

National Report Austria

Economic situation in Austria

At present, there are still **no signs of an industrial recovery, and sentiment in industry continues to deteriorate.**

1. Domestic industry is not coming out of the economic downturn.
2. According to WIFO, the current industrial recession is the second longest in over 20 years.
3. There have been no signs of growth for two years now.
4. The declining development of orders, increased energy and personnel costs and unsettling signals from Germany, the most important market, especially from the automotive industry, increased economic concerns.
5. The deterioration in price competitiveness is increasingly worrying domestic industry.
6. The expectations index for industrial production for the next twelve months fell to its lowest level since the beginning of the year in August 2024.
7. A lack of new business continues to curb production, while the lack of orders prolongs recession in industry.
8. In August 2024, industrial companies restricted production at a faster pace.
9. The low sentiment in industry and construction was more strongly transferred to the service sectors over the summer.
10. Falling orders and production are also reflected in falling employment. The ongoing industrial slump is having an impact on the labour market: unemployment rose above average, especially in the manufacturing sector.
11. The level of **investment** has clearly missed the level of the previous year or that of before the pandemic. Investments in machinery and equipment continue to shrink.
12. Exports **have also** weakened noticeably recently.
13. The slump in Austrian industry continues, and it is also evident in the industrial sectors that there is more recession than stagnation:

| Assessment for the third quarter of 24 | Sold production | | Employement | | Orders |
|--|-----------------|-------------|-------------|-------------|-------------|
| | 1.Q24/1.Q23 | Estimation | 1.Q24/1.Q23 | Estimation | Estimation |
| | in percent | 3.Q24/3.Q23 | | 3.Q24/3.Q23 | 3.Q24/3.Q23 |
| Metall industry | -9,7 | minus | -0,1 | | minus |
| Total industry | -14,1 | minus | -0,3 | | minus |

The prospect of an imminent recovery of the domestic economy has been significantly postponed, and this year only stagnation is to be expected.¹

In all sectors of Austria's economy, sentiment is worse than in the euro area - especially in industry.

Reasons:

1. The persistently poor mood in industry and construction was more strongly transmitted to the service sectors.
2. Deterioration in the labor market continues: Unemployment rate is expected to average 7.0 percent in 2024. Industry and the construction industry in particular

¹ BA_CA (2024) Business Cycle, August 2024.

accounted for a comparatively high share of the increase in the unemployment rate.

3. Weak economy dampens inflation.

Monetary easing, inflation calming and global recovery should be able to drive economic growth in 2025.

Collective Bargaining:

Last year was a 2 years agreement reached, so this year there aren't any negotiations. As negotiated the actual wages will increase by 1 % over the average inflation rate over the last 12 months. A core element of the negotiations was the WBSK (competitiveness and employment saving clause). This clause could help companies which has very high personal cost related to their turnover. If you were able to apply this clause, you could minimize the increases under certain conditions. This clause will apply again for this year and can be used.