INSTITUTE FOR ADVANCED STUDIES VIENNA

Vienna, April 10, 2026

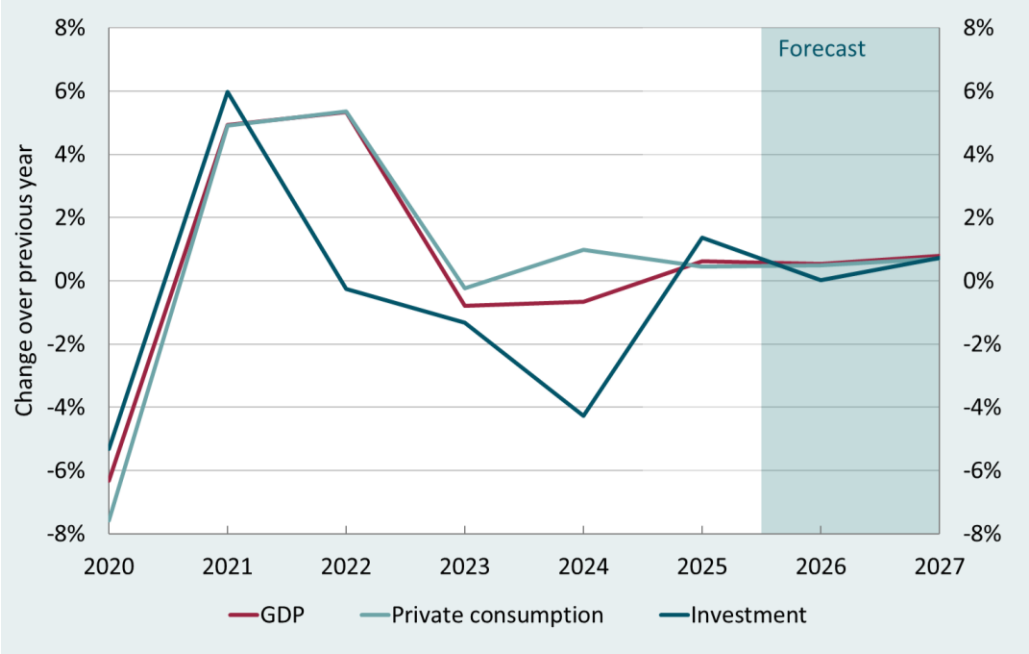
Embargo: April 10, 2026, 10:00 a.m.

Iran War Slows Economic Growth

Spring Forecast of the Austrian Economy 2026–2027

The disruptions caused by the Iran war are slowing the economy. As a result, the recovery of the Austrian economy is turning out to be significantly weaker than had been indicated at the end of February. Against the backdrop of the current energy price shock, the Institute for Advanced Studies is revising its forecast for economic growth in 2026 and 2027 down to 0.5 % and 0.8 %, respectively. From the 2.0 % recorded at the beginning of the year, the inflation rate is expected to rise to 2.9 % in 2026. In the coming year, it is forecast to remain at 2.4 %, above the European Central Bank's 2 % target. With an unemployment rate of 7.5 % and 7.4 %, respectively, the labor market situation is expected to remain virtually unchanged. IHS expects a budget deficit of 4.2 % of GDP this year, and 4.1 % for the coming year. Without the war in Iran, the Austrian economy would grow by 0.5 and 0.3 percentage points more in 2026 and 2027, respectively. Inflation would be 0.9 and 0.2 percentage points lower, respectively.

Figure 1: GDP, private consumption, investment



Source: Statistics Austria, from 2026 IHS forecast

Table 1: Key results of IHS forecast

Change over previous year in percent

	2025	2026	2027
Gross domestic product, real	0.6	0.5	0.8
Private consumption, real	0.5	0.5	0.7
Gross capital formation, real	2.0	0.8	1.7
Gross fixed capital formation, real	1.4	0.0	0.7
of which: equipment, real	5.0	1.5	2.0
of which: construction, real	−2.9	−1.9	−1.0
Domestic demand, real	1.4	0.4	0.8
Exports of goods and services, real	0.3	1.1	2.1
of which: goods, real	−0.2	0.6	2.0
of which: tourism, real	1.8	2.0	2.0
Imports of goods and services, real	1.7	1.0	2.2
of which: goods, real	1.7	0.5	2.3
of which: tourism, real	1.9	2.0	2.0
Employment (employees)	0.2	0.2	0.4
Unemployment rate: national definition[i]	7.4	7.5	7.4
Unemployment rate: Eurostat definition[i]	5.7	5.7	5.6
Compensation per employee	3.6	2.0	2.3
GDP deflator	3.2	2.3	2.0
Consumer price index	3.6	2.9	2.4
Budget balance in % of GDP (Maastricht definition)[i]	−4.2	−4.2	−4.1
3-month Euribor[i]	2.2	2.4	2.8
10-year government bond yield[i]	3.0	3.4	3.4

[i]absolute values

Source: Statistics Austria, LSEG Datastream, from 2026 IHS forecast

Table 2: International environment

Change over previous year in percent

	2023	2024	2025	2026	2027
GDP, real					
Germany	−0.9	−0.5	0.2	0.6	1.0
Italy	0.9	0.8	0.5	0.5	0.8
France	1.4	1.2	0.8	0.8	1.1
United Kingdom	0.3	1.1	1.4	0.9	1.2
Switzerland	0.8	1.4	1.1	1.0	1.2
USA	2.9	2.8	2.1	1.8	1.8
Japan	0.7	−0.2	1.2	0.7	0.7
China	5.4	5.0	5.0	4.5	4.3
Poland	0.2	3.0	3.6	3.0	2.8
Slovakia	2.1	1.9	0.8	1.0	1.6
Czech Republic	0.0	1.3	2.5	2.2	2.3
Hungary	−0.8	0.6	0.4	1.7	2.3
Slovenia	2.4	1.7	1.1	1.8	2.0
MOEL-5[i]	0.3	2.2	2.6	2.4	2.5
Bulgaria	1.7	3.4	3.1	2.7	2.5
Romania	2.3	0.9	0.7	0.6	2.3
Croatia	3.8	3.8	3.2	2.8	2.3
Russia	4.1	4.9	1.0	0.7	0.8
Euro area	0.4	0.9	1.4	0.8	1.1
NMS-4[ii]	0.5	1.9	2.4	2.2	2.6
EU-27	0.4	1.1	1.6	1.0	1.3
OECD	1.8	1.7	1.8	1.5	1.6
World	3.4	3.3	3.3	2.8	2.8
World trade (goods, CPB)	−0.9	2.5	4.4	0.2	2.0
Austrian export markets	0.1	1.4	3.6	0.8	2.0
USD/EUR exchange rate[iii]	1.08	1.08	1.13	1.15	1.16
Oil price (USD/barrel Brent)[iii]	82.6	80.5	69.2	92.5	80.7

[i]MOEL-5: Poland, Slovakia, Czech Republic, Hungary, Slovenia

[ii]NMS-4: Poland, Czech Republic, Hungary, Romania

[iii]absolute values

Source: Eurostat, IMF, OECD, CPB, national statistical offices, LSEG Datastream, from 2026 IHS forecast

Simulations of Energy Price Scenarios

Figure 2: Energy price assumptions

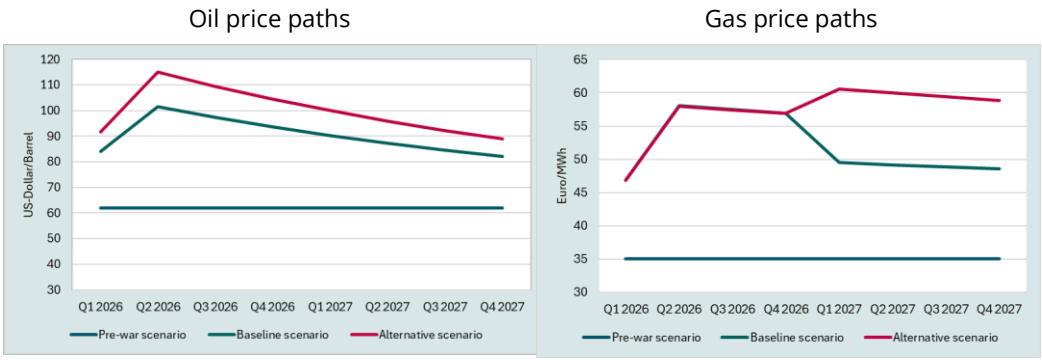
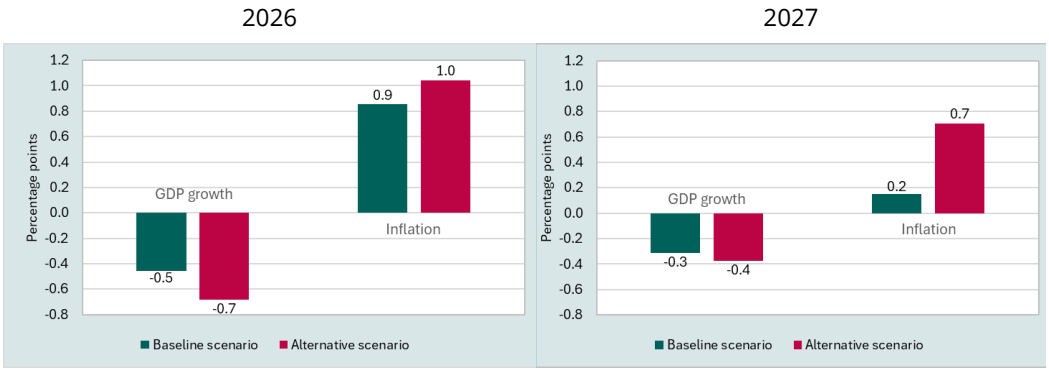


Figure 3: Deviations from pre-war scenario



Contact for further inquiries

Institut für Höhere Studien – Institute for Advanced Studies (IHS)
Josefstädter Straße 39, A-1080 Wien
T +43 1 59991-0
www.ihs.ac.at
ZVR: 066207973

Contact
Holger Bonin
Scientific Director
T +43 1 59991-125
E holger.bonin@ihs.ac.at

Helmut Hofer
Head of Economic Forecasting
T +43 1 59991-251
E hofer@ihs.ac.at

Klaus Weyerstraß
Expert for International Economics
T +43 1 59991-233
E klaus.weyerstrass@ihs.ac.at

Melanie Gadringer
Press Officer
T +43 1 59991-212
E gadringer@ihs.ac.at