

WIFO ■ REPORTS ON AUSTRIA 4/2025

**Economic Expectations Remain Subdued
at the Beginning of the Year.** Results of the
WIFO-Konjunkturtest Quarterly Survey
of January 2025

Werner Hölzl, Jürgen Bierbaumer,
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Economic Expectations Remain Subdued at the Beginning of the Year

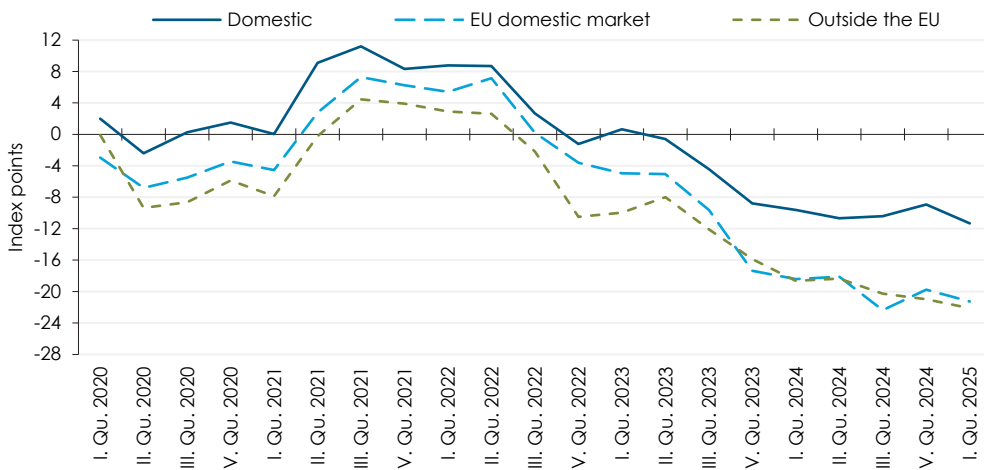
Results of the WIFO-Konjunkturtest Quarterly Survey of January 2025

Werner Hölzl, Jürgen Bierbaumer, Michael Klien, Agnes Kügler

- Austria's companies are still predominantly sceptical about the economic situation, especially manufacturing companies.
- Due to slight improvements in economic forecasts, the WIFO-Konjunkturampel (economic traffic light) nevertheless turned green in January.
- In manufacturing and construction, business uncertainty remained high.
- Capacity utilisation rose slightly, although not in manufacturing and construction, where capacity utilisation remained below average.
- "Insufficient demand" remained the most frequently mentioned obstacle to business activity in all sectors, ahead of the "shortage of labour force".

Change in the competitive position in manufacturing

Balance as a percentage of all reports



"Companies' self-assessments of their competitive position deteriorated further in the last quarter and reached a new low."

The WIFO-Konjunkturtest (business cycle survey) analyses the changes in the competitive position of Austrian industrial companies on a quarterly basis. The change is shown by means of balances: the proportion of companies that reported that their competitive position had improved in the last three months is subtracted from the proportion of companies that reported a deterioration (source: WIFO-Konjunkturtest (business cycle survey), seasonally adjusted).

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March 2025

Economic Expectations Remain Subdued at the Beginning of the Year. Results of the WIFO-Konjunkturtest Quarterly Survey of January 2025

Despite further slight improvements, sceptical economic assessments continued to dominate in January. Situation assessments improved in the services and retail sectors, while expectations only improved in the retail sector, albeit noticeably. Manufacturing companies are still very pessimistic. Uncertainty rose slightly in most sectors compared to the previous quarter. "Insufficient demand" remained the most frequently cited obstacle to business activity.

JEL-Codes: E32, E66 • **Keywords:** WIFO-Konjunkturtest (business cycle survey), quarterly data, business cycle

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Imprint: Publisher: Gabriel Felbermayr • Editor-in-Chief: Hans Pitlik (hans.pitlik@wifo.ac.at) • Editorial team: Tamara Fellingner, 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 • 2025/RoA/7496

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Situation assessments improved in the winter in the services and retail trade sectors, but deteriorated in construction and manufacturing.

The results of the WIFO-Konjunkturtest (business cycle survey)¹ for January 2025 (beginning of the first quarter) show a slight improvement in companies' economic assessments compared to autumn 2024, albeit starting from a low level. The WIFO Business Cycle Index gained 1.5 points quarter-on-quarter and stood at -5.2 points, 1.5 points above the previous year's value (Table 1). The index of current business situation rose by 4.5 points compared to October, but at -4.3 points remained below the zero line that separates negative from positive economic assessments. Business expectations, on the other hand, deteriorated by 0.9 points compared to the previous quarter to -6.4 points.

There are still marked differences by sector, both in terms of the levels of the indices and in terms of the changes compared to the previous quarter. In manufacturing, the WIFO Business Cycle Index deteriorated by 2.6 points compared to October. The value of -19.0 points reflects the continuing pessimism of companies in view of the industrial recession and the uncertain international environment. The situation assessments of manufacturing companies remain particularly subdued. Although the corresponding index deteriorated only slightly (-1.0 points compared to October), it is still well into negative territory at -22.1 points. The index of business expectations deteriorated significantly (-3.6 points to -16.3 points) and still

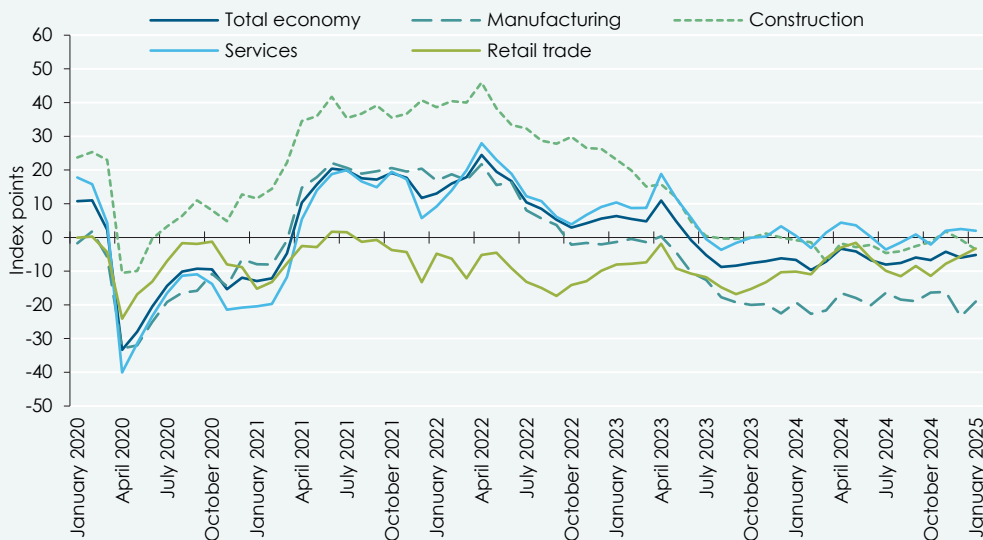
¹ The WIFO-Konjunkturtest is a monthly survey of Austrian companies on their current economic situation and developments over the coming months. Once a quarter, the catalogue of questions in the WIFO-Konjunkturtest is expanded to include additional questions ("quarterly questions") that provide relevant information on the business cycle but are not included in the monthly indices of the WIFO-Konjunkturtest. The current results of the WIFO-Konjunkturtest are available on the WIFO website ([https://www.wifo.ac.at/en/](https://www.wifo.ac.at/en/publications/wifo-konjunkturtest)

[publications/wifo-konjunkturtest](https://www.wifo.ac.at/en/publications/wifo-konjunkturtest)) and on the business cycle and forecasts page (https://www.wifo.ac.at/en/research_priorities/business_cycle_and_forecasting_or_www.konjunkturtest.at). Hölzl and Schwarz (2014) provide an overview of the WIFO-Konjunkturtest (business cycle survey). Detailed results on the subsectors of manufacturing and services can be downloaded as a graphic appendix from the project homepage.

signals pronounced scepticism regarding the further course of the economy. The announcement of the introduction of import tariffs by the USA is likely to have further clouded the outlook. The weakness of industrial activity is also reflected in companies'

assessments of the change in their competitive position (see figure "Change in the competitive position in manufacturing", p. 1), which have deteriorated further in recent months and are at long-term lows.

Figure 1: WIFO Business Climate Indices



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

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

	2024							2025	
	January	April	July	October	November	December	January	January Change compared to October (previous quarter)	
Total economy									
WIFO Business Climate Index	- 6.7	- 3.3	- 8.1	- 6.7	- 4.2	- 6.0	- 5.2	+ 1.5	
Index of current business situation	- 5.3	- 2.9	- 9.4	- 8.8	- 6.5	- 6.1	- 4.3	+ 4.5	
Index of business expectations	- 8.1	- 3.8	- 6.7	- 5.5	- 2.3	- 6.3	- 6.4	- 0.9	
Manufacturing									
WIFO Business Climate Index	- 19.2	- 16.5	- 16.5	- 16.4	- 16.1	- 23.5	- 19.0	- 2.6	
Index of current business situation	- 20.6	- 20.7	- 22.0	- 21.1	- 22.8	- 27.4	- 22.1	- 1.0	
Index of business expectations	- 18.1	- 12.5	- 11.5	- 12.7	- 10.5	- 20.1	- 16.3	- 3.6	
Construction									
WIFO Business Climate Index	- 0.8	- 1.8	- 4.6	- 1.3	1.8	- 0.6	- 3.6	- 2.2	
Index of current business situation	- 2.9	- 3.7	- 5.7	- 1.6	- 1.9	- 4.2	- 5.5	- 3.9	
Index of business expectations	1.0	- 0.2	- 3.6	- 0.7	5.7	2.8	- 1.8	- 1.1	
Services									
WIFO Business Climate Index	0.5	4.4	- 3.6	- 2.1	2.0	2.5	2.0	+ 4.1	
Index of current business situation	2.9	5.5	- 4.4	- 5.4	0.5	3.6	4.3	+ 9.7	
Index of business expectations	- 2.0	3.3	- 2.4	0.4	3.4	1.2	- 0.7	- 1.1	
Retail trade									
WIFO Business Climate Index	- 10.1	- 3.0	- 9.9	- 11.4	- 7.8	- 5.6	- 3.3	+ 8.1	
Index of current business situation	- 3.3	10.0	- 0.1	- 0.8	- 1.2	2.8	3.9	+ 4.8	
Index of business expectations	- 17.1	- 15.8	- 20.1	- 22.2	- 14.4	- 14.0	- 10.3	+ 11.9	

Source: WIFO-Konjunkturtest (business cycle survey).

In the construction industry, the WIFO Business Cycle Index fell by 2.2 points compared to the previous quarter to -3.6 points. The index of current business situation lost 3.9 points and stood at -5.5 points in January. The index of business expectations also fell (-1.1 to -1.8 points), reflecting the slightly weaker expectations of construction companies regarding their own business situation and production.

In the services sector, the indices painted a more positive picture in January. The WIFO Business Cycle Index rose by around 4.1 points compared to October 2024 and returned to positive territory at 2.0 points. The improvement can be attributed to the index of current business situation, which rose by a full 9.7 points to 4.3 points. The index of business expectations, on the other hand, lost 1.1 points quarter-on-quarter and remained just below the zero line at -0.7 points.

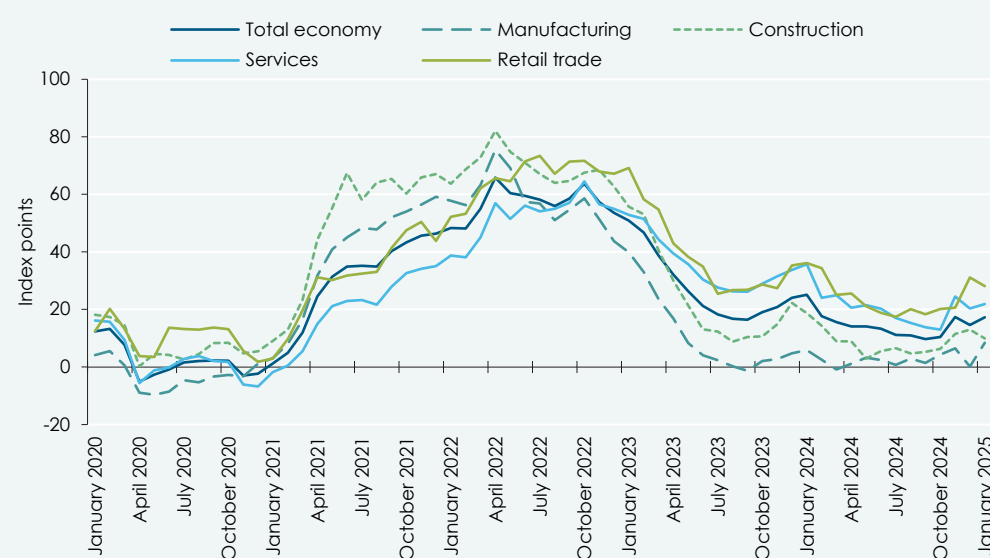
The economic indices for the retail trade, WIFO calculates on the basis of surveys conducted by Austrian Institute for SME Research, recovered noticeably in a quarter-on-quarter comparison. At -3.3 points, the WIFO Business Cycle Index in October was 8.1 points above the October 2024 value, but still below the zero line. The index of current business situation gained 4.8 points quarter-on-quarter and was back in positive territory at 3.9 points. Retailers' expectations improved noticeably compared to the previous quarter (+11.9 points). At -10.3 points, the sub-index was still below zero, but at an average level for the sector.

The longer-term development of the WIFO Business Cycle Indices shows the decline as

a result of the COVID-19 crisis, the recovery until spring 2022, the economic slowdown due to the energy price shock and the war in Ukraine until winter 2022-23 and the downturn since summer 2023, which has hit manufacturing particularly hard. At the current margin, the total economy – with the exception of manufacturing – is stabilising at a low level (Figure 1).

As a result of the war in Ukraine, energy prices rose more sharply than during the oil price shocks of 1973 and 1979-80. The pronounced price effects and high general inflation were also reflected in sales price expectations. These are shown in the WIFO-Konjunkturtest (business cycle survey) as balances, i.e. as the difference between the proportion of positive and the proportion of negative responses to all reports. They have a value range of -100 to +100 points. Following the decline up to October 2024, the latest results show a slight increase in sales price expectations again, particularly in the retail trade and services (Figure 2). In the total economy, the most recent balance was 17.2 points, 6.8 points above the comparative value from October 2024, but still well below the average of the last five years (26.0 points). In the last three months, sales price expectations rose in all sectors, although in construction (January 2025: 9.9 points, +3.7 points compared to October) and manufacturing (8.4 points, +4.1 points) less than in retail trade (January 2025: 28.1 points, +7.9 points compared to October) and services (21.9 points, +8.9 points). Despite these increases, the balances in all sectors remained below the long-term averages.

Figure 2: Sales price expectations



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

WIFO-Konjunkturtest (business cycle survey) indices

The WIFO-Konjunkturtest indices are calculated at sector level for manufacturing, construction, services and retail trade. The surveys are conducted monthly by WIFO (manufacturing, construction and services) and Austrian Institute for SME Research (retail trade). The "total economy indices" are calculated by weighting the sector indices (weights: services 0.5, manufacturing 0.3, construction and retail trade 0.1 each). The summarised WIFO Business Cycle Index aggregates two sub-indices, which are shown separately:

- the index of current business situation is based on the monthly surveys on the assessment of the current situation and developments over the last three months. It is designed as a synchronised index that is ahead of the official economic statistics simply due to its early availability (around two months before the current data from the official statistics).
- the index of business expectations summarises those monthly questions that relate to developments in the months following the survey. It is designed as a leading indicator.

Hözl and Schwarz (2014) provide details on the indices.

1. Economic traffic lights just back in the green area

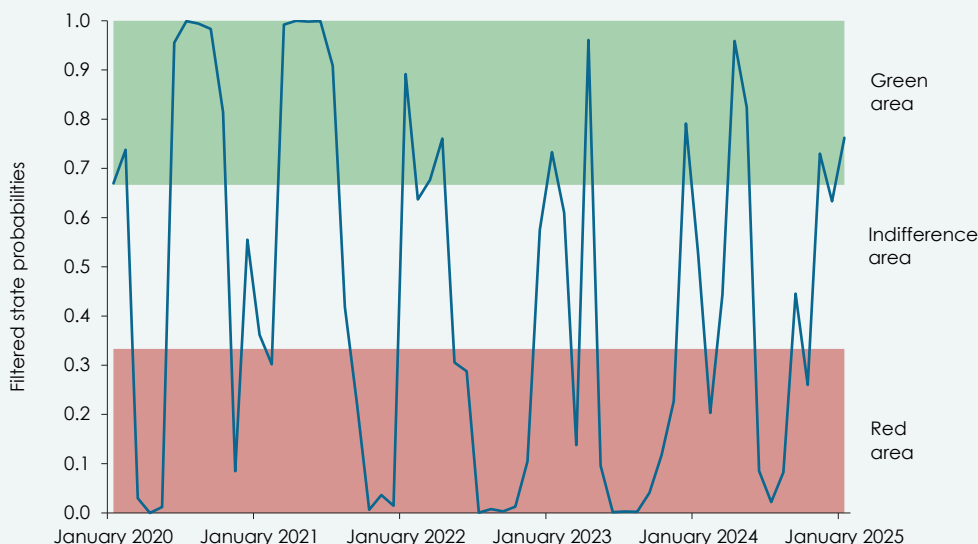
A Markov regime switching model is used in the WIFO-Konjunkturampel (economic traffic light) to calculate the probability with which the current values of the WIFO-Konjunkturtest indicators correspond to an improvement or deterioration in economic assessments compared to the previous period (Glocker & Hözl, 2015)². The probability determined can fall into one of three categories, which are summarised as an "economic traffic light":

- in the "green area" (improvement), the probability is over two thirds that the change in the current index values compared to the previous measuring point reflects an improvement in economic assessments.

- in the "red area" (deterioration), the probability that the current index value represents an improvement compared to the previous measurement point is less than one third.
- the indifference area lies between the "green" and "red" areas. In this case, the development of the economic assessments cannot be clearly assigned.

The probability of being in an improvement regime was estimated by the model to be above average at 0.76 in January 2025. This means that the WIFO-Konjunkturampel is green again. However, as the economic indicators continue to weaken and economic uncertainty is high, this does not necessarily indicate a trend reversal.

Figure 3: WIFO-Konjunkturampel (economic traffic light)



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

² Deterioration is defined as the opposite of the "improvement" state: the probability of being in the

"improvement" state (q) is 1 minus the probability of being in the "deterioration" state ($p = 1 - q$).

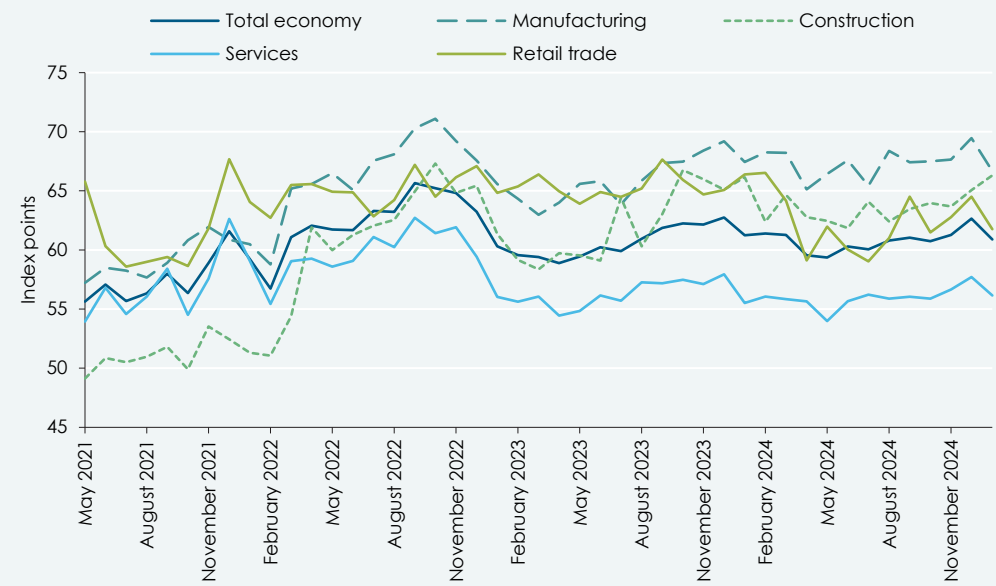
2. Increased uncertainty, especially in manufacturing and construction

Since the 1980s, the WIFO has been surveying companies' assessment of the uncertainty of the future business situation, which influences investment and employment decisions (Glocker & Hölzl, 2022). In May 2021, the wording of the corresponding question

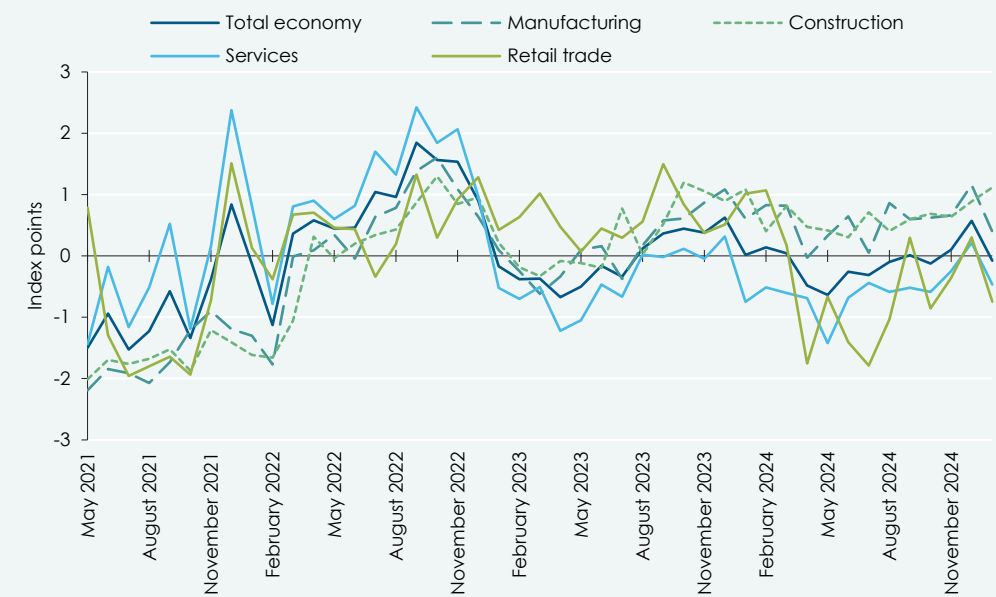
was changed as part of its inclusion in the EU's Joint Harmonised EU Programme of Business and Consumer Surveys (European Commission, 2023). In addition, the question on uncertainty is now asked monthly instead of quarterly (Figure 4).

Figure 4: Indicator of business uncertainty for the total economy and the sectors

Indicator values



Standardised time series



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

The indicator of uncertainty regarding the future business situation ranges from 0 (no uncertainty) to 100 (highest uncertainty). The value for the total economy in January (beginning of the first quarter of 2025) was 60.9 points (+0.2 points compared to October).

The war in Ukraine and the subsequent energy price shock caused business uncertainty to rise from March 2022, particularly in export-oriented manufacturing. Uncertainty increased there until the end of 2023 and remained above average in 2024. In January 2025, the indicator stood at 66.7 points,

0.8 points below the October value (67.5 points) but above the average of the last five years (65.2 points). In construction, uncertainty increased (+2.4 points compared to October 2024) and was also above average at 66.3 points (five-year average 60.2 points). A slight increase was observed in the service sectors (+0.3 points to 56.2 points), although the uncertainty indicator had already been below the long-term average of 57.2 points in the previous quarters. Uncertainty in the retail trade also increased slightly compared to October (+0.3 points to 61.8 points; long-term average 63.7 points).

Business uncertainty continued to rise at the start of the year, particularly in construction, where it is well above average.

3. Capacity utilisation remains weak

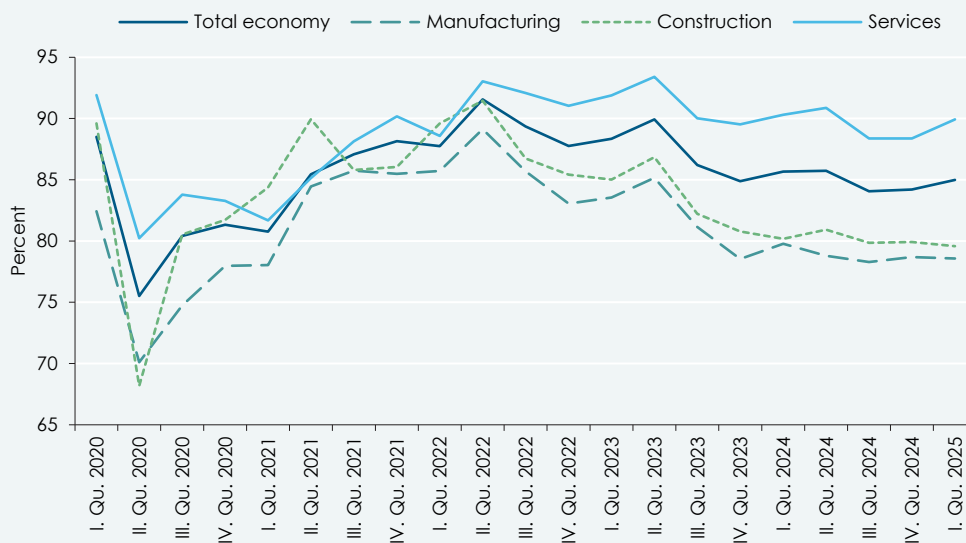
3.1 Slight increase in total economy capacity utilisation

Capacity utilisation is an important economic indicator, especially in sectors with high capital intensity and high capacity adjustment costs (Hölzl et al., 2019). It is therefore surveyed as part of the WIFO-Konjunkturtest in all sectors except retail trade. Capacity utilisation in the total economy was 85.0 percent in January 2025, 0.8 percentage points higher than in October 2024 (long-term average: 85.6 percent).

By sector, however, an improvement was only evident in the services sector, where capacity utilisation rose by 1.6 percentage points to 89.9 percent, 1.3 percentage points above the long-term average (88.7 percent). In construction, capacity utilisation fell slightly at the beginning of the year (-0.3 percentage points to 79.6 percent, long-term average: 83.6 percent), as did manufacturing (-0.1 percentage points to 78.6 percent, long-term average: 81.2 percent).

Capacity utilisation was slightly higher in January 2025 than in autumn, but fell slightly in manufacturing and construction.

Figure 5: Capacity utilisation by sector



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

3.2 Slight increase in secured production time in construction

The secured production time – measured in months – is surveyed as part of the quarterly WIFO-Konjunkturtest in manufacturing and construction (Figure 6). In construction, companies reported at the beginning of the first

quarter of 2025 that their production activities were secured for an average of 4.9 months (+0.3 months compared to October 2024; long-term average 5.2 months). In manufacturing, the average secured production time was 4.2 months (unchanged compared to October 2024; long-term average 4.1 months).

Figure 6: Secured average production time in manufacturing and construction



Source: WIFO-Konjunkturtest (business cycle survey).

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



Source: WIFO-Konjunkturtest (business cycle survey).

3.3 Continued weak order situation in manufacturing

The order backlog in manufacturing was also below average at the start of 2025; expectations for incoming orders abroad also remained negative

In manufacturing, order trends over the past three months and expectations regarding foreign order backlogs for the coming months are surveyed once a quarter as relevant indicators. The responses are aggregated into balances between the proportion of positive and the proportion of negative responses. As Figure 7 shows, the development of order backlogs at the start of the

first quarter of 2025 was similarly weak as in the previous quarters. Despite a slight improvement, a value of -16.6 points on balance indicates a continued decline in order backlogs over the last three months. Expectations for future foreign order backlogs deteriorated slightly and also remained negative on balance: the pessimistic voices, which expected a decline in the coming three months, outweighed the positive reports by around 8.1 percentage points.

4. Insufficient demand remains the most important obstacle to business activity

In the WIFO-Konjunkturtest, the most important obstacles to the business activities of the companies surveyed are determined on a quarterly basis. The companies have the option of reporting no impairment of their economic activity or selecting the most important obstacle from a predefined list:

- insufficient demand (services and manufacturing) or lack of orders (construction),
- shortage of labour force,
- lack of space or capacity (services) or shortage of materials and/or capacity (manufacturing and construction),
- financial constraints and
- other reasons – in addition to the influence of the weather (construction), this category also includes other obstacles (e.g. health policy measures during the COVID-19 pandemic).

In construction, the obstacle of "unfavourable weather" is also raised³.

The COVID-19 pandemic, supply chain problems, the war in Ukraine and the sharp rise in energy prices led to an increase in the proportion of companies reporting obstacles to their business activities in 2020. In the total economy (excluding the retail trade), around 56 percent of companies reported obstacles to their business activities in January 2025 (-1 percentage point compared to October).

By sector, the companies surveyed were confronted with obstacles to varying degrees. For example, around 68 percent of construction companies reported impairments to their business activities (+1 percentage point compared to October 2024). Among service providers, the figure was only 57 percent (-2 percentage points compared to the previous quarter) and in manufacturing 52 percent of companies (+1 percentage point compared to October). In the retail trade, the proportion of companies reporting impairments to their business activities fell by 2 percentage points compared to the previous quarter to 55 percent.

In the total economy (excluding the retail trade), "insufficient demand" remained the

most frequently cited obstacle to business activity at the start of 2025 (29.8 percent of companies), ahead of "shortage of labour force" (15.8 percent). The "shortage of materials and/or capacity" (3.1 percent) gained slightly in importance again, but only played a subordinate role compared to previous years. "Financial constraints" was cited by 3.7 percent of companies (Figure 8).

In manufacturing, "insufficient demand" has been the most frequently cited obstacle to production activity since the third quarter of 2023 (January 2025: 35.6 percent of all companies). The number of reports has recently risen again slightly. The second most common obstacle – albeit at a considerable distance – remained the "shortage of labour force" (10.1 percent). Around 4.1 percent of manufacturing companies reported a "shortage of materials and/or capacity" as the most important obstacle, around 0.9 percent "financial constraints" and 1.4 percent "other reasons".

As in the previous quarter, "insufficient demand" (32.3 percent) was the most frequently cited obstacle in the construction industry in January, ahead of "shortage of labour force" (21.3 percent). A shortage of materials and/or capacity bottlenecks was reported by 5.6 percent of companies, while "unfavourable weather" was cited by 2.7 percent of companies. 4.0 percent of construction companies stated that they were confronted with "financial constraints".

In services, "insufficient demand" (25.7 percent) was the most important obstacle to business activity for the third time in a row in January, although the proportion of reports has fallen slightly recently. This was followed by "shortage of labour force" (18.1 percent), "other obstacles" (5.4 percent) and "financial constraints" (5.3 percent).

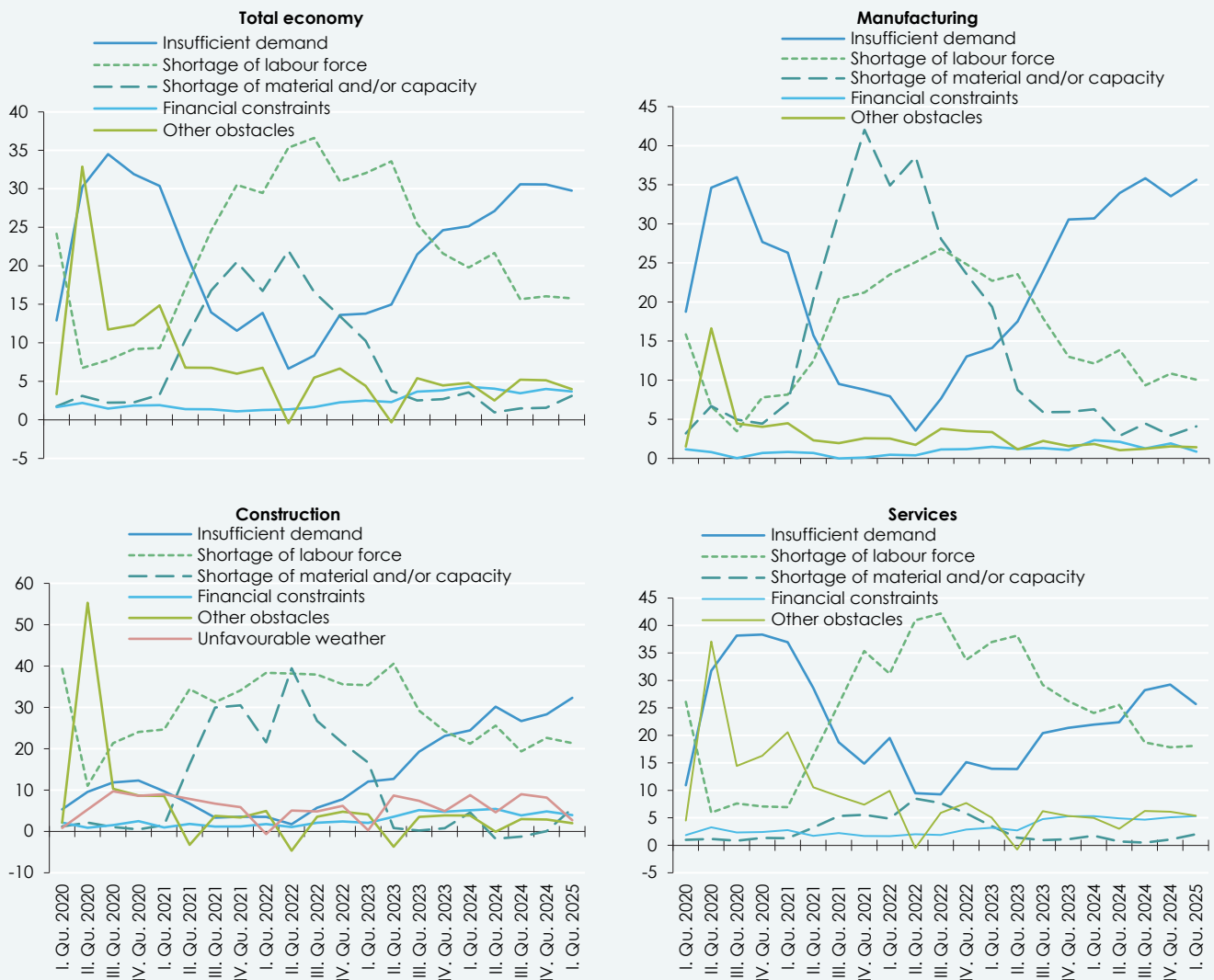
In retail trade, the barriers to business activity have been surveyed since July 2021. In January 2025, 31.8 percent of retailers surveyed reported "insufficient demand" as the most important obstacle, 5.6 percent each reported "shortage of labour force" and "supply bottlenecks", 5.1 percent "financial constraints" and 7.2 percent "other obstacles".

"Insufficient demand" remained the most important obstacle to business activity at the beginning of the year. "Shortage of labour force" also remains challenge.

³ When calculating the total economy obstacles, "unfavourable weather" is classified under "other obstacles".

Figure 8: **Barriers to economic activity**

As a percentage of all reports



Source: WIFO-Konjunkturtest (business cycle survey), seasonally adjusted. In order to ensure comparability of the time series during the year, seasonally adjusted values are shown. Negative values cannot be ruled out due to the "dainties" seasonal adjustment procedure. These are statistical artefacts.

5. Summary

In terms of the total economy, the economic assessments according to the WIFO-Konjunkturtest from January 2025 recently improved slightly, but the trend in the individual sectors was heterogeneous. While the situation assessments in the retail trade and services improved compared to the previous quarter, the situation indices in construction and manufacturing in particular remained below average and even fell further. Business expectations only improved in the retail trade, albeit noticeably. In manufacturing, construction and services, on the other hand, the expectations index continued to lose ground. In all sectors, the majority of companies surveyed remain sceptical about the future. Due to the slight improvements, the WIFO-Konjunkturampel nevertheless showed green in January.

In manufacturing, both situation assessments and expectations remain very subdued. Incoming orders in recent months and expectations regarding the future development of foreign orders also point to a continuation of the weak industrial cycle.

Capacity utilisation recently increased in services, but deteriorated slightly in construction and manufacturing, where it remained well below average, while business uncertainty remained elevated. In terms of obstacles to business activity, "insufficient demand" continued to dominate at the beginning of 2025, ahead of "shortage of labour force".

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