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Rising Energy Prices Due to the Iran War are Dampening Economic Sentiment. Results of the WIFO-Konjunkturtest Quarterly Survey of April 2026

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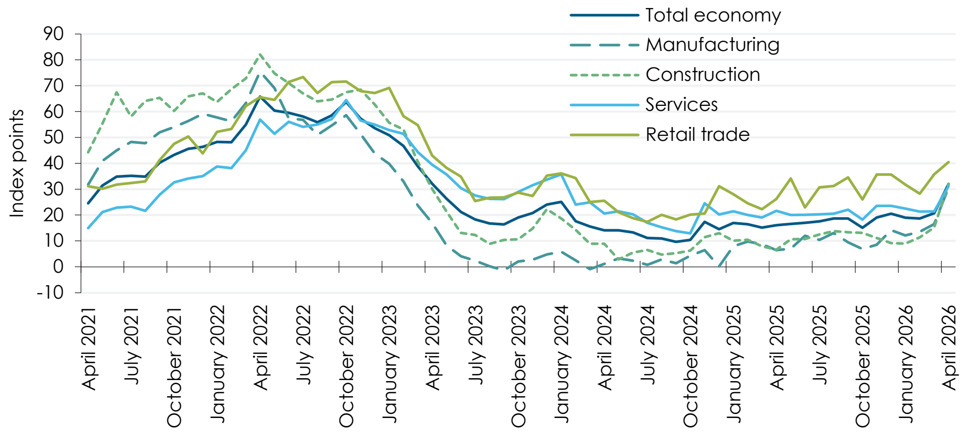
- Compared with January 2026, economic sentiment deteriorated across all sectors except construction. There, however, the improvement in the index is attributable to the rise in construction price expectations.
- In services, retail trade and manufacturing, economic expectations deteriorated significantly.
- Consequently, the WIFO-Konjunkturampel (economic traffic light) slipped into the red area.
- Business uncertainty rose again in April, particularly in manufacturing and the construction sector.
- Capacity utilisation in both sectors increased but remained below average.
- As in previous quarters, the "insufficient demand" was the most frequently cited obstacle to business activity across all sectors.

Sales price expectations



Sales price expectations are presented as net figures: the proportion of companies stating that they will have to raise their sales prices in the coming months is subtracted from the proportion of those planning to lower their sales prices (Source: WIFO-Konjunkturtest (business cycle survey), seasonally adjusted).

"The oil price shock resulting from the war in Iran caused selling price expectations to rise across all sectors. However, they remain below their historical highs."

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The impact of the Iran war on energy prices has recently weighed on the economic climate in Austria. The indicators of the WIFO-Konjunkturtest (business cycle survey) deteriorated quarter-on-quarter. Economic expectations, in particular, declined significantly. Business uncertainty rose compared to January and is now at an elevated level. Capacity utilisation improved but remained below average. "Insufficient demand" was also the most frequently cited obstacle to business activity across all economic sectors in April 2026.

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Scientific referee: Stefan Ederer • **Research assistence:** Birgit Agnezy (birgit.agnezy@wifo.ac.at), Tobias Bergsmann (tobias.bergsmann@wifo.ac.at), Alexandros Charos (alexandros.charos@wifo.ac.at), Anna Strauss-Kollin (anna.strauss-kollin@wifo.ac.at) • **Cut-off date:** 5 May 2026

Contact: Werner Hölzl (werner.hoelzl@wifo.ac.at), Jürgen Bierbaumer (juergen.bierbaumer@wifo.ac.at), Michael Klien (michael.klien@wifo.ac.at), Agnes Kügler (agnes.kuegler@wifo.ac.at)

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Economic expectations weakened in the services sector, the retail trade and the manufacturing sector. The rise in the construction sector is solely attributable to higher construction price expectations.

The results of the WIFO-Konjunkturtest[1] for April 2026 (start of the second quarter) show a deterioration in the business sentiment of Austrian companies compared with the start of the year: The WIFO Business Climate Index fell by 5.3 points quarter-on-quarter and stood at –5.8 points, just 1.2 points above the previous year's figure (Table 1). The index of current business situation lost 3.6 points compared with January and, at –4.9 points, was once again below the zero line that separates negative from positive economic assessments. Business expectations deteriorated by 6.9 points to –6.9 points.

The economic indicators for the sectors differ both in terms of the levels of the indices and in terms of changes compared with the previous quarter. In manufacturing, the WIFO Business Climate Index fell by 3.5 points compared with January. At –9.7 points, the April figure reflects a predominantly sceptical mood. The manufacturing companies surveyed remain particularly pessimistic in their assessments of the current situation. Although the corresponding sub-index fell by only 1.0 points compared with January, it stood at –11.1 points, well into negative territory. Business expectations deteriorated significantly more sharply (–6.3 points compared with January). At –8.5 points, the outlook was once again similarly sceptical to that in April 2025, when the expectations index stood at –11.4 points. Industrial

[1] The WIFO-Konjunkturtest (business cycle survey) is a monthly survey of Austrian companies regarding their current economic situation and developments over the coming months. Once a quarter, the questionnaire for 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 latest results of the WIFO-Konjunkturtest are available on the WIFO website (https://www.wifo.ac.at/ publikationen/wifo-konjunkturtest) and on the WIFO Economic Analysis page (https://www. wifo.ac.at/research/thematic-platforms/economic-trends-and-forecasts/ or www.konjunkturtest.at). Hölzl and Schwarz (2014) provide an overview of the WIFO-Konjunkturtest. Detailed results for the subsectors of manufacturing and the services sector can be downloaded as a graphical appendix from the project homepage.

companies' assessments of changes in their competitive position on foreign markets have varied since January: regarding the EU single market, they improved to a low level, whilst regarding markets outside the EU, they continued to deteriorate. Both indicators remain at well below-average levels, close to historic lows.

In the construction sector, the WIFO Business Climate Index rose by 4.5 points compared with the previous quarter to 3.0 points, thereby crossing the zero mark. However, this increase is solely attributable to the marked rise in construction price expectations which are factored into the index of business expectations. For this reason, it rose sharply (+10.1 points to +9.2 points). Employment expectations and expectations regarding construction activity, on the other hand, declined[2]. The index of current business situation lost 1.1 points and stood at –3.1 points in April, in the slightly sceptical range.

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

	2025			2026				2026
	April	July	October	January	February	March	April	April
	Index points							Change compared with January (previous quarter)
Total economy								
WIFO Business Climate Index	– 7.0	– 2.4	– 1.5	– 0.5	– 0.9	– 1.8	– 5.8	– 5.3
Index of current business situation	– 6.7	– 2.9	– 2.3	– 1.2	0.2	– 1.9	– 4.9	– 3.6
Index of business expectations	– 6.7	– 1.6	– 0.4	0.0	– 2.1	– 2.5	– 6.9	– 6.9
Manufacturing								
WIFO Business Climate Index	– 15.0	– 9.9	– 7.2	– 6.2	– 5.3	– 6.6	– 9.7	– 3.5
Index of current business situation	– 18.6	– 15.4	– 12.0	– 10.0	– 5.9	– 7.7	– 11.1	– 1.0
Index of business expectations	– 11.4	– 4.5	– 2.4	– 2.2	– 4.5	– 6.2	– 8.5	– 6.3
Construction								
WIFO Business Climate Index	– 3.0	2.6	4.2	– 1.5	– 4.2	– 0.2	3.0	+ 4.5
Index of current business situation	– 2.8	3.5	4.1	– 2.0	– 5.6	– 2.2	– 3.1	– 1.1
Index of business expectations	– 3.1	1.7	4.4	– 0.9	– 2.8	1.7	9.2	+ 10.1
Services								
WIFO Business Climate Index	– 1.7	1.2	1.3	3.6	3.1	1.0	– 4.8	– 8.4
Index of current business situation	– 1.2	1.4	1.1	3.4	4.1	1.1	– 2.5	– 5.9
Index of business expectations	– 2.0	1.2	1.8	3.3	1.3	0.6	– 7.4	– 10.7
Retail trade								
WIFO Business Climate Index	– 9.1	– 3.4	– 4.6	– 2.7	– 4.3	– 5.8	– 7.3	– 4.5
Index of current business situation	– 0.5	3.8	1.4	2.0	1.8	0.1	0.0	– 2.0
Index of business expectations	– 17.6	– 10.7	– 10.6	– 7.2	– 10.2	– 11.7	– 14.7	– 7.5

Source: WIFO-Konjunkturtest (business cycle survey).

In the services sector, the indices showed noticeable declines in April compared with the winter. The WIFO Business Climate Index fell by 8.4 points compared with the previous quarter and, at –4.8 points, was back in negative territory and 3.1 points below the previous year's figure (April 2025 –1.7 points). The index of current business situation lost 5.9 points to stand at –2.5 points, whilst the index of business expectations fell by a full 10.7 points, dropping well below the zero line again at –7.4 points.

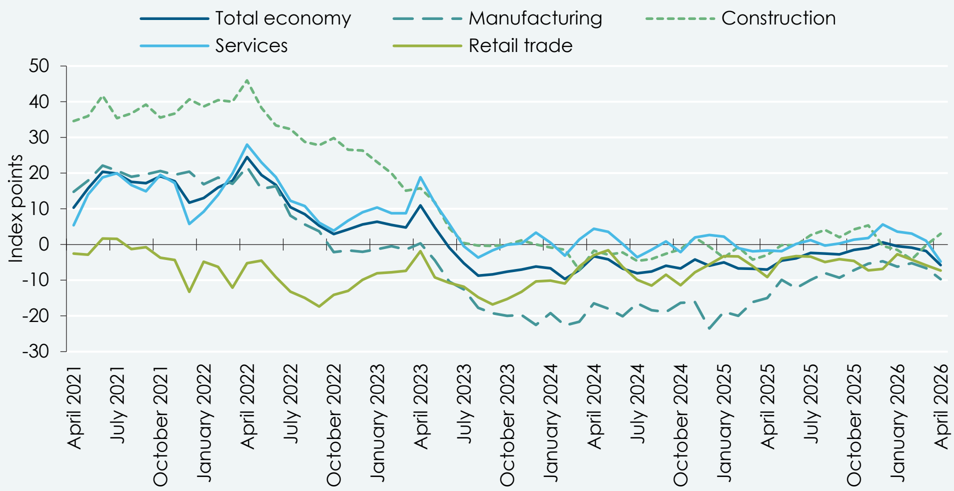
The economic indices for retail trade, calculated by WIFO on the basis of surveys by the Austrian Institute for SME Research, also declined quarter-on-quarter. In January, the WIFO Business Climate Index stood at –7.3 points, 4.5 points below the figure for January 2026. The index of current business situation fell by 2.0 points quarter-on-quarter and stood at exactly 0.0 points, right on the zero line. Retailers' expectations also took a turn for the worse (–7.5 points to –14.7 points).

The longer-term trend in the WIFO Business Climate Indices reflects the recovery from the COVID-19 crisis up to spring 2022, the economic slowdown resulting from the energy price shock and the war in Ukraine lasting into the winter of 2022-23, the downturn in spring and summer 2023, which hit manufacturing particularly hard, and the recent

[2] Whilst the net balance of construction price expectations rose by 23 points between January and April, employment and construction activity expectations fell by 4 and 5 points respectively.

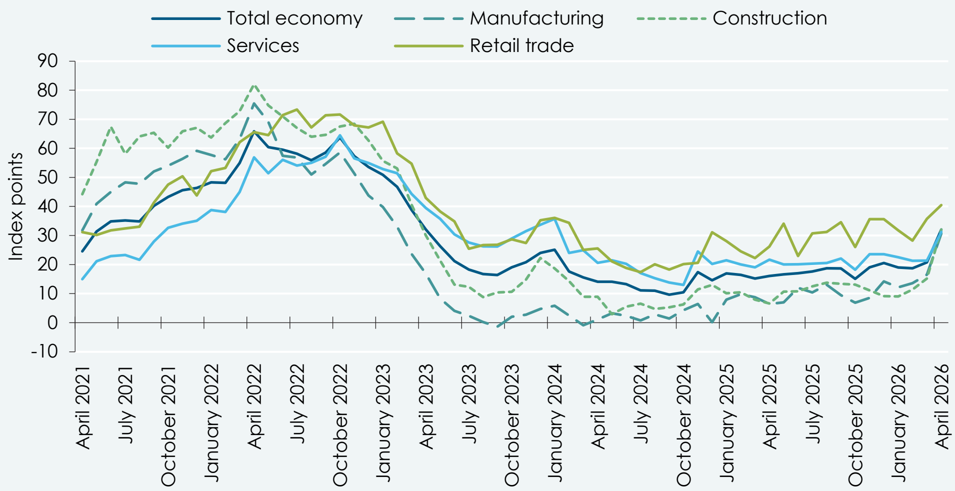
slow stabilisation of the business cycle until early 2026. At present, the deterioration in economic sentiment as a result of the war in Iran is evident (Figure 1).

Figure 1: **WIFO Business Climate Indices**



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

Figure 2: **Sales price expectations**



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

The energy price shock triggered by the war in Iran caused selling price expectations to rise across all sectors (Figure 2), although they fell far short of the historic highs recorded during the supply bottlenecks following the COVID-19 pandemic and the energy price crisis resulting from the war in Ukraine. In the WIFO-Konjunkturtest, companies' selling price expectations are presented as balances, i.e. as the difference between the proportion of positive responses (rise in selling prices) and the proportion of negative responses (fall in selling prices) out of all responses. They range from –100 to +100 points. In the total economy, the balance stood at 32.0 points, 13.1 points above the January 2026 figure and slightly above the average for the last five years (29.9 points). The sharpest rise in sales price expectations was seen in the construction sector (+23.1 points compared with January 2026 to 32.1 points), but the other sectors also reported strong movements (services +8.7 points to 31.2 points, manufacturing +18.5 points to 30.6 points, retail trade +8.7 points to 40.5 points).

WIFO-Konjunkturtest (business cycle survey) indices

The indices of the WIFO-Konjunkturtest (business cycle survey) are calculated at sector level for manufacturing, the construction industry, services and retail trade. The surveys are conducted monthly by WIFO (manufacturing, construction and services) and the Austrian Institute for SME Research (retail trade). The 'macroeconomic indices' are calculated on the basis of the sector indices using weighting (weights: services 0.5, manufacturing 0.3, construction and retail trade 0.1 each). The summary WIFO Business Climate Index aggregates two sub-indices, which are reported separately:

- The index of current business situation is based on monthly surveys assessing the current situation and developments over the past three months. It is designed as a concurrent index which, solely due to its early availability (around two months before the latest official statistics), leads the official business cycle statistics.
- The index of business expectations summarises those monthly questions relating to developments in the months following the survey. It is designed as a leading indicator.

Details on the indices are provided by Hölzl and Schwarz (2014).

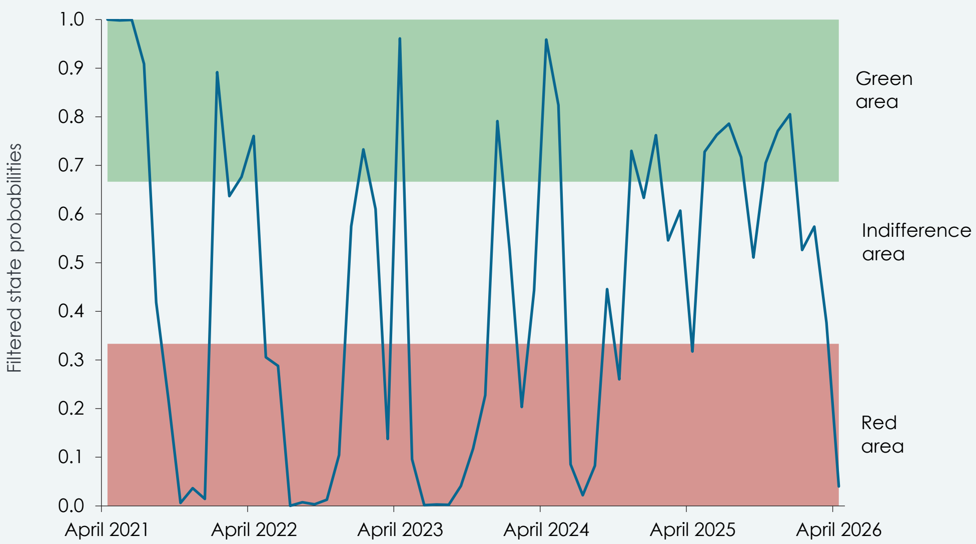
1. Economic traffic light signals a downturn

Using a Markov regime-switching model, the WIFO-Konjunkturampel (economic traffic light) calculates the probability that the current values of the indicators in the WIFO-Konjunkturtest correspond to an improvement or deterioration in economic assessments compared with the previous period (Glocker & Hölzl, 2015)[3]. The calculated probability can fall into one of three categories, which summarises as the "economic traffic light":

- In the "green area" (improvement), there is a probability of over two-thirds that the change in the current index values compared to the previous measurement 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 measurement point.
- Between the "green" area and the "red area" lies the "indifference area". In this case, the trend in economic assessments cannot be clearly classified.

In April 2026, the model estimated the probability of being in an improvement phase at 0.04. Consequently, the WIFO-Konjunkturampel showed red – reflecting the recent decline in economic sentiment in the survey indicators.

Figure 3: **WIFO-Konjunkturampel (economic traffic light)**



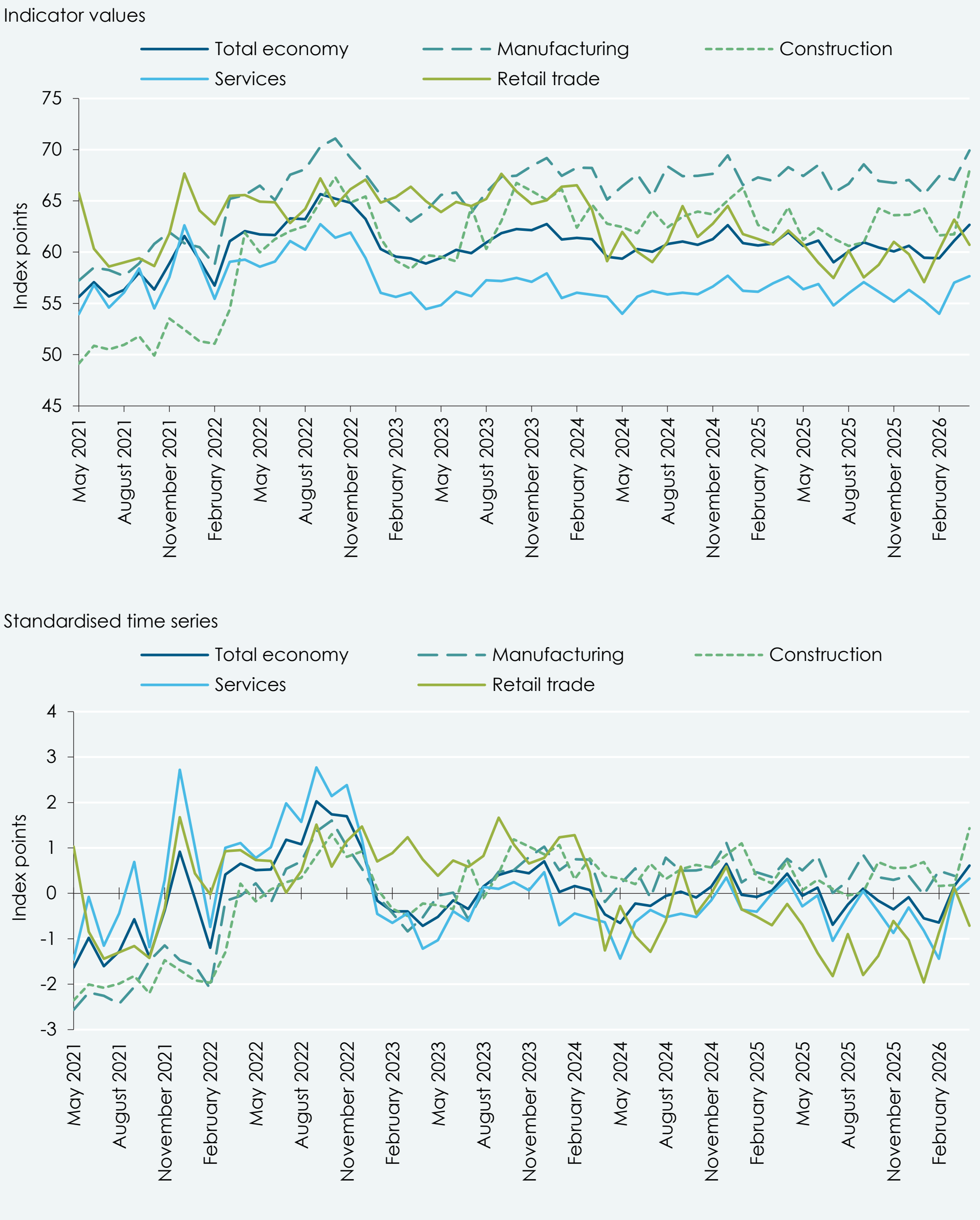
Source: WIFO-Konjunkturtest (business cycle survey). The WIFO-Konjunkturampel for Austria shows the monthly probability for the phases "improvement in economic assessments" ("green area") and "deterioration in economic assessments" ("red area"). In the indifference area, the trend in economic assessments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

[3] Deterioration is defined as the opposite of the "improvement" state: the probability of being in the "improvement" state (q) is 1 minus the probability of being in the "deterioration" state ($p = 1 - q$).

2. Business uncertainty is rising again

Since the 1980s, the WIFO has been collecting data in the WIFO-Konjunkturtest on companies' assessments of uncertainty regarding the future business situation, which influences investment and employment decisions (Glocker & Hölzl, 2022). In May 2021, the wording of the relevant question was amended as part of its inclusion in the Joint Harmonised EU Programme of Business and Consumer Surveys (European Commission, 2023). Furthermore, the question on uncertainty has since been asked monthly rather than quarterly (Figure 4).

Figure 4: **Business uncertainty indicator for the total economy and by sector**



Source: WIFO-Konjunkturtest (business cycle survey) not seasonally adjusted. 0 . . . no uncertainty, 100 . . . highest uncertainty. Standardised presentation: normalisation of all indicators to a mean of 0 and a standard deviation of 1. This facilitates the assessment of the cyclical trend of the uncertainty indicator.

Business uncertainty rose across all sectors as a result of the Iran war and is once again at an elevated level.

The indicator of uncertainty regarding the future business situation ranges from 0 (no uncertainty) to 100 (highest uncertainty).

The war in Iran and the associated energy price shock caused business uncertainty to rise again from March 2026 onwards, particularly in the construction sector and export-oriented manufacturing. Uncertainty in the manufacturing sector has been on the rise since the end of 2023. In April 2026, the uncertainty indicator stood at 69.9 points, 4.3 points above the January figure and above the five-year average (65.8 points).

High energy prices and the associated follow-on costs are a particular source of uncertainty in industry. In the construction sector, uncertainty rose by 3.7 points compared with January 2026 and, at 68.0 points, was well above the long-term average (60.8 points). The retail trade sector also reported a similarly marked rise in uncertainty (+3.6 points to 60.7 points; long-term average 62.8 points). In the service sectors, uncertainty rose by 2.4 points to 57.7 points, placing it slightly above the long-term average (57.0 points). For the total economy, the figure for April (start of the second quarter of 2026) was 62.7 points (+3.2 points compared with January; long-term average 60.6 points).

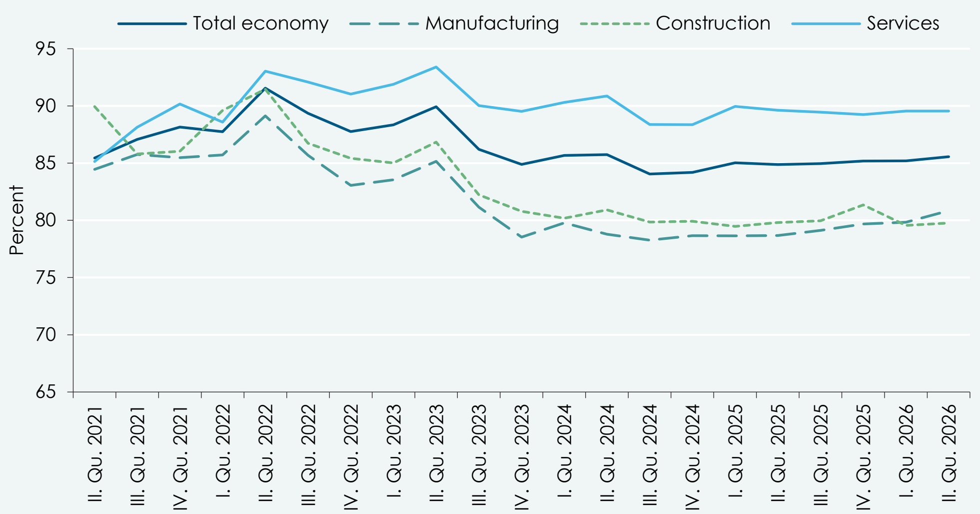
3. Capacity utilisation remains below average despite slight increase

3.1 Slight improvement in capacity utilisation for the total economy

Capacity utilisation is an important economic indicator, particularly in capital-intensive sectors with high capacity adjustment costs (Hölzl et al., 2019). It is therefore measured in all sectors except retail trade as part of the WIFO-Konjunkturtest. Overall capacity utilisation (excluding retail trade) stood at 85.6 percent in April 2026, 0.4 percentage points higher than in the previous quarter (long-term average: 86.5 percent). In the services sector, capacity utilisation remained unchanged quarter-on-quarter and, at 89.6 percent, was just below the long-term average (89.9 percent). An increase was reported in manufacturing (+1.0 percentage points to 80.8 percent, long-term average: 81.9 percent). In the construction sector, capacity utilisation rose by 0.2 percentage points compared with January to 79.8 percent, but remained below the long-term average of 83.4 percent. Given the persistent economic slump, the increase in capacity utilisation could be partly attributable to an adjustment in production capacity.

Overall capacity utilisation rose by 0.4 points. Increases were recorded in manufacturing and the construction sector, likely due to capacity adjustments.

Figure 5: **Capacity utilisation by sector**



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

3.2 Secured production duration shortens

The secured production duration – measured in months – is surveyed as part of the quarterly WIFO-Konjunkturtest in the manufacturing and construction sectors (Figure 6). In April 2026, the construction companies surveyed stated that their production activity was secured for an average of 4.7 months (–0.5 months compared with January 2026; long-term average 5.3 months). In manufacturing, the average secured production duration of 4.2 months (–0.1 months compared with January) was slightly below the long-term average (4.3 months).

3.3 Order expectations are dimming

In the manufacturing sector, the trend in orders over the past three months and expectations regarding foreign order books for the coming months are surveyed once a quarter as relevant indicators. The responses are aggregated into balances based on the proportion of positive and negative answers. As Figure 7 shows, order books have recently developed in a similar way to the previous

Order books for manufacturing showed average growth in the spring; however, expectations regarding foreign orders deteriorated.

quarter. The balance of –1.9 points indicates a slight decline in incoming orders. Expectations regarding future foreign order books, however, deteriorated noticeably (–7.4 points compared with January) and fell into negative territory on balance: the pessimistic voices expecting a decline in foreign orders over the coming three months outweighed the optimistic reports by 7.9 percentage points.

Figure 6: **Average secured production duration in manufacturing and the construction sector**

Source: WIFO-Konjunkturtest (business cycle survey).

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

Source: WIFO-Konjunkturtest (business cycle survey).

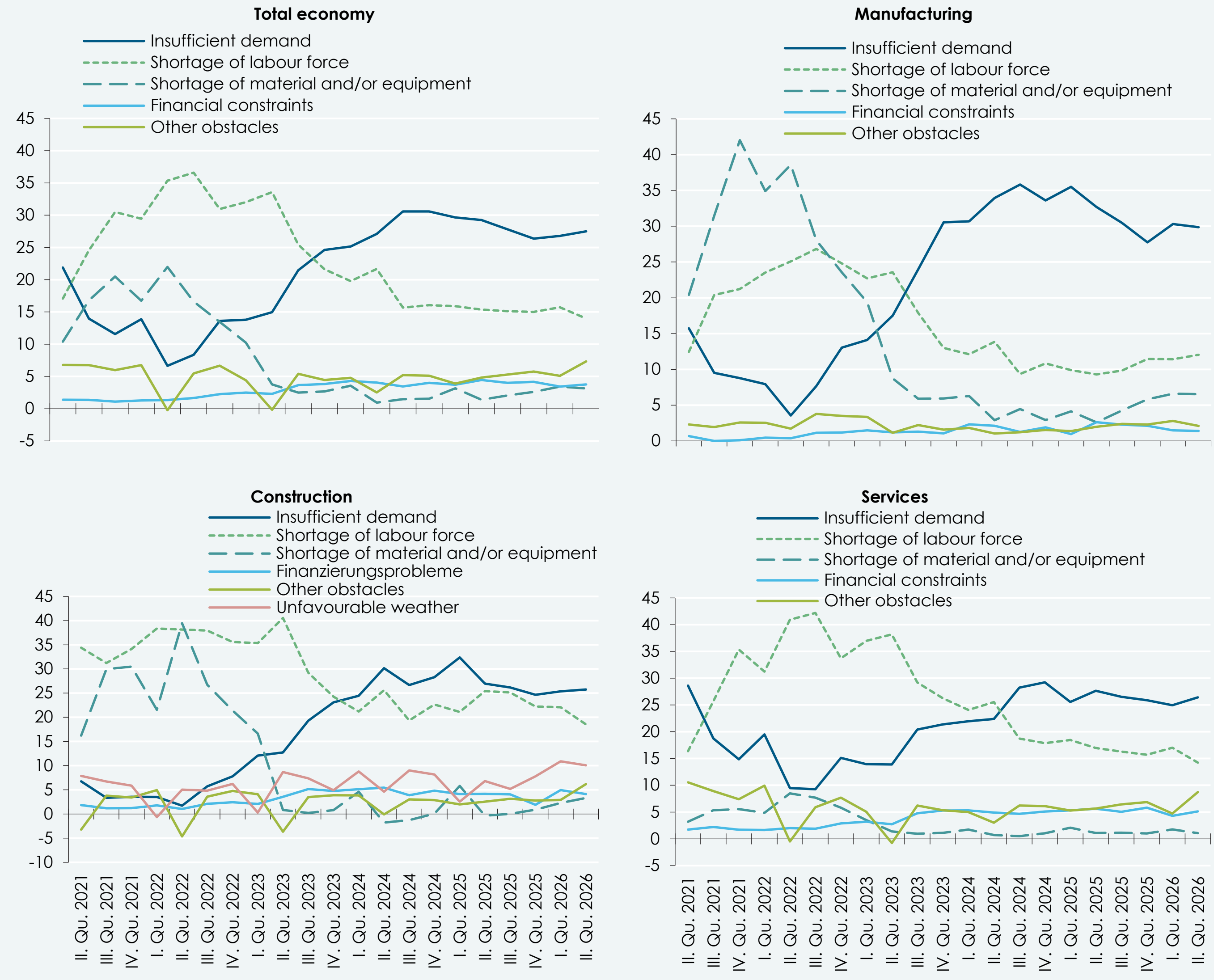
4. Insufficient demand remains the main obstacle to business activity

The WIFO-Konjunkturtest collects data on a quarterly basis on the main obstacles to business activity among the companies surveyed. Companies have the option of reporting no impediment to their economic activity or selecting the main obstacle from a given 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 – this category includes not only the impact of weather (construction) but also other obstacles (e.g. public health measures during the COVID-19 pandemic).

Figure 8: **Obstacles to economic activity**

Percentage of all responses



Source: WIFO-Konjunkturtest (business cycle survey), seasonally adjusted. Seasonally adjusted figures are reported to ensure the comparability of time series within the year. Negative values cannot be ruled out due to the "Dainties" seasonal adjustment method. These are statistical artefacts.

In the construction sector, the additional obstacle of "unfavourable weather" is also cited[4].

In the total economy (excluding retail trade), around 56 percent of companies reported disruptions to their business activities in April 2026 (+1 percentage point compared with January). Companies in the individual sectors faced obstacles to varying degrees. For instance, around 68 percent of construction companies (unchanged from January), 56 percent of service providers (+3 percentage points) and 52 percent of manufacturing companies (–1 percentage point) reported disruptions to their business or production activities. In the retail trade, the proportion of companies facing obsta-

[4] When calculating constraints for the total economy, "unfavourable weather" is classified under 'other obstacles'.

The "insufficient demand" remains the most significant obstacle to business activity, ahead of the "shortage of labour force".

cles fell by 1 percentage point compared with the previous quarter to 53 percent.

In the total economy (excluding retail trade), "insufficient demand" remained the most frequently cited major obstacle to business activity in April 2026 (27.5 percent of companies), well ahead of "shortage of labour force" (14.0 percent). The "shortage of materials and/or capacity" (3.1 percent) was of minor importance compared with 2022 and 2023. "Financial constraints" were cited by 3.8 percent, and "other obstacles" by 7.3 percent of companies (Figure 8).

In the manufacturing sector, "insufficient demand" has been the most frequently cited obstacle to production activity since the third quarter of 2023 (April 2026: 29.9 percent of all companies). The second most common obstacle remained "shortage of labour force" (12.0 percent). Around 6.5 percent of manufacturing companies cited a "shortage of materials and/or capacity" as the main obstacle, around 1.4 percent "financial constraints" and 2.1 percent "other reasons".

In the construction sector, too, "insufficient demand" (25.8 percent) was the most frequently cited obstacle in April, as in the previous quarter, ahead of "shortage of labour force" (18.5 percent). As was the case at the start of the year, "unfavourable weather" is likely to have affected numerous construction companies (10.1 percent). 6.2 percent cited other obstacles, 4.1 percent "financial constraints" and 3.3 percent material shortages or capacity constraints as the main obstacle.

In the service sectors, "insufficient demand" (April 2026: 26.4 percent) was the main obstacle to business activity for the eighth consecutive month. This was followed by "shortage of labour force" (14.3 percent), "other obstacles" (8.7 percent) and "financial constraints" (5.1 percent).

In the retail trade, obstacles to business activity have been surveyed since July 2021. In April 2026, 32.1 percent of the retailers surveyed cited "insufficient demand" as the main obstacle, 7.3 percent "shortage of labour force", 3.8 percent "supply bottlenecks", 5.6 percent "financial constraints" and 4.7 percent "other obstacles".

5. Summary

For the total economy, the results of the WIFO-Konjunkturtest for April 2026 show a decline in economic assessments. Economic indices lost ground across all sectors except for the construction industry, where, however, the rise in construction price expectations driven by energy prices distorted the expectations index. Accordingly, the WIFO-Konjunkturampel turned red again in April. Across all sectors, the majority of companies were sceptical. Selling price expectations rose due to the price effects of the war in Iran, particularly in the construction sector and manufacturing.

Business uncertainty increased again in view of the uncertain environment. The recent rise in capacity utilisation in manufacturing and the construction sector is likely also a consequence of capacity adjustments. With regard to obstacles to business activity, "insufficient demand" continued to dominate reports in April 2026, ahead of a "shortage of labour force".

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