INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/159

AUSTRIA

July 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

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 2025 Article IV consultation with Austria, the following documents have been released and are included in this package:

- A **Press Release**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on lapse-of time basis, following discussions that ended on April 8, 2025, 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 9, 2025.
- An **Informational Annex** prepared by the IMF staff.

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

Selected Issues

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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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR 25/237

IMF Executive Board Concludes 2025 Article IV Consultation with Austria

FOR IMMEDIATE RELEASE

- Austria has experienced two successive years of recession under weak domestic and external demand, triggered by the energy price shock and subsequent euro area monetary tightening. Despite weak demand and some easing in labor market conditions, inflation at around 3 percent year-on-year still exceeds inflation in the euro area by about 1 percentage point, with sticky services inflation and the lapsing of energy price relief policies causing headline inflation to rise. The fiscal deficit widened to 4.7 percent of GDP in 2024 due to the weak economy, lagged effects of inflation, and one-off expenditures, among other factors, resulting in an increase in public debt to 81 percent of GDP.

- The growth outlook continues to remain weak for 2025, reflecting planned fiscal consolidation and heightened global trade barriers and trade policy uncertainty. A return to growth is expected from 2026 onwards, though the medium-term growth and fiscal outlook faces significant headwinds from demographic aging and sluggish productivity growth.

- The outlook is subject to risks in both directions. Downside risks to growth predominate, including from increased global trade policy uncertainty and protracted weak sentiment. Upside risks include a faster-than-expected rebound in private demand or easing of global trade tensions.

Washington, DC – July 3, 2025: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Austria. The authorities have consented to the publication of the Staff Report prepared for this consultation.[2]

[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 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 www.imf.org/Austria page.

Executive Board Assessment[1]

Austria faces a challenging economic situation. Following two successive years of recession triggered by the energy-price shock and subsequent euro-area monetary tightening, the growth outlook remains weak for 2025, reflecting sizable planned fiscal consolidation and heightened global trade barriers and uncertainty. GDP is expected to recover more strongly from 2026 onwards under the baseline scenario. Nevertheless, the near-term outlook faces significant risks, including from global trade policy uncertainty and related uncertain financial conditions, which could affect economic sentiment and demand. Inflation in 2025Q1 still well exceeds the euro-area average and is only expected to close the gap gradually by end-2026. While Austria's external position in 2024 is assessed as broadly in line with the level implied by medium-term fundamentals and desired policy settings, Austria's competitiveness could be undermined over time if inflation convergence does not occur, which could happen if productivity-adjusted wage growth persistently exceeds the euro-area average. Moreover, headwinds from population aging and sluggish productivity growth will continue to constrain medium-term growth prospects, absent significant reforms. Major new fiscal adjustment measures are also needed over the medium term to put the debt ratio back on a downward path while offsetting rising spending pressures from aging, defense, the green transition, and interest payments.

The government's near-term fiscal consolidation measures will help reduce inflationary pressures and slow the rise in debt. The government's announced fiscal measures for 2025 are expected to lower the deficit and are sufficient for 2025 given the weak economy. If near-term downside risks materialize, the authorities should let automatic stabilizers operate freely to avoid an excessive drag on growth, with measures deployed to protect the most vulnerable in the event of a severe downturn.

A bold and well-designed package of consolidation measures can yield significant savings over the medium term. The authorities should aim to cut the deficit to below 2 percent of GDP to put the debt ratio on a declining path. To achieving this while offsetting rising spending pressures, the authorities could consider some combination of gradually reducing pension replacement rates, which are among the highest in the EU; limiting public-sector wage increases; increasing health-care spending efficiency; and eliminating environmentally harmful subsidies, along with greater reliance on property, inheritance, gift, and excise taxes—taxes that are all somewhat low in Austria compared to the European average. Gradually increasing the national carbon price could generate additional fiscal resources, help prepare for anticipated higher carbon prices under EU ETS2, and encourage efficient carbon mitigation in service of Austria's ambitious decarbonization goals.

Reforms to increase labor supply and reduce regulatory barriers could significantly boost medium and long-term growth. Boosting labor supply by narrowing the gap in full-time work by

[1] At the conclusion of the discussion, the Managing Director, as Chair 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.

females and in labor force participation among elderly workers relative to the EU average could offset more than 20 years of demographic aging in terms of the effect on GDP. In this regard, ongoing efforts to provide more childcare are welcome and should be deepened by further expanding childcare and eldercare facilities, undertaking pension reforms that incentivize longer working lives, and continuing efforts to better integrate immigrants into the work force. The growth outlook could be further improved by stepping up efforts to cut red tape in services sectors where regulatory barriers remain high, speed the approval of renewable energy projects, and reduce regulatory bottlenecks in housing supply, including by easing land-use regulations. Measures to promote capital market finance for firms, especially equity financing for young firms at different stages of growth, could foster more innovation and entrepreneurship, as could ongoing efforts to strengthen ecosystems of collaboration between academia and industry.

Deepening the EU Single Market is also critical for improving Austria's productivity and economic growth. Intra-EU trade barriers remain significant. Reducing these barriers and deepening the EU Single Market, including through reforms such as Savings and Investment Union and the establishment of harmonized rules for businesses operating in different jurisdictions (i.e., creating and implementing a well-designed common 28th corporate regime) could allow firms to better leverage economies of scale and catalyze financing for innovative ideas. Further energy market integration within the EU would help reduce the level and variability of energy costs. Supporting such reforms is one of the most important steps that Austria could take to boost productivity and growth across both Austria and Europe.

The financial sector remains healthy and macroprudential policies are broadly appropriate, but continued vigilance on potential credit risks is warranted. Banks face potential credit risks, including from nonfinancial corporates affected by the rise in global trade barriers and trade policy uncertainty. To mitigate these risks and prepare for an expected normalization of bank profits from recent highs, the authorities should continue to encourage banks to value collateral conservatively, ensure adequate risk provisions, and remain prudent in profit distributions, including to build resilience to shocks and invest in infrastructure to safeguard against cyberthreats. Regarding the borrower-based measures for residential real estate lending, which are set to lapse in July 2025, the new government should consider legislation to adopt these measures as permanent instruments, as they are consistent with international standards for prudent underwriting. Meanwhile, supervisors should remain vigilant that banks adhere closely to the proposed lending guidelines that will replace the borrower-based measures. Regarding CRE risks, the introduction of the SSyRB set at 1 percent of CRE assets is welcome, and the authorities should continue their efforts to close macroprudential CRE data gaps. The current setting of the CCyB at zero remains appropriate given weak credit growth. Implementing key outstanding recommendations from IMF staff's 2020 Financial System Stability Assessment would further strengthen the framework for financial sector oversight and safety mechanisms.

Table 1. Austria: Selected Economic Indicators, 2022–26

Population (million, 2024):	9.1	Per capita GDP:	$56,216
Quota (SDR million, current):	3932.0	Literacy rate 1/:	100%
Main products and exports:	Diversified	Poverty rate 2/:	14.9%
Key exports markets:	Germany, CESEE		

	2022	2023	2024	2025	2026
				Proj.	
Output					
Real GDP growth (%)	5.4	-0.9	-1.3	-0.1	0.8
Employment					
Unemployment (Harmonized) (%)	4.7	5.1	5.4	5.6	5.5
Prices					
Inflation (%, average)	8.6	7.7	2.9	3.2	1.7
General government finances					
Revenue (% of GDP)	49.7	50.1	51.6	52.0	52.1
Expenditure (% of GDP)	53.1	52.7	56.3	56.3	56.3
Fiscal balance (% of GDP)	-3.4	-2.6	-4.7	-4.3	-4.1
Public debt (% of GDP)	78.4	78.5	81.2	82.8	84.0
Money and credit					
Broad money (% change)	5.2	-0.1	4.3	3.0	3.2
Credit to the private sector (% change) 3/	6.2	0.2	0.5	1.1	2.0
Balance of payments					
Current account (% of GDP)	-0.9	1.3	2.4	2.6	2.9
FDI (% of GDP, net)	0.0	1.1	0.3	0.3	0.3
Reserves (months of imports)	1.3	1.2	1.6	1.6	1.6
External debt (% of GDP)	150.8	152.3	157.8	161.0	163.6
Exchange rates					
REER (% change)	0.2	1.8	0.5	...	...

Sources: Authorities, and staff estimates and projections.
1/ Percent of population aged 15-74 with education attainment between pre-primary and tertiary education.
2/ 2022, at risk of poverty rate after social transfers.
3/ Households and non-financial corporations. Exchange rate adjusted.

INTERNATIONAL MONETARY FUND

AUSTRIA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

June 9, 2025

KEY ISSUES

Context. The Austrian economy faces a challenging environment following two successive years of recession. Adverse shocks from high energy prices and the rapid rise in interest rates to curtail subsequent inflation have dragged down domestic and external demand, as have heightened uncertainty and weak sentiment. The downturn in activity has been especially significant in manufacturing, construction, and some services. Despite weak demand, core inflation has been persistent due in part to rapid wage growth. And while strong policy responses helped to cushion the impact of recent shocks, the fiscal deficit and public debt have risen significantly from pre-pandemic levels. Over the medium term, weak productivity and demographic aging pose significant growth and fiscal headwinds. At the same time, Austria retains strong institutions that equip it to deal with these challenges.

Following elections in September 2024, a new coalition government was formed in March 2025. The new government's objectives include undertaking reforms to boost growth and lower the fiscal deficit.

Outlook

- Growth is expected to remain near zero in 2025 amid fiscal tightening and heightened global trade uncertainty. A return to growth is anticipated from 2026 onwards as investment and consumption recover on further monetary easing and higher real wages. Growth is expected to converge to its potential at below 1 percent in the medium term.

- Inflation is expected to remain somewhat elevated in 2025 (averaging 3.2 percent) due to one-off reductions in energy-price support in early 2025 and given that core inflation is projected to decline only gradually. Both headline and core inflation are expected to fall to near 2 percent during 2026.

- Downside risks to growth predominate, including from increased global trade policy uncertainty and protracted weak sentiment. Upside risks include a faster-than-expected rebound in private demand or easing of global trade tensions.

Policies. Austria's economic challenge is to rebuild fiscal buffers while laying the groundwork for reinvigorated growth over the medium term and maintaining financial stability. The following policies would support these objectives:

- ***Near term***. In the near term, reducing the fiscal deficit will help to lower inflationary pressures and debt. However, fiscal policy should remain flexible: if downside risks to growth materialize, the authorities should allow automatic stabilizers to operate freely. In the financial sector, supervisors should ensure that banks maintain strong capital positions and adequate provisions. The authorities should also continue to close macroprudential CRE data gaps to improve monitoring of CRE risks. Supervisors will need to remain vigilant that banks adhere closely to the proposed residential real estate lending guidelines that will replace borrower-based measures (KIM-V regulation) as of July this year. The government should also consider legislation to adopt borrower-based measures as a permanent, structural instrument to further safeguard against a reemergence of macro-financial risks associated with high-leverage mortgage loans.

- ***Medium term***. A bold and high-quality fiscal adjustment is needed over the medium term that minimizes economic distortions, safeguards growth-enhancing investment, and supports Austria's green transition goals in a cost-effective manner. Fiscal measures that would support these objectives include reducing pension and healthcare costs and the public wage bill and cutting environmentally harmful subsidies. Options on the revenue side include increasing property, excise, and inheritance and gift taxes, as these are relatively low in Austria by international standards. Increasing the carbon tax and petroleum excise while cutting environmental subsidies could help meet Austria's ambitious green transition targets efficiently. To boost potential growth, the authorities should continue to pursue policies to increase female and elderly labor supply and make further efforts to strengthen the financing, regulatory, and growth environment for startup firms in conjunction with broader European policies. Lowering entry barriers in services professions, speeding up clearances for green transition projects, and easing regulatory bottlenecks on land use for housing will promote greater growth. Supporting efforts to deepen the EU's Single Market, including by achieving Savings and Investment Union, Energy Union, and a well-designed 28th corporate regime, would unlock economies of scale and improve efficiency, boosting growth in Austria and across Europe.

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

The mission took place in Vienna, Austria, during March 26-April 8, 2025. The mission team comprised Mr. Fletcher (head), Mr. Mohommad, Ms. Pinat, and Mr. Saiyid (all EUR). The mission met Minister of Finance Marterbauer; Central Bank Governor Holzmann; Members of Parliament; officials from the Ministry of Finance, Ministry of Labor, Ministry of Climate, and Financial Market Authority; the Court of Auditors; major banks; trade unions; think tanks; and other private-sector representatives. Mr. Just (OED) joined the meetings. Ms. Mitchell, Mr. Yue, Ms. Zha, and Mr. Zhang (all EUR) assisted in preparing the report.

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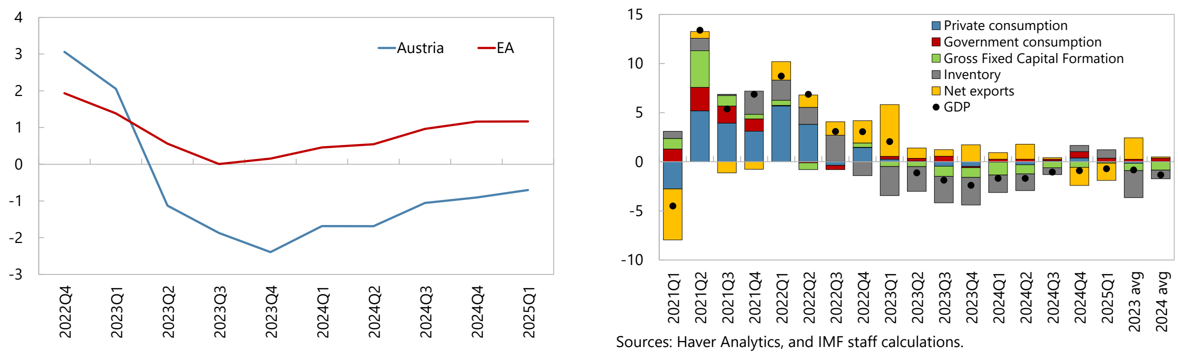
MACROECONOMIC CONTEXT

A. Recent Developments

1. The economy experienced a second successive year of recession in 2024. Real GDP (SWDA) fell by 1.3 percent following a 0.9 percent contraction in 2023 amid broad-based weakness following the 2022 energy-price shock and the rapid rise in interest rates needed to curtail subsequent inflation.[1] Over the last two years, growth has significantly underperformed the euro area (Figure 1). Domestic demand has been especially weak, as the anticipated recovery in private consumption in 2024 in response to rising real wages failed to materialize (Figure 1). Instead, household savings rose amid heightened economic uncertainty. Investment has fallen in response to depressed sentiment and monetary tightening in 2022. The contribution of external demand has also diminished in 2024, due in part to weak activity in key trading partners such as Germany. In the most recent data, output rose by ¼ percent (q-o-q, sa) in 2025Q1, but manufacturing PMIs remain contractionary, and most confidence indicators remain weak.

Figure 1. Austria: GDP Growth

Growth Compared to Euro Area (Year-on-year percent change; SWDA) — **Contributions to GDP Growth 1/** (Year-on-year percent change; SWDA)



Sources: Haver Analytics, and IMF staff calculations.

Sources: Haver Analytics, and IMF staff calculations.
1/ 2025Q1 Inventory derived from GDP minus other components.

2. Labor markets have eased under the weak demand conditions. The harmonized unemployment rate rose to 5.4 percent in 2024Q4, up from a trough of 4.5 percent in 2022Q2, and the pre-pandemic trend of a rising employment rate has halted (Figure 2). Similarly, hours worked have declined, reaching 1 percent below trend during 2024. This gap, together with low manufacturing capacity utilization, implies an output gap of around -1 percent.[2] Consistent with the slack in the economy, job vacancy rates have declined across all sectors. Real wages nonetheless rose 5.3 percent in 2024, reflecting lagged adjustments to past inflation and past real wage declines

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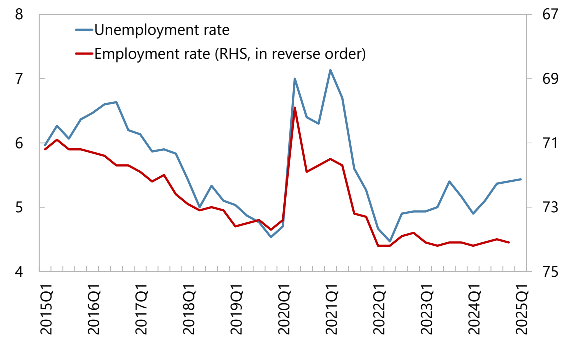
[1] See accompanying Selected Issues chapter on "Drivers of the recent recession in Austria".

[2] Staff estimates that the Okun coefficient relating the output gap to the gap in hours worked is about 1; see Austria: Staff Report for the 2024 Article IV Consultation.

(Figure 2). Growth in labor productivity (output per hour worked) has been near zero over the last three years.

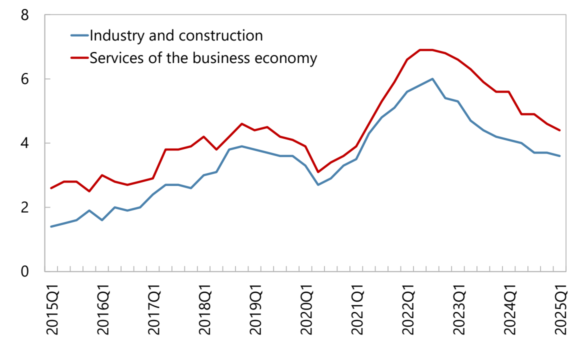
Figure 2. Austria: Labor Market Developments

Unemployment Rate and Employment Rate
(Percent; SA)



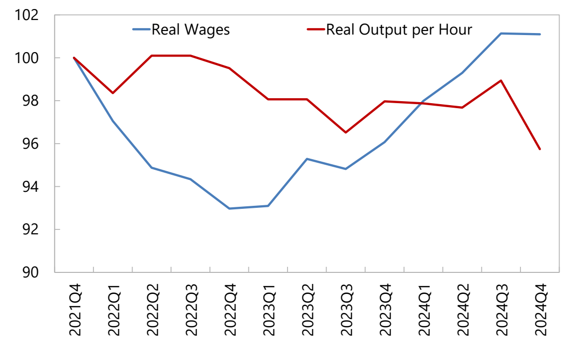
Sources: Eurostat, and Haver Analytics.

Job Vacancy Rate By Industry
(Percent; SA)



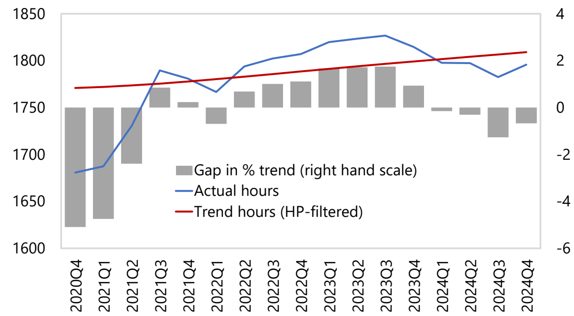
Sources: Eurostat, and Haver Analytics.

Real Wages and Real Output per Hour
(Index; 2021Q4=100)



Sources: Haver Analytics, and IMF staff calculations.

Actual vs Trend Hours Worked
(Millions of hours; gap in percent of trend 1/)



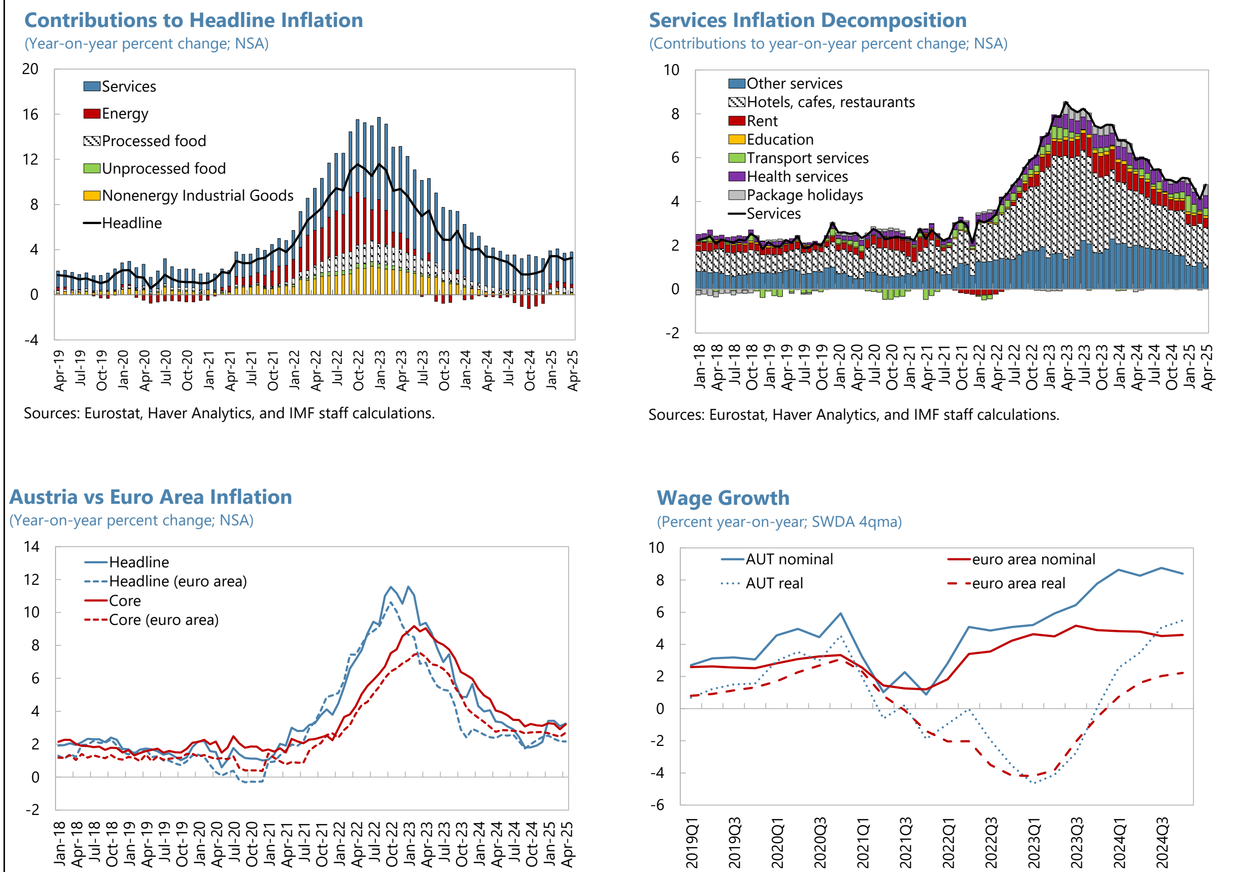
Sources: Haver Analytics, and IMF staff estimates.
1/ Actual hours and gap relative to trend are 2-quarter moving averages.

3. Inflation spiked in early 2025 due to higher domestic energy prices.

- ***Headline*** HICP inflation fell to 2.0 percent (y/y) in 2024Q4 on falling inflation for energy and other goods during 2024. However, headline inflation rose to 3.3 percent in 2025Q1 due mainly to one-off effects from the expiration of electricity price caps for households, higher electricity network charges, and a higher carbon price.

- ***Core*** inflation also fell during 2024 but persisted above headline inflation and was still elevated at 3.1 percent in 2025Q1, reflecting high services sector inflation of 4.6 percent (Figure 3). High services inflation likely reflects services' higher share of labor costs, as nominal wage growth has been elevated at around 7-8 percent over the past two years. Both wage growth and inflation have exceeded the euro-area average during this period (Figure 3).

Figure 3. Austria: Inflation Developments



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

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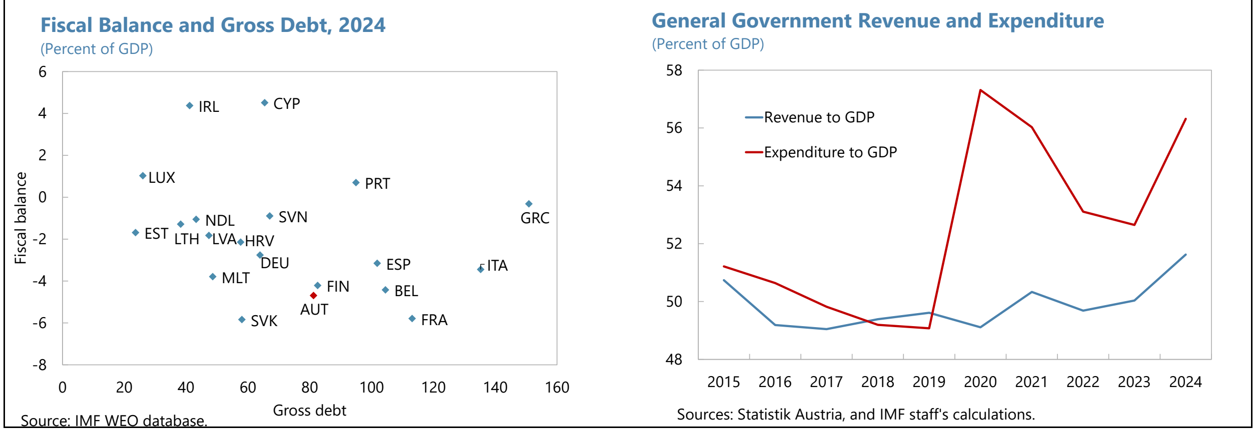
Sources: Haver Analytics, and IMF staff calculations.

4. **The fiscal deficit deteriorated in 2024 due to the weak economy, lagged effects of inflation, and one-off measures.** The deficit widened by 2.1 percentage points to 4.7 percent of GDP. The fiscal impulse—measured by the change in the cyclically adjusted primary balance—was somewhat smaller at 0.9 percent of GDP, given the sharp widening of the output gap. Despite the recession, real revenue grew 1.9 percent (Figure 4), in part due to high real wage growth. Higher revenue was more than offset by a 4 percent rise in real spending due to the lagged effects of inflation on employee compensation, social benefits, and pensions; higher interest payments; the extension of energy measures until end-2024; increased state and local government deficits; and various one-off measures, including an increase in the "climate bonus", the implementation of housing support, the back payment of public salaries following a ruling by the European Court of Justice,[3] and flood aid. The higher deficit and weak GDP growth pushed debt to over 81 percent of GDP (Figure 4).

[3] The European Court of Justice ruled on the civil service law, mandating back payments to Austrian civil servants totaling €0.8 billion. While these payments will be disbursed in 2025 and 2026, the amount is allocated on an accrual basis to 2024.

Figure 4. Austria: Main Fiscal Developments



Source: IMF WEO database.

Sources: Statistik Austria, and IMF staff's calculations.

5. **The financial sector remains stable, liquid, and profitable.** Banking capital has strengthened steadily over time, reaching a CET1 capital ratio of 17.7 percent by mid-2024, while overall liquidity appears adequate on the Basel LCR measure. Banks again posted high profits in 2024, benefiting from strong interest margins and steady profitability from Central, Eastern and Southeastern European (CESEE) operations (Table 1).[4] However, NPLs have risen somewhat in international comparison (Figure 11, 2nd page, top left), driven by higher NPLs on commercial real estate (CRE) loans, which make up 10 percent of bank assets. The NPL ratio on CRE loans rose to about 5 percent by mid-2024 from 3 percent a year ago, mainly on CRE loans for multi-family residential real estate following past monetary policy tightening. However, stress tests indicate that the banking sector is resilient to adverse CRE shocks,[5] and banks' overall provisioning against NPLs is high in cross-country comparison (Figure 11, 2nd page, top right).[6] NPL ratios on

Table 1. Austria: Evolution of Selected Indicators of Austrian Banks 1/

Year	Total Assets	Total Loans	Return on assets (percent)	NPL ratio (percent of loans)	Provisions (percent of NPLs)	CESEE Assets (percent of total)	CESEE Loans
2019	1032	744	1.3	2.4	67	21.6	161
2020	1136	752	0.8	2.6	67	20.6	165
2021	1197	787	1.2	2.2	64	22.6	186
2022	1200	814	1.9	2.1	64	23.3	184
2023	1216	819	1.9	2.0	64	23.7	188
H1 24	1243	844	1.9	1.9	65	24.4	202

Source: OeNB (November 2024).
1/ All amounts in billions of euros unless indicated otherwise.

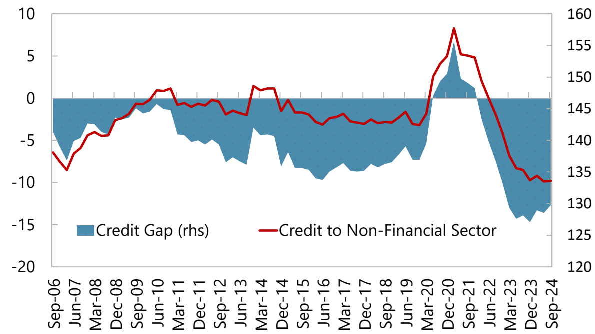
[4] Key CESEE regional exposures are in Czechia, Slovakia, and Romania followed by Hungary, Russia, and Croatia. CESEE operations comprise about 24 percent of Austrian banks' assets. The Russian subsidiary of Raiffeisen Bank International (RBI) contributed about 16 percent of RBI's consolidated profit for 2024, equivalent to about 1.3 percent of all Austrian banks' consolidated profits for the year and contributed about 2 ppt to RBI's consolidated CET1 ratio of 17.1 percent.

[5] In its November 2024 Financial Stability Report, the OeNB considered a three-year hypothetical adverse scenario over 2024-2026 in which a cumulative decline of 5 percent in real GDP and an additional decline in CRE valuations of about 30 percent leads to a depletion of about one-third of the banking system's capital headroom above the minimum CET1 capital requirement and pillar 2 buffers.

[6] Provisions against CRE NPLs cover about half of outstanding debt given that significant recovery is expected against underlying collateral, with a loss-given default of only 12 percent estimated by the OeNB in the baseline and 35 percent in an adverse scenario.

other loans are largely unchanged. Insurers are well-capitalized and have generated strong profits over the past year benefiting from yield curve dis-inversion.

Credit Developments
(credit to non-financial sector, percent of GDP, rhs; credit gap, ppt from HP trend, lhs)



Source: BIS, and IMF staff's calculations.

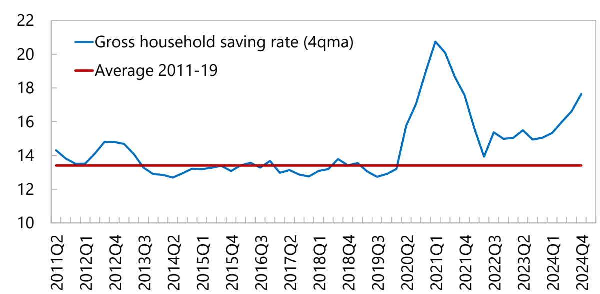
6. Credit growth has been low due to weak demand and tight monetary policy. Credit growth was below 1 percent year-on-year in mid-2024, and the credit gap was negative (text figure). However, some tentative signs of a recovery in credit emerged during 2024, including for house purchases (Figure 11).

7. The current account surplus increased from 1.3 percent of GDP in 2023 to 2.4 percent in 2024. This rise reflected depressed imports due to Austria's cyclical downturn, as well as some improvement in the terms-of-trade due to higher export prices, even as export volumes contracted (Figure 9). The external position continues to be assessed as broadly in line with the level implied by medium-term fundamentals and desired policy settings (Annex I).

8. A new coalition government took charge in March 2025 following elections last September. The elections did not result in any single party winning a majority. The center-right ÖVP, center-left SPÖ, and liberal NEOS party eventually formed a coalition government following extended discussions among various parties.

B. Outlook and Risks

Household Saving Rate 1/
(Percent)



Sources: Haver Analytics, and IMF staff calculations.
1/ The household gross saving rate is gross saving divided by gross disposable income of households adjusted for the change in their net equity in pension fund reserves.

9. A substantial recovery is likely to be delayed till 2026. Annual growth in 2025 is expected to remain near zero amid fiscal tightening and heightened global trade uncertainty. In subsequent years, growth is expected to quicken on stronger private consumption as high household savings unwind (text figure), a pick-up in investment as a lagged response to monetary policy easing, acceleration of the nascent recovery in housing markets (Figure 11), a slower pace of fiscal withdrawal from 2026 onwards, and improved external demand due to German fiscal easing. As a result, growth is projected to rise above 1 percent for several years as the output gap closes and then converge back toward the potential growth rate, assessed to be around ¾ percent due to headwinds from population aging and low productivity growth.

10. Inflation is expected to fall gradually. Headline inflation is likely to remain near 3 percent for most of 2025 due to one-off effects from energy-price changes in January and because it will take some time for the negative output gap to gradually reduce core inflation from its current elevated level. Absent significant new shocks (e.g., new tariffs on imports into the EU or higher global commodity prices), both headline and core inflation are expected to fall to near 2 percent during 2026.

11. Risks are tilted to the downside (Annex II). Key external downside risks include escalation of trade policy uncertainty and higher barriers to trade, which could reduce demand for Austrian exports (and for sectors that supply exporters) and increase the cost of imports. Domestically, persistent weak economic sentiment could slow the recovery. And, if core inflation remains more persistent than expected, this could undermine Austria's price competitiveness over time. On the upside, trade tensions and/or household savings may unwind more rapidly than expected, boosting consumption and investment. Commodity price volatility also poses risks in both directions, though Austria's high levels of natural gas reserves should help cushion any disruptions to gas supply. The level of financial-sector systemic risk is broadly unchanged from last year's consultation, with continued improvements in financial sector buffers largely offset by ongoing uncertainty about the persistence of the CRE downturn and by heightened risks from global trade tensions, which could adversely affect the debt-servicing ability of corporates highly affected by increased trade barriers. These risks may also be distributed heterogeneously across banks.

Authorities' Views

12. The authorities broadly shared staff's growth outlook and noted significant uncertainty around the forecast. Like staff, the authorities expect GDP growth to be slightly negative again in 2025 (Table 2), in part due to a weak 2024Q4 outturn, continued low investment amid heightened trade policy uncertainty, weak external demand, and fiscal tightening. They also expect some recovery in 2026 on the back of stronger private consumption growth, modest positive effects from German fiscal expansion, and a pickup in capital formation due to recent monetary policy easing, needed replacement investment by firms, and continued recovery in construction. The authorities project slightly lower inflation than staff in 2025 due in part to their expectation that the effects of the increase in domestic energy prices in early 2025 will dissipate more quickly. Like staff, the authorities see sizable risks around the outlook, including those related to trade policy uncertainty, Russia's war in Ukraine, and the effects of fiscal adjustment.

Table 2. Austria: Macroeconomic Projections, 2025–26

(Percent)

	GDP growth		Inflation	
	2025	2026	2025	2026
Staff projections	-0.1	0.8	3.2	1.7
OeNB (Mar 2025)	-0.1	1.2	2.9	2.3
WIFO (Mar 2025) 1/	-0.3	1.2	2.7	2.1
European Commission (May 2025)	-0.3	1.0	2.9	2.1
Consensus forecasts (May 2025) 1/ 2/	0.2	1.1	2.8	1.9

Sources: Consensus forecasts, European Commission, OeNB, WIFO, and IMF staff projections.
1/ Inflation is based on the national CPI.
2/ Continuous Consensus Forecasts: moving average of latest changed forecasts.

POLICY DISCUSSIONS

Austria's economic challenge is to rebuild fiscal buffers while laying the groundwork for reinvigorated growth over the medium term and maintaining financial stability. To achieve these objectives, a gradual and high-quality fiscal adjustment is needed that minimizes economic distortions, safeguards growth-enhancing investment, and flexibly adjusts if risks materialize. Structural reforms to boost growth via increased labor supply and productivity are also essential, including by reducing barriers to women's full-time employment and promoting greater firm dynamism via regulatory reform and deepening the EU's Single Market. Financial sector policies should continue to promote a stable economic environment by containing risks from CRE exposures and maintaining prudent standards in mortgage lending.

A. Fiscal Policies

13. The authorities have proposed a budget for 2025 and 2026 that aims to reduce the fiscal deficit. The joint budget includes deficit-reducing measures of 1.3 percent of GDP in 2025 and 0.5 percent of GDP in 2026. Measures include abolishing the "climate bonus," [7] cuts in green subsidies and general ministry expenses, and an increase in the bank levy (a tax on bank assets), among others (Table 3). Staff assess that these measures will lower the deficit to around 4.3 percent of GDP in 2025 and 4.1 percent of GDP in 2026. This would correspond to a negative fiscal impulse of 1.1 and 0.1 percentage points of GDP, respectively.

14. Deficit reduction in the near term will support disinflation and slow debt accumulation, but fiscal policy should remain flexible as conditions warrant. Staff estimate that the consolidation will have a limited negative effect on growth, as fiscal multipliers in Austria are modest.[8] A negative fiscal impulse will also help bring core inflation back to the euro-area average. However, should growth continue to disappoint, automatic stabilizers should be allowed to operate freely to avoid an excessive drag on growth, with measures deployed to protect the most vulnerable. On the other hand, if it becomes clear that lower-than-expected growth is not a cyclical drop but rather a structural decline due to continued low productivity growth (as in the downside scenario in the April 2025 WEO), the amount of fiscal tightening required over the medium term to stabilize the debt ratio would be even higher than envisaged under staff's baseline growth assumptions (see ¶15).

[7] The climate bonus ("Klimabonus") was originally intended to offer lump-sum payments to residents, financed by the revenue from CO2 pricing. However, the Fiscal Council estimates that the cost of the bonus surpassed the revenue generated from CO2 pricing by €1 billion in 2024.

[8] Staff estimate that fiscal multipliers average around 0.4 given that Austria is a small, open economy.

Table 3. Austria: Consolidation Measures Identified in the 2025 and 2026 Budgets

(Billions of euros)

	2025	2026	2027	2028	2029
Expenditure	**-4.7**	**-1.2**	**-1.7**	**-0.9**	**-1.0**
Abolition of the 'Klimabonus'	-2.0	0.0	0.0	0.0	0.0
Cut in net expenses of all ministries	-1.1	-0.2	-0.2	-0.3	-0.2
Reduction of subsidies, including redesign of eco-subsidies	-1.3	0.2	-0.3	0.1	0.0
Subsidy taskforce	0.0	-0.2	-0.3	-0.2	-0.2
Savings by the state, municipalities, and social security	-0.1	-0.1	-0.6	-0.2	-0.2
SOE consolidation	-0.2	-0.3	-0.1	0.1	0.0
Suspension of valuation of family and social benefits	-0.2	-0.2	0.0	0.0	0.0
Pension adjustments	0.0	-0.6	-0.5	-0.4	-0.4
Others identified measures (eg: education allowance)	-0.3	-0.6	0.2	0.0	0.0
Additional expenditure (eg.: support employment, education)	*0.4*	*0.7*	*0.1*	*0.0*	*0.0*
Revenue	**1.7**	**1.1**	**0.1**	**0.5**	**0.5**
Sectoral tax					
Bank levy	0.4	0.0	-0.3	0.0	0.0
Energy industry contribution	0.2	0.0	0.0	0.0	0.0
Tax increases					
Increase in health insurance premiums for pensionner	0.4	0.3	0.0	0.0	0.0
Others (eg: abolition VAT exemption for solar panel; gambling tax)	0.3	0.3	0.0	0.0	0.0
Broadening tax base/ Increasing tax coverage					
PIT (saving part of the cold progression gains)		0.4	0.4	0.3	0.4
Others (eg: tobocco tax, Anti-Fraud package)	0.2	0.3	0.0	0.1	0.1
Increase in SOEs dividend	0.4	-0.1	0.0	0.0	0.0
Other (eg: increase federal fees)	0.1	0.2	0.0	0.0	0.0
Lower revenue (eg: tax-free employee bonus)	*-0.2*	*-0.3*	*-0.1*	*0.0*	*0.0*
Total deficit-reducing measures	**6.4**	**2.3**	**1.8**	**1.4**	**1.5**
Total deficit-reducing measures (in percent of GDP)	**1.3**	**0.5**	**0.3**	**0.2**	**0.3**

Source: Ministry of Finance, IMF staff calculations.

15. Substantial spending restraint and/or new fiscal measures are needed over the medium term to stabilize the debt ratio and offset rising spending pressures. Population aging is expected to add about 2 percent of GDP to fiscal costs by 2030 (Figure 5). In addition, the government coalition agreement commits to increasing defense spending to 2.0 percent of GDP by 2032, up from 0.8 percent of GDP in 2024, and higher public investment will likely be needed to meet Austria's green transition goals,[9] absent significant increases in carbon taxes (¶17). Consequently, significant spending restraint and/or new fiscal measures will be needed to offset these rising spending pressures while also reducing the deficit below 2 percent of GDP to put the debt ratio back on a downward path (as recommended by staff) and achieve the medium-term deficit forecasts in the authorities' proposed budget (Figure 5).[10] Indeed, absent substantial spending restraint and/or new fiscal measures, staff estimate that the deficit would widen over the

[9] Staff estimates that the total investment needs to achieve net zero emissions by 2050 could add between 0.5 and 2.5 percent of GDP to the deficit annually, depending on the division of green investment between the public and private sectors. See 2024 Austria Selected Issues chapter "Building Fiscal Room in Austria" for further information.

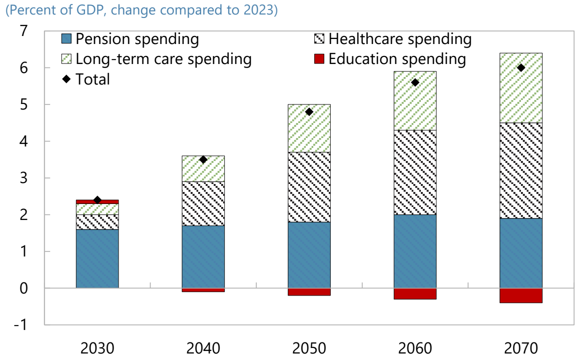
[10] EU fiscal rules will also require substantial fiscal consolidation over the medium term, including possibly in conjunction with an Excessive Deficit Procedure.

medium term to around 5½ percent of GDP (Figure 5).[11] Pending new measures or further concrete details on how spending restraint over 2027-30 will be achieved, staff's central (baseline) scenario assumes an intermediate case in which some spending restraint keeps medium-term deficits in the range of 3-4 percent of GDP. While debt sustainability analysis suggests a low risk of sovereign stress overall (Annex III), it points to a medium-term risk due to increasing spending pressures.

Figure 5. Austria: Fiscal Spending Pressures and Scenarios

Aging Costs

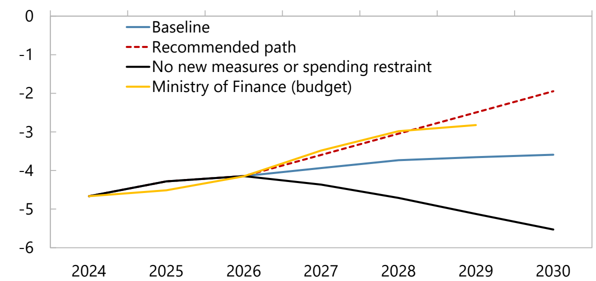
(Percent of GDP, change compared to 2023)



Source: Fiscal council's "Long-Term Budget Projections for 2024 to 2070" report.

Fiscal Balance Scenarios

(Percent of GDP)

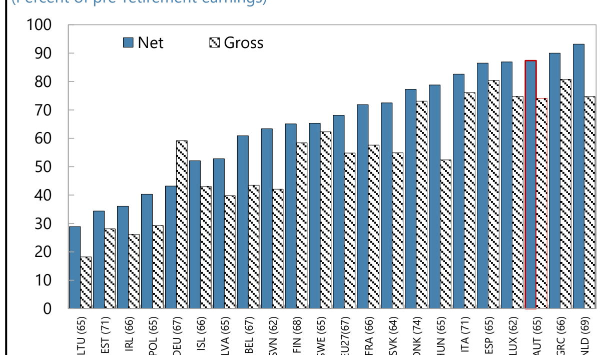


Sources: Ministry of Finance, IMF staff calculations. Notes: The baseline, recommended path, and "No new measures or spending restraint" scenarios are based on staff's macroeconomic projections and judgment. See paragraph 15 and footnote 11 for assumptions underpinning these scenarios.

16. **Structural spending reforms can help generate significant savings over the medium term.** Expenditure has risen by over 6 percentage points of GDP compared to the 2015-2019 average. To support growth and improve productivity, staff recommend safeguarding spending on investment, R&D, and education. However, savings could be generated in the following areas:[12]

Pension Replacement Rates, 2022

(Percent of pre-retirement earnings)



Source: OECD. Notes: Refers to the replacement rate at the average wage for men.

- *Containing pension costs*. Austria's pension replacement rates are among the highest in Europe (text figure) and could be gradually reduced for new pensioners. Further gradual

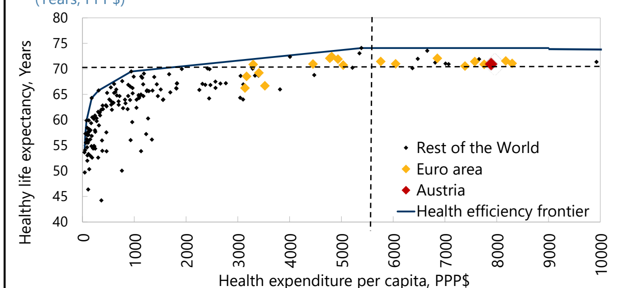
[11] This scenario, which is labeled "No new measures or spending restraint" in Figure 5 assumes that primary expenditure grows at the potential GDP growth rate from 2027 onwards plus the additional costs from rising pressures from aging, defense spending, and green investment needs. This path is then adjusted for the effect of medium-term measures identified in the proposed 2025-26 budget (Table 3), excluding the effects of measures entailing generalized spending restraint (cut in net expenditure of all ministries; subsidy taskforce; and savings by the state, municipalities, and social security).

[12] Mechanisms should also be established to ensure that all levels of government contribute equitably to the adjustment.

increases in the retirement age in line with rising life expectancy could also be considered. Above-inflation adjustment of pensions should be avoided.

- *Achieving efficiencies in healthcare spending.* While Austria's healthy life expectancy is less than one year above other EU countries' average, expenditure per capita is 50 percent higher, suggesting room for efficiency improvements. Ongoing efforts to increase the use of outpatient care, telemedicine, and primary healthcare rather than costlier hospital services could improve spending efficiency over time. Spatial planning and structural reforms involving the different level of governments and healthcare representatives are also necessary to better align financing and spending responsibilities.

Healthy Life Expectancy and Health Expenditure, 2022
(Years, PPP$)

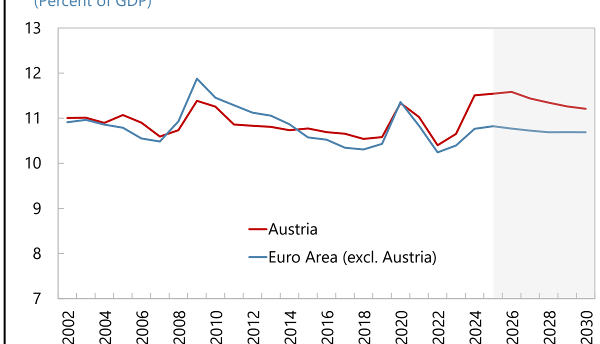


Source : IMF FAD Expenditure Assessment Tool. Note: Healthy life expectancy is a measure of health expectancy that applies disability weights to health states to compute the equivalent number of years of life expected to be lived in full health. Dashes correspond to the average for EA.

- *Subsidies.* In 2023, subsidies from the general government amounted to 2.3 percent of GDP, exceeding the EU average by 0.5 percentage points. This gap could be reduced by eliminating environmentally harmful subsidies (e.g., tax advantages for diesel and commuter allowances)[13] and measures introduced to support the economy during the COVID crisis and the high-inflation episode.[14] Cutting environmentally harmful subsidies would also help offset adverse effects on achieving carbon emission reduction goals resulting from cuts in green subsidies.

- *Wage bill.* While the number of civil servants is comparable to other EU countries, the wage bill is close to 1 percentage point of GDP above its 2019 level and will exceed the EU average in the coming years. There is potential to reduce this cost by limiting public-sector wage increases and enhancing the multi-level government structure.[15]

General Government Compensation of Employees
(Percent of GDP)



Source: IMF staff calculations. Notes: For Austria, the forecast represents a scenario with no policy adjustments.

17. Fiscal space could also be generated on the revenue side while making the tax mix more efficient, equitable, and pro-growth. The tax mix remains heavily dependent on labor income despite the 2023 reform, which indexed PIT to inflation, and the 2022 eco-social tax, which provided income tax relief and introduced the carbon tax. Increasing revenues by raising property

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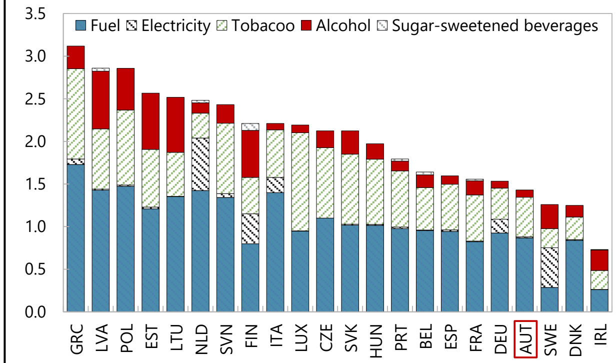
[13] See 2024 Austria Selected Issues chapter "Building Fiscal Room in Austria" for further information on environmentally harmful subsidies and other deficit-reduction options.

[14] The Fiscal Council estimates that the budgetary impact of measures introduced to support the economy during the COVID crisis and high-inflation episode will average 0.4 percent of GDP between 2027 and 2028.

[15] See accompanying Selected Issues chapter on "Reform Options to Improve the Efficiency of the Wage Bill."

tax (property valuations were last updated in 1973), inheritance and gift tax, and excise taxes could be considered, as these taxes are relatively low by international standards (Figure 6).[16] Increasing them could help achieve the necessary fiscal adjustment and/or create room for pro-growth tax reforms (e.g., lower marginal tax rates on labor). Higher property and inheritance taxes would also be progressive. Gradually increasing the carbon tax would also generate additional budgetary resources to meet green transition investment needs and reduce carbon emissions to help efficiently achieve Austria's ambitious climate mitigation goals.[17]

Excise Tax Revenue, 2023
(Percent of GDP)



Source: OECD.

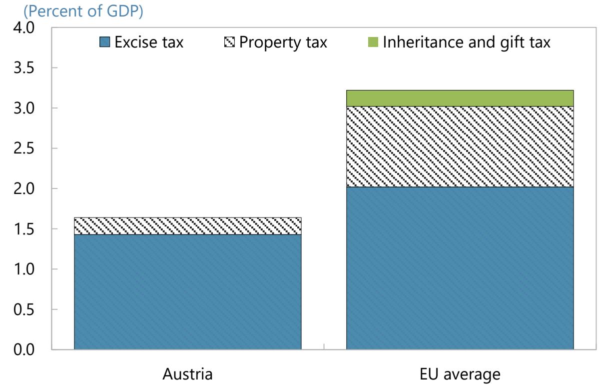
Figure 6. Austria: Fiscal Room

Options for Increasing Fiscal Room
(Percentage points of GDP)

	Potential Annual Net
Achieving efficiencies in healthcare spending	1.0
Reducing energy-intensive subsidies	0.8
Increase property tax	0.8
Excise tax	0.6
Pension reform	0.4
Inheritance and gift tax	0.2
Enhancing government finance	n.c.
Total	**3.8**

Source: IMF staff calulcations based on 2024 Selected Issues chapter, "Building Fiscal Room in Austria". "n.c." indicates measures non-costed.

Selected Tax Revenue
(Percent of GDP)



Source: OECD.

Authorities' Views

18. The authorities recognized the pressing need for fiscal adjustment to counteract upcoming spending pressures. They underscored their commitment to a frontloaded adjustment

[16] Retail gasoline prices in Austria are about US$0.20 per liter lower than in neighboring Germany, which also suggests scope to increase fuel excises.

[17] Austria seeks to achieve climate neutrality by 2040, a decade before the EU. Austria also has 2030 targets for the share of renewables in electricity production and in total energy production, which are 100 percent and 50 percent, respectively. To help achieve these targets, Austria has a national carbon price covering buildings and road transport. The EU's Emissions Trading System covers energy-intensive industries, shipping, and aviation. ETS 2, which is scheduled for introduction in 2027, will cover buildings, road transport, and small industry, superseding Austria's national carbon price.

aimed at reducing the deficit while limiting adverse effects on growth. They agreed with the necessity for further savings in the medium term, as the costs associated with demographic aging continue to weigh on public finances. To reduce expenditures, the authorities highlighted ongoing reforms to increase the effective retirement age and lower pension costs, including restrictions to the corridor pension scheme. To contain healthcare costs, efforts to increase the use of outpatient and preventive care and to consolidate some hospital units in collaboration with state governments are ongoing. The authorities are also establishing a task force to examine subsidies, including those supporting climate transition, while exploring alternative strategies to meet climate targets and avoid incurring penalties at the EU level. In addition, the authorities are evaluating the distributional implications of Austria's carbon price and the need for appropriate targeted compensatory measures, particularly with the phasing out of the climate bonus and the anticipated higher carbon price under ETS2. On public sector wages, discussions are ongoing regarding wage adjustments after 2027. To boost revenues, a working group has been set up with municipalities to discuss potential land tax increases. The coalition parties have agreed not to pursue wealth or inheritance taxes.

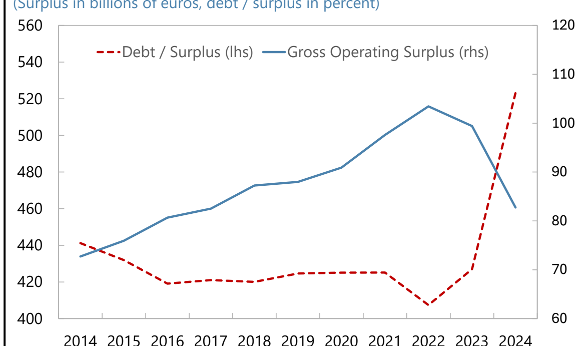
B. Financial Sector Policies

19. Macroprudential policy has adjusted in line with evolving risks. In 2024, the authorities kept the Systemic Risk Buffer (SyRB) at 0.5-1 percent of risk-weighted assets (RWA) but extended it to one additional bank, making it applicable to 12 systemic institutions (SIs) in all. They also removed a temporary cap on an increase in the combined size of the SyRB and the O-SII buffer, which had been set at 0.5 percent of RWA due to Russia's invasion of Ukraine. The O-SII buffer now covers the full range of 0.45 to 1.75 percent of RWA for SIs. A Sectoral Systemic Risk Buffer (SSyRB) set at 1 percent of CRE exposures will become effective in July 2025. The countercyclical capital buffer remains appropriately set at zero, given the large negative credit gap and other macroprudential tightening measures taken in recent years.

20. Key risks to the financial sector arise from persistent subdued economic activity, exposure to CRE lending, and shocks in the CESEE region. While the financial sector appears in good health overall (¶5), continued vigilance is needed to guard against risks. Although NFC debt burdens remain moderate in international comparison (Figure 12), profits have fallen by around 20 percent over the past two years (text figure), which could weaken debt-servicing ability going forward, especially if the economy remains weak for longer-than-expected. In particular, banks could face elevated debt-servicing challenges from domestic firms adversely affected by higher trade tariffs or other geopolitical developments. In addition, unexpected regional shocks could adversely affect CESEE exposures. And, while there are signs that the CRE sector activity may be starting to recover, CRE

Non-financial Corporate Surplus and Debt / Surplus

(Surplus in billions of euros, debt / surplus in percent)



Sources: OeNB, Haver Analytics database, ECB, and IMF staff calculations.

NPLs could continue to rise in the near term, as they are a lagging indicator. Banks' net interest margins are expected to decline somewhat to more normal levels.

21. Conserving high bank profits will help safeguard lending and increase resilience to shocks. Banks should continue to maintain adequate provisions and make use of high profits to maintain capital and invest in resilience, including greater cybersecurity. In this regard the authorities' call for restraint on dividend payouts by banks remains appropriate. Adjusting the bank levy to be based on banks' liabilities rather than assets could also improve incentives for capital conservation. In the event of a sharp downturn in real activity, banks' capital should be conserved by further curtailing capital distributions while giving banks space to support the economy via moderate easing of capital requirements. Conversely, in an upswing in which credit growth rebounds and the credit cycle shifts into expansionary territory, the CCyB should be increased.

22. Continued efforts are needed to closely monitor and manage real estate-related risks. Continued progress on filling macroprudential CRE data gaps, including by producing and publishing data on rental returns, debt-service coverage ratios, and price indices for the various CRE asset categories would further assist the assessment of CRE-related risks. Regarding residential real estate lending, borrower-based measures under the KIM-V regulation will expire in July 2025, as the legislative basis for these measures made it difficult to extend them.[18] Going forward, the government should consider legislation to reinstate these measures as a permanent, structural instruments before the credit cycle returns to a boom phase, as they helped to improve mortgage loan quality (the limits' settings, which were not especially tight in international comparison, could be adjusted over time as conditions warrant). Attempts to improve housing affordability should focus on boosting housing supply and not on loosening credit standards, which could instead fuel higher house prices.[19]

23. Making progress in addressing outstanding FSAP recommendations will further strengthen financial sector supervision and crisis preparedness (Annex V). Outstanding measures include adopting legislation to strengthen the bank resolution regime and the statutory independence of financial-sector supervision and regulation.

Authorities' Views

24. The authorities broadly concurred with staff's assessment of the financial sector. They noted that the banking system remains resilient amid strong profitability and capitalization. At the same time, they agreed that the macro-financial environment—including elevated risks from CRE, the weak economy, and trade barriers—poses challenges that warrant continued efforts to encourage banks to exercise restraint in profit distributions and to ensure adequate risk provisions and conservative valuation of collateral. They considered that borrower-based macroprudential

[18] These limits introduced in August 2022 include a loan-to-value (LTV) cap of 90 percent, a debt-service-to-income cap of 40 percent, and a maturity limit of 35 years on mortgage loans. No more than 20 percent of a bank's mortgage loans may fall outside these limits.

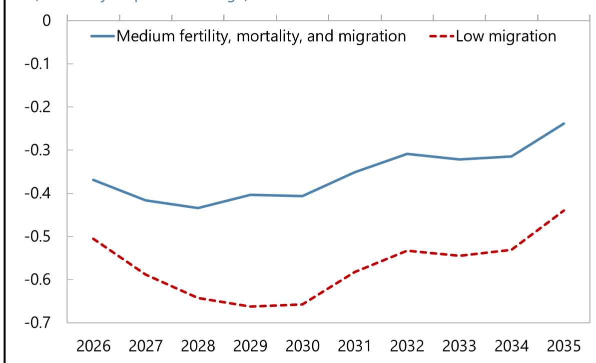
[19] See 2024 Austria Selected Issues chapter "Housing Market Developments and Related Policies".

measures (KIM-V regulation) had helped to strengthen underwriting for mortgage loans and anticipated that banks would maintain these standards in response to the residential real estate lending guidelines that are proposed to replace the KIM-V regulation as of July 2025.

C. Structural Policies

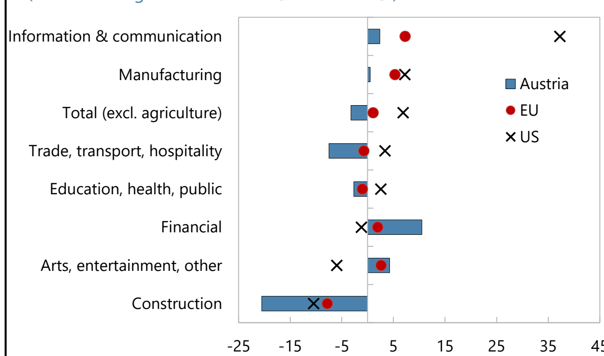
25. Measures to boost labor supply would help mitigate demographic headwinds to growth. Austria's working-age population is projected to decline over the medium term. This drag on labor-force growth is expected to be partly offset by rising participation rates within cohorts and the increasing retirement age for women, but the drag would be larger under low migration scenarios. Closing female and elderly labor supply gaps relative to the EU average could offset more than 20 years of demographic aging in terms of the effect on GDP. Options to help boost labor supply include further expanding childcare and eldercare and undertaking pension reforms that incentivize longer working lives, in addition to continued efforts to better integrate immigrants into the work force.[20]

Working Age Population Growth Projections
(Year-on-year percent change)



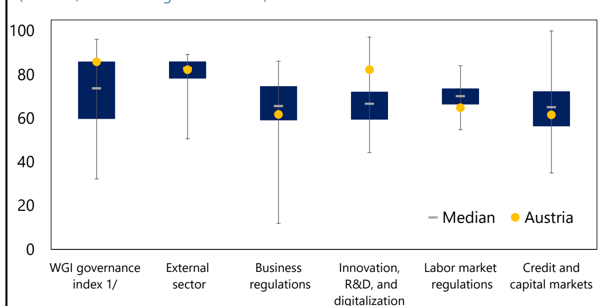
Source: Statistik Austria.

Real Gross Value Added Per Worker
(Percent change between 2024Q4 and 2019Q4)



Sources: Haver Analytics, and IMF staff calculations.

Distance to Frontier in Macrostructural Areas, 2022
(Percent, Relative to global frontier)



Sources: Fraser Institute, OECD, GTA, Eurostat, Berkley, IMF, World Bank, and IMF staff calculations.
1/ Use of these indicators should be considered carefully, as they are derived from perceptions-based data.
Most indicators are 2022. Europe excludes KOS and SMR. Global frontier is defined as the average of top 3. Frontier = 100; all other values are normalized to this reference. The whiskers represent the range between the minimum and maximum values, while the bars indicate the interquartile range, spanning from the 25th to the 75th quartile.

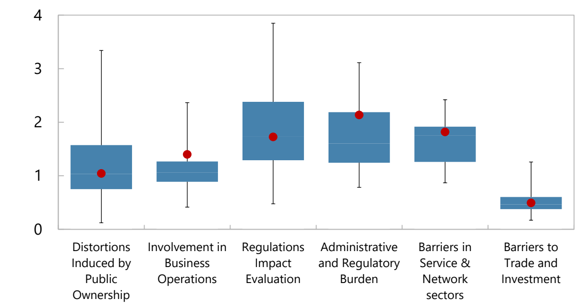
26. Restoring strong productivity growth is key to lifting economic prospects. Output per hour worked has declined at an annual rate of 1 percent over the last 2 years, compared to positive growth of 0.9 percent per year on average during 2010-19. While Austria ranks high in terms of support for innovation, it lags in areas such as having higher barriers to entry in certain services and relatively high administrative burdens on business. As well, there is relatively low firm dynamism, reflected in entry and exit rates well below the EU 25th percentile (Figure 7). Reducing regulatory burdens would spur more dynamism in specific sectors. Speeding up permitting processes, including for green projects, and easing regulatory bottlenecks to increase housing supply (e.g., by easing land-use regulations) could help spur growth, assist the green transition, and improve housing affordability. The Fiscal Council

[20] See 2024 Austria Selected Issues chapter "Enhancing Labor Supply to Boost Medium-Term Growth".

also recently noted that Austria's regulatory measures aimed at emission reductions are not the most efficient. The authorities could thus consider adjusting the regulatory mix and/or replacing the least efficient regulatory measures with increased reliance on carbon taxes to reduce the economic costs of the green transition. Supporting further energy market integration within the EU would help reduce the level and variability of energy costs.

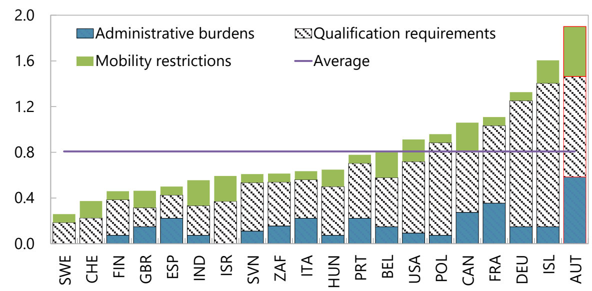
Figure 7. Austria: Firm Dynamism and Risk Funding

Product Market Regulation Indicators
(2023)



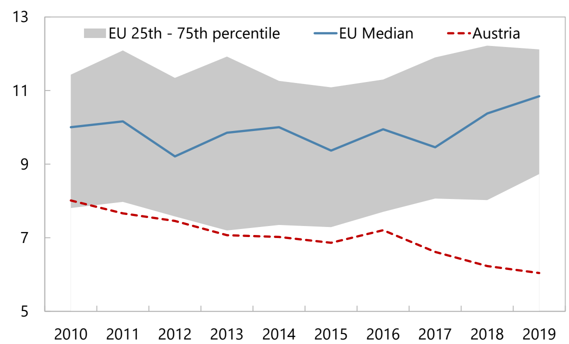
Source: OECD.
Notes: In this figure, the top and bottom of the blue boxes correspond to the 75th and 25th percentiles, respectively; the top and bottom spikes correspond to the maximum and minimum (excluding outliers) respectively; and the red dot corresponds to the value for Austria.

Ranking of Regulatory Barriers on Personal Services
(Scale)



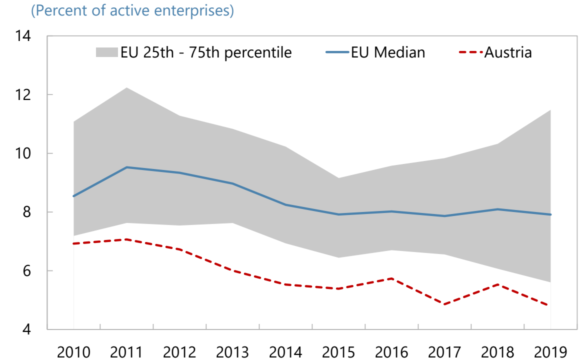
Source: OECD.
Note: Personal services include nine occupations: aesthetician, baker, butcher, electrician, hairdresser, painter-decorator, plumber, driving instructor and taxi driver.

Entry Rate
(Percent of active enterprises)



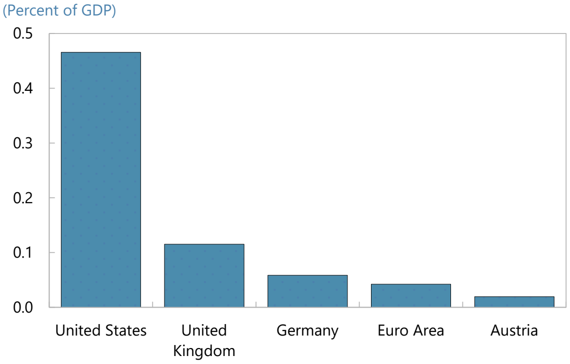
Sources: Eurostat Business Demography Database, and IMF staff calculations.

Exit Rate
(Percent of active enterprises)



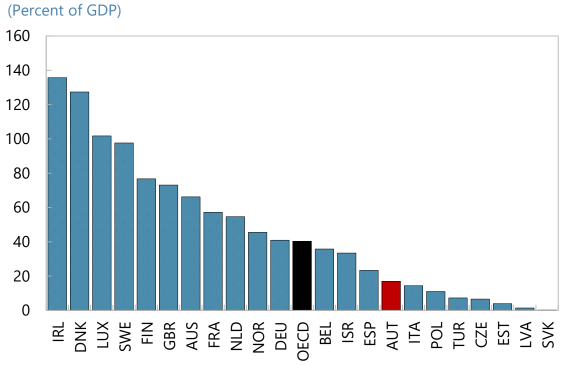
Sources: Eurostat Business Demography Database, and IMF staff calculations.

Venture Capital Investments, 2023
(Percent of GDP)



Sources: OECD, and IMF staff calculations.

Quoted Shares of Non-financial Corporations, 2022
(Percent of GDP)



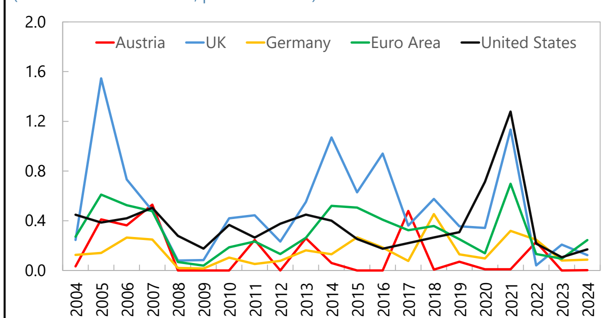
Source: OECD.

Note: Cross-country charts include all OECD member countries for which data are available.

27. In conjunction with broader European efforts, the Austrian authorities should continue to strengthen the financing, regulatory, and growth environment for startup firms. Given a bank-dominated financial sector in the European Union, including in Austria, financing available to young firms has been mostly in the form of debt, which is more onerous than equity financing for innovative, risk-taking firms seeking to grow quickly. In contrast, equity market financing has been more limited (text figure). Deepening the EU's Single Market through the Savings and Investment Union would improve the availability of equity and other capital market financing for startups. Solvency II reform could also help to release additional funds from insurers that faced a limitation on venture capital (VC) investments previously. The proposed 28th corporate regime could, if properly designed and implemented, make it easier for growing firms to expand across Europe and thus better leverage economies for scale, as intra-EU trade barriers remain sizeable. In addition to supporting such measures at the EU level, the Austrian authorities could also collaborate with other European authorities to explore further development in the following areas:

IPO Activity 1/

(Annual sum of deal sizes, percent of GDP)



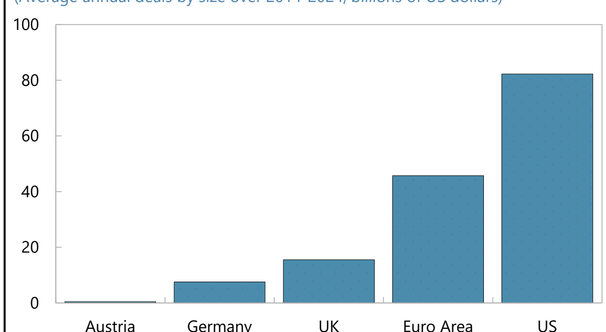
Sources: Pitchbook Data, Inc., and IMF staff calculations.
1/ Includes firms at all stages of growth.
Note: More information on Pitchbook data is available at www.pitchbook.com

- **Initial Public Offering (IPO) listings**. Harmonization of markets regulation in EU member states and consolidation of regional exchanges could provide scale benefits, making it easier for firms to access equity capital via public offerings. This in turn could make it easier for firms to expand. It could also make it more attractive for entrepreneurs to start companies due to more lucrative exit options for successful startups. [21]

- **Investment transparency.** Increased transparency into the return, risk, and liquidity of potential VC investments, possibly via the development of benchmark indexes, could also boost institutional investment.

Relative Size of IPO Activity

(Average annual deals by size over 2014-2024, billions of US dollars)



Sources: Pitchbook Data, Inc., and IMF staff calculations.
Note: More information on Pitchbook data is available at www.pitchbook.com

Within Austria, the authorities could also review the following areas:

- **Tax treatment of losses.** Austria's tax system does not allow private individuals to carry forward losses on capital assets beyond the year in which the loss is incurred, an approach that may discourage private investment activity, especially in risky, innovative start-ups. This tax treatment could be reviewed against international best practices while also considering fiscal constraints.

[21] See Selected Issues Paper: "Strengthening the Growth Potential of Startup Firms in Austria."

- **Innovation ecosystems.** Efforts should continue to promote collaboration in innovative research between academic institutions and the private sector, building on existing links.

Authorities' Views

28. The authorities broadly shared staff's views on key priorities for structural reforms. They emphasized that Austria remains an attractive place for business with high human capital, a sound financial sector, and social stability. The authorities agreed that closing female labor supply gaps would boost potential growth and have announced further expansion of childcare services, including a second mandatory year of kindergarten. The authorities also indicated their commitment to reform the Red-White-Red work permit scheme to better match skilled migration with labor market needs. Regarding EU-level policies, the authorities expressed support for further deepening the EU's Single Market and agreed that the resulting efficiencies would be beneficial for Austria. To reduce lags in the approval of energy infrastructure projects, the authorities are working on legislation to consolidate the many separate permitting procedures into a single assessment, while maintaining the rights of all parties. More broadly, they agreed with the need to reduce bureaucratic red tape, for which purpose ministries have been instructed to examine issues within their areas.

D. Addressing Transnational Aspects of Corruption and AML/CFT Issues

29. Austria continues to tighten its focus on addressing risks of transnational aspects of corruption.[22] The new OECD Phase 4 evaluation (2024) noted Austria's recent measures to enhance enforcement efforts against foreign bribery; further efforts should continue (see Annex VII). The authorities are also encouraged to continue implementing past staff recommendations to address risks from facilitation of transnational aspects of corruption. Relatedly, Austria is currently undergoing an IMF staff-led mutual evaluation of its AML/CFT framework, which is expected to be completed by February 2026.

Authorities' Views

30. The authorities confirmed their close cooperation with Fund staff in support of the ongoing AML/CFT assessment. They noted recent additional progress on AML/CFT, such as the updated targeted financial sanctions legal framework and the ongoing implementation of new EU legal instruments. The authorities also welcomed staff's assessment of transnational aspects of corruption, particularly in relation to the fight against foreign bribery, and underscored their commitment to continuing their efforts in implementing the recommendations of the OECD Phase 4 evaluation.

[22] Austria is a volunteer country for the assessment of transnational aspects of corruption under its Article IV consultation.

STAFF APPRAISAL

31. Austria faces a challenging economic situation. Following two successive years of recession triggered by the energy-price shock and subsequent euro-area monetary tightening, the growth outlook remains weak for 2025, reflecting sizable planned fiscal consolidation and heightened global trade barriers and uncertainty. GDP is expected to recover more strongly from 2026 onwards under the baseline scenario. Nevertheless, the near-term outlook faces significant risks, including from global trade policy uncertainty and related uncertain financial conditions, which could affect economic sentiment and demand. Inflation in 2025Q1 still well exceeds the euro-area average and is only expected to close the gap gradually by end-2026. While Austria's external position in 2024 is assessed as broadly in line with the level implied by medium-term fundamentals and desired policy settings, Austria's competitiveness could be undermined over time if inflation convergence does not occur, which could happen if productivity-adjusted wage growth persistently exceeds the euro-area average. Moreover, headwinds from population aging and sluggish productivity growth will continue to constrain medium-term growth prospects, absent significant reforms. Major new fiscal adjustment measures are also needed over the medium term to put the debt ratio back on a downward path while offsetting rising spending pressures from aging, defense, the green transition, and interest payments.

32. The government's near-term fiscal consolidation measures will help reduce inflationary pressures and slow the rise in debt. The government's announced fiscal measures for 2025 are expected to lower the deficit and are sufficient for 2025 given the weak economy. If near-term downside risks materialize, the authorities should let automatic stabilizers operate freely to avoid an excessive drag on growth, with measures deployed to protect the most vulnerable in the event of a severe downturn.

33. A bold and well-designed package of consolidation measures can yield significant savings over the medium term. The authorities should aim to cut the deficit to below 2 percent of GDP to put the debt ratio on a declining path. To achieving this while offsetting rising spending pressures, the authorities could consider some combination of gradually reducing pension replacement rates, which are among the highest in the EU; limiting public-sector wage increases; increasing health-care spending efficiency; and eliminating environmentally harmful subsidies, along with greater reliance on property, inheritance, gift, and excise taxes—taxes that are all somewhat low in Austria compared to the European average. Gradually increasing the national carbon price could generate additional fiscal resources, help prepare for anticipated higher carbon prices under EU ETS2, and encourage efficient carbon mitigation in service of Austria's ambitious decarbonization goals.

34. Reforms to increase labor supply and reduce regulatory barriers could significantly boost medium and long-term growth. Boosting labor supply by narrowing the gap in full-time work by females and in labor force participation among elderly workers relative to the EU average could offset more than 20 years of demographic aging in terms of the effect on GDP. In this regard, ongoing efforts to provide more childcare are welcome and should be deepened by further expanding childcare and eldercare facilities, undertaking pension reforms that incentivize longer working lives, and continuing efforts to better integrate immigrants into the work force. The growth outlook could be further improved by stepping up efforts to cut red tape in services sectors where regulatory barriers remain high, speed the approval of renewable energy projects, and reduce regulatory bottlenecks in housing supply, including by easing land-use regulations. Measures to promote capital market finance for firms, especially equity financing for young firms at different stages of growth, could foster more innovation and entrepreneurship, as could ongoing efforts to strengthen ecosystems of collaboration between academia and industry.

35. Deepening the EU Single Market is also critical for improving Austria's productivity and economic growth. Intra-EU trade barriers remain significant. Reducing these barriers and deepening the EU Single Market, including through reforms such as Savings and Investment Union and the establishment of harmonized rules for businesses operating in different jurisdictions (i.e., creating and implementing a well-designed common 28th corporate regime) could allow firms to better leverage economies of scale and catalyze financing for innovative ideas. Further energy market integration within the EU would help reduce the level and variability of energy costs. Supporting such reforms is one of the most important steps that Austria could take to boost productivity and growth across both Austria and Europe.

36. The financial sector remains healthy and macroprudential policies are broadly appropriate, but continued vigilance on potential credit risks is warranted. Banks face potential credit risks, including from nonfinancial corporates affected by the rise in global trade barriers and trade policy uncertainty. To mitigate these risks and prepare for an expected normalization of bank profits from recent highs, the authorities should continue to encourage banks to value collateral conservatively, ensure adequate risk provisions, and remain prudent in profit distributions, including to build resilience to shocks and invest in infrastructure to safeguard against cyberthreats. Regarding the borrower-based measures for residential real estate lending, which are set to lapse in July 2025, the new government should consider legislation to adopt these measures as permanent instruments, as they are consistent with international standards for prudent underwriting. Meanwhile, supervisors should remain vigilant that banks adhere closely to the proposed lending guidelines that will replace the borrower-based measures. Regarding CRE risks, the introduction of the SSyRB set at 1 percent of CRE assets is welcome, and the authorities should continue their efforts to close macroprudential CRE data gaps. The current setting of the CCyB at zero remains appropriate given weak credit growth. Implementing key outstanding recommendations from IMF staff's 2020 Financial System Stability Assessment would further strengthen the framework for financial sector oversight and safety mechanisms.

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

Table 4. Austria: Main Economic Indicators, 2020-30
(Annual percent change, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
								Projections			
NATIONAL ACCOUNTS (SWDA)											
Real GDP (expenditure)	-6.5	5.0	5.4	-0.9	-1.3	-0.1	0.8	1.6	1.3	1.0	0.8
Domestic demand	-5.5	6.8	3.8	-3.5	-1.5	0.2	0.9	1.6	1.2	1.0	0.7
Consumption	-5.7	5.5	3.4	0.1	0.5	0.4	0.4	0.8	0.6	0.6	0.5
Private	-7.6	4.6	5.2	-0.3	0.1	0.4	0.6	1.2	0.9	0.8	0.7
Public	-0.8	7.7	-0.5	1.2	1.6	0.3	0.1	0.1	-0.1	0.2	0.1
Gross fixed capital formation	-5.1	6.0	0.3	-3.1	-3.6	-2.0	2.0	3.0	2.0	1.8	1.3
Private	-6.1	5.5	-3.5	-0.7	-4.6	-2.5	1.0	2.5	1.6	1.3	0.8
Public	1.7	9.7	23.7	-14.8	1.8	0.4	7.3	5.2	4.0	3.9	3.7
GNFS exports	-10.6	9.7	10.1	-0.5	-4.3	-0.8	0.7	2.4	2.4	2.2	2.2
GNFS imports	-9.5	13.8	7.1	-4.5	-5.0	-0.7	0.8	2.5	2.4	2.4	2.2
Contribution to GDP (percentage points)											
Final domestic demand	-5.3	5.4	2.5	-0.7	-0.5	-0.2	0.8	1.3	0.9	0.8	0.7
Net exports	-1.0	-1.7	1.7	2.2	0.1	-0.1	0.0	0.1	0.1	0.0	0.1
Inventories and statistical discrepancy 1/	-0.3	1.3	1.1	-2.4	-1.0	0.2	0.1	0.2	0.2	0.1	0.0
Real GDP (unadjusted) 2/	-6.3	4.8	5.3	-1.0	-1.2	-0.1	0.9	1.6	1.2	1.1	0.8
Investment (% GDP)	25.7	27.7	29.2	25.4	22.3	23.4	23.6	24.2	24.7	25.0	25.1
Public	4.2	4.3	5.2	4.9	5.2	5.0	5.0	5.0	5.1	5.3	5.4
Private	21.4	23.4	24.0	20.6	17.1	18.4	18.7	19.2	19.5	19.7	19.7
Gross national savings (% GDP)	29.0	29.4	28.4	26.7	24.7	26.1	26.5	26.9	27.2	27.4	27.6
Public	-4.0	-1.4	1.8	2.2	0.5	0.7	0.8	1.1	1.4	1.6	1.8
Private	33.0	30.8	26.6	24.5	24.2	25.3	25.7	25.8	25.7	25.8	25.8
Potential output	-3.9	4.5	1.5	0.4	0.6	0.5	0.6	0.8	0.8	0.8	0.8
Output gap (% potential GDP)	-1.9	-1.6	2.1	0.7	-1.1	-1.8	-1.5	-0.7	-0.3	0.0	0.0
LABOR MARKET											
Labor force	-0.4	1.2	1.6	1.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Employment	-1.3	0.2	3.2	0.7	-0.1	0.0	0.3	0.4	0.3	0.2	0.2
Wages (hourly)	5.9	0.9	5.1	7.7	8.8	3.2	4.3	3.6	2.8	2.5	2.4
Unemployment rate (% labor force)											
EU harmonized rate	5.5	6.2	4.7	5.1	5.4	5.6	5.5	5.3	5.3	5.2	5.2
National definition	10.0	8.0	6.3	6.4	7.0	7.2	7.1	6.9	6.8	6.8	6.8
PRICES											
Consumer prices (avg)	1.4	2.8	8.6	7.7	2.9	3.2	1.7	2.2	2.1	2.1	2.1
Consumer prices (eop)	1.0	3.8	10.5	5.7	2.1	2.7	2.1	2.2	2.1	2.1	2.1
Core CPI (eop)	1.6	2.2	8.8	6.0	3.1	2.5	2.1	2.1	2.1	2.1	2.1
GDP deflator	2.6	1.9	4.8	6.6	3.1	3.3	2.0	2.2	2.0	2.0	2.1
MACRO-FINANCIAL											
Broad money	10.1	2.7	5.2	-0.1	4.3	3.0	3.2	3.8	3.3	3.2	3.0
Credit to the private sector	3.7	6.9	6.2	0.2	0.5	1.1	2.0	3.4	3.3	3.2	3.0
Corporations	4.1	8.3	8.7	2.3	1.7	2.0	2.7	3.8	3.3	3.2	3.0
Households	3.4	5.5	3.6	-1.9	-0.9	0.0	1.2	2.8	3.3	3.2	3.0
GENERAL GOVERNMENT FINANCES (% GDP)											
Revenue	49.1	50.3	49.7	50.1	51.6	52.0	52.1	52.1	52.1	52.2	52.2
Expenditure	57.3	56.0	53.1	52.7	56.3	56.3	56.3	56.0	55.8	55.8	55.8
Net lending/borrowing	-8.2	-5.7	-3.4	-2.6	-4.7	-4.3	-4.1	-3.9	-3.7	-3.7	-3.6
Structural balance (% potential GDP)	-7.1	-4.8	-4.5	-3.0	-4.1	-3.3	-3.4	-3.6	-3.6	-3.7	-3.6
Structural primary balance (% potential GDP)	-6.0	-3.9	-3.7	-2.2	-3.1	-2.0	-1.9	-1.9	-1.8	-1.9	-2.0
Gross debt	83.2	82.4	78.4	78.5	81.2	82.8	84.3	84.6	85.2	85.7	86.1
BALANCE OF PAYMENTS											
Current account (% GDP)	3.4	1.7	-0.9	1.3	2.4	2.6	2.9	2.7	2.5	2.4	2.4
Export volume (goods and services)	-10.5	9.5	10.0	-0.4	-4.3	-0.7	0.7	2.4	2.4	2.2	2.2
Import volume (goods and services)	-9.6	14.1	7.1	-4.6	-5.0	-0.6	0.8	2.5	2.4	2.4	2.2
Int'l investment position, net (% GDP)	11.5	14.4	16.1	16.6	24.2	25.9	27.9	29.3	30.7	31.9	33.3
MEMORANDUM ITEMS											
Nominal GDP (billions of euro)	380.3	406.2	448.0	473.2	481.9	496.7	510.8	530.7	548.6	565.5	582.0
Population (millions of people)	8.9	8.9	9.0	9.1	9.2	9.2	9.2	9.2	9.3	9.3	9.3
GDP per capita (U.S. dollars)	48,764	53,827	52,587	56,216	56,938	58,252	60,089	62,205	64,087	65,862	67,617
U.S. dollar to euro (rate; annual avg)	1.1	1.2	1.1	1.1	1.1	...	...	...	...	...	...
Real effective exchange rate	-6.6	12.2	0.2	1.8	0.5	...	...	...	...	...	...

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

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

2/ Unadjusted real GDP is calculated by adjusting SWDA GDP by an estimated effect of the year-to-year difference in working days on the difference between year-to-year changes in SWDA and NSA real GDP.

Table 5. Austria: Fiscal Accounts, 2020-30
(In percent of GDP, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
						Projections					
GENERAL GOVERNMENT OPERATIONS											
Revenue	**49.1**	**50.3**	**49.7**	**50.1**	**51.6**	**52.0**	**52.1**	**52.1**	**52.1**	**52.2**	**52.2**
Tax revenue	26.8	28.1	28.3	28.0	28.5	28.6	28.7	28.7	28.7	28.8	28.8
Direct taxes	12.8	13.8	14.3	14.0	14.4	14.0	14.1	14.0	14.1	14.2	14.2
Of which: Personal income tax	9.5	10.0	9.8	9.6	9.8	9.6	9.7	9.7	9.8	9.9	9.9
Corporate income tax	2.2	2.8	3.5	3.4	3.5	3.4	3.4	3.3	3.3	3.3	3.3
Indirect taxes	14.0	14.3	14.0	14.0	14.1	14.5	14.6	14.6	14.6	14.6	14.6
Of which: VAT	7.5	7.6	7.9	8.0	8.1	8.3	8.3	8.3	8.3	8.3	8.3
Social contributions	16.2	15.9	15.3	15.5	16.4	16.7	16.8	16.8	16.8	16.8	16.8
Other current revenue	6.3	6.4	6.2	6.7	6.8	6.7	6.6	6.6	6.6	6.6	6.6
Expenditure	**57.3**	**56.0**	**53.1**	**52.7**	**56.3**	**56.3**	**56.3**	**56.0**	**55.8**	**55.8**	**55.8**
Expense	53.9	52.4	48.8	48.9	52.3	52.4	52.1	51.7	51.5	51.3	51.6
Compensation of employees	11.3	11.0	10.4	10.7	11.5	11.5	11.6	11.4	11.3	11.3	11.2
Goods and services	6.8	7.4	7.1	7.0	7.1	7.1	7.0	6.9	6.8	6.7	6.7
Social benefits	24.5	23.9	22.5	22.9	24.9	25.4	25.4	25.1	24.9	24.8	24.9
Other current transfers	3.3	3.2	4.0	3.4	3.6	3.1	3.1	3.1	3.1	3.0	3.0
Capital transfers	0.8	0.7	0.8	1.1	1.3	1.1	0.8	0.8	0.8	0.8	0.8
Interest	1.4	1.1	1.0	1.2	1.5	1.7	1.9	2.1	2.3	2.5	2.6
Subsidies	5.2	4.6	2.6	2.3	2.0	1.9	1.8	1.8	1.8	1.8	1.8
Other	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Acquisition of nonfinancial assets 1/	3.4	3.6	4.3	3.8	4.0	3.9	4.1	4.2	4.4	4.5	4.5
Of which: Gross fixed capital formation	3.4	3.6	4.4	3.8	3.9	3.9	4.1	4.2	4.4	4.5	4.6
Operating balance	-4.8	-2.1	0.9	1.2	-0.7	-0.4	0.0	0.3	0.6	0.8	1.0
Primary balance	-7.1	-4.8	-2.7	-1.8	-3.6	-2.9	-2.6	-2.2	-2.0	-1.9	-1.9
Net Lending/Borrowing	**-8.2**	**-5.7**	**-3.4**	**-2.6**	**-4.7**	**-4.3**	**-4.1**	**-3.9**	**-3.7**	**-3.7**	**-3.6**
GENERAL GOVERNMENT BALANCE SHEET											
Financial liabilities	113.1	106.5	85.1	87.1	88.0	88.1	87.1	85.6	84.7	83.8	83.1
Other	14.8	14.5	13.4	13.1	13.2	13.2	13.1	12.9	12.7	12.6	12.5
Financial assets	52.4	52.2	41.0	41.8	42.2	42.2	41.8	41.1	40.6	40.2	39.8
Net financial worth	-60.7	-54.3	-44.2	-45.3	-45.8	-45.9	-45.3	-44.6	-44.1	-43.6	-43.2
Net debt	76.3	72.1	54.8	57.7	58.4	58.4	57.7	56.8	56.1	55.5	55.1
Gross Debt (Maastricht def.)	**83.2**	**82.4**	**78.4**	**78.5**	**81.2**	**82.8**	**84.3**	**84.6**	**85.2**	**85.7**	**86.1**
Guarantees	19.0	18.1	16.8	16.2	15.9	15.4	15.0	14.4	14.0	13.5	13.1
MEMORANDUM ITEMS											
Cyclically adjusted balance	-7.3	-4.9	-4.4	-3.0	-4.1	-3.4	-3.4	-3.6	-3.6	-3.7	-3.6
Structural balance (% potential GDP) 2/	-7.1	-4.8	-4.5	-3.0	-4.1	-3.3	-3.4	-3.6	-3.6	-3.7	-3.6
Structural primary balance (% potential GDP) 2/	-6.0	-3.9	-3.7	-2.2	-3.1	-2.0	-1.9	-1.9	-1.8	-1.9	-2.0
Change in real revenue (percent)	-6.2	6.5	0.3	-1.2	2.0	0.6	1.5	1.5	1.3	1.2	1.0
Change in real primary expenditure (percent)	11.3	2.0	-3.5	-3.2	5.3	-0.6	1.0	0.7	0.6	0.7	0.7
Unidentified adjustment measures (in billions)	0.0	0.0	0.0	0.0	0.0	0.2	0.6	1.1	1.1	1.1	1.1
Unidentified adjustment measures (% of GDP)	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.2	0.2
Nominal GDP (billions of euro)	380.3	406.2	448.0	473.2	481.9	496.7	511.1	531.0	548.1	565.4	582.2

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 6. Austria: Balance of Payments, 2020-30
(In percent of GDP, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
						Projections					
BALANCE OF PAYMENTS											
Current Account	**3.4**	**1.7**	**-0.9**	**1.3**	**2.4**	**2.6**	**2.9**	**2.7**	**2.5**	**2.4**	**2.4**
Balance on goods and services	3.3	0.8	-0.6	2.0	2.9	3.1	3.3	3.1	2.9	2.8	2.9
Exports of goods and services	51.6	56.1	61.9	59.4	57.4	54.1	54.2	54.1	53.9	53.8	54.0
Exports of goods	36.6	41.3	44.3	41.8	39.3	38.3	37.6	37.4	37.4	37.6	37.6
Exports of services	15.0	14.8	17.6	17.7	18.1	15.8	16.6	16.6	16.5	16.3	16.4
Imports of goods and services	48.3	55.3	62.5	57.4	54.5	51.0	50.9	50.9	50.9	51.0	51.1
Imports of goods	35.5	41.3	46.3	40.9	37.7	34.9	34.5	34.5	34.6	34.6	34.7
Imports of services	12.9	14.0	16.2	16.5	16.9	16.1	16.4	16.5	16.3	16.4	16.5
Primary income, net	1.1	1.6	0.4	0.0	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Secondary income, net	-1.0	-0.7	-0.7	-0.7	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
Capital Account	**-0.1**	**0.0**	**-0.1**	**0.4**	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.2**
Financial Account	**2.1**	**1.1**	**-2.0**	**1.1**	**1.6**	**2.4**	**2.7**	**2.5**	**2.3**	**2.2**	**2.2**
Direct investment, net	3.2	2.1	0.0	1.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Direct investment abroad, net	0.6	6.1	3.0	1.6	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Direct investment in Austria, net	-2.6	4.0	3.0	0.6	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Portfolio investment, net	-3.4	3.0	0.2	-3.0	-5.2	-4.4	-4.1	-4.3	-4.5	-4.6	-4.6
Financial derivatives, net	0.3	0.1	0.2	0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Other investment, net	1.6	-5.2	-2.6	3.7	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Reserve assets	0.4	1.0	0.1	-0.8	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions, net	-1.2	-0.6	-0.9	-0.7	-0.6	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET											
Int'l Investment Position, net	**11.5**	**14.4**	**16.1**	**16.6**	**24.2**	**25.9**	**27.9**	**29.3**	**30.7**	**31.9**	**33.3**
Assets	244.9	248.2	230.5	231.8	246.9	248.9	251.3	251.2	252.7	254.4	256.4
Liabilities	233.4	233.8	214.5	215.2	222.7	223.0	223.4	221.9	222.0	222.4	223.1
Direct investment	11.0	10.4	13.7	13.4	15.6	15.4	15.2	14.9	14.8	14.6	14.4
Assets	71.0	72.5	75.1	72.6	77.6	77.4	77.3	76.5	76.1	75.9	75.8
Liabilities	60.0	62.1	61.4	59.2	62.1	62.0	62.1	61.5	61.4	61.3	61.3
Portfolio investment	-18.2	-9.1	-4.2	-5.7	-7.9	-12.1	-15.9	-19.6	-23.5	-27.5	-31.3
Financial derivatives	-0.1	-0.1	-0.4	-0.5	-0.3	-0.5	-0.7	-0.8	-1.0	-1.2	-1.4
Other investment	12.2	5.8	0.0	3.4	9.7	16.2	22.5	28.4	34.3	40.0	45.6
Reserve assets	6.5	7.4	6.9	6.0	7.1	6.9	6.7	6.4	6.2	6.0	5.9
MEMORANDUM ITEMS											
Export value (goods and services)	-11.2	16.2	21.6	1.4	-1.6	-2.8	3.0	3.6	2.9	3.1	3.3
Import value (goods and services)	-11.3	22.3	24.5	-2.9	-3.2	-3.5	2.6	4.0	3.2	3.3	3.3
Nominal GDP (billions of euro)	380.3	406.2	448.0	473.2	481.9	496.7	511.1	531.0	548.1	565.4	582.2

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

Table 7. Austria: Financial Soundness Indicators, 2016-2024

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Core FSIs									
Regulatory capital to risk-weighted assets	18.0	18.8	18.8	18.9	19.7	19.2	19.4	20.6	20.8
Tier 1 capital to risk-weighted assets	14.5	15.6	16.3	16.5	17.4	17.1	17.5	18.7	18.6
Nonperforming loans net of provisions to capital	8.8	8.7	7.7	6.0	4.0	3.1	2.6	5.0	8.2
Capital to assets (leverage ratio)	7.3	7.5	7.5	7.6	7.4	7.7	8.0	8.4	8.4
Nonperforming loans to total gross loans	2.7	2.4	2.9	2.4	2.4	2.1	2.0	2.5	2.9
Return on assets	0.6	0.9	0.9	0.8	0.4	0.7	1.0	1.4	1.3
Return on equity	7.0	10.0	8.5	7.5	3.7	6.5	10.0	12.0	10.2
Interest margin to gross income	59.0	59.1	51.0	49.9	51.9	49.2	48.7	57.8	59.7
Noninterest expenses to gross income	74.8	67.0	67.9	66.5	67.8	67.2	55.5	53.0	54.7
Liquid assets to total assets	25.4	23.7	24.4	23.0	28.3	29.7	45.8	45.0	45.5
Liquid assets to short-term liabilities	67.2	65.7	68.2	63.9	78.0	78.4	70.2	71.3	71.2
Net open position in foreign exchange to capital	1.0	0.1	2.0	2.2	2.0	4.0	24.2	19.5	22.3
Additional FSIs									
Large exposures to capital	...	...	334.1	313.3	405.0	462.2	415.6	394.2	408.5
Trading income to total income	1.7	1.7	2.3	3.5	1.2	1.8	1.7	0.3	0.5
Personnel expenses to noninterest expenses	49.9	46.9	42.0	42.3	41.7	41.4	40.5	43.3	43.0
Spread between reference lending and deposit rates (base points)	190.0	179.0	177.0	176.0	169.0	160.0	219.2	274.7	241.9
Customer deposits to total (noninterbank) loans	89.5	86.9	85.9	86.0	79.0	76.3	88.6	88.5	90.4
FX loans to total loans	13.8	11.2	11.2	11.3	7.9	7.8	12.0	10.4	9.9
FX liabilities to total liabilities	6.6	6.5	6.8	6.6	5.1	5.1	8.1	6.7	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
Commercial real estate loans to total gross loans	...	...	10.2	10.4	11.3	10.6	10.9	11.6	11.3

Source: IMF Financial Soundness Indicators.

Table 8. Austria: Depository Corporations Survey, 2019-24

	2019	2020	2021	2022	2023	2024
			(In billions of euros, end of period)			
Net Foreign Assets	121.6	140.6	109.0	87.6	94.2	65.8
Claims on nonresidents	263.6	266.1	265.3	273.1	286.1	257.7
Central bank	39.0	40.1	43.2	46.5	50.2	21.8
Other depository corporations	224.6	226.0	222.0	226.6	235.9	235.9
Liabilities to nonresidents	-142.1	-125.5	-156.3	-185.5	-192.0	-192.0
Central bank	-50.2	-41.0	-68.4	-89.3	-90.6	-90.6
Other depository corporations	-91.9	-84.5	-87.9	-96.2	-101.4	-101.4
Net Domestic Assets	422.1	443.0	481.0	552.3	555.3	591.2
Net claims on central government	62.8	76.6	96.0	86.5	89.6	89.6
Claims on state and local government	24.5	25.5	26.2	23.1	23.7	23.7
Claims on NBFIs	67.2	69.6	63.9	85.5	75.2	75.2
Claims on private sector	341.5	353.9	378.0	400.8	401.9	438.0
Corporates	172.7	179.4	193.8	209.9	214.6	...
Households	168.9	174.5	184.2	190.9	187.3	...
Capital and reserves (-)	91.0	93.8	101.1	92.7	112.2	112.2
Other items, net (-, including discrepancy)	-17.2	-11.2	-17.9	-49.1	-77.2	-76.9
Broad Money	377.1	415.4	426.8	449.1	448.6	456.1
Currency in circulation	30.9	32.1	30.1	40.4	40.8	41.5
Transferable deposits	259.1	293.9	318.7	318.2	283.6	288.4
Other deposits	85.9	85.3	77.2	89.3	121.8	123.8
Securities	1.2	4.1	0.8	1.2	2.4	2.5
Other Liabilities	166.5	168.3	163.2	190.8	200.9	200.9
			(Annual percentage change)			
Net Foreign Assets	10.2	15.7	-22.5	-19.6	7.5	-30.2
Net Domestic Assets	4.0	4.9	8.6	14.8	0.6	6.5
Claims on private sector	5.0	3.6	6.8	6.0	0.3	9.0
Corporates	5.8	3.9	8.1	8.3	2.3	...
Households	4.2	3.4	5.5	3.6	-1.9	...
Broad Money	4.5	10.1	2.7	5.2	-0.1	1.7
			(In billions of U.S. dollars, end of period)			
Net Foreign Assets	135.1	171.1	123.2	92.8	102.7	68.9
Net Domestic Assets	469.1	539.1	543.7	584.8	605.5	619.5
Claims on private sector	379.5	430.7	427.3	424.4	438.2	459.0
Corporates	191.9	218.3	219.1	222.2	234.0	...
Households	187.7	212.4	208.2	202.1	204.2	...
Memorandum items:						
Velocity (GDP/Broad money)	1.0	0.9	1.0	1.0	1.1	1.1
Euro per U.S. dollar (end of period)	0.9	0.8	0.9	0.9	0.9	1.0

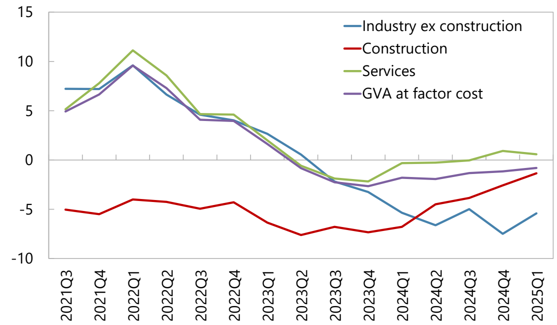
Sources: International Financial Statistics, and IMF staff calculations.

Figure 8. Austria: Real Sector Developments

The 2023-24 recession was especially deep in construction and manufacturing…

Gross Value Added and Components

(Year-on-year percent change; SWDA)

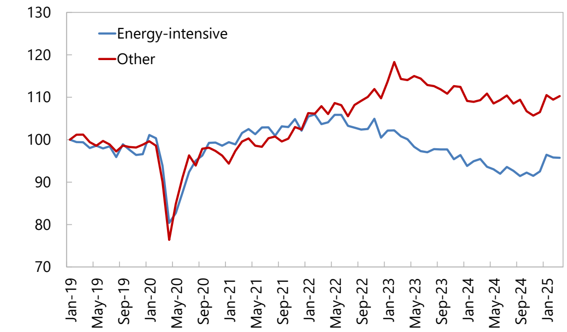


Sources: Eurostat, Haver Analytics, and IMF staff calculations.

…as output fell in both energy-intensive and non-energy-intensive manufacturing, with some recent pickup.

Industrial Production

(Index, 2019M1=100; SA)

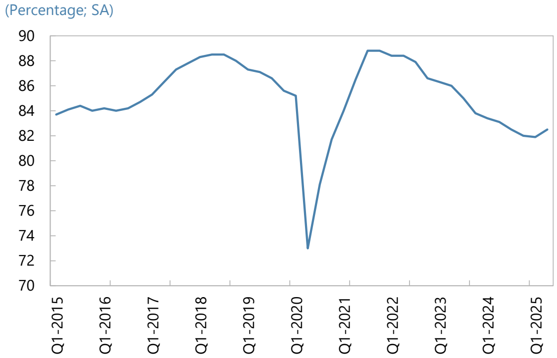


Sources: Statistik Austria, Haver Analytics, and IMF staff calculations.

Capacity utilization is still low…

Industry Capacity Utilization

(Percentage; SA)

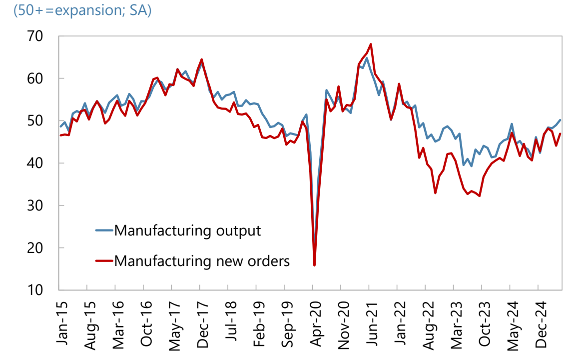


Sources: European Commission, and Haver Analytics.

…and the growth outlook for manufacturing is still contractionary.

Manufacturing PMI

(50+=expansion; SA)

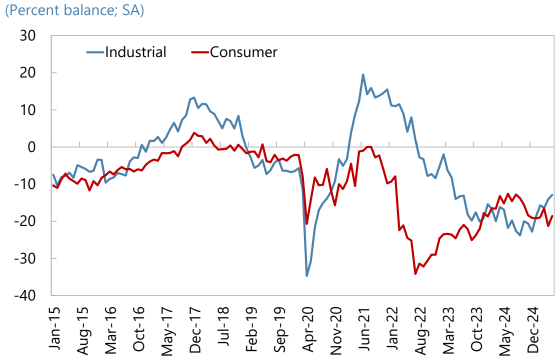


Sources: S&P Global, and Haver Analytics.

Economic sentiment remains weak.

Business and Consumer Sentiment

(Percent balance; SA)

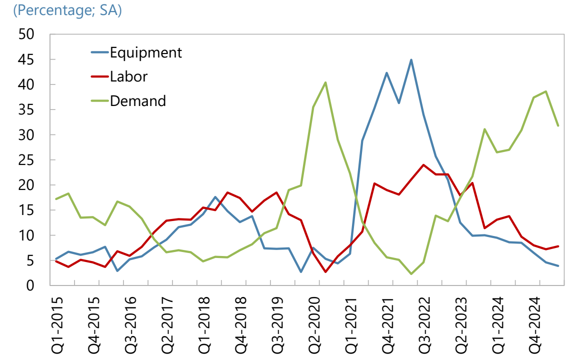


Sources: European Commission, and Haver Analytics.

Firms report weak demand as a key factor limiting output.

Factors Limiting Production

(Percentage; SA)

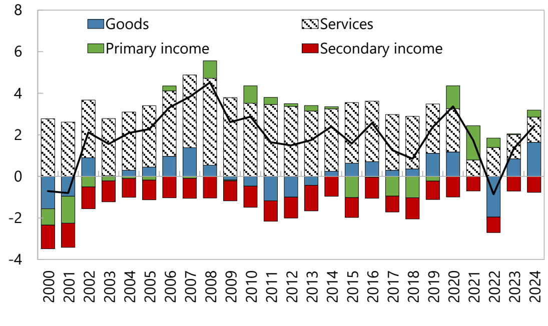


Sources: European Commission, and Haver Analytics.

Figure 9. Austria: External Developments

The current account increased in 2024…

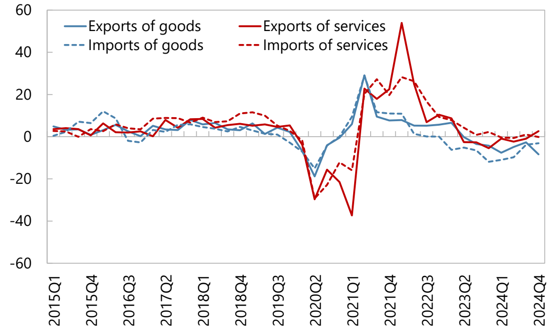
Current Account Balance Breakdown
(Percent of GDP)



Sources: IMF World Economic Outlook, and IMF staff calculations.

…due to weakness in imports of both goods and services.

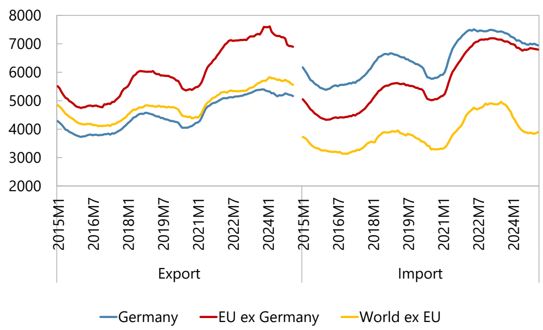
Exports and Imports of Goods and Services
(Year-on-year percent change; SWDA)



Sources: Eurostat, Haver Analytics, IMF staff calculations.

Austria's imports from non-EU partners have fallen sharply.

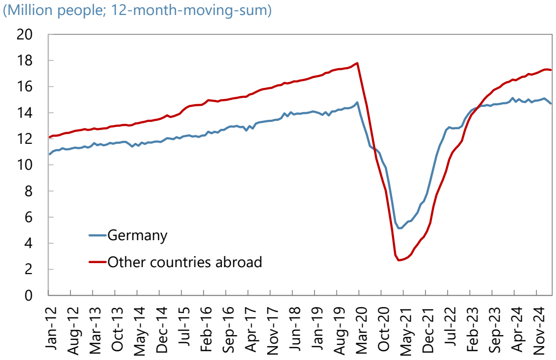
Export and Import by Destination
(Value of Goods, Millions of USD, 12MMA)



Source: Haver Analytics, and IMF staff's calculation.

Tourist arrivals have nearly recovered to pre-COVID levels…

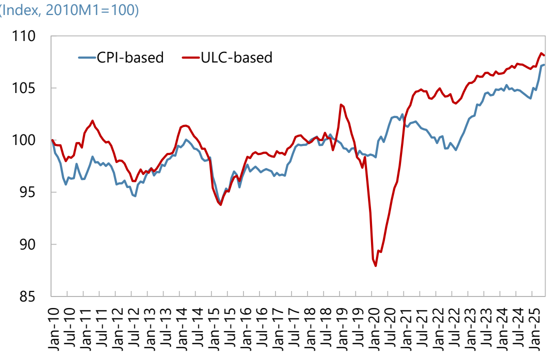
Tourist Arrivals
(Million people; 12-month-moving-sum)



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

…even as the real effective exchange rate has appreciated since 2022.

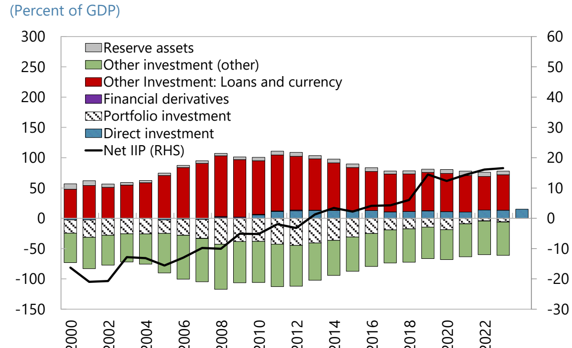
Real Effective Exchange Rate
(Index, 2010M1=100)



Source: IMF staff calculations.

The net IIP has increased steadily supported by current account surpluses.

Net International Investment Position by Instrument
(Percent of GDP)

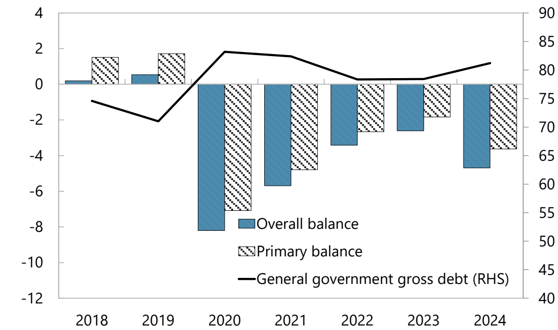


Sources: Statistik Austria, Haver Analytics, and IMF staff calculations.

Figure 10. Austria: Fiscal Developments

Public debt is on a rising path.

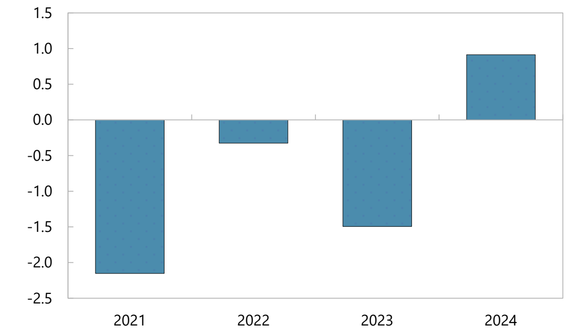
Fiscal Balance and Debt
(Percent of GDP)



Sources: Ministry of Finance, and IMF staff calculations and projections.

There was a large fiscal impulse in 2024.

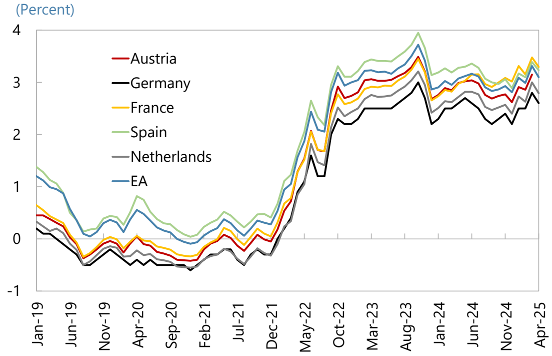
Fiscal Impulse
(Percentage point; Change in cyclically adjusted primary fiscal deficit as percent of GDP)



Sources: Ministry of Finance, and IMF staff calculations and projections.

However, spreads have remained stable…

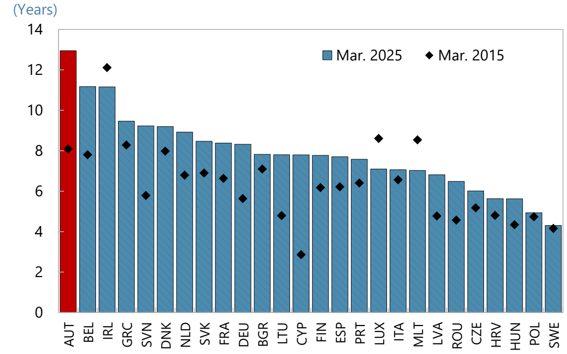
10-Year Government Bond Yield
(Percent)



Source: Haver Analytics.

…supported by active debt management that extended debt maturities and promoted green bond issuance.

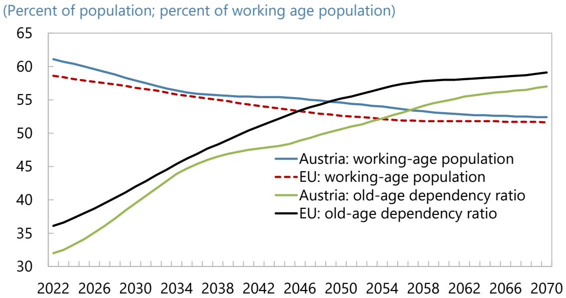
Government Debt Average Maturity
(Years)



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

As in most other European countries, Austria's population is aging…

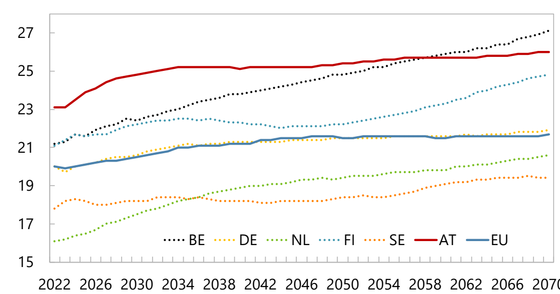
Population Projection
(Percent of population; percent of working age population)



Source: European Commission 2024 Ageing Report.
Notes: Working age population corresponds to the share of population between 20 and 64 years old. Old-age dependency ratio is defined as the ratio of 65+ years old to the working age population.

…and aging costs are high.

Projected Ageing Cost
(Percent of GDP)



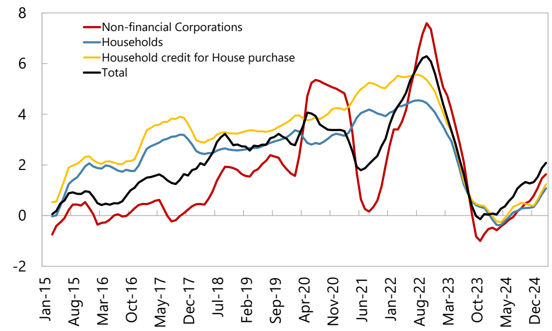
Sources: European Commission 2024 Ageing Report.
Notes: The ageing cost consists of the combined spending of pension, health, and long-term care, with education cost excluded.

Figure 11. Austria: Financial Sector Developments

Overall credit growth, including for house purchases, appears to be recovering…

Private Sector Credit Growth

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

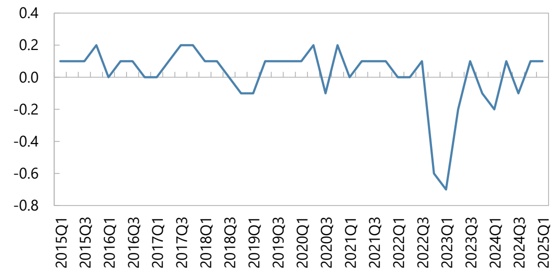


Source: Haver Analytics.

…amid tentative signs of a revival in mortgage loan demand.

Credit Demand for Mortgage Loans over Past 3 Months

(Diffusion index: negative=decreased 1/)



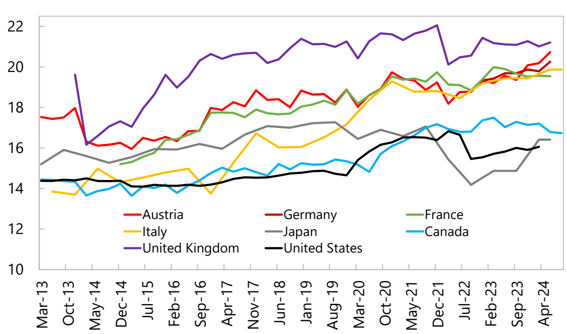
Sources: OeNB, and Haver Analytics.

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).

The regulatory capital ratio for Austria's banking system has strengthened…

Capital Adequacy

(Regulatory Capital Ratio, percent of risk-weighted assets)

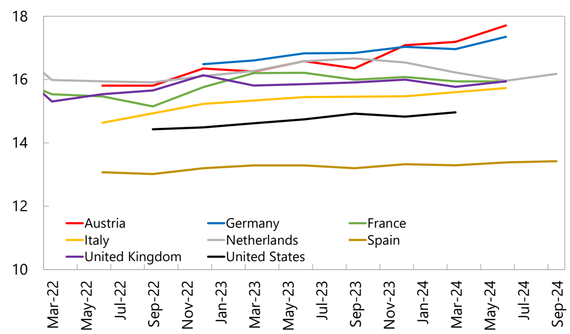


Source: IMF Financial Soundness Indicators.

…as has the banking system's Tier 1 capital ratio.

Capital Adequacy

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

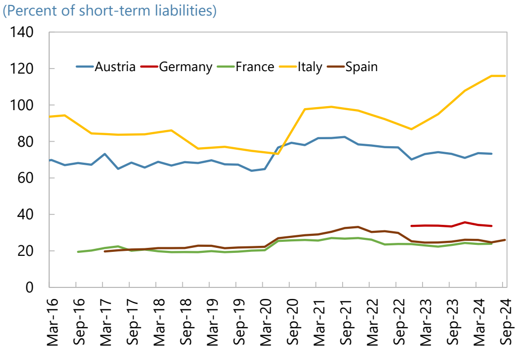


Source: IMF Financial Soundness Indicators.

Liquidity is stable…

Liquidity

(Percent of short-term liabilities)

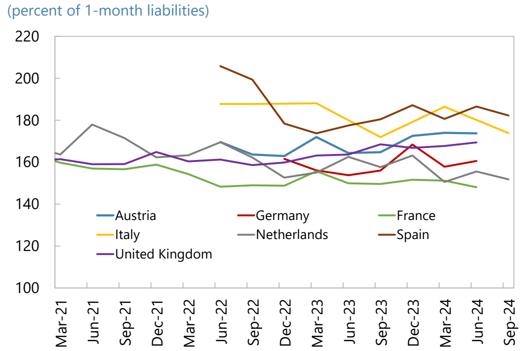


Source: IMF Financial Soundness Indicators.

…with an adequate Basel overall LCR.

Liquidity Coverage Ratio

(percent of 1-month liabilities)

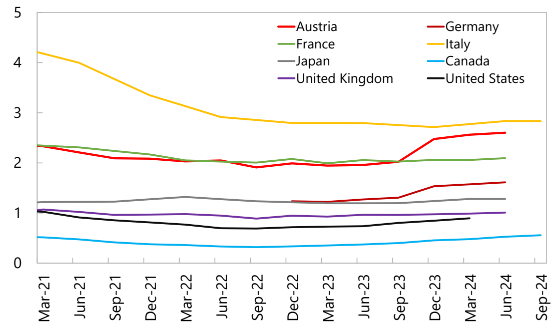


Source: IMF Financial Soundness Indicators.

Figure 11. Austria: Financial Sector Developments (concluded)

Asset quality has weakened recently...

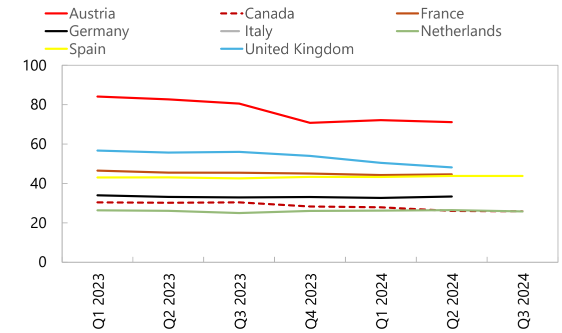
Asset Quality
(90-day NPLs percent of total loans)



Source: IMF Financial Soundness Indicators.

...but provisioning appears adequate on a cross-country basis.

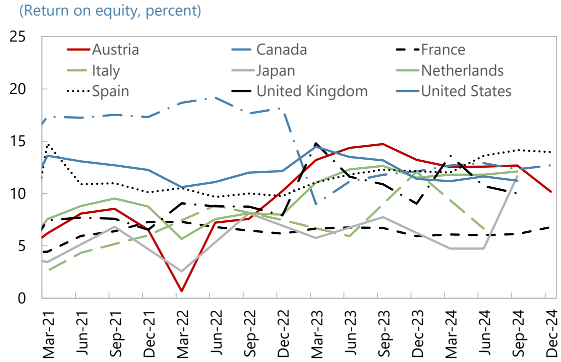
Provisioning
(percent of NPLs, IFRS)



Source: IMF Financial Soundness Indicators

Profitability in recent years has been high on a cross-country basis...

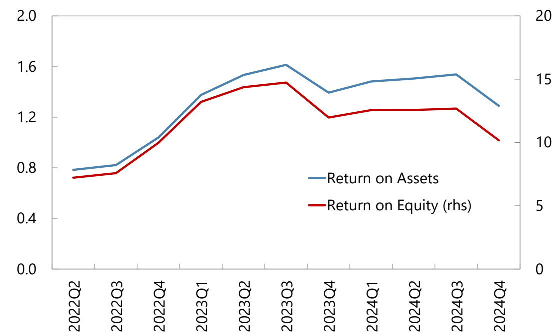
Profitability
(Return on equity, percent)



Source: IMF Financial Soundness Indicators.

...as well as historically...

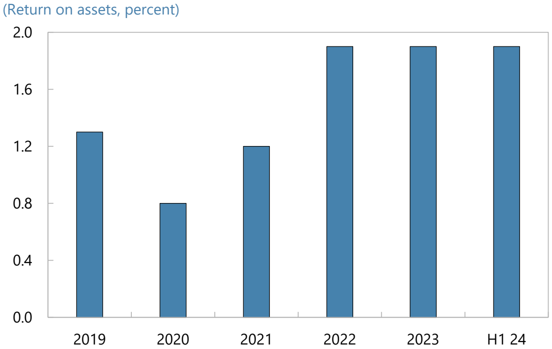
Austria: Return on Assets and Equity
(Percent)



Source: IMF Financial Soundness Indicators.

...with solid CESEE profits...

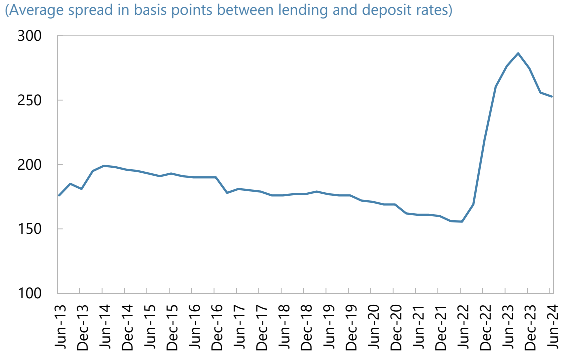
Austrian Banks' CESEE Profits
(Return on assets, percent)



Source: OeNB.

...and strong net interest margins.

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

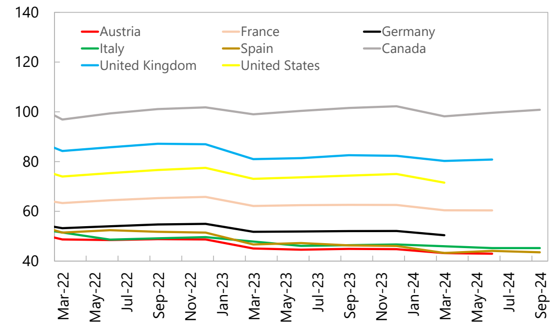


Source: IMF Financial Soundness Indicators.

Figure 12. Austria: Macrofinancial Developments

Household debt is relatively low…

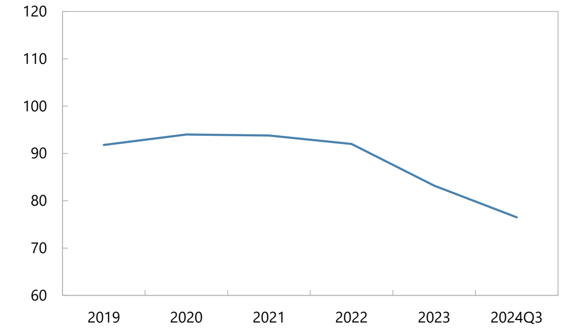
Household Debt
(Percent of GDP)



Source: IMF Financial Soundness Indicators.

…and falling relative to income.

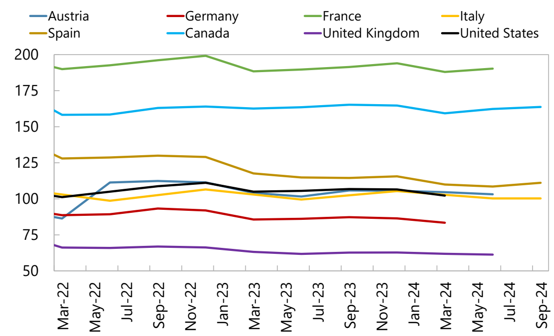
Austria: Household Debts
(Percent of disposable income)



Sources: OeNB, and IMF staff calculations.

Non-financial corporate debt is moderate…

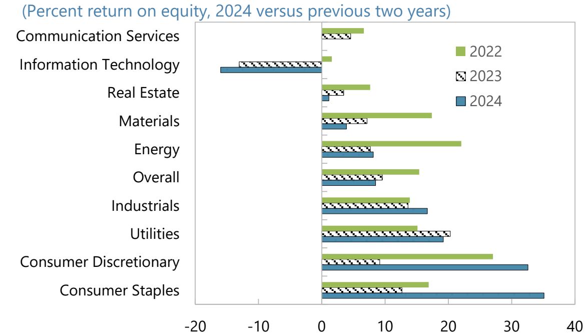
Non-Financial Corporate Debt
(Percent of GDP)



Source: IMF Financial Soundness Indicators.

…but weaker corporate profits may make it slightly more difficult to service for some firms.

Profitability of Austrian Non-Financial Corporates 1/
(Percent return on equity, 2024 versus previous two years)

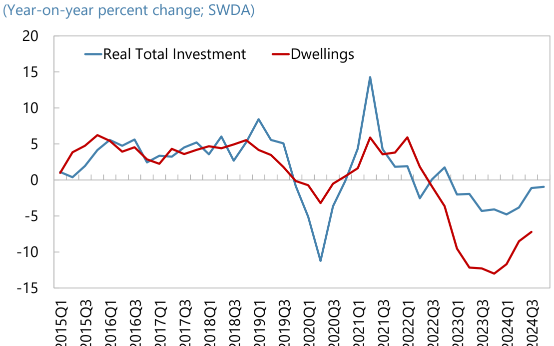


Sources: S&P Capital IQ, IMF staff

1/Average capitalization-weighted return of individual firms in each industry

Weak housing investment has pulled down aggregate investment.

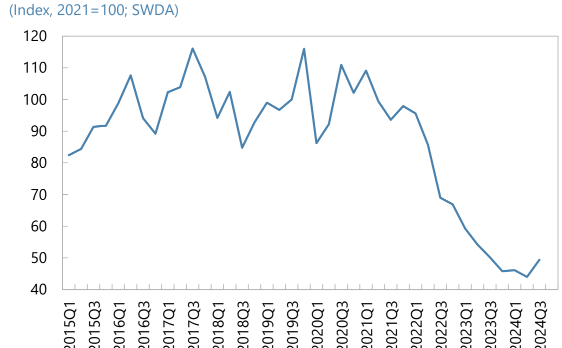
Real Total Investment and Dwellings Investment
(Year-on-year percent change; SWDA)



Sources: Eurostat, and Haver Analytics.

However, there are signs the housing market is bottoming out.

Residential Building Permits in Square Meters
(Index, 2021=100; SWDA)



Sources: Eurostat, and Haver Analytics.

Annex I. External Sector Assessment

Overall Assessment: *The external position of Austria in 2024 is assessed to be broadly in line with the level implied by medium-term fundamentals and desirable policies.*

Potential Policy Responses: *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. The net international investment position (NIIP) rose from 16.6 percent of GDP in 2023 to 24.2 percent of GDP in 2024. Assets to GDP increased by 15 percentage points mainly on portfolio (mainly equity) investments and to a lesser degree on debt. Liabilities to GDP increased by 8 percentage points, mainly due to increases in portfolio debt liabilities.

Assessment. In 2024 the NIIP increased in response to the current account surplus, with a larger increase in assets than in liabilities. The NIIP is projected to rise gradually over the medium term in line with projected current account surpluses around the norm for Austria.

2024 (% GDP)	NIIP: 24.2	Gross Assets: 1189	Debt Assets: 209	Gross Liabilities: 1073	Debt Liabilities: 393

Current Account

Background. Austria's current account recorded a surplus 1.3 percent of GDP in 2023 as import volumes fell by 4½ percent amidst economic contraction while export volumes remained broadly unchanged. Export and import volumes both contracted in 2024, by around 4¼ and 5 percent respectively. Following the steep decline in import and export prices in 2023, export prices recovered somewhat quicker in 2024 than import prices. The improvement in Austria's terms of trade helped increase the current account balance to 2.4 percent of GDP.

Assessment. Adjusting for cyclical factors (terms of trade and output gap) based on the IMF's EBA estimates, the current account balance in 2024 stood at 2.3 percent of GDP, slightly lower than the estimated current account norm of 2.5 percent of GDP. The relative policy gap of -0.1 percent of GDP reflects offsetting effects of the credit gap (+0.2) and health expenditure (-0.3). The estimated current account gap implies an estimated gap of 0.4 percent of the REER from the level consistent with fundamentals and desired policy settings.

Annex I. Table 1. Austria: Model Estimates for 2024
(Percent of GDP)

	CA model	REER (index) 1/	REER (level) 2/
Actual CA	2.4		
Cyclical contributions	0.3		
Additional cyclical/temporary factors	-0.2		
Adjusted CA	2.3		
CA norm	2.5		
CA gap	-0.2		
o/w relative policy gap	-0.1		
Elasticity	0.44		
REER gap (in percent)	0.4	14.5	19.6

Source: Authorities' data
1/ Considers the REER CPI index in each country and thus does not explain inter-country variations. 2/ Accounts for differences in real PPP exchange rates across countries.

Real Exchange Rate

Background. The REER appreciated by 2 percent in 2023, and the pace of appreciation slowed in 2024 to be about ½ percent.

Assessment. The REER index and REER level model estimates suggest that the REER was overvalued within a range of 15–20 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 1 percent of GDP in 2023. In 2024, the financial account net outflows amounted to 1½ percent of GDP, in line with the size of the current account surplus after accounting for capital account net outflows of about ¼ percent of GDP and errors and omissions.

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
Global risks			
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	**High**	**High** * Barriers to trade would hurt Austria's export sectors. * Fracturing in financial systems may pose risks for Austrian banks that have a substantial presence in CESEE countries.	* Participate in global initiatives to support multilateralism. * Take steps to secure supply chains. * Monitor cross-border financial sector risks. * Further de-risk financial sector including by building banks' capital buffers.
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	**Medium**	**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.	* Accelerate renewable energy production to reduce dependence on imported energy sources. * Provide targeted fiscal support for vulnerable households in the event of large shocks.
Regional conflicts. Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	**Medium**	**Medium** * Lower consumption and production, especially in energy intensive industries. * Increased systemic risks in financial system. * Red Sea trade disruptions could increase inflation and disrupt production and trade. * Weaker investment under greater uncertainty.	* Continue to diversify energy sources. * Allow automatic stabilizers to operate freely; provide targeted support to vulnerable households in the event of large shocks. * Carefully monitor of financial sector developments and increase buffers.
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability.	**High**	**High** * Cyberattacks could compromise the safety of the Austrian financial system which has significant cross-border links and disrupt activity.	* Banks should use recent high profits to build resilience against cybersecurity threats.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	**Medium**	**Medium** * Lower growth due to weaker winter tourism exports.	* Diversify the tourism export base by supporting a deepening of the EU Single Market and other measures to improve productivity and innovation. * Rebuild damaged infrastructure.

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 pace of structural fiscal consolidation would support demand.
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 housing supply and investment in renewable energy production, and identify fiscal reforms to sustainably lower deficits and debt.
Persistent inflation above the euro-area average. Core inflation in Austria could continue to exceed the euro-area average, especially if wage settlements and fiscal policy are not conducive to containing inflation.	Medium	Medium * Persistent above-average inflation could eventually undermine Austrian export competitiveness and external balance.	* Accelerate fiscal tightening if the output gap turns positive and core inflation persists above the euro-area average. * Promote wage settlements consistent with inflation converging to the 2 percent target.
Further deterioration in the commercial real estate sector. NPLs on loans to CRE companies could continue to rise, including as a lagged response to the downturn in the sector, with lower collateral values increasing the loss-given-default.	Medium	Medium * Potential risks to banks' profits, which in turn could tighten financial conditions.	* Continue to closely monitor CRE-related risks. * Continue to strengthen availability of macroprudential data on CRE, including by producing and publishing data on rental returns, debt-service coverage ratios, and price indexes. * Continue to encourage banks to maintain adequate provisions against CRE loans and adequate capital buffers, including by restraint on dividends and executive bonus payouts.
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.

Annex III. Public Sector Debt Sustainability Assessment

Annex III. 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 30.2 percent of GDP in 2070, 2.6pp higher than in 2022. 3/ Austria's Fiscal Advisory Council projects larger increases (Figure 5 in the main text).
Sustainability assessment 2/	Not required for surveillance countries	Sustainable	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 2024 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: IMF 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/ 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.

3/ European Commission (2023). "The Ageing Report: Economic & Budgetary Projections for the EU Member States (2022-2070)."

Annex III. 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	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	No	Not applicable
CPS / NFPS / GG: expected	3	Social security funds (SSFs)	Yes	
CPS / NFPS / GG: expected	4	State governments	Yes	
CPS / NFPS / GG: expected	5	Local governments	Yes	
CPS / NFPS	6	Public nonfinancial corporations	No	
CPS	7	Central bank	No	
CPS	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

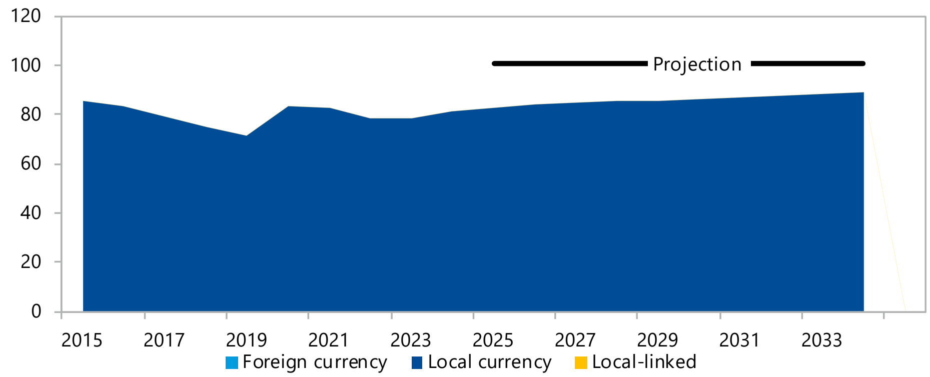
	Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1	Budget. central govt									0
2	Extra-budget. funds									0
3	Social security funds									0
4	State govt.									0
5	Local 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 recommentations.

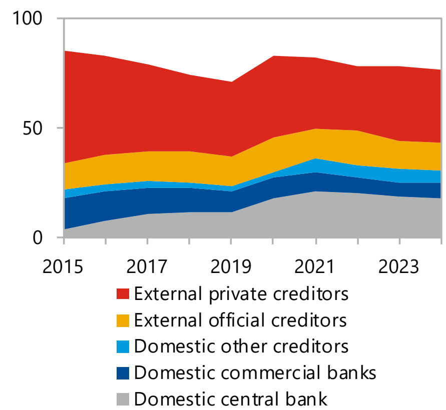
Annex III. Figure 3. Austria: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



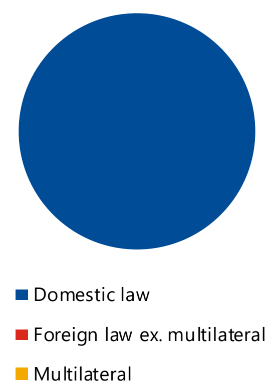
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



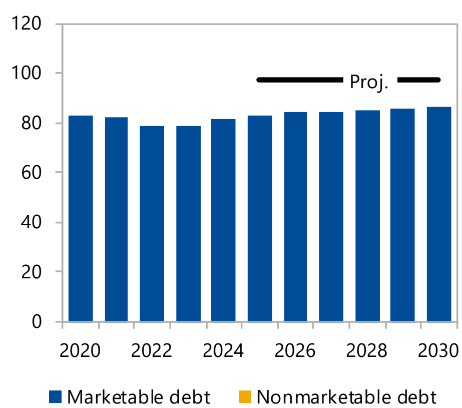
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (Percent)



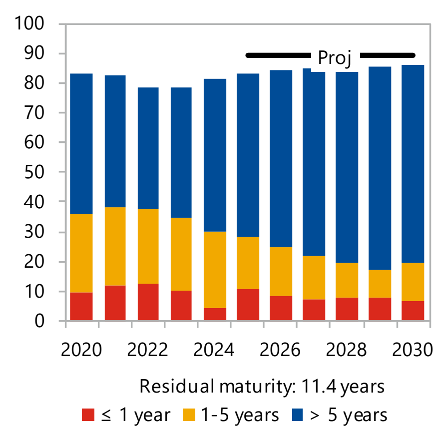
Note: The perimeter shown is general government.

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 21 percent in 2024, while the share of external private creditors has decreased from 54 percent in 2014 to 35 percent in 2024. The average maturity of the debt is 11.4 years, the highest in the EU. Over 90 percent of the debt carries fixed interest rates, and less than 20 percent is short-term.

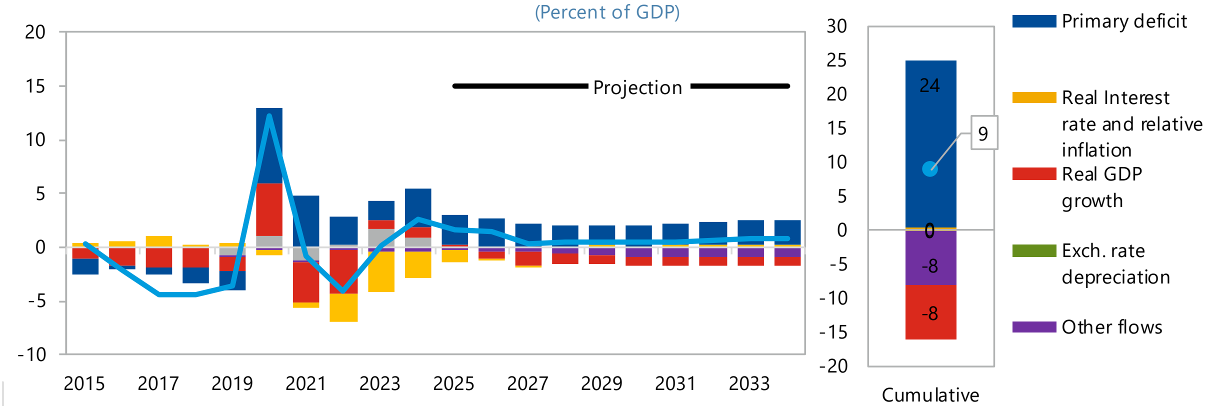
Annex III. Figure 4. Austria: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	81.2	82.8	84.3	84.6	85.2	85.7	86.1	86.7	87.3	88.1	89.0
Change in public debt	2.7	1.6	1.5	0.3	0.6	0.5	0.5	0.6	0.7	0.8	0.9
Contribution of identified flows	1.7	1.6	1.5	0.3	0.6	0.5	0.5	0.6	0.7	0.8	0.9
Primary deficit	3.6	2.9	2.6	2.2	2.0	1.9	1.9	2.0	2.1	2.2	2.3
Noninterest revenues	51.2	51.7	51.8	51.6	51.6	51.5	51.3	51.3	51.3	51.3	51.3
Noninterest expenditures	54.8	54.5	54.4	53.9	53.5	53.3	53.2	53.3	53.4	53.5	53.6
Automatic debt dynamics	-1.4	-0.9	-0.8	-1.5	-0.9	-0.7	-0.5	-0.5	-0.5	-0.4	-0.4
Real interest rate and relative inflation	-2.4	-1.1	0.0	-0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3
Real interest rate	-2.4	-1.1	0.0	-0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3
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	0.9	0.2	-0.7	-1.3	-1.0	-0.9	-0.7	-0.7	-0.7	-0.7	-0.7
Real exchange rate	0.0	…	…	…	…	…	…	…	…	…	…
Other identified flows	-0.5	-0.3	-0.4	-0.4	-0.6	-0.7	-0.9	-0.9	-0.9	-0.9	-0.9
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	-0.5	-0.3	-0.4	-0.4	-0.6	-0.7	-0.9	-0.9	-0.9	-0.9	-0.9
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	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	14.1	12.8	14.2	11.8	10.4	10.9	10.7	9.4	8.5	8.4	8.1
of which: debt service	11.0	10.2	11.9	10.0	9.0	9.7	9.7	8.3	7.4	7.2	6.8
Local currency	11.0	10.2	11.9	10.0	9.0	9.7	9.7	8.3	7.4	7.2	6.8
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)	-1.2	-0.3	0.9	1.6	1.2	1.1	0.8	0.8	0.8	0.8	0.8
Inflation (GDP deflator; percent)	3.1	3.3	2.0	2.2	2.0	2.0	2.1	2.1	2.1	2.1	2.1
Nominal GDP growth (percent)	1.8	3.1	2.9	3.9	3.2	3.1	3.0	3.0	3.0	3.0	3.0
Effective interest rate (percent)	0.0	1.9	1.9	2.1	2.2	2.3	2.3	2.4	2.4	2.5	2.5

Contribution to Change in Public Debt

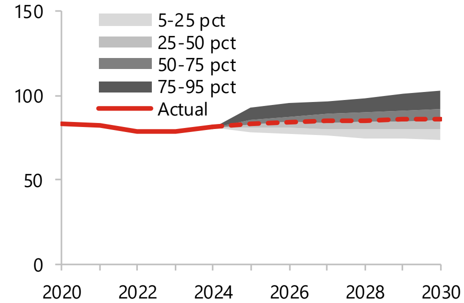
(Percent of GDP)



Commentary: Public debt rose to 81 percent of GDP in 2024. It is projected to continue increasing over time, reflecting a projected primary balance that continues to remain negative, based on the baseline scenario.

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

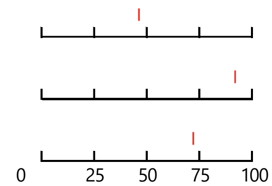
Final Fanchart (Percent of GDP)



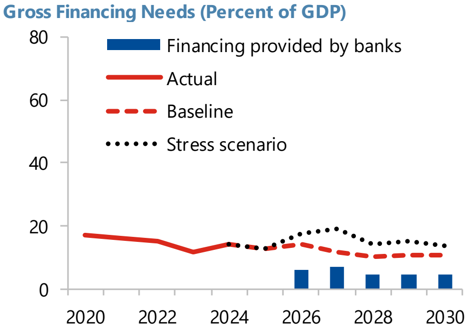
Debt fanchart module

	Value	Contrib 1/
Fanchart width *(percent of GDP)*	28.9	0.4
Probability of debt non-stabilizaiton *(percent)*	83.2	0.7
Terminal debt-to-GDP x institutions index	19.8	0.4
Debt fanchart index (DFI)		1.5
Risk signal: 3/		**Moderate**

Percentile in peer group 2/



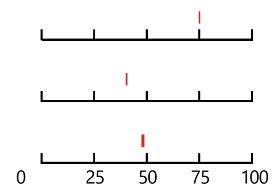
Gross Financing Needs (Percent of GDP)



Gross financing needs (GFN) module

	Value	Contrib 1/
Average baseline GFN *(percent of GDP)*	11.8	4.0
Initial Banks' claims on the gen. govt *(pct bank assets)*	3.8	1.2
Chg. In banks' claims in stress *(pct banks' assets)*	3.2	1.1
GFN finaceability index (GFI)		6.3
Risk signal: 4/		**Low**

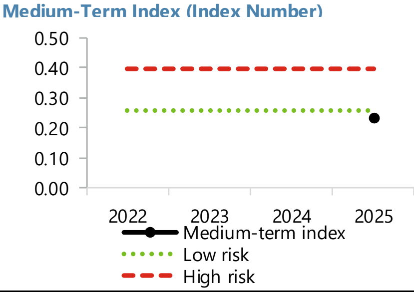
Percentile in peer group 2/



Triggered stress tests (stress tests not activated in gray)

Banking crisis Commodity prices Exchange rate Contingent liab. Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	1.5	0.3	0.5	0.2
GFN finaceability index	6.3	0.1	0.5	0.1
Medium-term index		0.2		
Risk signal: 5/		**Low**		
Final assessment:		**Low**		

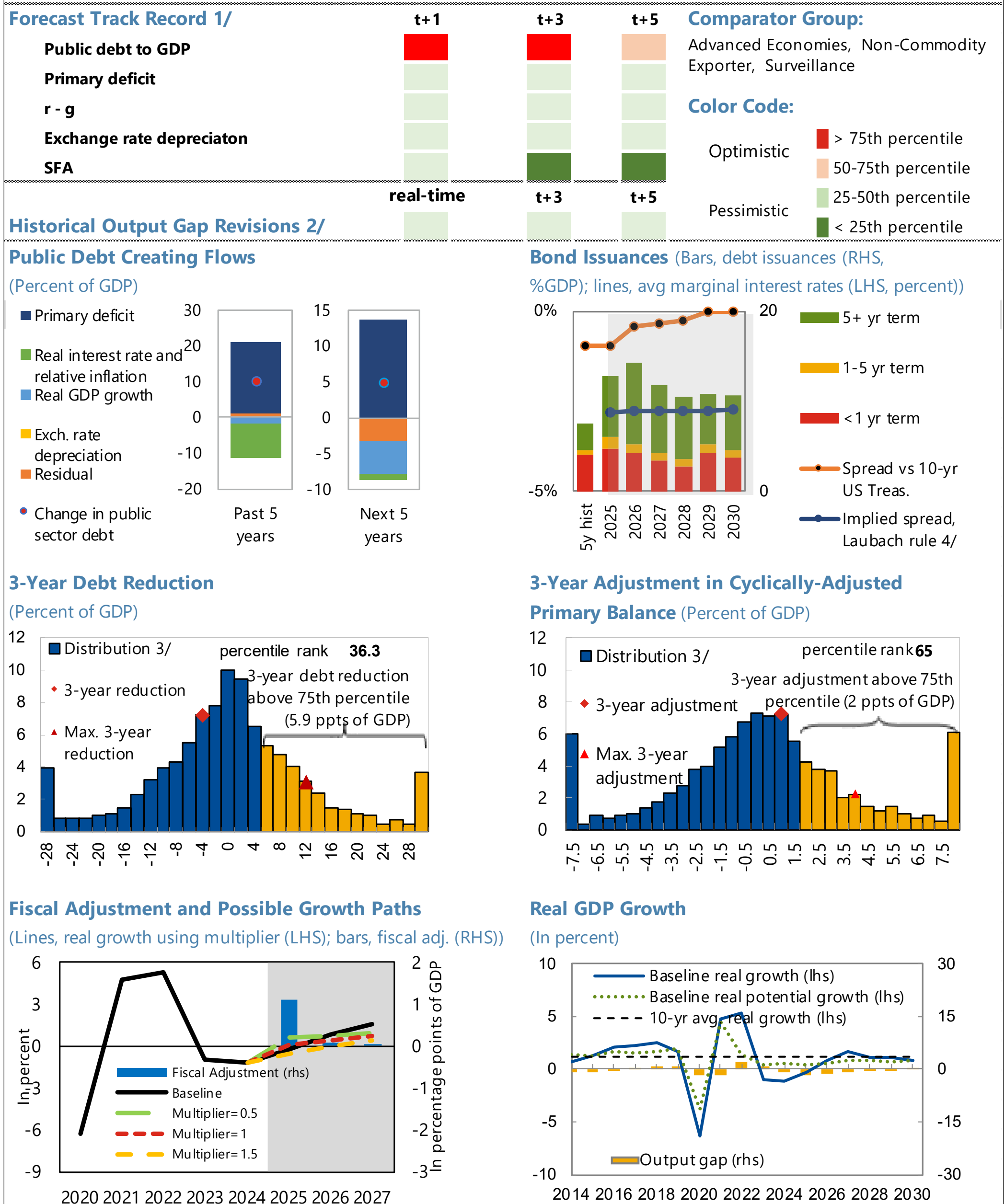
Prob. of missed crisis, 2025-2030, if stress not predicted: 9.1 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 45.5 pct.

Commentary: Both the Debt Fanchart Module and GFN Financeability Module suggest a low level of medium-term risk.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is advanced economies, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Annex III. 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 and 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 obervations 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 IV. Authorities' Response to Past Article IV Policy Recommendations

Past Article IV Recommendations	Policy Actions
Fiscal Policy	
Phase out remaining energy-price relief measures as wholesale gas prices have normalized.	In January 2025, the household electricity price cap was removed, grid fees were increased, and energy levies were reinstated.
Expenditure reforms: 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 actual retirement age, including through restricting the corridor pension scheme. The program of the new coalition government aims to reform environmentally harmful subsidies and to improve health spending efficiency, by encouraging more outpatient care, telemedicine, and preventive healthcare.
Revenue reforms: Update property tax valuations; evaluate the scope for introducing inheritance and gift taxes.	As part of the 2024-28 fiscal equalization agreement, a working group has been set up with municipalities to identify reform options for the property tax. Regarding a re-introduction of inheritance and gift taxes, the new coalition government has agreed to not take any action.
Strengthen subnational fiscal constraints.	Discussions are ongoing regarding the strengthening of fiscal constraints for Länder and municipalities as part of the implementation of the EU fiscal rule.
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 in 2024 H2 versus end-2023 by 10 basis point to 17.7 percent supported by high profits, and the leverage ratio also increased to 8.5 percent. The CET1 ratio currently exceeds the EU average by 130 bps. For SSM banks, the CET1 ratio was above average as well (16.3 percent, about 50 bps above SSM peers). The OeNB will evaluate the appropriateness of risk weights for CRE and RRE exposures in Q3 2025. If need be, the FMA will increase risk weights (SA banks) or minimum LGDs (IRB banks).
Maintain prudent lending standards: Retain LTV and DSTI limits on mortgage lending introduced in August 2022 as permanent, structural measures.	The FMSB discussed sustainable standards for real estate loans. Even though the regulation for sustainable lending standards for residential real estate financing (KIM-V) is set to expire, sustainable lending remains essential to financial stability. The FMSB has therefore approved/supports the following accompanying measures: Guideline on lending standards: The FMSB emphasizes that the loan-to-collateral ratio should not exceed 90 percent, the debt service-to-income ratio should not exceed 40 percent, and the maximum maturity should

Past Article IV Recommendations	Policy Actions
	not exceed 35 years. The proportion of loans not meeting these criteria should not exceed 20 percent of new lending in any given quarter. Increased reporting frequency: To allow for more timely monitoring of lending standards, the Financial Market Authority (FMA) will change the VERA-H reporting frequency to require quarterly data. Additional information: The Oesterreichische Nationalbank (OeNB) will regularly publish details of trends in lending. Capital-based measures: At its upcoming meetings, the FMSB will, in collaboration with the FMA and the OeNB, evaluate capital-based measures.
Closely monitor CRE risks: Close macroprudential 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 will go into effect in July 2025. A reevaluation based on CRR 3 data will take place in Q3 2025.
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	
Reduce 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.
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.
Prepare for risks from geoeconomic fragmentation.	The Supply Chain Intelligence Institute Austria (ASCII) has developed a Supply Chain Pressure Index (ASCPI), which focuses on supply-side bottlenecks relevant to Austrian companies.

Annex V. 2020 FSAP Key Recommendations—Implementation Status[1]

Recommendations	Time Frame*	Status
Financial Sector Oversight		
Review legislation to clarify and narrow the BMF's role in oversight of the FMA and remove industry participation in its Supervisory Board.	MT	No change.
Make the OeNB the chair of FMSB and increase its voting representation.	NT	No change.
Strengthen related party risk framework and establish ex-ante approval for LSI significant investments in non-financial undertakings.	NT	The Austrian authorities (FMA/OeNB) reiterate that a change in EU legislation is a prerequisite for legislation change in Austria.
Phase-out the role of state commissioners in supervisory boards.	MT	No change.
Enhance internal guidelines for supervisory action based on qualitative factors.	I	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 linkage with the SREP. In addition, training and guidance for supervisors is being constantly improved.
Stress-test insurance segments / business lines with material future profitability and follow-up with appropriate actions, such as capital add-on.	NT	The FMA continues to focus also on business lines with material future profitability within its stress-testing framework and follow-up with appropriate actions. The bottom-up-stress test conducted by the FMA in 2024 included among others the following scenarios and methods: (i) Sudden increase in interest rates and inflation with simultaneous mass lapses. This stress test comprises a joint solvency and liquidity assessment. (ii) In parallel to the bottom-up-stress tests, the FMA regularly calculates a simplified top-down solvency stress tests for all solo undertakings. The results showed a higher sensitivity of assets than liabilities triggering a decline in own funds and confirmed the volatile results for insurers with highly profitable

[1] Based on information provided by the Austrian authorities.

Recommendations	Time Frame*	Status
		business lines. (iii) Asset price shock triggered by the perception of climate transition risks and macroeconomic shocks: As in previous years, the FMA regularly calculates a sector-wide top-down stress test for insurers and pension funds. These stress tests also include look-through data on assets within investment funds and were computed based on a cash-flow approach for fixed income assets. Details of the tests were published in the report on the state of the Austrian insurance industry 2024 (FMA, Bericht über die Lage der Österreichischen Versicherungswirtschaft 2024), especially on p. 12ff regarding the top-down stress test and on p. 49ff regarding the climate stress test. In addition, the FMA is evaluating a national roll-out of stress tests for financial conglomerates.
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	Insurance supervision: the FMA continuously reviews resources for the maintenance of Solvency II, insurance market conduct supervision, and potential recovery and resolution framework. AML division: In 2022, the FMA hired 4 additional full-time employees. The FMA regularly reviews human resources and emerging needs. VASP experts assigned within AML receive regular on-the-job training to fulfill new responsibilities. There are experts on VASPs within the AML division who keep themselves up-to-date as well as publish articles and give seminars. In 2024, 5 more FTEs were hired, amounting to 27.25 FTEs. In anticipation of the implementation of the new EU AML/CFT framework and the gradual takeover of new duties in the monitoring of international financial sanctions starting in 2026, the number of FTEs is expected to further increase gradually to 44.25. As of January 2025, the AML/CFT division consists of three teams. The “Team On-Site Inspections” is exclusively responsible for conducting on-site inspections and on-site examinations. The “Team Enforcement” is tasked with the conduct of all off-site measures including the conduct of investigation proceedings, (follow-up) proceedings to restore legal

Recommendations	Time Frame*	Status
		compliance which usually result from on-site measures, as well as assessing and answering of legal enquiries by obliged entities. With the recent internal reform, a third team “Analysis, Strategy and Coordination” has been established, which will focus on the FMA’s AML/CFT risk assessment and supervisory strategy, as well as coordination of national and international AML/CFT matters.
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	The FMA's risk scoring toolkit includes quantitative and qualitative data to properly capture risks. (i) Qualitative data include audit reports, results from previous on-site inspections and off-site measures as well as other perceptions (e.g., media reports, information provided by the prudential team). Cross-border risk monitoring includes qualitative data and the number of branches and subsidiaries in every country, which serves in the risk score in each country. (ii) The FMA has increased the frequency of its onsite supervision for low-risk institutions (considering overall risks) by Q4/2020 in order to 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. The evaluation concentrated on transactions carried out by the customers of typically small and regional banks. (iii) The FMA seeks to ensure the effective implementation of sound risk management practices and high quality of group-wide policies. In particular, the FMA has increased OSIs dealing with group-wide policies both within the parent institution and in foreign branches and subsidiaries to the effectiveness of the measures implemented. Due to Covid-19, some of the measures had to be modified. At the start of the Covid-19 crisis, risk-based onsite inspections extended also to insurance companies, where AML/CFT risk is deemed minor. Routine inspections are set to resume, albeit staffed with remote and/or hybrid teams. (iv) Non-EU/non-EA exchange of information: improvement of cross-border information exchange is part of the ongoing supervision. The FMA has the explicit legal basis to share information. MoUs help

Recommendations	Time Frame*	Status
		practical modalities. The FMA is also conducting routine reviews of group-wide strategies during its on-site inspections. The FMA has updated its MoU for insurance supervision with Montenegro in 2022; the United Arab Emirates is seeking to engage the FMA on a MoU, where a symmetrical involvement for EBA will be needed for an equivalence assessment. For some non-EEA countries (majority of Austrian banks' subsidiaries), an AML-related EBA equivalence assessment has not been conducted yet. The FMA has therefore started an initiative with the EBA to prioritize non-EEA countries' equivalence assessments. Due to the initiative, the EBA launched the assessment of the National Bank of Serbia, the Monetary Authority of Singapore, the Central Bank of Montenegro, and the Australian Transaction Reports and Analysis Center with participation of three Austrian members in June 2024. Questionnaires to the assessed authorities have been sent by the EBA. The assessment of the Central Bank of Montenegro is going to be finalized in Q2 2025. The FMA hosted an inaugural High Level AML College Conference in September 2023 for sister authorities from EU Member States and third countries, especially from CESEE, to further extend this network and to also closely involve non-EU sister authorities. The conference was attended by 17 authorities from 14 countries. The conclusion of this meeting was the continuation of the conference. Therefore, the Central Bank of Hungary hosted the 2nd College Conference in November 2024 with participation of 16 authorities from 13 countries particularly from CESEE. It is intended to hold the conference also in 2025.
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	Binding measures to contain systemic risks from residential real estate funding (limits on DSTI, LTV and maturities) were introduced in 2022: https://www.fmsg.at/en/publications/warnings-and-recommendations/2022/recommendation-fmsb-2-2022.html At the beginning of 2023 these measures were adapted (exemptions of bridge funding, absolute minimum exemption buckets): https://fmsg.at/en/publications/warnings-and-recommendations/2023/recommendation-fmsb-1-2023.html Following the introduction of these legally binding measures, lending standards have markedly improved, while the guidance active before had not led to material changes.

Recommendations	Time Frame*	Status
		Borrower-based measures for mortgage lending expire as of June 30, 2025. The FMSB discussed sustainable standards for real estate loans. Even though the regulation for sustainable lending standards for residential real estate financing (KIM-V) is set to expire, sustainable lending remains essential to financial stability. The FMSB has therefore approved/supports the following accompanying measures: (i) Guideline on lending standards: The FMSB emphasizes that the loan-to-collateral ratio should not exceed 90 percent, the debt service-to-income ratio should not exceed 40 percent, and the maximum maturity should not exceed 35 years. The proportion of loans not meeting these criteria should not exceed 20 percent of new lending in any given quarter. (ii) Increased reporting frequency: To allow for more timely monitoring of lending standards, the Financial Market Authority (FMA) will change the VERA-H reporting frequency to require quarterly data. (iii) Additional information: The Österreichische Nationalbank (OeNB) will regularly publish details of trends in lending. (iv) Capital-based measures: At its upcoming meetings, the FMSB will, in collaboration with the FMA and the OeNB, evaluate capital-based measures.
Enhance oversight of inward spillover risks from the inverse ownership structure of the Raiffeisen sector.	NT	An Austrian sector-wide Raiffeisen-IPS-System was established by end-May 2021. Almost the entire Raiffeisen sector joined this new IPS (only two small Raiffeisen primary banks are not part of the IPS). Consequently, the previous Bundes-IPS and the previous six Landes-IPSes were dissolved. The reason for changing the system in favor of one overarching IPS was the possibility to establish an own deposit guarantee and investor compensation scheme (DGS) like the one the savings banks already have. Since this new Raiffeisen-IPS consists of significant institutions (SI) and less significant institutions (LSI), the ECB and FMA were responsible for the approvals according to Art. 113 paragraph 7 and Art. 49 paragraph 3 of the (Capital Requirements Regulation (CRR). IPS-based DGS (ÖRS): This new Raiffeisen-IPS was approved as a DGS by the FMA according to Art. 113 paragraph 7 of the CRR. The *Österreichische Raiffeisen-Sicherungseinrichtung* (ÖRS) is the responsible entity of the Raiffeisen-IPS for operating

Recommendations	Time Frame*	Status
		the DGS. Finally, by end of 2024 the two small Raiffeisen banks that so far where not a Raiffeisen IPS member joined the Raiffeisen-IPS and thus its IPS-DGS ÖRS leading to a 100 percent coverage of Raiffeisen banks by the IPS. The resulting approval procedures regarding Art. 113 para 7 and Art. 49 para 3 of the CRR were conducted by the FMA and ECB. On this occasion the ECB and FMA specified the obligation of the R-IPS regarding stress testing as follows*: Stress scenarios shall adequately cater for material idiosyncratic and systemic risks. In this context, the R-IPS shall also consider (i) the extent to which internal spillover effects between R-IPS entities resulting from potential support cases will exhaust the R-IPS support capacity, and (ii) how the R-IPS, when confronted with an extreme support case depleting its support capacity, would ensure that all its members and the R-IPS as a whole continue to comply with regulatory requirements.* **Supervisory activities:** The FMA (and ECB regarding SIs) is (are) constantly monitoring the specific risks of the Raiffeisen sector with a specific focus on the supervision of the IPS. Since the sector has now established this overarching IPS with all Raiffeisen institutions being its members, the FMA/OeNB and ECB are in the position to receive a more comprehensive sector wide view; an enhanced monitoring of the specific risks within the Raiffeisen sector is therefore possible. There are regular meetings between FMA/OeNB staff with the auditors, the management bodies of the credit institutions within the Raiffeisen sectors and with the Raiffeisen Deposit Guarantee Scheme (ÖRS). 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. The authorities constantly refine these supervisory activities as regards the specific risks of the Raiffeisen sector. Furthermore, the spillover risks are also investigated regularly during the resolution planning cycle. Additionally, a Raiffeisen IPS simulation tool has been activated. It allows to simulate the failing of individual Raiffeisen banks and to assess the Raiffeisen IPS

Recommendations	Time Frame*	Status
		capacity to recover such fallouts. In 2024, the OeNB undertook a systemic risk analysis of the Austrian IPSs (Raiffeisen IPS and Sparkassen 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 Raiffeisen IPS within OeNB's systemic risk assessments (e.g., for the purpose of calibrating macroprudential buffers). Since 2023, the FMA has developed a comprehensive mitigation framework which aims to safeguard any future FOLF and resolution of a LSI RLB from any potential follow-up failures of Raiffeisen primary institutions due to the existing financial contagion channels from the RLBs to the primary institutions. Based on the outcome of the development of equivalent mitigation frameworks for SRB banks in the Raiffeisen banking sector, the FMA is currently preparing to bring its negotiations with the LSI RLBs on a mitigation framework into its final phase and then reach a first implementation of this framework in RPC 2025.
Financial Stability Analysis		
Close data gaps, including in the real estate and non-financial corporate (NFC) sectors, and improve coverage and granularity of CESEE data.	MT	The OeNB implemented the following: (i) Data gaps in the real estate and nonfinancial corporate sectors were tackled for residential real estate; the implementation is ongoing for commercial real estate. With respect to commercial real estate, some data gaps are being 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. Data quality is now being analyzed by the OeNB's statistics department with the aim of improving it for the upcoming 2024YE submission.
Enhance stress testing framework to consider second round effects, dynamic balance sheets, and contagion/spillover effects.	MT	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.

Recommendations	Time Frame*	Status
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	No change.
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	No change.
Consider cross-border spillovers in national crisis contingency plans.	NT	A crisis cooperation manual between the OeNB and FMA was concluded in Q2 2020 and updated in 2023. Cross-border spillovers are dealt with in the established procedures of the Resolution Colleges.
Enhance insurance crisis preparedness, introducing pre-emptive recovery planning for eligible insurers.	NT	A fully fledged 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 Ministry of Finance have already 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.
FMA is the Financial Market Authority; the OeNB is the National
Bank of Austria; the BMF is the Ministry of finance

Annex VI. Data Issues Annex

Annex VI. 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	Inter-sectoral 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 IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , 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 VI. Figure 2. Austria: Data Standards Initiatives

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/).

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

As of January 21, 2025

	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[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Austria[8]	Expected Timeliness[6,7]	Austria[8]
Exchange Rates	25-Apr-25	25-Apr-25	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Apr-25	Apr-25	M	M	M	M	1W	1M
Reserve/Base Money	Mar-25	Apr-25	M	M	M	M	2W	2W
Broad Money	Apr-25	May-25	M	M	M	M	1M	1M
Central Bank Balance Sheet	Apr-25	Apr-25	M	M	M	M	2W	2W
Consolidated Balance Sheet of the Banking System	Apr-25	Apr-25	M	M	M	M	1M	1M
Interest Rates[2]	25-Apr-25	25-Apr-25	D	D	D	...	...	...
Consumer Price Index	Apr-25	May-25	M	M	M	M	1M	2W
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	Dec-24	Mar-25	Q	Q	A/Q	Q	2Q/12M	14W
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Dec-24	Mar-25	Q	Q	M	M	1M	NLT 1M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Dec-24	Mar-25	Q	Q	Q	M	1Q	NLT 3W
External Current Account Balance	Apr-25	Apr-25	Q	Q	Q	Q	1Q	NLT 1Q
Exports and Imports of Goods and Services	Apr-25	Apr-25	Q	Q	M	M	8W	NLT 10W
GDP/GNP	Mar-25	Apr-25	Q	Q	Q	Q	1Q	45D
Gross External Debt	Dec-24	Mar-25	Q	Q	Q	Q	1Q	1Q
International Investment Position	Dec-24	Apr-25	Q	Q	Q	Q	1Q	3M

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

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

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] 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") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[7] 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.

[8] 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 VII. Frameworks for Combating 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 (see https://www.imf.org/en/Topics/governance-and-anti-corruption for further information on these voluntary assessments). The current update focuses on supply-side issues (i.e., the criminalization and prosecution of foreign bribery).[2]

2. **In Austria's Phase 4 evaluation in 2024, the OECD notes that Austria has taken measures in implementing the Anti-Bribery Convention and related instruments.** Austria has achieved progress in allocating more resources to the specialized police and prosecutors, including enhancing their capabilities to process and analyze digitalized data, guaranteeing the availability of financial and IT expertise, and granting them unrestricted access to the central bank account registry and registry of beneficial owners. Significant changes were also made to the AML/CFT regime to support law enforcement. For example, the Financial Intelligence Unit (A-FIU) has been incorporated within the Federal Criminal Police, which aims to enhance access to different databases, optimize law enforcement actions, and facilitate information exchange. Austria has also established a general framework for whistleblower protection in the public and private sector (Whistleblower Protection Act of 2023), in line with international standards. However, the Phase 4 report highlights that it remains early to assess the effectiveness of these positive developments.

3. **Austria should continue its efforts to tackle foreign bribery, in particular in enhancing detection and enforcement of the foreign bribery offence and liability of and engagement with legal persons**. In terms of detection, Austria needs to specifically address foreign bribery risks and possible measures in its next anti-corruption strategy, strengthen reporting by Austrian officials and self-reporting by companies, take additional measures on export credits and official development assistance, and promote detection through the AML/CFT system, accounting and auditing, and media reports.[3] Further enforcement measures should also be prioritized, such as clarifying the foreign bribery offense; enhancing investigation, prosecution, and international cooperation; providing guidance on the application of sanctions and confiscation, as well as on offenses related to foreign bribery; and considering establishing a non-trial resolution mechanism to settle foreign bribery cases with the prosecutor's office.[4] The liability of legal persons and enforcement of such liability in the context of combating foreign bribery should also be enhanced.

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[2] Information relating to supply-side corruption in this annex draws on the OECD Working Group on Bribery (WGB)'s Phase 4 Report of Austria (October 2024). IMF staff and the Austrian authorities have provided additional views and information whose accuracy have not been verified by the WGB or the OECD Secretariat and which do not prejudice the WGB's monitoring of the implementation of the OECD Anti-Bribery Convention.

[3] The authorities are undertaking a National AML/CFT/CPF Risk Assessment that will include an analysis of corruption as a predicate offense.

[4] Offenses on passive and active bribery form part of training for judges and prosecutors implemented by judicial training providers.

Engagement with legal persons could be reinforced through awareness raising, development of guidelines for officials and business associations, and lending support to Austrian companies in establishing internal controls, ethics, and compliance programs or measures specifically targeted at preventing and detecting foreign bribery.

INTERNATIONAL MONETARY FUND

AUSTRIA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

June 9, 2025

Prepared By

European Department

CONTENTS

FUND RELATIONS

(As of April 30, 2025)

Mission: March 26–April 04, 2025. The concluding statement of the mission is available at: Austria: Concluding Statement of the 2025 Article IV Mission

Staff team: Mr. Fletcher (head), Mr. Mohommad, Ms. Pinat, and Mr. Saiyid (all EUR).

Country interlocutors: Minister of Finance Marterbauer, Central Bank Governor Holzmann, Members of Parliament, and officials from the Ministries of Finance, Labor, and Climate, 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	2,859.06	72.71
Reserve position	1072.97	27.29
Lending to the Fund		

SDR Department:

	SDR Million	**Percent of Allocation**
Net cumulative allocation	5,504.96	100.00
Holdings	5,680.25	103.18

Outstanding Purchases and Loans: None

Latest Financial Commitments: None

Overdue Obligations and Projected Payments to Fund[1/]:
(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 19 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 during May and September 2019. 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-49010

Technical Assistance: None.

Resident Representative Post: None.