INSTITUTE FOR ADVANCED STUDIES VIENNA

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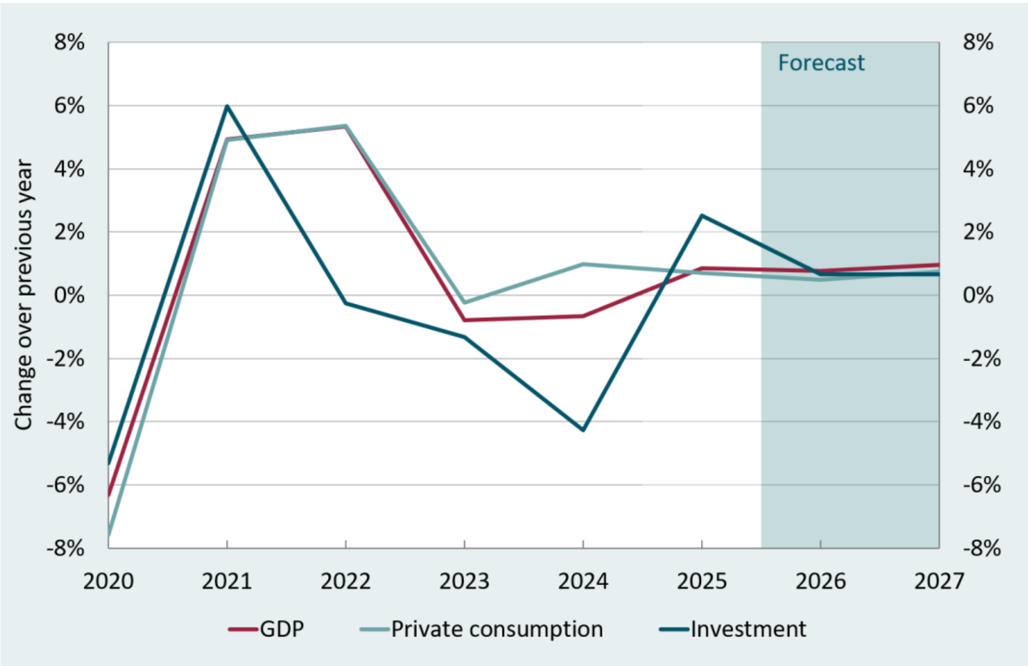
Iran war continues to weigh on economic activity

Summer Forecast of the Austrian Economy 2026–2027

The disruptions associated with the Iran war continue to weigh on economic activity even after the conclusion of the framework agreement between the USA and Iran. As a result, Austrian real GDP is expected to stagnate in the second and third quarters of 2026 and to only regain momentum toward the end of the year. IHS therefore forecasts economic growth of 0.8 % and 1.0 % in 2026 and 2027 respectively. Due to the renewed energy price shock, the inflation rate is projected to average 3.0 % in 2026 and to remain above the ECB's 2 % target in 2027, at 2.3 %. IHS expects the unemployment rate to reach 7.5 % this year before declining to 7.3 % in 2027. Following a budget deficit of 4.2 % of GDP in the previous year, the deficit is projected to amount to 4.0 % of GDP in 2026 and to decline further to 3.7% in 2027.

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	0.8	0.8	1.0
Private consumption, real	0.7	0.5	0.7
Gross capital formation, real	5.0	0.9	1.0
Gross fixed capital formation, real	2.5	0.7	0.7
of which: equipment, real	6.5	2.5	1.5
of which: construction, real	−2.3	−1.8	−0.5
Domestic demand, real	1.2	0.7	0.8
Exports of goods and services, real	1.2	1.5	2.1
of which: goods, real	1.1	1.3	2.0
of which: tourism, real	2.2	2.0	2.0
Imports of goods and services, real	1.8	1.4	1.9
of which: goods, real	1.6	1.2	1.8
of which: tourism, real	1.6	2.0	2.0
Employment (employees)	0.2	0.5	0.6
Unemployment rate: national definition[i]	7.4	7.5	7.3
Unemployment rate: Eurostat definition[i]	5.7	5.8	5.6
Compensation per employee	3.6	2.1	2.4
GDP deflator	3.2	2.0	2.2
Consumer price index	3.6	3.0	2.3
Budget balance in % of GDP (Maastricht definition)[i]	−4.2	−4.0	−3.7
3-month Euribor[i]	2.2	2.4	2.8
10-year government bond yield[i]	3.0	3.3	3.6

[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	0.7	1.0
Italy	0.9	0.8	0.5	0.6	0.8
France	1.6	1.5	0.8	0.7	1.0
United Kingdom	0.3	1.0	1.4	0.9	1.1
Switzerland	0.8	1.4	1.4	1.1	1.2
USA	2.9	2.8	2.1	2.0	1.8
Japan	0.7	−0.2	1.1	0.7	0.7
China	5.4	5.0	5.0	4.5	4.3
Poland	0.2	3.2	3.6	3.0	2.8
Slovakia	2.1	1.9	0.8	0.6	1.6
Czech Republic	0.0	1.3	2.6	2.2	2.3
Hungary	−0.8	0.7	0.5	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	0.0	2.3
Croatia	3.8	3.8	3.4	2.8	2.3
Russia	4.1	4.9	1.0	0.5	0.8
Euro area	0.5	1.0	1.4	0.5	1.1
NMS-4[ii]	0.5	2.0	2.5	2.1	2.6
EU-27	0.5	1.2	1.5	0.7	1.2
OECD	1.8	1.8	1.8	1.5	1.6
World	3.3	3.4	3.4	2.7	2.9
World trade (goods, CPB)	−0.9	2.6	4.2	3.3	1.5
Austrian export markets	−0.1	1.6	4.0	1.8	2.2
USD/EUR exchange rate[iii]	1.08	1.08	1.13	1.16	1.18
Oil price (USD/barrel Brent)[iii]	82.6	80.5	69.2	85.1	75.0

[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

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