

# Austria's Economy Sees Light at the End of the Tunnel

## Economic Outlook for 2025 to 2027

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**The Austrian economy is expected to have grown by ½ 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 3½ percent in 2025 to around 2½ percent in both 2026 and 2027. The unemployment rate will decline steadily to 7 percent.**

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"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", said Stefan Ederer, one of the authors of the current WIFO Economic Outlook.

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 ½ 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 <sup>1</sup> , volume	+ 5.4	– 0.2	+ 1.0	+ 0.7	+ 0.8	+ 0.9	
Consumer durables <sup>2</sup>	– 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 <sup>3</sup>	+ 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	549.39
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	– 4.0
Persons in active dependent employment <sup>4</sup>		+ 3.0	+ 1.2	+ 0.2	+ 0.2	+ 0.7	+ 0.9
Unemployment rate <sup>5</sup>		6.3	6.4	7.0	7.4	7.3	7.0
Command-basis GDP per capita <sup>6</sup>		+ 1.1	– 1.4	– 0.6	+ 0.5	+ 1.0	+ 1.1
At-risk-of-poverty rate <sup>7 9</sup>	percent	14.9	14.3	14.5	14.1	13.8	13.7
Income quintile share ratio <sup>8 9</sup>	ratio	4.3	4.3	4.4	4.4	4.4	4.4
Greenhouse gas emissions <sup>10</sup>		– 5.8	– 6.6	– 2.6	+ 0.1	– 1.8	– 2.9
	Million t CO <sub>2</sub> equivalents	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. – <sup>1</sup> Including non-profit institutions serving households. – <sup>2</sup> WIFO calculation based on the shares of consumer durables according to the domestic concept. – <sup>3</sup> Including weapons systems and other investment. – <sup>4</sup> Excluding persons in valid employment contract receiving child care benefit or being in military service. – <sup>5</sup> As a percentage of dependent labour force, national definition. – <sup>6</sup> Nominal GDP deflated by the implicit price index of domestic demand. – <sup>7</sup> Share of persons living in private households with an equivalised disposable income below the at-risk-of-poverty threshold. – <sup>8</sup> 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. – <sup>9</sup> Eurostat definition, assigned to the income reference year. From 2024 forecast based on EUROMOD Version 1.0+ and EU-SILC 2023. – <sup>10</sup> 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.

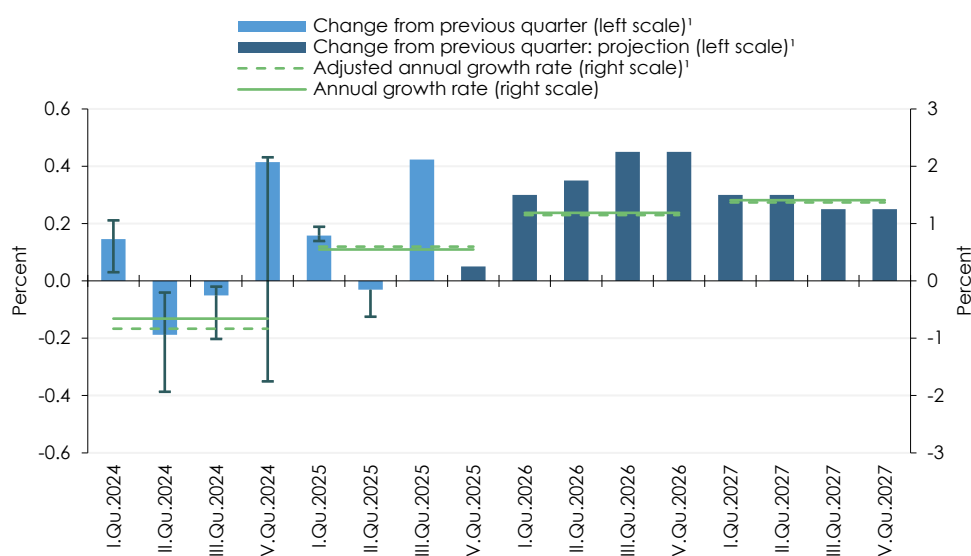
The rise in inflation dampened income growth of private households. Price-adjusted, disposable income is likely to have fallen by almost 1 percent in 2025. In 2026, wage increases will remain below the inflation rate. This will lead to a decline in real wages and salaries. As

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.

Figure 1: **Cyclical profile Austria**

GDP, volume



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, in 2025, the Austrian economy grew by around ½ 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 to realised values).

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For further information, please contact on Thursday, 18 December 2025, from 12 p.m. to 2 p.m., Dr. Stefan Ederer, Tel. (1) 798 26 01 – 464, [stefan.ederer@wifo.ac.at](mailto:stefan.ederer@wifo.ac.at).

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