real terms in 2024, it rose again slightly by 0.6 percent (in value +3.8 percent). However, there was no continuous economic upturn during the year, but rather an alternation between growth and stagnation.

uneven compared with the previous year, with both positive and negative trends¹. The manufacturing sector, dampened primarily by the construction industry, made mostly negative contributions. The service sectors performed unevenly. Whilst wholesale and retail trade, transportation, accommodation and food service activities (NACE Rev. 2, sections G to I) dampened GDP for several weeks, the remaining market-related services (sections J to N) and the public administration, education and health sectors (sections O to Q) developed predominantly positively (Figure 2).

According to the Weekly WIFO Economic Index (WWWI), economic output was also

Figure 2: **Weekly WIFO Economic Index (WWWI) – subcomponents of the production side**

Year-on-year percentage (overall index) or growth contribution in percentage points (components)



Source: Statistics Austria, WIFO. Producing sector (NACE 2008, sections A to F), trade (NACE 2008, section G), transportation (NACE 2008, section H), accommodation and food service activities (NACE 2008, section I), other services (NACE 2008, sections J to T). The sum of the growth contributions of the subcomponents may differ from the estimated GDP growth (residual).

¹ As these are year-on-year figures that have not been adjusted, calendar effects also played a part in some cases.

Table 1: **Gross value added at basic prices**

Volume (chain-linked series)

	2022	2023	2024	2025
	Percentage changes from previous year			
Agriculture, forestry and fishing	+ 3.4	- 4.9	+ 2.2	+ 1.6
Total industry ¹	+ 8.8	- 2.6	- 5.0	- 0.7
Manufacturing	+ 8.3	- 3.3	- 5.6	+ 1.2
Construction	- 7.8	- 3.7	- 4.2	- 2.9
Wholesale and retail trade	+ 1.0	- 7.9	- 3.0	+ 0.9
Transportation and storage	+ 19.4	+ 0.1	- 1.5	- 0.3
Accommodation and food service activities	+ 84.9	+ 3.7	- 0.3	- 1.4
Information and communication	+ 4.2	+ 5.3	+ 1.7	+ 0.8
Financial and insurance activities	- 0.1	- 7.3	+ 4.6	+ 0.1
Real estate activities	+ 1.5	+ 2.4	+ 1.1	+ 2.7
Other business activities ²	+ 7.5	+ 0.5	- 1.9	- 1.2
Public administration ³	+ 2.2	+ 2.8	+ 3.4	+ 2.8
Other service activities ⁴	+ 20.8	+ 2.6	+ 0.9	- 0.7
Total gross value added ⁵	+ 6.5	- 1.0	- 1.0	+ 0.4
Gross domestic product at market prices	+ 5.3	- 0.8	- 0.7	+ 0.6

Source: Statistics Austria; WDS – WIFO Data System, Macrobond. – ¹ Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities (NACE 2008, sections B to E). – ² Professional, scientific and technical activities; administrative and support service activities (NACE 2008, sections M and N). – ³ Including social security, defence, education, human health and social work activities (NACE Rev. 2, sections O to Q). – ⁴ Including compulsory social security, defence; education; human health and social work activities (NACE 2008, sections O to Q). – ⁵ Before deduction of subsidies on products and attribution of taxes on products.

In 2025, Austrian industry overcame the recession of the previous two years, though weak European demand continued to weigh on the economy (Scheiblecker, 2026). Value added in the manufacturing sector expanded slightly by 1.2 percent (2024 -5.6 percent, 2023 -3.3 percent). During the year, positive momentum was particularly evident at the start of the year (seasonally adjusted and compared with the previous quarter), but this subsided again in the fourth quarter of 2025. Year-on-year, value added in manufacturing was above the previous year's level from the second quarter of 2025 onwards.

In the construction sector, however, the period of weakness continued into 2025. Value added declined for the seventh consecutive year (2025 -2.9 percent). Whilst residential construction benefited from improved financing conditions following the ECB's key interest rate cuts, the recession left its mark on construction of buildings (industrial, office and commercial construction; Klien & Weingärtler, 2026).

Wholesale and retail trade, whose value added had shrunk in the previous two years, managed to achieve slight growth again in 2025 (+0.9 percent, for details see Chapter 2.4). Accommodation and food service activities, on the other hand, saw a further decline in value added (-1.4 percent,

2024 -0.3 percent), although the number of overnight stays once again showed a very positive trend (+1.9 percent compared to the previous year). However, the sharp price increases, combined with guests' persistently high propensity to save, dampened volume revenues and reduced the destination's price attractiveness (Burton & Ehn-Fragner, 2023; Peneder et al., 2025).

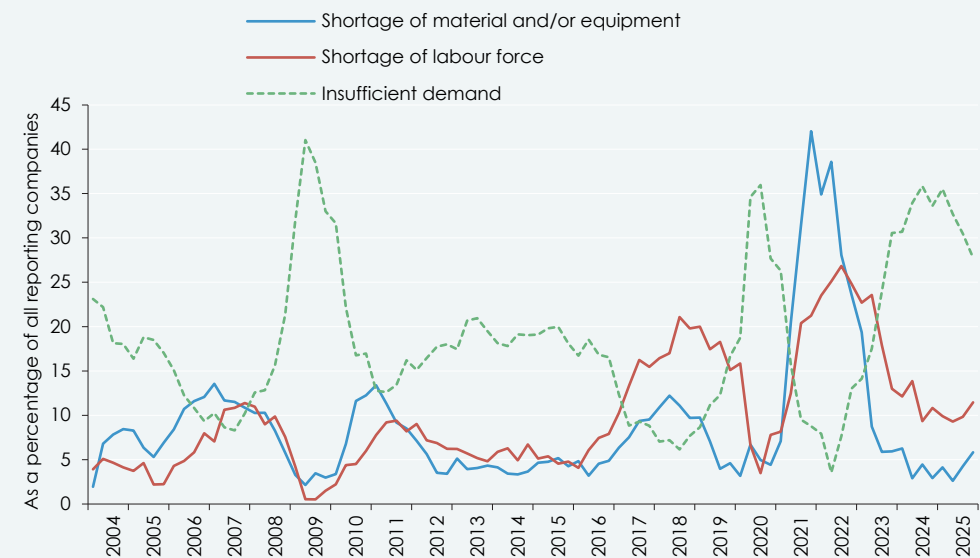
Declines in value added were also observed in other economic services (-1.2 percent), other services (-0.7 percent) and transportation (-0.3 percent). By contrast, growth was recorded in public administration, education and health (+2.8 percent), real estate activities (+2.7 percent), information and communication (+0.8 percent) and finance, credit and insurance (+0.1 percent).

In line with the economic upturn, the assessments of Austrian companies also improved slightly over the course of 2025. Nevertheless, according to the WIFO-Konjunkturtest (business cycle survey), pessimism prevailed for almost the entire year, both regarding the current economic situation and in terms of business expectations. From mid-2023 onwards, the surveyed manufacturing companies had identified weak demand as the most significant obstacle to production. This perception continued into 2025, although the corresponding reports declined slightly from April onwards (Figure 3).

Economic sentiment stabilised in 2025, but Austrian companies once again cited weak demand.

Figure 3: **Production constraints in manufacturing**

Seasonally adjusted



Source: WIFO-Konjunkturtest (business cycle survey).

Having already risen significantly during the recession years, corporate insolvencies increased slightly again in 2025 (+3.4 percent). The total number of insolvency cases was 6,810². The sectors most severely affected were once again wholesale and retail trade, construction, and accommodation and food service activities.

Corporate investment demand developed positively despite the challenging business cycle (gross fixed capital formation +1.4 percent). Whilst construction investment contracted (-2.9 percent), investment in equipment expanded strongly (+9.2 percent). Demand for machinery, electrical equipment and vehicles was particularly high. According to the WIFO Investment Survey (Friesenbichler & Agnezy, 2026), investment activity by Austrian firms was primarily driven by technological developments. Investments were made more to replace outdated plant or machinery and equipment than to expand capacity.

The decline in real incomes dampened consumer demand from private households. As a result, it rose only slightly by 0.5 percent in 2025 and the savings rate fell to 9.9 percent (2024: 11.7 percent). Whilst expenditure on

non-durable goods and services remained virtually stagnant, that on durable consumer goods rose significantly (see Chapter 2.4). Private consumption provided predominantly positive impetus on a weekly basis (according to WWI), though there were also negative trends at times. Public consumption demand, by contrast, expanded noticeably by +2.4 percent and continued to grow throughout the year. The total increase in consumption was 1.0 percent in 2025.

Foreign trade suffered in 2025 from weak international demand as well as geopolitical and trade policy uncertainty. The USA's erratic tariff policy weighed on exports of goods overseas. According to WWI, the trade balance was negative, particularly in the first half of the year. Total exports rose by 0.3 percent in 2025 (goods -0.2 percent), while imports rose by 1.7 percent (goods +1.7 percent). In value terms, exports expanded by 2.0 percent and imports by 2.2 percent. Following the decline in import prices on an annual average in 2024, these rose slightly again in 2025 (+0.4 percent). Exports became 1.7 percent more expensive compared with the previous year.

Investment and consumer demand showed a slight positive trend in 2025.

² Open and closed cases according to the Kreditschutzverband von 1870 (KSV1870).

Table 2: **Development of aggregate demand**

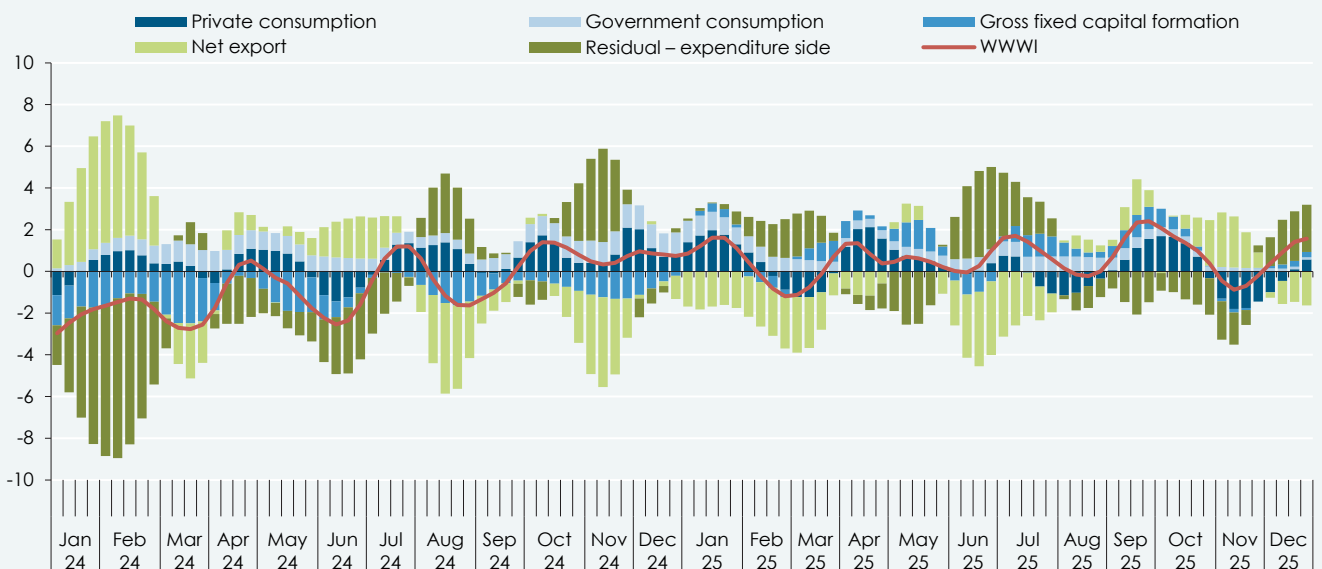
Volume (chain-linked series)

	2022	2023	2024	2025
	Percentage changes from previous year			
Final consumption expenditure	+ 3.7	+ 0.0	+ 1.8	+ 1.0
Private households ¹	+ 5.4	- 0.2	+ 1.0	+ 0.5
General government	+ 0.0	+ 0.6	+ 3.8	+ 2.4
Gross capital formation	+ 5.0	- 10.4	- 9.1	+ 2.0
Gross fixed capital formation	- 0.3	- 1.3	- 4.3	+ 1.4
Machinery and equipment ²	- 1.7	+ 1.2	- 4.4	+ 9.2
Construction	- 2.1	- 4.5	- 5.9	- 2.9
Other investments ³	+ 5.8	+ 2.3	- 0.8	- 0.2
Domestic demand	+ 3.9	- 3.1	- 0.8	+ 1.4
Exports	+ 9.4	- 0.6	- 2.3	+ 0.3
Imports	+ 6.9	- 4.3	- 2.6	+ 1.7
Gross domestic product	+ 5.3	- 0.8	- 0.7	+ 0.6

Source: Statistics Austria; WDS – WIFO Data System, Macrobond. – ¹ Including private non-profit organisations serving households. – ² Including military weapon systems. – ³ Mainly intellectual property products (research and development, computer programmes, copyrights).

Figure 4: **Weekly WIFO Economic Index (WWWI) – subcomponents of the expenditure side**

Year-on-year percentage change (overall index) or growth contribution in percentage points (components)



Source: Statistics Austria, WIFO.

2.2 Debt rises significantly due to the recession and crisis-related additional expenditure

Even before the National Council election at the end of September 2024, signs of a medium-term breach of the reformed EU fiscal rules had become apparent. When the new government took office in early March 2025, without further countermeasures, the general government Maastricht deficit was projected to rise from 4.7 percent (2024) to 5.8 percent of GDP (2025) and an increase in the debt-to-GDP ratio to 96.5 percent by 2029 (Federal Ministry of Finance – BMF, 2025).

The new federal government therefore adopted a comprehensive consolidation programme in March 2025, which was set out in detail in the 2025-26 biennial budget and the Federal Fiscal Framework up to 2029 (BMF, 2025; Pitlik & Schratzenstaller, 2025). The aim is to reduce the Maastricht deficit to just under 3 percent by 2028 and further to 2.8 percent of economic output in 2029 (Table 3). According to these plans, the debt-to-GDP ratio will rise to 87 percent of GDP by 2028 and only then fall slightly to 86.9 percent in 2029.

The volume of the agreed consolidation measures is set to rise from 7 billion € in 2025 to 16.5 billion € in 2029 (Figure 5).

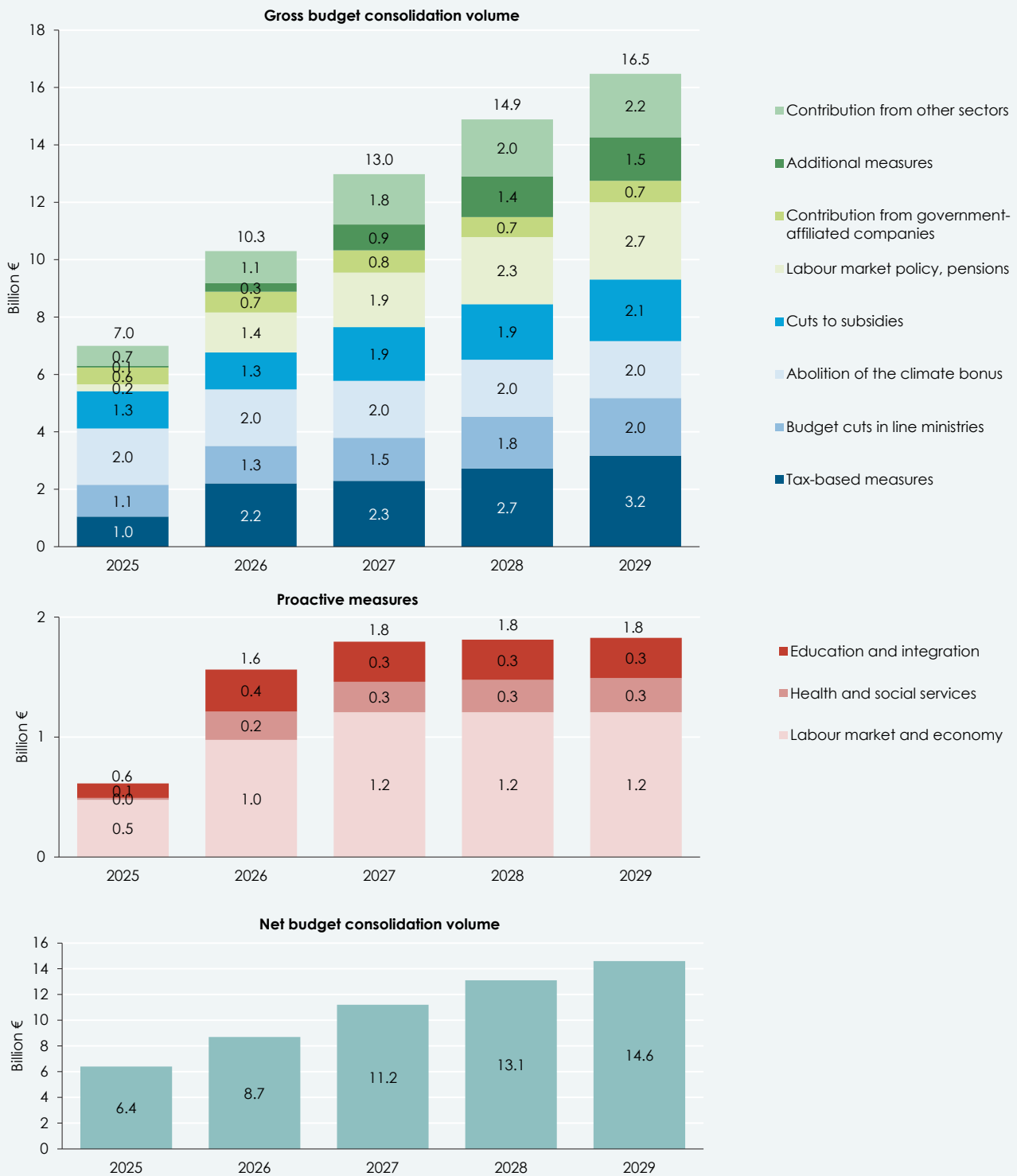
Austria has been subject to the EU deficit procedure since July 2025.

Table 3: **Budget deficit and public debt according to the medium-term budget plan of May 2025**

	2024	2025	2026	2027	2028	2029
	As a percentage of GDP					
Budget deficit	- 4.7	- 4.5	- 4.2	- 3.5	- 3.0	- 2.8
Debt-to-GDP ratio	81.8	84.7	86.2	86.9	87.0	86.9

Source: Federal Ministry of Finance (2025).

Figure 5: **Overview of budget consolidation measures**



Source: Federal Ministry of Finance (2025), WIFO presentation. Proactive measures reduce the gross budget consolidation volume in the form of additional spending or lower tax revenues.

A good 70 percent of the planned consolidation volume stems from expenditure-side measures. These comprise a series of cuts across various sectors. The abolition of the climate bonus, at just under 2 billion €, is the most extensive single measure. Added to this are savings in the administration of federal ministries, as well as in the areas of the labour market (abolition of educational leave) and pensions (measures to raise the effective retirement age), cuts to subsidies (particularly in the area of climate protection), and savings at the level of the federal states, local authorities and social security institutions. Just under 30 percent of the gross consolidation volume is to be generated on the revenue side, in particular through increases in various taxes and duties, as well as from dividends from state-affiliated companies.

In 2023, the general government deficit, as a percentage of GDP, had fallen below the 3 percent ceiling for the first time since 2019, but had risen sharply again to 4.6 percent of economic output by 2024. In 2025, the Maastricht deficit fell to 4.2 percent, thereby coming in below the Federal Ministry of Finance's expectations as set out in the medium-term budget plan of May 2025 (4.5 percent of GDP). The federal government contributed 3.0 percent to this, recording a lower deficit than expected (3.5 percent), whilst the states and local authorities, with a total of 1.1 percent, recorded a slightly higher deficit (1.0 percent). Social security accounted for 0.1 percent. The public debt-to-GDP ratio reached 81.5 percent in 2025 (2024: 80.0 percent). The public expenditure-to-GDP ratio fell by 0.1 percentage point to 55.2 percent. Public expenditure grew by 3.6 percent total. The growth was primarily driven by an increase in cash social benefits (+6.1 percent) and social benefits in kind (+6.3 percent), as well as a sharp rise in interest payments of 12.6 percent to just under 8.3 billion €. Significant declines in expenditure on subsidies and investment had a dampening effect. Government revenue rose to 51.0 percent of GDP in 2025 (2024: 50.7 percent). At +4.5 percent year-on-year, it grew faster than government expenditure. Taxes (+4.8 percent) and social security contributions (+5.0 percent) together accounted for 86.5 percent of government revenue.

2.3 Real wages stagnate

The economic environment in 2025 had a dampening effect on the development of earned income. Following two consecutive years of recession, GDP growth remained very subdued and the number of persons in active dependent employment stagnated at around 3.9 million. Nor did the tentative productivity growth – real GDP per person in active employment rose by a mere 0.4 percent – provide any tailwind for wage

growth. As wage negotiations are based on past inflation rates, real wages rose sharply in 2024 despite the recession (real GDP –0.7 percent). This contributed to an increase in the unemployment rate to 7.4 percent in 2025. With annual inflation remaining high at 3.6 percent, collectively agreed wages rose by 3.9 percent. However, due to the persistently weak business cycle, there was a negative wage drift of –0.3 percent, meaning that gross wages and income per job rose by 3.6 percent in line with inflation.

Of the major collective agreements for 2025, the one for the metal industry, concluded in November 2024, had already been agreed in broad terms the previous year by the trade unions and industry associations. The increase in collective agreement wages and incomes was in line with rolling inflation (+3.8 percent), whilst the rise in actual wages and incomes of 4.8 percent resulted from rolling inflation plus 1 percentage point. In the public sector and in wholesale and retail trade, the agreements averaged 3.5 percent and 3.3 percent respectively.

In the spring wage negotiations, significantly lower settlements were already evident in the industrial sector. In the electrical and electronics industry, a phased settlement was agreed, providing for a 2.75 percent increase in actual incomes, but capped at a maximum of 115 €. A similar agreement was reached in the chemical industry (actual incomes and incomes +2.65 percent; minimum +80 €, maximum +113 €). Income settlements were higher in the services sector. The hotel and hospitality sector concluded with collective agreement increases of 3.9 percent, and the banking sector with 3.0 percent.

On a weighted average, the wage settlements led to a 3.9 percent rise in the collectively agreed wage index and were slightly above the annual inflation rate of 3.6 percent. Compared with the previous year, there was a significant slowdown in collectively agreed wage growth (Table 4). Growth was strongest in the tourism and leisure sector (+5.9 percent) and weakest in the wholesale and retail trade sector (+3.3 percent).

Collective wage agreements determine the trend in minimum wages, from which actual pay may deviate. This was the case in 2025, albeit to a limited extent (Table 5). Total, value of gross wages and salaries rose by 3.8 percent, slightly less than the collectively agreed minimum wages; on a per capita basis, gross wages grew even more slowly at +3.6 percent. The continued strong rise in consumer prices in 2025 determined the subdued development of real gross and net wages and incomes per capita, which stagnated (0.0 percent) or even fell slightly (–0.4 percent).

Persistently high consumer price inflation led to stagnating gross real incomes and slightly falling net real incomes in 2025.

Table 4: **Development of the collectively agreed minimum wages**

	Index of Agreed Minimum Wages 2016 ¹		
	Weighting	Total employees	
		2024	2025
Percentage changes from previous year			
Overall Index of Agreed Minimum Wages	1,000,000	+ 8.5	+ 3.9
Excluding civil servants	837,726	+ 8.3	+ 4.0
Craft and trades	196,327	+ 8.4	+ 4.0
Industry	163,994	+ 7.4	+ 3.5
Trade and commerce	127,187	+ 8.6	+ 3.3
Transport and traffic	54,763	+ 8.5	+ 4.7
Tourism and leisure	49,712	+ 7.9	+ 5.9
Banking and insurance	37,035	+ 8.5	+ 4.2
Information and consulting	67,321	+ 8.3	+ 3.7
Civil servants	162,274	+ 9.4	+ 3.6

Source: Statistics Austria; WDS – WIFO Data System, Macrobond; WIFO calculations based on the Index of Agreed Minimum Wages 2016. – ¹ Due to rounding, the growth rates may differ slightly from the index values published by Statistics Austria.

Table 5: **Development of wages and salaries**

	2023	2024	2025
Percentage changes from previous year			
Wages and salaries, total			
Gross	+ 8.3	+ 7.4	+ 3.8
Net ¹	+ 8.8	+ 7.3	+ 3.3
Employees ²	+ 1.1	+ 0.8	+ 0.1
Wages and salaries per capita ³			
Gross value	+ 7.1	+ 6.5	+ 3.6
Gross volume ⁴	– 0.6	+ 3.5	+ 0.0
Net value ¹	+ 7.5	+ 6.5	+ 3.2
Net volume ^{1, 4}	– 0.2	+ 3.5	– 0.4
Hours worked per capita ³	– 0.1	– 0.5	+ 0.4
Wages and salaries per hour worked			
Gross value	+ 7.2	+ 7.1	+ 3.2
Gross volume ⁴	– 0.5	+ 4.1	– 0.4
Net value ¹	+ 7.7	+ 7.0	+ 2.7
Net volume ^{1, 4}	– 0.1	+ 4.0	– 0.8

Source: Statistics Austria; WDS – WIFO Data System, Macrobond. – ¹ 2025: according to the WIFO Economic Outlook of April 2026. – ² National Accounts definition (jobs). – ³ Per employee: jobs. – ⁴ Deflated by the Consumer Price Index (CPI).

Volume of consumer spending by Austrian households barely increased in 2025.

Dependent employment rose by just 0.2 percent compared with the previous year, whilst actual per capita working hours increased by 0.4 percent. Across all sectors, the average weekly working hours for dependent employees in 2025 stood at 27.5 hours – an increase of 0.5 percent compared with 2024. Consequently, income growth appears more subdued when working hours are taken as the reference point. In gross terms, income per hour worked rose by 3.2 percent in 2025 (in real terms –0.4 percent) and by 2.7 percent in net terms (in real terms –0.8 percent).

2.4 Weak growth in real incomes dampens consumer spending and causes the savings rate to fall sharply

In 2025, real consumer demand for goods and services increased by 0.5 percent according to preliminary calculations by Statistics Austria (domestic consumption including private non-profit organisations). This halved the increase compared with the previous year (Table 7). Domestic consumption³ also grew more slowly in 2025, at +0.5 percent, than in the previous year. According to data from the quarterly National Accounts (NA), the propensity to spend declined particularly in the second half of 2025. In value terms, private consumption (domestic

³ Domestic consumption corresponds to the consumption expenditure of persons resident in Austria

within the country as well as of tourists within the country.

concept) increased by an annual average of 3.2 percent (2024: 4.3 percent, Table 6).

As volume of disposable household income is the key determinant of consumer demand, its trend and composition are of crucial importance. Households generally make consumption decisions within these budgetary constraints, particularly when access to credit is limited⁴. Uncertainty regarding future income trends and the broader economic environment also plays a key role⁵. In 2024, disposable household income rose very strongly not only in value (+7.8 percent) but also in real terms (+4.4 percent; Table 6). Easing inflation, combined with substantial wage and salary settlements, bolstered real incomes. However, a large proportion of this was not spent but saved, bringing the savings rate to just under 12 percent in 2024. For

2025, preliminary data from Statistics Austria show a very weak rise in disposable income. In value terms, household income is likely to have risen by just over 1 percent, which, when adjusted for inflation, represents a decline of 1.6 percent. The significantly negative trend in investment income had a particularly dampening effect and is likely to have contributed to the low level of savings. Wages and salaries, which typically boost consumption, rose again in 2025 (in value +3.7 percent, consumption deflator +2.7 percent, resulting in a volume increase of +0.9 percent). The savings rate is provisionally reported at 9.9 percent. Although this would represent a decline of around 2 percentage points compared with the previous year, the rate would still be very high in a long-term comparison since 2010.

Lower investment income dampened disposable household income in 2025 and thus the savings rate. The positive trend in employee compensation counteracted this to some extent.

Table 6: **Private consumption, disposable income, consumption ratio**

	Private consumption ¹		Disposable income, net		Consumption ratio ²
	Value	Volume ³	Value	Volume ³	
	Year-to-year percentage changes				
Ø 2013-2017	+ 2.9	+ 1.2	+ 2.9	+ 1.3	± 0.0
Ø 2017-2021	+ 1.3	- 0.4	+ 2.5	+ 0.8	- 1.2
Ø 2021-2025	+ 7.1	+ 1.6	+ 6.6	+ 1.1	+ 0.5
2022	+13.5	+ 5.4	+10.4	+ 2.5	+ 2.8
2023	+ 7.9	- 0.2	+ 7.4	- 0.7	+ 0.4
2024	+ 4.3	+ 1.0	+ 7.8	+ 4.4	- 3.3
2025	+ 3.2	+ 0.5	+ 1.1	- 1.6	+ 2.1

Source: Statistics Austria, WIFO calculations. – ¹ National consumption including private non-profit organisations. – ² Consumption as a percentage of disposable income (net). – ³ Chain-linked series.

A closer look at consumer expenditure by type of goods reveals the following picture for 2025 (Table 7):

- Demand for durable consumer goods rose significantly for the first time since 2021 (volume +2.9 percent, provisional). This is primarily attributable to new car purchases, which rose by 27.5 percent (or around +22,500)⁶ to over 100,000 in 2025 as a whole, almost reaching the level of the pre-crisis year 2019.
- After years of volume decline in spending, private households also saw a renewed increase in demand for non-durable consumer goods (+0.9 percent). These include, e.g., food and beverages, as well as energy and fuels.
- Demand for semi-durable goods, which include items such as clothing, footwear, home textiles and household goods, rose by 2.2 percent in volume terms

according to preliminary data (following +3.1 percent in 2024).

- Consumption of services, by contrast, fell slightly (volume -0.3 percent, preliminary; 2024 +1.2 percent).

The gradual decline in consumer confidence observed from the second half of 2024 continued until April 2025, before improving slightly later in the year, albeit remaining at a low level (Figure 6). Measured by the harmonised EU consumer confidence index, the index value rose by a good 5 percentage points between April and December 2025, but remained well in the pessimistic range at -16 points. The rise was driven by consumers' more optimistic expectations regarding economic developments over the coming 12 months. Similarly, more respondents again indicated that they intended to make major purchases. With regard to the financial situation of private households,

Demand for durable consumer goods was positive again in 2025 for the first time in four years, whereas expenditure on services declined slightly.

Consumer confidence improved moderately over the course of 2025.

⁴ Depending on the economic theory, households factor not only their current income but also their expected future, permanent income into their consumption decisions.

⁵ Perceived uncertainty (e.g. as a result of macroeconomic shocks) typically increases households' propensity to save as a precaution. Consequently, they are more cautious in their consumption expenditure even when current income remains stable.

⁶ New car registrations showed particularly strong growth in the second and third quarters of 2025 (+29.3 percent and +47.5 percent respectively). This was partly due to changes to the motor-related insurance tax from 1 April 2025, under which this tax is now also payable on electric cars, whilst the CO₂ deduction for plug-in hybrids was reduced. At the same time, applications for the "2024 Electric Car Subsidy" could still be submitted until 31 May 2025.

feedback throughout 2025 showed no significant change. The assessment of unemploy-

ment trends⁷ improved by just under 10 points.

Table 7: **Development of private consumption in a longer-term comparison**

In real terms, chain-linked series

	Ø 2013-2017	Ø 2017-2021	Ø 2021-2025	2022	2023	2024	2025
Year-to-year percentage changes							
Domestic consumption	+ 1.1	- 1.3	+ 2.0	+ 7.4	- 0.4	+ 0.7	+ 0.5
Durable consumer goods	+ 1.7	+ 0.8	- 1.3	- 2.7	- 5.0	- 0.2	+ 2.9
Semi-durable consumer goods	+ 1.8	- 1.2	+ 3.8	+ 11.9	- 1.6	+ 3.1	+ 2.2
Non-durable consumer goods	+ 0.6	+ 1.6	- 1.8	- 4.5	- 2.9	- 0.7	+ 0.9
Services	+ 1.1	- 3.3	+ 4.5	+ 15.9	+ 2.1	+ 1.2	- 0.3
Consumption in Austria by tourists	+ 2.9	- 18.3	+ 28.6 ¹	+ 95.3	+ 8.0	+ 0.8	+ 6.3 ²
Consumption abroad by Austrian residents	+ 4.7	- 10.9	+ 24.8 ¹	+ 67.6	+ 11.6	+ 4.0	+ 4.1 ²
National consumption	+ 1.1	- 0.6	+ 1.6	+ 5.7	- 0.5	+ 0.9	+ 0.5
Consumption by private non-profit organisations	+ 4.2	+ 4.1	+ 1.7	- 2.0	+ 5.4	+ 3.3	+ 0.2
National consumption including private non-profit organisations	+ 1.2	- 0.4	+ 1.6	+ 5.4	- 0.2	+ 1.0	+ 0.5
Durable consumer goods	+ 1.7	+ 1.6	- 1.9	- 4.5	- 5.5	- 0.2	+ 2.9
National consumption excluding consumer durables	+ 1.2	- 0.6	+ 2.0	+ 6.6	+ 0.3	+ 1.1	+ 0.2

Source: Statistics Austria, WIFO calculations. National consumption . . . Domestic consumption minus consumption in Austria by tourists plus consumption abroad by Austrian residents. – ¹ 2020-2023. – ² First to third quarter.

Table 8: **Developments in wholesale and retail trade**

	Wholesale and retail trade; repair of motor vehicles and motorcycles	Trade and repair of motor vehicles and motorcycles	Wholesale trade (except of motor vehicles and motorcycles)	Retail trade (except of motor vehicles and motorcycles)
Percentage changes from previous year				
Turnover, value				
2023	- 0.8	+ 11.8	- 5.5	+ 2.9
2024	- 0.8	+ 2.1	- 3.3	+ 2.1
2025	+ 2.1	+ 6.3	+ 0.6	+ 2.7
Turnover, volume				
2023	- 3.6	+ 4.4	- 5.6	- 3.5
2024	- 1.6	+ 0.5	- 3.3	+ 0.5
2025	+ 0.6	+ 3.4	- 0.3	+ 0.8
Prices (Ø 2015 = 100)				
2023	+ 3.1	+ 7.1	+ 0.3	+ 6.7
2024	+ 0.8	+ 1.7	± 0.0	+ 1.7
2025	+ 1.5	+ 2.8	+ 0.9	+ 1.8
Employment				
2023	- 0.2	+ 0.8	+ 0.8	- 0.9
2024	- 0.9	+ 1.7	- 0.7	- 1.6
2025	- 1.5	+ 0.6	- 1.6	- 2.0

Source: Statistics Austria, WIFO calculations.

Compared with Germany and the euro area as a whole, Austrian consumers have been more pessimistic in recent years, as reflected in the more negative balances. However, the improvement in sentiment from spring 2025 onwards was not observed in either Germany or the euro area (Figure 6).

Austria's wholesale and retail trade sector suffered greatly in 2023 and 2024 – as did most other economic sectors – from the consequences of the 2022 inflation surge, but managed to recover slightly in 2025. After two years of decline (0.8 percent in each year), value of turnover rose again by 2.1 percent, with all three sectors (wholesale and retail trade and motor vehicle trade)

⁷ Although this question is not part of the consumer confidence indicator, analyses have shown that it

provides supplementary economic information on recent consumer confidence in Austria.

contributing to this. Between 2022 and 2024, the trend had been mixed.

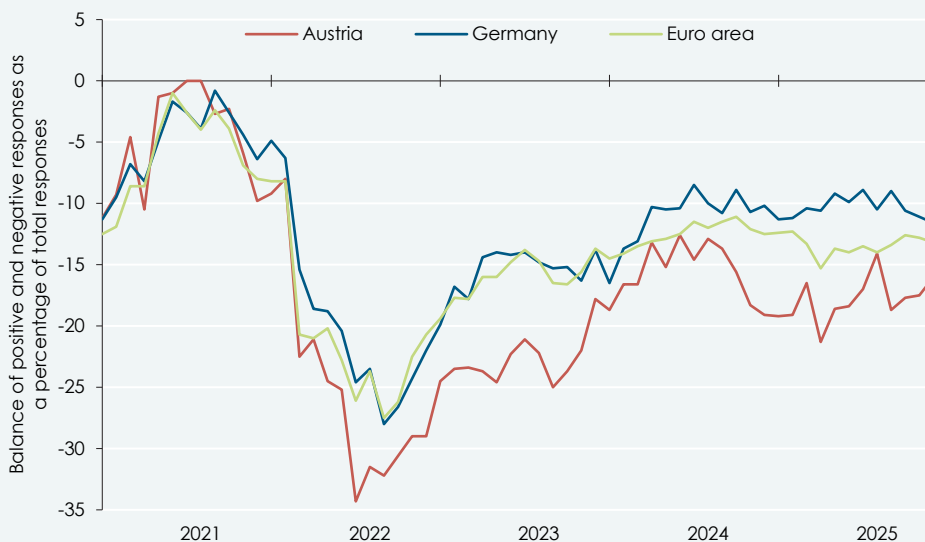
Total price inflation in wholesale and retail trade stood at 1.5 percent in 2025 (2024 +0.8 percent, 2023 +3.1 percent) and thus remained below general inflation once again. In the wholesale and retail trade (excluding motor vehicle trade), prices rose by around 1 percent, whereas in the retail trade (excluding motor vehicle trade) and in the motor vehicle trade, the increase was more pronounced (+1.8 percent and +2.8 percent respectively). After adjusting for price increases, the total wholesale and retail trade sector grew by 0.6 percent, having contracted in the two previous years (2024 -1.6 percent, 2023 -3.6 percent). Realtime data shows that retail trade contributed +0.8 percent to volume growth, as did the motor vehicle trade with a robust +3.4 percent, whilst wholesale and retail trade remained virtually stagnant (-0.3 percent).

The rise in turnover also led to an increase in value added in wholesale and retail trade as a total sector for the first time since 2022 (nominal +4.7 percent, real +0.9 percent, provisional). In the first three quarters, real value added rose year-on-year, but fell slightly in the fourth quarter of 2025.

The labour market situation in the wholesale and retail trade remained tight in 2025. In the labour-intensive retail trade, which accounts for more than half of the total of around 655,000 jobs, employment fell by a further 2.0 percent following a decline of 1.6 percent in 2024. In the wholesale and retail trade, job losses were actually more than twice as rapid (2024 -0.7 percent, 2025 -1.6 percent). In the motor vehicle trade, the number of employees did increase again (+0.6 percent), but the momentum of the previous year (+1.7 percent) could not be maintained. Total, the wholesale and retail trade sector recorded a reduction in staff for the third consecutive year (2025 -1.5 percent, 2024 -0.9 percent, 2023 -0.2 percent).

Retail turnover recorded volume growth for the first time since 2021.

Figure 6: **Development of the seasonally adjusted consumer climate indicator**



Source: European Commission, WIFO presentation. Arithmetic mean of the net balances of positive and negative responses as a percentage of all responses regarding the household's past and future financial situation, expectations regarding the future general economic situation, and planned major purchases. Seasonally adjusted by Eurostat using Tramo-Seats.

2.5 Inflation rises noticeably again

Following a fall in the inflation rate to 2.9 percent in 2024 (average 2000-2020 +1.9 percent, 2023 +7.8 percent), it rose again to 3.6 percent in 2025. Over the course of the year, it jumped from 2.0 percent in December 2024 to 3.1 percent in January 2025 and rose to 4.0 percent by September. The rise in January 2025 was primarily due to the expiry of economic policy measures designed to curb inflation: on 1 January 2025, the

electricity price cap was abolished, green electricity subsidies and levies were reintroduced, and energy taxes on electricity and gas were restored to their original, higher levels. In addition, network charges for electricity and gas were raised significantly, and CO₂ pricing on fuels, heating oil and natural gas was increased. Taken together, this resulted in an additional contribution to inflation of around +1 percentage point, which, as a base effect, increased the monthly inflation rate by this amount until the end of

According to the CPI, the annual average inflation rate in 2025 was 3.6 percent; during the year, it rose from 1.9 percent in the fourth quarter of 2024 to 3.9 percent in the fourth quarter of 2025.

the year. As a result of the measures mentioned, the electricity price in January 2025

was a full 45 percent higher than in the previous month.

Table 9: **Development of the Consumer Price Index**

Classification according to the purpose of consumption

	2023	2024	2025
	Percentage changes from previous year		
National Consumer Price Index (CPI)	+ 7.8	+ 2.9	+ 3.6
Core inflation rate ¹	+ 7.7	+ 3.8	+ 3.3
Micro shopping basket (daily shopping)	+ 11.0	+ 4.5	+ 3.8
Mini shopping basket (weekly shopping)	+ 6.8	+ 3.4	+ 2.7
Fees and tariffs	+ 3.6	+ 2.3	+ 4.9
COICOP main groups			
Food and non-alcoholic beverages	+ 11.0	+ 2.6	+ 3.7
Alcoholic beverages, tobacco and narcotics	+ 6.5	+ 3.4	+ 3.2
Clothing and footwear	+ 5.3	- 0.3	+ 0.3
Housing, water, electricity, gas and other fuels	+ 11.1	+ 2.2	+ 5.7
Furnishings, household equipment and routine household maintenance	+ 7.2	+ 1.1	- 0.3
Health	+ 5.1	+ 4.8	+ 5.0
Transportation	+ 1.7	+ 0.6	+ 1.0
Information and communication	- 1.1	- 5.9	- 3.9
Recreation, sport and culture	+ 8.2	+ 4.5	+ 4.2
Education services	+ 5.4	+ 5.4	+ 5.0
Restaurants and accommodation services	+ 12.3	+ 7.0	+ 5.8
Insurance and financial services	+ 8.1	+ 6.5	+ 4.2
Personal care, social protection and miscellaneous goods	+ 6.9	+ 4.3	+ 4.3
Special classification			
Food, tobacco and alcohol	+ 10.1	+ 2.7	+ 3.6
Energy	+ 4.9	- 4.6	+ 5.1
Industrial goods	+ 7.5	+ 1.3	+ 1.3
Services	+ 8.0	+ 5.2	+ 4.5

Source: Macrobond, Statistics Austria, WIFO calculations. – ¹ Excluding energy and food (including alcohol and tobacco).

Tariffs and charges⁸ levied by local authorities in the broad sense were also adjusted. In the first half of 2025, they were 4.5 percent higher than in the same period of the previous year (contribution to inflation +0.3 percentage points), and in the second half of the year by 5.4 percent (+0.4 percentage points). Prescription charges (+6.3 percent compared with the previous year) and motorway toll stickers (+7.7 percent) rose significantly in the first half of the year. From July onwards, further fees were significantly increased as part of budget consolidation: in addition to driving licence (+48.8 percent) and passport fees (+47.6 percent), registering a car also became significantly more expensive (+30.4 percent). This was followed in August 2025 by a price increase for the Klimaticket Österreich (+18.7 percent), and in November by an 81 percent rise in the E-Card fee. Consequently, public bodies and network operators (or E-Control, which sets the maximum permissible network charges)

were the main drivers of the sharp rise in inflation.

Inflation trends in the energy sector were significantly influenced by the measures mentioned above and their expiry. The year-on-year price falls for mineral oil products, which continued to trend downwards until the third quarter of 2025, had a dampening effect on inflation. The Twelve-Day War in Iran in June 2025 reduced the direct dampening effect of mineral oil products by just under 0.2 percentage points, but had little impact on the prices of other goods.

Inflation in the services sector remained very persistent in 2025 at +4.5 percent (contribution to inflation +2.2 percentage points; 2024 +2.6 percentage points). Rents, which are heavily influenced by past inflation through indexation, rose by an annual average of 4.3 percent, whilst prices in the food and beverage service activities and accommo-

⁸ The vast majority of tariffs and charges are allocated to services in the CPI (sub-weight 6.85 percent).

Only water supply and prescription charges are allocated to goods (0.41 percent).

dation sectors rose by 5.8 percent. As the provision of services is generally labour-intensive, price increases were largely driven by wage rises, which in turn were influenced by the price increases in the previous year. In the accommodation and food service activities sector (NACE 2008, section I), the wage index rose by 6.3 percent year-on-year according to Statistics Austria (2024 +7.6 percent).

From May 2025, price rises for food (including alcohol and tobacco; the third quarter of 2025 +4.5 percent, annual average +3.6 percent) again contributed more significantly to overall inflation. A smaller seasonal price decline was observed for seasonal products in June. Meat prices also rose more sharply in 2025 than in the previous year (+4.4 percent, 2024 +2.3 percent) – a consequence of the decline in imports due to foot-and-mouth disease in Slovakia. In addition, food and luxury goods imported from overseas, such as coffee (+26.2 percent), cocoa (+20.7 percent) and oranges or orange juice concentrate (+10.7 percent), became significantly more expensive, driving up food inflation.

For manufactured goods (consumer goods +1.3 percent), price inflation in the first half of 2025 stood at +1.0 percent year-on-year, well below overall inflation, but rose noticeably in July (+1.4 percent) and August (+2.2 percent; third quarter 2025 +1.7 percent). Here, a different seasonal pattern emerged in the clothing and footwear sector (a smaller impact, particularly from the summer sales, than in previous years). Core inflation (excluding food, alcohol, tobacco and energy) stood at 3.3 percent for the whole of 2025.

Whilst the inflation rate in Austria was slightly below the euro area average at the end of 2024, it rose significantly above it again during 2025 (inflation differential +1.5 percentage points, according to the HICP; Figure 7). This is primarily due to the developments described above in the energy and services sectors. As the inflation-dampening measures (concerning electricity) came to an end, energy prices in Austria rose by 7.6 percent, whereas they fell by 1.4 percent in the euro area (contribution to the inflation differential of just under $\frac{2}{3}$ percentage points). The higher price increases for services in Austria contributed around $\frac{1}{2}$ percentage point to the inflation gap (Figure 8).

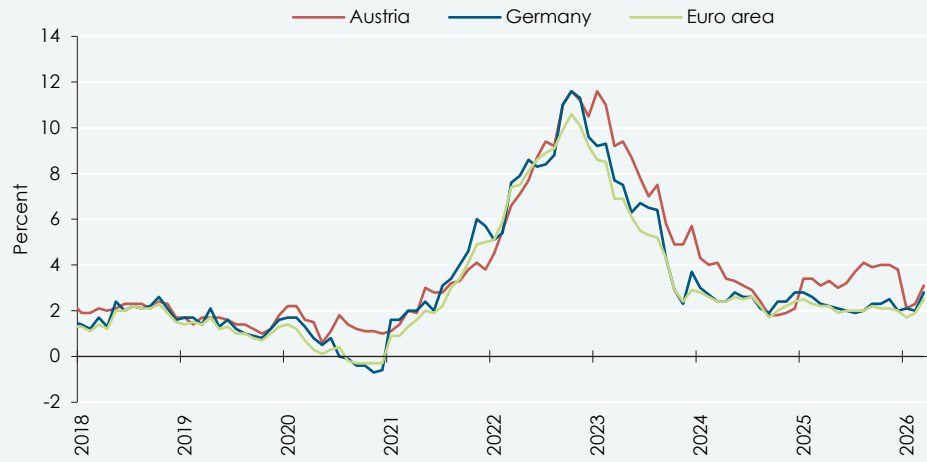
Table 10: **Development of the Harmonised Index of Consumer Prices**

Classification according to the purpose of consumption

	2023		2024		2025	
	Austria	Euro area	Austria	Euro area	Austria	Euro area
	Percentage changes from previous year					
Total Consumer Price Index	+ 7.7	+ 5.5	+ 2.9	+ 2.4	+ 3.6	+ 2.1
Core inflation rate ¹	+ 7.3	+ 5.0	+ 3.9	+ 2.8	+ 3.1	+ 2.4
HICP at constant tax rates	+ 7.1	+ 4.8	+ 2.8	+ 1.9	+ 3.3	+ 1.8
COICOP main groups						
Food and non-alcoholic beverages	+ 11.0	+ 11.8	+ 2.7	+ 2.3	+ 3.6	+ 2.7
Alcoholic beverages, tobacco and narcotics	+ 6.6	+ 7.0	+ 3.4	+ 5.5	+ 3.2	+ 3.7
Clothing and footwear	+ 5.0	+ 3.8	- 0.3	+ 1.4	+ 0.3	+ 0.3
Housing, water, electricity, gas and other fuels	+ 11.9	+ 1.6	+ 0.6	+ 1.4	+ 7.3	+ 2.1
Furnishings, household equipment and routine household maintenance	+ 7.4	+ 6.2	+ 1.7	+ 0.2	- 0.2	+ 0.3
Health	+ 5.2	+ 3.7	+ 5.1	+ 3.8	+ 5.0	+ 3.4
Transportation	+ 2.1	+ 2.5	+ 1.4	+ 0.9	+ 1.6	+ 0.9
Information and communication	- 0.8	- 0.1	- 2.2	- 2.3	- 4.0	- 2.3
Recreation, sport and culture	+ 7.8	+ 6.5	+ 4.4	+ 3.6	+ 3.6	+ 2.3
Education services	+ 5.6	+ 4.2	+ 5.1	+ 4.1	+ 4.8	+ 3.9
Restaurants and accommodation services	+ 11.7	+ 7.5	+ 6.7	+ 4.9	+ 5.4	+ 3.8
Insurance and financial services	+ 8.7	+ 3.9	+ 6.6	+ 6.9	+ 3.7	+ 5.5
Personal care, social protection and miscellaneous goods	+ 6.9	+ 5.2	+ 3.8	+ 2.7	+ 3.5	+ 2.8
Special classification						
Food, including alcohol and tobacco	+ 10.0	+ 10.9	+ 2.9	+ 2.9	+ 3.5	+ 2.9
Energy	+ 6.9	- 2.0	- 5.4	- 2.2	+ 7.6	- 1.4
Industrial goods	+ 6.4	+ 5.0	+ 0.9	+ 0.8	+ 0.9	+ 0.6
Services	+ 7.8	+ 4.9	+ 5.7	+ 4.0	+ 4.5	+ 3.4

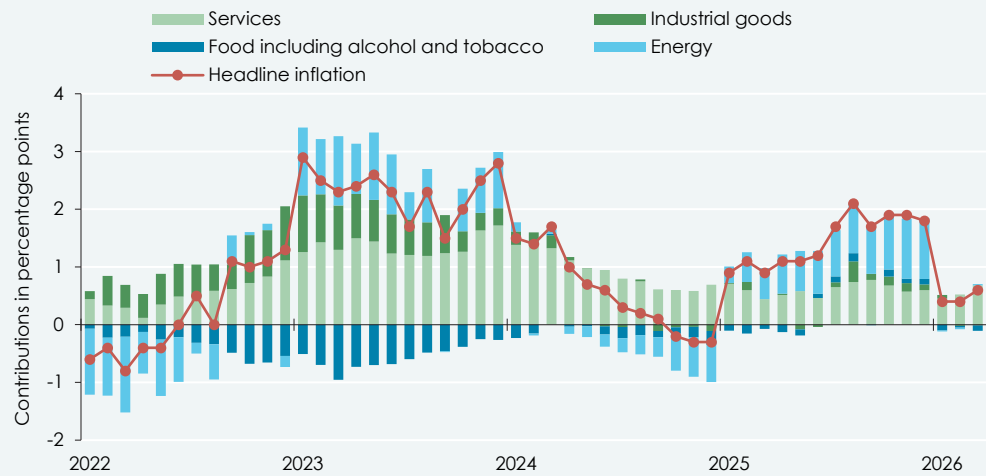
Source: Eurostat, Macrobond. – ¹ Excluding energy and food (including alcohol and tobacco).

Figure 7: Inflation in Austria, Germany and the euro area



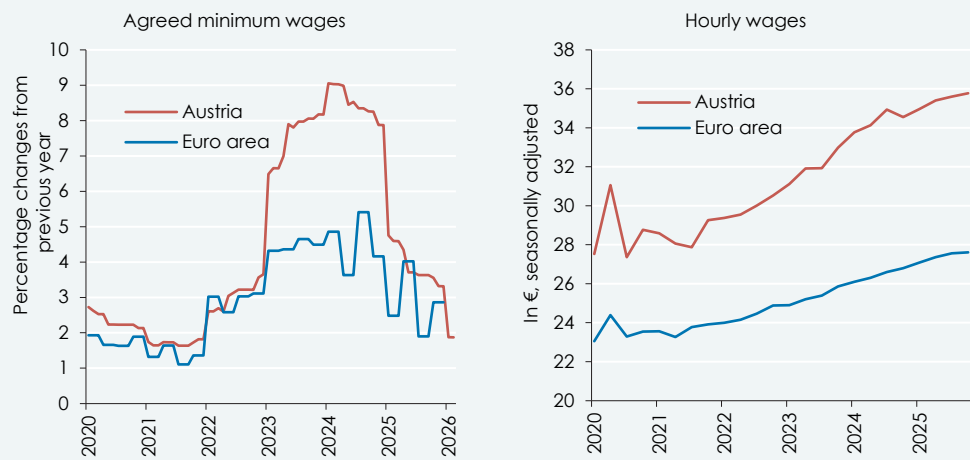
Source: Macrobond, Eurostat.

Figure 8: Contributions to the inflation differential between Austria and the euro area



Source: Eurostat, Macrobond.

Figure 9: Index of agreed minimum wages and hourly wages



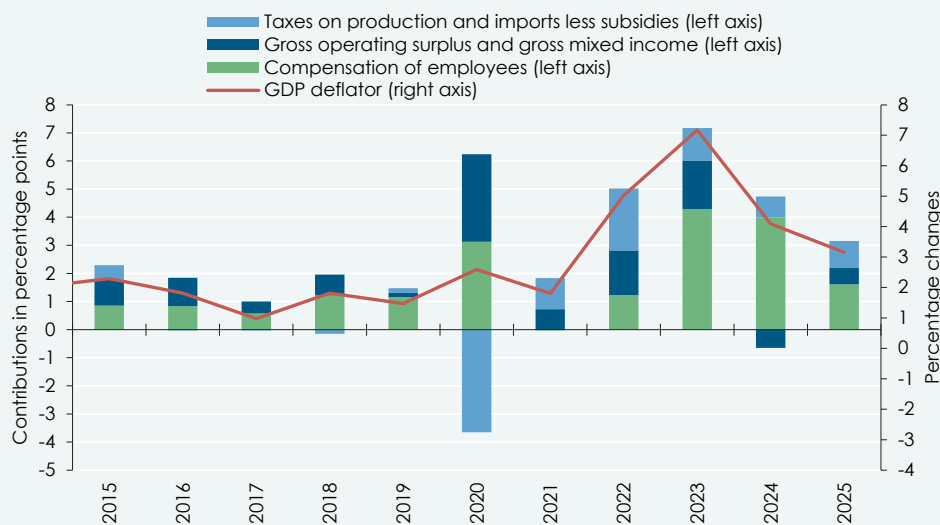
Source: European Central Bank, Eurostat, Statistics Austria, Macrobond.

In the euro area, the dispersion of inflation trends increased slightly in 2025. The coefficient of variation rose marginally from 1.0 to 1.1, but remained much lower than in 2022 and 2023 (3.9 and 2.4 respectively).

The GDP deflator, as an indicator of price changes in the total economy, is projected to rise by 3.2 percent in 2025 (2024 +4.1 per-

cent), and thus at a slower rate than the CPI. As the WIFO calculations based on the preliminary quarterly National Accounts data for 2025 show, half of the rise in the GDP deflator was attributable to wage growth, whilst gross operating surpluses and self-employed income accounted for just under a fifth and net taxes for just under a third of the price increase (Figure 10).

Figure 10: **Decomposition of GDP deflator**



Source: Statistics Austria, Macrobond, WIFO calculations.

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