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Economic Outlook for 2025 to 2027

Stefan Ederer, Stefan Schiman-Vukan

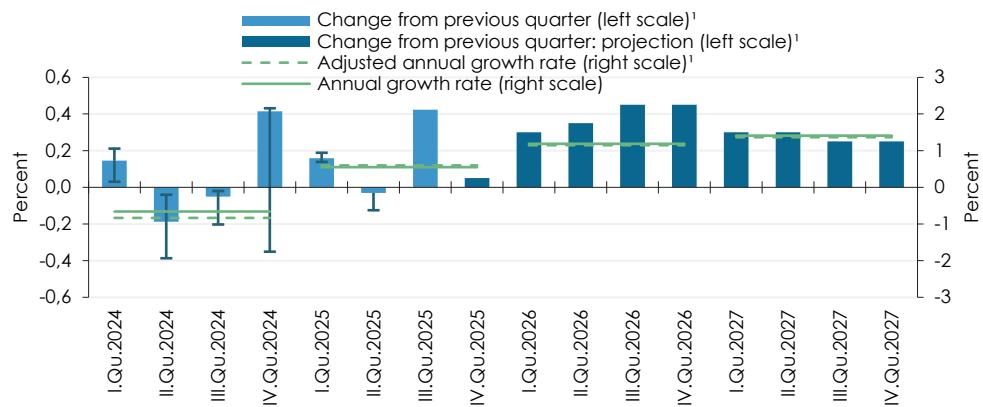
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- The Austrian economy is expected to grow by around $\frac{1}{2}$ percent in 2025.
- The economic recovery observed in the second half of the year will continue, with gross domestic product growing by just over 1 percent in both 2026 and 2027.
- Exports and industrial activity are picking up, but remain vulnerable to setbacks.
- Inflation will remain high until the end of 2025, averaging $3\frac{1}{2}$ percent. At the beginning of 2026, it will fall sharply and average just over $2\frac{1}{2}$ percent for the year. In 2027, it will continue to decline slightly.
- As a result of high inflation, real disposable household income fell in 2025 and is not expected to rise in 2026.
- Private consumption will show little momentum during the forecast period due to subdued income growth.
- Employment stagnated in 2025 but will grow again in the following years. This, combined with the decline in the working-age population, will cause the unemployment rate to fall to 7 percent by 2027.
- The general government deficit is expected to have been 4.6 percent of GDP in 2025. By 2027, it will fall to 4 percent as a result of budget consolidation.

Cyclical profile Austria



"Austria's economy grew again in the second half of 2025 for the first time this year. The economic recovery is likely to continue in 2026"

The WIFO assumes that part of the GDP growth recently reported by Statistics Austria for the third quarter of 2025 will be shifted to the fourth quarter in the next publication of the National Accounts. On average for 2025, the Austrian economy grew by around $\frac{1}{2}$ percent compared with the previous year (Source: WIFO. – ¹ Seasonally and calendar adjusted according to Eurostat. The error indicators show the range of previous revisions of the realised values).

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January 2026

Austria's Economy Sees Light at the End of the Tunnel. Economic Outlook for 2025 to 2027

The Austrian economy is expected to have grown by $\frac{1}{2}$ percent in 2025. The economic recovery observed in the second half of the year will consolidate in the forecast period. As a result, gross domestic product is expected to grow by more than 1 percent in both 2026 and 2027. Inflation will fall from $3\frac{1}{2}$ percent in 2025 to around $2\frac{1}{2}$ percent in both 2026 and 2027. The unemployment rate will decline steadily to 7 percent.

JEL-Codes: E32, E66 • **Keywords:** Economic outlook, forecast

All staff members of the Austrian Institute of Economic Research contribute to the Economic Outlook. For definitions used see "Methodological Notes and Short Glossary", <https://www.wifo.ac.at/wp-content/uploads/2024/01/WIFO-BusinessCycleInformation-Glossary.pdf>

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1. Summary

Economically, Austria was at a standstill for a long period in 2025, with gross domestic product remaining largely unchanged in the first half of the year. Statistics Austria reported significant growth for the third quarter, but this was mainly due to an increase in inventories. WIFO model estimates indicate a largely flat economic activity until the third quarter of 2025. For the fourth quarter, however, GDP is expected to increase compared to the previous quarter. This is indicated in particular by the continuous improvement in business sentiment over the course of the year. According to the WIFO-Konjunkturtest (business cycle survey), both the assessment of the current situation and expectations have brightened. All in all, Austria's economy is likely to have grown by $\frac{1}{2}$ percent in 2025.

The economic recovery observed in the second half of 2025 will stabilise in the forecast period. Industry is likely to have passed its

trough at the end of 2025, with exports and gross industrial value added picking up again in the wake of the global economy. This will also support capital investment. The construction industry, on the other hand, will only slowly get back on track. Private household consumption is likely to show little momentum during the forecast period. Against this backdrop, the domestic economy will grow by more than 1 percent in both 2026 and 2027.

Employment will rise again slightly more strongly from 2026 onwards and unemployment will fall, supported by demographic developments. According to the current forecast by Statistics Austria, the working-age population will shrink steadily from 2025 onwards. However, this will be offset by a further increase in labour force participation, particularly due to the gradual increase in the statutory retirement age for women.

Table 1: Main results

	2022	2023	2024	2025	2026	2027
	Percentage changes from previous year					
Gross domestic product, volume	+ 5.3	- 0.8	- 0.7	+ 0.5	+ 1.2	+ 1.4
Manufacturing	+ 8.3	- 3.3	- 5.6	+ 0.5	+ 1.6	+ 1.8
Wholesale and retail trade	+ 1.0	- 7.9	- 3.0	+ 1.3	+ 1.4	+ 1.7
Private consumption expenditure ¹ , volume	+ 5.4	- 0.2	+ 1.0	+ 0.7	+ 0.8	+ 0.9
Consumer durables ²	- 4.5	- 5.5	- 0.2	+ 3.5	+ 0.5	+ 1.5
Gross fixed capital formation, volume	- 0.3	- 1.3	- 4.3	+ 1.0	+ 1.5	+ 2.1
Machinery and equipment ³	+ 1.4	+ 1.7	- 2.8	+ 2.5	+ 2.6	+ 2.9
Construction	- 2.1	- 4.5	- 5.9	- 0.8	+ 0.2	+ 1.0
Exports, volume	+ 9.4	- 0.6	- 2.3	- 0.7	+ 1.2	+ 1.9
Exports of goods, fob	+ 5.6	- 0.9	- 4.5	- 1.7	+ 0.7	+ 1.7
Imports, volume	+ 6.9	- 4.3	- 2.6	+ 1.4	+ 1.4	+ 1.8
Imports of goods, fob	+ 3.2	- 7.0	- 5.3	+ 2.0	+ 1.3	+ 1.8
Gross domestic product, value	+ 10.6	+ 6.3	+ 3.4	+ 3.6	+ 3.6	+ 3.5
	billion €	449.38	477.84	494.09	512.08	530.56
Current account balance						
as a percentage of GDP	- 1.3	1.6	1.5	0.7	0.7	0.8
Consumer prices	+ 8.6	+ 7.8	+ 2.9	+ 3.5	+ 2.6	+ 2.4
GDP deflator	+ 5.0	+ 7.2	+ 4.1	+ 3.2	+ 2.3	+ 2.1
General government net lending, Maastricht definition	as a percentage of GDP	- 3.4	- 2.6	- 4.7	- 4.6	- 4.2
Persons in active dependent employment ⁴		+ 3.0	+ 1.2	+ 0.2	+ 0.2	+ 0.7
Unemployment rate, national definition ⁵		6.3	6.4	7.0	7.4	7.3
Command-based GDP per capita ⁶		+ 1.1	- 1.4	- 0.6	+ 0.5	+ 1.0
At-risk-of-poverty rate ^{7,9}	percent	14.9	14.3	14.5	14.1	13.8
Income quintile ratio ^{8,9}	ratio	4.3	4.3	4.4	4.4	4.4
Greenhouse gas emissions ¹⁰		- 5.8	- 6.6	- 2.6	+ 0.1	- 1.8
	million t CO ₂ equivalent	73.52	68.70	66.94	66.99	65.77
						63.87

Source: WIFO, Public Employment Service Austria, Federation of Social Insurances, OeNB, Statistics Austria, Environment Agency Austria. 2025 to 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 1.0+ and EU-SILC 2023. – ¹⁰ 2024: estimate according to Environmental Agency Austria. From 2025: forecast.

The inflation rate climbed to over 4 percent in the summer and is likely to have remained at this level until the end of 2025. On average, in 2025, consumer price inflation was thus 3½ percent. At the beginning of 2026, the base effect of the energy price increase in January 2025 will disappear, which will reduce the inflation rate by up to 1 percentage point. However, the overall rise in prices in the second half of 2025 will also carry over into the following year, meaning that inflation will only slow down gradually. In 2026 and 2027, it is expected to average around 2½ percent per annum.

The rise in inflation dampened income growth of private households. Price-

adjusted, disposable income is likely to have fallen by almost 1 percent in 2025. In 2026, wage increases will remain below the inflation rate. This will lead to a decline in real wages and salaries. As employment will grow slightly faster in 2026 than in the previous year, disposable household income is likely to stagnate initially and only increase moderately again in 2027.

Public finances are under considerable pressure to consolidate. The general government deficit is expected to have been 4.6 percent of economic output in 2025 and will fall to 4 percent by 2027. The debt-to-GDP ratio will reach just under 85 percent in 2027.

2. International economy

2.1 Global economy defies US tariffs

The global economy was on an upward trend until autumn 2025. Global industrial production expanded and worldwide trade

in goods trended upwards despite the US tariff policy. So far, the latter seems to have mainly resulted in trade diversions. Although US imports from China declined noticeably year-on-year, China's exports rose strongly in

The global economy was on an upward trend until autumn 2025. In the USA, the shutdown of the federal administration is likely to have dampened economic output at the end of the year.

total. The US tariff increases have not yet had a dampening effect on the global economy, partly because they have been lower than originally threatened for all relevant trading partners. However, the effects of the tariffs will become noticeable in the coming months. In its Economic Outlook, WIFO assumes that the current tariff rates will remain in place.

In the USA, the assessment of the overall economy is currently hampered by limited data availability. Due to the shutdown of the federal administration as a result of disagreement between the political parties on the federal budget, the compilation of official statistics has been largely suspended. The first GDP estimate for the third quarter is announced for 23 December. The data available so far indicate that private household consumption expenditure continued to

rise in the third quarter and that US economic output expanded significantly. Investment in the development and use of artificial intelligence also rose sharply in the course of 2025. However, the situation on the labour market has deteriorated somewhat. Consumer price inflation rose by around $\frac{1}{2}$ percentage point since spring 2025 to 3 percent in September. This weak increase – given the high tariff increases – is likely to be partly due to foreign companies initially lowering their export prices in order to maintain their sales. Importers' profit margins are also likely to have absorbed some of the price pressure from the tariff increases. As inflation was therefore lower than feared, the US Federal Reserve responded to the rise in unemployment in September by cutting its key interest rate for the first time in 2025. Further cuts followed in October and December.

Table 2: **International economy**

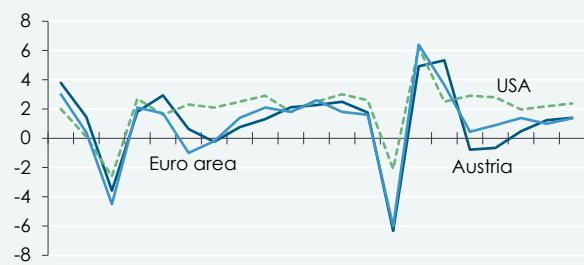
	Percentage shares 2024	2022	2023	2024	2025	2026	2027
	Austria's exports of goods	World GDP ¹	GDP volume, percentage changes from previous year				
EU 27	67.0	14.2	+ 3.5	+ 0.4	+ 1.1	+ 1.6	+ 1.3
Euro area	51.0	9.9	+ 3.6	+ 0.4	+ 0.9	+ 1.4	+ 1.0
Germany	29.7	3.0	+ 1.8	- 0.9	- 0.5	+ 0.1	+ 0.8
Italy	6.1	1.8	+ 4.8	+ 1.0	+ 0.7	+ 0.6	+ 0.7
France	3.6	2.2	+ 2.7	+ 1.4	+ 1.2	+ 0.9	+ 0.6
Spain	1.7	1.4	+ 6.4	+ 2.5	+ 3.5	+ 2.9	+ 2.3
CEEC 5 ²	15.1	2.1	+ 4.1	+ 0.3	+ 2.2	+ 2.5	+ 2.9
Poland	3.9	1.0	+ 5.3	+ 0.2	+ 3.0	+ 3.4	+ 3.5
Hungary	3.6	0.2	+ 4.2	- 0.8	+ 0.6	+ 0.3	+ 2.0
Czech Republic	3.5	0.3	+ 2.8	+ 0.0	+ 1.2	+ 2.5	+ 2.0
USA	8.5	14.8	+ 2.5	+ 2.9	+ 2.8	+ 2.0	+ 2.2
Switzerland	5.1	0.4	+ 3.5	+ 0.8	+ 1.4	+ 1.1	+ 0.6
UK	2.6	2.2	+ 5.1	+ 0.3	+ 1.1	+ 1.4	+ 0.9
China	2.8	19.3	+ 3.0	+ 5.2	+ 5.0	+ 4.8	+ 4.5
Total ³							
PPP-weighted ⁴	51	+ 3.1	+ 3.0	+ 3.1	+ 2.9	+ 2.7	+ 2.9
Export weighted ⁵	86	+ 2.5	+ 0.6	+ 1.0	+ 1.0	+ 1.2	+ 1.5
Market growth ⁶		+ 5.7	- 3.2	+ 0.5	+ 3.0	+ 1.0	+ 2.0
Forecast assumptions							
Crude oil prices							
Brent, \$ per barrel		98.9	82.2	79.8	69	62	63
Natural gas price							
Dutch TTF, € per MWh		121.5	40.6	34.3	37	29	27
Electricity price Austria							
Base, € per MWh		261.6	102.2	82.1	100	94	90
Peak, € per MWh		275.5	103.9	81.4	94	98	96
Exchange rate							
\$ per €		1.054	1.082	1.082	1.13	1.14	1.14
Key interest rate							
ECB main refinancing rate ⁷ , percent		0.6	3.8	4.1	2.4	2.2	2.3
10-year government bonds yields Germany, percent		1.1	2.4	2.3	2.6	2.6	2.5

Source: WIFO, Bureau of Economic Analysis, European Energy Exchange, Eurostat, ECB, HWI, IMF, Intercontinental Exchange, OECD, Statistics Austria. 2025 to 2027: forecast. –¹ PPP-weighted. –² Czech Republic, Hungary, Poland, Slovenia, Slovakia. –³ EU countries, UK, USA, Switzerland, China. –⁴ Weighted by GDP at purchasing power parities in 2024. –⁵ Weighted by shares of Austrian goods exports in 2024. –⁶ Real import growth of trading partners, weighted by shares of Austrian goods exports. –⁷ Fixed rate.

Figure 1: Indicators of economic performance

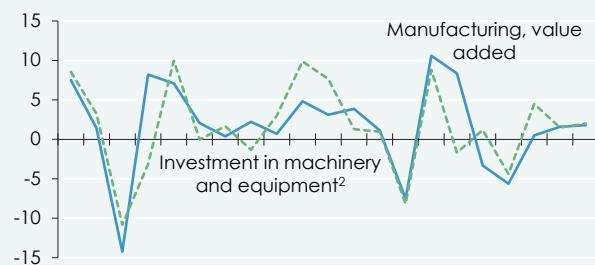
Growth of real GDP

Percent



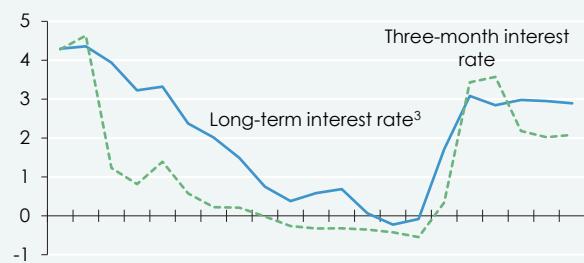
Manufacturing and investment

Percentage changes from previous year, volume



Short-term and long-term interest rates

Percent



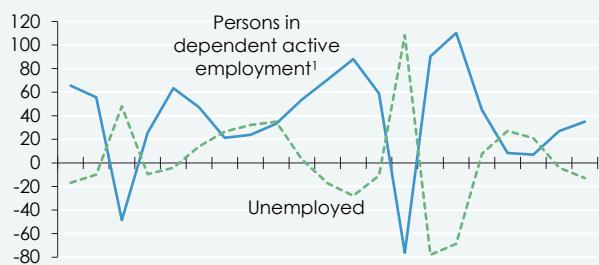
Trade (according to National Accounts)

Percentage changes from previous year, volume



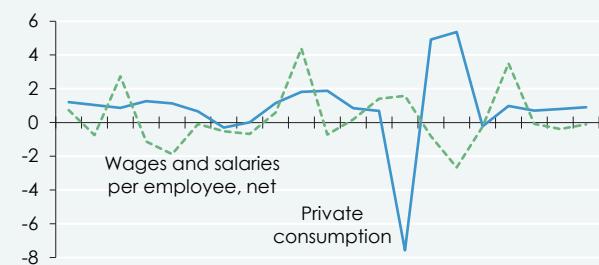
Employment and unemployment

Change from previous year in 1,000



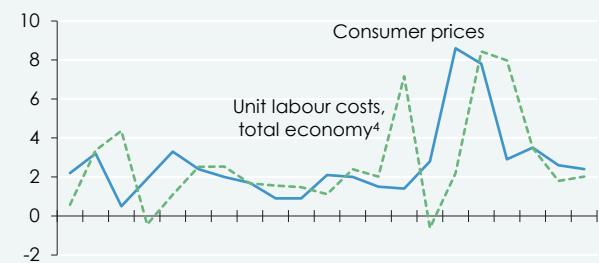
Consumption and income

Percentage changes from previous year, volume



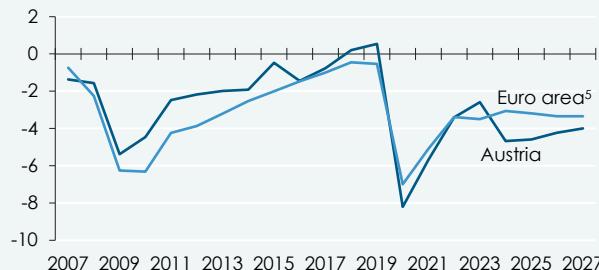
Inflation and unit labour costs

Percentage changes from previous year



General government financial balance

As a percentage of GDP



Source: WIFO. 2025 to 2027: forecast. –¹ Excluding persons in valid employment contract receiving child care benefit or being in military service, and unemployed persons in training; break in 2007-08 due to changes in the employment statistics. –² Including weapons systems. –³ 10-year central government bonds (benchmark). –⁴ Including short-time work grants. –⁵ Source: European Commission.

Some of the higher tariffs are likely to be gradually passed on to consumer prices during the forecast period, causing price effects to propagate along value chains.

However, the suspension of tariff increases on numerous foodstuffs will help to prevent inflation from accelerating further. The boom in artificial intelligence is likely to

Increasing competition with China is weighing on European exports. On the other hand, the robust labour market, low inflation and low interest rates are supporting the economy. In Germany, fiscal policy is also providing support, albeit somewhat less than recently expected.

continue for some time. Monetary and fiscal policy will also support the economy in the USA during the forecast period. The central bank is likely to continue its interest rate cuts in 2026. The "One Big Beautiful Bill Act" passed by Congress in July includes tax cuts that will mainly benefit companies and wealthy households, as well as an increase in spending on the military and border surveillance. However, this is offset by cuts in areas such as healthcare. The shutdown of the federal administration damped economic activity in the fourth quarter of 2025, but will not weaken it in the long term due to the reinstatement of civil servants and the retrospective payment of wages. All in all, US economic output is likely to have grown by 2 percent in 2025. In 2026 and 2027, it will continue to expand by 2.2 percent and 2.4 percent respectively.

China's economy also grew strongly in 2025. In addition to robust export momentum, this is likely to be due to high inventory build-up. Domestic demand, on the other hand, remained weak. Private households saved more as their assets, which they need primarily for retirement provisions, melted away in the face of the continuing decline in property prices. The lack of domestic demand is depressing domestic prices and, as a result, export prices, which is benefitting competitiveness in the foreign market and exports. The share of entirely domestic production is increasing, while the import content of value added is declining. Total China's net exports have increased significantly. For several years now, the Chinese industry has been contributing the lion's share of growth in global industrial production. There are no signs yet of a reduction in external and domestic economic imbalances. Despite efforts by the government to prevent price reductions as a result of lively competition in the industry, the real estate crisis will continue to weigh on the economy for some time to come, dampening private consumption and construction investment. The Chinese government will therefore continue to do everything in its power to support exports across the board and open up new markets. China's economic output is expected to expand by 4½ percent in both 2026 and 2027 (2025 +4.8 percent).

2.2 Moderate growth in the euro area

Economic activity in the euro area is on a moderate upward trend. The European export industry is suffering from the fact that the Chinese government is increasingly focusing on providing subsidies for high technology, which is intensifying competition on the world market, while products from the euro area are facing declining demand in

China. In addition, Europe's exports are increasingly being burdened by tariff increases; exports to the USA declined again in the third quarter. Weak foreign demand is dampening production in the euro area. However, the weakness in the manufacturing sector was offset by robust momentum in the service sector in the third quarter, resulting in gross domestic product being slightly higher than in the previous quarter. Compared with the previous year, the increase in Irish GDP of more than 12 percent had a particularly strong impact; excluding Ireland, growth was still 1 percent. The labour market in the euro area continues to prove robust. Inflation slowed significantly in the course of 2025 and has been close to 2 percent since the spring. The ECB therefore lowered its key interest rate (deposit rate) to 2 percent in several steps. Overall, fiscal policy in the euro area is broadly neutral.

Growth of real GDP in the euro area is not expected to accelerate further in the forecast period. Rising real incomes are supporting private consumption, and more favourable financing conditions and declining uncertainty should gradually stimulate investment. In addition, the Purchasing Managers' Index for the total economy has improved recently and is well above the growth threshold. However, the US tariff policy, the increased competition with China and the strong euro are clouding the outlook for the export economy. Furthermore, no growth-stimulating measures are to be expected from economic policy. In the area of fiscal policy, consolidation efforts are at the forefront in most countries. The ECB is unlikely to lower interest rates further in the foreseeable future, especially since price stability has only recently been restored and minor interest rate cuts are unlikely to have any real economic impact given the already low interest rate. All in all, economic output in the euro area is therefore likely to expand by 1 percent (2026) and 1.4 percent (2027; 2025 +1.4 percent).

In Germany, the fiscal package will support the otherwise weak business cycle during the forecast period. However, the effects of the package are likely to be somewhat less than assumed in the autumn 2025 WIFO Economic Outlook, as its impact will be delayed. In 2026, the fiscal package will only provide a small boost, with the German economy growing by around ¾ percent. In 2027, the stimulus will then be stronger, pushing growth to around 1 percent. Without the effect of the fiscal package, economic activity in Germany would be subdued, as structural changes and demographic developments are dampening the growth of production potential¹⁾.

¹⁾ Vgl. Wollmershäuser, T., Ederer, S., Fell, M., Fourné, F., Höslinger, E., Koch, F., Lay, M., Lehman, R., Link, S., Schasching, M., Schiman-Vukan, S., Wibault, T., Wolf,

G., & Zarges, L. (2025). Der Strukturwandel hat Deutschland fest im Griff. ifo-Konjunkturprognose Winter 2025. ifo Schneldienst digital, 6(24).

3. Outlook for the Austrian economy improves

3.1 Economic activity picks up again in the second half of 2025

In Austria, economic activity failed to gain momentum for a long time in 2025, with GDP remaining largely unchanged in the first half of the year. Although Statistics Austria reported significant growth for the third quarter, this was mainly attributable to inventory build-up. Private consumption expenditure once again failed to gain momentum and gross fixed capital formation stagnated. According to Statistics Austria estimates, exports declined again in the third quarter after rising in the first half of the year. This pattern is likely to be attributable to front-loaded effects in global trade in goods resulting from US tariff policy, which

subsequently disappeared, thereby distorting the economic trajectory. This is also indicated by the fact that value added in the manufacturing sector (ÖNACE 2008, section C) rose at the beginning of 2025. In the construction industry, on the other hand, a downward trend was observed until autumn, at least in terms of value added. Mirroring private consumption, value added in the wholesale and retail trade, vehicle repair, transportation, storage, accommodation and food service activities (NACE 2008, sections G to I) also declined in the third quarter. Overall, however, Austrian economic output in the first three quarters of 2025 was on average about ½ percent higher than in the previous year.

In Austria, economic momentum showed an upwards trend in the second half of 2025. This recovery will continue in 2026. GDP is therefore expected to grow by more than 1 percent in each of the following years, after ½ percent in 2025.

Table 3: Technical breakdown of the real GDP growth forecast

		2024	2025	2026	2027
Growth carry-over ¹	percentage points	– 0.9	+ 0.2	+ 0.2	+ 0.6
Growth rate during the year ²	percent	+ 0.3	+ 0.6	+ 1.6	+ 1.1
Annual growth rate	percent	– 0.7	+ 0.5	+ 1.2	+ 1.4
Adjusted annual growth rate ³	percent	– 0.8	+ 0.6	+ 1.1	+ 1.4
Calendar effect ⁴	percentage points	+ 0.1	– 0.1	+ 0.0	+ 0.0

Source: WIFO. 2025 to 2027: forecast. –¹ Impact of year-earlier growth dynamics on growth in the current year. Equals the annual growth rate in the current year, if the level of GDP in the current year remains constant from the fourth quarter of the previous year; seasonally and calendar adjusted according to Eurostat. –² Reflects the growth dynamics during a calendar year. Equals the year-on-year growth rate for the fourth quarter; seasonally and calendar adjusted according to Eurostat. –³ Seasonally and calendar adjusted according to Eurostat. Comparative figure to the OeNB's economic forecast. –⁴ Impact of the annual number of working days and the leap day. The sum of the adjusted annual growth rate and calendar effect may differ from the value of the unadjusted annual growth rate as it also includes seasonal and irregular effects.

Table 4: Revision of the growth forecast

GDP, volume

		2025	2026
WIFO Economic Outlook October 2025	percent	+ 0.3	+ 1.1
Data revisions ¹ and newly published data for the third quarter of 2025 ²	percentage points	+ 0.2	+ 0.3
Forecast revision	percentage points	– 0.0	– 0.2
WIFO Economic Outlook December 2025	percent	+ 0.5	+ 1.2

Source: WIFO. –¹ Revision of the Quarterly National Accounts by Statistics Austria compared to the data used for the WIFO Economic Outlook of October 2025. –² At the time of the preparation of the WIFO Economic Outlook of October 2025, no values were available from Statistics Austria for this quarter.

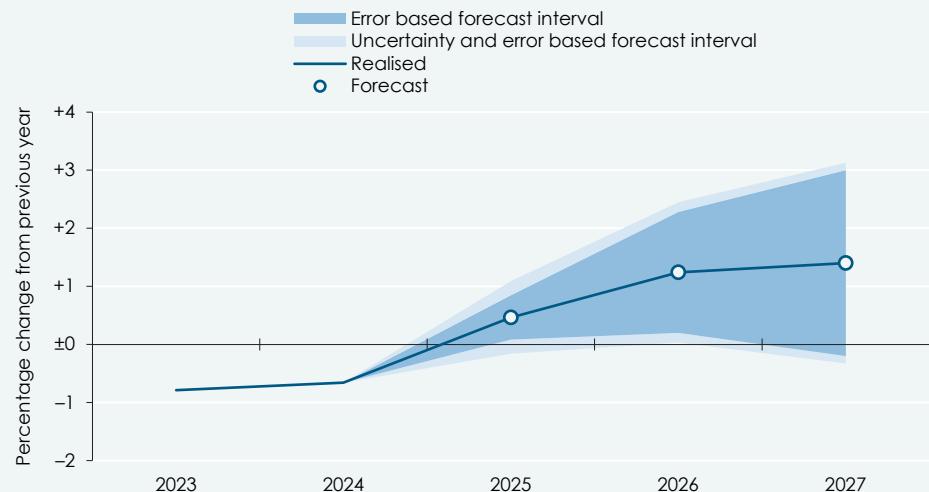
GDP is likely to have grown again in the fourth quarter. This is indicated in particular by the WIFO-Konjunkturtest (business cycle survey), which shows a continuous improvement in business sentiment over the course of 2025. In addition to the assessment of the current situation, expectations also improved. There is a clear upward trend in manufacturing, particularly in the areas of intermediate goods and durable consumer goods. This is also reflected in capacity utilisation and the order backlog. Sentiment in the construction industry also brightened.

The WIFO-Konjunkturampel (economic traffic light) for the overall economy jumped back to green in October, indicating an upward trend in the business cycle. In the retail trade and service sectors, however, the indicators are tending to move sideways. The consumer confidence indicator published by the European Commission has also remained unchanged since the beginning of 2025. Private consumption is therefore likely to have remained subdued in the second half of the year.

Estimates using the WIFO-SDFM (Small Dynamic Factor Model) indicate a largely flat economic trend until the third quarter of 2025. For the fourth quarter, however, the model shows an increase in GDP of around $\frac{1}{4}$ percent compared to the previous

quarter. In the current forecast, WIFO expects that in the next National Accounts release by Statistics Austria, part of the GDP growth currently attributed to the third quarter will be shifted to the fourth quarter. For 2025, a growth of $\frac{1}{2}$ percent is predicted.

Figure 2: **Uncertainty intervals for the real GDP forecast**



Source: WIFO. Calculated on the basis of past forecast errors and with additional consideration of current uncertainty (assessability of the business situation in manufacturing according to the WIFO-Konjunkturtest, economic policy uncertainty index for Germany according to Economic Policy Uncertainty, and the S&P 500 volatility index VIX according to CBOE). For the methodology see Glocker, C., & Kaniovski, S. (2025). Enhancing Macroeconomic Forecasts with Uncertainty-Informed Intervals. *WIFO Working Papers*, (710). <https://www.wifo.ac.at/publication/pid/62151322>.

The export economy is likely to have picked up slightly in the second half of 2025 and will grow moderately in 2026. However, the recovery is vulnerable to further setbacks.

The economic recovery observed in the second half of 2025 is likely to continue throughout the forecast period. For the first quarter of 2026, WIFO model estimates point to a further growth of a good $\frac{1}{4}$ percent compared with the previous quarter. Industry is likely to have passed its trough at the end of 2025, meaning that exports and gross value added will pick up again in the wake of the global economy. This will also support fixed capital investment. The construction industry, on the other hand, will only slowly get back on track. Private household consumption is also likely to show little momentum during the forecast period. All in all, the Austrian economy will grow by more than 1 percent in both 2026 and 2027.

3.2 Vulnerable recovery of the export industry in the forecast period

Domestic goods exports are likely to have declined for the third consecutive year in 2025 (in real terms, according to National Accounts). As a result of US tariff policy, the Austrian export industry has lost one of its most important growth drivers in recent years. In addition, increasing competition

with China on the world markets is also affecting domestic companies – often indirectly via the value chains of European and, in particular, German manufacturers. These trends will continue during the forecast period and dampen the outlook for the Austrian export industry. However, the economic trough in this area is likely to have been passed and exports are expected to have picked up again by the end of 2025. With the slow recovery of the European industry and, in particular, demand for capital goods, the loss of market share in 2026 is likely to be less than in the previous year due to the high proportion of capital goods within Austrian exports. In addition, the cost pressure, which was high due to the appreciation of the euro and wage increases in previous years, will ease in 2026. Nevertheless, exports of goods will only increase by 0.7 percent and will not pick up again until 2027. However, ongoing structural shifts in global trade in goods due to US tariffs and the changing role of the Chinese economy in the world mean that this recovery is vulnerable to new setbacks.

Table 5: **Gross value added**

At basic prices

	2024	2025	2026	2027	2024	2025	2026	2027
	Billion € (reference year 2015)				Percentage changes from previous year			
Volume (chain-linked series)								
Agriculture, forestry and fishing	4.26	4.28	4.32	4.37	+ 2.2	+ 0.5	+ 1.0	+ 1.0
Manufacturing including mining and quarrying	68.47	68.81	69.92	71.17	- 5.4	+ 0.5	+ 1.6	+ 1.8
Electricity, gas and water supply, waste management	10.87	10.38	10.53	10.64	- 3.1	- 4.5	+ 1.5	+ 1.0
Construction	15.31	15.19	15.28	15.43	- 4.2	- 0.8	+ 0.6	+ 1.0
Wholesale and retail trade	38.33	38.83	39.37	40.04	- 3.0	+ 1.3	+ 1.4	+ 1.7
Transportation	19.81	19.61	19.91	20.21	- 1.5	- 1.0	+ 1.5	+ 1.5
Accommodation and food service activities	10.95	10.88	10.91	11.01	- 0.3	- 0.6	+ 0.3	+ 0.9
Information and communication	16.81	16.97	17.14	17.31	+ 1.7	+ 1.0	+ 1.0	+ 1.0
Financial and insurance activities	16.78	16.85	17.17	17.55	+ 4.6	+ 0.4	+ 1.9	+ 2.2
Real estate activities	32.00	32.51	32.84	33.23	+ 1.1	+ 1.6	+ 1.0	+ 1.2
Other business activities ¹	35.66	35.23	36.11	36.83	- 1.9	- 1.2	+ 2.5	+ 2.0
Public administration ²	62.67	64.43	65.07	65.72	+ 3.4	+ 2.8	+ 1.0	+ 1.0
Other service activities ³	8.81	8.76	8.81	8.85	+ 0.9	- 0.5	+ 0.5	+ 0.5
Total gross value added ⁴	339.92	341.80	346.30	351.15	- 1.0	+ 0.6	+ 1.3	+ 1.4
Gross domestic product at market prices	380.18	381.97	386.70	392.11	- 0.7	+ 0.5	+ 1.2	+ 1.4

Source: WIFO, Statistics Austria. 2025 to 2027: forecast. –¹ Professional, scientific and technical activities; administrative and support service activities (NACE M and N). –² Including defence, compulsory social security, education, human health and social work activities (NACE O to Q). –³ Arts, entertainment and recreation; other service activities; activities of households (NACE R to U). –⁴ Before deduction of subsidies and attribution of taxes on products.

Table 6: **Productivity**

	2022	2023	2024	2025	2026	2027
	Percentage changes from previous year					
Total economy						
GDP, volume	+ 5.3	- 0.8	- 0.7	+ 0.5	+ 1.2	+ 1.4
Employment ¹	+ 2.9	+ 0.8	+ 0.6	- 0.0	+ 0.5	+ 0.7
Production per person employed	+ 2.4	- 1.6	- 1.3	+ 0.5	+ 0.7	+ 0.7
Hours worked per person employed ²	- 0.3	- 0.2	- 0.5	+ 0.1	+ 0.1	+ 0.1
Hourly productivity ³	+ 2.7	- 1.4	- 0.8	+ 0.4	+ 0.6	+ 0.6
Manufacturing						
Gross value added, volume	+ 8.3	- 3.3	- 5.6	+ 0.5	+ 1.6	+ 1.8
Employment ¹	+ 2.3	+ 1.4	- 0.9	- 2.0	± 0.0	+ 0.5
Production per person employed	+ 5.9	- 4.7	- 4.8	+ 2.6	+ 1.6	+ 1.3
Hours worked per person employed ²	- 0.8	- 0.5	+ 0.8	- 0.2	- 0.4	- 0.4
Hourly productivity ³	+ 6.8	- 4.2	- 5.5	+ 2.8	+ 2.0	+ 1.7

Source: WIFO, Statistics Austria. 2025 to 2027: forecast. –¹ Employees and self-employed, National Accounts definition (jobs). –² National Accounts definition. –³ Production per hour worked, National Accounts definition.

In contrast to exports, value added in Austrian manufacturing is expected to have increased slightly in 2025. Production rose particularly in the consumer goods and intermediate goods sectors, whereas the capital goods industry struggled with persistently weak demand. Although the sentiment among many companies was subdued at the end of the year, it had improved significantly over the course of the year. The order situation was also recently assessed as being considerably better again. Boosted by the export economy, the manufacturing sector is likely to increase its value added more strongly again in 2026 and 2027, by a good 1½ percent and 1.8 percent respectively. However, the structural shifts described above will continue to slow down

expansion. Industrial production therefore remains vulnerable to further setbacks.

3.3 Gross fixed capital formation rises

According to the latest National Accounts data published by Statistics Austria, covering the period up to the third quarter, investment in machinery and equipment was much higher in 2025 than in the previous year. This has led to a significant upward revision of the investment forecast for 2025. However, the WIFO investment test conducted in October suggests that investment will decline in 2025 and 2026. The survey conducted as part of the Economic Barometer published by the Austrian Economic Chamber also points to a decline in

Gross fixed capital formation expanded in 2025. However, the construction industry is only slowly gaining momentum and is being held back by public sector spending cuts.

investment activity. In view of subdued export and production expectations, companies' willingness to invest is usually curbed, and also the profit situation is currently

unfavourable. Against this backdrop, WIFO expects moderate investment activity in the forecast period.

Table 7: **Expenditure on GDP**
Volume (chain-linked series)

	2024	2025	2026	2027	2024	2025	2026	2027
	Billion € (reference year 2015)				Percentage changes from previous year			
Final consumption expenditure	273.86	277.46	279.52	281.70	+ 1.8	+ 1.3	+ 0.7	+ 0.8
Households ¹	193.66	195.02	196.58	198.35	+ 1.0	+ 0.7	+ 0.8	+ 0.9
General government	80.23	82.47	82.97	83.38	+ 3.8	+ 2.8	+ 0.6	+ 0.5
Gross capital formation	84.86	87.78	90.51	93.12	- 9.1	+ 3.4	+ 3.1	+ 2.9
Gross fixed capital formation	87.78	88.63	89.98	91.84	- 4.3	+ 1.0	+ 1.5	+ 2.1
Machinery and equipment ²	28.66	29.95	30.40	31.01	- 4.4	+ 4.5	+ 1.5	+ 2.0
Construction	36.59	36.30	36.37	36.74	- 5.9	- 0.8	+ 0.2	+ 1.0
Other investment ³	22.97	22.97	23.89	24.84	- 0.8	± 0.0	+ 4.0	+ 4.0
Domestic demand	359.73	365.72	370.56	375.40	- 0.8	+ 1.7	+ 1.3	+ 1.3
Exports	224.87	223.28	226.05	230.39	- 2.3	- 0.7	+ 1.2	+ 1.9
Travel	15.05	15.17	15.46	15.78	+ 0.8	+ 0.8	+ 1.9	+ 2.0
Minus imports	205.46	208.39	211.31	215.03	- 2.6	+ 1.4	+ 1.4	+ 1.8
Travel	10.34	10.34	10.31	10.32	+ 4.0	- 0.1	- 0.2	+ 0.1
Gross domestic product	380.18	381.97	386.70	392.11	- 0.7	+ 0.5	+ 1.2	+ 1.4
Value	494.09	512.08	530.56	549.39	+ 3.4	+ 3.6	+ 3.6	+ 3.5

Source: WIFO, Statistics Austria, 2025 to 2027: forecast. –¹ Including non-profit institutions serving households. –² Including weapon systems. –³ Mainly intellectual property products (research and development, computer programmes, copyrights).

The construction industry is likely to have stabilised in the course of 2025. While residential construction remained below average, non-residential construction (civil engineering, commercial and industrial construction) provided support. The stabilisation is also reflected in employment trends. Positive signals are also coming from the WIFO-Konjunkturtest, which points to a tentative but continuous upward trend towards the end of the year. However, construction investment is likely to have shrunk again on average in 2025. No strong momentum is expected in 2026 either, partly because public finances are under pressure to consolidate and savings and postponements of construction projects are therefore to be expected.

3.4 Decline in working-age population reduces unemployment

Employment largely stagnated in 2025. While it declined in industry and wholesale and retail trade until autumn, it rose in public administration in the broad sense. In the human health and social work activities sector in particular, staffing levels at the end of 2025 will be significantly higher than in the previous year. The unemployment rate (national definition) has risen since the beginning of 2025 and is likely to have averaged 7½ percent.

During the forecast period, employment will rise again slightly and unemployment will fall. Demographic developments will also contribute to the reduction in unemploy-

ment. According to the current forecast by Statistics Austria, the working-age population will decline steadily from 2025 onwards. However, this will be offset by a further increase in labour force participation, particularly due to the gradual increase in the statutory retirement age for women and the reform of the corridor pension from 2026 onwards.

3.5 Inflation and low wage settlements dampen consumption

Consumer prices for electricity and gas rose sharply at the beginning of 2025, partly because the electricity price cap introduced in 2022 expired, network fees were increased and the CO₂ levy rose. This increase drove up inflation throughout the year. In addition, food prices also rose in spring 2025 and the increase in actual rentals for housing accelerated. In the summer, the inflation rate climbed to over 4 percent and is likely to have remained at this level until the end of the year. On average for 2025, consumer price inflation was thus 3½ percent.

At the beginning of 2026, the base effect of the energy price increase in January 2025 will disappear, which will reduce inflation by up to 1 percentage point. However, the total higher price momentum in the second half of 2025 will continue into the following year, meaning that inflation will only slow down gradually and is likely to average 2.6 percent in 2026. In 2027, it will fall further to 2.4 percent.

Unemployment will decline again after rising in 2025. In addition to an expansion in employment, the decline in the working-age population will also contribute to this.

The rise in inflation and low wage settlements are dampening real income growth. Private consumption will therefore show little momentum.

Table 8: Labour market

	2022	2023	2024	2025	2026	2027
	Change from previous year in 1,000					
Demand for labour						
Persons in active employment ¹	+ 116.2	+ 46.3	+ 11.8	+ 12.0	+ 32.0	+ 38.0
Employees ¹	+ 110.2	+ 44.8	+ 8.4	+ 7.0	+ 27.0	+ 35.0
National employees	+ 22.9	- 9.0	- 16.7	- 20.0	- 8.0	- 3.0
Foreign employees	+ 87.4	+ 53.8	+ 25.0	+ 27.0	+ 35.0	+ 38.0
Self-employed ²	+ 6.0	+ 1.5	+ 3.4	+ 5.0	+ 5.0	+ 3.0
Labour supply						
Population of working age						
15 to 64 years	+ 48.6	+ 36.9	+ 5.6	- 9.7	- 12.6	- 18.9
Labour force ³	+ 47.6	+ 54.0	+ 38.8	+ 33.0	+ 28.0	+ 25.0
Labour surplus						
Unemployed	- 68.6	+ 7.7	+ 27.1	+ 21.0	- 4.0	- 13.0
Unemployed persons in training	- 0.8	+ 1.0	+ 5.0	+ 1.0	± 0.0	± 0.0
Percent						
Unemployment rate						
As a percentage of total labour force (Eurostat) ⁴	4.8	5.1	5.2	5.6	5.5	5.2
As a percentage of total labour force	5.6	5.7	6.2	6.6	6.5	6.2
As a percentage of dependent labour force	6.3	6.4	7.0	7.4	7.3	7.0
Percentage changes from previous year						
Labour force ³	+ 1.0	+ 1.2	+ 0.8	+ 0.7	+ 0.6	+ 0.5
Persons in active dependent employment ¹	+ 3.0	+ 1.2	+ 0.2	+ 0.2	+ 0.7	+ 0.9
Unemployed	- 20.7	+ 2.9	+ 10.0	+ 7.1	- 1.3	- 4.1
Persons (in 1,000)	263.1	270.8	297.9	318.9	314.9	301.9

Source: WIFO, Eurostat, Federation of Social Insurances, Public Employment Service Austria, Statistics Austria. 2025 to 2027: forecast. –¹ Excluding persons in valid employment contract receiving child care benefit or being in military service. –² According to WIFO, including liberal professions and unpaid family workers. According to the Federation of Social Insurances. –³ Persons in active employment plus unemployed. –⁴ Labour Force Survey.

Table 9: Private consumption, income and prices

	2022	2023	2024	2025	2026	2027
	Percentage changes from previous year					
Private consumption expenditure¹						
Durable goods ²	+ 5.4	- 0.2	+ 1.0	+ 0.7	+ 0.8	+ 0.9
Non-durable goods and services ²	- 4.5	- 5.5	- 0.2	+ 3.5	+ 0.5	+ 1.5
Private household disposable income, volume	+ 6.6	+ 0.3	+ 1.1	+ 0.4	+ 0.8	+ 0.8
Private consumption expenditure ¹	+ 2.5	- 0.7	+ 4.4	- 0.9	+ 0.1	+ 0.6
As a percentage of disposable income						
Household saving ratio						
Including adjustment for the change in pension entitlements	9.1	8.6	11.7	10.2	9.6	9.3
Excluding adjustment for the change in pension entitlements	8.5	8.1	11.1	9.6	9.0	8.7
p						
Percentage changes from previous year						
Loans to domestic non-banks (end of period)	+ 5.0	+ 0.7	+ 0.7	+ 1.1	+ 2.3	+ 1.7
Consumer prices						
National	+ 8.6	+ 7.8	+ 2.9	+ 3.5	+ 2.6	+ 2.4
Harmonised	+ 8.6	+ 7.7	+ 2.9	+ 3.5	+ 2.6	+ 2.4
Core inflation ³	+ 5.1	+ 7.3	+ 3.9	+ 3.2	+ 2.6	+ 2.3

Source: WIFO, OeNB, Statistics Austria. 2025 to 2027: forecast. –¹ Private households including non-profit institutions serving households. –² WIFO calculation based on the shares of consumer durables according to the domestic concept. –³ Excluding energy, food, alcohol and tobacco.

The rise in inflation dampened the development of household incomes. Real disposable incomes are likely to have fallen by almost 1 percent in 2025. After a sharp rise in the previous year, net real wages stagnated somewhat. In 2026, wage increases will remain below the inflation rate. As a result,

real wages and salaries will decline. With employment gaining momentum compared to the previous year, disposable household income is likely to stagnate in 2026 and will rise again in 2027.

Weak income growth is dampening private consumer spending. On average for 2025, it is likely to have increased by only around $\frac{3}{4}$ percent compared with the previous year. After declining in the three previous years, spending on durable consumer goods rose

sharply, while spending on non-durable goods and services hardly increased at all. The rise in consumption, accompanied by falling incomes, was financed by a significant decline in the savings rate.

Table 10: **Earnings, international competitiveness**

	2022	2023	2024	2025	2026	2027
Percentage changes from previous year						
Wages and salaries per employee ¹						
Nominal, gross	+ 4.9	+ 7.1	+ 6.5	+ 3.8	+ 2.5	+ 2.7
Real ²						
Gross	- 3.4	- 0.6	+ 3.5	+ 0.3	- 0.1	+ 0.3
Net	- 2.7	- 0.2	+ 3.5	- 0.1	- 0.4	- 0.1
Wages and salaries per hour worked ³						
Real, net ²	- 2.4	- 0.1	+ 4.0	- 0.2	- 0.4	- 0.2
Percent						
Wage share, adjusted ⁴	61.9	62.9	65.5	66.1	65.7	65.7
Percentage changes from previous year						
Unit labour costs, nominal ⁵						
Total economy	+ 2.2	+ 8.4	+ 8.0	+ 3.5	+ 1.8	+ 2.0
Manufacturing	- 0.7	+ 12.0	+ 11.9	+ 3.4	- 0.2	+ 0.2
Effective exchange rate – manufactured goods ⁶						
Nominal	- 1.5	+ 1.9	+ 1.1	+ 1.4	+ 0.5	+ 0.6
Real	- 1.8	+ 3.4	+ 0.9	+ 2.2	+ 0.6	+ 1.0

Source: WIFO, Statistics Austria. 2025 to 2027: forecast. – ¹ National Accounts definition (jobs). – ² Deflated by CPI. – ³ National Accounts definition. – ⁴ Compensation of employees relative to GDP at factor cost, adjusted for the share of employees in total employment (persons according to national accounts). – ⁵ Labour costs in relation to productivity (hourly compensation per employees divided by GDP and value added, respectively, per employed persons' hours worked), including short-time work grants. – ⁶ Weighted by exports and imports, real value adjusted by relative HCPI.

During the forecast period, private consumption is unlikely to gain momentum due to subdued income growth and will grow at a similarly weak rate in 2026 as in the previous year. The savings rate is likely to fall noticeably again in 2026. In 2027, consumption will rise by around 1 percent.

3.6 Public finances under pressure to consolidate

Public finances will be under considerable pressure to consolidate during the forecast period. The public expenditure ratio is likely to rise slightly in 2025. This increase is attributable not least to the continued strong growth in expenditure by subnational authorities. In addition to the obligations of the federal states and municipalities under the Future Fund, demographic challenges in the areas of health, care and basic education are driving expenditure dynamics. This is also reflected in public sector employment and public consumption. The latter contributed significantly to overall government expenditure growth in 2025, with a value increase of just under 6 percent. However, with the entry into force of the new Austrian stability pact, increased consolidation efforts are to be expected at the subnational level from 2026

onwards, as otherwise the budget targets cannot be achieved. This, together with the increasing effectiveness of austerity measures at federal level, is likely to dampen the expenditure ratio until 2027.

Public revenues will also be affected by the consolidation measures in 2025 and 2026. The temporary increase in the stability levy will support production and import duties, and special dividends will support property income. At the same time, the weak business cycle will be reflected in lower corporate income tax revenues. The subdued development of private consumption will dampen VAT revenues. On the other hand, the suspension of the compensation for the last third of fiscal drag and the sharp increase in the maximum assessment base will ensure robust growth in wage-related taxes. All in all, the general government revenue ratio will rise in 2025 and then fall slightly again by 2027. The net lending ratio will improve to -4 percent as a percentage of GDP by 2027. Public debt is therefore likely to increase from just under 80 percent of economic output in 2024 to just under 85 percent in 2027.

The consolidation of public finances is likely to improve the deficit ratio from 4.6 percent of GDP in 2025 to 4 percent in 2027. The debt ratio will continue to rise.

Table 11: **Fiscal and monetary policy – key figures**

	2022	2023	2024	2025	2026	2027
As a percentage of GDP						
Fiscal policy						
General government financial balance ¹	– 3.4	– 2.6	– 4.7	– 4.6	– 4.2	– 4.0
General government primary balance	– 2.5	– 1.4	– 3.2	– 2.9	– 2.5	– 2.2
General government total revenue	49.6	49.6	50.5	50.8	50.6	50.4
General government total expenditure	53.0	52.2	55.2	55.4	54.8	54.4
General government gross debt ¹	78.1	77.8	79.9	81.8	83.5	84.9
Percent						
Monetary policy						
Three-month interest rate	0.3	3.4	3.6	2.2	2.0	2.1
Long-term interest rate ²	1.7	3.1	2.8	3.0	3.0	2.9

Source: WIFO, ECB, OeNB, Statistics Austria. 2025 to 2027: forecast. –¹ According to Maastricht definition. –² 10-year central government bonds (benchmark).