WIFO ■ REPORTS ON AUSTRIA
13/2026

Manufacturing Drives the Recovery, Energy Prices Dampen Purchasing Power.

Economic Outlook for 2026 and 2027

Christian Glocker, Stefan Ederer

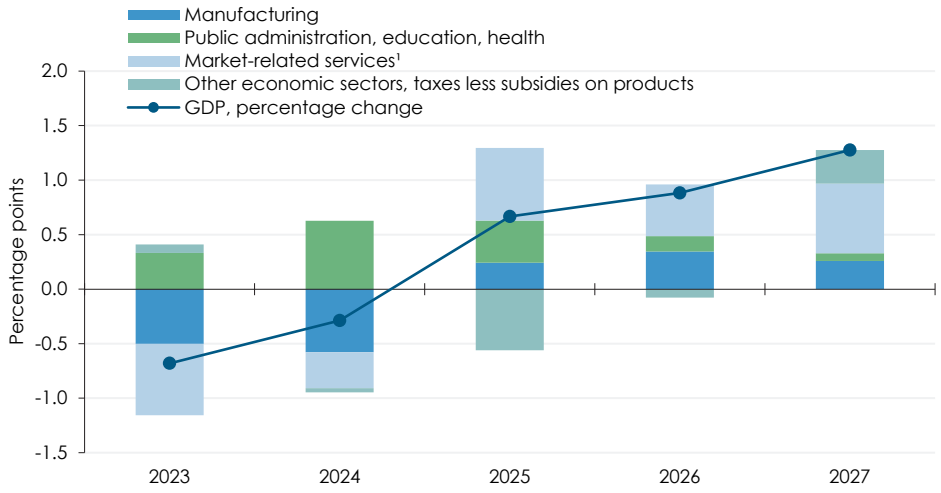
Energy Prices Only Briefly Slow Down Austria's Economy

Economic Outlook for 2026 and 2027

Christian Glocker, Stefan Ederer

- After an expansion of 0.7 percent in the preceding year, real GDP is expected to increase by 0.9 percent in 2026 and 1.3 percent in 2027; the recovery is thus set to continue despite the resurgence in energy prices.
- The primary driver of growth in 2026 will be the manufacturing sector, which is benefitting from the upturn in foreign demand and is taking over this role from public administration, education and health.
- The war in the Middle East has once again pushed up the cost of fossil fuels; consumer prices are therefore set to rise in 2026 (+3.3 percent; 2027 +2.6 percent).
- As nominal wage increases lag behind inflation (as measured by the CPI), real wages will fall in 2026; The weakening of consumption is being mitigated by a decline in the savings rate.
- Economic policy exerts a contractionary effect on economic activity: the ECB is tightening its monetary policy and the government budget is being consolidated; macroprudential policy is broadly neutral.

Growth contribution of economic sectors to gross domestic product, volume



Between 2023 and 2025, the public sector supported economic output, whilst industry contracted in 2023 and 2024. In 2026, this pattern is reversed: industry makes the largest contribution to growth, whilst that of the public sector falls to just over a third of the previous year's figure (source: WIFO; Statistics Austria; WDS – WIFO Data System, Macrobond. 2026 and 2027: forecast. – ¹ NACE 2008, sections G to N)..

"In 2026, the manufacturing sector will replace the public sector as the main driver of growth; however, the future development of industrial value added depends on external demand and energy prices."

Manufacturing Drives the Recovery, Energy Prices Dampen Purchasing Power

Economic Outlook for 2026 and 2027

Christian Glocker, Stefan Ederer

October 2026

Manufacturing Drives the Recovery, Energy Prices Dampen Purchasing Power. Economic Outlook for 2026 and 2027

The Austrian economy is on a tentative path to recovery and is unlikely to be derailed by the renewed surge in energy prices. WIFO forecasts GDP growth of 0.9 percent for 2026. In 2027, it is expected to reach 1.3 percent. Over the forecast period, the manufacturing sector will replace the public sector as the main driver of growth, while private consumer demand will remain weak due to falling real wages and persistently high uncertainty.

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-BusinessCycle Information-Glossary.pdf. • When producing Figure 3, Claude Opus 5.5 was used for illustrative purposes and to edit the draft version of this article. The authors are responsible for checking the content and for the published text.

Research assistance: Astrid Czaloun (astrid.czaloun@wifo.ac.at), Martha Steiner (martha.steiner@wifo.ac.at) •
Cut-off date: 12 October 2026

Contact: Christian Glocker (christian.glocker@wifo.ac.at), Stefan Ederer (stefan.ederer@wifo.ac.at)

Imprint: Publisher: Gabriel Felbermayr• Editor-in-Chief: Hans Pitlik (hans.pitlik@wifo.ac.at) • Editorial team: Tamara Fellinger, Christoph Lorenz, Tatjana Weber • Media owner (publisher), producer: Austrian Institute of Economic Research • 1030 Vienna, Arsenal, Objekt 20 • Tel. (+43 1) 798 26 01-0, https://reportsonaustria.wifo.ac.at/ • Place of publishing and production: Vienna • 2026/RoA/7496

© Austrian Institute of Economic Research 2026

1. Introduction

Following the prolonged period of weakness in 2023 and 2024, the Austrian economy is in a tentative recovery, the nature of which is set to change fundamentally in the current year. Up until 2025, growth was largely driven by the public administration, education and health sector, whose contribution is now declining significantly. This is being replaced by the manufacturing sector (manufacturing, NACE 2008, section C), which is benefitting from a noticeable pick-up in foreign demand. At the same time, a renewed supply shock is weighing on the economy: the war in the Middle East and the ongoing blockade of the Strait of Hormuz have caused prices for crude oil, natural gas and electricity to rise sharply. Unlike in 2022, this shock is hitting the domestic economy at a time of already weak purchasing power and a restrictive stance of economic policy.

For 2026, WIFO expects economic output to grow by 0.9 percent, driven by exports (+2.3 percent), which are picking up in line with the manufacturing cycle in the key export markets. This stimulus is being transmitted to domestic demand only gradually, via production and income: private consumption will continue to grow at a weak rate (+0.4 percent), as real wages fall and increased uncertainty dampens households' willingness to spend.

In 2027, real GDP growth is expected to accelerate to 1.3 percent, as the external stimulus should then feed through more strongly to domestic demand: construction investment will rise in 2027 for the first time in five years, investment in machinery and equipment will continue to expand and gross real wages per capita will grow slightly again. However, the tightening of monetary policy and ongoing fiscal consolidation will dampen growth momentum throughout the forecast period.

Table 1: **Main results**

	2022	2023	2024	2025	2026	2027
	Percentage changes from previous year					
Gross domestic product, volume	+ 5.5	– 0.7	– 0.3	+ 0.7	+ 0.9	+ 1.3
Manufacturing	+ 9.4	– 3.0	– 3.7	+ 1.6	+ 2.3	+ 1.7
Wholesale and retail trade	+ 0.9	– 6.6	– 4.2	+ 1.9	± 0.0	+ 1.0
Private consumption expenditure[1], volume	+ 6.1	– 0.1	+ 1.3	+ 0.5	+ 0.4	+ 0.5
Consumer durables[2]	– 2.5	– 5.0	+ 1.5	+ 0.5	+ 1.5	+ 1.5
Gross fixed capital formation, volume	– 0.1	– 1.7	– 2.4	+ 1.4	+ 0.8	+ 1.7
Machinery and equipment[3]	+ 1.6	+ 3.0	+ 1.2	+ 4.8	+ 1.9	+ 2.2
Construction	– 1.9	– 6.6	– 6.6	– 2.9	– 0.6	+ 1.0
Exports, volume	+ 9.4	– 0.4	– 1.9	+ 1.3	+ 2.3	+ 1.7
Exports of goods, fob	+ 5.6	– 0.6	– 3.8	+ 0.6	+ 2.4	+ 1.6
Imports, volume	+ 7.8	– 4.2	– 2.5	+ 2.8	+ 1.6	+ 1.7
Imports of goods, fob	+ 4.1	– 6.6	– 4.8	+ 2.9	+ 1.6	+ 1.4
Gross domestic product, value	+ 10.6	+ 6.8	+ 4.2	+ 3.6	+ 3.1	+ 3.7
billion €	449.38	479.91	499.95	518.20	534.08	553.64
Current account balance as a percentage of GDP	– 1.5	1.5	2.8	2.5	2.3	2.0
Consumer prices	+ 8.6	+ 7.8	+ 2.9	+ 3.6	+ 3.3	+ 2.6
GDP deflator	+ 4.9	+ 7.5	+ 4.5	+ 3.0	+ 2.2	+ 2.4
General government net lending, Maastricht definition as a percentage of GDP	– 3.4	– 2.6	– 4.6	– 4.1	– 4.0	– 3.8
Persons in active dependent employment[4]	+ 3.0	+ 1.2	+ 0.2	+ 0.2	+ 0.5	+ 0.7
Unemployment rate[5]	6.3	6.4	7.0	7.4	7.6	7.3
Command-basis GDP per capita[6]	+ 1.5	– 1.3	+ 0.0	+ 0.8	– 0.1	+ 0.8
At-risk-of-poverty rate[7] percent	14.9	14.3	15.9	15.8	15.7	15.8
Income quintile share ratio[7] ratio	4.3	4.3	4.2	4.3	4.3	4.2
Greenhouse gas emissions[8]	– 5.9	– 6.6	– 3.0	+ 0.7	– 0.6	– 3.1
Million t CO_2 equivalents	73.51	68.67	66.64	67.09	66.67	64.60

Source: WIFO, Public Employment Service Austria, Federation of Social Insurances, OeNB, Statistics Austria, Environment Agency Austria. 2026 and 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] Eurostat definition (see WIFO business cycle reporting glossary), assigned to the income reference year. From 2025 forecast. – [8] 2025: Environmental Agency Austria nowcast, from 2026: forecast.

Domestically produced goods and services will become 2.2 percent more expensive in 2026 and 2.4 percent more expensive in 2027 (2025 +3.0 percent). The GDP deflator thus understates the inflationary pressure faced by private households, as the rising cost of imported energy sources increases consumer prices but not the price of domestic value added. Consumer prices will rise by 3.3 percent in 2026 and by 2.6 percent in 2027 (2025 +3.6 percent). With the assumed easing on energy markets, price pressures will abate towards the end of the forecast period.

The labour market responds to the economic recovery with a delay. The number of persons in active dependent employment will rise by 0.5 percent in 2026 and by 0.7 percent in 2027. As labour supply continues to grow, driven primarily by immigration, the unemployment rate (national definition) will rise to 7.6 percent in 2026 and will fall only in the following year, to 7.3 percent.

2. Starting position

The annual National Accounts published by Statistics Austria at the end of September 2026 paint a more favourable picture of previous years than earlier data releases: the recession in 2024, at –0.3 percent, was far milder than previously reported (–0.7 percent), whilst GDP grew by 0.7 percent in 2025. In 2025, the manufacturing sector emerged from its two-year recession (+1.6 percent following –3.7 percent), accompanied by a strong increase in investment in machinery and equipment (+7.9 percent). The construction sector, by contrast, contracted once again, with construction investment falling by 2.9 percent. Since 2023, economic output has been substantially supported by public administration, education and health (see box "The public sector as a driver of growth – and what remains of it in 2026"). Real disposable income of private households fell by 1.6 percent in 2025; private consumption nevertheless expanded slightly (+0.5 percent), owing to the decline in the savings rate from 11.5 percent to 9.7 percent. Exports rose by 1.3 percent, whilst imports increased by 2.8 percent as a result of brisk

investment activity, so that foreign trade dampened growth in arithmetic terms.

After above-average real wage growth in 2024 (+4.2 percent), gross real wages per capita stagnated in the following year. Nevertheless, the adjusted wage share rose to 65.3 percent in 2025, as gross operating surpluses and mixed income lagged behind labour income due to the weak profitability of many businesses. Inflation (as measured by the CPI) accelerated to 3.6 percent (2024 +2.9 percent). The main factors were the phasing out of energy subsidies, increases in taxes and charges and the persistently strong upward pressure on prices for services. The GDP deflator rose by 3.0 percent (2024 +4.5 percent), i.e. less than consumer prices.

The economic weakness left a clear mark on the labour market. The number of persons in active dependent employment rose by just 0.2 percent in 2025; this increase was entirely attributable to foreign workers (+26,800), whilst employment among Austrian nationals fell by 19,800. The unemployment rate reached 7.4 percent (2024: 7.0 percent).

3. The framework for the forecast

This forecast is based on information available from mid- to late September 2026 regarding the direction of economic policy, as well as developments in the global economy, exchange rates, commodity prices and interest rates. The forecast period runs from the third quarter of 2026 to the fourth quarter of 2027.

3.1 International business cycle conditions

The war in the Middle East is keeping energy prices high. Nevertheless, industrial activity in export markets is showing a noticeable upturn.

Since spring 2026, the international economic environment has been shaped by geopolitical upheavals resulting from the war of aggression waged by Israel and the USA in the Middle East. Shipping in the region is therefore severely restricted; following a renewed escalation, the price of Brent crude oil has again traded above 100 $ per barrel since the second week of September. This forecast assumes an average crude oil price of 94 $ per barrel (Brent) for 2026; for 2027, a decline to 85 $ is anticipated as energy markets gradually ease. Natural gas, by contrast, remains expensive in both forecast years (Dutch TTF: 58 € and 62 € per MWh respectively). The wholesale price for electricity (base load) in Austria is expected to be around 140 € per MWh in both years; low hydroelectric power generation as a result of the drought is also driving up prices. The exchange rate is assumed to be 1.16 $ (2026) and 1.17 $ per euro (2027).

In view of the acceleration in inflation driven by energy costs, the ECB has ended its monetary easing and raised key interest rates again.

Despite the surge in energy prices, industrial activity has picked up internationally. In the euro area, the purchasing managers' indices for manufacturing rose noticeably over the summer; in Germany, the index reached its highest level in over four years in August 2026, and the ifo business climate improved in September for the fifth consecutive month. The German economy is benefitting from the debt-financed investment programme in infrastructure and defence; Germany's GDP is expected to grow by 1.3 percent in 2026 and 1.2 percent in 2027. For the euro area as a whole, WIFO forecasts growth of 1.1 percent in both years, and for the USA, 2.1 percent and 2.2 percent respectively. In China, growth is slowing to 4.5 percent and 4.2 percent respectively: the property crisis is dampening domestic demand there, whilst the strong expansion of Chinese exports is increasing competitive pressure on the global market. US trade policy remains a source of uncertainty, but has become less of a concern as tariffs on most imports from the EU are capped at 15 percent.

Overall, the export markets relevant for Austria are set to grow by 3.6 percent in 2026; in 2027, market growth is likely to slow to 1.4 percent as the impetus from front-loading ahead of the US tariff increases and from stockpiling fades. However, some of the recent growth in industrial orders is likely to be attributable to precautionary purchases, with which companies are attempting to protect themselves against further supply bottlenecks and price rises.

3.2 Economic policy framework

This forecast takes into account all economic policy measures that have already been adopted or sufficiently specified and whose implementation is therefore considered likely.

3.2.1 Monetary policy

The European Central Bank (ECB) has changed its monetary policy stance this year: following a rise in June 2026 – the first since 2023 – it raised key interest rates by a further 25 basis points in September; the main refinancing rate has stood at 2.65 percent since then. The ECB's September projections expect inflation of 3.0 percent for the euro area in 2026 and 2.5 percent in 2027; this means the 2 percent target will be exceeded throughout the forecast period. The reduction in bond holdings from the two purchase programmes (Asset Purchase Programme – APP and Pandemic Emergency Purchase Programme – PEPP) is continuing. WIFO assumes a further interest rate hike in December 2026 and a gradual tightening in 2027. On an annual average, the main refinancing rate will thus rise from 2.4 percent

(2026) to 3.2 percent (2027), and the three-month interest rate from 2.5 percent to 3.3 percent.

The tightening of monetary policy is also feeding through to long-term interest rates (see box "Why long-term interest rates are rising"). The yield on ten-year Austrian government bonds is expected to rise from 3.0 percent (2025) to 3.5 percent (2026) and further to 4.5 percent (2027); the yield spread relative to German Bunds will halve from around 0.4 percentage points (2025) to 0.2 percentage points by 2027. Higher financing costs will dampen investment and demand for durable consumer goods over the forecast period. Furthermore, banks will maintain their restrictive lending practices.

Table 2: **International economy**

	Percentage shares 2025		2022	2023	2024	2025	2026	2027
	Austria's exports of goods	World GDP[1]	GDP volume, percentage changes from previous year					
EU 27	67.8	14.0	+ 3.6	+ 0.4	+ 1.3	+ 1.4	+ 1.3	+ 1.3
Euro area	53.0	11.4	+ 3.7	+ 0.4	+ 1.2	+ 1.2	+ 1.1	+ 1.1
Germany	29.5	2.9	+ 1.9	– 1.0	± 0.0	+ 0.2	+ 1.3	+ 1.2
Italy	6.6	1.8	+ 4.9	+ 1.0	+ 1.1	+ 0.6	+ 0.8	+ 0.2
France	3.5	2.2	+ 2.7	+ 1.6	+ 1.5	+ 0.8	+ 0.5	+ 0.6
Spain	1.7	1.3	+ 6.4	+ 2.4	+ 3.7	+ 2.6	+ 2.7	+ 2.1
CEEC 5[2]	15.5	1.7	+ 4.2	+ 0.3	+ 2.4	+ 2.8	+ 2.7	+ 2.2
Poland	3.8	1.0	+ 5.3	+ 0.2	+ 3.2	+ 3.6	+ 3.4	+ 2.7
Czech Republic	3.8	0.3	+ 2.8	+ 0.0	+ 1.3	+ 2.6	+ 1.8	+ 1.5
Hungary	3.7	0.2	+ 4.2	– 0.8	+ 0.7	+ 0.5	+ 1.9	+ 2.0
USA	6.8	14.6	+ 2.4	+ 2.9	+ 3.0	+ 2.3	+ 2.1	+ 2.2
Switzerland	5.5	0.4	+ 3.5	+ 1.0	+ 1.5	+ 1.6	+ 1.6	+ 1.0
UK	2.8	2.2	+ 5.0	+ 0.4	+ 1.1	+ 1.2	+ 1.0	+ 0.5
China	2.7	19.6	+ 3.0	+ 5.2	+ 5.0	+ 4.9	+ 4.5	+ 4.2
Total[3]								
PPP-weighted[4]		51	+ 3.1	+ 3.0	+ 3.3	+ 3.1	+ 2.7	+ 2.6
Export weighted[5]	85		+ 3.1	+ 0.6	+ 1.3	+ 1.3	+ 1.6	+ 1.4
Market growth[6]			+ 5.7	– 3.2	+ 0.5	+ 3.8	+ 3.6	+ 1.4
Forecast assumptions								
Crude oil prices								
Brent, $ per barrel			98.9	82.2	79.8	68.2	94	85
Natural gas price								
Dutch TTF, € per MWh			135.0	42.2	34.5	36.7	58	62
Electricity price, Austria								
Base, € per MWh			261.6	102.2	82.1	99.2	140	140
Peak, € per MWh			275.5	103.9	81.4	92.1	138	148
Exchange rate								
$ per €			1.054	1.082	1.082	1.129	1.16	1.17
International interest rate								
ECB main refinancing rate[7], percent			0.6	3.8	4.1	2.4	2.4	3.2
10-year government bonds yields Germany, percent			1.1	2.4	2.3	2.6	3.2	4.3

Source: WIFO, Bureau of Economic Analysis, European Energy Exchange, Eurostat, ECB, HWWI, IMF, OECD, Statistics Austria. 2026 and 2027: forecast. – [1] PPP-weighted. – [2] Czech Republic, Hungary, Poland, Slovenia, Slovakia. – [3] EU countries, UK, USA, Switzerland, China. – [4] EU 27, UK, USA, Switzerland, China, weighted by GDP at purchasing power parities in 2025. – [5] EU countries, UK, USA, Switzerland, China, weighted by shares of Austrian goods exports in 2025. – [6] Real import growth of trading partners, weighted by shares of Austrian goods exports. – [7] Fixed rate.

3.2.2 Macroprudential policy

At its meeting on 14 September 2026, the Financial Market Stability Board (FMSB) noted that systemic risks have fallen since the introduction of the systemic risk buffer. In particular, the concentration risk arising from domestic banks' exposure to Central, Eastern and South-Eastern Europe has decreased significantly, partly as a result of improved sovereign credit ratings. The FMSB therefore recommended that the Financial Market Authority reduce the relevant component of the systemic risk buffer to 0 percent in two stages and leave the component relating to systemic vulnerability at 0.75 percent. The countercyclical capital buffer remains at 0 percent of risk-weighted assets, as only 3

The FMSB recommends a reduction in the systemic risk buffer; the countercyclical capital buffer remains at 0 percent.

out of 16 indicators signalled increased risks in the second quarter of 2026. From the FMSB's perspective, questions remain regarding the sustainability of the recent acquisitions by domestic banks and the provisioning for non-performing loans. In the comercial property sector, the ratio of non-performing loans remains high (8.3 percent, June 2026); attempts are being made to address this risk by raising the sectoral capital buffers.

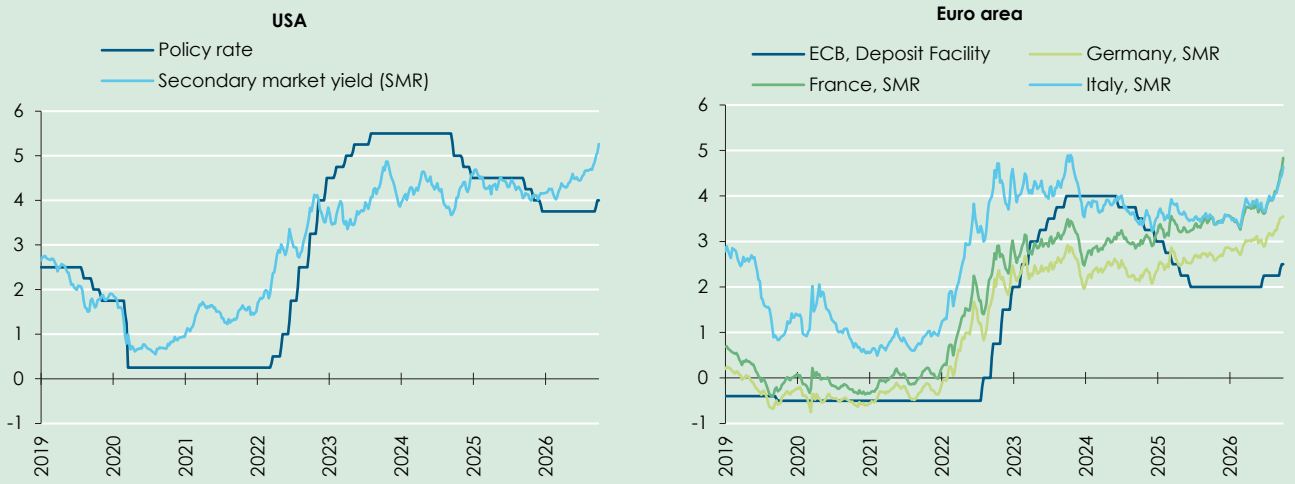
Lending for residential construction has picked up significantly since the Regulation for limiting of systemic risk in debt-based financing of residential real estate at credit institutions (KIM-V) expired in mid-2025: new business, at around 18 billion €, was 20 percent higher than the previous year's figure, whilst the stock of housing loans was most recently 2.2 percent higher (August 2026). The proportion of new loans falling outside the FMSB lending criteria remained below 20 percent. In real terms, the stock of loans is still contracting slightly, and construction output has not yet responded to the shift in lending. Overall, the stance of macroprudential policy is broadly neutral over the forecast period.

Why long-term interest rates are rising

Interest rates on long-term debt securities have risen noticeably in many industrialised countries in recent months. In the USA and the euro area, yields on ten-year government bonds are now once again above short-term money market rates. This represents the historical norm, as long-term debt instruments usually yield higher returns than short-term ones; however, the situation had reversed in the wake of key interest rate hikes from mid-2022 onwards, with the result that long-term interest rates were lower than short-term rates in 2023 and 2024. The reason for this inversion of the yield curve was the expectation on the financial markets that the interest rate rises would be short-lived. Consequently, the gradual reduction in key interest rates from 2024 onwards was already priced into long-term interest rates.

Figure 1: **Short- and long-term interest rates in the USA and the euro area**

Percent



Source: Federal Reserve, US Department of the Treasury; European Central Bank (ECB); Macrobond. Latest data point: calendar week 40. SMR . . . secondary market yield on 10-year government bonds (benchmark).

The rise in government bond yields observed in 2026 has several causes: Firstly, investors were likely expecting further cuts to key interest rates, particularly in the USA. However, in the wake of the energy price shock, the US central bank did not cut its key interest rate but instead raised it again for the first time in September 2026. Further interest rate hikes are likely to follow. In the euro area, the first interest rate hike took place as early as June 2026, with another following in September. This was priced into long-term interest rates.

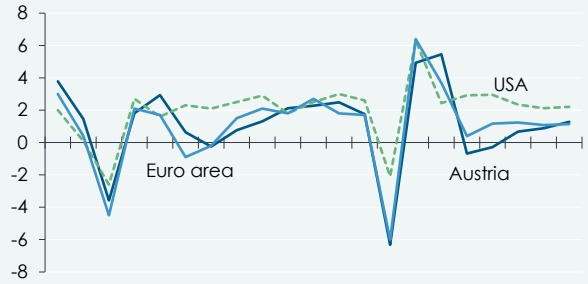
However, their rise is also likely to be attributable to the boom in artificial intelligence (AI). Share prices in the USA have risen significantly since spring 2025. This upward trend is part of a longer-term trend that had already begun in 2022. Since then, the use of AI has increased considerably, and providers have entered a race to develop new models and expand computing capacity. This fuelled expectations of high profits and boosted the stock markets, but dampened demand for government bonds, which, taken on its own, pushed up interest rates.

Not least, perceptions of risk are likely to have changed in some countries. For example, the yield spread between French government bonds and German Bunds – an indicator of investors' assessment of default risk – has widened noticeably since mid-2024. By contrast, it has narrowed significantly for Italian bonds. However, the interest rate differentials between individual countries in the euro area, and between long-term and short-term interest rates, are significantly narrower than they were between 2009 and 2012, the period of the euro crisis. In the USA, the level of government debt has historically played only a minor role in determining government bond yields; the long-term interest rate there is primarily influenced by the key interest rate.

Figure 2: **Indicators of economic performance**

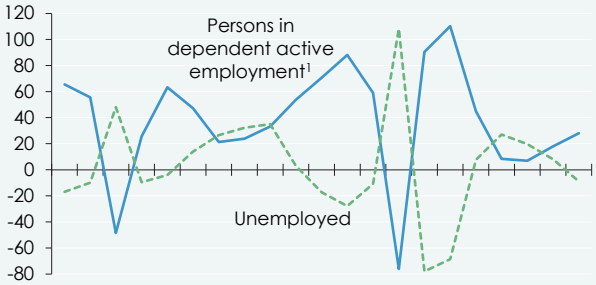
Growth of real GDP

Percent



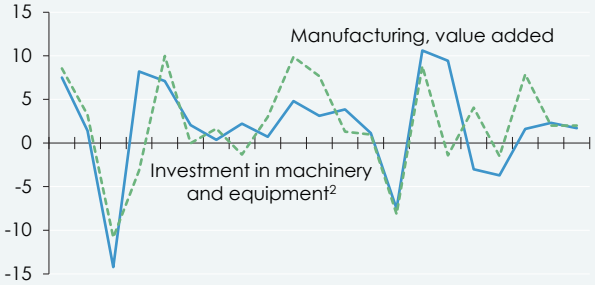
Employment and unemployment

Change from previous year in 1,000



Manufacturing and investment

Percentage changes from previous year, volume



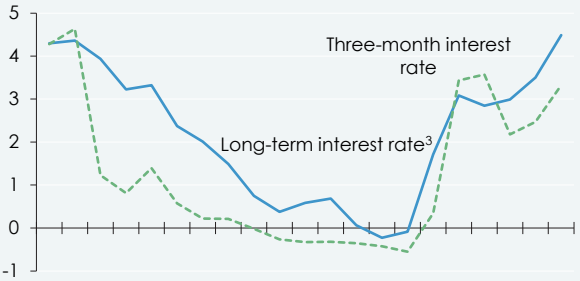
Consumption and income

Percentage changes from previous year, volume



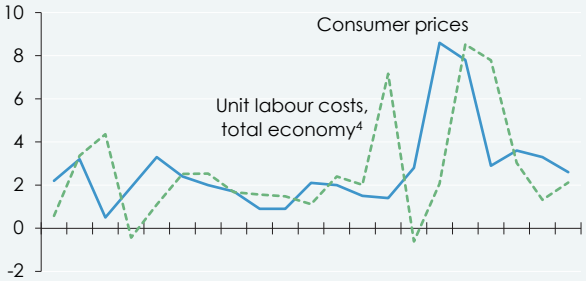
Short-term and long-term interest rates

Percent



Inflation and unit labour costs

Percentage changes from previous year



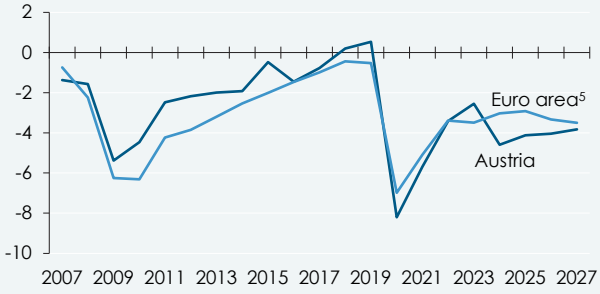
Trade (according to National Accounts)

Percentage changes from previous year, volume



General government financial balance

As a percentage of GDP



Source: WIFO, Public Employment Service Austria, Federation of Social Insurances, European Commission, Eurostat, ECB, OeNB, Statistics Austria. 2026 and 2027: forecast. – [1] Excluding persons in valid employment contract receiving child care benefit or being in military service, and unemployed persons in training. – [2] Including weapons systems. – [3] 10-year central government bonds (benchmark). – [4] Including short-time work grants. – [5] Source: European Commission.

3.2.3 Fiscal policy

Fiscal consolidation is continuing, but the deficit remains above the Maastricht ceiling.

Since July 2025, Austria has been subject to an EU excessive deficit procedure. The consolidation package adopted as part of the 2027-28 biennial budget complements the austerity measures of the 2025-26 biennial budget on the expenditure side – for example, in relation to subsidies, departmental operating expenditure and social benefits – with further measures, most of which will not take effect until 2027. The pension adjustment in 2026 remained below rolling inflation (as measured by the CPI). The relief provided by the reduction in the employer's contribution to the Family Equalisation Fund (FLAF) from 2028 onwards will be offset by the introduction of a progressive corporation tax scale. Further revenue-raising measures include the introduction of a parcel levy and an increase in alcohol duty. Against this stand further discretionary measures which, whilst intended to cushion the impact of inflation, place a strain on the budget. The electricity levy has been temporarily reduced for 2026; since July 2026, a reduced VAT rate of 4.9 percent has applied to basic foodstuffs instead of 10 percent, and the fuel price cap has been reducing the tax on mineral oils since April 2026, depending on current price trends – for example, temporarily by 6.7 cents per litre in October and November. Drought relief for the agricultural sector will weigh on general government budget in 2026, primarily on the revenue side; from 2027 onwards, measures to make working at an older age more attractive will also have a negative impact on net lending.

Table 3: **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	– 4.6	– 4.1	– 4.0	– 3.8
General government primary balance	– 2.5	– 1.4	– 3.1	– 2.5	– 2.3	– 1.9
General government total revenue	49.6	49.5	50.1	50.4	50.4	50.4
General government total expenditure	53.0	52.1	54.6	54.6	54.4	54.2
General government gross debt[1]	78.1	77.4	79.0	80.7	82.3	83.5
	Percent					
Monetary policy						
Three-month interest rate	0.3	3.4	3.6	2.2	2.5	3.3
Long-term interest rate[2]	1.7	3.1	2.8	3.0	3.5	4.5

Source: WIFO, ECB, OeNB, Statistics Austria. 2026 and 2027: forecast. – [1] According to Maastricht definition. – [2] 10-year central government bonds (benchmark).

Consolidation is also hampered by the sharp rise in interest expenditure. As secondary market yields rise, interest expenditure will increase from 1.6 percent to 2 percent of GDP over the forecast period. The general government deficit therefore shows little sign of falling: it stands at 4.0 percent of GDP in 2026 (2025 –4.1 percent) and falls to 3.8 percent in 2027; the deficit will thus remain above the Maastricht ceiling of 3 percent during the forecast period. The debt-to-GDP ratio rises from 80.7 percent (2025) to 83.5 percent of GDP by 2027. Real public consumption will grow by only 1.1 percent and 0.8 percent respectively, following 2.0 percent in 2025, and compensation for employees paid by the general government will also rise at a slower rate than in previous years (2026 +2.3 percent, 2027 +1.6 percent). The consolidation is therefore also affecting the very sector that had supported the economy in previous years.

4. Prospects for the Austrian economy

Sentiment in the manufacturing sector continues to improve. However, uncertainty remains high due to ongoing geopolitical tensions.

Leading indicators point to a continuation of the economic recovery in the second half of 2026. According to the WIFO-Konjunkturtest (business cycle survey) for September, business expectations improved once again, particularly in the manufacturing sector (–1.0 points, following –6.5 points in August). Assessments of the current situation, on the other hand, weakened slightly, and the proportion of industrial companies with at least adequate order books fell from 60.9 percent to 58.7 percent – likely reflecting the renewed escalation in the Middle East at the beginning of September. Sentiment in the construction sector was recently above average, whilst in the retail trade sector it remained subdued. The UniCredit Bank Austria Purchasing Managers' Index recently painted a particularly favourable picture for industry: it rose to 54.9 points in September (54.4 points in August), reaching its highest level since spring 2022. The new orders indicator stood at 55.3 points, its highest level in five years, whilst the export orders indicator stood at 53.6 points. Expectations, too, were

well above the long-term average at 59.4 points.

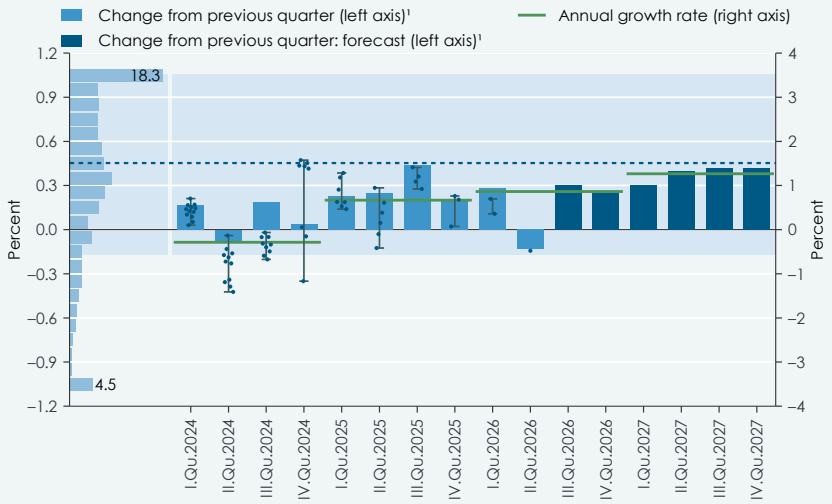
Production constraints have shifted: according to the WIFO-Konjunkturtest (business cycle survey), insufficient demand became slightly less significant, although it remained the main constraint, whilst companies increasingly cited material and capacity bottlenecks as well as shortages of labour force. Combined with input prices – which, according to the UniCredit Bank Austria Purchasing Managers' Index, are rising significantly faster than output prices and are thus eroding margins – this bears the hallmarks of a supply shock: volumes are falling, prices are rising. Business uncertainty remains high, and consumer confidence in August, at –19.1 points, remained well below its long-term average and below the euro area figure (–16.5 points).

4.1 Industry replaces the public sector as the main driver of growth

According to the Quarterly National Accounts data, the economic recovery lost momentum in the first half of 2026; in the second quarter, GDP actually contracted compared with the previous quarter. However, value added in industry expanded significantly, whilst that in construction stagnated after six consecutive declines.

Figure 3: **Cyclical profile for Austria**

GDP, volume



Source: WIFO. The error bars and dots show the range of past revisions to realised GDP growth rates by Statistics Austria. Since revisions in the National Accounts can be substantial, the currently realised values are only partly suitable as a benchmark for the forecast growth rates. The histogram on the left therefore shows the distribution of all quarterly growth rates published since the switch to ESA 2010 in 2014 (1995 to the current quarter) and places the WIFO forecast in the context of the long-term median (+0.5 percent, dark blue dashed line) and the 68 percent interval (shaded area). The outer classes are open-ended; the two values indicate the percentage shares of growth rates falling into these outer classes. – ¹ Seasonally and calendar adjusted according to Eurostat.

WIFO expects growth to accelerate in the second half of 2026. As Statistics Austria may still revise the actual growth rates significantly (Figure 2), they are of limited use as a benchmark for the growth rates expected during the forecast period. A more meaningful comparison is with the long-term distribution of quarterly growth rates from the second quarter of 1995 onwards, based on all National Accounts publications since the transition to ESA 2010 in 2014, as shown by the histogram on the left-hand side of Figure 2: the expected growth rates remain consistently below the historical median (around +0.5 percent). The current trend should therefore be regarded, at best, as an economic recovery, not as an upturn. The recovery is being driven by the manufacturing sector, whose value added is set to increase by 2.3 percent in 2026 and by 1.7 percent in 2027. Industry is thus taking on the role that the public sector played between 2023 and 2025 (see box "The public sector as a driver of growth – and what remains of it in 2026"). Market-related services will grow by 1.1 percent in 2026 and 1.4 percent in 2027, whilst wholesale and retail trade and transport will stagnate in the current year.

The quarterly pattern implies a carry-over from the previous year of 0.4 percentage points for 2026 and an intra-annual growth rate of +0.7 percent, resulting in an annual growth rate of 0.9 percent. In 2027, a similarly high carry-over and a significantly higher intra-annual growth rate (+1.5 percent) will enable GDP growth of 1.3 percent.

Table 4: **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	4.43	4.48	4.43	4.48	+ 1.2	+ 1.1	– 1.0	+ 1.0
Manufacturing including mining and quarrying	70.68	71.76	73.42	74.66	– 3.6	+ 1.5	+ 2.3	+ 1.7
Electricity, gas and water supply, waste management	11.47	9.64	9.16	9.43	+ 0.6	– 16.0	– 5.0	+ 3.0
Construction	15.64	15.37	15.28	15.43	– 2.2	– 1.7	– 0.6	+ 1.0
Wholesale and retail trade; repair of motor vehicles	38.37	39.10	39.10	39.49	– 4.2	+ 1.9	± 0.0	+ 1.0
Transportation	19.49	19.62	19.62	19.82	– 2.1	+ 0.7	± 0.0	+ 1.0
Accommodation and food service activities	10.84	10.92	10.98	11.10	– 1.1	+ 0.7	+ 0.6	+ 1.1
Information and communication	17.26	17.66	18.05	18.23	+ 5.1	+ 2.3	+ 2.2	+ 1.0
Financial and insurance activities	15.73	15.98	16.41	16.89	– 1.0	+ 1.6	+ 2.7	+ 2.9
Real estate activities	32.58	33.21	33.81	34.15	+ 2.1	+ 1.9	+ 1.8	+ 1.0
Other business activities[1]	36.05	36.17	36.57	37.37	– 0.3	+ 0.3	+ 1.1	+ 2.2
Public administration, education, health[2]	62.54	63.93	64.44	64.70	+ 3.9	+ 2.2	+ 0.8	+ 0.4
Other service activities[3]	8.81	8.90	8.86	8.90	+ 0.6	+ 1.1	– 0.5	+ 0.5
Total gross value added[4]	343.04	345.21	348.09	352.52	– 0.4	+ 0.6	+ 0.8	+ 1.3
Gross domestic product at market prices	382.45	385.00	388.40	393.36	– 0.3	+ 0.7	+ 0.9	+ 1.3

Source: WIFO, Statistics Austria. 2026 and 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 5: **Technical breakdown of the real GDP growth forecast**

Main scenario

		2024	2025	2026	2027
Growth carry-over[1]	percentage points	– 0.7	+ 0.1	+ 0.4	+ 0.3
Growth rate during the year[2]	percent	+ 0.3	+ 1.1	+ 0.7	+ 1.5
Annual growth rate	**percent**	– 0.3	+ 0.7	+ 0.9	+ 1.3
Adjusted annual growth rate[3]	percent	– 0.5	+ 0.8	+ 0.8	+ 1.2
Calendar effect[4]	percentage points	+ 0.2	– 0.1	+ 0.0	+ 0.0

Source: WIFO. 2026 and 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 6: **Revision of the growth forecast**

GDP, volume, main scenario

		2026	2027
WIFO Economic Outlook June 2026	percent	+ 0.9	+ 1.1
Data revisions[1]	percentage points	+ 0.1	– 0.0
Forcast error for the second quarter of 2026[2]	percentage points	– 0.2	– 0.1
Forecast revision	percentage points	+ 0.0	+ 0.2
WIFO Economic Outlook October 2026	**percent**	**+ 0.9**	**+ 1.3**

Source: WIFO. – [1] Revision of the Quarterly National Accounts by Statistics Austria compared to the data used for the WIFO Economic Outlook of April 2026. – [2] At the time of the preparation of the WIFO Economic Outlook of April 2026, no values were available from Statistics Austria for this quarter.

As the forecast for the growth of real GDP for 2026 is close to potential growth, the output gap resulting from the 2023-24 recession remains negative; it is likely to narrow

slightly only in 2027, but will not close. The underutilisation of production factors therefore continues to dampen domestic inflationary pressures.

4.2 Foreign demand is picking up strongly

Following a +1.3 percent increase in the previous year, export volume is set to rise by 2.3 percent in 2026 and by 1.7 percent in 2027. The key factor is the increase in goods exports (+2.4 percent and +1.6 percent respectively, according to national accounts), which benefit, amongst other things, from the revival in industrial activity in Germany and in neighbouring countries in Eastern Central Europe. In 2026, however, their growth will still lag behind market growth, as the losses in price competitiveness accumulated in previous years continue to have an impact. With moderate wage agreements, this situation begins to improve: unit labour costs in industry fall in 2026 (–0.6 percent) and rise only slightly in 2027 (+0.5 percent). Tourism is also thriving; from January to August 2026, the number of overnight stays by foreign guests was higher than ever before for this period.

Exports are the most important source of impetus for the domestic economy. Their upturn is only gradually feeding through to domestic demand.

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	275.49	277.98	279.70	281.43	+ 2.0	+ 0.9	+ 0.6	+ 0.6
Households[1]	195.86	196.75	197.53	198.60	+ 1.3	+ 0.5	+ 0.4	+ 0.5
General government	79.66	81.26	82.19	82.84	+ 3.8	+ 2.0	+ 1.1	+ 0.8
Gross capital formation	86.37	90.12	89.76	92.65	– 7.8	+ 4.3	– 0.4	+ 3.2
Gross fixed capital formation	89.33	90.58	91.34	92.90	– 2.4	+ 1.4	+ 0.8	+ 1.7
Machinery and equipment[2]	30.44	32.84	33.50	34.17	– 1.5	+ 7.9	+ 2.0	+ 2.0
Construction	35.59	34.54	34.34	34.68	– 6.6	– 2.9	– 0.6	+ 1.0
Other investment[3]	24.10	24.37	24.78	25.40	+ 4.9	+ 1.1	+ 1.7	+ 2.5
Domestic demand	362.69	367.95	369.64	374.30	– 0.6	+ 1.5	+ 0.5	+ 1.3
Exports	226.15	229.04	234.35	238.27	– 1.9	+ 1.3	+ 2.3	+ 1.7
Travel	14.98	15.23	15.62	15.85	+ 0.3	+ 1.7	+ 2.6	+ 1.5
Minus imports	207.45	213.18	216.59	220.19	– 2.5	+ 2.8	+ 1.6	+ 1.7
Travel	10.58	10.56	10.43	10.43	+ 6.4	– 0.2	– 1.2	± 0.0
Gross domestic product	382.45	385.00	388.40	393.36	– 0.3	+ 0.7	+ 0.9	+ 1.3
Value	499.95	518.20	534.08	553.64	+ 4.2	+ 3.6	+ 3.1	+ 3.7

Source: WIFO, Statistics Austria. 2026 and 2027: forecast. – [1] Including non-profit institutions serving households. – [2] Including weapon systems. – [3] Mainly intellectual property products (research and development, computer programmes, copyrights).

Imports will rise by 1.6 percent in real terms in 2026 and by 1.7 percent in 2027. Foreign trade will thus arithmetically contribute 0.4 percentage points to growth in 2026; in 2027, its contribution will be neutral. However, as a result of rising energy prices, the terms of trade will deteriorate significantly (–1.3 percent in 2026, –0.3 percent in 2027), causing part of the national income to flow abroad. The current account surplus will therefore fall from 2.5 percent of GDP (2025) to 2.0 percent (2027). The loss of purchasing power is reflected in the command-basis GDP – that is, nominal GDP deflated by the implicit price index of domestic demand: it increases by only 0.2 percent in 2026 and 1.1 percent in 2027, thus lagging behind real GDP by 0.7 and 0.2 percentage points respectively. Per capita, it falls slightly in 2026 (–0.1 percent) and rises by 0.8 percent in 2027.

4.3 Domestic demand remains subdued

In Austria's small, open economy, exports are the most important determinant of domestic economic activity. An export stimulus immediately raises value added in industry and business-related services. Through rising capacity utilisation, it stimulates investment in machinery and equipment and construction, and through higher profits, it strengthens companies' equity base, making it easier for them to finance investment projects. The higher value added subsequently increases labour income and thus private consumption, albeit with a time lag; this is why the export upturn of 2026 will not lead to higher domestic demand until 2027.

Falling real wages and increased uncertainty are dampening private consumption. Construction investment will not recover until 2027.

Following the sharp rise in the previous year, investment in machinery and equipment is set to expand further in both forecast years. In particular, rising capacity utilisation in manufacturing points to an expansion in investment activity, whilst higher financing costs and the continuing high level of uncertainty are having a dampening effect. Construction investment will fall only slightly in 2026 (–0.6 percent) and will pick up again in 2027 (+1.0 percent). The turnaround in residential construction loans should, albeit with a delay, also stimulate residential construction, whilst civil engineering will suffer as a result of the consolidation of public finances. Overall, gross fixed capital formation will rise

by 0.8 percent in 2026 and by 1.7 percent in 2027.

Private consumption will grow by a mere 0.4 percent in real terms in 2026 and by 0.5 percent in 2027. For households with non-Ricardian spending behaviour, real wage trends are the key determinant. Real net wages per capita will fall in both forecast years. Households with Ricardian consumption behaviour, on the other hand, can smooth their consumption over time by adjusting their savings rate and are guided by the ex ante real interest rate as well as uncertainty about their future incomes; however, these two factors are currently pointing in different directions. The real interest rate (three-month interest rate minus expected inflation) is still negative in 2026 (–0.8 percent) and thus supportive of consumption, but will rise to 0.7 percent in 2027 as a result of monetary policy tightening, which will make saving more attractive and dampen consumption. The continuing high level of uncertainty among private households, on the other hand, is likely to encourage precautionary saving, particularly in 2026, and thus reduce consumption. The high net financial surpluses of previous years, however, stabilise consumer demand. Last but not least, the expected population growth of 0.3 percent per year supports aggregate consumption, regardless of the spending behaviour of individual households. Per capita, private consumption will therefore remain virtually flat in 2026.

Table 8: **Private consumption, income and prices**

	2022	2023	2024	2025	2026	2027
	Percentage changes from previous year					
Private consumption expenditure, volume[1]	+ 6.1	– 0.1	+ 1.3	+ 0.5	+ 0.4	+ 0.5
Durable goods[2]	– 2.5	– 5.0	+ 1.5	+ 0.5	+ 1.5	+ 1.5
Non-durable goods and services[2]	+ 7.1	+ 0.4	+ 1.3	+ 0.4	+ 0.3	+ 0.4
Private household disposable income, volume	+ 3.2	– 0.4	+ 4.2	– 1.6	– 1.0	+ 0.3
	As a percentage of disposable income					
Household saving ratio						
Including adjustment for the change in pension entitlements	9.0	8.9	11.5	9.7	8.4	8.2
Excluding adjustment for the change in pension entitlements	8.4	8.1	10.7	8.8	7.5	7.3
	Percentage changes from previous year					
Loans to domestic non-banks (end of period)	+ 5.0	+ 0.7	+ 0.7	+ 1.8	+ 3.1	+ 3.3
Consumer prices						
National	+ 8.6	+ 7.8	+ 2.9	+ 3.6	+ 3.3	+ 2.6
Harmonised	+ 8.6	+ 7.7	+ 2.9	+ 3.6	+ 3.2	+ 2.6
Core inflation[3]	+ 5.1	+ 7.3	+ 3.9	+ 3.1	+ 3.1	+ 2.5

Source: WIFO, OeNB, Statistics Austria. 2026 and 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.

4.4 Energy prices are driving inflation, real wages are falling

The surge in energy prices is pushing up consumer prices, whilst moderate wage settlements are improving price competitiveness.

According to Statistics Austria's flash estimate by, consumer prices rose by 3.6 percent year-on-year in September 2026, driven by energy prices (+14.5 percent). By contrast, the reduction in the VAT rate on basic foodstuffs in July resulted in only a moderate rise in prices for food, alcohol and tobacco (+1 percent). Core inflation stood at 3.0 percent, whilst the rate of inflation for services was 4.2 percent.

Leading indicators point to upward price pressure: in the UniCredit Bank Austria Purchasing Managers' Index, the index for input prices rose to 72.1 points in September (68.8 points in August), whilst the index for output prices index was significantly weaker at 57.9 points. The price gap has therefore widened again, and some of the cost increases have yet to be passed on to customers. In the WIFO-Konjunkturtest, consumer goods manufacturers' output price expectations stood at 24.4 points in September (25.6 points in August), which is around two-and-a-half times as high as the average for the years 2015-2019 (9.6 points); as the output prices of the consumer goods industry are reflected in consumer prices with a time lag, sustained strong price inflation for industrially manufactured consumer goods is to be expected in the coming months.

On an annual average, WIFO expects consumer prices to rise by 3.3 percent in 2026 and by 2.6 percent in 2027. The higher wholesale prices for natural gas and electricity will reach private households with a delay via tariff adjustments by utility providers. With the assumed normalisation of

supplies from the Persian Gulf, mineral oil products are likely to become cheaper again in 2027. Counteracting this in 2027 will be the return of the electricity levy to its previous rate and the expiry of the base effect of the VAT cut from July, which will increase inflation in the food category by 1 to 1½ percentage points. The GDP deflator is rising at a slower rate than consumer prices – 2.2 percent (2026) and 2.4 percent (2027) respectively – as it measures only the change in prices of domestic value added.

The public sector as a driver of growth – and what remains of it in 2026

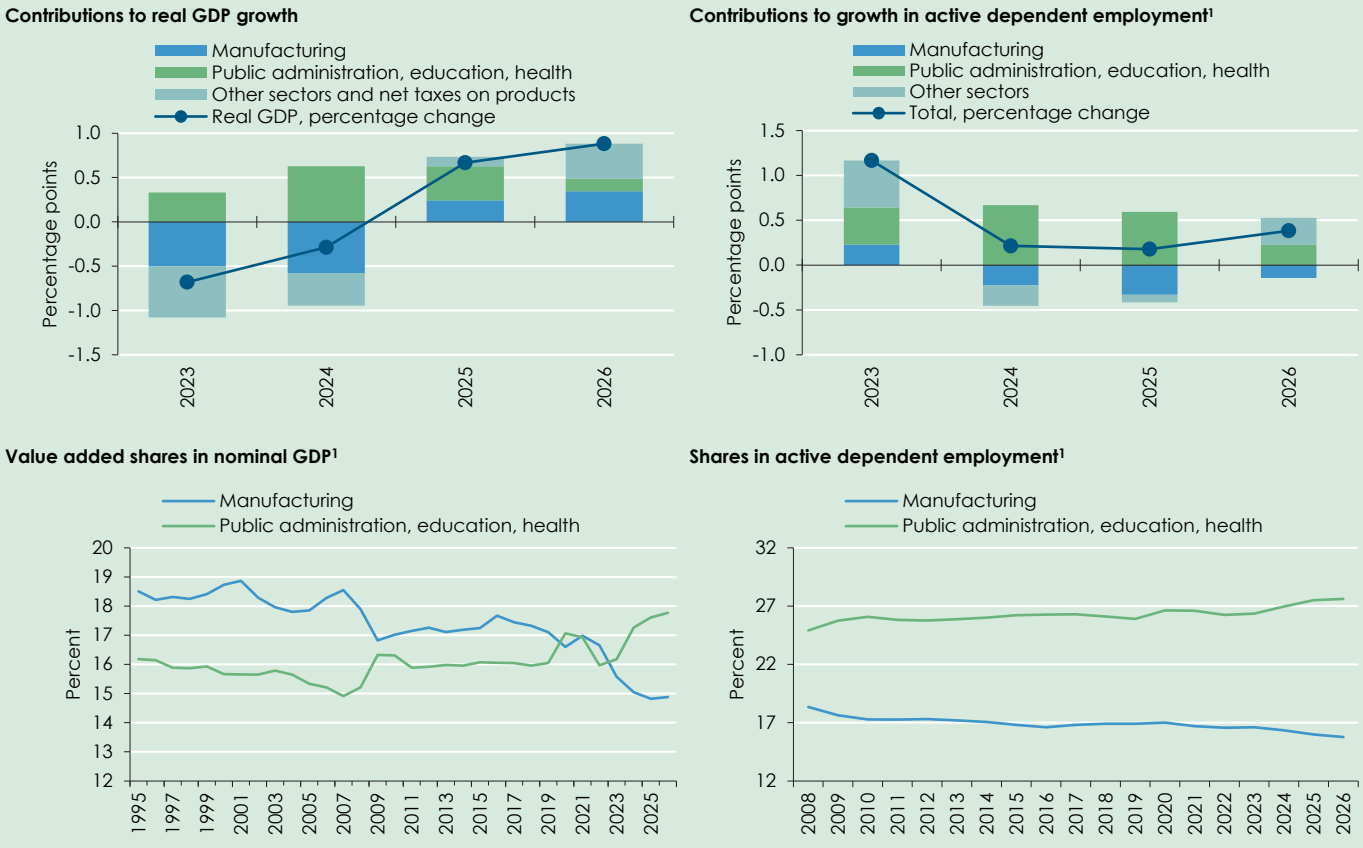
Between 2023 and 2025, essentially one single sector supported the Austrian economy. Public administration, education and health (NACE 2008, sections O to Q) contributed a cumulative 1.3 percentage points to real GDP over these three years, whilst GDP as a whole contracted by 0.3 percent. In 2023, the public sector reduced the decline in GDP by 0.3 percentage points; in 2024, by 0.6 percentage points; and in 2025, it contributed 0.4 percentage points – more than half of the 0.7 percent growth.

This pattern is not a statistical artefact, but has a measurement-related cause: the output of the public sector is not sold on the market; the national accounts therefore value it at cost, essentially via employees' compensation. Growth in value added therefore corresponds approximately to that of employment in this case: Between 2023 and 2025, the public sector increased its workforce by between 16,000 and 26,000 persons in active dependent employment annually, whilst industry cut a total of 21,700 jobs in 2024 and 2025 (Figure 4, top right).

This marked a continuation of a long-term shift in the economic structure (bottom left chart): in 1995, industry still accounted for 18.5 percent of GDP, whilst the public sector accounted for 16.2 percent. In 2020, the first year of the COVID-19 pandemic, this ratio reversed for the first time. Since 2023, the public sector has accounted for a larger share of GDP: in 2025, its 17.6 percent stood in contrast to 14.8 percent for industry. In terms of employment, the gap is even wider (bottom right chart): cumulatively from January to August 2026, 27.6 percent of persons in active dependent employment worked in the public sector and 15.8 percent in industry (2008: 24.9 percent versus 18.3 percent).

In 2026, however, the public sector will contribute just 0.1 percentage points to GDP growth; its employment growth halved by August 2026 to 12,800 employees (January to August 2025 +25,000). Industry will take on the role of the main driver of growth: in 2026, it will make the largest contribution to growth of all economic sectors, at 0.3 percentage points – which is one reason why WIFO expects solid GDP growth of 0.9 percent for 2026, even though the public sector will no longer act as a pillar of support. Unlike in the years 2023-2025, growth will thus once again stem from a cyclically sensitive sector of the economy which, as the surge in energy prices in 2022 demonstrated, is prone to disruption.

Figure 4: **Growth, employment and the size of the public sector**



Source: Statistics Austria, Federation of Social Insurances, WIFO. – ¹ For 2026, data are shown cumulatively through August (employment) and through the second quarter (value added shares), respectively.

Table 9: **Earnings, international competitiveness**

	2022	2023	2024	2025	2026	2027
	Percentage changes from previous year					
Wages and salaries per employee[1]						
Nominal, gross	+ 4.9	+ 7.2	+ 7.3	+ 3.7	+ 2.4	+ 2.9
Real[2]						
Gross	– 3.4	– 0.6	+ 4.2	+ 0.1	– 0.9	+ 0.3
Net	– 2.7	– 0.2	+ 4.2	– 0.0	– 1.5	– 0.2
Wages and salaries per hour worked[3]						
Real, net[2]	– 2.4	– 0.1	+ 5.0	– 0.7	– 1.8	– 0.1
	Percent					
Wage share, adjusted[4]	61.9	62.7	64.8	65.3	65.0	65.1
	Percentage changes from previous year					
Unit labour costs, nominal[5]						
Total economy	+ 2.1	+ 8.5	+ 7.8	+ 3.0	+ 1.3	+ 2.1
Manufacturing	– 1.6	+11.7	+ 9.7	+ 0.7	– 0.6	+ 0.5
Effective exchange rate – manufactured goods[6]						
Nominal	– 1.5	+ 1.9	+ 1.1	+ 1.3	+ 0.4	+ 0.5
Real	– 1.8	+ 3.4	+ 0.9	+ 2.2	+ 0.7	+ 0.6

Source: WIFO, Statistics Austria. 2026 and 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.

Nominal wages per capita will rise by 2.4 percent in 2026 and by 2.9 percent in 2027 (gross). Although wage agreements are based on rolling inflation, they have recently been moderate in view of the weak profitability of industry: for example, in the metalworking industry, actual wages will rise by only 1.9 percent from November 2026 onwards, given a rolling inflation rate of 3.3 percent. Gross real wages will therefore fall by 0.9 percent in 2026 and rise only slightly, by 0.3 percent, in 2027. Measured against the Benya formula, which uses CPI inflation and changes in productivity as benchmarks for nominal wage adjustments, the agreements thus fall short of the distributional leeway. However, they contribute to restoring price competitiveness, which had suffered during years of high wage growth; aggregate unit labour costs will rise by only 1.3 percent in 2026 and 2.1 percent in 2027. It should also be noted that, in the long term, real wage increases can be an important determinant of productivity growth.

4.5 Unemployment peaks in 2026

Employment is growing only modestly. As the labour supply continues to rise, unemployment will increase once again in 2026.

The labour market reacts with a lag to the business cycle. Since June 2026, the seasonally adjusted unemployment rate (national calculation) has stood at 7.7 percent, its highest level since mid-2021; the number of persons in active dependent employment remained flat in September compared with the previous month. As industry picks up, job losses in the secondary sector will slow and turn into a slight increase in 2027. Leading indicators are already signalling a turnaround: in the WIFO-Konjunkturtest for September, employment expectations in the manufacturing sector improved from –10.5 to –6.0 points, though they remained below their long-term average. The employment index of the UniCredit Bank Austria Purchasing Managers' Index stood at 51.1 points in September, remaining above the growth threshold for the second month running; it had crossed this threshold in August for the first time in around 40 months.

The total number of persons in active dependent employment is set to rise by 18,000 (+0.5 percent) in 2026 and by 28,000 (+0.7 percent) in 2027. This growth will be entirely attributable to foreign workers, whilst employment among Austrian nationals will continue to decline as a result of demographic trends – the working-age population is set to shrink by 12,600 in 2026 and by 18,900 in 2027.

Nevertheless, the labour supply is increasing, primarily as a result of immigration and the rising retirement age for women: in 2026 it will grow by 30,000 persons – faster than employment – causing the number of unemployed to rise by 8,000 to 325,500 and the unemployment rate to peak at 7.6 percent (Eurostat definition 6.0 percent). The fact that growth of real GDP at or just above potential growth does not yet reduce unemployment is consistent with Okun's law observed empirically in Austria (threshold at around 1.6 percent growth of real GDP). In

2027 the trend will reverse: employment will expand more strongly than the labour supply (+23,000 persons), and the unemployment rate will fall to 7.3 percent (5.7 percent according to the Eurostat definition).

Table 10: **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	+ 47.9	+ 13.0	+ 10.0	+ 22.0	+ 32.0
Employees[1]	+110.2	+ 44.8	+ 8.4	+ 6.9	+ 18.0	+ 28.0
National employees	+ 22.9	– 9.0	– 16.7	– 19.8	– 12.0	– 6.0
Foreign employees	+ 87.4	+ 53.8	+ 25.0	+ 26.8	+ 30.0	+ 34.0
Self-employed[2]	+ 6.0	+ 3.1	+ 4.6	+ 3.1	+ 4.0	+ 4.0
Labour supply						
Population of working age						
15 to 64 years	+ 48.6	+ 36.9	+ 5.6	– 12.5	– 12.6	– 18.9
Labour force[3]	+ 47.6	+ 55.6	+ 40.0	+ 29.7	+ 30.0	+ 23.0
Labour surplus						
Unemployed	– 68.6	+ 7.7	+ 27.1	+ 19.7	+ 8.0	– 9.0
Persons in training	– 0.8	+ 1.0	+ 5.0	+ 1.0	– 3.0	– 1.0
	Percent					
Unemployment rate						
As a percentage of total labour force (Eurostat)[4]	4.8	5.1	5.2	5.7	6.0	5.7
As a percentage of total labour force	5.6	5.7	6.2	6.6	6.7	6.5
As a percentage of dependent labour force	6.3	6.4	7.0	7.4	7.6	7.3
	Percentage changes from previous year					
Labour force[3]	+ 1.0	+ 1.2	+ 0.9	+ 0.6	+ 0.6	+ 0.5
Persons in active dependent employment[1]	+ 3.0	+ 1.2	+ 0.2	+ 0.2	+ 0.5	+ 0.7
Unemployed	– 20.7	+ 2.9	+ 10.0	+ 6.6	+ 2.5	– 2.8
Persons (in 1,000)	263.1	270.8	297.9	317.5	325.5	316.5

Source: WIFO, Eurostat, Federation of Social Insurances, Public Employment Service Austria, Statistics Austria. 2026 and 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. – [3] Persons in active employment plus unemployed. – [4] Labour Force Survey.

Table 11: **Productivity**

	2022	2023	2024	2025	2026	2027
	Percentage changes from previous year					
Total economy						
GDP, volume	+ 5.5	– 0.7	– 0.3	+ 0.7	+ 0.9	+ 1.3
Employment[1]	+ 2.9	+ 0.9	+ 0.1	+ 0.1	+ 0.1	+ 0.6
Production per person employed	+ 2.5	– 1.6	– 0.4	+ 0.6	+ 0.8	+ 0.6
Hours worked per person employed[2]	– 0.3	– 0.2	– 0.7	+ 0.6	+ 0.0	– 0.3
Hourly productivity[3]	+ 2.8	– 1.4	+ 0.3	+ 0.0	+ 0.8	+ 1.0
Manufacturing						
Gross value added, volume	+ 9.4	– 3.0	– 3.7	+ 1.6	+ 2.3	+ 1.7
Employment[1]	+ 2.3	+ 1.3	– 0.8	– 1.7	– 0.8	+ 0.5
Production per person employed	+ 7.0	– 4.3	– 2.9	+ 3.4	+ 3.1	+ 1.2
Hours worked per person employed[2]	– 0.8	– 0.5	+ 0.5	– 0.1	+ 1.0	± 0.0
Hourly productivity[3]	+ 7.8	– 3.8	– 3.4	+ 3.5	+ 2.1	+ 1.2

Source: WIFO, Statistics Austria. 2026 and 2027: forecast. – [1] Employees and self-employed, National Accounts definition (jobs). – [2] National Accounts definition. – [3] Production per hour worked, National Accounts definition.

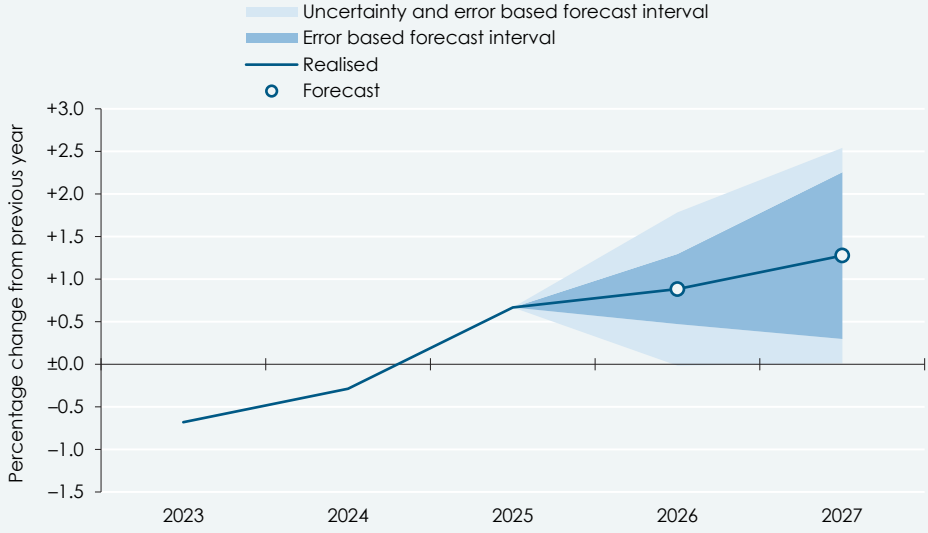
5. The risk environment

The projection presented here describes the most likely scenario for economic development from today's perspective, based on the assumptions made. However, actual developments may differ from this due to a variety of factors.

The greatest downside risks stem from the war in the Middle East. The forecast assumes that the situation will gradually ease in the course of 2027 and that the price of crude oil will fall. However, the recent attacks on extraction, transport and refining facilities demonstrate how vulnerable supply remains to setbacks; the price of Brent crude oil stood at around 108 $ per barrel at the start of October, well above the average assumed for 2026. European gas storage facilities are at their lowest levels ahead of winter for years. Persistently high energy prices would push up inflation, further erode real wages and, via the terms of trade, shift additional income abroad. Should the higher prices be reflected in wage agreements, there is a risk of second-round effects and further sharp price rises.

Another risk relates to the recovery in the manufacturing sector. Part of the recent growth in orders is attributable to precautionary purchases, which could turn into destocking in the coming quarters. Furthermore, China's sharply rising exports are increasing competitive pressure, and US trade policy remains highly unpredictable. On the supply side, the persistently extremely low levels of rainfall are weighing not only on agriculture but also on hydroelectric power generation.

Figure 5: **Uncertainty intervals for the real GDP forecast**



Source: WIFO. Calculated on the basis of past forecast errors (error based interval) and with additional consideration of current uncertainty (assessability of the business situation in manufacturing according to the WIFO-Konjunkturtest). 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.

Fiscal policy also entails risks. If the consolidation measures announced for 2027 – but not yet specified – are implemented, this could further dampen domestic demand. Furthermore, more stringent consolidation may become necessary if the federal states and local authorities report higher deficits than planned. Rising yields are also increasing the general government's interest expenditure. Internationally, too, yields on ten-year government bonds have risen sharply recently, for example in France and the USA. Should this force more decisive fiscal consolidation in those countries, foreign demand would fall short of the assumptions underlying this forecast and growth in Austrian exports would be correspondingly weaker.

The numerous downside risks are accompanied by upside risks. A swift diplomatic solution in the Middle East would cause energy prices to fall, curb inflation and strengthen the purchasing power of private households. Furthermore, industrial activity in Germany, supported by the investment programme, could pick up more strongly than assumed. Finally, private households could draw down their savings more rapidly than anticipated, which would stimulate consumption but at the same time increase inflationary pressure.