

## OeNB REPORTS

# ECONOMIC OUTLOOK FOR AUSTRIA

June 2025

Tentative  
recovery after  
prolonged  
recession –  
pressure for  
reform is  
mounting



# Tentative recovery after prolonged recession – pressure for reform is mounting

## Economic Outlook for Austria from 2025 to 2027 (June 2025)

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External headwinds and structural domestic weaknesses are a significant drag on the recovery of the Austrian economy. Austrian industry continues to face fundamental competitiveness problems which have become even more challenging in view of increasing uncertainty in trade caused by US import tariffs. In this outlook, we assume that the tariffs that were in force on May 21, 2025, will remain in place going forward: 10% tariffs on all exports to the US with exemptions for certain categories of products and no EU retaliatory tariffs.

The Oesterreichische Nationalbank (OeNB) expects Austria's real GDP to grow at a rate of 0.2% in 2025, following two years of recession (2023: –1.0%, 2024: –1.1%). Consequently, Austria is emerging from its longest recession since 1945. However, the economic recovery is expected to remain weak by historical standards. The OeNB forecasts that GDP will expand at a moderate rate of 0.9% in 2026 and 1.1% in 2027. Austrian GDP will not return to its pre-crisis peak of mid-2022 until after 2027.

Industrial production surprised to the upside at the start of 2025, but the Austrian economy is facing fundamental competitiveness problems. This is largely the result of an ongoing loss of price competitiveness in both industry and services. Output in core segments of Austrian industry, such as mechanical engineering and vehicle construction, has undergone an extended decline. Tourism, a crucial part of the services sector, has been affected by recent above-average price increases. Overall, competitiveness is expected to stabilize over the forecast period, but there is no improvement in sight. At the same time, private consumption remains subdued: Consumers remain relatively cautious about the economic situation and outlook in Austria. Until the end of 2027, the saving ratio will remain well above the average level seen from 2012 to 2019. Accordingly, private consumption will be making a below-average contribution to the overall economic recovery. Growth will also be weighed down by fiscal consolidation; the measures to be implemented by the new Austrian government will have a slightly negative effect on growth in the short term. In addition, the Austrian economy will derive little benefit from increased military and infrastructure spending in other countries such as Germany in the forecast period up to 2027.

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With contributions from Birgit Niessner and Beate Resch. This outlook is based on data up to May 21, 2025, and on the national accounts published by Statistics Austria on June 6, 2025.

The Austrian labor market has so far remained resilient despite the ongoing weakness of the economy. Many companies are holding on to their employees after having experienced shortages of skilled workers in recent years. At the same time, labor supply is growing at a subdued rate, given an aging population. Nevertheless, the OeNB expects unemployment to continue increasing in 2025, albeit at a moderate rate. The situation is expected to start improving only in 2027, when the recovery slowly starts to take hold.

Table 1

### OeNB June 2025 outlook for Austria – main results

|                                            | 2024 | 2025 | 2026 | 2027 | Revisions since<br>March 2025 |      |      |
|--------------------------------------------|------|------|------|------|-------------------------------|------|------|
|                                            |      |      |      |      | 2025                          | 2026 | 2027 |
|                                            |      |      |      |      | Percentage points             |      |      |
| GDP (annual change in %)                   | −1.1 | 0.2  | 0.9  | 1.1  | 0.3                           | −0.3 | −0.1 |
| Harmonised Index of Consumer Prices (HICP) | 2.9  | 3.0  | 1.8  | 2.1  | 0.1                           | −0.5 | 0.0  |
| Unemployment rate (national definition, %) | 7.0  | 7.4  | 7.4  | 7.2  | 0.0                           | 0.1  | 0.2  |
| Budget balance (% of nominal GDP)          | −4.7 | −4.2 | −3.8 | −4.0 | −0.4                          | −0.5 | −0.9 |

Source: OeNB December 2025 and June 2025 outlooks.

Austrian HICP inflation will run at 3.0% in 2025, almost unchanged from the previous year (2.9%). The main drivers remain persistently high services inflation and a significant increase in prices for energy, especially for households, at the start of the year. Energy prices also remain the key driver of inflation over the forecast horizon. While oil prices and wholesale prices for electricity and gas have fallen significantly, this effect has been largely offset by the phaseout of government support measures, such as the electricity price cap. In addition, the energy price declines will pass through to households with a delay, and their full disinflationary effect will not be felt until 2026. Hence, energy prices will contribute to headline inflation in 2025 and help slow inflation in 2026. At the same time, services inflation will gradually moderate over the forecast period. Overall, HICP inflation is expected to decline significantly, to 1.8% in 2026 and edge up to 2.1% in 2027.

The Austrian general government budget deficit will narrow by 0.5 percentage points, resulting in a budget balance of −4.2% of GDP in 2025. The improvement reflects the new government's consolidation measures. These include the abolition of the "climate bonus" payments, cuts to subsidies and increases in fees, taxes and social security contributions. The measures included in the 2025–2026 budget, coupled with better growth prospects, mean that the budget balance will further improve to −3.8% in 2026, before deteriorating slightly in 2027, to −4.0%. These numbers are based on a no-policy-change assumption: Consolidation measures that the government has only announced without providing any details were not included in the outlook.

The OeNB's economic outlook is subject to considerable uncertainty due to the tariff and trade conflict started by the US administration. Economic conditions could change significantly owing to the introduction of tariffs on US imports from the EU, potential retaliation by the EU and a redirection of global trade flows from countries like China. In box 1, we describe two scenarios in addition to the one underlying this outlook to illustrate what this uncertainty means in terms of possible outcomes.

The negative scenario assumes a further significant increase in US tariffs in the summer. In the positive scenario, the tariffs will be mostly lifted. The impact on Austria outlined here is based on the assumptions and estimates of the June 2025 Eurosystem staff macroeconomic projections for the euro area. A continued increase in US tariffs would reduce Austria's GDP by about 1% by

end-2027 compared to the scenario underlying this outlook. The impact on inflation is negative but marginal. A reduction in tariffs, by contrast, would increase GDP by 0.5 percentage points by end-2027 and raise inflation by 0.4 percentage points.

Other risks to the economic outlook relate to domestic factors. Additional fiscal consolidation efforts could weigh on growth, particularly in 2027. Potential upside risks are limited: The household saving ratio could decline to its historical average of 7.6% (2012–2019) more quickly than expected, significantly stimulating private consumption and boosting growth by a cumulative 0.7% until 2027.

However, these upside risks are outweighed by downside risks. Ongoing geopolitical tensions – particularly in Ukraine and the Middle East – have been weighing heavily on the global growth outlook. Overall, the risks to GDP growth are clearly tilted to the downside. In comparison, the inflation outlook is subject to significantly lower risk.

### I. Global uncertainty and declining competitiveness weigh on export recovery

Austria’s external environment has recently become particularly challenging: While global trade growth was near zero in 2023 and picked up markedly in 2024, total Austrian exports shrank by 3.6% in 2024. The Austrian export sector has been dragged down by a significant decline in competitiveness and keeps losing global market share. Demand has been dampened not only by the sharp rise in energy and unit labor costs in Austria, but also by the external economic environment, particularly the recession in Germany. Other EU countries and the euro area as a whole have likewise only seen a gradual increase in growth rates. Most recent data suggest that the erratic trade policy of the US administration and the associated uncertainty in trade policies and financial markets entail a significant reduction in the growth outlook for the US economy, which contracted in the first quarter of 2025. Overall, these factors indicate that Austrian exports will continue to decline in 2025, at a rate of 1.2%. Export growth does not resume until the following years, with increases of 1.3% in 2026 and 2.3% in 2027.

As regards unit labor costs, annual growth was, on average, 1.2 percentage points higher in Austria than in its most important trading partner, Germany, and 1.7 percentage points higher than in the euro area during the COVID-19 pandemic and in subsequent years (2020–2024). While the situation will improve significantly in the forecast period (2025–2027), it will not reverse the losses in competitiveness. Unit labor costs will be growing at an average annual rate of 2.5%, roughly matching the pace in Germany (+2.6%) and the euro area (+2.3%).

The appreciation of the euro against the US dollar by more than 9% since the beginning of 2025, combined with the introduction of US import tariffs on goods, has further eroded price competitiveness.<sup>2</sup> This is reflected in Austrian companies’ assessments of their competitive

Table 2

#### Foreign trade and current account

|                               | 2024               | 2025 | 2026 | 2027 |
|-------------------------------|--------------------|------|------|------|
|                               | Annual change in % |      |      |      |
| Exports of goods and services | −3.6               | −1.2 | 1.3  | 2.3  |
| Imports of goods and services | −3.3               | −0.7 | 1.5  | 2.4  |
|                               | % of nominal GDP   |      |      |      |
| Current account balance       | 2.4                | 1.8  | 1.9  | 2.0  |

Source: OeNB June 2025 outlook.

<sup>2</sup> In the period from January 1, 2025, to May 21, 2025.

position within and outside the EU, which remain extremely negative. Austria will lose a further 5.1% in market share between 2025 and 2027. The steep decline will be halted, but not reversed in 2026–27.

Real imports of goods and services dropped by 3.3% on the back of the significant decline in import-intensive demand components (exports: –3.6%; investment: –2.3%) in 2024. In 2025, import growth will be flat given the contraction in total exports. It is not before 2026–27 that imports are expected to pick up again. This results in a current account balance of 1.8% of nominal GDP in 2025, 1.9% in 2026 and 2.0% in 2027.

Faced with the military threat from Russia, European countries have announced comprehensive rearmament investments. Together with Germany’s plans for infrastructure investments, this will result in a significant fiscal stimulus. However, due to the lagged effects of both defense and infrastructure projects, this stimulus will only build slowly over the forecast horizon. According to ECB estimates, the cumulative effect of this fiscal stimulus will amount to 0.2% to 0.3% of euro area GDP from 2025 to 2027. The Austrian economy will benefit only somewhat, given that infrastructure investments typically have a low import content and Austria does not have a significant defense industry. Using a global input-output model, we estimate that the effect on Austrian GDP will only be 0.04% in 2026 and 0.08% in 2027.

#### Box I

##### Effects of higher or lower US tariffs on GDP growth and inflation in Austria

*US tariffs imposed at rates of 10%, 20%, 25% or even 50%, retaliatory measures targeting specific goods, services or all transatlantic trade, a redirection of goods flows from China to Europe, stock market crashes and rallies, exchange rate fluctuations, plummeting crude oil prices and rising gold prices...*

*These messages have dominated the headlines since the beginning of the year, reflecting the high level of uncertainty among households, companies and on financial markets.*

*In this outlook, we assume that US tariffs<sup>3</sup> are kept at the level of May 21, 2025, the cutoff date, and that uncertainty on the markets will gradually decline. This box outlines two alternative scenarios – the “negative scenario,” in which US tariffs continue to increase, and the “positive scenario,” in which they decrease – and presents how the GDP and inflation outlook would change as a result. The effects on Austria are based on the assumptions and estimates in the June 2025 Eurosystem staff macroeconomic projections for the euro area. If US tariffs continue to increase, Austria’s GDP will be about 1% lower at the end of 2027 than in the scenario underlying the outlook. Inflation will be lower, but only marginally. If tariffs are lowered, by contrast, GDP will be 0.5 percentage points higher at the end of 2027. Inflation would be higher by a total of 0.4 percentage points.*

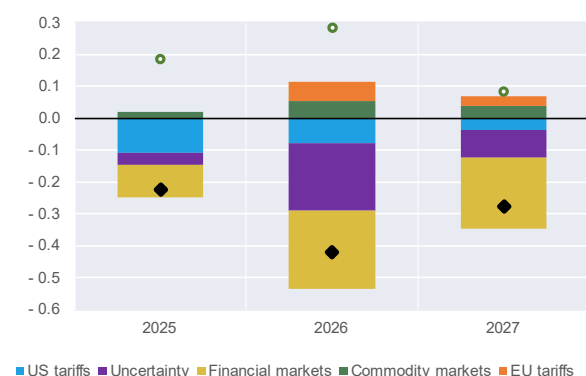
*In the following, we will describe in more detail the assumptions underlying the scenarios as well as transmission channels: In the positive scenario, the effective rate of additional US tariffs on imports of EU goods will decline from 6.4% to near zero. In the negative scenario, it will increase to 12.4%, with the EU imposing retaliatory*

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<sup>3</sup> The following tariffs were taken into account: 25% on steel, aluminum, cars, car parts; 10% on all US imports, except for certain product categories (pharmaceutical products, semiconductors etc.) and countries (20% extra tariff on China).

### Scenario results for Austria: GDP...

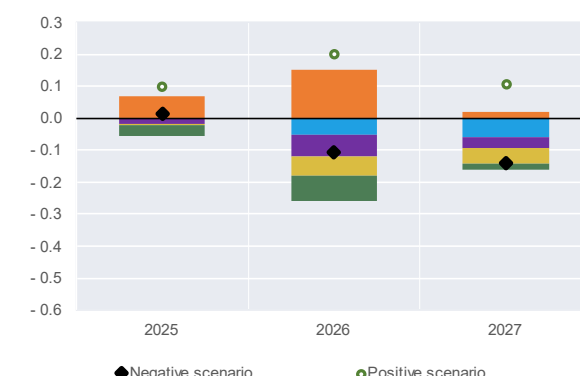
Change in GDP growth and contributions of negative scenario in percentage points



Source: OeNB estimates based on Eurosystem assumptions.

### ... and HICP inflation

Change in HICP inflation and contributions of negative scenario in percentage points



tariffs.<sup>4</sup> US tariffs make EU products more expensive in the US, reducing EU exports and therefore EU GDP (blue columns).<sup>5</sup> This results in lower output, which dampens inflation somewhat. The EU's retaliatory tariffs (orange columns) make US imports more expensive, leading to a slight increase in EU inflation. Rising prices reduce EU imports from the US, adding to EU GDP.

The tariffs announced by the Trump administration on April 2, 2025, are a prime example of the erratic US trade policy: Just a week later, on April 9, the tariffs were temporarily suspended. This unpredictability increases uncertainty and reduces the confidence of households and businesses, leading them to postpone purchases and investments. Our scenarios capture uncertainty using the Trade Policy Uncertainty Index. Uncertainty decreases sharply in the positive scenario. It remains high in the negative scenario, producing a strong impact on GDP (purple columns). Lower GDP has a slight downward effect on inflation.

The third transmission channel represents effects on the currency and financial markets (other-colored columns). Between April 2 and May 21, 2025, the euro appreciated by around 4% against the US dollar, making EU exports to the US more expensive. In the positive scenario, the euro exchange rate declines to the level at the beginning of April 2025. In the negative scenario, the single currency continues to appreciate against the US dollar. In addition, there will be credit restrictions, which reduce investment, producing an additional negative impact on supply.

After the tariff announcements in early April 2025 and the increase in OPEC production quotas, crude oil prices fell by more than 10% between April 2 and May 21. In the positive scenario, oil prices rebound, recovering about half of their losses. In the negative scenario, crude oil prices fall by a further 10% by the end of 2027. A lower oil price (supply shock) reduces production costs, thereby supporting the economy and dampening inflation (green columns).

<sup>4</sup> Another increase of tariffs on aluminum, iron and steel to 50% has not been taken into account.

<sup>5</sup> The estimates of US tariffs are based on a paper by Schneider, M. and R. Sellner. 2025. [The impact of US tariffs on Austrian industries –Results from a global Input-Output model](#). OeNB. The impact of EU retaliatory tariffs is derived from ECB calculations.

## 2. Ongoing problems in industry hinder investment recovery

Overall gross fixed capital formation fell by 2.3% in 2024. In residential construction investment, the decline was particularly pronounced at 7.4%, continuing the very steep downward trend of 2023. Investment in research and development, which is less sensitive to the business cycle, was the only category that recorded growth, expanding by 2.2% in 2024.

The industrial sector's difficulties continue to weigh on corporate investment in plant and equipment. Firms reduced their investment significantly because of weak external demand and a substantial rise in costs driven by higher energy prices, strong wage growth and financing costs that went up until mid-2024. The number of insolvencies rose sharply in 2024, highlighting the difficult situa-

tion businesses have been in. 6,454 businesses were declared insolvent, which represents a 23% increase over the previ-

### Investment

|                                                  | 2024               | 2025 | 2026 | 2027 |
|--------------------------------------------------|--------------------|------|------|------|
|                                                  | Annual change in % |      |      |      |
| Total gross fixed capital formation (real)       | -2.3               | -0.5 | 0.9  | 1.3  |
| Investment in plant and equipment                | -0.8               | -0.3 | 1.0  | 1.3  |
| Investment in research and development           | 2.2                | 0.2  | 1.4  | 1.9  |
| Residential construction investment              | -7.4               | -1.6 | 1.0  | 1.2  |
| Nonresidential construction and other investment | -3.6               | -0.5 | 0.2  | 0.8  |

Source: OeNB June 2025 outlook.

ous year. This is consistent with the Austrian results of the March 2025 [bank lending survey](#), which show that demand for corporate loans has decreased in the past two and a half years, mainly reflecting a decline in corporate demand for financing. However, for the first time since mid-2022, the banks surveyed were cautiously optimistic about the months ahead. They expect a slight increase in demand for corporate loans in the second quarter of 2025. The OeNB forecasts investment in plant and equipment to grow very slowly, lagging far behind historical cycles given the exceptionally high levels of uncertainty related to US tariff policy and the difficult situation of the Austrian industrial sector. No other demand component reflects the current uncertainty to this extent.

Residential construction investment started to decrease in mid-2022 as a result of increased financing costs, the end of the residential construction boom and economic weakness; in 2024, it was down 19% from 2024 levels. Most recent data point to a rebound in demand for residential real estate loans that will gain further momentum in the course of 2025 as recent monetary policy interest rate cuts are passed on to bank lending rates. At the same time, sentiment in building construction has started to improve, with firms assessing both construction activity in the past three months and order books less negatively than a couple of months ago. The housing stimulus package adopted by the previous government will likely provide an additional boost. We therefore expect a slight recovery in residential construction to kick in during the second half of 2025, while residential construction investment will not expand until 2026 (by 1.0%). Investment in research and development is the investment component with the highest growth rates in the past two decades and remains robust, having expanded in 2024 and continuing to grow over the entire forecast horizon.

Overall, the OeNB expects total investment to shrink slightly in 2025, by -0.5%, and to recover only moderately – by an average 1.2% p.a. – from 2026 to 2027.

### 3. Unemployment rises slightly – decline in wage growth expected

The ongoing recession has been the reason for the slow, but continuous increase in unemployment in Austria since early 2023. The unemployment rate (national definition) will continue to inch up in 2025 compared to the previous year, reaching 7.4% (table 4), and remain unchanged in 2026. In view of the long recession, this is a modest increase; the unemployment rate also stood at 7.4% in 2019, the year before the COVID-19 pandemic. Unemployment is expected to move sideways, reaching 7.2% in 2027. The unemployment rate according to Eurostat's definition will also peak in 2025–26 (at 5.4%), before standing at 5.3% by the end of the forecast horizon. The number of hours worked will contract only slightly, by 0.3%, in 2025, following the 1.3% slump in 2024. It is expected to increase at a moderate rate of 0.3% in 2026 and to rise by 0.6% in 2027. Employment growth will continue to stagnate in 2025 (+0.1%) and pick up in 2026 and 2027.

Most collective bargaining agreements for the 2024–25 negotiation round have been concluded. On this basis, we can predict with a high degree of certainty that collectively agreed wages will grow at 3.8% in 2025, a rate significantly below the 8.5% of the previous year. Collectively agreed wage hikes have trended down since the beginning of 2025, as was to be expected due to the decline in rolling inflation, which typically serves as the basis for negotiations. In February, collectively agreed wages and salaries in the

electricity sector and the oil industry rose by 3.4%. This was followed in March by an agreement for the insurance industry (3.4% for office-based staff and 3.6% for field staff). The hikes in collectively agreed wages in April and May included: +3.3% in private hospitals, +3.5% in the textile industry, +3.0% in the financial sector, +3.1% in private educational institutions, +3.9% in the hospitality industry, +2.7% in the chemical industry and +2.6% in the construction and the paper industries.

Negotiated wage growth will drop to 2.1% by 2027, a level that is slightly below the long-term average (1995 to 2022). Compensation per employee will increase by 3.6% in 2025, at a pace that is significantly lower than growth in collectively agreed wages (negative wage drift). Wage drift will remain in negative territory at –0.3% in 2025 but turn slightly positive in 2027 at +0.1%.

Table 4

#### Labor market and wage growth

|                                                     | 2024 | 2025 | 2026 | 2027 |
|-----------------------------------------------------|------|------|------|------|
| <i>Annual change in %</i>                           |      |      |      |      |
| Total employment (persons)                          | 0.1  | 0.1  | 0.5  | 0.8  |
| Total hours worked                                  | –1.3 | –0.3 | 0.3  | 0.6  |
| <i>Annual change in %</i>                           |      |      |      |      |
| <b>Compensation per employee</b>                    |      |      |      |      |
| Collectively agreed wages and salaries <sup>1</sup> | 8.5  | 3.8  | 2.7  | 2.1  |
| Wage drift                                          | –0.3 | –0.3 | 0.0  | 0.1  |
| Gross <sup>2</sup> compensation (nominal)           | 8.3  | 3.6  | 2.8  | 2.2  |
| HICP inflation rate                                 | 2.9  | 3.0  | 1.8  | 2.1  |
| Gross <sup>2</sup> compensation, real (HICP)        | 5.2  | 0.6  | 0.9  | 0.1  |
| Net <sup>3</sup> compensation, real (HICP)          | 5.0  | 0.7  | 0.7  | 0.0  |
| <i>% of labor supply</i>                            |      |      |      |      |
| <b>Unemployment rate</b>                            |      |      |      |      |
| Eurostat definition                                 | 5.2  | 5.5  | 5.4  | 5.3  |
| National definition                                 | 7.0  | 7.4  | 7.4  | 7.2  |

Source: OeNB June 2025 outlook

<sup>1</sup> Overall economy. <sup>2</sup> Including employers' social security contributions. <sup>3</sup> After tax and social security contributions.

## 4. Continued consumer restraint despite robust real income growth

Austrian households saw their real disposable incomes increase sharply in 2024. This was mainly due to the lagged rise in wages and pensions after the inflation shock. Overall, real disposable income growth came in at 3.4%. At the same time, private consumption was weak (+0.3%). Rising incomes and nearly stagnant consumption resulted in a significant increase in the saving ratio. Household confidence indicators<sup>6</sup> continue to point to consumer restraint. It appears that household sentiment has been more sensitive to the recent episode of high HICP inflation than to increases in real disposable income. Another possible factor is the erosion in the real value of aggregate financial assets. As shown in the [OeNB's March 2025 Interim Economic Outlook](#),

a simple linear extrapolation of growth in households' real financial assets (2012–2019 trend) demonstrates that the inflation shock led to a significant erosion of wealth in 2022 and 2023. At the end of 2024, households' real financial assets were still 10% below the extrapolated trend.

Real disposable household income is expected to decline by 0.9% in 2025. Combined with a moderate recovery in private consumption, this will reduce the saving ratio.

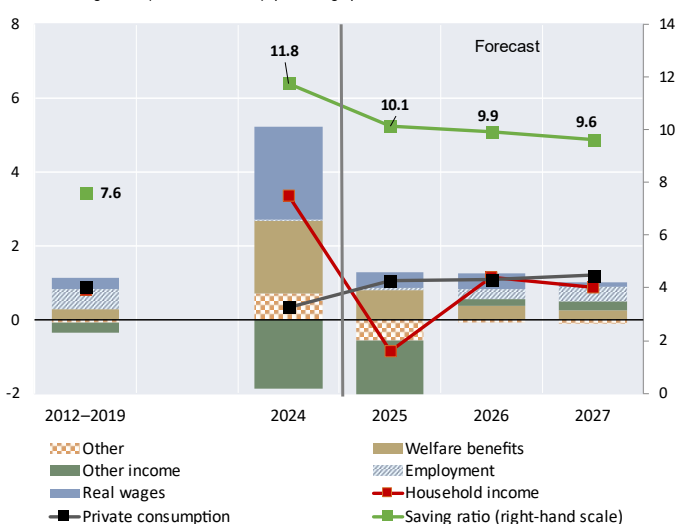
In 2025 in particular, fiscal consolidation measures will slow growth in nominal household income, primarily due to the abolition of the "climate bonus" payments (–0.8 percentage points) and adjustments to welfare benefits (–0.4 percentage points). Private consumption is expected to increase at a stronger rate than real disposable household income in 2027.

Nevertheless, at 9.6%, the saving ratio will remain above its historical average at the end of the forecast horizon. A sharper decline to the average of 7.6% (2012–2019) would increase cumulative growth by 0.7%, representing an upside risk to the forecast.

Chart 1

### Contributions to growth of real disposable net household income

Annual change in % (net, in real terms), percentage points



Source: Statistics Austria, OeNB.

Table 5

### Real household income and private consumption

|                                    | 2024 | 2025 | 2026 | 2027 |
|------------------------------------|------|------|------|------|
| Annual change in %                 |      |      |      |      |
| Disposable household income (real) | 3.4  | –0.9 | 1.2  | 0.9  |
| Private consumption (real)         | 0.3  | 1.0  | 1.1  | 1.2  |
| % of disposable household income   |      |      |      |      |
| Saving ratio                       | 11.8 | 10.1 | 9.9  | 9.6  |

Source: OeNB June 2025 outlook.

<sup>6</sup> [Economic Sentiment Indicator – Oesterreichische Nationalbank \(OeNB\)](#)

## 5. Highly volatile inflation from 2025 to 2027 – inflation to meet target in 2026

The OeNB expects inflation to be 3.0% in 2025, slightly above the 2.9% recorded in 2024. This is mainly due to continuously high services inflation rates and energy prices, notably household energy prices, which have risen considerably in the year to date. Energy prices will continue to drive inflation developments (red-brown columns in chart 2). In particular, falling energy prices will slow inflation to 1.8% in 2026. In 2027, inflation will stabilize at 2.1%, and energy will no longer be a contributing factor.

The considerable increases in prices and charges that are part of the government's consolidation efforts only have a moderate effect on inflation because of the affected services' small share in the consumption basket. These hikes concern, e.g., charges for new passports, KlimaTicket public transport passes, charges for electronic health insurance cards (e-cards) as well as tobacco taxes. Specifically, these measures will only contribute 0.15 percentage points to inflation in 2026.

Core inflation (HICP inflation excluding the volatile food and energy categories) will fall to 2.9% in 2025, down from 3.9% in 2024. After that, core inflation will come down more slowly than HICP inflation. This is because prices of energy, a category excluded from core inflation, are expected to see a sharp decline. While services inflation will only be decreasing slowly, the growth of prices for industrial products such as clothes and furniture will be rising. Therefore, at 2.3%, core inflation will exceed headline inflation in 2027.

As inflation relief measures were wound down, energy inflation rose sharply in early 2025, surging from –7.8% to +5.2% from December 2024 to January 2025. This was mainly attributable to the expiry of the electricity price cap, the adjustment of electricity and gas levies and the reintroduction of the flat levy and the fee for the promotion of renewable energy. Moreover, electricity and gas network charges were raised, and the price of CO<sub>2</sub> emissions was increased from EUR 45 to EUR 55 per tonne. These measures will continue to have a noticeable impact for the remainder of 2025.

Hence, energy inflation will remain at 4.6% overall in 2025, even though wholesale prices for electricity and gas are expected to drop by around 20% in the course of the year.

The decrease in wholesale and consumer prices will be reflected in the inflation rate not before 2026. Annual average energy inflation will be –5.6% in 2026 and will even fall to –10% in early 2026.

This is mainly attributable to the base effect, which reflects the absence of one-off effects that had determined the price level in the previous year. Since inflation is measured on a year-on-year basis, the sharp price increase in early 2025 will no longer impact inflation in 2026. If no further price changes occurred from January 2025 onward, inflation would be 0% at the start of 2026. In

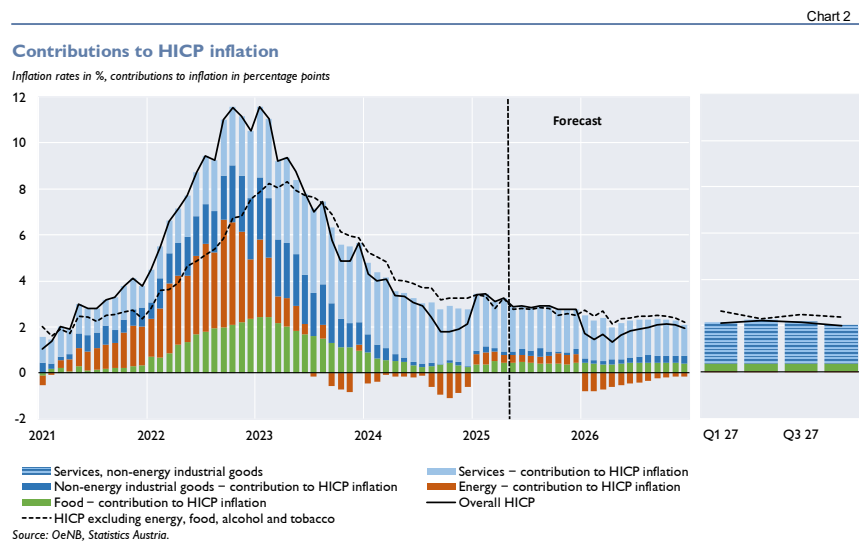


Table 6

**Inflation**

|                                   | Current outlook    |      |      | Revision compared to March 2025 |      |      |
|-----------------------------------|--------------------|------|------|---------------------------------|------|------|
|                                   | 2025               | 2026 | 2027 | 2024                            | 2025 | 2026 |
|                                   | Annual change in % |      |      | Percentage points               |      |      |
| HICP inflation                    | 3.0                | 1.8  | 2.1  | 0.1                             | -0.5 | 0.0  |
| Food                              | 2.7                | 2.6  | 2.2  | 0.2                             | 0.1  | 0.0  |
| of which: unprocessed food        | 2.3                | 2.2  | x    | 0.2                             | x    | x    |
| of which: processed food          | 2.8                | 2.7  | x    | 0.2                             | x    | x    |
| Industrial goods excluding energy | 0.7                | 0.9  | x    | -0.4                            | x    | x    |
| Energy                            | 4.6                | -5.6 | -0.2 | 0.9                             | -4.9 | -0.2 |
| Services                          | 4.1                | 3.4  | x    | 0.2                             | x    | x    |
| HICP excluding energy             | 2.8                | 2.5  | 2.3  | 0.0                             | -0.1 | 0.0  |
| HICP excluding energy and food    | 2.9                | 2.4  | 2.3  | 0.0                             | -0.1 | 0.0  |

Source: OeNB March and June 2025 outlooks.

practice, the OeNB expects falling consumer prices: First, falling wholesale prices are being passed on to consumers (albeit slowly). Second, the OeNB expects that the rise in electricity and gas prices in early 2025 will make significantly more households switch to lower-cost suppliers. In the first quarter of 2025, this assumption already proved to be true.<sup>7</sup>

Energy prices are expected to rise again in early 2027, owing to the implementation of ETS2<sup>8</sup>, a new EU-wide emissions trading system covering fuels and household energy. In Austria ETS2 will only have moderate effects, however, since the targeted EU-wide carbon price is only slightly higher than the current national price. Decreasing wholesale prices will also have a dampening effect. Overall, 2027 energy prices will remain at the level of 2026, with energy inflation at a low -0.2%.

Even though services inflation will decrease by around 1.5 percentage points to 4.1% in 2025, services will remain the main driver of inflation (chart 2). The service sector is particularly wage-intensive, which is an important reason why rising wages have a stronger effect on service prices than on other HICP components. Negotiated wages in services are expected to grow by 3.8% in 2025. Demand for services remains high, in particular in the tourism industry. It can therefore be expected that higher costs will be passed on to consumers. For this reason, services inflation will only decline slowly and in line with the gradual slowdown in wage growth.

The price increases included in the latest fiscal consolidation package mainly concern services. The price hikes will be highest for passports and driver's licenses (around 48%). Furthermore, the price of the KlimaTicket public transport pass will be raised twice: by 19% in 2025 and by another 8% in 2026. Moreover, the charges for e-cards, the Austrian health insurance card, will almost double.

Since many of such consolidation measures will only enter into force in the second half of 2025, they will have a marginal impact on services inflation in 2025 as a whole (less than 0.1 percentage points). For 2026, however, we expect a more pronounced effect, that is, a contribution of around 0.2 percentage points to services inflation.

The inflation rate for non-energy industrial goods (e.g., furniture, cars and clothing) will temporarily fall to 0.7% in 2025. Producer prices will remain stable due to falling energy prices and largely constant prices of non-energy commodities. To a great extent, these stable prices will be passed on to consumers. This is because since the COVID-19 pandemic, demand for durable

<sup>7</sup> E-Control (May 5, 2025). Never before have more consumers decided to switch energy suppliers. See: [E-Control: Wechselzahlen bei Strom und Gas im ersten Quartal neuerlich angestiegen – E-Control](#) (in German).

<sup>8</sup> ETS = emissions trading scheme. See: [ETS2: buildings, road transport and additional sectors – European Commission](#)

consumer goods has become largely saturated and remained moderate. The OeNB thus expects that prices will only start to rise when current weak demand for industrial goods picks up again. In 2026, the projected economic recovery will slightly increase inflation for non-energy industrial goods. At 0.9%, however, it will remain below the long-term average of 1.2% (1998–2024).

Food price inflation (including alcohol and tobacco) will decline slowly in 2025 and 2026. Only in 2027 will it drop to 2.2%, a level below the long-term average of 2.5% (1996–2024). Prices for both processed and unprocessed food have continued to rise. The slowdown in the growth of prices for processed products, which include tobacco, will be hampered by the increase in tobacco taxes envisaged for 2026. This tax hike will contribute around 0.4 percentage points to inflation in this category in 2026, leading to an increase in overall food inflation by 0.3 percentage points. This will largely offset the disinflationary impact of decreasing energy prices and more moderate wage increases. A significant decrease of food inflation is only expected for 2027: By then, the tax-induced base effect will no longer feed into inflation, while prices for energy and non-energy commodities will continue their favorable trajectory.

### **Revisions**

The only part of this outlook affected by a major downward revision compared to March 2025 is the inflation outlook for 2026 (table 6). This revision was mainly attributable to falling commodity prices and the strong euro. Compared to the March forecast, we lowered our assumptions for oil prices by around 15%. Similarly, we revised down our assumptions for wholesale gas and electricity prices by 10% to 20%. The US dollar has lost more than 7% against the euro since March, which has further reduced import prices, especially for oil. Together, these developments will result in energy inflation being substantially lower in 2026 than expected in the spring outlook.

Our inflation forecasts for the years 2025 and 2027, by contrast, remain almost unchanged in comparison to the March 2025 estimate. That said, for 2025, we see a significant shift within the individual components of inflation that can be ascribed to newly available inflation data. This shift is particularly pronounced in energy prices: Prices for household energy did not decrease as much as expected during the first four months of 2025. As a consequence, the energy component of the 2025 inflation forecast was revised upward.

### **Risks**

The impact of the trade war on inflation in Austria is complex and transmitted through several channels. The imposition by the US of tariffs on EU exports, possible retaliatory measures by the EU (vis-à-vis the US) and the resulting trade diversion (e.g. from China) have far-reaching economic consequences.

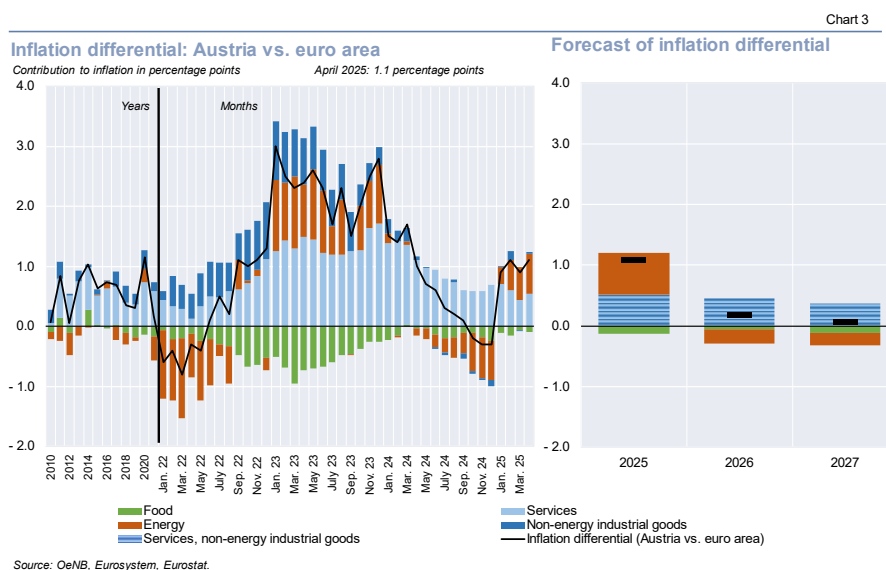
These factors have been included in the OeNB's forecast, as described in box 1, and feed into the inflation forecast through our assumptions about commodity prices, exchange rates and Austria's economic growth. The baseline scenario does not include an estimate of possible changes of prices for US imports due to EU retaliatory tariffs.

Our estimates show that high US tariffs and EU retaliatory tariffs have a slightly dampening effect on inflation overall (box 1, negative scenario). It seems that the negative effects of a weaker economy (including lower commodity prices), financial market effects (including an appreciation of the euro) and confidence effects outweigh direct price increases of US imports due to tariffs. However, the economic recovery assumed in the positive scenario (box 1) would contribute to higher inflation.

## Inflation differential vis-à-vis the euro area

Energy prices are not only an important driver of inflation in Austria, they also have a large impact on the inflation differential between Austria and the euro area (chart 3). While many euro area countries already ended price-dampening fiscal measures in early or mid-2024, Austria kept these measures in place until

the end of 2024. As a consequence, the difference in energy inflation increased when the measures expired. Thus, other countries have already benefitted from falling energy commodity prices, whereas in Austria, this effect has been overshadowed by the late winding down of fiscal support measures. In 2026, however, this base effect will no longer be relevant in Austria, and, as a result, energy inflation at home will be substantially more in negative territory than in the euro area. In 2027, the EU-wide implementation of ETS2 will impact the inflation differential vis-à-vis the euro area. Since Austria already introduced carbon pricing in 2022, energy inflation will not increase as much as in the euro area. Moreover, the decrease in services inflation will contribute to a closer alignment of inflation rates between Austria and the euro area in 2027.

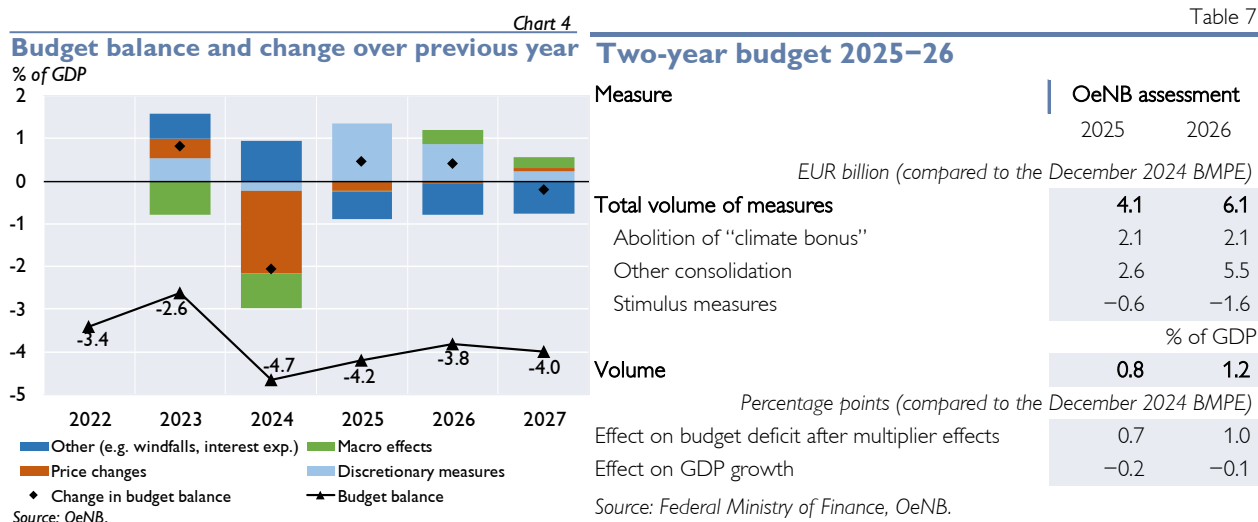


## 6. Budget deficit remains very high despite extensive consolidation efforts

In 2025, the budget balance improved by about half a percentage point to  $-4.2\%$  of GDP (black line in chart 4). Without the new government's fiscal consolidation measures, the deficit would be approximately  $-4.9\%$  of GDP in 2025. Hence, the fiscal path is very restrictive: Total consolidation amounts to about  $1.3\%$  of GDP in 2025 (light blue columns). Around half of that amount is attributable to consolidation measures adopted by the new government (about EUR 4 billion or  $0.8\%$  of GDP; see table 7). These include the abolition of "climate bonus" payments, reductions in subsidies as well as increases in taxes and social security contributions.

Cuts in government consumption and investment only account for a small amount. In total, the 2025 fiscal consolidation package will only have a small dampening effect on economic growth (0.2 percentage points).

The end of temporary measures implemented to dampen energy price inflation (electricity price cap, reductions in energy-related taxes) also contributes to consolidation.



However, deficit reduction efforts are being challenged by several factors in 2025: Ongoing weak economic activity weighs on tax revenue growth (green columns). Moreover, interest expenditure is increasing, while revenue from the EU budget and dividends is down (parts of the dark blue columns).

In 2026, consolidation will amount to 0.9% of GDP (light blue columns). About half of this effect is attributable to the new government's consolidation measures, the other half to the winding down of measures introduced by the previous government. At the same time, economic recovery will improve the budget outlook somewhat (green columns). As a result, the budget balance will improve to -3.8% of GDP in 2026.

According to its current budget plan, the federal government will be taking further consolidation steps in 2027. However, these measures have not yet been sufficiently specified and are therefore not part of this outlook. Accordingly, the consolidation effect is forecast to be only slightly positive in 2027 (light blue columns). Furthermore, a statistical one-off effect will contribute to a deterioration in the budget balance to -4.0% of GDP: Revenues from the national carbon tax are recorded at the time of emission; this system will be phased out at the end of 2026. In 2027, the new EU-wide system – ETS2 – will enter into force. Tax revenue from this new system, however, will only be recorded ex post, i.e. from 2028 on. As a result, in 2027 we will see a statistical loss in revenue of about 0.3% of GDP (part of the dark blue columns).

The debt ratio was 81.8% of GDP in 2024; in 2025, it will increase to 84.2%, and in 2027, even further, to about 86.6%, as moderate nominal GDP growth during this period will not suffice to compensate for high budget deficits.

## 7. Annex of tables

Table A1

### Main results of the forecast

|                                                                | June 2025                                       |      |      |      |
|----------------------------------------------------------------|-------------------------------------------------|------|------|------|
|                                                                | 2024                                            | 2025 | 2026 | 2027 |
| <b>Economic activity</b>                                       | <i>Annual change in % (real)</i>                |      |      |      |
| Gross domestic product (GDP)                                   | -1.1                                            | 0.2  | 0.9  | 1.1  |
| Private consumption                                            | 0.3                                             | 1.0  | 1.1  | 1.2  |
| Government consumption                                         | 1.5                                             | 1.6  | 0.3  | 0.7  |
| Gross fixed capital formation                                  | -2.3                                            | -0.5 | 0.9  | 1.3  |
| Exports of goods and services                                  | -3.6                                            | -1.2 | 1.3  | 2.3  |
| Imports of goods and services                                  | -3.3                                            | -0.7 | 1.5  | 2.4  |
|                                                                | <i>% of nominal GDP</i>                         |      |      |      |
| Current account balance                                        | 2.4                                             | 1.8  | 1.9  | 2.0  |
| <b>Import-adjusted contributions to GDP growth<sup>1</sup></b> | <i>Percentage points</i>                        |      |      |      |
| Private consumption                                            | 0.3                                             | 0.4  | 0.3  | 0.3  |
| Government consumption                                         | 0.3                                             | 0.3  | 0.0  | 0.1  |
| Gross fixed capital formation                                  | -0.3                                            | -0.1 | 0.1  | 0.1  |
| Domestic demand (excluding changes in inventories)             | 0.2                                             | 0.7  | 0.5  | 0.6  |
| Exports                                                        | -0.9                                            | -0.3 | 0.3  | 0.5  |
| Changes in inventories (including statistical discrepancy)     | -0.2                                            | -0.4 | 0.1  | 0.0  |
| <b>Prices</b>                                                  | <i>Annual change in %</i>                       |      |      |      |
| Harmonised Index of Consumer Prices (HICP)                     | 2.9                                             | 3.0  | 1.8  | 2.1  |
| Private consumption expenditure deflator                       | 3.2                                             | 3.0  | 1.8  | 2.0  |
| GDP deflator                                                   | 3.3                                             | 2.6  | 2.4  | 2.3  |
| Unit labor costs (whole economy)                               | 9.6                                             | 3.5  | 2.4  | 1.9  |
| Compensation per employee                                      | 8.3                                             | 3.6  | 2.8  | 2.2  |
| Compensation per hour worked                                   | 10.1                                            | 3.9  | 3.0  | 2.4  |
| Import prices                                                  | 0.2                                             | 1.7  | 1.4  | 1.7  |
| Export prices                                                  | 1.8                                             | 1.9  | 1.9  | 2.2  |
| Terms of trade                                                 | 1.6                                             | 0.2  | 0.5  | 0.5  |
| <b>Income and savings</b>                                      | <i>Annual change in %</i>                       |      |      |      |
| Real disposable household income                               | 3.4                                             | -0.9 | 1.2  | 0.9  |
|                                                                | <i>% of nominal disposable household income</i> |      |      |      |
| Saving ratio                                                   | 11.8                                            | 10.1 | 9.9  | 9.6  |
| <b>Labor market</b>                                            | <i>Annual change in %</i>                       |      |      |      |
| Payroll employment                                             | 0.1                                             | 0.1  | 0.6  | 0.8  |
| Hours worked (payroll employment)                              | -1.6                                            | -0.1 | 0.4  | 0.6  |
|                                                                | <i>% of labor supply</i>                        |      |      |      |
| Unemployment rate (Eurostat definition)                        | 5.2                                             | 5.5  | 5.4  | 5.3  |
| Unemployment rate (national definition)                        | 7.0                                             | 7.4  | 7.4  | 7.2  |
| <b>Public finances</b>                                         | <i>% of nominal GDP</i>                         |      |      |      |
| Budget balance (Maastricht definition)                         | -4.7                                            | -4.2 | -3.8 | -4.0 |
| Government debt                                                | 81.8                                            | 84.2 | 85.8 | 86.6 |

Source: OeNB June 2025 outlook.

<sup>1</sup> The import-adjusted growth contributions were calculated by offsetting each final demand component with the corresponding imports, which were obtained from input-output tables.

Table A2

## Underlying global economic conditions

|                                                               | 2024                             | 2025  | 2026  | 2027  |
|---------------------------------------------------------------|----------------------------------|-------|-------|-------|
| <b>Gross domestic product (GDP)</b>                           | <i>Annual change in % (real)</i> |       |       |       |
| World excluding the euro area                                 | 3.6                              | 3.1   | 2.9   | 3.2   |
| USA                                                           | 2.8                              | 1.4   | 1.4   | 2.1   |
| China                                                         | 5.0                              | 4.3   | 3.4   | 3.6   |
| India                                                         | 6.6                              | 6.4   | 6.4   | 6.6   |
| Japan                                                         | 0.1                              | 1.0   | 0.6   | 0.8   |
| Latin America                                                 | 2.0                              | 2.0   | 2.2   | 2.4   |
| United Kingdom                                                | 1.1                              | 1.2   | 1.2   | 1.4   |
| CESEE EU member states <sup>1</sup>                           | 4.4                              | 2.5   | 1.9   | 2.0   |
| Switzerland                                                   | 1.3                              | 1.3   | 1.5   | 1.6   |
| Euro area <sup>2</sup>                                        | 0.8                              | 0.9   | 1.1   | 1.3   |
| <b>World trade (imports of goods and services)</b>            | <i>Annual change in % (real)</i> |       |       |       |
| World                                                         | 3.2                              | 2.8   | 1.9   | 3.0   |
| World excluding the euro area                                 | 4.2                              | 3.1   | 1.7   | 3.1   |
| Growth of euro area export markets (real)                     | 3.5                              | 2.8   | 1.7   | 3.1   |
| Growth of Austrian export markets (real)                      | 1.6                              | 2.1   | 1.9   | 3.0   |
| <b>Prices</b>                                                 |                                  |       |       |       |
| Oil price in USD/barrel (Brent)                               | 82.0                             | 66.7  | 62.8  | 64.2  |
| Three-month interest rate in %                                | 3.6                              | 2.1   | 1.9   | 2.2   |
| Long-term interest rate in %                                  | 2.8                              | 3.1   | 3.3   | 3.5   |
| USD/EUR exchange rate                                         | 1.08                             | 1.11  | 1.13  | 1.13  |
| Nominal effective exchange rate of the euro (euro area index) | 124.1                            | 126.1 | 127.1 | 127.1 |

Source: Eurosystem (June 2025 Broad Macroeconomic Projection Exercise).

<sup>1</sup> Bulgaria, Croatia, Czechia, Hungary, Poland and Romania.

<sup>2</sup> Results of the Eurosystem's June 2025 projections.

Table A3

## Foreign trade

|                                               | 2024                                 | 2025 | 2026 | 2027 |
|-----------------------------------------------|--------------------------------------|------|------|------|
| <b>Exports</b>                                | <i>Annual change in %</i>            |      |      |      |
| Competitor prices in Austria's export markets | 0.4                                  | 0.8  | 1.6  | 2.2  |
| Export deflator                               | 1.8                                  | 1.9  | 1.9  | 2.2  |
| Changes in price competitiveness              | -1.4                                 | -1.1 | -0.3 | -0.1 |
| Import demand in Austria's export markets     | 1.6                                  | 2.2  | 2.0  | 3.0  |
| Austrian exports of goods and services (real) | -3.6                                 | -1.2 | 1.3  | 2.3  |
| Austrian market share                         | -5.2                                 | -3.5 | -0.7 | -0.7 |
| <b>Imports</b>                                | <i>Annual change in %</i>            |      |      |      |
| Competitor prices in Austria's export markets | 0.4                                  | 1.0  | 1.5  | 2.1  |
| Import deflator                               | 0.2                                  | 1.7  | 1.4  | 1.7  |
| Austrian imports of goods and services (real) | -3.3                                 | -0.7 | 1.5  | 2.4  |
| Terms of trade                                | 1.6                                  | 0.2  | 0.5  | 0.5  |
|                                               | <i>Percentage points of real GDP</i> |      |      |      |
| Contribution of net exports to GDP growth     | -0.3                                 | -0.3 | 0.0  | 0.0  |
|                                               | <i>% of nominal GDP</i>              |      |      |      |
| Export ratio                                  | 57.2                                 | 56.0 | 56.0 | 56.6 |
| Import ratio                                  | 54.3                                 | 53.4 | 53.2 | 53.6 |

Source: OeNB June 2025 outlook.

Table A4

## Current account

|                                          | 2024                    | 2025 | 2026 | 2027 |
|------------------------------------------|-------------------------|------|------|------|
|                                          | <i>% of nominal GDP</i> |      |      |      |
| Balance of trade                         | 2.9                     | 2.3  | 2.4  | 2.4  |
| Balance of goods                         | 1.6                     | 1.0  | 1.0  | 1.0  |
| Balance of services                      | 1.2                     | 1.3  | 1.4  | 1.5  |
| Balance of primary income <sup>1</sup>   | 0.3                     | 0.3  | 0.3  | 0.3  |
| Balance of secondary income <sup>2</sup> | -0.8                    | -0.8 | -0.8 | -0.8 |
| Current account balance                  | 2.4                     | 1.8  | 1.9  | 2.0  |

Source: OeNB June 2025 outlook.

<sup>1</sup> Balance of income (e.g. compensation of labor, investment income).

<sup>2</sup> Balance of current transfers.

Table A5

## Household income and private consumption

|                                                                                | 2024  | 2025  | 2026 | 2027 |
|--------------------------------------------------------------------------------|-------|-------|------|------|
| <i>Annual change in %</i>                                                      |       |       |      |      |
| Payroll employment                                                             | 0.1   | 0.1   | 0.6  | 0.8  |
| Wages and salaries per employee                                                | 8.3   | 3.6   | 2.8  | 2.2  |
| Compensation of employees                                                      | 8.4   | 3.7   | 3.4  | 3.1  |
| Investment income                                                              | -17.9 | -12.2 | -0.8 | 4.7  |
| Self-employment income and operating surpluses (net)                           | 3.9   | 1.8   | 2.6  | 3.2  |
| <i>Contribution to household disposable income growth in percentage points</i> |       |       |      |      |
| Compensation of employees                                                      | 7.3   | 3.3   | 3.0  | 2.8  |
| Investment income                                                              | -1.7  | -0.9  | -0.1 | 0.3  |
| Self-employment income and net operating surpluses                             | 0.6   | 0.3   | 0.4  | 0.5  |
| Net transfers less direct taxes <sup>1</sup>                                   | 0.5   | -0.1  | -0.5 | -0.7 |
| <i>Annual change in %</i>                                                      |       |       |      |      |
| Disposable household income (nominal)                                          | 6.6   | 2.1   | 3.0  | 2.9  |
| Consumption deflator                                                           | 3.2   | 3.0   | 1.8  | 2.0  |
| Disposable household income (real)                                             | 3.4   | -0.9  | 1.2  | 0.9  |
| Private consumption (real)                                                     | 0.3   | 1.0   | 1.1  | 1.2  |
| <i>% of disposable household income</i>                                        |       |       |      |      |
| Saving ratio                                                                   | 11.8  | 10.1  | 9.9  | 9.6  |

Source: OeNB June 2025 outlook.

<sup>1</sup> Negative values indicate an increase in (negative) net transfers less direct taxes; positive values indicate a decrease.

Table A6

## Investment

|                                                                  | 2024               | 2025 | 2026 | 2027 |
|------------------------------------------------------------------|--------------------|------|------|------|
|                                                                  | Annual change in % |      |      |      |
| <b>Gross fixed capital formation (real)</b>                      | -2.3               | -0.5 | 0.9  | 1.3  |
| <i>of which</i>                                                  |                    |      |      |      |
| investment in plant and equipment                                | -0.8               | -0.3 | 1.0  | 1.3  |
| residential construction investment                              | -7.4               | -1.6 | 1.0  | 1.2  |
| nonresidential construction investment and other investment      | -3.6               | -0.5 | 0.2  | 0.8  |
| investment in research and development                           | 2.2                | 0.2  | 1.4  | 1.9  |
| public sector investment                                         | 2.1                | 1.2  | 5.2  | 2.7  |
| private investment                                               | -3.1               | -0.8 | 0.0  | 1.0  |
| <b>Contribution to real gross fixed capital formation growth</b> | Percentage points  |      |      |      |
| Investment in plant and equipment                                | -0.3               | -0.1 | 0.3  | 0.5  |
| Residential construction investment                              | -1.5               | -0.3 | 0.2  | 0.2  |
| Nonresidential construction investment and other investment      | -0.7               | -0.1 | 0.0  | 0.2  |
| Investment in research and development                           | 0.5                | 0.0  | 0.4  | 0.5  |
| <b>Contribution to real GDP growth</b>                           | Percentage points  |      |      |      |
| Total gross fixed capital formation                              | -0.5               | -0.1 | 0.2  | 0.3  |
| Changes in inventories                                           | -0.7               | 0.1  | 0.0  | 0.0  |
|                                                                  | % of nominal GDP   |      |      |      |
| Investment ratio                                                 | 24.6               | 24.3 | 24.2 | 24.1 |

Source: OeNB June 2025 outlook.

Table A7

## Labor market

|                                          | 2024               | 2025 | 2026 | 2027 |
|------------------------------------------|--------------------|------|------|------|
|                                          | Annual change in % |      |      |      |
| <b>Employment</b>                        |                    |      |      |      |
| Total employment (persons)               | 0.1                | 0.1  | 0.5  | 0.8  |
| Payroll employment (persons)             | 0.1                | 0.1  | 0.6  | 0.8  |
| <i>of which: public sector employees</i> | 1.0                | 0.2  | 0.0  | 0.2  |
| Self-employment (persons)                | -0.2               | -0.4 | 0.0  | 0.3  |
| Total hours worked                       | -1.3               | -0.3 | 0.3  | 0.6  |
| Payroll employment (hours)               | -1.6               | -0.1 | 0.4  | 0.6  |
| Self-employment (hours)                  | 0.1                | -1.1 | -0.3 | 0.1  |
| Labor supply                             | 0.1                | 0.4  | 0.5  | 0.6  |
| Registered unemployment                  | 10.1               | 5.8  | -2.6 | -0.9 |
| <b>Unemployment rate</b>                 | % of labor supply  |      |      |      |
| Eurostat definition                      | 5.2                | 5.5  | 5.4  | 5.3  |
| National definition                      | 7.0                | 7.4  | 7.4  | 7.2  |

Source: OeNB June 2025 outlook.

Table A8

## Compensation of employees

|                                                        | 2024               | 2025 | 2026 | 2027 |
|--------------------------------------------------------|--------------------|------|------|------|
|                                                        | Annual change in % |      |      |      |
| <b>Gross wages and salaries<sup>1</sup></b>            |                    |      |      |      |
| In nominal terms                                       | 8.4                | 3.7  | 3.4  | 3.1  |
| Consumption deflator                                   | 3.2                | 3.0  | 1.8  | 2.0  |
| In real terms                                          | 5.2                | 0.7  | 1.5  | 1.1  |
| Collectively agreed wages and salaries <sup>1</sup>    | 8.5                | 3.8  | 2.7  | 2.1  |
| Wage drift                                             | -0.3               | -0.3 | 0.0  | 0.1  |
| <b>Compensation per employee</b>                       |                    |      |      |      |
| Gross <sup>2</sup> , nominal                           | 8.3                | 3.6  | 2.8  | 2.2  |
| Gross, real (private consumption deflator)             | 5.0                | 0.6  | 0.9  | 0.3  |
| Net <sup>3</sup> , real (private consumption deflator) | 4.7                | 0.7  | 0.7  | 0.1  |
| <b>Compensation per hour worked</b>                    |                    |      |      |      |
| Gross, nominal                                         | 10.1               | 3.9  | 3.0  | 2.4  |
| Gross, real (private consumption deflator)             | 6.7                | 0.8  | 1.1  | 0.4  |
|                                                        | % of nominal GDP   |      |      |      |
| Wage share                                             | 52.6               | 53.1 | 53.1 | 52.9 |

Source: OeNB June 2025 outlook.

<sup>1</sup> Overall economy. <sup>2</sup> Including employers' social security contributions.

<sup>3</sup> After tax and social security contributions.

Table A9

## Prices

|                                           | 2024               | 2025 | 2026 | 2027 |
|-------------------------------------------|--------------------|------|------|------|
|                                           | Annual change in % |      |      |      |
| <b>HICP and subcomponents</b>             |                    |      |      |      |
| Hamonised Index of Consumer Prices (HICP) | 2.9                | 3.0  | 1.8  | 2.1  |
| Food                                      | 2.9                | 2.7  | 2.6  | 2.2  |
| Unprocessed food                          | 0.6                | 2.3  | 2.2  | x    |
| Processed food                            | 3.4                | 2.8  | 2.7  | x    |
| Industrial goods excluding energy         | 0.9                | 0.7  | 0.9  | x    |
| Energy                                    | -5.4               | 4.6  | -5.6 | -0.2 |
| Services                                  | 5.7                | 4.1  | 3.4  | x    |
| HICP excluding energy                     | 3.7                | 2.8  | 2.5  | 2.3  |
| HICP excluding energy and food            | 3.9                | 2.9  | 2.4  | 2.3  |
| <b>Deflators (national accounts)</b>      |                    |      |      |      |
| Private consumption expenditure deflator  | 3.2                | 3.0  | 1.8  | 2.0  |
| Investment deflator                       | 3.0                | 2.3  | 1.7  | 1.5  |
| Import deflator                           | 0.2                | 1.7  | 1.4  | 1.7  |
| Export deflator                           | 1.8                | 1.9  | 1.9  | 2.2  |
| Terms of trade                            | 1.6                | 0.2  | 0.5  | 0.5  |
| GDP deflator at factor cost               | 3.3                | 1.5  | 2.1  | 2.1  |

Source: OeNB June 2025 outlook.

Table A10

## Breakdown of revisions since March 2025

|                                                    | GDP                      |      |      | HICP |      |      |
|----------------------------------------------------|--------------------------|------|------|------|------|------|
|                                                    | 2025                     | 2026 | 2027 | 2025 | 2026 | 2027 |
| <i>Annual change in %, percentage points</i>       |                          |      |      |      |      |      |
| June 2025 outlook                                  | 0.2                      | 0.9  | 1.1  | 3.0  | 1.8  | 2.1  |
| March 2025 outlook                                 | -0.1                     | 1.2  | 1.2  | 2.9  | 2.3  | 2.1  |
| Difference                                         | 0.3                      | -0.3 | -0.1 | 0.1  | -0.5 | 0.0  |
| <b>Caused by:</b>                                  | <i>Percentage points</i> |      |      |      |      |      |
| External assumptions                               | -0.4                     | -0.4 | 0.2  | 0.0  | -0.5 | 0.0  |
| New data <sup>1</sup>                              | 0.4                      | 0.0  | 0.0  | 0.3  | 0.0  | 0.0  |
| of which: revisions to historical data up to Q4 24 | 0.3                      | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  |
| forecast errors for Q1 25                          | 0.1                      | 0.0  | 0.0  | 0.3  | 0.0  | 0.0  |
| Other reasons <sup>2</sup>                         | 0.2                      | 0.1  | -0.3 | -0.2 | 0.0  | 0.0  |

Source: OeNB March 2025 and June 2025 outlooks. The difference and the sum of growth contributions subject to individual revisions may differ from the overall revision due to rounding.

<sup>1</sup> "New data" refer to data on GDP and/or inflation that have become available since the publication of the preceding OeNB outlook.

<sup>2</sup> Different assumptions about trends in domestic variables such as wages, government consumption, effects of tax measures, other changes in assessments and model changes.

Table A11

## Comparison of recent economic forecasts for Austria

|                                                      | OeNB      |      |      |      | WIFO       |      | IHS        |      | OECD          |      | IMF        |      | European Commission |      |
|------------------------------------------------------|-----------|------|------|------|------------|------|------------|------|---------------|------|------------|------|---------------------|------|
|                                                      | June 2025 |      |      |      | March 2025 |      | March 2025 |      | December 2024 |      | April 2025 |      | May 2025            |      |
|                                                      | 2024      | 2025 | 2026 | 2027 | 2025       | 2026 | 2025       | 2026 | 2025          | 2026 | 2025       | 2026 | 2025                | 2026 |
| Annual change in %                                   |           |      |      |      |            |      |            |      |               |      |            |      |                     |      |
| Main results                                         |           |      |      |      |            |      |            |      |               |      |            |      |                     |      |
| GDP (real)                                           | -1.1      | 0.2  | 0.9  | 1.1  | -0.3       | 1.2  | -0.2       | 1.1  | -0.3          | 1.0  | -0.3       | 0.8  | -0.3                | 1.0  |
| Private consumption (real)                           | 0.3       | 1.0  | 1.1  | 1.2  | 0.2        | 1.4  | 0.8        | 0.9  | 0.6           | 1.4  | x          | x    | 0.3                 | 1.0  |
| Government consumption (real)                        | 1.5       | 1.6  | 0.3  | 0.7  | -0.3       | 0.6  | -1.5       | -1.0 | 1.4           | 1.0  | x          | x    | -0.4                | -0.4 |
| Gross fixed capital formation (real)                 | -2.3      | -0.5 | 0.9  | 1.3  | -0.7       | 1.8  | -0.9       | 0.8  | 0.0           | 1.5  | x          | x    | -0.7                | 1.9  |
| Exports (real)                                       | -3.6      | -1.2 | 1.3  | 2.3  | -0.9       | 1.7  | 0.5        | 1.8  | -0.9          | 2.0  | -0.7       | 0.6  | -1.0                | 1.9  |
| Imports (real)                                       | -3.3      | -0.7 | 1.5  | 2.4  | -0.2       | 2.1  | 0.7        | 1.6  | 0.7           | 1.6  | -0.8       | 0.6  | -0.6                | 1.9  |
| Labor productivity <sup>1</sup>                      | -1.2      | 0.1  | 0.4  | 0.3  | -0.2       | 0.3  | -0.4       | 0.6  | -0.4          | 0.8  | x          | x    | -0.4                | 0.5  |
| GDP deflator                                         | 3.3       | 2.6  | 2.4  | 2.3  | 2.4        | 2.0  | 2.3        | 2.0  | 2.5           | 2.2  | 3.3        | 1.9  | 3.5                 | 2.2  |
| CPI                                                  | x         | x    | x    | x    | 2.7        | 2.1  | 2.9        | 2.0  | x             | x    | x          | x    | x                   | x    |
| HICP                                                 | 2.9       | 3.0  | 1.8  | 2.1  | 2.8        | 2.1  | 3.0        | 2.0  | 3.0           | 1.9  | 3.2        | 1.7  | 2.9                 | 2.1  |
| Unit labor costs                                     | 9.6       | 3.5  | 2.4  | 1.9  | 4.0        | 2.0  | 3.7        | 1.7  | 4.4           | 2.1  | x          | x    | 3.6                 | 2.6  |
| Payroll employment <sup>2</sup>                      | 0.1       | 0.1  | 0.5  | 0.8  | 0.3        | 0.8  | 0.2        | 0.5  | 0.1           | 0.1  | 0.0        | 0.3  | 0.1                 | 0.4  |
| % of labor supply                                    |           |      |      |      |            |      |            |      |               |      |            |      |                     |      |
| Unemployment rate <sup>3</sup> (Eurostat definition) | 5.2       | 5.5  | 5.4  | 5.3  | 5.3        | 5.2  | 5.4        | 5.3  | 5.2           | 5.2  | 5.6        | 5.5  | 5.3                 | 5.2  |
| % of nominal GDP                                     |           |      |      |      |            |      |            |      |               |      |            |      |                     |      |
| Current account balance                              | 2.4       | 1.8  | 1.9  | 2.0  | 1.9        | 1.4  | x          | x    | 1.8           | 1.5  | 2.6        | 2.8  | 2.4                 | 2.3  |
| Budget balance (Maastricht definition)               | -4.7      | -4.2 | -3.8 | -4.0 | -3.3       | -3.5 | -3.2       | -3.2 | -4.4          | -4.2 | -4.1       | -3.6 | -4.4                | -4.2 |
| External assumptions                                 |           |      |      |      |            |      |            |      |               |      |            |      |                     |      |
| Oil price in USD/barrel (Brent)                      | 82.0      | 66.7 | 62.8 | 64.2 | 72.0       | 69.0 | 70.6       | 66.8 | 64.7          | 60.0 | 66.9       | 62.4 | 67.7                | 64.0 |
| Short-term interest rate in %                        | 3.6       | 2.1  | 1.9  | 2.2  | 2.2        | 2.4  | 2.4        | 2.3  | 2.1           | 1.8  | 2.2        | 2.1  | 2.0                 | 1.7  |
| USD/EUR exchange rate                                | 1.08      | 1.11 | 1.13 | 1.13 | 1.04       | 1.04 | 1.09       | 1.09 | 1.13          | 1.13 | 1.08       | 1.08 | 1.11                | 1.13 |
| Euro area GDP (real)                                 | 0.8       | 0.9  | 1.1  | 1.3  | 0.8        | 1.2  | 1.0        | 1.4  | 1.0           | 1.2  | 0.8        | 1.2  | 0.9                 | 1.4  |
| US GDP (real)                                        | 2.8       | 1.4  | 1.4  | 2.1  | 1.8        | 1.9  | 1.9        | 1.8  | 1.6           | 1.5  | 1.8        | 1.7  | 1.6                 | 1.6  |
| World GDP (real)                                     | 3.2       | 2.9  | 2.7  | 3.0  | x          | x    | 3.1        | 3.1  | 2.9           | 2.9  | 2.8        | 3.0  | 2.9                 | 3.0  |
| World trade <sup>3</sup>                             | 3.2       | 2.8  | 1.9  | 3.0  | x          | x    | 1.7        | 1.6  | 2.8           | 2.2  | 1.7        | 2.5  | 1.8                 | 2.2  |

Source: OeNB, WIFO, IHS, OECD, IMF, European Commission. Note: x = no data available.

<sup>1</sup> OeNB, WIFO: GDP per hour worked. IHS, OECD, European Commission: GDP per employee.

<sup>2</sup> WIFO, IHS: based on active payroll.

<sup>3</sup> IHS: goods according to CPB.

## Quarterly outlook results

|                                                      | 2024 | 2025 | 2026 | 2027 | 2025 |      |      |      | 2026 |      |     |     | 2027 |     |     |     |
|------------------------------------------------------|------|------|------|------|------|------|------|------|------|------|-----|-----|------|-----|-----|-----|
|                                                      |      |      |      |      | Q1   | Q2   | Q3   | Q4   | Q1   | Q2   | Q3  | Q4  | Q1   | Q2  | Q3  | Q4  |
| <b>Prices, wages and costs</b>                       |      |      |      |      |      |      |      |      |      |      |     |     |      |     |     |     |
| Annual change in %                                   |      |      |      |      |      |      |      |      |      |      |     |     |      |     |     |     |
| HICP                                                 | 2.9  | 3.0  | 1.8  | 2.1  | 3.3  | 3.0  | 2.9  | 2.8  | 1.6  | 1.6  | 2.0 | 2.1 | 2.1  | 2.2 | 2.1 | 2.0 |
| HICP excluding energy                                | 3.7  | 2.8  | 2.5  | 2.3  | 3.1  | 2.9  | 2.8  | 2.5  | 2.6  | 2.3  | 2.5 | 2.4 | 2.3  | 2.4 | 2.3 | 2.2 |
| Private consumption expenditure deflator             | 3.2  | 3.0  | 1.8  | 2.0  | 3.1  | 2.8  | 3.0  | 3.2  | 2.1  | 1.8  | 1.7 | 1.7 | 1.7  | 1.9 | 2.1 | 2.2 |
| Gross fixed capital formation deflator               | 3.0  | 2.3  | 1.7  | 1.5  | 2.2  | 2.7  | 2.3  | 2.1  | 2.1  | 1.5  | 1.7 | 1.7 | 1.7  | 1.6 | 1.5 | 1.4 |
| GDP deflator                                         | 3.3  | 2.6  | 2.4  | 2.3  | 2.2  | 2.9  | 2.8  | 2.4  | 3.4  | 2.1  | 2.1 | 2.0 | 2.1  | 2.2 | 2.4 | 2.5 |
| Unit labor costs                                     | 9.6  | 3.5  | 2.4  | 1.9  | 5.4  | 4.0  | 2.7  | 2.0  | 2.3  | 2.5  | 2.5 | 2.2 | 1.8  | 1.7 | 1.9 | 2.1 |
| Nominal wages per employee                           | 8.3  | 3.6  | 2.8  | 2.2  | 5.0  | 4.0  | 3.0  | 2.4  | 2.7  | 2.9  | 2.9 | 2.6 | 2.2  | 2.2 | 2.2 | 2.4 |
| Productivity                                         | -1.2 | 0.1  | 0.4  | 0.3  | -0.4 | 0.0  | 0.3  | 0.4  | 0.4  | 0.4  | 0.4 | 0.5 | 0.4  | 0.4 | 0.3 | 0.2 |
| Real wages per employee                              | 5.0  | 0.6  | 0.9  | 0.3  | 1.9  | 1.2  | 0.0  | -0.7 | 0.6  | 1.1  | 1.2 | 0.9 | 0.5  | 0.2 | 0.1 | 0.2 |
| Import deflator                                      | 0.2  | 1.7  | 1.4  | 1.7  | 1.9  | 1.8  | 1.7  | 1.6  | 1.6  | 1.4  | 1.3 | 1.4 | 1.5  | 1.6 | 1.8 | 1.9 |
| Export deflator                                      | 1.8  | 1.9  | 1.9  | 2.2  | 2.0  | 1.8  | 1.9  | 1.9  | 1.8  | 1.8  | 2.0 | 2.1 | 2.1  | 2.2 | 2.3 | 2.4 |
| Terms of trade                                       | 1.6  | 0.2  | 0.5  | 0.5  | 0.1  | 0.0  | 0.2  | 0.4  | 0.3  | 0.4  | 0.6 | 0.6 | 0.6  | 0.5 | 0.5 | 0.5 |
| <b>Economic activity</b>                             |      |      |      |      |      |      |      |      |      |      |     |     |      |     |     |     |
| Annual or quarterly changes in % (real)              |      |      |      |      |      |      |      |      |      |      |     |     |      |     |     |     |
| GDP                                                  | -1.1 | 0.2  | 0.9  | 1.1  | 0.1  | 0.1  | 0.1  | 0.2  | 0.2  | 0.3  | 0.3 | 0.3 | 0.3  | 0.2 | 0.2 | 0.2 |
| Private consumption                                  | 0.3  | 1.0  | 1.1  | 1.2  | 0.1  | 0.2  | 0.2  | 0.2  | 0.3  | 0.3  | 0.3 | 0.3 | 0.3  | 0.3 | 0.2 | 0.2 |
| Government consumption                               | 1.5  | 1.6  | 0.3  | 0.7  | 2.3  | -1.9 | 0.5  | 0.2  | 0.1  | 0.2  | 0.2 | 0.3 | 0.2  | 0.1 | 0.0 | 0.0 |
| Gross fixed capital formation                        | -2.3 | -0.5 | 0.9  | 1.3  | -0.2 | 0.1  | 0.1  | 0.2  | 0.2  | 0.3  | 0.3 | 0.3 | 0.4  | 0.4 | 0.3 | 0.3 |
| Exports                                              | -3.6 | -1.2 | 1.3  | 2.3  | 0.0  | -0.4 | 0.1  | 0.3  | 0.4  | 0.5  | 0.5 | 0.5 | 0.6  | 0.6 | 0.6 | 0.6 |
| Imports                                              | -3.3 | -0.7 | 1.5  | 2.4  | -1.1 | -0.5 | 0.1  | 0.3  | 0.5  | 0.6  | 0.5 | 0.5 | 0.7  | 0.7 | 0.6 | 0.6 |
| Contribution to real GDP growth in percentage points |      |      |      |      |      |      |      |      |      |      |     |     |      |     |     |     |
| Domestic demand                                      | 0.2  | 0.7  | 0.5  | 0.6  | 0.4  | -0.2 | 0.2  | 0.1  | 0.1  | 0.1  | 0.1 | 0.2 | 0.2  | 0.1 | 0.1 | 0.1 |
| Net exports                                          | -0.9 | -0.3 | 0.3  | 0.5  | -0.1 | 0.0  | 0.1  | 0.0  | 0.1  | 0.1  | 0.1 | 0.1 | 0.1  | 0.1 | 0.1 | 0.1 |
| Changes in inventories                               | -0.2 | -0.4 | 0.1  | 0.0  | -0.8 | 0.4  | -0.1 | -0.1 | 0.0  | 0.0  | 0.0 | 0.0 | 0.0  | 0.0 | 0.0 | 0.0 |
| <b>Labor market</b>                                  |      |      |      |      |      |      |      |      |      |      |     |     |      |     |     |     |
| % of labor supply                                    |      |      |      |      |      |      |      |      |      |      |     |     |      |     |     |     |
| Unemployment rate (Eurostat definition)              | 5.2  | 5.5  | 5.4  | 5.3  | 5.4  | 5.5  | 5.5  | 5.5  | 5.5  | 5.5  | 5.4 | 5.4 | 5.3  | 5.3 | 5.3 | 5.3 |
| Annual or quarterly changes in %                     |      |      |      |      |      |      |      |      |      |      |     |     |      |     |     |     |
| Total employment                                     | 0.1  | 0.1  | 0.5  | 0.8  | 0.0  | 0.0  | 0.1  | 0.1  | 0.1  | 0.2  | 0.2 | 0.2 | 0.2  | 0.2 | 0.2 | 0.1 |
| of which private sector                              | -0.1 | 0.1  | 0.6  | 0.9  | 0.0  | 0.1  | 0.1  | 0.1  | 0.1  | 0.2  | 0.2 | 0.2 | 0.2  | 0.2 | 0.2 | 0.2 |
| Payroll employment                                   | 0.1  | 0.1  | 0.6  | 0.8  | 0.0  | 0.0  | 0.1  | 0.1  | 0.2  | 0.2  | 0.2 | 0.2 | 0.2  | 0.2 | 0.2 | 0.2 |
| <b>Additional variables</b>                          |      |      |      |      |      |      |      |      |      |      |     |     |      |     |     |     |
| Annual or quarterly changes in % (real)              |      |      |      |      |      |      |      |      |      |      |     |     |      |     |     |     |
| Disposable household income                          | 3.4  | -0.9 | 1.2  | 0.9  | -2.7 | 0.1  | 0.0  | 0.2  | 0.4  | 0.4  | 0.4 | 0.3 | 0.2  | 0.1 | 0.1 | 0.1 |
| % of real GDP                                        |      |      |      |      |      |      |      |      |      |      |     |     |      |     |     |     |
| Output gap                                           | -0.3 | -0.5 | -0.1 | 0.3  | -0.6 | -0.5 | -0.5 | -0.4 | -0.3 | -0.1 | 0.0 | 0.2 | 0.3  | 0.3 | 0.3 | 0.1 |

Source: Statistics Austria and OeNB June 2025 outlook. Quarterly values based on seasonally and working day-adjusted data.

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