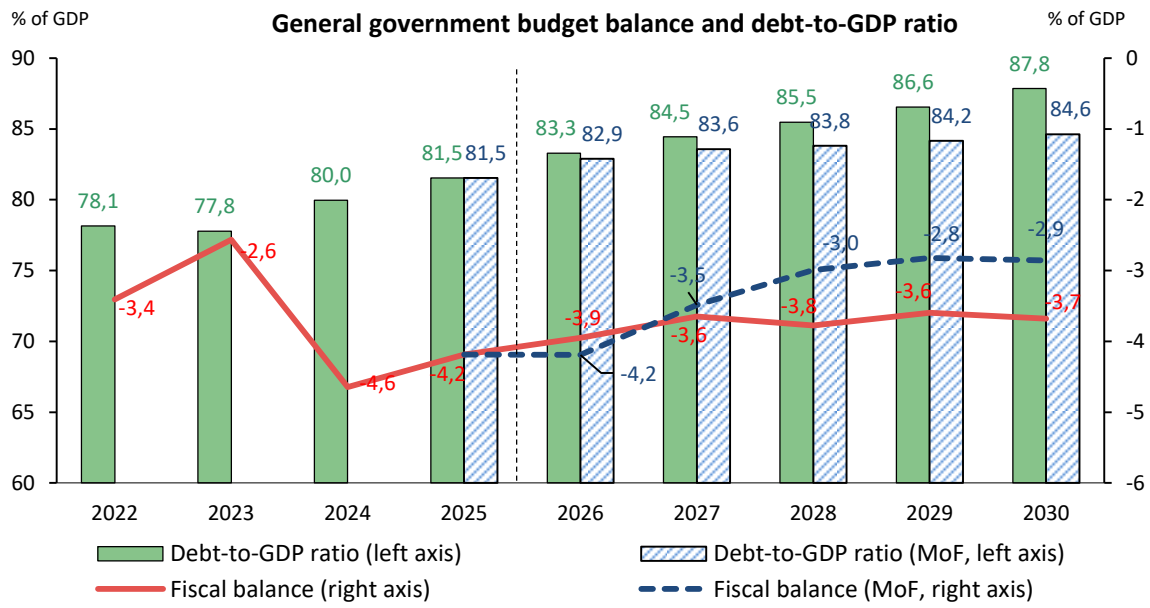


EXECUTIVE SUMMARY (JUNE 2026)

- Austria's public finances remain strained despite the planned consolidation measures, as high expenditure, weak economic growth and new relief measures are putting pressure on the budget. While the general government deficit will fall to 3.9% of GDP in 2026 and to 3.6% in 2027, it will remain at a high level throughout the forecast horizon.
- Austria will comply with the net expenditure path of the EU fiscal framework in all years except for 2028. Nevertheless, the deficit will be well above the 3% Maastricht threshold in 2028, according to the forecast of the Fiscal Advisory Council, which is why we assume an extension of the excessive deficit procedure.
- The federal government's two-year budget for 2027 and 2028 and the measures included in the government programme envisage a substantial reduction of the deficit. However, there are several cost-enhancing factors working against the consolidation efforts. These include, above all: rising expenditure on healthcare, long-term care and pensions, all associated with an ageing population; rising interest payments; and additional defence spending on account of the geopolitical situation.
- The economic outlook is subject to a high degree of uncertainty because of the war in the Middle East. Weaker growth and higher inflation imply upside risks to the fiscal path. If inflation turns out higher, indexed social benefits will put further pressure on the budget. The planned consolidation measures will result in considerable savings: The net consolidation volume (after the deduction of stimulus and relief measures) will amount to EUR 6.7 billion in 2026, EUR 9.2 billion in 2027 and EUR 10.7 billion in 2028, according to the Fiscal Advisory Council forecast, with the measures envisaged in the two-year budget contributing EUR 1.2 billion in 2027 and EUR 1.7 billion in 2028.
- The consolidation targets will largely be achieved through less expenditure. At the same time, structural expenditure growth remains at a –broadly unchanged– high level. Also, the reduction of employers' contributions to the Family Burden Equalization Fund significantly mitigates the budgetary impact of revenue-based measures in the 2027-28 budget.
- The debt-to-GDP ratio continues to rise: In 2025, it once again exceeded the 80% mark, by 2030 it will have climbed to 87.8% of GDP. For the debt-to-GDP ratio to stabilise, the government would need to achieve an average deficit of 2.5% of GDP from 2026 to 2030.
- The federal government, including social security institutions, will breach the national fiscal rules from 2027 on, and regional and local governments will do so in 2027 and 2028. This is the result of the Fiscal Advisory Council's first separate fiscal forecast for each level of government.
- The Austrian Ministry of Finance's current strategy report is much more optimistic about the consolidation path than the Fiscal Advisory Council's forecast. The strategy report anticipates that the deficit will drop to 3.0% of GDP by 2028 and remain in compliance with the 3% threshold in the subsequent years, while we expect a deficit of 3.8% of GDP in 2028. Consistent with that, we see the debt ratio at 87.8% of GDP in 2030, a level significantly above the 84.6% forecast in the strategy report.



Source: Statistics Austria und FISK spring forecast 2026.

