WIFO ◼ ÖSTERREICHISCHES INSTITUT
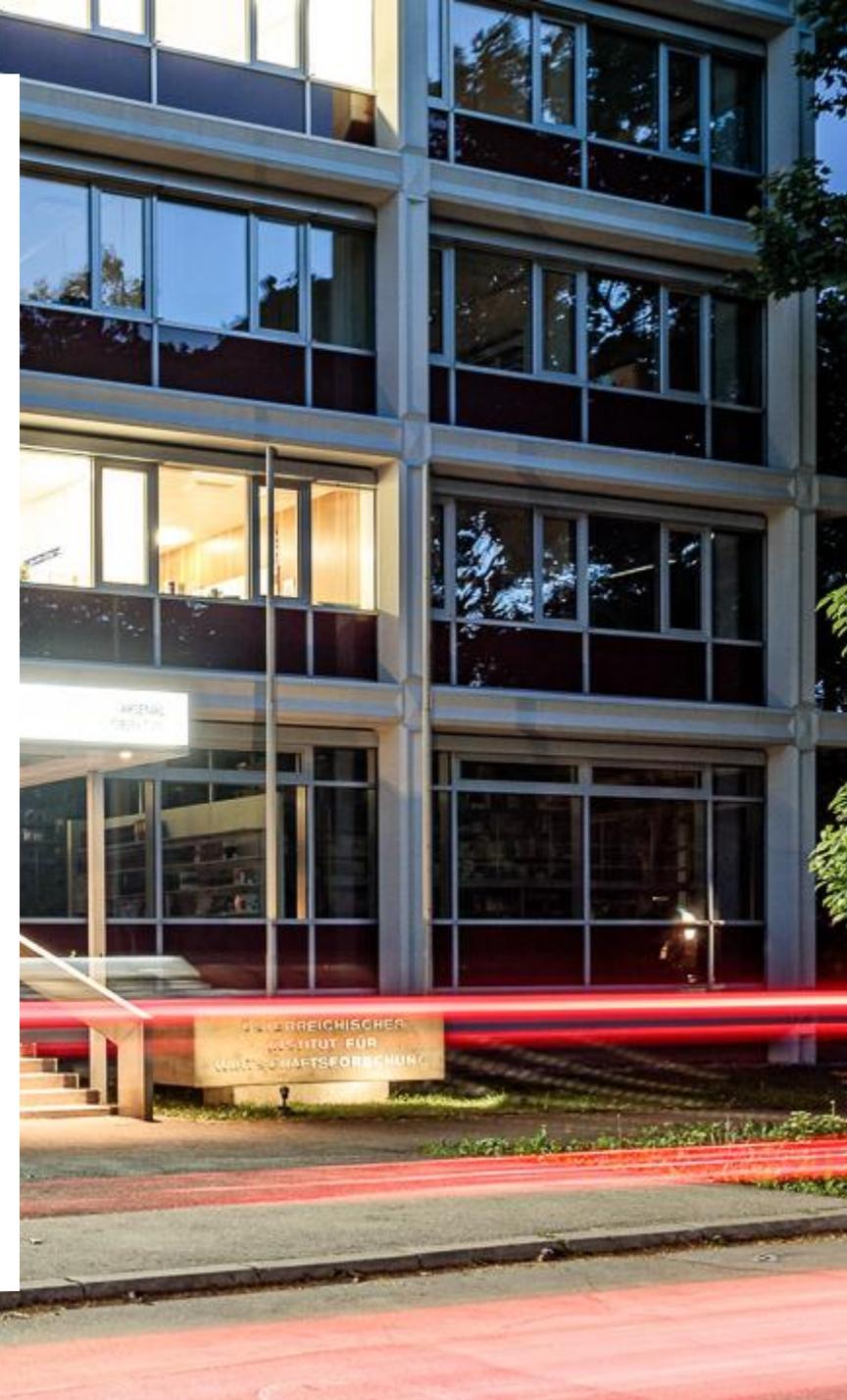FÜR WIRTSCHAFTSFORSCHUNG

The Austrian economy

An introduction

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Vienna University of Economics and Business
Vienna, October 2nd 2025

I. Introduction

Outline

- **I. Introduction**
    - Basic facts
    - What is „the economy"?
- **II. Notes on the current crisis**
    - Prices, wages & profitability
    - The tradeables dilemma
    - Labour shortages
- **III. International comparison,** selected examples on
    - Economic performance
    - Determinants

Triple objective

- To learn about the
    - ➢ **Austrian** economy
    - ➢ Choice of **indicators**
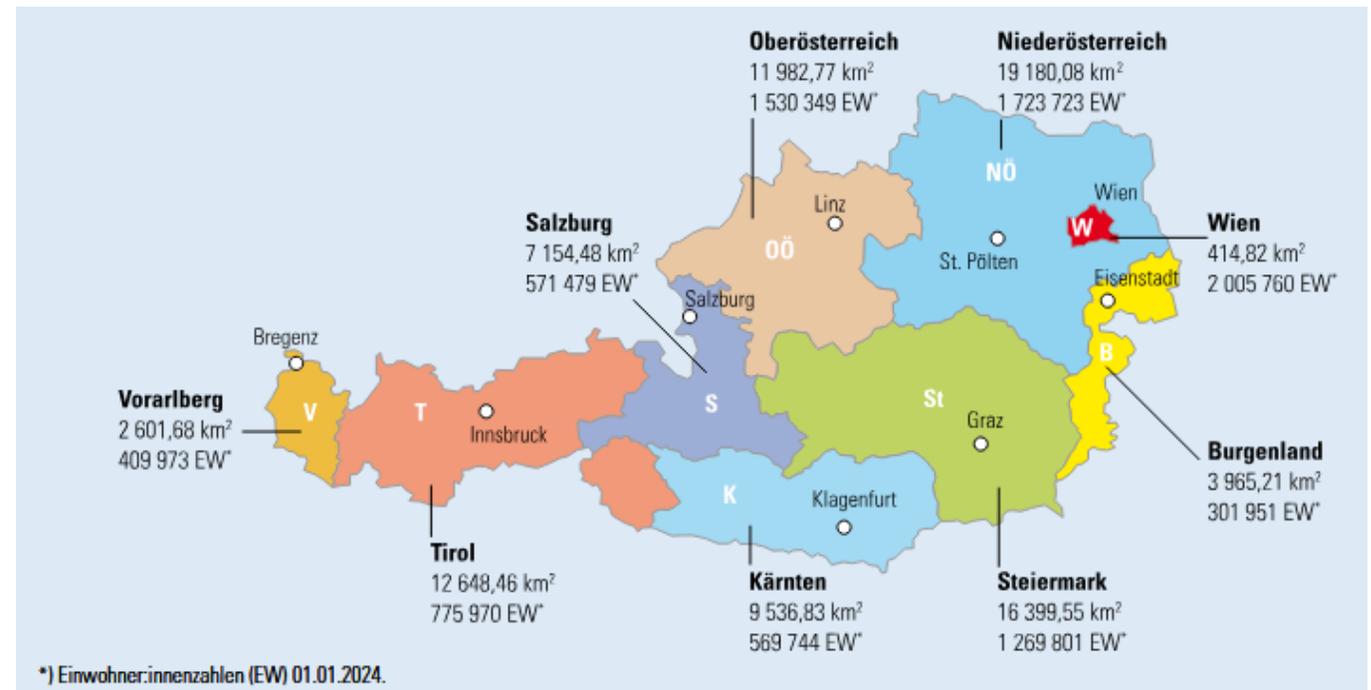   - ➢ Interpretation of **data**

Austria, at first glance
2024

- **Population**: 9,2 million
- **GDP**: 494 billion €
- **GDP per capita**: 53.830 €
- **Unemployment**: 5.5% / 6.8% (2025 Q2, ILO/national)
- **Fiscal ratio**: 44.5 % of GDP
- **Debt ratio**: 82.3% of GDP (2025Q2)

- **Export** ratio: ca. 50 % of GDP
  - Problem: total sales (exports) versus value added (in GDP)
  - Export **accounts for roughly 30% of GDP** (I/O-Tables, 2020)
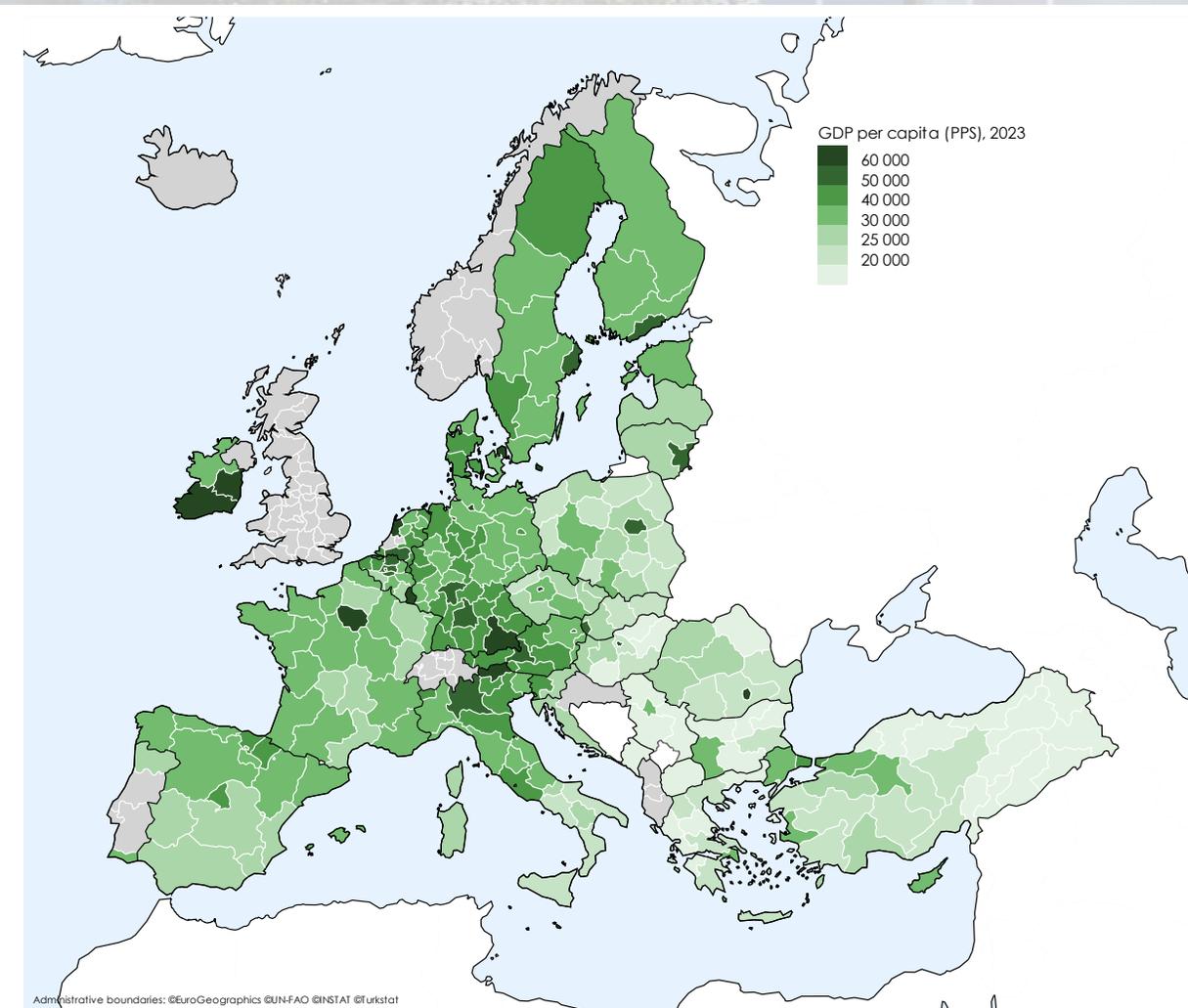
Anyway, no closed economy …

Austria as a federal state (2023)

Region	Area	Population
Oberösterreich	11 982,77 km²	1 530 349 EW*
Niederösterreich	19 180,08 km²	1 723 723 EW*
Salzburg	7 154,48 km²	571 479 EW*
Wien	414,82 km²	2 005 760 EW*
Vorarlberg	2 601,68 km²	409 973 EW*
Tirol	12 648,46 km²	775 970 EW*
Kärnten	9 536,83 km²	569 744 EW*
Steiermark	16 399,55 km²	1 269 801 EW*
Burgenland	3 965,21 km²	301 951 EW*

*) Einwohner:innenzahlen (EW) 01.01.2024.

Sources: ST.AT, Austria: Zahlen.Daten.Fakten 2024/25; WIFO.

WIFO

Austria within Europe
GDP per capita 2023, PPS

GDP per capita (PPS), 2023
- 60 000
- 50 000
- 40 000
- 30 000
- 25 000
- 20 000

Administrative boundaries: ©EuroGeographics ©UN-FAO ©INSTAT ©Turkstat

- **Geography**
  - Transitional climate (oceanic / continental)
  - Diverse landscape; large alpine areas
    - Infrastructure (e.g., transport)
    - Tourism

- **Integration**
  - 1976: Pegging Austrian currency to German D-Mark
  - 1995: joining European Union
  - 1999: Monetary Union (Eurozone)

- **Proximity to high-income regions** (esp. South Germany, Switzerland, Northern Italy)
  - High demand
  - Sophisticated supply chains
  - Knowledge spillovers

… but historically, a **„dead border"** to the east.

Source: EuroGeographics, WIFO.

WIFO

GDP per capita growth
2013-2023 in %

CEE economic transition
- In 1989 the „iron curtain" fell apart
- System change from centrally planned to market economies
- Institutional reforms
- EU enlargement

> ➤ **Catching-up**!

Austria benefitted from **proximity to high-growth regions** along former „dead border"
- New (initially low-cost) competition
- New markets (demand)
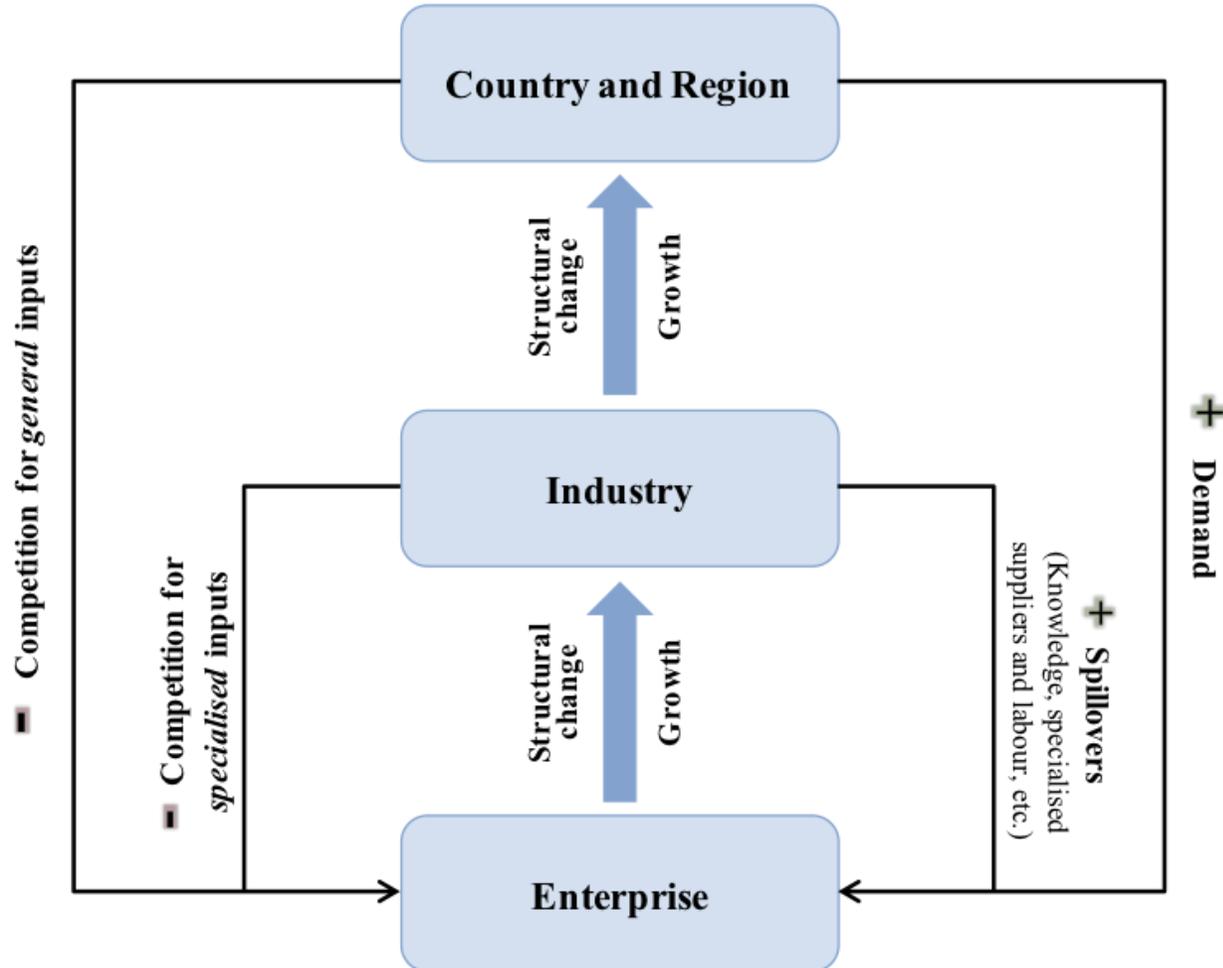- Opportunities for division of labour
- Migration (labour market)

> ➤ **Growth** and **structural change**!

Source: EuroGeographics, WIFO.

Change in GDP per capita, 2013-2023
+60%
+40%
+20%
+10%
+0%
−10%

Administrative boundaries: ©EuroGeographics ©UN-FAO ©INSTAT ©Turkstat
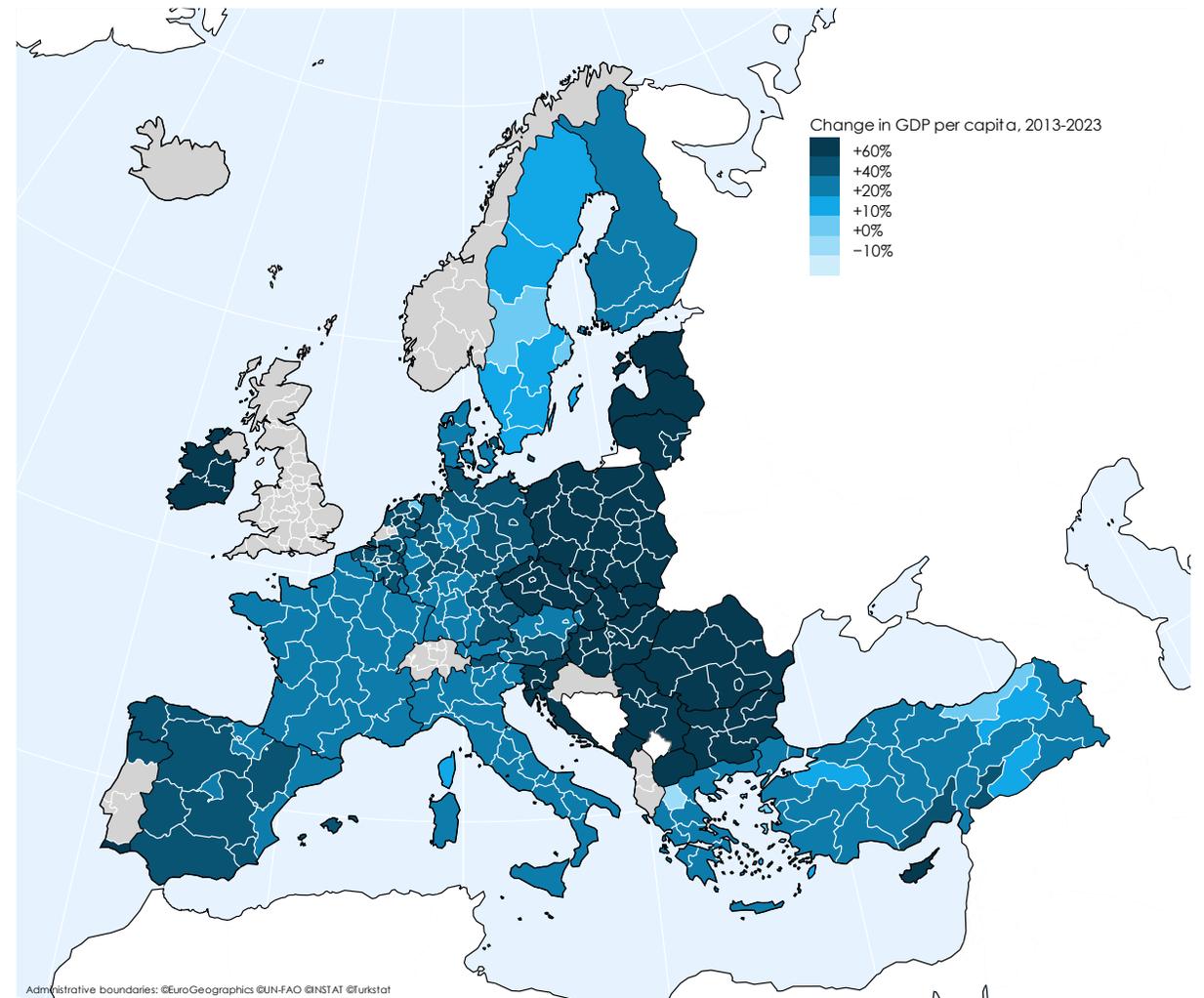
WIFO ■

■ But what is **"the economy"?**

Micro-, **meso-** and **macro** levels of activity, e.g. …

Other **micro-actors**, e.g.
- Consumers
- Labour
- Entrepreneurs
- Investors

Other **meso-level structures**, e.g.
- Regions
- Technologies
- Goods & services (consumption, trade, GVCs)

… add e.g., public institutions

WIFO

II. Notes on the current crisis

- **Exogenous macroeconomic shock**
  - Russian war against Ukraine triggerd an international energy crisis
  - Austria particular affected: general rise in energy prices
- **Different sectoral impacts**
  - Energy intensive industries (mostly manufacturing)
  - Domestic/localized vs international competition (non-/tradeables)
  - ➢ Different opportunities to pass on prices to consumers
- **Vicious circle** (macro-meso-micro)
  - **Services** driving up aggregate inflation (beyond international trend)
  - Overall inflation drives **wage** increases (beyond international trend)
  - **Manufacturing** lacks scope to pass on higher costs for energy and wages
    - Declining profits, investments and production
    - Corporate downsizing or exits; release of skilled labour
- **Labour shortages** (demographic trends)
  - May crisis help to cope with positive demand shock in **defence related** production?

WIFO

Growth
GDP volume index (WWWI) since 2007

Legend:
— Weekly WIFO Economic Index (WWWI) for Austria
○ GPD, volume, change from previous year's quarter
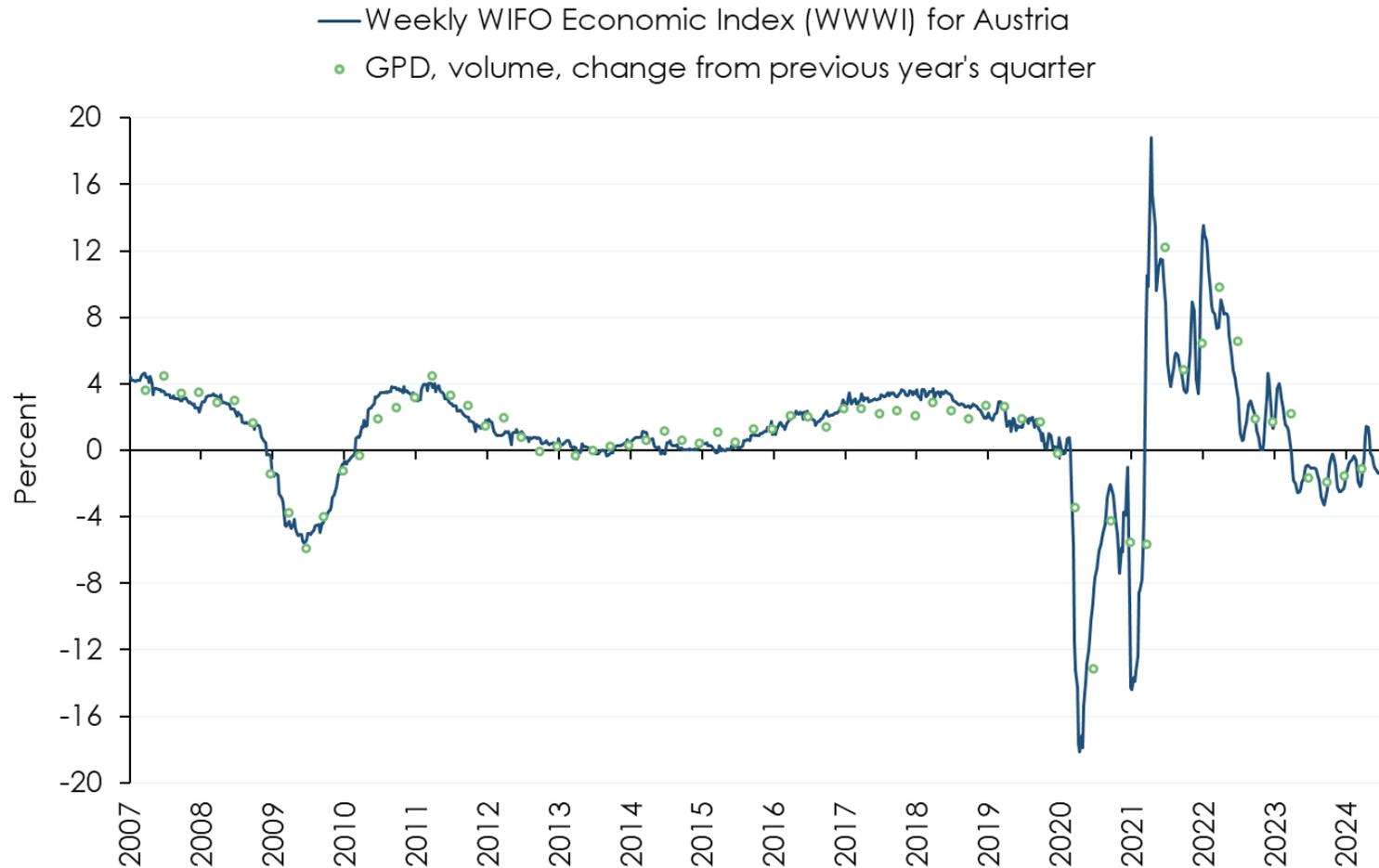
Source: WIFO, Statistics Austria.

Turbulent times

- "Great **financial** and economic crisis" of 2009
- **COVID-19** in 2020
- Russian invasion of the **Ukraine** in 2022

Contact (Josef Baumgartner), further details and **monthly updates** at

https://www.wifo.ac.at/en/research/thematic-platforms/business-cycles-and-forecasting/weekly-wifo-economic-index/

WIFO

GDP volume index (WWWI), recent years
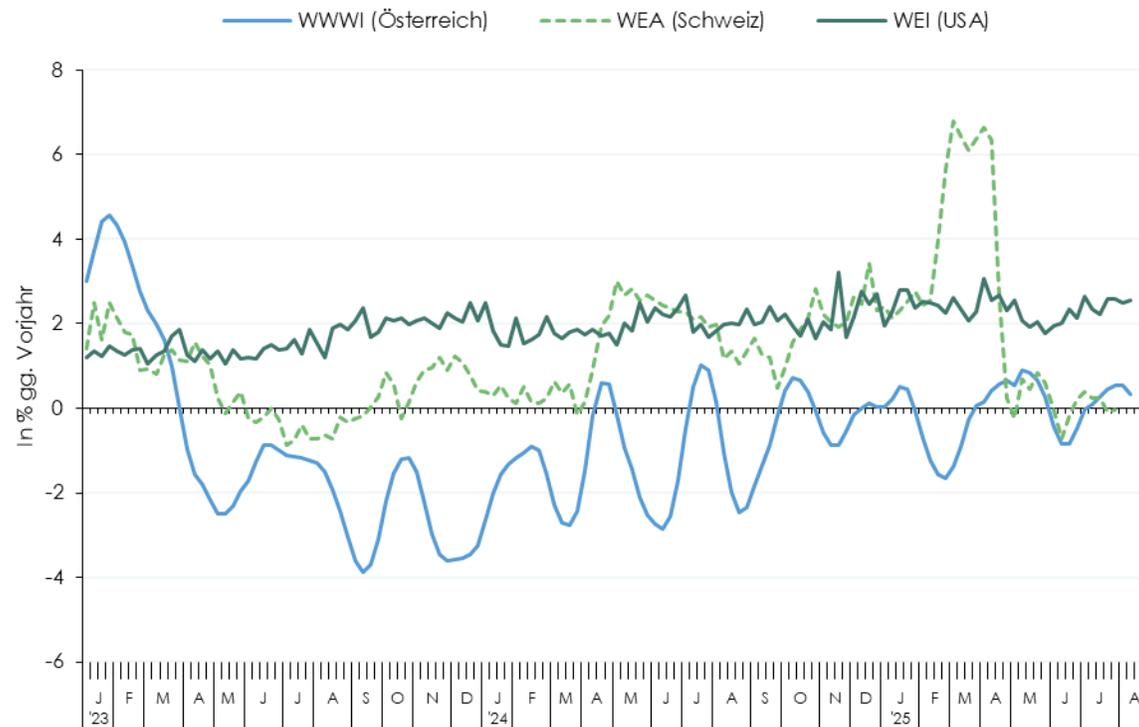
Q: WIFO, Fed, SECO, Macrobond. – WWWI … Wöchentllicher WIFO-Wirtschaftsindex, WEI … Weekly Economic Index, WEA … Weekly Economic Activity.

Supply
Components of GDP growth
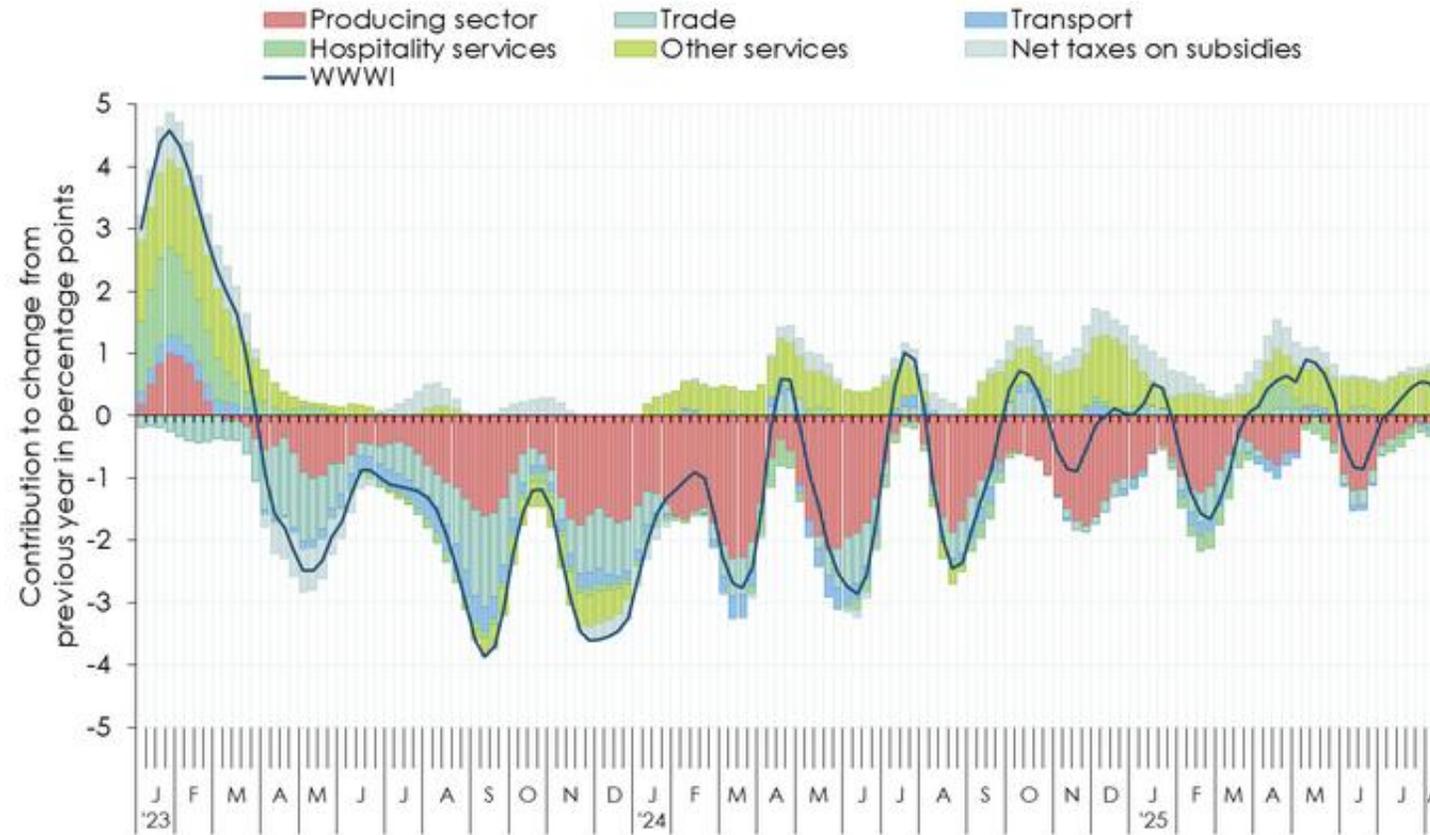
Source: WIFO, Statistics Austria. – Producing sector NACE A to F, Trade NACE G, Transport NACE H, Hospitality services NACE I, Other services NACE J to T. – The sum of the growth contributions of the subcomponents may differ from the estimated GDP growth (residual).

Contact (Josef Baumgartner), further details and **monthly updates** at

https://www.wifo.ac.at/en/research/thematic-platforms/business-cycles-and-forecasting/weekly-wifo-economic-index/

Use
Components of GDP growth

Legend:
- Private consumption
- Gross fixed capital formation
- Remaining amount
- Government consumption
- Net export
- WWWI

Y-axis: Contribution to change from previous year in percentage points
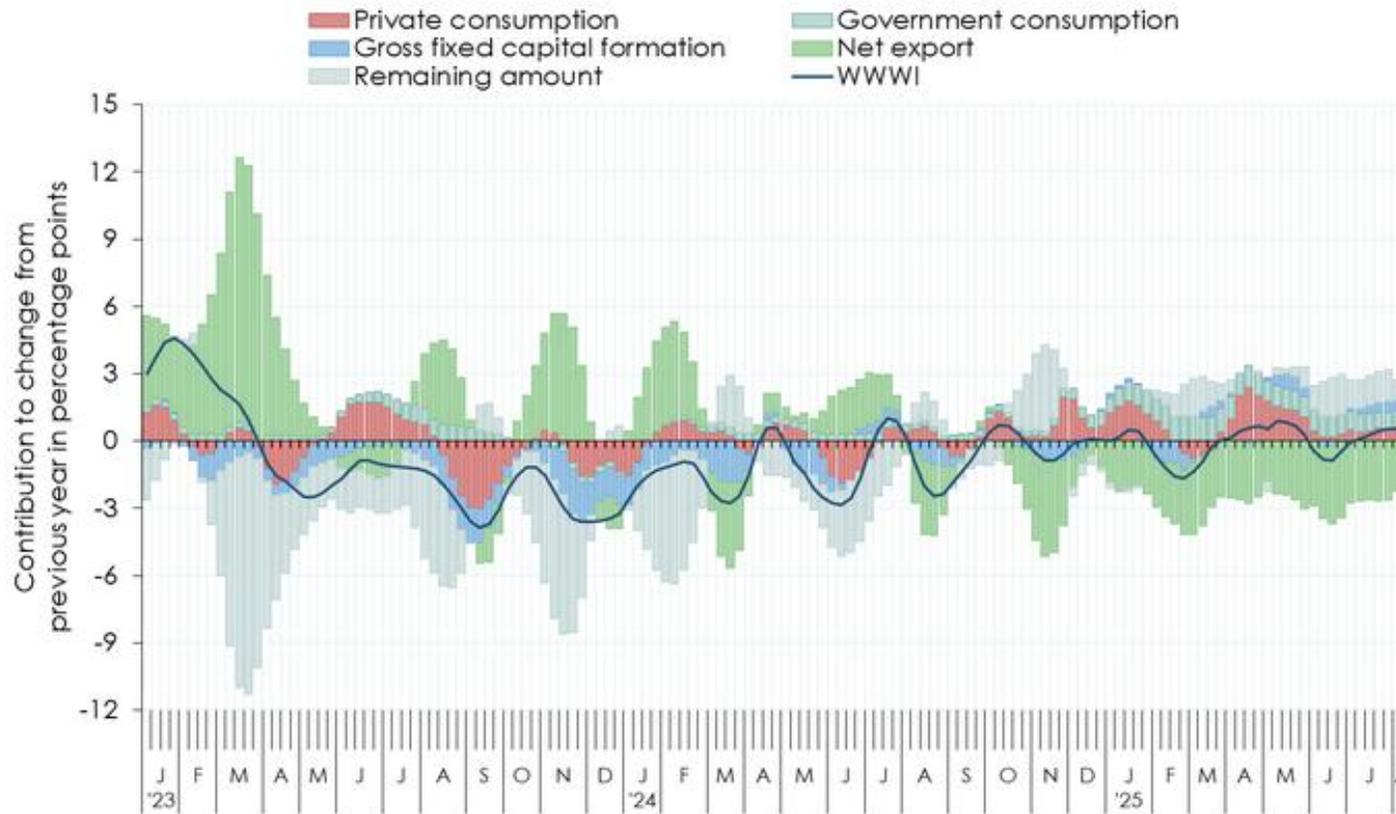
Source: WIFO, Statistics Austria.

Contact (Josef Baumgartner), further details and **monthly updates** at

https://www.wifo.ac.at/en/research/thematic-platforms/business-cycles-and-forecasting/weekly-wifo-economic-index/

WIFO

Sector shares (w/o public sector)

NACE section	2013			2023		
	Value added	Employees	Labour productivity	Value added	Employees	Labour productivity
	in % of total					
Manufacturing (C)	26,9	23,9	109,6	22,7	21,1	113,9
Construction (F)	7,9	10,4	81,1	8,2	9,6	82,4
Wholesale and retail trade (G)	17,2	22,8	74,7	15,7	19,6	83,0
Transportation and storage (H)	7,5	7,9	111,2	6,0	6,3	86,1
Accommodation and food service (I)	4,1	9,0	47,2	4,3	8,5	49,2
Professional & other services (incl. ICT) (J, M)	11,4	9,7	251,6	12,5	10,9	245,0
Finance and insurance (K)	10,3	4,8	176,8	8,2	3,5	196,5
Administrative and support services (N)	5,3	7,8	69,9	5,7	7,8	71,3
Others (B, D, E, L, S)	9,4	3,6	-	10,5	4,1	-

Source: Statistics Austria (SBS), WIFO.

WIFO

Profitability

Average price-cost margins (markups), index: 2013 = 100
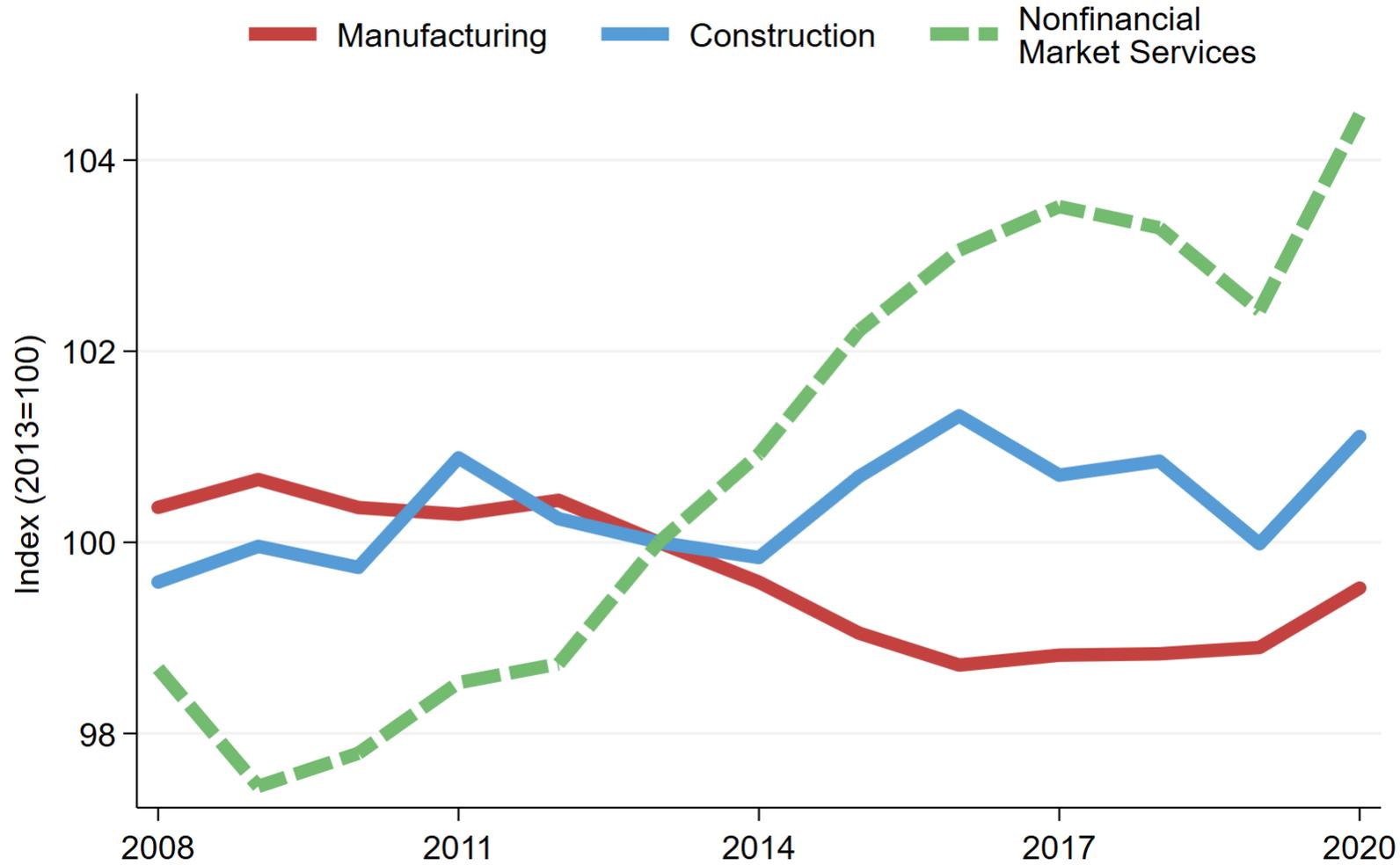
"Winners take more"

Markups by percentile, index: 2013 = 100
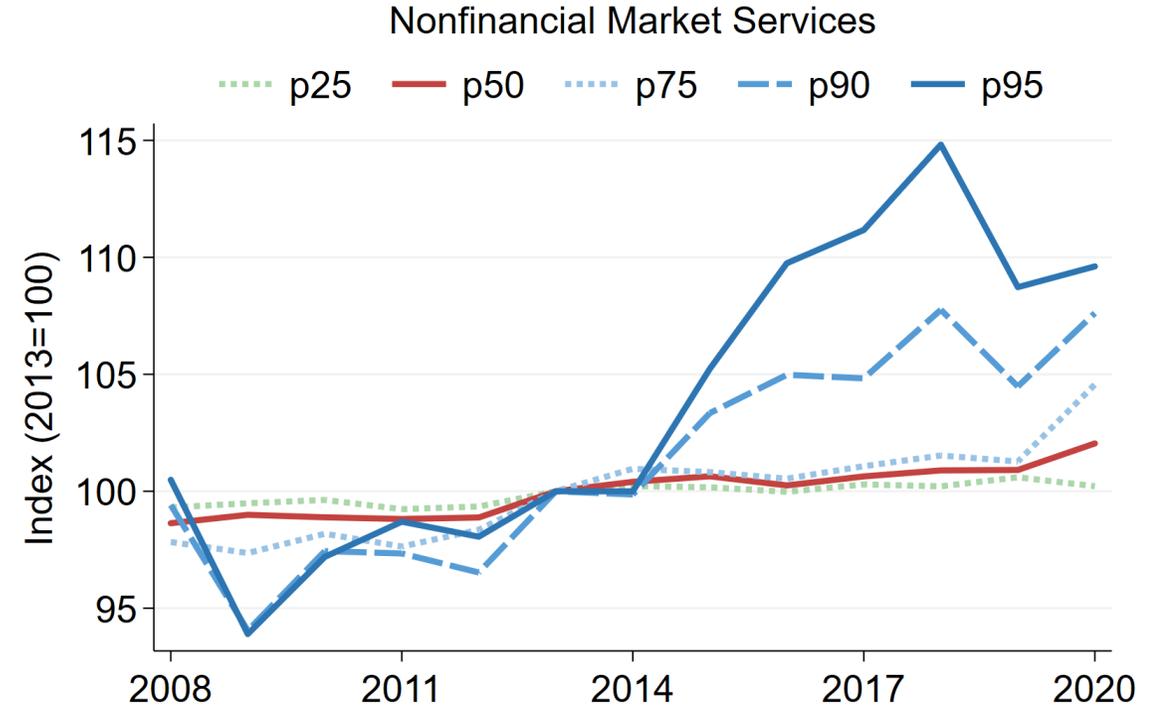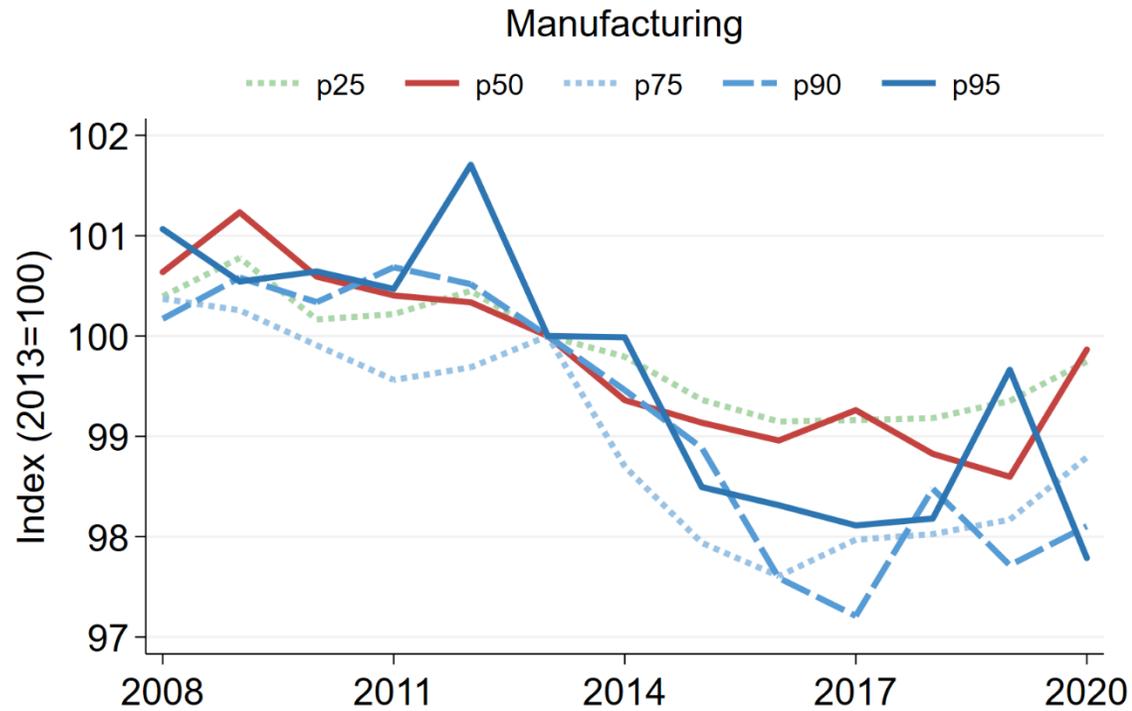
Source: Peneder – Unterlass (2024)

People
Population pyramid: Austria, 1 January 2024
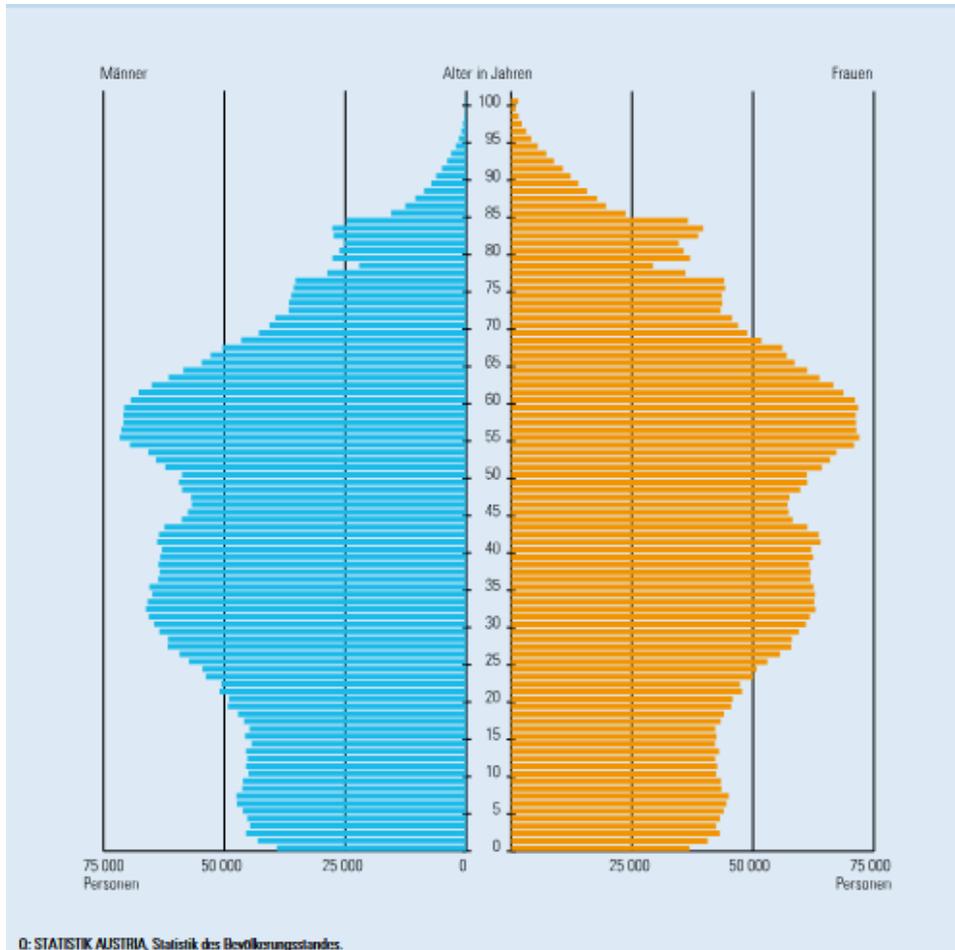
Total population
- ca 1900: 6 million
- 2000: 8 million
- 2022: 9 million mark reached
- 10 million expected in 2060

Age pyramid
- 0-14 years: 14.4%
- 15-64 years: 65.8%
- 65+ years: 19.8%

➢ **Baby boomers** approach retirement age!

Sources: ST.AT, Austria: Zahlen.Daten.Fakten 2024/25

Labour

Expected change of working age population (EWPG)
- Long term decline since 1970s
- Turned negative in 2018
- Tends to stabilise at negative rates

Ratio of **old to middle-aged** persons (**OMR**) in labour force
- Increases since the 1990s
- Expected to **peak** ca. **2030**
- … then stabilise

Likely **impacts** on
- Productivity growth
- Migration
- etc.

■ **EWPG = Expected change in working-age population (15-64 years)** over the next 10 years (right axis)

■ **OMR = ratio of old** (55-64 years) **to middle-aged** (25-54 years) **persons** in the labour force (left axis)
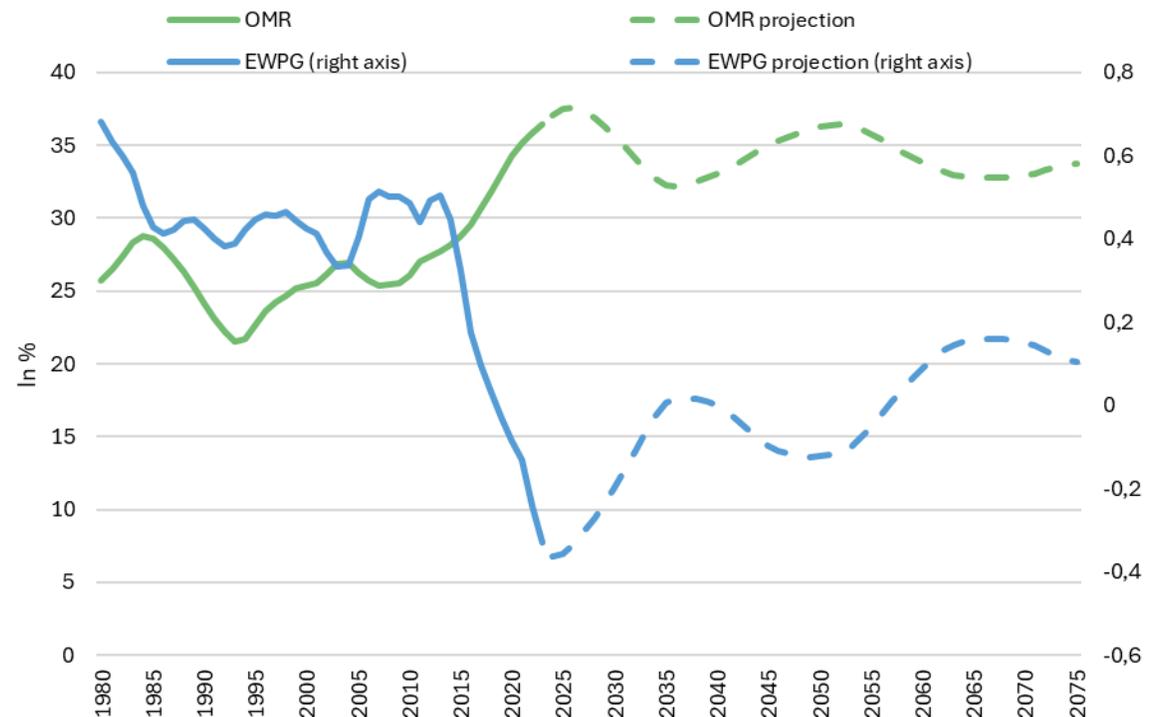
Source: Statistics Austria (Bevölkerungsstatistik und -prognose), WIFO (Kaniovski – Url).

Labour force by regions

Population 15-64 years old; 1980 = 100

Vienna
Vorarlberg
Tyrol
Salzburg
Austria
Lower Austria
Upper Austria
Burgenland
Styria
Carinthia
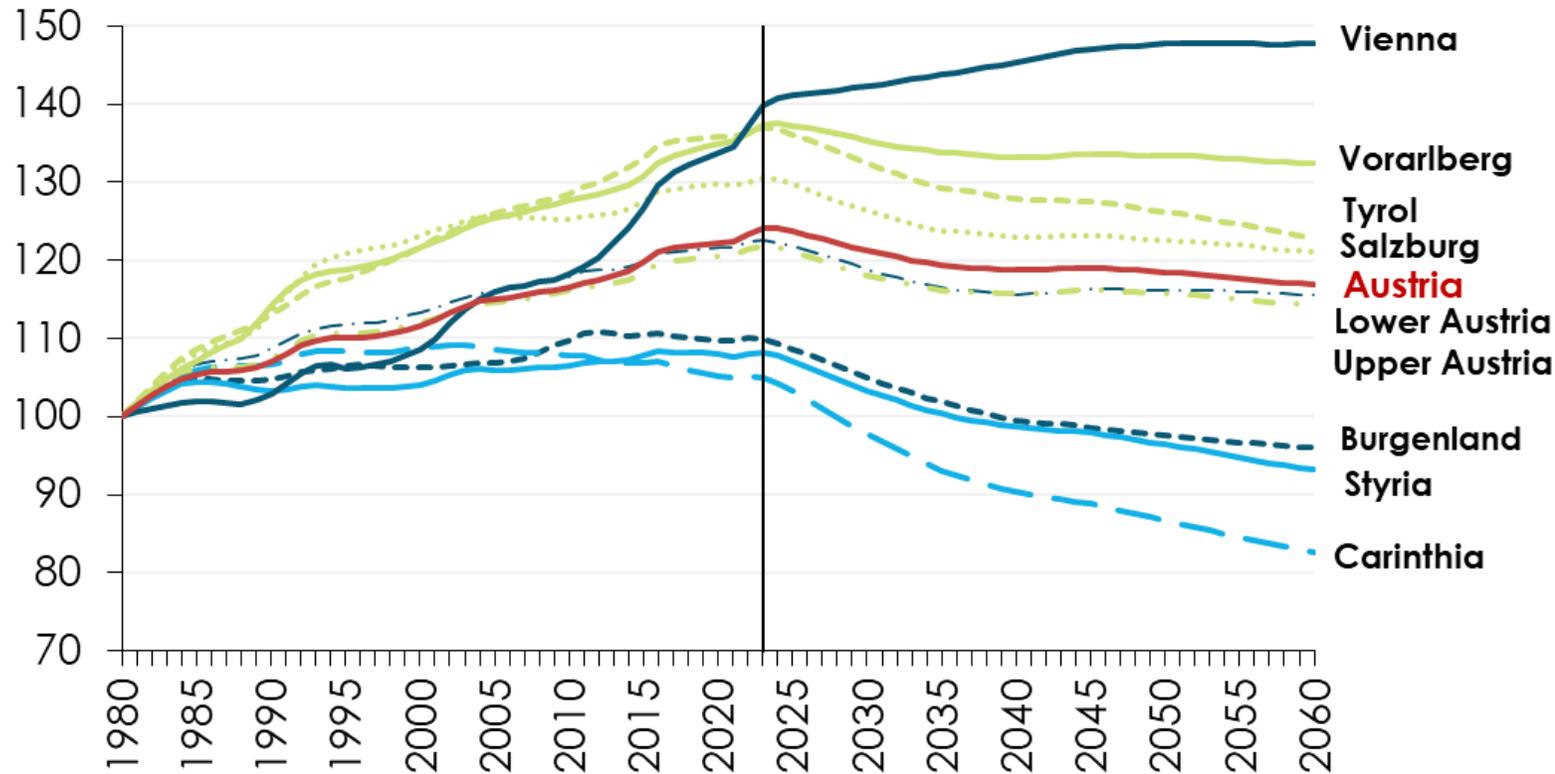
Regional disparaties expected to increase

- **Fertility** in rural areas tends to converge to lower values in the cities

- Cities, especially Vienna, attract most of **migration**

Source: Statistics Austria (Bevölkerungsstatistik und -prognose), WIFO-calculations.

II. International comparisons

- **WIFO radar** of competitiveness

- **Iceberg model**

- Selected **indicators**
  - Productivity
  - Resources and cost
  - Industrial structure
  - Systems

- *Sources*
  - Peneder M., Bittschi B., Burton A., Köppl A., Url T. (2025), **Wirtschaftsstandort Österreich**: Wettbewerbsfähigkeit und nachhaltige Entwicklung, Springer-Gabler, Wiesbaden https://link.springer.com/book/10.1007/978-3-658-47984-8
  - **WIFO Radar of Competitiveness** (interactive online tool): https://www.wifo.ac.at/en/research/thematic-platforms/competitiveness/competitiveness-radar/

WIFO

Book Alert

- **3 pillars of competitiveness**
    - Economic performance
    - Social cohesion
    - Ecological transformation
    - ➢ Positive & negative **trade offs**

- Comprehensive collection of indicators, including numerous **determinants** of economic performance:
    - Competition
    - Education, training & skills
    - Innovation
    - Financing
    - Infrastructure
    - Public institutions

- Published June 2025
    https://link.springer.com/book/10.1007/978-3-658-47984-8

Michael Peneder · Benjamin Bittschi · Anna Burton · Angela Köppl · Thomas Url

Wirtschaftsstandort Österreich: Wettbewerbsfähigkeit und nachhaltige Entwicklung

Springer Gabler

WIFO-radar of competitiveness (I)

- **3 pillars**: economic, social & ecological

- **24 KPIs** (key performance indicators) for ca. 30 european countries

- **Percentile ranks**: share of countries with equal or worse values

➢ **Austria** trails **behind** the **top third** of European countries (mean percentile rank: **61.6**) …

➢ https://www.wifo.ac.at/forschung/themenplattformen/wettbewerbsfaehigkeit/radar-der-wettbewerbsfaehigkeit/
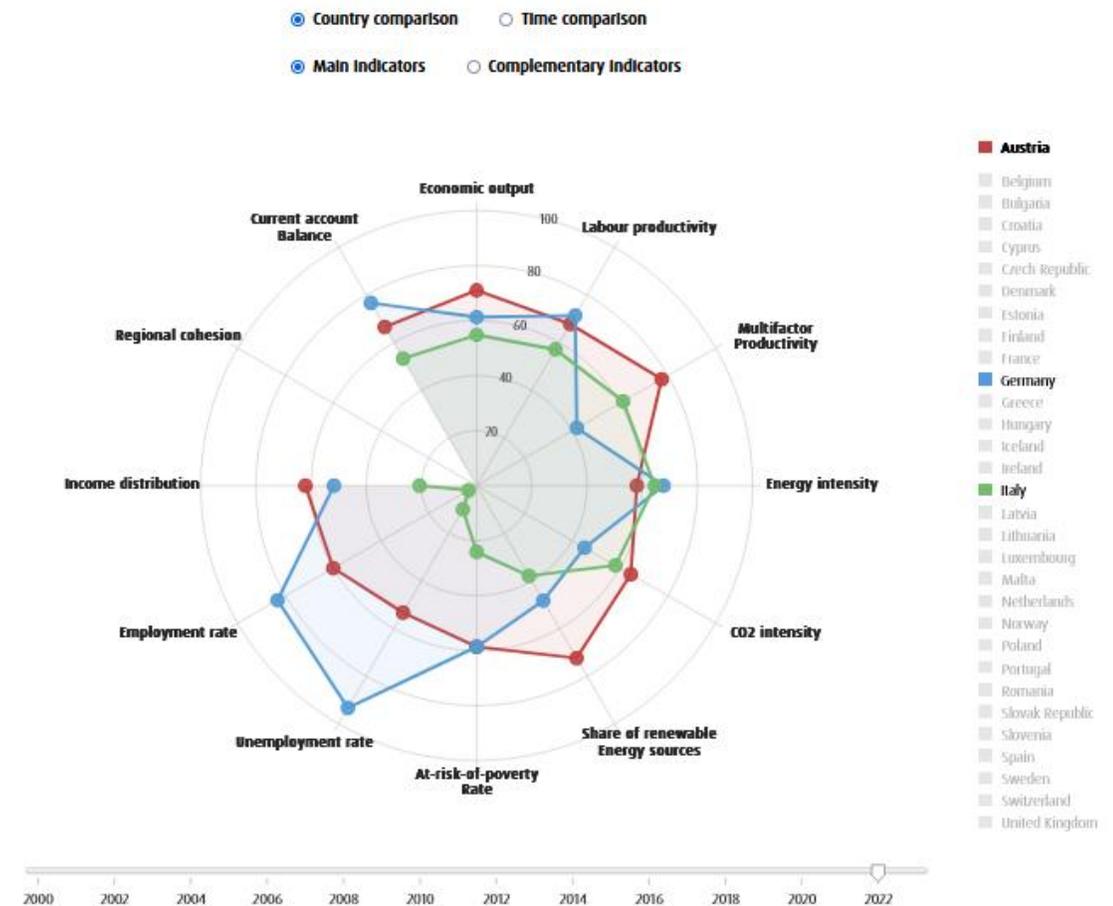
WIFO-radar of competitiveness (II)

- ... and is **falling behind**:
  - *year t: 61,6*
  - *t-1 : 65,3*
  - *t-3 : 66,3*
  - *t-10: 69,0*

➢ Setting realistic **targets**, e.g.
  - to break the downward trend **by 2026** and
  - establish Austria among the top third of European countries **by 2030**
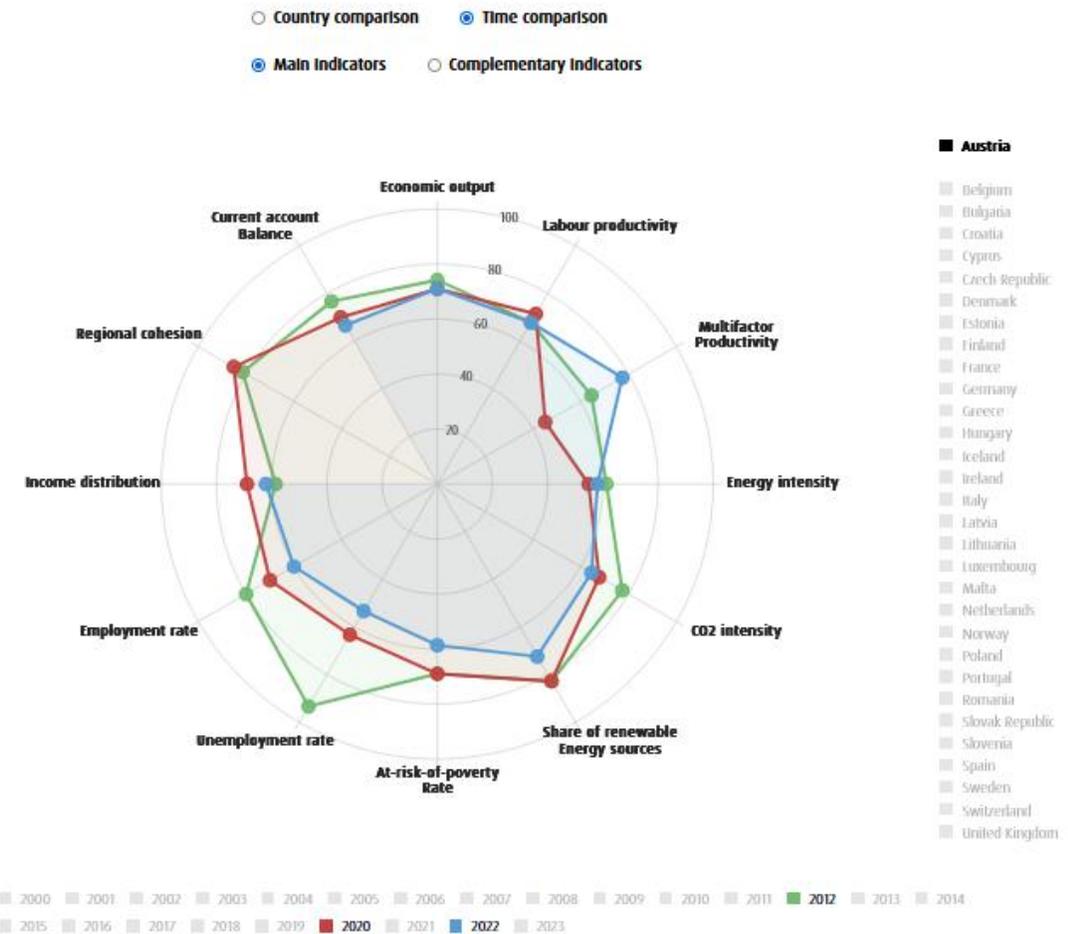
Iceberg model

Shift of **paradigms**
- Growth
- Welfare
- **Development**

Three **pillars**
- **Economic** performance
- [Social balance/inclusion]
- [Ecological transformation]

Other goals of society
Ecological, social, democratic, individual

Balancing constraint
Monetary & fiscal stability, BoP, REER, ULC

Productivity
GDP p.c., GDP p.h., MFP

Resources
Knowledge, labour, capital, energy, etc.

Structures
Trade, FDI, value chains, demand, competition, technology, etc.

Systems
Education, innovation, labour-/capital markets, regulation, infrastructures, etc.

Cultural values & norms
Entrepreneurship, sense of achievement, solidarity, collective goods, trust, ethics, etc.

Source: Peneder (2017).

Comparison groups

- **EU27**: European Union

- **MOEL11**: Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Romania, Bulgaria, Croatia

- **BENESCAND**: Belgium, Netherlands, Denmark, Sweden, Finland

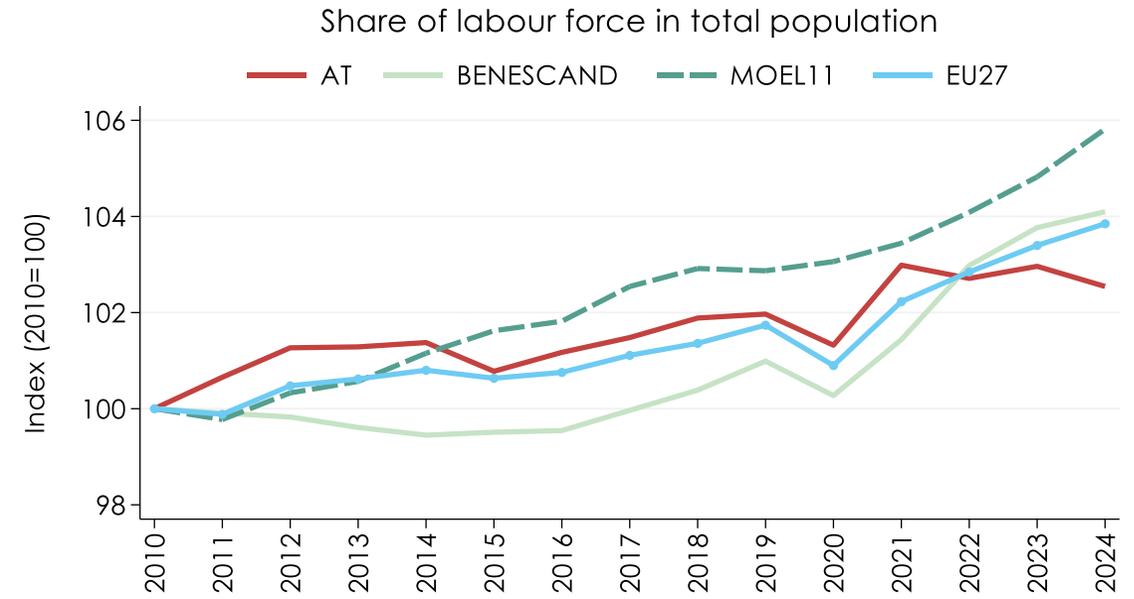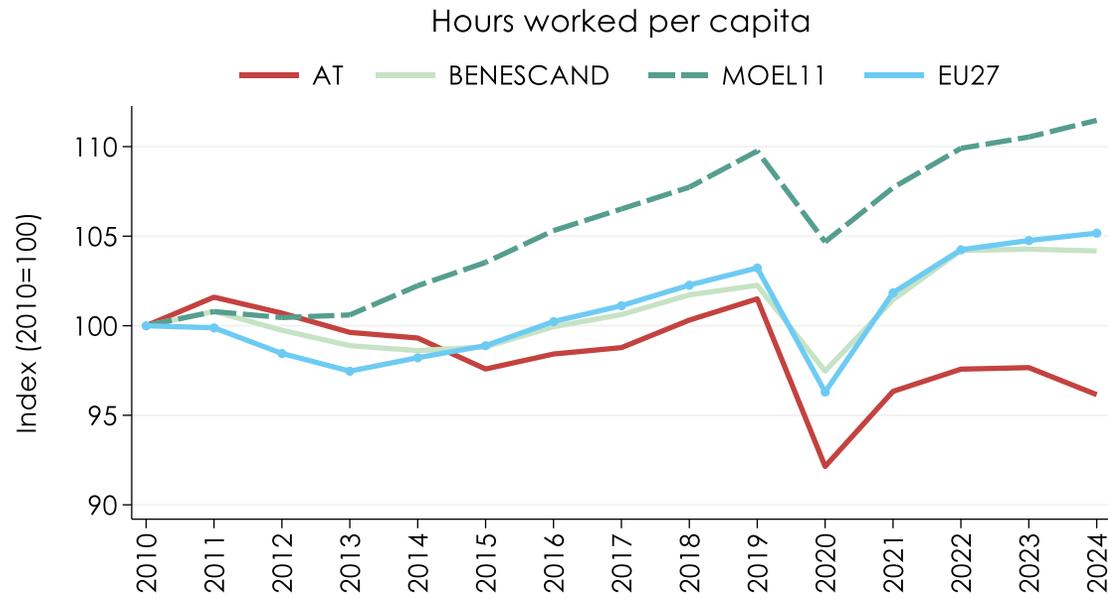# GDP per capita
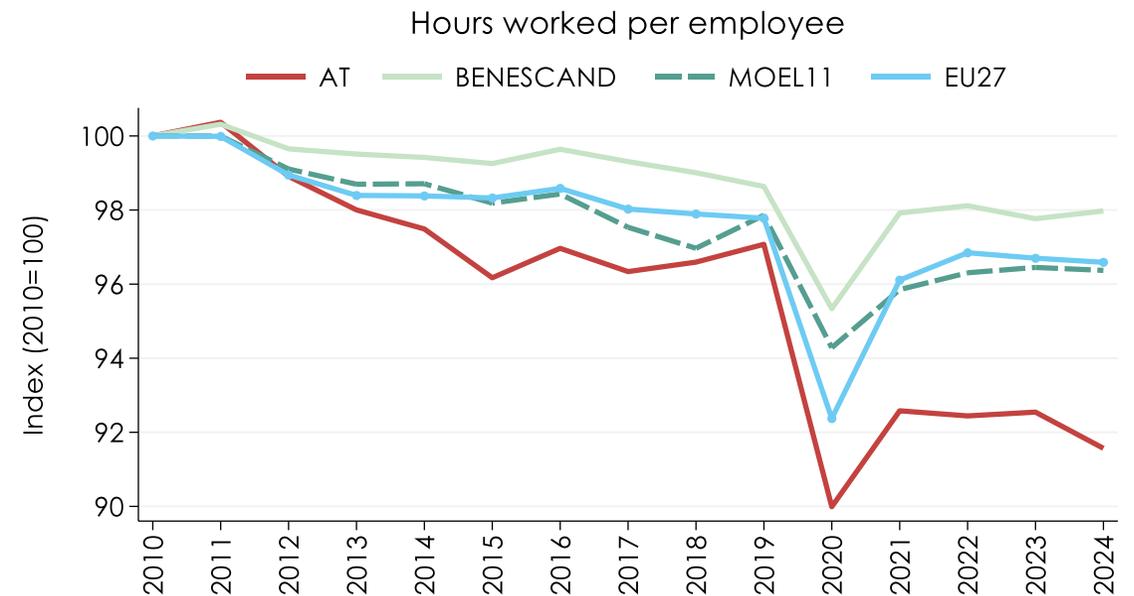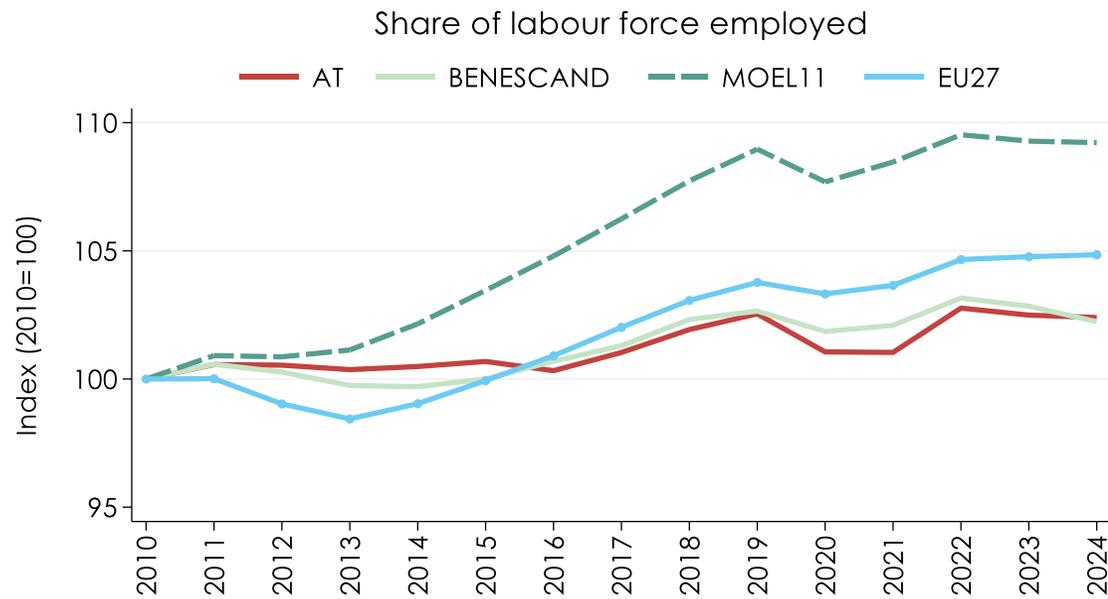## Current prices, PPP

2024
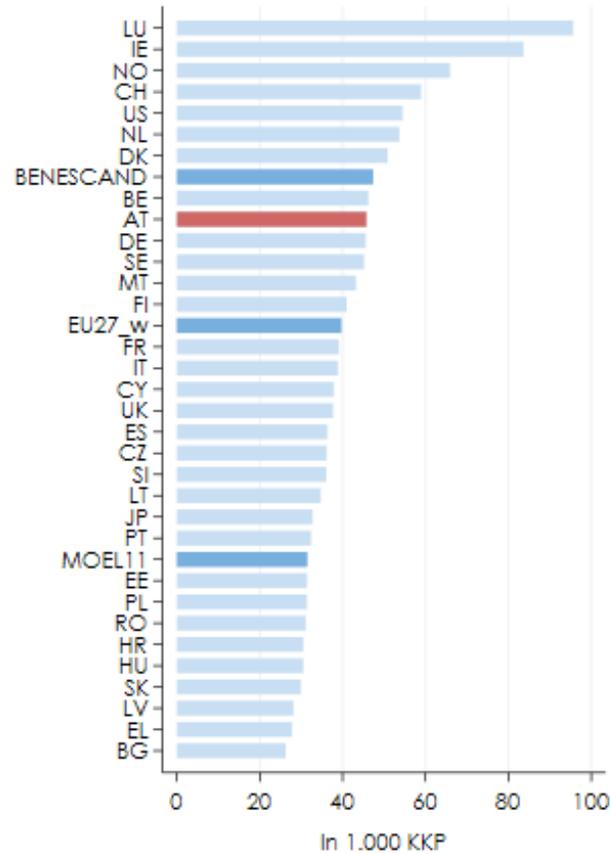
In 1.000 KKP
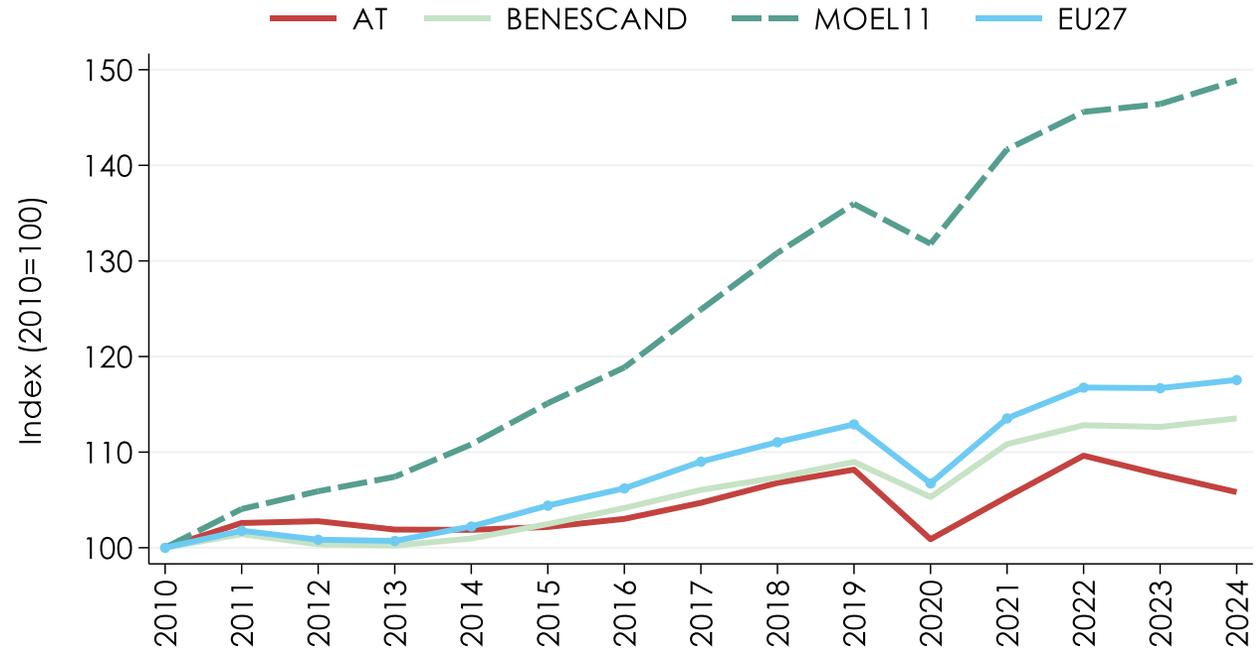
Index 2010=100

Source: EUROSTAT (AMECO), WIFO. Note: Aggregated values for the European Union. Unweighted averages for the country groups MOEL11 and BENESCAND.

Productivity, capital and labour inputs
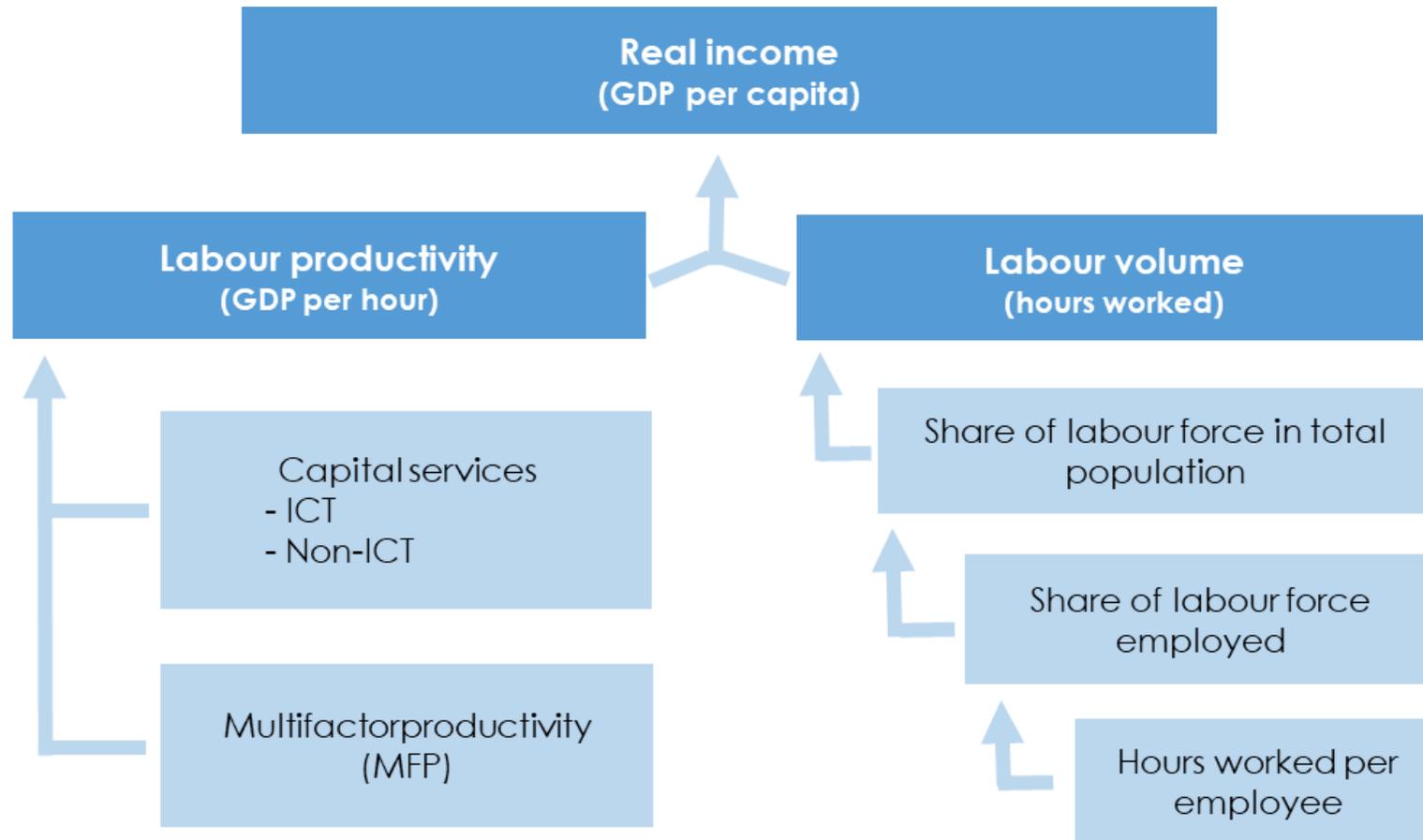
GDP per hour worked

2024
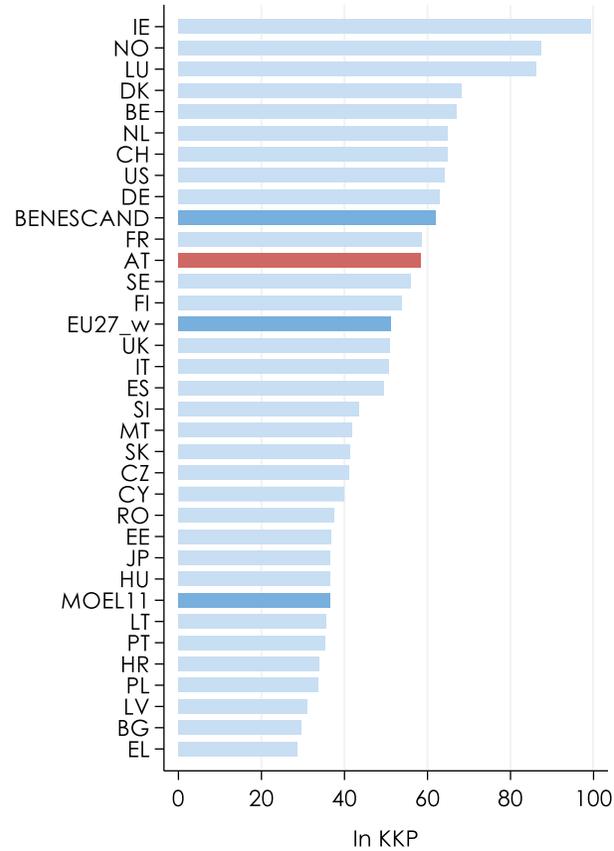
In KKP
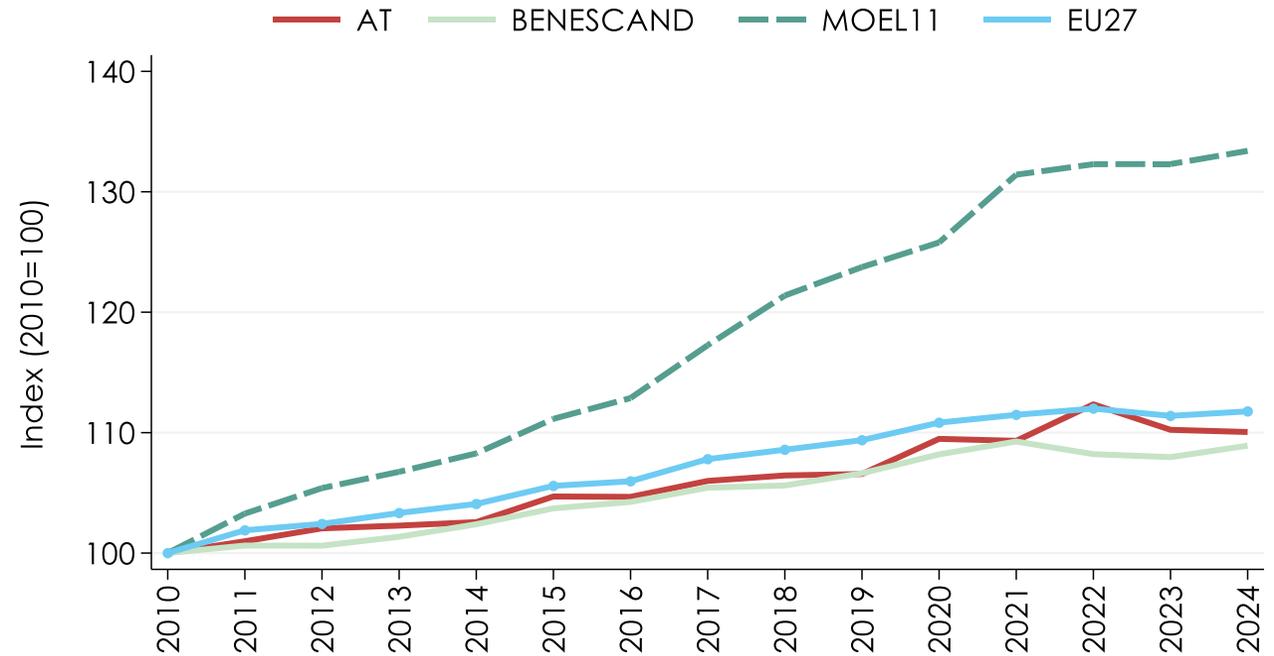
Index 2010=100

Legend: AT — BENESCAND — MOEL11 — EU27

Index (2010=100)

Source: EUROSTAT (AMECO), WIFO. Note: Aggregated values for the European Union. Unweighted averages for the country groups MOEL11 and BENESCAND.
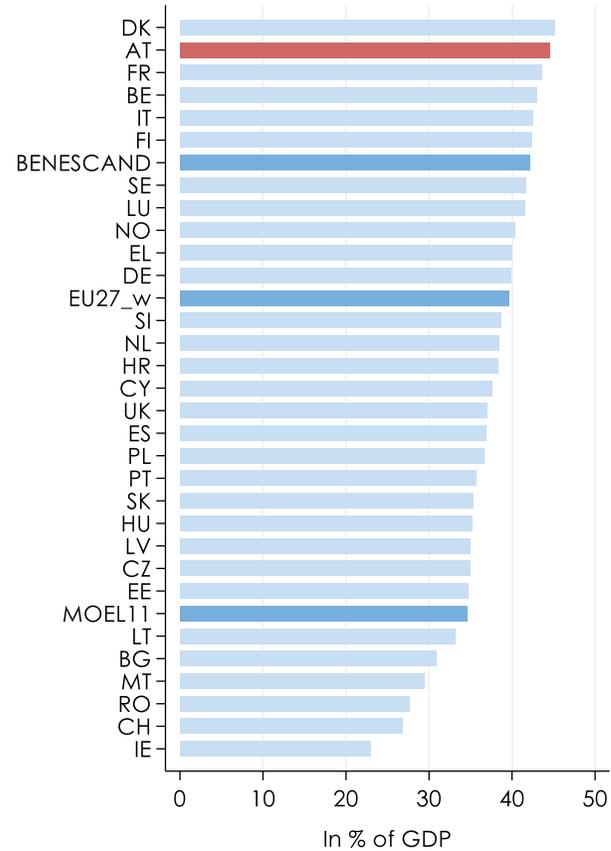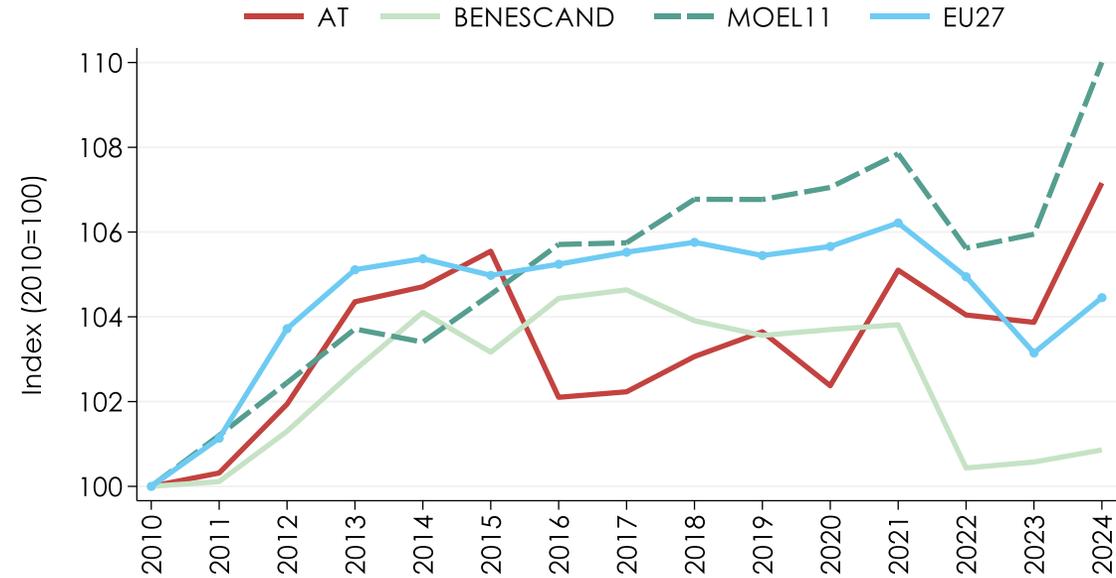
WIFO

Employment growth by decile of firms' labour productivity
Mean change 2014-2020 in %
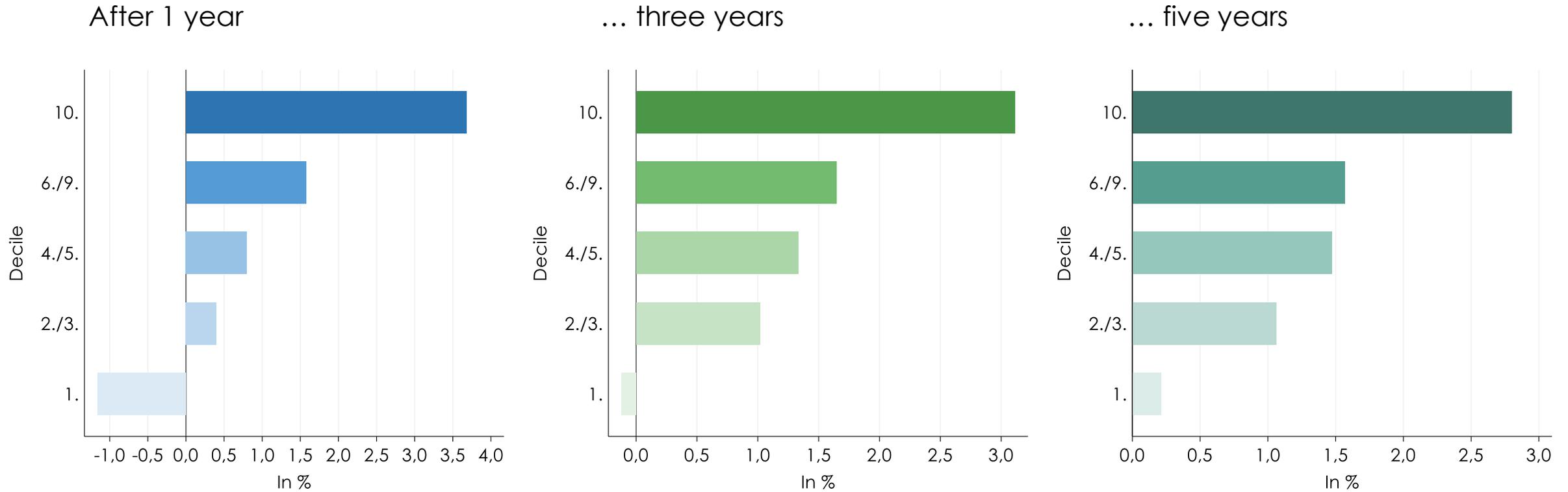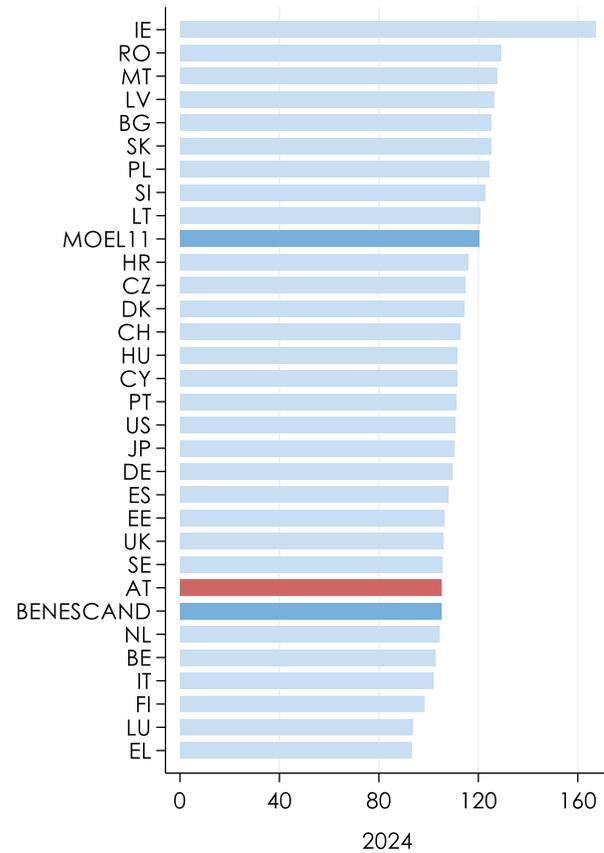
Multifactor productivity (MFP)

2024

Index 2010=100
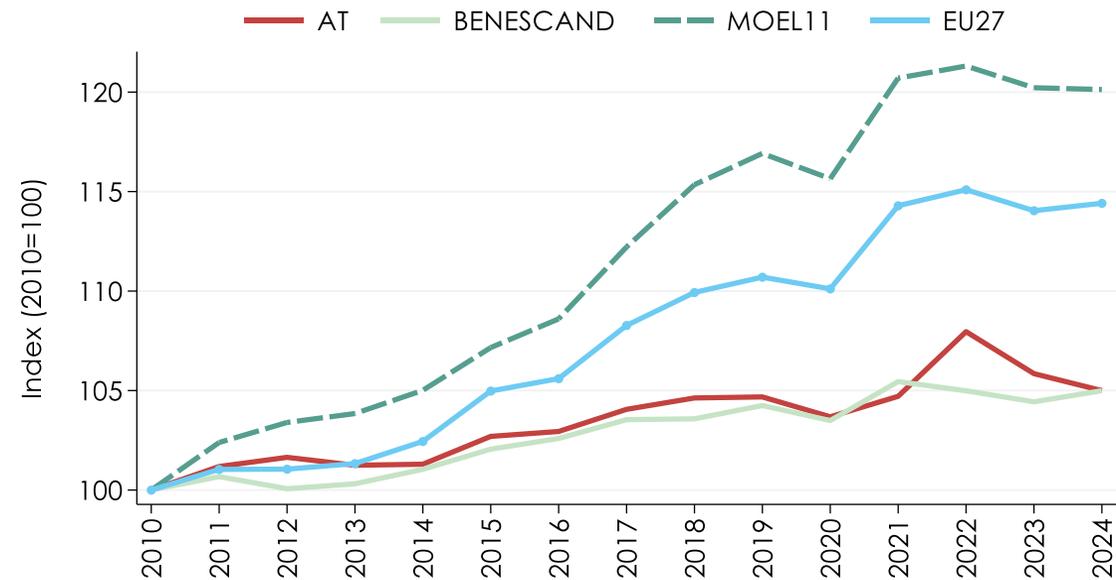
Source: EUROSTAT (AMECO), WIFO. Note: Aggregated values for the European Union. Unweighted averages for the country groups MOEL11 and BENESCAND.

Firm dynamics and MFP growth
## Mean contribution in Log differences, 2014-2020

Non-financial services

After 1 year   … three years   … five years

■ Entry   ■ Incumbents: within   ■ Incumbents: reallocation   ■ Exit
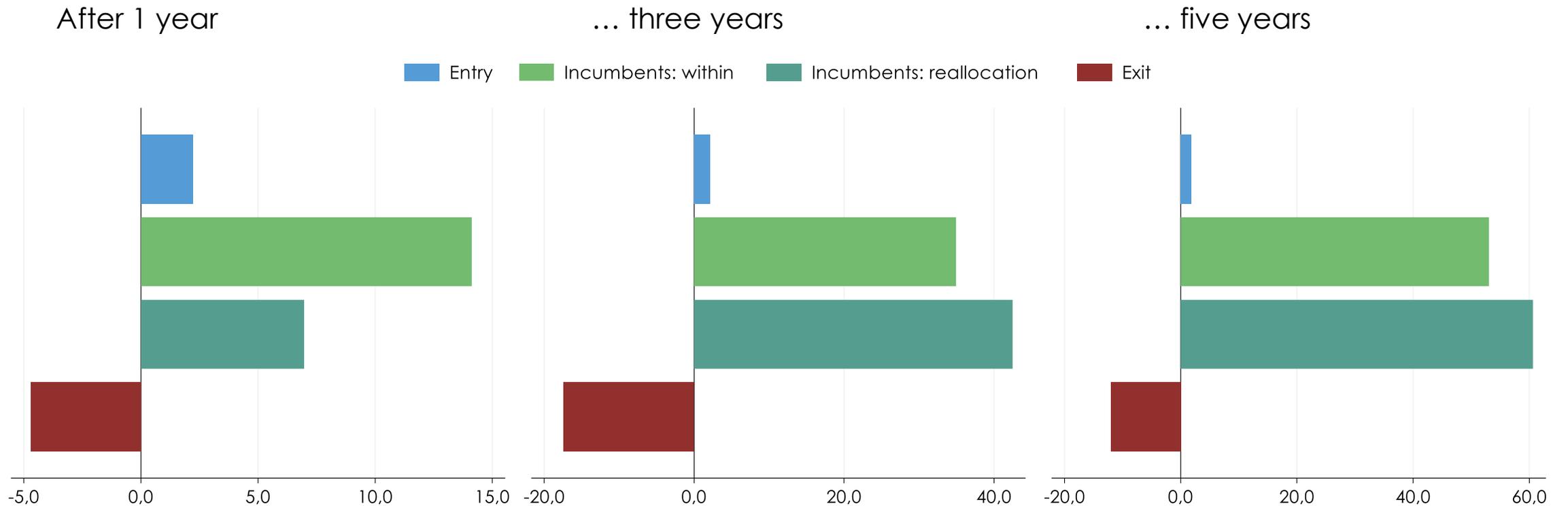
Source: Peneder – Unterlass (2024).

Gross fixed capital formation

Mean 2020-2024

Total

In % of GDP
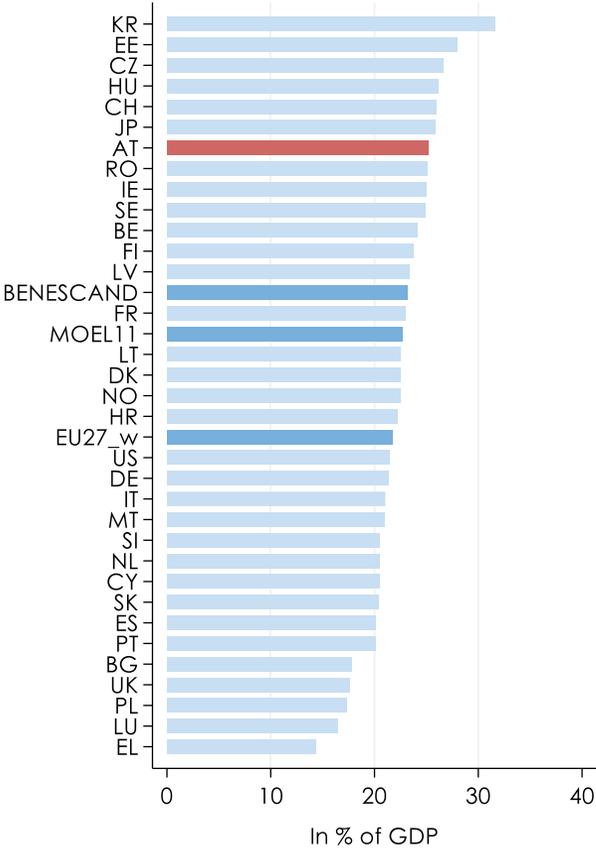
Index 2010=100

Equipment
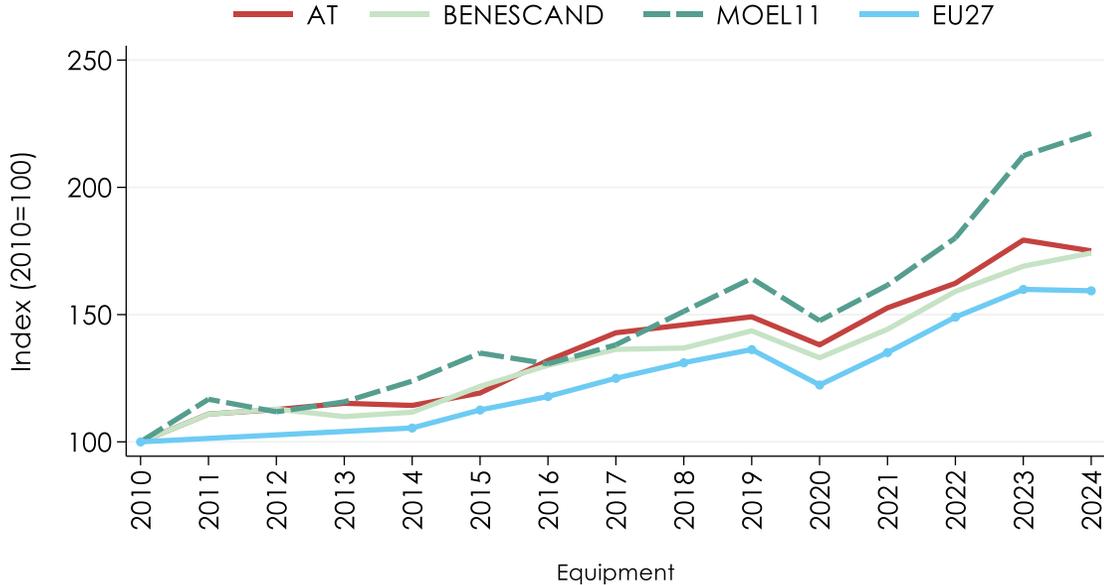
Equipment

Source: EUROSTAT (AMECO), WIFO. Note: Aggregated values for the European Union. Unweighted averages for the country groups MOEL11 and BENESCAND.

Labour input and its components (i)

2024

Hours worked pc
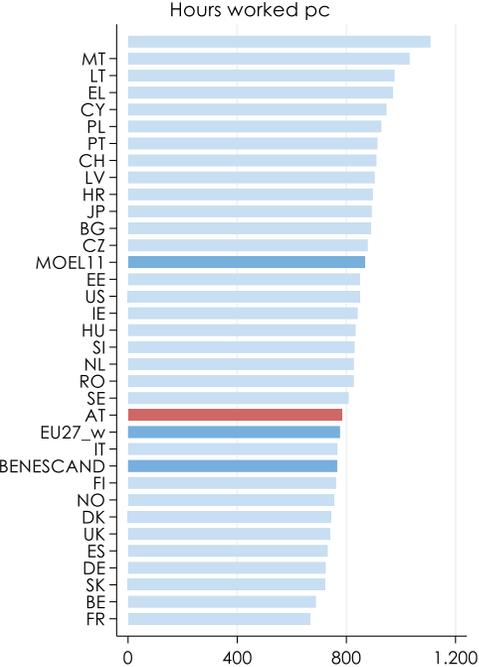
Labour force
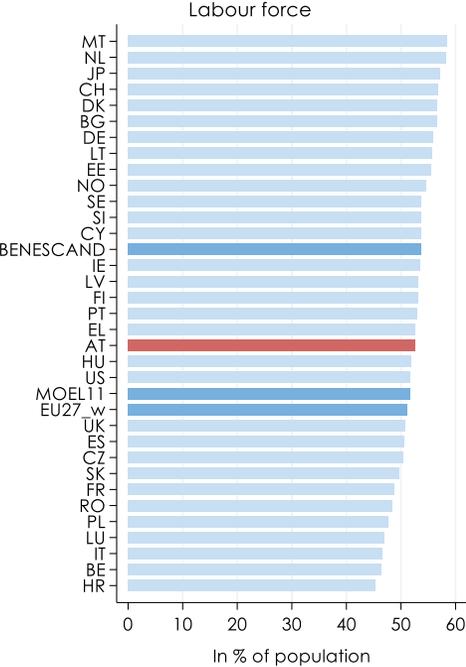
Employment
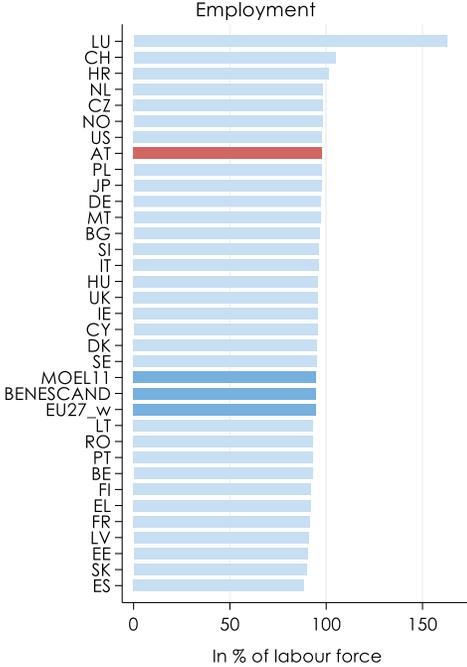
Hours worked per employee
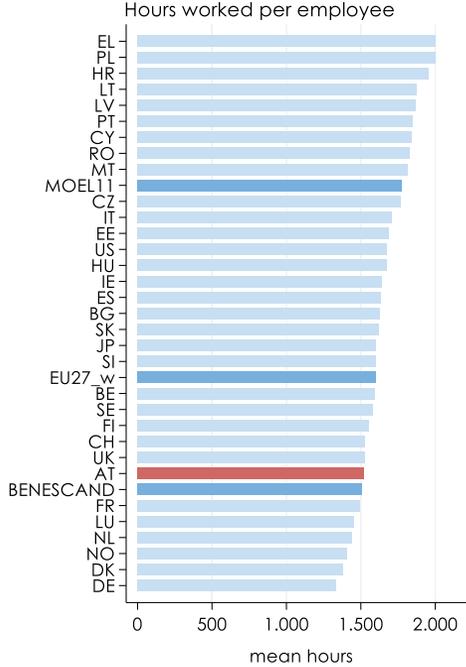
Source: EUROSTAT (AMECO), WIFO. Note: Aggregated values for the European Union. Unweighted averages for the country groups MOEL11 and BENESCAND.

Labour input (ii)

Index 2010=100

Hours worked per capita

Share of labour force in total population

Source: EUROSTAT (AMECO), WIFO. Note: Aggregated values for the European Union. Unweighted averages for the country groups MOEL11 and BENESCAND.
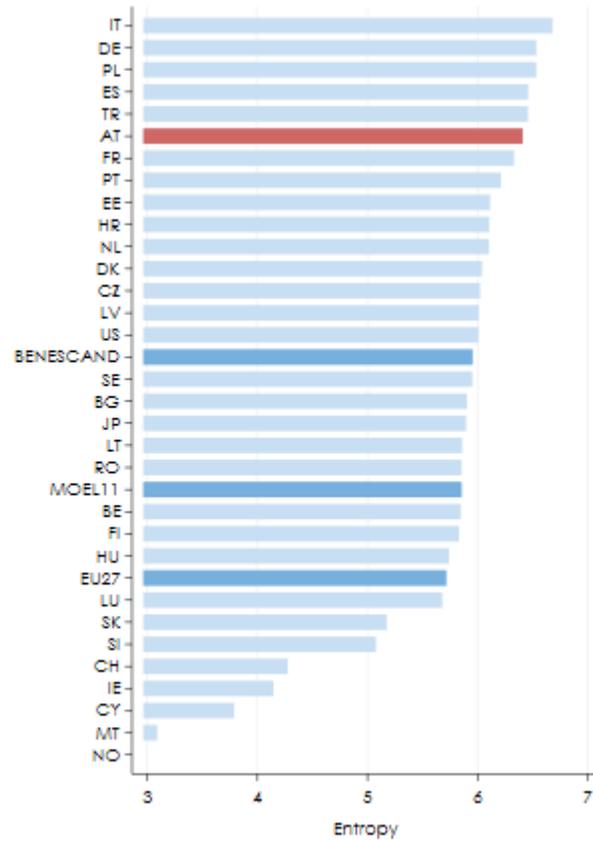
Labour input (ⅲ)

Index 2010=100

Share of labour force employed

Legend: AT — BENESCAND — MOEL11 (dashed) — EU27

Hours worked per employee

Legend: AT — BENESCAND — MOEL11 (dashed) — EU27

Source: EUROSTAT (AMECO), WIFO. Note: Aggregated values for the European Union. Unweighted averages for the country groups MOEL11 and BENESCAND.

Real effective exchange rate (REER)
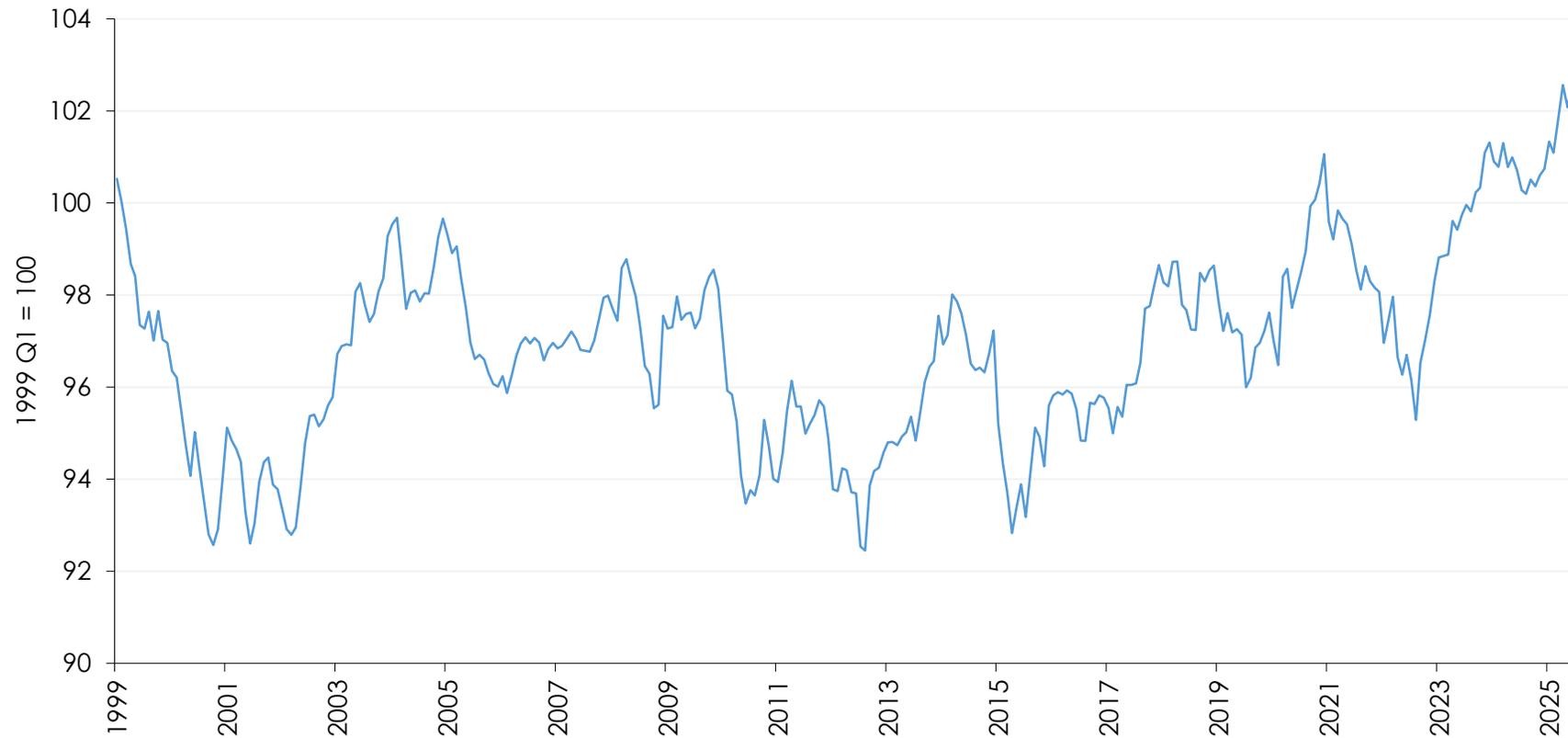
Source: OeNB, WIFO (Thomas Url). Deflated with (H)ICP.

Fiscal burden

2024

In % of GDP

Index 2010=100

Main findings (i)

- Long shadow of multiple crises
  - Great recession; COVID-19, invasion of Ukraine / energy / inflation)

- Low dynamics of productivity and growth
  - Average performance in labour productivity
  - Poor growth of multifactor productivity (MFP)
  - Comparatively low average hours per employee

- Yearly fluctuations, but deteriorating cost competitiveness (REER)

Structural characteristics, selected aspects

- **International trade**
  - Current account
  - Share in world exports
  - Complexity
  - Diversification
  - Global value chains

- **Foreign direct investments (FDI)**
  - Outward
  - Inward

- **Knowledge** intensive industries
  - Educational intensity
  - Innovation intensity
  - ICT producers

International trade

Current account
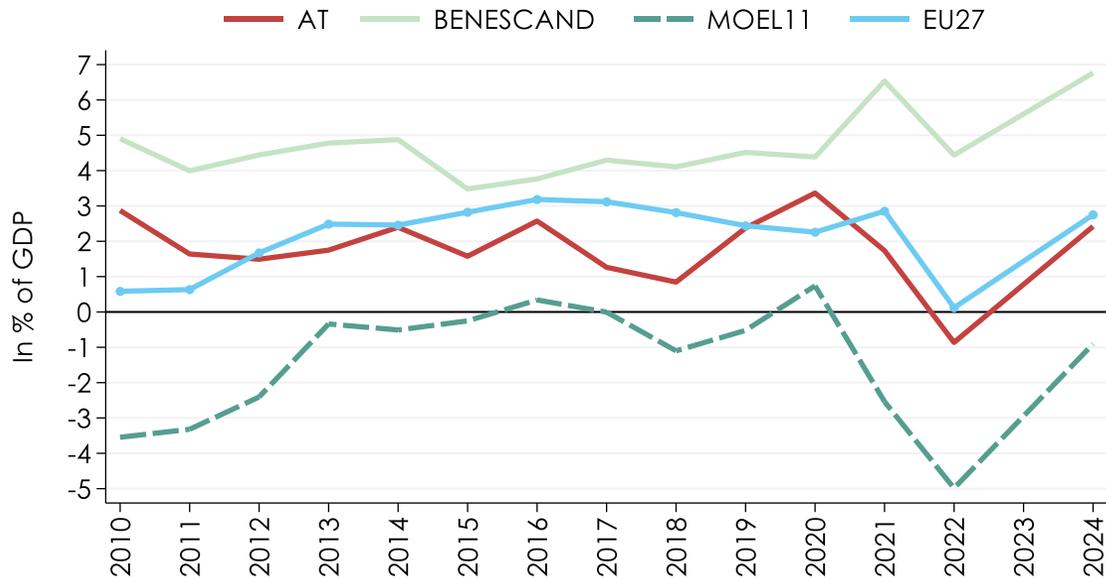
Share in world exports of goods
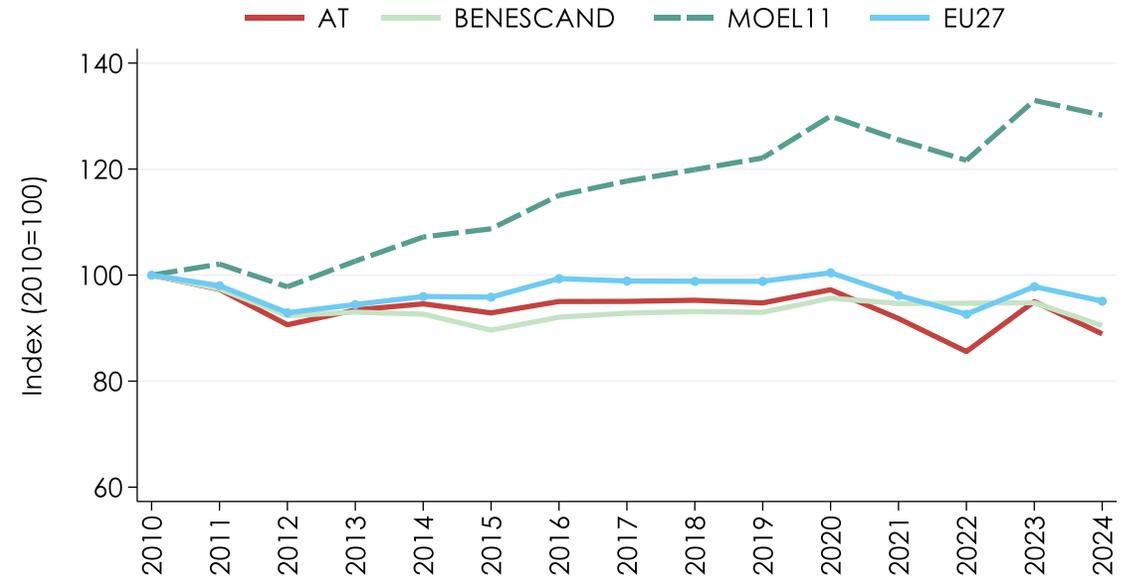
Source: EUROSTAT (AMECO), WIFO. Note: Aggregated values for the European Union. Unweighted averages for the country groups MOEL11 and BENESCAND.

Complexity of goods exports

2023
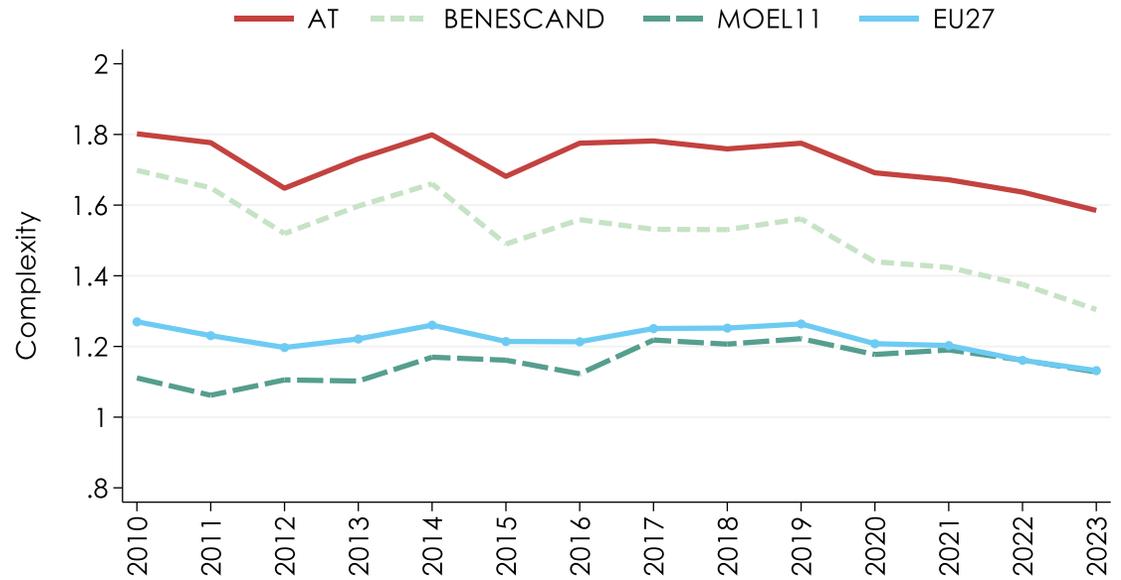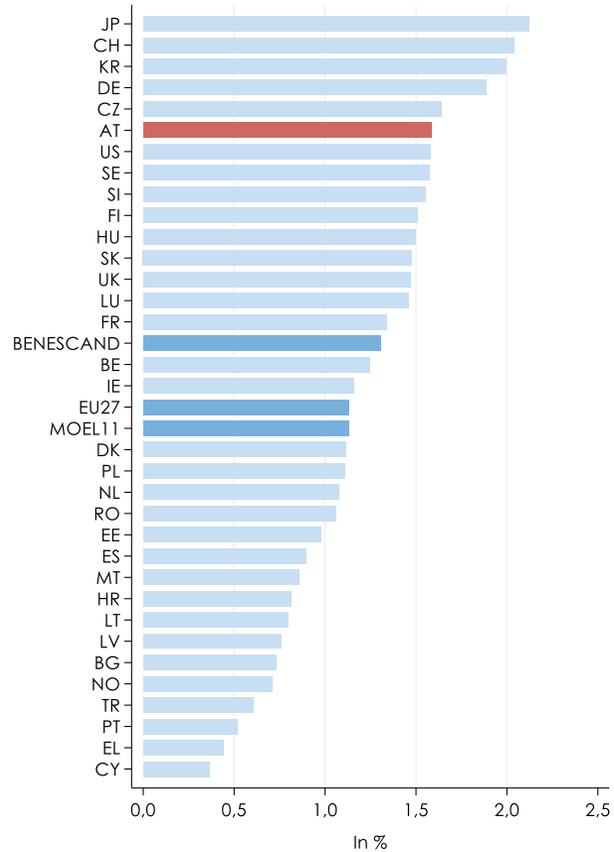
Source: BACI, WIFO.

Trade diversification: goods
Entropy 2023

Exports

Imports

WIFO

Trade diversification: partner regions
Entropy 2023

Export destinations
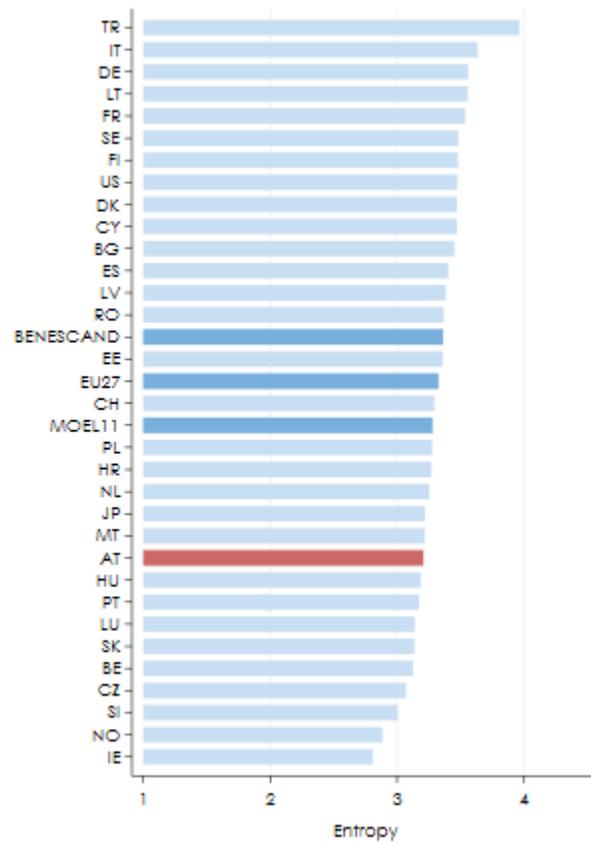
Origin of imports
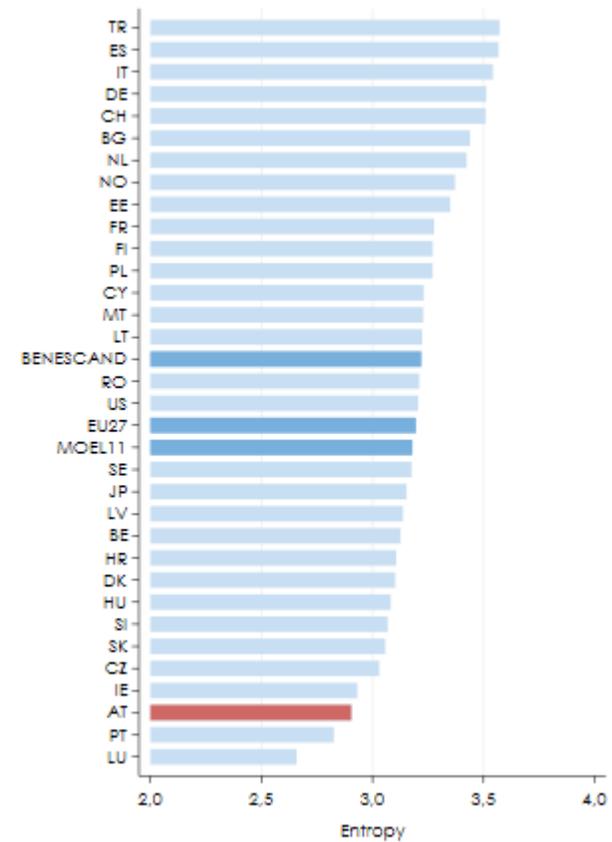
Source: BACI, WIFO.

Global value chains

WITS Index of integration
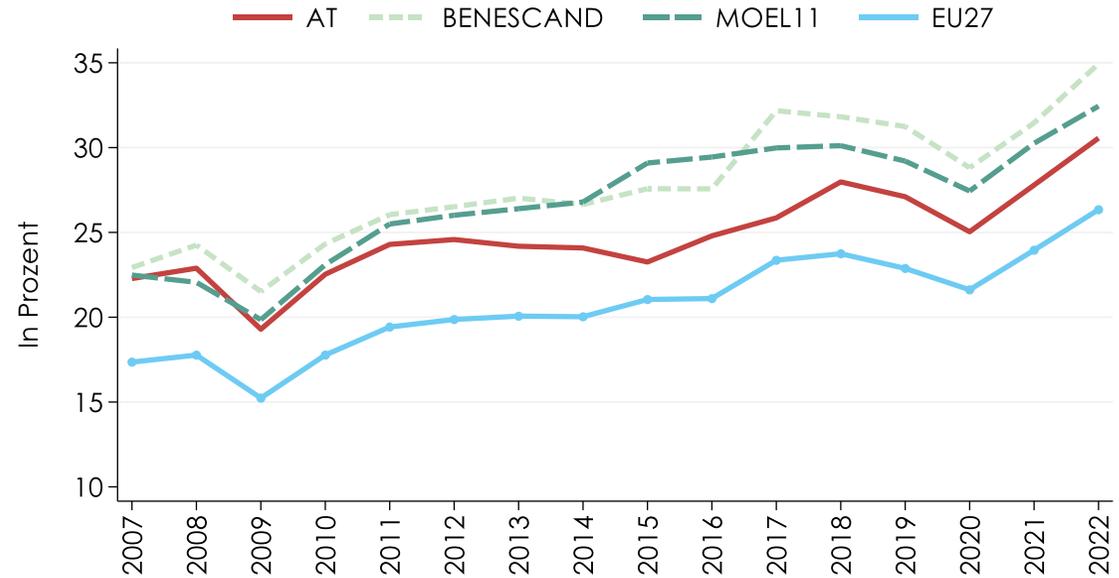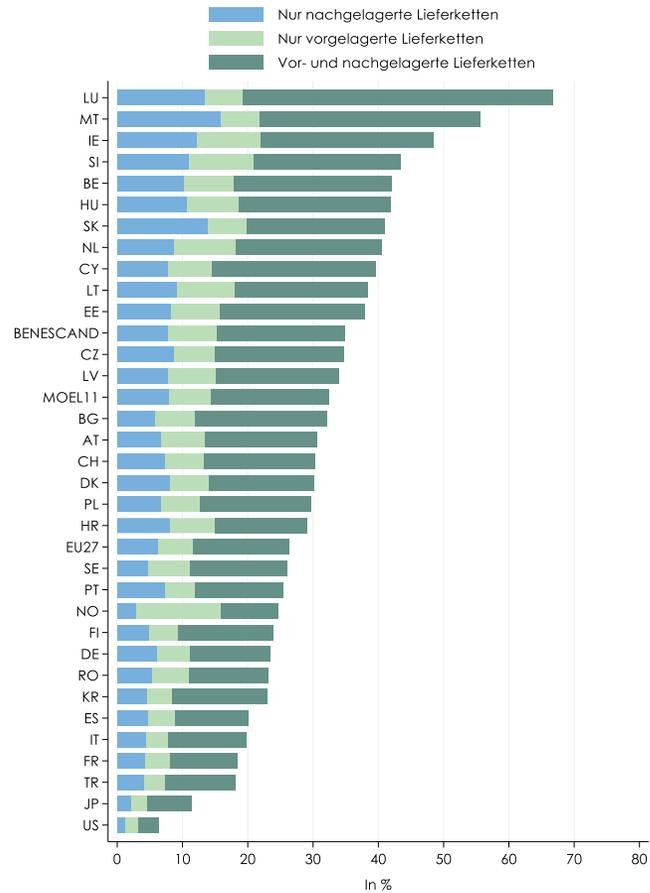
Source: WITS, WIFO.

Stock of foreign direct investments (FDI)

Net stock of FDI

Outward FDI

Inward FDI
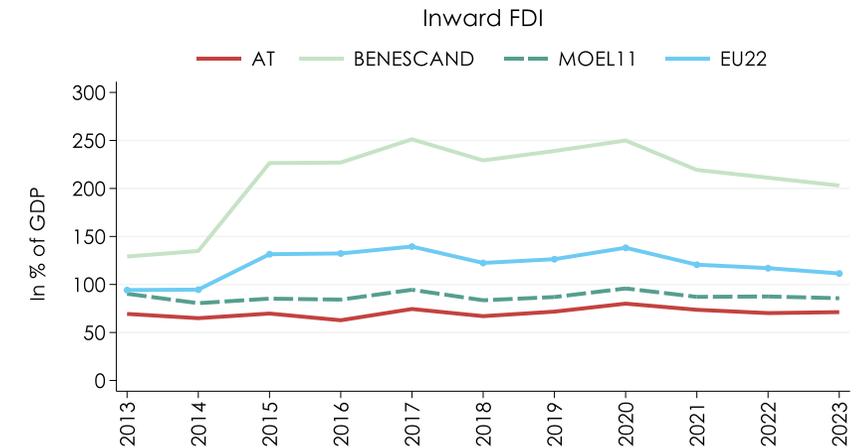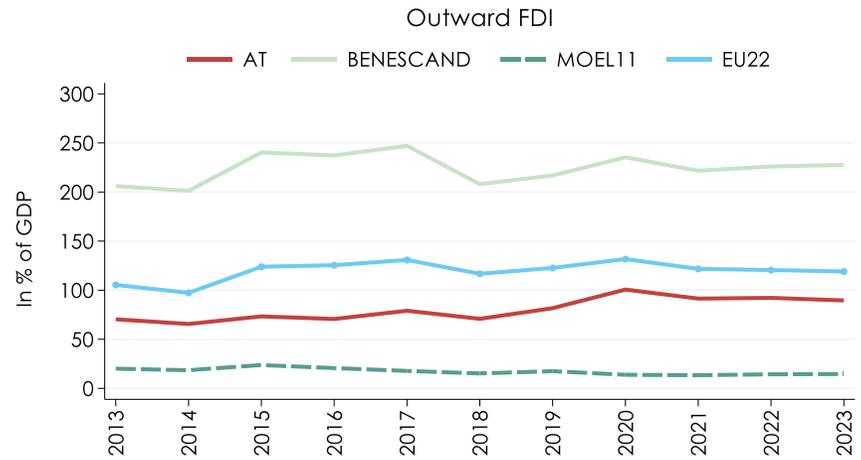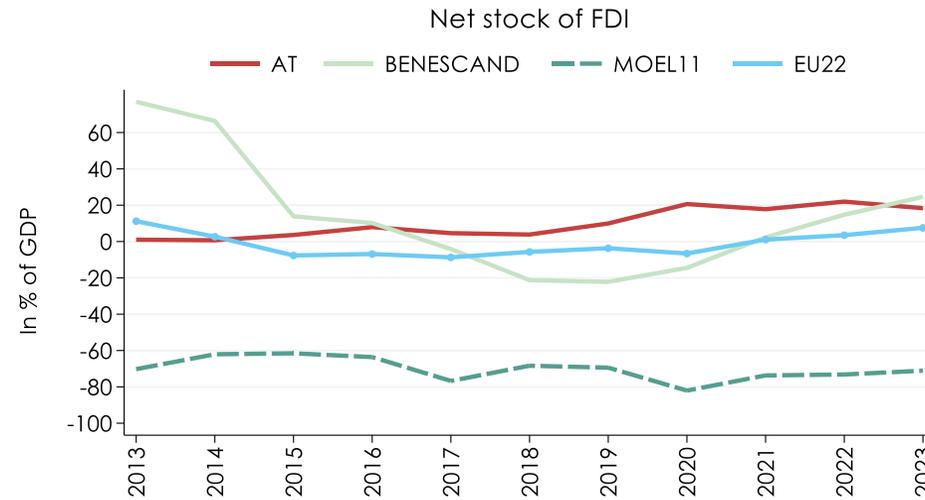
Source: OECD (FDI statistics), WIFO.

Knowledge-intensive industries
Value added shares, Austria vs. EU27 2023
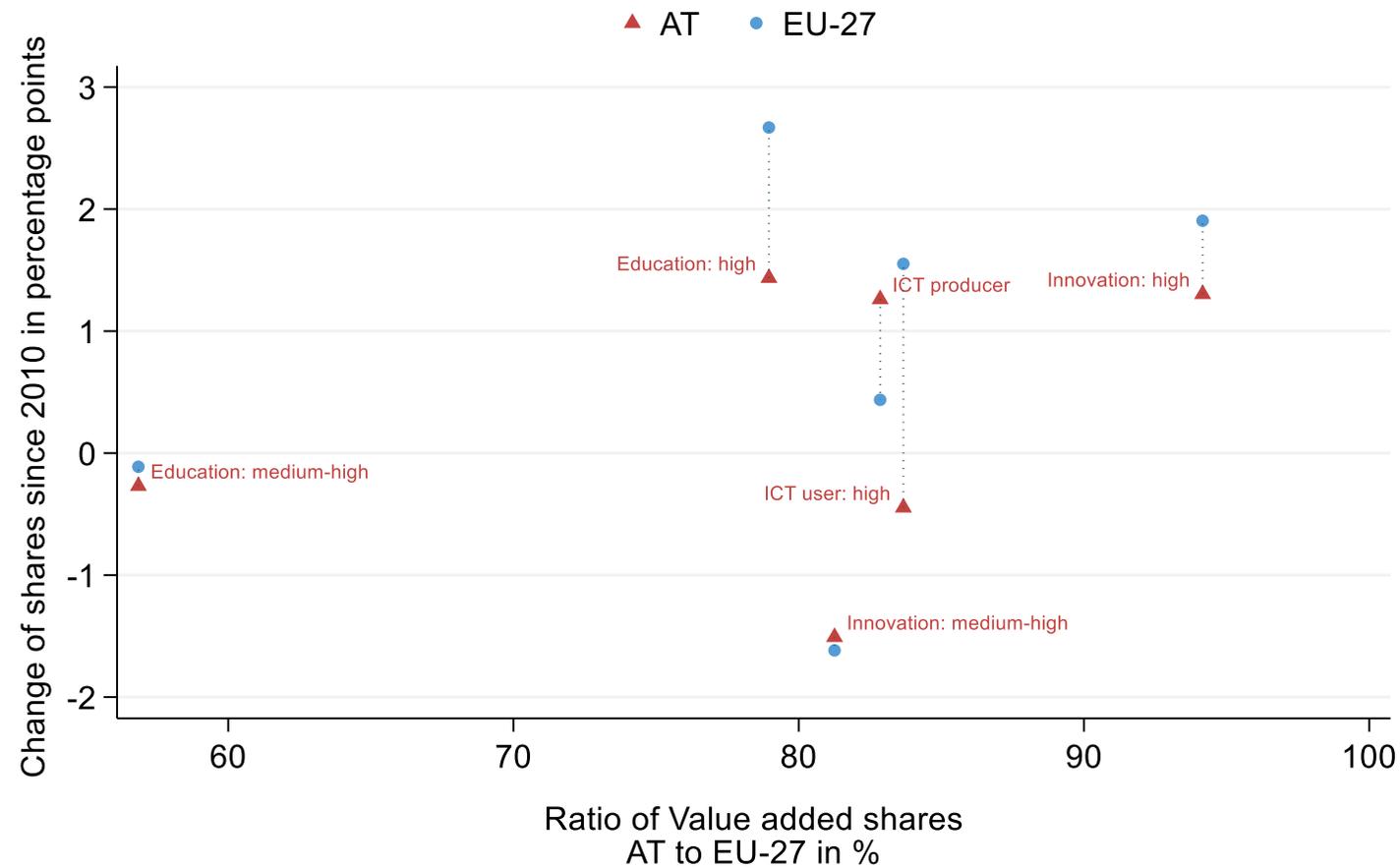
Source: EUROSTAT (SBS, B-N+S95 ohne K), WIFO.

Main findings (ii)

- Austrian **structure performance paradox**
  - High rank in GDP pc, but
  - Low share of especially knowledge-intensive industries

- Austria **holds up well** in current account balance but tends to lose market shares
  - Average degree of integration in global value chains
  - High but declining complexity of exported goods
  - Low diversification of trade partners

- Geo-economics and **increasing fragmentation** of international trade
  - Requires more **diversification** in foreign trade
  - Trade-off between the objectives of **efficiency** and **resilience**
  - European Union strives for more **strategic autonomy**

- Effective **European co-ordination** remains the most important foreign trade policy instrument also in Austria

The system level

- Competition
- Innovation
- Education
- Corporate finance
- Infrastructure and quality of public institutions

Competition

Net operating surplus

Legend: AT, BENESCAND, MOEL11, EU27
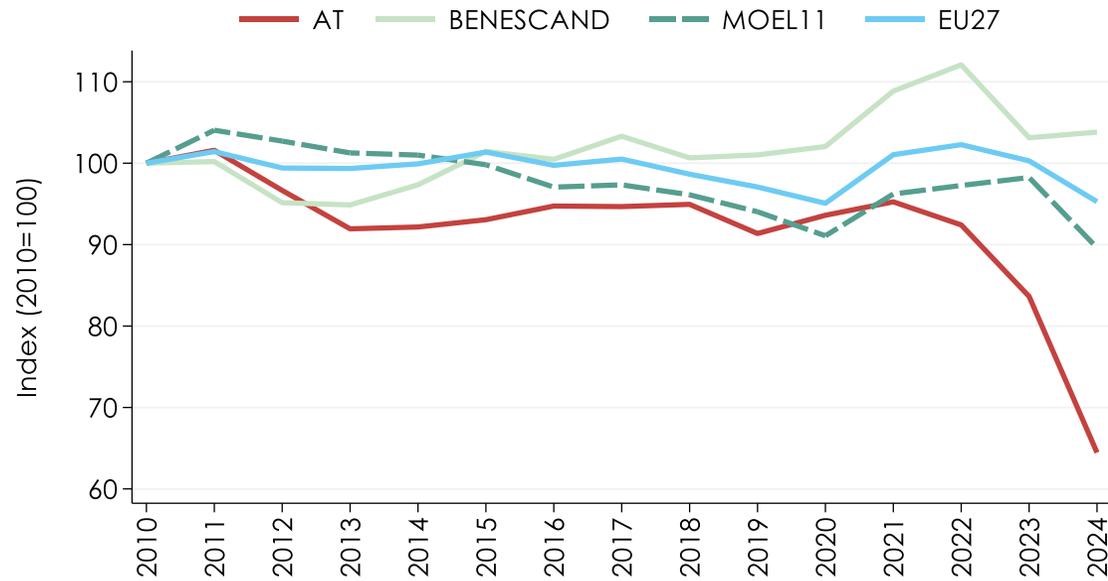
Trade openness, size corrected
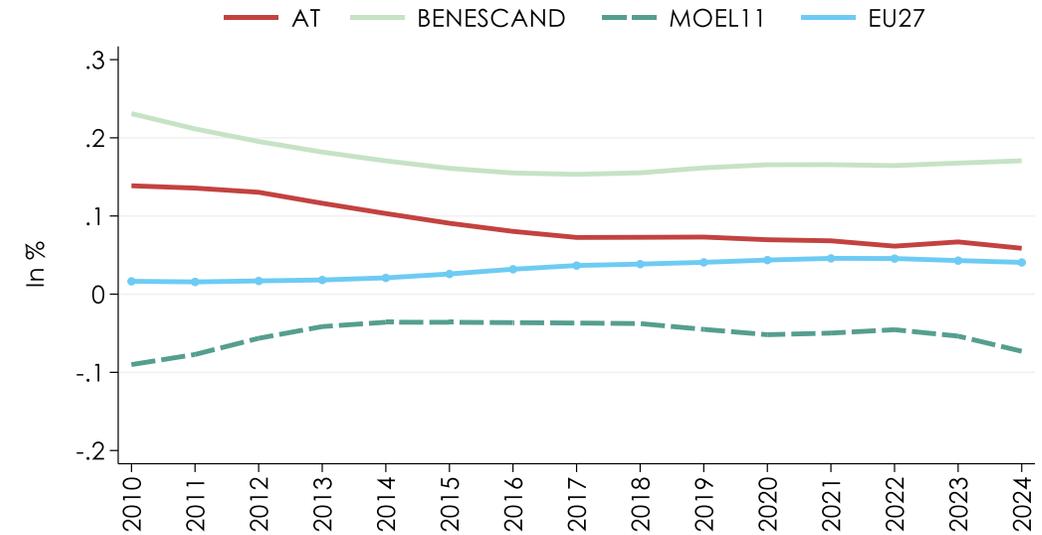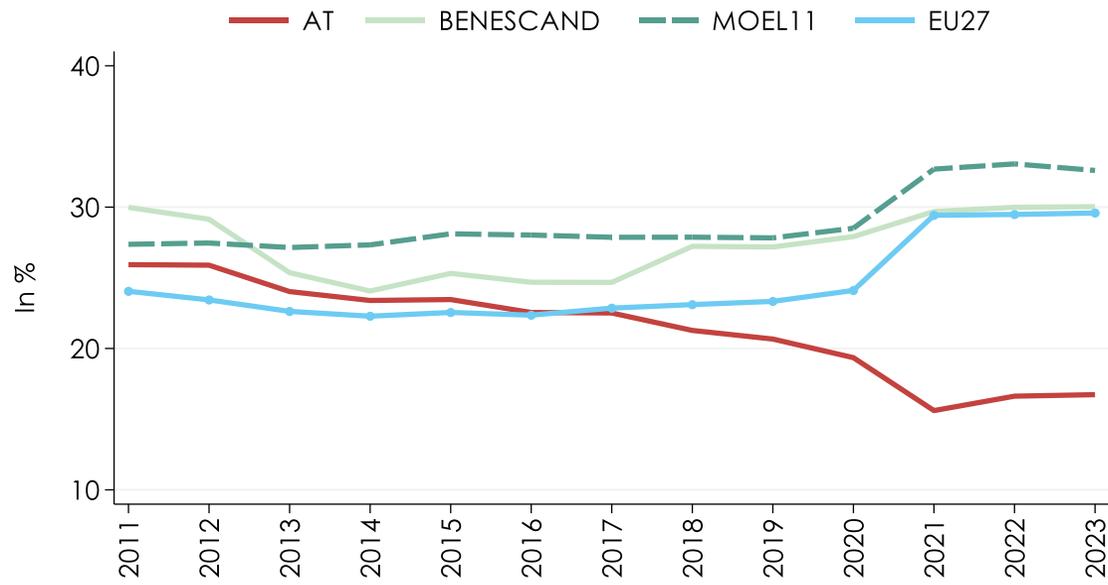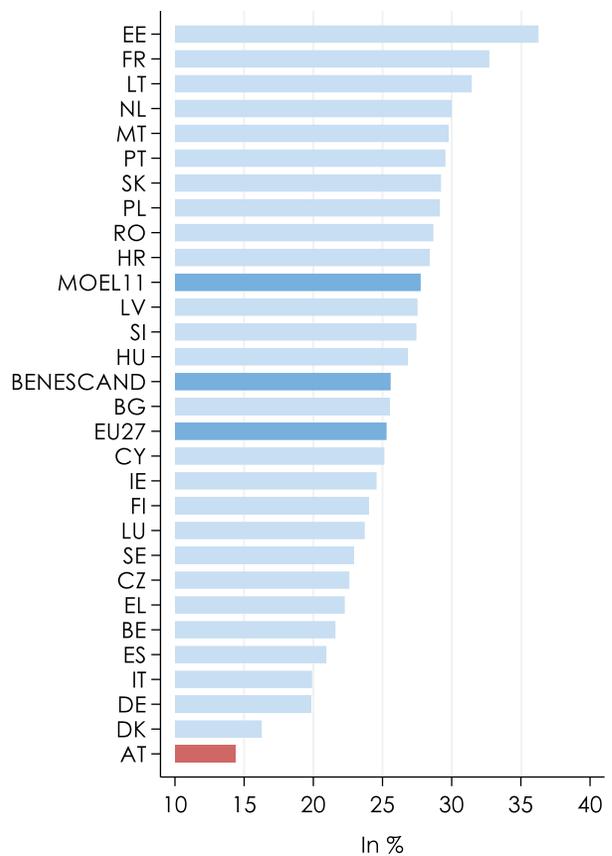
Legend: AT, BENESCAND, MOEL11, EU27

Source: EUROSTAT (AMECO), WIFO. Note: Aggregated values for the European Union. Unweighted averages for the country groups MOEL11 and BENESCAND.
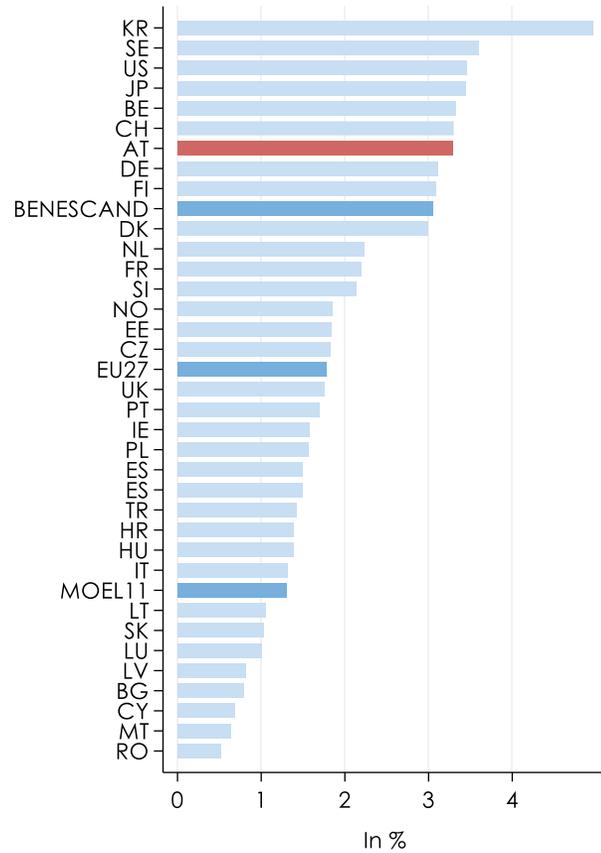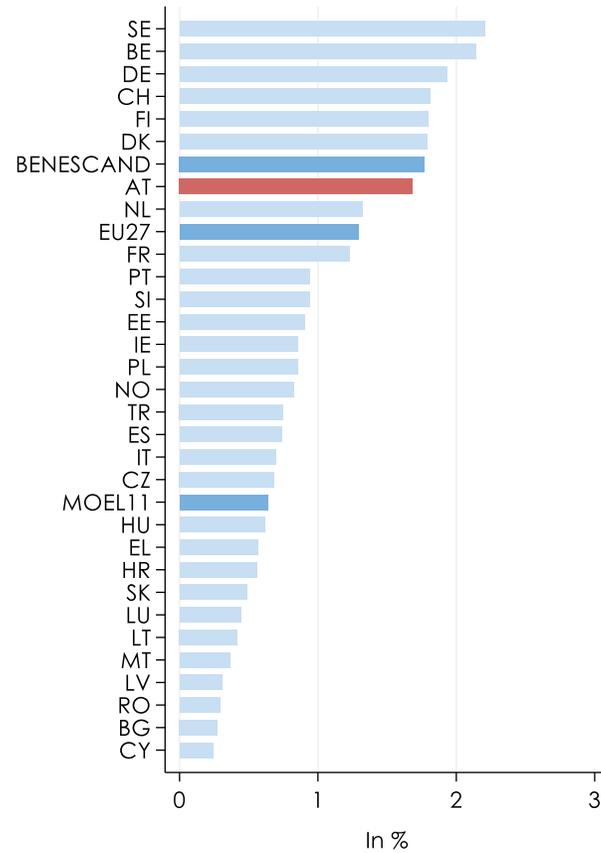
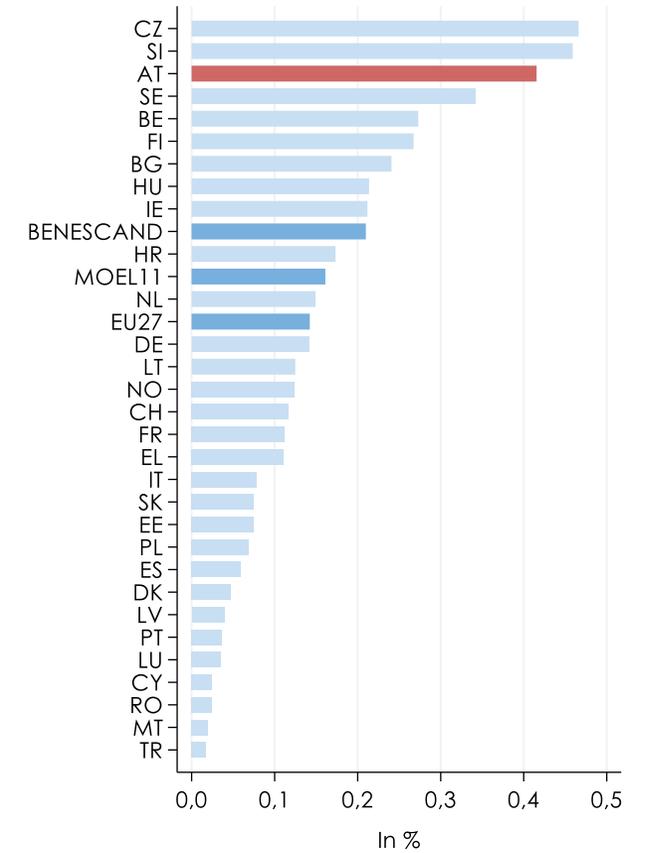# Firm dynamics
Share of young firms (< 5 years old)

2023

R&D expenditures
in % of GDP, 2023

Total R&D expenditures

R&D expenditures by firms

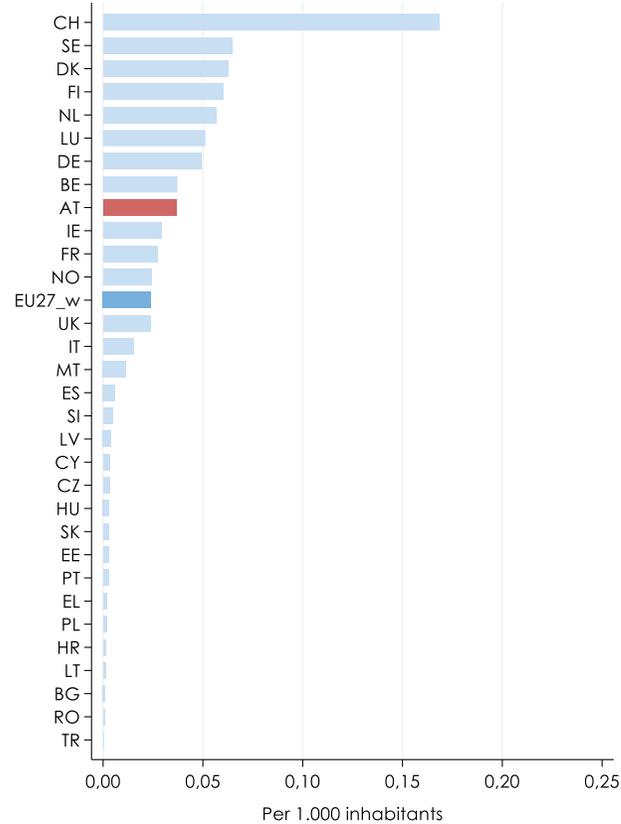### Foreign financed (by firms)

Source: EUROSTAT, WIFO.

WIFO

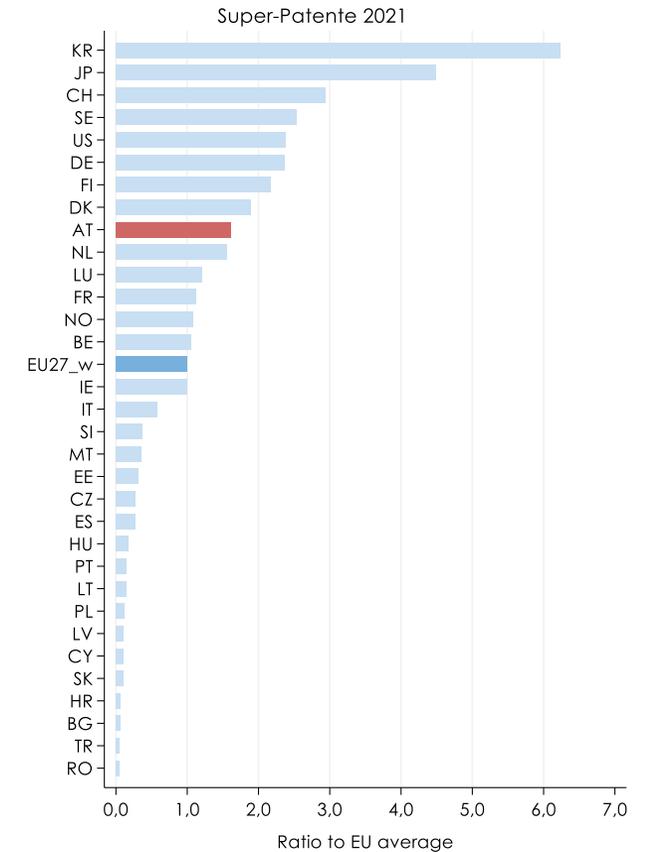# Patents
per 1.000 inhabitants / relative to EU average

Triadic patents, 2021

Applicant

Per 1.000 inhabitants

Inventor

Per 1.000 inhabitants
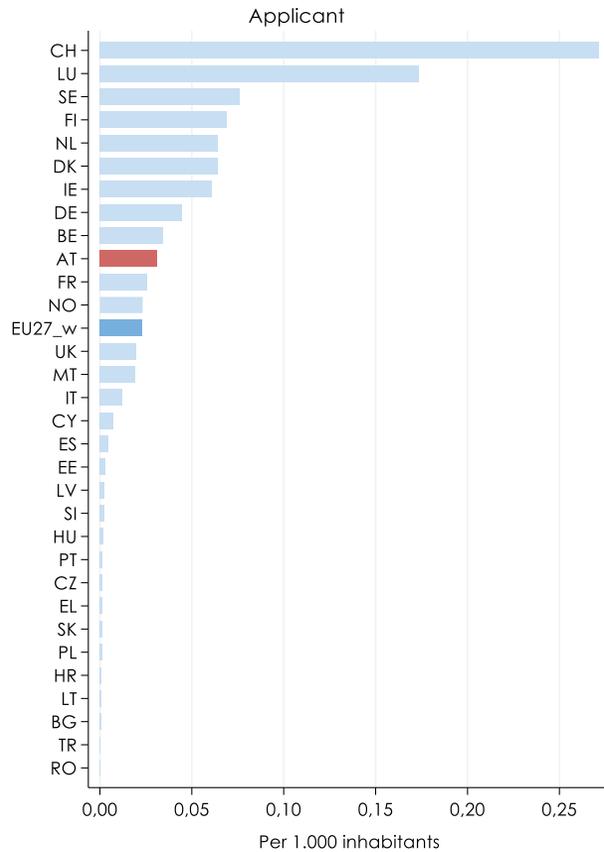
Super patents, 2021

Super-Patente 2021

Ratio to EU average

Source: Patstat, WIFO.

Share among 25-29 years old

ISCED 5-8

ISCED 6-8

MINT graduates (ISCED 5-8)

AT — BENESCAND — MOEL11 — EU27

MINT graduates (ISCED 6-8)
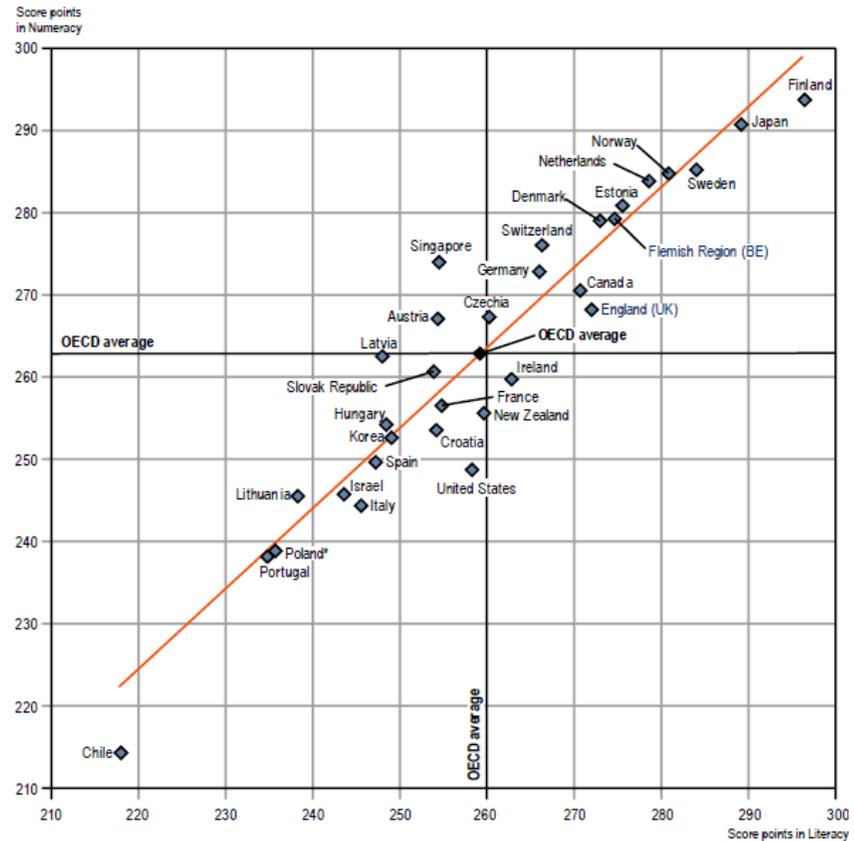
AT — BENESCAND — MOEL11 — EU27
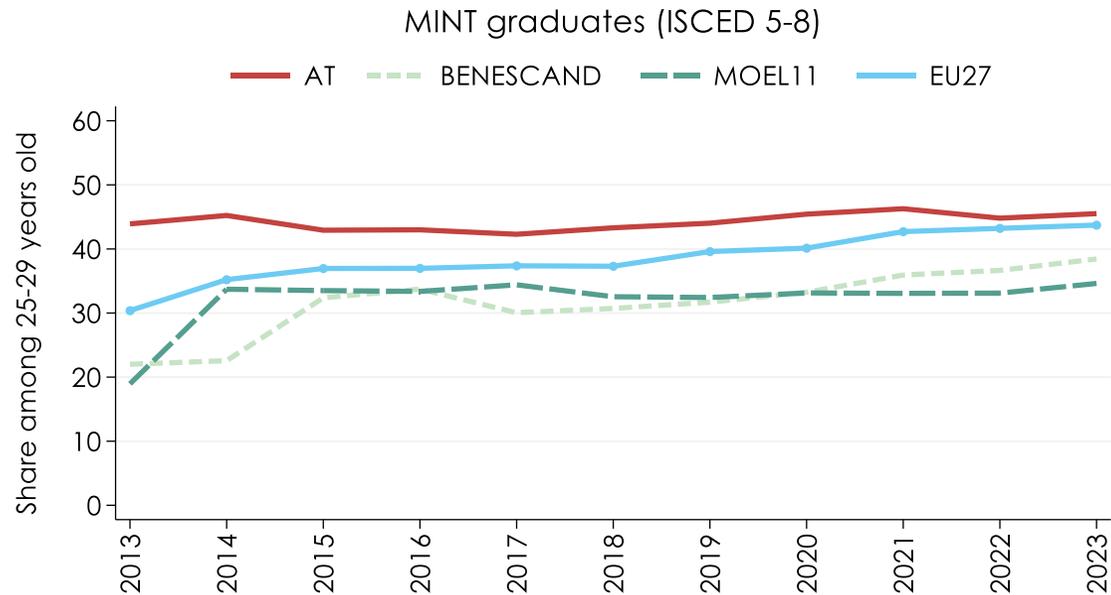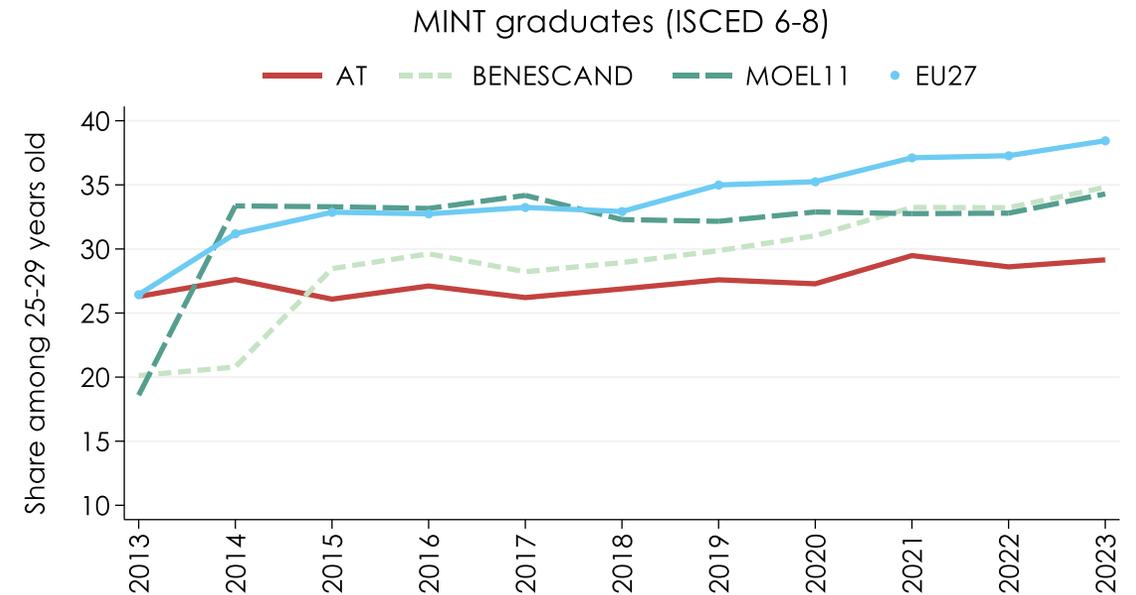
Source: Eurostat, WIFO.

WIFO

Education: adult skills
Proficiency in literacy and numeracy (OECD survey)

Figure 2.1. Comparison of countries' and economies' average proficiency in literacy and numeracy

Note: The correlation in this figure is based on countries' and economies' average proficiency in literacy and numeracy. *Caution is required in interpreting results due to the high share of respondents with unusual response patterns. See the Note for Poland in the Reader's Guide.
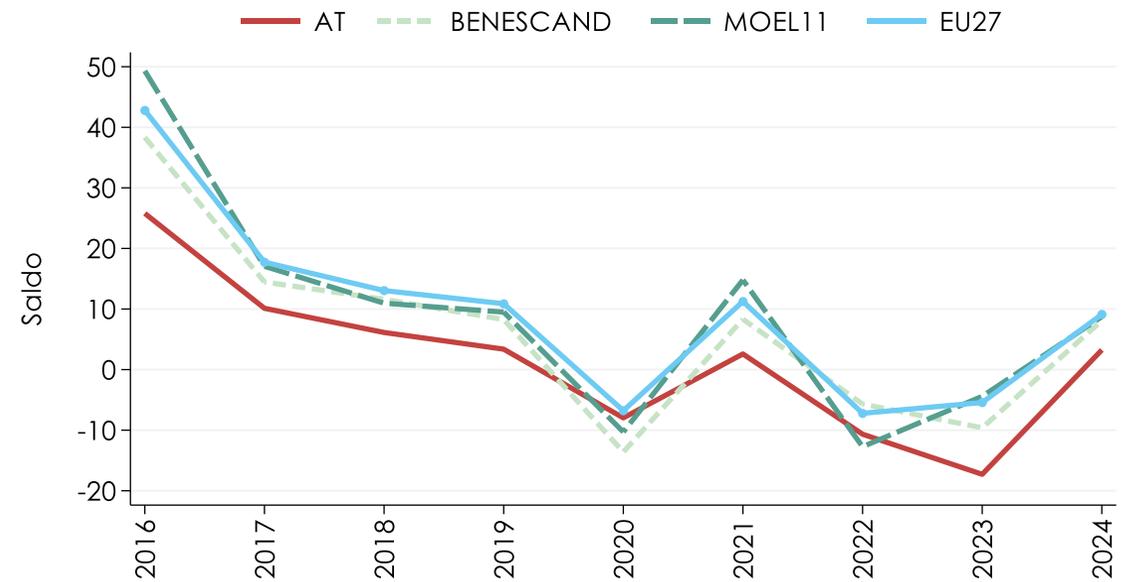Source: Table A.2.1. (L, N) in Annex A.

Source: OECD SURVEY OF ADULT SKILLS 2023

Financing constraints
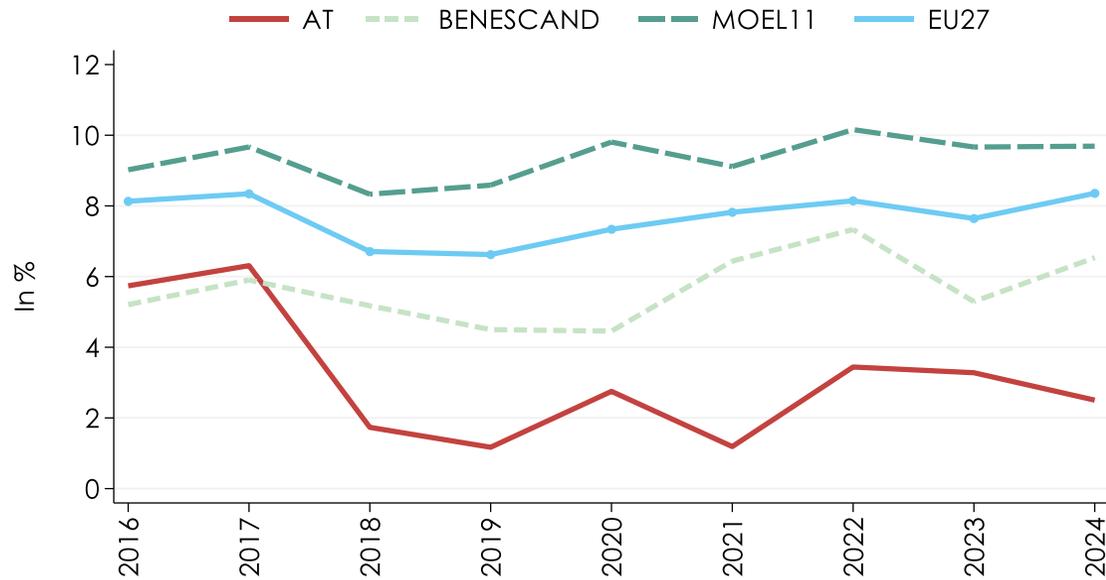

Major financing constraints

Legend: AT — BENESCAND — MOEL11 — EU27
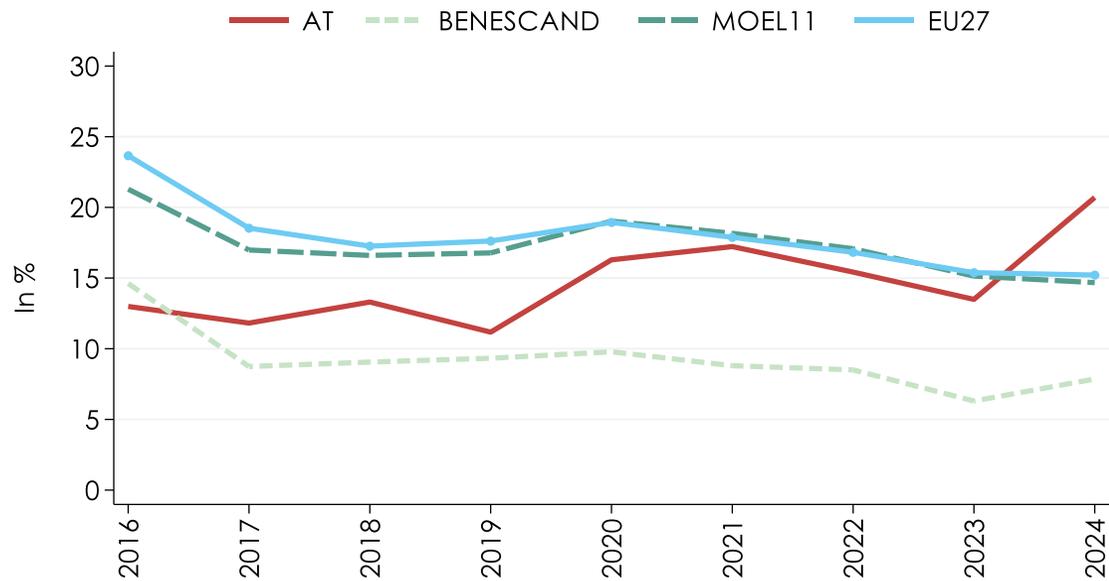
Constraints in external finance

Legend: AT — BENESCAND — MOEL11 — EU27

Source: EIBIS, WIFO.

Credit constraints and market capitalisation

Credit constrained firms

Legend: AT, BENESCAND, MOEL11, EU27

In %

2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024

Source: EIBIS, WIFO.

Market capitalisation

Legend: AT, BENESCAND, MOEL11, EU27

In %

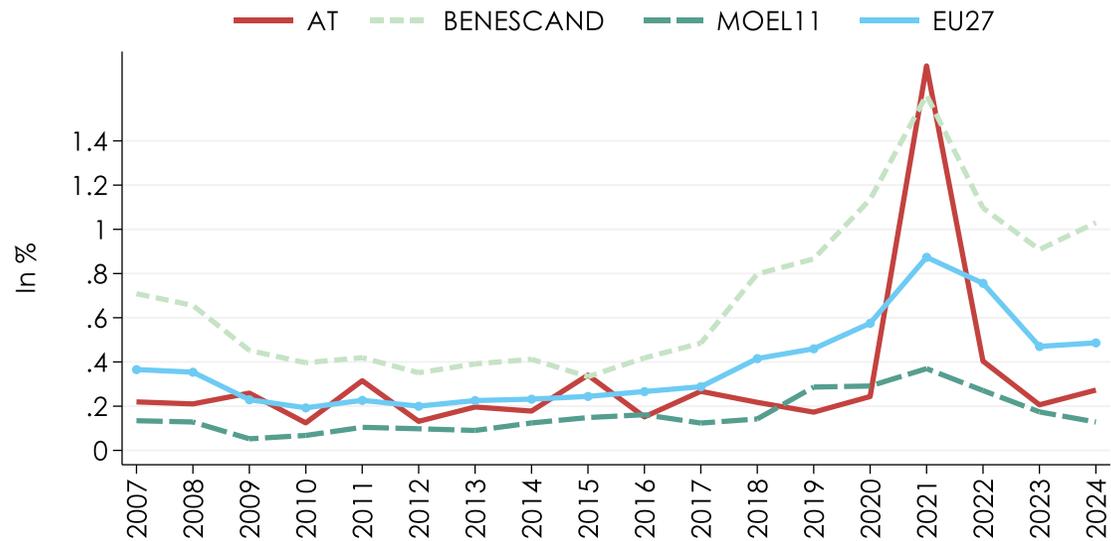2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023
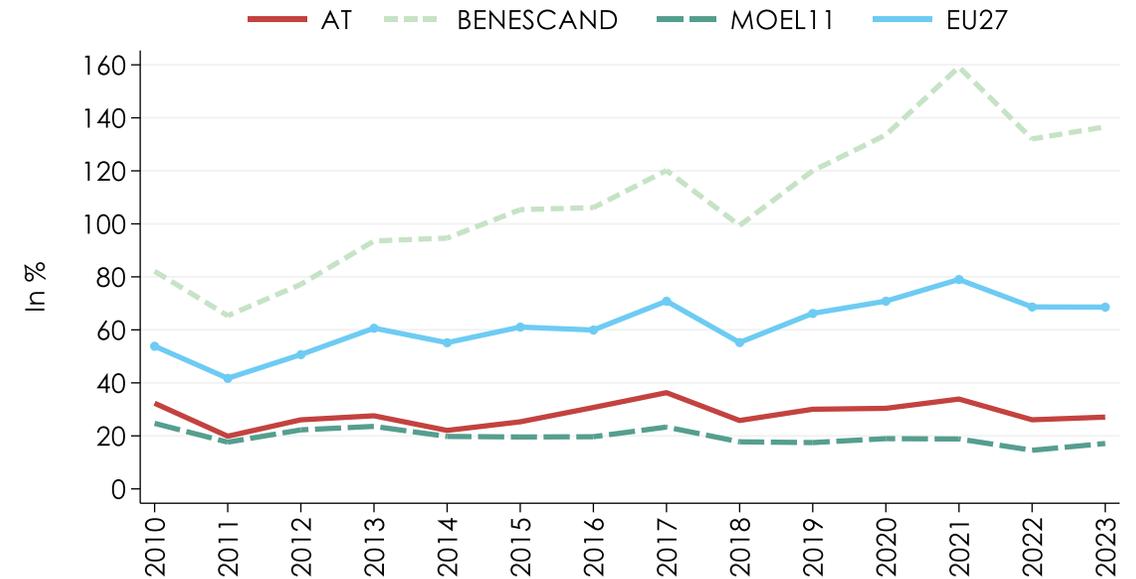
Source: WDI, CEIC Homepage, World Federation of Exchanges, WIFO.

WIFO

Venture capital

Market statistics — AT, BENESCAND, MOEL11, EU27

Industry statistics — AT, BENESCAND, MOEL11, EU27
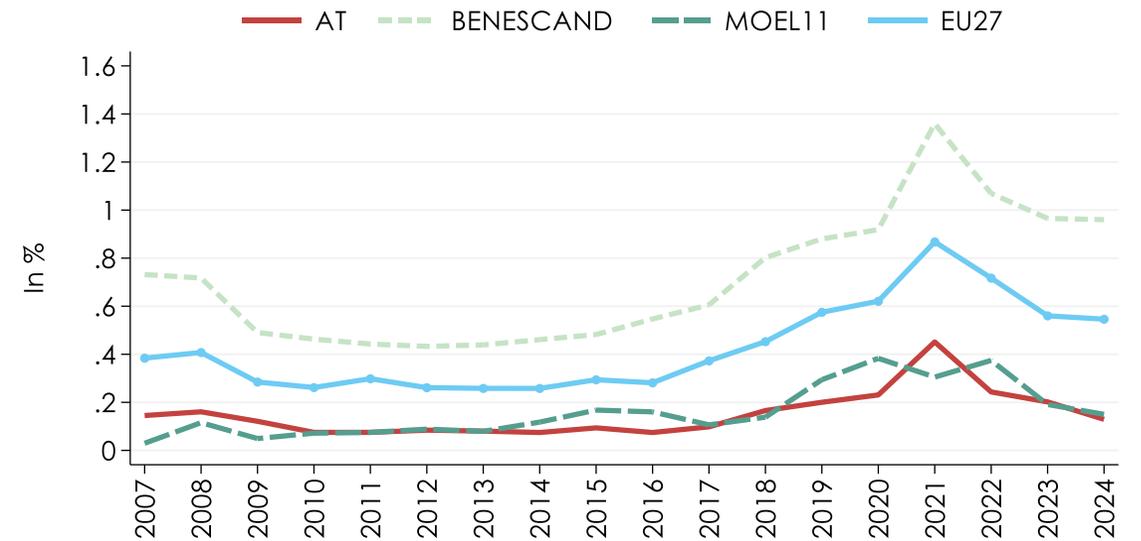
Source: Invest Europe, WIFO.

Quality of public infrastructure
Executive opinion survey (EOS 2025)
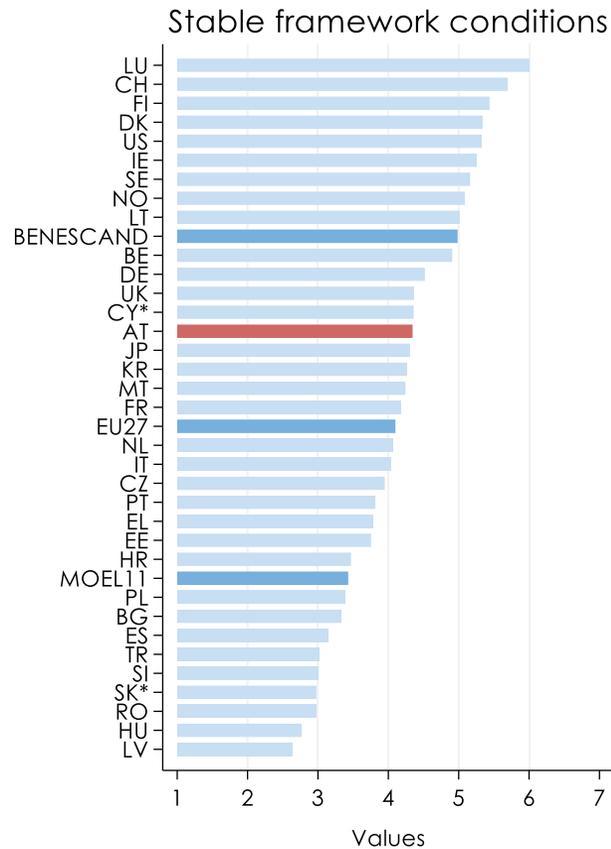

Road network

Air connections
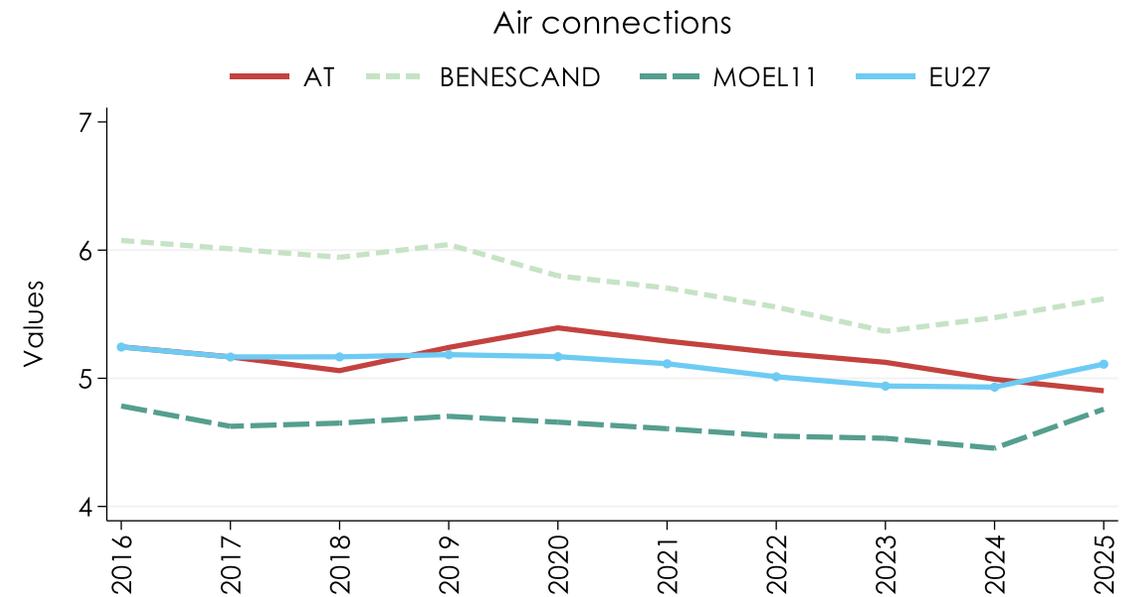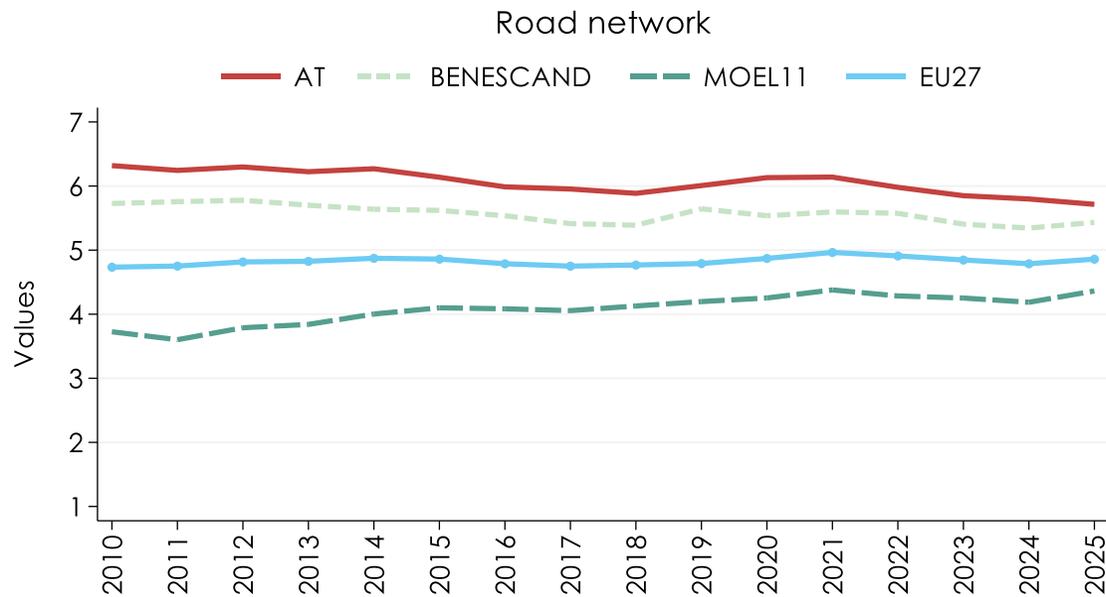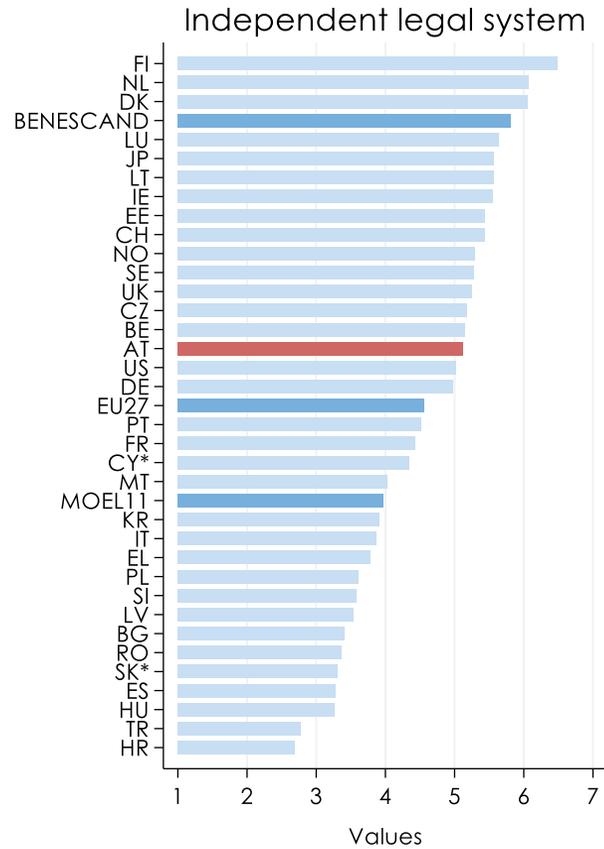
Source: WEF, WIFO.

Quality of public institutions
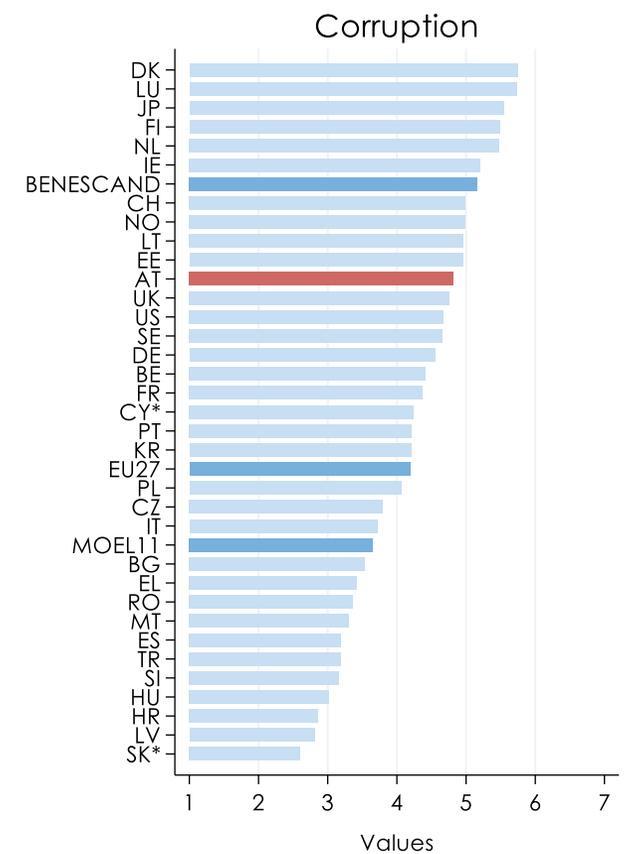## Executive opinion survey (EOS 2025)

Stable framework conditions

Independent legal system

Corruption

Source: WEF, WIFO. *)values from 2024

Main findings (iii)

- **Competition**
  - Very low share of young companies (< 5 years)
- **Innovation**
  - High R&D expenditures but intermediate patent performance
- **Education**
  - Only intermediate performance
- **Corporate finance**
  - Below-average market capitalization and little venture capital
- **Infrastructure**
  - Generally positive; exception: fixed-line broadband
- **Public institutions**
  - In recent years Austria has fallen back into midfield regarding the quality of public institutions

Economic policy
Menu of priorities

1. **Macroeconomic stabilisation**
   - Fiscal consolidation
   - Fighting inflation

2. **Productivity growth**
   - Education, training & skills
   - Innovation, technological transformation => **venture capital**
   - Competition (e.g., services sector, digital platforms) => **monitoring**, entry barriers etc.
   - Resilience, new industrial policy, etc.

   ➢ **Framework conditions** & **incentives** (business start-ups, investments, work hours, …)

3. **Institutional reforms**
   - Many levers: pensions, healthcare, education, subsidies, regulatory burden, etc.

   ➢ **Institutional trust** (politics, justice, federalism, social partners, science, …)

WIFO

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