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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

The Austrian economy is deemed one of the most stable in Europe. The country relies on a very strong network of export-focused SMEs, excellent academic standards and significant spending for research and development. After growing 4.8% in 2022, Austria's GDP stagnated in 2023 (+0.1% as per the IMF; although the EU Commission's first estimates point to a negative growth of 0.5%), with a slowdown in activity observed during the first semester, followed by a gradual recovery in the latter part of the year. The manufacturing sector has been in a recession since mid-2022 due to significantly reduced demand from its primary export destination, Germany; whereas the robust momentum witnessed in the services sector, particularly in financial and economic services, as well as tourism, helped keep the country's economy afloat. A gradual easing of high inflation over the forecast horizon should contribute to a slight uptick in economic activity for 2024 and 2025, with forecasted real GDP growth rates of 0.8% and 1.7%, respectively (IMF). This envisaged trajectory is supported by an anticipated resurgence in private consumption, fueled by the resumption of real wage growth. Furthermore, a recovery in the export sector is expected to contribute to this dynamic. Nevertheless, the prospect of tepid investment development, particularly in the construction sector due to elevated interest rates, may exert a dampening effect on overall economic growth.

Thanks to the phasing out of support measures taken in the context of the pandemic and of those intended to mitigate the impact of high energy prices, the general government deficit decreased from 3.6% of GDP in 2022 to an estimated 2.1% in 2023, when an increase was recorded in tax revenue and social contributions due to a robust labour market and high inflation. Despite sluggish growth, the deficit should follow a downward trend in 2024 and 2025 (at 1.3% and 1.2%, respectively – 2.4% and 2.2% as per the EU Commission projections) as the total net budgetary cost of energy-related measures is projected to decrease to 0.1% of GDP in 2024 from 1.6% one year earlier. Nominal GDP growth is poised to contribute to a sustained decline in the public debt-to-GDP ratio. IMF projections indicate a reduction from 78.5% in 2022 to 74.8% in 2023, followed by a subsequent decrease to 74% in 2024 and a further decline to 71.7% in 2025. Meanwhile, inflation remained high in 2023 (7.8%), driven by significant real wage increases, but is expected to gradually subside over the forecast horizon (3.7% and 2.5% in 2024 and 2025, respectively).

Austria has a low percentage of unemployment compared to other countries in the Eurozone and the EU, as well as global comparison. Although it increased marginally in 2023 (to 5.1%, from 4.8% one year earlier as the increase in labour supply outpaced employment growth), the unemployment rate is still at a historically low level. This trend is expected to continue in 2024, with a projected unemployment rate of 5.4% before starting to decrease again (IMF). According to the latest figures by the EU Commission, nominal wages increased by 8.3% in 2023 and should continue on an upward trend (7.1% in 2024 and 3.9% in 2025), driven by inflation and the tight labour market. Overall, Austrians enjoy one of the highest GDP per capita (PPP) in Europe, estimated by the IMF at USD 69,069 in 2023.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	471.03	526.18	552.34	579.00	602.81
GDP <i>(Constant Prices, Annual % Change)</i>	4.8	0.1	0.8	1.7	1.9

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP per Capita (USD)	52,192	58,013	60,594	63,203	65,474
General Government Balance (in % of GDP)	-3.6	-2.1	-1.3	-1.2	-1.4
General Government Gross Debt (in % of GDP)	78.5	74.8	74.0	71.7	70.7
Inflation Rate (%)	n/a	7.8	3.7	2.5	2.1
Unemployment Rate (% of the Labour Force)	4.8	5.1	5.4	5.3	5.1
Current Account (billions USD)	3.24	0.39	0.16	1.96	2.50
Current Account (in % of GDP)	0.7	0.1	0.0	0.3	0.4

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

Out of its 8.95 million population, Austria has a labour force of about 4.7 million people, of whom many are highly educated and skilled. The agricultural sector employs 4% of the active population and represents 1.4% of GDP (World Bank, latest data available). Of the total area, 32% is agricultural land while forests cover 44%. About half of the utilised agricultural area is arable land and the other half is mostly permanent grassland. Cattle farming and viticulture are the country's main agricultural activities. There are more than 110,000 farms in Austria, while the average farm manages about 20 hectares of land (EU Commission). Organic farming is incredibly popular in Austria: according to the latest available data (IFOAM), around one-fourth of all its farms are organic and cover over a quarter of the total agricultural area, the highest rate in the EU and the second in Europe after Liechtenstein. Austria benefits from significant subsidies from the European Union provided by the Common Agricultural Policy, consequently, agricultural exports are continuously increasing. The regions of Lower Austria, Styria and Upper Austria are those with the highest number of agricultural and forestry holdings (Statistics Austria).

The industrial sector, which is comprised of SMEs connected to the Central European markets, represents 26.1% of the GDP and employs one-fourth of the active population (26%). The manufacturing sector alone represents 16% of GDP (World Bank). The main industrial sectors are the metal industry, electrochemistry and engineering. Over the past fifteen years, Austria has successfully implemented policies for the economic specialization of each region (Lander): Upper Austria (iron, steel, chemical and mechanical engineering), Salzburg (electrics, wood and paper), Vorarlberg (textile, clothing), Carinthia (wood, pulp and paper industry), Styria (automobiles, manufacturing) and Vienna (financial services). The renewable energies sector, especially hydroelectric power, is booming and its performance has exceeded those of the tourism and construction sectors, while the mechanical engineering sector grew by 140% in the last 20 years, with a pace ten times higher than the euro-area average. According to the Austrian Institute of Economic Research, for 2023 as a whole, industrial production was expected to fall by 2% compared to the previous year.

The services sector dominates the economy, contributing 62.1% of GDP and employing 71% of the country's active population. Every sixth job is provided by tourism, which has a major impact on the country's economy. According to the latest available information from the Austrian Statistical Office, tourism accounts for 2.7% of the country's GDP, with an added value (direct and indirect) of more than EUR 10.8 billion. However, these figures are much lower than the pre-COVID level (5.2% of GDP and EUR 20 billion, respectively). Concerning the banking sector, the Austrian network consists of 520 banks with around 3,420 branches holding EUR 1,197.2 billion in total assets on a consolidated basis (European Banking Federation).

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	3.7	25.6	70.6
Value Added <i>(in % of GDP)</i>	1.3	26.2	62.1
Value Added <i>(Annual % Change)</i>	4.7	3.3	6.2

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Euro (EUR) - Average Annual Exchange Rate For 1 USD	0.94	0.89	0.85	0.89	0.88

Source: World Bank - Latest available data.

FOREIGN TRADE

The Austrian economy is heavily dependent on foreign trade, which accounts for 124% of GDP (World Bank, latest data available). Its trade with the countries of the European Union accounts for almost 70% of its total trade (WTO). According to data from Statistics Austria, machinery and vehicles retained their position as the foremost product group in Austrian international trade during 2022, accounting for 30.8% of imports and 35.6% of exports. Imports in this category experienced an 11.2% increase, reaching EUR 65.72 billion, while exports grew by 12.6%, totalling EUR 69.03 billion. Other prominent export product groups included manufactured goods, which surged by 21.4% to EUR 42.90 billion, chemical products with a 15% increase to EUR 29.08 billion, and other manufactured goods rising by 14.2% to EUR 20.27 billion. Notably, these four product groups collectively represented 83.1% of Austrian exports in 2022. Other major import groups were manufactured goods (16.3%) and chemical products (13.8%). Additionally, there was a substantial rise of 86.0% in imports of fuels and energy, amounting to EUR 25.88 billion.

Germany is by far Austria's privileged partner for both imports and exports. In 2022, Austrian exports to Germany represented 29.9% of the total, while imports accounted for 32.2%. Italy (6.8%), the U.S. (6.7%) and Switzerland (5.1%) were among the main export destinations, whereas for imports China was the second main origin (8.1%), followed by Italy (6.1%) and Switzerland (4.7% - Statistics Austria). The manufacturing industry is well integrated into Germany's value chain. Austria remains therefore dependent on the economic conjuncture in Germany and in other central and eastern European countries. Overall, the EU accounted for 68.6% of exports and 65% of imports in 2022.

Austria imports more goods than it exports: USD 213.7 billion of goods were imported in 2022 (+19.8% y-o-y) as opposed to USD 194.1 billion of exports (+17.2% y-o-y - Statistics Austria). In the same year, exports of services amounted to USD 81.2 billion while imports stood at USD 73.8 billion. Austria's external trade balance has invariably been in surplus since 1999: in 2022, the external balance of goods and services stood at 0.5% of GDP (World Bank), down from 0.9% one year earlier. From January to September 2023, preliminary data from Statistics Austria show that the total value of imported goods reached EUR 153.17 billion, while exports of goods amounted to EUR 149.64 billion. Austrian international trade sustained a downward trend in this period, marked by a more pronounced decline in imports than in exports, resulting in a trade surplus: imports experienced a 4.% decrease, whereas exports registered a 3.4% increase. Consequently, the trade balance deficit narrowed to EUR 3.54 billion, a significant improvement compared to the EUR 14.83 billion deficit recorded in the corresponding period the previous year. In the first nine months of last year, Austria experienced a decline in the value of goods imported from European Union member states, totalling EUR 98.19 billion, reflecting a decrease of 6.4%. Conversely, the value of goods exported to EU countries saw a positive trend, with a notable increase of 2.6% compared to the corresponding period in 2022, reaching EUR 102.21 billion. This resulted in a favourable trade balance with the European Union, amounting to EUR 4.02 billion, marking a significant improvement from the deficit of EUR 5.28 billion recorded in the same period of 2022.

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods <i>(million USD)</i>	193,722	184,758	172,449	219,520	231,941
Exports of Goods <i>(million USD)</i>	184,815	178,670	169,418	202,806	211,392
Imports of Services <i>(million USD)</i>	64,166	65,832	55,620	66,980	73,819
Exports of Services <i>(million USD)</i>	75,862	76,639	64,813	69,876	81,251

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade <i>(in % of GDP)</i>	107.9	107.9	100.2	111.2	120.1
Trade Balance <i>(million USD)</i>	1,401	4,893	3,902	-336	-800
Trade Balance (Including Service) <i>(million USD)</i>	13,271	15,746	12,998	2,508	6,753
Imports of Goods and Services <i>(Annual % Change)</i>	5.3	2.1	-9.2	13.7	5.7

Foreign Trade Indicators	2018	2019	2020	2021	2022
Exports of Goods and Services <i>(Annual % Change)</i>	5.2	4.0	-10.7	9.6	11.1
Imports of Goods and Services <i>(in % of GDP)</i>	52.5	52.1	48.6	55.3	59.3
Exports of Goods and Services <i>(in % of GDP)</i>	55.5	55.8	51.6	55.9	60.8

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	3.6	3.1	3.4	3.0	2.8
Volume of imports of goods and services (Annual % change)	3.5	3.1	3.4	2.9	2.9

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Austria is a member of the following international economic organisations: European Union, ICC, Schengen Agreement, IMF, G-9, WTO, among others. For the full list of economic and other international organisations in which participates Austria click [here](#). International organisation membership of Austria is also outlined [here](#).

Free Trade Agreements

The complete and up-to-date list of Free Trade Agreements signed by Austria can be consulted [here](#).

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
Germany	29.3%
Italy	6.6%
United States	6.3%
Switzerland	5.2%
France	3.9%
See More Countries	48.6%

Main Suppliers <i>(% of Imports)</i>	2022
Germany	38.2%
Italy	6.0%
Czech Republic	4.9%
Netherlands	4.9%
Switzerland	4.7%

Main Suppliers <i>(% of Imports)</i>	2022
See More Countries	41.3%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

President: Alexander VAN DER BELLEN (since 26 January 2017)
Chancellor: Karl NEHAMMER (since 6 December 2021)

Next Election Dates

National Council: 2024
Presidential: April 2028

Current Political Context

The Austrian political landscape has been characterized by increasing polarization in the past few years. After being appointed as leader of the ÖVP by the federal party committee, Karl Nehammer was nominated as chancellor, leading a coalition government formed by the Austrian People's Party and the "Die Grünen" (The Greens). During 2023, the ÖVP has experienced a significant decline in public support, securing only 23% of votes and holding the third position in the summer 2023 polls, in contrast to the 37.5% it garnered in the previous general elections of 2019. Similarly, the coalition partner, the Greens' support dropped from 13.9% during the elections to 10% in the summer of 2023, placing them in fourth position. The national-populist FPÖ has been gaining momentum and is currently heading the polls ahead of the next election scheduled for the autumn of 2024, ahead of the social-democrat SPÖ party. As various possible coalitions have been ruled out, alliances involving three parties, excluding any two of the major parties (FPÖ, SPÖ, or ÖVP), would lack the necessary support to establish a majority coalition.

Main Political Parties

Austria has a multi-party system. The main parties represented in the parliament include:

- Austrian People's Party (ÖVP): centre-right, Christian democratic and conservative
- Social Democratic Party (SPÖ): centre-left,
- Freedom Party (FPÖ): right-wing, nationalist and anti-immigration
- The Greens (GRÜNE): centre-left
- The New Austria and Liberal Forum (NEOS): centre, liberal

Executive Power

The President is the Chief of State, while the Federal Chancellor is the Head of Government. The Federal Chancellor enjoys executive powers. The President is elected by direct popular vote for a six-year term and the Chancellor is traditionally chosen by the President from the majority party in the National Council. The Council of Ministers is chosen by the President on the advice of the Chancellor.

Legislative Power

The legislature in Austria is bicameral. The parliament consists of two chambers: The National Council (the lower

house) whose 183 members are elected by direct popular vote to serve four-year terms, and the [Federal Council](#) (the upper house) whose 61 members are elected by provincial parliaments to serve five- or six-year terms. The President can dissolve the National Council on the recommendation of the Chancellor. The Federal Council only reviews legislation passed by the National Council and can delay but not veto its enactment. Most authority, including that of the police, rests with the federal Government but the states have considerable responsibility for welfare matters and local administration.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

The summary of the EU's economic response to the COVID-19 pandemic is available on the website of the [European Council](#).

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) in Austria, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).