



AUSTRIA

July 2026

2026 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE ALTERNATE EXECUTIVE DIRECTOR FOR AUSTRIA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2026 Article IV consultation with Austria, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its July 8, 2026, consideration of the staff report that concluded the Article IV consultation with Austria.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 8, 2026, following discussions that ended on May 6, 2026, with the officials of Austria on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 24, 2026.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Alternate Executive Director** for Austria

The documents listed below have been or will be separately released*

*Financial Stability System Assessment

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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IMF Executive Board Concludes 2026 Article IV Consultation with Austria

FOR IMMEDIATE RELEASE

- *Economic growth will remain positive in 2026, but slow to 0.6 percent as higher energy prices weigh on consumption. Growth is expected to recover gradually thereafter, with a stronger rebound expected in 2028–2029.*
- *The authorities' 2028 fiscal target of 3 percent is appropriately ambitious, but further consolidation beyond what has been announced so far will likely be needed to achieve it.*
- *Beyond fiscal adjustment, the key priority is to revive productivity growth through domestic and European-level reforms.*

Washington, DC – July 20, 2026: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Austria on July 8, 2026¹. This also included a discussion of the findings of the Financial Sector Assessment Program (FSAP) exercise for Austria.² The authorities have consented to the publication of the Staff Report prepared for this.³

Though a modest economic recovery is underway, new challenges have emerged. The economy emerged from a two-year recession in 2025, with growth reaching 1.0 percent, supported by higher government spending, a recovery in external demand, and a rebound in fixed investment. After the deficit reached 4.6 percent of GDP in 2024, triggering the Excessive Deficit Procedure, the authorities announced a substantial multi-year consolidation with the plan to reach a 3 percent of GDP deficit target in 2028. Thus far, the fiscal adjustment has been somewhat modest, weighed down in part by the backward inflation indexation of wages and social benefits. Meanwhile, after inflation fell substantially in 2025, developments in the Middle East caused pump prices for gasoline to jump roughly 20 percent year-on-year, pushing headline inflation to 3.8 percent in May. Core inflation also rose, reaching 3.3 percent and suggesting some broadening of price pressures.

The war in the Middle East is expected to slow, but not derail, the near-term recovery. Economic growth will remain positive in 2026 but slow to 0.6 percent, as higher energy prices weigh on

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board

² Under the FSAP, the IMF assesses the stability of the financial system, and not that of individual institutions. The FSAP assists in identifying key sources of systemic risk and suggests policies to help enhance resilience to shocks and contagion. In member countries with financial sectors deemed by the IMF to be systemically important, it is a mandatory part of Article IV surveillance. The last FSAP exercise took place in 2020.

³ Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the <https://www.imf.org/en/countries/aut> page.

consumption. A stronger rebound is projected for 2028–2029 as inflation moderates and household savings rates normalize. The economy is then projected to slow again to potential growth of around 0.8 percent by 2031—below the 1.2 percent average of the past decade—reflecting persistently weak labor productivity growth and a shrinking workforce. Meanwhile, CPI inflation is projected to rise to 3.2 percent in 2026, about 1.4 percentage points above the prewar forecast due primarily to the impact of higher energy prices. Inflation is expected to then gradually fall toward the Euro area average as the energy shock dissipates and the impact of wage restraint takes hold. Key downside risks include a more severe energy shock and growing external competition in Austria's key export industries.

The FSAP finds that short-term risks to the Austrian financial sector were low prior to the war in the Middle East and remain contained, with banks demonstrating resilience under severe adverse stress tests. Key risks to the financial sector at the current juncture arise from subdued economic activity, exposure to commercial real estate lending, and potential shocks in the Central Europe and Southeastern Europe region. Financial sector oversight is strong and has been further enhanced in recent years, but additional strengthening is needed, particularly in the macroprudential framework and aspects of institutional governance. The financial safety net would benefit from stronger coordination during normal times and clearer operational arrangements.

Executive Board Assessment⁴

The directors welcomed Austria's recent economic recovery, supported by strong institutions and credible policies, despite repeated external shocks. Noting the rising debt and subdued medium term growth outlook, in the context of demographic headwinds and weak productivity growth, Directors underscored the importance of growth-friendly fiscal consolidation and durable supply-side structural reforms to strengthen resilience and enhance potential growth.

Directors welcomed the authorities' progress on fiscal consolidation and their commitment to achieving a fiscal deficit of 3 percent of GDP by 2028. They generally emphasized that additional measures beyond what has been announced thus far may be needed to achieve this target and put debt firmly on a downward path. Noting Austria's already high revenue ratio, they broadly encouraged greater reliance on durable expenditure reforms, particularly in pensions, healthcare, and subsidies. Directors stressed that support in response to higher energy prices should be targeted and temporary. Ongoing reforms to fiscal federalism should aim to improve transparency, ensure rules-based transfers, strengthen accountability, and advance digitalization.

Directors welcomed the resilience of the financial system and the finding of the 2026 FSAP that short-term financial stability risks are contained. While noting that banks remain profitable, liquid, and well capitalized, they urged continued vigilance on commercial real estate exposures, spillovers from Central, Eastern, and Southeastern Europe, and residential mortgage lending standards. Directors welcomed recent enhancements in financial sector oversight and encouraged implementation of key FSAP recommendations to strengthen the macroprudential and crisis management frameworks, enhance institutional governance and supervisory resources, and improve financial safety net operational arrangements.

Directors underscored that structural reforms are essential to boost productivity and enhance potential growth. They urged further efforts to boost labor supply, improve R&D efficiency, and reduce restrictive domestic regulations. Directors emphasized the need to complete pending energy reforms by accelerating renewable deployment and strengthening energy infrastructure to enhance resilience and competitiveness. Measures to deepen European capital markets are also important.

⁴ At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

Table 1. Austria: Selected Economic Indicators, 2023–27

Population (million):	9.2			Per capita GDP:	\$63,262
Quota (current; millions SDRs/% of total):	3,932 (0.8%)			Literacy 1/	100%
Main products and exports:	Diversified			Poverty rate 2/	15.9%
Key exports markets:	Germany, CESEE				
	2023	2024	2025	2026	2027
				Proj.	
Output					
Real GDP growth (%)	-0.7	-0.8	1.0	0.6	1.0
Employment					
Unemployment (Harmonized) (%)	5.1	5.2	5.7	5.7	5.6
Prices					
Inflation (%)	7.7	2.9	3.3	3.2	2.8
General government finances					
Revenue (% of GDP)	49.7	50.6	50.9	51.1	51.3
Expenditure (% of GDP)	52.3	55.3	55.1	55.2	55.1
Fiscal balance (% of GDP)	-2.6	-4.6	-4.2	-4.2	-3.8
Public debt (% of GDP)	77.8	80.0	81.4	82.3	82.4
Money and credit					
Broad money (% change)	-0.1	3.7	3.7	4.4	3.6
Credit to the private sector (% change) 3/	0.2	0.5	1.0	2.6	3.6
Balance of payments					
Current account (% of GDP)	1.6	1.5	1.9	0.7	0.9
FDI (% of GDP)	1.8	0.0	1.0	1.0	1.0
Reserves (months of imports)	1.2	1.6	2.0	1.8	1.8
External debt (% of GDP)	151.6	154.5	158.7	160.5	160.7
Exchange rates					
REER (% change)	0.6	0.8	...	...	...
Sources: Authorities; and staff estimates and projections.					
1/ Percent of population aged 15-74 with education attainment between pre-primary and tertiary education.					
2/ 2025, at risk of poverty rate after social transfers.					
3/ Households and non-financial corporations. Exchange rate adjusted.					



AUSTRIA

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

June 24, 2026

KEY ISSUES

Context. Austria is a prosperous and stable economy. However, it has structurally weak growth which has been compounded by the pandemic, Russia's war in Ukraine, monetary tightening, and weak German demand. The resulting recession was cushioned by fiscal support, but debt rose sharply, triggering the EU's Excessive Deficit Procedure (EDP) in 2025. Despite a modest recovery, the outlook is again clouded by a rise in energy costs. This context and challenging political landscape narrows the window for reforms.

Outlook. Near-term growth will recover only gradually because of the impact of higher energy prices on demand. A more robust recovery is expected in 2027 as prices moderate and savings rates normalize. Inflation fell in early 2026 as one-off energy-policy effects that boosted inflation through 2025 faded, but new energy shocks will leave near-term inflation elevated. Key downside risks include a more severe energy shock, further global trade tensions, increased fragmentation, and growing external competition in Austria's key export industries.

Policies. The authorities should aim to balance growth-friendly fiscal consolidation with supply-side policies that increase potential growth over the medium term.

- *Near term.* The priority is identifying fiscal reforms which durably reduce the deficit despite rapidly increasing age-related spending pressures. Given the already high tax burden and need to preserve growth-enhancing investment, consolidation should focus on parametric reforms to current spending and streamlining the fiscal federalism structure to increase efficiency. In the financial sector, banks remain stable, but authorities should monitor persistent weaknesses in commercial real estate and re-introduce mandatory borrower-based measures for mortgages.
- *Medium term.* Looking further out, the goal is to increase potential growth which will require supply side reforms at the national and European level. Labor supply constraints call for a lower tax wedge, more child and elder care, increases in the retirement age, better integration of migrants, and a reduction in barriers to labor mobility across the EU. To increase productivity, key steps include more efficient R&D spending, less reliance on imported expensive gas, reductions in excessive domestic regulations, and reforms to deepen Austria's use of European capital markets.

Approved By
**Oya Celasun (EUR) and
 Bergljot Barkbu (SPR)**

The mission took place in Vienna, Austria during April 23-May 6, 2026. The team comprised Mr. Gottlieb (head), Mr. Mohommad, Mr. Adan (all EUR), and Mr. Verma (FAD). The mission met Minister of Finance Marterbauer; Central Bank Governor Kocher; Members of Parliament; officials from Ministry of Finance, Ministry of Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management, the Federal Chancellery, and Financial Market Authority; the Court of Auditors; associations of Länder and municipalities; the Vienna Stock Exchange; major banks; trade unions; think tanks; and other private-sector representatives. Mr. Just and Ms. Koch (OED) joined the meetings. Mr. Celaya, Ms. Mitchell, and Mr. Zhang (all EUR) assisted in preparing the report.

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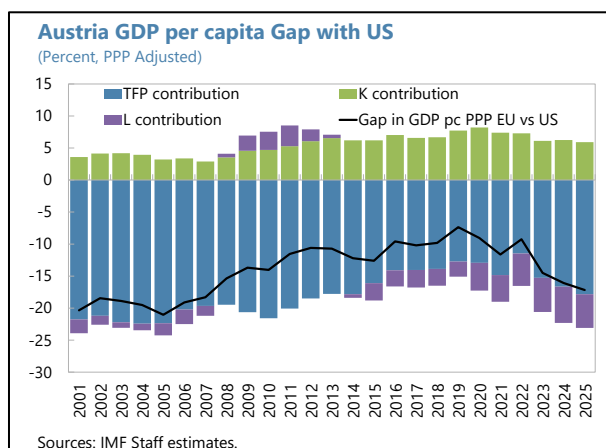
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CONTEXT

1. The Austrian economy is high-income with limited macroeconomic vulnerabilities, but reversing structurally weaker growth requires supply side reforms.

Before the pandemic, Austrian per capita income was converging with that of the US even as it maintained enviable macroeconomic stability. This strong trajectory was derailed by the pandemic, but output quickly rebounded and outsized deficits fell to pre-crisis levels by 2023. Then, Russia's war in Ukraine, Germany's multi-year slump and monetary tightening tipped the economy into a 2-year recession while pushing inflation well above the Euro area average. A return to generous fiscal support cushioned the impact on output, but swelled deficits and debt, triggering the EU's Excessive Deficit Procedure (EDP) in 2025. The priorities are fiscal adjustment amid rising spending pressures and reviving productivity growth through both domestic and European-level reforms.

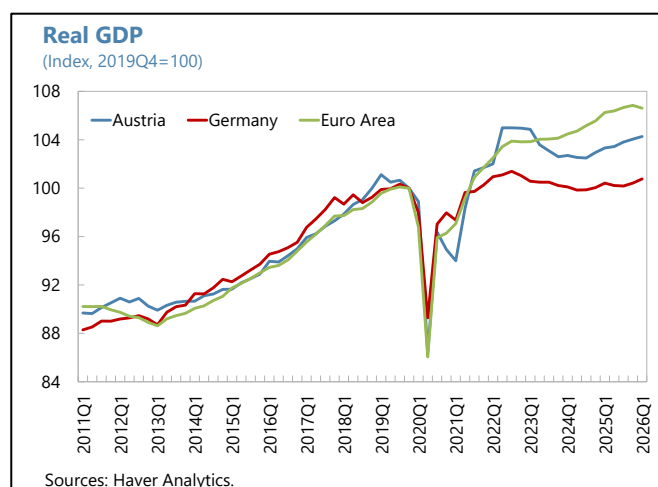


2. A key challenge will be advancing such reforms in the current political landscape.

The three-party coalition – the first since 1945 – is a mixture of center right and center left parties. This government has advanced some important fiscal and energy reforms but ideological differences within the coalition and the rising popularity of the main opposition party, the Freedom Party (FPO), are constraints for some policies.

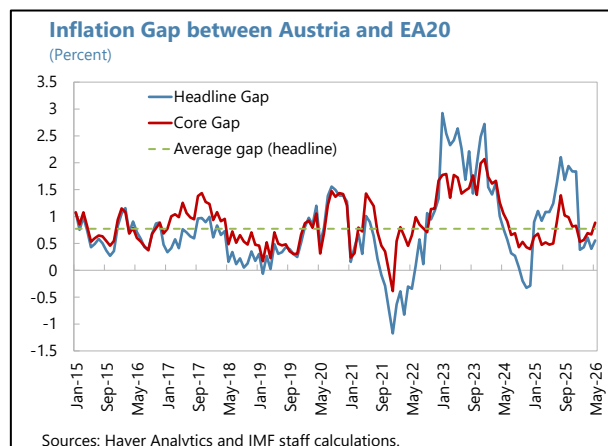
RECENT DEVELOPMENTS

3. After two years in recession, a modest recovery has begun. GDP growth rose to 1.0 percent in 2025, driven by higher government spending, some recovery in external demand, and a rebound in fixed investment after a prolonged slump. The overall fiscal impulse was negative (estimated at about ¼ percentage points) as the authorities began steps toward exiting the Excessive Deficit Procedure. In addition, private consumption growth weakened despite a sharp recovery in real wages. Growth was sufficient to slightly narrow the output gap to 0.5 percent.



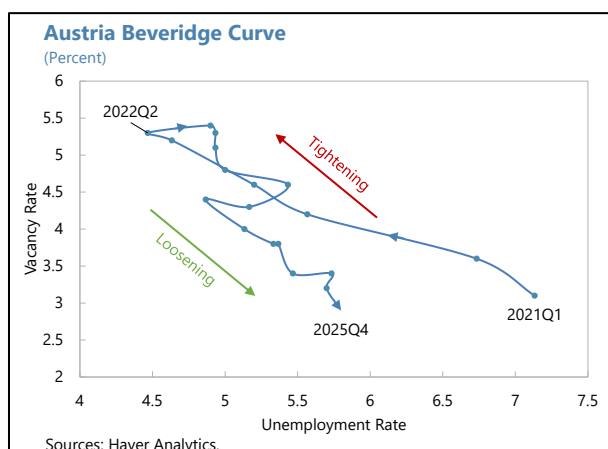
4. Austrian inflation remains high but the gap to the Euro area average has fallen sharply.

For a variety of structural and policy reasons, Austrian inflation has historically run higher than the Euro area average (roughly 0.7 ppts over the past decade). This gap spiked temporarily in early 2025 after Austria removed its energy price brake. But as of early 2026, these one-off effects passed and headline inflation fell to 2.3 percent in February. Recent developments in the Middle East caused pump prices for diesel and gasoline to jump nearly 30 and 20 percent year-on-year, respectively, pushing headline inflation to 3.7 percent in May. The gradual easing in core inflation amid a sizable output gap also reversed, with core inflation rising to 3.2 percent in May, suggesting broader pass-through from the recent energy cost shock.



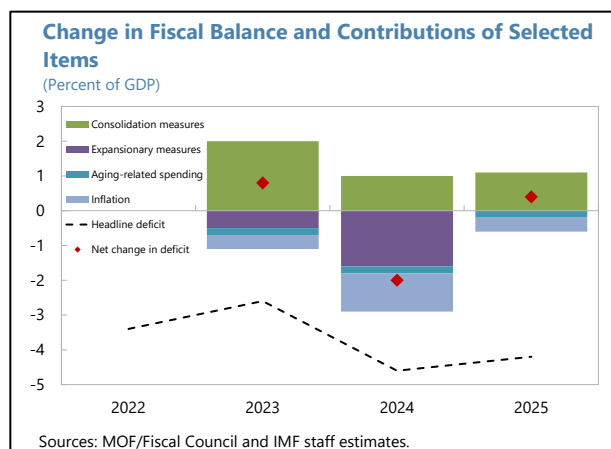
5. Amid persistent slack over the last 2 years, the labor market continues to soften.

Since 2022, the unemployment rate has risen from 4.8 to 5.7 percent in 2026Q1 while the vacancy rate has fallen from 5.5 to 3.2 percent. Wage growth initially surged during this period (reaching 10 percent in nominal terms at end-2023) but largely due to backward inflation indexation which drove the labor share of income to 58 percent, the highest since 1997. With the decline in inflation over 2024-25 and rising labor market slack, wage growth declined to 3 percent in 2025.



6. The authorities have only marginally reversed the significant fiscal loosening in 2024.

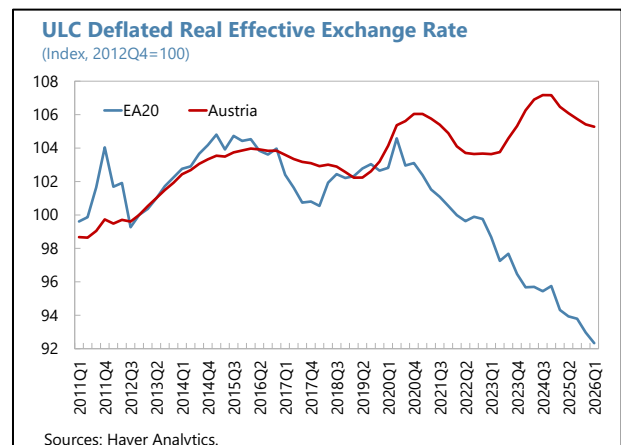
By removing crisis era measures, the authorities reduced the deficit from 8.2 percent of GDP in 2020 to 2.6 percent of GDP in 2023. But in 2024, the deficit almost doubled to 4.6 percent of GDP because of both discretionary loosening and the automatic indexation of key expenditures to past inflation. After this loosening triggered the EU's Excessive Deficit Procedure, the authorities adopted 1.2 percent of GDP in measures (mainly current spending cuts) for 2025. Despite this adjustment and a recovering economy, the overall deficit in 2025 improved by only 0.4 percent of



GDP because of offsetting factors including backward inflation indexation for wages and social benefits, increases in age-related spending, and higher net interest expenditure.

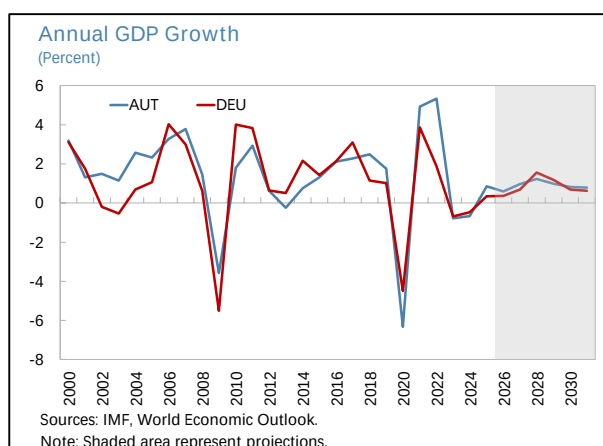
7. Despite the difficult macroeconomic backdrop of recent years, the financial sector has remained stable. Weak growth and high policy rates only marginally weighed on asset quality with aggregate NPLs rising from 2 percent in 2023 to 3 percent in 2025. Meanwhile, the higher policy rates, both in the Euro zone and across Austrian banks' CESEE exposures, sharply increased net interest margins, driving record profits and helping banks increase CET1 capital to 18-19 percent of risk weighted assets. One area of concern remains commercial real estate (CRE—accounting for more than 40 percent of total loans to non-financial corporates): NPLs climbed to almost 8 percent in 2025 following the sharp rise in materials and borrowing costs. In response, the authorities are gradually increasing the sectoral systemic risk buffer on CRE exposures from 1 percent to 3.5 percent (to be completed by July 2027) and have released a CRE dashboard to increase transparency on market conditions and credit standards.

8. Austria's external position is broadly in line with fundamentals and desired policy settings. The current account has remained broadly unchanged with surpluses on the order of 1.5-2 percent of GDP even though unit labor costs have risen relative to trading partners. It has also seen a sharp fall in its public savings with the widening in the fiscal deficit. The external position in 2025 is assessed to be broadly in line with the estimated norm warranted by fundamentals and desirable policy settings (2.1 percent of GDP), with the current account gap estimated at 0.3 percent of GDP adjusting for cyclical effects. The real effective exchange rate has appreciated 10 percent since the global financial crisis. Moreover, in the more recent period, Austria has lost competitiveness relative to the Euro area primarily because of the more widespread indexation of wages to past inflation. In 2025, the REER is judged to be overvalued by 0.8 percent (Annex I). Recent multi-year wage negotiations in the public and private sector have committed to below-inflation increases and may increase external competitiveness.



OUTLOOK AND RISKS

9. The war in the Middle East is expected to slow, but not derail, the near-term recovery. Based on outturns and energy price expectations as of May, the macroeconomic impact of the energy shock is projected to be more limited than in 2022. CPI inflation is projected at 3.2 percent in 2026, about 1.4 percentage points higher than the pre-war forecast. Higher petrol prices are expected to weigh on real income growth and limit private consumption, lowering projected growth in 2026 by about 0.5 percentage points to 0.6 percent.

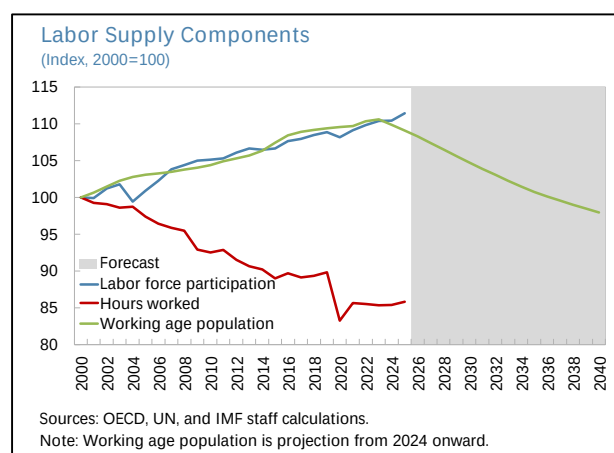


Text Table 1. Summary of Key Forecasts 2024-2031
(Annual percent change, unless otherwise indicated)

	2024	2025	2026	2027	2028	2029	2030	2031
	Projections							
Real GDP	-0.8	1.0	0.6	1.0	1.2	1.0	0.9	0.8
Consumer prices (avg)	2.9	3.3	3.2	2.8	2.1	2.1	2.1	2.1
Net lending/borrowing (% GDP)	-4.6	-4.2	-4.2	-3.8	-3.6	-3.5	-3.5	-3.5
Current account (% GDP)	1.5	1.9	0.7	0.9	1.2	1.5	1.7	1.9

Sources: Authorities' data, and IMF staff estimates and projections.

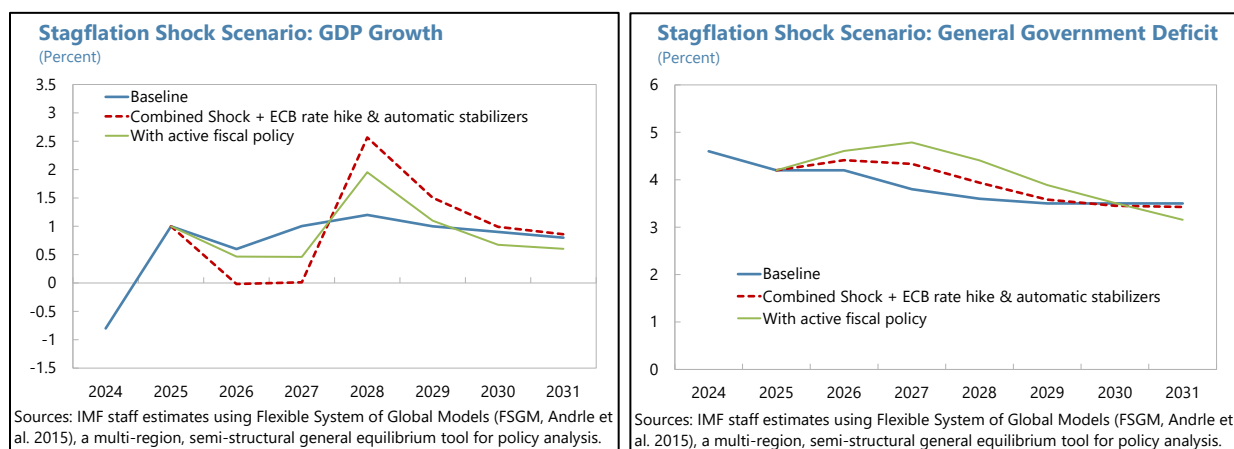
10. Over the medium term, growth is projected to slow, reflecting demographic headwinds. Despite continued fiscal consolidation, growth is expected to strengthen to about 1.2 percent by 2028, partly because a normalization in energy prices will support a recovery in domestic and external demand. However, the economy is then projected to slow again to potential growth of around 0.8 percent in 2031—below the 1.2 percent average of the past decade—reflecting persistently weak labor productivity growth and a shrinking workforce (on top of downward pressures on working hours).



11. Downside risks are mainly external. In the near term, a deeper or more persistent disruption to energy markets could further squeeze private consumption and weigh on corporate profitability, potentially dampening investment, including in green technologies critical for reducing vulnerability to future energy shocks. Over the medium term, risks stem from fragmentation and growing external competition in Austria's key export industries. While wage restraint and specialization in niche export segments are currently assumed to broadly protect Austria's export

market share, this may prove insufficient—particularly if German industry struggles to adapt to rising pressures from protectionism and lower-cost producers.

12. The primary downside scenario of concern is a sharp intensification of the stagflationary shock from the Middle East conflict. Staff has modelled a scenario in which oil prices double in mid-2026 relative to the current WEO baseline and remain elevated through 2027. This shock reduces foreign demand, triggers a rise in inflation expectations, and an increase in borrowing spreads. The monetary policy response (an estimated hike of 75bps) is partially softened by fiscal policy (automatic stabilizers and temporary loosening of 0.7 percent of GDP) before the authorities resume fiscal consolidation in the outer years. In this scenario, there is a permanent loss to output but economic growth gradually returns to trend. In addition, public debt reaches above 90 percent of GDP in the medium term.



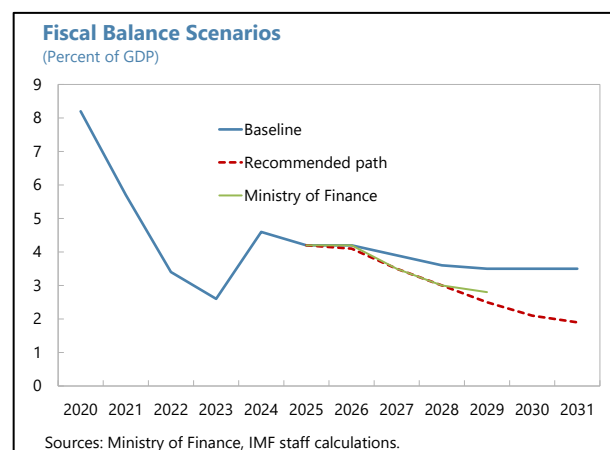
Authorities' Views

13. The authorities broadly shared staff's view regarding the outlook for growth and inflation through the medium term. They emphasized that economic developments had improved by early 2026, with stronger growth and slower inflation. However, with the energy shock, they have revised their near-term growth and inflation projections by similar magnitudes as staff. On inflation in particular, the authorities argued that Austria's vulnerability to external energy shocks had been reduced (longer contracts, more renewables, and changes in firms' pricing behavior) but acknowledged considerable downside risks if the energy disruption proved more severe. Looking over the medium-term, the authorities emphasized the challenges of an aging workforce: they felt that ongoing increases in the retirement age of women and recent pension reforms (e.g. changes to the "corridor pension") would support labor force participation. The authorities also highlighted that the restraint in recent private sector wage settlements would help restore export competitiveness after several years of large increases. However, they acknowledged that measures to lift weak productivity growth are a necessity to boost competitiveness long-term.

POLICY DISCUSSIONS

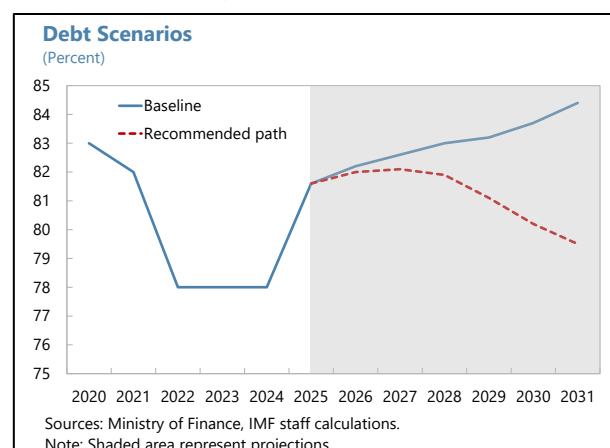
A. Fiscal Policy

14. The fiscal balance is projected to remain unchanged in 2026. The fiscal deficit is expected to remain just above 4 percent of GDP, reflecting three factors. First, consolidation measures in the 2025–26 dual budget were largely front-loaded, leaving only about 0.6 percent of GDP in additional measures for 2026. Second, a series of offsetting items—including higher aging-related spending, interest costs, and defense outlays, as well as lower revenues from cuts in energy- and food-related taxes—are expected to weigh on the fiscal balance. And third, economic growth is no longer accelerating, as higher prices weigh on private consumption. While the still-weak cyclical position—reflected in an output gap of around 1 percent of potential GDP—argues for some caution, additional deficit reduction would nonetheless have been appropriate.



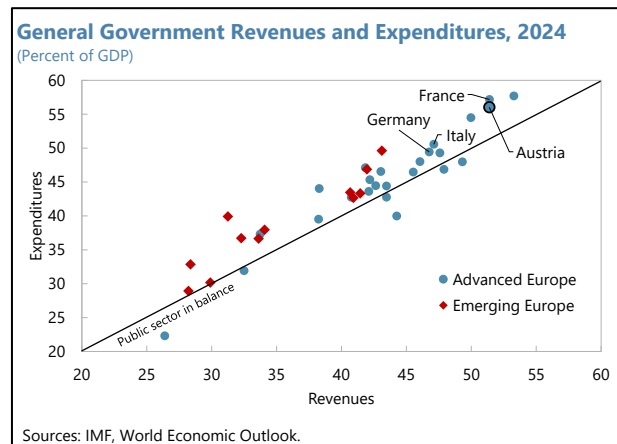
15. Measures to mitigate the impact of higher energy prices should be fair, cost-effective, and consistent with Austria's energy security objectives. The most effective response to the current shock is targeted income support for vulnerable households. This approach preserves price signals, encourages energy conservation, and limits fiscal costs. By contrast, the response to date—both in Austria and in many European countries—has relied mainly on broad-based tax reductions. Although the fiscal cost in terms of foregone revenue has so far been contained, in part due to counter-financing measures (e.g., special distributions and reserves from state-owned energy companies), experience suggests that such measures can expand over time and be difficult to unwind.

16. Looking beyond 2026, the deficit targets in the 2027–28 budget are appropriate but further consolidation will be needed. The authorities' objective of reducing the deficit to 3 percent of GDP by 2028 is a reasonable near-term target which balances debt and growth considerations. However, measures announced thus far do not appear sufficient to reach this target: staff projects the deficit will only fall to 3.6 percent of GDP in 2028 largely because 0.4 percent of GDP in assumed adjustment at the sub-national level has not yet been detailed in concrete measures. It is also important to underscore that to put debt on a firm



downward path and rebuild fiscal buffers, further consolidation after 2028—bringing the deficit to around 2 percent of GDP by 2031—is needed. While public debt of around 80 percent of GDP is not yet at alarming levels - particularly given near-zero real interest rates - fiscal space should be preserved for major shocks and growth-enhancing investment rather than absorbed by rising current spending.

17. Setting aside the size of the adjustment, the composition of the planned 2027–28 measures could be strengthened to limit adverse growth effects and enhance credibility. The projected reliance on revenue measures—around half of the adjustment—is arguably too high given that Austria already has the third-highest revenue ratio in Europe. In addition, while the planned expenditure restraint appropriately focuses on current rather than capital spending, it relies mainly on non-parametric measures—such as temporary changes to indexation—when it should also include more durable reforms to the benefits system such as changes to the structure of pension and healthcare benefits, along with lowering the public sector wage bill and rationalizing subsidies.¹



Text Table 2. Fiscal Consolidation Measures in Staff Baseline
(Percent of GDP)

	2026	2027	2028	2029	2030	2031	Total
Expenditure measures	0.3	0.2	0.3	0.2	0.1	0.1	1.3
Pension adjustments and reforms	0.1	0.1	0.1	0.1	0.1	0.1	0.6
Salary renegotiation and hiring freezes	0.1	0.1	0.1	0.1	...	...	0.5
Other (sum of measures less than 0.1)	0.1	...	0.1	...	...	...	0.3
Revenue Measures	0.3	0.3	0.2	0.1	0.1	0.1	1.1
PIT saving part of the cold progression gains	0.1	0.1	0.1	0.1	0.1	0.1	0.3
Increased social insurance contribution	0.1	0.1	...	...	...	...	0.3
Other (sum of measures less than 0.1)	0.1	0.1	0.1	...	...	...	...
Total	0.6	0.6	0.5	0.3	0.3	0.2	2.5

Sources: MOF and fiscal council, IMF staff estimates.

18. Turning to fiscal structural reforms, we strongly welcome the authorities’ forthcoming review of the institutional design of fiscal federalism. Since the pre-COVID period, the ratio of sub-national government (SNG) expenditure to GDP has risen by around 2 percentage points of GDP, reflecting higher spending on health, education, and social protection. This increase has been financed through both higher sub-national deficits and larger transfers from the central government.

¹ See Austria [Article IV Staff Report 2025](#).

While aging-related costs and healthcare inflation are placing upward pressure on expenditures, the complex design of Austria's fiscal federalism is also likely weighing on the efficiency of this spending (Box 1). In this context, Staff welcome the upcoming Austrian Reform Partnership, which aims to increase efficiency in the federal system by clarifying responsibilities, simplifying transfers, and aligning money with tasks. We recommend that four principles be considered in the design of the reforms:

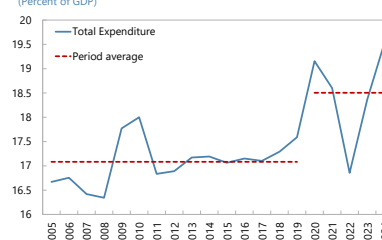
- **Transparency** – It is encouraging that the nine Länder (including Vienna) are now required to submit and publish disaggregated fiscal results monthly. This requirement should be extended to the remaining sub-national entities which account for 50 percent of SNG spending. In addition, the data should be published in a central and easy to navigate way.
- **Rules-based** – Austria currently has a rules-based system to determine the amount and distribution of tax revenue to the subnational governments. However, this system is often complemented by ad hoc negotiated transfers to address apparent additional spending needs which increase the likelihood of fiscal slippages.
- **Accountability** – At present, there is substantial functional overlap where several different levels of government share responsibilities for one particular activity such as policy planning, financing, or execution. Such overlap should be minimized to preserve incentives for expenditure efficiency.
- **Digitalization** - Systematic use of digital tools (including artificial intelligence), data platforms, and interoperability to make revenue collection, spending, transfers, and oversight across levels of government more transparent, timely, and efficient.

Box 1. Austria: Fiscal Federalism in Austria

There has been a sharp rise in spending at the sub-national level of government (SNG). Relative to the pre-pandemic period, SNG spending has risen from an average of 17 to almost 19 percent of GDP (see chart). This is driven largely by higher spending on health but also social protection and education. The underlying causes are some mixtures of temporary shocks (pandemic), macro (inflation), structural (aging), and some decline in spending discipline (suspension in fiscal rules).

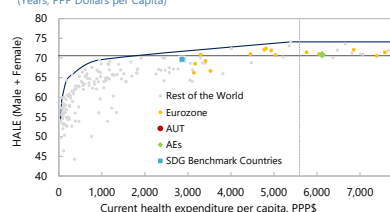
An added concern is that the efficiency of much SNG spending appears to be low. For example, health spending per capita in Austria is one of the highest in the OECD and yet the outcomes are broadly similar to countries that spend 40 percent as much. Similar efficiency gaps are found in education, long-term care, and subsidy programs. The fiscal implications of such inefficiency are now rising sharply with demographic change.

Sub-National Government Spending
(Percent of GDP)



Sources: Statistik Austria and IMF staff calculations.

Health Spending Efficiency
(Years; PPP Dollars per Capita)



Sources: WHO GHO, IMF, Health Assessment Tool.

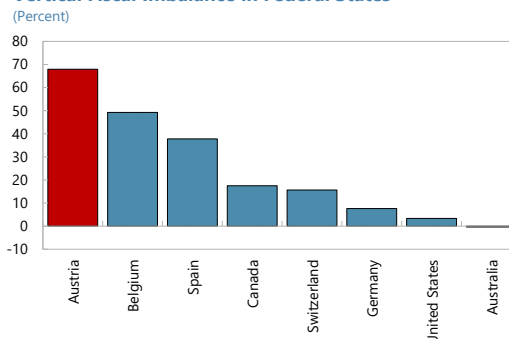
Note: Includes both public, private and external expenditures. The SDG benchmark countries are based on SDG Health Costing Tool benchmark of high performing countries based on their per capita income.

Box 1. Austria: Fiscal Federalism in Austria (Concluded)

While there are many reasons for these fiscal concerns, the structure of Austria's federal system is characterized by two "imbalances" which may be exacerbating them.

- First, there is a very large vertical fiscal imbalance: SNGs account for 35 percent of total spending but only 10 percent of revenues. This lack of revenue autonomy means that SNGs do not directly internalize deficits.
- And second, there is an imbalance between policy design and implementation, with roles distributed across different layers of government and substantial overlap, undermining accountability.

Vertical Fiscal Imbalance in Federal States



Sources: OECD and IMF staff calculations.

Note: Vertical fiscal imbalance = $1 - [(SNG \text{ own revenue}) / (SNG \text{ own expenditure})]$.

Recent changes to the stability pact may help reduce these SNG fiscal concerns.

Austria uses an internal stability pact to translate EU fiscal rules into fiscal rules for each level of the Federal government (federal, state and municipality). The most recent update (late 2025) aims to tighten this framework by creating a clearer allocation of fiscal space (moving in the medium term to 76 percent federal, 24 percent subnational), tightening reporting requirements (now monthly reporting of subnational fiscal data), and committing to allocating EU level fines for missing fiscal targets to the violating entity.

But several gaps in the framework remain. The imbalances (funding, responsibilities) in the federal system mentioned above which undermine incentives remain largely unaddressed. Enforcement may not be materially tougher in practice (SNGs can still negotiate larger transfers, EU-level fines may not be levied). Information collection for monitoring is still incomplete. And it does not get at the heart of rising spending pressure which requires parametric change in benefit structures.

Authorities' Views

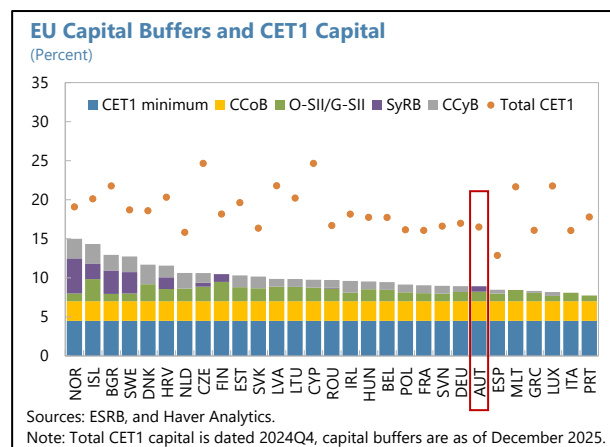
19. Authorities emphasized that announced measures were sufficient to exit the EDP but agreed further consolidation would be needed over the medium-term. They emphasized that they had over-performed their fiscal targets in 2025 and that progress would, if at all, stall this year only because of the impact of the war in the Middle East. Looking ahead, the authorities believed that measures announced so far as part of the proposed two-year budget were sufficient to reach their 3 percent of GDP deficit target in 2028. In response to staff's more conservative estimates of consolidation at the state and municipal level, the authorities argued that the commitments in the recent Stability Pact were credible even if detailed measures on the subnational government level will not be specified until later this year. They also acknowledged staff's call for parametric reforms to the social welfare system and pointed to the so-called "sustainability mechanism" in the pension system which commits them to such reforms if specific savings are not reached by ongoing reforms by the year 2030-31. But the authorities indicated they felt they could reach a sustainable fiscal deficit without further reforms. In particular, they pointed to plausibly permanent savings from recent below-inflation adjustments in wages and pensions and argued that the forthcoming reforms to the fiscal federalism system ("Reform Partnership") would reduce the cost of health service delivery without reducing benefits. Nonetheless, the authorities shared staff's view that the fiscal costs of

aging – in particular relating to health and long-term care – would remain challenging and further consolidation would be needed beyond 2028.

B. Financial Sector Policy

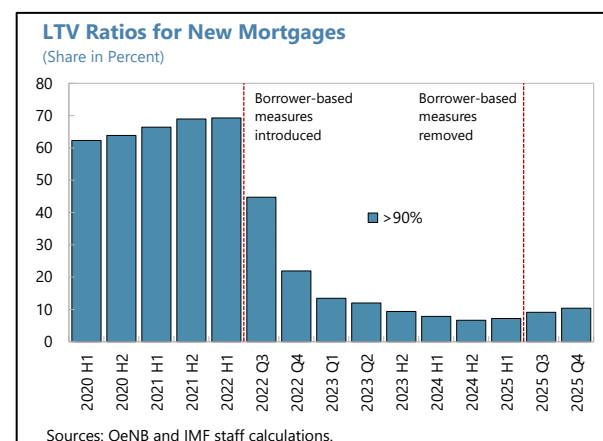
20. The Financial Sector Assessment Program (FSAP) found that short-term financial stability risks remain contained even following the outbreak of conflict in the Middle East.²

Despite domestic and external headwinds, the banking sector remains well capitalized, highly profitable, and liquid. Stress tests confirm that (i) system-wide capital ratios stay well above regulatory requirements even under severe but plausible adverse scenarios, and (ii) banks can withstand significant liquidity outflows. Going forward, prolonged economic downturn, further deterioration in the CRE exposures, and potential for negative spillovers from the CESEE region are the main sources of risks to the financial sector. However, recent data suggest the deterioration in CRE assets may have peaked with declining default probabilities, fewer loans with deferral measures, and falling impairment ratios. Moreover, the banking system's broad geographic exposure also provides diversification benefits. Finally, in the non-bank sector, while risks are currently limited, they warrant monitoring given their interconnectedness with banks, and CRE and CESEE exposures. The authorities should continue to monitor these risks closely and stand ready to adjust financial sector policies as needed.



21. Recent improvements to Austria's already strong financial sector oversight are welcome, but further strengthening is warranted.

The new commercial and residential real estate data dashboards represent an important step forward in the ability of policy makers and the broader public to monitor risks in two systemically important sectors of the economy. The residential real estate dashboard suggests that some banks began relaxing lending standards on residential mortgages immediately after mandatory standards were replaced by voluntary guidelines in July 2025. This development warrants close monitoring. In the meantime, we see two areas for further action:



² While the FSAP assessment of low financial stability risks predates the war in Iran, it remains relevant as it is based on stress scenarios that are more severe than the 2026 Spring WEO severe scenario (see Austria Financial Sector Stability Assessment 2026, ¶15).

- Regarding macroprudential policy, there is merit in increasing the voting power of the central bank at the Financial Market Stability Board given that it has the expertise and mandate for macroprudential supervision, adjust the legal framework to allow for precautionary action for binding borrower-based measures and reintroduce them as a permanent structural tool.
- Conduct a forward-looking, joint assessment of staffing and budget needs for the supervision of less significant institutions across the FMA and OeNB to safeguard supervisory effectiveness and crisis preparedness.

22. The FSAP recommends further aligning the financial safety net with international standards. A standing inter-agency crisis management forum should be set up to coordinate national contingency planning and respond to stressed institutions or emerging crisis events. The deposit insurance system (DIS) should be strengthened by (i) shifting to quarterly contributions; (ii) prohibiting placing funds with member institutions; (iii) removing provisions that allow the DIS funds to be used for the Institutional Protection Schemes, and (iv) establishing a credible public-sector backstop to support DIS liquidity when private sources are insufficient or delayed, accompanied by appropriate safeguards.

Authorities' Views

23. The authorities view financial stability risks as contained particularly after the recent changes in macroprudential policies. They emphasized that the high profitability of the banking system reflected diverse income streams (particularly exposure to CESEE) and had supported capital accumulation well above required levels. The authorities recognized that risks persisted in the commercial real estate sector but felt that 1) the deterioration in asset quality stemmed from the high supply during the period 2015-2022, a particularly large shock to materials costs and interest rates that hit commercial real estate businesses 2) the banking system had absorbed the deterioration in CRE asset quality well and 3) the ongoing increase in the sectoral risk buffer and the new dashboard for monitoring the sector would guard against future risks. Regarding residential mortgages, the authorities generally felt that the macroprudential framework was adequate to prevent declines in lending standards in the manner seen in the past. They recognized that the bar for establishing the presence of systemic risk to enable re-introducing mandatory measures was high but felt that banks' recent experience and more public reporting would strengthen discipline among banks. Moreover, the authorities argued that it was premature to view the apparent renewed deterioration in lending standards reported in the new monitoring dashboard since 2025Q3 as a material concern, but they would continue to watch it closely. Finally, the authorities noted that Austria's deposit insurance schemes fully complied with EU directives.

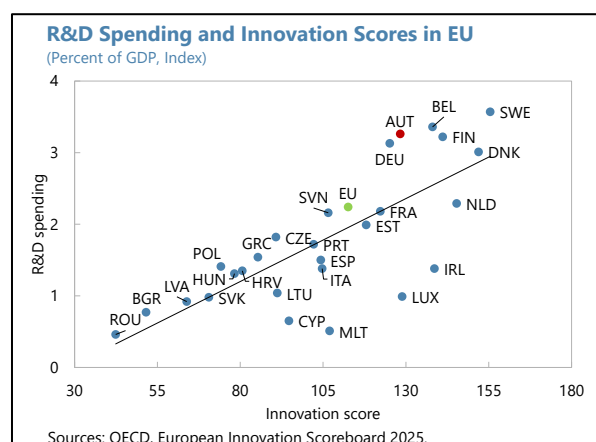
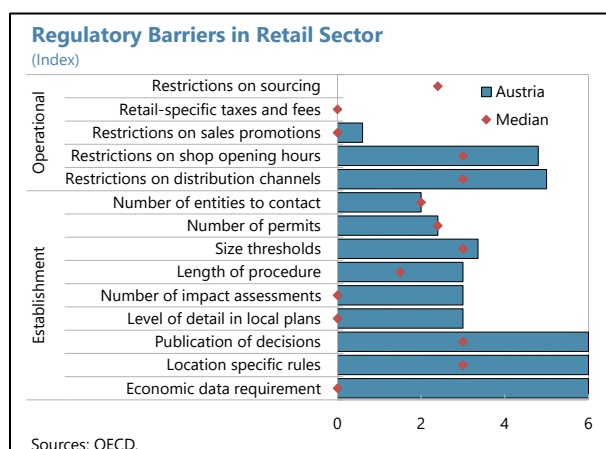
C. Structural Policies

24. Reforms to raise potential growth are essential while preserving macroeconomic stability. Priority actions include the following:

- *Continue efforts to boost labor supply.* Labor force participation has increased particularly among women, following earlier reforms to increase women's retirement age and recent expansion of

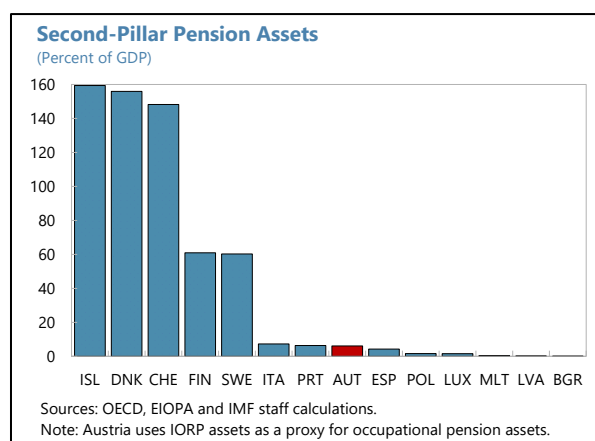
childcare. These reforms should continue by further expanding childcare. Further, raising the effective male retirement age (among lowest in Europe), while continuing efforts to integrate immigrants (enhance language skills, literacy, and recognition of professional credentials) will help boost labor supply. Moreover, Austria would benefit from recent reform proposals at the European level to advance mutual recognition of professional qualifications and portability of pension benefit rights.

- Reduce restrictive domestic retail regulations.* Retail prices in Austria remain higher than in neighboring countries, even after controlling for differences in taxes and income levels. While multiple factors may play a role, comparatively restrictive retail regulations are a likely contributor. These include constraints on both business entry—such as location-specific rules and professional licensing—and operations, including shop-opening hours. Easing these restrictions would strengthen business dynamism by encouraging entry and exit and reallocating activity toward more efficient firms, thereby supporting higher productivity growth over time.
- Improve the efficiency of research and development (R&D) spending through better-targeted fiscal incentives.* Austria has the third-highest R&D spending in Europe, amounting to over 3 percent of GDP, reflecting highly generous fiscal incentives. However, innovation outcomes, as measured by the European Innovation Scoreboard, underperform relative to what this level of spending would predict. One factor is that a large share of the tax incentive accrues to mature firms, even though evidence suggests that young firms tend to drive innovation. Targeted changes to the design of the R&D tax premium could improve efficiency while limiting abuse. In particular, shifting from a flat, scale-based premium toward a front-loaded, growth-oriented incentive—rewarding increases in R&D spending, especially R&D wages, and delivering support earlier in cash—would better align incentives with firms' liquidity needs and experimentation rather than firm size or age.
- Deepen and better integrate European capital markets.* Investment in Austria is currently financed largely through retained earnings or bank credit, which suits traditional outlays such as



machinery replacement and real estate. However, this financial model is not ideal for riskier investments in innovation, intangibles, digitalization, or large-scale green projects that require equity and patient capital. While Austrian firms report few financing constraints, this largely reflects the current structure of firms and the nature of investment they undertake, rather than the structure needed for a more innovative economy. Expanding access to EU-wide venture capital, private equity, and public equity markets would facilitate the type of firms and investment needed to increase productivity growth. This involves two main types of reforms:

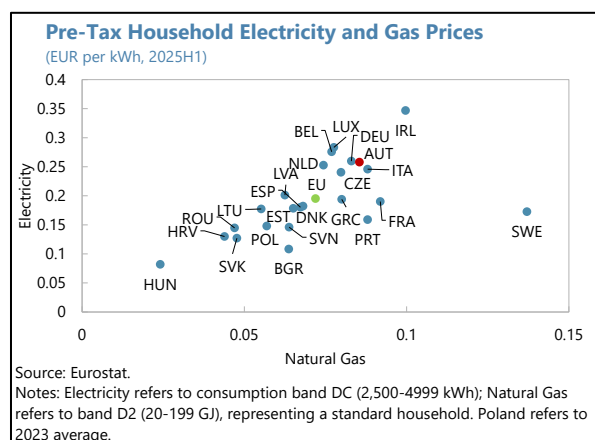
- *Domestic reforms* – Europe will not achieve deep capital markets until European households are more willing to hold capital-market assets. Policy can help by making it easier and more attractive for households to reallocate savings from low-yielding deposits and illiquid real estate toward diversified, cross-border financial assets that better preserve purchasing power over time. A natural entry point



is retirement saving, given its long-term horizon. Increasing participation in the second-pillar pension system—which currently covers only about 25 percent of employees—would support this shift, even if its primary purpose remains supplementing retirement income. For the second pillar to grow sustainably, investment guidelines are critical: products should be low-cost, well diversified, and highly liquid, while allowing modest exposure to private equity and venture capital where consistent with liabilities and risk-bearing capacity.

- *EU level reforms* – The ultimate goal is that savings throughout Europe can be easily allocated to the most promising opportunities regardless of their location and without home bias. EU level reforms to the capital market infrastructure can help make this happen but require member state support. Three such reforms are: First, reduce legal and regulatory fragmentation through initiatives such as the 28th regime with common insolvency rules and company law. Second, increase the capacity and responsibility of European level supervision of capital markets (ESMA) for key market infrastructures, large cross-border asset managers, and systemically important market activity. And third, advance market integration initiatives including enhanced passporting for trading venues, a Pan-European Market Operator (PEMO) status, and streamlining cross border distribution of investment funds.

- *Complete pending energy sector reforms.* Despite a high share of renewables in electricity generation (about 87 percent) and strong energy security supported by ample cross-border interconnections and storage, Austria continues to face relatively high energy prices compared with the rest of Europe. This partly reflects a still-low level of electrification—around 20–25 percent of total energy demand—which leaves the economy reliant on costly imported gas and oil.



Reduced taxes and levies on electricity have helped to lower electricity prices to be close to the EU average since 2022. Going forward, lower natural gas prices should help lower electricity prices; however, the costs of grid expansion would likely add to retail prices for households and firms. Recently approved reforms, including the New Electricity Act, should help lower costs by supporting smart metering and statutory dynamic pricing, simplifying supplier switching—currently very limited among Austrian households—and enabling more flexible grid access for energy providers. One remaining priority is passage of the Renewable Energy Expansion Acceleration Act. Adoption of the Act, which requires a two-thirds parliamentary majority, would significantly shorten lengthy project approval processes—currently up to six to eight years—by designating renewable-energy acceleration areas in each of the Länder. Another priority is moving ahead with the EU “Grids Package”, which fast-tracks cross-border electricity and hydrogen infrastructure, tightens permitting deadlines and prioritization for grid projects, and aligns national connection and planning rules with EU-wide best practice, easing key bottlenecks to electrification and renewables integration.

Authorities’ Views

25. The authorities broadly agreed with staff’s diagnosis of the challenges but often emphasized different priorities as solutions.

- They acknowledged staff’s concerns about the level of domestic regulation and shared the view that Austria has relatively high retail price levels compared to peers, particularly in sectors such as grocery retail. However, in addressing these price pressures, the authorities place greater emphasis on improving enforcement—such as strengthening the national competition authority and advocating for EU-level action to address cross border competition issues such as territorial supply constraints—and enhancing transparency, including through proposed price monitoring databases, rather than on staff’s focus on deregulation (e.g., protected professions, zoning, shop hours).
- The government’s Industry 2035 strategy aligns with staff’s assessment that the overall level of R&D spending is sufficient but that its effectiveness is relatively low. The authorities also agree that the effectiveness of the R&D tax premium can be improved; however, their current

proposals focus primarily on tightening the targeting of the credit—by narrowing eligibility, sharpening the definition of qualifying R&D, and strengthening verification—rather than on shifting the incentive structure of the policy as emphasized by staff.

- The authorities shared staff's view on the benefits of greater capital market exposure for both household assets and corporate financing. To advance this objective, they are also proposing measures to increase participation in pillar 2 pensions and to catalyze investment in venture capital and private equity through a state-backed fund-of-funds. Regarding proposals for a Savings and Investment Union, the authorities remain supportive in principle while noting the already significant cross-border exposure of the Austrian financial system across banking, equity markets, and investment funds.
- On energy, the authorities agreed that substantial progress has been made, noting in particular that electricity generation from photovoltaics has increased fourfold since 2022. They also emphasized that the pending New Electricity Act, currently before parliament, will be critical to sustaining this momentum. Finally, the authorities agreed with staff's support for advancing an Energy Union at the European level, while highlighting that Austria's extensive cross-border interconnections—although beneficial for efficiency—also increase exposure to external shocks in neighboring markets such as Germany.

STAFF APPRAISAL

26. A modest economic recovery is underway but is subject to significant headwinds. The recovery is likely to remain subdued in the near term. The new energy shock is expected to slow, though not derail, the recovery by raising inflation, weighing on real incomes and dampening private consumption and investment. The outlook is subject to external downside risks, including a more persistent energy shock, greater trade fragmentation, and weaker external demand. Over the medium term, growth should strengthen somewhat as domestic and external demand respond to past monetary easing and lower energy prices, but it is then projected to ease back toward weak potential growth weighed down by demographic headwinds and low productivity growth, absent significant structural reforms.

27. A stronger and better-quality fiscal adjustment is needed to rebuild buffers. The deficit is projected to remain above 4 percent of GDP in 2026, reflecting front-loaded adjustment in 2025, higher age-related and interest spending, and weaker growth. In this context, any measures to cushion higher energy prices should be targeted, temporary, and preserve price signals. Looking ahead, the authorities' goal of reducing the deficit to 3 percent of GDP by 2028 is appropriate, but further consolidation will likely be needed both to reach that target and to place debt firmly on a downward path. Given Austria's already high revenue ratio, which places a burden on employment income, future adjustment should rely more on durable expenditure reforms in particular on pensions and healthcare, than on additional broad-based taxation. Further, on-going reforms to fiscal federal relations should focus on strengthening transparency and centralized reporting,

reducing reliance on ad hoc transfers through a more rules-based system, clarifying spending responsibilities to strengthen accountability, and advancing digitalization to improve efficiency across levels of government.

28. Financial stability risks are contained, but continued macroprudential vigilance and stronger institutional tools are needed. Austrian banks remain profitable, liquid, and well capitalized, and recent stress testing suggests that short-term systemic risks are low. However, the combination of weak activity, elevated uncertainty, and ongoing weakness in commercial real estate means that risks could re-emerge quickly. The gradual increase in the sectoral systemic risk buffer on CRE exposures and the launch of new real estate dashboards are welcome. At the same time, the authorities should restore precautionary borrower-based measures for residential mortgages on a permanent structural basis and remain vigilant on deterioration in residential lending standards after the shift from binding borrower-based measures to voluntary guidance. Austria has strengthened its AML/CFT legal and regulatory framework including on beneficial ownership transparency and financial sector supervision and should continue to make progress on shortcomings identified in the latest FATF Mutual Evaluation Report (Annex IV, Annex XI).

29. Structural reform remains essential to lift potential growth and preserve living standards. With the working-age population set to shrink and productivity growth having slowed materially, stronger medium-term growth requires reforms to boost productivity. Domestically, reform priorities are to reduce restrictive retail regulation to strengthen competition and business dynamism, improve the efficiency of R&D support by better targeting the R&D tax credit to improve its efficiency. Completing pending energy reforms—notably by accelerating renewable deployment and easing permitting bottlenecks—will reduce vulnerability to imported fossil fuels and increase resilience. At the EU level, Austria should support efforts to deepen and broaden the EU single market, including to better integrate capital markets to help channel savings toward higher-productivity investment, and reduce legal and regulatory fragmentation that hinder rapid scale-up of high growth firms. In parallel, measures that encourage households to reallocate savings toward diversified long-term financial assets, including through stronger second-pillar pensions, would support both adequacy of retirement income and capital market development.

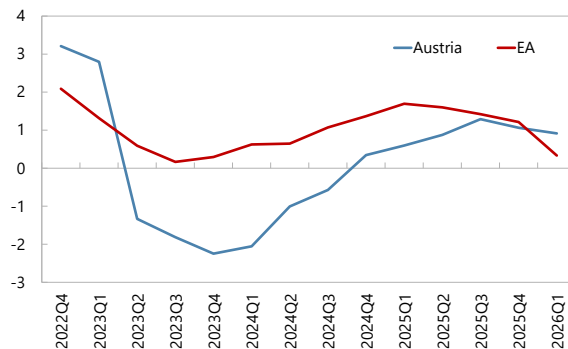
30. It is proposed that the next Article IV consultation with Austria take place on the standard 12-month cycle.

Figure 1. Austria: Real Sector

Growth underperformed the euro area and has staged a modest recovery....

Growth Compared to Euro Area

(Year-on-year percent change; SWDA)

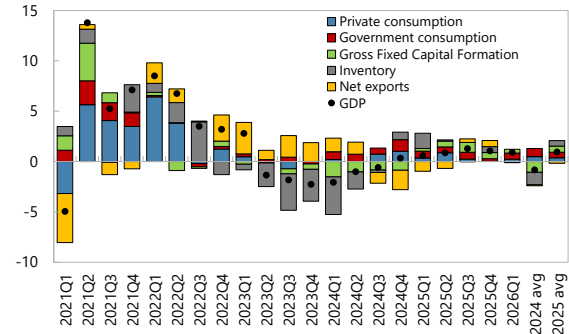


Sources: Haver Analytics, and IMF staff calculations.

...with positive contribution from public expenditure and favorable inventory dynamics.

Contributions to GDP Growth

(Year-on-year percent change; SWDA)

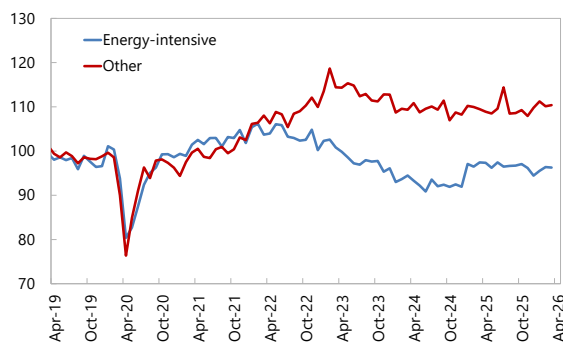


Sources: Haver Analytics, and IMF staff calculations.

Energy intensive industries have been slow to recover...

Industrial Production

(Index, 2019M1=100; SA)

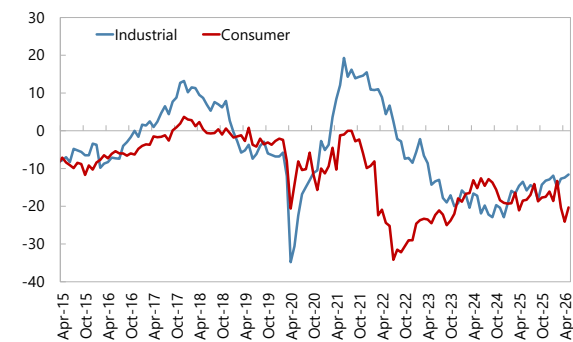


Sources: Statistik Austria, Haver Analytics, and IMF staff calculations.

...and consumer sentiment has weakened.

Business and Consumer Sentiment

(Percent balance; SA)

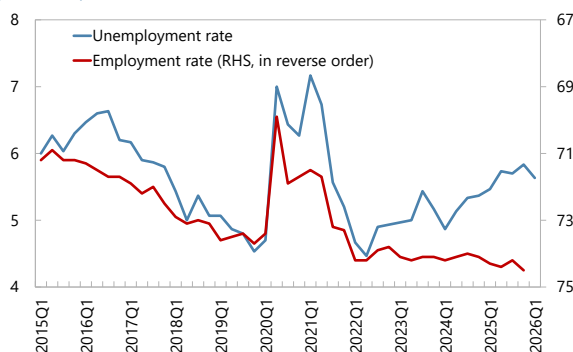


Sources: European Commission, and Haver Analytics.

Labor markets have softened...

Unemployment Rate and Employment Rate

(Percent; SA)

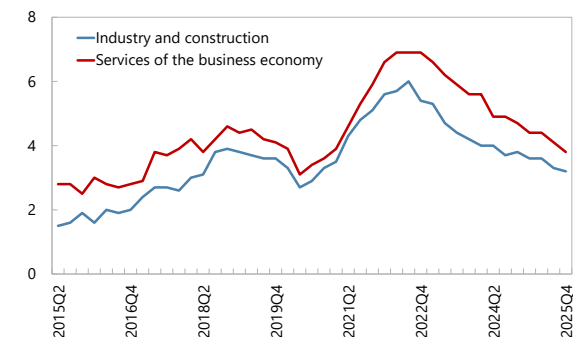


Sources: Eurostat, and Haver Analytics.

...and vacancy rates declined amid the weak growth.

Job Vacancy Rate by Industry

(Percent; SA)



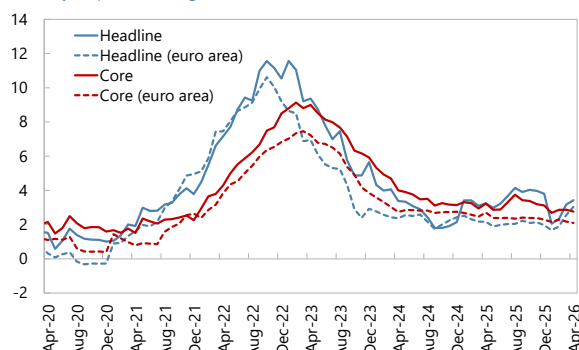
Sources: Eurostat, and Haver Analytics.

Figure 2. Austria: Prices

Inflation has been volatile and picked up again since March 2026 ...

Austria vs Euro Area Inflation

(Year-on-year percent change; NSA)

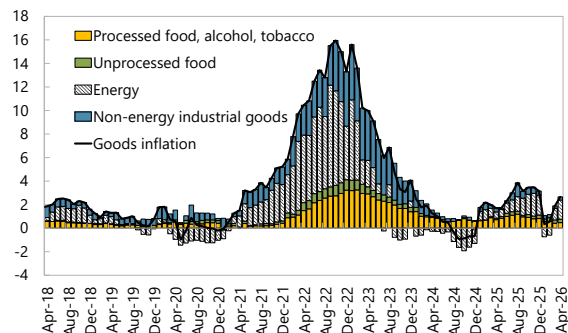


Sources: Eurostat, Haver Analytics, and IMF staff calculations.

...mainly due to energy price-related effects...

Goods Inflation Decomposition

(Contributions to year-on-year percent change; NSA)

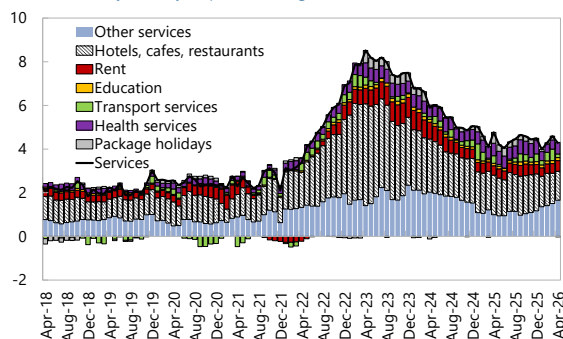


Sources: Eurostat, Haver Analytics; and IMF staff calculations.

While services inflation has remained steady elevated.

Services Inflation Decomposition

(Contributions to year-on-year percent change; NSA)

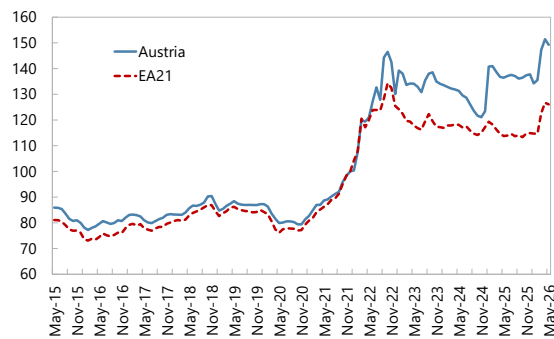


Sources: Eurostat, Haver Analytics, and IMF staff calculations.

Energy prices have risen faster in Austria since 2022...

Energy Prices

(Index, Dec 2021=100)

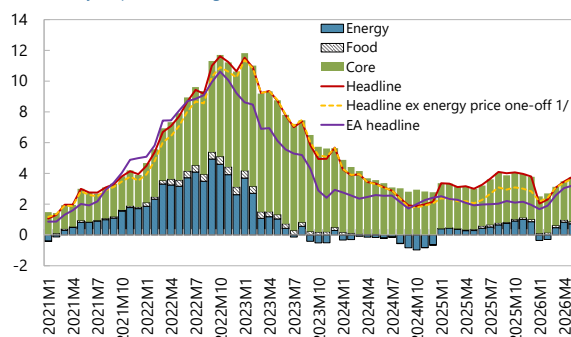


Sources: Haver Analytics.

...temporarily widening the inflation gap relative to the euro area...

Austria Headline and Core Inflation

(Year-on-year percent change)

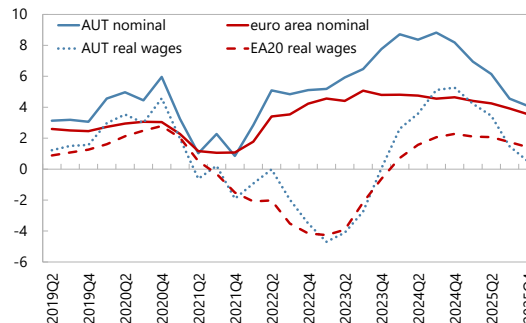


Sources: Haver Analytics, and IMF staff calculations.
1/ Movements in energy prices after January 2025 are included.

...and fueling faster indexation-led wage growth.

Wage Growth

(Percent year-on-year; SWDA 4qma)



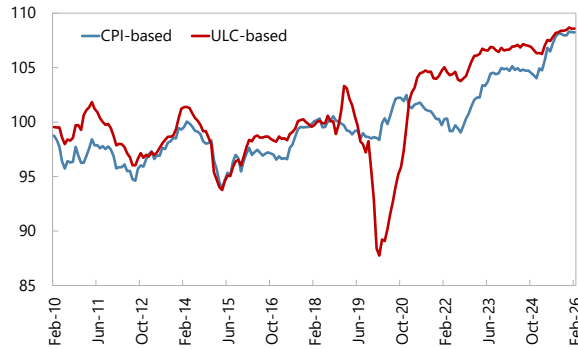
Sources: Haver Analytics, and IMF staff calculations.

Figure 3. Austria: External Sector

The REER has continued to appreciate since 2023...

Real Effective Exchange Rate

(Index, 2010M1=100)

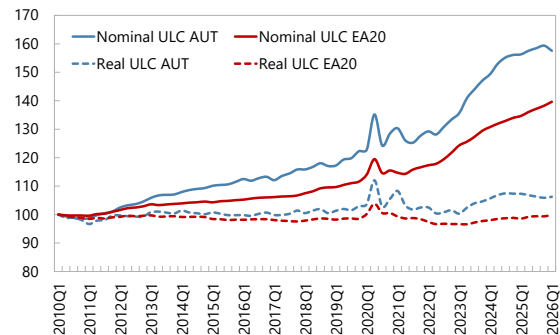


Source: IMF staff calculations.

...and unit labor costs have diverged from the euro area.

Nominal and Real Unit Labor Cost

(Index, 2010Q1=100)

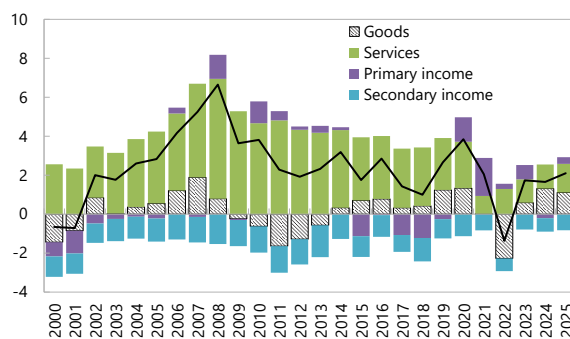


Sources: Haver Analytics and IMF staff calculations.

However, the current account balance improved in 2025...

Current Account Balance Breakdown

(Percent of GDP)

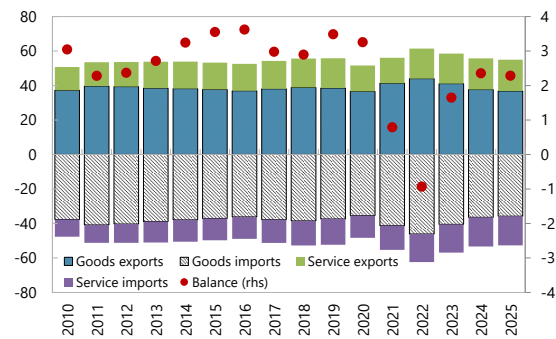


Sources: IMF WEO database, and IMF staff calculations.

...with steady balance of trade...

Goods and Services Trade Balance

(Percent of GDP)

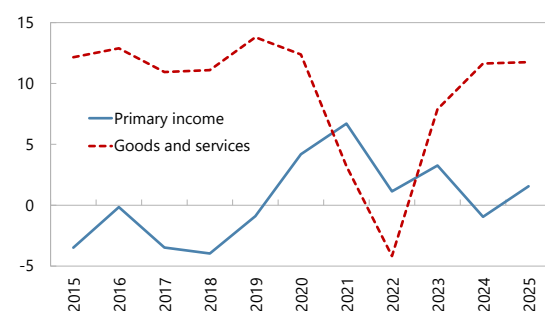


Sources: Haver Analytics.

...and with an improvement in primary income balances.

Current Account: Goods and Services, and Primary Income Balance

(Billions of EUR)

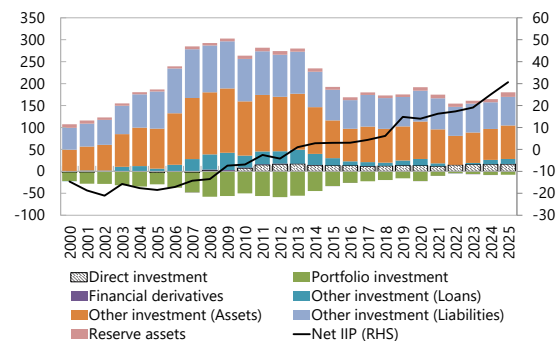


Sources: Haver Analytics.

Sustained external surpluses have strengthened the IIP.

Net International Investment Position by Instrument

(Percent of GDP)



Sources: IMF WEO database, IMF staff calculations.

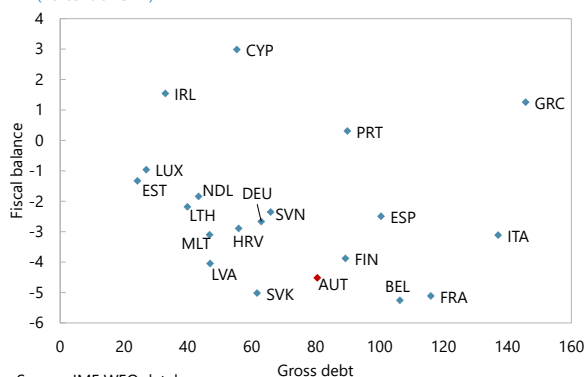
Figure 4. Austria: Fiscal Sector

Debt is moderate but the deficit remains high in 2025...

...due to inflation, age-related spending, and interest.

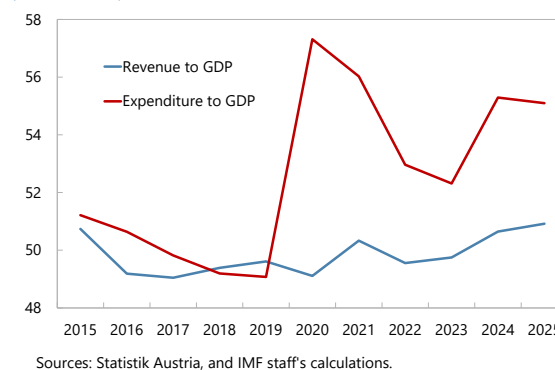
Fiscal Balance and Gross Debt, 2025

(Percent of GDP)



General Government Revenue and Expenditure

(Percent of GDP)

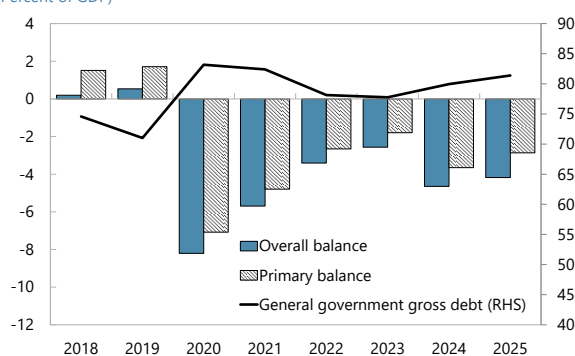


Public debt is on a rising path...

...despite, a negative fiscal impulse in 2025.

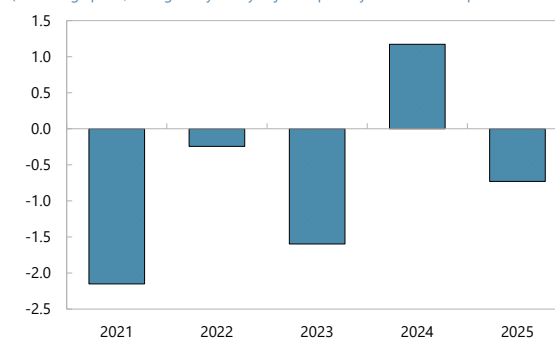
Fiscal Balance and Debt

(Percent of GDP)



Fiscal Impulse

(Percentage point; Change in cyclically adjusted primary fiscal deficit as percent of GDP)

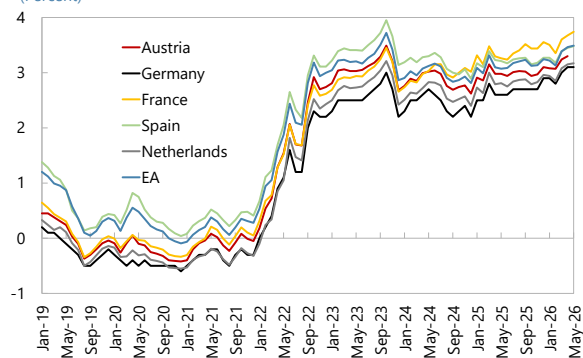


Spreads have remained stable...

...and debt maturities are lengthy.

10-Year Government Bond Yield

(Percent)



Government Debt Average Maturity

(Years)

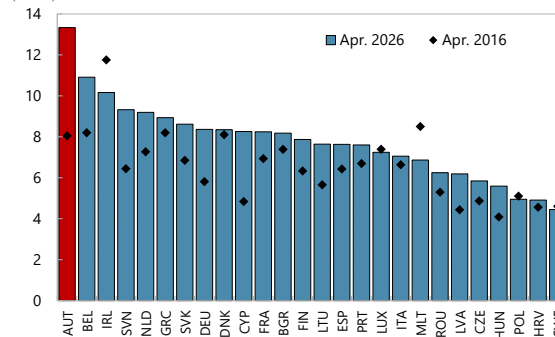
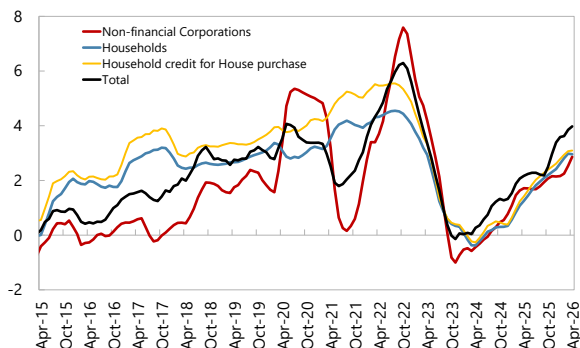


Figure 5. Austria: Macrofinancial Developments*Credit growth is staging a modest recovery...***Private Sector Credit Growth**

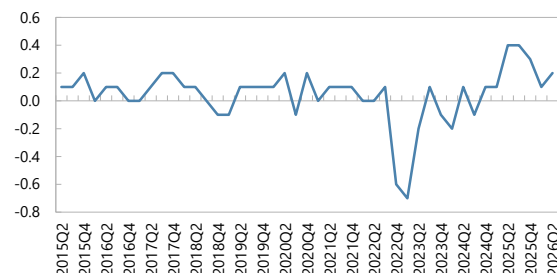
(Percent, year-on-year, 3-month moving average, NSA)



Source: Haver Analytics.

*...among signs of revival in mortgage demand...***Credit Demand for Mortgage Loans over Past 3 Months**

(Diffusion index: negative=decreased 1/)

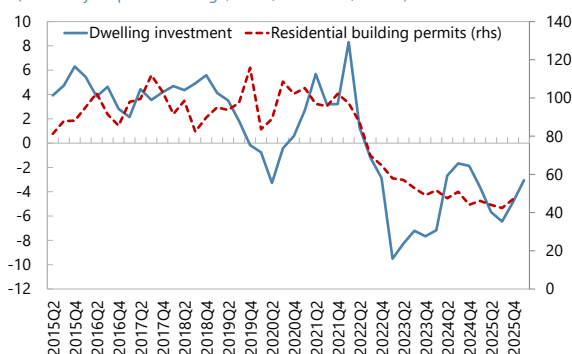


Sources: OeNB, and Haver Analytics.

1/ Diffusion index = (mean - 3)/2, where "mean" is the average of survey responses on changes in credit demand over the past 3 months rated on a scale from 1 (decreased considerably) to 5 (increased considerably).

*...bottoming out in housing related activity...***Dwelling Investment and Residential Building Permits**

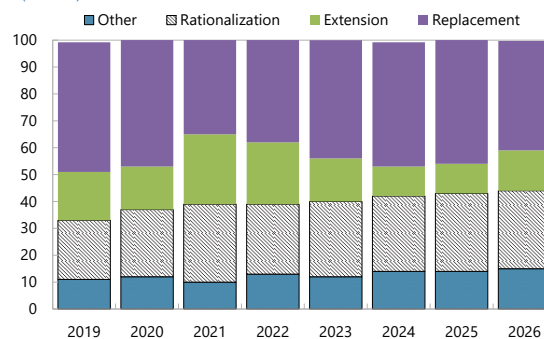
(Year-on-year percent change; Index, 2021=100; SWDA)



Sources: Haver Analytics.

*...and modest strengthening in investment intentions.***Manufacturing Sector Investment Factors**

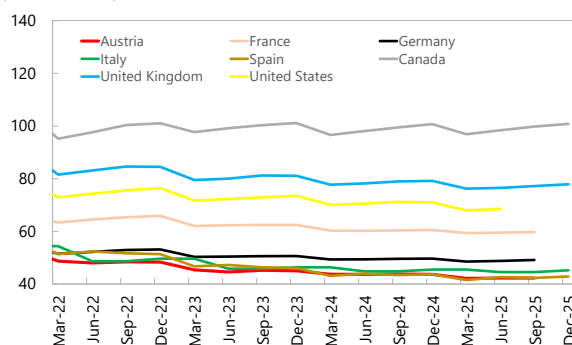
(Percent)



Sources: EC Business and Consumer Surveys (Haver Analytics).

*Debt remains low in peer comparison for households...***Household Debt**

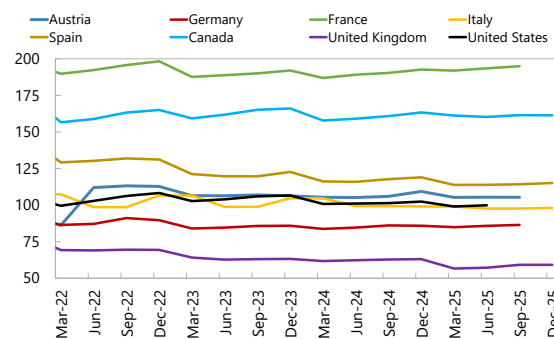
(Percent of GDP)



Source: IMF Financial Soundness Indicators.

*...and moderate among non-financial firms.***Non-Financial Corporate Debt**

(Percent of GDP)

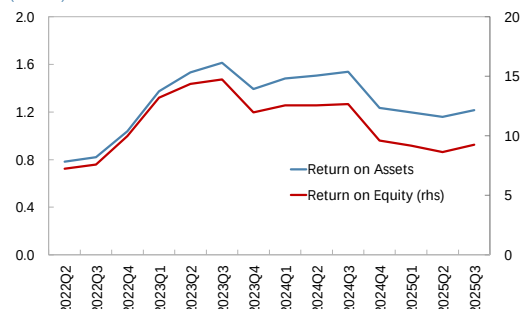


Source: IMF Financial Soundness Indicators.

Figure 6. Austria: Financial Sector Developments

Banks' profitability remains solid with near-record profits... ...supported by still high interest margins...

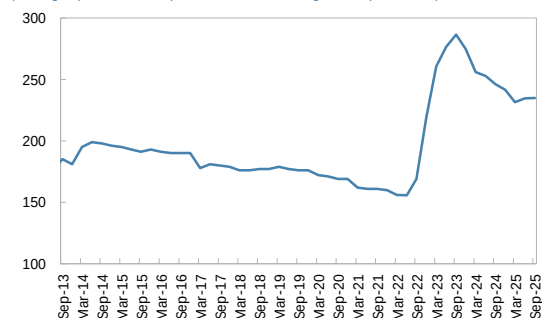
Return on Assets and Equity (Percent)



Source: IMF Financial Soundness Indicators.

Net Interest Margin

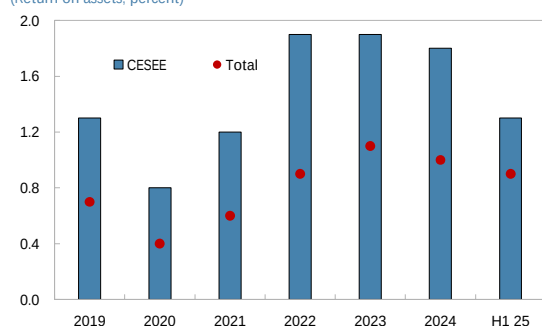
(Average spread in basis points between lending and deposit rates)



Source: IMF Financial Soundness Indicators.

...and profitable operations in the CESEE region.

Austrian Banks' CESEE Profits (Return on assets, percent)

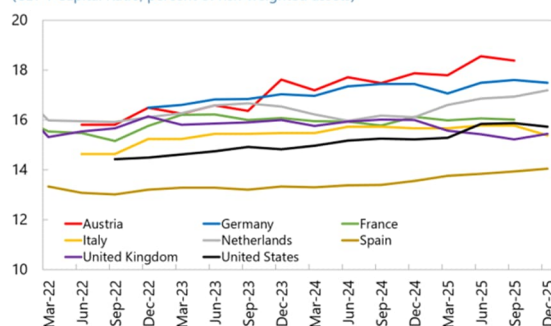


Sources: OeNB.

This has helped further increase banks' capital ratios.

Capital Adequacy

(CET 1 Capital Ratio, percent of risk-weighted assets)

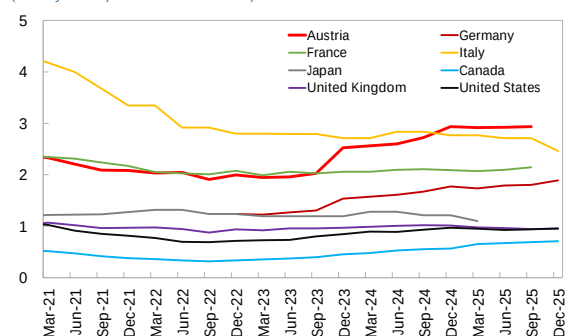


Source: IMF Financial Soundness Indicators.

NPLs have risen due to deteriorated commercial real estate assets...

Asset Quality

(90-day NPLs percent of total loans)

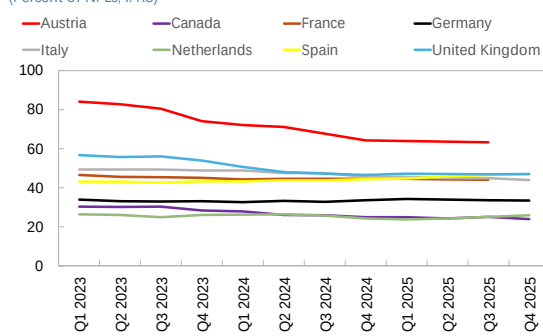


Source: IMF Financial Soundness Indicators.

...and provisioning has declined somewhat though banks appear comparatively well provisioned overall.

Provisioning

(Percent of NPLs, IFRS)



Source: IMF Financial Soundness Indicators.

Table 1. Austria: Main Economic Indicators, 2021-2031

(Annual percent change, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
						Projections					
NATIONAL ACCOUNTS (SWDA)											
Real GDP (expenditure)	5.0	5.4	-0.7	-0.8	1.0	0.6	1.0	1.2	1.0	0.9	0.8
Domestic demand	7.0	4.2	-2.8	-1.1	2.2	0.6	1.0	1.1	0.9	0.9	0.7
Consumption	5.7	3.9	0.1	1.8	1.3	0.5	0.8	0.8	0.7	1.0	0.6
Private	4.8	5.5	-0.2	1.0	0.7	0.8	0.9	1.0	0.8	0.7	0.8
Public	7.7	0.1	0.8	3.9	2.5	-0.4	0.7	0.4	0.5	1.5	0.3
Gross fixed capital formation	5.9	-0.2	-1.4	-4.4	2.6	1.3	1.8	1.7	1.8	0.7	0.8
Private	5.4	-4.1	1.1	-6.5	3.0	1.5	1.8	2.0	1.5	1.1	0.8
Public	9.6	23.7	-13.3	6.9	0.6	0.5	2.0	0.2	3.2	-1.2	0.8
GNFS exports	9.6	9.8	-0.2	-2.9	1.5	0.5	0.9	1.4	1.7	2.0	2.2
GNFS imports	13.7	7.2	-4.0	-2.9	2.0	0.9	1.0	1.2	1.7	2.2	2.2
Contribution to GDP (percentage points)											
Final domestic demand	5.5	2.7	-0.3	0.2	1.5	0.7	1.0	1.0	0.9	0.9	0.6
Net exports	-1.7	1.5	2.0	-0.1	-0.2	-0.2	0.0	0.1	0.1	0.0	0.1
Inventories and statistical discrepancy 1/	1.2	1.2	-2.4	-0.9	-0.4	0.1	0.0	0.1	0.0	0.0	0.0
Investment (% GDP)	27.7	29.2	26.0	23.6	24.4	23.8	23.9	24.2	24.3	24.3	24.3
Public	4.3	5.2	4.8	5.2	5.0	5.1	5.1	5.0	5.0	5.0	5.0
Private	23.3	24.1	21.2	18.3	19.4	18.7	18.8	19.2	19.4	19.3	19.4
Gross national savings (% GDP)	29.4	27.9	27.6	25.1	26.3	24.5	24.8	25.4	25.9	26.0	26.2
Public	-1.4	1.8	2.3	0.6	0.9	0.9	1.3	1.4	1.5	1.5	1.5
Private	30.8	26.2	25.3	24.5	25.4	23.6	23.5	24.0	24.4	24.5	24.7
Potential output	4.5	1.5	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Output gap (% potential GDP)	-1.5	2.3	0.7	-0.7	-0.5	-0.7	-0.5	-0.1	0.0	0.0	0.0
LABOR MARKET											
Labor force	1.2	1.6	1.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Employment	0.2	3.2	0.7	0.2	-0.3	0.2	0.3	0.4	0.3	0.2	0.2
Wages (hourly)	0.8	5.1	7.8	8.1	4.7	2.8	3.6	2.8	2.6	2.6	2.6
Unemployment rate (% labor force)											
EU harmonized rate	6.2	4.7	5.1	5.2	5.7	5.7	5.6	5.4	5.3	5.3	5.3
National definition	8.0	6.3	6.4	7.0	7.5	7.6	7.4	7.2	7.1	7.1	7.1
PRICES											
Consumer prices (avg)	3.5	7.8	7.7	2.9	3.3	3.2	2.8	2.1	2.1	2.1	2.1
Consumer prices (eop)	3.8	10.5	5.7	2.1	3.8	3.3	2.2	2.1	2.1	2.1	2.1
Core CPI (eop)	2.3	8.7	5.9	3.1	3.1	2.7	2.1	2.1	2.1	2.1	2.1
GDP deflator	1.8	5.0	7.2	4.1	3.2	2.8	2.9	2.2	2.1	2.1	2.1
MACRO-FINANCIAL											
Broad money	2.7	5.2	-0.1	3.7	3.7	4.4	3.6	3.3	3.3	3.0	3.0
Credit to the private sector	6.9	6.2	0.2	0.5	1.0	2.6	3.6	3.3	3.3	3.0	3.0
Corporations	8.3	8.7	2.3	1.7	1.2	2.4	3.6	3.3	3.3	3.0	3.0
Households	5.5	3.6	-1.9	-0.9	0.9	2.9	3.6	3.3	3.3	3.0	3.0
GENERAL GOVERNMENT FINANCES (% GDP)											
Revenue	50.3	49.6	49.7	50.6	50.9	51.1	51.3	51.2	51.2	51.2	51.2
Expenditure	56.0	53.0	52.3	55.3	55.1	55.2	55.1	54.8	54.7	54.6	54.7
Net lending/borrowing	-5.7	-3.4	-2.6	-4.6	-4.2	-4.2	-3.8	-3.6	-3.5	-3.5	-3.5
Structural balance (% potential GDP)	-4.9	-4.6	-2.9	-4.3	-3.9	-3.8	-3.5	-3.6	-3.5	-3.5	-3.5
Structural primary balance (% potential GDP)	-4.0	-3.8	-2.2	-3.3	-2.6	-2.3	-1.9	-1.8	-1.7	-1.7	-1.7
Gross debt	82.4	78.1	77.8	80.0	81.4	82.3	82.4	82.8	83.1	83.6	84.2
BALANCE OF PAYMENTS											
Current account (% GDP)	1.7	-1.3	1.6	1.5	1.9	0.7	0.9	1.2	1.5	1.7	1.9
Export volume (goods and services)	9.5	9.4	-0.6	-2.3	1.2	0.9	0.9	1.4	1.7	2.0	2.2
Import volume (goods and services)	14.1	6.9	-4.3	-2.6	1.8	1.0	1.0	1.2	1.7	2.2	2.2
Int'l investment position, net (% GDP)	14.4	16.4	17.5	23.9	26.2	26.3	26.5	27.1	28.0	29.2	30.5
MEMORANDUM ITEMS											
Nominal GDP (billions of euro)	406.2	449.4	477.8	494.1	514.3	531.7	552.6	571.7	589.7	607.1	624.8
Population (millions of people)	8.9	9.0	9.1	9.2	9.2	9.2	9.2	9.3	9.3	9.3	9.3
GDP per capita (U.S. dollars)	53,827	52,749	56,764	58,373	63,262	68,118	70,460	72,497	74,524	76,495	78,494
U.S. dollar to euro (rate; annual avg)	1.2	1.1	1.1	1.1	1.1	...	...	...	...	...	...
Real effective exchange rate	12.4	0.5	0.6	0.8	1.5	...	...	...	...	...	...

Sources: Authorities' data, and IMF staff estimates and projections.

1/ Inventory in 2022 includes a build up of strategic gas reserve.

Table 2. Austria: Fiscal Accounts, 2021-2031

(In percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
						Projections					
GENERAL GOVERNMENT OPERATIONS											
Revenue	50.3	49.6	49.7	50.6	50.9	51.1	51.3	51.2	51.2	51.2	51.2
Tax revenue	28.1	28.2	27.7	27.8	27.9	27.8	27.9	28.0	28.0	28.0	28.0
Direct taxes	13.8	14.3	13.8	14.0	13.9	13.9	14.0	14.1	14.1	14.1	14.2
Of which: Personal income tax	10.0	9.8	9.5	9.6	9.5	9.5	9.6	9.7	9.8	9.8	9.8
Corporate income tax	2.8	3.5	3.4	3.4	3.4	3.4	3.4	3.5	3.4	3.4	3.4
Indirect taxes	14.3	13.9	13.9	13.8	14.0	13.9	13.9	13.9	13.9	13.9	13.9
Of which: VAT	7.5	7.9	7.9	7.9	8.1	8.0	8.0	8.0	8.0	8.0	8.0
Social contributions	15.9	15.2	15.3	16.0	16.2	16.3	16.4	16.4	16.4	16.4	16.4
Other current revenue	6.4	6.2	6.8	7.0	6.9	6.9	6.9	6.7	6.7	6.7	6.7
Expenditure	56.0	53.0	52.3	55.3	55.1	55.2	55.1	54.8	54.7	54.6	54.7
Expense	52.4	48.6	48.5	51.3	51.1	51.3	51.1	50.9	50.7	50.7	50.7
Compensation of employees	11.0	10.4	10.6	11.3	11.4	11.4	11.4	11.3	11.2	11.2	11.2
Goods and services	7.4	7.0	6.9	7.1	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Social benefits	23.9	22.4	22.7	24.2	24.7	24.8	24.6	24.5	24.4	24.4	24.5
Other current transfers	3.2	4.0	3.3	3.5	3.1	3.1	3.0	3.0	3.0	3.0	3.0
Capital transfers	0.7	0.8	1.1	1.2	1.1	1.1	1.1	1.1	1.0	1.0	1.0
Interest	1.1	0.9	1.2	1.5	1.6	1.8	1.9	2.0	2.1	2.1	2.2
Subsidies	4.6	2.6	2.2	1.9	1.7	1.6	1.6	1.4	1.4	1.4	1.4
Other	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5	0.5
Acquisition of nonfinancial assets 1/	3.6	4.3	3.8	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Of which: Gross fixed capital formation	3.6	4.4	3.7	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Operating balance	-2.1	0.9	1.2	-0.6	-0.2	-0.2	0.2	0.3	0.5	0.5	0.5
Primary balance	-4.8	-2.7	-1.8	-3.7	-2.9	-2.7	-2.2	-1.9	-1.7	-1.7	-1.7
Net Lending/Borrowing	-5.7	-3.4	-2.6	-4.6	-4.2	-4.2	-3.8	-3.6	-3.5	-3.5	-3.5
GENERAL GOVERNMENT BALANCE SHEET											
Financial liabilities	106.5	84.9	86.3	85.8	85.3	85.2	84.2	83.2	82.3	81.6	79.3
Other	14.5	13.4	13.0	12.9	12.8	12.8	12.7	12.5	12.4	12.3	11.9
Financial assets	52.2	40.8	41.4	41.2	40.9	40.8	40.4	39.9	39.5	39.1	38.0
Net financial worth	-54.3	-44.0	-44.9	-44.7	-44.4	-44.3	-43.8	-43.3	-42.9	-42.5	-42.5
Net debt	72.1	54.7	57.2	56.9	56.6	56.5	55.8	55.2	54.6	54.1	54.1
Gross Debt (Maastricht def.)	82.4	78.1	77.8	80.0	81.4	82.3	82.4	82.8	83.1	83.6	84.2
Guarantees	18.1	16.7	16.0	15.5	14.9	14.4	13.9	13.4	13.0	12.6	12.6
MEMORANDUM ITEMS											
Cyclically adjusted balance	-5.0	-4.5	-2.9	-4.3	-3.9	-3.8	-3.5	-3.6	-3.5	-3.5	-3.5
Structural balance (% potential GDP) 2/	-4.9	-4.6	-2.9	-4.3	-3.9	-3.8	-3.5	-3.6	-3.5	-3.5	-3.5
Structural primary balance (% potential GDP) 2/	-4.0	-3.8	-2.2	-3.3	-2.6	-2.3	-1.9	-1.8	-1.7	-1.7	-1.7
Change in real revenue (percent)	5.8	1.0	-0.9	2.3	1.1	0.5	1.6	1.0	1.1	0.9	0.9
Change in real primary expenditure (percent)	1.3	-2.8	-3.0	5.8	0.0	0.1	0.6	0.5	0.7	0.7	0.7
Unidentified adjustment measures (in billions)	0.0	0.0	0.0	0.0	0.2	0.6	1.1	1.1	1.1	1.1	1.1
Unidentified adjustment measures (% of GDP)	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.2	0.2	0.2
Nominal GDP (billions of euro)	406.2	449.4	477.8	494.1	513.7	531.2	552.2	570.5	588.8	606.5	624.2

Sources: Authorities' data and IMF staff estimates and projections.

1/ Includes strategic gas reserve

2/ Excludes one-off measures as defined in the Austrian Stability Program.

Table 3. Austria: Balance of Payments, 2021-2031

(In percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Projections										
BALANCE OF PAYMENTS											
Current Account	1.7	-1.3	1.6	1.5	1.9	0.7	0.9	1.2	1.5	1.7	1.9
Balance on goods and services	0.8	-0.9	1.7	2.4	2.3	1.1	1.4	1.6	1.9	2.1	2.3
Exports of goods and services	56.1	61.5	58.5	55.7	55.1	56.8	55.0	54.5	54.3	54.4	54.6
Exports of goods	41.3	44.0	41.1	37.7	36.9	36.9	35.9	35.5	35.2	35.3	35.5
Exports of services	14.8	17.5	17.4	18.1	18.2	19.9	19.2	19.0	19.1	19.2	19.2
Imports of goods and services	55.3	62.4	56.9	53.4	52.8	55.6	53.7	52.8	52.4	52.3	52.3
Imports of goods	41.3	46.1	40.5	36.4	35.9	36.5	35.3	34.6	34.3	34.3	34.4
Imports of services	14.0	16.2	16.3	16.9	16.9	19.2	18.4	18.2	18.1	18.0	17.9
Primary income, net	1.6	0.3	0.7	-0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Secondary income, net	-0.7	-0.6	-0.7	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Capital Account	0.0	0.0	0.5	-0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Financial Account	1.1	-1.9	2.0	1.1	3.1	1.0	1.2	1.5	1.8	2.0	2.2
Direct investment, net	2.1	-0.2	1.8	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Direct investment abroad, net	6.1	2.8	2.7	2.6	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
Direct investment in Austria, net	4.0	3.0	1.0	2.6	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9
Portfolio investment, net	3.0	0.4	-3.0	-5.0	0.5	-1.4	-1.1	-0.9	-0.6	-0.4	-0.2
Financial derivatives, net	0.1	0.2	0.3	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other investment, net	-5.2	-2.5	3.7	6.3	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Reserve assets	1.0	0.1	-0.8	-0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions, net	-605.7	-0.6	-0.1	-0.2	1.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET											
Int'l Investment Position, net	14.4	16.4	17.5	23.9	26.2	26.3	26.5	27.1	28.1	29.2	30.6
Assets	248.2	230.8	230.8	240.8	240.9	240.4	238.7	238.5	238.6	239.0	239.7
Liabilities	233.8	214.4	213.3	216.9	214.7	214.1	212.2	211.4	210.5	209.8	209.2
Direct investment	10.4	14.0	14.6	15.7	14.2	14.7	15.1	15.5	16.0	16.5	17.0
Assets	72.5	75.5	73.7	75.9	71.3	68.1	64.6	61.6	58.8	56.2	53.7
Liabilities	62.1	61.4	59.0	60.2	57.2	53.4	49.5	46.1	42.8	39.6	36.7
Portfolio investment	-9.1	-4.1	-5.6	-7.7	-6.7	-7.8	-8.7	-9.3	-9.6	-9.7	-9.6
Financial derivatives	-0.1	-0.4	-0.5	-0.2	0.3	0.1	0.0	-0.1	-0.2	-0.3	-0.4
Other investment	5.8	-0.1	3.0	9.3	9.7	10.8	12.0	13.1	14.2	15.3	16.4
Reserve assets	7.4	6.9	5.9	6.9	8.8	8.5	8.2	7.9	7.7	7.4	7.2
MEMORANDUM ITEMS					1.9						
Export value (goods and services)	16.2	21.1	1.3	-1.5	2.7	6.7	0.8	2.2	2.9	3.3	3.3
Import value (goods and services)	22.3	24.7	-3.0	-3.0	2.8	9.1	0.2	1.7	2.3	3.0	2.9
Nominal GDP (billions of euro)	406.2	449.4	477.8	494.1	513.7	531.2	552.2	570.5	588.8	606.5	624.2

Sources: Authorities' data and IMF staff estimates and projections.

Table 4. Austria: Financial Soundness Indicators, 2016-2025Q3

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025Q3
Core FSIs										
Regulatory capital to risk-weighted assets	18.0	18.8	18.8	18.9	19.7	19.2	19.4	20.6	21.1	21.8
Tier 1 capital to risk-weighted assets	14.5	15.6	16.3	16.5	17.4	17.1	17.5	18.7	18.9	19.5
Nonperforming loans net of provisions to capital	8.8	8.7	7.7	6.0	4.0	3.1	2.6	5.0	7.8	7.9
Capital to assets (leverage ratio)	7.3	7.5	7.5	7.6	7.4	7.7	8.0	8.4	8.5	8.8
Nonperforming loans to total gross loans	2.7	2.4	2.9	2.4	2.4	2.1	2.0	2.5	2.9	2.9
Return on assets	0.6	0.9	0.9	0.8	0.4	0.7	1.0	1.4	1.2	1.2
Return on equity	7.0	10.0	8.5	7.5	3.7	6.5	10.0	12.0	9.6	9.2
Interest margin to gross income	59.0	59.1	51.0	49.9	51.9	49.2	48.7	57.8	59.4	57.0
Noninterest expenses to gross income	74.8	67.0	67.9	66.5	67.8	67.2	55.5	53.0	55.3	59.0
Liquid assets to total assets	25.4	23.7	24.4	23.0	28.3	29.7	45.8	45.0	45.8	46.5
Liquid assets to short-term liabilities	67.2	65.7	68.2	63.9	78.0	78.4	70.2	71.3	71.8	72.0
Net open position in foreign exchange to capital	1.0	0.1	2.0	2.2	2.0	4.0	24.2	19.5	21.9	26.6
Additional FSIs										
Large exposures to capital	...	...	334.1	313.3	405.0	462.2	415.6	394.2	399.9	362.7
Trading income to total income	1.7	1.7	2.3	3.5	1.2	1.8	1.7	0.3	0.5	1.2
Personnel expenses to noninterest expenses	49.9	46.9	42.0	42.3	41.7	41.4	40.5	43.3	42.4	40.3
Spread between reference lending and deposit rates (base points)	190.0	179.0	177.0	176.0	169.0	160.0	219.0	274.9	241.7	234.9
Customer deposits to total (noninterbank) loans	89.5	86.9	85.9	86.0	79.0	76.3	88.6	88.5	90.4	89.9
FX loans to total loans	13.8	11.2	11.2	11.3	7.9	7.8	12.0	10.4	9.9	9.6
FX liabilities to total liabilities	6.6	6.5	6.8	6.6	5.1	5.1	8.1	6.7	6.3	6.3
Residential real estate loans to total gross loans	20.6	20.4	17.2	17.2	19.3	18.9	19.6	19.7	20.3	20.5
Commercial real estate loans to total gross loans	...	...	10.2	10.4	11.3	10.6	10.9	11.6	11.3	11.4

Source: IMF Financial Soundness Indicators.

Table 5. Austria: Depository Corporations Survey

	2019	2020	2021	2022	2023	2024
(In billions of euros, end of period)						
Net Foreign Assets	123.7	142.7	115.8	94.5	100.9	120.7
Claims on nonresidents	263.6	266.1	265.3	273.1	286.1	303.3
Central bank	39.0	40.1	43.2	46.5	50.2	45.0
Other depository corporations	224.6	226.0	222.0	226.6	235.9	258.3
Liabilities to nonresidents	-139.9	-123.4	-149.5	-178.6	-185.3	-182.6
Central bank	-48.1	-38.9	-61.6	-82.5	-83.9	-80.4
Other depository corporations	-91.9	-84.5	-87.9	-96.2	-101.4	-102.2
Net Domestic Assets	420.0	440.9	474.2	545.4	548.7	557.2
Net claims on central government	62.8	76.6	96.0	86.5	89.6	87.4
Claims on state and local government	24.5	25.5	26.2	23.1	23.7	24.3
Claims on NBFIs	67.2	69.6	63.9	85.5	75.2	71.8
Claims on private sector	341.5	353.9	378.0	400.8	401.9	404.0
Corporates	172.7	179.4	193.8	209.9	214.6	218.4
Households	168.9	174.5	184.2	190.9	187.3	185.6
Capital and reserves (-)	91.0	93.8	101.1	92.7	112.2	123.2
Other items, net (-, including discrepancy)	-15.0	-9.2	-11.1	-42.2	-70.5	-92.7
Broad Money	377.1	415.4	426.8	449.1	448.6	465.2
Currency in circulation	30.9	32.1	30.1	40.4	40.8	42.3
Transferable deposits	259.1	293.9	318.7	318.2	283.6	293.7
Other deposits	85.9	85.3	77.2	89.3	121.8	127.4
Securities	1.2	4.1	0.8	1.2	2.4	1.8
Other Liabilities	166.5	168.3	163.2	190.8	200.9	212.6
(Annual percentage change)						
Net Foreign Assets	10.1	15.3	-18.8	-18.4	6.8	19.7
Net Domestic Assets	4.0	5.0	7.5	15.0	0.6	1.6
Claims on private sector	5.0	3.6	6.8	6.0	0.3	0.5
Corporates	5.8	3.9	8.1	8.3	2.3	1.8
Households	4.2	3.4	5.5	3.6	-1.9	-0.9
Broad Money	4.5	10.1	2.7	5.2	-0.1	3.7
(In billions of U.S. dollars, end of period)						
Net Foreign Assets	137.5	173.6	130.9	100.0	110.0	126.5
Net Domestic Assets	466.7	536.6	536.0	577.5	598.2	583.8
Claims on private sector	379.5	430.7	427.3	424.4	438.2	423.3
Corporates	191.9	218.3	219.1	222.2	234.0	228.9
Households	187.7	212.4	208.2	202.1	204.2	194.5
Memorandum items:						
Velocity (GDP/Broad money)	1.0	0.9	1.0	1.0	1.1	1.0
Euro per U.S. dollar (end of period)	0.9	0.8	0.9	0.9	0.9	1.0

Sources: International Financial Statistics, and IMF staff calculations.

Annex I. External Sector Assessment

Overall Assessment: The external position of Austria in 2025 is assessed to be broadly in line with the level implied by medium-term fundamentals and desirable policies.

Potential Policy Responses: Gradual fiscal consolidation will help support disinflation and avoid a persistent inflation differential with the euro area, which over time could undermine competitiveness and external balance.

Foreign Assets and Liabilities: Position and Trajectory

Background. Austria's NIIP has steadily strengthened over the last 30 years in line with consistent current account surpluses. In 2025, the net international investment position (NIIP) increased from 23.9 percent to 26.3 percent of GDP, mainly due to a slight decline in liabilities to 215.3 percent of GDP.

Assessment. The NIIP increased further in 2025 after rising in 2024, driven by the moderately stronger current account surplus and with a moderate decline in liabilities. Over the medium term, the NIIP is projected to continue to rise gradually in line with projected current account surpluses around the norm.

2025 (% GDP)	NIIP: 26.3	Gross Assets: 1238	Debt Assets: 222	Gross Liabilities: 1103	Debt Liabilities: 407
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Current Account

Background. Austria's current account recorded a surplus of 1.6 percent of GDP in 2023, as imports fell amid an economic slowdown. In 2024, both import and export volumes dropped by around 3 percent; however, sustained improvements in terms of trade helped maintain the current account balance at 1.5 percent of GDP. In 2025, the current account surplus increased to 1.9 percent of GDP, with continued improvements in terms of trade and some recovery in export growth.

Assessment. Adjusting for cyclical factors (terms of trade and output gap) based on the IMF's estimates, the current account balance in 2025 stood at 1.8 percent of GDP, lower than the estimated current account norm of 2.1 percent of GDP. The relative policy gap of -0.5 percent of GDP, largely reflects offsetting effects of the credit gap (+0.2) and health expenditure (-0.7). The estimated current account gap implies an estimated gap of 0.8 percent of the REER from the level consistent with fundamentals and desired policy settings.

Austria: Model Estimates for 2025

(Percent of GDP)

	CA Model	REER (index)1/	REER (level)2/
Actual CA	1.9		
Cyclical contributions	0.1		
Additional statistical/temporary factors	0.0		
Adjusted CA	1.8		
CA Norm (from model)	2.1		
CA gap	-0.3		
o.w. relative policy gap	-0.5		
Elasticity	0.4		
REER Gap (in percent)	0.8	13.1	22.0

Source: Authorities' data.

1/ Considers the REER CPI index in each country, and thus does not explain inter-country variations.

2/ Takes into account differences in real PPP exchange rates across countries.

Real Exchange Rate

Background. The REER has appreciated over the last few years, by approximately ½ percent during 2022 and 2023 and just below 1 percent in 2024. The rate of appreciation accelerated since then, reaching 1.5 percent in 2025.

Assessment. The REER index and REER level model estimates suggest that the REER was overvalued within a range of 13–22 percent. However, these estimates are driven mainly by sizable residuals.

Capital and Financial Accounts: Flows and Policy Measures

Background. The financial account posted net outflows of about 2 percent of GDP in 2023 and 1 percent of GDP in 2024. In 2025, in line with the larger current account surplus, capital account net inflows of 0.3 percent of GDP, and errors and omissions, net financial account outflows increased to 3.1 percent of GDP, with direct investment flows of 1 percent of GDP, portfolio investments of 0.5 percent of GDP, and other investments of 1.5 percent of GDP.

Assessment. Risks are limited, given the strength of Austria's external position.

FX Intervention and Reserves Level

Background. The euro has the status of a global reserve currency.

Assessment. Reserves held by euro-area countries are typically low relative to standard metrics. The currency floats freely.

Annex II. Risk Assessment Matrix

Risks	Likelihood	Impact if Realized	Policy Responses
Conjunctural risks			
Geopolitical Tensions and Intensification of Conflicts. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility.	High	High * Lower consumption and production especially in energy intensive industries. * Increased systemic risks in financial system. * Shipping route disruptions could increase key commodity prices and disrupt production and trade. * Weaker investment under greater uncertainty.	* Take steps to secure supply chains and build energy reserves. * Monitor cross-border financial sector risks. * Continue to diversify energy sources. and accelerate energy transition.
Trade-related Risks • Protectionism and Trade Disruptions. Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism. • New Trade Agreements. Tangible progress in trade talks reduces uncertainty and trade barriers. Wider cooperation on services, FDI, and taxation boosts investment and bolsters public finances.	High Low	High * Barriers to trade would hurt Austria's export sectors.	* Participate in global initiatives to support multilateralism. * Take steps to secure supply chains.
Commodity Price Volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	High	Medium * Resumed high inflation and pressure from likely second round effects. * Lower growth due to weak consumption and investment. * Rising social tensions from rising cost of living.	* Continue to diversify energy sources. and accelerate energy transition. * Provide targeted fiscal support. to vulnerable households; allow automatic stabilizers to operate freely.
Disorderly AI Correction. An abrupt revision in expectations of strong AI-led productivity gains causes a sharp market correction, investment decline, and wealth loss, which suppress demand and tighten financial conditions globally.	High	Medium * Drop in global demand would weigh on growth.	* Allow automatic stabilizers to operate freely.

Risks	Likelihood	Impact if Realized	Policy Responses
Domestic risks			
Persistent weak sentiment. Weak sentiment among consumers and producers could weigh on private consumption and investment demand.	High	High * Households may further postpone consumption and maintain a prolonged increase in the household saving rate above usual levels in light of higher than usual economic uncertainty. * Firms may postpone investment decisions and further delay the recovery in private investment.	* Automatic stabilizers should be allowed to operate freely should domestic demand surprise on the downside. * If the economy weakens considerably relative to the baseline, a more gradual fiscal consolidation path would support demand.
Contagion from CESEE countries. Austrian banks hold a quarter of their total assets in CESEE countries and earn a third of their profits from these assets, including from Russia.	Medium	High * Disruptions in CESEE countries could negatively impact Austrian banks profitability. * Austrian banks' operations in countries facing significant sanctions could encounter sanctions-related risks.	* Adjust bank-wise systemic risk buffers as needed to counteract exposure to CESEE spillovers. * Carefully monitor and mitigate sanctions-related risks.
Hard landing in real estate sector. Activity in the real estate sector collapses as house prices and mortgage lending falls sharply. Distress among CRE companies widens amid post-pandemic weakness in CRE demand, leading to firesales and disorderly adjustment of CRE prices.	Medium	Medium * Lower real estate investment activity; lower consumption on negative housing wealth effects. * Risks to banks profits and capital as real estate loans go bad and value of banks real estate collateral diminishes.	* Continue to strengthen monitoring of CRE risks including with continued enhancement of data on CRE market transactions, prices, and vacancies. * Maintain prudent lending standards for mortgage lending and reduce regulatory barriers to increasing housing supply. * Encourage banks to hold adequate capital buffers. * Allow automatic stabilizers to operate fully.

Risks	Likelihood	Impact if Realized	Policy Responses
Domestic risks			
Faltering domestic reforms. The economy faces demographic headwinds and fiscal pressures from ageing and the need to advance the green transition.	Medium	Medium * Slowing reforms would set back confidence and weaken prospects for medium term growth.	* Implement further reforms to boost labor supply among women and elderly workers, remove regulatory barriers to increase firm dynamism, and sharpen R&D incentives to boost innovation. * Strengthening Pillar 2 pensions to boost retirement income will also help deepen capital markets.

Annex III. Downside Risk Scenario: Stagflation Shock Under Prolonged Conflict in the Middle East

Staff has modelled a stagflation scenario in which oil prices double in mid-2026 relative to the current WEO baseline and remain elevated through 2027. This shock reduces foreign demand, triggers a rise in inflation expectations, and an increase in borrowing spreads. The monetary policy response (an estimated hike of 75bps) is partially softened by fiscal policy (automatic stabilizers and temporary loosening of 0.7 percent of GDP) before the authorities resume fiscal consolidation in the outer years. In this scenario, there is a permanent loss to output but economic growth gradually returns to trend. In addition, public debt reaches above 90 percent of GDP in the medium term.

Main assumptions under prolonged conflict in the Middle East:

- **Energy shock:** Oil prices double in Q2 2026 relative to the January 2026 WEO baseline, remain elevated through 2027, and return to baseline by 2028; European and Asian gas prices triple over the same period.
- **Food prices rise:** Increases by 5 percent in 2026 and 10 percent in 2027.
- **Inflation expectations increase:** Energy shock pushes inflation expectations higher through 2026–27; one-year-ahead expectations increase by 100 bps in advanced economies by 2027.
- **Financial tightening:** A broad risk-off episode lifts corporate risk premia in advanced economies by 100 bps in 2026, persisting into 2027.
- **Stronger monetary tightening:** Monetary policy responds more aggressively to inflation (less emphasis on output stabilization), with policy rates 75 bps above baseline, helping curb second-round effects and re-anchor expectations, but deepening near-term output losses.
- **Fiscal policy:** In a passive scenario, only automatic stabilizers are allowed to function while fiscal consolidation in the staff baseline is delayed. In an active scenario, authorities offer temporary, targeted support to households and firms most in need, steering clear of widespread stimulus measures, while a strong medium-term fiscal consolidation is implemented following the shock in order to reduce deficit.

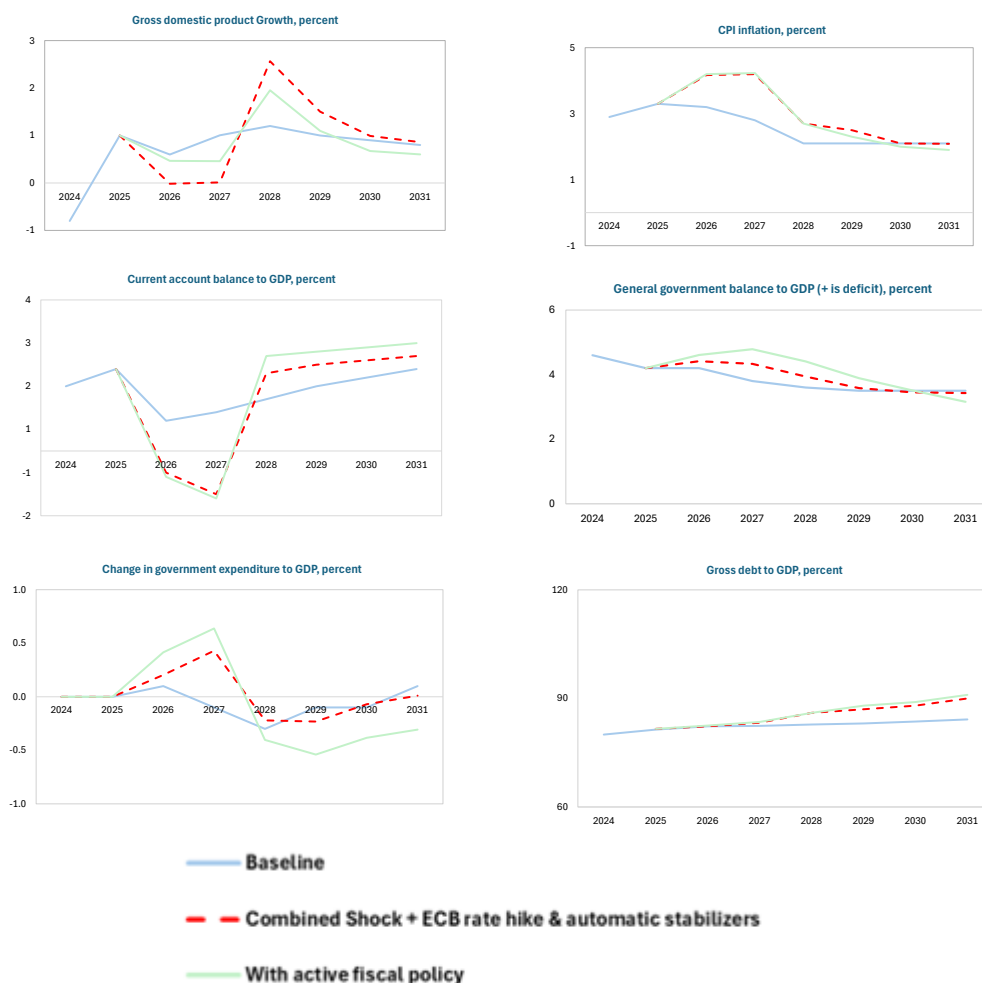
Impact on the Austrian Economy

- **Growth:** Real GDP growth falls below baseline by about 1pp in the near-term, driven by weaker consumption (higher energy and food costs), reduced investment (higher energy cost, higher risk premia, tighter credit), and softer external demand from trading partners.
- **Inflation:** Headline inflation rises sharply by about 1.5pp in the near-term — due to energy/food price shocks and more persistent inflation expectations. It then moderates as policy tightening and fading commodity shocks re-anchor expectations.
- **Current account balance deteriorates on impact but recovers over time.** The external balance deteriorates initially as the import bill (notably energy) rises and external demand weakens, but it

improves over time as domestic demand compression reduces imports and relative prices/competitiveness adjust. In the active policy scenario the current account deteriorates further in the near-term but improves over the medium term.

- **Deficit increases due to lower activity and automatic stabilizers, while temporary support further increases the deficit.** Over the medium term, outcomes depend on the post-shock fiscal strategy: without renewed consolidation efforts, the deficit remains elevated; with a strong consolidation (about 2 percent of GDP after the shock), the deficit declines steadily toward 3 percent of GDP by 2031.
- **Debt rises in the near term as deficits widen and growth weakens.** Debt continues to drift up towards 90 percent of GDP; with the debt ratio being somewhat higher under the active fiscal policy scenario.

FSGM Simulation: Stagflation Shock Under Prolonged Conflict in the Middle East



Source: IMF staff estimates using Flexible System of Global Models (FSGM, Andrieu et al. 2015), a multi-region, semi-structural general equilibrium tool for policy analysis.

Annex IV. Debt Sustainability Assessment

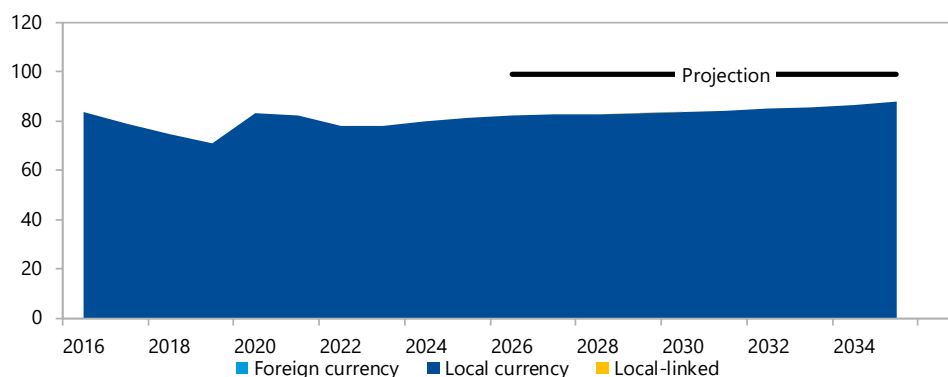
Annex IV. Figure 1. Austria: Risk of Sovereign Stress			
Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Low	Overall risks of sovereign stress remain low. The assessment takes into account important mitigating elements. First, the baseline projection for Austria's primary deficit is conservative, in that it does not fully incorporate consolidations that will be required by the EU fiscal rules. Second, it reflects the individual mechanical ratings, the long maturity of debt, and the lack of foreign currency debt.
Near term 1/			
Medium term	Low	Low	Medium-term risks are assessed as low reflecting the GFN mechanical signal and the conservative projection of the primary deficit in the medium-term. In addition, risks are limited by Austria's stable and diversified investor base, relatively long average debt maturity, strong institutions, and euro-denominated debt.
Fanchart	Moderate	...	
GFN	Low	...	
Stress test		...	
Long term	...	Moderate	Long-term risks are assessed as moderate as aging-related expenditures on health and social security are expected to increase and feed into debt dynamics. The European Commission estimate the total cost of ageing for Austria to reach 30 percent of GDP in 2070, 2.5pp higher than in 2025. 2/
Sustainability assessment 3/	Not required for surveillance countries	Sustainable with high probability	Not required for surveillance countries.
Debt stabilization in the baseline			No
DSA Summary Assessment			
Commentary: Austria's risk of debt distress is assessed as low, and its debt is considered sustainable. Following an increase of approximately 10 percent of GDP during the COVID-19 pandemic, Austria's public debt-to-GDP ratio declined to 77.7 percent in 2023, before rebounding to 81 percent in 2025 due to the recession and a fiscal deficit resulting from the full realization of inflation effects and the impact of one-off measures. Medium-term risks are assessed as low reflecting the GFN mechanical signal, conservative primary deficit projections, Austria's stable investor base, long debt maturity, strong institutions, and euro-denominated debt. Over the longer term, increases in Austria's aging-related spending, defense spending, and investment needs to facilitate the green and digital transition will necessitate additional deficit-reducing measures to stabilize the debt.			
Source: Fund staff. Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing. 1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published. 2/ European Commission (2024). "The Ageing Report: Economic & Budgetary Projections for the EU Member States (2022-2070)." 3/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.			

Annex IV. Figure 2. Austria: Debt Coverage and Disclosures

Annex IV. Figure 2. Austria: Debt Coverage and Disclosures										Comments			
1. Debt coverage in the DSA: 1/				CG	GG	NFPS	CPS	Other					
1a. If central government, are non-central government entities insignificant?									n.a.				
2. Subsectors included in the chosen coverage in (1) above:													
Subsectors captured in the baseline									Inclusion				
CPS	NFPS	GG: expected	CG	1	Budgetary central government					Yes	Not applicable		
				2	Extra budgetary funds (EBFs)					No			
				3	Social security funds (SSFs)					Yes			
				4	State governments					Yes			
				5	Local governments					Yes			
				6	Public nonfinancial corporations					No			
				7	Central bank					No			
				8	Other public financial corporations					No			
3. Instrument coverage:				Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/					
4. Accounting principles:				Basis of recording		Valuation of debt stock							
				Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/					
5. Debt consolidation across sectors:				Consolidated		Non-consolidated							
Color code: ■ chosen coverage ■ Missing from recommended coverage ■ Not applicable													
Reporting on Intra-Government Debt Holdings													
		Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total		
CPS	NFPS	GG: expected	CG	1	Budget. central govt							0	
				2	Extra-budget. funds								0
				3	Social security funds								0
				4	State govt.								0
				5	Local govt.								0
				6	Nonfin pub. corp.								0
				7	Central bank								0
				8	Oth. pub. fin. corp								0
Total			0	0	0	0	0	0	0	0	0		
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector. 2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable. 3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities. 4/ Includes accrual recording, commitment basis, due for payment, etc. 5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes). 6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity. 7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.													
Commentary: The debt coverage remains unchanged from the last Article IV. Austria's debt coverage and disclosure are consistent with standard recommendations.													

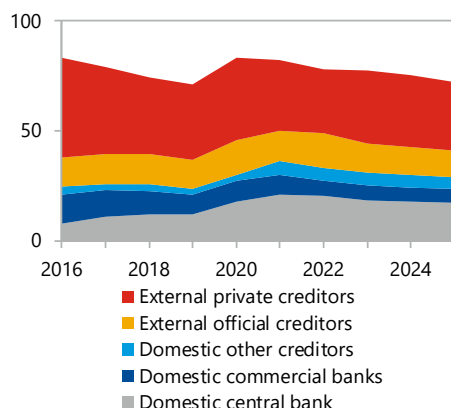
Annex IV. Figure 3. Austria: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



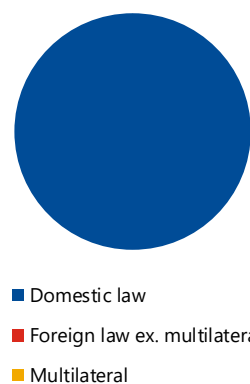
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



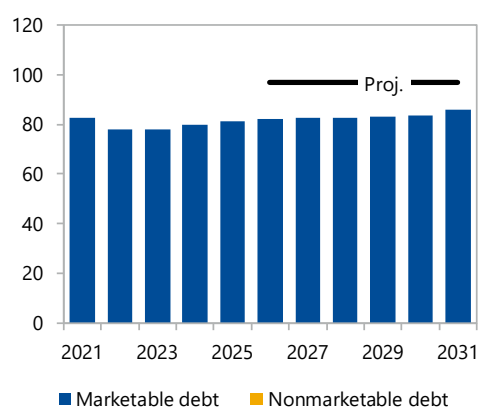
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2025 (Percent)



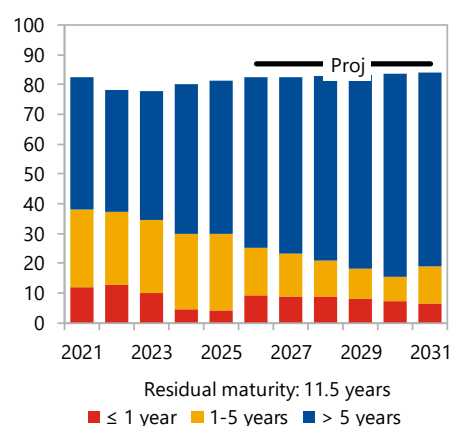
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

Commentary: Public debt is denominated in local currency and is marketable. The share held by the central bank has increased from zero in 2014 to 17 percent in 2025, while the share of external private creditors has decreased from 54 percent in 2014 to 31 percent in 2025. The average maturity of the debt is 11.5 years, the highest in the EU. Over 90 percent of the debt carries fixed interest rates, and less than 20 percent is short-term.

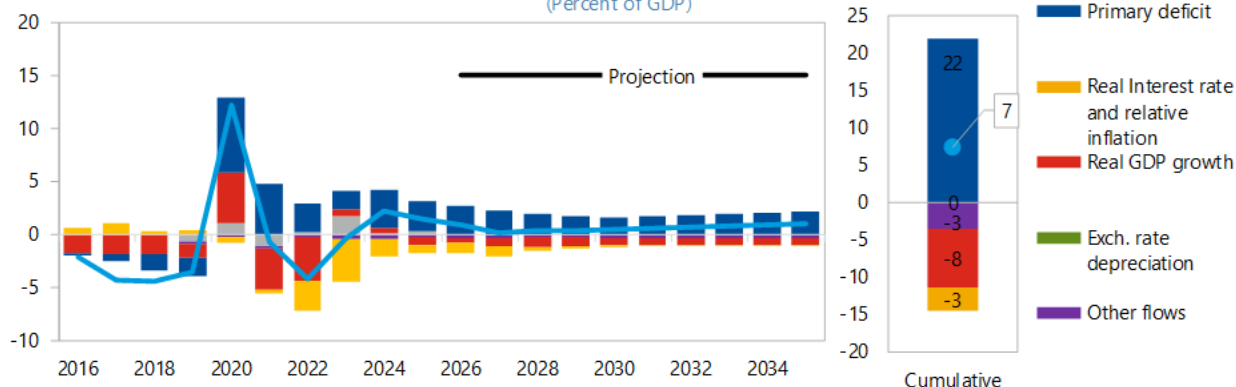
Annex IV. Figure 4. Austria: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	81.4	82.3	82.4	82.8	83.1	83.6	84.2	84.8	85.7	86.6	87.6
Change in public debt	1.4	0.9	0.1	0.4	0.3	0.5	0.6	0.7	0.8	0.9	1.0
Contribution of identified flows	1.1	0.9	0.1	0.4	0.3	0.5	0.6	0.7	0.8	0.9	1.0
Primary deficit	2.9	2.7	2.2	1.9	1.7	1.7	1.7	1.8	1.9	2.0	2.1
Noninterest revenues	50.6	50.7	51.0	50.9	50.9	50.9	50.9	50.9	50.9	50.9	50.9
Noninterest expenditures	53.5	53.5	53.2	52.8	52.6	52.5	52.6	52.7	52.8	52.9	53.0
Automatic debt dynamics	-1.4	-1.5	-1.8	-1.3	-1.1	-0.9	-0.8	-0.8	-0.8	-0.7	-0.7
Real interest rate and relative inflation	-0.8	-1.0	-1.0	-0.3	-0.3	-0.2	-0.1	-0.1	-0.1	0.0	0.0
Real interest rate	-0.8	-1.0	-1.0	-0.3	-0.3	-0.2	-0.1	-0.1	-0.1	0.0	0.0
Relative inflation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	-0.7	-0.5	-0.8	-1.0	-0.8	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Real exchange rate	0.0	...	...	...	...	...	...	...	...	...	...
Other identified flows	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Other transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	12.6	17.8	12.3	11.6	11.7	10.9	10.0	9.6	9.2	8.5	8.1
of which: debt service	10.1	15.4	10.4	10.0	10.3	9.5	8.6	8.1	7.6	6.8	6.3
Local currency	10.1	15.4	10.4	10.0	10.3	9.5	8.6	8.1	7.6	6.8	6.3
Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo:											
Real GDP growth (percent)	0.8	0.6	1.0	1.2	1.0	0.8	0.8	0.8	0.8	0.8	0.8
Inflation (GDP deflator; percent)	3.1	2.8	2.9	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Nominal GDP growth (percent)	4.0	3.4	3.9	3.3	3.2	3.0	3.0	3.0	3.0	3.0	3.0
Effective interest rate (percent)	2.1	1.6	1.7	1.7	1.8	1.9	2.0	2.0	2.1	2.1	2.1

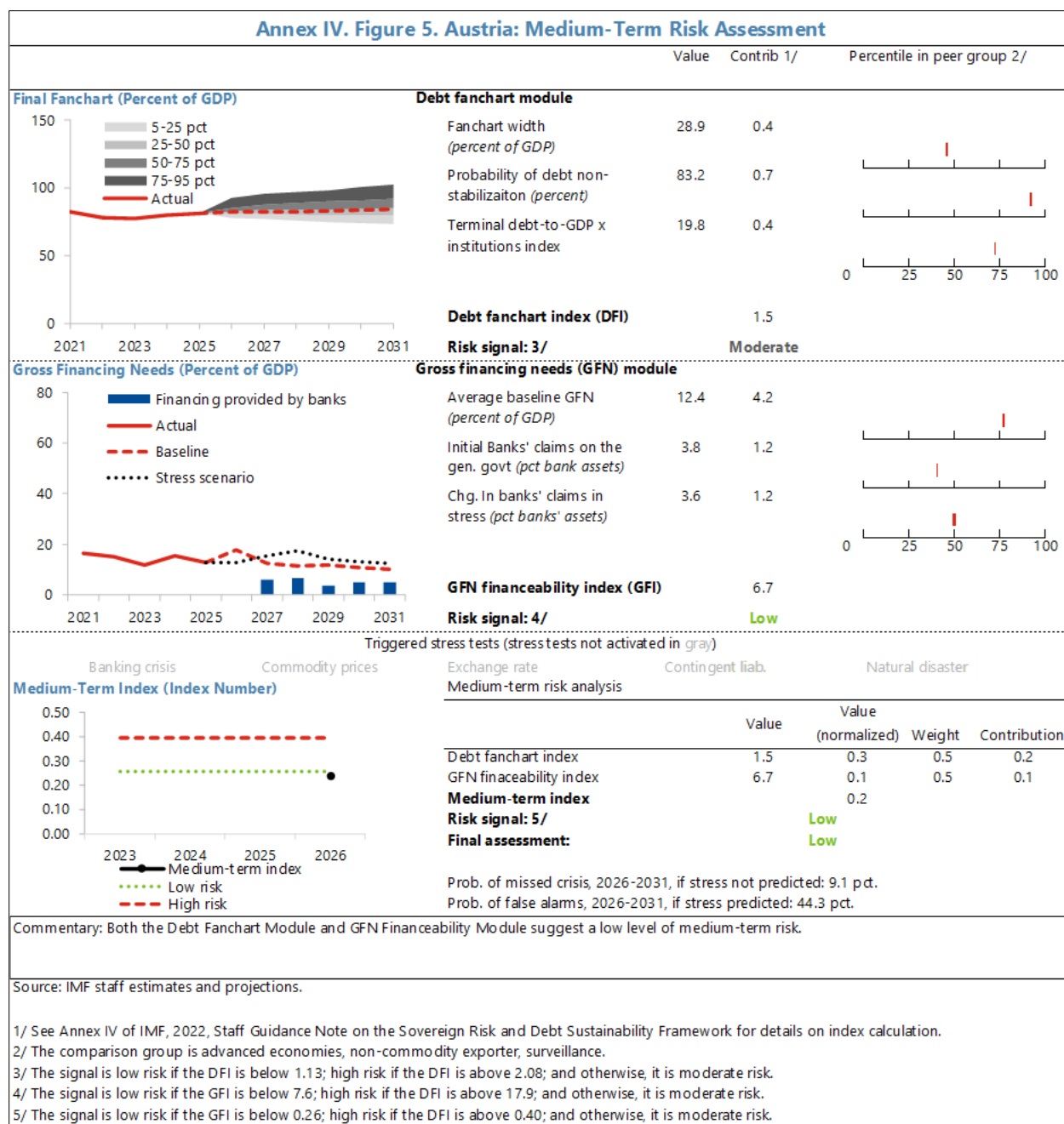
Contribution to Change in Public Debt

(Percent of GDP)

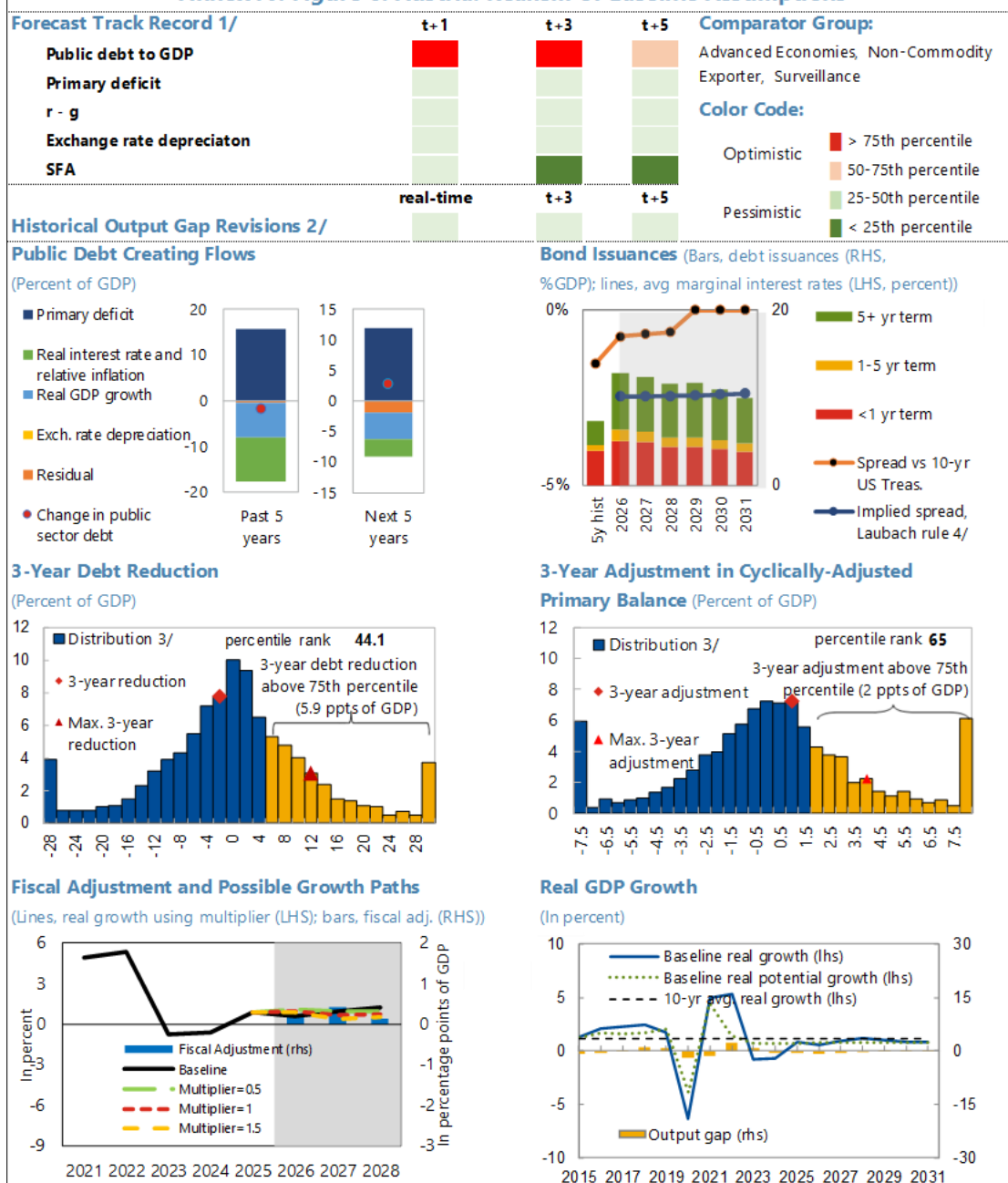


Commentary: Public debt rose to 81.6 percent of GDP in 2025. It is projected to continue increasing over time, reflecting a projected primary balance that continues to remain negative, based on the baseline scenario.

Annex IV. Figure 5. Austria: Medium-Term Risk Assessment



Annex IV. Figure 6. Austria: Realism of Baseline Assumptions



Commentary: The forecast track record does not present significant realism issues, with the contribution of key public debt creating flows being historically moderately pessimistic. There is a stable pattern in the implied spreads, and the maturity structure remains comparable. The debt-to-GDP ratio is projected to increase in the baseline. The baseline fiscal consolidation (red diamond) is at the frontier and appears ambitious compared to the experiences of other countries but not to its own history (red triangle). Nevertheless, this reflects the withdrawal of the exceptional fiscal measures implemented during COVID and the increase in energy prices. Growth and fiscal adjustment paths are consistent with reasonable multiplier estimates.

Source: IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates)

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Annex V. Authorities' Response to Past Article IV Recommendations

Past Article IV Recommendations	Policy Actions
Fiscal Policy	
<i>Expenditure reforms:</i> Cut environmentally harmful subsidies and tax expenditures; adopt reforms to address the rising expenditure burden related to aging, including further pension reforms; improve healthcare spending efficiency.	The 2025-26 budget includes measures to encourage the increase in the effective retirement age, including through restricting the corridor pension scheme. For the year 2026, the Austrian Parliament approved a "socially balanced" pension increase based on the total monthly pension amount. The current government's agenda includes reforming subsidies that harm the environment, with a goal to reduce discretionary subsidies (including fossil fuel subsidies) by €2 billion by 2029. Additionally, plans are underway to boost healthcare efficiency through greater use of outpatient services, telemedicine, and preventive care.
<i>Revenue reforms:</i> Update property tax valuations; evaluate the scope for introducing inheritance and gift taxes.	A working group has been formed with municipalities under the 2024-28 fiscal equalization agreement to explore possible reforms to the property tax. The current government does not intend to reintroduce net wealth taxation, inheritance and gift taxes or take any related action at this time.
Strengthen subnational fiscal constraints.	The Stability Act passed in late 2025 aims to prevent further negative surprises at the SNG level via better planning, monitoring, and transparency as well as penalties for non-compliance with agreed targets. Austria launched the June 2025 Reform Partnership to address fragmentation, administrative duplication, and weak coordination by streamlining responsibilities, strengthening coordination, accelerating approval processes, and advancing binding digitalization across all levels of government.
Financial Sector Policy	
Strengthen capital: Conserve temporary high banking sector profits to build capital buffers and improve protection against risks.	Banks CET1 capital ratios increased to 19 percent in 2025 from 17.8 percent in 2024, supported by high profits, and the leverage ratio also increased from 8.5 percent in 2024 to 9 percent in mid-2025. For SSM banks, Austrian SIs have improved their capital positions through both profit retention and securitization (SRTs). The average Austrian SI CET1 ratio stands at 17.9 percent, and six out of eight SIs report a CET1 ratio above the SSM average (16.2 percent).
<i>Closely monitor CRE risks:</i> Close data gaps to strengthen supervision of the sector. Consider additional real-estate-related macroprudential measures if vulnerabilities persist.	A 1 percent capital buffer on select CRE exposures went into effect in July 2025. The FMSB has recommended that the FMA gradually raise this rate, first to 2 percent as of July 1, 2026, and to 3.5 percent one year later. A CRE dashboard has been launched by the OeNB, making information on CRE market developments and credit quality publicly available.

Past Article IV Recommendations	Policy Actions
Labor Market Policy	
Boost labor force participation among women and the elderly.	The authorities announced the expansion of childcare services to include a second mandatory year of kindergarten to support more female labor supply. Additionally, they have introduced a counseling strategy to assist unemployed or retired elderly workers in their job search. To encourage longer working lives, they also implemented a monthly account update on pension benefits.
Climate and Energy Policies	
Accelerate the energy transition, including through reducing delays in permitting of green infrastructure and addressing skill shortages in occupations critical to the green transition; take further steps to enhance energy security.	The outgoing government submitted an updated NECP in August 2024, demonstrating increased ambition for energy transition and climate action. Additional measures include the expansion of hydrogen production and the lift of the ban on carbon capture and storage. The coalition government's program aims to speed up permitting of energy transition related projects and reduce environmentally harmful subsidies. The Renewable Energy Acceleration Act is a key pending legislation that aims to accelerate clean energy infrastructure and requires a two-third majority to pass in Parliament.
Medium-term Growth	
Accelerate the digital transition to boost productivity and growth.	Austria continues to implement a broadband strategy to extend internet connections to rural areas and to improve digital services for citizens, based on the National Strategic Roadmap for the Digital Decade for 2030.
Medium-term Growth	
Prepare for risks from geoeconomic fragmentation.	The Supply Chain Intelligence Institute Austria (ASCI) has developed a Supply Chain Pressure Index (ASCPPI), which focuses on supply-side bottlenecks relevant to Austrian companies.
Transnational Aspects of Corruption	
Address risks of foreign bribery under the voluntary assessment of transnational aspects of corruption	The 2026-28 National Anti-Corruption Action Plan prioritizes awareness-raising of foreign bribery risks. The authorities produced a brochure on risk mitigation by business associations and Austrian companies operating abroad. Additional measures for detection have been reported, including enhanced reporting channels, monitoring of foreign bribery risks, and strengthening incentives for corporate self-reporting. Enhanced prosecutorial guidance, increased human resources, legal clarifications, and ongoing reforms to corporate sanctions and procurement debarment rules are also contributing to foreign bribery enforcement. ¹
^{1/} The IMF staff and Austria have provided additional views and information whose accuracy have not been verified by the OECD Working Group on Bribery (WGB) or the Secretariat, and which do not prejudice the WGB's monitoring of the implementation of the OECD Anti-Bribery Convention.	

Annex VI. 2020 FSAP Recommendations—Implementation Status

Recommendations	Time Frame*	Status of implementation
Financial Sector Oversight		
Review legislation to clarify and narrow the Federal Ministry of Finance (BMF)'s role in oversight of the FMA and remove industry participation in its Supervisory Board.	MT	Not implemented. The composition of the Supervisory Board of the FMA remains unchanged. The Austrian authorities (BMF) underscore that the light oversight role of the BMF has not undermined the FMA's supervisory independence.
Make the OeNB the chair of the Financial Market Stability Board (FMSB) and increase its voting representation.	NT	Not implemented. The composition and the role of the OeNB in the FMSB has not changed.
Strengthen related party risk framework and establish ex-ante approval for LSI significant investments in non-financial undertakings.	NT	Not implemented. The Austrian authorities (FMA/OeNB) reiterate that a change in EU legislation is a prerequisite for legislation change in Austria. Yet there is some room left at national level to fill the existing gap with BCPs (CP20 on transactions with related parties) and issue adapted prudential requirements subject to risk-based supervision of this sensitive topic.
Phase-out the role of state commissioners in supervisory boards.	MT	Not implemented. The Austrian authorities (BMF) have not removed the system of state commissioners. Certain management practices of state commissioners appointed at LSIs have improved, with training offered on banking regulation and supervision, and informal oversight of state commissioners by the FMA.
Enhance internal guidelines for supervisory action based on qualitative factors.	I	Implemented. The FMA's internal SREP manual is being continuously updated. The SREP will continue to be developed towards a more risk-based approach, providing focus and guidance for deepening certain (risk) areas, e.g., on the basis of qualitative factors/findings. Further efforts are being made to improve the formats of supervisory communication, the so-called structured dialogue, and its link with the SREP. In addition, training and guidance for supervisors are constantly improved.
Stress-test insurance segments / business lines with material future profitability and follow-up with appropriate actions, such as capital add-on.	NT	Implemented. The FMA continues to perform both bottom-up and top-down stress tests. For example, bottom-up stress test, conducted in 2024, focusing on business lines with material future profitability within, was performed together with the necessary follow-up. This was done in parallel to the regular bottom-up stress test performed by the FMA.

Recommendations	Time Frame*	Status of implementation
Financial Sector Oversight		
		Details of the stress tests are published in the "Report on the state of the Austrian insurance industry (2024)" (FMA, <i>Bericht über die Lage der Österreichischen Versicherungswirtschaft 2024</i>).
Review resources for the maintenance of Solvency II, insurance market conduct supervision and potential recovery and resolution framework, and AML supervision for all entities, including VASPs.	NT	Implemented. The FMA continuously reviews its insurance supervision resources taking into account regulatory developments and emerging needs. For example, in 2022 four additional FTEs were hired for the AML supervision division with another 5 FTEs hired in 2024 in anticipation of the implementation of the new EU AML/CFT framework and the gradual introduction of new duties (coming into effect in 2026). The skills and knowledge of FTEs are further enhanced by on-the-job training.
Revise AML/CFT risk scoring reflecting cross-border risks, increase onsite inspections of low-risk banks, branches and subsidiaries and improve non-EU/EEA information exchange.	NT	Implemented. The FMA's risk scoring toolkit includes quantitative and qualitative data to properly capture risks. Cross-border risk monitoring includes qualitative data including on branches and subsidiaries. The FMA has increased onsite inspections for all FIs, including lower risk banks, branches and subsidiaries. For lower risk banks, inspections help raise awareness of the entities under supervision on AML, assess the implemented AML/CFT frameworks, and check the data submitted for the FMA's AML/CFT's risk-assessment tool. Improvement of cross-border information exchange (non-EU/EEA) is part of ongoing supervision. The FMA has the explicit legal basis to share information and MoUs help practical modalities. FMA is also conducting routine reviews of group-wide strategies during its on-site inspections.
Monitor the effectiveness of the FMSB's sustainable lending guidance and prepare regulatory actions, such as binding macroprudential limits, if the risk profile does not improve.	NT	Implemented ¹ . Binding measures to contain systemic risks from residential real estate funding (limits on DSTI, LTV and maturities) were introduced in 2022 and later amended in 2023 (exemptions of bridge funding, absolute minimum exemption buckets). Following the introduction of these legally binding measures, lending standards markedly improved. Borrower Based Measures for mortgage lending expired as of June 30, 2025.
¹ The measures expired as envisaged under the law and BBMs are no longer in place. The 2026 FSAP recommends the authorities to make the borrower-based measures (LTC, DSTI and loan term limit) a permanent regulation.		

Recommendations	Time Frame*	Status of implementation
Financial Sector Oversight		
		In the absence of legally binding measures, the FMSB has approved accompanying measures as guidelines (loan-to-collateral ratio should not exceed 90%, the debt service-to-income ratio should not exceed 40% and the maximum maturity should not exceed 35 years; the proportion of loans not meeting these criteria should not exceed 20% of new lending in any given quarter). The FMA has also increased the reporting frequency to allow for more timely monitoring of lending standards.
Enhance oversight of inward spillover risks from the inverse ownership structure of the Raiffeisen sector.	NT	Implemented. An Austrian sector-wide <i>Raiffeisen</i>-Institutional Protection Scheme (R-IPS)-System was established by end of May 2021. This IPS establishes a specific deposit guarantee and investor compensation scheme (DGS) for the <i>Raiffeisen</i> sector like the one the Savings banks already have. ECB and FMA require that the R-IPS develop and run stress tests scenarios that adequately cater for material idiosyncratic and systemic risks and consider internal spillover effects. A number of conditions were imposed as part of the approval process including in particular many reporting obligations such as the regular submission of risk reports and documents from risk council meetings or ad hoc reporting obligations, e.g., in the event of material financial deterioration of IPS members. Spillover risks are also investigated regularly during the resolution planning cycle. FMA/OeNB and ECB now receive a more comprehensive sector wide view; enabling an enhanced monitoring of the specific risks within the <i>Raiffeisen</i> sector. Authorities also hold regular meetings with the group auditors, the management bodies of the credit institutions within the <i>Raiffeisen</i> sector and with the <i>Raiffeisen</i> Deposit Guarantee Scheme (ÖRS). Additionally, a <i>Raiffeisen</i> IPS simulation tool has been activated, which allows the simulation of the failing of individual <i>Raiffeisen</i> banks and the assessment of the <i>Raiffeisen</i> IPS capacity to recover such fallouts. OeNB undertook a systemic risk analysis of the Austrian IPSs (<i>Raiffeisen</i> IPS and <i>Sparkassen</i> IPS) to assess the systemic impact of a potential mitigating IPS measure to address the failure of one or more member bank(s) on all other participating banks. This systemic risk analysis allows a consistent treatment of <i>Raiffeisen</i> IPS within OeNB's systemic risk assessments (e.g., for the purpose of calibrating macroprudential buffers).

Recommendations	Time Frame*	Status of implementation
Financial Stability Analysis		
Close data gaps, including in the real estate and NFC sectors, and improve coverage and granularity of CESEE data.	MT	Partially implemented. The OeNB implemented the following: (i) Data gaps in the real estate and NFC sectors were addressed for residential real estate; the implementation is ongoing for commercial real estate. With respect to commercial real estate, some data gaps have been closed via AnaCredit data and a commercial real estate price index (forthcoming). Other gaps, such as income-based measures (e.g. debt service coverage ratio) remain. (ii) Data gaps with regard to CESEE are addressed by using risk-based parameters. The OeNB's "Financial Stability Cube" has been refined to include more granular risk parameter data. The first data submission was received for reference date September 30, 2024.
Enhance the stress testing framework to consider second round effects, dynamic balance sheets, and contagion/spillover effects.	MT	Partially Implemented. A dynamic balance sheet perspective was implemented in the OeNB's stress test framework ARNIE. It allows for projecting Austrian aggregate and bank-specific credit growth, subject to bank-specific growth and deleveraging constraints. Current work focuses on improvements of the dividend distribution module and growth constraints based on individual banks' management buffer.
Ensure resources and organizational structure are adequate to meet stress testing framework objectives.	NT	Implemented. One new temporary position (duration 2 years) was created, and another temporary position (duration 2 years) was redirected to support further development.
Financial Crisis Management and Safety Nets		
Explicitly provide for purchase and assumption transactions in the bankruptcy regime.	NT	Not implemented
Seek legislation for standing authority to implement stabilization measures, support funding in resolution, and explore mechanisms for prepositioning BMF to support borrowing by DGSs.	I	Not implemented
Consider cross-border spillovers in national crisis contingency plans.	NT	Implemented. A crisis cooperation manual between OeNB and FMA was completed in Q2 2020 and recently updated in 2026, that consider cross-border spillover effects through coordination with the Single Supervisory Mechanism (SSM). In addition, cross-border spillovers are dealt with in the established procedures of the Resolution Colleges for SIs. For the LSIs, FMA acts as the

Recommendations	Time Frame*	Status of implementation
Financial Crisis Management and Safety Nets		
		group resolution authority in two colleges and participates as a member to two additional resolution colleges.
Enhance insurance crisis preparedness, introducing pre-emptive recovery planning for eligible insurers.	NT	In progress. A recovery and resolution regime will be implemented by transposing the IRRD. The IRRD was published in January 2025 and will be applicable from January 2027. Negotiations with the MoF have been initiated for the purpose of implementation.
NT * I-Immediate" is within one year; "NT-near-term" is 1–3 years; "MT-medium-term" is 3–5 years.		

Annex VII. 2026 FSAP Key Recommendations

Recommendation		Agency	Timing
Systemic Risk Analysis and Stress Testing			
1	Include IPS channels in solvency and liquidity stress tests and contagion analysis, and integrate liquidity channels in the contagion analysis	OeNB	ST
2	Broaden the use of the OeNB stress testing framework for scenario analyses beyond classical stress tests, including for macroprudential and sector-wide analyses and impact assessments	OeNB	ST
3	Enhance risk monitoring of banks' large exposures to NBFIs	OeNB	LT
4	Enhance monitoring of CESEE large exposures and further improve surveillance and reporting	OeNB, FMA	ST
Macroprudential Framework and Policies			
5	Strengthen the macroprudential framework by increasing the voting power of the OeNB and reducing the voting power of the Fiscal Advisory Council	BMF	ST
6	Amend the Banking Act to allow FMA to set macroprudential policy regulations on a precautionary basis for capital and borrower-based measures	BMF	ST
7	Make the borrower-based measures (LTC, DSTI and loan term limit) a permanent regulation	BMF	ST
LSI Regulation and Supervision			
8	Review existing legislation to narrow the BMF's role in oversight of the FMA and remove both ministry and industry participation in its Supervisory Board	BMF	I
9	Reconsider the restrictive staffing and funding strategy that has impacted LSI supervision at the FMA and OeNB, further to a forward-looking review of resource needs for both authorities	BMF FMA OeNB	I
10	Substitute the state commissioner function with an enhanced FMA and OeNB engagement with LSIs' supervisory boards	BMF FMA	ST
11	Introduce legal or regulatory provisions requiring supervisory approval or notification of major acquisitions of non-financial companies by LSIs, upgrade the prudential regulation on transactions with related parties, and adapt risk-based supervision accordingly	BMF FMA OeNB	ST
12	Implement European legislative changes, notably the Solvency II review and Insurance Regulatory and Recovery Directive, which will add macroprudential tools such as liquidity risk management plans and improve the resolution and recovery framework, especially for domestically systemically important insurers and groups	BMF FMA	ST

Recommendation		Agency	Timing
LSI Regulation and Supervision			
13	Continue with the in-depth assessment of control functions including smaller Solvency II insurers that are regarded as low risk, and develop a structured risk-based proportionate approach in this regard	FMA	I
14	Expand the regular insurance sector macroprudential reporting to include analysis of broad trends that could have short- or long-term implications for the functioning of the insurance market and related financial sectors	FMA	I
Investment Funds Regulation and Supervision			
15	Continue to monitor the adoption of liquidity management tools (LMTs) by asset managers and their effective implementation by depositaries, including manager's communication strategy to investors on the use of the LMTs	FMA	ST
16	Encourage and support industry adoption of anti-dilution LMTs, where appropriate.	FMA	MT
17	Refrain from introducing a hurdle rate or any other kind of exemption to the application of the notice period for Real Estate Investment Funds (REIFs)	BMF	ST
Financial Integrity			
18	Address recommendations set out in the 2026 FATF Mutual Evaluation Report, including to strengthen risk-based supervision of financial groups' activities in the CESEE region and significantly enhance oversight of gatekeepers (e.g., lawyers, accountants and real estate agents) of the financial system	BMF	MT
Bank Resolution, Crisis Management, and Financial Safety Net			
19	Designate a standing interagency crisis management forum at a senior level, tasked with overseeing contingency planning at the national level and coordinating crisis preparedness activities	BMF, FMA, OeNB	ST
20	Strengthen the DIS payout capacity by (i) shifting to quarterly contributions, (ii) prohibiting placements with member institutions, (iii) establishing a public backstop from the BMF, and (iv) removing provisions that allow the DIS fund to be used for preventive measures ("open bank assistance")	FMA, BMF, DISs	ST
Bank Resolution, Crisis Management, and Financial Safety Net			
21	Provide for purchase and assumption transactions in the bankruptcy regime, as an alternative to costly payouts	FMA, MoJ, BMF	MT
Bank Resolution, Crisis Management, and Financial Safety Net			
22	Develop a dedicated mitigation framework for the resolvability assessment of the IPS to cover contagion risk arising from solvency and liquidity, and MREL cross holdings	FMA	MT
¹ I: Immediately; ST: short term= less than 1 year; MT: medium term= 1-5 years.			

Annex VIII. Data Issues

Annex VIII. Figure 1. Austria: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating ¹							
A							
Questionnaire Results ²							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Intersectoral Consistency	Median Rating
	A	A	A	A	A	A	A
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	A	A	A	A	A		
Granularity ³	A		A	A	A		
			A		A		
Consistency			A	A		A	
Frequency and Timeliness	A	A	A	A	A		
Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.							
¹ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.							
² The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see <i>IMF Review of the Framework for Data Adequacy Assessment for Surveillance</i> , January 2024, Appendix I).							
³ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.							
A	The data provided to the Fund are adequate for surveillance.						
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.						
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.						
Rationale for staff assessment. Data provided to the Fund are adequate for surveillance. Austria's economic and financial sector data are comprehensive, generally of high quality, and provided in a timely manner. The authorities provide calendar dates of the main statistical releases, and financial sector surveillance is supported by regular publication of financial stability assessments by the central bank. Data could be further strengthened by producing and publishing more data series on CRE developments.							
Changes since the last Article IV consultation No data weaknesses were identified in the 2024 Article IV Staff Report.							
Corrective actions and capacity development priorities The European Commission plans to issue a regulation that requires all EU statistic authorities to publish CRE related price and rent indices.							
Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff do not use data and/or estimates in lieu of official statistics							
Other data gaps. Development of statistics on the commercial real estate (CRE) sector, including price and rent indices, and relevant indicators for surveillance of risks to the financial sector from CRE (including debt-service coverage ratio) would be useful. In this regard, the authorities are continuing their efforts to close remaining data gaps. Some data gaps with respect to CRE are being closed via AnaCredit data and a CRE price index (forthcoming). As noted above, the European Commission plans to issue a regulation that requires all EU statistic authorities to publish CRE related price and rent indices. However, progress is slow and the final regulation is expected to be issued only 2026 or later. The authorities currently work closely with external partners (e.g., Statistik Austria) to establish bridge solutions for price and rent indices until the final EU regulation enters into force.							

Annex VIII. Figure 2. Austria: Data Standards Initiative

Austria adheres to the Special Data Dissemination Standard (SDDS) Plus since January 2017 and publishes the data on its National Summary Data Page. The latest SDDS Plus Annual Observance Report is available on the Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>).

Figure VIII. Figure 3. Austria: Table of Common Indicators Required for Surveillance

As of June 09, 2026

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁷	Frequency of Reporting ⁷	Expected Frequency ^{7,8}	Announced Frequency ⁸	Expected Timeliness ^{7,8}	Announced Timeliness ⁹
Exchange Rates	2026-06-09	2026-06-09	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	2025-12	2026-05	M	M	M	M	1W	1M
Reserve/Base Money	2026-04	2026-05	M	M	M	M	2W	2W
Broad Money	2026-04	2026-05	M	M	M	M	1M	1M
Central Bank Balance Sheet	2026-04	2026-05	M	M	M	M	2W	2W
Consolidated Balance Sheet of the Banking System	2026-03	2026-05	Q	Q	M	M	1M	1M
Total assets of other depository corporations ²	2026-04	2026-05	Q	Q	M	M	1M	1M
Total credit from other depository corporations ²	2026-04	2026-05	Q	Q	M	M	1M	1M
Interest Rates ³	2026-06-09	2026-06-09	D	D	D	...	...	...
Consumer Price Index	2026-04	2026-05	M	M	M	M	1M	2W
Revenue, Expenditure, Balance and Composition of Financing ⁴ -General Government ⁵	2025-12	2026-04	Q	Q	A	...	2Q	...
Revenue, Expenditure, Balance and Composition of Financing ⁴ -Central Government	2025-12	2026-04	Q	Q	M	M	1M	NLT 1M
Stocks of Central Government and Central Government-Guaranteed Debt ⁶	2025-12	2026-04	Q	Q	Q	M	1Q	NLT 3W
Total stock of General Government Debt ⁶	2025-12	2026-04	Q	Q	Q	Q	4M	NLT 4M
External Current Account Balance	2025-12	2026-03	Q	Q	Q	Q	1Q	NLT 1Q

Figure 3. Austria: Table of Common Indicators Required for Surveillance (Concluded)
As of June 09, 2026

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁷	Frequency of Reporting ⁷	Expected Frequency ^{7,8}	Announced Frequency ⁹	Expected Timeliness ^{7,8}	Announced Timeliness ⁹
Exports and Imports of Goods and Services	2026-03	2026-06	M	M	M	M	8W	NLT 10W
GDP/GNP	2026-03	2026-06	Q	Q	Q	Q	1Q	45D
Gross External Debt	2025-12	2026-05	Q	Q	Q	Q	1Q	1Q
International Investment Position	2025-12	2026-05	Q	Q	Q	Q	1Q	3M

¹ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

² Other depository corporations include all deposit-taking corporations (except for the central bank) and money market funds.

³ Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

⁴ Foreign, domestic bank, and domestic non-bank financing.

⁵ The general government consists of the central government (budgetary funds, extra-budgetary funds, and social security funds) and state and local governments. The total stock of general government debt is required for SDDS Plus countries and encouraged for SDDS and e-GDDS countries.

⁶ Including currency and maturity composition.

⁷ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semi-annual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

⁸ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan. Indicators that are not in the IMF Data Standards Initiatives are shown as "...".

⁹ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

Annex IX. Austria's National Stability Pact

- 1. Austria's cooperative federalism features a highly intricate fiscal system.** Austria's fiscal federalism is characterized by a constitutional allocation of responsibilities in expenditure functions across levels of government. While the federal constitution (B-VG) assigns legislative and executive competences between the Federation and the Länder (Articles 10–15), the use of framework legislation (Article 12 B-VG), delegated execution, and binding intergovernmental agreements (Article 15a, B-VG) has resulted in shared responsibility for key spending areas, notably health care, social welfare, and education. In these sectors, the Federation, Länder, Municipalities, and Social Security institutions jointly finance, regulate, and administer services, often through co-financing and earmarked transfers governed by the Fiscal Equalization Law and sector-specific legislations.
- 2. Maastricht fiscal rules reshaped Austria's fiscal federalism toward coordinated internal mechanisms to enforce aggregate fiscal discipline through a Stability Pact.** Introduction of the Maastricht deficit and debt criteria heightened the need for aggregate fiscal discipline at the general government level, prompting the development of cooperative and legally binding mechanisms to manage subnational finances. This led to the introduction of a series of Stability Pacts, the latest enacted in February 2026 which allocates Maastricht-consistent deficit and surplus targets across the Federation, Länder, and Municipalities. Rather than strengthening subnational revenue autonomy or clarifying expenditure assignments, fiscal coordination increasingly relies on intergovernmental agreements, shared taxes, and co-financing arrangements. As a result, Austria's fiscal federalism evolved toward a more centralized and consensus-driven model, where compliance with EU fiscal rules is achieved through negotiated internal pacts and complex transfer systems, reinforcing overlap in expenditure responsibilities and weakening the direct link between spending decisions and budgetary accountability at the subnational level.
- 3. The latest Stability Pact (February 2026), based on the net expenditure path, established sub-national fiscal rules and aligns with EU fiscal requirements.** The Pact grants most borrowing capacity to federal government, including social security, leaving a portion for states and municipalities (Table 1). Landers must allocate 20 percent of their Maastricht deficit share to their municipalities, and the states' borrowing capacity will be distributed based on population. From 2030 onward, the framework shifts from the nominal targets to structural balances derived from the net expenditure path. After applying a 0.1 percent safety buffer, this structural balance is divided 76 percent to the federal sector and 24 percent to the subnational sector.

Table 1. Austria: Maastricht Balances for Federal and SNGs

Percent of GDP

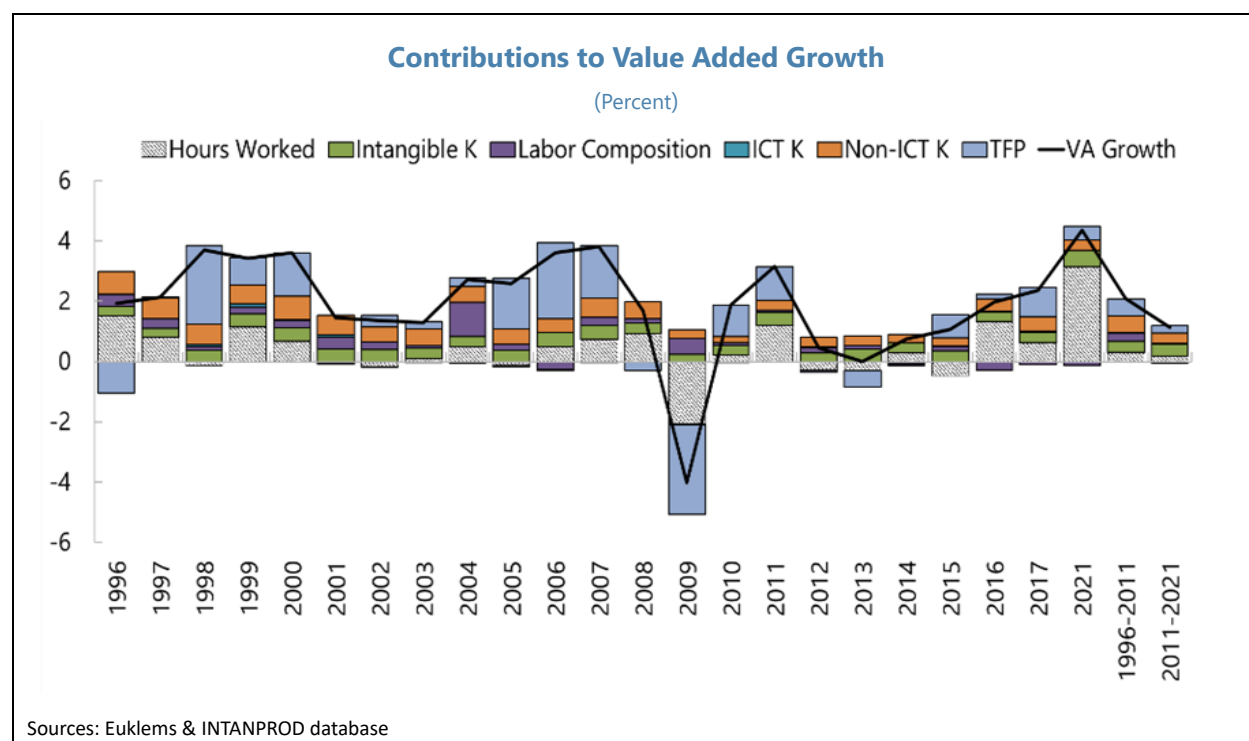
	2026	2027	2028	2029
General Government	-4.20	-3.50	-3.00	-2.80
Federal incl. social security	-3.07	-2.70	-2.31	-2.13
SNGs	-1.13	-0.80	-0.69	-0.67

4. Given that SNGs contributed to recent fiscal deficits, the Pact aims to improve fiscal management by focusing on budget stability, coordination, monitoring, reporting, and governance processes. The Pact includes provisions on capping and managing general government liabilities (Art. 10), the adoption of medium-term budget frameworks (Art. 12), and the publication of budgets and financial statements (Art. 14). An Austrian Coordination Committee (ACC) will be formed to oversee the implementation of the Pact, and state-level coordination committees will also be established. For monitoring the Pact, the ACC has been mandated to prescribe an information system for data sharing (Art. 13). Statistics Austria will determine budget balances based on information received from all stakeholders and will submit an annual report to the ACC (Art. 16).

5. Non-compliance triggers both financial and procedural consequences. In the event that agreed budgetary targets are breached, the relevant territorial authority must prepare a detailed justification within 12 weeks after the breach is reported, along with the causes and measures to correct the deviation. In case of imposition of financial sanctions by the EU, the cost of EU financial sanctions is allocated across government levels based on their respective contributions to violations of fiscal rules. SNGs will transfer the sanctioned amount to the Federal government, and in cases of non-compliance, the amount will be deducted from revenue-sharing advances (Art. 17). If the agreed budgetary target is exceeded, the relevant territorial authority—or, in the case of municipalities, the province—must prepare a detailed justification within twelve weeks of the submission of Statistics Austria's report, explaining why the agreed budgetary target was not met or could not be met (Art. 18).

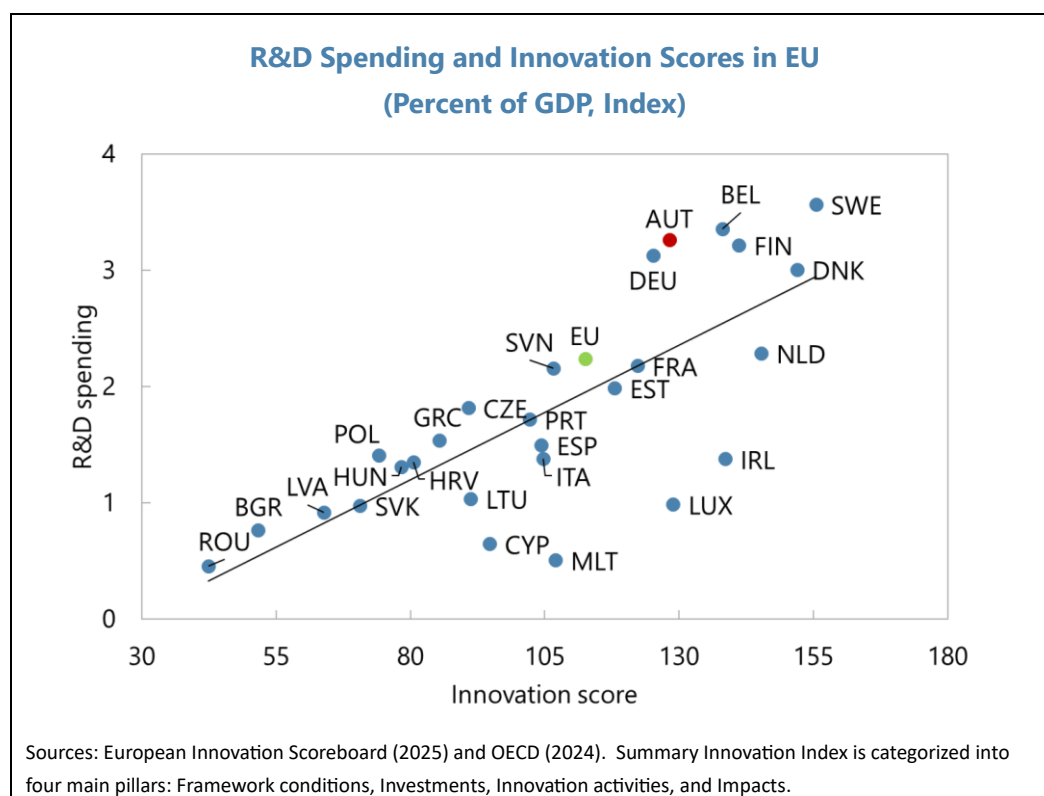
Annex X. Steady R&D Investment with Slower Productivity Growth

- 1. Endogenous growth models link productivity advances to aggregate R&D investment and human capital (Romer, 1990).** While Austria has increased R&D spending in the last decades, progress in innovation and productivity has slowed. Analysis based on the European Innovation Score and a novel firm-level data reveal that the low efficiency of Austrian R&D spending reflects: (1) an excessive allocation of resources to large, established sectors; (2) a relatively low share of investment directed toward risky capital; and (3) challenges faced by startups and SMEs in commercializing R&D ideas and in bringing new products and services to market. To boost Austria's R&D efficiency, innovation financing could be strengthened by lowering barriers for pension funds and insurers to invest in risky capital, while targeted changes to the design of the R&D tax credit could improve efficiency while limiting abuse. In particular, shifting from a flat, scale-based credit towards a front-loaded, growth-oriented incentive—rewarding increases in R&D spending, especially R&D wages, and delivering support earlier in cash—would better align incentives with firms' liquidity needs and experimentation rather than firm size or age.
- 2. Austria's productivity growth has slowed, mainly due to weaker labor input and lower TFP.** Since the COVID-19 pandemic, productivity grew just 0.1 percent, compared to 1 percent from 2011-2019 and 2 percent in 2000-2007. Before the global financial crisis of 2008, TFP and capital deepening boosted productivity, but since then the impact of TFP has diminished.

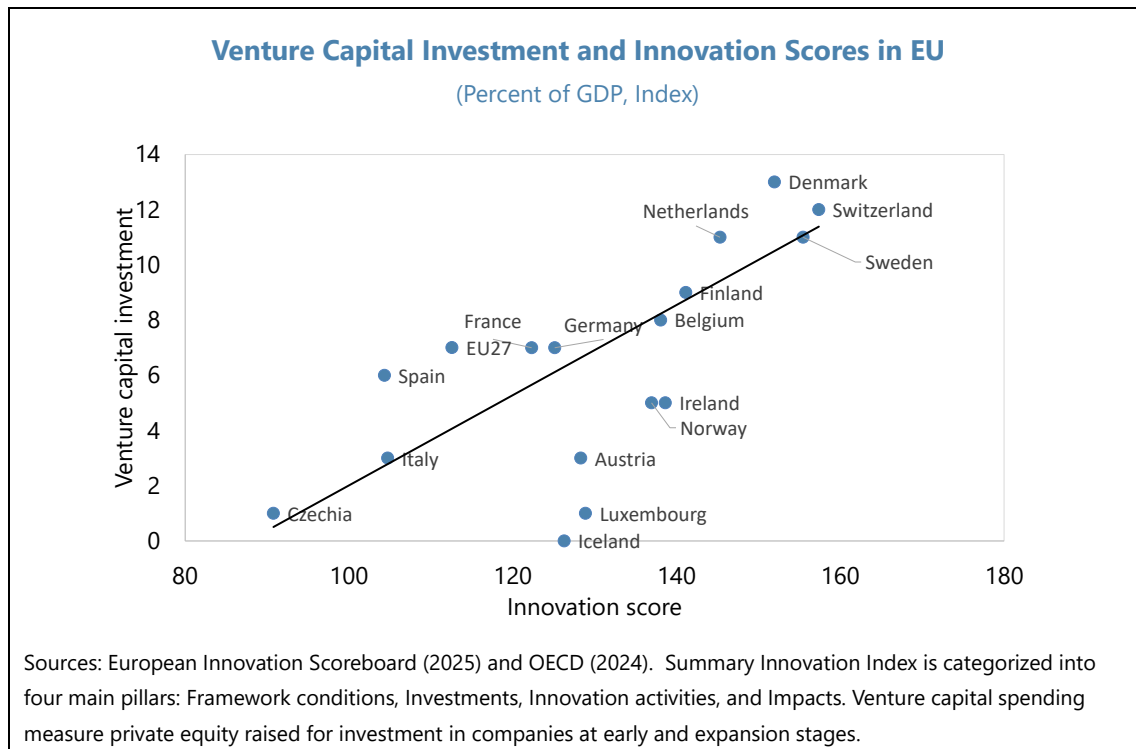


- 3. Despite significant public and private R&D spending, Austria's innovation performance trails leading EU economies.** Although Austria is classified as a strong innovator and

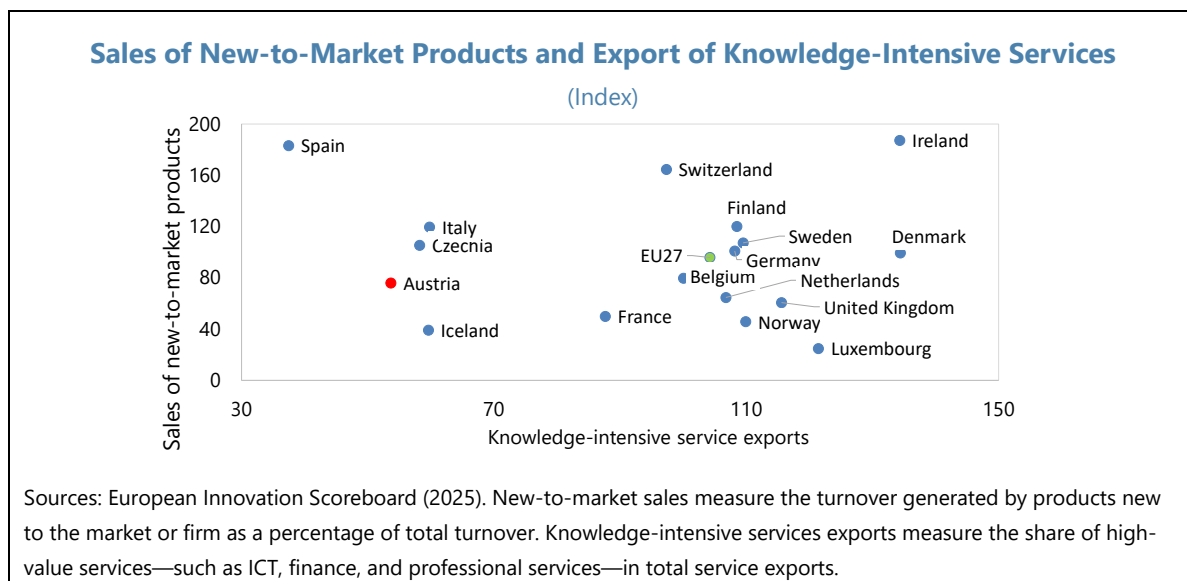
invests heavily in R&D (about 3 percent of GDP), it only ranks eighth in the European Innovation Scoreboard. A significant amount of private R&D funding is driven by large, multinational enterprises, with foreign-controlled companies carrying out about half of the country's business R&D (Austrian Research and Technology Report, 2025).



4. One contributing factor to lower innovation is that risky capital such as venture capital investment is below the EU average. Private sector capital is generally dominated by traditional types of financing. However, research indicates that risky capital such as venture capital and early-stage funding plays a significant role in promoting innovation, patent activity, and total factor productivity growth (Kortum & Lerner, 2000; Santos et al., 2024; Donning and Sorensen, 2024)



5. Another challenge is that enterprises encounter difficulties in converting R&D efforts into commercially viable products and services. Relative to the EU, Austria has a higher inflow of FDIs and a somewhat lower share of young high growth enterprises (Eurostat, 2025). Although foreign-invested companies typically demonstrate higher productivity and greater R&D intensity (OECD, 2023), Austria is positioned 15th among EU member states regarding SME product innovation. This ranking corresponds to comparatively modest sales of new-to-market products and knowledge-intensive services exports in Austria.

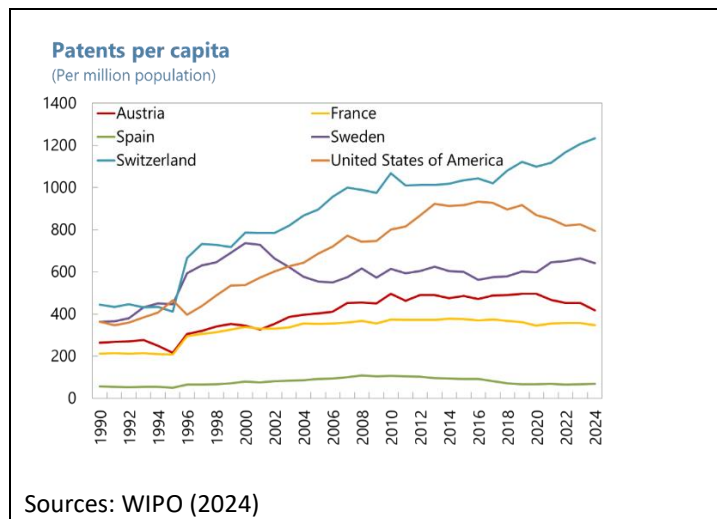


6. Low commercialization of R&D ideas indicates challenges at the firm level. Austrian enterprises face challenges including limited access to financing during growth, unequal tax treatment of debt versus equity, and low financial literacy (Sellner et al. 2023, Breyer et al. 2021). The most recent EIB Survey (2025) finds a shortage of skilled labor and heavy reliance on internal funds. Furthermore, although bank loans are widely accessible, strict domestic accounting rules prevent firms from capitalizing internally generated intangible assets, widening the gap between book and market value. These issues particularly hinder smaller or newer firms in accessing finance, innovating, and growing.

A. Output-based Measure of Innovation: Firm-Level Evidence

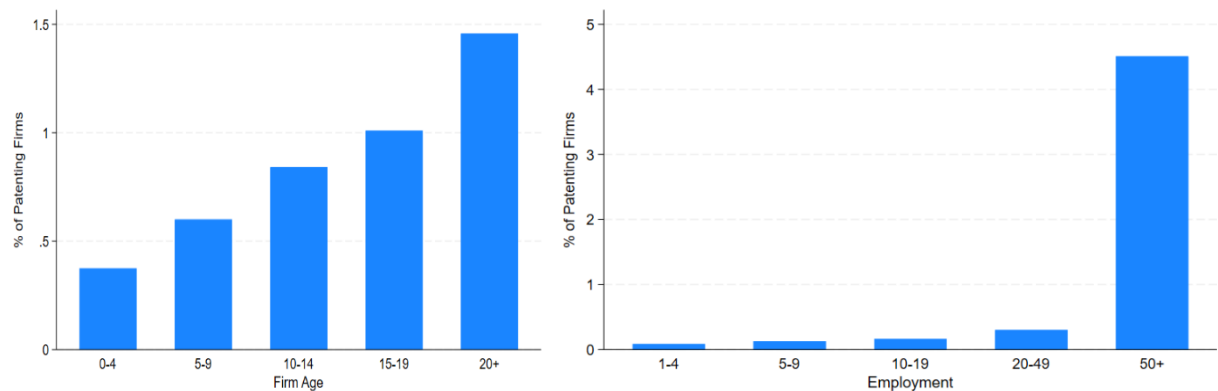
7. Eliminating barriers for productive firms boosts overall TFP. Studies show reducing resource misallocation can notably increase TFP (Restuccia & Rogerson 2017; Hsieh & Klenow 2009). Sellner et al. 2023 estimates that Austria's TFP could rise by 50 percent if it matched US efficiency.

8. Austria performs well in patenting but lags behind the leading innovators. Austria remains a European leader in intellectual assets, with strong PCT patent filings and trademark registrations, but its per capita patent rate is below top innovators.



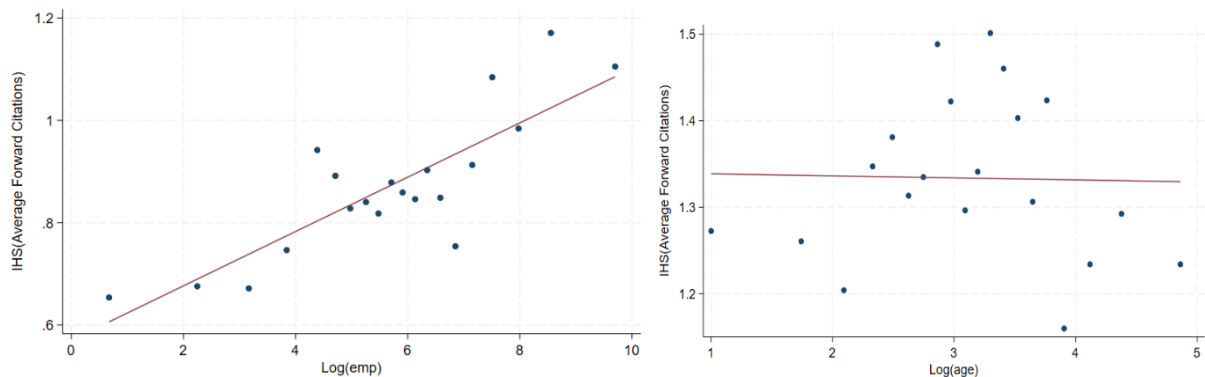
9. Firm-level analysis using novel data highlights how innovation activities and quality vary across companies based on their age and size. Established and sizable companies tend to engage in patenting activities more frequently than their smaller or newer counterparts. Yet, while the quality of innovation (as measured by forward citation counts) rises with firm size, it does not change with firm age. This indicates that established enterprises are dominating innovation industries but are less likely to drive innovation.

Share of Firms Patenting Increases with Age and Size



Sources: Orbis and PATSTAT IMF staff Estimates.
Relationships are statistically significant.

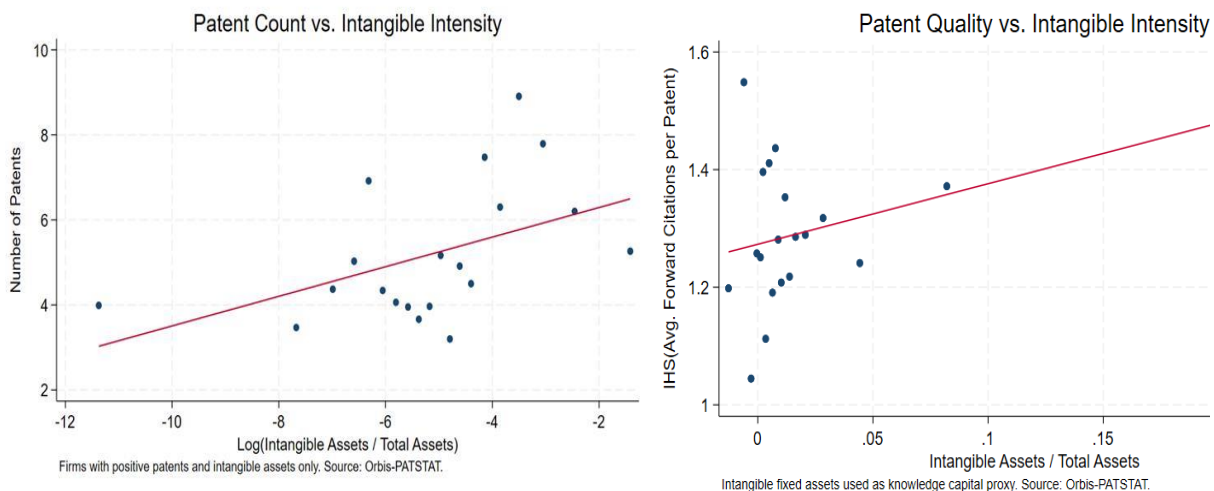
Patent Quality Rises with Firm Size but Does Not Change with Firm Age



Sources: Orbis and PATSTAT, IMF staff Estimates. Relationships are statistically significant

10. Importantly, investment in R&D correlates with higher patent output and improved quality. When intangible assets are used as a proxy, greater R&D investment is linked to increased patenting activity and enhanced quality as measured by citation metrics.

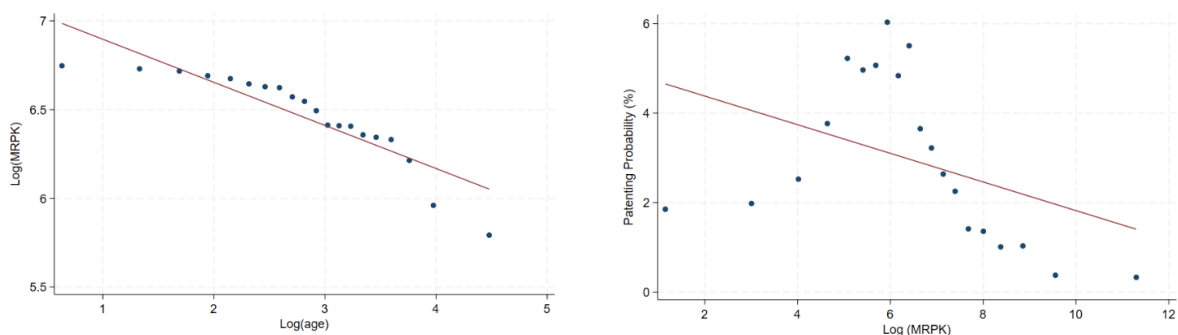
Number of Patenting and Quality of Patenting Increase with R&D Expenditure



Sources: Orbis and PATSTAT, IMF staff Estimates. Relationships are statistically significant.

11. Despite this, newer firms face greater financial constraints, which reduces patenting activity. Analysis of Austrian data indicates that younger firms encounter more significant financial constraints (high MRPK) compared to older firms, resulting in a reduction in their patenting activity under these conditions.

Newer Firms Face Financial Constraints (High MRPK) and Patenting Increases as Financial Constraints Fall



Sources: Orbis and PATSTAT, IMF staff Estimates. Relationships are statistically significant. Based on the methodology outlined by Hsieh and Klenow (2009), firms are classified as financially constrained when their marginal revenue product of capital (MRPK) exceeds that of other firms.

12. Austria's Research, Technology, and Innovation (RTI) Strategy 2030 aims to elevate the country to an international innovation leader. By targeting an R&D-to-GDP ratio of 4 percent, up

from around 3 percent in 2025, the goal is to strengthen the innovation ecosystem by growing the number of companies engaged in R&D.

13. Despite this, there is a strong rationale for advancing innovation financing through a well-integrated mix of instruments. Removing investment barriers for pension funds and insurers to invest in higher-risk assets such as venture capital (IMF, Selected Issues paper, 2025) and amending the Austrian commercial code to enable better capitalization of internally generated intangibles (Austrian MTFPS, 2025) could ease financing for Austrian firms. Targeted subsidies, flexible loss carry-forwards, reduced debt bias in taxes, and better regulations could further support startups and SMEs (IMF, Selected Issues paper, 2025).

14. Importantly, targeted changes to the design of the R&D tax credit could improve efficiency while limiting abuse. In particular, shifting from a flat, scale-based credit towards a front-loaded, growth-oriented incentive—rewarding increases in R&D spending, especially R&D wages, and delivering support earlier in cash—would better align incentives with firms’ liquidity needs and experimentation rather than firm size or age.

Annex XI. Transnational Aspects of Corruption

1. Austria is a volunteer country for the assessment of transnational aspects of corruption under its Article IV Consultation. A number of countries (including all G7 countries, half of G20 countries, and other advanced economies) have volunteered for this assessment.¹ The current update focuses on issues relating to the facilitation of corruption (i.e., the effectiveness of the AML/CFT framework in preventing foreign officials from concealing the proceeds of corruption).

i. **Facilitation Side²**

2. Measures to strengthen Austria's AML/CFT framework are improving its capacity to mitigate the risk of laundering of proceeds of foreign corruption or "facilitation issues". A recent detailed assessment report of Austria's AML/CFT measures, published in April 2026, set out measures taken by the Austrian authorities to strengthen their AML/CFT framework. The assessment noted that Austria has made clear progress in strengthening its AML/CFT legal and regulatory framework since its previous detailed assessment in 2016, with notable improvements related to transparency of beneficial ownership and financial sector supervision.

3. Further improvements are nevertheless needed to better understand the risk of transnational organized corruption. The Austrian authorities lack a comprehensive understanding of transnational threats, including corruption. Understanding of the laundering of proceeds of domestic and foreign corruption should be further developed and steps taken to increase awareness of this risk by financial institutions, beyond compliance with politically exposed persons lists.

4. Increased efforts are needed to investigate and prosecute corruption-related ML in line with Austria's risk profile. Although ML linked to domestic and foreign corruption is identified as risk in Austria's 2025 NRA, corruption-related ML investigations are low and have not triggered any indictments. Freezing and seizure measures have been applied to a broad range of assets, including in complex cases, but overall asset seizure values are moderate considering Austria's risk profile, particularly in relation to corruption.

5. Major shortcomings in relation to the supervision of designated non-financial businesses and professions should be addressed as a priority. Austria's real estate sector is vulnerable to ML, particularly through the acquisition of high-end properties, including by Politically Exposed Persons and foreign companies. In light of this, the authorities should implement measures without delay to strengthen oversight of high-risk DNFBPs such as real estate agents, lawyers and

¹ See <https://www.imf.org/en/Topics/governance-and-anti-corruption> for further information on these voluntary assessments.

² Information relating to facilitation-side of corruption in this annex draws on the FATF Mutual Evaluation reports and findings that relate to effectiveness of preventative measures applicable to the financial and non-financial sectors (including those relating to politically exposed persons and suspicious transaction reporting), transparency of legal persons and arrangements, enforcement against money laundering, and international co-operation and asset recovery.

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trust and company service providers to reduce the risk of proceeds of corruption being laundered through these sectors.

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STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

June 24, 2026

Prepared By

European Department

CONTENTS

FUND RELATIONS	2
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FUND RELATIONS

(As of April 30, 2026)

Mission: April 23–May 06, 2026. The concluding statement of the mission is available at:

[Austria: Concluding Statement of the 2026 Article IV Mission](#)

Staff team: Mr. Gottlieb (head), Mr. Mohommad, Mr. Adan (all EUR), and Mr. Varma (FAD).

Country interlocutors: Minister of Finance Marterbauer, Central Bank Governor Kocher, Members of Parliament, and officials from the Ministries of Finance and Climate, the Federal Chancellery, and with the Financial Market Authority, the Court of Auditors, major banks; trade unions; think tanks; and other private-sector representatives.

Fund relations: Austria is on a 12-month consultation cycle. Staff reports are available at:

<https://www.imf.org/en/countries/aut?selectedfilters=Article%20IV%20Staff%20Reports#whatsnew>

Membership Status: Joined August 27, 1948; Article VIII.

General Resources Account:

	SDR Million	Percent of Quota
Quota	3,932.00	100.00
Fund holdings of currency	2,925.91	74.41
Reserve position	1006.10	25.59
Lending to the Fund		

SDR Department:

	SDR Million	Percent of Allocation
Net cumulative allocation	5,504.96	100.00
Holdings	5,772.49	104.86

Outstanding Purchases and Loans: None

Latest Financial Commitments: None

(SDR Million; based on existing use of resources and present holdings of SDRs)

		Forthcoming			
	2025	2026	2027	2028	2029
Principal					
Charges/Interest		0.03	0.03	0.03	0.03
Total		0.03	0.03	0.03	0.03

^{1/} When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not applicable

Implementation of Catastrophe Containment and Relief (CCR): Not applicable

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Exchange Rate Arrangements:

The currency of Austria is the euro. The exchange rate arrangement of the euro area is free floating. Austria participates in a currency union (EMU) with 20 other members of the EU and has no separate legal tender. The euro, the common currency floats freely and independently against other currencies.

Austria has accepted the obligations under Article VIII, Section 2, 3 and 4 of the IMF's Articles of Agreement, and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions, other than restrictions maintained solely for security reasons, which have been notified to the Fund pursuant to Executive Board Decision No.144 (52/51).

FSAP Participation and Reports on Standards and Codes (ROSCs):

An FSAP mission took place in October 2025 and March 2026. The FSSA report was available at: [\[https://www.imf.org/en/Publications/CR/Issues/2020/01/31/Austria-Financial-Stability-Assessment-Press-Release-Staff-Report-and-Statement-by-the-490101\]](https://www.imf.org/en/Publications/CR/Issues/2020/01/31/Austria-Financial-Stability-Assessment-Press-Release-Staff-Report-and-Statement-by-the-490101)

Technical Assistance: None.

Resident Representative Post: None

**Statement by Mr. Just, Alternate Executive Director for Austria
and Ms. Koch, Advisor to Executive Director
July 8, 2026**

On behalf of our Austrian authorities, we thank Mr. Gottlieb, Ms. Arvai, and their teams for the constructive policy dialogue and technical discussions during the 2026 Article IV Consultation and Financial Sector Assessment Program (FSAP). The authorities broadly agree with staff's analysis and highly appreciate the candid assessment of Austria's economic and financial sector challenges.

Economic Developments and Outlook

The Austrian authorities see somewhat stronger growth prospects over the next twelve months than assumed in the staff baseline. The authorities note that the economy has faced a series of significant external shocks in recent years despite the absence of major macroeconomic imbalances. At the same time, recently updated data indicate that economic performance since 2024 has been only slightly weaker than in the euro area, notwithstanding a considerably stronger fiscal consolidation effort in 2025. Austria entered 2026 with positive growth, while activity in the euro area contracted.

While lower electricity prices have provided some offset, the authorities expect inflation to remain above 3 percent until the first quarter of 2027. HICP inflation increased from 2.1 percent in January 2026 to 3.7 percent in May, largely reflecting higher energy prices, particularly for motor fuels and heating oil. From the second quarter of 2027, favorable base effects and a projected negative energy inflation are expected to bring headline inflation down gradually, to around 2.5 percent in 2027 overall and close to 2 percent by 2028. The authorities emphasize that nominal wage growth over the next few years is expected to remain broadly in line with euro area trends, supporting a gradual convergence of Austria's inflation rate with that of the euro area and helping preserve external competitiveness.

Financial Sector Policies

Financial stability risks remain contained, although the macro-financial environment continues to be challenging. The authorities remain committed to safeguarding a resilient and well-functioning financial system and note that targeted macroprudential measures have strengthened banks' resilience and their capacity to support economic activity. Austrian banks continue to benefit from diversified income sources, including their longstanding presence in Central, Eastern, and Southeastern Europe, alongside robust profitability and strong capital positions.

Credit quality remains the principal area of vigilance, particularly in the commercial real estate and construction sectors. Supervisory efforts remain focused on ensuring adequate risk recognition and continued reductions in non-performing loans. The macroprudential framework has been further strengthened, including through an increase in the sectoral systemic risk buffer for commercial real estate exposures and ongoing monitoring of residential lending standards. Given the significance of real estate

exposures for Austrian banks, this sector will remain a supervisory priority. In addition, newly developed dashboards by the Austrian Central Bank (OeNB) provide more timely and granular information on real estate markets and lending conditions, supporting the early identification of emerging vulnerabilities.

The authorities consider the existing crisis management framework to be effective and well-coordinated. They see no pressing need for the establishment of additional crisis committees. They further reaffirm that Austria's deposit insurance schemes (DIS) fully comply with EU directives and stress that the mutual financial support among the DIS schemes enhances overall capacity and system stability.

The authorities emphasize that Austria's supervisory framework is based on a well-established risk-based and proportionate approach. They remain committed to further enhancing supervisory effectiveness and efficiency, while carefully considering staff's recommendations in this area.

Policy Priorities

Restoring fiscal space remains a key priority. To this end, the government had adopted an ambitious two-year budget covering 2025 and 2026, with the net expenditure path outperforming EU fiscal targets in both years. Continuing this path, the authorities have already adopted a double budget for 2027 and 2028 in mid-June, providing households and businesses with greater and timely predictability regarding future taxation, public services, and transfer policies. While staff place greater emphasis on expenditure-based adjustment, the authorities consider the current policy mix appropriate for the medium term in light of elevated global uncertainty and distributional considerations. The authorities note, however, that the planned fiscal adjustment path remains more ambitious than required under EU fiscal rules.

The weak economic performance of the past two years has prompted a reassessment of growth challenges and policy priorities. For example, a comprehensive review of the manufacturing sector has informed a new industrial strategy aimed at strengthening Austria's productive capacity and competitiveness. The authorities also remain committed to advancing the green transition, which they view as an important element in enhancing the country's energy resilience and long-term growth potential. This commitment was further reinforced by the adoption of the Renewable Energy Expansion Acceleration Act this June, and while the share of electrification remains relatively low, Austria's share of renewable energy is among the highest in the EU.

Looking beyond 2028, the authorities acknowledge that fiscal consolidation efforts will need to continue. They note several institutional reforms that will support this objective, including the Austrian Stability Pact, which strengthens incentives for fiscal adjustment at the Länder and municipal levels; the recently adopted legislation introducing an automatic mechanism for parametric pension reform should specific thresholds be exceeded; and the ongoing reform partnership, which seeks to improve the governance and efficiency of public expenditure amounting to roughly 10 percent of GDP.