

# **2025 Long-term Fiscal Projection**

Report by the Federal Government in accordance with Section 15(2) of the  
2013 Federal Budget Act (FBA/BHG)

Vienna, 2025

## About the report

The **Long-term Fiscal Projection** is a report by the Federal Government. The Federal Minister of Finance is, pursuant to Section 15(2) of the Federal Budget Act 2013, required to prepare, every three years, a well-grounded and **transparent long-term budgetary projection** covering a period of at least 30 years.

This report is the fifth of its kind and is based on a study conducted by the **Austrian Institute of Economic Research (WIFO)**, commissioned by the Federal Ministry of Finance (BMF).

As in the 2022 Long-term Fiscal Projection, this report includes an assessment of the fiscal implications of climate change and climate policy measures. For this purpose, a **climate module** was developed in cooperation with the **Umweltbundesamt (Environment Agency Austria)**.

Unless otherwise indicated, numerical figures in this report are presented in relation to nominal GDP and are generally rounded to one decimal place. Figures are subject to change, and rounding differences may occur. Where no source is specified, the source is the Federal Ministry of Finance (BMF).

The report is also published on the BMF website ([www.bmf.gv.at](http://www.bmf.gv.at)). Interactive charts and tables related to this report are available at [budget.gv.at](http://budget.gv.at).



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# Executive Summary

Every three years, the Federal Government prepares a report on the long-term development of the public finances. The 2025 report is shaped by the impact of the COVID-19 pandemic, the energy crisis, the inflation surge, and the economic downturn on public budgets, as well as the subsequent period of budget consolidation.

Overall, results clearly demonstrate the necessity for the Federal Government to initiate a budget consolidation, and the significance of continuing this consolidation effort.

Without consolidation measures, the debt to GDP ratio would rise to more than 250% by 2060. Under the currently adopted budgetary framework up to 2029, the debt-to-GDP ratio (debt ratio) is reduced to below 150% by 2060.

A continued consolidation in line with European fiscal requirements until 2031 stabilises the debt-to-GDP ratio at around 90% by 2060, considering demographic developments and the impacts of climate change.

Key long-term factors in public debt development are interest expenditures, which could increase sharply with higher debt ratios. Halting this dynamic is the central objective of budget consolidation.

As % of GDP	Institute	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Policy scenario</b>										
No consolidation	BMF	79.9	83.0	98.1	140.5	194.5	259.3	+15.1	+161.2	+176.4
<b>Baseline scenario</b>	WIFO	<b>79.9</b>	<b>81.7</b>	<b>85.2</b>	<b>98.4</b>	<b>119.2</b>	<b>148.2</b>	<b>+3.6</b>	<b>+62.9</b>	<b>+66.5</b>
7-year adjustment path	BMF	79.9	81.7	84.4	81.1	82.8	91.1	+2.7	+6.7	+9.4
Climate Policy Scenario	UBA	79.9	81.7	85.2	97.1	116.1	142.2	+3.5	+57.1	+60.6
<b>Risk / opportunity scenarios</b>										
Adverse interest rate scenario	BMF	79.9	81.7	85.2	105.2	139.2	184.8	+3.6	+99.6	+103.2
Favourable interest rate scenario	BMF	79.9	81.7	85.2	92.0	101.9	119.0	+3.6	+33.7	+37.3
Lower productivity growth	WIFO	79.9	81.7	85.2	104.5	136.1	179.6	+3.6	+94.4	+98.0
Higher productivity growth	WIFO	79.9	81.7	85.2	92.5	102.8	118.2	+3.6	+33.0	+36.5
Lower migration	WIFO	79.9	81.7	85.2	103.0	133.3	179.5	+3.6	+94.3	+97.9
Higher life expectancy	WIFO	79.9	81.7	85.2	99.4	122.5	159.1	+3.6	+73.9	+77.5

Source: WIFO (2025), Umweltbundesamt (2025), BMF

In a climate policy scenario consistent with the Government Programme (Coalition Treaty), the analysis shows that impact-driven and efficient action in this policy area can further reduce the debt ratio. Under the climate policy scenario, both the need for emission certificate purchases and macroeconomic damages, as a result of enhanced adaptation measures, can be significantly reduced.

**Results of the baseline scenario:** In the baseline scenario of the Long-term Fiscal Projection, increases in pension expenditure show sustained momentum, particularly up to 2035. Expenditures on education and family benefits decline slightly due to demographic effects.

Expenditures on health and long-term care increase over the long-term, with expenditure ratios rising by 1.3 percentage points of GDP in each case compared to 2025.

Climate-related target achievement payments in the baseline scenario, without additional measures, result in costs of 0.3% to 0.4% of GDP per year.

As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Total expenditure</b>	<b>55.2</b>	<b>55.4</b>	<b>54.2</b>	<b>55.8</b>	<b>57.1</b>	<b>58.6</b>	<b>-1.2</b>	<b>+4.4</b>	<b>+3.2</b>
Pensions	14.9	15.2	15.4	15.8	15.6	15.8	+0.2	+0.3	+0.6
Health	7.9	8.0	8.1	8.7	9.2	9.3	+0.1	+1.2	+1.3
Long-term care	1.5	1.5	1.6	1.9	2.4	2.8	+0.1	+1.3	+1.3
Education	5.3	5.3	5.2	5.1	5.1	5.2	-0.1	+0.1	-0.1
Family	1.7	1.7	1.6	1.5	1.5	1.4	-0.1	-0.2	-0.3
Climate compliance costs	0.0	0.0	0.3	0.4	0.4	0.3	+0.3	+0.1	+0.3
Interest expenditure	1.5	1.7	2.2	3.3	4.2	5.2	+0.6	+3.0	+3.6
Other	22.5	22.0	19.7	19.1	18.7	18.5	-2.3	-1.2	-3.5
<b>Total revenue</b>	<b>50.5</b>	<b>50.8</b>	<b>51.0</b>	<b>51.1</b>	<b>51.1</b>	<b>51.1</b>	<b>+0.1</b>	<b>+0.2</b>	<b>+0.3</b>
<b>Maastricht balance</b>	<b>-4.7</b>	<b>-4.5</b>	<b>-3.2</b>	<b>-4.7</b>	<b>-6.0</b>	<b>-7.4</b>	<b>+1.3</b>	<b>-4.2</b>	<b>-2.9</b>
Primary balance	-3.2	-2.9	-1.0	-1.4	-1.8	-2.2	+1.9	-1.3	+0.7
Interest expenditure	-1.5	-1.7	-2.2	-3.3	-4.2	-5.2	-0.6	-3.0	-3.6
<b>Debt ratio</b>	<b>79.9</b>	<b>81.7</b>	<b>85.2</b>	<b>98.4</b>	<b>119.2</b>	<b>148.2</b>	<b>+3.6</b>	<b>+62.9</b>	<b>+66.5</b>

Source: WIFO (2025), authors' own depiction.

Interest expenditure increases by 3.6 percentage points of GDP by 2060, increasingly constraining fiscal space. In addition to the development of the primary balance and the debt ratio, interest expenditure is highly sensitive to the assumed interest rate. This relationship is examined in a dedicated alternative scenario.

Further analyses are available in the online version of the report, which includes an interactive application allowing users to create their own scenarios. The tool simulates the development of the Maastricht balance, and the debt ratio based on user-selected interest rates and budgetary adjustments.

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# 1. Introduction

Every three years, the Federal Government prepares a report on the long-term development of the public finances. This 2025 report focuses in particular on the effects of the COVID-19 pandemic, the energy crisis, the surge in inflation, and the economic downturn on public budgets.

These adverse developments resulted in a marked increase in the public deficit, the debt ratio, and, consequently, interest expenditure. In July 2025, the EU initiated an excessive deficit procedure against Austria.

With the 2025/2026 budgets, the Federal Medium-term Expenditure Framework for 2025 to 2029 and the Stability Pact 2025 agreed with the Länder and municipalities, the Federal Government committed to a **seven-year budgetary adjustment path** under the new EU fiscal rules.

The 2025 Long-term Fiscal Projection constitutes the first comprehensive stocktake of the long-term effects of these decisions up to 2060 and takes into account demographic, economic and climate policy developments in Austria.

The projection comprises several policy scenarios that analyse the long-term impacts of fiscal consolidation as well as the planned activities of the Federal Government in the field of climate policy. Accordingly, it is also the first study since the change of government to examine the interactions between the new climate policy framework and fiscal policy.

The **baseline scenario** in the projection therefore represents an intermediate stage of the Government's policy agenda. It includes all measures presented in the 2025 and 2026 budgets and in the Federal Medium-term Expenditure Framework up to 2029.

By contrast, one scenario ("No consolidation") illustrates the state of the public finances in 2060 had the Federal Government not implemented any consolidation measures.

A further scenario shows the effects of continuing consolidation through to 2031, in line with the seven-year adjustment path agreed with the EU. In this scenario, the debt ratio stabilises at around 90%, despite rising demographic-related expenditure, particularly in the areas of health and long-term care.

Under a climate policy scenario consistent with the Government Programme, the analysis shows that effective and efficient action in this policy area can reduce the debt ratio relative to the baseline scenario. In the climate policy scenario, both the compliance costs associated with EU targets as well as macroeconomic damages - through enhanced climate change adaptation measures – are reduced. A targeted expansion of renewable energy also exerts a dampening effect on inflation. Additional efforts – including the implementation of European requirements and climate policy priorities set out in the Government Programme (Coalition Treaty), targeted regulatory reforms, and a more cost-effective design of support instruments – bring Austria closer to achieving its EU climate targets.

Based on the results of the Long-term Fiscal Projection, numerous recommendations can be derived regarding the long-term reduction of climate-related fiscal risks for public finances. Further potential to reduce climate-related fiscal risks exists in developments related to the expansion of renewable energy sources, the expansion and restructuring of energy network infrastructure (including, inter alia, energy storage, electricity grids, and the phase-out of fossil-based infrastructure), the development of innovative technologies (such as deep geothermal energy, carbon capture and storage (CCS), and hydrogen), the electrification of transport, as well as corresponding measures in the areas of public transport and active mobility, and targeted climate change adaptation measures.

An interest rate sensitivity scenario illustrates how interest expenditure and the debt ratio may evolve depending on different interest rate paths observed in the past. The range of outcomes is wide, and the message is clear: only consistent implementation of budget consolidation can shield public finances from the increasingly unpredictable consequences of high public debt.

Chapter 2 describes the framework conditions underpinning the present projection, with a particular emphasis on a detailed presentation of the economic growth assumptions.

In this context, two alternative scenarios examine the impact of higher and lower productivity growth on general government fiscal developments. These scenarios also serve as policy guidance, highlighting the importance of continuously improving framework conditions for Austrian entrepreneurs and employees so that all production factors can realise their full potential.

Table 1: Overview of framework conditions and key results

		2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Population</b>										
Total	in thsd.	9,178	9,187	9,348	9,633	9,825	9,904	+161	+556	+716
Aged 15-64	in thsd.	6,022	5,994	5,873	5,753	5,741	5,665	-121	-208	-328
<b>Labour Market Projection</b>										
Labour force	in thsd.	4,847	4,882	4,999	5,014	5,019	4,972	+117.2	-26.4	+90.8
Unemployed	in thsd.	373	392	345	299	265	259	-47.7	-85.8	-133.6
Employed persons	in thsd.	4,474	4,489	4,654	4,715	4,754	4,714	+164.9	+59.4	+224.4
Employees	in thsd.	3,961	3,973	4,118	4,165	4,195	4,154	+145.2	+36.4	+181.7
Self-employed	in thsd.	513	516	536	549	559	559	+19.7	+23.0	+42.7
Part-time rate	% of pop.	31.5	31.6	32.2	32.9	32.9	33.0	+0.7	+0.7	+1.4
Hours worked per emp. p.a.	in hours	1,608.3	1,606.1	1,593.6	1,583.3	1,583.5	1,583.0	-12.5	-10.6	-23.1
Total hours worked	in thsd. FTEs	4,091	4,104	4,273	4,309	4,329	4,299	+169.3	+26.2	+195.5
<b>Pension Indicators</b>										
Life expectancy at birth	years		82.5	84.2	85.8	87.3	88.6	+1.7	+4.4	+6.1
Remaining life expectancy at age 65	years		20.6	21.6	23.0	24.0	25.0	+1.0	+3.4	+4.4
Effective retirement age	years	61.5	61.8	62.8	63.4	63.5	63.5	+1.0	+0.8	+1.8
<b>Macroeconomic Framework</b>										
Real GDP	in € bn	380.2	381.3	402.6	450.0	502.1	552.5	+21.3	+150.0	+171.3
Nominal GDP	in € bn	494.1	511.5	595.9	813.6	1,108.8	1,490.2	+84.3	+894.4	+978.7
Real GDP growth	change in %	-0.7	+0.3	+0.9	+1.2	+1.0	+1.0			
Nominal GDP growth	change in %	+3.4	+3.5	+2.9	+3.2	+3.1	+3.0			
Inflation	as %	4.1	3.2	1.9	2.0	2.0	2.0	-1.3	+0.1	-1.2
Unemployment rate	as %	7.0	7.5	5.9	5.2	5.0	5.0	-1.5	-0.9	-2.5
Interest rate	as %	2.8	2.5	3.1	3.4	3.3	3.2	+0.6	+0.1	+0.7
<b>Baseline Scenario Results</b>										
<b>Total expenditure</b>	% of GDP	<b>55.2</b>	<b>55.4</b>	<b>54.2</b>	<b>55.8</b>	<b>57.1</b>	<b>58.6</b>	<b>-1.2</b>	<b>+4.4</b>	<b>+3.2</b>
Pensions	% of GDP	14.9	15.2	15.4	15.8	15.6	15.8	+0.2	+0.3	+0.6
Health	% of GDP	7.9	8.0	8.1	8.7	9.2	9.3	+0.1	+1.2	+1.3
Long-term care	% of GDP	1.5	1.5	1.6	1.9	2.4	2.8	+0.1	+1.3	+1.3
Education	% of GDP	5.3	5.3	5.2	5.1	5.1	5.2	-0.1	+0.1	-0.1
Family	% of GDP	1.7	1.7	1.6	1.5	1.5	1.4	-0.1	-0.2	-0.3
Climate target compliance costs	% of GDP	0.0	0.0	0.3	0.4	0.4	0.3	+0.3	+0.1	+0.3
Interest expenditure	% of GDP	1.5	1.7	2.2	3.3	4.2	5.2	+0.6	+3.0	+3.6
Other expenditure	% of GDP	22.5	22.0	19.7	19.1	18.7	18.5	-2.3	-1.2	-3.5
<b>Total revenue</b>	% of GDP	<b>50.5</b>	<b>50.8</b>	<b>51.0</b>	<b>51.1</b>	<b>51.1</b>	<b>51.1</b>	<b>+0.1</b>	<b>+0.2</b>	<b>+0.3</b>
Social contributions	% of GDP	16.0	16.2	16.1	16.2	16.2	16.2	-0.1	+0.1	-0.0
Indirect taxes	% of GDP	13.7	14.2	14.2	14.2	14.2	14.2	-0.0	0.0	-0.0
Direct taxes	% of GDP	14.0	13.8	14.1	14.3	14.3	14.3	+0.4	+0.1	+0.5
Property income	% of GDP	1.1	1.0	0.8	0.8	0.8	0.8	-0.2	-0.0	-0.2
Other revenue	% of GDP	5.7	5.6	5.7	5.7	5.7	5.7	+0.1	-0.0	+0.1
<b>Maastricht balance</b>	% of GDP	<b>-4.7</b>	<b>-4.5</b>	<b>-3.2</b>	<b>-4.7</b>	<b>-6.0</b>	<b>-7.4</b>	<b>+1.3</b>	<b>-4.2</b>	<b>-2.9</b>
Primary balance	% of GDP	-3.2	-2.9	-1.0	-1.4	-1.8	-2.2	+1.9	-1.3	+0.7
Interest expenditure	% of GDP	-1.5	-1.7	-2.2	-3.3	-4.2	-5.2	-0.6	-3.0	-3.6
<b>Debt ratio</b>	% of GDP	<b>79.9</b>	<b>81.7</b>	<b>85.2</b>	<b>98.4</b>	<b>119.2</b>	<b>148.2</b>	<b>+3.6</b>	<b>+62.9</b>	<b>+66.5</b>

Source: WIFO (2025), authors' own depiction.

To ensure comparability with other projections, definitions and data sources are provided for all demography-related expenditure areas.

The report is accompanied by an interactive version available at [budget.gv.at](https://budget.gv.at). There, readers can select different interest rate and consolidation scenarios themselves and calculate their effects on long-term debt developments.



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## 2. Framework Conditions

This chapter sets out the framework conditions and assumptions underpinning the Long-term Fiscal Projection. Section 2.1 presents Austria's population projections up to 2060, based on the 2024 population projection by Statistics Austria. The assumptions regarding long-term growth of the Austrian economy, specifically the development of employment, the capital stock, and productivity, are described in Section 2.2. Section 2.3 examines the climate policy framework, fiscal risks arising from climate change, and the projected development of greenhouse gas emissions in Austria.

### 2.1. Demography

Population developments in Austria play a decisive role in shaping the long-term fiscal projection. The 2025 Long-term Fiscal Projection is based on the main variant of Statistics Austria's population projection published in November 2024. Developments in population size and structure are of central importance for fiscal planning, particularly with regard to age-related expenditure areas such as pensions, long-term care, health, education, and family benefits.

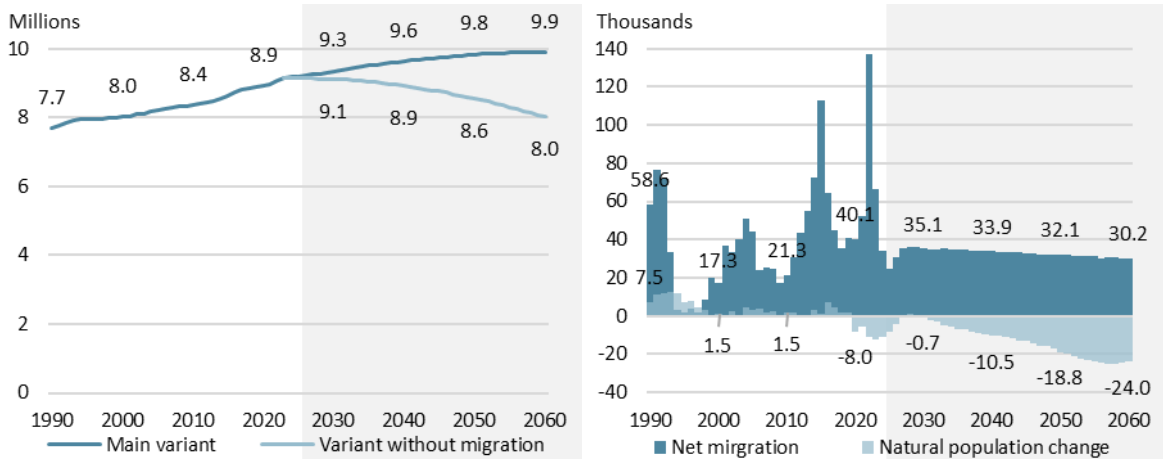
Austria's demographic outlook up to 2060 is characterised by three key trends:

1. Population growth driven exclusively by migration.
2. Pronounced population ageing, with particularly strong growth in the very old population (aged 80 and over).
3. Rising age dependency ratio, reflecting a declining ratio of persons aged 15-64 to those aged 65 and over.

#### Population trends

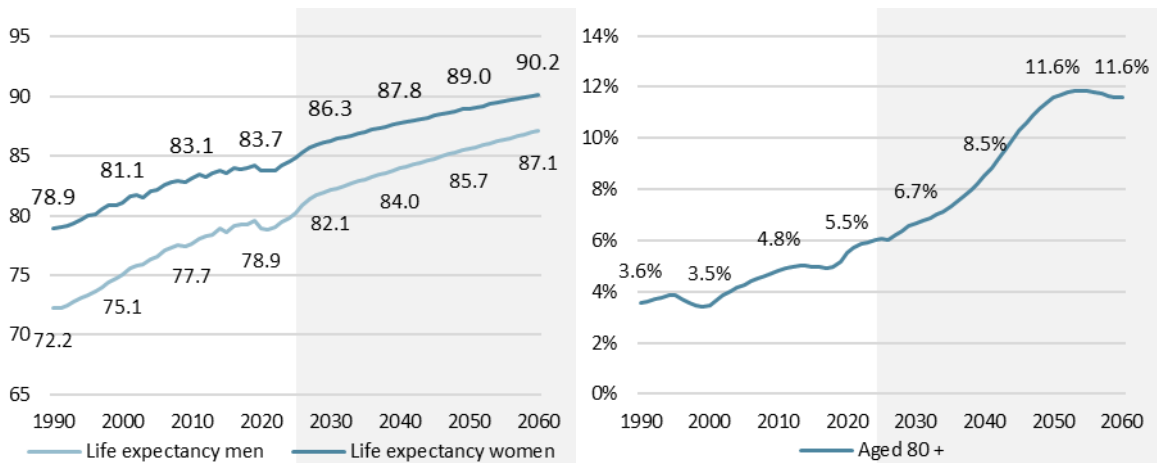
Austria's population is projected to increase from **8.9 million in 2020** to **9.9 million in 2060** – an increase of more than 10%.

Figure 1: Population size, natural population change, and net migration



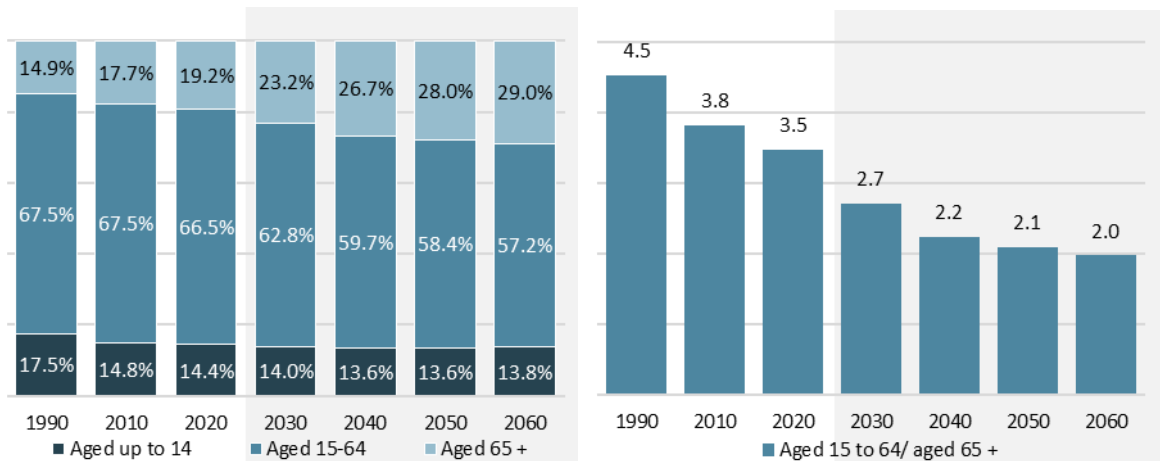
Source: Statistik Austria (2024), author's own depiction.

Figure 2: Life expectancy at birth, population share aged 80+



Source: Statistik Austria (2024), author's own depiction.

Figure 3: Population structure, age dependency ratio



Source: Statistik Austria (2024), author's own depiction.

As shown in Figure 1, long-term population growth in Austria is driven exclusively by net migration. In 2023, the net migration balance amounted to approximately +66,600 persons, while the natural population balance was negative: 89,769 deaths exceeded 77,605 births. This trend is expected to persist, with consistently negative natural population balances projected from around 2030 onwards.

Table 2: Population structure and age dependency ratio

	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Persons, in Mio.</b>	9.2	9.2	9.3	9.6	9.8	9.9	0.2	0.6	0.7
Up to 14 years	1.3	1.3	1.3	1.3	1.3	1.4	0.0	0.1	0.1
15 to 64 years	6.0	6.0	5.9	5.8	5.7	5.7	-0.1	-0.2	-0.3
65+ years	1.8	1.9	2.2	2.6	2.7	2.9	0.3	0.7	1.0
65 to 79	1.3	1.3	1.5	1.7	1.6	1.7	0.2	0.2	0.4
80 and older	0.6	0.6	0.6	0.8	1.1	1.1	0.1	0.5	0.6
<b>Persons as % of total population</b>									
Up to 14 years	14.3	14.3	14.0	13.6	13.6	13.8	-0.3	-0.2	-0.4
15 to 64 years	65.6	65.2	62.8	59.7	58.4	57.2	-2.4	-5.6	-8.0
65+ years	20.1	20.5	23.2	26.7	28.0	29.0	2.7	5.8	8.5
65 to 79	14.1	14.5	16.5	18.2	16.4	17.4	2.1	0.9	2.9
80 and older	6.0	6.1	6.7	8.5	11.6	11.6	0.6	4.9	5.5
<b>Old-age dependency ratio*</b>	3.3	3.2	2.7	2.2	2.1	2.0	-0.5	-0.7	-1.2

\* Ratio of the number of persons of working age (15-64 years) to the number of persons aged 65 and over.

Source: Statistik Austria (2024).

## Age structure

As shown in Figure 5, Austria's population structure is set to change profoundly by 2060. Only the population aged 65 and over is projected to increase, while all other age groups are expected to stagnate or decline slightly. In 2020, 19.2% of the population were aged 65 or over; by 2060, this share is projected to rise to 29.0%. The increase is particularly pronounced among those aged 80 and over, whose share rises from 5.5% in 2020 to 11.6% in 2060 (see Table 2).

The ratio between the working-age population (aged 15-64) and persons of retirement age shifts markedly. In 2020, there were 3.5 persons of working age for every person aged 65 or over; by 2040, this ratio declines to 2.2:1, and by 2060 it falls further to just 2.0:1.

This development implies not only a growing number of pension beneficiaries, but also increasing demand for age-related services, such as long-term care, healthcare and age-appropriate infrastructure. At the same time, the working-age population itself is ageing, creating additional challenges for the labour market and productivity.

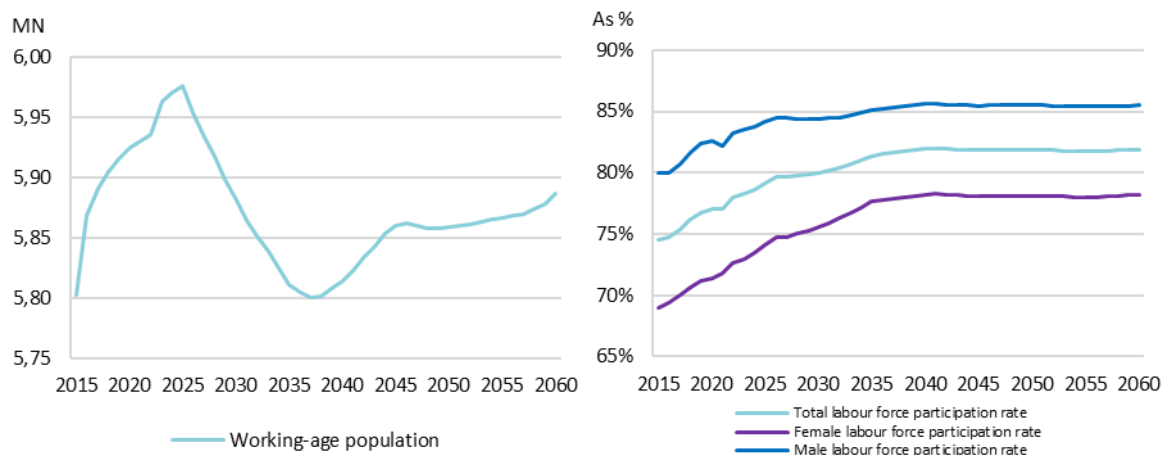
## 2.2. Economic growth

The development of the Austrian economy is projected using the DELTA model, which is described in detail in Section 6.2. The DELTA model is a supply-side model in which the economy grows along its potential output path.

Economic growth is determined by the following factors:

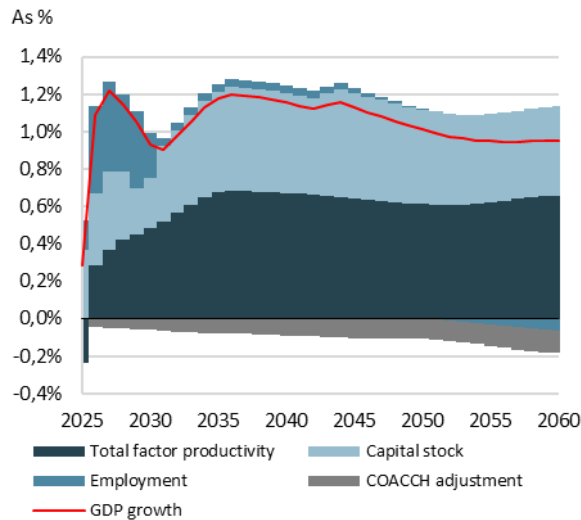
1. **Labour volume:** the total number of hours actually worked by employees and self-employed, as recorded in the national accounts. The projection of labour volume depends not only on demographic developments but also on the labour force projection and assumptions regarding unemployment and part-time employment.
2. **Capital stock:** the economy-wide capital stock (net fixed assets) measured at constant prices. For the development of the capital stock, it is assumed that the capital coefficient – that is, net fixed assets relative to nominal GDP – remains constant over the long term.
3. **Technological progress:** total factor productivity, taking into account growth effects related to climate change. Total factor productivity represents the portion of economic growth that cannot be explained by changes in labour volume or capital stock.

Figure 4: Working-age population and labour force participation rate



Source: Statistik Austria (2024), author's own depiction.

Figure 5: Trend GDP growth and its components, real GDP growth and inflation



Source: WIFO (2025), author's own depiction.

## Labour volume

The demographic change in Austria described in Section 2.1 has a direct impact on labour volume. In addition, changes in unemployment and in average working time per employed person also affect labour volume over the projection horizon.

Specifically, the development of labour volume in the long-term projection is determined by the following four factors:

1. **Working-age population**
2. **Labour force participation rate:** the share of the population who are either employed or actively seeking employment
3. **Employed persons**
4. **Average hours worked per employed person**

**Labour supply potential:** While Austria's total population is projected to increase by 8.0% between 2024 and 2060, reaching 9.9 million persons, the **working-age population** is expected to decline.

Specifically, the working-age population – defined as persons aged 15-64 – decreases from 6.0 million in 2024 by 5.5% to 5.7 million by 2060. The decline in the population aged 15-64 is particularly pronounced up to 2035, with an average annual decrease of -0.4%. In the

early 2040s, a slight increase is projected, followed by a further decline until the end of the projection horizon in 2060.

### Definition

- **Labour supply potential:** Labour supply potential represents the pool of potentially available labour. In the long-term projection, it is approximated by the working-age population, specifically persons aged 15-64. The labour supply potential includes both the labour force and the so-called hidden reserve.
- **Hidden reserve:** The hidden reserve refers to those persons within the labour supply potential who are not actively seeking employment.
- **Labour force:** The labour force comprises persons who are either employed (as employees or self-employed) or actively seeking employment.
- **Employed persons:** Employed persons are those within the labour force who are in employment. This includes both employees and the self-employed. Employed persons may work full-time or part-time.
- **Unemployment rate:** The share of persons actively seeking employment relative to the sum of employees and persons actively seeking employment.
- **Labour volume:** Labour volume relates the number of employed persons to working time. Based on assumptions regarding part-time employment, employed persons are converted into full-time equivalents.

**Labour force:** The development of the labour force is based on an updated labour force projection by Horvath et al. (2024), extended to 2060. Horvath et al. (2024) apply a dynamic microsimulation model (microDEMS) that projects age-, gender- and education-specific labour force participation rates, working time per person and unemployment. This methodological approach is applied for the first time in a BMF/WIFO long-term projection.

The labour force projection anticipates a steady increase in the **total labour force participation rate** of the working-age population over the projection horizon. Starting from a participation rate of 78.2% among persons aged 15-64 in 2040, the rate rises by 7.0 percentage points to 85.2% by 2060.

Table 3: Development of labour volume

		2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
Total population	in thsd.	9,177.9	9,187.4	9,348.3	9,632.5	9,825.2	9,903.8	+1.8%	+5.9%	+7.8%
<b>Population (aged 15-64)</b>	<b>in thsd.</b>	<b>6,022.1</b>	<b>5,993.7</b>	<b>5,873.1</b>	<b>5,752.7</b>	<b>5,741.1</b>	<b>5,665.3</b>	<b>-2.0%</b>	<b>-3.5%</b>	<b>-5.5%</b>
Labour force (aged 15-64)	in thsd.	4,708.1	4,784.2	4,867.9	4,867.3	4,881.9	4,826.4	+1.7%	-0.9%	+0.9%
LFPR (aged 15-64)	in %	78.2	79.8	82.9	84.6	85.0	85.2	+3.1	+2.3	+5.4
<b>Population (aged 65 and over)</b>	<b>in thsd.</b>	<b>1,839.9</b>	<b>1,884.0</b>	<b>2,168.6</b>	<b>2,572.1</b>	<b>2,747.4</b>	<b>2,869.2</b>	<b>+284.5</b>	<b>+700.6</b>	<b>+985.2</b>
Labour force (aged 65 and over 65)	in thsd.	138.9	97.4	131.0	146.4	137.2	146.0	+33.5	+15.0	+48.6
LFPR (aged 65 and over)	in %	7.5	5.2	6.0	5.7	5.0	5.1	+0.9	-1.0	-0.1
<b>Total labour force</b>	<b>in thsd.</b>	<b>4,847.0</b>	<b>4,881.6</b>	<b>4,998.8</b>	<b>5,013.6</b>	<b>5,019.1</b>	<b>4,972.4</b>	<b>+2.4%</b>	<b>-0.5%</b>	<b>+1.9%</b>
<b>Employed persons</b>	<b>in thsd.</b>	<b>4,473.7</b>	<b>4,489.2</b>	<b>4,654.1</b>	<b>4,714.7</b>	<b>4,753.7</b>	<b>4,713.5</b>	<b>+3.7%</b>	<b>+1.3%</b>	<b>+5.0%</b>
Employees	in thsd.	3,960.7	3,972.8	4,118.0	4,165.2	4,194.5	4,154.4	+3.7%	+0.9%	+4.6%
Unemployment rate	in %	7.0	7.5	5.9	5.2	5.0	5.0	-1.5	-0.9	-2.5
Self-employed	in thsd.	513.0	516.4	536.1	549.5	559.1	559.1	+3.8%	+4.3%	+8.3%
Part-time employment rate	in %	31.5	31.6	32.2	32.9	32.9	33.0	+0.7	+0.7	+1.4
Hours worked per employed per year	in hours	1,608.3	1,606.1	1,593.6	1,583.3	1,583.5	1,583.0	-0.8%	-0.7%	-1.4%
<b>Labour volume</b>	<b>in thsd. FTE</b>	<b>4,091.4</b>	<b>4,103.8</b>	<b>4,273.1</b>	<b>4,308.9</b>	<b>4,329.0</b>	<b>4,299.3</b>	<b>+4.1%</b>	<b>+0.6%</b>	<b>+4.8%</b>

\*LFPR = Labour force participation rate

The increase occurs primarily up to mid-2030s; by 2035, the projected participation rate of persons aged 15-64 already reaches 84.1% (+5.9 percentage points compared with 2024).

A key driver of the development is the gradual increase in the statutory retirement age for women from 60 to 65 by 2033. This effect is evident in a gender-specific analysis of labour force participation rates. While the participation rate of women aged 15-64 increases from 75.1% in 2024 by 7.1 percentage points to 82.1% in 2060 (of which +5.9 percentage points occur by 2035), the participation rate of men rises from 85.4% in 2024 by 3.1 percentage points to 88.5% in 2060 (including +2.4 percentage points by 2035). In addition to the increase in the statutory retirement age for women, the higher eligibility age for the corridor pension from 2026 onwards also contributes to rising participation rates.

The evolution of the overall labour force participation rate allows the projection of the number of **employed persons**. This increases from 4.85 million persons in 2024 (2025: 4.88 million) to 4.97 million persons by 2060, exceeding 5 million between 2031 and 2054.

Projecting employment therefore also requires assumptions regarding the development of **unemployment**. In 2024, the unemployment rate according to the national definition stood at 7.0%. According to the medium-term WIFO business cycle forecast of October 2025, the unemployment rate is expected to rise to 7.5% in 2025 and then decline steadily to 5.9% by 2030 (Baumgartner et al., 2025). Thereafter, due to the slowing expansion of the labour force, a further gradual decline to 5.0% of employees is assumed by 2042. The

unemployment rate is then assumed to remain at this level until the end of the projection horizon in 2060.

The assumptions regarding the development of the labour force and unemployment allow for the projection of **employed persons**. The number of persons in employment increases from 4.47 million in 2024 (2025: 4.49 million) to 4.71 million in 2060. Employment is projected to peak in 2050 at 4.75 million persons in employment.

Labour volume can be estimated either by projecting hours worked or by converting employment into full-time equivalents (FTEs). The conversion of persons in employment into full-time equivalents is based on assumptions regarding the development of **part-time work**. In 2024, the part-time employment rate stood at 31.5%, with the rate among women (50.8%) being almost four times as high as the rate among men (13.4%). The projection assumes that the rate of employees working part-time continues to increase gradually to a total of 33.0%, rising to 53.8% for women and 14.6% for men. Based on these assumptions, the development of average weekly working hours per employed person over the projection horizon is calculated.

In 2024, **average weekly hours worked per employed person** amounted to 30.8 hours. By 2034, this figure is projected to decline to 30.4 hours, followed by stabilisation at this level thereafter.

As a result, **labour volume** grows at an average annual rate of 2.0% up to and including 2050, corresponding to an increase of 5.5% between 2024 and 2050. From 2051 onwards, labour volume declines slightly, such that by the end of the projection horizon in 2060 it is only 4.8% higher than in 2025. Over the entire projection horizon from 2025 to 2060, the projected average growth rate of labour volume amounts to 0.1%.

### **Total factor productivity**

Changes in labour volume and the capital stock cannot fully explain the economic growth observed in the past. A further key factor and major driver of economic growth is technological progress, which is represented in the DELTA model through changes in total factor productivity.

Over the long-term average period from 1995 to 2024, growth in total factor productivity in Austria amounted to 0.3% per year. However, total factor productivity growth exhibited considerable volatility over the past decades, reflected statistically in a relatively high

standard deviation of 1.9% during the period 1995-2024. This volatility is also attributable to economic crises during this period, in particular the global financial and economic crisis and the COVID-19 crisis, which were associated with pronounced declines in productivity.

The projection of the long-term development of total factor productivity in Austria is based on results from the Long-run Macroeconomic Model of the Austrian Economy (A-LMM 2.0) developed by Kaniowski et al. (2024). This model takes into account not only historical trends but also the impact of demographic change on long-term productivity developments. According to this approach, average total factor productivity growth of 0.6% per year is expected over the projection horizon 2025-2060.

In addition, similar to the 2022 Long-term Fiscal Projection, it is assumed that climate change entails economic costs for Austria in various forms. This cost is proxied as a reduction in the growth rate. Climate change affects economic activity and living conditions in a wide range of ways, impacting sectors such as agriculture and forestry, industry, energy supply, transport, public infrastructure and the healthcare system. This assumption is underpinned by results from the COACCH project (Parrado et al., 2021; Van der Wijst et al., 2021), which provides a comprehensive and scientifically robust assessment of climate change risks and costs in Europe. In the DELTA model, this effect is incorporated exogenously by reducing total factor productivity growth under specific assumptions regarding adaptation capacity. In the baseline scenario, climate change is assumed to reduce total factor productivity growth by an average of 0.05 percentage points per year over the projection horizon 2025-2060.

Taking these climate-related growth losses into account, average annual total factor productivity growth over the period 2025-2060 amounts to 0.49%. Given that total factor productivity growth is a key determinant of GDP growth, and thus of the sustainability of the public finances and the substantial uncertainty surrounding its future development, two sensitivity scenarios are analysed in Chapter 4; a scenario with lower productivity growth (see Section 4.5) and a scenario with higher productivity growth (see Section 4.6).

### **Economic growth**

Based on the developments in the capital stock, employment, and total factor productivity, long-term economic growth in Austria can be derived up to the end of the projection horizon in 2060. As outlined above, labour volume grows by an average of 0.1% per year over the period 2025-2060, the capital stock by 1.0% per year, and total factor productivity by around 0.5% per year.

To derive overall economic growth, the growth rates of the individual components must be translated into their respective contributions to gross domestic product (GDP).

First, technological progress, measured by growth in total factor productivity, is treated as exogenous.

Second, constant returns to scale are assumed for the two remaining production factors – labour (labour volume) and capital. This implies that economic output changes in proportion to changes in the production inputs employed, namely labour and capital.

Third, the coefficients determining the respective contributions of labour volume and capital accumulation to GDP growth must be specified. The coefficient for labour volume corresponds to the economy-wide wage share. Over the period 1995-2024, the (unadjusted) wage share averaged 54.9%, with a relatively low standard deviation of 1.4%, and exhibited no clear long-term trend. Against this background, the choice of a coefficient of 0.5 appears plausible. Given the assumption of constant returns to scale, this also implies a coefficient of 0.5 for capital.

Accordingly, long-term economic growth is derived as the sum of growth in total factor productivity, the labour coefficient multiplied by growth in labour volume (labour contribution), and the capital coefficient multiplied by growth in the capital stock (capital contribution).

Overall, real GDP growth in the present long-term projection is estimated at 1.0% per year over the period 2025-2060, and at 1.1% per year over the period 2031-2060.<sup>1</sup> This is lower than the average real GDP growth of 1.6% recorded during the period 1995-2024, despite the occurrence of the global and economic crises, the COVID-19 crises and the energy crisis during that time.

This outcome is driven by the projected development of labour volume, which contributes only marginally to economic growth over the projection horizon and even exerts a negative effect from 2051 onwards. Projected economic growth is therefore primarily based on increases in total factor productivity and the expansion of the capital stock. The sum of these two factors reflects labour productivity, or, in other words, GDP per unit of labour volume. Labour productivity growth averages 0.9% per year over the projection

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<sup>1</sup> For the period 2025-2030, the medium-term WIFO business cycle projection of October 2025 serves as the reference (see Baumgartner et al., 2025).

horizon 2025-2060 (1.0% over 2031-2060), which is slightly higher than the average of 0.8% per year observed over the past 30 years (1995-2024).

Nominal GDP growth, which is relevant for the assessment of fiscal indicators relative to GDP, is obtained by adding changes in the GDP deflator to real growth. The projection of the GDP deflator is based on the WIFO medium-term business cycle forecast of October 2025 up to 2030. In the long run, i.e. from 2031 onwards, it is assumed to increase by 2.0% per year, corresponding to the European Central Bank's inflation reference value.

### **2.3. Climate policy and climate targets**

Developments in the field of climate policy have a significant impact on the fiscal developments analysed in the long-term fiscal projection. Since 2022, the scenario modelling of greenhouse gases and energy have been an integral part of the projection.

Based on its international and European commitments, Austria initially set out the objective of achieving climate neutrality by 2050 in its Long-term Strategy 2050. In the Government Programme (Coalition Treaty) for 2025-2029, the Federal Government announced a wide range of climate policy measures. These include, inter alia, the objective of achieving climate neutrality by 2040, the establishment of a governance structure for achieving climate targets, and activities related to climate change adaptation, carbon management, the circular economy, international climate finance, as well as energy systems, and energy infrastructure.<sup>2</sup> An overview of climate targets at the national, EU and international levels for the years 2030, 2040, and 2050 is provided in Table 4.

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<sup>2</sup> [https://www.bundestkanzleramt.gv.at/dam/jcr:8d78b028-70ba-4f60-a96e2fca7324fd03/Regierungsprogramm\\_2025-2029.pdf](https://www.bundestkanzleramt.gv.at/dam/jcr:8d78b028-70ba-4f60-a96e2fca7324fd03/Regierungsprogramm_2025-2029.pdf)

Table 4: Overview of greenhouse gas-related targets at national, EU and international level for 2030, 2040 and 2050

Sectors			Status	Base	2030	2040	2050
Austria	Buildings, transport, energy and industry (non-ETS I), agriculture, waste, fluorinated gases	EU ESR	In force	2005	-48%		
	Land use, forestry and agriculture	EU LULUCF	In force		-5,6 Mt CO <sub>2</sub> e*		
	ESR sectors + LULUCF	Climate Neutrality 2024	Planned (Gov. Prog.)	1990		-100%	
EU	Large-scale industry, power generation, aviation	EU ETS I	In force	2005	-62%		
	Buildings, transport, energy and industry (non-ETS I), agriculture, waste, fluorinated gases	EU ESR	In force	2005	-40%		
	Land use, forestry and agriculture	EU LULUCF	In force		-310 Mt CO <sub>2</sub> e		
	All sectors	EU Climate Law	In force	1990	-55%		-100%
		EU Climate Law	Trilog negotiations ongoing	1990		-90%**	
Global	All sectors	Paris Agreement / Glasgow Climate Pact	Soft Law	2010	-45%		

\* "Each EU Member State has been assigned a target for the LULUCF sector as a whole for 2030. This target is derived from the average of LULUCF outcomes for the years 2016–2018, plus an adjustment of approximately 15%. This adjustment is definitively fixed for each Member State in the Regulation and amounts to -0.879 million tonnes of CO<sub>2</sub> equivalent for Austria. On this basis, and in accordance with the current version of the LULUCF Regulation, a provisional LULUCF target for Austria of -5.65 million tonnes of CO<sub>2</sub> equivalent is obtained (based on the LULUCF greenhouse gas inventory for the years 2016–2018 submitted in 2020, plus the adjustment). The final target level for 2030 will only be determined upon submission of the greenhouse gas inventory in 2032, on the basis of the LULUCF results for the years 2016–2018 contained therein." (Umweltbundesamt, 2025b). There are two accounting periods (2021–2025 and 2026–2030), each subject to different rules as well as compensation mechanisms (i.e. flexibilities).

\*\*incl. flexibility mechanisms, inter alia the use of international certificates of up to 5 %

A detailed overview of European and national climate targets is provided in the Annex. The Annex also presents the current status quo of greenhouse gas (GHG) emissions in Austria and describes the latest scenarios for the development of GHG emissions submitted to the EU.

### Climate-related fiscal risks and climate-related expenditure<sup>3</sup>

Along the transformation pathway towards an economic system consistent with the Paris Agreement, cost-effective strategies must be developed to minimise fiscal risks to public budgets. Green budgeting is a strategic approach by the Ministry of Finance aimed at reducing the budgetary risks associated with national and international climate, energy, and environment targets. These risks can, in simplified terms, be grouped into two main categories:

<sup>3</sup> For a more detailed discussion of fiscal risks, see the Feder Government's Green Budgeting annex to the Federal Budget Act (BVA) 2025/2026:

[https://service.bmf.gv.at/Budget/Budgets/2025\\_2026/beilagen/Green\\_Budgeting\\_2025\\_2026.pdf](https://service.bmf.gv.at/Budget/Budgets/2025_2026/beilagen/Green_Budgeting_2025_2026.pdf)

- **Physical risks:** physical risks include, inter alia, direct damage resulting e.g., from the increased frequency and intensity of extreme weather events.
- **Transition risks:** transition risks arise from structural and transformation-related policy reforms triggered by international and/or EU legal obligations.<sup>4</sup>

Green budgeting provides a methodological bridge between fiscal and climate policy, enabling an effective response to the complex challenges posed by climate change. The development of cost-effective strategies requires an integrated assessment of inputs (resources deployed) and their impacts. A purely input-based analysis of transformation processes – for example focusing solely on the volume of climate-related expenditure – is insufficient to ensure a fiscally sustainable and forward-looking development path for Austria. In the present Long-term Fiscal Projection, and based on insights derived from the federal green budgeting framework, the following climate-related risks are identified and analysed (Table 5):

Table 5: Illustrative examples of climate-related fiscal risks and their treatment in the 2025 Long-term Fiscal Projection

Fiscal costs arising when measures to mitigate greenhouse gas emissions and to adapt to climate change are not designed in a cost-effective manner	Taken into account in both the baseline scenario and the climate policy scenario.
Risks related to potential non-compliance with EU climate targets: <ul style="list-style-type: none"> <li>• Climate compliance costs associated with the use of flexibility mechanisms (e.g., purchase of emission certificates, purchase risk) associated with existing EU targets.</li> <li>• (potential) penalties or penalty surcharges arising from infringement procedures in the event of non-compliance with the ESR or the LULUCF Regulation.</li> </ul>	The use and costs of flexibility mechanisms are taken into account in both the baseline scenario and the climate policy scenario. Potential penalty surcharges are not included, as both scenarios assume that compliance can be achieved by making use of the flexibility mechanisms (including through the purchase of Annual Emission Allocations from other EU Member States).
Costs of climate change-related damages or additional costs arising from insufficient climate change adaptation.	Taken into account in both the baseline scenario and the climate policy scenario, with differentiated effects on economic growth and budgetary expenditure.
Effects related to environmentally harmful incentives and subsidies	Taken into account in the climate policy scenario in line with the Government Programme.

<sup>4</sup> In this context, due consideration must also be given to additional implications for location-specific and distributional policies (e.g., in the context of the Just Transition debate), which may in turn have effects on public finances.

Contribution pressures related to international climate finance under the commitments of the Paris Agreement	Taken into account in both the baseline scenario and the climate policy scenario.
Financial impacts of potential litigation, for example arising from legal proceedings involving the public sector	Not explicitly modelled.
Climate- and environment-related impacts on financing, operating results, and balance sheets in accordance with budgetary accounting rules, including recognition and valuation issues.	Not explicitly modelled.

## Costs of climate change-related damages

The incorporation of the physical costs of climate change in Austria in the present Long-term Fiscal Projection is based on the COACCH project<sup>5</sup>, which provides a comprehensive and scientifically robust assessment of climate change risks and costs in Europe. A detailed description of the approach taken is provided in the Annex.

## Calculation of target compliance costs

In the event that the targets set out in the EU Effort Sharing Regulation (ESR) and the LULUCF Regulation are not met, Austria must make use of the flexibility mechanisms provided for in these legal frameworks in order to ensure compliance with EU law. The costs associated with the use of these flexibility mechanisms are subsequently referred to as climate compliance costs. The Federal Ministry of Finance has already published several analyses on these issues.<sup>6</sup> A detailed description of the background and methodology used to calculate climate compliance costs in the present Long-term Fiscal Projection are provided in the Annex.

## Baseline scenario assumptions

To model the impact of the baseline scenario on greenhouse gas emissions and the Austrian energy system up to 2050, the following assumptions were made. A more detailed overview of the key assumptions is provided in Table 31 in the Annex. In general, the baseline scenario of the 2025 Long-term Fiscal Projection builds on the WEM 2025

<sup>5</sup> Cf. Parrado et al. (2021) and Van der Wijst et al. (2021).

<sup>6</sup> See 2022 Long-term Fiscal Projection, the Federal Government's Green Budgeting annex to the Federal Budget (BVA) 2025/2026:

[https://service.bmf.gv.at/Budget/Budgets/2025\\_2026/beilagen/Green\\_Budgeting\\_2025\\_2026.pdf](https://service.bmf.gv.at/Budget/Budgets/2025_2026/beilagen/Green_Budgeting_2025_2026.pdf), as well as the study commissioned by the Federal Ministry of Finance (BMF) and conducted by Kommunalkredit Public Consulting (KPC): [https://www.bmf.gv.at/themen/klimapolitik/green\\_Budgeting/eu-klimaziele---flexibilit%C3%A4ten.html](https://www.bmf.gv.at/themen/klimapolitik/green_Budgeting/eu-klimaziele---flexibilit%C3%A4ten.html)

(with existing measures) scenario prepared by the Environment Agency Austria (Umweltbundesamt) that was officially submitted to the European Commission in spring 2025. This scenario incorporated all measures in force as of the end of June 2024. For the present projection, the cut-off date for the framework conditions, assumptions, and measures was updated, allowing the effects of measures contained in the 2025/2026 Federal Budget Act and the Federal Medium-term Expenditure Framework Acts for 2025-2028 and 2026-2029 to be modelled (cut-off date: 13 May 2025). Key national and EU-level developments – most notably, the 2025/2026 budgets and the accompanying budgetary legislation – were therefore taken into account. In addition, based on an assessment by the Environment Agency Austria regarding developments in livestock numbers, the agriculture sector was updated compared with WEM 2025.<sup>7</sup>

### **Greenhouse gas emissions in the baseline scenario**

The following section discusses the projected development of greenhouse gas emissions in Austria up to 2050 in the baseline scenario. Since the most recent submission of Austria's greenhouse gas projections to the EU in March 2025 (cut-off date: 30 June 2024), framework conditions have changed both fiscally and economically. As part of budget preparation for the Federal Medium-term Expenditure Framework period up to 2029, budget consolidation measures were adopted that included spending reductions in climate-related support schemes. The greenhouse gas emission projections and their fiscal impacts incorporated in the present Long-term Fiscal Projection up to 2050 explicitly reflect these additional effects.

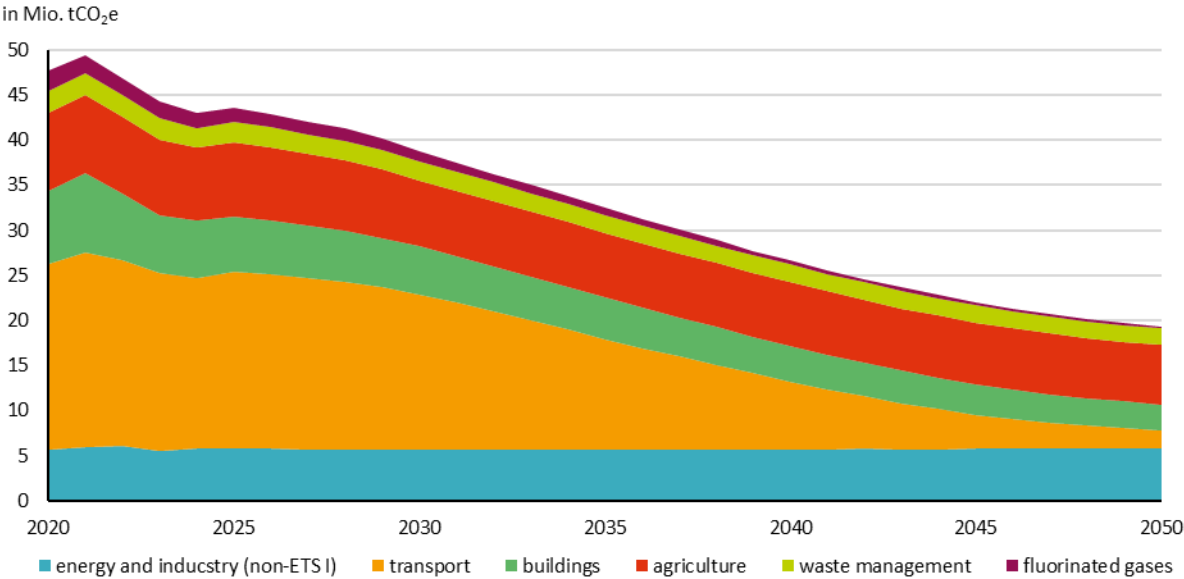
Under the baseline scenario (see Figure 6), a continuous decline in ESR greenhouse gas emissions of 56% is projected over the period from 2025 to 2050. A sectoral breakdown shows that, particularly the transport sector, which shifts considerably towards fleet electrification– driven by CO<sub>2</sub> pricing and EU requirements on CO<sub>2</sub> standards (Regulation (EU) 2023/851) alongside increased attractiveness of public transport. As a result, greenhouse gas emissions in the transport sector are projected to decline by around 89% in 2050 compared to 2025. Emissions in the buildings sector are projected to decrease by around 54% over the same period. In agriculture, emissions decline by approximately 20% by 2050 in the baseline scenario where no additional measures are implemented. In the energy and industrial sectors outside the EU ETS I, emissions decline only marginally – by

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<sup>7</sup> Excerpt from the report of the Environment Agency Austria (Umweltbundesamt): “Environment Agency Austria considers the development of livestock numbers in the WAM 2025 scenario to be more plausible than in the WEM 2025 and therefore recommended using this scenario for the greenhouse gas (GHG) projections in the Long-term Fiscal Projection.” Umweltbundesamt 2025a

around 1% - over the 25-year period. Waste management emissions decrease by just under 17% compared with 2024, while emissions from fluorinated gases decline steadily from an already low level. Further details are provided in the Environment Agency Austria’s project report.

Figure 6: Greenhouse gas emissions in the baseline scenario (ESR emissions; excluding EU ETS I and LULUCF)



Source: Umweltbundesamt (2025a), author’s own depiction.

In the baseline scenario, achieved emissions reduction gradually approach the ESR reduction target. By 2030, emissions are reduced by approximately 32.6% compared with 2005. Nevertheless, in 2030 a gap of around 9.1 million tonnes of CO<sub>2</sub>e remains relative to the ESR target. Over the entire period from 2021 to 2030, the cumulative shortfalls amount to around 31.4 million tonnes of CO<sub>2</sub> when not considering flexibility mechanisms, and around 20 million tonnes of CO<sub>2</sub>e when taking into account the use of the ETS flexibility. To achieve Austria’s national and EU legally binding climate targets, greater emphasis must be placed on the coming years on the effectiveness of policy measures and on the coherent interaction of regulatory, tax and subsidy instruments. Without a focus on cost-effective measures that deliver additional emissions reductions, the risk of non-compliance with binding EU greenhouse gas reduction targets under the ESR – and the associated fiscal risk – remains. In the event of non-compliance, compliance costs would ultimately realise, as discussed in more detail in Section 3.2.

## 3. Fiscal Developments

Based on the framework conditions outlined in Chapter 2, the following chapter presents the results of the baseline scenario of the 2025 Long-term Fiscal Projection. Particular emphasis is placed on the development of demography-related expenditure, covering pensions, health, long-term care, education and family benefits. In addition, developments in climate-related expenditure and interest expenditure are analysed separately. The chapter concludes with an assessment of the two key fiscal indicators: the Maastricht balance and the debt-to-GDP ratio.

Table 6: Key results in the baseline scenario

As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Total expenditure</b>	<b>55.2</b>	<b>55.4</b>	<b>54.2</b>	<b>55.8</b>	<b>57.1</b>	<b>58.6</b>	<b>-1.2</b>	<b>+4.4</b>	<b>+3.2</b>
Pensions	14.9	15.2	15.4	15.8	15.6	15.8	+0.2	+0.3	+0.6
Health	7.9	8.0	8.1	8.7	9.2	9.3	+0.1	+1.2	+1.3
Long-term care	1.5	1.5	1.6	1.9	2.4	2.8	+0.1	+1.3	+1.3
Education	5.3	5.3	5.2	5.1	5.1	5.2	-0.1	+0.1	-0.1
Family	1.7	1.7	1.6	1.5	1.5	1.4	-0.1	-0.2	-0.3
Climate compliance costs	0.0	0.0	0.3	0.4	0.4	0.3	+0.3	+0.1	+0.3
Interest expenditure	1.5	1.7	2.2	3.3	4.2	5.2	+0.6	+3.0	+3.6
Other	22.5	22.0	19.7	19.1	18.7	18.5	-2.3	-1.2	-3.5
<b>Total revenue</b>	<b>50.5</b>	<b>50.8</b>	<b>51.0</b>	<b>51.1</b>	<b>51.1</b>	<b>51.1</b>	<b>+0.1</b>	<b>+0.2</b>	<b>+0.3</b>
<b>Maastricht balance</b>	<b>-4.7</b>	<b>-4.5</b>	<b>-3.2</b>	<b>-4.7</b>	<b>-6.0</b>	<b>-7.4</b>	<b>+1.3</b>	<b>-4.2</b>	<b>-2.9</b>
Primary balance	-3.2	-2.9	-1.0	-1.4	-1.8	-2.2	+1.9	-1.3	+0.7
Interest expenditure	-1.5	-1.7	-2.2	-3.3	-4.2	-5.2	-0.6	-3.0	-3.6
<b>Debt ratio</b>	<b>79.9</b>	<b>81.7</b>	<b>85.2</b>	<b>98.4</b>	<b>119.2</b>	<b>148.2</b>	<b>+3.6</b>	<b>+62.9</b>	<b>+66.5</b>

Source: WIFO (2025), authors' own depiction.

### 3.1. Demography-related expenditure

Demography-related expenditure comprises pensions, health, long-term care, education, and family benefits. In total, this expenditure amounted to 31.2% of GDP in 2024 and is projected to increase to 31.8% of GDP in 2025. By 2030, demography-related expenditure is forecast to rise to 32.0% of GDP, and by 2060 to 34.6% of GDP. On average, demography-related expenditure therefore accounts for around 59% of total expenditure.

Over the entire projection horizon from 2025 to 2060, demography-related expenditure increases by 2.8 percentage points of GDP. Of this increase, 1.4 percentage points of GDP are attributable respectively to health expenditure and long-term care expenditure, while 0.6 percentage points of GDP are attributable to total pension expenditure. By contrast,

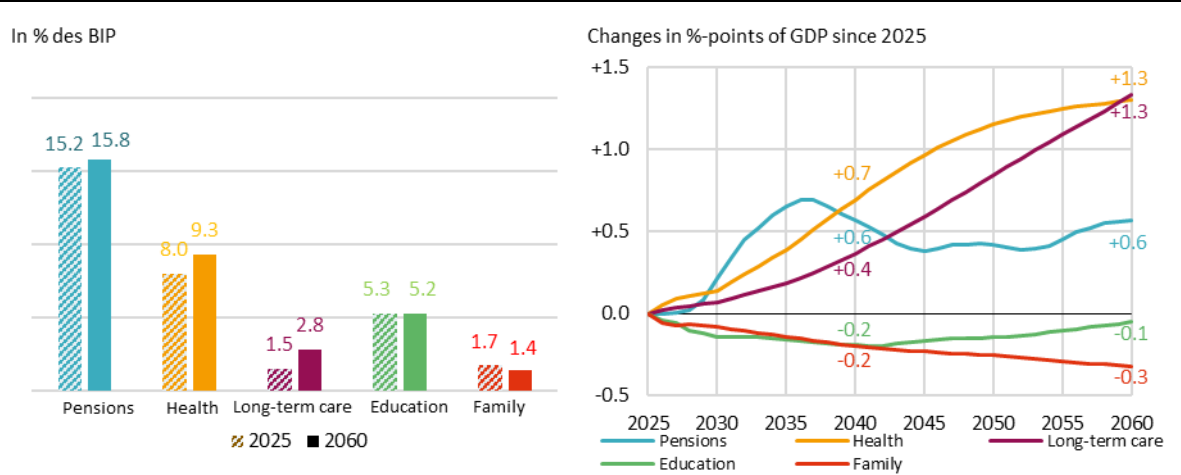
expenditure on family benefits (-0.3 percentage points of GDP) and education (-0.1 percentage points of GDP) declines slightly.

Table 7: Demography-related expenditure in the baseline scenario

As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Total expenditure</b>	<b>55.2</b>	<b>55.4</b>	<b>54.2</b>	<b>55.8</b>	<b>57.1</b>	<b>58.6</b>	<b>-1.2</b>	<b>+4.4</b>	<b>+3.2</b>
<b>Demography-related expenditure</b>	<b>31.2</b>	<b>31.8</b>	<b>32.0</b>	<b>33.0</b>	<b>33.8</b>	<b>34.6</b>	<b>+0.2</b>	<b>+2.6</b>	<b>+2.8</b>
<i>As % of total expenditure</i>	57%	57%	59%	59%	59%	59%			
Pensions	14.9	15.2	15.4	15.8	15.6	15.8	+0.2	+0.3	+0.6
Health	7.9	8.0	8.1	8.7	9.2	9.3	+0.1	+1.2	+1.3
Long-term care	1.5	1.5	1.6	1.9	2.4	2.8	+0.1	+1.3	+1.3
Education	5.3	5.3	5.2	5.1	5.1	5.2	-0.1	+0.1	-0.1
Family	1.7	1.7	1.6	1.5	1.5	1.4	-0.1	-0.2	-0.3

Source: WIFO (2025), authors' own depiction.

Figure 7: Demography-related expenditure in the baseline scenario



Source: WIFO (2025), authors' own depiction.

**Pensions**

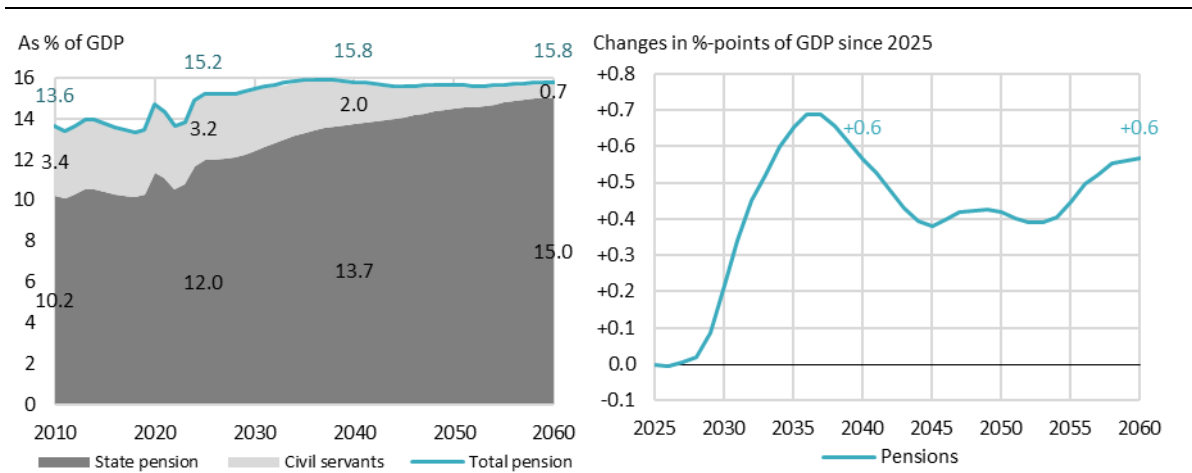
Pension expenditure comprises both expenditure of the statutory pensions insurance system (including rehabilitation benefits and benefit supplements; Ausgleichszulagen) and expenditure on civil servants' pensions. The largest share of pension expenditure consists of own-account pensions, which are derived from individuals' own entitlements, while survivors' pensions include widow's and widowers' pensions as well as orphans' pensions.

Table 8: Pension expenditure in the baseline scenario

As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Total expenditure</b>	<b>55.2</b>	<b>55.4</b>	<b>54.2</b>	<b>55.8</b>	<b>57.1</b>	<b>58.6</b>	<b>-1.2</b>	<b>+4.4</b>	<b>+3.2</b>
<b>Pension expenditure</b>	<b>14.9</b>	<b>15.2</b>	<b>15.4</b>	<b>15.8</b>	<b>15.6</b>	<b>15.8</b>	<b>+0.2</b>	<b>+0.3</b>	<b>+0.6</b>
<i>As % of total expenditure</i>	27%	27%	29%	28%	27%	27%			
Statutory pension insurance	11.8	12.1	12.5	13.8	14.6	15.1	+0.5	+2.6	+3.0
Civil-servants pensions	3.1	3.2	2.9	2.0	1.1	0.7	-0.2	-2.2	-2.5

Source: WIFO (2025), authors' own depiction.

Figure 8: Public pension expenditure



Source: WIFO (2025), authors' own depiction.

### Definition of pension expenditure

Pension expenditure is based on the ESSOSS classification and comprises the following expenditure categories, unless stated otherwise:

- Expenditure on old-age, invalidity and incapacity pensions (own-account pensions)
- Expenditure on survivors' pensions (widows', widowers', and orphans' pensions)
- Expenditure on benefit supplements (Ausgleichszulagen)
- Expenditure on rehabilitation benefits
- Expenditure on retirement and survivors' benefits for civil servants at federal, Länder and municipal level

The increase in pension expenditure as a share of GDP in 2025 is attributable to the fact that the inflation-related pension adjustment in 2025<sup>8</sup> exceeded nominal GDP growth in that year. As a result, the Federal Government adjusted pensions for 2026, on average, by less than inflation. The rise in pension expenditure up to 2035 is driven, in addition to annual pension adjustments, by the retirement of the large birth cohorts – the so-called baby boomers – and by increasing life expectancy. Cost-mitigating effects during this period stem in particular from the gradual increase in the statutory retirement age for women in the statutory pension insurance system to 65 by 2033, as well as from consolidation measures in the pension system, most notably the tightening of eligibility requirements for the corridor pension.

From around 2040 onwards, pension expenditure as a share of GDP begins to decline, as the baby boomer generation has by then largely entered retirement. Pension expenditure stabilises at a level of around 15.6% of GDP before increasing slightly towards the end of the projection horizon to 15.8% of GDP, reflecting a higher number of pension beneficiaries.

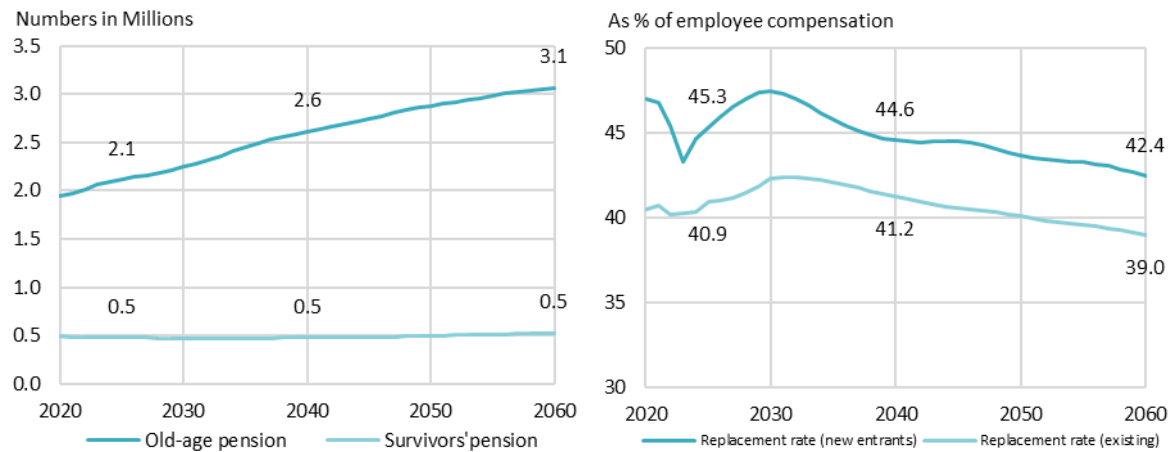
Expenditure on civil servants' pensions declines from 3.1% of GDP in 2024 to 0.7% of GDP by 2060. This reduction is primarily due to a decline in recipients of civil servants' pensions as civil servants are increasingly replaced by contract staff who are covered by the statutory pension insurance system, as well as the gradual progress of pension harmonisation.

The long-term development of pension expenditure is shaped by demographic and economic dynamics as well as by statutory provisions, which in part exert opposing effects. In general, pension expenditure depends on the average pension benefit level and the number of pension beneficiaries. For own-account pensions within the statutory pension insurance system, these two components were modelled for the first time by WIFO using a dynamic microsimulation model (microDEMS). This methodology allows employment histories and thus the fulfilment of eligibility requirements for (early) retirement to be modelled with significantly greater accuracy.

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<sup>8</sup> The adjustment factor for 2025, based on past inflation rates, amounts to 4.6%, while nominal GDP growth is estimated at 3.5%.

Figure 9: Old-age and survivors' pension; replacement rate



Source: WIFO (2025), authors' own depiction.

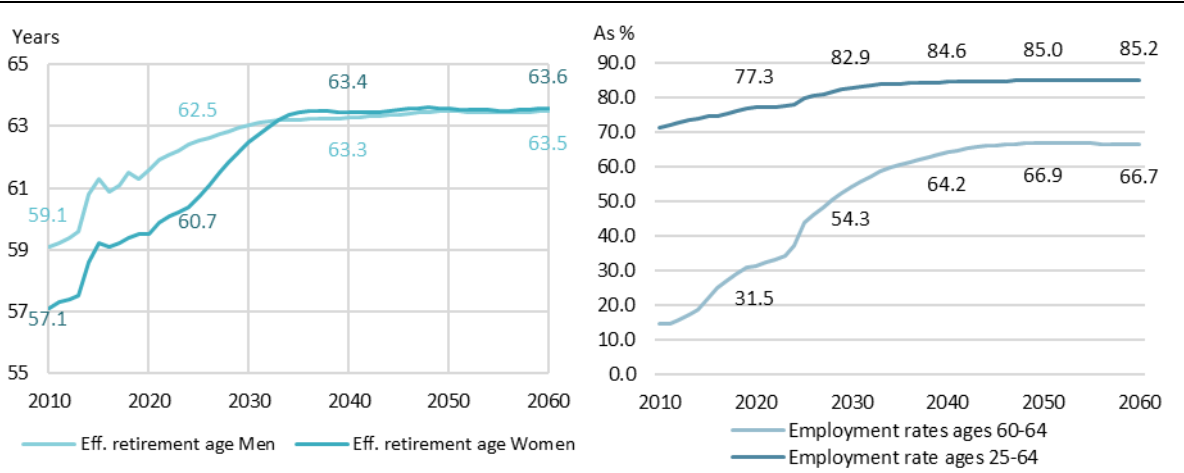
The average level of pensions in the statutory pension insurance system (including means-tested supplements) over the projection horizon is influenced by the following factors and declines from around 2030 onwards as a share of employee compensation (see Figure 9):

- Existing pensions are adjusted in line with the statutory adjustment factor or annual inflation and therefore grow less dynamically than employee compensation and GDP, both of which also increase in line with productivity growth.
- The extension of the reference period used for pension calculation under the pension account framework dampens the level of newly awarded pensions.
- The alignment of the statutory retirement age for women with that of men (completed by 2033) leads to longer employment careers and, as a result, higher pension entitlements.
- The increase in the eligibility age for the corridor pension from 2026 onwards has the side effect of raising pension account balances and reducing benefit deduction for affected individuals.
- The share of individuals with longer education periods and migrants among new pension recipients increases over time. These groups typically have shorter contribution periods due to shorter employment history. While people with higher education can compensate shorter contribution periods with higher earnings, those who spend only part of their working lives in Austria generally cannot. As the latter groups grow over time, the proportion of individuals with lower pension entitlements increases thereby reducing the average pension level overall.

The total number of pension beneficiaries increases up to 2060. The following factors are relevant in this context:

- The retirement of particularly large birth cohorts (the baby boomer generation), who receive pension for a substantial part of the projection horizon.
- The impact of rising life expectancy on the duration of pension receipt.
- A dampening effect on the number of pension beneficiaries arises from the increases in the effective retirement age (see Figure 10). The increase in the effective retirement age is mainly driven by the gradual alignment of the statutory retirement age for women with that of men by 2033 and by the tightening of eligibility requirements for the corridor pension from 2026 onwards. From 2033 onwards, the effective retirement age for both women and men will be 63.5 years, which is around three years higher for women and one year higher for men compared to 2024.

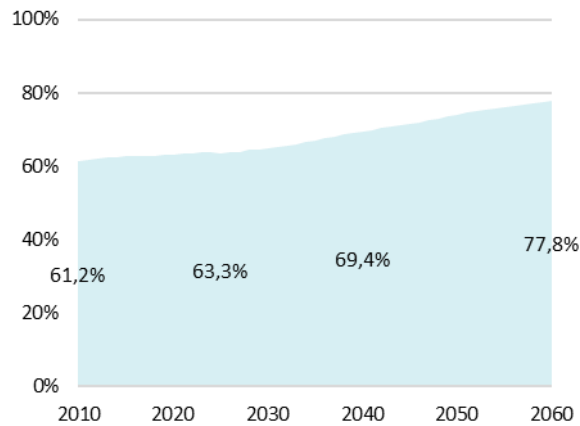
Figure 10: Effective retirement age, employment rates ages 25-64 and 60-64



Source: WIFO (2025), authors' own depiction.

Gender-specific differences in average pension benefits narrow over the projection horizon. While retired women in 2024 receive on average only 63 cents for every euro received by men, this ratio is projected to increase to 77.8 cents by 2060. The differences reflect lower earnings of women over their working lives. Differences in employment patterns, working hours and hourly wages contribute to lower entitlements to a similar extent. The gradual alignment of the statutory retirement age for women with that of men by 2033 extends women’s employment careers and thus increases the pension assessment base. This leads to a relative increase in the average pension benefit for women compared with that of men over the projection horizon.

Figure 11: Average pensions of Women as a percentage of average pensions of Men



Source: WIFO (2025), authors' own depiction.

## Health

Health expenditure is influenced by both demography-related and non-demography-related factors. Demography-related factors affect demand for healthcare service through changes in population size and - structure.<sup>9</sup> Non-demography-related factors include technological progress, such as the introduction of new treatments or pharmaceuticals, as well as institutional framework conditions.

**Demography-related health expenditure** is determined using average age- and gender-specific healthcare expenditure profiles, with healthcare costs rising sharply at older ages. As outlined above, life expectancy of the Austrian population is projected to increase significantly by 2060. In addition, evidence for Austria from the late 1970 to 2019 shows that years spent in subjectively “very good” health have increased even more strongly than overall life expectancy. WIFO therefore assumes that each additional year life expectancy corresponds to an equivalent increase in healthy life years, implying that age-specific healthcare utilisation is deferred accordingly.

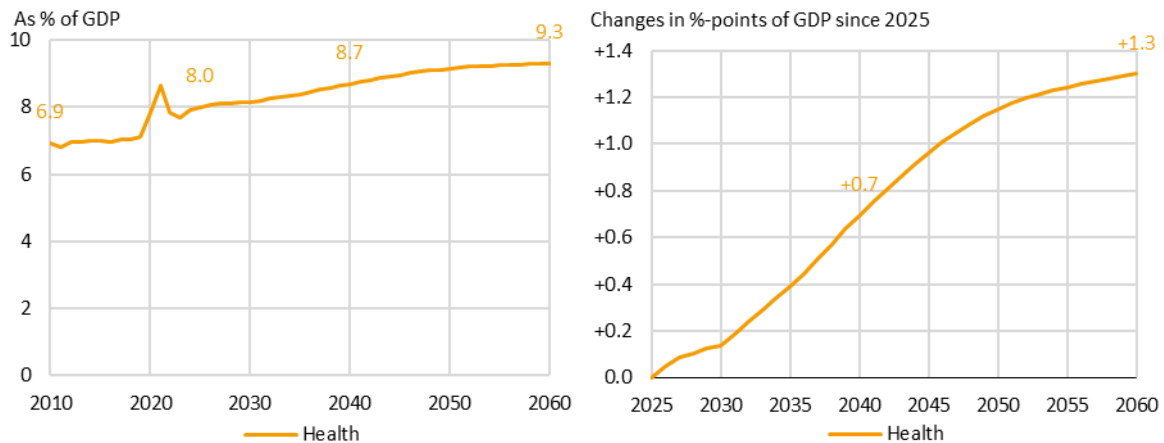
Table 9: Health expenditure in the baseline scenario

As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Total expenditure</b>	55.2	55.4	54.2	55.8	57.1	58.6	-1.2	+4.4	+3.2
<b>Health expenditure</b>	7.9	8.0	8.1	8.7	9.2	9.3	+0.1	+1.2	+1.3
<i>As % of total expenditure</i>	14%	14%	15%	16%	16%	16%			

Source: WIFO (2025), authors' own depiction.

<sup>9</sup> Expenditure on long-term care is not included here; it is accounted for under care expenditure.

Figure 12: Public health expenditure



Source: WIFO (2025), authors' own depiction.

### Definition of health expenditure

Health expenditure is calculated on the basis of statistics compiled in accordance with the System of Health Accounts (SHA) framework<sup>10</sup>. For the purpose of this study, public health expenditure is defined as public current health expenditure excluding long-term care, plus public investment expenditure.

**Non-demography-related health expenditure** is driven by a range of factors. On the one hand, demand for healthcare services develops in line with income growth, with an assumed income elasticity of 0.9.<sup>11</sup> On the other hand, institutional framework conditions, such as patterns of utilisation across different levels of care, as well as remuneration and composition of healthcare personnel, also shape the expenditure path. In addition, medical innovation can have both cost-reducing and cost-increasing effects. While technological progress can reduce the cost of certain healthcare services, it tends overall to exert upward pressure on expenditure, as it not only improves quality and efficiency but also increase demand through new medicines and new treatment options.

WIFO assumes that, over the projection horizon, an increasing number of cost-containment measures and reforms will be implemented, thereby dampening expenditure

<sup>10</sup> Past data are regularly published by Statistic Austria at the following [link](#).

<sup>11</sup> Following Casas et al. (2021), WIFO models health expenditure using an income elasticity of 0.9, implying that health care is treated as a necessity rather than a luxury good. Accordingly, age-specific costs increase somewhat less strongly than per-capita wages.

growth. In particular, WIFO assumes additional cost-mitigating effects from technological progress, for example where the use of artificial intelligence in preventive healthcare enables more effective early detection and avoids downstream costs. In the projection, these effects are captured through additional cost components that accrue on top of age-related healthcare expenditure. For the development of these additional costs, WIFO assumes growth of 0.75% from 2025 onwards, which is gradually reduced in a linear manner to 0.5% by 2060.

As a result, driven in particular by demographic change, health expenditure increases from 7.9% of GDP in 2024 to 9.3% of GDP by 2060.

### Long-term care

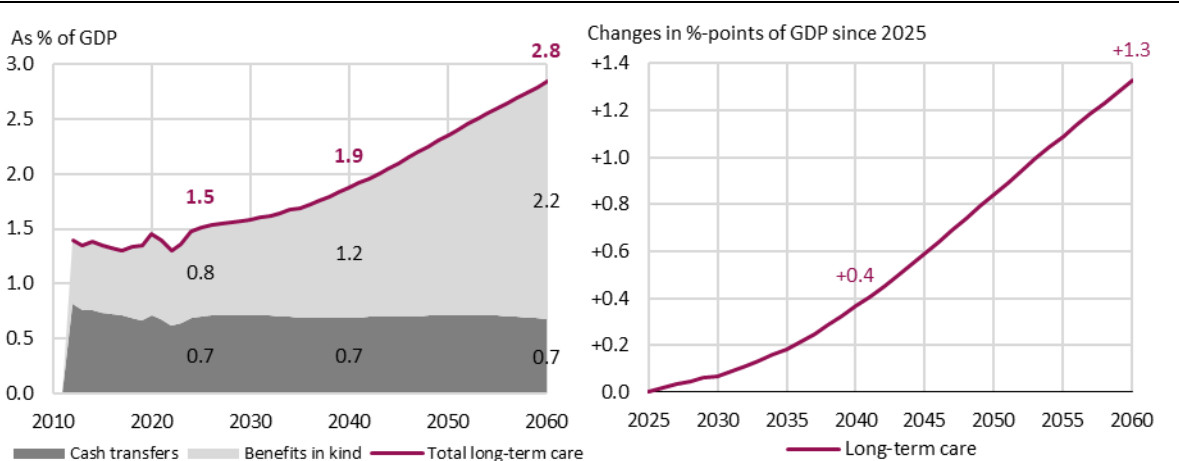
Table 10: Long-term care expenditure in the baseline scenario

As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Total expenditure</b>	<b>55.2</b>	<b>55.4</b>	<b>54.2</b>	<b>55.8</b>	<b>57.1</b>	<b>58.6</b>	-1.2	+4.4	+3.2
<b>Long-term care expenditure</b>	<b>1.5</b>	<b>1.5</b>	<b>1.6</b>	<b>1.9</b>	<b>2.4</b>	<b>2.8</b>	+0.1	+1.3	+1.3
<i>As % of total expenditure</i>	3%	3%	3%	3%	4%	5%			
Cash benefits	0.7	0.7	0.7	0.7	0.7	0.7	+0.0	-0.0	-0.0
Benefits in kind	0.8	0.8	0.9	1.2	1.6	2.2	+0.1	+1.3	+1.4

Source: WIFO (2025), authors' own depiction.

Public long-term care expenditure comprises both expenditure on cash benefits (long-term care allowances) and expenditure on benefits in kind (e.g., residential care facilities).

Figure 13: Public long-term care expenditure



Source: WIFO (2025), authors' own depiction.

### **Definition of long-term care expenditure**

Long-term care expenditure comprises expenditure on cash benefits (long-term care allowances) and expenditure on care services. Expenditures on long-term care allowances are based on statistics from the social insurance institutions. Expenditures on care services are derived from the long-term care services statistics and correspond to gross expenditures net of contributions and reimbursements.<sup>12</sup>

Demand projections in this area follow a similar approach to that used for healthcare expenditure. Age-specific expenditure profiles are constructed and projected forward using the demographic outlook. Similar to the healthcare sector, it is assumed that increases in life expectancy delay age-specific care needs by an equivalent number of years. This assumption applies to both cash benefits and benefits in kind. In addition, WIFO assumes rising demand for formal care services, reflecting a decline in unpaid family care.

In modelling long-term care expenditure, explicit consideration of female labour force participation as a driver of increased demand for formal care services is not included. Instead, a higher income elasticity is assumed. Specifically, the income elasticity increases to 1.9% by 2034, reflecting the increase in the statutory retirement age for women and the associated further decline in informal care provision.

Long-term care allowance rates are indexed to inflation.

Over the projection horizon, long-term care expenditure increases markedly; from 1.5% of GDP in 2024 to 2.8% of GDP by 2060, implying a long-term doubling of expenditure, with the share of benefits in kind rising steadily over time.

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<sup>12</sup> Past data are regularly published by Statistics Austria at the following [link](#).

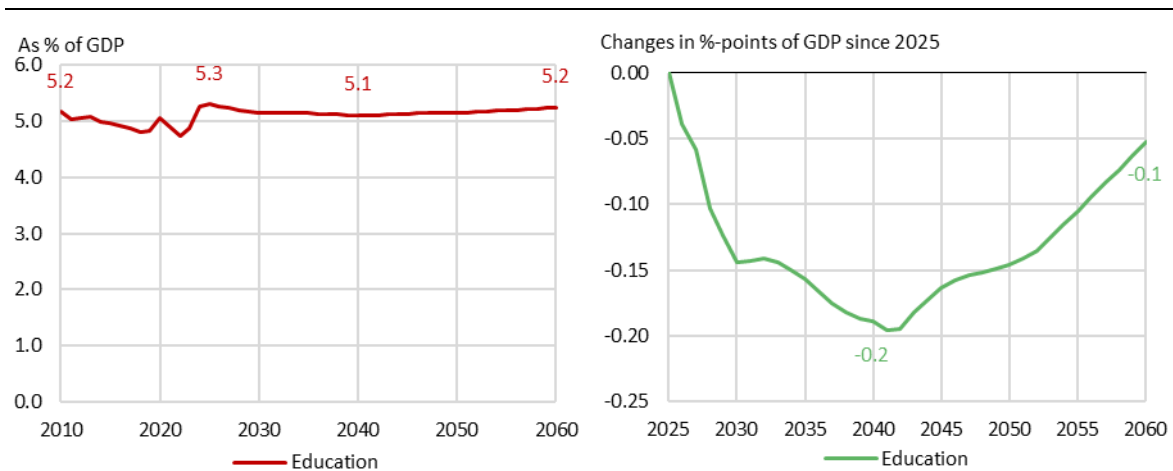
## Education

Table 11: Education expenditure in the baseline scenario

As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60	
<b>Total expenditure</b>	55.2	55.4	54.2	55.8	57.1	58.6	-1.2	+4.4	+3.2	
<b>Education expenditure</b>	5.3	5.3	5.2	5.1	5.1	5.2	-0.1	+0.1	-0.1	
<i>As % of total expenditure</i>	10%	10%	10%	9%	9%	9%				
<b>Personnel (FTE)</b>										
Primary level	in thsd.	87.3	86.6	83.7	85.8	87.6	89.6	-2.9	+5.8	+2.9
Secondary level	in thsd.	78.4	78.1	80.9	78.2	80.3	82.2	+2.8	+1.3	+4.1
Tertiary level	in thsd.	34.4	34.2	34.0	35.3	34.6	35.1	-0.1	+1.1	+0.9

Source: WIFO (2025), authors' own depiction.

Figure 14: Public education expenditure



Source: WIFO (2025), authors' own depiction.

Public expenditure on education in Austria amounted to 5.4% of GDP in 2024. In expenditure terms, the main components of education spending are secondary education, early childhood and primary education, and tertiary education.

### Definition of education expenditure

Education expenditure is based on statistics on consolidated general government expenditure by function, compiled in accordance with the COFOG (Classification of the Functions of Government). Within the COFOG framework, education

constitutes a separate functional category, namely COFOG Division 09, which is used as the definitional basis in this analysis.<sup>13</sup>

Projecting education expenditure requires assumptions regarding the future number of pupils, students and teaching staff across the different levels of education.

### Definition of education levels by expenditure category

In the long-term projection, the following three education levels are distinguished:

- **Early childhood and primary education:** kindergarten, pre-school, primary school, special needs schools
- **Secondary education:** general and vocational upper secondary schools, lower secondary schools, vocational schools, special needs schools, etc.
- **Tertiary education:** universities, universities of applied science, teacher training colleges etc.

The number of pupils and children in early childhood education across **the first three education levels** is extrapolated on the basis of Statistics Austria's 2024 population projection. Teaching staff numbers in schools are then projected proportionally to the number of pupils, under the assumption that pupil-teacher ratios remain broadly unchanged over time.

As a result, employment (in full-time equivalents) in early childhood and primary education is projected to increase slightly, from around 87,300 in 2024 to approximately 89,600 by the end of the projection horizon in 2060. In secondary education, employment is expected to rise from around 78,400 full-time equivalents in 2024 to roughly 82,200 in 2060.

The **tertiary education sector** differs from the preceding education levels. While compulsory education applies at lower levels, there is no such requirement in tertiary education. Consequently, the number of participants is lower than the size of the

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<sup>13</sup> Past data are regularly published by Statistics Austria at the following [link](#).

corresponding age cohort, and participation may differ in gender and country of origin. These specific characteristics necessitate additional assumptions to project both student numbers and teaching staff.

The demographic reference group is the population aged 20 to 29, based on Statistics Austria's 2024 population projection. Around two thirds of students fall within this age group. The share of male students in this cohorts amounts to approximately 21-22%, while the corresponding share for female students is around 30%. Assuming these shares remain constant, the number of domestic students declines from about 120,000 in 2024 to around 112,300 in 2060. The number of domestic female students decreases temporarily from roughly 156,000 in 2024 but subsequently rises again to around 155,700 by the end of the projection horizon. In recent years, a sustained upward trend has been observed in the number of international students. While around 65,600 international students were enrolled at Austrian higher education institutions in 2010 (around 20% of all students), this figure had risen to approximately 124,200 by 2024, accounting for almost one third (31%) of all students. The long-term projection assumes that this trend continues in the medium term, with the number of international students initially increasing by around 2,000 persons per year. Once approximately 140,000 international students, corresponding to around 35% of total enrolment, are reached, student numbers are assumed to stabilise. Teaching staff in tertiary education are projected proportionally to the total number of students, assuming current staff-to-student ratios remain unchanged. Under these assumptions, employment in tertiary education (in full-time equivalents) increased from around 34,400 persons in 2024 to approximately 35,100 by 2060.

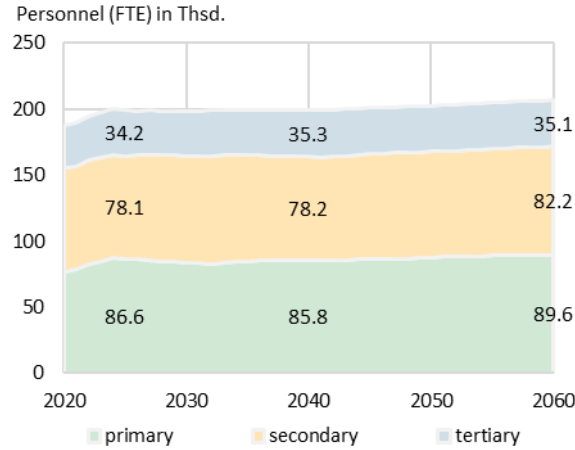
Based on the projection development of teaching staff across all education levels, **personnel expenditure** in the education sector is derived in a subsequent step. This requires an assumption regarding wage developments in the public sector. It is assumed that, in the long run, wage growth in the public sector aligns with that in the private sector.

Around two thirds of total public education expenditure is accounted for by personnel costs, while the remaining one third primarily comprises **non-wage expenditure**. Non-wage expenditure is extrapolated in line with nominal GDP growth.

Overall, the resulting projection implies that **education expenditure remains broadly stable relative to GDP**. Starting from 5.3% of GDP in 2024, expenditure is projected to

decline slightly to 5.1% of GDP from 2034 onwards, before increasing again to around 5.2% of GDP from 2051 through to the end of the projection horizon.

Figure 15: Personnel by education level



Source: WIFO (2025), authors' own depiction.

### Family Burden Equalisation Fund (FLAF)

The Family Burden Equalisation Fund (FLAF) is the central instrument for supporting and promoting families in Austria. The most significant cash benefits financed through the FLAF are family allowances and childcare allowances. In addition, the FLAF finances transfers to the statutory pension insurance scheme to partially cover the cost of credited child-rearing periods. Expenditure on free transport for pupils and the school textbook scheme is also financed from FLAF resources.

Table 12: Expenditure on family benefits in the baseline scenario

As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Total expenditure</b>	<b>55.2</b>	<b>55.4</b>	<b>54.2</b>	<b>55.8</b>	<b>57.1</b>	<b>58.6</b>	<b>-1.2</b>	<b>+4.4</b>	<b>+3.2</b>
<b>Expenditure for family benefits</b>	<b>1.7</b>	<b>1.7</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>	<b>1.4</b>	<b>-0.0</b>	<b>-0.2</b>	<b>-0.3</b>
<i>As % of total expenditure</i>	3%	3%	3%	3%	3%	2%			
Family allowance	0.9	0.9	0.8	0.7	0.6	0.6	-0.1	-0.2	-0.3
Childcare allowance	0.3	0.3	0.3	0.2	0.2	0.2	-0.0	-0.0	-0.0
Free transportation and school books	0.2	0.1	0.1	0.1	0.1	0.1	-0.0	-0.0	-0.0
Other	0.4	0.4	0.5	0.4	0.5	0.5	+0.0	+0.0	+0.0

Source: WIFO (2025), authors' own depiction.

## Definition of FLAF expenditure and revenue

Expenditure and revenue under the family burden equalisation fund are fully recorded under the **budget chapter 25 “Family and Youth”** in the federal budget.

The projection of FLAF expenditure is based on current Ministry of Finance (BMF) planning up to and including 2029. From 2029 onwards, assumptions are made regarding long-term developments.

**Family allowances** are paid for children up to the age 24 at varying benefit levels. For projection purposes, the average family allowances per child is extrapolated using the population aged 0 to 24 and indexed in line with inflation.

**Childcare allowances** are paid either as a flat-rate benefit for a defined period or as an income-related benefit linked to the earnings of the recipient parent. It is assumed that slightly more than half of childcare allowances is income-related (see Austrian Court of Audit, 2024). From 2030 onwards, this income-related component is projected in line with the growth of employee compensation, assumed in the long run to amount to +3.0 % per year. The flat-rate component is increased from 2030 onwards in line with the long-term inflation rate of 2.0% per year. The number of beneficiaries follows the projected number of births according to Statistics Austria’s 2024 population projection.

**Expenditure for school textbooks and free transport for pupils** is modelled based on two assumptions. First, the future number of pupils is relevant and is approximated by the projected population aged 5 to 19, based on Statistics Austria’s 2024 population projection. Second, it is assumed that the prices of the goods and services provided increase in line with the long-term annual inflation rate of 2.0%.

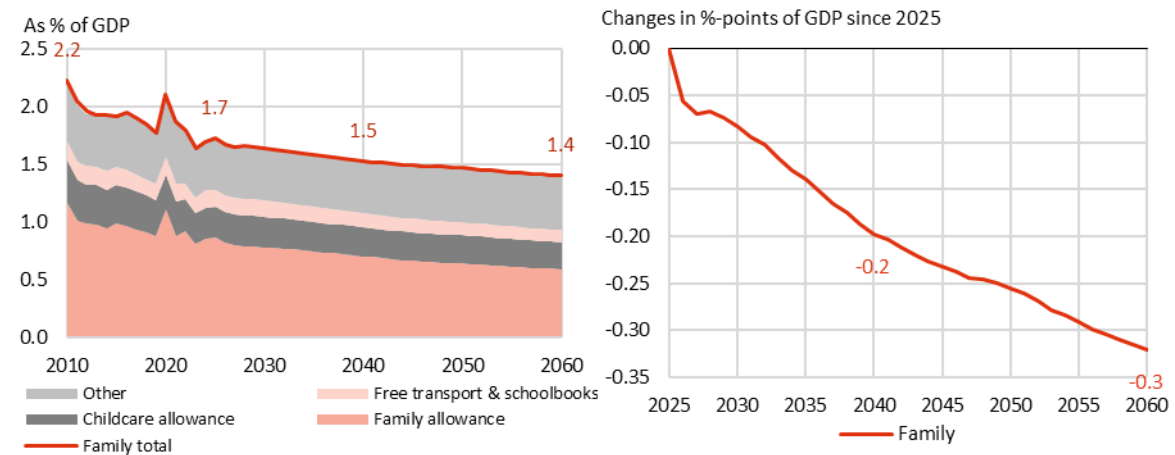
**Transfers of pension insurance contributions** to public finances for **credited child-rearing periods** constitute an internal public transfer. These payments are explicitly modelled to consider the FLAF comprehensively. They are projected based on forecasted births according to Statistics Austria’s 2024 population projection and an assumed wage growth of 3.0% per year.

Overall, the resulting projection indicates a **slightly declining trend in FLAF expenditure** relative to GDP. Starting from 1.7% of GDP 2024, FLAF expenditure gradually decreases to

1.4% of GDP by the end of the projection horizon in 2060. This downward trend has already been observed in previous years – in 2010 FLAF expenditure still amounted to 2.2% of GDP. Moreover, the different assumptions regarding the future development of individual FLAF benefits, particularly with respect to price and wage indexation, also imply a change in the internal expenditure structure of FLAF.

**FLAF revenue** is projected in line with the development of total general government revenue. Around 80% of revenue is derived from employer contributions, with the remainder stemming from shares of personal income tax and corporate income tax. FLAF revenue is projected to amount to 1.7% of GDP until the end of the 2040s and to decline slightly thereafter to 1.6% of GDP by 2060, compared with 1.8% of GDP in 2024.

Figure 16: Expenditure of the Family Burden Equalisation Fund



Source: WIFO (2025), authors' own depiction.

Taken together, the FLAF is projected to record a **slightly positive balance** over the projection horizon, amounting initially to 0.1% of GDP and increasing to 0.2% of GDP from 2043 onwards.

### 3.2. Climate-related expenditure

Within the baseline scenario, climate- and environment-related expenditure<sup>14</sup> – namely expenditure on climate change adaptation (such as flood protection or torrent and avalanche control) as well as greenhouse gas mitigation (including various support

<sup>14</sup> See the Green Budgeting Report for further information on current climate- and environment-related expenditures: [https://www.bmf.gv.at/themen/klimapolitik/green\\_Budgeting/budgetbeilage\\_klima--und\\_umweltschutz.html](https://www.bmf.gv.at/themen/klimapolitik/green_Budgeting/budgetbeilage_klima--und_umweltschutz.html)

schemes for heating system replacement, electric mobility and public transport investment) – is projected forward in nominal terms on the basis of current plans, using the level of planned expenditure in 2029 (in line with the Federal Medium-term Expenditure Framework 2026-2029).

According to the modelled projection and available data, Austria meets its ESR targets in 2022 and 2023 without making use of flexibility mechanisms. In 2021 and in the years 2024 to 2027, compliance with statutory targets is achieved through the use of available flexibilities (ETS flexibility, banking and borrowing). From 2028 onwards, and in all subsequent years up to 2050, Austria fails to meet its targets without transfers of emission allowances (Annual Emission Allocations, AEAs). From 2028 onwards, target compliance therefore depends on the availability of additional AEAs from other EU Member States.

In the baseline scenario, the total budgetary cost of climate compliance costs over the period 2021-2030 amounts to approximately EUR 2.86 billion<sup>15</sup>. The use of ETS flexibility since 2021, already reflected in revenue projections, additionally reduces revenue by a further EUR 1.14 billion over the same decade. From 2031 onwards, considering emission dynamics across all EU Member States and assuming limited use of international emission credits, insufficient emission allowances are available in any year up to 2050 to ensure EU-wide target achievement. This market scarcity implies significant price effects for target compliance under unchanged ambition levels. In combination with the expected tightening of targets, this implies a substantial increase in risk, by a factor of around five in the period 2031-2040 and by a factor of ten in the period 2041-2050 relative to the current decade.

Compared with the estimate of climate compliance costs in the 2022 Long-term Fiscal Projection, the climate compliance costs in the respective baseline scenarios have been reduced. On the one hand, implemented climate policy measures have significantly reduced the cumulative emissions gap up to 2030 – from 54.3 million tonnes CO<sub>2e</sub> to 31.4 million tonnes CO<sub>2e</sub>, excluding ESR flexibilities. On the other hand, flexibilities are now considered in the estimation more explicitly, while the effects of the LULUCF regulation are now also considered. Furthermore, the present estimate considers developments in other EU Member States which have been incorporated into the calculation of climate compliance costs in the 2025 projection. As a result, the total estimated purchase risk up

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<sup>15</sup> In the fiscal results, a projection value was still used for the year 2024, prior to the publication of the nowcast for 2024.

to 2030 has declined from EUR 4.7 billion in the 2022 projection to EUR 2.86 billion in the present projection.

### 3.3. Interest expenditure

Interest expenditure increases markedly over the projection horizon 2025-2060. While it amounts to 1.7% of GDP in 2025, it rises to 5.2% of GDP by 2060. This increase of 3.6 percentage points of GDP is largely attributable to the persistently negative primary balance over the projection horizon.

Table 13: Interest expenditure

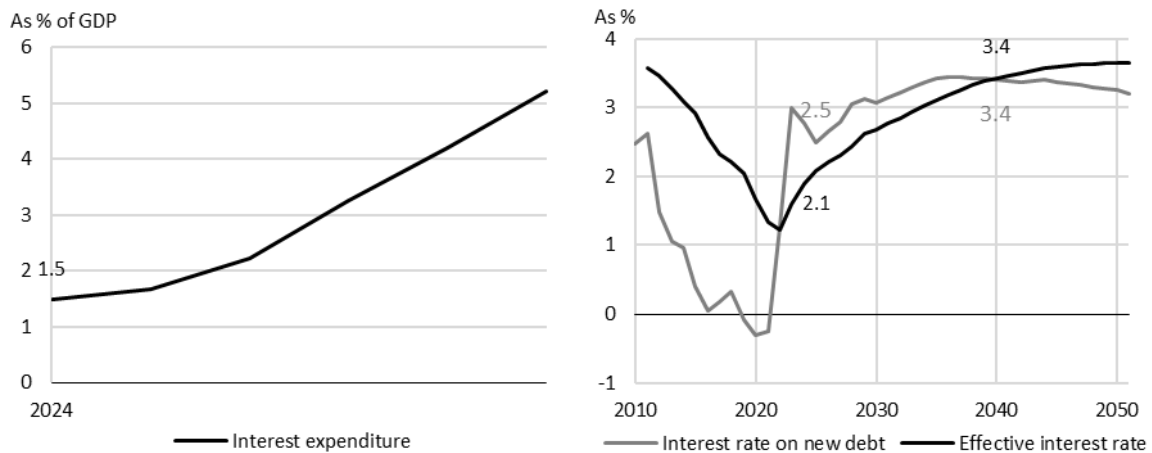
As % of GDP		2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Total expenditure</b>		<b>55.2</b>	<b>55.4</b>	<b>54.2</b>	<b>55.8</b>	<b>57.1</b>	<b>58.6</b>	<b>-1.2</b>	<b>+4.4</b>	<b>+3.2</b>
<b>Interest expenditure</b>	% of GDP	<b>1.5</b>	<b>1.7</b>	<b>2.2</b>	<b>3.3</b>	<b>4.2</b>	<b>5.2</b>	<b>+0.6</b>	<b>+3.0</b>	<b>+3.6</b>
<i>As % of total expenditure</i>		3%	3%	4%	6%	7%	9%			
Primary balance	% of GDP	-3.2	-2.9	-1.0	-1.4	-1.8	-2.2	+1.9	-1.3	+0.7
Interest rate on new debt	as %	2.8	2.5	3.1	3.4	3.3	3.2	+0.6	+0.1	+0.7
Effective interest rate	as %	1.9	2.1	2.7	3.4	3.7	3.6	+0.6	+1.0	+1.6

Source: WIFO (2025), authors' own depiction.

As a result of the consolidation measures provided for in the Federal Medium-term Expenditure Framework 2025-2029, the primary balance improves from -2.9% of GDP in 2025 to -0.1% of GDP in 2030. Thereafter, however, it deteriorates again, primarily due to demographic developments, reaching -2.2% of GDP by 2060.

A negative primary balance implies that primary government expenditure (expenditure excluding interest) exceeds revenue, necessitating additional borrowing. In addition, compound interest effects apply, as interest payments themselves increase the debt stock and thus enlarge the base for future interest costs. Together, these mechanisms generate an inherent dynamic that reinforces the growth of interest expenditure over time.

Figure 17: Interest expenditure; interest rate on new borrowing and effective interest rate



Source: WIFO (2025), authors' own depiction.

Another key determinant of interest expenditure is the assumed effective annual interest rate on public debt. Based on model-based considerations, this rate ranges between 2.7% and 3.7% over the period 2030-2060. The significant impact of interest rate assumptions on the result of the present projection is examined in greater detail in Section 4.4. Chapter 6 further explains the methodological background underlying the assumed interest rate and interest expenditure dynamics.

### 3.4. Other expenditure

Other expenditure comprises those categories of government spending not presented separately in the preceding chapters. These include, in particular, expenditure in the following areas:

- General public services
- Defence
- Public order and safety
- Economic affairs, including infrastructure (notably rail transport)
- Climate and environmental protection, excluding the expenditure described in Section 3.2
- Housing and community amenities
- Recreation, sport and culture
- Unemployment

Table 14: Other expenditure in the baseline scenario

As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Total expenditure</b>	55.2	55.4	54.2	55.8	57.1	58.6	-1.2	+4.4	+3.2
<b>Other expenditure</b>	22.5	22.0	19.7	19.1	18.7	18.5	-2.3	-1.2	-3.5
<i>As % of total expenditure</i>	41%	40%	36%	34%	33%	32%			

Source: WIFO (2025), authors' own depiction.

The majority of this expenditure is projected forward in line with nominal GDP growth under the no-policy-change assumption.

An exception applies to monetary social benefits within other expenditure, such as unemployment benefits, emergency assistance, scholarships, municipal family benefits or housing allowances. These are indexed solely to inflation. For unemployment benefits and emergency assistance, an additional volume effect arises, as the model assumes a further decline in the unemployment rate from 2029 onwards.

A further deviation concerns wages of public sector employees. While personnel expenditure in demography-related areas increases over the projection horizon, the number of public employees must remain constant under the no-policy-change assumption. This generates offsetting savings in wage expenditure within the category of other expenditure.

As a result of these deviations, other expenditure continues to decline as a share of GDP even after the end of the consolidation period, falling from 19.7% of GDP in 2030 to 18.5% of GDP in 2060. Over the entire projection horizon, other expenditure thus declines from 22.0% of GDP in 2025 by a total of 3.5 percentage points.

### 3.5. Revenue

General government revenue amounts to 50.8% of GDP in 2025, increases slightly to 51.1% by 2035, and subsequently remains at this level until the end of the projection horizon in 2060.

This outcome is based on the assumption that public revenue evolves in line with weighted growth rates of its respective tax and contribution base. As the bases largely develop in parallel with nominal GDP, the revenue-to-GDP ratio remains broadly stable over the entire projection horizon. This reflects the underlying no-policy-change assumption.

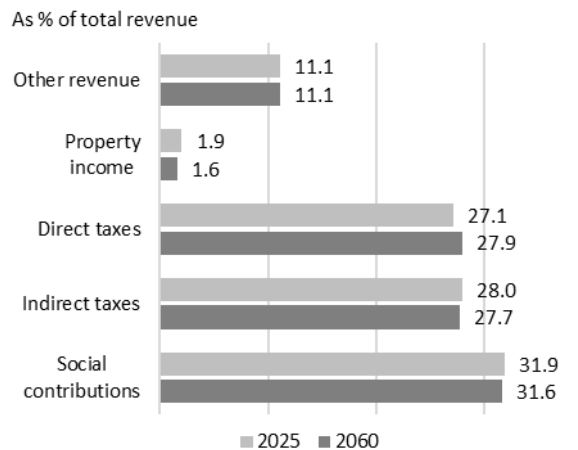
Table 15: Revenue in the baseline scenario

As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
Social contributions	16.0	16.2	16.1	16.2	16.2	16.2	-0.1	+0.1	-0.0
Indirect taxes	13.7	14.2	14.2	14.2	14.2	14.2	-0.0	0.0	-0.0
Direct taxes	14.0	13.8	14.1	14.3	14.3	14.3	+0.4	+0.1	+0.5
Property income	1.1	1.0	0.8	0.8	0.8	0.8	-0.2	-0.0	-0.2
Other revenue	5.7	5.6	5.7	5.7	5.7	5.7	+0.1	-0.0	+0.1
<b>Total</b>	<b>50.5</b>	<b>50.8</b>	<b>51.0</b>	<b>51.1</b>	<b>51.1</b>	<b>51.1</b>	<b>+0.1</b>	<b>+0.2</b>	<b>+0.3</b>

Source: WIFO (2025), authors' own depiction.

The bulk of revenue is accounted for by social contributions (31.9%), indirect taxes (28.0%), direct taxes (27.1%) and property income (1.9%). These categories are discussed in more detail below. Other revenue (11.1%) is projected forward in line with nominal GDP growth.

Figure 18: General government revenues, 2025



Source: WIFO (2025), authors' own depiction.

**Social contributions** comprise compulsory contributions to the statutory social security schemes, in particular pension, health and accident insurance as well as unemployment insurance. Contribution bases include 37.45% of the wages and salary bill, 30.45% of self-employed income, and 6.0% of pension income. In 2025, social contributions amount to 16.2% of GDP and remain broadly stable at this level until 2060, apart from minor fluctuation.

**Indirect taxes** include value added taxes as well as various excise and quantity-based taxes (inter alia, mineral oil tax, tobacco tax and energy levies). These taxes are classified as indirect because they are formally paid by firms but are ultimately borne by the consumers through higher prices. The assessment base is the total economic value added, i.e. nominal GDP. Revenue from indirect taxes amounts to 14.2% of GDP in 2025 and remains largely constant over the projection horizon.

**Direct taxes** comprise personal income tax, wage tax, and capital income tax paid by households, as well as corporate income tax. Revenue from household taxes grows in line with the weighted growth rates of wages and salaries, self-employed income and pension income. Corporate tax revenue follows the development of aggregate net operating surplus. Overall, direct taxes amount to 13.8% of GDP in 2025 and rise moderately to 14.3% of GDP by 2060.

**Property income** accounts for only a small share of government revenue. It includes interest, dividends, profit withdrawals and rental income received by the public sector. For projection purposes, property income is approximated by nominal GDP growth.

### 3.6. Maastricht balance and debt ratio

The long-term development of the general government **Maastricht balance** results from the projected paths of revenue and expenditure ratios in the baseline scenario. While the revenue ratio remains broadly stable throughout the projection horizon – rising only slightly from 50.8% of GDP in 2025 to 51.1% of GDP in 2060 – the expenditure ratio exhibits a much more pronounced trajectory. It initially declines from 55.4% of GDP in 2025 to 54.2% in 2030, but then increases steadily from the early 2030s, reaching 58.6% of GDP by 2060.

Table 16: Fiscal key indicators in the baseline scenario

As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Total expenditure</b>	55.2	55.4	54.2	55.8	57.1	58.6	-1.2	+4.4	+3.2
<b>Total revenue</b>	50.5	50.8	51.0	51.1	51.1	51.1	+0.1	+0.2	+0.3
<b>Maastricht balance</b>	-4.7	-4.5	-3.2	-4.7	-6.0	-7.4	+1.3	-4.2	-2.9
Primary balance	-3.2	-2.9	-1.0	-1.4	-1.8	-2.2	+1.9	-1.3	+0.7
Interest expenditure	-1.5	-1.7	-2.2	-3.3	-4.2	-5.2	-0.6	-3.0	-3.6
<b>Debt ratio</b>	79.9	81.7	85.2	98.4	119.2	148.2	+3.6	+62.9	+66.5

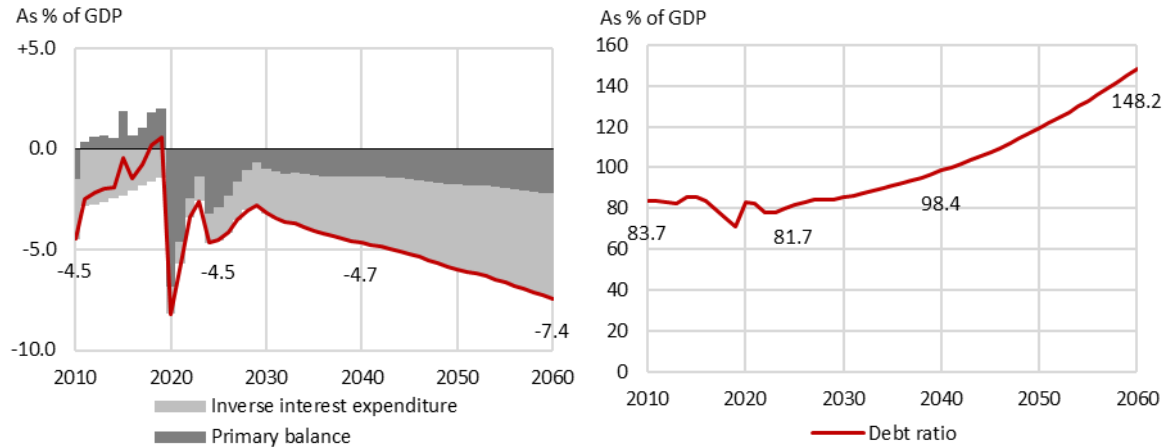
Source: WIFO (2025), authors' own depiction.

The difference between the two ratios initially leads to an improvement in the general financing balance until the end of the 2020s, followed by a gradual deterioration thereafter. The Maastricht balance improves from -4.5% of GDP in 2025 to -2.8% of GDP in 2029, before worsening to -7.4% of GDP by 2060.

The improvement in the Maastricht balance over the period 2025-2029 is largely attributable to the consolidation measures embedded in the current fiscal policy framework, which temporarily relieve public finances. From the 2030s onwards, however, this trend reverses: the continued ageing of the population increases expenditure,

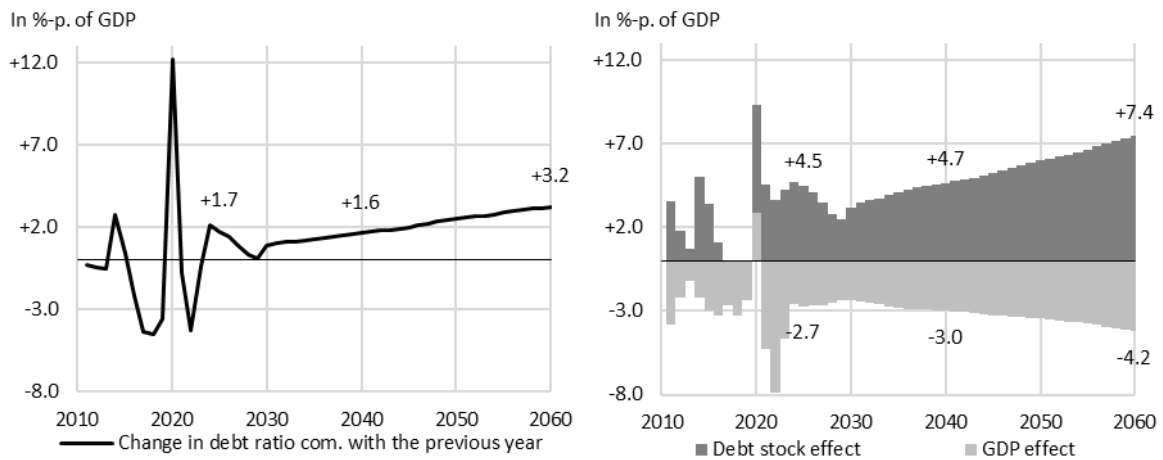
particularly for pension, healthcare, and long-term care. In addition, interest dynamics become increasingly important over time. As a result, the general government financing balance deteriorates steadily over the remainder of the projection horizon.

Figure 19: Development of the Maastricht balance and debt ratio



Source: WIFO (2025), authors' own depiction.

Figure 20: Change in the debt ratio



Source: WIFO (2025), authors' own depiction.

In the baseline scenario, the **debt ratio** rises from 81.7% of GDP in 2025 to 148.2% of GDP by 2060. This increase is driven by two key factors.

First, the primary balance – the balance excluding interest payments - remains persistently negative throughout the projection horizon, leading to continued debt accumulation.

Second, nominal economic growth remains below the effective interest rate in the long run, so that the interest-growth differential exerts additional upward pressure on the debt ratio.

As a result of the no-policy-change assumption, the **Maastricht criteria** of the European Union – a deficit below 3% of GDP and a debt ratio below 60% of GDP – are breached in almost all years of the projection horizon. While the general government deficit temporarily falls below the 3% threshold in 2028 and 2029, it exceeds this limit again from 2030 onwards and diverges further over time. At the same time, the debt ratio remains well above 60% throughout.

This reflects the fact that no consolidation measures have yet been defined for the period beyond 2029, as would be required under the fiscal-structural plan agreed with the EU. Chapter 4.2 illustrates how public finances would evolve if Austria were to comply with the agreed seven-year adjustment path.

## 4. Alternative Scenarios

A long-term projection of public finances is based on a wide range of individual forecasts and assumptions. The 2025 Long-term Fiscal Projection draws, inter alia, on Statistics Austria's 2024 population projection, the labour force participation projection by Horvath et al. (2024), assumptions regarding the development of the unemployment rate and part-time employment, as well as assumptions on total factor productivity growth (Kaniowski et al., 2024), including climate change-related growth losses (Parrado et al., 2021; Van der Wijst et al., 2021).

Many of these underlying projections are inherently subject to uncertainty; this also applies to the baseline scenario of the long-term projection of public finances.

To assess the sensitivity of the baseline scenario results – particularly with regard to the key fiscal indicators – to alternative assumptions, a set of alternative scenarios has been calculated. These are grouped into policy scenarios and risk/opportunity scenarios.

Table 17: Overview of alternative scenarios

As % of GDP	Institute	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Policy scenario</b>										
No consolidation	BMF	79.9	83.0	98.1	140.5	194.5	259.3	+15.1	+161.2	+176.4
<b>Baseline scenario</b>	WIFO	<b>79.9</b>	<b>81.7</b>	<b>85.2</b>	<b>98.4</b>	<b>119.2</b>	<b>148.2</b>	<b>+3.6</b>	<b>+62.9</b>	<b>+66.5</b>
7-year adjustment path	BMF	79.9	81.7	84.4	81.1	82.8	91.1	+2.7	+6.7	+9.4
Climate Policy Scenario	UBA	79.9	81.7	85.2	97.1	116.1	142.2	+3.5	+57.1	+60.6
<b>Risk / opportunity scenarios</b>										
Adverse interest rate scenario	BMF	79.9	81.7	85.2	105.2	139.2	184.8	+3.6	+99.6	+103.2
Favourable interest rate scenario	BMF	79.9	81.7	85.2	92.0	101.9	119.0	+3.6	+33.7	+37.3
Lower productivity growth	WIFO	79.9	81.7	85.2	104.5	136.1	179.6	+3.6	+94.4	+98.0
Higher productivity growth	WIFO	79.9	81.7	85.2	92.5	102.8	118.2	+3.6	+33.0	+36.5
Lower migration	WIFO	79.9	81.7	85.2	103.0	133.3	179.5	+3.6	+94.3	+97.9
Higher life expectancy	WIFO	79.9	81.7	85.2	99.4	122.5	159.1	+3.6	+73.9	+77.5

Source: WIFO (2025), Umweltbundesamt (2025), BMF

The following policy scenarios were simulated in the context of the 2025 Long-term Fiscal Projection:

1. No consolidation scenario (Ministry of Finance, BMF)
2. Scenario assuming implementation of the seven-year adjustment path (BMF)
3. Climate policy scenario (Umweltbundesamt, 2025)

In addition, a set of risk/opportunity scenarios and an interest rate scenario were analysed:

1. Interest rate sensitivity scenario (BMF)
2. Lower productivity growth
3. Higher productivity growth
4. Lower migration to Austria
5. Higher life expectancy

### 4.1. No consolidation

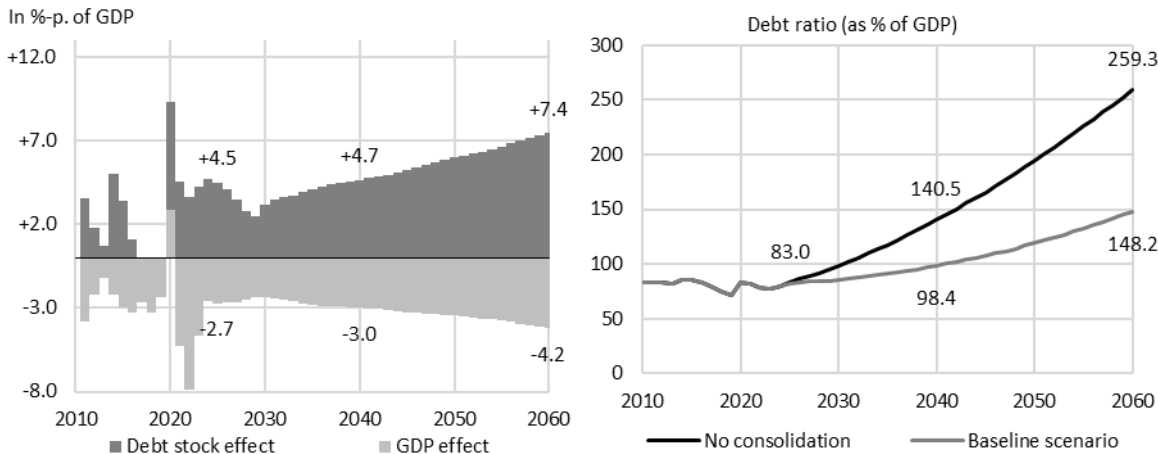
With the 2025/2026 budget and the 2025-2029 Medium-term Fiscal Framework, the Federal Government adopted a comprehensive consolidation package that significantly improves the Maastricht balance over the projection horizon. The alternative scenario presented in this chapter analyses the long-term development of public debt under the assumption that these consolidation measures had not been implemented.

Table 18: No consolidation scenario – key fiscal indicators

As % of GDP	2024	2025	2026	2027	2028	2029	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Maastricht balance</b>	-4.7	-5.8	-5.9	-5.6	-5.4	-5.4	-6.0	-9.0	-11.6	-14.2	-0.1	-8.2	-8.3
Primary balance	-3.2	-4.2	-4.1	-3.7	-3.4	-3.2	-3.6	-3.9	-4.2	-4.6	+0.6	-1.0	-0.4
Interest expenditure	-1.5	-1.7	-1.8	-1.9	-2.0	-2.2	-2.4	-5.1	-7.4	-9.6	-0.8	-7.2	-7.9
<b>Debt ratio</b>	<b>79.9</b>	<b>83.0</b>	<b>86.2</b>	<b>89.1</b>	<b>91.8</b>	<b>94.6</b>	<b>98.1</b>	<b>140.5</b>	<b>194.5</b>	<b>259.3</b>	<b>+15.1</b>	<b>+161.2</b>	<b>+176.4</b>
<i>Δ baseline scenario in %P</i>		+1.3	+3.0	+4.9	+6.9	+9.0	+11.2	+36.8	+67.9	+102.3			

Source: BMF based on WIFO (2025)

Figure 21: Comparison of the “no consolidation” scenario with the baseline scenario



This scenario is based on the assessment presented in the 2025/2026 Budget and Strategy Report, according to which, in the absence of consolidation measures, the Maastricht

balance in 2029 would amount to -5.4% of GDP, i.e. 2.6 percentage points worse than the current expectation of -2.8% of GDP. In addition to this weaker starting position in 2029, the scenario also incorporates a less favourable fiscal trajectory from 2030 onwards due to the non-implementation of the corridor pension reform, as analysed by WIFO (2025).

A comparison of this alternative scenario with the baseline scenario highlights the substantial contribution of the consolidation package to containing long-term debt dynamics. In the baseline scenario, the debt ratio increases from 85.0% of GDP in 2030 to 148.2% of GDP by 2060. Without consolidation, debt dynamics would set in much earlier and be significantly stronger: already in 2030, the debt ratio would reach 98.1% of GDP, around 12.9 percentage points above the baseline scenario. By 2060, the debt ratio would rise to 259.3% of GDP, almost twice the level projected in the baseline scenario.

This comparison demonstrates that the consolidation measures adopted to date do not fully stabilise long-term debt developments but do prevent a substantial deterioration on the fiscal position. The improvement in the primary balance dampens the interest-debt dynamics and makes a significant contribution to reducing risks to the sustainability of public finances.

**Methodological note** This alternative scenario was calculated by the Ministry of Finance. It is based on the simplifying assumption that, within the consolidation package, only the corridor pension reform affects the dynamics of primary expenditure, while all other measures have one-off level effect on primary expenditure. The interest rate and debt dynamics applied correspond to those used by WIFO (2025).

## 4.2. Seven-year adjustment path

The European Union's common fiscal rules - collectively referred to as the Stability and Growth Pact - constitute a cornerstone of Economic and Monetary Union. The objective of these rules is to safeguard fiscal stability through common constraints on government deficits and public debt. Member States with a debt ratio above 60% of GDP or a deficit exceeding 3% of GDP are assigned a reference path aimed at reducing the public deficit and ensuring medium-term debt sustainability. The standard fiscal adjustment period under the reference path is four years but may be extended to seven years if a comprehensive reform and investment package is submitted.

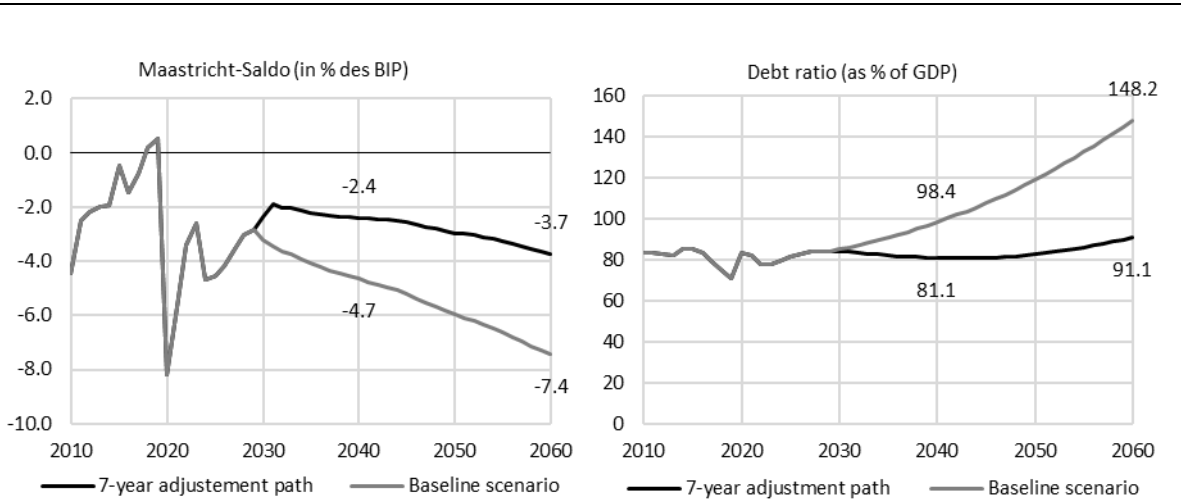
Austria has submitted such as a package and has therefore made use of the option of a seven-year adjustment period. As a result, the reference path also foresees consolidation measures for the year 2030 and 2031. Since these years extend beyond the current legislative period and no concrete measures are yet available that could be incorporated into the baseline scenario, consolidation in the baseline scenario is assumed to end in 2029. Accordingly, the baseline scenario does not show a decline in the debt ratio<sup>16</sup>.

Table 19: Seven-year adjustment path – key fiscal indicators

As % of GDP	2024	2025	2026	2027	2028	2029	2030	2031	2040	2050	2060	2025-30	2030-60	2025-60
<b>Maastricht balance</b>	<b>-4.7</b>	<b>-4.5</b>	<b>-4.2</b>	<b>-3.5</b>	<b>-3.0</b>	<b>-2.8</b>	<b>-2.4</b>	<b>-1.9</b>	<b>-2.4</b>	<b>-3.0</b>	<b>-3.7</b>	<b>+2.2</b>	<b>-1.3</b>	<b>+0.8</b>
Primary balance	-3.2	-2.9	-2.4	-1.6	-1.0	-0.7	-0.2	0.3	0.1	-0.3	-0.8	+2.7	-0.6	+2.1
Interest expenditure	-1.5	-1.7	-1.8	-1.9	-2.0	-2.2	-2.2	-2.2	-2.4	-2.6	-3.0	-0.5	-0.7	-1.3
<b>Debt ratio</b>	<b>79.9</b>	<b>81.7</b>	<b>83.1</b>	<b>84.0</b>	<b>84.3</b>	<b>84.4</b>	<b>84.4</b>	<b>83.9</b>	<b>81.1</b>	<b>82.8</b>	<b>91.1</b>	<b>+2.7</b>	<b>+6.7</b>	<b>+9.4</b>
<i>Δ baseline scenario in %P</i>						0.0	-0.8	-2.3	-17.3	-36.4	-57.1			

Source: BMF based on WIFO (2025)

Figure 22: Comparison of the “Seven-year adjustment path” scenario with the baseline scenario



The alternative scenario presented here analyses the impact of additional consolidation measures in 2030 and 2031 on the long-term development of the deficit and the debt ratio. The reference path requires an improvement in the primary balance of 0.5% of GDP in each of the two years relative to the previous year. If these requirements are met, the primary balance improves from -0.7% of GDP in 2029 to +0.3% of GDP in 2031 and remains around 1.4 percentage points of GDP above the primary balance in the baseline scenario in all subsequent years.

<sup>16</sup> In addition to the absence of adjustment measures in the years 2030 and 2031, methodological differences in the European Commission’s debt sustainability analysis also contribute to the long-term debt ratio path in this alternative scenario deviating from the trajectory set out in Austria’s Fiscal-Structural Plan 2025-2029-

The effects of these additional consolidation measures are substantial. While the baseline scenario shows a pronounced increase in the debt ratio, the alternative scenario leads to a stabilisation of the debt ratio, which declines moderately to 80.9% of GDP by 2044. Thereafter, driven by demographic expenditure dynamics, the debt ratio rises again and exceeds its 2030 level (84.4%) for the first time in 2053, reaching 84.6% of GDP. By the end of the projection horizon, the debt ratio increases to 91.1% of GDP but remains far below the 148.2% of GDP projected in the baseline scenario.

The results of this alternative scenario underline that the timing of fiscal consolidation is crucial for its long-term effectiveness. Although the additional consolidation measures amounting to a total of 1% of GDP over the period 2030-2031 are modest compared to the already legislated primary balance improvement of 2.5% of GDP by 2029, they exert a strong influence on long-term debt developments. Continuing consolidation sustainably stabilises the debt ratio.

**Methodological note:** This alternative scenario was calculated by the Ministry of Finance. It is based on the simplifying assumption that additional consolidation measures have a one-off level effect on primary expenditure only and do not affect dynamics. The interest rate and debt dynamics correspond to those used by WIFO (2025).

### 4.3. Climate policy scenario

#### Assumptions of the climate policy scenario

The key assumptions of the climate policy scenario are presented below in comparison with the baseline scenario. The main assumptions of the baseline scenario are described in Section 2.3, while a detailed overview is provided in Table 31 in the Annex.

The climate policy scenario of the 2025 Long-term Fiscal Projection builds on the baseline scenario.<sup>17</sup> A key foundation of the climate policy scenario is the set of measures contained in the 2025 Government Programme,<sup>18</sup> including, inter alia, the implementation

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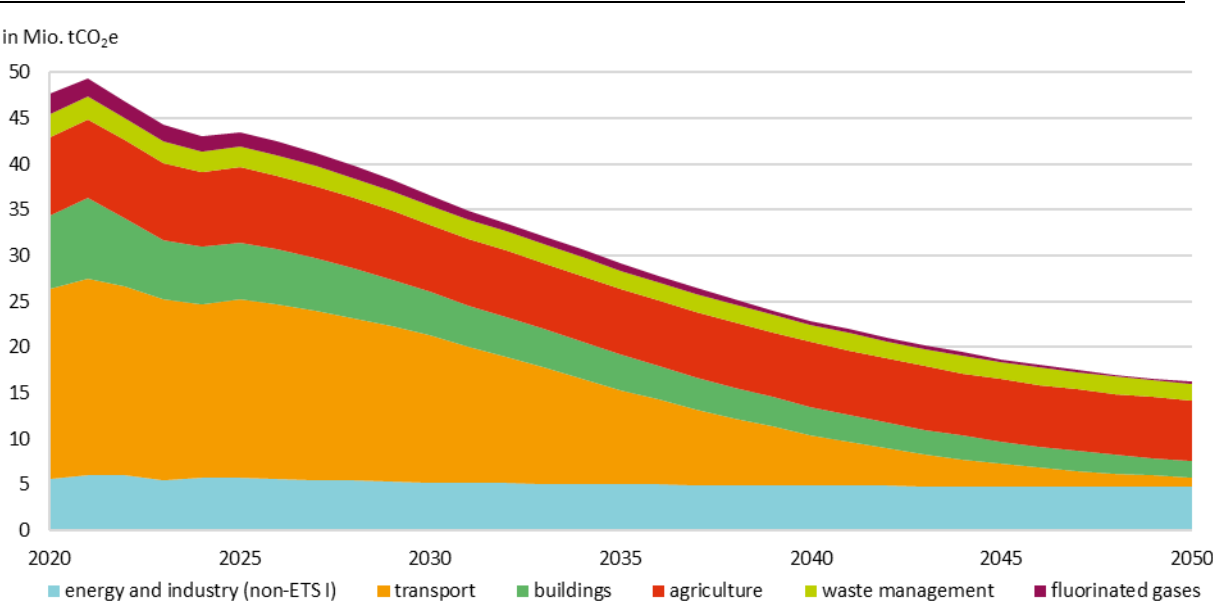
<sup>17</sup> The 2025 climate policy scenario cannot be compared with the climate policy scenario of the 2022 Long-term Fiscal Projection, as it is based on different research questions and underlying assumptions.

<sup>18</sup> [https://www.bundeskanzleramt.gv.at/dam/jcr:8d78b028-70ba-4f60-a96e-2fca7324fd03/Regierungsprogramm\\_2025-2029.pdf](https://www.bundeskanzleramt.gv.at/dam/jcr:8d78b028-70ba-4f60-a96e-2fca7324fd03/Regierungsprogramm_2025-2029.pdf)

of the RED III Directive, additional energy legislation such as the Electricity Market Act (Elektrizitätswirtschaftsgesetz), the Renewable Energy Expansion Acceleration Act and the Renewable Gas Act, as well as amendments to the Renewable Energy Expansion Act. In addition, changes to housing and renting law, measures related to the EU Buildings Performance Directive, and the greening of counterproductive incentives and subsidies were incorporated, with their effects implemented as comprehensively as possible in the MIO-ES model. Furthermore, from 2030 onwards, a number of targeted additional regulatory and support measures were modelled, including likely EU-level developments, further expansion of renewable energy and grid infrastructure, increased investment in future technologies (such as geothermal energy and hydrogen), targeted investment in public transport and active mobility, and further climate change adaptation measures.

**Greenhouse gas emissions in the climate policy scenario**

Figure 23: Development of GHG emissions under the climate policy scenario (ESR emissions; excluding EU ETS I and LULUCF)



Source: Umweltbundesamt (2025a), author’s own depiction.

The development of greenhouse gas (GHG) emissions in Austria up to 2050 under the climate policy scenario of the 2025 Long-term Fiscal Projection is discussed below.

In Figure 23, greenhouse gas (GHG) emissions in the climate policy scenario are presented by ESR sectors for the period from 2020 to 2050. Over the projection horizon from 2025 to 2050, total emissions decline by around 63%.

Emission reductions in the transport sector are primarily driven by CO<sub>2</sub> pricing, European CO<sub>2</sub> standards (EU Regulation 2023/851), implementation of RED III (EU Directive 2023/2313), a stronger trend towards fleet electrification, and improved attractiveness of public transport. As a result, GHG emissions in this sector decline by around 94% by 2050 compared to 2025. Emissions in the buildings sector are projected to decline by around 71% over the same period due to the implementation of the EU Buildings Performance Directive, financial incentives for thermal renovation and heating system replacement, and renovation requirements. In the energy and industry sectors (outside EU ETS I), emissions fall by around 19% over the 25-year period due to further expansion of renewable energy and increased electrification. Results for agriculture, waste management and fluorinated gases correspond to those of the baseline scenario.

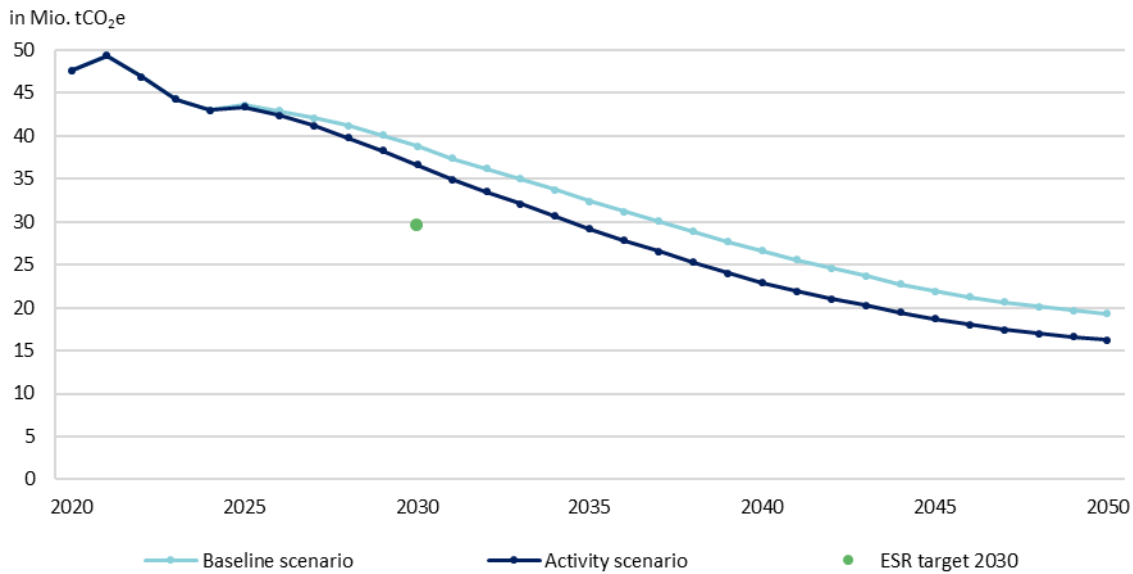
In the climate policy scenario, achieved emission reductions approach the ESR reduction target. Emissions in 2030 are around 36.4% below 2005 levels, leaving a gap of 7.0 million tonnes CO<sub>2</sub>e relative to the ESR target of a 48% reduction. Over the period 2021-2030, the cumulative gap amounts to around 24.5 million tonnes CO<sub>2</sub>e without flexibilities and 13.1 million tonnes CO<sub>2</sub>e when ETS flexibilities are taken into account.

### **Comparison of the baseline and climate policy scenarios**

Building on the baseline scenario measures, it becomes evident that targeted additional mitigation measures – including renewable energy expansion, national implementation of EU directives, and further action in transport and buildings – can further reduce GHG emissions. Differences between the two scenarios emerge mainly from the 2030s onwards, when the additional assumptions and measures take effect.

Figure 24 compares the aggregated ESR emissions of both scenarios with the ESR target. Despite numerous mitigation measures, neither scenario ensures full compliance with the 2030 ESR target.

Figure 24: Comparison of the baseline and climate policy scenarios (ESR sectors) with the ESR target



Source: Umweltbundesamt (2025), author's own depiction.

### Climate-related expenditure

In the climate policy scenario, climate and environment-related expenditure<sup>19</sup> including climate change adaptation (flood protection, torrent and avalanche control, etc.) and greenhouse gas mitigation (e.g., subsidies for heating system replacement, e-mobility, and transport investments) is extrapolated in real terms based on planned expenditure in 2029 (as per the 2026-2029 Medium-term Fiscal Framework) and using a target inflation rate of 2%. In addition, targeted supplementary investments beyond the current framework period were modelled in areas such as climate adaptation, transformation technologies (e.g., geothermal energy and hydrogen), public transport infrastructure, active mobility, and accelerated expansion of renewable electricity generation capacity.

According to the projections, Austria – akin to the baseline scenario – requires compliance through transfers of Annual Emission Allocation (AEA) from 2028 onward, but to a lesser extent.

Total budget-relevant compliance costs for 2021-2030 amount to approximately EUR 1.58 billion. The use of ETS flexibilities reduces revenues by a further EUR 1.15 billion, slightly more than in the baseline scenario due to timing effects. Under the climate policy

<sup>19</sup> See the Green Budgeting report for further information on current climate- and environment-related expenditure: [https://www.bmf.gv.at/themen/klimapolitik/green\\_Budgeting/budgetbeilage\\_klima--und\\_umweltschutz.html](https://www.bmf.gv.at/themen/klimapolitik/green_Budgeting/budgetbeilage_klima--und_umweltschutz.html)

scenario, sufficient EU-wide certificates remain available until 2039, leading to lower AEA prices and climate compliance costs that are around EUR 7 billion lower than in the baseline scenario over 2031-2040. From 2039 onwards, price differences fade, leaving Austria's improved emissions balance as the main factor reducing costs by around EUR 11 billion in 2041-2050.

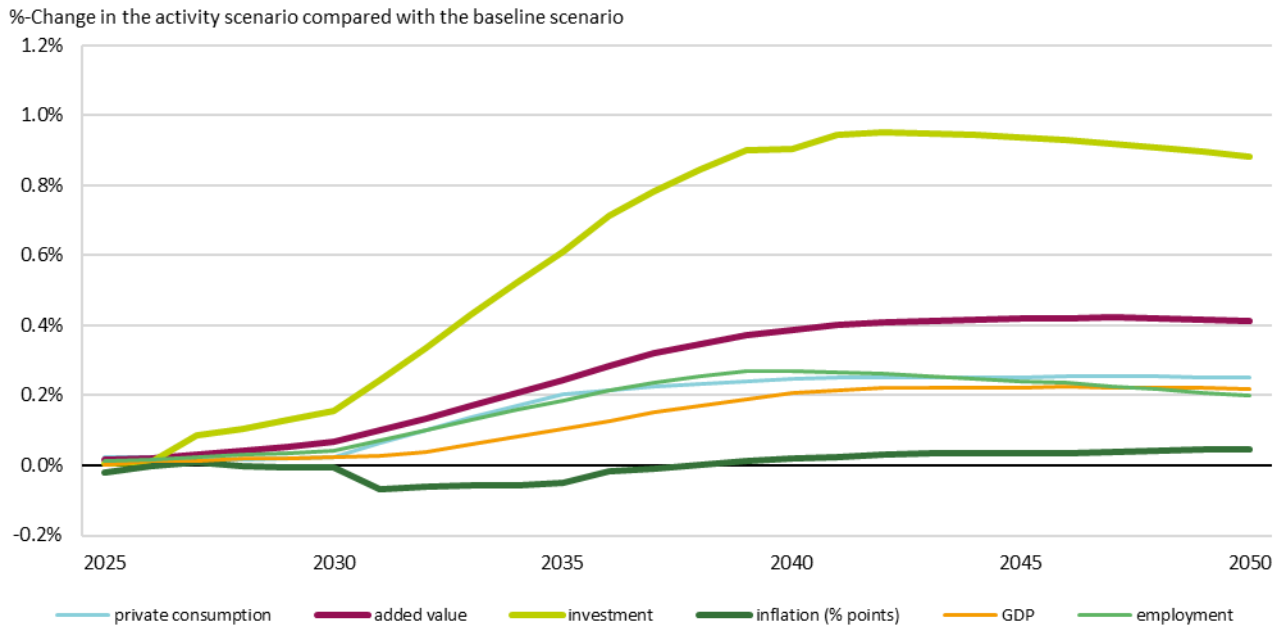
Overall, this analysis shows that EU-wide certificate availability plays a major role in determining climate compliance costs; however, lower domestic emissions significantly and independently reduce fiscal risk. Combined with positive macroeconomic and fiscal effects, the relative burden of enhanced mitigation and adaptation efforts is substantially lower, reducing climate-related budgetary risk.

### **Macroeconomic and fiscal effects**

The additional climate policy measures in the climate policy scenario trigger higher investment overall and generate positive economic effects. Overall, economic growth in the climate policy scenario is marginally stronger, both annually and cumulatively, than in the baseline scenario. The additional GDP growth (value added) in the climate policy scenario amounts to 0.21% in the year 2050 and is driven particularly by rising investment in climate mitigation measures. From the late 2030s onwards, the level of investment in the climate policy scenario is around 1% higher than in the baseline scenario. As a result of these investments, employment increases by 0.2% at the end of the projection horizon of the Environment Agency Austria's MIO-ES model, which in turn also reduces unemployment by up to 0.27 percentage points in 2041 (0.2 percentage points in 2050).

Faster expansion of renewable energy sources leads to lower electricity prices compared to the baseline scenario and reduces annual inflation by up to 0.07 percentage points. The cumulative differences in HICP price increases reach up to 0.34 percentage points in 2037 and subsequently converge back to the baseline scenario by 2050. This development is driven by electricity price reductions resulting from the continued expansion of renewable energy sources, which is assumed to be maintained at a constant level from 2035 onwards; over time, the demand effects of the additional investments offset the price-reducing effects.

Figure 25: Macroeconomic effects in the climate policy scenario



Source: Umweltbundesamt (2025), author's own depiction.

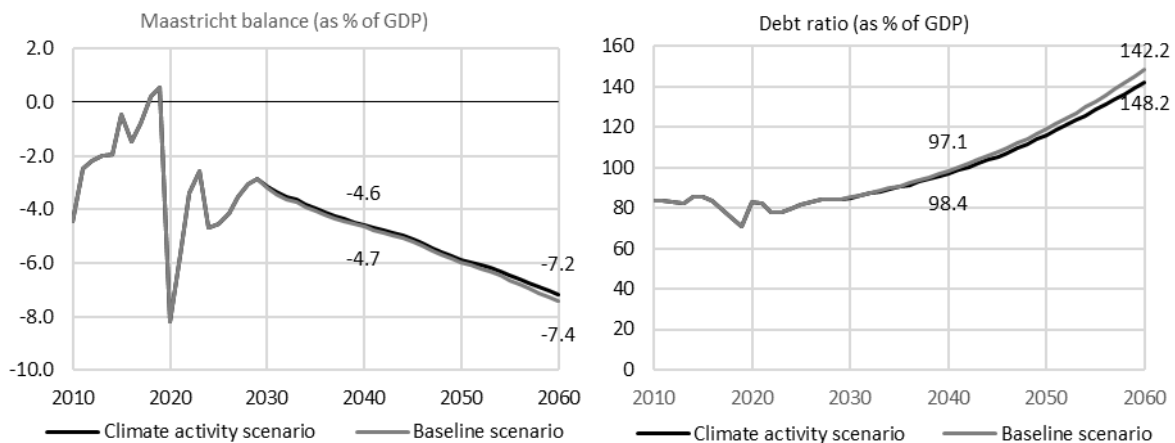
### Fiscal effects up to 2050

Both the higher economic growth and the lower inflation rate in the climate policy scenario have implications for the fiscal projection. Revenue increases more strongly than in the baseline scenario as a result of higher growth but remains unchanged relative to GDP. Expenditure increases more strongly in the climate policy scenario than in the baseline scenario, primarily due to higher climate-related investment and more intensive financial support for private measures. This is reflected in Table 20 in higher „other expenditure“, which is 0.1% of GDP higher than in the baseline scenario over the period 2030 - 2060. By contrast, climate compliance costs are on average 0.1% of GDP<sup>20</sup> lower.

With regard to demography-related expenditure, higher growth leads – particularly for pension expenditure – to a delayed but stronger increase in nominal pension spending (driven mainly by new pensions). As a result, nominal pension expenditure grows more slowly than nominal GDP, so that pension expenditure amounts of 15.4% of GDP in 2060, 0.4 percentage points below the baseline scenario.

<sup>20</sup> When considering the period from 2031 onwards, by an average of 0.2% of GDP.

Figure 26: Comparison of the climate policy scenario with the baseline scenario



Source: WIFO (2025), author's own depiction.

Overall, the primary balance in the climate policy scenarios is consistently slightly better than in the baseline scenario from 2030 onwards, by an average of 0.1 percentage points of GDP. However, this small difference results in only marginally lower interest expenditure, meaning that the Maastricht balance is also on average 0.1 percentage points of GDP better than in the baseline scenario. The fiscal projection for the climate policy scenario up to 2050<sup>21</sup> shows that the debt ratio in 2050, at 116.1% of GDP, is lower than in the baseline scenario (119.2% of GDP) (see figures below). The Maastricht balance in the scenario follows a similar trajectory. In 2050, the Maastricht balance in the climate policy scenario stands at -5.9% of GDP, slightly less negative than in the baseline scenario (-6.0% of GDP).

Extending the developments from 2051 to the end of the projection horizon in 2060 yields a projected Maastricht deficit of -7.2% of GDP, 0.3 percentage points smaller than in the baseline scenario. The positive fiscal impact is more pronounced for the debt ratio, which at 142.2% of GDP in 2060 is 5.9 percentage points below the baseline scenario.

Overall, the climate policy scenario shows that productivity-enhancing public climate investment and support for private, investment-oriented climate mitigation measures do

<sup>21</sup> In this presentation, the year 2050 is used as the reference year, as the MIO-ES model is calibrated only up to 2050.

not have adverse effects on public finances. While they entail higher expenditure, the expected growth effects generate positive long-term impacts on public budget.

Table 20: Overview of the demographic and economic outcomes of the climate policy scenario in the DELTA model

As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Total expenditure</b>	<b>55,2</b>	<b>55,4</b>	<b>54,1</b>	<b>55,6</b>	<b>56,9</b>	<b>58,2</b>	<b>-1,3</b>	<b>+4,2</b>	<b>+2,9</b>
Pensions	14,9	15,2	15,4	15,7	15,4	15,4	+0,2	-0,0	+0,2
Health	7,9	8,0	8,1	8,7	9,1	9,3	+0,1	+1,1	+1,3
Long-term care	1,5	1,5	1,6	1,9	2,4	2,9	+0,1	+1,3	+1,4
Education	5,3	5,3	5,2	5,1	5,1	5,2	-0,1	+0,1	-0,1
Family	1,7	1,7	1,6	1,5	1,5	1,4	-0,1	-0,3	-0,3
Climate compliance costs	0,0	0,0	0,2	0,3	0,3	0,2	+0,2	+0,0	+0,2
Interest expenditure	1,5	1,7	2,2	3,2	4,2	5,2	+0,6	+3,0	+3,5
Other	22,5	22,0	19,7	19,3	18,9	18,6	-2,3	-1,1	-3,4
<b>Total revenue</b>	<b>50,5</b>	<b>50,8</b>	<b>51,0</b>	<b>51,1</b>	<b>51,1</b>	<b>51,1</b>	<b>+0,1</b>	<b>+0,1</b>	<b>+0,2</b>
<b>Maastricht balance</b>	<b>-4,7</b>	<b>-4,5</b>	<b>-3,1</b>	<b>-4,6</b>	<b>-5,9</b>	<b>-7,2</b>	<b>+1,4</b>	<b>-4,0</b>	<b>-2,6</b>
Primary balance	-3,2	-2,9	-0,9	-1,3	-1,7	-2,0	+2,0	-1,1	+0,9
Interest expenditure	-1,5	-1,7	-2,2	-3,2	-4,2	-5,2	-0,6	-3,0	-3,5
<b>Debt ratio</b>	<b>79,9</b>	<b>81,7</b>	<b>85,2</b>	<b>97,1</b>	<b>116,1</b>	<b>142,2</b>	<b>+3,5</b>	<b>+57,1</b>	<b>+60,6</b>
<i>Δ Baseline scenario in %P</i>			-0,1	-1,3	-3,0	-5,9			

Source: WIFO (2025), authors' own depiction.

#### 4.4. Interest rate sensitivity scenario

The projection under the baseline scenario relies on a wide range of assumptions regarding key macroeconomic parameters. How these parameters will evolve over the coming decades is inherently subject to uncertainty. The objective of the present analysis is therefore to make this uncertainty explicit and to quantify the range of possible developments.

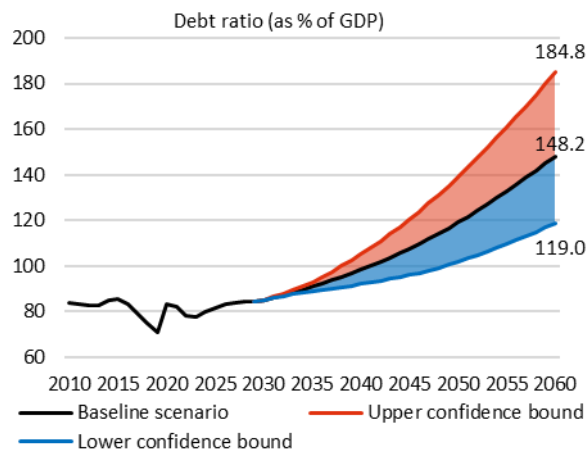
A central determinant of the long-term development of public finances of the average annual interest rate on government debt. This parameter directly affects public interest expenditure and indirectly influences the debt ratio via the Maastricht balance. At the same time, interest rate developments have exhibited considerable volatility in recent years. Against this background, and given the general uncertainty surrounding long-term projections, analysing interest rate sensitivity is of particular importance.

Table 21: Interest rate sensitivity scenario – key fiscal indicators

As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Interest rate on new borrowing</b> as %									
upper confidence bound		2.5	4.5	5.7	5.6	5.5	+2.0	+1.0	+3.0
<i>Δ baseline scenario</i>		+0.0	+1.4	+2.3	+2.3	+2.3			
<b>Baseline scenario</b>	<b>2.8</b>	<b>2.5</b>	<b>3.1</b>	<b>3.4</b>	<b>3.3</b>	<b>3.2</b>	<b>+0.6</b>	<b>+0.1</b>	<b>+0.7</b>
<i>Δ baseline scenario</i>		-0.0	-1.4	-2.3	-2.3	-2.3			
lower confidence bound		2.5	1.6	1.1	0.9	0.9	-0.9	-0.7	-1.6
<b>Interest expenditure</b> % of GDP									
upper confidence bound		1.7	2.2	4.6	6.5	8.5	+0.6	+6.3	+6.8
<i>Δ Basisszenario</i>		+0.0	+0.0	+1.3	+2.3	+3.3			
<b>Baseline scenario</b>	<b>1.5</b>	<b>1.7</b>	<b>2.2</b>	<b>3.3</b>	<b>4.2</b>	<b>5.2</b>	<b>+0.6</b>	<b>+3.0</b>	<b>+3.6</b>
<i>Δ baseline scenario</i>		-0.0	-0.0	-1.2	-1.9	-2.5			
lower confidence bound		1.7	2.2	2.0	2.3	2.7	+0.6	+0.5	+1.1
<b>Debt ratio</b> % of GDP									
upper confidence bound		81.7	85.2	105.2	139.2	184.8	+3.6	+99.6	+103.2
<i>Δ baseline scenario</i>		+0.0	+0.0	+6.8	+20.1	+36.7			
<b>Baseline scenario</b>	<b>79.9</b>	<b>81.7</b>	<b>85.2</b>	<b>98.4</b>	<b>119.2</b>	<b>148.2</b>	<b>+3.6</b>	<b>+62.9</b>	<b>+66.5</b>
<i>Δ baseline scenario</i>		-0.0	-0.0	-6.4	-17.2	-29.2			
lower confidence bound		81.7	85.2	92.0	101.9	119.0	+3.6	+33.7	+37.3

Quelle: WIFO (2025; baseline scenario), BMF (Interest rate sensitivity scenario)

Figure 27: Interest rate sensitivity scenario



To capture alternative interest rate paths, a total of 100,000 interest rate trajectories for the period 2030-2060 were simulated on the basis of the historical volatility of average annual interest rates. For each of these paths, the corresponding development of public interest expenditure and the debt ratio was subsequently calculated. The simulation is designed such that interest rates fluctuate around the baseline scenario path.

The large number of simulated paths makes it possible to derive, for each year, a distribution of potential outcomes. From this, confidence bands can be constructed that represent developments occurring with a high probability (over 95%). The upper and

lower bounds of these bands may be interpreted as adverse and favourable risk scenarios, respectively, while the width of the band reflects the degree of projection uncertainty.

The simulation starts in 2030. Already in the first year, the interest rate deviates by  $\pm 1,4$  percentage points from the baseline path. By 2036, the confidence band widens to  $\pm 2,3$  percentage points and remains at this level thereafter.

**Methodological note:** This alternative scenario was calculated by the Ministry of Finance (BMF). The stochastic evaluation of the new-issue interest rate is modelled using an AR (1) process, which gradually reverts deviations back to the baseline path ( $i^{basis}$ ):

$$i_t = i_t^{basis} + \varphi(i_{t-1} - i_{t-1}^{basis}) + \varepsilon_t$$

$$\varepsilon_t \sim N(0, \sigma^2)$$

The parameter  $\varphi$  determines the degree of dependence on the previous period (persistence), while  $\sigma$  denotes the standard deviation of the random disturbance term  $\varepsilon_t$ . Both parameters were estimated on the basis of historical data and amount  $\varphi = 0,78$  und  $\sigma = 0,74$ . The underlying interest and debt dynamics correspond to those used by WIFO (2025).

As the projection horizon lengthens, interest rate volatility increasingly translates into uncertainty in interest expenditure and the debt ratio. By the middle of the projection horizon, the range of possible outcomes has already widened noticeably. In 2040, deviations from the baseline scenario amount to +6.8 to -6.4 percentage points for the debt ratio, while interest expenditure varies by +1.3 to -1.2 percentage points.

By 2050, these ranges increase further, reaching +20.1 to -17.2 percentage points for the debt ratio and +2.3 to -1.9 percentage points for interest expenditure. Towards the end of the projection horizon, these effects intensify markedly: in 2060, the range for the debt ratio spans +36.7 to -29.2 percentage points, while interest expenditure may deviate from the baseline path by +3.3 to -2.5 percentage points.

These results illustrate that even relatively moderate interest rate fluctuations can have substantial fiscal effects over long periods. The debt ratio reacts strongly to cumulative

interest rate changes, resulting in a wide range of possible outcomes towards the end of the projection horizon.

#### **4.5. Lower productivity growth**

In the baseline scenario, total factor productivity is assumed to grow at an average rate of 0.5% per year over the long term. This assumption largely follows Kaniovski et al. (2024). In addition, it is assumed that the impacts of climate change led to average losses in total productivity growth of 0.05 percentage points per year.

Historical perspectives reveal that this parameter is subject of particularly high uncertainty with regard to its future development. As described in Section 0, average total productivity growth in Austria amounted to 0.45% per year over the period 1976-2018, with the crisis's years 2009 and 2020, characterised by sharp GDP contractions, exerting a significant negative influence<sup>22</sup>. This uncertainty is also reflected in a high standard deviation of 1.9% over the period 1995-2024. Moreover, the academic literature presents divergent views on the future significance of technological progress.

In this scenario, a pessimistic view is adopted regarding the future contribution of technological progress to total productivity growth (cf. Gordon, 2016). According to this view, technological progress is expected to continue to improve and transform living standard; however, it is unlikely to generate efficiency gains comparable to those associated with the major technical breakthroughs of the late 19<sup>th</sup> and early 20<sup>th</sup> centuries, which drove economic growth well into the second half of the 20<sup>th</sup> century (the phenomenon of “secular stagnation”). It is also conceivable that more frequent crises involving pronounced and persistence GDP declines, or stronger productivity growth over the projection horizon.

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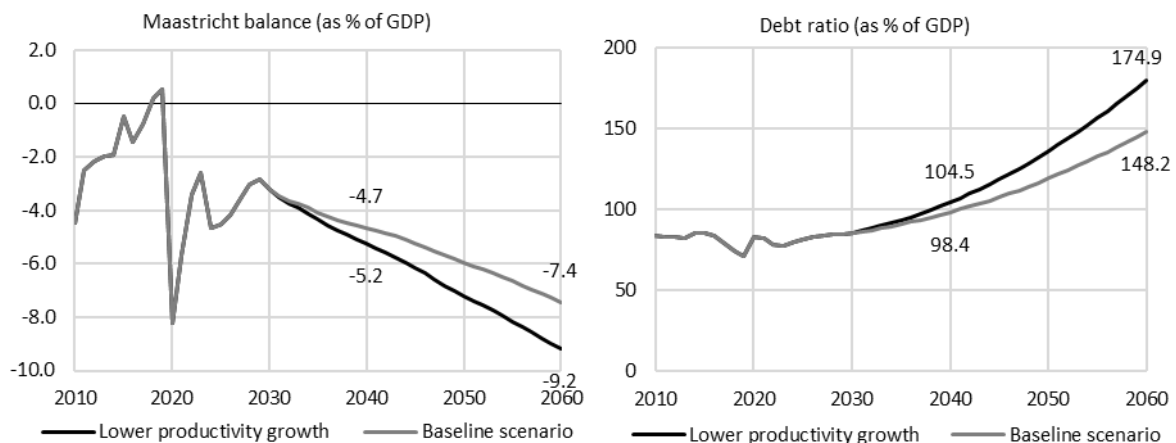
<sup>22</sup> Excluding these two crisis years, average total factor productivity growth over the period 1976-2021 amounted to 0.7% per year.

Table 22: Lower productivity growth – key results

As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Total expenditure</b>	<b>55.2</b>	<b>55.4</b>	<b>54.2</b>	<b>56.5</b>	<b>58.5</b>	<b>60.5</b>	<b>-1.2</b>	<b>+6.4</b>	<b>+5.2</b>
Pensions	14.9	15.2	15.4	16.3	16.5	16.8	+0.2	+1.4	+1.6
Health	7.9	8.0	8.1	8.7	9.2	9.4	+0.1	+1.3	+1.4
Long-term care	1.5	1.5	1.6	1.9	2.3	2.7	+0.1	+1.1	+1.2
Education	5.3	5.3	5.2	5.1	5.2	5.3	-0.1	+0.1	-0.0
Family	1.7	1.7	1.6	1.6	1.5	1.5	-0.1	-0.1	-0.2
Climate compliance costs	0.0	0.0	0.3	0.4	0.5	0.4	+0.3	+0.1	+0.4
Interest expenditure	1.5	1.7	2.2	3.2	4.4	5.8	+0.6	+3.6	+4.1
Other	22.5	22.0	19.7	19.2	18.8	18.6	-2.3	-1.0	-3.3
<b>Total revenue</b>	<b>50.5</b>	<b>50.8</b>	<b>51.0</b>	<b>51.2</b>	<b>51.3</b>	<b>51.4</b>	<b>+0.1</b>	<b>+0.4</b>	<b>+0.5</b>
<b>Maastricht balance</b>	<b>-4.7</b>	<b>-4.5</b>	<b>-3.2</b>	<b>-5.2</b>	<b>-7.2</b>	<b>-9.2</b>	<b>+1.3</b>	<b>-6.0</b>	<b>-4.6</b>
Primary balance	-3.2	-2.9	-1.0	-2.0	-2.8	-3.4	+1.9	-2.4	-0.5
Interest expenditure	-1.5	-1.7	-2.2	-3.2	-4.4	-5.8	-0.6	-3.6	-4.1
<b>Debt ratio</b>	<b>79.9</b>	<b>81.7</b>	<b>85.2</b>	<b>104.5</b>	<b>136.1</b>	<b>179.6</b>	<b>+3.6</b>	<b>+94.4</b>	<b>+98.0</b>
<i>Δ Baseline scenario in %P</i>			+0.0	+6.0	+16.9	+31.5			

Source: WIFO (2025), authors' own depiction.

Figure 28: Comparison of the Lower productivity growth scenario with the baseline scenario



Accordingly, this pessimistic scenario assumes that average total productivity growth from 2031 onwards is 0.2 percentage points per year lower than in the baseline scenario, amounting to an average of 0.3% per year over the period 2031-2060. As a direct consequence, both projected long-term real economic growth and the interest rate are 0.4 percentage points lower than in the baseline scenario. Nominal GDP, i.e. projected economic output, is approximately 11% lower by the end of the projection horizon in 2060 compared with the baseline scenario.

Most expenditure and revenue items increase less strongly in line with the lower growth path, leaving their ratios to GDP largely unchanged. Pension expenditure, however, responds to this dampening effect only with a delay, as reduced value-added and wage

growth affects new pensions but not existing pensions. Over time, lower new pensions gradually replace existing pensions. This delayed adjustment ultimately results in higher pension expenditure relative to GDP in 2060 compared with the baseline scenario. Specifically, pension expenditure rises to 16.8% of GDP by 2060, which is 1.0 percentage points higher than in the baseline scenario.

The fiscal impacts of this risk scenario are substantial. The primary balance deteriorates to -3.4% of GDP by 2060, which is 1.2 percentage points weaker than in the baseline scenario. As a result, public debt increases more strongly, leading to higher interest expenditure. Despite the lower interest rate assumed in this scenario, interest expenditure reaches 5.8% of GDP in 2060, 0.6 percentage points above the baseline scenario. The Maastricht balance deteriorates to a projected -9.2% of GDP in 2060, 1.7 percentage points worse than in the baseline scenario. The debt ratio rises to almost 180% of GDP by 2060, exceeding the baseline scenario by nearly 32 percentage points.

#### **4.6. Higher productivity growth**

In contrast to the pessimistic scenario for total productivity growth, it is also conceivable that technological progress will generate new productivity impulses in the future (cf. Brynjolfsson and McAfee, 2014), in particular through digitalisation or advances in green technologies (“new growth” or “green growth”). Accordingly, this scenario assumes that total factor productivity growth averages 0.7% per year from 2031 onwards, i.e. 0.2 percentage points per year higher than in the baseline scenario.

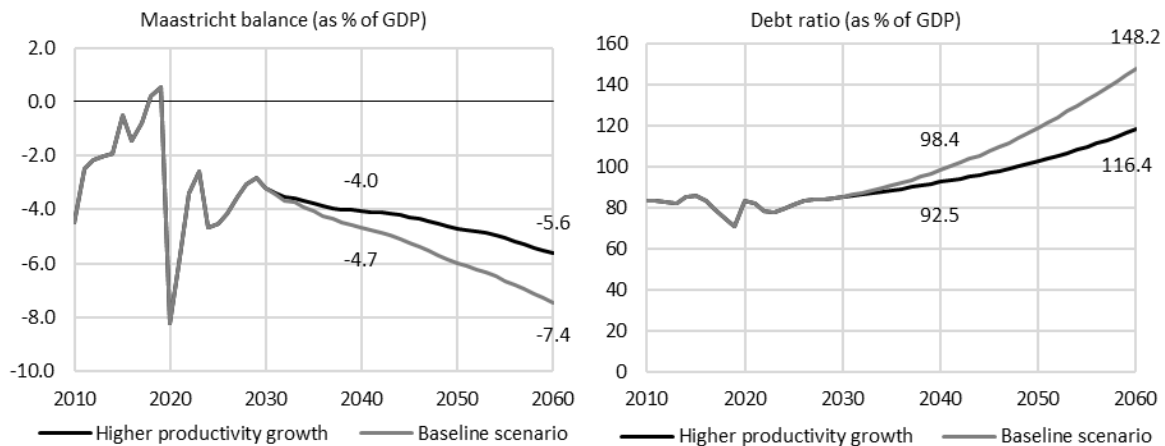
As a result, both projected long-term real economic growth and the interest rate are 0.4 percentage points higher than in the baseline scenario. By the end of the projection horizon in 2060, overall economic output (nominal GDP) is approximately 13% higher than in the baseline scenario.

Table 23: Higher productivity growth – key results

As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Total expenditure</b>	<b>55.2</b>	<b>55.4</b>	<b>54.2</b>	<b>55.0</b>	<b>55.6</b>	<b>56.6</b>	<b>-1.2</b>	<b>+2.4</b>	<b>+1.2</b>
Pensions	14.9	15.2	15.4	15.2	14.8	14.8	+0.2	-0.6	-0.4
Health	7.9	8.0	8.1	8.7	9.1	9.2	+0.1	+1.1	+1.2
Long-term care	1.5	1.5	1.6	1.9	2.4	3.0	+0.1	+1.4	+1.5
Education	5.3	5.3	5.2	5.1	5.1	5.2	-0.1	+0.1	-0.1
Family	1.7	1.7	1.6	1.5	1.4	1.3	-0.1	-0.3	-0.4
Climate compliance costs	0.0	0.0	0.3	0.3	0.4	0.3	+0.3	+0.0	+0.3
Interest expenditure	1.5	1.7	2.2	3.3	3.8	4.4	+0.6	+2.2	+2.8
Other	22.5	22.0	19.7	19.0	18.5	18.3	-2.3	-1.4	-3.7
<b>Total revenue</b>	<b>50.5</b>	<b>50.8</b>	<b>51.0</b>	<b>51.0</b>	<b>50.9</b>	<b>50.9</b>	<b>+0.1</b>	<b>-0.0</b>	<b>+0.1</b>
<b>Maastricht balance</b>	<b>-4.7</b>	<b>-4.5</b>	<b>-3.2</b>	<b>-4.0</b>	<b>-4.7</b>	<b>-5.6</b>	<b>+1.3</b>	<b>-2.4</b>	<b>-1.1</b>
Primary balance	-3.2	-2.9	-1.0	-0.8	-0.9	-1.2	+1.9	-0.2	+1.7
Interest expenditure	-1.5	-1.7	-2.2	-3.3	-3.8	-4.4	-0.6	-2.2	-2.8
<b>Debt ratio</b>	<b>79.9</b>	<b>81.7</b>	<b>85.2</b>	<b>92.5</b>	<b>102.8</b>	<b>118.2</b>	<b>+3.6</b>	<b>+33.0</b>	<b>+36.5</b>
<i>Δ Baseline scenario in %P</i>			-0.0	-5.9	-16.4	-30.0			

Source: WIFO (2025), authors' own depiction.

Figure 29: Comparison of the higher productivity growth scenario with the baseline scenario



The fiscal effects of this scenario are diametrically opposed to those in the risk scenario for total productivity growth. Most expenditure and revenue items increase more strongly in line with higher growth, leaving their ratios to GDP broadly unchanged. Pension expenditure is the only major category that reacts with a delay, as a higher value-added and wage growth affects new pensions but not existing pensions. Over time, higher new pensions gradually replace existing pensions. As a result, pension expenditure in 2060 amounts to 14.8% of GDP, which is 1.0 percentage points lower than in the baseline scenario.

In particular as a consequence of lower pension expenditure, the primary balance improves towards the end of the projection horizon. In 2060, it amounts to -1.2% of GDP,

which is 1.9 percentage points stronger than in the baseline scenario. Interest expenditure rises to 4.4 of GDP in 2060; however, despite the higher interest rate assumed in this scenario, it remains 0.8 percentage points lower than in the baseline scenario. The Maastricht balance also remains below the -3% of GDP threshold throughout the period from 2030 onwards, reaching -5.6% of GDP in 2060. Nevertheless, the increase in the debt ratio is significantly dampened. At 118.2% of GDP in 2060, it lies 30.0 percentage points below the baseline scenario. Compared with 2024 (79.9% of GDP), however, the debt ratio still increases by 38.3 percentage points.

This outcome underscores that continued need for additional fiscal consolidation efforts, even under an optimistic macroeconomic environment characterised by stronger productivity growth.

#### 4.7. Lower migration to Austria

According to the population projection by Statistics Austria (2024), net migration in the baseline scenario amounts to an average of 32,800 persons per year over the projection horizon 2025-2060. In this scenario, by contrast, the so-called „low migration variant” of Statistics Austria (2024) is applied, which assumes an average net migration balance of only +21,200 persons per year.

Table 24: Lower migration to Austria – key results

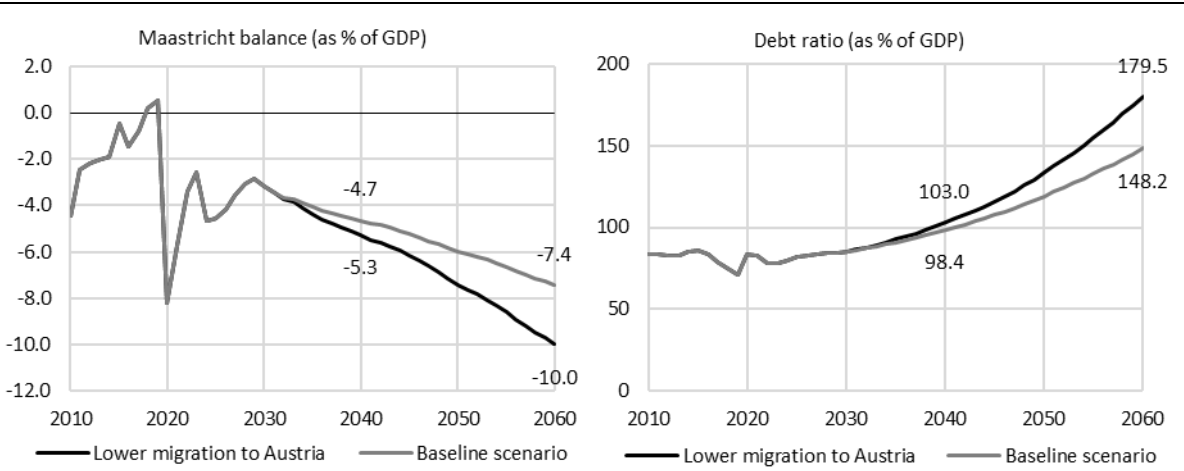
As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Total expenditure</b>	<b>55.2</b>	<b>55.4</b>	<b>54.1</b>	<b>56.5</b>	<b>58.7</b>	<b>61.3</b>	<b>-1.2</b>	<b>+7.1</b>	<b>+5.9</b>
Pensions	14.9	15.2	15.4	16.1	16.2	16.5	+0.2	+1.1	+1.3
Health	7.9	8.0	8.1	8.7	9.2	9.5	+0.1	+1.4	+1.5
Long-term care	1.5	1.5	1.6	1.9	2.4	2.9	+0.1	+1.3	+1.4
Education	5.3	5.3	5.1	5.1	5.1	5.2	-0.2	+0.1	-0.1
Family	1.7	1.7	1.6	1.5	1.4	1.3	-0.1	-0.3	-0.4
Climate compliance costs	0.0	0.0	0.3	0.4	0.5	0.3	+0.3	+0.1	+0.3
Interest expenditure	1.5	1.7	2.2	3.3	4.6	6.2	+0.6	+4.0	+4.6
Other	22.5	22.0	19.8	19.5	19.3	19.3	-2.2	-0.5	-2.7
<b>Total revenue</b>	<b>50.5</b>	<b>50.8</b>	<b>51.0</b>	<b>51.2</b>	<b>51.2</b>	<b>51.3</b>	<b>+0.1</b>	<b>+0.3</b>	<b>+0.5</b>
<b>Maastricht balance</b>	<b>-4.7</b>	<b>-4.5</b>	<b>-3.2</b>	<b>-5.3</b>	<b>-7.4</b>	<b>-10.0</b>	<b>+1.4</b>	<b>-6.8</b>	<b>-5.5</b>
Primary balance	-3.2	-2.9	-1.0	-2.0	-2.8	-3.8	+1.9	-2.8	-0.9
Interest expenditure	-1.5	-1.7	-2.2	-3.3	-4.6	-6.2	-0.6	-4.0	-4.6
<b>Debt ratio</b>	<b>79.9</b>	<b>81.7</b>	<b>85.2</b>	<b>103.0</b>	<b>133.3</b>	<b>179.5</b>	<b>+3.6</b>	<b>+94.3</b>	<b>+97.9</b>
<i>Δ Baseline scenario in %P</i>			-0.0	+4.5	+14.2	+31.4			

Source: WIFO (2025), authors' own depiction.

Lower net migration reduces the labour supply, as the majority of migrants are of working age. At the same time, migrants are assumed to face a higher risk of unemployment. As a result, lower net migration also leads to a lower unemployment rate compared with the

baseline scenario. Overall, however, employment measured in full-time equivalents declines, which results in average real GDP growth being around 0.2 percentage points lower over the projection horizon 2025-2060. By the end of the projection horizon in 2060, overall economic output (nominal GDP) is almost 6% lower than in the baseline scenario.

Figure 30: Comparison of the “lower migration to Austria” scenario with the baseline scenario



Lower migration also affects demography-related expenditure in several ways. In absolute terms, pension, health, long-term care, and education expenditure are lower in this scenario than in the baseline scenario. When measured relative to GDP, however, pension, health, and long-term care expenditure increase compared with the baseline scenario, as the effect of the lower nominal GDP level dominates (the denominator effect). Only education expenditure remains unchanged as a share of GDP compared with the baseline scenario.

This outcome is driven by the relatively young age structure of migrants. While public education expenditure is primarily incurred for the younger population, relatively higher expenditure in the areas of health and long-term care arises at older ages. Because of lower migration, education expenditure declines broadly in line with nominal GDP, leaving the ratio unchanged. In the areas of health and long-term care, by contrast, lower migration leads to a reduction in expenditure that is smaller than the associated loss in value added, as a result, expenditure as a share of GDP increases. For expansions, expenditure adjustment occurs with a delay, as only new pensions, but not existing pensions, are affected by lower value-added and wage growth through reduced assessment bases. These lower new pensions gradually replace existing pensions only over time (cf. Scenario 1).

Overall, the impact of this scenario on public finances is strongly negative. In 2060, the primary balance amounts to -3.8% of GDP, which is 1.6 percentage points weaker than in the baseline scenario. Interest payments rise to 6.2% of GDP by 2060, exceeding the baseline scenario by 1.0 percentage point. The Maastricht balance deteriorates steadily, reaching -10.0% of GDP in 2060. The debt ratio increases sharply to 179.5% of GDP by the end of the projection horizon, exceeding the baseline scenario by more than 31 percentage points of GDP.

#### 4.8. Higher life expectancy

In the baseline scenario, life expectancy at birth for women increases from 84.5 years in 2024 to 90.2 years in 2060, while life expectancy for men rises from 79.8 years to 87.1 years (Statistics Austria, 2024). In this scenario, life expectancy at birth is assumed to increase even further by the end of the projection horizon, reaching 92.4 years for women and 89.7 years for men.

Table 25: Higher life expectancy – key results

As % of GDP	2024	2025	2030	2040	2050	2060	2025-30	2030-60	2025-60
<b>Total expenditure</b>	<b>55.2</b>	<b>55.4</b>	<b>54.2</b>	<b>56.0</b>	<b>57.7</b>	<b>60.0</b>	<b>-1.2</b>	<b>+5.8</b>	<b>+4.6</b>
Pensions	14.9	15.2	15.6	16.2	16.2	16.7	+0.3	+1.1	+1.5
Health	7.9	8.0	8.1	8.6	9.1	9.4	+0.1	+1.2	+1.4
Long-term care	1.5	1.5	1.6	1.9	2.4	2.9	+0.1	+1.4	+1.4
Education	5.3	5.3	5.2	5.1	5.1	5.2	-0.1	+0.1	-0.1
Family	1.7	1.7	1.6	1.5	1.5	1.4	-0.1	-0.2	-0.3
Climate compliance costs	0.0	0.0	0.3	0.4	0.4	0.3	+0.3	+0.0	+0.3
Interest expenditure	1.5	1.7	2.2	3.3	4.4	5.7	+0.6	+3.5	+4.1
Other	22.5	21.9	19.6	19.0	18.6	18.3	-2.3	-1.3	-3.6
<b>Total revenue</b>	<b>50.5</b>	<b>50.8</b>	<b>51.0</b>	<b>51.1</b>	<b>51.2</b>	<b>51.3</b>	<b>+0.1</b>	<b>+0.3</b>	<b>+0.5</b>
<b>Maastricht balance</b>	<b>-4.7</b>	<b>-4.5</b>	<b>-3.2</b>	<b>-4.9</b>	<b>-6.5</b>	<b>-8.7</b>	<b>+1.3</b>	<b>-5.5</b>	<b>-4.2</b>
Primary balance	-3.2	-2.9	-1.0	-1.6	-2.1	-3.0	+1.9	-2.0	-0.1
Interest expenditure	-1.5	-1.7	-2.2	-3.3	-4.4	-5.7	-0.6	-3.5	-4.1
<b>Debt ratio</b>	<b>79.9</b>	<b>81.7</b>	<b>85.2</b>	<b>99.4</b>	<b>122.5</b>	<b>159.1</b>	<b>+3.6</b>	<b>+73.9</b>	<b>+77.5</b>
<i>Δ Baseline scenario in %P</i>			-0.0	+0.9	+3.3	+10.9			

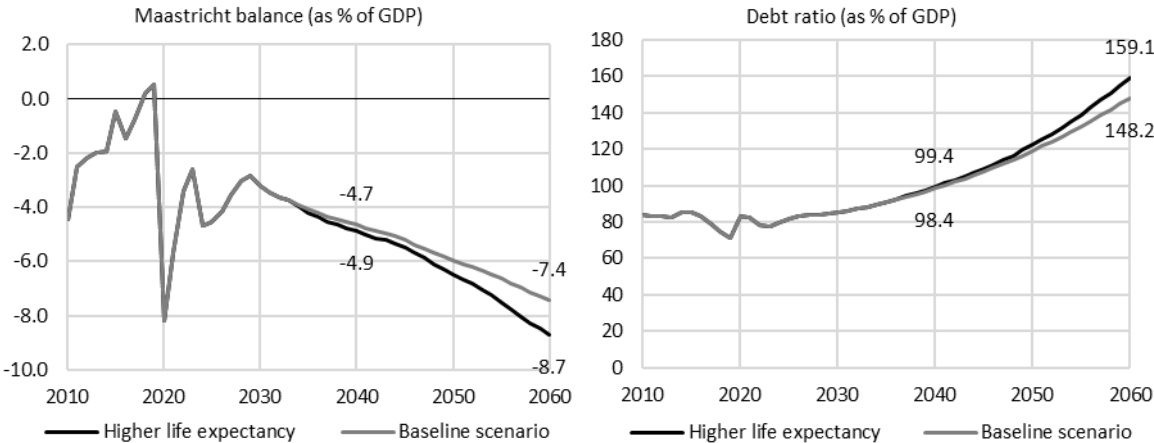
Source: WIFO (2025), authors' own depiction.

As a result of longer life expectancy, both the duration of pension receipt and the number of pensioners increase. This leads directly to higher pension expenditure, which in this scenario rises to 16.7% of GDP by the end of the projection horizon in 2060. Pension spending therefore exceeds the corresponding levels in the baseline scenario by 0.9 percentage points of GDP.

By contrast, health care and long-term care expenditure is temporarily dampened, as it is assumed that higher life expectancy is accompanied by a longer period spent in good

health. This delays, relative to the baseline scenario, the utilisation of health and long-term care services. However, the temporarily lower increase in health and long-term care expenditure does not offset the stronger rise in pensions expenditure. Moreover, higher life expectancy has no significant impact on economic growth.

Figure 31: Comparison of the “higher life expectancy” scenario with the baseline scenario



Overall, the deterioration of the Maastricht balance is more pronounced in this scenario than in the baseline scenario. By the end of the projection horizon in 2060, the Maastricht balance amounts to -8.7% of GDP, which is 1.3 percentage points of GDP more negative than in the baseline scenario. This is accompanied by higher public indebtedness and interest expenditure that is 0.5 percentage points of GDP higher, resulting in a higher debt ratio. In this scenario, the debt ratio reaches 159.1% in 2060, exceeding the baseline scenario by around 11 percentage points of GDP.

## 5. Comparison with other Long-Term Projections

In this chapter, the baseline scenario of the present long-term projection prepared by WIFO and the BMF is compared both with the previous 2022 Long-term Fiscal Projection and, briefly with other long-term fiscal projections. When comparing projections, methodological differences as well as differing definitions of key concept must be taken into account.

### 5.1. 2022 Long-term Fiscal Projection

The projection horizon in this year's report spans the period from 2025 to 2060. As in the previous 2022 Long-term Fiscal Projection, the projections therefore also end in 2060. A comparison of the current projection with that of 2022 shows that both debt ratio and Maastricht balance are consistently less favourable over the entire projection horizon than in the 2022 Long-Term Fiscal Projection. This is primarily attributable to the base effect in 2024.

Table 26: Comparison with the 2022 Long-term Fiscal Projection

As % of GDP	2022 Long-Term Fiscal Projection - Baseline scenario						Δ 2025 LFP / 2022 LFP					
	2024	2025	2030	2040	2050	2060	2024	2025	2030	2040	2050	2060
<b>Total expenditure</b>	<b>51.1</b>	<b>51.1</b>	<b>52.3</b>	<b>53.9</b>	<b>55.0</b>	<b>55.9</b>	<b>+4.0</b>	<b>+4.3</b>	<b>+1.8</b>	<b>+1.9</b>	<b>+2.0</b>	<b>+2.7</b>
Pensions	14.2	14.3	15.1	15.4	15.1	15.1	+0.7	+0.9	+0.3	+0.3	+0.5	+0.7
Health	7.2	7.3	7.3	7.9	8.4	8.5	+0.7	+0.7	+0.8	+0.8	+0.8	+0.8
Long-term care	1.6	1.6	1.8	2.2	2.6	3.1	-0.1	-0.1	-0.2	-0.3	-0.3	-0.3
Education	5.0	5.1	5.2	5.2	5.2	5.4	+0.2	+0.2	-0.1	-0.1	-0.1	-0.1
Family	1.7	1.7	1.6	1.5	1.5	1.4	+0.0	+0.1	+0.0	-0.0	-0.0	-0.0
Climate compliance costs	0.0	0.0	0.2	0.2	0.3	0.0	+0.0	+0.0	+0.1	+0.2	+0.2	+0.3
Interest expenditure	1.3	1.4	1.8	2.8	3.8	4.7	+0.2	+0.2	+0.4	+0.4	+0.4	+0.5
Other	20.1	19.7	19.3	18.6	18.2	17.7	+2.3	+2.3	+0.4	+0.5	+0.5	+0.7
<b>Total revenue</b>	<b>49.3</b>	<b>49.4</b>	<b>49.8</b>	<b>49.9</b>	<b>49.9</b>	<b>49.9</b>	<b>+1.2</b>	<b>+1.4</b>	<b>+1.1</b>	<b>+1.2</b>	<b>+1.2</b>	<b>+1.2</b>
<b>Primary balance</b>	<b>-0.6</b>	<b>-0.2</b>	<b>-0.7</b>	<b>-1.1</b>	<b>-1.4</b>	<b>-1.3</b>	<b>-2.6</b>	<b>-2.6</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.4</b>	<b>-0.9</b>
<b>Maastricht balance</b>	<b>-1.9</b>	<b>-1.7</b>	<b>-2.5</b>	<b>-4.0</b>	<b>-5.1</b>	<b>-6.0</b>	<b>-2.8</b>	<b>-2.9</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-0.8</b>	<b>-1.5</b>
<b>Debt ratio</b>	<b>74.8</b>	<b>73.5</b>	<b>72.1</b>	<b>81.8</b>	<b>99.6</b>	<b>120.8</b>	<b>+5.1</b>	<b>+8.2</b>	<b>+13.1</b>	<b>+16.7</b>	<b>+19.6</b>	<b>+27.4</b>

Source: WIFO (2022), authors' own depiction.

In the current baseline scenario, the debt ratio is projected to reach 148.2% of GDP in 2060. This is 27.4 percentage points of GDP higher than in the 2022 Long-term Fiscal Projection, which projected a debt ratio of 120.8% of GDP in 2060.

The higher debt ratio in the current long-term projection is not only due to a higher absolute level of public debt but also to lower nominal GDP (denominator effect). In the 2025 Long-Term Fiscal Projection, the nominal debt level at the end of the projection horizon in 2060 is 12.9% higher than in the 2022 Long-term Fiscal Projection. By contrast, nominal GDP in 2060 is projected to be 8.0% lower than forecast in 2022. Put differently, more than 60% of the 27.4 percentage point increase in debt ratio in 2060 is attributable to a higher absolute debt level, while just under 40% is due to lower nominal GDP.

The Maastricht balance deteriorates steadily in the current long-term projection from -2.8% of GDP in 2029 to -7.4% of GDP in 2060. In the 2022 Long-Term Fiscal Projection, a Maastricht Balance of -2.2% of GDP was projected for 2029, followed by a steady deterioration to -6.0% of GDP in 2060.

The difference in the Maastricht balance in 2060 of 1.5 percentage points of GDP (rounding difference) is explained by both a more negative primary balance and higher interest payments. In the current long-term projection, the primary balance is consistently more negative than in the 2022 Long-Term Fiscal Projection; in 2060, the difference amounts to 0.9 percentage points of GDP (-2.2% of GDP in the 2025 Long-term Fiscal Projection compared with the -1.3% of GDP in the 2022 Long-term Fiscal Projection). Interest payments are, on average, 0.4 percentage points of GDP higher over the projection horizon in the current long-term projection. In both projections, interest payments rise continuously, reaching 4.7% of GDP in 2060 in the 2022 Long-term Fiscal Projection and 5.2% of GDP in the 2025 Long-term Fiscal Projection.

Total expenditure is significantly higher in the current long-term projection than in the 2022 Long-Term Fiscal projection. Already in 2024, the realised general government expenditure ratio, at 55.2% of GDP, exceeded the value projected in the 2022 Long-term Fiscal Projection by 4.0 percentage points. In 2025, the difference between the two projections amounts to 4.3 percentage points of GDP, before declining to 1.8 percentage points of GDP in 2029 as a result of fiscal consolidation. Thereafter, the difference widens again, initially slightly to 2.0 percentage points of GDP in 2050 and subsequently more strongly to 2.7 percentage points of GDP in 2060. In 2060, the general government expenditure ratio in the current long-term projection amounts to 58.6% of GDP, compared with 55.9% of GDP projected in the 2022 Long-term Fiscal Projection.

The Maastricht balance does not deteriorate to the same extent in the current projection, as total revenues are also projected to be somewhat higher than in the 2022 Long-term

Fiscal Projection. According to the current BMF planning, the general government revenue ratio amounts to 51.0% of GDP in 2029 and remains at this level until 2060. In the 2022 Long-term Fiscal Projection, the revenue ratio was projected at 49.8% of GDP in 2029 and was assumed to remain constant thereafter. On average, this results in a revenue ratio that is 1.2 percentage points of GDP higher over the projection horizon in the current long-term projection.

Higher total expenditure is attributable not only to higher interest payments but also to higher pension expenditure, higher healthcare expenditure, higher climate target achievement costs, and higher other expenditure. Pension expenditure amounted to 14.9% of GDP in 2024. In the current long-term projection, it peaks at 15.9% of GDP in the years 2035-2037 and subsequently remains at a similar or slightly lower level until 2060. In the 2022 Long-term Fiscal Projection, pension expenditure for 2024 was estimated at 14.2% of GDP, i.e. 0.7 percentage points lower. The peak is also reached from 2035 onwards but at a lower level of 15.5% of GDP. Unlike in the current projection, pension expenditure then declines to 15.1% of GDP by 2060, resulting once again in a difference of 0.7 percentage points between the two projections. The smaller difference between the projections in the 2030s is partly attributable to the corridor pension reform. On average over the entire projection horizon 2025-2060, pension expenditure is 0.5 percentage points of GDP higher in the current long-term projection.

A key factor behind higher total expenditure in the current long-term projection is healthcare expenditure. Starting from 7.9% of GDP in 2024, it rises by 1.4 percentage points to 9.3% of GDP in 2060. In the 2022 Long-term Fiscal Projection, healthcare expenditure for 2024 was estimated at 7.2% of GDP, i.e. 0.7 percentage points lower than realised. It then increases by 1.2 percentage points to 8.5% of GDP in 2060; the expenditure dynamics are therefore broadly similar in both projections. On average over the entire projection horizon, healthcare expenditure is 0.8 percentage points of GDP higher than in the 2022 Long-term Fiscal Projection.

In the 2022 Long-term Fiscal Projection, the development of greenhouse gas emissions under two scenarios up to 2050, as well as climate-related costs and risks for the public budget, were modelled for the first time. By systematically integrating macroeconomic, fiscal, and climate-related considerations, new methodological foundations were established for the consideration of these issues in a long-term projection, even when compared internationally. In the baseline scenario of the 2025 projection, the fiscal risks from climate compliance costs up to 2030 were significantly reduced compared with 2022

in part through the implementation of climate policy measures. The climate policy scenario from the 2022 Long-term Fiscal Projection cannot be compared with the current climate policy scenario, as they are based on different research questions and assumptions. The 2022 climate policy scenario demonstrated that European and international climate targets can be achieved with only moderate additional burdens on public finances.

Other expenditure amounted to 22.5% of GDP in 2024 and declines to 18.5% of GDP by 2060 in the current long-term projection. This decline is partly driven by a reduction in monetary social benefits within this category, which are indexed to inflation that is assumed to be lower than the nominal GDP growth due to real GDP growth (See Section 3.4). As a result, other expenditure declines relative to GDP. In the 2022 Long-term Fiscal Projection, other expenditure for 2024 was underestimated at 20.1% of GDP, i.e. by 2.3 percentage points. This difference narrows to 0.4 percentage points of GDP by 2030 due to the consolidation measures included in the current long-term projection. These measures include, inter alia, the abolition of climate bonus, cuts in subsidies, and expenditure savings in ministries. By the end of the projection horizon, the decline in other expenditure is somewhat more pronounced in the 2022 Long-term Fiscal Projection, reaching 17.7% of GDP in 2060, which is 0.7% percentage points (rounding difference) below the value projected in the current long-term projection.

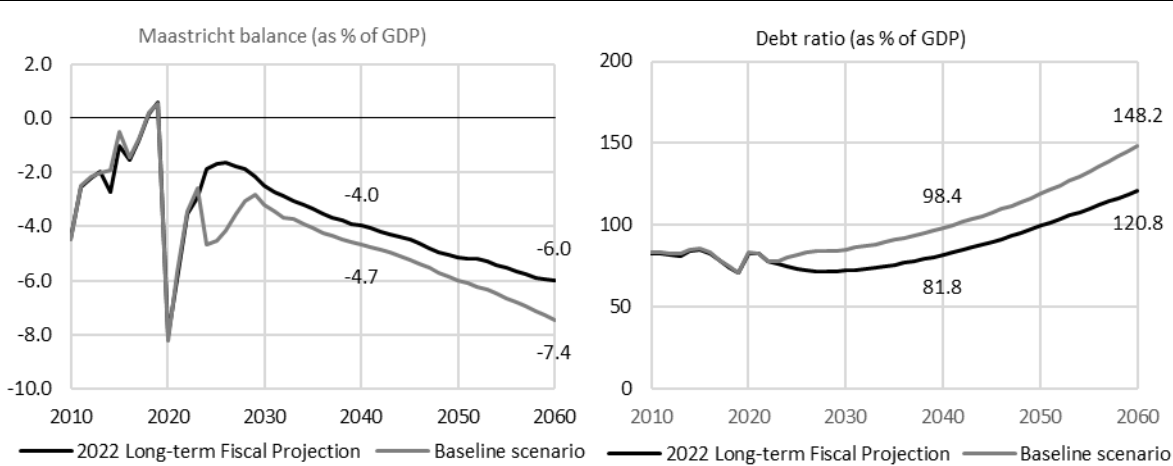
Lower expenditure relative to GDP compared with the 2022 Long-term Fiscal Projection is projected for long-term care and education. Long-term care expenditure amounted to 1.5% of GDP in 2024 and increases steadily by 1.4 percentage points (rounding difference) to 2.8% of GDP in 2060 in the current long-term projection. In the 2022 Long-term Fiscal Projection, long-term care expenditure is on average 0.3 percentage points of GDP higher and is projected to reach 3.1% of GDP in 2060. The lower long-term care expenditure in the current projection is mainly attributable to an overestimation of the expenditure impact of the 2023 long-term care reform in the previous projection.

Education expenditure is marginally lower in the current long-term projection. It amounted to 5.3% of GDP in 2024 and remains at a similar level until the end of the projection horizon (5.2% of GDP in 2060). In the 2022 Long-term Fiscal Projection, education expenditure for 2024 was slightly underestimated at 5.0% of GDP but it exhibits somewhat stronger dynamics. From 2029 onwards, it exceeds the level of the current projection and rises to 5.4% of GDP by 2060.

There is little difference between the two long-term projections with regard to family benefits on the expenditure side. These amounted to 1.7% of GDP in 2024 and declined to 1.4% of GDP by 2060 in both projections.

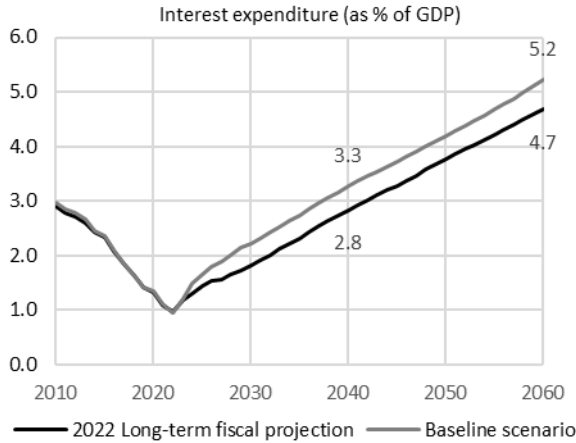
Demography-related expenditure – pensions, healthcare, long-term care, education, and family benefits – amounted to 31.2% of GDP in 2024. In the current long-term projection, it rises to 34.6% of GDP by 2060. In the 2022 Long-term Fiscal Projection, it was underestimated at 29.7% of GDP in 2024, i.e. by 1.5 percentage points. This difference narrows to 0.7 percentage points by 2039 and then widens again to 1.1 percentage points by 2060. In the 2022 Long-term Fiscal Projection, demography-related expenditure amounts to 33.5% of GDP in 2060.

Figure 32: Comparison of the development of the debt ratio and the Maastricht balance in the 2025 and 2022 Long-term Fiscal Projection



Source: WIFO (2022 und 2025), author’s own depiction.

Figure 33: Comparison of interest expenditure in the 2025 and 2022 Long-term Fiscal Projection



Source: WIFO (2022 und 2025), author's own depiction.

Overall, the differences between the two long-term projections can be summarised as follows (cf. WIFO, 2025)

- **Fiscal starting position:** The initial conditions have deteriorated further in the 2025 Long-term Fiscal Projection. Already in the 2022 Long-term Fiscal Projection, the starting position was less favourable than in the 2019 projection. This is largely due to the fiscal effect of high inflation, which led to stronger expenditure increases in several areas than expected in the 2022 projection. In 2024, the debt ratio amounted to 79.9% of GDP, which is 5.1 percentage points higher than assumed in the 2022 Long-term Fiscal Projection; the general government expenditure ratio, at 55.2% of GDP, was 4.0 percentage points higher. The primary balance, at -3.2% of GDP, was 2.6 percentage points more negative, and the Maastricht Balance, at -4.7% of GDP, was 2.8 percentage points more negative. Although consolidation measures reduce the difference in the primary balance between the two projections to 0.2 percentage points of GDP by 2029, the compound interest effect between the two projections to 0.2 percentage points of GDP by 2029, the compound interest effect has an increasingly negative impact on the debt ratio over time. The worsened fiscal starting position is therefore a leak reason for the higher debt in 2060 in the current projection.
- **Economic policy framework:** The economic policy framework has changed significantly since the last long-term projection. The Maastricht deficit of 4.7% of GDP in 2024 necessitated a comprehensive consolidation package, which the corridor pension reform in particular affecting the labour market and the projection of pension expenditure. In addition, as noted above, the expenditure impact of the 2023 long-term care reform was overestimated in the 2022 Long-term Fiscal Projection and has now been adjusted accordingly.
- **Labour force participation projection:** The corridor pension reform also affects the projected development of participation rates. In the current long-term projection, the participation rate increases from 79.8% in 2025 by 5.4 percentage points to 82.5%. In the 2022 Long-term Fiscal Projection, the participation rate was projected at 79.1% in 2025 and was assumed to increase by only 2.8 percentage points to 81.9% by 2060. However, as the working-age population (15-64 years) is lower in the current projection than in the 2022 projection, the difference in the number of labour force participants and employed persons between the two projections is negligible.

- **Productivity and economic growth:** In the current long-term projection, total factor productivity growth is estimated at an average of 0.49% per year over the period 2025-2060 (0.54% over 2031-2060). In the 2022 Long-term Fiscal Projection, it was assumed to average 0.56% per year over the same period (0.60% over 2031-2060). Overall, the increase in total productivity is around 2.0% lower in the current projection. This lower productivity growth is also reflected in lower projected long-term trend growth of the Austrian economy, estimated at 1.04% over 2025-2060 (1.06% over 2031-2060), compared with 1.21% in the 2022 Long-term Fiscal Projection (1.23% over 2031-2060). Lower economic growth results in nominal GDP being 8.0% lower by the end of the projection horizon in 2060, which has significant effects on ratio-based indicators such as the expenditure ratio and the debt ratio.
- **Demography:** According to the 2024 population projection by Statistics Austria, which underpins the 2025 Long-term Fiscal Projection, demographic developments are slightly less favourable than in the 2022 population projection used in the previous long-term projection. The old-age dependency ratio - the ratio of the working-age population (15-64 years) to persons aged 65 and over – declines from 3.3 in 2024 to 2.0 in 2060 in the current projection. In the 2022 Long-term Fiscal Projection, this ratio was assumed to be 2.2 in 2060.

In addition, the application of the dynamic microsimulation model microDEMS (Bittschi et al., 2024; Horvath et al., 2022, 2024) for modelling the statutory pension insurance system in the 2025 Long-Term Fiscal Projection represents a major methodological advancement. Another methodological change concern the modelling of long-term care expenditure, where explicit consideration of female labour force participation as a driver of increased demand for formal care services was replaced by the assumption of a higher income elasticity. Finally, in the current long-term projection, the shift in morbidity is based on the average increase in life expectancy over the years rather than year-on year changes (cf. WIFO, 2025).

## 5.2. 2025 Report on Fiscal Sustainability of the Fiscal Council

Within its legally mandated remit, the Fiscal Council (Fiskalrat) also publishes an assessment of long-term fiscal developments in Austria every three years. The first Report on Fiscal Sustainability (hereafter: Sustainability Report) was published in September 2021, while the most recent Sustainability Report was released in April 2025. The reports are available for download on the Fiscal Council's website:

<https://www.fiskalrat.at/publikationen/berichte/nachhaltigkeitsbericht-uebersicht.html>  
(26 November 2025).

Table 27: Comparison with the Fiscal Council's 2025 Sustainability Report

As % of GDP	Fiscal Council - 2025 Sustainability report						Δ LFP 2025 / FISK 2025					
	2024	2025	2030	2040	2050	2060	2024	2025	2030	2040	2050	2060
<b>Total expenditure</b>	<b>54.5</b>	<b>55.4</b>	<b>55.1</b>	<b>57.3</b>	<b>60.7</b>	<b>64.5</b>	+0.7	-0.0	-1.0	-1.6	-3.6	-5.9
Pensions	15.4	15.8	16.1	16.2	16.3	16.5	-0.5	-0.6	-0.7	-0.5	-0.7	-0.8
Health	7.8	7.9	8.1	8.9	9.6	10.0	+0.1	+0.1	+0.0	-0.2	-0.5	-0.7
Long-term care	1.3	1.4	1.5	1.9	2.5	2.8	+0.1	+0.1	+0.0	-0.0	-0.1	+0.0
Education	4.9	4.9	4.9	4.9	5.0	5.1	+0.4	+0.4	+0.3	+0.2	+0.2	+0.1
Family	1.6	1.7	1.6	1.4	1.3	1.2	+0.1	+0.1	+0.1	+0.1	+0.2	+0.2
Climate compliance costs	-0.0	-0.0	0.1	0.2	0.7	0.7	+0.0	+0.0	+0.2	+0.1	-0.2	-0.4
Interest expenditure	1.3	1.5	2.0	3.2	4.8	7.7	+0.1	+0.2	+0.2	+0.0	-0.6	-2.5
Other	22.2	22.4	20.8	20.5	20.5	20.4	+0.2	-0.4	-1.1	-1.3	-1.8	-1.9
<b>Total revenue</b>	<b>50.8</b>	<b>51.2</b>	<b>50.8</b>	<b>50.5</b>	<b>50.5</b>	<b>50.2</b>	-0.3	-0.4	+0.1	+0.6	+0.7	+0.9
<b>Primary balance</b>	<b>-2.4</b>	<b>-2.7</b>	<b>-2.3</b>	<b>-3.6</b>	<b>-5.4</b>	<b>-6.6</b>	-0.8	-0.1	+1.3	+2.2	+3.7	+4.3
<b>Maastricht balance</b>	<b>-3.8</b>	<b>-4.2</b>	<b>-4.3</b>	<b>-6.8</b>	<b>-10.3</b>	<b>-14.2</b>	-0.9	-0.3	+1.1	+2.2	+4.3	+6.8
<b>Debt ratio</b>	<b>79.7</b>	<b>81.8</b>	<b>89.5</b>	<b>115.8</b>	<b>160.5</b>	<b>227.5</b>	+0.2	-0.2	-4.3	-17.3	-41.3	-79.3

Source: Fiskalrat (2025), authors' own depiction.

Compared with the 2025 Long-term Fiscal Projection prepared by WIFO (2025) and the BMF, the following key difference can be identified:

- Cut-off date for information considered:** The Fiscal Council's Sustainability Report incorporates all information available up to 31 January 2025, which constitutes the cut-off date underlying its no-policy-change assumption. This implies, in particular, that the fiscal consolidation programme presented by the Federal Government in May 2025 could not be taken into account in the baseline scenario of the Sustainability Report. Structural measures in the areas of the labour market and pensions are especially relevant for the long-term development of public finances. While the Fiscal Council provides an ad hoc assessment of the expected effect of the new government programme, the programme itself does not include a detailed specification of the consolidation measures announced in May 2025. Conversely, the alternative scenario presented in Section 4.1 of the present long-term projection illustrates the development of public finances in the absence of consolidation measures. This alternative scenario may therefore be used as an approximate basis for comparison between the two fiscal projections.
- Methodology:** The long-term projection by WIFO based on the DELTA model as well as the dynamic microsimulation model microDEMS (see Chapter 6). The Fiscal Council applies a so-called overlapping generations model (OLD). The FISK-OLD model is a micro-founded, integrated framework that captures feedback effect between macroeconomic and fiscal developments. It has been dynamically calibrated to historical data and relies on exogenous, time-dependent assumptions regarding

demography and education, technological progress, the interest rate on public debt, and economic policy measures.

- **Key assumptions:** A major difference between the 2025 Long-term Fiscal Projection and the Fiscal Council's Sustainability Report concerns assumptions regarding the growth of total factor productivity. In the 2025 Long-term Fiscal Projection, average productivity growth is estimated at 0.49% per year over the period 2025-2060 (see Section 0), broadly following Kaniovski et al. (2024) and incorporating additional climate change-related losses (Parado et al., 2021; Van der Wijst et al., 2021). In contrast, the Fiscal Council assumes a slightly higher average productivity growth rate of 0.60% per year over the same period. The difference feeds through to trend real GDP growth, which averages 1.13% per year over 2025-2060 in the Sustainability Report, compared with only 1.04% in the 2025 Long-term Fiscal Projection. Differences in assumptions regarding population developments and the interest rate on public debt, by contrast, appear to be negligible.
- **Incorporation of climate-related aspects:** For the first time, the 2025 Fiscal Council's Sustainability Report also takes into account the fiscal relevance of various climate-related factors. However, comparability with the 2025 Long-term Fiscal Projection is limited due to differing assumptions and methodological approaches. In particular, a fundamentally different modelling philosophy is applied for fiscal calculations (OLG model). Moreover, the effects of climate policy are not modelled endogenously; instead, existing scenarios are used as exogenous inputs that do not reflect the most recent developments (e.g., NEHG, new Fit-for-55 requirements, subsidies). In addition, public damages do not affect economic growth in the Sustainability Report but are not only incorporated as losses within the framework of the disaster relief fund.
- **Main results<sup>23</sup>:** The Fiscal Council projects total expenditure to rise to 64.5% of GDP in 2060, which is significantly higher than the 58.6% of GDP projected in the present long-term projection. Pension expenditure is projected at 16.5% of GDP in 2060 in the Sustainability Report, compared with 15.8% of GDP in the 2025 Long-term Fiscal Projection. Likewise, healthcare expenditure is projected to reach 10.0% of GDP in 20260 in the Sustainability Report, compared with 9.3% of GDP in the long-term projection. Differences are relatively small for long-term care expenditure (2.8% of GDP in both projections), education expenditure (5.1% of GDP in the Fiscal Council projection versus 5.2% of GDP in the WIFO/BMF projection), and family benefits (1.2% of GDP in the Fiscal Council projection versus 1.4% of GDP in the WIFO/BMF projection). Average annual climate target achievement costs amount to 0.4% of GDP

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<sup>23</sup> The projection in the Sustainability Report extends to 2070; however, for the purpose of comparison with the Long-term Fiscal Projection, the year 2060 is used.

in the WIFO/BMF projection). Average annual climate target achievement costs amount to 0.4% of GDP over 2025-2060 in the Sustainability Report, compared with 0.3% of GDP in the long-term projection. However, in the Sustainability Report these costs rise to 0.7% of GDP by 2060, whereas a more even distribution is assumed in the long-term projection. Interest expenditure increases markedly in both projections, reaching 7.7% of GDP in 2060 in the Sustainability Report and 5.2% of GDP in the long-term projection. Total revenues decline steadily in the Sustainability Report from 51.2% of GDP in 2025 to 50.2% of GDP in 2060, whereas they stabilise at around 51.1% of GDP from the mid-2030s onwards in the long-term projection. As a result, the projected deterioration in the primary balance, the Maastricht balance, and the debt ratio is substantially more pronounced in the Fiscal Council's Sustainability Report. The primary balance deteriorates to -6.6% of GDP by 2060 (WIFO/BMF: -2.2%), the Maastricht balance to -14.2% of GDP (-7.4%), and the debt ratio rises to 227.5% of GDP (148.2%).

- As explained above, however, the comparison of the two baseline scenarios is limited due to differing no-policy-change starting points, which arise from the different cut-off dates up to which information could be incorporated. In the Sustainability Report, the Fiscal Council estimates that the consolidation measures already mentioned in the Government Programme in early March 2025 improve the long-term primary balance by 1.6% of GDP. Even under this assumption, however, the primary balance remains significantly weaker than in the long-term projection, which incorporates all consolidation measures up to October 2025. Conversely, the BMF's alternative scenario, which approximates a projection without the implementation of consolidation measures, paints an even more adverse picture: In this scenario, the debt ratio rises to over 270% of GDP by 2060 (see Section 1). In any case, both approaches clearly demonstrate the substantial positive fiscal impact of the consolidation measures.

### **5.3. 2024 Long-term assessment of the Altersicherungskommission**

The remit of the Commission on the long-term financing of Old-Age Security Systems (Altersicherungskommission) is to analyse developments in the statutory pension insurance scheme and, separately, the pensions of civil servants employed by the federal, Länder and municipal levels of government.

To this end, the Altersicherungskommission adopted, in late November 2024, a report for the period 2023-2070 on the long-term development and financial sustainability of the

statutory pension insurance scheme and of the pensions of civil servants at the federal, Länder and municipal levels (Langfristgutachten). Both reports are published on the following website:

<https://www.sozialministerium.gv.at/Themen/Soziales/Sozialversicherung/Alterssicherungsgskommission.html> (26 November 2025)

Table 28: Comparison with the two assessments (Langfristgutachten) of the Alterssicherungskommission

As % of (real) GDP	Alterssicherungskommission - Langfristgutachten 2024						Δ LFP 2025 / ASK 2024					
	2024	2025	2030	2040	2050	2060	2024	2025	2030	2040	2050	2060
<b>Pension expenditure</b>	15.7	16.1	16.7	16.8	16.6	16.9	-0.8	-0.9	-1.3	-1.0	-1.0	-1.1
Statutory pension insurance (incl. rehab. allowan	12.5	12.9	13.8	14.8	15.5	16.2	-0.7	-0.8	-1.3	-1.0	-0.9	-1.1
Pensions of civil servants	3.2	3.2	2.9	2.0	1.1	0.7	-0.1	-0.0	+0.0	-0.0	-0.0	-0.0

Note: The long-term assessments (Langfristgutachten 2024) of the Alterssicherungskommission is based in a real (inflation-adjusted) model, and the results are expressed as a percentage of real GDP. This leads to an inconsistency when compared with the 2025 Long-term Fiscal Projection, which should be taken into account when interpreting the results.

Source: Alterssicherungskommission (2024), authors' own depiction. Rounding differences may occur.

The model used to project the long-term development of the statutory pension insurance scheme consist, in essence, of four modules. The demographic module is based on Statistics Austria's 2023 population projection. The macroeconomic long-term module is derived from econometric model calculations by WIFO and IHD as of late July 2024. The third module is a pension model developed by the Federal Mistry of Labour, Social Affairs, Health and Consumer Protection (BMASGPK), based on statistical and actuarial methods. In addition to data from the pension insurance system, including the associated financial data, the results from the first two modules also feed into the pension model. All three modules serve as inputs for the fourth module, which produces the projection of the long-term development of the statutory pension insurance system.

Compared with the present long-term projection, there are hardly any notable differences with regard to the projected population development and the development of employment (full-time equivalents). However, as in the Fiscal Council's Sustainability Report, the long-term assessment of the Alterssicherungskommission adopts a somewhat more optimistic assessment of long-term growth in total factor productivity and capital input – is estimated at an average of 1.16% per year over the period 2023-2070. Given that the growth contribution of employment is minimal, this implied long-term trend growth of real GDP of 1.17% per year for the period 2023-2070.

As a result, total revenues of the statutory pension insurance scheme - excluding federal transfers - increase from 9.0% of GDP in 2023 to 9.9% of GDP in 2070 (2060: 9.8% of GDP), while total expenditure excluding the equalisation allowance rises from 11.7% of GDP to 16.1% of GDP in 2070 (2060:16,2% of GDP). Excluding other operating costs, the equalisation allowance and rehabilitation allowance, pension expenditure within the

statutory pension insurance scheme increases from 10.4% of GDP in 2023 to 15.1% of GDP in 2070 (2060: 15.2% of GDP).

The second assessment of the Alterssicherungskommission analyses the long-term development and financial sustainability of civil service pensions at the federal, Länder and municipal levels. This analysis is based on a new and enhanced cohort simulation model developed by the BMF, which captures the complex benefit determination rules for civil service pensions. The underlying dataset consists of wage tax data from 2022. The assumptions on long-term productivity growth and trend real GDP growth correspond to those used in the long-term assessment for the statutory pension insurance scheme. As a share of real GDP, contribution revenues decline from 0.6% in 2023 to 0.3% in 2070, while civil service pension expenditure falls from 3.0% in 2023 (2025: 3.2%) to 0.6% from the beginning of the 2060 onwards.

The sum of pension expenditure within the statutory pension insurance scheme (excluding other operating costs, the equalisation allowance and rehabilitation allowance) and civil service pension expenditure therefore rises to around 15.8% of GDP in 2060. This corresponds to the projected level of total pension expenditure (including the equalisation allowance and rehabilitation allowance) in 2060 in the present long-term projection.

#### **5.4. 2024 Ageing Report of the European Commission**

At European Union level, the European Commission (EC) assesses the impact of demographic developments on the public finances of the member States every three years in the context of the Ageing report. On the basis of population and labour force projections as well as assumptions regarding macroeconomic developments, long-term projections of age-related expenditure are produced. Age-related expenditure comprises spending on pensions, health care, long-term care and education. These projections feed into a wide range of policy debates and processes at EU level, including, for example, the European Semester. The 2024 Ageing Report was published in April 2024 and is available for download (in English) at the following website: [https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070\\_en](https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en) (27 November 2025)

Table 29: Comparison with the 2024 Ageing Report of the European Commission

As % of GDP	European Commission - Ageing Report 2024						Δ LFP 2025 / EC 2024					
	2024	2025	2030	2040	2050	2060	2024	2025	2030	2040	2050	2060
<b>Demography-related expenditures excl. fam. ben.</b>	<b>28.0</b>	<b>28.3</b>	<b>29.1</b>	<b>29.3</b>	<b>29.5</b>	<b>29.9</b>	<b>+1.5</b>	<b>+1.7</b>	<b>+1.2</b>	<b>+2.1</b>	<b>+2.8</b>	<b>+3.3</b>
Pensions	14.2	14.5	15.0	14.6	14.0	14.0	+0.7	+0.7	+0.4	+1.1	+1.6	+1.8
Health	7.7	7.8	8.0	8.4	8.8	8.8	+0.2	+0.2	+0.2	+0.3	+0.4	+0.5
Long-term care	1.6	1.6	1.8	2.1	2.6	2.9	-0.1	-0.1	-0.2	-0.2	-0.3	-0.1
Education	4.5	4.4	4.3	4.2	4.1	4.2	+0.8	+0.9	+0.9	+1.0	+1.1	+1.1

Source: Europäische Kommission (2025), authors' own depiction.

The population projection underlying the Ageing Report is the main scenario of Eurostat's population projection for 2024-2070 (EUROPOP 2023). For Austria, this projection envisages an increase in the total population to 9.5 million by 2060, which is significantly below the 9.9 million projected in Statistics Austria's 2024 population forecast. This difference is mainly attributable to a lower assumed total fertility rate in EUROPOP 2023, while the average net migration balance is estimated to be slightly higher. Accordingly, the EUROPOP 2023 projection also implies a somewhat older age structure of the Austrian population in the long run compared with Statistics Austria's 2024 population projection. In 2060, this is reflected in particular in a smaller share. However, due to the lower total population, the absolute number of people of working age is lower in the Eurostat projection. The share of population aged 65 and over in 2060 is similar in both projections, implying a lower absolute number in the EUROPOP 2023 projection. The old-age dependency ratio (the ratio of the population aged 65 and over to those aged 20 to 64) amounts to 65.8% in 2060 in the EUROPOP 2023 projection, compared with 55.2% in the present long-term projection. These differences in population structure affect both the labour market and age-related expenditure.

The assumptions regarding total factor productivity growth are considerably more optimistic in the Ageing Report. Average annual total factor productivity growth is assumed at 0.82% over the period 2025-2060, which is substantially higher than the value of 0.49% assumed in the present long-term projection. Accordingly, labour productivity growth, at an average of 1.26% per year over 2025-2060, is also significantly higher than in the long-term projection (0.90% per year). This implies average trend growth in real GDP of 1.30% per year over 2025-2060 in the ageing report, compared with 1.04% in the present long-term projection.

Based on these assumptions, the 2024 Ageing Report projects age-related expenditure in Austria to rise to 29.9% of GDP in 2060 (2070: 30.2% of GDP). Compared with the present long-term projection, in which age-related expenditure - excluding family benefits – increase to 33.2% of GDP by 2060, this is 3.3 percentage points lower. However, it should be noted that in the Ageing report 2024, 2023 is the first projection year. For 2024, age-

related expenditure is estimated at 28.8% of GDP, which is well below the realised value of 29.5% of GDP. Focusing on the increase from 2025 to 2060, age-related expenditure rises by 1.6 percentage points of GDP in the 2024 Ageing Report. This assessment is markedly more favourable than in the present long-term projection, which anticipates an increase of 3.1 percentage points of GDP over the same period. In detail, the following differences emerge across expenditure categories.

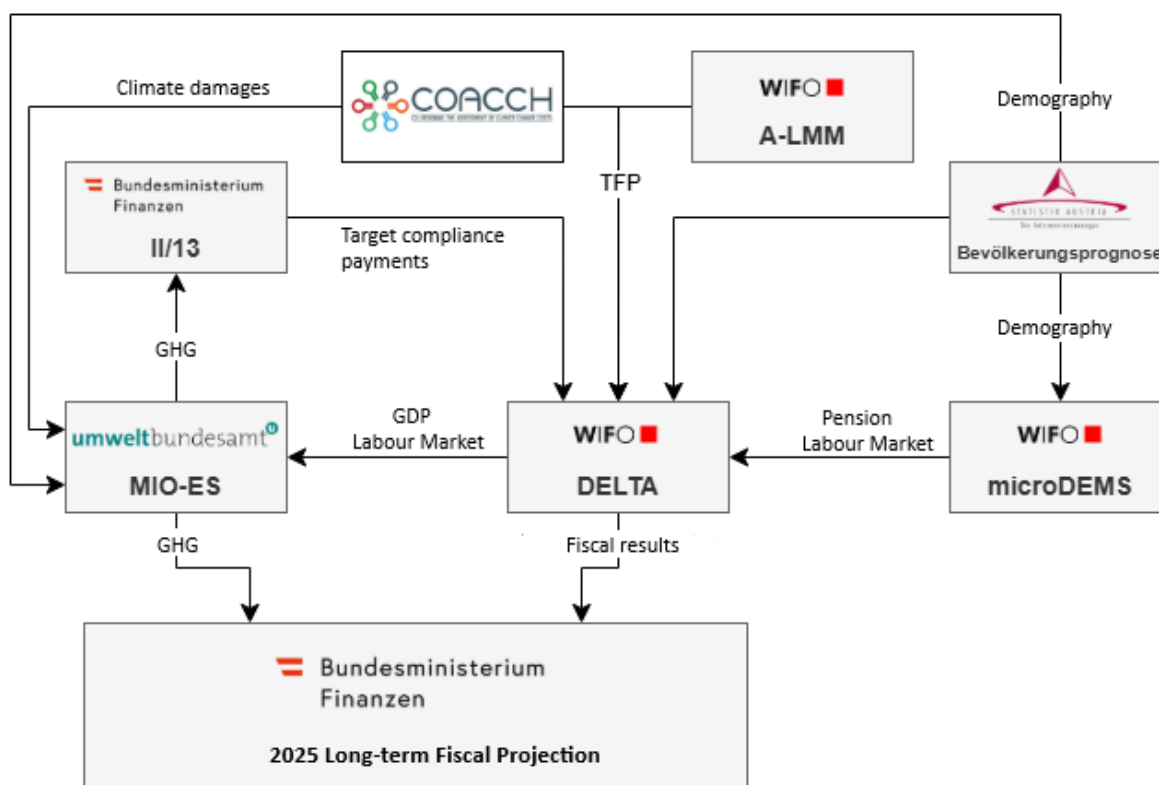
- **Pension expenditure** (including the equalisation allowance and rehabilitation allowance) declines in the 2024 Ageing Report by 0.5 percentage points, from 14.5% of GDP in 2025 to 14.0% of GDP in 2060, whereas in the long-term projection it increases by 0.6 percentage points, from 15.2% of GDP to 15.8% of GDP.
- **Health care expenditure** increases in the 2024 Ageing report by 1.0 percentage point, from 7.8% of GDP in 2025 to 8.8% of GDP in 2060. This increase is somewhat smaller than in the long-term projection, where health care expenditure rises from 8.0% of GDP in 2025 by 1.3 percentage points to 9.3% of GDP in 2060.
- **Long-term care** expenditure rises by a comparable magnitude in both projections, increasing by 1.3 percentage points of GDP over the period 2025-2060. The projected level in 2060 is similar, at 2.9% of GDP in the 2024 Ageing Report and 2.8% of GDP in the present long-term projection.
- **Education expenditure** is projected in the 2024 Ageing Report to decline from 4.4% of GDP in 2025 to 4.2% of GDP in 2060. This not only implies a somewhat stronger downward trend than in the long-term projection but also reflects a substantial difference in levels. The realised value in 2024 amounted to 5.3% of GDP. In the present long-term projection, education expenditure declines only slightly, from 5.3% of GDP in 2025 to 5.2% of GDP in 2060.

# 6. Methods

## 6.1. Models and interfaces

The core of the fiscal projection is the DELTA model which is described in greater detail in Chapter 6.2. In addition, results from several specialised models are incorporated to make targeted use of the respective strengths of different methodological approaches. Figure 34 provides an overview of the interlinkages and interfaces between the models used for the baseline scenario.

Figure 34: Interlinkages and interfaces between the models



The growth rates of total factor productivity are primarily based on the **A-LMM** (Kaniovski et al., 2024). In addition, growth-dampening effects of climate-related damages are taken into account, drawing on results from **COACCH** project (Parrado et al., 2021; Van der Wijst et al., 2021). Labour market data and information on pension entitlements are incorporated into the projection from the **microDEMS** model (Bittschi et al., 2024; Horvath et al., 2022, 2024). The time series for target compliance payments was calculated by the Federal Ministry of Finance on the basis of greenhouse gas emissions

derived from the **MIO-ES** (Umweltbundesamt, 2025). The MIO-ES model was calibrated to ensure consistency of macroeconomic variables with the DELTA model. The DELTA model, microDEMS and MIO-ES all rely on the **2024 population projection** produced by Statistics Austria.

The structure of model interlinkages illustrated above highlights that each model makes a specific contribution. In order to contextualise these contributions, a concise description of the individual models is provided below.

The **A-LMM** (Austrian Long-run Macroeconomic Model) 2.0 is a supply-side, neoclassical macroeconomic model. At its core is a Cobb-Douglas production function with endogenous, demographically determined technological progress. Population ageing has a direct negative effect on productivity, while labour shortages simultaneously trigger productivity impulses driven by automation and digitalisation. In addition, A-LMM models key macroeconomic variables such as the saving rate, the real interest rate and inflation as functions of demographic structures.

The incorporation of growth-dampening effects from climate-related damages is based on results from the EU project „**CO**-designing the **Assessment of Climate CH**ange costs“ (**COACCH**). The overarching objectives of COACCH is provide an improved and more detailed assessment for climate change risks and costs in Europe that is directly accessible to end users in research, business, investments and policymaking. For the 2025 Long-term Fiscal Projection, results from Deliverables 2.7 and 4.3 were used. Deliverable 2.7 employs the computable general equilibrium (CGE) model ICES to quantify the impacts of climate damages, with the results subsequently scaled down to smaller regions using statistical downscaling methods. Deliverable 4.3 quantifies, in Chapter 4, the effects of national adaptation strategies, also using a CGE model.

The **microDEMS** (**D**emography, **E**mployment and **S**ocial Security) model is a dynamic microsimulation model that simulates individual life courses and employment trajectories of the Austrian population. It used administrative data and empirically estimated transition probabilities between labour market states such as employment, unemployment, sickness, and inactivity. These transitions depend, inter alia, on age, education, gender, country of origin, health status and family characteristics. For pension analysis, microDEMS captures all relevant pension schemes, retirement ages and required contributions and insurance periods with the Austrian pension system. Pension entitlements are calculated using individual pension accounts. This enables the estimation

of retirement behaviours, benefit levels, and the impact of reforms on the future expenditure of the statutory pension insurance system.

## **6.2. DELTA-Model**

The Demography-based Economic Long-Term Austria (DELTA) model depicts the long-term development of the public finances, considering macroeconomic and demographic trends. The model was first presented in Schiman (2013) and has since been further developed and applied in Schiman (2016, 2019), Schiman-Vukan (2022), as well as for the preparation of the present projection.

In a first step, the development of key macroeconomics variables – most notably economic growth – is modelled. The resulting variables then serve as the basis for the fiscal projection in a second step. This involves a detailed modelling of government expenditure and revenue as a function of demographic and macroeconomic parameters. The presentation of revenue and expenditure follows the national accounts framework, ensuring that key fiscal indicators (such as the budget balance, grow debt, etc.) can be derived consistently with the Maastricht definitions.

In the following, the underlying growth model and the derivation of interest expenditure are described in greater detail.

### **Economic growth**

At the core of the Delta model lies a classical supply-side growth model in the tradition of Solow-Swan<sup>24</sup>. In supply-side growth models, the level of production  $Y$  of an economy - i.e. real gross domestic product - is determined by the available input factors: labour  $L$ , capital  $K$  and the level of technological progress, referred to as total factor productivity (TFP).

Supply-side models are particularly suitable for analysing long-term growth drivers. Demand-side effects, short-term business cycle fluctuations and capacity utilisation are deliberately abstracted from in favour of simplicity and transparency.

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<sup>24</sup> See Solow (1956) and Swan (1956) for the classical formulation of the neoclassical growth model.

The combination of input factors is represented by a production function. In the DELTA model, a **Cobb-Douglas production function** is assumed, yielding output in year  $t$  as follows.

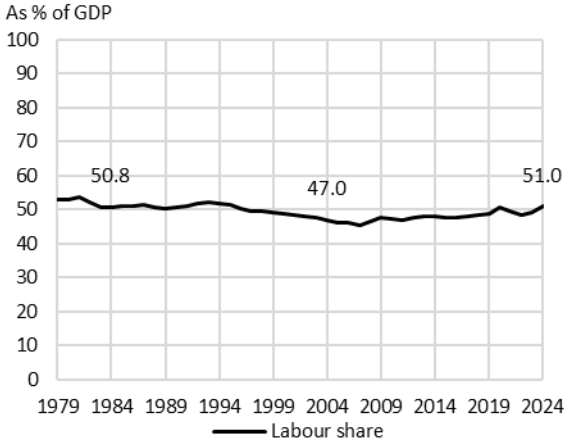
$$Y_t = TFP_t K_t^\alpha L_t^{1-\alpha} \tag{1}$$

The parameter  $\alpha$  is fixed at 0.5 over the entire projection horizon. This value lies within a range that is consistent with historical observations of the labour share. The labour share represents the proportion of total output paid to employees as compensation of labour and corresponds  $1 - \alpha$ :

$$\text{Labour share}_t = \frac{w_t L_t}{Y_t} = 1 - \alpha = 0,5 \tag{2}$$

Here,  $w$  denotes the real wage per effective unit of labour. This result follows from the assumption that the real wage equals the marginal product of labour, i.e.  $w_t = \partial Y_t / \partial L_t$ .

Figure 35: Development of the labour share



Source: WIFO, authors' own depiction.

The time series for the production factor labour  $L$  and total factor productivity  $TFP$  are exogenous and based on the results of other models:

- **Total factor productivity  $TFP$** : A-LMM und COACCH
- **Labour  $L$** : microDEMS

By contrast, the capital stock  $K$  is determined endogenously, i.e. dynamically within the model. In each year, the capital stock is reduced by depreciation and increased by investment. Along a balanced growth path, capital grows in line with output  $Y$ , such that the capital-output ratio  $K_t/Y_t$  remains constant over time. This dynamic is also assumed as DELTA model.

Finally, equation (1) can be expressed in growth-rate form, where  $g$  denotes the growth rate of the respective variable.

$$g_{Y,t} = g_{TFP,t} + \alpha g_{K,t} + (1 - \alpha) g_{L,t} \quad (3)$$

Equation (3) shows that real GDP growth is driven by growth in total factor productivity as well as, in equal parts, by growth in capital and labour.

### Interest rate dynamics

Interest expenditure in year, denoted  $IE_t$ , consists of two components: interest on new debt at the interest  $i_t^n$  and interest on existing debt at the legacy interest rate  $i_t^a$ . A debt rollover  $T_t$  is assumed. Debt rollover refers to the portion of outstanding bonds that mature in year  $t$  and must be refinanced through new borrowing.

Existing debt therefore corresponds to the previous year's debt stock  $D_{t-1}$ , net of the rollover  $T_t$ . New debt results from the primary deficit  $PD_t$  plus the rollover  $T_t$ , as this amount is refinanced through new bond issuance.

Total interest payments are thus given by:

$$IE_t = i_t^a (D_{t-1} - T_t) + i_t^n (PD_t + T_t) \quad (4)$$

For simplicity, it is assumed that the annual rollover  $T_t$  amounts to 10% of the previous year's debt stock:

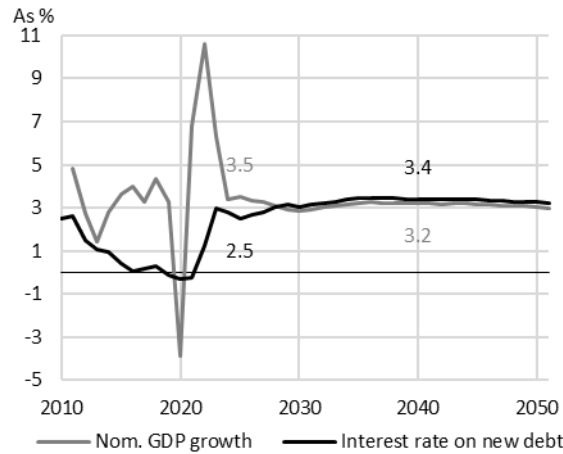
$$T_t = 0,1 D_{t-1} \quad (5)$$

The legacy interest rate  $i_t^a$  represents the average interest rate on outstanding government bonds and is approximated by the ratio of the previous year's interest payments to the debt stock two years earlier:

$$i_t^a = \frac{IE_{t-1}}{D_{t-2}} \quad (6)$$

The new interest rate  $i_t^n$  follows Kaniovski et al. (2024) and is assumed to be 0.25 percentage points above the nominal GDP growth.

Figure 36: Comparison of interest rate and GDP growth



Source: WIFO, authors' own depiction.

### 6.3. MIO-ES Model

The **Macroeconomic Input-Output Model with an Integrated Energy System (MIO-ES)** is a core analytical tool of the Environment Agency Austria (UBA). The model is described in detail in Frei et al. (2023). Methodologically, MIO-ES is a hybrid macroeconomic input-output (IO) model which, in addition to representing macroeconomic interlinkages on a monetary basis, fully integrates the energy system in physical units into the economic-energy analysis.

The MIO-ES model is used, inter alia, for the preparation of long-term scenarios of Austrian greenhouse gas emissions, including in the context of the Long-Term Fiscal Projection. Within MIO-ES, effects from linked sectoral models – such as those for transport, buildings or agriculture – are aggregated while equilibrium effects are taken into account. In this way, the Environment Agency Austria, in its role as the federal greenhouse gas inventory agency, prepares the legally required projections pursuant to the EU Regulation on the Governance of the Energy Union.

The MIO-ES model is referred to as a hybrid model, as it combines elements from different macroeconomic modelling paradigms. It builds on traditional input-output models, while also incorporating a computable-general equilibrium (CGE) frameworks and Keynesian structural econometric models. This combination allows, for example, price-dependent factor substitution between labour, capital, intermediate inputs, and energy to be represented through a trans-log production function, while households' price-responsive consumption behaviours are modelled endogenously. Keynesian multiplier effects are empirically calibrated and operate dynamically across years, influencing economic developments in a path-dependent manner.

Overall, this detailed representation of the energy system, production and consumption enables energy-related emissions arising from economic and technological activity to be captured to the greatest possible extent. Non-energy-related emissions (such as those from LULUCF or agriculture) are also taken into account in the Environment Agency Austria's projections but are calculated outside the MIO-ES framework.

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## Annex

### Climate policy and climate targets

The European Union delivers its contribution towards achieving the long-term greenhouse gas (GHG) reduction objectives pursuant to Article 2(1)(a) of the Paris Agreement as a so-called collective contribution of all EU Member States jointly. For the EU Member States, this constitutes a dual obligation under both international and EU law to comply with the mitigation requirements of the Paris Agreement. As failures by individual Member States to comply with their emission ceilings would also jeopardise the EU-wide contribution under the Paris Agreement, non-compliance is expected to increasingly lead to the initiation of infringement procedures in the future.

Within the EU, climate-and energy-related contributions by Member States are governed by the EU 2020 Climate and Energy Package and the EU 2030 Climate and Energy Framework. The reduction of EU-wide greenhouse gas emissions is to be achieved, inter alia, through the European Union Emissions Trading System I (EU ETS I) and through the Effort Sharing Regulation (ESR). The ESR established binding annual GHG emission reduction targets for sectors outside the EU ETS and excluding the LULUCF sector (land use, land-use change and forestry), which must be complied by Member States.

With the adoption of the European Climate Law in 2021, which legally enshrined the objective of climate neutrality within the EU by 2050, it became necessary to tighten targets across existing legislation. With the 'Fit for 55' package, presented by the European Commission in July 2021, the EU adopted more ambitious climate targets for 2030 and committed to reducing emissions by at least 55% compared with 1990 levels. In addition, EU-level targets were set for a share of renewable energy sources of 42.5% of gross final energy consumption and for a binding reduction of energy consumption by 11.7% by 2030 compared with projections under a 2020 reference scenario.

The LULUCF Regulation (EU) 2023/839 sets an EU-wide target of a net sink of -310 million tonnes of CO<sub>2</sub>e in land use, land-use change and forestry sector by 2030. In 2028, a new, separate emissions trading system (EU ETS II) for road transport, small industry, and the buildings sector will enter into force.

As of the writing of this report, negotiations on an EU climate target for 2040 are currently underway. In November 2025, both the Council of Environment Ministers and the

European Parliament agreed on their respective positions, and trilogue negotiations on the final legislative text are now underway. It is currently expected that the target will provide for a 90% reduction in net greenhouse gas emissions by 2040 compared with 1990 levels, with up to 5% to be covered through use of international credits.

Under Regulation (EU) 2018/842, Austria is subject to a binding obligation to reduce greenhouse gas emissions in ESR sectors by 48% by 2030 compared with 2005 levels. In addition, Austria has national obligations under the LULUCF framework.

On the basis of Regulation (EU) 2018/1999 on the Governance System, the European Commission annually assesses Member States' progress towards their ESR targets and reports on this progress. If a Member State makes insufficient progress, Article 8 of Regulation (EU) 2018/842 requires it to submit an adequate corrective action plan to the Commission within three months. In addition, comprehensive reviews of Member States' emissions reports and formal compliance checks are carried out every five years.

During the emissions period 2021-2030, these formal compliance checks take place at two points in time: in 2027 (covering years 2021-2025) and in 2032 (covering years 2026-2030). If, despite the use of available flexibilities, a Member State is unable to demonstrate compliance for the relevant years, it is required not only to close the resulting gap (e.g., through the purchase of allowances), but also to incur a penalty surcharge amounting to 8% of the identified GHG gap, applied to the subsequent year (Article 9 of Regulation (EU) 2018/842).

A key element in assessing the target compatibility of Member States is the legally binding National Energy and Climate Plans (NECPs). In this context, Austria submitted a draft of its first NECP to the European Commission by 31 December 2019. The final updated NECP was submitted to the Commission in December 2024.

Currently, more than one third (35.7%) of Austria's total annual emissions originate from sectors directly covered by the EU Emissions Trading System (EU ETS I). The remaining GHG emissions (around 64.3%) stem from six sectors outside the EU ETS (ESR sectors) and are regulated domestically under the Climate Protection Act (KSG 2013; Federal Law gazette I No. 106/2011, as amended). Compliance with targets in the ESR and LULUCF sectors lies directly within Austria's responsibility and entails a fiscal risk to the public budget in the event of non-compliance.

## Status quo of greenhouse gas emissions and existing emissions scenarios

According to the Greenhouse Gas Inventory 2025, GHG emissions for the six ESR sectors (excluding LULUCF) amounted to a total of 44.3 million tonnes of CO<sub>2</sub>e in 2023. A breakdown of ESR emissions for 2023 across the six sectors is presented in Table 29.

Table 30: GHG emissions in 2023 according to the Environment Agency's GHG inventory, in the ESR sector (excluding LULUCF; absolute values and as a percentage of total emissions)

Sector	GHG-2023 (in Mio. t CO <sub>2</sub> e)	as %
Energy and industry (non-ETS)	5.5	12.4%
Transport	19.8	44.7%
Buildings	6.3	14.2%
Agriculture	8.4	19.0%
Waste management	2.4	5.4%
Fluorinated gases	1.8	4.1%
<b>Total ESR (excl. ETS and LULUCF)</b>	<b>44.3</b>	<b>100.0%</b>

Minor discrepancies may arise due to rounding.

The transport sector recorded the highest emissions, at 19.8 million tonnes of CO<sub>2</sub>e (44.7% of total ESR emissions), followed by agriculture (8.4 million tonnes of CO<sub>2</sub>e; 19.0%) and buildings (6.3 million tonnes of CO<sub>2</sub>e).

Total greenhouse gas emissions (including ETS, excluding LULUCF) amounted to 68.7 million tonnes of CO<sub>2</sub>e in 2023, representing a reduction of 13.7% compared with 1990 levels (79.6 million tonnes of CO<sub>2</sub>e).

The land-use sector (LULUCF) was predominantly a net sink in past decades, albeit with a pronounced downward trend compared with the 1990s, when approximately 15 million tonnes CO<sub>2</sub>e were sequestered annually. In 2023, the LULUCF sector became a net source of emissions, amounting to 7.4 million tonnes of CO<sub>2</sub>e, as was already the case in 2018 and 2019. LULUCF outcomes are subject to considerable year-to-year volatility.

In addition to the annual GHG inventory, the Environment Agency Austria regularly produces scenarios on the likely development of Austria's greenhouse gas emissions, which serve as the basis for EU reporting obligations under Regulation (EU) 2018/1999 on the Governance System. Two scenarios are consistently prepared:

- **With Existing Measures (WEM) scenario:** incorporates measures that have been legally implemented by a defined cut-off date.
- **With Additional Measures (WAM) scenario:** includes additional measures under discussion that are considered likely to be implemented or that have been implemented after the cut-off date.

The scenarios submitted to the European Commission in spring 2025 indicate that the current WEM scenario implies a substantial deviation of Austria’s projected ESR emissions from the target trajectory under Regulation (EU) 2018/842 by 2030. Even after making use of the ETS flexibility, ESR emissions in 2030 would be reduced by only 33% compared with 2005. The cumulative shortfalls over the 2021-2030 period would amount to approximately 19.5 million tonnes of CO<sub>2</sub>e under the WEM scenario. Under the WAM scenario, which primarily incorporates additional measures from the NECP, the cumulative gap would be reduced to around 7.0 million tonnes of CO<sub>2</sub>e. These estimates include only the effects of ETS flexibility already utilised by Austria. They do not account for the potential use of other ESR flexibilities, possible penalty surcharges at the compliance points in 2027 and 2032, or any consequences of non-compliance in the LULUCF sector. Further details are provided in the Environment Agency Austria’s report.

### Costs of climate change-related damages

As in the 2022 Long-term Fiscal Projection, the resent projection explicitly incorporates the physical costs of climate change for Austria. Climate change affects a wide range of areas, including agriculture and forestry, industry, energy supply, transport, public infrastructure, and the healthcare system.

The assessment of these effect is based on the COACCH Project (See Parrado et al., 2021; Van der Wijst et al., 2021), which provides a comprehensive and scientifically robust evaluation of climate risks and costs in Europe. Four types of effects are distinguished in the present projection (Table 30).

Table 31 Overview of climate change risks and costs modelled in the COACCH project and their incorporation into the 2025 Long-term Fiscal Projection

Type of effect	Description	Incorporation into the Long-Term Fiscal Projection
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Economic damage effects	Impacts of climate change and (extreme) weather events on the growth potential of the overall economy (GDP growth)	Incorporation of growth effects based on the COACCH project (see Parrado et al., 2021; SSP2, RCP 6.0, median, high investment mobility).
Economic adaptation effects	Long-term impacts of adaptation measures on the growth potential of the overall economy (reduction of damages, but also a necessary reallocation of investment towards adaptation measures rather than productive capacity).	Incorporation of adaptation scenarios in the climate policy scenario (see COACCH project Deliverable 4.3; Van der Wijst et al., 2021), which reduce damage to GDP growth but also exhibit minor negative growth effects. Overall, physical growth damages are nevertheless significantly lower in the climate policy scenario.
Fiscal adaptation costs	Fiscal (public) costs associated with further adaptation, such as increased infrastructure expenditure for activities including flood protection and torrent and avalanche control.	Additional fiscal expenditure in the climate policy scenario to implement the additional adaptation measures contained in the COACCH project Deliverable 4.3 scenarios.
Fiscal compensation costs	Fiscal (public) costs incurred to compensate private damages or damages borne by other levels of government.	Extrapolated equally in both scenarios.

These effects are explicitly reflected in the 2025 Long-term Fiscal Projection.

### Calculation of climate compliance costs

In the event of non-compliance with ESR and LULUCF targets, Austria must make use of the flexibilities provided for in EU legislation to ensure compliance with EU law. The associated costs are referred to as “climate compliance costs”. The Federal Ministry of Finance has published several analyses on this issue.

The calculation of these costs follows the applicable legal provisions (EU regulations, delegated acts and Commission analyses). A distinction is made between ESR and LULUCF developments as well as between price and quantity effects. These effects are considered in significantly greater depth and detail in the present long-term projection than in previous analyses.

The required volume of flexibilities is derived from projection emissions compared with applicable targets. ESR flexibilities are governed by Article 5, 6 and 7 (banking, borrowing, transfers, EU ETS flexibility and LULUCF flexibility). In addition to estimating Austria’s needs, estimates for all other Member States were considered in order to assess overall

market availability. The baseline scenario is compared with WEM scenarios of other Member States, while the climate policy scenario is compared with WAM scenarios.

Flexibility needs under the LULUCF Regulation are subject to greater uncertainty due to ongoing EU-level discussions on technical corrections to the Forest Reference Level and on flexibility rules, as well as high annual volatility across LULUCF accounting categories. For Austria, a conservative quantity framework was derived for the first compliance period (2021-2025) based on available data and Commission methodology and extrapolated for subsequent years.

Price effects are treated as exogenous, consistent with the assumption of a small open economy. EU ETS I prices are used as proxy prices. In the event of an EU-wide scarcity of flexibilities, additional price pressure is modelled through a 25% price increase in the relevant years.

While ESR budgets are defined annually until 2030, no EU-wide legal framework currently exists for the post-2030 period. Accordingly, assumptions are required for Austria's annual targets for 2031-2050. In line with the no-policy change assumption, a linear reduction in available emission budgets is assumed. Banking, borrowing, and transfer flexibility are assumed to continue beyond 2030, but unused allocations cannot be carried forward across periods, implying full settlement by 2030, 2040 and 2050 at the latest.

For 2040, an ESR reduction target of 85% compared with 2005 is assumed for all Member States, with 3% international flexibility. For 2050, a target of 90% with 5% international flexibility is assumed, representing hard-to-abate residual emissions that must be offset through negative emissions to achieve the EU's net-zero objective. Austria's obligations may ultimately prove more ambitious than those of other Member States, as EU climate targets apply at the aggregate Union level and Austria has historically adopted more stringent targets.

The climate compliance cost estimates were calculated in both scenarios based on the emissions modelling of the Environment Agency Austria. In addition, revenue projections accounting for foregone auction revenues resulting from the use of EU ETS flexibility are presented in the main text.

Overall, the results remain highly sensitive to price and supply assumptions. The availability of surplus flexibility from other Member States is uncertain, and realised prices

may deviate substantially from assumed EU ETS prices. Higher price assumptions could therefore lead to significant increases in compliance costs. A study commissioned by the Federal Ministry of Finance and conducted by Kommunalkredit Public Consulting (KPC) illustrates a wider range of possible price scenarios to further assess this uncertainty.

## Overview of key assumptions

Table 32 Overview of the key assumptions in the climate-related scenarios modelled by the Environment Agency Austria (baseline scenario and climate policy scenario)

	Baseline scenario	Climate policy scenario
<b>International prices (oil, gas, coal, etc.)</b>	<ul style="list-style-type: none"> <li>Based on the European Commission's recommendations for the design of GHG scenarios for 2025</li> </ul>	<ul style="list-style-type: none"> <li>Same as baseline scenario</li> </ul>
<b>Population</b>	<ul style="list-style-type: none"> <li>Based on Statistics Austria population projections</li> </ul>	<ul style="list-style-type: none"> <li>Same as baseline scenario</li> </ul>
<b>CO<sub>2</sub> pricing</b>	<ul style="list-style-type: none"> <li>ETS I: based on European Commission's recommendations</li> <li>ETS II: prices under the National Emissions Certificate Trading Act until 2025; gradual increase to EUR 100 from 2026; aligned with ETS I prices after 2030</li> </ul>	<ul style="list-style-type: none"> <li>Same as baseline scenario</li> </ul>
<b>Subsidies</b>	<ul style="list-style-type: none"> <li>Modelled in line with the Federal Budget Act (BFG) 2025 and 2026 and the Medium-term Expenditure Framework Act (BFRG) 2025-2028 and 2026-2029; adjustments to climate, energy and environmental subsidies in the context of budget consolidation</li> <li>Thereafter nominal extrapolation</li> </ul>	<ul style="list-style-type: none"> <li>Same as baseline scenario</li> <li>After BFG 2025 and 2026 and BFRG 2025-2028 and 2026-2029, real extrapolation</li> </ul>
<b>Buildings</b>	<ul style="list-style-type: none"> <li>Modelled in line with BFG 2025 and 2026, and BFRG 2025-2028 and 2026-2029, and the accompanying budgetary legislation</li> </ul>	<ul style="list-style-type: none"> <li>Additional measures from the Government Programme, including activities to implement the Energy Performance of Buildings Directive</li> <li>Mandatory replacement of defective fossil-based legacy systems from 2030 (minor repairs remain permitted)</li> </ul>
<b>Transport</b>	<ul style="list-style-type: none"> <li>Modelled in line with BFG 2025 and 2026, and BFRG 2025-2028 and</li> </ul>	<ul style="list-style-type: none"> <li>Additional measures from the Government Programme, including</li> </ul>

	2026-2029, and the accompanying budgetary legislation	<ul style="list-style-type: none"> <li>activities to implement the Renewable Energy Directive (REDIII)</li> <li>From 2033, enabling and introduction of zero-emission zones with price-based exemptions</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>Modelled in line with BFG 2025 and 2026, and BFRG 2025-2028 and 2026-2029, and the accompanying budgetary legislation</li> </ul>	<ul style="list-style-type: none"> <li>Additional measures from the Government Programme, including activities to implement the Renewable Energy Directive (RED III)</li> <li>From 2030, accelerated expansion of renewable energy, increased deployment of geothermal energy, and activities to develop hydrogen infrastructure and production</li> <li>Declining electricity prices from 2031 due to increased renewable electricity generation</li> </ul>
<b>Industry</b>	<ul style="list-style-type: none"> <li>Modelled in line with BFG 2025 and 2026, BFRG 2025-2028 and 2026-2029, and the accompanying budgetary legislation</li> </ul>	<ul style="list-style-type: none"> <li>Additional measures from the Government Programme, including activities to implement the Renewable Energy Directive (RED III)</li> <li>Declining electricity prices from 2031 due to increased renewable electricity generation</li> </ul>
<b>Agriculture</b>	<ul style="list-style-type: none"> <li>Based on WAM 2025 (corresponding to WEM 2025 plus adjustments to livestock numbers and biomethanisation)<sup>25</sup></li> </ul>	<ul style="list-style-type: none"> <li>Same as baseline scenario</li> </ul>
<b>Waste</b>	<ul style="list-style-type: none"> <li>As in WEM 2025</li> </ul>	<ul style="list-style-type: none"> <li>Same as baseline scenario</li> </ul>
<b>F-gases</b>	<ul style="list-style-type: none"> <li>As in WEM 2025</li> </ul>	<ul style="list-style-type: none"> <li>Same as baseline scenario</li> </ul>
<b>Cross-sectoral</b>		<ul style="list-style-type: none"> <li>Enhanced activities for climate change adaptation</li> <li>Measures to green environmentally harmful incentives and subsidies</li> </ul>

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<sup>25</sup> ‘ The Environment Agency Austria (UBA) considers the development of livestock numbers in the WAM 2025 scenario to be more plausible than in WEM 2025 and therefore recommended using this scenario as the basis for the GHG scenarios in the Long-term Fiscal Projection. A key difference between the WEM 2025 and WAM 2025 scenarios in the agriculture sector lies in the assumptions regarding the development of livestock populations up to 2030. In both scenarios, livestock numbers decline; however, the reduction is more pronounced in the WAM 2025 scenario than in the WEM 2025 scenario. For emissions modelling purposes, adjustments are nevertheless made in the area of agricultural biomethanisation, as the Environment Agency Austria identifies a significantly lower level of ambition in the Government Programme than that assumed in the WAM 2025 scenario.



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## Abbreviations

FBA	Federal Budget Act
BFRG	Federal Medium-Term Expenditure Framework Act
BHG 2013	Federal Organic Budget Act 2013
GDP	Gross Domestic Product
BMF	Austrian Ministry of Finance
CESAR	Centre of Economic Scenario Analysis and Research
CH <sub>4</sub>	Methan
CO <sub>2</sub>	Carbon dioxide
COACCH	CO-designing the Assessment of Climate Change costs
CO <sub>2</sub> e	CO <sub>2</sub> equivalent
COICOP	Classification of Individual Consumption by Purpose
EC	European Commission
EU	European Union
EU-SILC	European Union Statistics on Income and Living Conditions
ESR	Effort Sharing Regulation (Lastenteilungs-VO)
ETS	Emission Trading System
EU-ETS	EU Emission Trading System
FLAF	Family Burden Equalisation Fund
MIO-ES	Macroeconomic Input-Output Model with Integrated Energy System
N <sub>2</sub> O	Nitrous oxide
t	Tonne(s)
GHG	Greenhouse gas(es)
UBA	Environment Agency Austria (Umweltbundesamt)
WAM	With Additional Measures
WEM	With Existing Measures
WIFO	Austrian Institute of Economic Research (Österreichisches Institut für Wirtschaftsforschung)



## **Imprint**

Publisher and Owner:

Federal Ministry of Finance, Johannesgasse 5, 1010 Vienna

Authors: Federal Ministry of Finance (MoF/BMF)

Overall production: Directorate-General II, BMF

Vienna, 2025. Status: 23.12.2025. Corrected Version (20.02.2026)

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