Federal Ministry
Republic of Austria
Finance

Report on effective action to correct the excessive deficit

Unofficial courtesy translation of the official German version.

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1 Introduction

On 8 July 2025, the ECOFIN Council, in accordance with Article 126(6) of the Treaty on the Functioning of the European Union (TFEU), concluded that an excessive deficit exists in Austria and, at the same time, issued a recommendation[1] for its correction in accordance with Article 126(7) TFEU. Austria is required to report at least every six months – usually in April and October – on progress in implementing this recommendation. Austria has already complied with this requirement in October 2025 with its 'Report on Effective Action to Correct the Excessive Deficit' and in April 2026 with the 'Austrian Progress Report 2026'. This document constitutes the report on effective measures in accordance with Article 3(5) of Regulation (EC) No 1467/97, as amended by Regulation (EU) No 2024/1264. This report must be published and forwarded to the European Commission and the Council.

Article 4(2) of Regulation (EU) No 473/2013 stipulates that by Draft Budgetary Plans must be drawn up when preparing a national budget (by 15 October of each year). As part of the 2027/2028 double budget, Austria submitted an overview of the budgetary planning for these two years on 10 June 2026. On 6 July 2026, the European Commission published an opinion[2] on this matter, in which it confirmed that the draft Austrian budget for 2027 is in line with the provisions of the Stability and Growth Pact. A full assessment of the budgetary planning for 2028 was not possible for the European Commission at this stage, as the draft had already been submitted in mid-2026, the macroeconomic assumptions are therefore subject to a high degree of uncertainty, and the Commission does not yet have its own forecasts for 2028. The final assessment for 2028 is expected to be carried out in autumn 2027 on the basis of updated data.

In a statement[3] issued by the Eurogroup on 9 July 2026, the Eurogroup agreed with the Commission's assessment that the Austrian draft budget for 2027 complies with the requirements of the Stability and Growth Pact.

[1] https://data.consilium.europa.eu/doc/document/ST-10348-2025-INIT/en/pdf
[2] https://economy-finance.ec.europa.eu/document/download/7b7103ce-ed77-4241-ba11-bfa031fe3826_en?filename=C_2026_4760_1_EN_ACT_part1_v2.pdf
[3] https://www.consilium.europa.eu/de/press/press-releases/2026/07/09/eurogroup-statement-on-the-austrian-draft-budgetary-plan-for-2027/

This report contains updated macroeconomic and budgetary data and forecasts, providing an overview of developments since the submission of the Austrian draft budgetary plan for 2027 and 2028. The report is based on data from the national accounts (ESA 2010) of Statistics Austria (STAT) as well as the Ministry of Finance's (BMF) own calculations and estimates and uses the economic forecast of the Austrian Institute of Economic Research (WIFO) from October 2026.

2 Compliance with fiscal policy commitments

2.1 Implementation of the net expenditure path

The EU fiscal rules, in particular Regulation (EU) 2024/1263, foresee a maximum net expenditure growth path as the only operational fiscal indicator to assess the fiscal sustainability of EU Member States.

As part of the Austrian fiscal structural plan for the years 2025 - 2029[4], a path for net expenditure growth over a seven-year adjustment period[5] from 2025 to 2031 was put forward. This path was approved by the Council on 8 July 2025. On the same day, the Council initiated an excessive deficit procedure against Austria. Accordingly, the net expenditure path set out in the Council recommendation under Article 126(7) TFEU of 8 July 2025 applies for the years 2025 to 2028. This means that the nominal growth rate of net expenditure must not exceed 2.6 % in 2025, 2.2 % in 2026, 2.2 % again in 2027. This corresponds to the cumulative maximum growth rates calculated with reference to the year 2024: 2.6 % in 2025, 4.8 % in 2026 and 7.2 % in 2027.

The two paths – one set out in the approved Austrian fiscal structural plan and the other in the Council recommendation under Article 126(7) on the correction of the excessive deficit – are substantively identical for the years 2025 to 2028 but are based on different legal foundations. During this period, the net expenditure path of the corrective arm (excessive deficit procedure) is decisive, as non-compliance with it may trigger sanction risks under Article 126(8) or (11) TFEU, and this thus constitutes the stricter surveillance and enforcement framework.

For the reporting years 2025 to 2027, which are relevant to this report, the nominal growth rate of net expenditure must not exceed the figures set out above. As part of the

[4] Austrian-Fiscal-Structural-Plan-2025-2029

[5] Following the commitment to implement 14 reform and investment measures, an extended adjustment period of seven years was granted instead of the usual four years.

Spring Package[6], which was published on 3 June 2026, the European Commission has already assessed Austria's net expenditure growth for the 2025 financial year. Actual net expenditure growth for 2025 was below the maximum permitted level. Consequently, Austria's budgetary target for 2025 is deemed to have been met.

This budget forecast anticipates annual net expenditure growth of 2.4 % for 2026 and 1.9 % for 2027. The projected cumulative net expenditure growth thus amounts to 4.5 % in 2026 (which is below the relevant path of 4.8 %) and 6.5 % in 2027 (which is below the path of 7.2 %). According to the updated forecast, Austria's cumulative net expenditure growth rates remain below the cumulative ceiling recommended by the Council.

Detailed information is set out in Tables 1 and 9 in the annex.

2.2 National escape clause

On 11 December 2025, Austria requested the activation of the national escape clause on defence. After assessing the necessary conditions, the European Commission recommended the Council the activation, which took place on 17 February 2026.

The activated escape clause allows Austria, for the budget years 2025 to 2028 – and thereafter for deliveries of military equipment contracted during this period – to deviate from the recommended net expenditure path, provided that this deviation is justified by an increase in defence expenditure (COFOG-2 definition) and the increase does not exceed 1.5 % of GDP annually until 2028 (compared to the 2021 level of expenditure as a percentage of GDP).

According to the available statistics on government expenditure published by Statistics Austria, total government defence expenditure in Austria, as classified under COFOG Division 02, amounted to 0.60 % of GDP in 2021, 0.60 % in 2022, 0.60 % in 2023, 0.67 % in 2024 and 0.72 % in 2025.

[6] https://reforms-investments.ec.europa.eu/document/download/30da7a8f-21c1-4c87-8775-54ea80d777f5_en?filename=SWD_2026_200_2_EN_autre_document_travail_service_part1_v2.pdf

Defence spending is estimated to reach 0.9 % of GDP between 2026 and 2028. In the coming years, Austria intends to safeguard its long-term defence capabilities, whilst considering macroeconomic developments and budgetary requirements.

Detailed information is set out in Table 6 in the annex.

3 Development of the Austrian economy

3.1 Economic Development (2025 to 2027)

Following two years of declining economic output, the Austrian economy recorded moderate growth of 0.7 % in 2025. On the demand side, the recovery was driven by investment in equipment (7.9 %), whilst investment in construction fell once again. Private consumption rose by a modest 0.5 %. Following two years of decline, exports of goods and services recorded a real increase of 1.3 % in 2025. Despite a fall of around one-fifth in goods exports to the US, goods exports as a whole rose by 0.6 % in real terms.

From a sectoral perspective, growth in 2025 was driven by the services sector. The industrial recession also came to an end; the manufacturing sector recorded a real increase in value added of 1.6 %.

The economic recovery continued at the start of 2026. In the first quarter of 2026, real gross domestic product grew by 0.3 % compared with the previous quarter. Against the backdrop of the war in the Middle East, heightened uncertainty, the closure of the Strait of Hormuz – a key route for the transport of oil and gas – and the associated rise in energy prices, growth turned negative in the second quarter (-0.1 % compared with the previous quarter). Nevertheless, the manufacturing sector remains on track for recovery, with growth of 2.9 % compared with the same quarter of the previous year.

The improvement in industrial activity is also reflected in the UniCredit Bank Austria Purchasing Managers' Index. This has remained in expansionary territory for seven months and rose to 54.9 points in September – the highest level since the start of Russia's war of aggression against Ukraine in 2022.

Consumer confidence remains below average. For the economy as a whole, the results of the WIFO Economic Survey for September indicate a slight improvement in business sentiment.

The WIFO forecast assesses the international economic situation as follows: for the eurozone, a GDP growth rate of 1.1 % is expected for both 2026 and 2027. Austria's most important trading partner, Germany, is expected to record a growth rate of 1.3 % this year, whilst growth of 1.2 % is forecast for 2027.

The WIFO forecasts real economic growth of 0.9 % for Austria in 2026. The growth forecast for the coming year has been revised upwards to 1.3 %.

Private consumption is set to grow only modestly both this year (0.4 %) and in 2027 (0.5 %). In 2026, investment is likely to continue to show mixed trends. Whilst investment in equipment is expected to rise by 2.0 %, investment in construction is set to decline slightly. In 2027, investment in construction (1.0 %) is also expected to pick up again. The growth outlook for the export sector has improved significantly compared with the June forecast. Goods exports are expected to rise by 2.4 % this year (2027: 1.6 %), whilst exports of goods and services are forecast to increase by 2.3 % (2027: 1.7 %). Imports of goods and services are set to rise by 1.6 % and 1.7 % respectively over the forecast period.

Value added in the manufacturing sector is forecast to grow by 2.3 % (2027: 1.7 %). Value added in the construction sector is expected to grow by 1.0 % in 2027, following a slight decline this year. Whilst the retail sector is likely to stagnate this year, growth of 1.0 % is forecast for 2027.

The unemployment rate, as defined by national statistics, recently rose to 7.1 % (+0.1 percentage points compared with the same month last year). At the same time, employment increased by 0.2 %. For the annual average in 2026, WIFO forecasts an unemployment rate of 7.6 %, with employment growth of 0.5 %. In 2027, the unemployment rate is expected to fall to 7.3 %, whilst employment is set to rise by 0.7 %.

Inflation in Austria stood at 3.6 % (CPI) in 2025. By the start of 2026, inflation had fallen to 2.0 %. As a small open economy, Austria cannot insulate itself from developments on the international energy markets. Consequently, inflation rose sharply in the spring of 2026, reaching an estimated 3.6 % in September 2026. For 2026, WIFO forecasts inflation of 3.3 %. Next year, inflation is expected to fall to 2.6 %.

4 Development of public finances

The fiscal consolidation path pursued by the Austrian Federal Government is so far proceeding better than planned. At 4.1 % of GDP in 2025, the general government Maastricht deficit clearly outperformed the original target of 4.5 % of GDP. The 2026 target of 4.2 % of GDP will also be outperformed, despite significant cyclical additional spending on unemployment insurance benefits. From today's perspective, 2027 will be challenging, attributable not only to the continuing high level of unemployment insurance benefits but, in particular, to the higher interest expenditure currently forecast. Government bond yields are increasing worldwide, which is weighing on the 2027 fiscal forecast. The Federal Government is monitoring these developments closely and remains committed to its objective of reducing the Maastricht deficit to 3.0 % of GDP in 2028 and exiting the Excessive Deficit Procedure.

4.1 General government balance in 2025

At the end of September 2026, Statistics Austria published the general government outcome for 2025, which is slightly better overall than the figures presented at the end of March 2026.

Fiscal balance and primary balance

The **general government fiscal balance** amounted to **-21.4 bn Euro**, or **-4.1 % of GDP**, in 2025. This is 0.1 bn Euro, or 0.1 percentage points of GDP, better than assumed at the end of March 2026. The Federal Government's target, presented in May 2025, of reducing the deficit to 4.5 % of GDP was thus clearly exceeded.

By **sector**, 15.5 bn Euro, or 3.0 % of GDP, of the general government deficit was attributable to the central government sector. The deficit of the state and municipal sector widened to 1.1 % of GDP compared with 2024, while the deficit of the social security sector stood at 0.1 % of GDP.

The general government **primary balance** improved by 0.6 percentage points compared with 2024, to -2.5 % of GDP. The improvement in the primary balance was thus greater than that in the fiscal balance, as interest expenditure rose by 0.1 percentage points.

Debt ratio

At 418.4 bn Euro, the absolute debt level at the end of 2025 was slightly higher than assumed at the end of March (+0.3 bn Euro). However, nominal GDP was revised up significantly (+5.4 bn Euro, a base effect of a revision to 2024 GDP). As a result, the **debt ratio** of **80.7 % of GDP** was well below the end-March figure (-0.8 percentage points). The difference is even more pronounced compared with the planning of April 2025, when a debt ratio of 84.7 % of GDP was still projected on the basis of the WIFO economic forecast at the time.

Expenditure-side transaction categories

The **general government expenditure ratio** amounted to **54.6 % of GDP** in 2025, a slight decline compared with 2024. In absolute terms, government expenditure rose by 9.5 bn Euro, or 3.5 %, to 282.7 bn Euro. Government expenditure was thus 0.3 bn Euro lower than in the preliminary figures from the end of March 2026. The expenditure ratio is also considerably lower than assumed, mainly because of the higher nominal GDP.

On the **expenditure side**, **monetary social benefits** recorded the strongest increase relative to GDP in 2025, rising from 19.4 % of GDP in 2024 to 19.9 % in 2025. In absolute terms, they increased by 6.0 bn Euro, or 6.2 %. Several factors drove this development:

- First, the 2025 pension adjustment, which is based on past inflation, was 4.6 % and thus higher than nominal GDP growth.

- Second, rising unemployment (+19.7 thou. persons on an annual average) led to a sharp increase in unemployment insurance benefits (+11.8 %).

- Third, with the exception of the abolition of educational leave, the Federal Government's structural consolidation measures relating to the labour market and pensions only take effect from 2026 onwards.

Compensation of employees rose from 11.2 % of GDP in 2024 to 11.4 % in 2025, an increase of 5.3 % in absolute terms. In addition to the 3.5 % public sector pay increase in 2025, staff numbers also rose, primarily in health and social services and in public security and defence.

Social benefits in kind continued to grow strongly in 2025, by 5.4 %, which corresponds to an increase of 0.1 percentage points to 4.6 % of GDP. This was driven by benefits in kind in health and long-term care, in particular social security expenditure on practising doctors, medicines and rehabilitation, as well as expenditure by the states and municipalities on long-term care. In addition to inflation-related increases, this development is shaped above all by demographic change.

Interest expenditure grew fastest in relative terms, by 11.9 %, and amounted to 8.2 bn Euro in 2025. The interest expenditure ratio thus stood at 1.6 % of GDP (+0.1 percentage points compared with 2024), reaching its highest level since 2018.

All other transaction categories declined or remained constant relative to GDP. This applies above all to the **three subsidy-type transaction categories**, in which the Federal Government's consolidation measures took effect. In total, subsidy-type transactions fell by 8.0 %, or 0.7 percentage points of GDP, to 5.8 % of GDP, their lowest level since 2019 (2019: 5.1 % of GDP).

In detail, the abolition of the climate bonus was a key reason for the decline in **other current transfers**. These fell by 1.6 bn Euro, or 9.1 %, or relative to GDP by 0.4 percentage points. **Subsidies** were 0.5 bn Euro (-5.4 %), or 0.2 percentage points of GDP, lower in 2025. **Capital transfers** fell by 0.5 bn Euro (-8.8 %), or 0.1 percentage points of GDP. The consolidation of federal subsidies had a marked effect on both of these transaction categories.

Intermediate consumption grew by 2.6 % in 2025, which means it declined slightly relative to GDP compared with 2024, to 6.9 % of GDP (-0.1 percentage points). Savings in federal administration had a dampening effect on intermediate consumption. At 3.8 % of GDP in 2025, **general government gross investment** was also slightly below its 2024 level (3.9 % of GDP). Gross fixed capital formation in 2025 was affected by delivery delays.

Revenue-side transaction categories

The **general government revenue ratio** stood at 50.4 % of GDP, an increase of 0.4 percentage points. In absolute terms, government revenue rose by 11.1 bn Euro, or 4.4 %, to 261.3 bn Euro. Government revenue was thus 0.2 bn Euro lower than in the preliminary figures from the end of March 2026.

The **tax-to-GDP ratio** was 43.5 % (indicator 2; Indicator 4, which includes voluntary and imputed social contributions: 43.9 % of GDP). Because nominal GDP was revised up, both the tax-to-GDP ratio and the revenue ratio are considerably lower than in the preliminary figures from the end of March 2026.

On the **revenue side**, **taxes on production and imports** developed particularly dynamically in 2025. They grew by 6.7 %, an increase of 0.4 percentage points to 13.9 % of GDP. This was driven by the Federal Government's tax consolidation measures, including the consolidation contributions from banks and the energy sector, the abolition of the VAT exemption for photovoltaic systems, the inclusion of e-cars in the motor-related insurance tax or increases in gambling levies, the betting fee and tobacco tax.

Social contributions also grew strongly in 2025, by 5.2 %, partly reflecting the increase in health insurance contributions for pensioners from 01 June 2025. Relative to GDP, they rose by 0.2 percentage points to 16.0 %.

Taxes on income and wealth grew by 3.2 % in 2025, more slowly than nominal GDP. Capital income taxes rose strongly (+19.0 % in total), as did wage tax (+4.3 %). These gains were offset by weak growth in assessed income tax (+2.3 %) and lower corporate income tax revenue (-6.1 %).

Market output rose by 4.4 % in 2025 (partly owing to lagged inflation effects). At 4.7 % of GDP, it remained at its 2024 level, which is also the highest since 1995. **Property income** declined in 2025 (-10.5 %) owing to lower interest and dividend income and amounted to 1.0 % of GDP.

4.2 General government forecast for 2026

As part of the fiscal notification at the end of September 2026, the Federal Ministry of Finance updated its general government fiscal forecast for 2026. External conditions are challenging, in particular because of the economic impact of geopolitical conflicts. Despite this, the Federal Government's consolidation target will also be exceeded in 2026.

Compared with the June 2026 forecast presented in the Draft Budgetary Plan 2027 and 2028, the following developments in particular have been taken into account:

- **Budget execution of the Federal Government and the states, including Vienna:** Execution data for the first eight months of the year are available for the administrative budgets of the Federal Government and the states, including Vienna. Overall, these show a slightly more favourable development than assumed in spring 2026, particularly for the states. Uncertainty about the budgetary impact of the war in the Middle East in the current year is also lower now than in March, shortly after the war broke out.

- **Economic conditions:** Economic developments in 2026 have so far been mixed, but nevertheless robust given the difficult international environment. WIFO's latest economic forecast of October 2026 continues to assume real GDP growth of 0.9 % for 2026. The expected annual inflation rate has been revised up significantly to 3.3 %, likewise the projected annual average number of registered unemployed (325.5 thou. persons, +9.0 thou. compared with the April 2026 forecast, main scenario). The latter weighs particularly heavily on the budget through higher unemployment insurance benefit payments. The acceleration in government bond yields in recent weeks has only a minor impact in 2026, as the Austrian Treasury (OeBFA) has already completed most of the financing planned for this year.

- **Drought relief package:** To cushion the effects of the persistent drought, the Federal Government has presented a relief package for domestic agriculture and forestry totalling 240.0 mn Euro. The central measure is the waiver of two thirds of farmers' social insurance contributions in the fourth quarter of 2026, amounting to around 140.0 mn Euro. In addition, interest subsidies on working capital loans (25.0 mn Euro) and instalment deferrals on agricultural investment and debt consolidation loans (25.0 mn Euro) will be provided. This and the interest subsidies are spread over several years, and pure deferrals do not affect the deficit under

ESA 2010. As the fourth component, drought insurance premiums will be reduced by 10 % in 2027 for all existing and new policyholders (50.0 mn Euro). This will be covered from Disaster Fund resources that have already been budgeted. From 2027, these costs to the federal budget will be neutralised by lowering the federal supplementary rate (Hebesatz) in the farmers' health insurance scheme.

- **Extension of the fuel price cap:** The fuel price cap has been in force since April 2026 and essentially comprises two measures: first, a reduction in mineral oil tax and, second, a cap on margins for companies in the fuel sector. The measures apply for one calendar month at a time and are evaluated monthly. They can be extended by a further month if prices remain excessive (reference date: 27 February 2026). The margin cap was or will be in force only in April, May, October and November. The size of the mineral oil tax reduction is based on the additional VAT revenue resulting from higher fuel prices and is therefore budget-neutral over the medium term. The total volume of the discretionary mineral oil tax reduction is currently estimated at 215.0 mn Euro in 2026. This is offset by higher VAT revenue.

Fiscal balance and primary balance

The **general government Maastricht balance** is expected to be -22.0 bn Euro, or -4.1 % of GDP. This is 0.2 bn Euro, or 0.1 percentage points of GDP, better than estimated in March 2026. The Federal Government's consolidation target for 2026 (May 2025 forecast: -4.2 % of GDP) will thus be slightly exceeded.

By **sector**, the currently projected outcome for the central government sector is -16.2 bn Euro, or -3.0 % of GDP. This is somewhat worse than expected in March (- 0.5 bn Euro, or -0.1 percentage points of GDP). A key factor is the absence of a labour market recovery and the resulting statutory increase in unemployment insurance benefits.

By contrast, the forecast for the state and municipal sector has been improved compared with March 2026 by 0.5 bn Euro, or 0.1 percentage points of GDP, to -5.5 bn Euro, or -1.0 % of GDP. This assessment is based on current execution data for the states, including Vienna, which point to an improvement compared with 2025 (2025: -5.6 bn Euro). It also takes into account downside risks in the second half of 2026. The improvement is driven in particular by savings measures by the states and municipalities and by higher revenue shares resulting from higher gross tax revenue.

In light of the social security sector's 2025 significantly better outcome, the forecast for the social security sector has been improved by 0.2 bn Euro compared with March 2026, to -0.3 bn Euro (-0.1 % of GDP). The sector's results in the first half of 2026 are exceptionally positive, owing among other things to the increase in health insurance contributions for pensioners, which only took effect on 01 June 2025. Based on the financial forecast of the Federation of Social Insurances, a negative balance is still expected for the year as a whole.

With regard to the requirements of the Austrian Stability Pact, the updated forecast means that the central government and the social security sector will meet their targets, while the states and municipalities will exceed theirs. Overall, these developments confirm the effectiveness of the Stability Pact and, more generally, the broad-based implementation of consolidation measures across all sectors.

Debt ratio

Based on the current deficit forecast and differences between the deficit and the change in debt (deficit-debt adjustment), the forecast for the absolute debt level at the end of 2026 has been revised down by 0.6 bn Euro compared with March 2026, to 440.3 bn Euro. Relative to GDP, the adjustment is more pronounced because nominal GDP is now expected to be higher. In March 2026, a debt ratio of 83.4 % of GDP was still assumed; the updated estimate of 82.4 % of GDP is one percentage point lower. Compared with the May 2025 forecast, when the 2025/2026 double budget was presented, the debt ratio is 3.8 percentage points of GDP lower.

The forecast includes investments by government entities with the Austrian Treasury (OeBFA) through the Bundesschatz facility for public entities. Their development is in line with previous expectations. They amounted to 2.2 bn Euro as of 31 December 2025, rose to 3.9 bn Euro by 30 September 2026 and exceeded 4.0 bn Euro in October 2026. From a general government perspective, this volume is not relevant to debt. At the same time, OeBFA needs to raise a smaller volume from third parties on the capital market, which has a favourable effect on the development of the debt level. It is anticipated that, by the end of 2026, the Bundesschatz investments of government entities will rise to around 5 bn Euro.

Expenditure-side transaction categories

The updated forecast assumes government expenditure of 291.9 bn Euro in 2026, an increase of 9.2 bn Euro, or 3.3 %, compared with 2025. The projected increase is thus somewhat higher than expected in March 2026 and is based in particular on the execution data available to date. However, the updated estimate for the government expenditure ratio, at 54.7 % of GDP, is lower than previously assumed, owing to the higher nominal GDP.

At 102.9 bn Euro, **monetary social benefits (D.62)**, which include pension expenditure and unemployment insurance benefits among other items, accounted for more than one third of government expenditure in 2025. In 2026, they will rise slightly relative to GDP, from 19.9 % in 2025 to 20.0 %. The projected increase amounts to 3.8 bn Euro, or 3.7 %, compared with 2025. Compared with the end-March 2026 notification, the forecast is based in particular on the following assumptions and updates:

- First, the Federal Government's pension measures are slowing the growth of pension expenditure. These include in particular the restrictions on the corridor pension and the 2026 pension adjustment. That adjustment provides a fixed amount increase in pensions for those earning 2,500 Euro or more, and thus a reduced indexation. Compared with previous planning, take-up of the partial pension has fallen short of expectations.

- Second, other consolidation measures by the Federal Government also have a dampening effect on monetary social benefits. These include the suspension of the indexation of social benefits, the reform of educational leave into the further training period, and the restriction on marginal additional earnings alongside unemployment benefit.

- Third, the states are also implementing savings measures, above all the alignment of social assistance in Vienna with comparable rules in other states.

- Fourth, these expenditure-dampening measures are offset by expected additional spending on unemployment insurance benefits. Based on developments in the first three quarters, WIFO's October 2026 economic forecast projects higher unemployment for 2026 than its April 2026 forecast (main scenario). Unemployment is now expected to increase compared with 2025, whereas in April

2026 it was still expected to remain at a similar level. This feeds through to monetary social benefits in the form of higher unemployment insurance benefits.

- Overall, the observed increase in expenditure on monetary social benefits in budget execution so far in 2026 suggests that the March 2026 forecast of a 3.9 % increase was somewhat too high. The actual development is closer to the October 2025 estimate.

Compensation of employees is expected to decline to 11.2 % of GDP in 2026. Owing to the higher nominal GDP, this is below the March 2026 estimate (11.3 % of GDP). The projected decline compared with 2025 results mainly from the renegotiated public sector pay agreement at federal level and in several states, which sets an effective pay adjustment of 1.65 % for 2026. This adjustment is considerably lower than the currently projected nominal GDP growth.

Growth in **social benefits in kind** will slow slightly in 2026 compared with 2025. At 5.1 %, however, it will remain well above the projected inflation rate and nominal GDP growth. Based on the execution data available to date, projected growth is also considerably higher than the 3.6 % expected in March 2026. Above-average increases are assumed, for example, in social insurance expenditure on practising doctors, medicines and medical rehabilitation. Relative to GDP, social benefits in kind rise from 4.6 % in 2025 to 4.7 % in 2026.

Interest expenditure is expected to grow strongly in 2026, by more than 10 %, rising to 9.2 bn Euro, or 1.7 % of GDP. The current worldwide rise in government bond yields has only a marginal effect in 2026, as most of the financing has already been completed.

Following the significant decline in **subsidy-type transaction categories** relative to GDP to 5.8 % in 2025, a further reduction to 5.4 % is expected in 2026.

Capital transfers are projected to decline relative to GDP in 2026. Key factors include a lower expenditure under the renovation initiative compared with 2025 (new subsidy programme in 2026, high back payments under the old subsidy regime in 2025), the expiry of the investment premium and a shift of funds relating to the innovation fund to strengthen outpatient care to 2027.

Subsidies grow only slightly in 2026 and decline slightly relative to GDP. The savings already in effect in 2025 will continue in 2026. In addition, lower funding requirements are expected for the craftsmen bonus, which expires in 2026. This is offset in particular by higher expenditure under the previous Federal Government's "Housing and Construction Initiative" stimulus package.

Other current transfers are assumed to grow only slightly in 2026, and the March 2026 estimate has been revised down somewhat on the basis of current execution data. One area of growth is the EU contribution. Relative to GDP, a slight decline to 3.0 % is now assumed, after 3.1 % in 2025.

Two adjustments have been made to **intermediate consumption** in the updated forecast compared with March 2026. First, intermediate consumption in 2025 was lower than indicated by the preliminary data available in March 2026. Second, current execution data suggest stronger growth than expected in March 2026. Taken together, intermediate consumption is now projected to increase by 2.9 % compared with 2025. Relative to GDP, it remains at its 2025 level of 6.9 %.

Gross investment is still expected to rise to 4.1 % of GDP in 2026. This is due partly to rising military investment and partly to the postponement of ÖBB deliveries from 2025 to 2026.

Revenue-side transaction categories

The **government revenue ratio** rises slightly from 50.4 % of GDP in 2025 to 50.5 % in 2026. Compared with the March 2026 forecast, the ratio is lower owing to the higher nominal GDP. In absolute terms, the projected increase compared with 2025 amounts to 8.6 bn Euro, or 3.3 %. The updated revenue forecast reflects not only new measures but also, in particular, budget execution in 2026 to date.

On the **revenue side**, several developments affect **taxes on production and imports** in 2026:

- The tax consolidation measures that took effect in 2025 continue in 2026.
- For measures that only took effect during 2025, the corresponding consolidation volume is higher in 2026 (for example the inclusion of e-cars in the motor-related

insurance tax). These are offset by revenue-reducing measures taken by the Federal Government to curb inflation and provide relief to the population. These include in particular the temporary reduction of the electricity tax in 2026 (500.0 mn Euro, on an accrual basis under ESA 2010) and the reduction in VAT on selected food products in force since 01 July 2026 (200.0 mn Euro on an accrual basis under ESA 2010, and 400.0 mn Euro in subsequent years).

- The temporary reduction in mineral oil tax adopted in response to higher fuel prices is budget-neutral overall. The size of the reduction is set monthly and matches the corresponding additional VAT revenue resulting from higher fuel prices. The volume of this effect is currently estimated at 215.0 mn Euro in 2026.

Overall, taxes on production and imports are expected to grow by 2.7 %, so that they decline slightly relative to GDP from 13.9 % in 2025 to 13.8 % in 2026.

Taxes on income and wealth are expected to grow by 3.2 % overall in 2026. The following developments need to be taken into account:

- The key additional consolidation measure compared with 2025 concerns the inflation adjustment of the income tax bracket thresholds. Two thirds of the adjustment are applied. In 2026 (and subsequent years), the variable final third of the inflation adjustment is used for budget consolidation.

- Working in the opposite direction are the proactive measures presented as part of the 2025/2026 double budget, such as the increase in the commuter euro as partial compensation for the abolition of the climate bonus.

- In addition, the increase in the investment allowance (from 01 November 2025 to 31 December 2026, revenue shortfall of 30.0 mn Euro in 2026), the one-off extension of the increased overtime allowance in 2026 (one-off 105.0 mn Euro under ESA 2010) and the tax exemption for pay for work on public holidays (35.0 mn Euro under ESA 2010) were adopted as further measures to strengthen Austria as a business location.

- Looking at individual taxes, wage tax continues to develop dynamically and is broadly in line with previous expectations. Based on execution to date, assessed income tax and capital income tax are expected to yield slightly more than

assumed in June 2026. This is offset by a more pessimistic assessment of corporate income tax, where recent execution data point to lower revenue in 2026.

- Furthermore, Vienna raised its housing subsidy contribution from 1.0 % to 1.5 % of the assessment base at the beginning of 2026, generating additional revenue of around 200 mn Euro.

Social contributions are projected to grow by 3.2 % in 2026, slightly above the 3.1 % in the March 2026 forecast. According to WIFO's current economic forecast, the relevant sum of wages and salaries will grow more weakly than in 2025 and than in previous economic forecasts. However, the increase in health insurance contributions for pensioners applies for the full year in 2026, and execution to date has exceeded expectations. A dampening effect comes from the waiver of two thirds of farmers' social insurance contributions in the fourth quarter of 2026 as part of the drought relief package for agriculture and forestry, amounting to around 140.0 mn Euro.

Market output is expected to grow solidly in 2026 and remain at its high 2025 level of 4.7 % of GDP. Key consolidation measures affecting this transaction category include the increase in Wiener Linien ticket prices and in the price of the climate zicket.

As in the March 2026 forecast, **property income** is projected at 1.1 % of GDP in 2026, a slight increase compared with 2025. This reflects higher dividend income and higher interest rates, which have a positive effect on the interest income of government entities and extra-budgetary units.

4.3 General government forecast for 2027

The Federal Ministry of Finance last presented a general government forecast for 2027 in June 2026, as part of the federal 2027/2028 double budget. In the three months since then, economic conditions have partly changed. Leading indicators generally point to an economic recovery in Austria. For key budget-relevant indicators, however, the projected development is more pessimistic than assumed in WIFO's April 2026 economic forecast (main scenario).

First, government bond yields are currently rising worldwide. Most of the 2026 financing has already been completed, so the impact on interest expenditure in 2026 is limited.

Recent interest rate forecasts do, however, point to higher interest expenditure in 2027. On a positive note, the Austrian spread, i.e. the yield differential to German government bonds, remains stable despite the higher level of interest rates. As interest expenditure is recorded on an accrual basis under ESA 2010, the impact on the Maastricht balance is smaller than on cash interest payments in the federal administrative budget. Second, the still weak economic recovery is not sufficient to reverse the trend in unemployment already in 2026. Unemployment will decline in 2027 compared with 2026 but will be higher than expected in WIFO's April 2026 economic forecast (main scenario). These two factors result in a deterioration of the general government fiscal balance. By contrast, they have no significant impact on net primary expenditure growth.

At the same time, there are some developments that have a positive effect on the 2027 fiscal forecast. The now higher forecast sum of wages and salaries has a positive effect on wage-related revenue and higher interest rates have a positive effect on government property income. Budget execution in 2026 to date points to improvements that also benefit the 2027 forecast. In addition to the already adopted 2027 federal budget, the state draft budgets already available show that the states will remain on their consolidation path in 2027. With regard to higher inflation, the public sector pay agreement valid until 2028, the 2027 pension adjustment and the suspension of the indexation of income-independent family and social benefits protect the federal budget against inflation-driven additional expenditure.

Fiscal balance and primary balance

Owing to continued consolidation across all subsectors, the general government **Maastricht balance** improves from -4.1 % of GDP in 2026 to **-3.6 % of GDP in 2027**. Compared with the June 2026 forecast, this represents a marginal deterioration of 0.1 percentage points of GDP. This is mainly due to the higher interest expenditure and unemployment insurance benefits mentioned above.

These two developments in particular affect the central government sector. Its Maastricht deficit has therefore been revised by 0.1 percentage points compared with the June 2026 estimate, to 2.8 % of GDP. For the other sectors, there are no changes in Maastricht balances relative to GDP.

The Federal Government's consolidation is reflected in the development of the **primary balance**, which improves from -2.4 % of GDP in 2026 to -1.6 % of GDP in 2027.

Debt ratio

The higher projected nominal GDP has a positive effect on the **debt ratio** forecast. Whereas a debt ratio of 83.6 % of GDP was expected for 2027 in June 2026, the current forecast is **83.2 % of GDP**.

Working in the opposite direction, compared with June 2026, is the higher Maastricht deficit in absolute terms in 2027. In addition, the debt level is affected by cash interest payments, which are rising more strongly than interest expenditure recorded on an accrual basis under ESA 2010.

Expenditure-side transaction categories

According to the current forecast, the **government expenditure ratio** will fall from 54.7 % of GDP in 2026 to 54.4 % in 2027. For all expenditure areas (ESA 2010 transaction categories) except interest expenditure, a decline or a stable level relative to GDP is expected. Specifically, a decline of 0.1 percentage points of GDP is projected in particular for compensation of employees, monetary social benefits, subsidies and intermediate consumption.

In absolute terms, this means an increase of 9.3 bn Euro, or 3.2 %, to 301.2 bn Euro.

Despite the prudent debt management of the Austrian Treasury (OeBFA), **interest expenditure** will rise. Since the last forecast in June 2026, the outlook has deteriorated further as a result of the worldwide rise in government bond yields currently being observed. Current estimates point to an increase of 19.8 % compared with 2026, to 11.0 bn Euro. Relative to GDP, this is an increase of 0.3 percentage points to 2.0 %. This development very clearly counteracts the success of consolidation.

Intermediate consumption (P.2) grows by 2.4 % in 2027, less than nominal GDP. This results in a decline of 0.1 percentage points to 6.8 % of GDP in 2027.

Compensation of employees (D.1) is expected to grow by 2.3 % in 2027, thereby falling by 0.1 percentage points relative to GDP compared with 2026, to 11.1 % of GDP. Key factors are first the federal public sector pay agreement for 2026 to 2028 that has also been adopted by other levels of government. Second, a savings path for the general administrative service was set at the federal level, which will reduce federal administrative

staff by around 6 % in total (around 2,600 full-time equivalents) by the end of 2029, with first effects in 2027. This is offset by an expenditure-increasing effect from the proactive policy measures, amounting to around 0.2 bn Euro in 2027.

Subsidies (D.3) also decline in absolute terms in 2027 compared with 2026. Relative to GDP, they fall by 0.1 percentage points to 1.5 % in 2027. This reflects the Federal Government's plan to scale back subsidies.

Monetary social benefits (D.62) are under pressure owing to demographic developments and the labour market situation. The Federal Government’s measures in the 2025/2026 and 2027/2028 double budgets relating to the labour market, employment of older people and pensions have noticeably dampened the growth of monetary social benefits compared with a no-policy-change scenario. Compared with the June 2026 planning, the continued difficult labour market situation results in higher projected unemployment insurance benefits in 2027. Specifically, monetary social benefits are expected to grow by 3.0 % in 2027, below the projected nominal GDP growth of 3.7 %. This leads to a decline from 20.0 % of GDP in 2026 to 19.8 % of GDP in 2027.

Social benefits in kind (D.632), which mainly concern the social security sector, but also the states, including Vienna, also rise by 3.0 % in 2027. This assumes that the consolidation efforts already initiated by the social insurance institutions will take effect and that the recent high growth rates will ease somewhat. Relative to GDP, they remain at a similar level to 2026, at 4.7 %.

Other current transfers (D.7) are assumed to grow by 4.7 % in 2027, remaining at 3.0 % of GDP. The measures in the 2027/2028 double budget have a slightly expenditure-increasing effect, as many proactive policy measures are partly allocated to this transaction category in the present fiscal forecast. Cuts in grants to non-profit organisations and in federal payments to foreign countries have a dampening effect. A higher EU contribution in 2027 works in the opposite direction.

Capital transfers (D.9) fell from 1.1 % of GDP in 2025 to 0.8 % in 2026 and are expected to remain at that level in 2027. The 2026 decline results mainly from lower expenditure under the renovation initiative compared with 2025. That initiative has been switched to a new subsidy regime, which also applies in 2027.

Gross investment (P.5) grows by 3.4 % in 2027, slightly less than projected nominal GDP. Relative to GDP, however, it remains constant at 4.1 %, as envisaged in the medium-term fiscal framework approved by the Council as part of the seven-year adjustment path. Key factors in the forecast of gross investment are investments by ÖBB-Infrastruktur AG and ÖBB-Personenverkehr AG, defence investments and infrastructure investments by the states and municipalities.

Revenue-side transaction categories

Government revenue is projected to increase by 4.1 % in 2027, exceeding nominal GDP growth. Consequently, the **government revenue ratio** rises from 50.5 % of GDP in 2026 to 50.8 % in 2027.

Market output (P.11+P.12+P.131) of the general government sector is assumed to grow by 4.1 % in 2027. This is slightly above the March 2026 assumption and reflects higher inflation and the resulting price adjustments. Relative to GDP, it remains at its 2026 level of 4.7 %.

Taxes on production and imports (D.2) are expected to grow by 4.2 % in 2027 compared with 2026, slightly below the June 2026 estimate of 4.4 %. There are no significant changes compared with June 2026 in the effect of the tax consolidation measures. Relative to GDP, the current estimate of 13.9 % is below the 14.1 % projected in June 2026. This is mainly because of the higher nominal GDP.

Property income (D.4) includes government interest and dividend income, among other items. Its development is influenced in particular by the increases in dividends to the federal budget adopted as part of the consolidation, under both the 2025/2026 and the current 2027/2028 double budget. In addition, the current rise in interest rates also has a positive effect. Overall, property income is expected to remain at its 2026 level of 1.1 % of GDP in 2027, a slightly more optimistic assessment than in June 2026.

The forecast for **taxes on income and wealth (D.5)** for 2027 has been adjusted compared with the June 2026 forecast on the basis of budget execution in 2026 to date. This means, first, that expected growth of 4.7 % compared with 2026 remains at the level of the June 2026 forecast. The now more dynamic development of the sum of wages and salaries has a slightly positive effect. Second and more significantly, corporate income tax revenue in 2026 is now expected to be lower, and this also affects 2027 through a base effect. This is

offset by a higher level of capital income taxes, which is also already emerging in 2026. Neither development affects expected growth in 2027. Together with the higher nominal GDP, taxes on income and wealth are now projected at 14.0 % of GDP in 2027, below the June 2026 forecast.

Social contributions (D.61) are also projected to grow faster than nominal GDP in 2027, by 4.3 %. Accordingly, they rise slightly relative to GDP, from 16.1 % in 2026 to 16.2 % in 2027. Consolidation measures with a significant effect on social contributions include the now specified measures relating to social security and unemployment insurance, and the extraordinary increase in the maximum contribution base. From the 2025/2026 consolidation package, the increase in health insurance contributions for pensioners has a particularly positive effect, while the "working in old age" package (active pension) has a dampening effect.

4.4 Description of economic policy measures and their effects

Since taking office one and a half years ago, the Federal Government has presented two double budgets, for 2025/2026 and for 2027/2028, each containing extensive consolidation measures. At the same time, it has implemented labour market measures and reforms, invested in education, long-term care and health, and provided impetus to strengthen Austria as a business location. Overall, this results in a net consolidation volume of around 15 bn Euro by 2028.

In addition to the Federal Government's consolidation measures, the Austrian Stability Pact is a key component for achieving the general government fiscal targets and complying with European requirements. Clear targets for all levels of government, more transparent execution data and an in-depth exchange on economic and budgetary developments ensure that deviations from the general government target path are identified early and can be corrected.

The outperformance of the budgetary targets in 2025 and, according to the current forecast, in 2026, despite weak economic activity, demonstrates that consolidation is working. This applies not only to the savings measures adopted by the Federal Government but also to the efforts of the states, municipalities and social insurance institutions. Measures have been and are being taken at all levels. They are already visible

in budget execution, and all of them contribute to reducing the general government deficit.

Looking ahead to 2027, the Federal Ministry of Finance currently sees risks primarily in relation to further economic developments and government financing costs. This concerns above all the currently rising government bond yields, which could lead to higher interest expenditure in 2027, and also the failure of unemployment to fall, which had originally been expected already for 2026. The potential additional budgetary burden does not jeopardise compliance with the net primary expenditure growth path, but has a negative effect on the deficit.

The energy-price-driven rise in inflation should have a considerably smaller budgetary impact than the 2022/2023 energy and inflation crisis. First, the Federal Government has curbed the rise in inflation with a wide-ranging set of individual measures. This is reflected, among other things, in Austria's Harmonised Index of Consumer Prices (HICP), which has been below the euro area average since July 2026, when the VAT reduction on selected food products took effect. Second, several measures already implemented mitigate the impact of higher inflation on the budget, in particular the pay agreement for federal employees valid until 2028, the already adopted 2027 pension adjustment and the suspension of the indexation of income-independent family and social benefits from 2026 to 2028.

Measures from the 2025/2026 double budget

As already explained in Austria's 2026 Annual Progress Report in April 2026, the consolidation target for **2025** was achieved. Deviations from the targeted consolidation volume occurred for only a few measures, above all in the case of educational leave due to the use of transitional periods, and in the case of environmental subsidies owing to strong demand for thermal and energy-efficiency renovations and the resulting prior budgetary commitments. In legislative terms, however, the consolidation has been implemented – educational leave has been abolished and replaced by the further training period, and environmental subsidies have been switched to a new subsidy regime.

Budget execution in **2026** also shows that the consolidation measures are being implemented successfully overall, including those that had been considered difficult to implement. For example, **expenditure on direct federal subsidies** from January to August 2026 were 1.0 bn Euro, or 16.2 %, lower than in the same period of the previous year,

while, by comparison, the 2026 Federal Budget envisages a decline of 7.4 % for the year as a whole compared with the outcome. Likewise, the ministry-specific savings anchored in the Federal Medium-Term Expenditure Framework are also being delivered. One indicator of this, for example, is **expenditure on operating expenses**, which rose by 2.9 % year-on-year up to and including August 2026 and thus significantly lower than budgeted in the 2026 Federal Budget (+6.9 %). In detail, this positive development results in particular from expenditure on contracted services, which, at +1.8 % in execution up to the end of August, is significantly below the +10.5 % budgeted for the year as a whole.

Of the proactive policy measures presented in May 2025 as part of the 2025/2026 double budget, the **"working in old age" package**, also referred to as the "active pension", has now been adopted. As already noted in Austria's Annual Progress Report at the end of April 2026, its introduction has been postponed from 2026 to 2027. The aim of the package is to create incentives, through tax and social security benefits, to make employment beyond the standard retirement age more attractive. This is intended to raise the actual retirement age and counter the shortage of skilled workers. The first component is the **activity allowance** – a tax allowance of up to 1,250 Euro per month, or 15,000 Euro per year. The resulting shortfall in wage tax and assessed income tax amounts to 125.0 mn Euro in 2027 and 185.0 mn Euro from 2028 onwards. The second component is the waiver of employee pension insurance contributions, or a proportional reduction for the self-employed in the event of additional income alongside the pension. Until now, there has been no preferential treatment in this regard. If retirement is deferred, employee pension insurance contributions are likewise waived, while the employer contribution must be paid in full (previously, in such cases, all pension insurance contributions were halved). Overall, this results in a shortfall in pension insurance contributions of 213.0 mn Euro in 2027. The third component is an increase in the labour market funding budget by 100.0 mn Euro per year from 2027 onwards. The primary aim is to support the creation and promotion of jobs for older people. From 2028, this will be complemented by a new labour market transformation fund, whose resources will be used in particular for the digital and green transition.

With the 2027/2028 double budget, the consolidation contributions from state-owned enterprises, which were developed by the **state-owned enterprises taskforce**, were also incorporated into the budget. Part of this consolidation volume is delivered on the revenue side. The consolidation volumes required under the **subsidy taskforce** are likewise reflected in the 2027/2028 double budget.

Measures from the 2027/2028 double budget

The additional net consolidation volume in the 2027/2028 double budget, which was adopted by the National Council in July 2026, amounts to 1.5 bn Euro in 2027 and 2.5 bn Euro in 2028. Many of the expenditure-side and revenue-side measures have already been enacted into substantive law through the 2027-2028 Budget Accompanying Act[7] and the 2026 Budget Measures Act[8].

This applies, for example, to the tax consolidation measures like the extension of the special contribution of banks, the introduction of a progressive corporate income tax rate from 2028 or the restriction of eligible assets for the investment-related profit allowance. Parliament has also already adopted, for example, the extraordinary increase in the maximum contribution base in 2027 and 2028 and the adjustments to the Family Bonus Plus. On the expenditure side, examples include the 2027 pension adjustment, the suspension of the indexation of income-independent family benefits in 2028 and the adjustments to the ÖBB Framework Plan 2027-2032.

The reforms to unemployment insurance were specified during the budget deliberations in the National Council. The following changes will apply from 2027:

- **Abolition of exceptions from unemployment insurance contributions low-income earners:** The graduated employee unemployment insurance contribution for low incomes under § 2a of the Labour Market Policy Financing Act will be phased out gradually from 2027. Existing employment relationships have a longer transitional arrangement than new ones. Their contribution rate will be increased by 0.5 percentage points per year, so that the full employee contribution (2.95 %) will only be payable for all employment relationships from 2032. For apprentices, the increase in the employee contribution rate under § 2(1) ends at 1.15 %. This is expected to generate a net consolidation effect of 93.0 mn Euro in 2027.

- **Introduction of unemployment insurance contributions for older employees:** From 2027, unemployment insurance contributions will also be levied on older employees who are currently exempt from compulsory unemployment insurance,

[7] Budgetbegleitgesetz 2027-2028, see https://www.parlament.gv.at/gegenstand/XXVIII/I/523 (06 October 2026, in German only)
[8] Budgetmaßnahmengesetz 2026, see https://www.parlament.gv.at/gegenstand/XXVIII/I/504 (06 October 2026, in German only)

until they meet the eligibility requirements for an old-age pension. This reflects the fact that the Federal Government's new proactive measures also give businesses greater access to subsidy programmes for employing older people. The measure is expected to generate additional revenue of 112.0 mn Euro in 2027.

- **Increase in the employer levy:** The flat-rate employer levy payable by employers with several marginally employed persons will be raised from the current 19.4 % of total remuneration to 23.0 %, from the beginning of 2027 until the end of 2029. This is expected to generate additional social security contribution revenue of 40.0 mn Euro in 2027.

- **Halving (2027) and abolition (from 2028) of the health insurance credit under the Commercial Social Security Act (GSVG):** The existing graduated credit on health insurance contributions for self-employed persons with a monthly contribution base of up to 2,900 Euro will be halved in 2027 and abolished from 2028. This results in a consolidation contribution of 26.0 mn Euro in 2027 and 52.0 mn Euro in 2028.

- **Restrictions on partial retirement:** Restrictions on partial retirement were already adopted as part of the 2025/2026 double budget and took effect from 2026. Further restrictions have now been implemented. From 01 November 2026, companies will only receive wage compensation for employees in partial retirement up to 75 % of the maximum contribution base (until now, up to the full maximum contribution base). Furthermore, the replacement rate for partial retirement, which was reduced from 90 % to 80 % on 01 January 2026, will remain at 80 % permanently (originally, it was due to rise back to 90 % from 2029). This is intended to deliver a further 65.0 mn Euro being consolidated in 2027 in relation to the partial retirement scheme.

This mix of measures in unemployment insurance and social security is intended to secure the financing of these systems, make full-time employment more attractive and eliminate inefficiencies. The total consolidation volume of these measures in 2027 is somewhat lower than in the mid-June draft budget, but not over the medium term.

It should also be noted that the Federal Government **has secured counter-financing** for measures that were presented months earlier and are now reflected in the 2027 Budget. This includes first in particular the Industrial Electricity Price Act 2027-2029 and the

extension of the Act on Securing Business Location, which are financed through a temporary reduction in the declining-balance depreciation rate for electricity companies and through higher dividend income. Second, the VAT reduction on selected food products, in force since 01 July 2026, and the parcel tax introduced on 1 October 2026 to finance it have both been reflected in the budget.

5 Annex

Table 1: Net expenditure growth

Net nationally financed primary expenditure	2024	2025	2026	2027
Council Recommendation				
Annual growth rate in %	-	2,6	2,2	2,2
Cumulative growth rate in %	-	2,6	4,8	7,2
Report on Effective Action to Correct the Excessive Deficit				
Annual growth rate in %	-	2,1	2,4	1,9
Cumulative growth rate in %	-	2,1	4,5	6,5

Base year for cumulative growth is 2024
Source: BMF

Table 2: Main variables

General government	2025	2026	2027
	in % of GDP		
Net lending/borrowing (B.9)	-4,1	-4,1	-3,6
Structural balance	-3,4	-3,4	-3,1
Structural primary balance	-1,9	-1,7	-1,1
Gross debt	80,7	82,4	83,2
Change in gross debt (in pp)	1,7	1,7	0,8

Source: BMF

Table 3: External assumptions

		2025	2026	2027
Short-term interest rate	*in %, annual average*	2,2	2,5	3,3
Long-term interest rate	*in %, annual average*	3,0	3,5	4,5
Exchange rate (USD/EUR)	*annual average*	1,1	1,2	1,2
World real GDP (excl. EU)	*rate of change in %*	3,2	2,7	3,0
EU real GDP	*rate of change in %*	1,4	1,3	1,3
World import volumes (excl. EU)	*rate of change in %*	-	-	-
Oil price	*Brent, USD/Barrel*	68,2	93,5	84,5

Table 4: Macroeconomic developments

Gross domestic product	ESA Code	2025	2025	2026	2027
		bn €	rate of change in %		
Real GDP	B.1*g	385,0	0,7	0,9	1,3
GDP deflator		-	3,0	2,2	2,4
Nominal GDP	B.1*g	518,2	3,6	3,1	3,7
Components of real GDP		**bn €**	**rate of change in %**		
Private consumption expenditure[1)]	P.3	196,7	0,5	0,4	0,5
Government consumption expenditure	P.3	81,3	2,0	1,1	0,8
Gross fixed capital formation	P.51g	90,6	1,4	0,8	1,7
Changes in inventories and net acquisition of valuables (in % of GDP)	P.52 + P.53	-	-0,4	-0,2	-0,5
Exports of goods and services	P.6	229,0	1,3	2,3	1,7
Imports of goods and services	P.7	213,2	2,8	1,6	1,7
Contribution to real GDP growth (in percentage points)					
Final domestic demand		-	1,0	0,7	0,9
Changes in inventories and net acquisition of valuables[2)]	P.52+P.53	-	0,4	-0,2	0,4
External balance of goods and services	B.11	-	-0,7	0,4	0,0
Deflators and HICP			**rate of change in %**		
Private consumption deflator		-	2,6	3,4	2,7
p.m. HICP		-	3,6	3,2	2,6
Government consumption deflator		-	2,6	2,4	1,9
Investment deflator		-	1,7	2,1	2,8
Export price deflator (goods and services)		-	1,7	2,4	1,8
Import price deflator (goods and services)		-	0,8	3,7	2,2
Labour market		**level**	**rate of change in %**		
Domestic employment (1000 persons)[3)]		4.734	0,0	0,1	0,6
Average annual hours worked per person employed		1.534	0,7	0,0	-0,3
Real GDP per person employed		-	0,7	0,8	0,6
Real GDP per hour worked		-	0,0	0,8	1,0
Compensation of employees (in bn €)	D.1	262,3	3,8	2,1	3,6
Compensation per employee (in €)		55.399	3,9	2,0	3,0
Unemployment rate (Eurostat, in %)		-	5,7	6,0	5,7
Potential GDP and components			**rate of change in %**		
Potential GDP		-	0,8	0,9	1,0
Contribution to potential growth (in percentage points)					
Labour		-	0,2	0,2	0,2
Capital		-	0,3	0,3	0,4
Total factor productivity		-	0,3	0,3	0,4
Output gap (in % of potential GDP)		-	-1,2	-1,2	-0,9

1) incl. NPISH; 2) incl. statistical discrepancy; 3) Employment – domestic concept
Reference year 2015 for real values.
Sources: BMF, STAT, WIFO

Table 5: Budgetary projection

	ESA Code	2025 bn €	2025	2026	2027
			in % of GDP		
Revenue					
Taxes on production and imports	D.2	72,0	13,9	13,8	13,9
Current taxes on income, wealth, etc.	D.5	71,5	13,8	13,8	14,0
Social contributions	D.61	83,1	16,0	16,1	16,2
Other current revenue	(P.11+P.12+P.131) + D.39 + D.4 + D.7	33,7	6,5	6,6	6,6
Capital taxes	D.91	0,1	0,0	0,0	0,0
Other capital revenue	D.92 + D.99	1,0	0,2	0,2	0,2
Total revenue	**TR**	**261,3**	**50,4**	**50,5**	**50,8**
Of which: Transfers from the EU[1)]	D.7EU + D.9EU	0,8	0,2	0,1	0,1
Total revenue other than transfers from the EU		260,5	50,3	50,4	50,7
p.m. Revenue measures (increments)		2,6	0,5	0,2	0,5
p.m. One-off expenditure included in the projections (levels, excl. EU funded measures)		-	-	-	-
p.m. One-off revenue included in the projections (levels)		-	-	-	-
Expenditure		**bn €**	**in % of GDP**		
Compensation of employees	D.1	59,0	11,4	11,2	11,1
Intermediate consumption	P.2	35,8	6,9	6,9	6,8
Interest expenditure	D.41	8,2	1,6	1,7	2,0
Social benefits other than social transfers in kind	D.62	102,9	19,9	20,0	19,8
Social transfers in kind	D.632	24,0	4,6	4,7	4,7
Subsidies	D.3	8,7	1,7	1,6	1,5
Other current expenditure	D.29 + (D.4-D.41) + D.5 + D.7 + D.8	18,4	3,6	3,5	3,5
Gross fixed capital formation	P.51g	19,7	3,8	4,1	4,1
Of which: Nationally financed public investment		19,6	3,8	4,1	4,1
Capital transfers	D.9	5,6	1,1	0,8	0,8
Other capital expenditure	P.52 + P.53 + NP	0,3	0,0	0,0	0,0
Total expenditure	**TE**	**282,7**	**54,6**	**54,7**	**54,4**
Of which: Expenditure funded by transfers from the EU[2)]	D.7EU + D.9EU	0,8	0,2	0,1	0,1
Nationally financed expenditure		281,9	54,4	54,5	54,3
p.m. National co-financing of programmes funded by the Union		1,1	0,2	0,2	0,2
p.m. Cyclical component of unemployment benefits		0,6	0,1	0,2	0,2
p.m. One-off expenditure included in the projections		-	-	-	-
Net nationally financed primary expenditure (before DRM)		**272,0**	**52,5**	**52,4**	**52,0**
Net nationally financed primary expenditure growth					
Rate of change in %		-	**2,1**	**2,4**	**1,9**

1) Accrued revenue, not cash 2) Equals "Transfers from the EU" above

Sources: BMF

Table 6: Budgetary projections - main variables

	ESA Code	2025	2025	2026	2027
		bn €	in % of GDP		
Net lending/borrowing, general government	**B.9 (S.13)**	**-21,4**	**-4,1**	**-4,1**	**-3,6**
Central government	B.9 (S.1311)	-15,5	-3,0	-3,0	-2,8
State governments (excl. Vienna)	B.9 (S.1312)	-2,5	-0,5	-0,5	-0,5
Local governments (incl. Vienna)	B.9 (S.1313)	-3,1	-0,6	-0,5	-0,3
Social security funds	B.9 (S.1314)	-0,3	-0,1	-0,1	0,0
Primary balance	B.9 + D.41p	-13,2	-2,5	-2,4	-1,6
Structural balance		-	-3,4	-3,4	-3,1
Structural primary balance		-	-1,9	-1,7	-1,1
Gross debt		**418,4**	**80,7**	**82,4**	**83,2**
Change in gross debt (in pp)		23,3	1,7	1,7	0,8
Contributions to changes in gross debt			in % of GDP		
Primary balance		-	2,5	2,4	1,6
Snowball effect		-	-1,2	-0,7	-0,9
Interest expenditure		-	1,6	1,7	2,0
Growth		-	-0,5	-0,7	-1,0
Inflation		-	-2,3	-1,7	-1,9
Stock-flow adjustment		-	0,4	0,0	0,0
p.m. Implicit interest rate on debt (in %)			2,0	2,1	2,2
Information on national escape clause (NEC)		**bn €**	**in % of GDP**		
Total defence expenditure	COFOG 2	3,7	0,7	0,9	0,9
Of which: defence investment	COFOG 2, P.51g	0,9	0,2	0,3	0,3

Source: BMF

Table 7: Discretionary revenue measures

Title of the measure	ESA classification	2025	2026	2027	2025	2026	2027
		in mn Euro			Δ as at June 2026		
Measures 13.05.2025 until before 10.06.2026							
Sum measures without changes compared to the DBP 2027/2028	*div.*	1.860,7	2.397,2	2.329,0			
Temporary reduction in mineral oil tax	*D.2*		-215,0		-	-149,0	-
Increase in dividends (counter-financing reduction in electricity tax)	*D.4*		334,1		-	-165,9	-
State-owned enterprises taskforce revenue-side	*D.4/P.11*			73,3	-	-	+73,3
Tax exemption for holiday pay	*D.5*		-35,0	-40,0	-	+5,0	-
Possibility of a tax-free bonus for employees	*D.5*	-100,0	-70,0		+65,0	-	-
Suspension of the last third of the inflation adjustment 2026-2029	*D.5*		430,0	910,0	-	-10,0	+110,0
Working in old age/active pension (effect taxes & pens. insur. contrib.)	*D.5/D.61*			-338,0	-	-	+132,0
Other measures	*D.5/D.61/D.7*	6,1	21,2	48,5	-0,4	-0,4	-0,4
Measures 10.06.2026 until 15.10.2026							
Sum measures without changes compared to the DBP 2027/2028	*div.*		-43,5	1.412,0			
Measures relating to the unemployment and social security system				271,0	-	-	-10,0
Abolition exceptions unemploym. insur. contrib. low-income earners	*D.5/D.61*			*93,0*	-	-	-
Introduction unemployment insurance contributions older employees	*D.61*			*112,0*	-	-	-
Increase in the employer levy	*D.61*			*40,0*	-	-	-
Halving 2027 health insur. credit under the Commercial Social Sec. Act	*D.61*			*26,0*	-	-	-
Drought relief package - waiver soc. sec. contrib. agricult. & forestry	*D.61*		-140,0		-	-140,0	-
Discreationary revenue measures (acc. to ESA)		**1.766,8**	**2.678,9**	**4.665,7**	+64,6	-460,3	+305,0
in % of GDP		**0,3**	**0,5**	**0,8**	+0,0	-0,1	+0,0
Discreationary revenue measures 13.05.2025 until before 10.06.2026		1.766,8	2.862,4	2.982,8	+64,6	-320,3	+315,0
Discreationary revenue measures 10.06.2026 until 15.10.2026			-183,5	1.683,0	-	-140,0	-291,0
Dividends		447,0	795,1	623,0	-	-165,9	+60,0
Discreationary revenue measures (excl. dividends)		**1.319,8**	**1.883,9**	**4.102,8**	**+64,6**	**-294,4**	**+305,0**
Incremental effect discreationary revenue measures before 13.05.2025		**+1.244,8**	**+672,0**	**+520,0**	-	-	-
Incremental effect discreationary revenue measures 13.05.2025 until before 10.06.2026		**+1.319,8**	**+747,6**	**+455,4**	**+64,6**	**-219,0**	**+409,3**
Incremental effect discreationary revenue measures 10.06.2026 until 15.10.2026			**-183,5**	**+1.703,5**	-	**-140,0**	**-151,0**
Incremental total effect discreationary revenue measures: DRM		**+2.564,6**	**+1.236,1**	**+2.678,9**	**+64,6**	**-359,0**	**+258,3**

Source: BMF

Table 8: Discretionary expenditure measures

Title of the measure	ESA classification	2025	2026	2027	2025	2026	2027
		in mn Euro			Δ as at June 2026		
Measures 13.05.2025 until before 10.06.2026							
Sum measures without changes compared to the DBP 2027/2028	*div.*	-4.158,6	-4.942,1	-5.508,5			
State-owned enterprises taskforce expenditure-side	*D.1 / P.2*			-26,7	-	-	-26,7
Closing the gap in mobility support for apprentices (top youth ticket)	*D.3*			5,0	-	-5,0	-
Extension heavy labour regulation (nursing professions)	*D.62*		18,0	55,9	-	-22,0	+15,9
Abolition educational leave	*D.62*	-138,1	-590,0	-650,0	-	+20,0	-
Pension-related measures	*D.62*		-171,6	-798,8	-	+173,0	+95,0
Suspension of the valorisation of social benefits (incl. share ministry)	*D.63*		-159,6	-286,9	-	-5,4	-4,8
Expansion of psychosocial therapy services	*D.63*	10,6	21,0	21,0	-5,4	-	-
Measures 10.06.2026							
Sum measures without changes compared to the DBP 2027/2028	*div.*			232,0			
Working in old age/active pension - promoting jobs for older people	*D.1/D.7/P.2*			100,0	-	-	+100,0
Measures relating to the unemployment and social security system				-65,0	-	-	+85,0
Restrictions on partial retirement	*D.62*			*-65,0*			
Sum expenditure measures 13.05.2025 until before 10.06.2026		**-4.286,2**	**-5.824,3**	**-7.188,9**	**-5,4**	**+160,6**	**+79,4**
Sum expenditure measures 10.06.2026				**267,0**	-	-	**+185,0**
Total sum expenditure measures (acc. to ESA)		**-4.286,2**	**-5.824,3**	**-6.921,9**	**-5,4**	**+160,6**	**+264,4**
in % of GDP		**-0,8**	**-1,1**	**-1,3**	**+0,0**	**+0,0**	**+0,1**

Source: BMF

Table 9: Net expenditure growth (detailed representation)

	2024	2025	2026	2027
		bn €		
1. Total expenditure	**273,2**	**282,7**	**291,9**	**301,2**
2. Interest expenditure	7,3	8,2	9,2	11,0
3. Cyclical unemployment expenditure	-0,1	0,6	1,1	0,8
4. Expenditure funded by transfers from the EU	1,0	0,8	0,7	0,4
5. National co-financing of EU programmes	1,0	1,1	1,2	1,2
6. One-off expenditure (levels, excl. EU funded)	0,0	0,0	0,0	0,0
7. Net nationally financed primary expenditure (before DRM) (1-2-3-4-5-6)	**264,0**	**272,0**	**279,7**	**287,7**
8. DRM (excl. one-off revenue)		2,6	1,2	2,7
9. Net nationally financed primary expenditure (after DRM) (7-8)		**269,4**	**278,5**	**285,1**
			rate of change in %	
11. Net expenditure growth ($9/7_{(t-1)}$)		**2,1**	**2,4**	**1,9**

Notes: Recurrent expenditure on unemployment benefits is defined as actual expenditure (COFOG 10.5) less expenditure on NAWRU unemployed persons. Discretionary revenue measures (line 8) are shown as an incremental change.
Source: BMF

Table 10: Contingent liabilities

in % of GDP	2025	2026	2027
Public guarantees	11,9	11,8	11,5
of which: central government[1)]	9,0	8,9	8,7
of which: linked to the financial sector[2)]	0,1	0,1	0,1
of which: state and local governments	2,8	2,9	2,8
of which: linked to the financial sector[2)]	0,6	0,6	0,5

1) Guarantees for exports without double count of funding guarantees.

Without liabilities for EFSF as well as without liabilities for euro coins towards Austrian Mint. SURE and EGF included from 2020. According to ESA 2010, liabilities for SchiG, ÖBB according to BFG as well as those of ÖBB Infrastruktur AG and ÖBB Personenverkehr AG according to EurofimaG are included in the public sector and will here not be included in order to avoid double count. Forecasts are based mainly on statistical values resulting from percentage change in history and are not based on political decisions.

2) Without double count of liabilities for KA Finanz AG, HETA, immigion and Kärntner Ausgleichszahlungsfonds or bank deposit insurance.

Rounding differences may occur.

Sources: BMF, State governments, STAT, WIFO

Table 11: Revenue from and expenditure financed by RRF grants

in mn €	2020	2021	2022	2023	2024	2025	2026
Revenue from RRF grants							
RRF grants as included in the revenue projections [1)]		418,1	875,3	982,8	506,5	351,8	373,9
Cash disbursements of RRF grants from EU		450,0		742,1		2137,0	632,1
Expenditure financed by RRF grants	**85,5**	**332,7**	**875,3**	**982,8**	**506,5**	**351,8**	**373,9**
Total current expenditure	**6,7**	**204,9**	**352,3**	**204,3**	**213,1**	**133,8**	**90,0**
Total capital expenditure	**78,8**	**96,0**	**121,3**	**179,8**	**130,7**	**104,8**	**46,5**
Gross fixed capital formation	0,0	31,8	401,7	598,6	162,6	113,2	237,4
Capital transfers	78,8	127,8	523,0	778,4	293,3	218,1	283,9
Other costs financed by RRF grants							
Reduction in tax revenue	-	-	-	-	-	-	-
Other costs with impact on revenue	-	-	-	-	-	-	-
Financial transaction	-	-	-	-	-	-	-
One-off capital transfers from retroactive revisions in expenditure (and other costs) financed by RRF grants							
One-off capital transfers from the EU (D.9r, levels)						-	-
One-off capital transfers to the EU (D.9p, levels)						-	-

1) RRF grants in 2021 include grants for 2020. Rounding differences may occur.
Sources: BMF, STAT

Table 12: Comparison of macroeconomic and budgetary forecasts

	2025	2026	2027
Real GDP Growth, in %			
WIFO - October 2026	0,7	0,9	1,3
EC - Spring 2026	0,6	0,6	0,9
OeNB - September 2026	1,0	0,5	1,3
IHS - October 2026	0,7	0,8	1,0
Inflation (HICP), in %			
WIFO - October 2026	3,6	3,2	2,6
EC - Spring 2026	3,6	3,0	2,5
OeNB - September 2026	3,6	3,0	2,3
IHS - October 2026	3,6	3,1	2,8
Unemployment rate (Eurostat), in%			
WIFO - October 2026	5,7	6,0	5,7
EC - Spring 2026	5,7	5,8	5,6
OeNB - June 2025	5,7	5,6	5,4
IHS - October 2026	5,7	6,1	5,9
General government net lending/borrwing in % of GDP			
BMF - October 2026	-4,1	-4,1	-3,6
WIFO - October 2026	-4,1	-4,0	-3,8
EC - Spring 2026	-4,2	-4,1	-4,1
OeNB - June 2025	-4,2	-4,1	-3,9
IHS - October 2026	-4,1	-3,9	-3,7
Austrian Fiscal Advisory Council - Spring 2026	-4,2	-3,9	-3,6
Gross debt in % of GDP			
BMF - October 2026	80,7	82,4	83,2
WIFO - October 2026	80,7	82,3	83,5
EC - Spring 2026	81,5	83,4	84,9
OeNB - June 2025	81,5	84,1	85,5
IHS - October 2026	-	-	-
Austrian Fiscal Advisory Council - Spring 2026	81,5	83,3	84,5

Direct comparability may be limited due to different definitions.

Sources: BMF, WIFO, EK, OeNB, IHS, Austrian Fiscal Advisory Council

Table 13: Country specific recommendations

See: European semester – documents under https://www.bundeskanzleramt.gv.at/agenda/europapolitik/europaeisches_semester.html

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