

Austria is Slowly Returning to Growth

Economic Outlook for 2025 and 2026

After two years of recession, Austria's economic output is likely to stagnate in 2025. WIFO expects GDP growth of 1.2 percent in 2026. The upturn in the global economy should then give the Austrian economy some momentum again, driven by both exports and domestic demand.

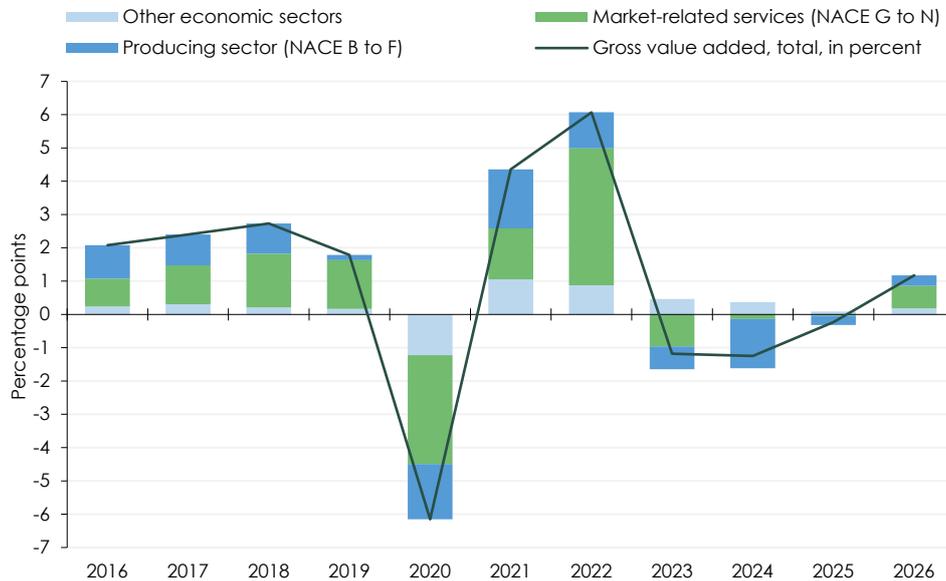
"In 2025, a negative contribution to growth from the secondary sector will once again shape economic activity. However, in 2026, all sectors should contribute to the recovery", says Christian Glocker, one of the authors of the current WIFO Economic Outlook.

The Austrian economy is currently experiencing its longest period of weakness in the post-war era. However, the cyclical trough appears to have been passed, with increasing signs of recovery emerging, albeit tentatively and subject to potential setbacks. On the one hand, geopolitical risks and uncertainties regarding a reorientation of international trade policy are clouding the external economic environment and thus the outlook for the export industry – the most important driver of domestic economic activity. On the other hand, inflation remains high by international standards. This reduces price competitiveness and thus the sales opportunities of Austrian companies. The necessary fiscal consolidation is also holding back economic growth.

In the absence of expansionary stimuli from domestic and foreign markets, Austria's economic output is expected to stagnate in 2025. As a result of subdued final demand and high inventories of finished goods, the recession in industry will continue for the time being. The underutilisation of production capacity and the decline in capital income due to production losses are hampering investment in machinery and equipment and construction and causing a further reduction in employment in the secondary sector. Consequently, the risk of job losses remains elevated, which keeps uncertainty among private households high and is reflected in spending restraint. A rapid revival of private consumption is not to be expected despite the strong real wage growth in the previous year. Wage policy therefore is caught between two production-inhibiting factors: in addition to the lack of demand, which results, among other things, from the loss of price competitiveness due to the high nominal wage increases in previous years, the shortage of labour force is hampering production. While wage restraint could counteract the lack of demand by improving price competitiveness, it would further exacerbate the shortage of labour force due to negative labour supply effects.

Industrial production is expected to recover only gradually from 2026, once export activity picks up in response to improving international demand. However, a stronger and sustained recovery is unlikely in view of the expected loss of market share resulting from the unfavourable competitive price environment. Accordingly, the total economy will remain underutilised in 2026.

Figure 1: **Growth contribution of economic sectors to gross value added, volume**



The growth contributions indicate the extent to which the two components (producing sector and market-related services) contribute to the increase in gross value added. The growth contribution of a component is calculated by dividing the absolute change in the component compared with the previous period by the value of gross value added in the previous period (source: WIFO; Statistics Austria; WDS – WIFO Data System, Macrobond. 2025 and 2026: forecast).

The price of domestically produced goods and services rose by 3.3 percent in 2024 (according to the GDP deflator). WIFO expects prices to rise by 2.8 percent in the current year and by 2.0 percent in 2026. Provided there is no renewed price shock for imported energy as in 2022, consumer prices are likely to follow a similar trajectory (+2.9 percent in 2025, +2.2 percent in 2026 after +2.9 percent in 2024). Persistently high inflation in the services sector, due to the continued high cost pressure and the widespread use of inflation-indexed price adjustments, is making it difficult to quickly reduce inflation.

The labour market is developing robustly despite the weakness of the real economy. Dependent active employment is expected to grow by 0.2 percent in 2025, as in the previous year, and by 0.8 percent in 2026. In the current year, this growth will be driven exclusively by the services sector, while employment in the secondary sector will decline. Due to the strong expansion of the labour supply, unemployment will continue to rise in 2025 and only fall in the following year due to the more favourable development in the secondary sector. The unemployment rate (according to the national definition) will rise from 7.0 percent in 2024 to 7.5 percent, before falling back to 7.3 percent in 2026.

Table 1: **Main results**

	2021	2022	2023	2024	2025	2026	
	Percentage changes from previous year						
Gross domestic product, volume	+ 4.8	+ 5.3	– 1.0	– 1.0	± 0.0	+ 1.2	
Manufacturing	+10.9	+ 6.7	– 1.8	– 5.2	– 1.1	+ 1.5	
Wholesale and retail trade	+ 4.5	+ 0.7	– 5.7	– 1.7	– 0.2	+ 1.2	
Private consumption expenditure ¹ , volume	+ 4.8	+ 4.9	– 0.5	+ 0.4	+ 0.4	+ 1.3	
Consumer durables ²	+ 6.4	– 4.5	– 5.4	+ 1.3	+ 1.5	+ 1.5	
Gross fixed capital formation, volume	+ 6.0	+ 0.4	– 3.2	– 2.1	– 0.7	+ 1.4	
Machinery and equipment ³	+ 7.7	+ 1.9	+ 2.4	+ 0.5	– 0.8	+ 2.0	
Construction	+ 4.1	– 1.3	– 9.3	– 5.3	– 0.5	+ 0.6	
Exports, volume	+ 9.5	+10.0	– 0.4	– 3.5	– 0.5	+ 1.3	
Exports of goods, fob	+12.4	+ 6.0	– 0.4	– 5.4	– 1.1	+ 0.7	
Imports, volume	+14.1	+ 7.1	– 4.6	– 3.3	+ 0.1	+ 1.3	
Imports of goods, fob	+14.8	+ 3.0	– 7.4	– 5.4	– 0.4	+ 1.3	
Gross domestic product, value	+ 6.8	+10.3	+ 5.6	+ 2.3	+ 2.7	+ 3.2	
	billion €	406.23	448.01	473.23	484.22	497.53	513.62
Current account balance	as a percentage of GDP	1.7	– 0.9	1.3	2.4	2.2	2.0
Consumer prices		+ 2.8	+ 8.6	+ 7.8	+ 2.9	+ 2.9	+ 2.2
GDP deflator		+ 1.9	+ 4.8	+ 6.6	+ 3.3	+ 2.8	+ 2.0
General government net lending, Maastricht definition	as a percentage of GDP	– 5.7	– 3.4	– 2.6	– 4.6	– 4.1	– 3.9
Persons in active dependent employment ⁴		+ 2.5	+ 3.0	+ 1.2	+ 0.2	+ 0.2	+ 0.8
Unemployment rate ⁵		8.0	6.3	6.4	7.0	7.5	7.3
Command-basis GDP per capita ⁶		+ 3.8	+ 1.1	– 1.9	– 0.6	– 0.1	+ 0.8
At-risk-of-poverty rate ⁷	percent	14.8	14.9	14.3	14.1	14.4	14.1
Income quintile share ratio ⁸	ratio	4.3	4.3	4.3	4.4	4.4	4.4
Greenhouse gas emissions ⁹		+ 4.5	– 5.8	– 6.6	– 3.0	– 0.9	– 2.5
	Million t CO ₂ equivalents	78.07	73.52	68.70	66.61	65.99	64.34

Source: WIFO, Public Employment Service Austria, Federation of Social Insurances, OeNB, Statistics Austria, Environment Agency Austria. 2025 and 2026: 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 (60 percent of the national median equivalised disposable income). From 2024: forecast. – 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. From 2024: forecast. – ⁹ From 2024: forecast.

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For definitions, see "Methodological notes and brief glossary", <https://www.wifo.ac.at/wp-content/uploads/2024/01/WIFO-BusinessCycleInformation-Glossary.pdf>