

Austria outlook report

First quarter of 2025



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The objective of Austria's quarterly report is to provide a comprehensive and summarized overview of the main indicators of the country's banking sector, as well as the macroeconomic situation at the end of each quarter.

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International overview

Global growth is expected to remain modest in 2025, with inflation gradually easing across regions, yet downside risks persist amid financial tightening, geopolitical tensions, and fragile structural momentum in key economies.

Macroeconomic outlook

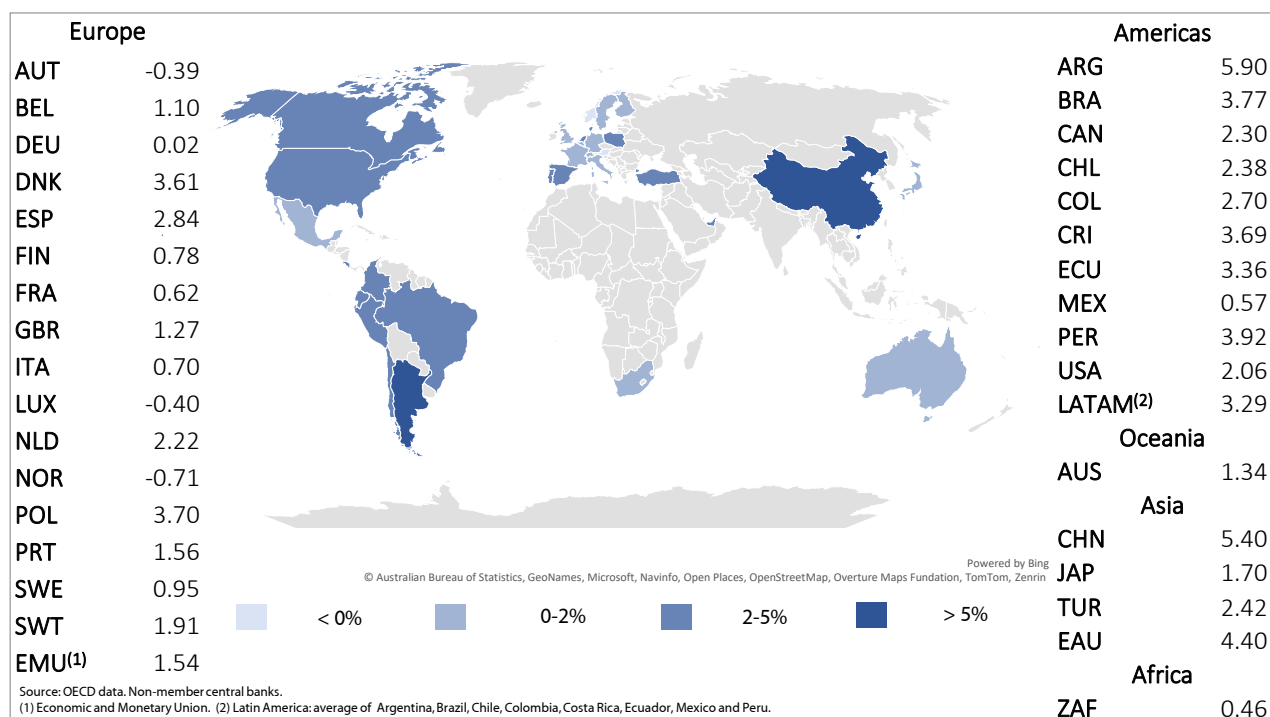
- ▶ The Eurozone experienced year-on-year growth of 1.54% in the first quarter of the year, continuing the upward trend observed in previous periods. Among the member states, Poland led the bloc with a growth rate of 3.70%, while Germany once again showed signs of economic weakness. The region's average CPI increased slightly to 2.34% compared to the previous quarter. Average unemployment in the region rose marginally to 6.30%, up from 6.20% in the prior quarter.
- ▶ The UK's GDP decreased to 1.27% in the first quarter of the year, declining compared to the previous quarter. However, the CPI increased to 4.50% and the unemployment rate also rose to 4.50%, 0.10 p.p. above the 4Q24 level.
- ▶ In the first quarter of 2025, U.S. GDP grew by 2.06%, reflecting a decrease of 0.47 p.p. compared to the previous quarter. Meanwhile, Canada recorded a growth rate of 2.30%, an increase of 0.40 p.p. from 4Q24. The growth rate in Latin America¹ reached 3.29% in 1Q25. As for inflation, the U.S. figure remained stable at 2.74%. The average inflation rate in Latin America was 3.14%, excluding Argentina. In terms of unemployment, the U.S. saw its unemployment rate decrease slightly to 4.10%, while Canada's rate remained steady at 6.60%. In Latin America, the average unemployment rate rose to 6.65%, an increase of 0.46 p.p. compared to the previous quarter. Colombia and Mexico were the only countries in the region that managed to reduce their unemployment rates over the same period.
- ▶ In the Asia region, China recorded a growth rate of 5.40% in the first quarter of 2025, maintaining the same level as in the previous quarter. Japan sustained a positive performance, reaching 1.70%, while Turkey showed slight improvement, with growth increasing to 2.42%. The inflation rate continued to decline in all three countries: -0.13% in China, 3.60% in Japan, and 39.71% in Turkey, reflecting the ongoing disinflation trend. Additionally, the unemployment rate remained stable in China (5.20%) and Japan (2.47%), while Turkey experienced a decrease to 8.27% compared to 4Q24.
- ▶ During the first quarter of 2025, South Africa's GDP grew slightly to 0.46%, up from 0.45% in the previous quarter. The unemployment rate remained high at 32.90%, having increased compared to 4Q24. In Australia, GDP increased slightly to 1.34%, compared to 1.25% in the fourth quarter. The CPI rose moderately to 2.40%, and the unemployment rate increased to 4.07%, up by 0.06 p.p. from the previous quarter.

Macroeconomic forecasts and key risks

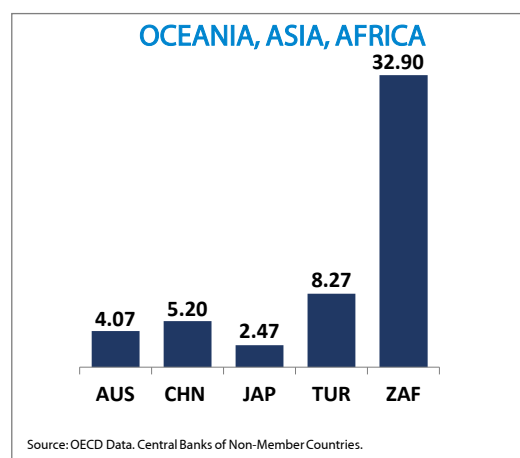
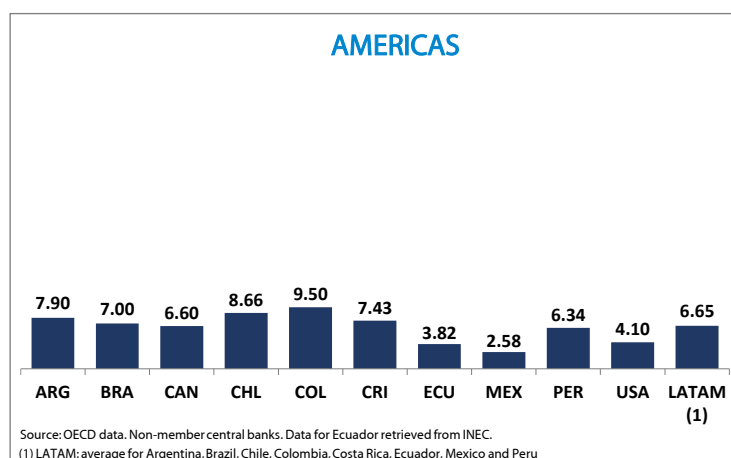
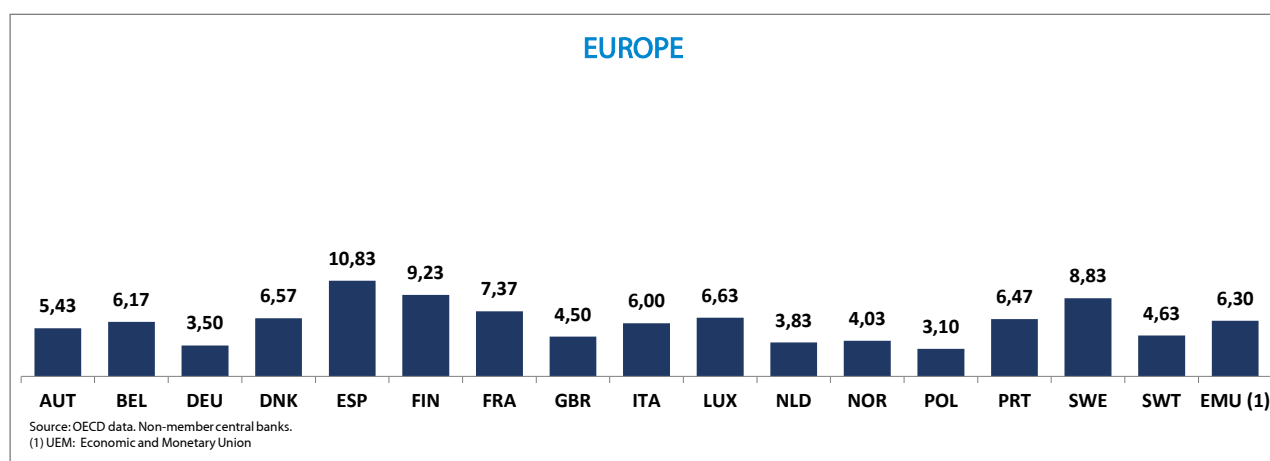
- ▶ The IMF projects global growth of 2.8% in 2025, rising to 3.0% in 2026. Spain leads among advanced economies with a forecast of 2.5%, well above the euro area average of 0.8%. The U.S. is expected to grow by 1.8%, supported by domestic demand. In Asia, India remains the fastest-growing major economy at 6.2%, followed by China at 4.0%. Latin America is projected to grow 2.0%, weighed down by contractions in key economies such as Mexico. While global inflation continues to ease due to falling energy prices, food prices are expected to rebound in 2025.
- ▶ Short-term risks vary across regions, with upside potential in the U.S. and Spain, and downside risks in areas affected by tighter financial conditions. In the medium term, risks remain mostly on the downside. Geopolitical tensions, trade fragmentation, and stricter credit conditions pose threats to future economic stability.
- ▶ The OECD, for its part, is somewhat more optimistic than the IMF, projecting global GDP growth of 3.1% in 2025 and 3.0% in 2026, driven by a recovery in consumption and investment in certain markets. For 2025, it expects U.S. growth at 2.2% and China at 4.8%, both higher than the IMF's projections. The forecast for the euro area (1.0%) is similar across both institutions. Regarding inflation, the OECD anticipates a gradual decline, though it warns that core inflation is likely to remain above target in many advanced economies.
- ▶ Both the IMF and the OECD identify trade fragmentation, tight monetary policy amid persistent inflation, and geopolitical tensions as the main threats to global growth. However, improved trade cooperation, political stability, and fiscal support could help recovery. The OECD also emphasizes the importance of structural reforms and strong international cooperation to reduce risks and boost long-term productivity.

¹ Latin America: average for Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru

GDP (% , year-on-year growth)

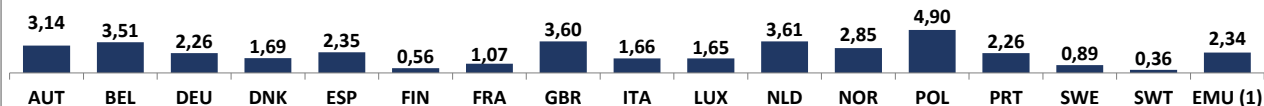


Unemployment rate (%)



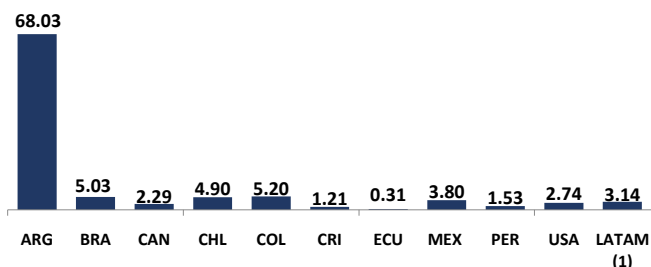
Inflation rate (%)

EUROPE



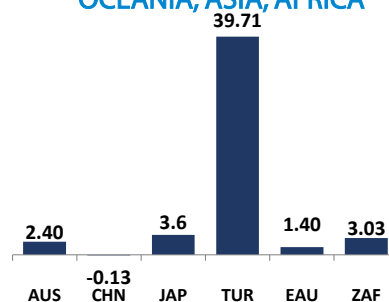
Source: OECD Data, Central Banks of Non-Member Countries.
(1) Economic and Monetary Union

AMERICAS



Source: OECD Data, Trading Economics, Central Banks of Non-Member Countries. Data for Ecuador retrieved from INEC.
(1) LATAM: average for Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, and Peru

OCEANIA, ASIA, AFRICA



Source: OECD Data, Trading Economics, Central Banks of Non-Member Countries

Global Ratings and Exchange Rates

LONG-TERM RATES 1Q25

	MOODY'S	S&P	Fitch
EUROPE			
BEL	Aa3	AA	AA-
DEU	Aaa	AAA	AAA
DNK	Aaa	AAA	AAA
ESP	Baa1	A	A-
FIN	Aa1	AA+	AA+
FRA	Aa3	AA-	AA-
ITA	Baa3	BBB+▲	BBB
LUX	Aaa	AAA	AAA
NLD	Aaa	AAA	AAA
NOR	Aaa	AAA	AAA
POL	A2	A-	A-
PRT	A3	A-	BBB+
GBR	Aa3	AA	AA-
SWE	Aaa	AAA	AAA
SWT	Aaa	AAA	AAA
AUT	Aa1	AA+	AA+▲
AFRICA			
ZAF	Ba2	BB-	BB-
OCEANIA			
AUS	Aaa	AAA	AAA
ASIA			
CHN	A1	A+	A+
JAP	A1	A+	A
TUR	B1	BB-	B
AMERICAS			
ARG	Caa3▲	CCC	C
BRA	Ba1	BB	BB-▼
CAN	Aaa	AAA	AA+
CHL	A2	A	A-
COL	Baa3▼	BB▼	BB+
CRI	Ba3	BB-	BB-
ECU	Caa3	B-	B-
MEX	Baa2	BBB	BBB-
PER	Baa1	BBB-	BBB
USA	Aa1▼	AA+	AAA

▲ Increased from 4Q24

▼ Decreased from 4Q24

Source: Investing

EXCHANGE RATES 1Q25 (\$1)

EUROPE	1Q24	2Q24	3Q24	4Q24	1Q25	2025
EUR	0,92	0,93	0,91	0,94	0,95	0,95
CHF	1,14	0,90	0,87	0,88	0,90	0,89
DKK	6,87	6,93	6,79	7,00	7,09	7,08
NOK	10,51	10,75	10,70	11,02	11,06	11,16
SEK	10,39	10,68	10,42	10,78	10,67	10,98
GBP	0,79	0,79	0,77	0,78	0,79	0,79
PLN	3,99	3,99	3,90	4,03	3,99	4,12
AMERICAS	1Q24	2Q24	3Q24	4Q24	1Q25	2025
ARG	833,91	885,25	940,59	999,45	1055,17	998,25
BRL	4,95	5,21	5,55	5,84	5,85	5,79
CLP	945,96	933,72	903,11	963,71	962,48	973,93
COP	3.913,15	3.923,29	4.904,54	4.348,68	4.188,90	4.484,94
PER	3,74	3,73	3,47	3,75	3,70	3,81
MXN	16,97	17,23	18,93	20,07	20,41	20,41
AFRICA	1Q24	2Q24	3Q24	4Q24	1Q25	2025
ZAR	18,87	18,56	17,97	17,90	18,48	18,21
OCEANIA	1Q24	2Q24	3Q24	4Q24	1Q25	2025
AUS	1,52	1,52	1,49	1,53	1,59	1,55
ASIA	1Q24	2Q24	3Q24	4Q24	1Q25	2025
RMB	7,19	7,24	7,16	7,19	7,27	7,23
TRY	30,90	32,35	33,50	34,52	36,22	34,33

Source: Investing, OECD projections, June 2025.

(1) The base currency used is the U.S. dollar against each local currency quoted

2. Macroeconomic view

At the start of 2025, some economic pressures began to ease; however, output remained stagnant following three consecutive years of recession. High inflation, fiscal tightening, and global uncertainties shaped a fragile path forward. While there were signs of stabilization, the expectation was that a robust rebound would take longer to materialize.

Main Macroeconomic Indicators (%)

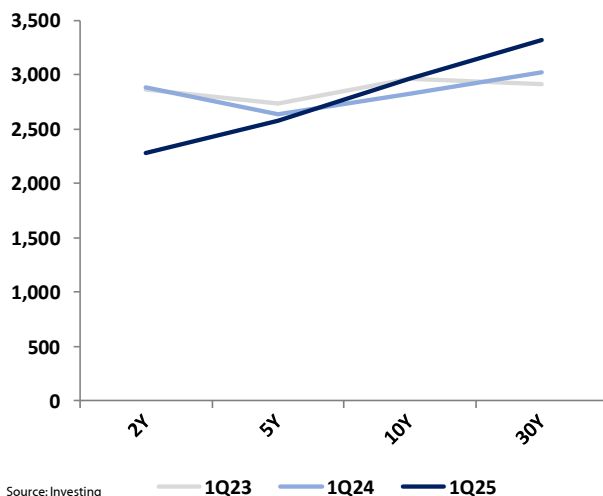
ACTIVITY	1Q24	2Q24	3Q24	4Q24	1Q25	Var. p.p.4Q24	Var. p.p.1Q24	2025	2026
GDP	-1.62	-1.59	-0.93	-0.41	-0.39	0.02	1.23	-0.32	1.02
DOMESTIC DEMAND	-2.78	-2.55	-0.17	1.86	1.26	-0.60	4.04	0.96	1.35
HOUSEHOLD CONSUMPTION	-0.10	-0.50	0.40	1.60	0.70	-0.90	0.80	0.56	1.41
PUBLIC CONSUMPTION	1.00	1.40	1.40	2.20	4.00	1.80	3.00	1.38	0.96
CAPITAL FORMATION	-4.40	-2.10	-0.90	-1.50	-0.70	0.80	3.70	0.00	1.48
EXTERNAL DEMAND									
EXPORTS	-5.00	-3.90	-2.90	-2.50	-2.70	-0.20	2.30	-0.90	2.00
IMPORTS	-7.00	-5.50	-1.70	1.30	0.00	-1.30	7.00	0.74	1.60
INFLATION									
CPI	4.29	3.25	2.34	1.91	3.14	1.23	-1.15	3.00	1.92
LABOR MARKET									
UNEMPLOYMENT RATE	4.90	5.10	5.37	5.40	5.43	0.03	0.53	5.24	5.16
EMPLOYMENT ⁽¹⁾	0.15	-0.02	0.03	-0.13	-0.19	-0.06	-0.34	0.08	0.25

(1) The employment variable represents the year-on-year change in employment growth

Source: quarterly data extracted from the Organization for Economic Cooperation and Development (OECD) as of June 23rd, 2025. The series for the other quarters have also been updated in the database as of June 23rd, 2025, to ensure consistency. OECD projections, June 2025

- ▶ Austria remained in its third consecutive year of recession, with GDP growth at -0.39% in 2025. Austria recorded the deepest recession of all EU countries. Although some leading indicators showed promising signs, the economy was still not gaining real momentum, mainly due to the decline in industrial production in the euro area. A meaningful recovery is now postponed to 2026.
- ▶ The budget deficit remains elevated, with weak tax revenue and high unemployment-related spending limiting fiscal gains. A €4 billion consolidation plan is under way, but its GDP impact is minimal. The deficit is still projected well above Maastricht limits.
- ▶ Inflation stood at 3.14% in 1Q25. The surge was driven by elevated energy costs and persistent services inflation. This complicated the policy landscape and delays convergence with ECB targets.
- ▶ Despite continued economic contraction, unemployment remained stable at 5.43%, defying previous expectations of a rise. This suggested structural labor resilience and strong absorption in certain sectors. However, employment declined, and job creation turned negative, while the unemployment rate edged up slightly, reflecting growing labor market weakness.

Treasury Yield Curves Rates (%)

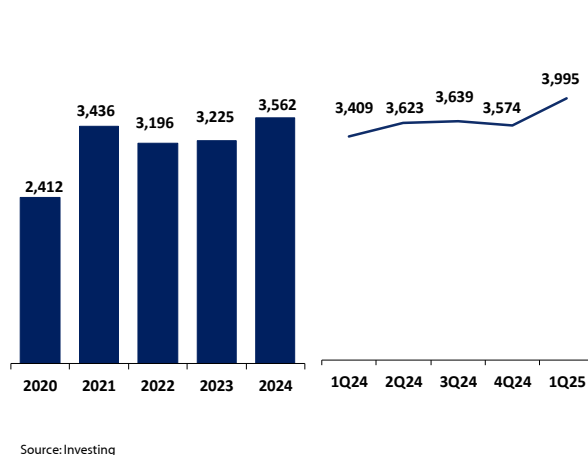


Note: Qualitative information extracted from the Austrian Central Bank

ATX

Annual Average

Quarterly average



3. Banking sector

Austria's banking sector is stable and well-capitalized, with strong buffers, but faces profitability pressures from a slowing economy and normalizing rates. Credit growth continues to fall, and while asset quality is solid, risks from real estate and the European outlook remain.

BANKING SECTOR CONTEXT 1Q25 (%)							
BUSINESS ⁽¹⁾	1Q24	2Q24	3Q24	4Q24	1Q25	Var p.p. 4Q24	Var p.p. 1Q24
TOTAL LOANS	-1.90	-1.44	-2.39	-0.97	-3.67	-2.70	-1.77
TOTAL DEPOSITS	-5.68	-2.12	-0.88	0.46	1.27	0.81	6.95
LTD RATIO	113.35	111.71	110.18	108.55	107.82	-0.73	-5.53
EFFICIENCY							
COST/INCOME RATIO	51.00	51.00	48.60	49.60	50.30	0.70	-0.70
EU AVERAGE	54.61	53.23	52.60	53.80	52.80	-1.00	-1.81
RISK							
NPL RATIO	2.70	2.70	2.30	2.40	1.90	-0.50	-0.80
EU AVERAGE	1.86	1.86	1.90	1.90	1.60	-0.30	-0.26
COVERAGE RATIO	41.70	42.90	42.30	41.00	40.20	-0.80	-1.50
EU AVERAGE	41.80	42.00	41.60	41.20	41.40	0.20	-0.40
SOLVENCY							
CET 1	16.30	16.70	16.30	16.30	16.90	0.60	0.60
LEVERAGE RATIO	7.10	7.40	7.40	7.30	7.40	0.10	0.30
LCR	164.80	166.90	168.30	168.40	167.20	-1.20	2.40
ECB INTEREST RATE							
INTEREST RATE	4.50	4.25	3.65	3.15	2.65	-0.50	-1.85

Source: European Banking Authority (EBA) and Austrian National Bank

(1) The values for loans and deposits reflect their year-on-year growth rates

- ▶ In the 1Q25, business activity showed a mixed performance between loans and deposits. In a context of moderate credit demand and still tight financing conditions, total loans fell by 3.67% compared to the previous quarter (-2.70 p.p.), deepening the contraction observed at the end of 2024. In contrast, total deposits increased by 1.27% (+0.81 p.p.), driven by higher retail inflows and a shift toward more attractive term deposits, contributing to a reduction in the loan-to-deposit ratio to 107.82%.
- ▶ In terms of efficiency, the cost-to-income ratio stood at 50.30%, an increase of 0.70 p.p. versus 4Q24, although it remains below the European average (52.80%). This uptick reflects a slight contraction in net interest income and higher operating expenses associated with investments in digitalization and regulatory compliance.
- ▶ Risk indicators showed improvements in credit quality. The NPL ratio fell to 1.90% (-0.50 p.p.), supported by sales of non-performing loan portfolios and a partial recovery in certain corporate sectors. However, the coverage ratio declined to 40.20% (-0.80 p.p.), reflecting a lower provisioning buffer over non-performing exposures, in line with the decrease in NPLs and more selective provisioning policies.
- ▶ Regarding solvency, the CET1 capital ratio reached 16.90%, supported by profit retention and prudent management of risk-weighted assets, while the leverage ratio improved slightly to 7.40%. The LCR fell to 167.20 (-1.20 p.p.) but remains well above regulatory requirements.
- ▶ On the macroeconomic front, the ECB cut its rate by 50 bps to 2.65%, starting a more accommodative cycle to counter moderating inflation and slower growth. This is easing funding costs and could support credit demand later in the year, though recovery prospects remain uncertain.

4. Glossary

- ▶ **ANB:** Austrian National Bank.
- ▶ **ATX (Austrian Traded Index):** The benchmark stock index of Austria, comprising the largest and most actively traded companies listed on the Vienna Stock Exchange. It is free-float market capitalization-weighted and serves as the key indicator of the Austrian equity market's performance.
- ▶ **BUSINESS VOLUME:** The business volume is the set of activities that generate income for a bank, formed by financing (loans) plus customer resources (deposits).
- ▶ **CET 1:** Common Equity Tier 1 capital is the highest quality of regulatory capital, as it absorbs losses immediately when they occur.
- ▶ **CPI:** The consumer price index is an indicator that measures the variation of prices of a basket of goods and services in a specific location during a certain period of time.
- ▶ **COST-TO-INCOME RATIO:** It is a ratio that measures the productivity of an entity. It is the result of the quotient between operating expenses and gross margin. In other words, it relates the income obtained with the expenses necessary for its achievement. As a conclusion, an entity will be more efficient the lower its efficiency ratio.
- ▶ **COVERAGE RATIO (NPL):** The NPL Coverage Ratio is a financial metric that indicates the ability of a bank or financial institution to absorb the potential losses associated with its Non-Performing Loans.
- ▶ **COVERAGE RATIO (NPE):** The NPE Coverage Ratio is a financial metric that measures the ability of an entity (usually a bank) to cover its Non-Performing Exposure (NPE) with provisions.
- ▶ **GDP:** Gross Domestic Product is an economic indicator that reflects the monetary value of all final goods and services produced by a territory in a certain period of time. It is used to measure the wealth generated by a country.
- ▶ **GM/ATAs:** Gross Margin / Average Total Assets. Gross margin is composed of the set of revenues generated by a financial entity in its activity.
- ▶ **LEVERAGE RATIO:** The Tier 1 leverage ratio measures a bank's core capital relative to its total assets. The numerator consists of the most stable and liquid capital, as well as the most effective at absorbing losses during a financial crisis or recession. The denominator is a bank's total exposures, which include its consolidated assets, derivative exposures and certain off-balance sheet exposures.
- ▶ **LCR (Liquidity Coverage Ratio):** This ratio measures a bank's liquidity. It is calculated as the institution total liquid assets divided by its short-term obligations.
- ▶ **LTD RATIO:** The loan-to-deposit ratio (LDR) is used to evaluate a bank's liquidity by comparing the total loans of a bank with the total deposits during the same period.
- ▶ **NON-PERFORMING LOANS (NPL) RATIO:** The non-performing loan (NPL) ratio is an indicator used to measure the volume of operations that have been considered non-performing, in relation to the volume of loans and credits granted by said entity.
- ▶ **OE/ATAs:** Operating Expenses / Average Total Assets. Operating expenses are those that an entity incurs during the exercise of its activity.
- ▶ **OECD:** Organization for Economic Cooperation and Development.
- ▶ **p.p.:** Percentage points.
- ▶ **ROA:** An indicator that measures the profitability of a company in relation to its total assets. It indicates the return that is being obtained for its assets. It is calculated as the quotient between profit and total assets. The profit used is that obtained before taxes and interests.
- ▶ **ROE:** Financial profitability is also known as return on equity, which relates the net profits obtained in a given investment operation with the own resources.

5. Appendix

MACROECONOMIC OVERVIEW

- ▶ OECD : <https://data.oecd.org/>
- ▶ Investing: <https://www.investing.com/>
- ▶ IMF: <https://www.imf.org/>

ACRONYMS

▶ DEU - Germany	▶ LUX - Luxembourg	▶ TUR - Turkey	▶ ECU - Ecuador	▶ ZAF - South Africa
▶ BEL - Belgium	▶ NLD - Netherlands	▶ ARG - Argentina	▶ MEX - Mexico	▶ EMU - Economic and Monetary Union
▶ DKN - Denmark	▶ NOR - Norway	▶ BRA - Brazil	▶ PER - Peru	▶ AUT - Austria
▶ ESP - Spain	▶ POL - Poland	▶ CAN - Canada	▶ USA- United States	▶ SWT - Switzerland
▶ FIN - Finland	▶ PRT - Portugal	▶ CHL - Chile	▶ AUS - Australia	▶ LATAM - Latin America
▶ FRA - France	▶ GBR- United Kingdom	▶ COL - Colombia	▶ CHN - China	▶ UAE - United Arab Emirates
▶ ITA - Italy	▶ SWE - Sweden	▶ CRI - Costa Rica	▶ JAP - Japan	

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